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**RESTRUCTURING AGRICULTURE AND AGRIBUSINESS:
PRIVATE SECTOR PROGRAM FOR POLAND
COOPERATIVE AGREEMENT NO. EUR-0024-A-00-2042-00**

MID-TERM EVALUATION REPORT

11 JULY -- 25 AUGUST 1994

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RAAPS MID-TERM EVALUATION

PREFACE

The Evaluator expresses his appreciation for the cooperation he received in conducting this evaluation. He chooses not to identify individuals by name to avoid inadvertently missing some. Rather he emphasizes that representatives and officers of each of the consortium partners -- Land O'Lakes (LOL), Sparks Companies, Inc. (Sparks), American Trust for Agriculture in Poland/Foundation for the Development of Polish Agriculture (ATAP/FDPA), Center for International Food and Agricultural Policy/University of Minnesota (UMN) -- extended every courtesy, beyond the requisite. Questions were answered, information and data were provided in a timely manner, and key contacts were facilitated.

The travel and interview arrangements made by LOL in Poland made it possible to complete a tight schedule in the allotted time. Annex F. Persons Contacted/Interviewed, provides an indication of the number of interviews made possible through the cooperation of consortium partners in Poland as well as the efforts of key professors in the Agricultural University of Krakow and the University of Olsztyn.

Agency for International Development (A.I.D.) officials in Washington and in Warsaw took time to discuss the evaluation and their expectations at the beginning and conclusion of the evaluation.

For all of these courtesies, the Evaluator is grateful.

The opinions expressed in this report do not necessarily reflect the position of any of the consortium partners, their colleagues in Poland, or of A.I.D. The Evaluator presents his perception of the project, its implementation, and its potential. The reader may not share the Evaluator's point of view.

Since only LOL and A.I.D. have had the opportunity to review and comment on the first draft of the Evaluation Report, the Evaluator invites the other consortium partners to document their comments in writing to LOL so that it can include them as an addendum to the report. This is particularly important if there are any substantive disagreements; otherwise the next evaluators may assume that everyone accepted the findings, conclusions and recommendations of the current evaluation without question. This invitation applies to LOL and A.I.D., as well.

RAAPS MID-TERM EVALUATION

EXECUTIVE SUMMARY

On March 31, 1992, the Agency for International Development (A.I.D.) awarded a cooperative agreement to Land O'Lakes (LOL), authorizing a total of \$4,570,858 for the Polish component of the overall Central and Eastern Europe Restructuring Agriculture and Agribusiness Project (CEE/RAAP). LOL was designated as the lead organization of a consortium consisting of LOL, American Trust for Agriculture in Poland (ATAP), ATAP's Polish counterpart -- Foundation for the Development of Polish Agriculture (FDPA), University of Minnesota (UMN), and Sparks Companies, Inc. (Sparks). The consortium had presented its proposal on August 29, 1991, describing how it would implement the Polish component of RAAP.

This RAAP component was designated "Restructuring Agriculture and Agribusiness: "Private Sector Program for Poland" (RAAPS). Having had previous experience working together in Poland the consortium partners believe they offered A.I.D. an attractive strategy for implementing RAAP in Poland.

In the absence of a goal and purpose statement in the proposal, the cooperative agreement restated the broad goal and purpose of the CEE/RAAP encompassing Central and Eastern Europe: "...to assist in the restructuring and privatization of agriculture and agribusiness in Central and Eastern Europe to make them globally competitive ... to improve and strengthen the ability of East European entrepreneurs and cooperatives to operate an open market system in the agricultural sector."

While the original project proposal did not state a specific goal or purpose, it provided a brief but comprehensive strategy and listed qualitative and quantitative indicators for measuring the project; the latter, in lieu of a logical framework. A.I.D. was so pressed to get the overall project approved, funded, and implemented that it did not follow the usual procedure of demanding full project documentation -- PID, PP, LOGFRAME, etc.

As the consortium began implementing the project, Management became increasingly aware of the need to revise and simplify it -- too many training topics, too broad an agribusiness base. A.I.D. was pressing for a more focused project. The Chemonics evaluation in 1993 raised questions regarding the project, including the lack of a logical framework and explicit quantifiable measures.

Following an internal project evaluation at the conclusion of Year One, LOL and the consortium prepared Year Two Work Plan which addressed many of the stated concerns. It included a logical framework with requisite targets and anticipated achievements.

The work plan introduced a more explicit goal/purpose statement: "...to increase the level of competition, efficiency and productivity of Polish agriculture in a free market economy...to

assist firms in the food processing and agricultural input sectors to become efficient, productive and financially viable."

Although some changes were introduced, the roles of the original consortium members remain the same. Basic training and technical assistance instruments were not replaced or modified. Training topics for agribusiness leaders were narrowed to essentially two: agribusiness management and agribusiness marketing (with some exceptions). Four subsectors were selected for project technical assistance concentration: meat, grain, and fruit and vegetable processing and input supply (fertilizer, seed).

Training, limited to short-term courses and workshops in the U.S. and Poland, is provided at two levels:

- 1) Key Polish university professors receive training in agricultural and agribusiness topics at the UMN in Minnesota and/or at either the Agricultural University of Krakow (U/K) or the University of Olsztyn (U/O). Course outlines, new curricula, and case studies are jointly produced for the benefit of Polish agribusiness professors.

- 2) Selected Polish business persons receive training or intermshis in the U.S. at Sparks or LOL headquarters and/or in Poland at either U/K or U/O.

Technical assistance is also provided at two levels:

- 1) Sparks and LOL work with two consulting groups organized by key U/K and U/O professors, providing them with technical skills in the design and delivery of technical assistance to agribusinesses, and in preparing business plans for them.

- 2) Sparks, FDPA, LOL together with the two consulting groups, provide intensive technical assistance to selected businesses leading to the preparation of business plans for some, coupled with follow-up and monitoring.

In keeping with the Self-Evaluation Plan, LOL contracted a consultant to conduct a mid-term evaluation. The timeframe was 27 days, including two weeks in Poland, to be initiated on July 11, 1994 and completed by August 25, 1994.

The stated purpose of the Evaluation is: "...to assess the extent to which Land O'Lakes and its project partners have achieved the objectives of the Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (RAAPS)."

The Evaluator was specifically requested to examine and assess the management of the project, the methodology employed in implementing the project, the training and technical assistance provided in the project. The Evaluator was also requested to select at least four agribusinesses and prepare case studies detailing project technical assistance interventions and results, observed and/or anticipated.

The Evaluator chose five agribusinesses: HIS (a meat processing enterprise), Radom Seed Center (propagation and sale of seeds), Olsztynek (a food processing company), Niedzwiedski Farm (a multi-purpose agricultural production and food processing enterprising), Ciechanow Seed Center (propagation and sale of seeds).

The case studies are presented in Annex C. Each business has received a Business Plan in 1994, some as recently as July. Given the short time period it was not possible to identify and trace major changes specifically attributable to project assistance. However, it is apparent that each business was actively involved in the technical assistance process leading to the preparation of the business plan and joined in selection of key business goals.

While initially some aspects of the project were rather ambiguous, the project is moving ahead more effectively as it approaches the completion of Year Two. LOL and the consortium partners cooperate and coordinate activities, facilitating efficient implementation of the project. The Evaluator interviewed a cross section of training participants -- Polish professors and agribusiness leaders. Their responses indicate a degree of seriousness and dedication and, with only one minor exception, the ability to grasp key concepts and apply them in their businesses or professions.

By July 1994, training/technical assistance totaled:

- 19 Polish professors trained in the U.S. at UMN
- 33 workshops in Poland for 718 agribusiness persons
- 29 agribusiness persons trained in U.S. (Sparks &/or LOL)
- 14 agribusiness persons received internships in U.S.
- 16 Business Plans completed, 14 more in process

The Evaluator was hard pressed to find any major deficiencies or problems in project management or implementation. However, he made a few recommendations regarding some operational procedures. The two which he feels justify dialogue in the consortium are:

1. The consortium should explore the possibility of requiring project beneficiaries to enter into a contractual arrangement which specifies the obligations of the provider and the recipient. The service could still be free, or beneficiaries could be requested to cover some specific costs. This would expose beneficiaries to a learning process regarding contractual negotiations for business services and their true market value.

2. While LOL has significantly improved its monitoring and evaluation system, it could make further improvements utilizing some of the measurement instruments included in the Business Plans. This would move the LOL system beyond the rudimentary level of counting number of training events, participants trained, or business plans completed.

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**MID-TERM EVALUATION
11 JULY -- 25 AUGUST 1994**

PART ONE: BACKGROUND

A. THE PROJECT

1. The Consortium

In the late Summer of 1991, four organizations with prior experience working together in Poland, were apprised of an imminent announcement by the Agency for International Development (A.I.D.). The Bureau for Central and Eastern Europe was planning a major endeavor -- Restructuring Agriculture and Agribusiness Project -- to assist key countries in restructuring and privatizing their industrial base, with emphasis on the agribusiness component.

The interested parties -- Land O'Lakes (LOL), Center for International Food and Agricultural Policy of the University of Minnesota (UMN), American Trust for Agriculture in Poland (ATAP), and Sparks Companies, Inc. (Sparks) -- determined that the proposed project incorporated elements which could make a real contribution to the economic development of Poland, particularly its agribusiness sector. They further agreed that together they represented the components of a consortium with the ability to interpret and implement the project in Poland -- an agribusiness, an agribusiness consulting firm, a Polish-interest PVO (Private Voluntary Organization), and an academic institution center devoted to international food and agricultural policy --all with international expertise. Together they had previously cooperated in economic development activities in Poland.

On August 29, 1991, the four organizations presented a proposal which described their view of the manner in which the project could best be implemented in Poland, offering to implement it on behalf of A.I.D. ATAP delegated its implementing responsibilities to its Polish counterpart, FDPA (Foundation for the Development of Polish Agriculture). LOL was identified as lead organization.

A.I.D. awarded LOL a cooperative agreement (EUR-0024-A-00-2042-00) on March 31, 1992, designating it as the prime recipient on behalf of the consortium (LOL, UMN, Sparks, ATAP), and listing FDPA as the principal Polish counterpart organization. Funds authorized for the project totaled \$4,570,858, with an initial obligation of \$800,000. The cooperative agreement has been amended three times (July 30, 1992; June 16, 1993; August 16, 1993) to progressively increase the obligation from \$800,000 to \$2,998,555. No other changes have been made in the original cooperative agreement.

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2. Project Description

The cooperative agreement incorporated, by reference, the consortium's proposal, making it a part of the official, legal description of the project. The Polish component of the overall RAAProject was titled: "Restructuring Agriculture and Agribusiness Project: Private Sector Program in Poland."

In lieu of the absence of a specifically stated goal and purpose in the project proposal, the cooperative agreement assigned RAAPS/Poland the overall Central and Eastern Europe project goal and purpose:

Goal: to assist in the restructuring and privatization of agriculture and agribusiness in Central and Eastern Europe to make them globally competitive;

Purpose: to improve and strengthen the ability of East European entrepreneurs and cooperatives to operate an open market system in the agricultural sector.

A.I.D. used Polish-specific language to enhance the purpose and sketch project strategy:

"The Cooperative Agreement will further the restructuring and privatization of agriculture/agribusiness through training of selected Polish business firms in the United States. These training opportunities plus follow-on technical assistance will enhance the skills of the Polish (sic) in agribusiness as well as enhance the knowledge of U.S. counterpart firms in the Polish agribusiness environment."

Analyzing and comparing the project proposal and the "Program Description" in the cooperative agreement with the two work plans - Year One (September 11, 1992) and Year Two (October 29, 1993) -- it is apparent that the project has passed through an evolutionary process.

For instance, by Year Two Work Plan, the consortium had redefined and refocused both project goal and purpose:

Goal: to increase the level of competition, efficiency and productivity of Polish agriculture in a free market economy.

Purpose: to assist firms in the food processing and agricultural input sectors to become efficient, productive and financially viable.

This is indicative of the narrower, more streamlined, current nature of the project.

The roles of the original consortium members remain the same. The

training and technical assistance instruments are essentially those outlined in the original proposal. The most significant changes have been in reducing the number of training topics, in zeroing in on only four subsectors (meat, grain, and fruit and vegetable processing and input supply -- mainly fertilizer and seed) and in working with agribusinesses which are fully private or are in the process of privatizing.

Initially, it had been contemplated that the project would select a few State-owned businesses and assist them through the privatization process. It was felt this would require substantial legal expertise and would be time consuming. Project resources could be better focused on agribusinesses ready for assistance in developing a competitive edge in a free market economy.

A.I.D. accepted and approved the two annual work plans. Thus the evaluation base is Year Two Work Plan. It is the most current description of the nature, thrust and objectives of the project.

Training is limited to short-term courses and workshops in the U.S. and in Poland. Training is provided at two levels:

- 1) Polish university professors (agriculture and agricultural economics faculties) are enrolled in short-term courses and workshops in the U.S. at the University of Minnesota and in Poland at either the Agricultural University of Krakow or the University of Olsztyn. The topics addressing key agricultural and agribusiness problems and concerns are the result of joint consultations between the three universities.

- 2) Selected Polish business persons are provided short-term training opportunities, including a few internships, in the U.S., usually at Sparks headquarters in Memphis, or at LOL in Arden Hills, MN, and/or in Poland, usually at either of the two participating universities. While a variety of topics were originally planned, currently training is concentrated on agribusiness management and agribusiness marketing.

Technical assistance is also provided at two levels:

- 1) Sparks and LOL guide and assist key Polish professors who have been licensed to provide business services in developing consulting skills -- analysis of the fiscal, managerial, operational and marketing status of businesses selected for intensive technical assistance; provision of technical assistance; and preparation of business plans.

- 2) Sparks, FDPA, and LOL, in conjunction with the trained Polish professors, organized as consulting groups in Krakow and in Olsztyn, provide intensive technical assistance to selected businesses leading to the preparation of business plans for some of these, coupled with follow-up and monitoring.

These training and technical assistance activities are further discussed under Part Two: Findings, Subsections C and D -- Training and Technical Assistance, respectively.

B. THE EVALUATION

1. Purpose

The Evaluation Scope of Work (Annex A) states the purpose:

"...to assess the extent to which Land O'Lakes and its project partners have achieved the objectives of the Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (RAAPS)."

The original project proposal indicated that "...at the end of first and second grant years, the consortium proposes to undertake an evaluation, augmented with outside evaluators..." An internal evaluation was undertaken at the conclusion of Year One. It provided the basis for the refinement of the project, described in Year Two Work Plan. The current evaluation is the one indicated for the conclusion of Year Two. The project was also evaluated in conjunction with the other RAAP project components in other CEE countries in the Spring of 1993.

The timeframe was 27 days, including two weeks in Poland, to be initiated on July 11, 1994 and completed by August 15, 1994.

2. Methodology

The methodology employed in this evaluation, more fully described in Annex B, Evaluation Methodology, is responsive to the specifications listed in the Scope of Work (Annex A). This subsection summarizes Annex B.

Two sets of evaluation tools were employed: document research (see Annex E. Documents Reviewed) and dynamic research -- individual and group interviews (see Annex F. Persons Contacted/Interviewed).

Project-specific documents (proposal, cooperative agreement, work plans, reports, business plans, etc.) and background reports and information were analyzed. Critical information was extracted for use in interviews and in preparing the evaluation report.

Dynamic research involved group and/or individual interviews and observation. Interviewees included key consortium players (LOL, UMN, FDPA, Sparks), project beneficiaries (trainees and/or recipients of TA), and USAID officials in Washington and in Poland.

