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FINAL REPORT

A PROGRAM EVALUATION OF A.I.D.'S INVESTMENTS IN VOLUNTARY ASSISTANCE TO PRIVATE ENTERPRISE DEVELOPMENT IN CENTRAL AND EASTERN EUROPE

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PREFACE

This evaluation was a special experience for our Checchi team saw first-hand the contributions of voluntary agencies, each with unique institutional identities and capabilities, that have assisted private enterprise development in Central and Eastern Europe.

Our evaluation was only a short excursion, designed to take a look at one of fifteen A.I.D. program investments under the U.S. SEED appropriations. We found variations in country needs, voluntary agencies, their clients and modes of assistance. For the most part, we were convinced that this form of development assistance is cost-effective when compared to other U.S. foreign assistance vehicles and when tailored to the particular circumstances of recipient countries and their respective private sector entities.

In response to Congressional and A.I.D. evaluation requirements, we have tried to be somewhat quantitative in our analysis -- not just to illustrate some of our key findings but also to show how difficult it is, within a short time span (four weeks), to apply methodologies that can enrich and support future foreign assistance decision making.

While recognizing the obvious methodological shortcomings, our team reached consensus during the evaluation process on the findings, conclusions and recommendations of this report. For immediate decision making, think about the evaluation results, and for future decision making, think about how more rigorous methodologies can be more effectively supported and applied.

We applaud the Europe Bureau's vision in proceeding with this and its other program evaluations. Credit for this initiative lies primarily with Deborah Prindle, Chief of the Program Analysis Division of the Europe Bureau, whose development know-how, management and Washington and field oversight were important elements in preparing this report. In her office, Maria Rendon provided substantive and methodological feedback while Janet Ice assisted with documentation and logistical support.

Roughly, we could name more than three hundred other people who either facilitated or contributed to this report. We wish to offer our special thanks to those individuals and their institutions. We also wish to thank our home office staff for their patient and responsive assistance throughout this complicated evaluation process.

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A NOTE ON METHODOLOGY

The most recent series of A.I.D. evaluation requests emphasize the importance of quantitative and qualitative measures of development effects and impacts. This has been a consistent concern of congressional hearings since the late 1980s. The question Congress is asking is what development returns do we receive from U.S. tax dollars invested in our foreign assistance programs -- do they strengthen our economy? do they produce or eliminate jobs domestically or internationally? and do they further our democratic, humanitarian and ecological objectives?

The answers to these questions are not easy for there are many, integrated determinants. Academics have spent years attempting to identify the significant variables and methodologies which are credible.

We as an evaluation team, given six weeks of time, recognize that there are methodological weaknesses in this study. However, we wanted to contribute to AID's (and Congress's) desire and commitment to more rigorous evaluation methodologies and also to highlight our findings and conclusions.

The Task

We were asked in our SOW to assess the work of nine grantees under the SEED program which channeled funds for voluntary assistance to private enterprise development. We were not ask to assess the individual operations of these agencies. Rather, AID desired to see what is working or not working and why in A.I.D.'soverall program.

Comments on Methodology

Questions from voluntary agencies have been raised about our methodology. Some explanatory comments follow.

1. Enterprise as the Analytical Unit.

The use of the enterprise as the analytical unit was specified by A.I.D. directly in our SOW and rightfully so. Inherent in this requirement was A.I.D.'s agency and congressional requirements to show development results. There may be a flurry of activities -- a "thousand roses"; some of these may lead to tangible changes and others may not. The "bottom line" is whether A.I.D.'s investments have increased productivity, net incomes and social well-being.

Given the diversity of activities being carried out by the nine voluntary agencies, all can make arguments as to why their particular inputs have made or will make a difference. This evaluation was designed not to document activity but to take a hard look at how current A.I.D. investments are progressing. This required the choice of an analytical unit such as a private enterprise that would allow comparisons. Whether through training, technical assistance, or funding (directly or indirectly), the intent of this A.I.D. program is to promote private enterprise development and it must be evaluated on this basis.

2. *Definition of Productivity Measures*

Recognizing the diverse initiatives of the nine voluntary agencies and the need for a comparative analysis, the evaluation team first defined productivity measures that could apply to all development interventions. These may be found on page 66 of the text.

With full A.I.D. participation and support in each country, these were refined and broadened, particularly in respect to the added benefits that resulted from initiatives by the volunteers and in several cases, their spouses. The evaluation team saw the significance of these extra activities that have resulted in long-term friendships and institutional linkages. These were observed, documented and integrated into our evaluation because of their pertinence to achieving longer-term country and U.S. policy objectives.

3. *The Evaluation Process*

The time-frame for this program evaluation was short. Working with A.I.D., we followed these steps;

- Review of contracts, reports and background materials which ended up weighing more than 100 pounds;

- Discussions with the responsible A.I.D. officials in Washington to gain a better understanding of the program plus identify key issues;

- Interviews with the responsible "home office" officials of the voluntary agencies to gain perspectives on voluntary agency programs--intent, progress and problems;

- Field notification by A.I.D. and by "home offices" of the intent and requirements of this program evaluation;

- Field investigations in Latvia, Poland and Bulgaria, accompanied by a senior A.I.D. officer who provided substantive and methodological suggestions and oversight;

- Preparation of a Draft Final Report which was reviewed by responsible A.I.D.

officials, with recommendations that were incorporated in the next Draft Final Report;

- Submission of the Draft Final Report to the nine voluntary agencies for comment;

- Further refinements based on the above comments plus additional investigation of FSVC and Peace Corps programs and activities; and

- Finalization of the comparative program evaluation, based on the above inputs.

Carrying out this process in a short period has only been possible through full cooperation of the home and field offices of A.I.D. and its voluntary agency grantees.

4. Sample Selection

Questions have been raised about our sample selection. We asked the voluntary agencies to identify their successes and failures which would help increase A.I.D.'s and our understanding of the efficacy of different development interventions. It was never considered to be a methodologically rigorous exercise because of the short time span for the overall evaluation and particularly, our one week country visits.

Sixty-eight cases, selected in cooperation with the voluntary agencies, were investigated and completed in three weeks. Comparative analyses were done not to evaluate the performances of voluntary agencies but rather to help determine which types of interventions were generating development impacts and the reasons for success or the lack of success.

5. The Tentative Benefit Cost Ratio Analysis (TBCR)

The most controversial issue in this evaluation has been our attempt to compare projects on a TBCR basis. The evaluation team did this to highlight the importance of measuring development results from various types of investments. This was part of the SOW and adheres to the particular concerns of Congress.

In carrying out this process, we asked the voluntary agencies to supply cost figures for training, long- and short-term technical assistance. Unlike professional consulting firms, there were no standardized procedures for determining costs (or multipliers). With the best available information, as found in Appendix D, we resorted to a scaling system that compares voluntary agency costs to those of a professional consulting firm. Admittedly, this is a weak approach but one which signaled future A.I.D. policy and program issues.

Another problem was that few voluntary agencies tracked pro bono inputs although this is

an important aspect of all of their programs. Moreover, only one agency has developed a series of impact measures while the rest relied on activity measures. With a shrinking U.S. foreign assistance budget, comparative impact or success measures are critical for future voluntary agency, A.I.D.,and congressional decision making.

Methodological Suggestions

Beyond yielding insights and possible directions for A.I.D.'s investments in voluntary assistance to private enterprise development, the evaluation team sees several ways that voluntary agencies, with A.I.D.'s assistance, can improve performance and results as well as provide justification for future funding. In sum, these include:

- the definition of common productivity or impact measures through in-country workshops and seminars through umbrella organizations like Interaction and PACT;

- the development of a comparable cost and accounting system, built along the lines of the one used by professional consulting firms; and

- the creation of standardized procedures for measuring pro bono inputs which reflect the real leveraging of A.I.D. funds that voluntary agencies have achieved.

Charles F. Sweet
Evaluation Team Leader

SOME ACRONYMS USED IN THIS REPORT

ACDI	Agricultural Cooperative Development International
BOL	Bank of Latvia
CBI	Cooperative Business International
CDC	Citizens Democracy Corps
DAI	Development Alternatives, Inc.
FSVC	Financial Services Volunteer Corps
ICA	International Cooperative Alliance
IESC	International Executive Service Corps
ISGPOCB	Independent Self-Governing Production Organization of Cattle Breeders
LAAS	Latvian Agricultural Advisory Service
LAT	Latvian Ruble (A.K.A. LR)
LOL	Land O'Lakes
MBAEC	MBA Enterprise Corps
NCBA	National Cooperative Business Association
PBA	Polish Breeders Association
PC	Peace Corps
PCV	Peace Corps Volunteer
PKP	Polish State Railways
ROE	Return on Equity
ROI	Return on Investment
SBD	Small Business Development

SOME ACRONYMS USED IN THIS REPORT (continued)

SOE	State-Owned Enterprise
TBCR	Tentative Benefit/Cost Ratio
TIS	Trade and Investment Services
VE	Volunteer Executive
VOCA	Volunteers in Overseas Cooperative Assistance

EXECUTIVE SUMMARY

A.I.D. has invested $38 million in voluntary agency assistance to private enterprise development in Central and Eastern Europe over the past three fiscal years, or about four percent of its regional budget of more than $1.0 billion.

Financially, this mode of technical assistance is a minor A.I.D. line item. However, it supports the basic premise of the 1951 Millican/Rostow study that the greatest returns from a U.S. foreign assistance program will come from fielding the highest quality American experts.

Moreover, voluntary assistance to private enterprise development has given meaning to the concepts of pro bono and local contributions. And further, it has provided a visible American presence that allows the testing of local development initiatives which can contribute to future policy and program formulation in transitional societies.

The Scope of This Evaluation

The purpose of this program evaluation is to determine the appropriateness and cost effectiveness of A.I.D.'s investment in voluntary assistance to private enterprise development in Central and Eastern Europe, including the Baltics.

This five week study is the first of fifteen program evaluations designed by AID/EUR/PDP/PA. It covers six projects that have financed nine voluntary agencies for work in the region. The evaluation focuses on three countries (Latvia, Poland and Bulgaria) that reflect the range of conditions in which A.I.D. invests.

The Main Findings

1. Government and private sector entities have been highly receptive to voluntary agency assistance to private enterprise development, although at first there was skepticism about why talented Americans were willing to provide voluntary services.

2. This assistance has been particularly appropriate for the transition period during which strategies and priorities have been unclear. It has had success due to high A.I.D. flexibility and the abilities of the voluntary agencies to rapidly mobilize American expertise and know-how.

3. In the process, voluntary agencies have created a series of in-country experiments that add knowledge about local environments while testing different technical assistance and training modes.

4. These voluntary agencies share common development goals but have distinct identities and perform specific roles and functions which can be most effectively tapped and integrated into A.I.D. programs at the country level.

5. High performance by voluntary agencies results from quality in-country planning, management, assessment and follow-up. Moreover, this performance is enhanced by instilling local "ownership" and by leveraging other U.S. foreign assistance resources.

6. Voluntary agency assistance could be improved if greater attention is paid to identifying and developing the capabilities of local institutions for providing effective business services.

7. Longer-term private enterprise development depends on the continued development of "success models" that are being provided by the voluntary agencies, the results of which should be fed more systematically into ongoing policy and program development processes.

8. The current need is to develop a program strategy that is directed towards the particular circumstances and requirements of individual countries in Central and Eastern Europe and that draws upon the lessons of the first years of voluntary agency assistance.

Conclusions

As demonstrated by the comparative analysis in Section Six, A.I.D.'s investment in voluntary assistance to private enterprises development is a cost effective means to address the requirements of transitional societies in Central and Eastern Europe.

Returns from these investments could be increased through a process that helps tailor voluntary agency inputs to the comparative advantages of countries (and sub-regions of countries) in the marketplace.

The prospects for sustainability of these initiatives will increase as indigenous private sector groups grow in strength and can lobby effectively for those fiscal policy and legal system reforms that are necessary to create favorable business environments. This focus is lacking and should be a priority for future A.I.D. decision making, perhaps through the mobilization of resources from well matched U.S. trade and investment entities.

Longer-term private sector development also depends on institution building, primarily through improving business schools and services and increasing Governments' planning and decision making capabilities, particularly at the municipality level. A.I.D. is funding such complementary investments. However, their integration is weak but may be strengthened through the devolution of resource control to the field or country level.

Recommendations for A.I.D.

1. Continue to invest in those voluntary agencies that mobilize high powered, hands on American business expertise and know-how, taking advantage of the U.S.'s comparative strength which is private sector development.

2. Eliminate investments in voluntary agencies that provide point-in-time technical assistance and training without result-oriented action plans and systematic follow-up.

3. Allocate the necessary funds over a sufficient period of time to allow for the testing of voluntary agency activities as well as for program development, including provision for quality in-country management.

4. Shift primary planning and management responsibilities for the activities of voluntary agencies to the country level (instead of relying on Washington supervision).

5. On a country basis, organize a system that measures the results of the voluntary agencies' experimental activities and incorporates these results into the process of identifying future policy and program priorities.

6. Provide ongoing strategic planning assistance to voluntary agencies, taking account of sectoral comparative advantages by geographic regions within a country to help "focus and concentrate" their development assistance efforts.

7. Increase the effectiveness of "grassroots" voluntary agency activities through complementary investments that support ongoing country decentralization strategies, particularly the development of local government units.

8. Establish voluntary agency consultative groups in each country and ask that they produce a coordinated information system, with a set of cross cutting performance indicators on which to base an impact evaluation at the end of 1994.

9. Require each voluntary agency to prepare a longer-term plan that shows how host country institutional capabilities will be developed to carry on its functions.

Section One

INTRODUCTION

A. Overview

The intent of this evaluation is to help determine the appropriateness and cost effectiveness of A.I.D.'s investments in voluntary assistance in Central and Eastern Europe.

Decisions on these investments were made without A.I.D's usual planning and design work due to the U.S. Government's desire to respond rapidly to the changing economic and political circumstances in the Region.

A.I.D. has invested $38 million in voluntary assistance to private enterprise development in the Region over the past three fiscal years or about four percent of its overall portfolio of $1.0 billion.

Voluntary assistance agencies were given broad discretion in the development of their activities, with recognition of the importance of their institutional identities.

Since few activities have had time to mature and achieve measurable returns, this should be considered a formative evaluation laying the groundwork for future decision making.

B. The Purpose and Main Objectives of This Program Evaluation

Common to the countries of Central and Eastern Europe is the desire to build competitive and profitable private enterprises through new ventures and the restructuring and eventual privatization of existing firms. A.I.D. called upon a variety of private voluntary agencies over the past two years to facilitate this process which has resulted in a wide range of clients, interventions, and returns.

The purpose of this evaluation is to determine what is working (and not working) and the reasons for high and lesser performance. Of particular concern to A.I.D. is determining the actual or potential development effects and returns of its investments and cost effectiveness of different modes of assistance. More specifically, the objectives of this evaluation are to:

- Evaluate the fit between voluntary agency assistance to private enterprise development and the conditions and requirements of the environments in which they operate;

- Assess the progress that has been made to date in helping private enterprise development, including actual and possible development impacts and potential spread effects;

- Determine why variations in progress and in development returns have occurred;

- Compare the cost-effectiveness of various modes of voluntary agency and as feasible, alternative means of assistance;

- Draw conclusions and make recommendations on how the program may be strengthened, including the development of an effective information system for future planning and decision making

The scope of work (SOW) for this evaluation, found in Appendix A, elaborates these requirements. The study's focus is on six projects, nine voluntary agencies, and their clients and operations in three countries--Latvia, Poland and Bulgaria. Moreover, the SOW raises broader policy and program issues which must be considered if the returns from A.I.D's investments are to be increased but ones which cannot adequately be addressed in this evaluation.

C. The Evaluation Framework

The starting point for this complex study was the formulation of a shared decision making or evaluation framework. There are five basic elements that guided this evaluation.

- The overriding objective of development is to help people solve their own problems in a way that the benefits are sustainable.

- The private sector is the driving force for economic development, with its market orientation, its ability to increase production and add value, and its influence on government policy and program decision making to help insure a positive business climate.

- Government's role is to provide enabling policies, legislation and essential infrastructure and services as well as the controls necessary to protect the environment, rights and well-being of people.

- A process approach by foreign assistance agencies is needed to define and meet the requirements of transitional societies which will vary according to a country's circumstances and stage of development.

- A.I.D.'s investments in voluntary agency assistance to private sector development (new ventures and privatization) may be cost effective ways of:

  i) generating ideas and approaches tailored to the local circumstances and needs in transitional societies;

  ii) mobilizing proven and new resources that enhance the capabilities of the U.S. foreign assistance program to respond rapidly and effectively to those needs;

  iii) strengthening institutional and individual skills to support the transition processes, particularly in localities; and

  iv) providing laboratories that feed practical experience into future policy and program formulation.

In addition, the study recognizes that there are different requirements for the transition period and for longer-term business development. It further distinguished between the returns from productive sectors (e.g. agriculture, light manufacturing) and the supporting institutions and processes (e.g. business services, privatization) to clarify the types of development returns.

In measuring the developmental returns of voluntary agency assistance, the enterprise was selected as the basic unit of analysis as required in this study's SOW. Interventions ranged from direct enterprise assistance to the strengthening of enabling intermediaries--individual and institutional. Whichever strategy has been employed, voluntary agencies are cost centers. Their results may be measured in direct investment returns, the locality-specific spread effects, and the broader host country and/or U.S. policy benefits. The starting point for this type of analysis is to determine whether voluntary agencies are making a difference at the enterprise level which is the stated target of all nine voluntary agencies.

D. The Evaluation Approach and Methodology

The evaluation team adopted an interactive, evolutionary approach to this evaluation which included the following steps.

Step 1: Review of project documentation and literature on the dynamics of change in the Region.

Step 2: Washington and home office interviews to determine how A.I.D. and the voluntary agencies saw their objectives, strategies and priorities.

Step 3: Formation of an evaluation framework, including the design of an enterprise data collection document.

Step 4: Preparation of standardized voluntary agency evaluation document.

Step 5: Field investigations in Latvia, Poland and Bulgaria which involved series of interviews with A.I.D.,other U.S. Government, foreign donor and host country officials, the voluntary agency country leadership and selected volunteers, the client or enterprise management, and other business service and association leaders.

Step 6: Synthesis of findings and preparation of the draft final report for review.

This draft final report is being presented to A.I.D. and the nine voluntary agencies for comment and refinement before finalization.

E. The Organization of This Evaluation

This study is organized as follows:

Section Two:	A Profile of Voluntary Assistance to Private Enterprise Development in Central and Eastern Europe
Section Three:	Latvia
Section Four:	Poland
Section Five:	Bulgaria
Section Six:	A Comparative Analysis: Findings and Conclusions
Section Seven:	Recommendations: Increasing the Development Returns from A.I.D.'s Investment in Voluntary Assistance to Private Enterprise Development
Appendix A:	Evaluation Scope of Work
Appendix B:	A Study of the International Executive Service Corps (IESC)
Appendix C:	Voluntary Agency Profiles
Appendix D:	Coding System
Appendix E:	The Voluntary Agency Clients or Private Enterprises
Appendix F:	Bibliography

Section Two

A PROFILE OF VOLUNTARY ASSISTANCE TO PRIVATE ENTERPRISE DEVELOPMENT IN CENTRAL AND EASTERN EUROPE

A. Overview

Voluntary assistance to private enterprise development has ranged from an initiative which provides training and $2,000 graduation loans for micro-business start-ups by the unemployed in Warsaw slums to the privatization of a state owned, multi-million dollar engineering and construction firm and its 15 subsidiaries in Sofia. Other initiatives include the training of cooperative leaders and small farmers, short- and iong-term assistance to national and local government entities, the creation of business service centers, and the development of national education programs on entrepreneurship for youth.

The challenges and opportunities of Central and Eastern Europe have attracted new types of American talent into the U.S. foreign assistance programs--CEOs and financial management and technical executives, bankers, younger M.B.A.s,agri-business experts, and trade and marketing specialists. With minimum investment, A.I.D.has mobilized previously untapped American expertise in its programs--expertise that is welcomed by countries and their enterprises. This has led to unprecedented proportions of local resource commitments even with the financial hardships of transition.

There are distinct differences in how voluntary agencies operate, and their clienteles. This section profiles the distinguishing characteristics of the cooperating voluntary agencies and describes their clients.

B. The Program Profile

The Voluntary Assistance to Private Enterprise Development Program consists of six projects and nine grantees, some of which have multiple grants. The basic breakout is found in Exhibit 1.

Exhibit 1: The A.I.D. Program Profile

Project	Participating Voluntary Agencies
Regional Human Resources Project (180-0002)	Volunteers in Overseas Cooperative Assistance (VOCA)
Privatization and Enterprise Restructuring Project (180-0014)	Agricultural Cooperative Development International (ACDI)
Technical Assistance to Enterprises Project (180-023)	MBA Enterprise Corps International Executive Service Corps Peace Corps
Restructuring Agriculture and Business Project (180-0024)	Volunteers in Overseas Cooperative Assistance (VOCA) Agricultural Cooperative Development International (ACDI) National Cooperative Business Association (NCBA) Land O'Lakes -- Dairy Management Training
Business Services Project (180-0027)	PRE -- Financial Services Volunteer Corps (FSVC)
PVO Humanitarian Initiative Project (180-0032)	Citizens Democracy Corps (CDC)

As a measure of analysis, "project" is not a meaningful unit in this evaluation. Unlike the usual A.I.D. process, these projects were not designed in detail, with a logical framework, an implementation plan, and indicators of performance and development impact. Rather, projects emerged as ideas were generated (or as a result of Congressional earmarks) and were approved with broad purposes and mandates, creating a rich set of on-the ground experiments to test what works. Although A.I.D. provides direction, these activities appear to be mainly funding vehicles with Washington management. In the three countries visited, it was difficult to identify project thrusts because of the variety of (sometimes cross-cutting) activities that the voluntary agencies are undertaking.

C. The Distinguishing Characteristics of the Nine Voluntary Agencies

As found in the home office interviews, each agency has its own objectives, strategies and priorities which are adapted to local circumstances in the field. Outlined below are summary descriptions of the cooperating voluntary agencies which highlight some of their special contributions to development in Central and Eastern Europe.

1. Agricultural Cooperative Development Council (ACDI)

ACDI was founded in 1963 with a mission "..to improve the economic well-being of farmers worldwide by assisting agricultural and member-owned organizations to increase trade and achieve sustainable economic development. Its aim is to provide customized in-country and overseas training for selective participants to pursue this objective, with a high concentration on grass-roots decision making. ACDI has been doing this mainly in cooperation with VOCA.

2. Citizens Democracy Corps (CDC)

CDC is the newest voluntary agency, built on the premises of what the U.S. private sector can offer, the importance of experienced and appropriate technical assistance, and the strengthening of development initiatives through information sharing and networking. CDC has four basic programs which are designed to:

- promote entrepreneurship through senior level guidance and selective short-term assistance;
- establish for larger scale enterprises, corporate-to-corporate relations, based on a long-term presence of a senior executive, with discrete and task-oriented infusions of technical assistance.
- mobilize volunteers in a way that yields attitudinal and behavioral changes as well as contributes to policy and program formulation; and
- provides a clearinghouse for information on U.S. institutional and individual resources for future development.

3. Financial Services Volunteer Corps (FSVC)

FSVC was founded in 1990 in response to the historic events in the Communist world following the collapse of the Berlin Wall. A private, non-profit organization supported by grants from A.I.D., individuals, corporations and private foundations, FSVC is active in Central and Eastern Europe, the former Soviet Union, Mongolia, China and Ecuador. Approximately one-third of FSVC's program activities take place in Poland. FSVC is designed to apply "Wall Street" expertise to the problems of transitional economies through direct assistance to governments and financial institutions. It began work in Poland in May 1990 and has focused on market development through regulation, privatization, banking and securities. Its major emphases have been directed towards institutional and systems development which have been furthered by direct exposure to U.S. expertise in securities, exchanges and financial operations.

4. International Executive Service Corps (IESC)

IESC is a long-standing voluntary agency that provides short-term technical assistance to private enterprise development, with systematic follow-up and rigorous monitoring and evaluation of its initiatives. Work commenced in Central and Eastern Europe in October 1990 with operations in Poland. It is distinguished by the use of host country management with connections, creating opportunities for a diversified and receptive group of clients/enterprises.

5. Consortium for the MBA Enterprise Corps (MBAEC)

The MBAEC program is the first consortium of U.S. business schools to provide direct assistance to private enterprises that places promising graduates for one to two years into transitional societies. Its mission is to accelerate the processes of privatization and private enterprise development. It has the value added of engaging young individuals who will contribute to business development in the region, and eventually U.S. commercial leadership. A high percentage of graduate volunteers work at the MBAEC's programs in Central and Eastern Europe, which include Poland, Hungary, the Czech Republic and Slovakia.

6. Land O'Lakes (LOL)

LOL has developed a series of U.S. and host country training programs, with follow-up that helps insure the success of farm to food models. It affords host country institutions opportunities to turn its training modules and materials (with translations) into profitable enterprises. In Central and Eastern Europe, it has continued to assume its traditional stockholder posture with clients committed to serious privatization and private enterprise development.

7. National Cooperative Business Association (NCBA)

NCBA has a mandate directed towards business development, with technical assistance and training to develop partnerships for increased trade and investment. Its initial work has been in Poland, with a focus on one enterprise directed towards improved livestock breeding; this has been stalled but has yielded lessons on doing business in Poland. Revised terms of reference are now under negotiation with A.I.D.

8. Peace Corps (PC)

The Peace Corps is combining its acknowledged strength of working at the local level with a strategy that relates private enterprise development, ecological recovery and English language training. Programs are under way in all three countries, with the mobilization of mature private sector volunteers who have business experience. Though program development is still evolving, one strength of the Peace Corps has been its working

relationships with government agencies which has led rapidly to systematic programming. Another is the agency's emphasis on building linkages among volunteer programs and other development agencies.

9. Volunteers in Overseas Cooperative Assistance (VOCA)

VOCA was the first voluntary agency to initiate operations in Central and Eastern Europe. It concentrates on the provision of technical assistance and training directed towards agri-business development with a small farmer focus. It provides mainly short-term assistance, with systematic follow-up and evaluation to help insure the sustainability of its interventions. Moreover, VOCA assistance relates grass-roots organization and private enterprise development with the need for enabling legislation and fiscal policies.

D. A.I.D.'s Investment Portfolio

As a program evaluation, there is a need to examine A.I.D.'s investment portfolio--generally and grantee-specific -- to determine issues for future decision making.

1. Regional A.I.D.Investments

A.I.D. has signed grants to the above nine voluntary agencies for assistance to private enterprise development which amount to $38 million which is four percent of its overall portfolio of $1 billion for Central and Eastern Europe as shown in Exhibit 2.

Exhibit 2: A.I.D.'s Program Investments

USAID Total Budget for Central and Eastern Europe

Fiscal Year	Amount
FY 1990	$285,705,000
FY 1991	$387,090,000
FY 1992	$357,585,000

TOTAL: $1,030,380,000

USAID Investments in Voluntary Agencies by Country (FY90 - FY92)

Country	Amount
Region	$3,337,000
Poland	$11,060,000
Bulgaria	$3,601,000
Czechoslovakia	$4,048,000
Hungary	$8,341,000
Romania	$2,267,000
Baltic States	$2,840,000
Albania	$2,213,000
Yugoslavia	$773,000

TOTAL THROUGH VOLUNTARY AGENCIES: $38,480,000

This is a comparatively low A.I.D. investment but one which provides in-country and practical experience that can help shape future U.S. foreign assistance strategies.

2. A.I.D. Grantee-Specific Investments

A breakout of funding commitments by voluntary agency funding is outlined below in Exhibit 3.

Exhibit 3: A.I.D.'s Investment in the Nine Voluntary Agencies for Assistance to Enterprise Development in Central and Eastern Europe for FY90 - FY92 (in thousands of $)[1]

Grantee	Amount	Percent
Volunteers in Overseas Cooperative Assistance (VOCA)	$6,136	16%
Agricultural Cooperative Development International (ACDI)	$5,187	13%
MBA Enterprise Corps (MBAEC)	$834	2%
International Executive Service Corps (IESC)	$13,618	35%
Peace Corps	$1,447	4%
National Cooperative Business Association (NCBA)	$1,260	3%
Land O'Lakes	$4,600	12%
PRE – Financial Services Volunteer Corps (FSVC)	$1,000	3%
Citizen's Democracy Corps (CDC)	$4,357	11%
TOTAL	**$38,439**	**100%**

This investment pattern suggests that the efficacy of various decision making criteria (such as Congressional earmarking of U.S. foreign assistance funds) should be addressed in this study.

[1] These estimates were provided by EUR/PDP/PA. Some minor variations (less than one percent) have been noted by voluntary agencies.

E. The Sixty-Eight Private Enterprises or Clients Interviewed

This sample of the enterprises selected with the voluntary agency leadership in each country on the basis of "lessons to be learned" plus a "get what you can" strategy in a short-time period with logistical constraints. Early on in our field investigation, we were able to distinguish those interventions that directly benefitted enterprises (40) and those which provided intermediary business services or enabling technical assistance and training (28). While the sample is not representative, it is indicative of the range of enterprises or clients assisted. Outlined below is a series of exhibits that describe this sample.[2]

Exhibit 4: Cases by Country and Voluntary Agency

Voluntary Agencies	Latvia	Poland	Bulgaria	TOTAL
Agricultural Cooperative Development International (ACDI)	1	1[3]	1	3
Citizens Democracy Corps (CDC)	0	3	3	6
PRE -- Financial Services Volunteer Corps (FSVC)	0	1	0	1
International Executive Service Corps (IESC)	6	8	6	21
Land O'Lakes	1	3	7	11
MBA Enterprise Corps (MBAEC)	0	5	0	5
National Cooperative Business Association (NCBA)	0	1	0	1
Peace Corps	1	2	2	5
Volunteers in Overseas Cooperative Assistance (VOCA)	5	8	3	16
TOTAL:	**14**	**32**	**22**	**68**

[2] Several of the Washington and A.I.D. representatives raised the issue of sample. There was no intent on being rigorous in sampling but rather a desire to see the fullest range of interventions--whether successful or less so.

[3] The one ACDI case in Poland is actually four separate observation/training tours. Please see Case #15, Appendix E.

Exhibit 5: Cases by Sector

Sector	Number of Cases
1. Agriculture	28
2. Light Manufacturing	4
3. Heavy Manufacturing	7
4. Social Service	13
5. Finance	5
6. Tourism	4
7. Retail and Trade	7
TOTAL:	**68**

Exhibit 6: Cases by Client

Client	Number of Cases
1. Small Scale Enterprise Startup	2
2. Strengthening Existing Privately Owned Enterprises	25
3. Privatization of Small to Medium Size Enterprises	8
4. Privatization of Large Enterprises	14
5. Government	14
6. Individual	5
TOTAL:	**68**

Exhibit 7: Cases by Mode of Assistance

Mode of Assistance	Number of Cases
1. Point in time, short-term training, training, with marginal follow-up	37
2. Short-term technical assistance and training, with systematic follow-up	22
3. Periodic and coordinated assistance and training, with systematic follow-up; longer-term involvement	9
TOTAL:	**68**

Of the 68 cases examined, 41 were located outside the capital, 40 involved direct assistance to enterprises while 28 involved indirect assistance to local institutions and individuals, and 18 represent a cooperative effort with other donor or voluntary agencies. Obviously, the sample limitations are readily apparent. However, certain trends may be seen if these cases are examined on factors such as their development returns and benefit-cost ratios.

F. The Key Environmental Variables That Affect the Longer-term Development Returns from Voluntary Agency Assistance

From the field investigation, there are business environmental factors that appear to influence the sustainability of the benefits from voluntary agency assistance to private enterprise development. These are listed below and then discussed in the text. The three main elements include:

- sound macro-economic investment planning based on comparative market advantages;
- progress towards privatization and private enterprise development, with priority on:
  - *i)* enabling fiscal policies; and
  - *ii)* a clear set of commercial laws, reinforced by a functional and reliable judicial system; and
- decentralization of decision making, backed by resources and their control.

There are several other variables that should be considered in broader policy and program formulation but the ones outlined above appear from the field investigation to be most likely to influence the longer-term development results from A.I.D.-supported voluntary agency assistance to private enterprise development.

Section Three

LATVIA

A. Overview

Even though Latvia is a small country with a population of 2.8 million, it was the Soviet Union's most heavily industrialized republic and hosted over 200,000 Soviet soldiers until the end of 1991. It is just beginning the process of privatization and the possibilities for voluntary assistance are unlimited. The voluntary agencies have only recently initiated their programs with concentration on the agriculture and manufacturing sectors. Even though this type of assistance was recently initiated, linkages between volunteers and private sector entities are beginning to pay off. This will yield longer-term and valuable development returns.

B. Salient Features of the Business Environment

In Latvia, the lack of a coherent commercial banking sector is frustrated by weak enabling legislation. There is no legislated regulation, depository insurance, or national clearinghouse for effective transactions accounting. It has confusing privatization processes which are being desegregated to various ministries. Existing enterprises must submit proposals to multiple agencies and different committees within ministries which operate without inter-agency cooperation. Land restitution is vague and often decentralized, yielding to municipality or provincial rights rather than a consistent national policy.

Fiscal policy in Latvia is troublesome with turnover taxes, employee taxes paid by companies, taxes on business and personal income, and specific taxes on goods combined easily exceeding total costs of production or business operations. The tax policies themselves, as well as the periodic changes, rule alternations, and methods of collection effectively destroy taxation as a funding instrument for government and a fiscal policy tool. Central bank regulation is fairly good, but monetary policy currently lacks the confidence of the public so that 85% or more of all capital is held in cash as private "in the pocket" stashes.[4] Consequently, Latvia's money supply is ineffective and monetary policy affects

[4] Comments from the A.I.D. Representative to Latvia: "The report paints somewhat too bleak a picture of Latvia's economic environment. We do not agree that 'fairly good' is an accurate assessment of the country's monetary policy. In fact that policy has been highly successful and has maintained the Latvian ruble as a stable, freely convertible currency. We recognize that it is true that the banking sector needs much greater development. It is also inaccurate

only a small portion of activity. Cash-and-carry destroys economic multiplier effects and the financial flow of funds necessary for banking, saving/lending, and foreign exchange underwriting. Reallocations of government tax revenues is seldom publicly explained and is an infuriating problem with citizens who do not understand how government budgeting occurs or what a huge deficit means. It appears that most funds are going to maintain employment or debt requirements of state-owned enterprises, but this is not productive use of revenues; it only assures the temporary welfare of the population without generating productive work that would build GNP or the future tax base.

Social legislation is nearly invisible in Latvia. Specifically, there is no clear bankruptcy laws or a workable commercial code for domestic or foreign dispute resolution. Property rights, patent laws, tort and contract law, and civil rights legislation is "known to exist" in draft form and through some policy initiatives, but not to have the power of credibility or judicial enforcement. In effect, there is little enabling legislation to support private sector economic development or civil and social institutional development. Part of this problem is a rudimentary judicial code which has numerous criminal code elements in place but lacks in all other areas. Moreover, there are too few judges in too few courts, and the judges are paid at top salaries that barely match income with experienced restaurant waiters, discouraging attorneys from entering public service.

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to argue that 'most funds are going to maintain employment or debt requirements of state-owned enterprises....' True, there have been times when the GOL has been under intense pressure to provide 'loans' (which almost surely would not be repaid) to unproductive industry but it has fought off these pressures with a measure of success."

C. A.I.D.'s Investment Program

Exhibit 8: A.I.D.'s Investment Portfolio for the Baltic States, FY 90 - FY 92

Assistance to Private Enterprise through Voluntary Agencies

Program	$'s Allocated
International Executive Service Corps (IESC)	$287,000
032(b) -- Peace Corps	$17,000
IESC Grant Amendment: Baltic States E8F Supplement	$844,000
VOCA Grant Amendment	$660,000
NCBA Grant Amendment: Baltic States E8F Fund	$400,000
Land O'Lakes -- Management Training Dairy Industry	$1,600,000
Citizens Democracy Corps	$40,000
Total:	$3,848,000

Overall Assistance to the Baltic States: $29,621,000

Assistance to Voluntary Agencies as a Percentage of Overall Assistance: 13%

D. Voluntary Agency Activities in Latvia

1. Agricultural Cooperative Development International (ACDI)

Agricultural Cooperative Development International does not maintain a presence in Latvia. In fact, it has only conducted one observation/training program (June 26-July 25, 1992) for eight participants, four of whom were interviewed during this evaluation. These participants were selected with the help of other technical assistance delivery agencies and key government officials. Contacts were made during an ACDI preliminary Baltic countries needs assessment.

The four training participants interviewed in Latvia represent a diverse spectrum of agricultural interests and activities. One is a private farmer and member of a dairy cooperative. Another is a private entrepreneur who has bought controlling interest in three small grocery stores and has organized a grocery store owners association. When selected, he was the Deputy Chairman of the Farmers Federation but was not reelected. A third

participant is the Chief of the Agricultural Advisory Service in Jekabpils. The fourth participant is an official in the Ministry of Agriculture; his current assignment is Chief of the New Farmers Division.

While each of the participants is in a position to assist in the development of the private agriculture sector, only two have the potential of making an immediate impact on a reasonably broad spectrum, even though they are public employees. The other two can make a more limited impact and exert a degree of influence and their potential contribution should not be discounted. Unlike participants in other ACDI training programs, these four participants apparently have not maintained contact with each other nor planned joint activities in order to share their experiences with other Latvians. Since, in essence, Latvia represents a one-shot deal for ACDI's Eastern Europe program, the only impact that can be realized is that which the training participants themselves can make in the private sector on Latvia. While on an individual basis the training effort was successful, from a programmatic standpoint the impact is probably negligible, particularly since there will be no follow-up nor networking of the participants with each other or with other ongoing assistance programs. VOCA may be able to network with some of the ACDI beneficiaries.[5]

Given priorities and program concentration in other Eastern European countries, ACDI does not plan any additional training activities for Latvia. In fact, after conducting two follow-up workshops in Estonia in July 1993, ACDI is not planning on further training activities in any of the Baltic countries.

2. International Executive Service Corps (IESC)

IESC Latvia has completed 21 project activities since November 1991. Most of the assistance provided has been for work plans to resolve specific problems associated with adaptation to a market-driven economy, such as developing business and marketing plans, repositioning production systems, introducing information systems, or training personnel.

[5]Comments from the A.I.D. Representative to Latvia: "With reference to ACDI, we believe the report is correct in pointing out that the impact of ACDI's program to date has been somewhat limited, in part because the participants sent on a training tour to the U.S. had and continue to have no ties that would stimulate them to act in a coherent fashion. Each has his own niche which offers limited room for broader impact on Latvian agriculture. Thus, while the tour in the U.S. was very well organized and much appreciated, the longer term impact of this effort may prove to be limited. This reinforces the need for PVO actions to fit within a coherent strategy."

Client organizations have been geographically dispersed, representing not only the capital city of Riga but also remote townships, rural villages, and satellite industrial areas. In addition to receiving technical assistance, some clients have benefitted from training seminars presented in 1992 by 12 of IESC's 17 volunteer executives and/or from follow-up services provided by IESC in the U.S., including the identification of U.S. equipment suppliers and potential investors.

The IESC country director, in conjunction with several government ministries and A.I.D., has identified several sectors as targets of assistance in preparing for privatization. These include pharmaceuticals, light and medium manufacturing, agribusiness processing, municipal merchandising enterprises, banking, and tourism development. IESC Latvia is not involved in defense conversion efforts, major manufacturing activities, or substantial public administration programs apart from some initial assistance provided to the Bank of Latvia which was primarily technical in nature. Light and medium manufacturing clients have been selected purposely in an effort to focus on smaller enterprises with existing product lines capable of being commercialized.

3. Land O' Lakes

Land O' Lakes (LOL) is just starting up in Latvia. During the period of the team visit it was learned that a country coordinator had been named and would begin official duties in February 1993. Only one activity could be identified from the available quarterly reports and conversations with home office staff-- three month internships for a private farmer and the Chairman of a major Dairy Producer's Organization. These internships indicate a departure from the regular LOL process of first holding a National Forum and a U.S. Leadership and Agricultural Policy Orientation tour.

During an interview with the chairman who participated in one of the internships, he mentioned that he was able to give significant input on the Latvian national law on cooperatives and suggested that in the future Latvia may even adopt the two levels of cooperatives he had learned about. He also expressed the view that different courses are necessary for farmers versus managers like himself and that LOL should be careful to not recruit people who are from the old bureaucratic system.[6]

[6] It was not possible to explore this comment in depth and it can only be speculated that either LOL did not explain sufficiently its emphasis on an "integrated approach" and/ or that the content was insufficiently challenging or responsive to the needs of a board chairman. The observation about type of individuals who should be recruited may stem from the client's own experience via his work with the Ministry of Agriculture. The LOL country representative should undertake an extensive debriefing of both of these interns in order to get valuable input for design modifications.

4. Peace Corps

In February 1992, Peace Corps was invited to work with the Latvian government to encourage private sector farming, and the first group of eight volunteers arrived in July 1992 for training and eventual placement in October. Working mainly with the Latvian Agricultural Advisory Service (which was formed in 1991), the aim of the volunteers is to build the small enterprise capacity of rural Latvia by newly privatized farmers through business skill development.

This program is still in its embryonic stages, and initial progress has been slow as LAAS itself is still establishing its own capabilities. Correctly, volunteers like the one visited in Jekabpils are being careful not to take the lead but rather they are performing support functions so ownership remains in the hands of the Government and farmers.[7]

5. Volunteers in Overseas Cooperative Assistance (VOCA)

Volunteers in Overseas Cooperative Assistance (VOCA) has maintained a presence in Latvia since March 1992 when it stationed its Baltic Regional Representative in Latvia. Since he must spend one week each month in Estonia and in Lithuania, his work is augmented with the assistance of a Latvian Country Director.

In 1992, VOCA fielded 20 volunteers to work with private farmers, farm organizations, collective and state farms (in the process of privatization), and private agribusinesses. VOCA made no attempt to narrow its focus during this period either in terms of geography or category of agricultural activity or subsector. From a geographic standpoint, this was not a handicap given the size of the country and the accessibility of rural farming areas to each other and Riga. VOCA also realized that there was insufficient grasp of just which types of agroindustry and supporting agricultural activities were in the greatest need of external assistance. Instead, VOCA focused on the growing privatization of agribusinesses, the transformation of collective and state farms and the resulting new organizational units (e.g. Western-style cooperatives, Farmers' Unions), and the entities providing support to the agricultural sector, namely, the Ministry of Agriculture and its nascent Agricultural Advisory Service and the Latvian Agriculture University. VOCA volunteers have also provided critical technical assistance in dairy technology, meat processing, forestry management, and feed mill operations, and other areas.

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[7]Comments from the A.I.D. Representative to Latvia: "The draft evaluation rightly sees Peace Corps Volunteers' work in support of the Latvian Agricultural Advisory Service as still in too early a stage for anyone to make a definitive assessment. On the other hand the start appears very positive and is an appreciated support toward the development by newly privatized farmers of very needed business skills. The program seems to be sensitive not only to provide assistance to farmers but also to the institutional development needs of the Advisory Service."

Prior to fielding a VOCA volunteer, the VOCA Regional Representative and the Country Director make an assessment of need based on a specific request for assistance from an agribusiness, a farmers organization or an intermediary (i.e. public sector) organization which provides assistance and support to private sector agricultural activities. The requesting entity presents a written request for assistance and commits to providing local cost coverage (local transportation, lodging and meals, and interpreter) and to adapting and applying recommendations. Both the volunteer and the beneficiary organization prepare evaluations of the assistance provided and the receptiveness of the beneficiary organization. VOCA/Latvia staff conduct three-month and six-month evaluations after the conclusion of the assistance intervention. Volunteers often continue contact with the beneficiary organization providing information and even critical advice or referrals on a voluntary basis.[8]

While the VOCA/Latvia program does not need to limit its geographic outreach, it might be stronger if it selected one or two thematic areas, or subsectors, for concentration. Its follow-up activities and linkages while positive could be made even stronger.

E. The Latvian Cases

Exhibit 9: Cases by Voluntary Agency and Tentative Benefit/Cost Ratio (TBCR)

Voluntary Agency	TBCR
Agricultural Cooperative Development International (ACDI)	0.33
International Executive Service Corps (IESC)	2.00
Land O'Lakes	0.25
Peace Corps	1.00
Volunteers in Overseas Cooperative Assistance (VOCA)	1.00

[8]Comments from the A.I.D. Representative to Latvia: "VOCA has been established for some time and has had the chance to develop a track record. That record is very good. The solid achievements of VOCA in part are the result of the very disciplined programming work done in the field by the Country Director and his staff. As the evaluation points out, requests are carefully considered and reflect a modest but genuine commitment on the part of the beneficiary organization. Each volunteer experience is evaluated and VOCA makes a serious effort to incorporate lessons learned into its future programming. VOCA also should be praised for developing and constantly nurturing very good communication not only with the Latvian Ministry of Agriculture but also with farmers' organizations, with agribusinesses and with other interested parties. Without doubt VOCA is one of the most effective AID supported organizations working in Latvia."

F. Summary of Findings

Voluntary agencies are still testing the ground, with IESC, VOCA and the Peace Corps taking the lead. They are operating in an environment where the reforms and enabling systems are in their embryonic stage. Discrete interventions with a sector or sub-sector focus that lead to "success" stories appear most appropriate for Latvia's early stages of transition. To increase the pace of transition, there is the need for strong private sector groups with the clout to influence government decision making such as the Ambassador's encouragement of an American/Latvian Chamber of Commerce.

A.I.D. has provided guidance on an individual agency basis, particularly in the selection of promising enterprises. There is need now for more coordinated planning and evaluation, especially given the importance of voluntary agency assistance in A.I.D.'s portfolio.[9]

[9]Comments from the A.I.D. Representative to Latvia: "While there is no formal 'voluntary agency consultive group' in Latvia, an on-going close coordination and dialogue as developed among the SEED-assisted PVOs operating in country. Indeed the dialogue has extended beyond the PVOs to include A.I.D.'s contractor implemented privatization initiative in agriculture. In addition, the various PVOs keep abreast of the range of PVO activities through regular review meetings for all SEED-funded programs."

Section Four

POLAND

A. Overview

Poland, with its population of 38.0 million, its economic potentials and its development initiatives is taking off--private enterprises are multiplying in Warsaw and are definitely visible in other population centers, even though the country's supporting policies and legal systems are not in place. Such an environment offers multiple opportunities for voluntary agencies, and the agencies studied are moving ahead, encountering difficulties but still making statements which could be enhanced with a sharpening of focus and increased A.I.D. guidance and coordination (although the Office of the A.I.D. Representative is doing an exceptional job of information preparation and dissemination).[10] Even though voluntary assistance to private enterprise development is less than two percent of A.I.D.'s portfolio, it has the potential of becoming the "leading edge" for meaningful U.S. development assistance in Poland.

B. Salient Features of the Business Environment

Fiscal policy in Poland is a disaster. Tax rates and the criteria for levying taxes changed three times between January 1992 and February 1993. The latest change occurred while the evaluation team was in Poland when the government threatened to "quit en masse" unless the elected representatives approved an immediate tax rate increase and commensurate changes. The proposal was approved without public referendum, much like a presidential decree, and personal income rates immediately jumped from a graduated rate between 25 and 35 percent to a full 40 percent for everyone above a baseline income level. The budget deficit proposed also leaped, without a challenge from any public entity. Energy taxes were levied and changed last year in the same manner and various taxes have been arbitrarily imposed on a number of commodities. Turnover and VAT taxes, coupled with profits and income taxes, may approach 60 percent of total monetary transaction accounts in Poland.

[10] The A.I.D. Office is essentially managing 78 projects with more than 400 distinct activities. However, it has no decision making authority even though it knows what is happening on a daily basis and has clear ideas of what should be done in the future. The Office should be recognized for its quality preparation of information materials to keep everyone current on U.S. investments and how to tap them. Recognition is important but the sensible "business" solution is the devolution of resources and their control to this Office--at least in regard to voluntary agency assistance to private enterprise development.

As a result there is a substantial "hidden economy" whereby it is common to hide income by working for cash, ignoring accounting standards or reports, and engaging in barter to avoid accountability, which seriously impedes business development.

Monetary policy in Poland is lacking commercial and international banking and transactions are in cash. Exchange rates vary daily and have no regulatory control or price stabilizing mechanism. Privatization policies are being improved, and the possibility of mass privatization, if implemented, could rapidly improve private business activity. Equity markets, stock regulation, commodity trading, and foreign exchange operations, however, have not yet been solidified through fully articulated enabling legislation. Consequently, with exception of "for delivery" commodities trading, there is major speculation in any monetary instrument, including government bonds, that can easily attract foreign capital. Outside interests can rapidly enter the Polish arena for speculative funds and just as rapidly withdraw. If foreign interests grow large enough, speculation will drive the Polish economy, not productive GNP.

Similar problems in judiciary reviews, anti-trust legislation, depository insurance, and civil and criminal codes exist in Poland as in Latvia, although Poland seems to be addressing the individual legislative issues with some degree of responsibility through a "youthful" governmental cadre of well-educated people in the various ministries. There is also strong indications that our assistance efforts, such as help from the U.S. Treasury and the Financial Services Volunteer Corps, is having a positive effect on progressive regulatory reform.

C. A.I.D.'s Investment Program

Exhibit 10: A.I.D.'s Investment Portfolio for Poland, FY 90 - FY 92

Assistance to Private Enterprise through Voluntary Agencies

Program	$'s Allocated
VOCA -- Farmer to Farmer Program for Poland	$905,000
MBA Enterprise Corps (MBAEC)	$171,000
International Executive Service Corps (IESC)	$285,000
IESC Cooperative Agreement	$1,876,000
032(b) -- Peace Corps	$160,500
032(b) -- Peace Corps Poland	$986,000
Volunteers in Overseas Cooperative Assistance (VOCA)	$1,800,000
National Cooperative Business Association (NCBA)	$360,000
Agricultural Cooperative Development International (ACDI)	$1,300,000
ACDI -- CO-OP TRAINING	$700,000
C/O #1: Land O'Lakes -- Poland Private Sect.Pro.	$600,000
Land O'Lakes -- Management Training Dairy Industry	$1,600,000
PRE -- Financial Services Volunteer Corps (FSVC)	$500,000
Citizens Democracy Corps (CDC)	$622,000
Total:	$11,689,000

Overall Assistance to Poland: $525,741,000

Assistance to Voluntary Agencies as a Percentage of Overall Assistance: 2%

D. Voluntary Agency Activities in Poland

1. Agricultural Cooperative Development International (ACDI)

Agricultural Cooperative Development International (ACDI) has operated training programs in the U.S. and in Poland for selected Polish participants beginning in FY 92. It has maintained a training project office for Poland, staffed with a U.S. Resident Representative and a Polish Office Director, since July 1992.

ACDI concentrates its program efforts in Olsztyn, Rzeszow, and Siedlce in Eastern Poland. At the request of USDA it will initiate some training activities on a pilot basis in Western Poland in coordination with USDA extension staff. ACDI focuses on farmer owned and controlled cooperatives, state cooperatives (collectives) in the process of being privatized, and small to medium-sized private agribusinesses. It places priority on assisting food processing entities having a comparative advantage. These include producers of specialty meats, poultry, and dairy products and, to a lesser extent, processors, packagers, and distributors of Polish staples such as potatoes, grains, and fruits.

In addition to coordinating with USDA, ACDI works closely with VOCA and with the ACDI cooperative banking project staff, depending on them to identify potential training candidates. The final selection is made by ACDI training project staff. Individuals selected for training are managers, directors, or technical staff of private sector target entities. Public sector officials are included when they are involved in key policy and legislative decision-making, such as high level agricultural extension officials and legislators and aides involved in writing the new cooperative law and in defining agricultural policy affecting farmers and agribusinesses.

Within the past seven months, ACDI conducted eleven in-country training courses and seminars for over 200 participants in topics ranging from cooperative principles and practices, agribusiness management, cooperative bank management and board responsibilities, and training of trainers. U.S. training has been provided in eight separate observation/training units for one to ten selected participants in topics ranging from loan officer procedures, livestock operations, extension techniques and services, agricultural cooperative structure and operations, and poultry processing. The training units for one person were actually a combination of observation/training and internship in an agribusiness or extension service.

The most recent U.S. training event was the observation/training program conducted for seven legislators serving on the committee charged with drafting the new cooperative law. This was the culmination of ACDI/VOCA collaborative activities, involving U.S. observation/training for the Advisor to the Vice Chairman of the Senate in November-December 1991 and the fielding of two VOCA volunteers in 1991 and 1992 to assist in the drafting process, capped by the legislators' trip to the U.S. in January 1993.

ACDI performs follow-up activities with its training participants, encouraging them to maintain contact with each other and take advantage of other training opportunities. Several participants have actually engaged in collaborative activities with each other or are planning to do so. ACDI also invites and encourages the individuals who have received training to share their experience with others to the maximum extent possible and to participate in the ACDI in-country seminars where practical.

2. Citizens Democracy Corps (CDC)

Although there were earlier corporate advisors, CDC's volunteer programs only got underway in October 1992. Since then, the combination of an energetic and visionary country director and experienced resident advisor have begun to get the program on course.

The resident entrepreneurship advisor has been systematically visiting the various regions, distinguishing those businesses with potential and others which are "sunset" (dying). Listings are made by region of possibilities for assistance and business information is categorized based on market potential, current production and management practices, receptivity to change, and willingness to cover the in-country expenses of technical assistance. The promising candidate firms are selected for further investigation then chosen for assistance. On completion of the assistance, a regular follow-up program is initiated to help insure recommendations are pursued.

CDC also has mobilized major U.S. firms such as Union Pacific, RJR Nabisco, Baxter International, Motorola, and CSX in its corporate assistance program. This is the program with the highest leverage of A.I.D. resources, for these corporations are underwriting most of the costs. Poland's privatization difficulties, complexities in the decision making process, and sometimes changing U.S. corporate interests could jeopardize the fruition of these initiatives, but corporate commitments are serious and provide a mode of development assistance that yields greater development returns than A.I.D.'snormal modes.

With the establishment of a functional Warsaw office, the volunteer program is taking off, focusing on education and public administration, such as developing a secondary school textbook on entrepreneurship. The evaluation team saw a CDC-developed comic book that taught young people in Russia the principles of entrepreneurship. This prompted the evaluation team's interest in building an understanding and receptivity among younger people who can spearhead the transition to an open market, free trade economy.