These interviews provided the insight needed to assess working relationships and, to the extent possible, the behavioral changes being achieved by the clients with project assistance.

PART TWO: FINDINGS

Subsections A through D, which follow --

Management,
Methodology,
Training,
Technical Assistance --

summarize the tasks involved in conducting the Evaluation, as specified in the Scope of Work, (page 2, III. Statement of Work, B. Tasks). Subsection E -- Case Studies -- could be included in Subsection D, Technical Assistance. The requisite case studies assignment is, in fact, listed under that task in the Scope of Work. However, given the importance assigned to the case studies, the Evaluator felt it proper to place them in their own subsection, which summarizes and refers to the actual case studies, entered as Annex C.

A. MANAGEMENT

Land O'Lakes (LOL), as the prime recipient of the cooperative agreement, has the primary, overall responsibility for project management. The Consortium members -- American Trust for Agriculture in Poland (ATAP), Center for International Food and Agricultural Policy/University of Minnesota (UMN), and Sparks Companies, Inc. (Sparks) -- share this responsibility with LOL, which, in turn, coordinates their and its own inputs to the project. This management activity takes place at the consortium level. There are subagreements with each of the consortium members which define the respective roles and responsibilities of the various project implementers.

At the project beneficiary/client level in Poland, management responsibility is shared by LOL with the Foundation for the Development of Polish Agriculture (FDPA), the counterpart NGO (Non-governmental Organization) of ATAP in Poland, with whom it has fraternal ties. The subagreement with ATAP subsumes the operational relationship between LOL and FDPA in Poland.

The University of Olsztyn (U/O) and the Agricultural University of Krakow (U/K), are also involved in project management at the beneficiary/client level in Poland, specifically in the co-planning and provision of training and technical assistance to selected business clients and in the co-preparation of Business Plans for some of these. Respective roles and responsibilities are spelled out in subagreements between the Polish universities and LOL.

It is instructive to note that the two Polish universities, which participate in this project and are co-managers with LOL and Sparks of technical assistance and training provided to business clients, are themselves project beneficiaries. Key faculty members receive

customized training in courses conducted by University of Minnesota professors in Minneapolis and in Poland.

Overall LOL project management is delegated to the Project Manager, in LOL headquarters in Arden Hills, Minnesota. He is assisted by the RAAPS Program Coordinator in Warsaw -- a Polish national employee of LOL, International Development Division (LOL/IDD), who, in turn, is assisted by another Polish employee -- the Assistant Program Coordinator. Their Polish background and education bring to the project a unique perspective not easily duplicated in an expatriate.

In Arden Hills and in Warsaw, project management staff are provided logistic and clerical support by LOL/IDD administrative personnel. For instance, reimbursement for services performed by consortium partners is made from Arden Hills. LOL/Warsaw verifies performance. Space and facilities shared with other LOL/IDD activities in Poland minimizes the cost of this line item.

While ultimate authority for project management and policy decisions resides in the LOL Project Manager in Arden Hills (and his superiors in the LOL hierarchy), the Assistant Program Coordinator in Warsaw is delegated a fairly broad degree of operational autonomy. In fact, it is clear that the bulk of management responsibilities are carried by the LOL/Warsaw staff. The Project Manager in Arden Hills has other LOL International Development Division responsibilities in his capacity of Manager, Private Enterprise Development. Except for periods demanding a substantial workload, the Arden Hills Project Manager devotes 50% or less of his time to RAAPS.

What could be an awkward or unwieldy arrangement, hampered by weak communications or by micro-management from Arden Hills, appears to be working smoothly. Frequent communications by telephone and/or fax, are reinforced by regularly planned face-to-face meetings in Poland or in the U.S. There is no apparent tension between home and field office. Both the Project Manager and the Program Coordinator express complete confidence in each other and enjoy mutual respect and support.

This is, no doubt, a key factor contributing to the smooth project operations observed by the Evaluator. Both men and the lady Assistant Program Coordinator are qualified professionals, bringing to the project complementary skills and expertise. The two young Polish professionals, while less experienced than the U.S.-based Project Manager, are continuing educational pursuits in Poland. In one sense, the experience they are acquiring in the project will provide them with additional skills which will be attractive to the private sector and, as such, comprise one element of project sustainability. Each could move rather easily into a business consulting firm (Polish, Polish/American, or other nationality mix) after EOP (End of Project).

While the next subsections more specifically address the scheduling and content of training events and technical assistance interventions, here it should be noted that the scheduling of training and technical assistance in both the U.S. and in Poland demands close coordination by LOL with the other project implementers. This requires sensitive awareness of implicit and explicit pressures which could impede smooth implementation of the project. The Evaluator did not perceive any major flaws or deficiencies in this LOL function. Members of the implementing consortium were interviewed and encouraged candidly to assess their relationship with LOL. With one minor exception, not worth further investigation, all expressed complete satisfaction with the working relationship they maintain with LOL.

Implementation of the RAAPS Project in Poland is organized through a complex series of inter-institutional arrangements. LOL consistently refers to the project as the RAAPS/Poland project and, as a general rule, specifically identifies the various players. It refrains from claiming the project as an exclusive LOL endeavor. This addresses some of the concerns expressed in an earlier project evaluation (Chemonics International Consulting Division) in 1993 -- that LOL tends to blur the lines between its various activities in Poland, possibly "commingling" funds. The Evaluator is satisfied that the current situation is an improvement over that observed by the previous evaluators and that LOL has taken the necessary precautions to avoid any overlaps between its various projects and/or conflict of interests with its commercial ventures.

FDPA is experiencing some personnel problems in that in the past year there has been a turnover in officers and staff who interface with LOL in this project. The most critical change is in the imminent departure of the FDPA officer who has been the point-man for contacts with the other consortium partners. While these changes might have a negative effect on the implementation of the project, the Evaluator has been assured by LOL, Sparks and FDPA that the situation is being closely monitored and no impediment to smooth operations is anticipated.

Each of the implementing institutions (except ATAP, which operates through FDPA) provide training (TRG) and/or technical assistance (TA) to project clients. LOL provides overall coordination.

Training events consist of:

U.S. TRG of Polish faculty members -- UMN, with LOL inputs and coordination;

U.S. TRG for selected business persons/entrepreneurs -- Sparks, with LOL inputs and coordination;

TRG in Poland for Polish faculty members -- UMN, with LOL inputs and coordination;

TRG in Poland for selected business persons/entrepreneurs -- Sparks, U/O, U/K, UMN, with LOL inputs and coordination;

Technical assistance interventions consist of:

TA in U.S., in conjunction with TRG -- UMN, Sparks, LOL;

TA in Poland, in conjunction with TRG -- UMN, Sparks, U/O, U/K, LOL;

TA in Poland, in selection process of businesses which will receive assistance in developing a Business Plan (BP) -- FDPA, Sparks, U/O, U/K, LOL;

TA in Poland, in developing a BP with selected businesses -- FDPA, Sparks, U/O, U/K, LOL.

As of the dates of the current evaluation -- July/August 1994 -- FDPA had been involved in one training event, the first Orientation Forum. Although FDPA was listed as participating in several other training events in Year One Work Plan, this did not materialize.

The 1993 Chemonics evaluation recommended that LOL "...develop clearly stated and quantifiable objectives...(and)...a monitoring and evaluation system with benchmarks and indicators."

The Chemonics Evaluation Report noted that, due to the pressure to become actively involved in Eastern Europe, A.I.D. approved the overall RAAPS project (involving activities in Poland and other Eastern European countries, implemented by LOL and other institutions) without the usual, requisite documentation (PIDs, PPs) and absent the standard, required logical framework.

LOL accepted the recommendation. Year Two Work Plan, prepared as an output of an End-of-Year One internal project review and evaluation, dedicates a section to new project benchmarks and indicators: VII. Impact Indicators and their Measurement. The Plan also appended a logical framework.

Two observations are in order:

1) While LOL has demonstrably improved its monitoring and evaluation system (Year Two Work Plan/logical framework), it could make further improvements by stating other specific, quantifiable indicators, going beyond the counting of number of seminars conducted, participants trained, and business plans prepared. The necessary data can be found in the business plans which state clear, measurable business goals. LOL could aggregate these and measure the changes as it performs follow-up and monitoring of the assisted businesses. This would provide the type of impact data, important to A.I.D. and critical to efficient project management.

2) The typical logical framework covers the life of the project and may or may not be amended or corrected as circumstances dictate. Usually, the benchmarks and indicators for outputs and inputs are extracted from the logical framework and prepared as a table which provides columns for actual achievements compared to projected/anticipated results per each output or input. This table is often revised by mutual consent between A.I.D. and the project implementer to reflect changing circumstances and upward or downward trends in stated objectives and targets.

For some reason, the logical framework in Year Two Work Plan covers only that operational year (October/93-September/94), and is silent on inputs and outputs for the life of the project. This is probably due to the fact that Year One was already history and making projections for it might not appear to make sense. While the overall Goal and Purpose provide the umbrella for the project through Year Three, a new set of outputs and inputs needs to be prepared for Year Three.

A great deal of monitoring is already underway, particularly of the activities of those businesses receiving intensive TA leading to the development of a BP. During Year Three, this monitoring will intensify, since it is planned that the project implementers will work with a beneficiary firm over a period of up to 18 months, with monthly interventions.

In addition, each of the training events concludes with an evaluation performed by the participants. This information is aggregated and included in the quarterly reports.

B. METHODOLOGY

LOL, with inputs from Sparks, and, to a lesser extent, the other project implementers, has prepared an impressive manual: "RAAPS Technical Assistance Methodology."

This document is utilized by LOL and its partners as a master handbook for the planning and delivery of technical assistance. The Evaluator did not identify a similar handbook for guidance in planning and provision of training. However, it is apparent that these events are carefully planned and coordinated at both U.S. and Polish levels. Whether or not specific guidelines are provided to the trainers, it is clear that the methodology involves a high degree of trainee participation and interaction with the trainers. RAAPS project training departs dramatically from the more traditional, didactic approach to training, characteristic of Eastern Europe and other areas emerging from a State-controlled system. LOL is involved in the planning of curricula and approach of each of the training events, thus assuring linkages between them and TA activities and overall compatibility and coherence.

The TA manual describes a complex and intensive process, beginning with selection criteria and ending with a description of the various ingredients of a model business plan (BP). In fact, the BP is identified up front as the end product in the strategy statement:

"to develop, implement and monitor business plans for 30 selected agribusinesses, and thereby strengthen their ability to operate as private, competitive enterprises."

While "30 selected agribusinesses" are targeted for BPs, it is important to note that this a Year Two target. Year Three plans call for an additional 20. Presumably, this TA manual, with requisite refinements, will be utilized in working with them.

Selection criteria include consideration of the following:

- geography -- preferably, near Olsztyn or Krakow, or in the case of FDPA, near Warsaw
- subsectors -- grain processing
meat processing
fruit and vegetable processing
input supply (mainly, seed and fertilizer)
- size -- small to medium (not necessarily volume of business; size of problem is taken into consideration)
- ownership -- already private or in process of privatizing
- financial -- condition of business -- not overburdened with debt
- management -- committed to process leading to BP
- problem -- clearly defined by TA providers and recipients
- resources -- availability of adequate project resources to address the identified problem(s)
- impact -- anticipated immediate and long-term impact with reasonable anticipation of success

The process involved in the planning and delivery of technical assistance is further discussed in subsection D, Technical Assistance, below.

The development of this methodology and the production of the manual are an integral part of the overhaul and reorganization of the project undertaken by LOL and the consortium, with inputs from A.I.D./Washington and OAR/Poland. This was finalized in an

internal evaluation workshop in September 1993. The selection criteria and the reduced number of training topics reflect responsiveness to internal evaluation recommendations and to comments made by the Chemonics evaluators and others that LOL should consider narrowing the focus of the project. This is even more apparent in the training program offerings which are discussed in the next subsection.

C. TRAINING

The RAAPS/Poland project incorporates four categories of training:

- short-term, customized, university-level courses in Minnesota and in Poland, for Polish agribusiness professors;
- short-term management and marketing training seminars in Poland, for selected agribusiness leaders;
- short-term training courses in the U.S., for selected agribusiness leaders;
- internships (observation/training) in the U.S., for selected agribusiness leaders.

1. University-Level Training

The university-level training courses are, in effect, a continuing, practical demonstration of faculty-to-faculty relations. Only up to 12 Polish professors (mostly from the universities participating in the project -- U/O and U/K) can be enrolled for the once a year, four-week course conducted by UMN professors in Minnesota. Seven received training in U/MN in 1993, with another professor participating in a Sparks workshop in agribusiness management. Twelve professors went to Minnesota for training in February/March 1994.

Taking advantage of the twice a year visit to Poland by six UMN professors, the Polish professor/recipient group is more than doubled.

It should be noted that the opportunity to receive UMN training is extended to professors from universities other than just U/O and U/K. Professors from the universities of Poznan, Lublin, Torun, and Siedlce have also participated in these training activities.

Course selection is determined by consultations between professors from the three universities -- University of Minnesota, University of Olsztyn, Agricultural University of Krakow -- involved in project implementation. UMN professors make a serious attempt to honor the specific course requests presented by their counterpart colleagues in Poland. To date, the following topics have included:

Macroeconomics
Microeconomics
Finance
Accounting
Trade Development
Trade Policy and the European Community
Strategic Planning
Operational Management

Apart from the specific benefits derived from these courses -- development of new and/or improved curricula in U/O and U/K, outlining of new or revised courses, preparation of training materials, and the elaboration of case studies -- the courses also provide four professors in U/O and four in U/K with the opportunity and tools for participating in planning and conducting the short-term seminar/workshops for agribusiness leaders. They also utilize the acquired skills and expertise to participate in the assessment of potential BP clients, collecting and aggregating critical data, and becoming actively involved, together with Sparks and LOL, and, to a lesser extent with FDP, in the preparation of BPs and in monitoring their implementation.

These eight professors form the nuclei of two Polish consulting groups, one formally organized in Olsztyn and the other informally in Krakow. Their U.S. counterparts indicate that the Polish experts are the major resource base in TA/BP aspects of project implementation. The utilization of these Polish experts and their continuing training is a key factor in determining the sustainability of the project. They will continue providing business services after EOP.

2. Short-term Training in Poland for Business Persons

Short-term training seminars/workshops (the terms "seminars" and "workshops" are used interchangeably) in Poland for selected agribusiness leaders (managers, entrepreneurs, persons in key positions) are part of the screening process for selecting firms which will receive continuing technical assistance, and eventually, for some, business plans (BPs). These 4 to 5 day seminars are focused on practical problems common to private sector businesses (privatizing or already privatized). The majority concentrate on various aspects of agribusiness management and/or marketing. Even though the majority of training participants are not selected for additional training or TA, the courses are designed to provide each participant with key decision-making tools and, of equal importance, with an understanding of the interplay of free market forces and the role agribusinesses can and should play.

Narrowing down the topics presented in these workshops is responsive to the Chemonics observation that there was too broad an offering of training topics; i.e. the Year One Work Plan listed the following as topics to be covered in the short-term workshops:

Agribusiness Management, Agribusiness Finance, Agricultural Supply, Labor Management, Advertising and Marketing for Agribusiness, Management of Trading Companies, Foreign Investment and Joint Ventures, Privatization.

The Evaluator interviewed more than a dozen trainees, most of whom had participated in at least one of the seminars conducted in Poland or in the U.S.