3. Financial Services Volunteer Corps (FSVC)

FSVC has identified 24 assistance activities in Poland. Six reflect capital market development, five concern regulatory development, two mass privatization, two investment advisory services, five insurance industry development, and four involve uncategorized assistance. Assistance is established through agreements between FSVC and the clients for specific technical work or training and through mutual understandings for support, such as

a cooperative relationship for on-going advisory services with the Ministry of Finance.

FSVC has placed a resident country director who spends approximately half of his time at the Ministry of Finance working on issues related to the government's mass privatization program; the remainder of his time is spend coordinating the efforts of FSVC volunteer activities. Clients in Poland include the Ministry of Finance, stock exchanges, commodities exchanges, the governing body of the Polish Securities Exchange, depository insurance authorities, and various banks. FSVC Poland's training activities are mostly in-country, but approximately one-third of training takes place in the U.S with brokerage houses, insurance companies, and regulatory agencies, funded by U.S. constituents. The intense introduction to western systems and hands-on development experience results in a "resource staff" that returns to Poland capable of making institutional changes and training others, and generates substantial leverage for the program.

FSVC contracts with U.S. volunteers who may be sponsored by their organizations or by institutions that support the FSVC mandate. For example, active executives from Morgan Stanley were sent to Poland to provide training in back shop operating procedures to the Poznan Commodities Exchange in 1992.

The mechanism for securing assistance is a preliminary contract with "terms of reference" for the proposed activity. This details client objectives and program expectations, timing, and the responsibilities for support and funding by the participating volunteer organization. At completion, the country director evaluates the results, gathers client feedback on services rendered, then writes a summary for FSVC in New York with recommendations for improvements or change.

4. International Executive Service Corps (IESC)

IESC has completed 244 discrete project activities in Poland, including several activities that were initiated prior to its October 1990 cooperative agreement with A.I.D. Assistance has included restructuring plant and management systems, repositioning companies in new markets, redefining products or services, and instituting strategic planning systems, all of which fall within IESC's overall strategy of improving private business systems, management, and productivity. IESC Poland has also been involved in formal defense conversion contracts with integrated state-owned enterprises.

IESC Poland has a staff of eight persons with an annualized activity load of approximately 70 client organizations. The country director is a graduate civil engineer with broad experience in more than 20 countries in the construction and management of infrastructure projects. His office has been active in seminars, workshops, and coordinated educational programs with indigenous organizations and other U.S. assistance groups, including the Polish Business Advisory Services and the Peace Corps. Two major objectives for IESC Poland are to generate the greatest leverage from volunteer assistance and to ensure geographic diversity through "rural enterprise," "micro enterprise," and similar focused

initiatives. In screening prospective client proposals, IESC has also given weight to priorities expressed by the Minister of Privatization and the Minister of Industry and Trade.

Approximately half of the 65 volunteer executives that carried out activities for IESC Poland in 1992 were former board members or CEO's of major corporations; others had achieved senior executive positions or had specialized expertise in areas such as production, information systems, finance, merchandising, or accounting. Client organizations served by these volunteers ranged in size from a personal services company with five employees to Poland's largest enterprise with 30,000 employees and over $30 million in annual sales. Five of the 65 activities involved defense conversion assistance. The rest were concerned primarily with light and medium manufacturing, entrepreneurial efforts, service companies with growth potential, and public administration assistance. IESC Poland avoids clients in agriculture, health care, banking, utilities, and educational institutions whose assistance needs are addressed through other programs or methods.

5. MBA Enterprise Corps (MBAEC)

The MBAEC in Poland, managed by The International Center For Enterprise Development of the Krakow Academy of Economics, reportedly was formed due to strong interest by the faculty in the Corps. In Poland, the Corps expects to increase its presence from two geographic locations at the start-up of the program to approximately eight geographic locations (Zielona Gora, Poznan, Wroclaw, Lodz, Radom, Zamosc, and Krakow) at the request of USAID/Warsaw. While no particular sector strategy has yet been defined, four categories of companies dominate the Polish program -- manufacturing, commerce, consulting, and computer (hardware and software). Applications for the next cycle reflect a trend toward greater diversification of both company category and geographic spread.

The direction, management and operations of the Polish Corps is under a particularly charismatic, energetic, internationally acclaimed professor, Dr. Janusz Jarowski, who was well known to the MBAEC principals and appointed by the Rector of the Academy. Notwithstanding his enthusiasm for and commitment to the program, it would appear that he is already over-extended, understaffed and will be even more so with a new emphasis on geographic spread. While such a spread can enrich the categories and types of firms able to participate, as well as have a greater development effects, the quality of screening and selection of firms should be strengthened.

MBAEC progress in Poland has been extraordinary and client satisfaction runs high. Several lessons have already been learned from the MBAEC Polish experience, including the importance of clearly defining the job and role of the MBA member in advance (companies need to think more concretely about what they need, exactly how they will use the MBA and put this in writing). Also, there should be an English speaking counterpart because the language training received is not sufficient to prepare MBAs to work effectively in Polish, and the MBAs should always have a clearly designated Polish counterpart who will takeover his/her job when the MBA leaves. MBA's should have direct contacts with the

client company before they arrive in order to prepare in advance, and the MBAEC orientation program should teach more about the business environment in the host country. Estimates are that it takes approximately three months for the MBAEC member to become fully adapted to the host business environment. Commitment from top management is more important than whether the firm is public or private, and MBAEC members should be assigned so that they report directly to top management if they are to have an impact. In the same vein, in order to avoid unproductive competition for influence with top management, there should only be one MBA assigned to each enterprise.

6. Land O' Lakes

Land O' Lakes (LOL) began working in Poland prior to the economic transformation. The U.S. presence was minimal and countries like Poland did not fit the USAID profile for developing countries, so LOL was unable to utilize an existing cooperative grant for service delivery. However, they kept USAID briefed about their activities and developments as they unfolded. Poland was selected to be LOL's first project not only because of this early affiliation but because LOL judged the country to be implementing the most aggressive economic reform program (i.e., the Jeffrey Sachs "shock therapy" package).

LOL is well staffed with four locals and one American country Director. They recently moved into new expanded offices that will provide more room for operations and cut costs by sharing space with AGRA International (LOL's investment arm). Country operations seem to be well managed and the recent transition to a new country director has gone smoothly because core local staff have remained constant. The new director, James Bueltel, is reviewing current operations with staff to refine and delineate roles and responsibilities. This is critical in light of the decision to attempt greater geographic dispersion at the request of USAID/Warsaw.

Important country specific conditions and needs have been identified in Poland, including longer, more intensive preparation for trainers, which requires developing training schedules well in advance. Several courses should be revised to adjust to a higher level of training, and scheduled courses should be able to be postponed to substitute courses in higher demand (i.e., marketing). The should be greater reliance on the local network for recruitment (including former participants and interns) and increased collaboration with local intermediaries (especially ODR Centers). LOL should spread out more and not concentrate in one area, and should increase its monitoring and follow up of clients.
LOL technical assistance (TA) to enterprises seems sluggish relative the number of training activities and participants. TA is averaging about two requests per quarter, which could be attributable to the overall pace of agrarian reform and privatization, numbers of enterprise personnel represented among seminar participants, or the emphasis placed on linking assistance and training. Where LOL has undertaken interventions, client satisfaction has been extremely high.

7. National Cooperative Business Association/American Cooperative Enterprise Center (NCBA /ACE)

The International Development Process at the NCBA is becoming more closely linked with the brokerage and trade processes and the ACE is the vehicle through which this is being accomplished. This is in effect the approach which NCBA/ACE has applied in its work in Poland. In this context, the main activity over the past year has been focused on working with the "Polish Cattle Breeders Project," originally to be undertaken in collaboration with the Polish Breeders Association (PBA). The American partner in this project along with NCBA/ACE was 21st Century Genetics. The project objective was to establish a farmer controlled organization to import and distribute American genetic products in Poland (to set up a new Polish bovine artificial insemination network).

In Poland, conceptualization of NCBA's brokerage-trade and development approach has proven more difficult at the implementation stage, and the eventual outcomes of the proposed project are at best uncertain at this point because a philosophical difference in project approach arose between the American and Polish partners, resulting in the American partner officially withdrawing from the project.

The NCBA/ACE has proposed a slightly modified business plan that would involve a small scale artificial insemination cooperative with a core group of leading farmers; in essence an alternative to the PBA. This alternative plan is looked upon with skepticism by some USAID personnel who think it's time to cut their losses and move on to other projects. This is a reasonable concern and this and other relevant questions are addressed in more detail in Appendix C[11]. It is important to note that this project is unique in that USAID required that NCBA membership be involved in the funding of this grant, (ten NCBA members have invested $25,000 each) and in this context the lessons to be learned here ought to be captured and analyzed.

[11] Relevant questions include : What was NCBA/ACE strategy for translating this idea into action in Poland? (i.e., What is NCBA's business development plan for Poland?) What has been the progress so far? What Lessons have been learned? What have been the costs to USAID? the other investors? What is the potential recovery both in $ and in development terms? What are the potential losses both in $ and development terms, for the group? For individual members? What is the a) minimum and b) maximum that investors can hope to gain given the current situation? What are the risk factors associated with pursuing the latter alternative ? Would non-AID investors be willing to put up additional funds to share more equitably with AID any future losses? How much time should be given to NCBA to achieve objectives of the new business plan establishing the alternative association? What concrete steps NCBA have been taken to avoid similar problems in the future?

8. Peace Corps

The Peace Corps initiated its assistance to private enterprise development in November 1990. It now has 70 Small Business Development volunteers, working under four main projects. The first is the Municipal Advisors Project directed at increasing the capabilities of local government and local institutions. Initially volunteers were asked to assist in privatization of local government assets, but this work has now expanded to a wide range of activities: improving government operations, economic planning and investment promotion, and the development of housing and urban planning strategies.

The second project is the Privatization Advisors Project, created in 1991 as an outgrowth of the Municipal Advisors Project. As Polish state owned enterprises undergo privatization, several large enterprises have requested Peace Corps assistance. Nearly one quarter of SBD volunteers are assigned to the Privatization project as a primary assignment, and many other volunteers are working in privatization as secondary projects. Volunteers provide technical assistance and training to local public and private institutions in NGO development, business incubator development, work with regional development agencies, and business consulting for state-owned enterprises in the privatization/restructuring process.

The third project is the Business Training Project, which is designed to strengthen and develop business education centers as well as to provide direct training. The Peace Corps has recognized the need to document the different privatization experiences in Poland and to provide resource support for SBD volunteers throughout the region. Working with the local universities and academic institutes (and with A.I.D. financing), the Peace Corps has established the Krakow Free Enterprise Transition Consortium (FETC) to perform these functions. The FETC provides a resource center, a case study library, technical assistance and tailored training to help complete the process of economic transition in Poland. Polish entrepreneurs work closely with Peace Corps Volunteers to most effectively utilize the resources at FETC.

The final project is the Peace Corps Banking Conference, an annual event which will take place for the third time in November 1993 in cooperation with the Progress and Business Foundation in Krakow and UNDP. The conference was originally organized by a Peace Corps volunteer who invited bankers from the American Institute of Banking and a representative from the U.S. Treasury's Office of Thrift Supervision. The goal of the conference is to present American banking practices to Polish bankers. The curriculum includes 15 different banking and related courses including credit analysis, asset and liability management, correspondent banking, business development, management styles, bank security, foreign currency operations, management communications, and bank products and services. This training effort is the first of its kind conducted in Poland by an established American banking organization. The Peace Corps Business Development program in Poland has a number of qualified bankers serving as volunteers and will continue to provide this type of training in the future.

Initially, the SBD volunteers were concentrated in the Eastern part of Poland, but they now cover most parts of the country. It has avoided policy and program functions, concentrating instead on grassroots practical training and technical assistance. The average age of the SBD volunteers in Poland is forty-six, with various business, banking, and government backgrounds. The program continues to evolve, with the country Peace Corps leadership responding to new opportunities. As lessons are learned, there is a need to focus and concentrate at least functionally if not geographically.

9. Volunteers in Overseas Cooperative Assistance (VOCA)

Volunteers in Overseas Cooperative Assistance (VOCA) was the first U.S. organization funded by A.I.D. to initiate assistance activities in Poland with the arrival of the first volunteer in March 1990. Currently, VOCA has a full-time Resident Representative in Poland, supported by a staff of four Polish professionals.

VOCA has fielded literally dozens of volunteers, concentrating their efforts generally, but not exclusively, in Eastern Poland. These have played roles in assisting Polish agriculturists and organizations in defining the proper role, functions, and structure of Western-style cooperatives. One volunteer assisted Rural Solidarity leaders in Southeastern Poland in organizing and opening the first Polish cooperative and agribusiness advisory and training center -- the Agency for Cooperative Promotion. This center works closely with the Regional Cooperative Service Union, created through World Bank and EEC efforts, and provides a vehicle for reinforcing and propagating the technical advice of VOCA volunteers.

VOCA strategy for Poland focuses on five program areas: agricultural advisory services, privatization of state enterprises, food processing and marketing, cooperative development, and agricultural credit. VOCA has essentially vacated the last category in deference to the ACDI cooperative banking project.

While most of its volunteers have worked directly with, and even in, agribusinesses, in 1991 and again in 1992 two VOCA volunteers have worked with the Parliament committee charged with drafting the new cooperative legislation. Though the state-controlled collective cooperatives have been a disaster and have left many individuals with a decided bias against "cooperatives", key political and agricultural sector leaders have sought to reintroduce Western-style cooperatives similar to those that flourished in Poland prior to the Communist takeover. VOCA has repeatedly been requested to provide volunteers to give advice on specific types of cooperatives, but maintains a degree of neutrality in that it does not insist on cooperatives as the preferred agribusiness structure. In fact, it encourages its clients to explore various alternatives.

E. The Polish Cases

Exhibit 11: Cases by Voluntary Agency and Tentative Benefit/Cost Ratio (TBCR)

Voluntary Agency	TBCR
Agricultural Cooperative Development International (ACDI)	1.33
Citizens Democracy Corps (CDC)	5.00
Financial Services Volunteer Corps (FSVC)	2.00
International Executive Services Corps (IESC)	2.75
MBA Enterprise Corps (MBAEC)	2.60
Land O'Lakes	0.50
National Cooperative Business Association (NCBA)	0.50
Peace Corps	2.25
Volunteers in Overseas Cooperative Assistance	1.81

F. Summary of Findings

Poland has seen a flurry of activity, not only from the U.S. but also from other donors in assisting its processes of privatization and private enterprise development. Programs have been initiated with enthusiasm and with high receptivity and in most cases, quality voluntary agency management. Voluntary agency decision making has followed defined and strict criteria, reinforced by rigorous follow-up measures. The impact of this assistance may be increased through:

- greater direction and integration under country-specific A.I.D. management and decision making;

- stronger linkages between voluntary assistance and other A.I.D. initiatives, relating and leveraging U.S. investments in foreign assistance.

Section Five

BULGARIA

A. Overview

Bulgaria, with its population of 9.0 million, was closely aligned with the Soviet Union. It is beginning to pursue an open market strategy with legislation passed, though without an enabling judicial system. New businesses are evident, particularly as one travels along roads and enters into negotiations. From a planning standpoint, the senior economic advisor to the Council of Ministers said clearly that they want to capitalize on their comparative advantages, which are in agriculture and physical or cultural tourism: "let us articulate our comparative economic advantages" and support these with "knowing" resources.

B. Salient Features of the Business Environment

Confusing land restitution laws are having a serious effect on private efforts to improve physical infrastructure and to promote private enterprise. The privatization process is also inexplicable. There have been only six successful privatization proposals by previously owned state enterprises through a three year period of four governments, though there have been more than 400 proposals for privatization received by government ministries. Authority for privatization and land restitution between state and municipal (or regional) governments has not been resolved except for two categories. First, any company that was defense related has been systematically exempted from going private or reorganizing for five years, during which the state has pledged support for employee rights and welfare. As a result, a company can continue to operate without production, sales, or income, yet maintain its employment and simply sit back and expect state payments for all workers or expenses. Secondly, land restitution has been dictated at the state level for agriculture: no one can sell agricultural land to anyone other than a naturally born Bulgarian citizen, and the land cannot be currently subdivided or converted to other use until further notice.

Fiscal policy for taxation and government allocations is vague, yet the Council of Ministers has focused a majority of its time and energy on major legislative reforms to establish a sustainable tax code. Various profit, income, turnover, and excise taxes account for perhaps as much as 60 percent of domestic transaction activities, and more than half of this is unproductively spent on state-owned enterprise debt, employment issues, and redundant or retirement payments. Monetary policy does provide legislation for a commercial and central bank function, and progress is being made toward a depository insurance system, but

transactions remain cash bound and ineffective for commercial transactions, lending, or business underwriting.

Like Latvia and Poland, there is only rudimentary social and civil rules, not stable legal codes that could endure, and most are politically motivated. Consequently, whatever rules and laws exist, the judiciary system is not in the position to implement them subject to social and political pressure. Bankruptcy laws are not beyond draft form, while fraud, tort, and contract laws have elements in code form but not as a coherent body such as a civil or criminal code, and the mandates for most agencies or government operations below general ministry level are vague and general. Most government branches agencies, such as the Postal and Telecommunication Agency or the Ministry of Privatization, do not feel "empowered" to actually implement plans. Most, like the Agency for Cultural Tourism, are only funded for minimal staff and operations.

C. A.I.D.'s Investment Program

Exhibit 12: A.I.D.'s Investment Portfolio for Bulgaria, FY 90 - FY 92

Assistance to Private Enterprise through Voluntary Agencies

Program	$'s Allocated
IESC Cooperative Agreement	$231,000
032 (b) -- Peace Corps	$302,000
Volunteers in Overseas Cooperative Assistance (VOCA)	$1,200,000
ACDI -- CO-OP TRAINING	$560,000
Land O'Lakes -- Management Training Dairy Industry	$500,000
PRE -- Financial Services Volunteer Corps	$100,000
Citizens Democracy Corps	$622,000
Total:	$3,515,000

Overall Assistance to Bulgaria: $73,320,000

Assistance to Voluntary Agencies as a Percentage of Overall Assistance: 5%

D. Voluntary Agency Activities in Bulgaria

1. Agricultural Cooperative Development International (ACDI)

In anticipation of accelerating its training activities in the Southern Tier, ACDI has recently stationed a Regional Representative in Sofia, Bulgaria (November 1992), who is assisted by a Bulgarian Country Director.

To date, ACDI has conducted only one U.S. observation/training course. Of an initial list of 15 potential participants identified by the ACDI poultry project advisor, with help from other technical assistance providers, the ACDI Vice President for Training selected six participants on one of her assessment trips to Bulgaria. Training in cooperative management was provided September 19 - October 14, 1992.

During the last three quarters of FY 93 (January - September) ACDI is planning four in-country training courses/seminars on the formation of production and marketing associations and agricultural credit. ACDI is also planning two U.S. training events on cooperative management and marketing and poultry technology for the same period. The poultry training will be provided in support of the ACDI poultry project.

The two training participants interviewed during this evaluation are using what they have learned to influence policy and practice in Bulgaria. One has written a series of articles on the practical aspects of Western-style cooperatives. The other, an agricultural economist serving as advisor on the Agriculture Committee of the Bulgarian Parliament, is providing critical advice to parliamentarians on ways to enhance the privatization of agriculture and the positive role that cooperatives can play in the development of Bulgarian agriculture and agribusinesses.

2. Citizens Democracy Corps (CDC)

With a longer start-up period than Poland, the CDC activities in Bulgaria have developed further. Through its corporate assistance program, Upjohn assessed and assisted Bulgaria's pharmaceutical industry, and Dresser Industries/M.W. Kellogg advised Agrobiochim, a Bulgarian fertilizer manufacturer. Brown & Matthews, Inc. advised the Bulgarians on issues related to privatization of the construction industry. The business entrepreneur program is under way, with assistance mainly to Bulgarian light and heavy manufacturing industries. The program has been expanding due to the quality of technical assistance which has resulted in several referrals.

As a result of initial screening of opportunities, CDC has embarked on a program to assist municipal hospitals. At least eight volunteers will be involved in this program and results of their work is being fed directly to the Minister of Health. This is an excellent example of a "focus and concentrate" strategy with volunteer inputs into national policy and program formulation. CDC has also provided assistance to the development of the agricultural

extension service and Veterinary Medicine University. While CDC has a mandate for educational development, VOCA or a major U.S. agriculture university may be better suited for this type of work.

The CDC Country Director maintains high visibility, with speeches, TV interviews, and meetings. This type of visibility contributes to broader U.S. policy objectives.

3. International Executive Service Corps (IESC)

IESC has been active in Bulgaria since mid-1991. Activities have focused on providing assistance to light and medium manufacturing firms, private sector financial stock and commodity institutions, resort and tourism development, rural private enterprise development, and various government or quasi-governmental policy agencies. In addition, IESC Bulgaria has worked with women-owned enterprises and "clients of opportunity" like the Center for the Study of Democracy. To avoid duplication of effort and promote joint assistance activities, IESC's Sofia office maintains a schedule of monthly meetings with A.I.D. and all A.I.D.-supported assistance groups.

In selecting client organizations, IESC seeks to maintain a balance between rural and urban activities, small entrepreneurial companies and larger organizations, and work in public administration, private enterprise, and institutional development. IESC has also sought to address the Bulgarian government's priorities of developing private financial and banking systems, restructuring the telecommunications sector, and achieving rapid improvements in agriculture and agribusiness. Because the Bulgarian Council of Ministers has mandated a freeze on the privatization of defense-related, electronic, and heavy manufacturing enterprises, most IESC client organizations have been small to medium in size.

The 48 activities successfully completed by IESC during 1992 included developing marketing and sales plans for manufacturers, establishing new tourism ventures, locating investors and equipment for durable goods producers, helping to establish a privately held commodities exchange, and restructuring product lines for a factory for disabled workers. IESC volunteer executives have been encouraged to "piggyback" brief seminars, workshops, or educational courses onto their technical assistance assignments in order to provide cost-effective in-country training opportunities. Training has covered such topics as the fundamentals of free market economics, management information systems, trade and investment procedures, privatization, and regional economic development, among others. The training formats and materials have been replicated in several cases by Bulgarian training institutions.[12]

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[12]The comments of the A.I.D. Representative to Bulgaria signaled important coordination problems in regard to advance notification of the arrivals of training and technical assistance personnel, specifically from IESC and CDC. These comments highlight the importance of effective in-country planning and control so field offices are not caught by surprise through Washington-based "blanket" clearances. They accent Recommendation #4 of this study which argues for greater devolution of responsibilities and resources to the field level; they also suggest the importance for a country's development, and individual agency planning and programs of the need for ongoing and quality dialogue

4. Land O' Lakes (LOL)

The LOL strategy in Bulgaria has run true to form with the National Forum and the subsequent U.S. Leadership and Agriculture Policy Program generating a useful local consultative network, with key government officials responsible for agrarian reform participating in the National Forum and U.S.-based Leadership Intern Programs. Contacts at this level are critical as several key agriculture divestitures are slated to occur within the next few months. Approximately 36 large, heavily indebted agricultural operations are slated for privatization, including several large dairy farms. Twelve of these operations will be divested through the Ministry of Agriculture's privatization department where LOL has made important contacts.

The LOL country coordinator reported that their strategic thinking is to begin concentrating efforts in South and Southeastern Bulgaria. The rationale is that these areas are heavily rural, Bulgaria's two agricultural universities are located in these regions, the areas are on the main path between Europe and Asia, structures have been developed with neighboring Turkey and Greece, the areas are heavily dairy, 12 of the key privatizations will be in these two areas, Plovdiv has the main food processing facility, and VOCA and CDC are also there.

Reports of impact of the training, internships and technical assistance have been encouraging. Follow up training information helped a member of the Agriculture Parliamentary Committee write significant input into land-law relative to cooperatives and laws pertaining to agriculture credit system development. This was significant as Parliament has one month to pass approximately 25 draft laws, including tobacco, animal breeding, anti-monopoly, and amendments to land laws to speed restitution. Several projects and training seminars have been proposed by participants, including marketing, farm management and privatization seminars. Practicums for Bulgarian students as paid seasonal farm workers in Western Europe and the U.S., as well as organization of demonstration teaching farms and development of agrotourism have also been suggested as projects for LOL. LOL materials are being copied, widely disseminated, and are used for teaching and by private farmers and producers.

Several lessons have emerged from the training activities that occurred during the last quarter of 1992: longer, in-depth seminars are needed, especially for those working on the Parliamentary Agriculture Committee, more local involvement is needed to improve content of the U.S. Leadership Program, and better advance orientation of trainers to local agricultural context is required.

LOL-Bulgaria seems to be moving toward greater involvement of local intermediaries in its training activities. This has the potential for widespread effect, but the choice of

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between individual agencies and A.I.D. field offices.

institutional intermediaries has to be carefully assessed politically, according to the potential sustainability of the collaborating institution, and whether LOL and the institution's target client groups are the same (i.e., younger future farmers or older working farmers).

5. Peace Corps

The nucleus of the Peace Corps program in Bulgaria designated for analysis in this evaluation, is the operation of six (proposed) business advisory centers -- Multi-Link Business Resource Centers -- with a complement of two volunteers per center and two counterpart staff in training to eventually run the centers. In addition, there are three volunteers providing assistance to the private sector in areas which can reinforce the activities of the center, such as the Sofia Commercial Bank. The centers are high tech, with A.I.D. providing the equipment and the municipalities funding the operational costs. It was intended that these centers become self sufficient in one year from their start-up in 1992.

While the initial design of the project appears logical, filling an important need in enabling the efficient development of private sector businesses, it became apparent the design was flawed when the PCVs began implementing the project. The design for the centers was done be a non-business consultant and lacks solid business planning and organization. This, combined with delays in equipment delivery, has raised questions about the role and function of these centers. The Peace Corps director has organized the volunteers to redesign the project and come up with a more workable and practical project framework.

The Peace Corps still intends to coordinate the activities of the center with other assistance delivery organizations, i.e. Bulgarian-American Enterprise Fund, CDC, VOCA, U. S. Department of Commerce, and IESC.

6. Volunteers in Overseas Cooperative Assistance (VOCA)

The Volunteers in Overseas Cooperative Assistance (VOCA) presence in Bulgaria consists of one American Regional Representative (for Romania as well as Bulgaria) assisted by a Bulgarian Country Director and a support staff of three Bulgarians.

The VOCA/Bulgaria program began operation fourteen months ago. It focuses on three priority areas: private agricultural production (member controlled farm enterprises), private agribusiness processing activities, and agricultural credit and banking. These areas are reinforced by utilization of the media (television and the press), working with key public sector officials, and assisting in the creation or strengthening of key farmer organizations.

The approach in Bulgaria was modeled after VOCA's longer experience in Poland, with the exception that there are few, if any, private farmers in Bulgaria. VOCA/Bulgaria staff describes its program as needs driven or need responsive, i.e. VOCA does not initiate a volunteer assignment unless there is a specific request from an agribusiness or agriculture support organization. This accounts for the diversity of the assignments -- dairy processing,

meat processing, hog breeding, alternative agribusiness organizational structures, and the role of local (municipal) government in support of overall agricultural sector development. The individual volunteer impact has been multiplied by having volunteers conduct village-level seminars (usually two village meetings per day) with attendance ranging from 10-to-20 to over 100. While the evaluation was being conducted, VOCA had ten volunteers in the field, working in teams of two covering the major agricultural areas of Bulgaria. As in Poland and beginning in Latvia, VOCA conducts three month and six month evaluations of volunteer assignments to assure understanding and adequate implementation of the assistance provided.

While the diversity of the program may be a strength, in that it provides a fairly broad coverage of agricultural developmental problems, it may also be a weakness in that it could possibly spread VOCA's limited resources too thinly. VOCA Management in Washington and in Bulgaria will need to weigh the pros and cons to determine its policy and priorities for future program activities.

The case studies in Appendix C do not accurately reflect the positive aspects of the VOCA program, particularly in the light of the A.I.D. Representative's and the U.S. Ambassador's assessment of VOCA. Although VOCA selected five enterprises/clients to be visited during the evaluation, time constraints and schedule conflicts required dropping two. Unfortunately, two of the remaining three case studies represent, at the request of the evaluators, examples of organizations where VOCA assistance had less than desirable results.

E. The Bulgarian Cases

Exhibit 13: Cases by Voluntary Agency and Tentative Benefit/Cost Ratio (TBCR)

Voluntary Agency	TBCR
Agricultural Cooperative Development International (ACDI)	0.67
Citizens Democracy Corps (CDC)	3.33
International Executive Services Corps (IESC)	1.83
Land O'Lakes	1.00
Peace Corps	1.50
Volunteers in Overseas Cooperative Assistance	1.17

F. Summary of Findings

Returns from voluntary agency assistance to private enterprises in Bulgaria are increasing due to its rich and varied natural resources, its commitment to privatization, and its search for answers to pressing policy and program questions. Without the Solidarity movement, progress towards privatization is advancing, reinforced by parastatal and local entrepreneur leadership.

Voluntary agencies have responded with initiatives that are focused and highly visible, though as mentioned earlier the Peace Corps' program is in the process of reformulation. As highlighted in the meeting with senior officials in the Council of Ministers, Bulgaria needs support based on its sectoral comparative advantages which are tourism, export-oriented manufacturing, and agriculture.

The Office of the A.I.D. Representative has developed an automated system for monitoring voluntary agency inputs plus created effective coordination and individual agency support mechanisms.[13]

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[13]The A.I.D. Representative to Bulgaria found two major deficiencies in the study. The first was the failure to describe other donor contributions. We talked with several international agencies but found in Bulgaria, Latvia, and Poland that U.S. investments in voluntary agency assistance was a special approach. Other donor agency investments were not elaborated due to time and relevance.

The second shortcoming identified was the failure to do a comparative analysis of A.I.D. management arrangements in handling voluntary agencies' assistance to private enterprise development. While this aspect could have been elaborated, it is incidental to the basic question of field versus Washington control. A premise of the study is that development interventions must be tailored to the particular circumstances of specific countries, internal geographic regions, and communities which means the decentralization of decision making authority and resources to A.I.D.'s field missions and the cooperating voluntary agency country offices.

Section Six

A COMPARATIVE ANALYSIS: FINDINGS AND CONCLUSIONS

A. Overview

A.I.D. has invested $38 million in voluntary agency assistance to private enterprise development in Central and Eastern Europe over the past three fiscal years or about four percent of its regional budget of more than $1.0 billion.

Financially, this mode of technical assistance is a minor A.I.D. line item. However, it affirms the basic premise of the 1951 Millican/Rostow study that the greatest returns from a U.S. foreign assistance program will come from fielding the highest quality American experts.

Moreover, voluntary assistance to private enterprise development has given meaning to the concepts of pro bono and local contributions. And further, it provides a visible American presence which allows the testing of local development initiatives which can contribute to policy and program formulation in transitional societies.

B. The Main Findings

From the three brief country studies of voluntary assistance to private enterprise development, there are eight main findings.

- Government and private sector entities have been highly receptive to voluntary agency assistance to private enterprise development, although at first there was skepticism about why talented Americans were willing to provide voluntary services.

- This assistance has been particularly appropriate for the transition period during which strategies and priorities have been unclear. It has had success due to high A.I.D. flexibility and the abilities of the voluntary agencies to rapidly mobilize American expertise and know-how.

- In the process, voluntary agencies have created a series of in-country experiments that add knowledge about local environments while testing different technical assistance and training modes.

- These voluntary agencies share common development goals but have distinct identities and perform specific roles and functions which can be most effectively tapped and integrated into A.I.D. programs at the country level.

- High performance by voluntary agencies results from quality in-country planning, management, assessment and follow-up. Moreover, this performance is enhanced by instilling local "ownership" and by leveraging other U.S. foreign assistance resources.

- Voluntary agency assistance could be improved if greater attention is paid to identifying and developing the capabilities of local institutions for providing effective business services.

- Longer-term private enterprise development depends on the continued development of "success models" that are being provided by the voluntary agencies, the results of which should be fed more systematically into ongoing policy and program development processes.

- The current need is to develop a program strategy that is directed towards the particular circumstances and requirements of individual countries in Central and Eastern Europe and that draws upon the lessons of the first years of voluntary agency assistance.

C. Critical Elements for Shaping Future Program Development

There are several elements which will determine whether sustainable returns will result from A.I.D.'s investments in voluntary assistance to private enterprise development that are beyond the scope of this evaluation. From the host country perspective, these include: a) macro-policy and investment (sector and project) planning; b) fiscal policy and revenue generation, c) public expenditure programming and management, d) public sector staffing, and e) operations and maintenance. Such economic planning variables, related to U.S. foreign policy interests, will influence the direction and resource availability for future program development.

In this evaluation, the focus is on the contributions of voluntary agencies examined on the basis of:

- the environments in which they provide assistance;

- the development returns and costs from A.I.D. investments in voluntary agency assistance;

- the reasons for higher or lower benefit cost ratios; and
- the key issues that may affect the future effectiveness of voluntary agency effectiveness

D. Environmental Factors

1. The Mixed Decision Making Environment

There is evidence of increased private sector activity in all three countries studied. However, the costs of transition are heavy as evidenced by the 1992 decline in real GDP by five percent generally throughout Central and Eastern Europe, respectively Latvia (-30 percent), Bulgaria (-8 percent), and Poland (-2 percent). Access to credit and government subsidies has tightened and has resulted in reduced production, greater unemployment, and higher costs of living. Moreover, the transition to "open markets and open societies" requires significant changes in people's attitudes and behavior. The necessary changes have been inhibited because the political processes and institutions necessary for informed public involvement in decision making are still in their embryonic stages.

Although headed in common directions, each country has its own history and traditions, geographic and ethnic groupings, and diverse interest groups attempting to gain political and economic footholds. These factors create uncertainties in the process of transition, particularly since no "proven" models for the political economy of change exist.

Donors, with the leverage of resources, sometimes confuse decision making through the imposition of in solutions that do not take account of local behavior and socio-cultural conditions. Examples range from the advocation of the British system of local administration to differing priorities and approaches to privatization. As one senior economic advisor to the Government noted, "Poland now has thirty plus central governments (referring to the expanded G-24) instead of one."

U.S. assistance aims in the region are clear, though its future direction, funding levels, planning and management responsibilities, and duration of its involvement in Eastern and Central Europe are not. Will the "jump start" or "thousand roses" strategy continue with Washington management, and for how long? Or, will longer-term country-specific strategies and management be developed and if so, with what limitations?

2. Voluntary Agencies in This Uncertain Environment

Responding to the requirements of transitional societies has brought out the resourcefulness of voluntary agencies. Besides recruiting more mature and quality volunteers, the agencies have reacted to opportunities, keeping in perspective their institutional strengths and the possible lessons that may be drawn for their own operations as well as those of the enterprises and the environments in which they work.

As lessons are learned, adaptations have been made quickly. For example, a high-tech business services approach was designed (by a non-business individual) for Peace Corps volunteers in Bulgaria that was non-cost effective and inappropriate; the new Country Director realized this immediately and organized her 23 volunteers into working groups to reformulate their program.

The MBA Enterprise Corps in Poland saw the need to modify its operations in Poland and did so with the cooperation and support of USAID officials. Without waiting for this evaluation's results, funding for the MBA Enterprise Corps has been questioned by A.I.D. Washington. This raises several issues pertinent to A.I.D. and voluntary agency decision making:

- the time for the maturing of voluntary agency "experiments";
- the indicators for measuring performance or success plus the decision making process that should take place; and
- whether Washington or the field should have the final say on whether specific activities are approved.

The evaluation team recognizes the adaptations which the MBA Enterprise Corps made in Poland,[14] and sees definite roles for the Corps in Latvia and Bulgaria if they are properly designed. The introduction of recent M.B.A.s into the foreign assistance program recognizes the U.S.'s comparative advantage which is private sector development. It also provides invaluable training for volunteers as future leaders in international commerce and business.

Unrelated to MBAEC, the USAID Representative to Bulgaria warned about premature decisions and orchestration from Washington without full consideration of the flexibility and full maturation time needed for voluntary agencies to tailor and test activities in Bulgaria and other countries. As mentioned in Chapter Five, the USAID Representative to Bulgaria was concerned by the lack of field/ Washington coordination and Washington "blanket" clearances issued to voluntary for voluntary agency personnel. Voluntary agencies are concerned about the reliability of funding as well as having sufficient time for developing their initiatives. Both A.I.D. and the agencies are concerned about the measures that will be used to measure development performance, returns and impacts.[15]

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[14] The MBAEC discussion may be found in Appendix C, page C-15.

[15] There have been at least eleven identifiable stages where changes in foreign assistance strategies have occurred since A.I.D. was established -- without adequate assessments of the previous stage based on sound evaluation methods. This record in itself should give A.I.D. and voluntary agencies reason for thought.

E. Investment Returns and Costs

1. Determining the Overall Development Returns

As noted in the earlier parts of this evaluation, it is premature to measure the actual development returns from A.I.D.'s investments in voluntary assistance to private enterprise development. The indicators of development impacts and effects were not formulated, as they should have been with the guidance of A.I.D.,during the first year of a grant.

It is difficult to isolate and attribute the contributions of the voluntary agencies as the significant determinants of success or failure, especially given the diversity of voluntary agency activities, other influencing factors in a dynamic situation, and the limited time and sample. Nevertheless, it is possible to begin to define indicators and draw some conclusions about the development impact and effects from various initiatives.

Outlined below is the team's preliminary attempt at defining an indicator system that is appropriate for A.I.D. and voluntary agency decision making. The results of this analysis can only be considered on a qualitative basis (with obvious shortcomings) though supported by informed judgments.[16]

a) Productivity Measures

Voluntary agency assistance to private enterprise development takes two basic forms. The first is direct assistance to an enterprise such as developing a business plan, an in-house training system, investment linkages, technical and production line efficiency improvements, and quality control measures. Frequently, there are combinations of these services such as where RJR-Nabisco provided (at its own cost) a series of 11 consultants to a food processing firm in southeast Poland under CDC's corporate development program.

The second type of service is indirect -- training individuals (e.g. ACDI and Land of Lakes), working through intermediary institutions such as national or local government agencies (e.g. Peace Corps and VOCA) or establishing business service or education centers (e.g. Peace

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[16]Comments from the A.I.D. Representative to Poland: "Regarding (the study's) rating system and the conclusions that follow from it, the draft report notes that it is premature to measure the actual development returns from A.I.D.'s investments in voluntary assistance to private enterprise. It says that the sample selection in this exercise was not representative, particularly in the number of cases per voluntary agency and (given) the lack of an adequate time period for the full returns to be realized. It also says that this is a preliminary attempt to define an indicator system, with what can only be considered qualitative results. Then the report quantifies them!"

In response to this criticism, the simple answer is that the SOW called for this type of analysis; in addition, Congress has also called for it over the past three years. Although the evaluation team recognizes the methodological shortcomings, the results illustrate our conclusions and offer the beginnings of a needed methodological approach to A.I.D. evaluations which, when developed, will assist entities to decide future resource allocations on a comparative basis.

Corps and CDC). Even with these services, the evaluation team recognizes that the end results should be measured at the enterprise level.

One methodological difficulty is finding indicators that cut across the different modes of assistance. As a starting point, the evaluation team decided to test the use of productivity indicators to measures performance. The indicators were

- fixed asset utilization;
- financial resource utilization;
- labor utilization,
- process efficiency; and
- quality improvements.

Interventions were rated qualitatively during the field test on a scale of zero (start-up) to four (definite production or profit increases) based on these performance measures. Annex 1 to this section presents the list of indicators that were formulated for this evaluation study and which may be useful for developing future information systems.[17] Appendix B presents a fuller analysis of performance and impact measures that may be used as a model by voluntary agencies for refining their own indicators.

It should be noted that most volunteers, particularly those with business backgrounds, saw the need for quantifiable indicators. When a Peace Corps volunteer in rural Latvia was asked about the measures he would use to measure the impact of his work (setting up a commercial agriculture bank), his immediate response was the profit to the bank and the debt repayment rate. He added that he also hoped to see a measurable increase in the flow of capital resources for agricultural enterprises as the model bank began to work.

b) Indirect, Locality-Specific Spread Effects

The field investigation showed promising though unexpected development results which can be attributed to voluntary agency interventions:

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[17] Several A.I.D. officers suggested a narrowing of indicators from Annex 1. Those indicators are only illustrative for there may be a 1,000 more, and more importantly, indicator systems must be adapted to the unique strengths and decision making requirements of individual agencies if they are to be useful. The study offers generic productivity categories as a starting point, with the recommendation that voluntary agencies, with A.I.D. assistance, begin this process through in-country dialogues. Full development of a common indicator system by an external evaluation team might take as much as three months.

- the banker in Poland who received a business plan developed by a corporate executive and his CDC advisor and then went on to demand similar data and analysis from other clients;

- the members of an ACDI training team who returned to Poland and are drafting the country's new cooperative laws;

- CDC's experimental hospital administrators volunteer program which the Minister of Health will use to determine management requirements in the national privatization program;

- VOCA's concentration on the importance of grassroots organization for bringing about small farmer behavioral changes as part of its agricultural extension improvement assistance.

These are illustrative examples of the type of indirect spread effects from direct interventions, and others are found in Appendices C and E. The team was only able to rate these on a scale of 0 (none) to two (high).

c) Broader Benefits

In this time of transition, people and institutions have a craving for American ideas and know-how which manifest themselves in different ways but are important to broader U.S. concerns of presence, dialogue and involvement.

On the road in all three countries, local radio broadcasts were frequently broken by interviews with Peace Corps or other volunteers. Media events were created on the arrival of volunteers as in one case of a CDC volunteer where there was an American flag and a "Welcome John" banner to greet him, followed by a Board of Directors' luncheon and dinner with municipality officials later. This media exposure has continued with visits by the three U.S. Ambassadors and other senior in-country officials, allowing their articulation of development priorities based on concrete interventions.

This visibility, and the messages conveyed, penetrates local environments where there is a volunteer presence. One set of returns results from non-assignment, volunteer initiatives in their localities--whether getting a local government information system (automated) to work or providing management and organizational assistance to assisting the officials of a local zoo to develop a "floating" nationwide exhibit relating the preservation of wildlife as related to ecological deterioration and recovery.

Another set of returns comes from the participation of spouses who also have a commitment to service. Particularly among the senior volunteers, there is a strong urge on the parts of spouses to become involved--whether working with children un in orphanages or other family assistance units to setting up local handicraft production and trade relationships.

Isolated in a foreign environment, spouses are not willing to sit aside but rather tend to become involved in way that perhaps is as meaningful as the volunteer's work.

These elements which may occur from a government contract or commercial presence as well. However, the prevalence of these broader contributions from volunteers accent the comparative advantage of the unique American values of "service, competition in the private sector, and individual and institutional integrity".

Measuring the impacts and effects of these contributions is almost impossible, as compared to other modes of communication and assistance. Yet, the importance of these vehicles should not be overlooked as part of this evaluation. Because of the scope and timetable for this evaluation, these broader indicators have been reduced to a 0 (none) to two (high results) rating system.

d) Ratings of the Voluntary Agency Clients on Investment Returns

In sum, the sample includes 68 voluntary agency clients or enterprises which have been ranked according to:

- productivity measures (scale of zero to four);
- indirect, locality specific development benefits (scale of zero to two); and
- broader benefits (scale of zero to two)

Although this comparison is somewhat superficial, it allows greater clarity of the range of development returns from A.I.D's investments. Exhibit 14 breaks out the average client development returns by voluntary agency.

Exhibit 14: Voluntary Agency by Average Overall Development Returns

Voluntary Agency	Number of Cases	Average
1. Agricultural Cooperative Development International (ACDI)	3[18]	2.33
2. Citizens Democracy Corps (CDC)	6	4.17
3. PRE -- Financial Services Volunteer Corps (FSVC)	1	2.00
4. International Executive Service Corps (IESC)	20	4.50
5. MBA Enterprise Corps (MBAEC)	5	2.60
6. Land O'Lakes	11	3.18
7. National Cooperative Business Association (NCBA)	1	1.00
8. Peace Corps	5	3.40
9. Volunteers in Overseas Cooperative Assistance (VOCA)	16	2.75

As noted earlier, this exercise is designed to allow comparisons though its results are at best tenuous. The major flaw in this approach is the sample selection which is not representative, particularly in the number of cases per voluntary agency and the lack of an adequate time period for the full returns of an intervention to be realized. Still some preliminary hypotheses may be developed if the costs of various interventions are introduced into the analysis.

2. Determining the Cost-Effectiveness of Voluntary Agencies

To determine the costs of voluntary agency interventions, each agency was asked to prepare comparable data on each of its modes of technical assistance, including home office overhead. The variations in the information received suggest the need for a standardized to be developed for voluntary agencies similar to the one used in regular A.I.D. competitive bidding. Such a procedure would facilitate comparative analyses as well as provide A.I.D. and the voluntary agencies a better basis for decision making.

[18] The ACDI Poland Observation/Training Tour is counted as one case, although there were four separate interventions. Please see Case #15, Appendix E.

a) The Costs

For this evaluation, the "best cost estimates" of voluntary agencies were compared to the average costs of a for-profit management consulting firm for long- and short-term technical assistance and to the representative costs of university-provided training. Due to the lack of standardization, the costs provided by the involved voluntary agencies were rated on a scale of 1 (less than 50%); 2 (50% to 90%); 3 (comparable +/- 10%) and 4 (more than 110%).[19] Exhibit 15 shows the distribution of the cases by cost category.

Exhibit 15: Cases by Cost Category

Cost Category	# of Cases
1. Less than 50% of A.I.D. Contractor Costs	13
2. Between 50% and 90 %	41
3. Within +/- 10%	3
4. More than 10% higher	11

Of the 68 cases examined, 13 are 50% less than regular A.I.D. contracting rates and 41 are 50% to 90% lower. Those cases with comparable or higher costs have the common characteristic of being congressional earmarks. This is an issue that should be addressed.

b) Expanding Cost-Effectiveness Considerations

The diverse voluntary agency activities suggest additional elements that should be considered when looking at the cost-effectiveness of their operations:

- host country or enterprise contributions;
- pro bono, volunteer and in-kind resources;
- the leverage of A.I.D. and other development resources; and
- commercial linkages.

[19] To determine costs, each voluntary agency was asked to present its costs which may be found in Annex 3 of Appendix D. These were compared to those of a commercial consulting firm under contract to A.I.D. The evaluation team resorted to the rating system because of inconsistencies in the way voluntary agencies calculated their costs. For future comparative evaluations, A.I.D. can make a real contribution by assisting voluntary agencies to develop standardized financial and accounting procedures and systems.

The first element is the host country or enterprise contributions. Voluntary agencies are requesting an office, home, interpreter and in-country transportation from recipient enterprises, the costs of which average about $150 per day. In this period of transition, it is a heavy price for firms or government entities to pay but it increases their ownership of the volunteer's work.

The second element is the pro bono contributions that are generated by voluntary agencies which is a unique feature of this assistance to private enterprise development. Volunteers are older, established professionals, and in frequent cases, the former owners of businesses. Several have had salaries more than double the U.S. government's ceiling. More significantly, they are resources not normally tapped by A.I.D. and could become articulate supporters for the U.S. foreign assistance program. It should also be noted that most volunteers' work does not end with their assignments.

Thirdly, the voluntary agencies have proven to be excellent vehicles for leveraging other A.I.D. resources, including those of other voluntary agencies. Peace Corps volunteers at the regional and municipality levels are positioned to identify enterprises which have high potential. In Poland and Bulgaria, strong cooperating arrangements have been developed with the managers of the Enterprise Funds, leading to investments or strengthening firms which have already received financing.

Although progress so far has been slow due to the maturation time, the assistance to enterprises is leading to increased participation in international trade and investment. Voluntary assistance has led to export contracts for frozen berries, machine tools, and safety equipment. It has also attracted U.S. investors in the pharmaceutical and food processing industries, computer sales and services, and textiles. Another effect is evidenced by the 14 out of 29 MBAEC volunteers who are either employed or have started their own businesses in Eastern Europe.

A close look at CDC's programs in Bulgaria and Poland show an average leveraging of almost $8.00 for every $1.00 invested by A.I.D.

Exhibit 16: A.I.D.'s Returns from Investment in CDC[20]

Bulgaria and Poland:	A.I.D.	Private	Country	Total
1992	$274,490	$ 761,700	$147,000	$1,183,190
1993	$301,458	$2,090,570	$516,000	$2,908,028
Total	$575,948	$2,852,270	$663,000	$4,091,218
1992	$265,841	$ 871,075	$ 19,950	$1,156,866
1993	$253,881	$2,490,570	$696,000	$3,440,451
Total	$519,722	$3,361,645	$715,950	$4,597,317

These returns have been achieved by a clear agreement between A.I.D. and CDC on approach and an agreed-upon ratio between A.I.D. and leveraged U.S. private sector resources which has been exceeded significantly. Other voluntary agencies are committed towards similar results, emphasizing the necessity of host country contributions, the leverage of other A.I.D. resources, and the resulting commercial returns.

[20] These are estimates. Actual match is to be determined at the close-out of the grant.

3. Ratings of Voluntary Agencies by Cost-Effectiveness

Outlined below in Exhibit 17 are the Tentative Benefit/Cost Ratios (TBCR) of the cases examined in this study, without calculation of the expanded cost-effectiveness considerations.

Exhibit 17: Voluntary Agency Tentative Benefit/Cost Ratios

Agency	Tentative Benefit/Cost Ratio
1. Agricultural Cooperative Development International (ACDI)	0.78
2. Citizens Democracy Corps (CDC)	4.17
3. PRE – Financial Services Volunteer Corps (FSVC)	2.00
4. International Executive Service Corps (IESC)	2.25
5. MBA Enterprise Corps (MBAEC)	2.60
6. Land O'Lakes	0.80
7. National Cooperative Business Association (NCBA)	0.50
8. Peace Corps	1.70
9. Volunteers in Overseas Cooperative Assistance (VOCA)	1.44

These ratings even with the sample and methodological limitations reflect the evaluation team's assessment of the cost effectiveness of various voluntary agency interventions.

Another way to look at the TBCR is in terms of the mode of assistance. Exhibit 18 presents the TBCRs by direct assistance to enterprises and by intermediary or institution building for the provision of business services.

Exhibit 18: TBCR by Mode of Assistance

Mode of Assistance	TBCR	Number of Cases
Direct Assistance	2.2	40
Intermediary Assistance	1.43	28

This breakout suggests that the highest returns have come from those voluntary interventions that directly benefit corporate entrepreneurs and entities. If A.I.D. pursues a program that generates immediate returns, then it should invest in such agencies.

Over the longer-term, however, fundamental behavioral changes and quality management skills are necessary for full participation in market-oriented economies. If A.I.D. pursues this course, there will be a need to place priority on developing appropriate training and business services.

F. The Reasons for Higher or Lower Ratings

1. An Analysis of the Key Influencing Factors

The above discussion offers one hypothesis that should be tested further. A further comparison of the TBCR results with key influencing factors suggests several hypotheses which are tentative and which should also be examined.

- Voluntary agency assistance has the highest TBCR in Poland which may be a reflection of the longer time for maturation and the country's inclination towards privatization. The prospects for sustainability are highest in Latvia and Bulgaria which suggest better planning and client selection.

- Voluntary agency assistance has a higher TBCR for clients located in capitals rather than outside which suggests closer supervision and perhaps initial areas of concentration.

- Voluntary agency assistance to agriculture has the lowest TBCRs while light manufacturing has the highest. This may reflect the difficulties of bringing about changes in farmer behavior through mainly short-term training and technical assistance.

- Voluntary agency assistance has the highest TBCR in assisting those clients with progressive leadership which suggests the importance of client identification. Closely following are government clients which provide intermediary services, enabling services.

- Voluntary agency assistance has the highest TBCR when it is either long-term or phased, short-term inputs with systematic follow-up. This raises the question of the efficacy of point-in-time training or technical assistance.

2. Lessons from the Cases

A review of the twelve cases with the highest TBCRs returns suggest the importance of client selection. In all twelve cases, there were business executives with clear visions on what they wanted to accomplish. Volunteer assignments and arrangements were developed over a series of visits by in-country agency management. Progress was monitored closely and a specific follow-up action program implemented. Performance was evaluated by the volunteer, country manager and the responsible business executive.

The above accents the importance of having a quality country director with the know-how to prepare specific terms of reference whether for technical assistance or training. This does not necessarily mean an American. For example, IESC has host country directors who were well trained in Stamford and function effectively. Not having (or having) a poor country director usually resulted in ad hoc assistance and poor development returns.

Only a small portion of the cases had strong linkages with other voluntary agencies and U.S. assistance projects. This suggests the need for better in-country coordination and information dissemination about U.S. sponsored activities. Another weakness noted by the team was the scattered and sometimes overlapping of activities across sectors (e.g. agriculture). It suggests the importance of A.I.D. speeding the process of preparing country strategy papers, and bring the voluntary agencies into these discussions. And finally there is a need to systematically document and share experiences about what works and does not work. These comments suggest the need to "focus and concentrate" with more A.I.D. field guidance and coordination.

G. An Analysis of the Key Issues

The field investigations in the three countries raised nine questions which should be considered in formulating future program strategies and priorities. These are posed below, with the responses of the evaluation team.

1. Should voluntary agencies concentrate their assistance in a sector, specific geographic areas or both?

At first glance, voluntary agency activities appear scattered across sectors (except for LOL, VOCA, NCBA and ACDI) and geographic areas. However, it should be noted that voluntary agencies were thrust into Eastern Europe with little time for advanced planning and with a lot of uncertainty about how their activities would be received. Further, there were difficulties in setting up operations (without cooperative country agreements) and there was the need to publicize their services as well as find clients who were willing to pay for volunteer support.

Armed with preliminary ideas and the results of rapid reconnaissance surveys, the process moved ahead with the quick identification of targets of opportunity -- progressive businessmen who wanted management and marketing assistance, local government officials with a vision for the development of their areas, and educators who wished to introduce western concepts

and practical know-how into their programs. This process, under way for only three months in some situations and just over two years in others, is continuing, with each agency sharpening its strategy as experience is gained.

The data suggest that voluntary assistance has a higher TBCR for clients located near capital cities rather than more remote areas. This may have been a result of sample selection but perhaps it may highlight the importance of close supervision and collaboration among participating entities. Such a finding could suggest a strategy of initial areas of concentration.