In varying degrees, each indicated the extent to which they have been able to apply and adapt what they had learned to their individual businesses. Even those who only recently had participated in a workshop or seminar were able to state clearly how they were applying what had been learned. One indicated she had developed a new marketing strategy. Another indicated he was instrumental in reorganizing his department. Several stated that they had established links with other trainees which enabled them to forge not only fraternal ties but joint ventures as well.

There was one exception, a trainee who had also received training in a PEM (Partners in Economic Management) seminar. He indicated that the information provided in both instances was valuable, but he had not yet been able to figure out how to apply it in his business. He was rather vague regarding course content or purpose of the training. He even implied that the trainers should have been more explicit in helping him see the applicability of the training topics to his individual situation.

This case suggests that RAAPS implementers might exercise more careful screening of potential training participants, even those who have benefited from PEM training. It is important that RAAPS implementers avoid enrolling an individual who, even under friendly interviewing, exhibits a degree of bewilderment and inability to grasp basic concepts.

In Year One, 17 seminar/workshops were conducted -- 8 in Agribusiness Management and 9 in Intermediate Marketing -- with a total of 358 participants. Average attendance at each seminar was 21.

In Year Two, to date, there have been 16 seminar/workshops, with two more planned in September. Two of these in Intermediate Marketing were customized specifically for Agros. In addition to the usual offerings of Intermediate Marketing and/or Agribusiness Management, a Sales and Distribution seminar, under the guidance of a Sparks trainer, was conducted in June 1994, with 13 participants. A total of 360 participants have benefited from these seminars with an average of 23 in each session.

3. Short-term Training in the U.S. for Business Persons

Complementary to the short-term training seminars and workshops in

Poland, the RAAPS project sponsored two major U.S. training events at Sparks headquarters and its Agri-Professional Development Institute in Memphis, Tennessee. These were more intensive agribusiness management courses than those provided in Poland, coupled with the opportunity for observing some U.S. agribusiness operations.

The one-week training event in February 1993, with 14 participants, focused exclusively on grain distribution and trading. Instruction was provided in futures markets, risk management, hedging, options and cost/benefit analysis. Opportunities were provided for additional observation of U.S. operations.

In February 1994, a group of 15 business leaders and individuals involved in providing business services, representing a wide spectrum of the agribusiness world (processing and/or distribution of grain, honey, meat, seed, fruit and vegetables) were enrolled in a one-week course with offerings in futures markets, risk management, price forecasting, hedging, options, and cost/benefit analysis. Lectures were complemented by visits to agribusiness facilities in the Memphis area. Some participants were able to expand their observations of U.S. operations beyond the one-week course.

4. Internships in the U.S.

While internships had been included in the original design of the project, Year One Work Plan exhibits a degree of ambivalence regarding this type of observation/training: "...we are uncertain to what extent U.S. internships will be of value to the participants. We would expect to develop and incorporate individualized internships as extensions to the technical assistance interventions for those participants who would express interest, and for whom it would add value."

By the time Year Two Work Plan was prepared it became clear that the RAAPS consortium had revisited the concept: "Last year...we made the decision to eliminate U.S. internships...Over the past year, however, as we have embarked on the technical assistance process we have reconsidered that decision..."

The plan indicated that "...eight to ten two-week customized management internships..." would be offered. To date four internship programs have been provided. However, the total number of intern/participants is fourteen. One internship program, for two specialists in grain processing and trading, was actually an extension of the course offering in Memphis, and included a visit to LOL in Arden Hills. One internship was provided to another grain processor/trader and another to a meat (pork) processor. Both of the businesses represented by the latter two agribusiness trainees are in the process of having business plans prepared for them.

An internship program was conducted by the International Fertilizer Development Center in Muscle Shoals, Alabama under an LOL contract. This internship was planned in response to a request made to the LOL office in Warsaw by a fertilizer broker/trader on behalf of himself, seven fertilizer plant managers with whom he is involved in various business ventures, and two distributors. This internship is unique in that the Polish participants who, at their own initiative requested the observation/training, offered to defray some of the costs. They paid for their international air travel, and accepted a lower per diem coverage from project funds making up the difference at their own expense.

The leader -- the fertilizer broker/trader -- made a very dramatic presentation of his and his colleagues' training program. He was clearly impressed with what he saw in the U.S. and has been able to apply much of it to his and his colleagues' business operations in Poland. The group continues to meet and plan strategy, including development of joint ventures, concentrating on distribution. Two of the fertilizer businesses are in the process of receiving technical assistance leading to the elaboration of business plans.

This type of internship provided to a group of entrepreneurs who network with each other and have mutual interests and extensive contacts with other firms in a geographic sales distribution area covering more than half of Poland, is an example of a project activity which can have significant impact in one subsector of the Polish agricultural economy -- in this instance, fertilizer production and distribution. This group (actually, an informal conglomerate) exemplifies both vertical and horizontal integration of economic activities.

D. TECHNICAL ASSISTANCE

Technical assistance provided in the project is initially geared to selecting promising agribusinesses which demonstrate the potential to benefit from and apply recommendations contained in business plans. The selection process and criteria has been described in subsection B, above (Methodology).

Annex D is a copy of the RAAPS Technical Assistance Process, extracted from RAAPS Technical Assistance Methodology. This illustrates the intensity of the process involved in preparing the business plans, including the quantity and diversity of data and information which is prepared and analyzed.

The implementation plan for the provision of technical assistance is outlined in the TA manual and presented graphically in a timeline chart. Implementation is to be accomplished in six phases:

PHASE I -- identify universe of companies (150-200)

- screen companies based on available
public information
financial information
public/institutional information
- PHASE II -- first formal contact with companies (60)
- discussion of:
organization
market conditions
company information
delineation of problems

DECISION TO GO ON TO PHASE III

(Data Questionnaire left with companies selected for BP development)

- PHASE III -- extended meeting with companies (30-40) over 1 to 2 days
- collection of basic information needed for development of skeleton BP
- collection/aggregation of all data required for preparation of BP
- plan/review of data

PREPARATION OF SKELETON BUSINESS PLAN/FINANCIAL SPREADS

(Recommendation Reports to go forward with "top 30")

- PHASE IV -- visit of U.S. expert(s) - 2-3 days
- review of all information

FINAL PREPARATION OF BUSINESS PLAN

Recommendations
Benchmarks
Definable Financial and/or Production Objectives

- PHASE V -- delivery of BP and Recommendations
- review with company the course of action to be followed

- PHASE VI -- monitoring
- monthly visits and reports

These procedures presuppose a high level of intensive activities, suggesting the need for a fairly disciplined selection/deselection process, providing for regular intervention and monitoring of activities.

As of July 1994, sixteen business plans had been prepared. Another fourteen are in process and should be completed by the end of this

project year, September 30. Twenty more are planned for Year Three.

If this process is faithfully followed with the 30 businesses who have successfully advanced through the selection process and have or will receive their BPs by the end of this project year (September 1994), it should produce tangible results during the LOP (life of project) and provide the basis for sustainability after EOP (end of project).

The process implies the utilization of a substantial number of person/days for each business plan. It would be useful to A.I.D. and to LOL if this could be calculated, if not for each BP then on a selective basis, to determine unit costs for this type of business service. Obviously, the amount of time dedicated to each business plan will vary.

The Evaluator observes that there is invariably some telescoping of phases as well as the need to pause between phases while internal company matters are adjusted or while the external environment (political, legal, economic, financial) is clarified.

The businesses which have been through part of the process, but have not been included in the final selection of those that will receive a business plan, while not receiving the full technical assistance package, have been the recipients of TA which can be applied in their particular circumstances. Thus they have benefited from the project. The impact of this level of TA is not as easily measured as that provided to the recipients of BPs. In the latter instance, follow-up and monitoring of stated goals provides the means of measuring impact. The recipients of a lesser degree of TA are not subject to follow-up. As a project phase-out activity, it might be useful to contact a sampling of these to determine their current status and changes in business practices or in goal achievement which are attributable to the project.

The Evaluator visited five agribusinesses which have received business plans in the last few months, some as recently as July. These are the subject of the case studies, which are summarized in the following subsection and are incorporated in Annex B.

It is apparent that dramatic results cannot be expected so soon after the benefited businesses have received their plans. But interviews with the managers and other key individuals involved in developing the business plans with the project consultants (Sparks, LOL, FDP, U/O, U/K), make it clear that the business clients have been intimately involved in the process, have been able to identify and analyze their key management and marketing problems, and have participated in defining the steps they must take in order to achieve the goals specified in their individual BPs. In fact, they provided fairly unambiguous analyses of their key problems, the goals they wish to achieve, and the priorities they assign to each.

E. CASE STUDIES

The five agribusinesses mentioned above are profiled in the case studies in Annex C. These case studies are summarized in this subsection.

1. HIS

HIS consists of a meat processing plant in Bibice, 15 km from Krakow, with a retail outlet in Krakow.

This business is private, has three owners, 27 employees (no workers union or council), has been in business for three years, and produces thirty different types of meat products.

HIS has no debts, with most recent annual, gross sales of US\$750,000, and profits of US\$18,500.

In the process of developing the business plan, HIS has received 8 TA interventions, beginning in March 1994. A U/K professor participated in all 8 interventions, assisted by Sparks in the two most recent ones. These interventions are the only project assistance the owners have received. They have not participated in any RAAPS workshops or seminars. The owners received their final copy of the BP during the interview with the Evaluator.

While the firm has loyal and regular clients and can boast high quality products, they recognize the need to improve work organization and to develop an aggressive marketing plan to assure continued and increased market share.

The owners are young. While they are skilled in production operations, possibly they are not as aware of the need to develop better marketing skills as are their RAAPS advisors. They will need the continued project guidance and monitoring implicit in their receipt of the business plan.

2. Radom Seed Center

The Radom Seed Center, located about 100 km south of Warsaw, has passed through an evolutionary metamorphosis since its establishment in 1950 as a subsidiary of the Warsaw Seed Center; later becoming a unit of the Regional Seed Center in Kielce.

The Center is in the process of privatizing: a first step -- becoming a joint stock company in January 1994. The center employs 130 persons, is headed by a Director, who until the center is completely privatized is under the supervision of Radom Voivodship. Ultimately, a Board of Supervisors will replace the Voivodship.

Apart from the administrative structure (director's office, clerical staff, accounting and bookkeeping department), it is

organized into three major departments, subsumed in its trade department -- administration/transportation, production and trade. The center operates five branches and 15 retail stores.

In addition to seed reproduction and distribution, it is involved in input supply (chemicals, pesticides) and in retailing foodstuffs (flour, sugar, coffee, tea, cooking oil) as well as in limited clothing retail sales.

Sales have shown a progressive increase during the last three years: '91 - 47,456 mln P/Z; 92 - 63,744 mln P/Z; 93 - 89,873 mln P/Z. Its financial condition is reasonably sound, with no long-term debt. It doubled its profit in 1993.

Beginning in December 1993, technical assistance has been provided jointly by U/K, Sparks and LOL, with a total of six TA interventions, two with direct involvement of Sparks. The business plan was presented to the Center in May 1994, and a supplemental marketing plan was prepared and delivered to the Center in June 1994.

The Director of the Center was one of the participants at the Sparks Agribusiness Seminar in Memphis in February 1994. He gives the impression of being deceptively low key, but one quickly discovers that he is enthusiastic, involved and eager to apply what he has learned through the TA process and in the course in Memphis.

Other staff, the Deputy Director, the chief accountant, the purchasing specialist and six marketing/sales persons have received training in the project workshops in Poland -- either in marketing or in agribusiness management.

With this core of personnel who have been exposed to RAAPS agribusiness principles and procedures, the Director has the advantage of moving forward without having to spend a great deal of time orienting and persuading staff.

Based on admittedly limited empirical judgment, the Evaluator believes the Radom Seed Center is one of the best RAAPS clients in terms of potential growth and impact.

3. Olsztynek

Olsztynek, its actual one-word, company name, is a food processing cooperative located in Olsztynek, Poland, about 30 km southwest of Olsztyn. It thus falls within the radius of the University of Olsztyn clients.

Olsztynek has been in business for 20 years, currently employing a labor force of 240 persons with an additional 100 seasonal workers. It has four main operational areas: frozen products, canned produce, concentrates, and soft drinks and mineral water.

Although ostensibly a cooperative, controlling interests reside in the creditor bank which several years ago loaned Olsztynek funds for expansion of its operations. Nevertheless, this relationship is fairly benign since Olsztynek is gradually but steadily moving out of its debtor relationship and, according to the Director, should regain complete control of its assets within a year or two. The Director claims that project-provided guidance is critical.

While sales were flat in 1991 and 1992 (37,894 mln P/Z, 37,204 mln P/Z, respectively), Olsztynek experienced a fairly substantial increase in 1993 - 48,157 mln P/Z.

The major objectives of the Director, who was a participant in the Memphis seminar in February 1994, and of the business plan, are to develop a marketing strategy which will further increase sales, and generate enough profit to cover loan repayment.

In addition to the Director, two sales/marketing managers have been trained under the project -- U/O and Sparks marketing workshops. Previously, others had benefited from PEM courses.

TA leading to the preparation and presentation of the BP in January 1994 and follow-up since then, has been provided through 9 TA interventions. U/O was supported in four of these by Sparks, and by LOL in one.

4. Niedzwiedzki Farm

The Niedzwiedzki Farm in Mortegi is a family-owned, multi-purpose production and food processing enterprise, located about 80 km from Olsztyn. The farm originally belonged to the Przyszlosc Agricultural Cooperative, where Mr. Niedzwiedzki was at one time a member/employee. Having kept in touch with the cooperative and learning that it was in danger of liquidation due to excessive debt and poor management, he entered into a contractual arrangement on 25 March 1993 to purchase the entire farm and its physical assets by assuming responsibility for all of the cooperative's outstanding debt.

He reduced the employee load from 80 to 32, and began concentrating on cost-reduction and increased production. The farm itself is a conglomerate, consisting of 524 hectares and ten major buildings -- cow sheds, calf houses, fattening houses, henhouses, piglet house, delivery ward. The 524 hectares are divided into a 9 hectare plot containing barren land and ponds (10,000 geese), 10 hectares of forest, 122 hectares of grassland, and 383 hectares of arable land.

In addition to the 10,000 geese, there are 10,000 turkeys, 30,000 broilers, and a total of 823 pigs (boars, sows, piglets, meat-type pigs, fat-type pigs). Crop production ranges from grain (for fodder and mash production), grapes, sugar beets, to a small variety of other food crops.

The farm also boasts a joiners shop where coffins, construction lumber, and customized ("Gdansk-style") furniture are manufactured.

Mr. Niedzwiedski has managed to effectively orchestrate these various enterprises and is actually beginning to turn a profit. The business plan ambitiously calls for complete debt repayment by 31 December 1997, providing financial liquidity and unencumbered ownership.

While Mr. Niedzwiedski has received technical assistance in conjunction with the preparation of the business plan (U/O and Sparks), there have been only three interventions thus far -- December 1993, April 1994, and May 1994 when the BP was presented. Mr. Niedzwiedski has not been a participant in any project seminars. Thus, it is reasonable to assume that the apparent improvements in farm production and sales are not totally attributable to the project assistance.

Mr. Niedzwiedski stated that the assistance he has received has helped him focus and concentrate on those activities with the greatest potential for growth. He is a professional farmer, ably assisted by his mother and his wife, who demonstrates negotiating skills. He has contracts with CIBEC, an Italian firm, for livestock breeding. He is in the process of negotiating contracts with the Morliny Meat Processing Plant (cattle ready for slaughter) and INDYKPOL (poultry).