However, the evaluation team argues that it would be premature to impose sector or geographic areas of concentration at this time. The field "experiments" are generating workable ideas plus priorities for policy reforms. While there is a need for a maturation period, strategy development by the voluntary agencies can be facilitated by: a) substantive guidance on the comparative advantages of the country; b) information and dialogue about progress and resources available; and c) in-country networking. On a specified, time-phased basis, voluntary agency assistance should be integrated into A.I.D.'s country strategies and priorities through direct dialogue and clear guidance.

Of primary importance to the future maturation of A.I.D. investments and development returns from these investments is:

- a sensitivity to political, socio-economic, and cultural histories and geographies that allows the tailoring of development investments while recognizing broader development goals and U.S., global, regional and country-specific priorities;

- a sound strategic and tactical planning and implementation process, country-specific and regional, that recognizes and distinguishes the roles of government and NGO entities;

- an agreed upon monitoring and evaluation system, including impact and effects measures, which will be augmented as Voluntary Assistance contributes knowledge and experience toward the development of a working model which will provide the basis for future cooperation; and

- effective communication and coordination mechanisms which give depth and transparency to this decision making process.

These steps are taking place but not at a pace which will increase shared knowledge and understanding, cooperation and the securing of desired resource commitments.

2. Are current criteria for enterprise selection adequate?

Through experience voluntary agencies are refining their client selection criteria, not just looking at individual entrepreneurs but taking a broader development perspective which

includes an initiative's spread effects and sustainability. Also, most agencies have adopted rigorous follow-up programs.

a) Are there enterprise development activities that should be avoided such as defense conversion?

There is a need to reconsider whether the returns from assistance to large scale enterprises (particularly those related to defense and transport which are being privatized), will be realized without long-term technical involvement or U.S. corporate "adoption" with staged and systematic inputs. These large-scale tasks should be approached from an A.I.D. perspective, for Voluntary Assistance does not have the resources from which to effect large-scale conversions without massive multilateral or bilateral assistance.

b) Should voluntary agencies be concerned with "red capitalism" in their selection criteria?

"Red Capitalism" was a topic of discussion in all three countries visited. Such a flow of resources may be beneficial or detrimental, if controlled by organized crime ("Mafia") elements.

These are problems that can only be handled by governments, not by U.S. voluntary agencies. To avoid embarrassments or difficulties, the U.S. Ambassador to Latvia suggested that the Embassy could provide any needed guidance if notified of various initiatives which is a reasonable approach for contractors and voluntary agencies.

c) How strict should the criteria be for host country or enterprise contributions?

The host country or enterprise contributions are a key to constructive working relations and should be a part of any grant agreement. Difficulties have only been encountered in remote areas where there have been problems with unsafe water, heat, and cleanliness which suggests tighter inspections.

The strength and uniqueness of voluntary agency assistance is the leveraging of pro bono resources which frequently A.I.D. does not get from its regular contractors. Voluntary assistance has two advantages over traditional U.S. foreign assistance: first, the current program taps "real business" assistance which is not normally available through A.I.D.; second and most importantly, it offers a way for countries and their private sectors to develop while allowing openings for U.S. trade and investment opportunities. These linkages are true applications of American expertise, with greater potentials for sustainable development returns (country-specific and U.S.) than governmental-prescribed solutions.

In observing, discussing and analyzing the inputs of voluntary agencies to private enterprise development, it would be a mistake to tighten restrictions but alternatively loosen guidelines

so that "real business" linkages continue to evolve, emphasizing entrepreneurship as well as America's service commitment.

d) What criteria should be adopted to meet the requirements of Section 599 of the Foreign Assistance Act and other U.S. or global issues such as the environment?

U.S. corporations will make investments in their own self-interest. In Eastern Europe and the Baltics, these investments may lead to new markets and more jobs domestically. There was no evidence of possible domestic job loss in any of the enterprises assisted by the voluntary agencies which negates the need for additional criteria and reporting.

One question that has been raised is why voluntary agencies should monitor labor and environmental progress. Are these exercises purely for U.S. domestic consumption, or are they critical for sustainable developmental returns?

For the overall A.I.D. program, this question is key. Asking voluntary agencies to report on specific activities, and to do this on an activity basis is micro-management at its worse. Alternatively, voluntary agencies should be asked to provide A.I.D. annual assessments which when examined will either identify key trends and issues or data gaps.

3. What mix of training and technical assistance is proving to be most effective for developing viable private enterprises?

A future strategy for enterprise assistance must distinguish between the short-term requirements and learning of the transition period, and longer-term business development strategies.

The transitional period interventions by the voluntary agencies evaluated show immediate development and U.S. policy returns. These interventions also suggest that the most appropriate approach to be discrete, task-oriented training and technical assistance with clear objectives, workable implementation arrangements, and systematic follow-up and assessment. This is being done by voluntary agencies, perhaps with more rigor than traditional A.I.D. assistance programs.

Longer-term enterprise development requires an enabling environment with development assistance investments directed towards building institutional capabilities for informed decision making and investment protection. Voluntary agency assistance to private enterprise development signals priorities for future U.S. policy and program formulation and should be clearly recognized as an important part of this decision making process.

One major concern, accented by the nine voluntary agencies, is the need for reasonable lines of credit. While the "joint enterprise" funds are supposed to eliminate this constraint, size, unclear mandates, and a desire for institutional sustainability instead of one for developmental returns has made this form of assistance insufficient to meet the financial needs of Voluntary

Assistance interventions. The current mechanism should be restructured to address these problems. A.I.D. should also develop a better strategy for greater leveraging of corporate financial assistance to this program. The direct exposure of American enterprise to Central and Eastern European markets would create a "comparative advantage" for the U.S. economy in the developed markets of the future. It is of paramount importance for A.I.D. to address how small-scale funding requirements may be met to insure the success of its creative program of voluntary assistance to private enterprise development.

4. Is "neutral" technical assistance a plus or minus? for management? for volunteers?

Two strategies were apparent in handling this issue. The first was the encouragement of volunteers and their affiliated organizations to establish longer-term linkages. The second was to limit any future involvement to a two-year time table. This second posture is the result of the increasingly ludicrous emphasis by the U.S. Government on a refusal to associate government and private sector interests which has resulted in a decline of direct U.S. foreign assistance to USD $6.6 billion; meanwhile, adopting a business-oriented strategy, direct Japanese foreign assistance has risen to more than USD $52.0 billion.

At the home office and country directorship levels, this is an important question for cooperation voluntary agencies. The evaluation team recommends a minimum of restrictions. Indeed, we urge A.I.D. and cooperating voluntary agencies to make sure that assignments are carried out, and then let any future commercial transactions evolve naturally.

5. Should graduation criteria be developed to insure sustainable benefits without creating "collapsible balloons" or dependence?

Graduation criteria are not currently built into the decision making and operations of voluntary agencies. Planning for sustainability should be a part of any development intervention whether to a business school, to government planning and business services or to specific enterprises. This involves formulating a plan with time-phased targets, such as the Peace Corps has done in Poland for its anticipated ten year assistance to private enterprise development.

While planning and the establishment of targets remain important, a slightly different situation exists when voluntary agencies provide direct assistance to private enterprises. If an enterprise accepts and implements initial advice and if that firm is willing to continue to pay its contribution to volunteer support, this evolutionary process should continue. As a firm becomes stronger and more profitable, it should be asked to pay commercial consulting rates.

6. Are there alternative and more productive investments for the transitional period? for longer-term business development?

A qualified no for the short-term. As an investor (A.I.D.) with immediate and longer-term development returns, there is a need to give different assistance modes a chance over the short-

term (at least two years), with results and further investments made on the basis of systematic evaluation. Immediate investment returns will most likely come from direct interventions by voluntary agencies, but the value of testing intermediary arrangements should not be overlooked. In this process, a serious review of congressional "earmarking" should take place.

And yes, for the longer-term. Voluntary agency assistance to private enterprise development is signaling the necessary elements for future program planning. So far, this means developing processes and institutional capabilities that:

- emphasize investment planning based on local, geographic-regional and sector market opportunities and linkages;

- educate the public, and in particular young planners and managers, to the role of entrepreneurship in future societal development; and

- build the private sector as an effective partner in determining government priorities for decentralization, related fiscal policies and legal systems reform, which appear to be the major constraints to private enterprise development.

7. Can sustainable development returns be achieved without macro-policy reforms? If not, what process should be employed and what roles should voluntary agencies play?

Clearly, there is a direct relationship between enterprise development and an enabling business environment. For longer-term development results, decision making should be directed towards meeting the needs of the domestic consumer markets plus realizing the comparative advantages of a country and its geographic regions in the international market place.

Within this framework, sustainable results from voluntary agency assistance to private enterprise development cannot be achieved without reforms, particularly those related to legal systems and fiscal policy and institutional development. Rather than relying on "blueprint" or "pork barrel" models for entering into policy dialogue and institutional development, a more cost effective approach would be to set in motion a process which builds on field applications that feed into policy and program formulation experience.

8. How adequate is A.I.D.'s current planning and management assistance? during the transition? for longer-term enterprise development?

A.I.D.'s planning and management is one step removed from dealing with the realities of the changing business environments and voluntary assistance to private enterprise development in these environments. This raises the critical issue of whether these functions should remain Washington-based or whether they should be transferred to the field missions.
As a means for rapid start-up, A.I.D. took the only and most advantageous approach, which was to centralize decision making in Washington. Now that people are on the ground and

lessons are being learned from field activities, the evaluation team would argue for the devolution of decision making and management responsibilities to U.S. country teams, provided adequate support resources are available. This qualification is important, for the evaluation team found it absurd that the small USAID staff in Poland was expected to monitor and coordinate 78 projects with about 400 management units. Nonetheless, they have done excellent work in information sharing and coordination but the efficacy of U.S. development assistance could be improved with greater and local planning and evaluation capabilities.

In-country, A.I.D. representatives with varying success have been holding coordination meetings and disseminating materials to improve coordination. This effort, and the development returns from these investments, could be increased significantly with the devolution of planning and management responsibilities to the country level.

9. What are the prospects for sustainable development benefits from these initiatives?

The evidence suggests that the prospects for sustainable development benefits will come from direct and periodic assistance to private corporations with forward looking management and a comparative market advantage and linkages. They are less likely when voluntary agencies attempt to assist the privatization of large state-owned enterprises which are over-staffed, have out-of-date equipment and numerous subsidiaries.

More broadly, enterprise development will depend on having effective business services carried out by local institutions. Several of the voluntary agencies are assisting local governments, academic institutions, and commercial service firms. The evaluation team noted that the planning for building local institutional capabilities was weak, especially the initiatives that are replicating American systems without a full understanding of the various socio-cultural settings. Moreover and understandably, voluntary agencies have concentrated on establishing their own operations. Now is the time to focus on how local institutions can provide effective business services.

Overall, A.I.D.'s response to the changing situation in Eastern and Central Europe has been unique. Normally, A.I.D. goes into a country with established strategies and management structures and systems. This was not possible in this region because of the differences in environment from those of the countries in which A.I.D. has traditionally worked--Africa, Asia, Latin America and the Middle East. There were no models for the development of Eastern and Central European countries, which have endured more than 4 decades of communist rule.

Instead, A.I.D. adopted a strategy to explore, utilizing voluntary agencies to mobilize the best available American know-how and to determine the best avenues of approach. Not only has A.I.D. funding of voluntary assistance to private enterprise development allowed an increased understanding of government attitudes and willingness to adopt a more open society-open market approach, but also the activities of these agencies have provided great socio-cultural understanding, tangible test cases in enterprise development from which mistakes and

unforeseen difficulties may be remedied as the U.S. assistance program evolves.

Uniquely, voluntary assistance to private enterprise development has yielded individual and institutional linkages to "real business" elements in western market economies. This has created a condition in which the U.S. economy is poised to develop a comparative market advantage in its future economic relationship with Central and Eastern Europe. Subsequent A.I.D. support to Voluntary Assistance should reflect the commitment to explore such a promising possibility.

ANNEX I

PERFORMANCE INDICATORS

Possible Quantitative Indicators

1. Fixed Asset Utilization

   a) Increase or decrease in fixed asset investment?
   b) Utilization of Plant and technology assets
   c) Replacement/upgrade of assets
   d) If data exists, Return on Assets

2. Financial Resource Utilization

   a) Change in structure of finances (debt, equity, partners, joint ventures, etc.)
   b) Relative costs of financing if data exists
   c) Improvement of use of monetary assets (ROE<ROI, Liquidity, Inventory, Credit, Credit Indicators)

3. Labor Utilization

   a) Change in employment and rationale
   b) Measure labor utility - (sales/total employment; sales rate of increase: sales/personnel; Admin Overhead/Admin Employers; managers/non-managers; total volume/total employment; clients served/total employment)
   c) Labor costs as percent of total costs?

4. Process Efficiency

   a) Changes in relevant enterprise results:
      i) Percent improvement of on-time delivery of products or fulfillment of services
      ii) percent improvement for procurement
      iii) Percent change in inventory (or other cost factors)

5. Quality Improvements

   a) Improvement of quality problems (% reduction in account errors, % reduction in product or process defects, % reduction in final output waste, rejects, oil scrap, % change in customer services delivered)
   b) Measurable reduction of rework or disposition costs

c) Measurable reduction of performance errors (e.g. client records, credit data, sales data, etc.)

6. Other Utilization Factors/Proxies

a) Actual costs and % change in energy resources (could use ratio of Total Cost or sales)
b) Reduction of scrap waste effluents or toxics (percentage change)
c) Labor rate turnover; labor disputes; grievances.
d) Safety records (e.g. number of incidents, employee sick days, accident rates, etc.)

Section Seven

RECOMMENDATIONS: INCREASING THE DEVELOPMENT RETURNS FROM VOLUNTARY ASSISTANCE TO PRIVATE ENTERPRISE DEVELOPMENT IN EASTERN EUROPE AND THE BALTICS

This section first summarizes the conclusions of this study, outlines the main recommendations for A.I.D., and highlights the potential for young Americans to become involved in voluntary assistance efforts.

A. Summary of Conclusions

- As demonstrated by the comparative analysis in Section Six, A.I.D.'s investment in voluntary assistance to private enterprises development is a cost effective means to address the requirements of transitional societies in Central and Eastern Europe.

- Returns from these investments could be increased through a process that helps tailor voluntary agency inputs to the comparative advantages of countries (and sub-regions of countries) in the marketplace.

- The prospects for sustainability of these initiatives will increase as indigenous private sector groups grow in strength and can lobby effectively for those fiscal policy and legal system reforms that are necessary to create favorable business environments. This focus is lacking and should be a priority for future A.I.D. decision making, perhaps through the mobilization of resources from well matched U.S. trade and investment entities.

- Longer-term private sector development also depends on institution building, primarily through improving business schools and services and increasing Governments' planning and decision making capabilities, particularly at the municipality level. A.I.D. is funding such complementary investments. However, their integration is weak but may be strengthened through the devolution of resource control to the field or country level.

B. Recommendations for A.I.D.

The study suggests the following recommendations for A.I.D.:

- Continue to invest in those voluntary agencies that mobilize high powered, hands on American business expertise and know-how, taking advantage of the U.S.'s comparative strength which is private sector development.

- Eliminate investments in voluntary agencies that provide point-in-time technical assistance and training without result-oriented action plans and systematic follow-up.

- Allocate the necessary funds over a sufficient period of time to allow for the testing of voluntary agency activities as well as for program development, including provision for quality in-country management.

- Shift primary planning and management responsibilities for the activities of voluntary agencies to the country level (instead of relying on Washington supervision).

- On a country basis, organize a system that measures the results of the voluntary agencies' experimental activities and incorporates these results into the process of identifying future policy and program priorities.

- Provide ongoing strategic planning assistance to voluntary agencies, taking account of sectoral comparative advantages by geographic regions within a country to help "focus and concentrate" their development assistance efforts.

- Increase the effectiveness of "grassroots" voluntary agency activities through complementary investments that support ongoing country decentralization strategies, particularly the development of local government units.

- Establish voluntary agency consultative groups in each country and ask that they produce a coordinated information system, with a set of cross cutting performance indicators on which to base an impact evaluation at the end of 1994.

- Require each voluntary agency to prepare a longer-term plan that shows how host country institutional capabilities will be developed to carry on its functions.

C. Suggestions for Private Sector Development

1. Private Business Organizations

A singular loud voice is being heard in Latvia through the effort of the recently formed Director's Club, a voluntary social organization of top executives from private enterprises. Club members drafted a proposal for privatization reform legislation that could be put to

a public referendum, which the government tabled. The club went public with the proposal and drew bold headlines while the evaluation team was in Latvia, to which the prime minister responded and was questioned by the press on each of 44 points proposed by the club. The club has been headlined for various initiatives, including educational reform, economic development, support for central banking policy, criticism for privatization policies, inactivity by inept ministers for economic reform, and suppression of information on national debt and deficit spending reports. Private business organizations are powerful tools not only for lobbying but for watchdog activities on public policy. Those that can propose alternative legislation or have a membership with sufficient influence to arouse citizen concerns become substantial threats to existing governments as well as outside parties who may try to influence policy adversely.

2. Multi-media Policy Information Centers

In Bulgaria, the Center for the Study of Democracy is a distinct example of an organization that can reach millions of people through radio (existing), TV (planned for future), hard copy educational books, library resources, newsletters, and conferences. The center was initiated on a Radio Free Europe model and supported substantially by USAID and IESC. It is a rapidly growing 24-hour news and information service that aggressively monitors government activities, civil trends, social problems, legislation, and international relations It is not at odds with the government and has provided data and useful information to government ministries, lawyers, and municipal and regional governments. Through such multi-media endeavors, U.S. assistance could be strongly leveraged, not only to advance ideological interests and inform a broad spectrum of the general population about world affairs, but to bring the power of media to bear on policy mandates, legislation, and government activities. Assistance might also be directed toward creation of new independent newspapers, local radio stations, and other public sector information sources.

3. Special Interest Chambers

In addition to chambers of commerce, there are special interest groups that have voluntarily organized to enhance enterprise development and lobby for favorable legislation. In Bulgaria, the International Institute for Suburban and Regional Studies began as a private association to provide seminars and courses to members on economic development, real estate, land reform, and other related topics. Through IESC support several major seminars were launched, and a core of course materials, curriculum guides, and policy information data bases created. The institute found that in rural townships they had a great deal of influence with regional and municipal leaders such that institute initiatives began addressing policy decisions. Through these chambers there could be tremendous leveraging of money and effort as the members solidify into substantial civic organizations.

4. Investment Initiative Groups

In Poland, there is an assistance-based private enterprise called the Polish Business Advisory Service and an organization recently formed through FSVC called the American Investment Initiative. These two organizations are influential due to their substantial access to resources, U.S. and European investors, American companies with interests in Poland, and institutional agencies such as the U.S. Securities and Exchange Commission. They are also connected to many similar agencies and private organizations in the United States with very powerful connections and interest in overseas trade. Direct assistance in aligning U.S. interest groups and state or federal agencies, using networking, data-based information services, or support for overseas missions could rapidly bring together private sector business interests.

5. Educational Organizations

Whether public or private, educational institutes will have more effect on long term policies than immediate aid and assistance. There is a pressing need for commercial education, instructors, resources, supplies, textbooks, and curriculum experts. The Riga Commerce School and the Warsaw School of Trade and Commerce provide executive training and report that nearly every seminar is rapidly filled or sold out with little public relations. These private initiatives to deliver a market economy education are far from sufficient to meet demand. Formal curricula in high schools has only begun, but an experimental school in Latvia is apparently quite successful. A recurring theme throughout the evaluation visit was that clients were desperate for business plans, strategic marketing plans, operating procedures, and venture assistance. While most of the economic activity in all these countries is occurring at the individual enterprise level, this may be the area of each economy least addressed by assistance programs. U.S. assistance could be highly effective through a mandate for micro-enterprise educational programs and new venture management initiatives.

6. Venture Capital & Small Business Support

Simply put, each country needs some vehicle like the U.S. Small Business Administration to foster low-cost loans or loan guarantees, provide information services to small businesses, and to foster new ideas, export and import services, business planning centers, and business incubators. They could be modelled on various "centers" for entrepreneurship that exist throughout the U.S. such as the Small Business Institute program. U.S. assistance would help establish these vehicles; the resulting system of agencies, education, and information services would create additional policy centers that solidify small business, regional economic interests, and business associations. Assistance could also directed bringing together research institutes, educational efforts, venture capitalists, and existing companies with distribution or production capacity to share knowledge or bring to market new products and services.

D. An Idea for the Future

One idea discussed in the field was the assignment of young American and host country college graduates as interns, perhaps as part of President Clinton's national service corps. These young people would learn much from working with the more "seasoned" professionals carrying out their volunteer work. The host country students could provide interpreting services while learning about entrepreneurship. Such involvement would contribute greatly to the makings of a new foreign assistance strategy.

The implications of this suggestion are that A.I.D. should build funds (low-cost) for young Americans and talented host country individuals into each of its development initiatives. Moreover, the agency should provide a university-based entity to monitor and evaluate the personal and developmental returns from these investments.[21]

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[21]Comments from A.I.D. Representative to Latvia: "There probably is no stronger an advocate of volunteers as an invaluable human and economic development resource than myself. Thus, I enthusiastically endorse the implied recommendation to use volunteers, in the context of President Clinton's national service concept, in support of private sector initiatives in the emerging democracies. On the other hand our development assistance needs more continuity. We should be very careful that we not end up providing volunteers (young or more experienced) for truly short term assignments. This would lead us back into the 'point-in-time' interventions that lack continuity and a coherent development strategy. We need also be sensitive to the fact that Latvia has a highly educated workforce. We should not presume that young Americans with limited experience can contribute significantly toward a country's development. Volunteer work needs to be a two-way process in which the volunteer makes a serious contribution even as s/he learns much from the host country."

Appendix A

EVALUATION SCOPE OF WORK

BACKGROUND

The desire for a speedy transition to market economies in the countries of Eastern Europe and the Baltics has created a huge demand for American advice and know-how. A.I.D. has facilitated the transfer of American expertise to small, medium, and large private enterprises through training and technical assistance provided by a variety of private voluntary organizations and the Peace Corps. The 6 projects, grantees under these projects, and the purposes of the specific sub-project grant agreements are listed below.

Regional Human Resources Project (180-0002)

Volunteers in Oversees Cooperative Assistance (VOCA). Farmer to Farmer - Poland. Purpose of the grant: To help develop the private Polish agribusiness sector at the organizational, managerial, and operational levels.

Privatization and Enterprise Restructuring Project (180-0014)

Agricultural Cooperative Development Council (ACDI). This was a sub-grant from VOCA. Purpose of the grant: Provide innovative farmers, managers of cooperatives, leaders, agribusiness people, and agricultural extension agents with the production, management, and financial skills appropriate to a market economy. Secondly, provide training in specific technical areas, and Farmer to Farmer programs to increase productivity and efficiency.

Technical Assistance to Enterprises Project (180-0023)

Kenan Institute - MBA Enterprise. Purpose of the grant: Use graduate MBAs to develop financial plans for privatization, create new marketing strategies, analyze alternative product opportunities, develop feasibility studies and strengthen company management.

International Executive Service Corps. Purpose of the grant: Furnish management and technical expertise to business in Central Europe and the Baltics, thus contributing to private sector development in those countries.

Peace Corps. Purpose of the Inter-Agency Agreement: Provide technical assistance, training, and business information through local public and private organizations under the Peace Corps small business program. Objectives: 1) strengthen local government institutions and democratic practices; 2) promote private sector business activities; 3) improve basic quality of life during the period of restructuring.

Restructuring Agriculture and Business Project (180-0024)

VOCA. Purpose of the grant: a) To assist agricultural leaders prepare business development plans for farmer-owned and controlled rural enterprises; b) to assist in the privatization of state companies and the reorganization of cooperatives; c) to assist emerging agribusiness in food processing, feed and flour milling, farm equipment and machinery repair.

National Cooperative Business Association (NCBA). Purpose of the grant: To provide business and management technical assistance and training to members of private and "privatizing" agricultural cooperatives and other agribusinesses. The object is to develop economic relationships (joint ventures, sales, contracts, production) between U.S. and Eastern European cooperatives and agribusinesses.

ACDI. Purpose of the grant: Carry out a business exchange program in Central and Eastern Europe targeting members of new cooperatives, private agribusiness people, directors and staff of rural credit institutions and farmers. In addition, assist in the development of the cooperative banking system in Poland.

Land of Lakes - Dairy Management Training. Purpose of the grant: Enhance the restructuring and privatization of small and medium agribusinesses through in-country and U.S. training, and technical assistance.

Business Services Project (180-0027)

APRE - Financial Services Volunteer Corps (FSCV). Purpose of the grant: Accelerate the establishment and sound capital markets by providing assistance in asset valuation, underwriting, and structuring of public offerings.

PVO Humanitarian Initiative Project (180-0032)

Citizens Democracy Corps. Purpose of the grant: To encourage and mobilize the voluntary efforts of U.S. corporations, non-profit organizations and educational institutions in the strengthening of free market economies and democratic institutions in Central and Eastern Europe.

ARTICLE I - TITLE

Project Title: Audit, Evaluation, and Project Support
Project Sub-Title: Program Evaluation of Assistance to Private Enterprise by U.S. Private Volunteer Organizations (PVOs)
Project Number: 180-0249.

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ARTICLE II - OBJECTIVE

The Contractor shall assess the impact, effectiveness, and relative cost benefit of different modes of A.I.D. assistance to private enterprises in Central and Eastern Europe by U.S. PVOs and the Peace Corps. Please see Annex A for a breakdown of implementing agencies, funds obligated, and country by country division resources. The grantees are funded under 6 different projects in the AID/EUR portfolio. Project managers are listed in Annex B. The grants were either Congressional earmarks (Volunteers in Oversees Cooperative Assistance, VOCA; Land of Lakes International Development), grants under an earmark (Agricultural Cooperative Development Council, ACDI; and the Financial Services Volunteer Corps, FSVC), or unsolicited proposals (the Kenan Institute; the International Executive Association, NCBA; and the Citizens Democracy Corps, CDC).

ARTICLE III - STATEMENT OF WORK

The Contractor team shall spend 3 weeks in the field, one week in each of 3 countries where resources are most concentrated and where business conditions reflect the range of conditions in the region as a whole. One country has been selected from the Northern Tier (Poland), one from, the Southern Tier (Bulgaria), and one from the Baltic region (Latvia). The Contractor shall highlight findings from this exercise which can be generalized and extrapolated to other specific countries in the Northern and Southern tier and Baltics.

Prior to departure the Contractor shall review obligating documents, implementation plans, progress reports, and, where available, sub-project evaluation findings. This will include the recent assessment of IRIS and GEMINI assistance to Polish micro-enterprise. Contractor also shall review quarterly monitoring and annual reports of the Management Training Project to identify potential areas of complementary training resources or overlap.

The Contractor shall produce a report which includes the following: a) identifies successful activities or accomplishments stemming from the volunteer agency approach; b) calls attention to problem areas, if any and c) proposes tests and benchmarks (for example, assistance cost per job created or retained by privatization, competitive cost per volunteer) to determine the cost/effectiveness of AID-financed assistance. The goal is to better match grantee capability with country specific assistance needs at this point in the economic transition process. In addition, the Contractor will assess extent of in-country and AID/W coordination of activities. The Contractor shall propose mechanisms for the streamlining of PVO projects where overlap exists and improved coordination where needed. The Contractor's objective is to insure that maximum benefit will be derived from the expenditure of future U.S. resources in this sector and region.

The Contractor's report shall provide a concise, analytical examination of these issues for each country visited in the context of the host country environment, the division of PVO assistance by sector, and an examination of PVO/grantee management styles and effectiveness. The specific questions that the Contractor will answer in each country are:

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Host country environment

1) From a policy standpoint, what are the opportunities and constraints to private business assistance?

2) In what way do these factors hamper our aid in some sectors and facilitate it in others?

3) Overall, what are the most significant obstacles to successful absorption of AID support by private business, by scale of enterprise? Assess the strengths and weaknesses of the different approaches in AID-financed PVO assistance to enterprises. Assess the strengths and weaknesses of counterpart organizations and other donor assistance.

4) Describe and evaluate the capability of indigenous business service organizations which provide services similar to those of AID grantees. Assess whether AID is providing sufficient support to these organizations. Evaluate this approach as an alternative to AID-funded delivery of these services directly to clients, taking into account client ability and willingness to pay the local costs for these services.

5) Explore the interface between PVO and non-PVO business service providers as follows. Specify what private sector business assistance needs would be addressed more effectively and more cost-effectively by non-voluntary agency capabilities and methods. Also specify private business needs currently being addressed by non-PVO service providers which could be more cost-effectively given by PVOs (in light of their capability). For example, identify long-term technical assistance or training requirements best suited to the various types of aid providers and their assistance delivery methods. Identify specific types of assistance, as appropriate, that fall into these categories of assistance provision. Also consider, for example, availability of financing to implement business restructuring or expansion recommendations as a constraint to absorption of PVO technical assistance.

Sectoral breakdown of AID assistance to private businesses

1) Which business sectors or sub-sectors are the targets of AID assistance?

2) For assistance directed to specific businesses, how is it broken down by small, medium, and large scale enterprises?

3) How much of AID resources are directed to agriculture and in which sub-sectors?

4) In what types of businesses has AID had the most impact, by sub-sector and scale of enterprise? Why? Are there particular types of services such as privatization, or industry segments, such as defense conversion, which should receive special emphasis in particular countries? Provide the analytical basis for such recommendations.

PVO grantees and Peace Corps

1) Analyze the specific types of services each grantee is providing and the level of demand for those services. Evaluate the PVO information dissemination strategies (e.g. ways that services are advertised to clients, ways that findings from case approaches are disseminated more widely to other potential beneficiaries, etc.). Identify areas of significant overlap or duplication of services. Assess the extent to which PVOs are collaboration to provide different types of services to the same clients, to coordinate assistance to achieve strategic impact on defined business sectors important in the national economy, to avoid duplication of services, and disseminate lessons learned.

2) Propose measures of cost effectiveness and test them against a sample of clients assisted by each PVO/implementer. Compare the different PVO assistance approaches according to quantitative and qualitative measures of impact and cost effectiveness. For this purpose, cost per unit of impact is the measure of cost effectiveness. For example, what is the assistance cost per job created/saved or per unit volume increase in exports? For restructuring efforts that create lay-offs in the short run, develop and apply measures to assess whether the firm has become more profitable after receiving the AID assistance.

3) From the standpoint of impact, cost-effectiveness, and beneficiary performance, evaluate the present mix of short term technical assistance. Assess whether sufficient resources are being devoted to long term, resident technical assistance charged with coordination and follow up on more specialized short term services. Assess whether long term technical assistance has the right mix of skills and scope of work to provide direct technical assistance as well as coordination in-country, and whether the productivity of long term technical assistance justifies its higher cost.

4) Compare the support costs -- in-country and home office -- of providing volunteer expertise through the different PVOs.

5) Compare the impact of in-country training versus training abroad. What kind of in-country training -- for service organizations, specific enterprises, etc. -- has been the most successful? Where appropriate, propose measures for strengthening in-country training.

6) Describe and evaluate the criteria used by grantees to select recipient enterprises. For example, evaluate the effectiveness of the decentralized IESC approach, in which the IESC country directors have substantial discretion in client selection. Assess whether there has been strategic targeting of certain business sectors by country, and whether assistance has created measurable impact on specific business sectors of importance to national economies. Has assistance contributed to creating a climate for sustainable growth in specific business sectors?

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7) Analytically evaluate the criteria grantees are using to determine when and organization of business no longer requires assistance. Propose revised criteria, where needed, based on a comparison of the different methods used.

8) For grantees with multiple grants, how is assistance managed? For example, are funds pooled and jointly managed within a country?

METHODOLOGY

The contractor shall field a 4 person team, spending one week in Poland, Bulgaria, and Latvia, respectively. The team will consist of the following: a Program Development specialist/Team Leader; a Human Resources/Private Sector/Training analyst; a PVO Management Consultant; and a Financial/Business advisor. The team leader will spend five days in Washington, beginning on or about January 25, 1993, interviewing EUR staff and the Washington employees of participating PVOs prior to a late-January 1993 departure. The remaining team members will join the team leader for briefings and team building during the last 2 days in AID/W.

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Appendix B

A STUDY OF THE INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)

IESC activities in Central and Eastern Europe were evaluated for Latvia, Poland, and Bulgaria. Programs in these countries were initiated under an March 1991 co-operative agreement with U.S. A.I.D. Poland became active first in April 1991 and also had several assistance initiatives in progress prior to the A.I.D. co-operative agreement dating to August 1989. IESC Bulgaria initiated its first activity in July 1991, and opened its Sofia office in September 1991. Latvia established an office and hired a Country Director in November 1991, and undertook its first assistance effort in February 1992. A general report on IESC activities for these three countries in Central and Eastern Europe follows. A later section expands on each country, and summarizes client activities assessed.

IESC ACTIVITIES IN CENTRAL AND EASTERN EUROPE

Nature and Scope of IESC Activities

A brief summary of the IESC program in Central and Eastern Europe based on the co-operative agreement and this evaluation suggests a diversified range of volunteer services within the scope of private enterprise development. The nature of assistance suggests a focal strategy to improve private business systems, management, and productivity. Types of assistance rendered included restructuring plant and management systems, repositioning companies in new markets, redefining products or services, and instituting strategic planning systems. Specific technical assistance (e.g., improved accounting procedures or providing supply source linkage) have been important but incidental to the main thrust of IESC activities concentrated on building sustainable private enterprise systems.

IESC has assigned principally retired volunteer executives from a roster of more than 12,500 persons who have worked directly with client organizations for short-term assistance. Technical Assistance such as training, systems development, supply sourcing, or market development has constituted about 20 percent of the total assistance effort across the three countries evaluated. Institutional Support assistance such as advising ministries on organization and operational procedures, helping to establish business and educational networks (e.g., a Director's Club in Latvia similar to the U.S. Federation of Independent Business Enterprises), and developing planning systems for public and private agencies (e.g., a marketing plan for Bulgaria's Committee of Tourism) has constituted about 20 percent of IESC's activities.

Under Trade and Investment Services, the scope of work includes advice on product exports, material imports, helping clients to pursue market or investment opportunities with U.S. constituents, and specific development of services such as retailing, tourism, or banking. TIS assistance also includes development plans for attracting investors or joint venture candidates, restructuring assets and liabilities, and developing equity instruments (i.e., establishing new

joint stock companies or initiating plans for privatized capital). Perhaps as much as 50 percent of IESC activity can be categorized as trade and investment service as clients in all countries are anxious for investment, trade linkages, and assistance with finance, marketing, and business development plans.

IESC has been relatively inactive in Defense Conversion except in Poland where specific activities were identified for assistance. This has involved four companies. One client in Bulgaria could be classified as a defense contractor. These comprise about five percent of the total assistance effort in the three countries studied. The remaining five percent of IESC activity in the countries evaluated include various personal services rendered by volunteers such as advice about trade negotiations, staff realignment, bank transactions and procedures, factory layout or equipment utilization, merchandising, advertising, software selection, and environmental protection measure, among others.

A significant aspect of IESC assistance is the American Business Linkage Enterprise (ABLE) program. ABLE is a business information service created to link foreign companies with U.S. markets, to network U.S. and foreign companies, and to provide a bridge for technology transfer. It is not a field activity, however, and ABLE assistance is initiated as a follow-on activity after IESC has concluded a client's initial work plan. ABLE provides support, research, reports, and recommendations for business development through its U.S. based organization of volunteers. About 20 percent of IESC clients have also had ABLE assistance in export management, U.S. equipment or material sourcing, and market planning.

Strategy of IESC for Field Assistance

IESC is primarily involved at the enterprise level to provide business services to existing companies that began as independent firms, were recently privatized, or are in the process of privatizing. However, as noted above, IESC is mandated to help strengthen local institutions, provide assistance in public administration, and support selected defense conversion initiatives. This is a very broad scope of potential activities. Consequently, IESC has identified at the program level three categories of "Multiple Business Services." These are:

1. Technical and Managerial Assistance

- Regular: Volunteer executives (VEs) assist individual companies with specific technical or managerial activities. Near-term assistance of two weeks to several months.

- Diagnostic: VEs visit companies to assess problems and recommend assistance or specific solutions. Short-term of one to two weeks.

- U.S. VEs: Advice and networking through U.S. VEs to support foreign inquiries and assistance efforts. Assignments vary from telephone follow-up to volunteer research extending over many months.

- Piggy backs: Coordination of assistance for multiple clients in one area through a VE or activity to minimize costs and maximize time and utilization of VEs while in country. Short-term activity.

- Seminars and workshops: One or two day training sessions with on-site visitations or group presentations and cases to supplement other types of assistance for clients and other local participants.

- Multi Micro Enterprise: Grouping of several micro enterprises with similar business issues under one VE assignment to create a "spread effect" through leverage of VE assistance in country.

- Education: VEs assist in formal courses or with presentations at universities and educational institutions, and provide assistance for curriculum development, management, and business related systems intervention. Near-term for several weeks to several months.

- Privatization: VE assistance to state-owned enterprises to prepare for privatization, initiate privatization plans, or facilitate private investment initiatives. Assignments vary up to six months.

- Environmental: VEs work to improve environmental management through operational and technical assistance, advice, and policy initiatives at the enterprise level. Assistance varies up to three months.

- Health care: Work with foreign health care organizations to improve delivery of services, technology, management, and operations. Terms of assistance can be short term or extend to multiple activities.

- Public administration: VEs work with government entities to assist in planning, organizing, and managing, agencies, public services, and national or local public programs. Near-term assignments.

2. ***Trade and Investment Services (TIS)***

- U.S. Exports: Overseas offices promote U.S. equipment and technology through export sales to foreign enterprises.

- Investment: IESC assists with joint ventures and co-ventures, and it provides access to U.S. investors while maintaining a neutral position with respect to clientele or VE interests.

- Promotion and Research: Offices use U.S. and field staff, volunteer executives based in the U.S. and assigned abroad, data-based resources, and indigenous information

sources to provide industry surveys, business reports, trade promotions, and plans to clientele.

- Privatization: TIS staff help structure investment vehicles and plans for companies in transition to private entities.

- Additional Services: TIS staff may assist in planning, training, company trade or investment programs, and special events as approved by the program director and within the scope of work.

3. Market and Technology Information

- Custom-tailored assistance: Through the American Business Linkage Enterprise (ABLE) system, IESC provides clients with specific research and reports on markets, trade, equipment sourcing, joint venture and investment searches, and various technical information.

Formulating a strategy for Central and Eastern Europe was based on a formal "needs assessment" conducted by IESC prior to the 1991 co-operative agreement with U.S. A.I.D.. The result was a specific plan for each of those countries in this evaluation. Subsequently, IESC brought country directors to the U.S. for intensive training, which included documentation of each country's scope of work, expectations for performance, and standard operating procedures. Senior IESC staff with project responsibilities based in Stamford, Connecticut, also worked in country with each director to initiate activities and consolidate objectives.

Conceptually, all three country organizations evaluated could engage in any of the activities described; however, each is more focused. Latvia, the smallest and most recently activated office, has a company director and one office staff. Consequently, no formal TIS function exists, and defense conversion is not a consideration. IESC Latvia concentrates on private enterprise development and institutional support, and within this scope, focuses on technical and managerial assistance. Further, the country director in conjunction with several government ministries and the A.I.D. project officer has identified priority sectors for assistance. For example, agriculture and health care are addressed through other types of assistance, and companies engaged in heavy equipment, transportation, and telecommunications are exempt as not yet positioned for privatization under the Government's programs. Educational efforts are being pursued through other assistance programs. Meanwhile, pharmaceuticals, light durable manufacturing, agri-business processing, and municipal-controlled merchandising enterprises are being rapidly privatized and reflect priority candidates. In addition, banking functions, recreation, and tourism constitute public or quasi-public administration areas appropriate for IESC assistance.

In Poland, activities are more diversified, including formal defense conversion contracts with integrated state-owned enterprises. Poland has a staff of eight persons with an annualized activity load of approximately 70 client organizations. This contrasts sharply with Latvia where

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24 activities comprise that office's total client list to date. Poland has been active in seminars, workshops, and coordinated educational programs with indigenous organizations and other U.S. assistance groups, including, for example, the Polish Business Advisory Services and the Peace Corps. IESC Poland avoids candidate clients in agriculture, dairy, health care, banking, financial services, utilities, and educational institutions as sectors where assistance is addressed through other programs or methods. To ensure an appropriate focus and to avoid duplication, IESC participates in a quarterly review of U.S. A.I.D. assistance efforts with monthly briefings. Two major objectives for IESC Poland are to generate the greatest leverage from volunteer assistance and to ensure geographic diversity. Consequently, client organizations are partially qualified for their breadth of impact, such as assisting a large food processing company with export marketing which in turn affects dozens of regional growers and domestic suppliers while serving as an example for similar regional food, fruit, and produce processing companies. Through its "rural enterprise" and "micro enterprise" initiatives, IESC Poland also tries to ensure diversity with client organizations literally ranging from the northern seacoast to the southern border and from the center of Warsaw to a remote country village where the standard joke is that the village exists inside its only factory.

The Bulgarian experience is distinct from both Latvia and Poland, due to differences in government policies, location and topology, and its profile of industrial development. Located in a four-season climate with Alpine mountain ranges, fertile valleys, and resort beach areas, Bulgaria has a history of tourism, winter and summer recreation, and cultural interests. Consequently, foreign investors have been attracted to businesses such as refurbishing hotels and restaurants, co-venturing with coastal resorts, improving winter resorts, and reviving cultural activities with commensurate development of arts and crafts. IESC's early clients included the Committee of Tourism, an association of hotel managers, and the first privatized service enterprise, a coast resort in Varna. Its industrial profile, however, has been relatively restricted to electronics and light manufacturing in support of defense programs in the former Soviet Union. Consequently, the country has a major unemployment problem arising from the withdrawal of Soviet markets and subsequent collapse of downstream suppliers with defense mandates. At this time, only five manufacturers have been approved for privatization from 4,000 candidates. A mandatory five-year freeze on privatization by the Bulgarian Council of Ministers regarding defense-related, electronic, and heavy manufacturing assures the demise of many enterprises and precludes nearly all types of assistance to these companies normally afforded to private companies. Nevertheless, the government has encouraged development of private financial and banking systems, restructuring of telecommunications, and rapid improvements in agriculture and agri-business. Consequently, IESC Bulgaria has focused strategically on these priorities, partially as a result of a formal needs analysis by sector completed when the IESC office opened and as a result of coordinated meetings with the ministries and the U.S. A.I.D. program officer.

Strategic Liaison and Coordination

Bulgaria maintains a close liaison with the A.I.D. mission through monthly meetings with all A.I.D. supported assistance groups. In addition, there are subsection meetings and formal

coordination efforts headed by A.I.D. so that, for example, agricultural projects and activities are collectively addressed apart from light and medium manufacturing, banking and finance, and institutional support. These meetings and coordination efforts solidify assistance, help avoid duplication, and provide strong informal networks of association among various assistance activities and personnel. Consequently, there have been several joint assistance activities, and there is a quick response time to client inquiries, referrals, or activity problems. Poland has a similar profile of A.I.D. monthly meetings and informal networking with A.I.D. related activities as well as other U.S. assistance efforts.

The evaluation team made it a point to verify that meetings occurred and were effective as coordination vehicles without inappropriate "micro-managing" by A.I.D. officers. Our consensus is that the system is working extremely well in Bulgaria, providing excellent coordination and helping country managers remain strategically focused. The system is also working extremely well in Poland, although the size and complexity of Poland's domestic and foreign assistance effort tends to restrain close personal networking found in Bulgaria. The Latvian A.I.D. office has "officially" endorsed the concept of monthly coordination meetings and networking, but the evaluation team could verify that only one meeting had occurred since April 1992. Country directors for various assistance groups do, however, meet informally and have expressed an interest in monthly meetings to improve coordination. IESC has expressed a concern, with guarded words, that although A.I.D. staff have been very supportive, they may have gone too far in several instances to influence operational decisions or to criticize activities, volunteers, or results.

Ultimately, the liaison function is to improve strategic implementation of assistance within each country, and to the extend noted above, IESC country directors feel that their strategic plans and focal activities have been sharpened by improved communication and coordination. In each country, there is strong evidence of a beneficial "spread effect" as assistance activities build on client successes for sector development or inter-sectoral assistance. Through liaison, networking, and formal coordination with governmental ministries, IESC has been able to consolidate its efforts, focusing on high-priority activities.

Selection and Activity Framework

Strategic selection of high-priority activities was not necessarily the case when each country initiated its IESC office. A review of early clients in all three countries suggested a selection of clients based partially on "targets of opportunity" rather than orchestrated priorities. Currently, selection is determined according to procedures that include sector-specific concentration prioritized in concert with government ministries' policies. With sectors well identified, IESC coordinates candidate clients not adequately addressed, or those outside the scope, of other assistance efforts. Client requests are then screened on several criteria. IESC is expected to work primarily with privately held enterprises, those with growth potential, and proposals that fit within the scope of work. Other criteria include selection based on management's willingness to cooperate, expectations by management for realistic results of VE intervention, and IESC's judgment that the proposed work plan can be successful within the

capability of a VE's effort and the time allowed for the activity.

Country directors or senior staff meet with candidates and review their proposals, forming preliminary assistance guidelines or referring them to other means of assistance. If initially accepted as feasible, the director arranges a site visit to verify questions about ownership, employment, assets, liabilities, products, services, and operational funding. Further interviews with candidates may result in formal proposals written in contract form for consideration by IESC headquarters. At this stage, proposals are budgeted to include a commitment by the candidate organization to fund country VE expenses such as accommodations, local travel, translation services, and miscellaneous support. Proposals accepted by a country director are forwarded with commentary and recommendations to IESC, Stamford, Connecticut, where decisions are made about which proposals to approve and fund. Once funded, a VE is recruited and the contract is signed with a target starting date and expected date of completion.

Approximately 90 percent of all proposals submitted by country directors in 1992 were accepted, and of those, approximately 85 percent were funded. Few were rejected, but most referred to alternative agencies or returned to the country directors with recommendations for revisions or cooperative efforts with other assistance groups. Of those contracted and scheduled, about 20 percent are canceled before they begin. Cancellation occurs for several reasons -- changes in government (or government policies), inability to match an appropriate VE with the proposed project in a timely manner, the client organization's inability to honor expense obligations, and the demise or sale of the client organization.

Cost Effectiveness

IESC follows a procedure in which the client organization shares in total activity expenses. The IESC share of an activity budget covers VE airfare for the individual volunteer and spouse, expenses en route to and from the United States, recruiting of VE and U.S. direct expenses for activity arrangements, country director expenses prorated to each activity, field support expenses which vary according to activity and country, and headquarter administration overhead which is a standard applied cost. The client organization normally must cover hotel accommodations, ground transportation and in-country travel, costs of translation or interpretation services, specific activity costs such as a provision for office, clerical assistance, phone and fax service, and other incidentals as agreed to in the initial contract. Consequently, there are two categories of activity related expenses budgeted: those for IESC, and those for the client.

Client Organization Commitment. The client's budget is not itemized by IESC, but the country director verifies with VEs that their accommodations and contracted support services have been adequately provided. Responsibility for payments to hotels and for various services rests with the client. In Latvia, the average client contribution has been approximately $147 per day across all activities against a budgeted $150 per day in each contract. In Poland, the average client contribution has been about $162 per day for the 1992 activities reviewed against a budgeted $150. In Bulgaria, the contribution for all activities has averaged $144 per day against

a budgeted $150. Variations against each budget reflect slight differences in out-of-pocket costs by clients for ancillary services and accommodations. Variations between countries reflect significantly difference costs in each country. Poland is relatively expensive compared to Latvia and Bulgaria, and VEs cover a wider geographic area for travel.

Client budgets are tallied by the per-day allocation so that a 30-day activity would reflect, on average, a commitment of $4,500 ($150 x 30). This also varies significantly among activities. For example, an assignment in Poland for a VE to work with the Minister of Privatization required little travel, and no explicit office, clerical, or translation costs (in-kind provided by Ministry). Thus, client expenses approximated $120 per day. In contrast, an assignment in Bulgaria for a VE to work with the Committee of Tourism required extensive travel, an interpreter, and a variety of commercial accommodations. Consequently, the client reportedly spent "far more than expected."

IESC Commitment. IESC relies on accepted accounting practices to prorate overhead, staff, and office expenses to each activity based on the country allocation, country director and staff salaries, and headquarter's overhead. Costs are standardized and "applied" to each activity by category. The format of these expenses for all IESC offices follows, together with notation:

Airfare for VE	$ 6,555	Applied, varies with ticketing
En route costs	570	Standard based PD budget
Recruiting/Arrangements	1,908	Prorated across program
Country Director Expenses	3,833	Prorated for country activities
Field Support Expenses	2,239	Applied as standard cost
HQ Administration/Support	2,712	Applied as standard cost
Total Budgeted	$ 17,817	

Because most costs are standardized and applied to each activity equally, some activities appear to cost much more than others. (e.g., a 30-day activity in Poland will have recruiting, field, and HQ expenses applied at the same rate as a 90-day activity in Bulgaria, assuming that standard contracts, procedures, recruiting efforts, and HQ support administration is required.) In Latvia, the average IESC activity budget for the 9 clients evaluated was 16,209; lowest $12,400 and highest $23,800. In Poland, the 1992 client list of 61 activities averaged $18,913; lowest $13,200 and highest $26,200. In Bulgaria, data for 12 activities revealed an average of $16,433; lowest $8,804 and highest $23,817. Overall, an unweighted mean IESC budgeted for activities evaluated or reviewed in the combined three-country study was approximately $17,500.

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Activity Budgets and Costs. The average combined client contribution for the three-country study, and for the activities evaluated, was $6,248. Consequently, the combined budgets of client and IESC per activity averaged approximately $23,748. The country director in Poland suggested that the actual expenditure there usually exceeded budget for clients, and the VEs often took many expenses upon themselves in the field so that a typical activity probably exceeded $25,000. In all three countries, the budgeted amounts were shown to 100% expended at the completion of each work plan with two exceptions: 1) In Latvia, a VE returned home early due to health reasons and the work plan was curtailed; 2) In Bulgaria, a VE found that his client had unrealistic expectations and was not prepared to meet contracted obligations, thus truncating the activity.

Additional Costs and Contributions. Volunteer executives routinely assume expenses well beyond budgeted allocations. These are personal and off-budget for various needs such as entertainment, hygiene supplies, clothing, food, and spouse travel and support. They also regularly include business-related costs such as software, computer supplies, research documentation, mailing, incidental travel, and petty cash expenditures (e.g., tips, snacks, etc.). Seven VEs who were interviewed in the three-country evaluation unanimously responded that they had personal expenses in country that probably came close to client contributions, but no VE complained or suggested that there should be any form of reimbursement.

Approximately 60 percent of all VEs bring their spouses, and the country directors suggest that in almost every instance, spouses contribute their time and expertise either directly to the activity or provide free services such as language training, seminars, or domestic advice to client organizations. These are nonbudgeted and nonpaid contributory services. In addition, in every activity evaluated, VEs had provided follow-up services and communications after the work plan was completed and they had returned to the United States. The VEs and IESC headquarter staff often helped formulate ABLE proposals, marketing documents, and business plans, or provided additional research, investor information, supplier contacts, equipment bids, and other valuable assistance beyond the scope of their assigned activities and without additional budget support or reimbursement.

Cost Profile. Consequently, determining "cost effectiveness" an activity is extremely difficult. Explicit costs and budget allocations are carefully documented for IESC, but the implications are that the client organizations, VEs, and IESC provide unpaid services and contributions considerably in excess of explicit documented expense items. We can conclude that the budgeted/expended cost per activity in Central and Eastern Europe is approximately $24,000 from Client and IESC sources, but the actual figure is probably much higher, counting institutional off-budget support, personal VE expenditures, off-budget support from U.S. staff, and subsequent VE and IESC follow-up efforts.

Benefit Profile. Measuring benefits by objective means may be impossible. To do so would assume an accounting for number of people served, changes in employment, sales, or profits, or valuation of finished documents or executive recommendations. Although some of these criteria are captured in follow-up evaluations, most work plans culminate in descriptive results

such as completed marketing plans, reorganization of company personnel, completion of training programs and seminars, presentation of business plans, implementation of MIS, or repositioning of a company, its products or service, or its trade function.

A reply by the director for the Agency of Cultural Tourism in Bulgaria is representative of value attached to IESC intervention. A VE had been assigned for 90 days to tour Bulgaria, evaluate accommodations, resorts, and travel services, and to write a strategic marketing plan for presentation to the Deputy Prime Minister. When asked how she would judge success and cost effectiveness of the IESC initiative, the director said: "It was exceptionally successful! We had a thorough 250-page marketing plan with recommendations for infrastructure changes, new services, training, advertising, pricing, and even privatizing our industry. It's exciting. We spent much money and time on this plan, but I am told that such an effort for even a small travel company in California would cost ten times what we spent. You should not be concerned for our costs. We want further assistance and we are very grateful for getting quality results for a beggar's palm money."

Although U.S. A.I.D. expressed an interest in establishing a cost-benefit profile of PVOs in this evaluation, "responsibility accounting" principles suggest that this may be impossible. PVOs are "expense centers" (also called cost centers), not profit centers (i.e., costs and revenues can be determined), nor investment centers (i.e., cost, benefits, and investments can be identified). An investment center would account for assets, value of services and products, and costs of capital for funds. These factors vary with IESC offices, in-country infrastructure, client and IESC location, funds access, and economic environment in with the projects operate. Both profit and investment centers require revenue estimates which are not attributable to a majority of the work plan results. If, for example, a marketing plan for a machine tool company is completed, there may be an expectation of improved revenues or sales, but the cost of the completed plan itself cannot be compared to future results. A reorganization plan for a ministry office cannot be construed as an income-generating activity, nor can it be easily attributed to improving the client's productivity or cost structure. It can, nevertheless, be deemed a valuable assistance worth the cost.

A.I.D. support, client expenditures and additional contributions, and "value-added services" of IESC and VEs may be best assessed in "expense center" terms. One measure of this (and not a recommendation) is to allocate the activity budget as a cost-per-day of VE assistance. For the three-country study, this would be approximately $615 per day, assuming an average budget expenditure of $24,000 and length of assignment of 39 days. For 30-day assignments the average per-day cost is about $800; for 45-day assignments, or longer, the mean cost drops rapidly due to applied standard costs. If follow-up time and off-budget contributions are considered, the per-day cost for VE involvement approaches $200. This approach, however, measures "inputs" in a questionable manner, and it lacks benchmarks. IESC provides an impact measure and follow-up evaluation procedure which is useful as an assessment.