5. Ciechanow Seed Center

The recently initiated privatization process is stalled while the CSC attempts to work out favorable debt restructuring with BGZ (the major Polish financial institution providing credit to the agricultural sector). Until then, the Ciechanow Seed Center remains a State enterprise.

Initial contacts between CSC and FDPA (one of the RAAPS consortium partners through its U.S. affiliate -- ATAP) began in 1993. FDPA quickly zeroed in on the most critical problem requiring solution before economic growth and financial viability, even privatization, could be attained -- its debt.

This situation was created through an ill-fated contract with a Canadian company which contracted for potatoes which, in turn, it shipped to Russia. The CSC has received no payment in any form, other than meaningless IOUs, and had to borrow a substantial sum from BGZ to pay the Polish farmers with whom it contracted for the delivery of the potatoes. At this point CSC became a major debtor, beholden to BGZ, which essentially controls all financial, even many operational, decisions.

The Canadian Embassy has refused to enter into the dispute, arguing that this is one of the risks of doing business in the hot

commodity trading arena. The Polish Prime Minister has taken an interest and is exerting whatever political influence he can bring to bear on the bank -- so far, with no positive results.

Nevertheless, FDPA feels that once CSC resolves its debt problem, it has positive growth potential. It has maintained a broad market base as well as the quality of the seeds it purchases on contract from farmers and sells in both the domestic and foreign markets. If, and when, CSC resolves the debt problem, it is poised for take off.

FDPA has provided six TA interventions, beginning in November 1993, and continuing through July when the Business Plan was presented. Sparks assisted in the presentation and discussion of the draft BP in May/June. CSC staff, including management, have not been recipients of any RAAPS project training. Some have received training under PEM.

In spite of the critical financial situation, the outgoing Director and the new Acting Director appear to be optimistic. They have not allowed the debt crisis to slow down operations.

In view of their and FDPA's optimism, the Evaluator hesitates to make a value judgment. However, he can't avoid noting that the entire success of CSC rests almost wholly on the assumption that the debt problem will be resolved satisfactorily. He also notes that one of the criteria for selecting businesses for TA and BPs is that they are not saddled with excessive debt.

In fairness, it must be noted that LOL and FDPA consulted at length with each other and with CSC prior to making a final commitment to provide TA and a business plan to CSC, taking into consideration the factors mentioned above. They had been encouraged by A.I.D. to take on some risky clients and not concentrate only on those that appeared to be sure winners.

PART THREE: CONCLUSIONS AND RECOMMENDATIONS

A. OVERALL CONCLUSION AND RECOMMENDATION

CONCLUSION: While project design originally was somewhat confusing and overly complicated, LOL and its RAAPS partners, with some guidance from A.I.D., has done a commendable job of redesigning and streamlining the project. This is partially apparent in Year One Work Plan, but to a much greater extent in Year Two Work Plan and in the project guidelines manual -- RAAPS Technical Assistance Methodology.

LOL accepted the various criticisms and recommendations contained in the Chemonics Evaluation Report (19 April 1993), as well as advice and guidance from A.I.D., and reoriented many, if not all, project activities accordingly. The Evaluator almost felt that he was assessing a different project.

Of critical importance is the manner in which LOL and its RAAPS partners -- the consortium -- have interacted and cooperated in the implementation of the project, particularly during Year Two. While there was a degree of ambiguity and uncertainty regarding focus and approach in Year One, everyone seems to have pulled together to create a collegial atmosphere and strive for more efficient and effective project implementation. This is true of both the U.S.-based partners as well as their Polish colleagues.

While it is still too early to measure impact, and it is obvious that the project of itself cannot make much of a macro impact on the overall agrieconomic development of Poland, in the subsectors in which the project has concentrated its efforts -- grain processing, meat processing, food and vegetable processing, and input supply -- and in the three geographic radii -- Olsztyn, Krakow, Warsaw -- the project is making some impact which will increase as the assisted agribusinesses expand, grow, and network with other businesses in those areas.

Apart from the training and technical assistance which has been provided to several hundred business persons, which may or may not have a significant long-lasting impact, the sustainability and impact of the project can be determined more by the positive results of the TA provided to those 30 businesses which will have received business plans and follow-up.

Sustainability also resides in the professional reinforcement of the consultant groups in the participating Polish universities (Olsztyn and Krakow) organized with project assistance, and of the FDPA Polish consultants who have also benefited from involvement in the project. These individuals and organizations will continue to be a resource for business services after EOP (End-of-Project).

In the same manner, the impact of University of Minnesota (UMN)

training of key faculty members in U/O and U/K, the development of new curricula and training materials and of Polish case studies, leaves a repository of skills and knowledge which can enrich the agribusiness curriculum of these and other Polish universities and be utilized in a practical manner by the three previously mentioned consulting groups.

There are areas which warrant closer scrutiny on the part of RAAPS Management leading to improvements in operational procedures. These will be addressed in the specific conclusions and recommendations which follow.

RECOMMENDATION: Each team member, beginning with LOL and extending through Sparks, ATAP, FDPA, UMN, the participating universities in Olsztyn and Krakow to the newly emerging consulting groups in Olsztyn and Krakow, should make every effort to assure that Year Three activities are specifically focused on the achievement of the overall goal and purpose:

to increase the level of competition, efficiency and productivity of Polish agriculture in a free market economy, and

to assist firms in the food processing and agricultural input sectors to become efficient, productive and financially viable.

To this end, the project implementers should concentrate on those activities and on those businesses which provide the greatest promise of future growth and viability.

Every effort should be made to tighten the screening process so that those businesses which are selected for concentrated TA leading to the development of a business plan have a demonstrable potential for success. This is high risk business and it is folly to gamble on even the least questionable player.

B. SPECIFIC CONCLUSIONS AND RECOMMENDATIONS

1. **CONCLUSION:** Technical Assistance and Training recipients receive these services based on informal oral discussions or more formal exchanges of correspondence. Following EOP, business leaders and entrepreneurs seeking these types of services will need to contract for them, unless another free program comes along to replace this project.

If project beneficiaries, particularly TA recipients, were to be required to negotiate a contract which specifies their obligations in receiving the service and the obligations of the service provider, they would be exposed to a learning process regarding how to negotiate business service contracts -- what to expect from the

provider and what they would be required to do as recipients.

If, additionally, the cost of the service, though free, were indicated, the project beneficiaries would gain an appreciation of the true market value of reputable business services.

Granted, this procedure was considered early in project implementation and was abandoned due to resistance and suspicion in the Polish business community. However, given the passage of time and the prestige which the project has earned with business leaders, especially those actively seeking assistance, it wouldn't hurt to retest the waters.

RECOMMENDATION: LOL and its partners should explore the desirability and feasibility of requiring contracts of, at least, technical assistance recipients. It would be useful if these contracts would indicate an estimated cost of the services to be provided.

2. **CONCLUSION:** To date, all technical assistance and training activities have been furnished free to project beneficiaries. This is completely in keeping with original project design and was fully approved by A.I.D., probably in the interests of getting the project moving and providing the services as quickly as possible. Initially, any obligation to cover some costs would probably have substantially reduced the number of actual, first-year project beneficiaries.

It is instructive that the ten fertilizer intern/trainees approached RAAPS on their own initiative and offered to cover some of the costs involved in their U.S. observation/training activity. They paid for their air tickets and accepted a lump sum per diem per trainee, below the amount provided to other participant trainees, covering the difference from their own resources.

This suggests that requiring some coverage of costs is not impossible. The participants who would willingly do so would feel greater ownership of their training and/or technical assistance. They have a financial stake in its outcome. Other TA providers do require some local cost coverage; e.g. IESC, VOCA.

RECOMMENDATION: LOL and its RAAPS partners should consider the feasibility and desirability of requiring TA and/or TRG recipients to cover some of the specific, identifiable costs - translation, local travel, materials, etc. It may be too late to introduce this innovation, but it should be considered in any extension or revision of the project or in a new project.

3. **CONCLUSION:** Corollary to training and education-specific activities and utilizing input from Polish counterparts in developing course materials and case studies, the efforts of the

UMN professors is a major, tangible contribution the project is making to the Polish academic community, in particular its agribusiness component.

It is clear that this contribution will remain in Poland as a repository of knowledge and skills in the recipient universities and will, hopefully, inspire continued efforts to continue adding new course materials and case studies. The participating Polish professors have learned how to produce case studies.

RECOMMENDATION: UMN should continue and intensify this effort, assuring that they leave behind a substantial and useful body of materials and case studies. It is apparent that even after EOP, UMN plans to continue its faculty-to-faculty relationship and will seek the resources to do so. If successful, this activity is certain to be an important element of that continuing relationship.

4. **CONCLUSION:** LOL and Sparks have been working effectively with a select core of U/O and U/K professors who individually and/or collectively have been providing technical assistance to project business clients and assisting a reduced number of these in preparing business plans. These eight professors have often acted alone, with occasional, direct inputs from either Sparks and/or LOL. The experience thus acquired by these Polish consultants and the new skills they are acquiring, or the refinement of already acquired skills, assures that after EOP there will be an experienced and seasoned group of consultants who can provide effective business services to private sector businesses.

RECOMMENDATION: LOL and Sparks should continue and intensify these efforts and assure that the Polish consultants will be fully able to act independently in the provision of business services, including the negotiation of contracts and calculation of the cost of these services. (This is another argument for beginning to require contracts for the delivery of technical assistance under the project.)

5. **CONCLUSION:** LOL has significantly improved its monitoring and evaluation system, providing quantifiable indicators for measuring project progress. It could make further improvements utilizing some of the measurement instruments included in the Business Plans. This would move the LOL monitoring and measurement system beyond the rudimentary level of counting number of training events, participants trained, or business plans completed.

RECOMMENDATION: LOL and its consortium partners should extract those measurable targets common to most of the business plans -- i.e. increase in sales and profits, debt reduction, management restructuring for greater efficiency, development of concrete marketing plans, etc. -- aggregating them initially as projected targets, and measuring changes in

each quarterly report. This would bring the project more in line with the A.I.D. benchmarks reporting system. However, this should be done in conjunction with USAID/Poland, since it may be planning to require such a system. The RAAPS system should be consistent with whatever USAID requires.

6. CONCLUSION: The recipients of technical assistance, particularly those who have received or will receive business plans, are subject to a high level of follow-up and monitoring. By comparison, three months after each training event, 25 to 30 % of the participants are contacted to determine how and if they are applying the principles and techniques they learned in the seminars and workshops. Unless there is an unscheduled and unplanned contact with the remaining 70 to 75 %, the project implementers are unaware of how, or whether, these are making progress.

It is understandable that to perform a 100 % follow-up would pose a logistics, person/hours problem which might overtax project staff. However, a less burdensome manner might be the utilization of a carefully constructed questionnaire which could be used as a survey instrument. The results could be tabulated to determine if some adjustments are needed in the course content or methodology employed.

RECOMMENDATION: If the project implementers were to conduct an occasional survey of former trainees, it could provide useful feed-back in the planning and conduct of future seminars. The information could be compared with the evaluations of seminars provided by the trainees at the conclusion of each seminar. LOL and its partners should consider whether this is needed, and if so, undertake a sample survey to determine its value.

7. CONCLUSION: The Evaluator found one project trainee, who had also received PEM training, who appeared to lack the capacity of either verbalizing what he had learned or of seeing how he could apply it to his business circumstance. Granted, this is an extreme and isolated case, certainly not typical of the other trainees who were interviewed as part of the evaluation exercise. However, if this trainee represents even 5% of other trainees, it suggests that a little more care should be given to selection screening of seminar participants.

RECOMMENDATION: Even though this is an isolated case, the project implementation team, particularly those charged with identification and selection of seminar participants, should exercise a degree of discipline in approving and/or recommending participants for training. Expressed interest in being a training participant should be reinforced by being able to demonstrate clear potential for learning and applying seminar instruction.

8. **CONCLUSION:** While both FDPA and their technical assistance and business plan client -- the Ciechanow Seed Center -- are optimistic about CSC's ability to surmount and resolve its current debt crisis, it is clear that this optimism is based on the assumption that the bank will work with CSC in developing and implementing a viable restructuring plan. If this assumption proves inaccurate, FDPA will have expended a great deal of project resources on a failure that is almost predictable.

This flies in the face of one of the selection criteria -- technical assistance and the provision of a business plan will not be provided to a business which is overburdened with debt. This case also suggests that another selection criteria was not carefully adhered to -- to work with businesses that had privatized or were clearly well along in the privatization process..

If the assumption proves accurate, and the bank and CSC reach an amicable settlement, then everyone is a winner, and the Evaluator has shown undue concern. It would also justify A.I.D.'s urging that LOL and partners take on some risky clients and not concentrate only on those which appear to have the potential for success.

RECOMMENDATION: The RAAPS project implementation team needs to jealously guard its stated criteria, which has the mutual approval of all parties. Exceptions can cause costly mistakes and create a negative impact for the project.

9. **CONCLUSION:** Quarterly reports are refreshingly brief, in the main free of governmentese. They could be strengthened by taking some of the narrative accomplishments paragraphs, in whole or in part, substituting tabular format or bullets to highlight numerical data; i.e. number of participants, seminars, business plans, etc.

RECOMMENDATION: LOL should graphically highlight achievements compared to planned activities and targets utilizing tables and/or bullet highlights in its quarterly reports. Data should be based on new and/or revised benchmarks and indicators (see # 5, above), listing those which had been planned for the quarter compared to those actually achieved. Narrative would only be required to explain any deviations -- shortfalls or targets exceeded. Each report should also graphically list specific targets for the next quarter.

PART FOUR: LESSONS LEARNED

Two years of experience in this project provide a base for extracting the following observations:

1. When planning economic development activities in an environment which is passing rapidly through an evolutionary process from a centrally planned economy to a free market economy, it is useful to set preliminary targets and goals which can be adjusted in keeping with changing circumstances. A.I.D, LOL, and the RAAPS consortium perceived early on that the original project plans (both the overall CEE/RAAP as well as the Polish-specific RAAPS) were possibly too ambitious and needed to be scaled back.
2. When faced with this type of problem, it is wise to pause and reevaluate what it is one is seeking to accomplish and select strategies which better fit the circumstances. The RAAPS consortium, with A.I.D. assistance, did just and came up with a more efficient and effective project plan, while not altering the overall goal nor discarding the originally planned training and technical assistance tools.
3. Project sustainability depends heavily on the ability of project managers and implementers to identify and train indigenous professionals who will utilize the learned skills and know-hows after the project has been terminated and the expatriate experts have left target country. The sustainability of RAAPS depends, in great measure, on those professors in Krakow and Olsztynen who have received training and guidance not only from University of Minnesota professors but from LOL and Sparks as well. They have, in effect, had on-the-job training in assisting in the provision of technical assistance and the preparation of business plans. They are presently capable of providing key business services to private sector businesses and will be even more so upon project completion.
4. While everyone seemed to assume that the only way that training and technical assistance could be provided quickly in Poland, and similar countries, was that it be a free service. It is probably true that if contracts and some cost sharing had been required there might not have been as many clients as were served in the first two years of the project. However, the experience of the ten fertilizer participants who, through their own initiative, solicited the observation/training in the U.S. and offered to cover some of the costs, suggests that this approach is not without merit. These participants probably feel a greater ownership of the benefits received than those who received theirs gratis.

RAAPS MID-TERM EVALUATION REPORT

ANNEXES

- A. EVALUATION SCOPE OF WORK**
- B. EVALUATION METHODOLOGY**
- C. CASE STUDIES**
- D. RAAPS TECHNICAL ASSISTANCE PROCESS**
- E. DOCUMENTS REVIEWED**
- F. PERSONS CONTACTED/INTERVIEWED**

ANNEX A

EVALUATION SCOPE OF WORK

SCOPE OF WORK

Mid-Term Evaluation of RAAPS/Poland

I. Purpose

The purpose of this mid-term evaluation is to assess the extent to which Land O'Lakes and its project partners have achieved the objectives of the Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (RAAPS). The project goal is to increase competition, efficiency and productivity of Polish agriculture through training and technical assistance to selected food processing and agricultural input firms.

The mid-term evaluation is intended to assist Land O'Lakes and the Europe and New Independent States Bureau to determine the need and to suggest appropriate mid-course corrections for enhanced project effectiveness and beneficiary impacts. In particular, the evaluator should identify and describe project impact, including quantifiable results if possible.

II. Background

The inability of the Polish communist government to halt economic decline and the erosion of living standards, punctuated by periodic food riots, enabled the Solidarity-led coalition to gain political power in September, 1989, and initiate radical reform efforts to restructure the entire economic system. Despite political setbacks and personal hardships, Poland has succeeded in making great strides in transforming its economy to a market basis.

Private farmers in Poland successfully resisted collectivization, but they were completely dependent on former state-controlled enterprises for production inputs, processing and marketing. Despite early reforms, the continued existence of monopolies and highly atomized small farmer operations have made the transition to a market determined agriculture difficult. In particular, the food processing sector has been inefficient.

On March 31, 1992, Land O'Lakes was awarded Cooperative Agreement Number EUR-0024-A-00-2042-00 in the amount of \$4,570,858 under the Restructuring Agriculture and Agribusiness: Private Sector (RAAPS) project 180-0024. The project assistance completion date is March 30, 1995. Land O'Lakes' project partners are Sparks Companies, the American Trust for Agriculture in Poland/Foundation for the Development of Polish Agriculture and Center for International Food & Agriculture Policy, University of Minnesota.

The core of the RAAPS project is long-term technical assistance to about thirty agribusiness's in four processing sectors of grain processing, meat, and fruit and vegetable as well as agricultural inputs. For each firm, a business plan is formulated and specific business concerns addressed mainly through technical assistance. The project methodology is to: (1) identify 150 companies in the selected sectors and narrow them to about 60 candidate companies that are ready for privatization; (2) contact each of the 60 companies for possible long-term assistance and further narrow candidates to 30 firms; (3) hold in-depth meetings with each of the candidate firms and develop a skeleton business plan and financial spreadsheet; (4) provide technical experts (U.S. and local) to review preliminary plans and help to identify issues and objectives for full business plan; (5) prepare business plan and discuss it with the company; and (6) monitor implementation of the business plan, including additional technical assistance interventions as needed.

In addition, the project carries out limited U.S. training to institutionalize management and technical assistance methodologies at two Polish agricultural institutions. Professors from these universities will be able to continue to provide technical assistance to firms after the project is completed. The project also provides in-country workshops and highly specialized U.S. training for Polish managers in the selected sectors.

The project methodology was refined and the logical framework modified at an internal Land O'Lakes evaluation workshop in September, 1993. An evaluation system has been put in place that tracks quantifiable impacts for each of the selected firms.

III. Statement of Work

A. Methodology

The evaluator will carry out an evaluation based on the following:

- Literature review of relevant project documentation including original proposal, work plan, logical framework, quarterly reports and evaluations;
- Interviews of USAID/ENI/Agriculture and Agribusiness Development Washington project staff;
- Interviews with key project staff, technical advisors and trainers at the home offices of Land O'lakes (Arden Hills, Minnesota), the University of Minnesota (Minneapolis) and Sparks Companies/American Trust for Agriculture in Poland (Washington, DC);
- Field interviews with key project managers at Land O'Lakes/Warsaw office and local counterpart organizations (Foundation for the Development of Polish Agriculture, Universities of Krakow and Olsztyn);
- Interview with project officer at USAID/Warsaw;
- Field visits and preparation of case studies for at least four participating firms; and,
- Individual or group interviews with at least 10 participants of in-country workshop and US training/internships.

Prior to the departure from Poland, the evaluator will provide a de-briefing and offer preliminary observations to the project office of USAID/Warsaw.

An important part of the evaluation will be the preparation of brief case studies of assisted firms that describe the interventions and impacts.

In addition, the evaluator will review the project methodology, make suggestions for its refinement, and assess its potential for replication and expansion in Poland and other CEE/NIS countries in transition.

B. Tasks

The evaluator will carry out the following tasks:

Management

- Assess the effectiveness of Land O'Lakes in meeting project goals, purposes and outputs against benchmarks established by the Grantee.
- Review project administration including quality and backgrounds of staff, organization, management systems, reporting, monitoring and timeliness of technical assistance and training.
- Assess the extent and quality of coordination between Land O'Lakes and its subcontractors and in-country partners.
- Review and assess the project logical framework, and project monitoring and evaluation systems.

Methodology

- Review and comment on the effectiveness of project methodology and whether or not it has broad application in Poland and other CEE/NIS countries.
- Assess the selection of sectors and enterprises for the project targets.

Training/Workshops

- Assess the curriculum, quality of trainers and effectiveness of in-country training programs.
- Review and comment on the faculty training and university strengthening.
- Assess the ability of the partner universities to institutionalize course and programs supported by the project.
- Review and comment on the effectiveness of the U.S. training and internships.

Technical assistance

- Assess the effectiveness of technical assistance for the targeted enterprises.
- Carry out a detailed assessment of at least four targeted enterprises with particular reference to the quality of business plans and the extent of their implementation.
- Prepare four case studies based on a more in-depth review of project interventions.

C. Consultant qualifications

The mid-term evaluation will be carried out by one consultant, selected by Land O'Lakes. The evaluator will be accompanied by a Land O'Lakes staff member assigned to the project. The consultant should have at least ten years relevant experience in evaluations and extensive background in international agriculture. It is preferable that the consultant have some familiarity with agriculture in Poland and/or CEE countries.

D. Workdays

A six day work week is authorized while the evaluator is in the field.

IV. The proposed schedule for the evaluation is as follows:

The evaluation shall take approximately three weeks: (1) one week in the U.S. for assessing management and U.S. components, (2) one week in Poland for project assessment, and (3) one week in the U.S. in report writing.

July 14-15 Review background materials - two days

July 18-22 Conduct interviews in the U.S. - five days
 Land O'Lakes headquarters

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University of Minnesota
Sparks Companies
USAID/Washington

- July 23-August 3 Field work in Poland - ~~nine~~¹¹ days
- August ~~7~~⁶-10 Report writing - five days
- August 10 Draft report due to USAID and Land O'Lakes
- Week of August 15 Presentation to USAID - one day
- August 16-24 Incorporate comments, complete final draft - three days
- August 25 Final draft due

The evaluator is expected to present an oral and written report to the project officer after the assignment is completed.

V. Logistics

Land O'Lakes will provide all necessary logistics including arrangements for transportation, hotels, per diem, support staff in the field. The evaluator is responsible for the drafting and final preparation of the evaluation report.

VI. Deliverables

The evaluator will brief USAID/Poland project staff at the completion of the field work including providing a concisely written preliminary assessment. The evaluator will provide an oral briefing for USAID/ENI staff within 10 days of delivering the draft evaluation.

The evaluation report will include: (1) cover page, (2) executive summary (3-5 pages), (3) main text (maximum of 20 pages), and (4) brief statement of conclusions, recommendations and lessons-learned.

Appendices will include: (1) four case studies (maximum 3 pages each), (2) evaluation scope of work, (3) description of methodology used in evaluation, (4) list of documents reviewed, and (5) list of persons contacted/interviewed.

The evaluation report should provide empirical finding to answer these questions, conclusions that are based on the findings, and recommendations based on an assessment of the results of the evaluation. The evaluation report is to provide lessons learned that may emerge from the analysis.

EVALUATION METHODOLOGY

EVALUATION METHODOLOGY

The methodology employed in the evaluation of the Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (RAAPS) Project is responsive to the methodology specified in the Scope of Work (Annex A; III. Statement of Work, A. Methodology).

Two sets of evaluation tools were employed: document research (see Annex E. Documents Reviewed) and dynamic research -- i.e. individual and group interviews (see Annex F. Persons Contacted/Interviewed).

The documents which were reviewed include:

- original project proposal;
- cooperative agreement and amendments;
- quarterly and annual reports;
- Work Plans -- Year One, Year Two;
- RAAPS Technical Assistance Methodology;
- Chemonics evaluation of RAAPS;
- background information on Poland;
- business plans.

These were analyzed, focusing on those aspects which provide insight, data and information needed to address the four topical areas, listed under B. Tasks, in the Scope of Work -- Management, Methodology, Training/Workshops, and Technical Assistance.

Clarification and verification was sought from appropriate individuals in the project implementing organizations: Land O'Lakes (LOL), Sparks Companies, Inc. (Sparks), Foundation for the Development of Polish Agriculture (FDPA), Center for International Food and Agricultural Policy/University of Minnesota (UMN), Agricultural University of Krakow (U/K), and/or University of Olsztyn (U/O). Data and information was extracted for use in the evaluation report.

Dynamic research involved interviews and observation. Observation was employed in assessing the work environment in LOL/Arden Hills and LOL/Warsaw; in the participating universities (UMN, U/K, U/O); in the FDPA office; and in the case study agribusinesses.

Interviews, both group and individual, were conducted face-to-face with persons directly involved in the project: in Minnesota with LOL and UMN representatives; in Poland with LOL, PADF, U/K, and U/O representatives; as well as training participants and recipients of technical assistance and business plans. Key officials in A.I.D. and a Sparks Vice President were interviewed prior to the trip to Poland.

Telephone interviews (due to schedule conflicts) were conducted with the USAID/Poland project officer, the FDPA Director, and another Sparks Vice President. Post-evaluation telephone interviews were held with key LOL and A.I.D. representatives.

Interviews focused on working relationships between project implementers, as well as on the perceptions and judgment of training and technical assistance recipients regarding if and how the project had provided them with tools to improve their business practices. The project beneficiaries were asked to specify how they were applying skills and know-how acquired in training events or through technical assistance interventions.

Document research notes were consolidated with interview notes, analyzed and utilized in preparing the evaluation report.

A first draft (findings, conclusions, recommendations) was prepared and presented to LOL and A.I.D. on 10 August. This draft was reviewed in a joint session (LOL/A.I.D./Evaluator) on 18 August. Corrections and refinements contained in this final report were made based on and following that review session. The final report includes all of the sections and components specified in the Scope of Work (Annex A).

CASE STUDIES

CASE STUDIES

FIRM NAME: HIS

LOCATION: Krakow -- retail outlet
Bibice -- processing plant

TYPE OF BUSINESS ACTIVITY: Meat Processing

YEARS IN BUSINESS: 3 Years

NUMBER OF EMPLOYEES: 27

MANAGEMENT STRUCTURE: 3 Owners = Top Management
1 Production Manager
1 Sales Manager

BOARD STRUCTURE: Partnership, no board

RAAPS INTERVENTIONS: 3/18/94, 4/14.94, 4/18/94 (U/K)
4/27/94, 5/06/94, 5/11/94 (U/K)
5/30/94 & 6/03/94 (U/K & Sparks)

BUSINESS PLAN: July 1994

TRAINEES: None under RAAPS

COMPANY GOAL(S): 10% net profit increase in 5 years
while maintaining product quality

BUSINESS PLAN GOAL(S): Evaluate financial condition
Adapt plant elaboration for Polish
market conditions
Design medium and long-term
marketing strategies and plan

PERCEIVED PROBLEM(S): Organization of labor needs
improvement
Current marketing practices need
substantial improvement
Monitoring sales & inventory stock
would benefit from computerized
system

The company goal -- increasing net profit margin by 10% in 5 years -- is ambitious. Currently, the meat industry faces difficult economic and financials conditions. Net profitability ratio ranges from negative to 3%. If HIS, with RAAPS assistance can develop an aggressive marketing strategy, building on its current share of the market and the prestige its products enjoy in that market, it is not an impossible goal.

In addition to elaborating the steps which HIS must take to reach the stated goals (company and business plan), the BP includes financial data with projections through 1998 based on historical data for 1992, 1993, and (preliminary) 1994 -- historical and projected result calculations (comparing unit and net sales, variable costs and fixed costs, gross and net profit); balances (current and fixed assets, current liabilities and long-term obligations, net assets); cash flow.

GENERAL COMMENTS: HIS consists of a meat processing plant in Bibice, 15 km from Krakow, with a retail outlet in Krakow.

This business is private, has three owners, 27 employees (no workers union or council), has been in business for three years, and produces thirty different types of meat products.

HIS has no debts, with most recent annual, gross sales of US\$ 750,000, and profits of US\$ 18,500.

In the process of developing the business plan, HIS has received 8 TA interventions, beginning in March 1994. A U/K professor participated in all 8 interventions, assisted by Sparks in the two most recent ones. These interventions are the only project assistance the owners have received. They have not participated in any RAAPS workshops or seminars. The owners received their final copy of the BP during the interview with the Evaluator.

While the firm has loyal and regular clients and can boast high quality products, they recognize the need to improve work organization and to develop an aggressive marketing plan to assure continued and increased market share.

The owners are young. While they are skilled in production operations, possibly they are not as aware of the need to develop better marketing skills as are their RAAPS advisors. They will need the continued project guidance and monitoring implicit in their receipt of the business plan.

FIRM NAME: RADOM SEED CENTER

LOCATION: Radom, 100 km south of Warsaw

TYPE OF BUSINESS ACTIVITY: Seed propagation/sales
Input supply - wholesale/retail
Foodstuffs - retail

YEARS IN BUSINESS: 44

NUMBER OF EMPLOYEES: 130

MANAGEMENT STRUCTURE: Director/Department Managers

BOARD STRUCTURE: Vovoidship for now, eventually Board

RAAPS INTERVENTIONS: 12/93 (U/K); 01/94 (U/K & Sparks)
03/94 & 04/94 (U/K)
05/94 (U/K, Sparks & LOL)
06/94 (U/K & LOL)

BUSINESS PLAN: April 1994
Supplemental Marketing Plan, Jun/94

TRAINEES: Director, in U.S. (Memphis)
9 staff in Poland

COMPANY GOAL(S): Finalize privatization by 1994
Expand market
Maintain/improve financial health

BUSINESS PLAN GOAL(S): Provide objective assessment of
company's current operations,
financial condition and business
environment
Evaluate future direction of industry
Determine company's strengths and
weaknesses, and opportunities and
threats facing company
Recommend steps company can take to
improve operations, finances, and
position in marketplace

PERCEIVED PROBLEM(S): Overly dependent on seed sales in a
depressed Polish seed market
No system for tracking customer
purchasing preferences
Inconsistency in product offerings
between stores from month to month
Lack of motivation and customer-
friendly attitudes in sales staff
Lack of sales outlets identification

In spite of the number of problems faced by Radom, it appears to be operating within a sound financial framework. At least for the present, its goals appear to be achievable. The reinforcement of the business plan by providing a supplemental marketing plan, will provide additional advice and guidance to Management in making the decisions that will be required for goal achievement.