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IESC Performance Indicators and Impact Assessment

IESC measures assistance "impact" on 20 specific criteria in addition to a general success rating derived from comparing the objectives of the work plan with its final evaluation. These 20 criteria do not apply to all activities (e.g., "increasing sales" is not applicable for the Ministry of Privatization), but when possible, IESC assesses performance results six to nine months after activities are completed. These criteria and explanatory notes follow:

CATEGORY OF IMPACT	EXPLANATORY NOTES
Financial Impact	Profits increased Adjusted net income before tax Sales increased Quantity shipped/clients served Unit costs reduced Variable direct costs Capital investment secured Equity or debt as relevant
Human Impact	Additional jobs created Often job reductions are needed Employee skills improved Pre- and post-testing as relevant Employee productivity increased Value shipped per person
Marketing/Operational Impact	Plant operations improved Processes, equipment, methods Production increased Relevant capacity utilization Product quality improved Waste, defectives, scrap, returns New products introduced If relevant, noted New marketing program developed If relevant, reviewed
Other Impacts	Management system strengthened Behavior, leadership, processes U.S. business ties created Actual inquiries, orders, bids Local supply system improved Domestic procurement

	Foreign exchange earnings improved Measurable ForEx received Exports to U.S. increased Actual shipments or orders Exports other than to U.S. increased Actual shipments or orders Imports from U.S. increased Actual shipments or orders
Environmental Impact	Significantly beneficial Subjective; major change occurred Beneficial progress Subjective; noticeable change No environmental benefit Cannot determine change occurred Not applicable to organization Often not relevant to client
Overall Success Rating Outstanding	{IESC director, VE or other good interested parties, and client undefined write responses independently}

Reports on this follow-up evaluation procedure have not been compiled for IESC Latvia as yet because most work plans were completed only in the past several months. Latvia's early completions were primarily in public sector organizations. A nine-month plan is in place for Bulgaria, and like Latvia, the IESC work plans have not yet matured to form a data base for evaluation. Poland has a significant number completed and a first-round compilation which is reported in a following section of this report. Completed activities in all three countries, however, have individual assessments by country directors, client representatives, and the volunteer executives. These are documented in each file and reviewed for recommendations and further action.

Summary of IESC Central and Eastern Europe

The evaluation team concluded that IESC projects in Central and Eastern Europe are exceptionally well organized, managed effectively, and coordinated closely with the U.S. strategic program. The evaluation team members also found IESC field personnel to be well trained, focused on their strategic objectives, and extremely cooperative. Country managers demonstrated a sincere commitment to the ideology of constructive assistance with a very clear sense of patriotism toward helping their individual countries and peoples progress toward a modern and healthy economy. In each country visited, the IESC staff seemed to be highly dedicated, giving much more to their jobs than expected and working with a sense of

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enthusiasm that was impressive. Offices and files were well organized, and facilities, automobiles, and funds did not appear to be misused. All IESC staff have reasonably good command of English and are well educated.

IESC Leadership and Management. The country director in Latvia is a graduate engineer with an additional post-graduate diploma in business, and eight years experience in heavy industry in Latvia. He also worked on social programs and helped formed business and education network groups as a compatriot of the movement to reform Latvia's economy prior to joining IESC. He was instrumental in forming a business curriculum for entrepreneurship and small business through a private school. The country director in Poland is a graduate civil engineer with broad experience in more than 20 countries in construction and management of infrastructural projects. Nearing retirement age, he is extremely energetic, poised, well-connected with current government officials and business leaders, and speaks at least five languages. He also reveals a very strong commitment to economic reform and private sector development. The country director in Bulgaria is a graduate attorney with several years experience in legislative policy and privatization policy development. He has been directly involved in drafting early reform legislation, creating new enterprise mandates, and writing enabling documents for the institution of a private commodities exchange and a private stock exchange in Sofia.

IESC Operating Procedures. Corporate management at the program level has created a well-articulated strategic plan for global operations and developed an operations manual and training program that is consistently used throughout the organization. Systems management and operational controls are extremely good with close linkage between levels of management and between functional departments. The processes employed to coordinate personnel, maintain communication with field units, and to account for activities are well developed and efficient. On-line data bases, monthly reporting systems, and administrative controls are adequate without being overbearing, and IESC staff are expected to maintain close liaison with U.S. A.I.D. and in-country representatives of the U.S. government. Staff and managers are well versed in other assistance programs and maintain relatively close communications with other assistance field personnel. The IESC has a very good system for contracting with clients, specifying work plans, articulating VE objectives, detailing expectations for clients and volunteers, and budgeting the activities. This system includes a summary "exist" interview and evaluation process with documented reports and commentary.

Problems Associated with Activities. The evaluation team feels that IESC has made a very strong impact on economic reform and private sector development in each of the countries visited. Work plan objectives have been more than adequately met in nearly every instance, but there have been failures and problems associated with some activities. Many of these may be due to external constraints rather than shortcomings of the IESC program, but there are some important considerations for IESC. Specifically, recommendations for changes in subcontracting assignments and internal organization of privatization management in Poland, although appropriate, seem to have fallen on deaf ears at the Ministry level, and while the Minister of Privatization was very supportive of IESC's work, he concluded that little actual

implementation had taken place. A reorganization plan for a state-owned enterprise in Poland was well-developed but not very useful for the firm which had been created as an integrated branch for defense work. Defense conversion projects in Poland also seem to demand far more effort than the IESC can provide through short-term assistance.

Bulgaria has also experienced frustration when trying to assist larger, more integrated industrial clients. Although not considered a failure, IESC fulfilled a plan to create a marketing department and to train source staff in an electronics manufacturing enterprise, but the company is not a candidate for privatization and is unlikely to make any progress toward conversion from military to commercial production in the near future. Consequently, IESC, the VE assigned to the activity, the client, and U.S. A.I.D. in Bulgaria were unhappy with the activity and its results. Also in Bulgaria, the exquisite strategic organizational plan and subsequent marketing program developed for the Committee of Tourism have not been implemented. Everyone concerned is unhappy with the lack of implementation which, of course, would be the measure of success. Without action, there is no impact, and this requires governmental funding of the recommendations together with a mandate from the Council of Ministers to help the agency generate a national system of privatized (or new private) enterprises such as hotels, travel bureaus, resorts, restaurants, and services. Funding through the Bulgarian ministries has not been forthcoming to properly address these opportunities. IESC, however, has been able to partially address the issues through technical assistance to hotels, and trade and investment services that have brought together U.S. and Bulgarian managers interested in hotel, travel, and tourist enterprises.

In Latvia, there have been at least two instances of IESC work plans being fulfilled with workable recommendations and no implementation or follow-up. One concerns a state-owned enterprise approved for privatization and soon to become a joint-stock company. The company produces a wide variety of consumer goods, arts and crafts, furniture, jewelry, and clothing. IESC recommendations were focused on reorganizing the company around high-potential product lines, export marketing of selective goods, and privatization. Client management, however, has only pursued the privatization objectives while maintaining a complicated and ineffective broad line of production. They appear to have retained their old habits stemming from state ownership to keep people employed regardless of cost or productivity, continue to make substandard quality products that are unable to be exported, and push for government "support" rather than accept the need to become a market-driven company. In the other instance, IESC VE recommendations may have been too enthusiastic for a privately developed Whey conversion plant. In this case, the VE created a production plan and extremely thorough facility plan. He also returned to the U.S. and established U.S. equipment supply bids, detailed plant layout drawings, and future expansion plans. Unfortunately, the client has only a small real estate holding obtained through the land reversion legislation, no cash or financing leverage, and very limited experience in any food processing or marketing aspects of business. Consequently, there is little hope of realistic implementation of the recommendations in the near term.

Concerns of Volunteer Executives. After interviewing nine IESC volunteer executives while

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visiting the three countries, the evaluation team found several consistent recommendations indicating areas for improvement. Most VEs were not well prepared in advance for the living accommodations and conditions they would face once on site. Those that worked in the capital cities of Warsaw, Riga, or Sofia had reasonably good hotels (listed 4-star but probably closer to decent 2-star hotels on U.S. standards). Those with field accommodations often had private apartments with unsafe water, poorly maintained appliances, very basic furniture, and few amenities. Considering that most VEs are retired from very senior positions and often wealthy in their own rights, there is an initial shock of relocation. Second, most VEs arrive in country and are rapidly introduced to their project clients and set to work. Consequently, very little orientation occurs to prepare them for the social or cultural climate of the country. Third, no language preparation is offered other than brief introduction packets by IESC country directors. It follows that few VEs can be highly effective during the first few days while they are attempting to reconcile their situations, and in several instances, VEs have complained openly about conditions, lack of effective orientation, and "immediate pressure" to work full throttle on arrival.

Concerns of Country Directors. All three country directors considered the monthly coordination meetings with A.I.D. essential, and while the meetings seem to be most effective in Bulgaria, they are apparently more complicated and formal in Poland. In Latvia, they may not yet exist, and communications there seem to be currently ineffective between IESC and the A.I.D. office. A second concern is that service contractors (members of the "big 6" accounting firms and others from the EC) enjoy a "pork barrel" situation where they win contracts on low bids, they exceed budgets or provide bare minimum service to domestic clients. This theme was voiced by government ministers very strongly in Poland, by executives we interviewed, and by organizational directors in the Polish Business Advisory Service and the Financial Services Volunteer Corps. The concern reappeared in discussions with U.S.A.I.D. in Bulgaria and was viewed as a "possibly serious problem" by the IESC country director. The issue was not raised in Latvia. A third concern was coordination of assistance through strategic initiatives from A.I.D. or the program director so that country directors could focus better on selection criteria and target assistance to specific high-priority sectors. They feel confident in how they are currently handling clientele, but feel some improvement is possible as roles by all involved in assistance begins to solidify around logical sectors.

Concern for Impact. The major concern of country directors is achieving sustained impact by having some way to provide long term maintenance assistance thereby ensuring effective implementation of initiatives. A consistent pattern emerges for IESC clients in that sort-term assistance has been extremely well received and successful, but in most instances, the clients are poorly prepared to implement recommendations. For example, a privatization plan developed in Latvia for a pharmaceutical manufacturer was very effective, but it required two more IESC interventions and a complex asset valuable project to help the firm reach a point where it could successfully file for privatization, create an organization with capable marketing personnel (i.e., individuals trained in fundamentals of a market system and the export/contracting process), and respond to an order from the U.S. for its products. This series of assistance spanned 11 months and at the time of the evaluation was in a fourth round of

marketing assistance. A similar repeat process with a series of interventions occurred several times in Poland with mixed results. The country director, however, has engaged cooperation assistance through the MBA Corps and the Peace Corps to provide several clients with longer term help. Nevertheless, one of Poland's successes was the preparation of an operations plan and manufacturing technology for a contractor which resulted in a prototype frame house of good quality and low price -- ideal for Poland, and a badly needed product to relieve a severe housing problem. Unfortunately, long term assistance is required to secure financing and to develop a market distribution system. The IESC feels somewhat frustrated by not being able to provide this follow-on sustainability. Bulgaria faces very similar situations with several clients.

Recommendations and Conclusion

The International Executive Service Corps has clearly been demand driven by client inquires, and the organization has provided a rapid response to high priority needs. The organization's strategy is based on sound business practices with well-articulated policies and a consistent, effective operational process. Its mandate for primarily short-term and near-term assistance constrains IESC services, yet it has been extremely effective in delivering cost-effective results with high-impact potential. Managers and staff are well trained, highly motivated, and very clear about wanting to support their countries' future in a free market world economy. Through the IESC and its volunteers, America and the ideology of market democracy is being instilled solidly in private companies, among new government ministers and staff, and with employees of clients who are direct beneficiaries of IESC assistance. Not one client, manager, or employee interviewed had anything but sincere praise and gratitude for IESC and the volunteer executives. Many lasting friendships have been created together with many commercial and business contacts in each of the countries visited.

There are ways to improve the effectiveness and impact of IESC assistance, and there are changes needed to further improve the delivery of services. As a conclusion to this combined section of the report, these recommendations follow:

1. ***Sustainable Impact.*** IESC must continue to work within its mandate and scope of activities which are primarily short and near term, but either through the U.S.A.I.D. project office or at the program level in Washington, better coordination of all in-country assistance means is essential to build on one another's strengths, reinforcing activities from inception to long term implementation. The greatest impact will occur only after enterprises are "turned around," and much of IESC efforts are directed to the initial turnaround process. Consequently, an initial intervention may result in immediate downsizing of a firm, reduction of assets, sales, products, services, or employees, and rationalization of its capital base. On paper, these results may seem counterproductive (i.e., a massive decline in employment is not prima facia desirable, yet it may be essential as a first step in saving a company). It is the second, third, or fourth year results that are crucial, and these can only be achieved through a systematic change and revitalization process.

2. ***Coordination and Synergy.*** There are several "rough spots" in coordination between assistance groups within each country and between PVOs and the A.I.D. offices. Rather than merely expecting each A.I.D. officer to be creative in developing a system of communication meetings, Washington may consider methods that could be consistently used as coordinating tools at the field level. The successful model of monthly meetings coupled with sector-specific interest groups and inter-group networking found in Bulgaria may be a useful starting point. Coordination, however, should not be implied as "micro-managing" or become a reporting relationship to the extent that A.I.D. generates interference. Communication mechanisms should also be employed and funded to include assistance newsletters, information copies that summarize activities or client inquires, and data based files to trace performance indicators, successes, and failures. It would also be beneficial if assistance groups who need to share information (possibly all of them) could access similar software and common data based information. This implies a systems approach to information processing, and it is simply good management to investigate how such an approach would benefit A.I.D. and the field assistance offices.

3. ***Performance Indicators.*** IESC has an excellent grasp on relevant performance indicators, and the procedure of follow-up is sound. Although the history of completed activities in Latvia and Bulgaria is too brief to have a selection of follow-up reports at this time, the results documented for Poland fully support such an approach. More criteria used could be adapted to other assistance efforts, allowing for obvious differences. IESC could also improve its list of indicators by focusing on critical productivity measurements. Currently, productivity improvement is linked some form of labor utilization, and although it is important to assess labor's value such as "dollar value shipped per unit of labor," this is only the basic starting point. Several additional measures can be created based on assets, materials, quality, labor, and capital. Categories for consideration are:

- Material efficiency (capture waste, cost, scrap, and inventory)
- Machine efficiency (plant utilization, scheduling, maintenance)
- Service and warranty (customer satisfaction, returns, service cost)
- In-process quality (defects, efficiency of orders, rework, etc.)
- Client service (types and numbers served, range of services, etc.)
- Asset utilization (energy, facilities, transport, equipment, labor, materials, suppliers, equity, debt, and any other relevant asset)

4. ***Staff Training and Development.*** IESC staff are well trained initially, and there is a program for continuous information updating and support. The in-country staff,

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however, have limited experience with the vast range of products and services they are expected to address with volunteers. There is no obvious funding mechanism for systematic development of field staff, yet the use of volunteer executives (and IESC itself) could become the mechanism for training within the assistance programs. Several incidents during the evaluation prompted the concern for training. Clients and the IESC staff in both Latvia and Bulgaria had not heard of ISO9000 quality standards (Europe's major quality assurance certification thrust for import and export items). The ISO mandate is widely accepted and now an integral part of the American quality picture. Use of software and spreadsheet methods was brought up during evaluation visits, and staff were rather naive about how to use data bases, access trade reports, or make use of services such as those provided through our Commerce branches. Several types of financing alternatives were described during interviews, yet clients and staff seemed somewhat vague about anything other than joint stock companies or standard joint ventures. Commercial banking concepts, use of checking, financial leverage, debt, and other similar topics also seemed like vague concepts. Our conclusion was that a more determined way is needed to address a broad range of business topics for country staff and potential clients.

5. ***Volunteer Executive Productivity.*** IESC should consider developing a brief orientation process for each executive volunteer as they arrive in country. This should include the social and cultural aspects of being part of a new community, even if the period is brief. Perhaps a hosted orientation at the central office is essential; further orientation for field work may also be useful to include appropriate language usage and behavioral norms.

IESC-POLAND EVALUATION

The evaluation team visited on-site or with nine IESC clients at the enterprise level in private business, government, and the defense industry. Five in-country volunteer executives were interviewed independently of IESC staff. In addition, the team reviewed 22 activity files in detail and verified summary reports provided by IESC. Results of site visits and client/VE interviews are reported in accord with the scope of work, and a description of the in-country evaluation follows.

Summary of Activities

IESC has completed 244 discrete project activities in Poland between August 1989 and January 1993. Currently, IESC is involved in five active assignments with volunteers in country, and there are 30 proposals for assistance under evaluation at evaluation at IESC Stamford. These have been accepted in Warsaw and forwarded with comments and recommendations for selection. In 1992, IESC Poland was engaged in 65 activities, and the country director anticipates 70 activities for calendar year 1993. The evaluation focused on 1992 activities in which IESC addressed client needs in ten categories under its three-pronged mandate of private business, public administration, and defense conversion assistance. Additional activities included miscellaneous services relating to tourism, trade, and sourcing. These are summarized

below:

Descriptive Category	# of Clients
Agriculture, Food Processing, or Packaging	8
Machinery, Metal, Electrical, or Transport Products	8
Construction, Development, or Building Materials	16
Textile and Apparel Manufacturing	2
Communication, Transport, or Utility Services	3
Wholesale or Retail Merchandising	7
Chemical or Petroleum Products Manufacture or Trade	4
Paper, Printing, or Publishing	1
Government, Economic Development, Regional Assistance	5
Defense Conversion of Integrated State Enterprises	4
Miscellaneous Services, Tourism, Trade, Sourcing	7

The smallest client organization was a personal service company started as a privately owned public relations and advertising agency. It consisted of five persons including the owner and employees. The largest client organization was the 30,000 employee KGHM Polska Miedz SA, Poland's largest enterprise which is engaged in copper extraction, metal fabrication, electronics, machinery, and subsidiary operations for transportation, utilities, and petrochemicals.

During 1992, seven clients had annual sales of less than US$50,000 and were either recent start-ups or family operated small businesses. An additional 11 small enterprises had sales up to $3 million, and all were privately owned. At the other extreme, three clients had sales in excess of $100 million, and two had sales over $30 million but less than $100 million. Four of the large enterprises were state owned and defense related; one was being privatized by restructuring as a stock company. Other income-producing companies (17) had sales ranging between $5 million and $30 million. Government ministries, bureaus, local or regional authorities, and associations comprise other assistance activities and are not classified by size or sales.

Nature of Assistance

IESC activities are diversified in Poland, but the nature of assistance reflects the focal strategy described in the overall IESC commentary: to improve private business systems, management, and productivity. Types of assistance also reflect the summary description of all IESC activities: restructuring plant and management systems, repositioning companies in new markets, redefining products or services, and instituting strategic planning systems. Ultimately activities are concentrated on building sustainable private enterprise systems.

In 1992, 32 of the 65 activities involved volunteer executives (VEs) who had achieved in their careers board-level or presidential positions in major corporations. In addition, 22 VEs had

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achieved senior executive positions. The remaining 11 VEs were selected for their expertise in areas such as production, information systems, finance, merchandising, accounting, or other specialization.

Consequently, IESC has assigned VEs to activities primarily concerned with light and medium manufacturing, entrepreneurial efforts, service companies with growth potential, and government or public efforts that are clearly complementary to IESC project mandates. Several coordinated activities have occurred through joint efforts of IESC with the Peace Corps and other U.S. volunteer assistance.

Source and Selection of Assistance Clients

Approximately 40 percent of all IESC client contacts or proposals found to have merit are referred to other U.S. volunteer agencies or advised of services that can be obtained through established organizations (e.g., a client asking for operational software was put in touch with a Polish computer systems consultant, and a client who asked for help locating risk equity investment was apprised of three Polish venture capital funds).

IESC is introduced to approximately a quarter of its clients through contacts with other U.S. project managers. Approximately a quarter are contacted through IESC presence in local and regional associations, seminars, and business meetings. Nearly half of all clients are referred by existing clients or directed to IESC by government ministries.

Selection criteria for accepting client proposals is not specific at the PVO level in Poland. There is a sense of priority selection from companies that fit into the primary categories of business noted earlier, and IESC seeks a fit between its client's needs and expertise of volunteer executives with attention to avoiding duplication of services offered through other U.S. volunteer sources. IESC has also adhered to preferences expressed by the Minister of Privatization (capitalization, not mass private enterprise development) and the Minister of Industry and Trade. A formal request issued by the Minister of Privatization in conjunction with the Ministry of Defense during 1991 identified five specific organizations (expanded later to 11) for defense conversion activities. The Minister of Industry and Trade noted priority sectors for business development, such as light and medium manufacturing in electronics and telecommunications, textiles, machinery and metals, construction and housing, agricultural food processing, and hotel, recreation and tourism. Consequently, IESC has tried to address these priorities.

Operational Results in Poland

IESC country project managers are required to follow a formal operational procedure that varies little from project to project. Consequently, operations in Poland are similar to those described for Latvia and Bulgaria, and this procedure was described in the overall IESC evaluation commentary.

In a review of 22 client files and nine interviews, all exit interviews and final evaluations included suggestions for helping the client organization. These were pursued in 30 of the 31 files/clients reviewed and constituted independent help or personal assistance by IESC staff or the volunteers. Clearly these activities have been beyond the scope of work prescribed, but they have usually been valuable benefits derived from the association between volunteers and their clients. For example, through the coordinated efforts of the Defense Conversion VE's and the TIS staff person in Stamford, two Polish companies are now in serious discussions with U.S. companies. The Polish company Warel is negotiating a co-marketing and assembly agreement with Harris Electronics for U.S.- designed mobile communications equipment to be built and sold in Poland. In addition, Zenith is negotiating with the Polish company UNIMOR for the manufacture of television sets and other consumer electronics to be sold in Poland and exported to Western Europe.

Few activities have discrete "closed end" assistance, and consequently, few work plans -- even though properly fulfilled -- constitute an end to IESC-client relationships. Apparently more than two-thirds of all clients request follow-on assistance. This does not, however, result in preferred consideration; a client's follow-on request must stand alone and be pre-qualified, selected, and approved as if it was an initial request for assistance. Four of the activities reviewed were assigned follow-on assistance in new work plans in 1992.

To clarify how this evolves, consider that in almost every instance, clients initially seek help with equity financing, loans, or joint ventures in addition to possible help with technical problems such as restructuring, sourcing supplies, or marketing. The approved work plan typically refocuses the client assistance on a scope of work manageable by IESC, such as creating a new business plan for a restructured product line or providing a merchandising plan. When the activity is completed, it is apparent that many other tasks may be necessary to successfully implement the plan, such as helping line up US markets or suppliers. If these tasks fall within the priority and scope of IESC, they may be considered for follow-on activities. If beyond the scope of IESC, the client may be linked with another agency or advised how to seek additional assistance. In every instance, the objective is to help improve the opportunities for success and to ensure long term sustainability for the client organization.

Impact Assessment in Poland

As described earlier, IESC measures "impact" on 20 specific criteria in addition to a general success rating derived from comparing the objectives of the work plan with its final evaluation. For 71 activities completed between February 1, 1992 and May 30, 1992, IESC was able to assess nine organizations on all 20 criteria and 57 organizations on at least several qualitative criteria. A summary of the criteria and the nine organizations verified through our evaluation visit are presented below.

CATEGORY OF IMPACT	NUMBER AND PERCENTAGE
Financial Impact	
Profits increased	7 (78%)
Sales increased	8 (89%)
Unit costs reduced	6 (67%)
Capital investment secured	5 (56%)
Human Impact	
Additional jobs created	2 (23%)
Employee skills improved	8 (89%)
Employee productivity increased	8 (89%)
Marketing/Operational Impact	
Plant operations improved	8 (89%)
Production increased	4 (45%)
Product quality improved	8 (89%)
New products introduced	3 (34%)
New marketing program developed	5 (56%)
Other Impacts	
Management system strengthened	7 (78%)
U.S. business ties created	7 (78%)
Local supply system improved	2 (23%)
Foreign exchange earnings improved	3 (34%)
Exports to U.S. increased	0 (0%)
Exports other than to U.S. increased	7 (78%)
Imports from U.S. increased	3 (34%)
Environmental Impact	
Significantly beneficial	0 (0%)
Beneficial progress	1 (12%)
No environmental benefit	2 (23%)
Not applicable to organization	6 (65%)
Overall Success Rating	
Outstanding	4 (45%)
Good	4 (45%)
Undefined	1 (10%)

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Recommendations Specific to IESC Poland

Although cost effectiveness was addressed in the general IESC commentary, it should be re-emphasized that the most costly activities were in Poland and among the largest companies. These state-owned (mainly defense plant) clients presented complications requiring longer VE involvement and more resources at the support level. Most important, the results and noticeable impact have been less apparent than for smaller firms and private enterprises with commercially viable products. Nevertheless, the long term potential impact on Poland's economy is probably going to be greatly affected by how efficiently the defense industry is restructured. The potential employment impact by itself is huge, whereas the implications for smaller enterprise development suggest incremental change. This leads to several recommendations.

1. IESC might reconsider its defense conversion mandate and whether program priorities are such to support continued investment in this sector.

2. IESC must consider the long term implications for successfully helping the larger companies which, if successful, can have a major effect on the country's economy, employment, and productivity. However, as noted in the overall commentary section, this requires efforts to create long term sustainability, and IESC is positioned for short-term involvement by temporarily placed volunteers. Some means of coordination with other assistance groups is essential, perhaps through a concerted effort by U.S.A.I.D. in Washington and Warsaw.

3. The performance indicators and follow-up procedure are very good, but Poland (as well as other offices) might consider more precise measures of productivity, put greater effort into a thorough periodic evaluation of activities, and suggest planning horizons for long term implementation and follow up. The six-month criteria, although important, will probably not capture the essence of change as many enterprises will take much longer to accomplish a turnaround or to implement recommendations by IESC.

4. Training of staff and orientation procedures for VEs (as outlined in the general recommendations for IESC) seem particularly important for the Polish experience.

IESC-LATVIA EVALUATION

The evaluation team visited on-site with six IESC clients and interviewed the three volunteer executives currently in country. Public sector clients included the Bank of Latvia and the Latvian Board of Tourism. In the private sector, companies included Grindex, large pharmaceutical company, Dailrade, a diversified manufacturer in wood, jewelry, textiles, and clothing, Spodriba, a company listed under "chemicals" but producing a variety of household soaps, glue, shampoos, and skin care products, and Sleinera Pansija, a small new venture formed by an entrepreneur to manufacture commercial products from Whey waste.

A total of 17 files were reviewed spanning a series of activities with Grindex, two light manufactures in glass and fibers located in remote towns of Latvia, the Welfare Ministry Agency which deals with pharmaceutical programs, and several candidate clients in which activities did not fully materialize. The team also interviewed "interested third parties" to several of these activities. These included a newly formed private organization called The Association of Commercial Bankers, an U.S. executive working through the U.S. Treasury with the Central Bank of Latvia, senior political officers of the Ministry of Economic Reform responsible for privatization, the Minister of Industry, the director of the Latvian Entrepreneurship and Management Academy, and the director of the Riga Stock Exchange. Several additional interviews and discussions were arranged with current candidate clients including the mayor of a northern port city, two entrepreneurs, one proposing a construction project based on repatriated land and one proposing a beef processing plant, a hotel investor, and two restaurant owners interested in privatization.