The major problem Radom faces is the currently depressed market for seed in Poland. Its current dependency on the sale of seeds could create a financial crisis if the situation does not improve or if it is not able to maintain and diversify its other income-producing activities.

Financial projections provided in the plan are based on yearly historical data beginning in 1988 and estimated through 1997. Tables include cash flow projections, balance sheet projections, ratio analysis, and cost analysis.

GENERAL COMMENTS: The Radom Seed Center, located about 100 km south of Warsaw, has passed through an evolutionary metamorphosis since its establishment in 1950 as a subsidiary of the Warsaw Seed Center; later becoming a unit of the Regional Seed Center in Kielce.

The Center is in the process of privatizing: a first step -- becoming a joint stock company in January 1994. The center employs 130 persons, is headed by a Director, who, until the center is completely privatized, is under the supervision of Radom Voivodship. Ultimately, a Board of Supervisors will replace the Voivodship.

Apart from the administrative structure (director's office, clerical staff, accounting and bookkeeping department), it is organized into three major departments, subsumed in its trade department -- administration/transportation, production and trade. The center operates five branches and 15 retail stores.

In addition to seed reproduction and distribution (most seed is purchased under contract from farmers in the area), it is involved in input supply (chemicals, pesticides) and in retailing foodstuffs (flour, sugar, coffee, tea, cooking oil) as well as in limited clothing retail sales.

Sales have shown a progressive increase during the last three years: '91 - 47,456 mln P/Z; 92 - 63,744 mln P/Z; 93 - 89,873 mln P/Z. Its financial condition is reasonably sound, with no long-term debt. It doubled its profit in 1993.

Beginning in December 1993, technical assistance has been provided jointly by U/K, Sparks and LOL, with a total of six TA interventions, two with direct involvement of Sparks. The business

plan was presented to the Center in May 1994, and a supplemental marketing plan was prepared and delivered to the Center in June 1994.

The Director of the Center was one of the participants at the Sparks Agribusiness Seminar in Memphis in February 1994. He gives the impression of being deceptively low key, but one quickly discovers that he is enthusiastic, involved and eager to apply what he has learned through the TA process and in the course in Memphis.

Other staff, the Deputy Director, the chief accountant, the purchasing specialist and six marketing/sales staff persons have received training in the project workshops in Poland -- either in marketing or in agribusiness management.

With this core of personnel who have been exposed to RAAPS agribusiness principles and procedures, the Director has the advantage of moving forward without having to spend a great deal of time orienting and persuading staff.

Based on admittedly limited empirical judgment, the Evaluator believes the Radom Seed Center is one of the best RAAPS clients in terms of potential growth and impact.

FIRM NAME: OLSZTYNEK

LOCATION: Olsztynek, 30 km SW of Olsztyn

TYPE OF BUSINESS ACTIVITY: Fruit and Vegetable Processing

YEARS IN BUSINESS: 20

NUMBER OF EMPLOYEES: 240 (+ 100 seasonal)

MANAGEMENT STRUCTURE: Cooperative

BOARD STRUCTURE: Evolutionary process
Bank has some controlling interests

RAAPS INTERVENTIONS: 08/09/93 & 08/13/93 (U/O & Sparks)
08/19/93, 11/13/93, 11/25/93 (U/O)
01/24/94 & 04/15/94 (U/O & Sparks)
05/16/94 (LOL); 06/04/94 (U/O)

BUSINESS PLAN: January 1994

TRAINEES: Director, in U.S. (Memphis)
2 Sales/Marketing Managers in Poland

COMPANY GOAL(S): Gain full ownership control through
debt restructuring and full
repayment by 1995/96
Revitalize product line through
changes in marketing and product
development, plus some
rationalization of operations

BUSINESS PLAN GOAL(S): Focus activities in Olsztynek with
aim to increase profitability
Assist Olsztynek in making
transition to private company

PERCEIVED PROBLEM(S): Debt load, if unresolved could
derail achievement of goals
Currently, overly dependent on
exports
Low worker morale
Technology up-date required
Distribution capability needs
strengthening

While the Director is confident that Olsztynek will be successful in achieving debt restructuring and repayment in the timeframe indicated, this is an ambitious goal, heavily dependent on a high degree of cooperation of its creditors. However, it does not seem unreasonable. It certainly provides the motivation to make all the

improvements and changes needed to facilitate the achievement of this goal.

The marketing supplement provides additional guidance in developing a sound marketing strategy and a broad contextual framework for pursuing this objective.

The business plan provides a great deal of data and information on the overall produce market in Poland and the challenges it presents. It also provides instructive insights into the U.S. and worldwide canned apple juice market, and the potential for penetrating it.

For some reason, the business plan does not include financial projection tables provided in some of the other business plans researched and reviewed by the Evaluator. It is possible that these are in the process of being produced in Sparks and will be sent, or have been sent, to Olsztyn and the University of Olsztyn advisors.

GENERAL COMMENTS: Olsztynek, its actual one-word, company name, is a food processing company located in Olsztynek, Poland, about 30 km southwest of Olsztyn. It thus falls within the radius of the University of Olsztyn clients.

Olsztynek has been in business for 20 years, currently employing a labor force of 240 persons with an additional 100 seasonal workers. It has four main operational areas: frozen products, canned produce, concentrates, and soft drinks and mineral water.

Although ostensibly a cooperative, controlling interests reside in the creditor bank which several years ago loaned Olsztynek funds for expansion of its operations. Nevertheless, this relationship is fairly benign since Olsztynek is gradually but steadily moving out of its debtor relationship and, according to the Director, should regain complete control of its assets within a year or two. The Director claims that project-provided guidance is critical.

While sales were flat in 1991 and 1992 (37,894 mln P/Z, 37,204 mln P/Z, respectively), Olsztynek experienced a fairly substantial increase in 1993 - 48,157 mln P/Z.

The major objectives of the Director, who was a participant in the Memphis seminar in February 1994, and of the business plan, are to develop a marketing strategy which will further increase sales, and generate enough profit to cover loan repayment.

In addition to the Director, two sales/marketing managers have been trained under the project -- U/O and Sparks marketing workshops. Previously, others had benefited from PEM courses.

TA leading to the preparation and presentation of the BP in January 1994 and follow-up since then, has been provided through 9 TA interventions. U/O was supported in four of these by Sparks, and by LOL in one.

FIRM NAME: NIEDZWIEDZKI FARM

LOCATION: Mortegei, 80 kms from Olsztyn

TYPE OF BUSINESS ACTIVITY: Multipurpose agricultural production and processing
Carpentry (small operation)

YEARS IN BUSINESS: Since March 1993
(previously, a cooperative)

NUMBER OF EMPLOYEES: 32 (down from 80)

MANAGEMENT STRUCTURE: Sole Ownership, Family Business

BOARD STRUCTURE: Owner, with family assistance

RAAPS INTERVENTIONS: 12/93 & 04/94 (U/O)
04/94 (U/O & Sparks)

BUSINESS PLAN: May 1994

TRAINEES: None under RAAPS

COMPANY GOAL(S): Complete debt repayment by December 1997
Realize full ownership of farm and physical assets by that date

BUSINESS PLAN GOAL(S): Determine ways of reinstating credit worthiness of business
Indicate options available for repayment of outstanding liabilities
Define future growth potential
Assist in design MIS

PERCEIVED PROBLEM(S): Current debt load
Marketing strategies for various production and processing functions
Complexity of operations requires centralized, computer-based management information system

Mr. Niedzwiedski has demonstrated outstanding ability in taking over a run-down, bankrupt farm, and in a one-year period turning it into a productive enterprise. A key element has been improved motivation and work discipline in the work force in spite of the need to reduce it by more than 50%.

The business plan surveys the diverse business functions supported by the farm, ranging from crop production to livestock production, from fodder processing to carpentry, from poultry production to

fish ponds. It records key observations for each and, as appropriate within the context of the goals of the business plan, presents simple recommendations or alternatives aimed at overall productivity and profitability.

While there is a brief analysis of "projected cash flow," the business plan provided to the Evaluator does not contain any financial projection tables similar to those found in the business plans for HIS, Radom Seed Center, and Ciechanow Seed Center. Since this plan was only recently presented to Mr. Niedzwiedski, it is possible that the usual financial projection tables are still being elaborated.

GENERAL COMMENTS: The Niedzwiedski Farm in Mortegi is a family-owned, multi-purpose production and food processing enterprise, located about 80 km from Olsztyn. The farm originally belonged to the Przyszlosc Agricultural Cooperative, where Mr. Marek Niedzwiedski was at one time a member/employee. Having kept in touch with the cooperative and learning that it was in danger of liquidation due to excessive debt and poor management, he entered into a contractual arrangement on 25 March 1993 to purchase the entire farm and its physical assets by assuming responsibility for all of the cooperative's outstanding debt.

He reduced the employee load from 80 to 32, and began concentrating on cost-reduction and increased production. The farm itself is a conglomerate, consisting of 524 hectares and ten major buildings -- cow sheds, calf houses, fattening houses, henhouses, piglet house, delivery ward. The 524 hectares are divided into a 9 hectare plot containing barren land and ponds (10,000 geese), 10 hectares of forest, 122 hectares of grassland, and 383 hectares of arable land.

In addition to the 10,000 geese, there are 10,000 turkeys, 30,000 broilers, and a total of 823 pigs (boars, sows, piglets, meat-type pigs, fat-type pigs). Crop production ranges from grain (for fodder and mash production), grapes, sugar beets, to a small variety of other food crops.

The farm also boasts a joiners shop where coffins, construction lumber, and customized ("Gdansk-style") furniture are manufactured.

Mr. Niedzwiedski has managed to effectively orchestrate these various enterprises and is actually beginning to turn a profit. The business plan ambitiously calls for complete debt repayment by 31 December 1997, providing financial liquidity and unencumbered ownership.

While Mr. Niedzwiedski has received technical assistance in conjunction with the preparation of the business plan (U/O and Sparks), there have been only three interventions thus far -- December 1993, April 1994, and May 1994 when the BP was presented.

Mr. Niedswiedski has not been a participant in any project seminars. Thus, it is reasonable to assume that the apparent improvements in farm production and sales are not totally attributable to the project assistance.

Mr. Niedswiedski stated that the assistance he has received has helped him focus and concentrate on those activities with the greatest potential for growth. He is professional farmer, ably assisted by his mother and his wife, who demonstrates negotiating skills. He has contracts with CIBEC, an Italian firm, for livestock breeding. He is in the process of negotiating contracts with the Morliny Meat Processing Plant (cattle ready for slaughter) and INDYKPOL (poultry).

FIRM NAME: CIECHANOW SEED CENTER

LOCATION: Ciechanow, north central Poland

TYPE OF BUSINESS ACTIVITY: Seed propagation/sales

YEARS IN BUSINESS: Separated from Warsaw Seed Center, effective June 1994

NUMBER OF EMPLOYEES: 55 (down from 118)

MANAGEMENT STRUCTURE: Director, Department Managers

BOARD STRUCTURE: Evolutionary, BGZ Bank currently holds controlling interests

RAAPS INTERVENTIONS: 11/93, 01/94, 02/94, 04/94 (FDPA)
05 & 06/94 (FDPA & Sparks)
06 & 07/94 (FDPA)

BUSINESS PLAN: July 1994

TRAINEES: None under RAAPS (some under PEM)

COMPANY GOAL(S): Become the leading seller of agricultural products, particularly certified seed and pesticides and herbicides in its geographical market area
Successfully complete privatization process
Reduce debt burden by negotiating restructuring agreement with BGZ
Identify and obtain strategic investment partners
Expand seed and input supply businesses and increase seed
Increase production of grass seeds

BUSINESS PLAN GOAL(S): Evaluate financial situation with regard to debt and debt restructuring alternatives
Identify company's strengths and weaknesses, determine opportunities and threats facing company
Provide long-term strategic planning tools with assessment of current operations, financial condition, and business environment
Develop basic marketing strategy
Evaluate potential direction of seed industry

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PERCEIVED PROBLEM(S):

Critical debt situation -- large debt principal and cumulative unpaid interest
Lack of modern market research know-how and data
Underutilization of storage space and machine equipment
Uneven cash flow
Imperfection employee compensation system, exacerbated by two competing employee unions
Minimum available means to gauge future seed demands and plan production and seed purchase contracts

The stated goals indicate a high degree of optimism when compared to the problems Ciechanow faces. To add to the complexity of its problems, it has agreed to absorb Mlawa seed operations. This could be a plus. It could also cause even greater strain on CSC Management as it attempts to resolve its operational and financial problems. It is noted that Mlawa also has a debt burden.

The overriding burden is the huge debt with BGZ. Until that is resolved, very little progress can be made in the other problem areas. Privatization cannot proceed unless BGZ provides adequate measures which will facilitate desperately needed liquidity.

The business plan thoroughly examines every aspect of CSC's business and financial operations. Current sales patterns are analyzed. Recommendations are made for some improvements.

Financial information is presented in a series of tables based on historical data from 1989 through 1993: income statements, balance sheets, cash flow, cost analyses. Some preliminary income statement projections are made for 1994 through 1998, for Ciechanow as well as Mlawa. These assume a slim profit margin for Ciechanow beginning in 1996, with 1% net, increasing to 2% in 1998. Assumptions for Mlawa are more optimistic: 8% net in 1994, increasing to 10% in 1998.

GENERAL COMMENTS: The recently initiated privatization process is stalled while the CSC attempts to work out favorable debt restructuring with BGZ (the major Polish financial institution providing credit to the agricultural sector). Until then, the Ciechanow Seed Center remains a State enterprise.

Initial contacts between CSC and FDPA (one of the RAAPS consortium partners through its U.S. affiliate -- ATAP) began in 1993. FDPA quickly zeroed in on the most critical problem requiring solution

before economic growth and financial viability, even privatization, could be attained -- its debt.

This situation was created through an ill-fated contract with a Canadian company which contracted for potatoes which, in turn, it shipped to Russia. The CSC has received no payment in any form, other than meaningless IOUs, and had to borrow a substantial sum from BGZ to pay the Polish farmers with whom it contracted for the delivery of the potatoes. At this point CSC became a major debtor, beholden to BGZ, which essentially controls all financial, even many operational, decisions.

The Canadian Embassy has refused to enter into the dispute, arguing that this is one of the risks of doing business in the hot commodity trading arena. The Polish Prime Minister has taken an interest and is exerting whatever political influence he can bring to bear on the bank -- so far, with no positive results.

Nevertheless, FDPA feels that once CSC resolves its debt problem, it has positive growth potential. It has maintained a broad market base as well as the quality of the seeds it purchases on contract from farmers and sells in both the domestic and foreign markets. If, and when, it resolves the debt problems, it is poised for take off.

FDPA has provided six TA interventions, beginning in November 1993, and continuing through July when the Business Plan was presented. Sparks assisted in the presentation and discussion of the draft BP in May/June. CSC staff, including management, have not been recipients of any RAAPS project training. Some have received training under PEM.

In spite of the critical financial situation, the outgoing Director and the new Acting Director appear to be optimistic. They have not allowed the debt crisis to slow down operations.

In view of their and FDPA's optimism, the Evaluator hesitates to make a value judgment. However, he can't avoid noting that the entire success of CSC rests almost wholly on the assumption that the debt problem will be resolved satisfactorily. He also notes that one of the criteria for selecting businesses for TA and BPs is that they are not saddled with excessive debt.

In fairness, it must be noted that LOL and FDPA consulted at length with each other and with CSC prior to making a final decision to provide TA and a business plan to CSC, taking into consideration the factors mentioned above. They had been encouraged by A.I.D. to take on some risky clients and not concentrate exclusively on those that appeared to be sure winners.

ANNEX D

RAAPS TECHNICAL ASSISTANCE PROCESS

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RAAPS TECHNICAL ASSISTANCE PROCESS

I. General Overview

The following material is a process for conducting technical assistance with firms in Poland that are, or will soon be, undergoing privatization. The components of this process are;

1. identify likely candidates for technical assistance,
2. define the scope of operation of these firms,
3. develop future scenarios for these firms with respect to critical elements of their operations (marketing, financing, profit/loss etc.) and
4. identify projects, investments or other actions necessary for effective privatization.

The process contained in this book is meant to provide a "framework" for direct contact with the company and to organize data and information. From this process specific strategies, decisions and investments can be evaluated. The framework is flexible enough, however, to accommodate a wide variety of business. The process follows a sequential order consistent with the objectives outlined above. As each section is completed, the relevant material is included in the pages following the section cover page.

The ultimate objective of this process is to provide each technical assistance company or firm with a business plan. The business plan produced by this process will recommend actions the firm should take in specific functional areas such as marketing, finance, operations, personnel or purchasing. The purpose of these actions is to facilitate the privatization of firms and provide a solid foundation for future sustainability of the operation and growth of activities.

The basic business plans would focus on four primary management areas, including:

- ◆ **Revenue potential.** Projected sales by product, with expected prices by major markets.
- ◆ **Operating cost projections.** Projected costs by major categories, including commodity costs, labor costs, materials costs (including packaging, etc.), depreciation costs and others as relevant.
- ◆ **Marketing plan.** Projected product distribution, including potential for developing additional products and markets, the strategies available for each and their costs.

- ◆ **Capital and financial plan.** Project firm's financial position including capital needs for high priority projects and their cost, identify sources of capital, their cost and likely returns. Also, evaluate firms tax position and expected costs of taxes, fees, etc. and strategies available to manage these costs.

As part of the Capital and Financial plan, potential investment projects are identified and evaluated.

The business analysis section of the Plan consists primarily of information in 14 tables including:

1. Sales volume projections;
2. Price projections;
3. Final product inventory projections;
4. Materials, labor and capacity requirements;
5. Operating expenses;
6. Capital requirements;
7. Manpower and staffing plan;
8. Financing plan;
9. Revenue projections;
10. Production volumes and capacity utilization;
11. Annual production costs;
12. Inventory, cash, accruals and cash flow;
13. Capital investment;
14. Profit and loss.

For selected potential projects, follow-up activities would focus on pre-feasibility level evaluations, including:

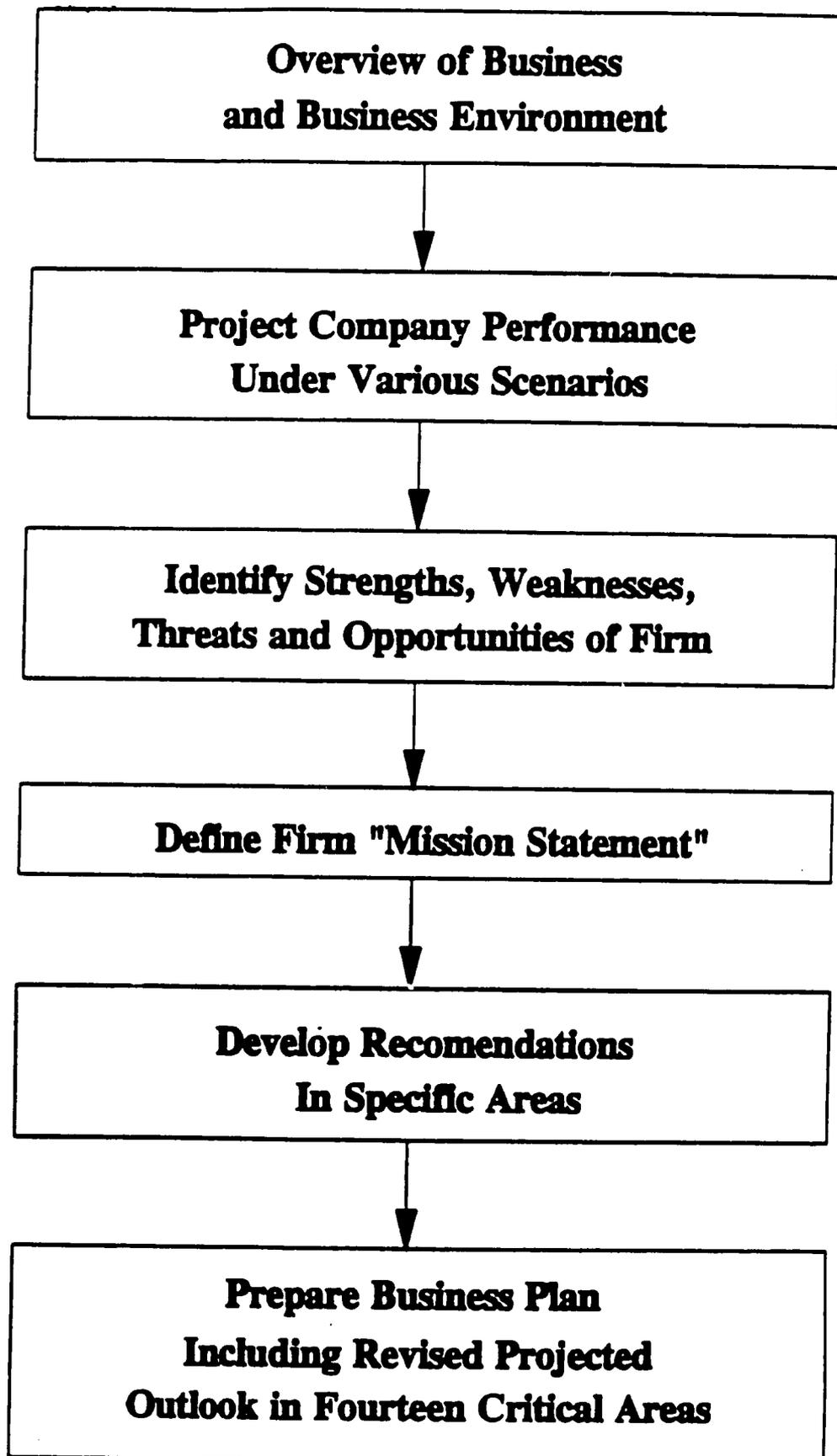
- ◆ **General business outlook appraisals** for selected commodities and products;
- ◆ **Assistance with specific management problems;**
- ◆ **Pre-feasibility planning** for proposed joint ventures, for proposed investments;
- ◆ **Supply evaluations**, and projects to insure access to reliable supplies of high quality, competitively priced agricultural commodities;
- ◆ **Market evaluations**, strategies and projects to develop and expand domestic and export markets.

Subsequent, follow-up efforts would focus on providing highly specialized direct technical assistance for each of the selected firms, with the type of assistance based on specific needs of the selected agribusiness enterprises.

A critical factor in the development of the business plan is that all suggested actions must be consistent with each other. The process described here ensures this by first examining critical aspects of the company and defining a "mission statement"

for the firm. From this mission statement specific actions in each functional area can be defined. The diagram on the next page describes the total process.

RAAPS INTERVENTION PROCESS



II. Identification of Technical Assistance Candidate

This section should contain as much information as possible regarding the company including name, address, principle contact, primary business and source of referral.

A. Company Address and Contacts

Company Name: _____

Address: _____

Telephone: _____

Fax: _____

Telex: _____

Name of Primary Contact: _____

Title: _____

Fax: _____

Telex: _____

Name(s) of
Secondary Contacts: _____

Alternative Addresses: _____

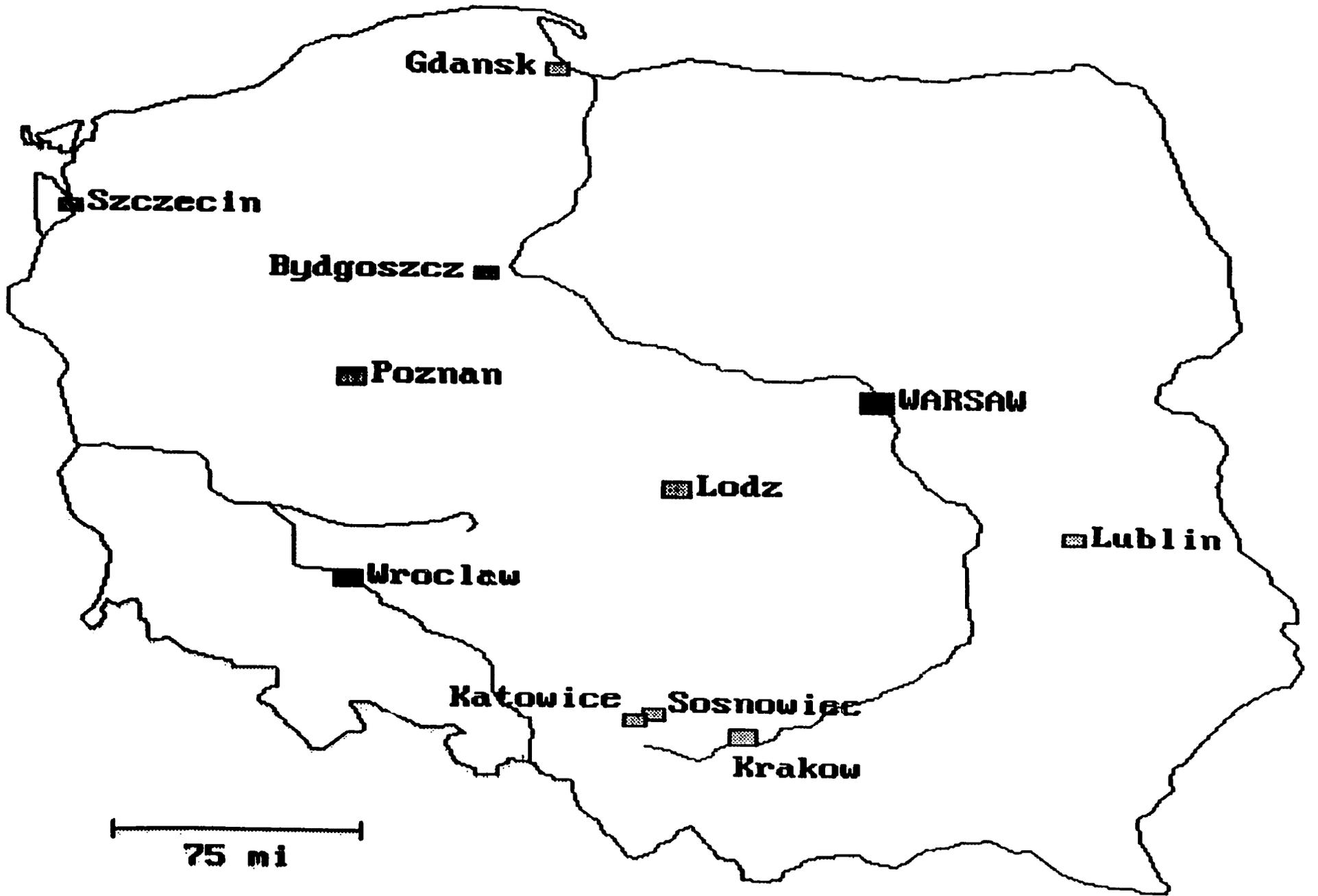
B. Basic Company Information

1. Primary lines of business:

2. Primary Locations

	Location	Function (office, factory, warehouse, etc.)
A.	<hr/>	<hr/>
B.	<hr/>	<hr/>
C.	<hr/>	<hr/>
D.	<hr/>	<hr/>
E.	<hr/>	<hr/>
F.	<hr/>	<hr/>
G.	<hr/>	<hr/>
H.	<hr/>	<hr/>
I.	<hr/>	<hr/>
J.	<hr/>	<hr/>
K.	<hr/>	<hr/>
L.	<hr/>	<hr/>

Identify locations on attached map.



75 mi

III. Business and Organization Overview

The objective of this segment is to define the scope and operations of the firm. The information gathered should be sufficient to provide background for analytic work in Segments IV and V. This segment consists of four basic tasks;

1. definition of business units or lines of business,
2. collection of primary financial information,
3. collection of general market and business environment data and
4. identification of information needs for future contact.

A. Definition of Product Lines

For a multi-product company, distinct product lines or business units must be identified and described. Distinct business units or lines of business are those that have unique cost or market characteristics. For example, a flour mill producing one type of flour will have at least two products; the flour and the milling byproducts sold for feed. If a mill is producing 1 kilo flour packages for retail as well as selling bulk flour to bakeries, it will have three product lines.

The form on the following page should be filled out for each product line.

Definition of Product Line

Description of Product: _____

Locations Where
Produced and Capacity: _____

Annual Volume Sold
(Metric Tons): _____

Annual Sales (ZL): _____

Size of Market in Poland
Volume (Metric Tons): _____

Sales (ZL): _____

Primary Competitors: _____

Other Comments: _____

B. Summary Financial Information

This section should contain at least three years of basic historical financial information including annual income statements, balance sheets, cash flow statements and cost tables. The attached forms should be filled out as completely as possible with additional information added as necessary. While the format of these forms is on an annual basis, if possible monthly or at least quarterly data should also be gathered.

1. Historical Income Statements

For the Year Ending 31 December

Year	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Unit Sales	_____	_____	_____	_____
Price	_____	_____	_____	_____
Sales	_____	_____	_____	_____
Turnover Tax	_____	_____	_____	_____
Net Sales	_____	_____	_____	_____
Cost of Sales	_____	_____	_____	_____
Selling and Administrative Costs	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____
Interest	_____	_____	_____	_____
Other Fixed Cost	_____	_____	_____	_____
Total Fixed Cost	_____	_____	_____	_____
Total Operating Cost	_____	_____	_____	_____
Operating Profit	_____	_____	_____	_____
Other Income:	_____	_____	_____	_____
Interest	_____	_____	_____	_____
Other	_____	_____	_____	_____
Loss (Gain) On Sale Of Property	_____	_____	_____	_____
Gross Profit	_____	_____	_____	_____
Income Tax	_____	_____	_____	_____
Net Profit	_____	_____	_____	_____
Dividends	_____	_____	_____	_____
Retained Earnings	_____	_____	_____	_____

2. Historical Balance Sheets

As of 31 December:

Year	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Assets:				
Current:				
Cash	_____	_____	_____	_____
Accounts Receivable	_____	_____	_____	_____
Inventory	_____	_____	_____	_____
Prepaid Expenses and Reports	_____	_____	_____	_____
Other Current Assets	_____	_____	_____	_____
Total Current Assets	_____	_____	_____	_____
Fixed:				
Plant, Property & Equipment (PPE)	_____	_____	_____	_____
Less: Depreciation	_____	_____	_____	_____
Net PPE	_____	_____	_____	_____
Other Fixed Assets	_____	_____	_____	_____
Total Fixed Assets	_____	_____	_____	_____
Total Assets	_____	_____	_____	_____
Liabilities:				
Current:				
Short Term Loans	_____	_____	_____	_____
Accounts Payable	_____	_____	_____	_____
Other Current Liabilities	_____	_____	_____	_____
Total Current Liabilities	_____	_____	_____	_____
Long Term:				
Long Term Loans	_____	_____	_____	_____
Other Long Term Liabilities	_____	_____	_____	_____
Total Long Term Liabilities	_____	_____	_____	_____
Equity:				
Original Capital	_____	_____	_____	_____
Retained Earnings	_____	_____	_____	_____
Total Equity	_____	_____	_____	_____

3. Statement of Cash Flows

For the Year Ending 31 December:

Year	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Net Earnings	_____	_____	_____	_____
Operating Activity				
Adjustments:				
Depreciation	_____	_____	_____	_____
Loss (gain) on sale of property	_____	_____	_____	_____
Changes in Assets and Liabilities:				
Receivable	_____	_____	_____	_____
Inventories	_____	_____	_____	_____
Prepaid Expenses and Reports	_____	_____	_____	_____
Accounts Payable	_____	_____	_____	_____
Other	_____	_____	_____	_____
Total Adjustments	_____	_____	_____	_____
Cash Provided by Operations	_____	_____	_____	_____
Cash Flows From Investing Activity:				
Proceeds From Sale of PPE	_____	_____	_____	_____
Acquisition of PPE Investments	_____	_____	_____	_____
Other	_____	_____	_____	_____
Cash Provided by (used in) Investing Activity	_____	_____	_____	_____
Cash Flows From Financing:				
Net Short Term Loan Borrowings	_____	_____	_____	_____
Net Long Term Debt Borrowings	_____	_____	_____	_____
Principal Payments on Long Term Debt	_____	_____	_____	_____
Dividends Paid	_____	_____	_____	_____
Net Cash Used in Financing	_____	_____	_____	_____
Total Increase or Decrease in Cash	_____	_____	_____	_____
Cash at Beginning of Year	_____	_____	_____	_____
Cash at End of Year	_____	_____	_____	_____

4. Cost Tables

For the Year Ending 31 December:

Year	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Labor:				
Hourly	_____	_____	_____	_____
Salaried	_____	_____	_____	_____
Contract	_____	_____	_____	_____
Raw Materials:				
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Power:				
Electricity	_____	_____	_____	_____
Gas	_____	_____	_____	_____
Coal	_____	_____	_____	_____
Oil	_____	_____	_____	_____
Other	_____	_____	_____	_____
Maintenance	_____	_____	_____	_____
Office Supplies	_____	_____	_____	_____
Transportation:				
Truck	_____	_____	_____	_____
Rail	_____	_____	_____	_____
Other	_____	_____	_____	_____
Selling Expense	_____	_____	_____	_____
Inventory Loss	_____	_____	_____	_____
Bad Debt	_____	_____	_____	_____
Interest	_____	_____	_____	_____
Other Variable Expenses	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Other Fixed Expenses	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total Expenses	_____	_____	_____	_____

5. Cost/Volume of Product By Location

For the Year Ending 31 December

Product Description				
Year \pm 1	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Plant Name:	_____			
Product Volume	_____	_____	_____	_____
Unit Cost	_____	_____	_____	_____
Unit Sales Price	_____	_____	_____	_____
Gross Plant Revenue:	_____	_____	_____	_____
Gross Plant Cost	_____	_____	_____	_____
 Plant Name:	 _____			
Product Volume	_____	_____	_____	_____
Unit Cost	_____	_____	_____	_____
Unit Sales Price	_____	_____	_____	_____
Gross Plant Revenue:	_____	_____	_____	_____
Gross Plant Cost	_____	_____	_____	_____
 Plant Name:	 _____			
Product Volume	_____	_____	_____	_____
Unit Cost	_____	_____	_____	_____
Unit Sales Price	_____	_____	_____	_____
Gross Plant Revenue:	_____	_____	_____	_____
Gross Plant Cost	_____	_____	_____	_____
 Plant Name:	 _____			
Product Volume	_____	_____	_____	_____
Unit Cost	_____	_____	_____	_____
Unit Sales Price	_____	_____	_____	_____
Gross Plant Revenue:	_____	_____	_____	_____
Gross Plant Cost	_____	_____	_____	_____
 All Plants:	 _____			
Total Volume	_____	_____	_____	_____
Total Revenue	_____	_____	_____	_____
Total Cost	_____	_____	_____	_____

C. General Market and Business Environment Data

Any general information regarding the environment faced by the firm with regard to its products should be included here. Data could include;

1. supply/use tables by commodity for inputs,
2. total size of market by product or
3. general price information.

Markets Served

Product Description: _____

Description of Distribution Channel:

Description of Served Markets (Cities, Provinces, etc.)

Description of Primary Customers (Retail, Wholesale, Consumer Direct, etc.) _____

D. Future Information Needs

This section should contain a detailed list of information needed in order to facilitate further intervention activities with the firm.

E. Organizational Structure

This section should include a description of the organizational structure of the firm. An organizational chart should be developed with written commentary when necessary. Especially important will be a definition of lines of authority and whether the firm is organized functionally by product, geographically, or some other way.

1. Model of Company Operations and Finances

A PC based model will be used to evaluate future performance of the company. A schematic of the model is attached. The output of this model will be driven by information and data gathered in sections II and III. Discussions with management and an assessment of the environment will dictate scenarios chosen. For example, some scenarios could include;

- product sales increasing at a specified rate,
- addition or deletion of product lines,
- deletion of production facility,
- change in capital structure or
- additional investment in plant and equipment.

Ultimately this model will project company performance and needs in fourteen critical areas including:

- | | |
|--|----------------------------|
| a. sales volume, | g. manpower needs, |
| b. sale price, | h. financial needs, |
| c. company revenue, | i. capacity utilization, |
| d. operating expense, | j. total production costs, |
| e. capacity requirements
(materials and labor), | k. current assets, |
| f. capital requirements, | l. capital investments, |
| | m. net profit, |
| | n. ending inventories. |

Construction of Project Balance Table

Current Balance Table Data

Projected

ASSETS

Cash
Accounts Receivable
Inventories
Other Current Assets

Increase or
Decrease Driven
By Sales Forecast

Cash
Accounts Recievable
Inventories
Other Current Assets

Plant, Property Equipment
Other Fixed Assets

Projected Additions
Minus Depreciation

Plant, Property and Equipment
Other Fixed Assets

LIABILITIES

Short Term Loans
Accounts Payable
Other Current Liabilities

Increase or
Decrease Driven
By Sales Forecast

Short Term Loans
Accounts Payable
Other Current Liabilities

Long Term Debt
Other Non Current Liabilities

Increase or Decrease
in Debt Function of
All Other Factors

Long Term Debt
Other Non Current Liabilities

Initial Capital
Retained Earnings
Total Equity

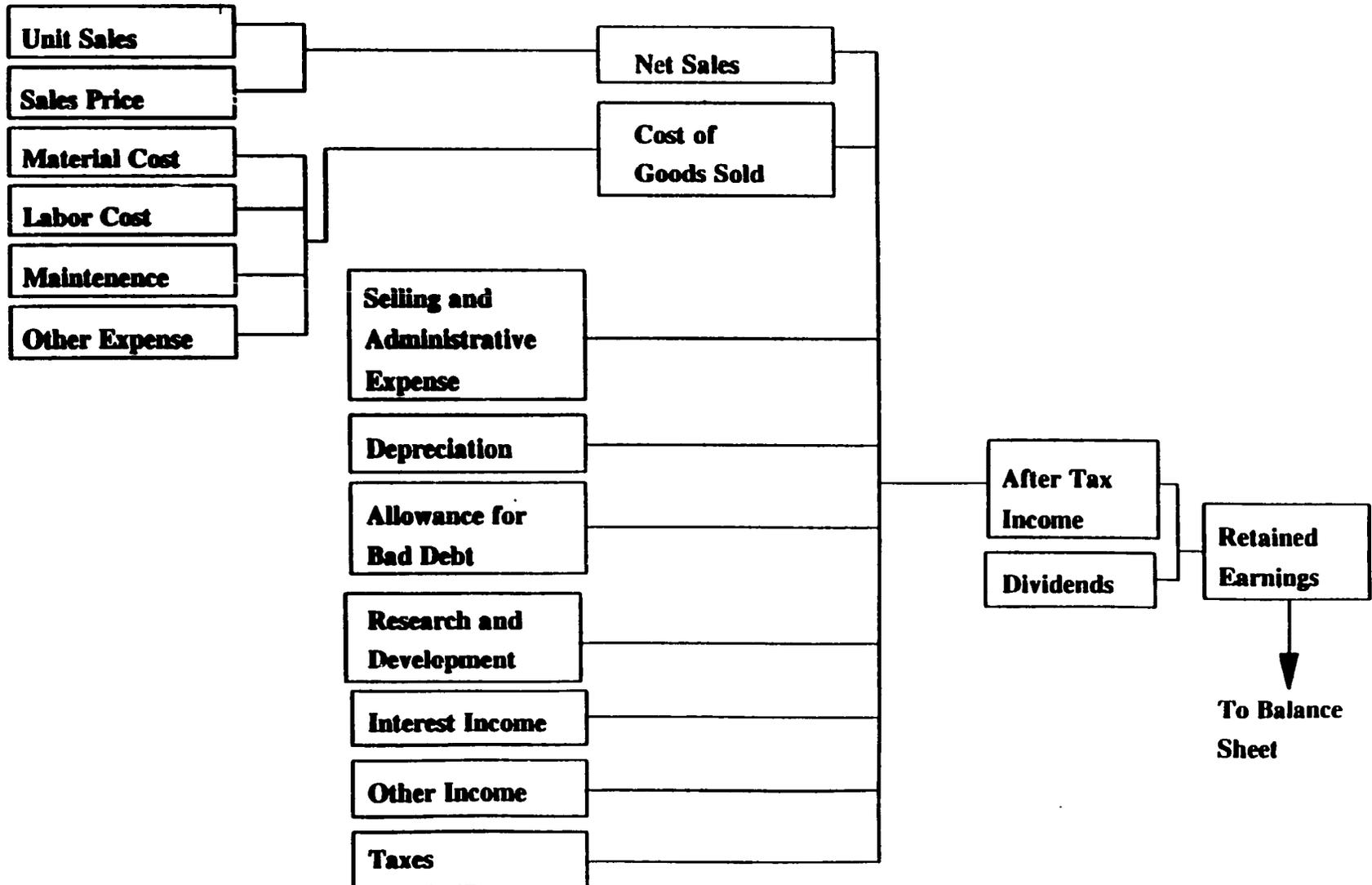
Increase or Decrease
Driven By Income
Statement Projections

Initial Capital
Retained Farnings
Total Equity

17

Schedules By Product Line or Business Unit

Consolidated Company Information



2. Identification of Firm Weaknesses

The process described in (A.) will assist in identifying weaknesses within the firm. Adequacy of the capital base is one critical area that should be examined, however, other areas such as production, bottlenecks and exposure to price risk should also be examined. This analysis of company weaknesses should not be limited to the analysis in (A) but should include results from all previous data gathering and analytic activities associated with the intervention.

Firm Weaknesses

1. _____

2. _____

3. _____

4. _____

5. _____

3. Identification of Firm Strengths

As with the identification of weaknesses, identification of strengths should result from analytic activities in (A) and other intervention activities.

Firm Strengths

1.

2.

3.

4.

5.

6.

4. Expansion Opportunities

Analysis of the firm should identify areas where the firm's resources are underutilized or where opportunities exist in the environment that are not being exploited.

Expansion Opportunities

1.

2.

3.

4.

5.

6.

5. Threats to Firm

Environmental factors exist that could be a threat to the firm's future viability. These threats need to be identified. Examples could be political risk. Adverse price fluctuations, changing technology or legislative changes.

Threats to Firm

1.

2.

3.

4.

5.

V. Elaboration of Business Plans

Using the broad objectives identified in Section IV, specific projects, investments and charges will be evaluated. The analysis in this section will be highly specific and therefore not amenable to standard forms. Each evaluation, however, will be run through the PC based financial model in section IV A to test its impact on the entire firm. A brief report on the impact of each project/investment or change will be produced. All material relating to these analysis should be included in this section.

B. Action Steps of Firm

Based on the analysis in section (A) a brief written report will be produced that describes actions to be taken by the firm in critical areas. These areas include but are not limited to price management of products and raw materials, operational changes, marketing initiatives and financial structure changes. These recommendations should take into consideration the strengths, weaknesses, threats and opportunities as reflected in the firm's mission statement. A copy of this report should be attached in this section.

IV. Identification of Investment/Development Potential

The objectives of this segment are to;

- project company performance forward under at least two different environmental scenarios,
- identify weaknesses within the company,
- identify expansion opportunities for the firm,
- identify threats to the company,
- define market strengths unique to the firm and
- articulate a "mission statement" for the firm.

The output of this segment will consist of two primary parts;

1. an integrated PC based model of the companies finances and operations that projects company performance forward 3 to 5 years and
2. a brief written report that discusses company needs and potential in four main areas.
 - a. Revenue potential,
 - b. operating cost projections,
 - c. marketing opportunities/challenges and
 - d. capital and financial needs.

These reports will examine two or more scenarios over a 3 to 5 year period.

A. Projection of Operations and Definition of Company Characteristics.

DOCUMENTS REVIEWED

DOCUMENTS REVIEWED

PROJECT DOCUMENTS

Chemonics International Consulting Division. Evaluation of the Restructuring Agriculture and Agribusiness: Private Sector Project (RAAPS). Washington, DC: Chemonics. April 19, 1993

Land O'Lakes, Sparks Companies, American Trust for Agriculture in Poland (Foundation for the Development of Polish Agriculture), Center for International Food and Agricultural Policy of the University of Minnesota. Technical Application -- A Proposal for Restructuring Agriculture and Agribusiness: Private Sector Program for Poland (OS/EE-91-012). Arden Hills, MN: LOL. August 22, 1991

Land O'Lakes, et al. Work Plan, Restructuring Agriculture and Agribusiness: Private Sector Program for Poland. Arden Hills, MN: LOL. September 11, 1992

_____. Work Plan, October 1, 1993 - September 30, 1994, Restructuring Agriculture and Agribusiness: Private Sector Program for Poland. Arden Hills, MN: LOL. October 29, 1993

_____. Work Plan, Activities Summary, October 1, 1994 - September 30, 1995, Restructuring Agriculture and Agribusiness: Private Sector Program for Poland. Arden Hills, MN: LOL. DRAFT, July 1994

_____. Annual Report 1993, Restructuring Agriculture and Agribusiness: Private Sector Program for Poland. Arden Hills, MN: LOL. October 27, 1993

_____. "Quarterly Reports" (RAAPS Project). Arden Hills, MN: LOL

"April-June 1992"

"July 1 to September 30, 1992" - October 28, 1992

"October 1 to December 31, 1992" - January 27, 1993

"January 1 to March 31, 1993" - April 19, 1993

"April 1 to June 30, 1993" - July 28, 1993

"October 1 to December 31, 1993" - January 26, 1994

"January 1 to March 31, 1994" - April 26, 1994

"April 1 to June 30, 1994" - July 28, 1994

_____. RAAPS Technical Assistance Methodology; 1993

Land O'Lakes, et al. plus University of Krakow (U/K) and/or University of Olsztyn (U/O) (as marked), Business Plans:

Ciechanow Seed Center. Warsaw: FDPA w/Sparks & LOL. July 1994

HIS. Krakow: U/K w/Sparks & LOL. July 1994

Niedzwiecki Farm. Olsztyn: U/O w/Sparks & LOL. May 1994

Olsztynek. Memphis: Sparks w/U/O & LOL. January 1994

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Seed Center (Centrala Nasienna), Radom -- * Business Plan

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Andrzej Mabuda, Co-Owner

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Knapik (Grain Milling & Pasta Production), Krakow

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