Summary of Activities

IESC Latvia has completed 21 discrete project activities since November 1991, not including two internal IESC projects. There were three additional activities in process at the time of the evaluation, and there apparently had been two or three active interventions prior to the office being established, but falling within the scope of work of IESC. The country director had put forward six proposals for consideration in early 1993 and was in the process of screening five additional client proposals.

Clients in Latvia are geographically dispersed. Four, including the public sector clients were in the capital city of Riga; two were from remote townships in the southwest; one was from an industrial complex in the north; three were from satellite industrial areas east of Riga; and one was a rural start-up enterprise from a western village. Follow-on activities with clients account for the remaining activities. The smallest was, of course, the one-person new venture created by an entrepreneur for Whey by-product production, and there is not yet a history of sales. The largest was the state-owned Grindex which had as many as 8,000 employees during the early 1980s, but under privatization and downsizing of production, currently employs about 1,800 persons. Grindex sales for 1992 were estimated at about US$6 million exclusive of inter-agency transfer adjustments made for government commitments to previously manufactured stock. The remaining three manufacturers had sales estimated for 1992 between $500,000 and $2 million, with between 150 and 400 employees. These data are vague because considerable changes occurred during the year to reduce employment, alter sales, and to convert accounting from Soviet rubles to Latvian rubles (called "Lats"). Clients can be categorized by the following sectors:

Descriptive Category	# of Clients
Agri-business Production	4
Pharmaceutical Manufacturing	5
Household Commodities, Soaps, Etc.	1
Banking and Finance	2
Public Administration/Ministries	3
Wholesale Trade (pharmaceutical related)	1
Paper products (light/medium manufacturing)	1
Fiber and Glass (light/medium manufacturing)	1
Wood, Metal, and Textiles (medium manufacturing)	2
Travel and Tourism	2
Retail Merchandising and Trade	1
Miscellaneous Services	1

Two of the companies were approved for privatization and had restructured their equity base through joint stock formulae in 1992, and as of February 1, 1993, were in position to offer common stock equity to foreign investors. A third company was privatized with a mandate to sell stock only to qualified employees and managers. This raised the issue of "red capitalism" in which prior state managers or officials who had access to money accrued under the old regime (legally or not) possibly buying back into privatized industry and regaining political and economic leverage. This line of questioning was pursued by the evaluation team specifically with all the privatized and candidate companies. There was no evidence of questionable investments at the time, and it appeared that regulations for qualifying employees (longevity with the company, and limits on shares of stock allowed) would preclude sizeable outside investments that could not be traced.

Nature of Assistance

IESC was directly involved with privatization proposals for three state-owned companies listed. In addition, work plans focused on complete business and operational plans required before privatization could be pursued. Specifically, the pharmaceutical and two of the light/medium manufacturers required significant rationalization of production facilities, downsizing, and market plans. Several of these work plans are currently on-going, and ABLE studies have been completed to enhance U.S. follow-up assistance. In the case of Grindex, a U.S. chemical and pharmaceutical distributor, Copley Inc., has expressed interest as a potential investor. The company has completed an initial order of materials from Grindex as a step in solidifying distribution procedures.

Most assistance has been for specific "technical and managerial" work plans to resolve specific problems. These include the development of business and marketing plans, to reposition production systems, introduce information systems, or establish and train personnel required

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in a market-driven company. As an adjunct activity, 12 of the 17 VEs who worked in Latvia in 1992 provided brief seminars on special topics such as MIS, bank transactions, accounting procedures, quality control, and merchandising. Most of these seminars were attended by employees and managers of client organizations, but in several instances, participation was opened to appropriate outsiders. Six clients have been provided follow-up services by IESC in the U.S., such as providing the client with data base access to potential U.S. equipment suppliers, arranging open bids on new materials and equipment, and accessing marketing and distribution channels. Four clients have benefitted from VE follow-up to introduce potential investors and companies to Latvian clients.

An interesting aspect of the Latvian IESC effort is to establish a business network system, and the country director has worked with private-sector leaders to help create the Director's Club. This is similar to many U.S. business groups that meets weekly, addresses business and public issues, and is becoming a major voice in reform legislation through public media, proposals to government, and watch-dog activities on behavior of both public officials and private owners. In addition, IESC has been instrumental in supporting "off-budget" the development of private business education through the Latvian Entrepreneurship and Management Academy, a privately held new venture, and the Riga Commerce School, a state supported high school with an experimental business curriculum.

The Latvian IESC office is not involved in defense conversion efforts, major manufacturing activities, or substantial public administration programs other than the initial work provided to the Bank of Latvia. Assistance to the bank was primarily technical, focusing on information systems, transactions procedures, accounting systems, and reorganization of management functions.

Source and Selection of Assistance Clients

The Latvian office has tried to coordinate activities to conform to a priority list established by the government ministries in industry and economic reform. This list was developed by identifying economic sectors most in need of assistance. The highest priority sectors of agriculture, energy production, transport and communications, and privatization of heavy industry are not being addressed by IESC as beyond the scope of work that currently focuses on short term technical and managerial assistance. The average length of assignment for VEs in Latvia has been 29 days, reflecting a "normal" 30-day assignment with several two-week activities and only two clients requiring longer interventions.

Initially, clients seemed to be selected as a matter of convenience. The Bank of Latvia had a previous assistance activity contracted through IESC by the president on his inaugural visit to Latvia. Records of this are vague and preceded the establishment of the current office and country director. Referrals for three rural clients occurred through Peace Corps and VOCA contacts. Since April 1992, the light and medium manufacturing clients were selected purposely as an effort to focus on smaller enterprises with existing product lines capable of being commercialized. Privatization efforts resulted from inquiries through the Ministry of Economic

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Reform and IESC's strategy to consider sector-specific organizations not being adequately addressed by other forms of assistance. The pharmaceutical industry is significant in Latvia and not addressed elsewhere. The selection of travel and tourism clients has also been part of IESC strategy as a sector not addressed elsewhere yet on the top-ten list of priorities for intervention and development.

IESC seems to be clear about the need to communicate with U.S.A.I.D. and other assistance groups. There has been no formal cooperative assistance efforts to date, but country directors and staff regularly meet informally to discuss their activities. The evaluation team got the impression from conversations (no documentation exists) that these informal meetings occur between two or three staff at least every two or three weeks. There is an official position by U.S.A.I.D. to hold monthly coordination meetings, but only one meeting can be verified, and there is a sense that better coordination is required to avoid potential duplication of assistance efforts while opening communication networks among all assistance interests.

Operational Results in Latvia

As described earlier for Poland and in the Central and Eastern Europe evaluation review, all IESC offices follow a pattern for operations and field activities. Latvia's operational results, therefore, refer to the comments from exit interviews and regular reports by VEs during their assignments. The 14 activities completed since the country director and office became operational in April 1992 have been rated "highly successful" or "excellent" by every client, and 12 were rated the same by the country director. Two were rated "good," with the implication that the work plan was completed as expected with satisfactory results. The volunteer executives were slightly more skeptical rating seven as highly successful or excellent and seven as good or satisfactory. By reviewing their file comments and recommendations, it would appear that the VEs were systematically concerned about sustainable performance and appropriate follow-up support. Eleven of the 12 file recommendations included suggestions for some advanced assistance, including ABLE intervention which was pursued.

In the evaluation commentary that drew attention to field problems, we noted that Latvia had a "successfully completed" work plan intervention for the Whey by-product manufacturer, but in reality, the project is probably not going to succeed unless further assistance is forthcoming. This was an instance where the VE performed extremely well in his task to develop a comprehensive production plan and factory layout. On his return to the U.S., he went beyond expectations to research equipment suppliers and to provide the Latvian firm with written bids for equipment and supplies, and the VE wrote on his own accord an operations manual. Nevertheless, the company has neither money nor marketing expertise for implementation. Consequently, the results are unsatisfactory for what U.S. assistance in Latvia is trying to accomplish.

In another instance, the company management has not attempted to implement a marketing and restructuring plan beyond what was necessary to secure the rights to privatize. The company, Dailrade, continues to produce a very wide range of consumer products in wood, metals,

jewelry, textiles, clothing, pottery, and several other categories. IESC recommendations were probably appropriate, and they included rationalizing production, focusing product lines, and the creation of niche markets for selected goods. The evaluation team interviewed all senior managers, several employees, and toured the company, and our conclusion was that behavior had not (and may not) change, but rather the old state-owned mentality prevailed to maintain jobs, even when employees were redundant or unproductive. They also continued to produce to stock regardless of orders, and as a result, the company's debt profile continues to climb rapidly.

These instances should not detract from the success profile of IESC as measured by their stated purposes and methods of assistance. The problem rests with a strategic approach to sustainable assistance which must be coordinated with other programs and better defined by U.S.A.I.D. and program/contract officers for the country as a whole. The evaluation team is in consensus that almost all activities require a long term commitment, and that meaningful results are unlikely to emerge for more than a few client organizations in the first few months or, perhaps, the first year.

Impact Assessment in Latvia

Given the nature of short-term technical and managerial assistance by IESC Latvia, every assistance activity has met its objectives fully. Unlike Poland, Latvia has not yet completed a follow-up evaluation using the 20 performance criteria, so we can only judge success and impact on the strength of interviews observations, and the exit evaluations.

The Grindex case supports a conclusion of significant impact. It is fully prepared for private stock ownership and is actively negotiating with potential investors for major joint ventures or equity interests. Several orders have been placed with foreign companies for Grindex products, including a significant order from Copley Pharmaceutical Inc., one of the U.S. companies that has shown interest as a potential investor. The results have been maintenance of the company's employment level with a slight increase in higher skilled personnel for marketing, export trade, and information systems. With follow-on training and assistance, more than 200 persons have been trained in house for operational skills, and the company was restructured in accordance with IESC recommendations. The company managing director is a founding member of the Director's Club, and he is a front-page voice for democratic reform in Latvia. In addition, the company has generated sufficient cash flow to invest in a commercial bank thereby helping to back a new enterprise in a sector striving for capital. In 1993, the company should become profitable, be an excellent example of private enterprise, and play a leadership role in the country's pharmaceutical industry.

The Bank of Latvia has fully implemented its MIS and transactions system introduced by the IESC, and this has become the model for assisting other banks to create a workable monetary system in Latvia. By training resource personnel at the bank, the IESC also created a process for extending information about banking methods through the central bank system. The reorganization plan for staff and management was also implemented in a follow-up intervention

and with the help of other assistance from the U.S. Treasury. Consequently, there has been noticeable leveraging of assistance as "systems" were created that are required for the fundamental operation of a central bank.

The Board of Tourism has begun to act on IESC recommendations, and IESC itself has gone beyond its mandate to assist in lining up a tour of foreign journalists and travel writers for a Latvian convention and hosted tour during spring 1993. New literature, flyers, advertising materials, and other various marketing materials were prepared during the assistance and subsequently through help by the VE and his colleagues in the United States. A continued "off-budget" relationship exists with the Latvian Board of Tourism and the VE for promotion of Latvia in the U.S. and Canada, including access to mailing lists and data bases for travel associations, pricing information, reservations systems, and tour groups. A leverage effort was also noted here as the Board of Tourism is in a position to help many potential entrepreneurs enter the travel and tourism business, and several initiatives have already been initiated with northern coastal towns and a historic site where a castle town and gardens are located.

Impact should also be recognized in descriptive terms by the combined actions of IESC clients who were partially networked through VE intervention and through the IESC director's efforts. This networking, as noted earlier, has substantially influenced the creation of the Director's Club, the Riga Commerce School, the Entrepreneurship and Management Academy, and extended membership in civic organizations such as the Riga Chamber of Commerce, the Association of Tourism, and two cultural and arts societies.

Recommendations Specific to Latvia

The Latvian office is barely out of its infant stage. The physical office is about 80 percent completed, starting from absolutely gutted quarters in an abandoned building now being completely refurbished by private clients. Staff have done much of the work, and they have set up the minimum requirements only for office filing, MIS, and communications, yet progress is impressive. They seem to have gone far beyond expectations and are in a good position for growth. The office, however, could benefit from at least one additional staff capable of field intervention work, and the office could expand its capabilities easily with very little additional funding.

The country director apparently works seven days a week and very long hours, and he travels extensively within the country to work with clients. The problem of coordination with other assistance groups and with A.I.D. staff is further complicated by this heavy schedule. Implementation and follow-up remain crucial issues and are time-pressing considerations. And like the problems noted for Poland, Latvia does not provide a systematic orientation program for its VEs who arrive in company and are rapidly assigned to activities. Consequently, there are several recommendations to consider for IESC and A.I.D. which follow:

1. Reinforce, or create, the necessary coordination program for A.I.D. and assistance groups at the program level, and ensure an appropriate level of involvement through

meetings and networking. This should be accomplished without "micro-managing" by A.I.D. staff, yet be sufficient to solidify a country strategy for all assistance while preserving a cost-effective method of intervention services without duplication or waste.

2. Consider expansion of the IESC office and staff with a level of support necessary to allow adequate workloads, effective client follow-up, and in-country orientation programs for VEs.

3. Institute a training program for VEs to include initial language skills, cultural and social orientation, and work plan development on arrival.

4. Consider a continuation training program for IESC staff to update their skills on important topics such as quality management, marketing, U.S. and European economic trends, and the fundamentals of a market-driven system of government. The latter would include crucial training in banking, loan processing, transactions, stock and financial instruments, commodity trading, infrastructure of economic systems, and the social aspects of a free market environment.

5. Determine at program level in Washington how to establish a long term assistance methodology that utilizes the advantages of IESC short term technical intervention and either redefine the IESC mandate to provide a means of long-term instructional support or generate the means of long term assistance. The objective is to create a pattern of assistance that can ensure a high degree of sustainable impact well after the initial thrust or intervention or the initial turnaround period.

6. Consider formal funding for institutional support and network linkage, such as efforts to establish the Director's Club or various civic organizations. This could take the form of a funded contract through A.I.D. or actual IESC volunteer assistance and training. Consider also the spread effect and tremendous leverage created through these efforts and parallel programs in private sector education, such as the Riga Commerce School.

7. IESC has apparently sharpened its focus on more select sectors such as tourism and pharmaceuticals rather than clients of opportunity, but there are several sectors that may not be well addressed by any assistance, and both the IESC and U.S.A.I.D. should be involved in a meaningful strategic plan of assistance to ensure program level assistance. Specifically, the commercial banking sector seems adrift with more than 50 new banks being launched in the last half of 1992 (72% of all commercial banks in Latvia), and none with transactions capabilities (i.e., no checking, funds transfer, savings, bonds, or investment programs, and few with the ability to deal in ForEx or trade paper). Building and construction is also adrift, and agri-business food processing such as beef processing, grain distribution, commercial bakeries, fruit processing, and vegetable packing are generally ignored by U.S. assistance programs.

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8. IESC can also play a crucial role in public administration if funding and personnel allocations permit. Specifically, the various ministries are trying to reorganize their functional responsibilities and management systems with a somewhat hodge podge array of advisors and aide. There is consideration concern, shared by the evaluation team, that public officials from the old regime can find easy ways to filter into municipal and state agencies, or to set up private associations, to the detriment of any democratic government. We believe that one such organization exists and is rapidly positioning itself to influence banking legislation and control of transactions. This is the Association of Commercial Bankers which is headed by an individual who was a deputy minister in the previous regional government under the old Soviet Union. His assistant was a principal Riga City government cadre officer; both were active members of the Communist Party. Today, they claim to be have the watchdog organization and the mandate from commercial bankers to drive legislation. They are in direct and outspoken opposition to the current central bank policy and management. Consequently, direct U.S. assistance and intervention in the commercial bank system, stock market, and commodities system may be vitally important to the democratic future of Latvia.

IESC-BULGARIA EVALUATION

The evaluation team visited nine client organizations and interviewed four government officials representing the Ministry of Privatization, the Foundation for Justice, Defense, and Committee for Protection of Competition. The client organizations were selected to include IESC activities in tourism, defense conversion, public administration, small business entrepreneurial initiatives, financial stock and commodities markets, manufacturing, and privatization of state-owned durable manufacturing. Within the IESC scope of work, the sample therefore included activities for technical and managerial assistance, public administration, training and education, trade and investment services, and follow-on ABLE support.

Bulgaria has had a diversified clientele that began with its first effort in July 1991 to help privatize a small chain of gas stations called Firma Petrol of Sofia. This was a very successful short-term intervention covering 21 days, followed rapidly by a much more involved long term activity of 90 days with the Committee of Tourism, completed in November 1991. The tourism assignment concerned setting up a system for privatizing travel, hotel, resort, and services on a nationwide basis. The initial reorganization and plan for privatization led to a second assistance spanning 60 days to create a comprehensive market plan and presentation for the Deputy Prime Minister in early 1992. Subsequently, ABLE reports have been initiated and the VE has continued to provide assistance from the U.S. "off budget" with public relations, contacts in travel, association formats, and a wide assortment of trade and tourism information from the United States, Europe, and Canada.

During 1991, another initial activity has developed into a long term relationship with the Center for the Study of Democracy. The first assistance was directed at setting up an independent news and public policy agency to foster democracy and free enterprise in Bulgaria. This drew much attention to the IESC mission and emphasized the U.S. involvement in

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supported reform efforts in the Baltic states as IESC and the "center" created a format with four languages and a broadcasting format to reach Yugoslavia, Romania, Albania, and cover Bulgaria. The initial effort of 25 days created the policy and organizational structure. A second activity in 1991 of 45 days provided intense broadcast training and technical assistance for an information agency. Subsequently, two more activities were completed in 1992 for multi-media technical production training, and the creation of a multi-media center with hard copy and telecommunication services. IESC in Bulgaria, the U.S., and several VEs continue to provide information and services off budget, and the new "center" has established linkages through IESC with more than 30 information and policy groups in the United States.

It is against this background of activity beginning in 1991 that the IESC evaluation was conducted. The country director established the current office early in 1992, and the one clerical staff was hired. By spring, two assistants were selected and trained in the U.S. specifically to concentrate of technical and managerial assistance and on trade and investment services respectively. The U.S. A.I.D. project officers also began at this time to systematically organize coordination meetings for all assistance groups and helped each to formalize their strategies and project expectations.

Summary of Activities

After a successful but limited beginning in 1991 with only five activities and three different clients, IESC made major strides to solidify activities through systematic screening and a strategy of targeting high-impact clientele coordinated with the A.I.D. project officer. During 1992, 48 activities were successfully completed, and three started that were completed in 1993. Three objectives are fundamental to the selection strategy. First, that geographic diversity be assured so that IESC reaches rural areas with assistance just as it accepts appropriate urban proposals. Second, that diversity of size of clients be maintained so that equal emphasis is given small entrepreneurial enterprises and larger organizations. Third, that balance is maintained so that clients represent the IESC scope of work in public administration, private enterprise, and institutional development.

Bulgaria does not subscribe to a sector-specific strategy, but clearly the coordination process exempts activities that risk duplication in agriculture, transportation, energy infrastructure, central banking and foreign exchange, public education, health and welfare, and heavy industry where other forms of assistance are available. Consequently, IESC has focused on light and medium manufacturing, private sector financial stock and commodity institutions, resort and tourism development, rural private enterprise development, and various government policy or quasi-governmental policy agencies. In addition, IESC has several interesting "clients of opportunity," such as The Center for the Study of Democracy described earlier, and six minority-owned enterprises (i.e., women owned private companies and one enterprise that is approved for privatization and employs only disabled persons for light durable production of consumer goods. A general categorization of different clients follows (some clients had multiple or follow-on assignments):

Descriptive Category	# of Clients
Public Administration (ministries or gov. agencies)	5
Private Education (American U., business ed, training)	3
Private Information, Newspaper, or Policy Institutes	4
Postal and Telecommunications	1
Travel, Hotel, Resort, and Tourism	5
Stock, Commodities Exchanges, and Investment Orgs.	4
Electronic, IS System Manufacturing (light/medium)	6
Medical and Pharmaceutical Equipment Manufacturing	2
Rural and Small Municipal Economic Development	3
Private Small Business development (retail/wholesale)	3
Agri-business and Food Processing	2
Integrated Defense Industry Conversion	1
National Industrial Surveys Through TIS/ABLE	2

Nature of Assistance

A sample of the more interesting work plans where activities differed in Bulgaria from Latvia and Poland are worth summarizing. IESC helped create anti-trust legislation and procedures for the judiciary system for the Foundation for Justice, helped initiate a newspaper with a strong commitment to free press for Independent Newspaper, assisted In developing a trade association in building and construction materials for the Bulgarian Building and Construction Chamber, drafted the successful plan for the first company to be privatized in Bulgaria, the Grand Hotel of Varna, created the business plan and operating procedure for a private stock exchange in Bulgaria, called the First Bulgarian Stock Exchange, helped establish the privately held Sofia Commodities Exchange, established business and marketing plans and provided new venture management training to women-owned businesses under three activities for Pamparova Ltd., restructured product lines and organization for exportable products in a factory for disabled workers called Denitsa Producer's Coop for Disabled, and through multiple activities, planned, provided policy guidelines, introduced small business financial planning methods, and formed privatization guidelines for regional municipalities of Mihailovgrad, Velingrad, and Pazardjik.

Activities also included marketing and sales plans for the manufacturers, new resort and hotel security systems, establishment of new ventures for ski resort hotels, guest houses, and seaside travel centers, and assistance with located investors, equipment, and markets for several durable goods producers, an agriculture wholesaler, and a fruit and vegetable distributor. In addition, IESC used the "piggyback" method of using in-country VEs to extend their trips or to schedule brief (one-day to 14-day) seminars, workshops, or educational courses. By piggybacking VEs, nine educational or training activities were completed for six organizations or associations serving approximately 800 participants. Subjects included fundamentals of free market

economics, accounting procedures, MIS systems, trade and investment procedures, privatization, regional economic development, small business management, and entrepreneurship. The piggyback assignment is highly cost effective because it avoids all intercontinental travel, lodging, transit, recruiting, and headquarter support costs.

The "nature" of assistance in Bulgaria clearly is diversified and covers the full range of IESC mandated activities. There has been one effort at defense conversion that IESC lists as successful, yet prefers not to repeat because the company cannot implement a privatization or marketing plan. A highly successful venture was to help the Postal and Telecommunications Agency to establish a mail security system which is vital to Bulgaria where cash payments are regularly sent to individuals, including government payments, retirement funds, and private account payments. IESC also helped privatize and then access candidate investors from the U.S. for a state-owned electronics manufacturer. The company, Magnetic Heads Company, Ltd. was approved February 15, 1993 as the fifth enterprise in Bulgaria to be formed as a private joint stock company, and a U.S. company from Silicon Valley has initiated a Letter of investment to become a majority stock owner together with initial orders of $3.3 million for computer diskette and hard disk cable and head assemblies.

Source and Selection of Assistance Clients

The IESC Bulgarian office staff actively seek out clients by travelling to rural areas weekly, meeting with government ministers, municipal deputies in charge of economic development, holding short seminars in urban and regional areas, and networking through the A.I.D. office with other assistance groups. About half of all activities have been referred by existing clients, and several activities have been initiated by IESC, such as a nationwide survey of wine producers for trade and export, and a similar survey of food processing plants.

Operational Results in Bulgaria

A review of comments on clientele and types of assistance activities will reveal many of the results. A stock exchange was established, a commodities exchange was launched, the Center for the Study of Democracy was started and has successfully expanded, a disabled factory was revived with a viable product line, three women-owned businesses were created, several hotels were reorganized and repositioned for tourism, a model was developed for travel and tourism, several policy initiatives were written and introduced through ministries, three municipalities benefitted from economic development plans and small business development initiatives, and several private sector business organizations or policy associations were formed.

IESC has created unusual leverage with the piggyback method of employing volunteers for adjunct training and seminar work that has reached five rural areas plus Sofia through private training institutes and the American University in Bulgaria. A distinct result has been to not only create a commodities trading system and free market exchange, but to establish a training program in market economics and commodity trading now offered regularly by the Commodities Exchange Director and staff. This four-day module runs every week from Friday

through Monday and since its inception has had 1,340 participants from among business leaders, candidate brokers, entrepreneurs, and vendors in agribusiness. The exchange has also modelled four regional exchange centers and delivery offices fully serving Bulgaria, and trading has begun in the regions.

The First Bulgarian Stock Exchange is entirely privately held as a new venture with start-up equity, active trading of several bank stocks and money exchange, and a training and licensing system for brokers established by the IESC volunteer assistance and follow-up help from the U.S. Securities and Exchange Commission. The exchange is now positioned to handle private offerings and new public offerings (IPOs) generated through private enterprise.

Two private newspapers are publishing regular weekly editions of general news. Both are reform publications that back private sector organizations such as the International Institute for Suburban and Regional Studies, the Center for the Study of Democracy, the Foundation for Justice, and the Committee for protection of Competition. Each of these organizations were also clients of IESC for policy advice, organizational structuring, technical assistance, or management and marketing help.

Current activities not yet evaluated but completed within the week of the evaluation team's visit were a trade and investment marketing survey of wineries and the introduction of fast food business systems using a VE armed with the Kentucky Fried Chicken franchise business plan and operating methodology. Both activities are aimed at attracting U.S. investors, equipment imports, and businesses for foreign exchange.

Impact Assessment of Bulgaria

Tremendous leverage has been created through training seminars and models created by volunteer executives so that domestic managers can replicate the training formats and information. The commodities training efforts and various courses provided through the American University and the stock exchange are examples. In addition, IESC has provided seminar and workshop curriculum with a continued support supply of U.S. training and educational materials to the Bulgarian Business Center (a private training organization), the policy centers noted above, and associations, such as the Bulgarian Industrial Association.

If assistance was measured by cost-per-participant in training programs, the 2,300 individuals who officially attended various events and approximately 800 persons trained directly in organizations were served at an individual cost of about $36 of IESC allocated funds. Six of the manufacturing organizations addressed by IESC in 1992 were at zero sales (no orders and producing only to stock to maintain employees) prior to intervention. If impact is measured by operational success, five of these six companies had sales by January 1993 sufficient to retain and pay current employees. Only one, however, could say that orders "might be sufficient" to cover all costs; profitability has yet to be verified for any industrial client.

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Implementation is taking place for smaller enterprises where IESC helped establish business plans, and the team visited two restaurants, three small hotels or lodgings, and the Magnetic Head Company where operations are taking place and people are gainfully employed. The stock and commodities exchanges have begun to turn operating profits on operations although all income is being reinvested in planned expansion. The commodities markets will stand firm and grow without further assistance through the essential (and market) characteristics of the nation's agricultural sector. The stock exchange can only survive and grow if privatization improves to establish listable public stock companies, or if new IPOs begin to appear through greater entrepreneurial activity. Without a core of stock companies, there is no need for brokerage houses or financial underwriters, and consequently, trading will not be active until a market system evolves.

Leverage for public news and knowledge of democratic ideals, organizations, and economics is tremendous with the various policy groups and information agencies assisted by IESC. Although there is no direct way to measure the impact of assistance such as that given to the Center for the Study of Democracy, clearly the functioning of a 24-hour radio broadcasting system in four regional languages, and the support of a multi-media center providing materials, books, newsletters, and educational supplies to a broad constituency is a valuable dimension of the total U.S. assistance effort.

Bulgaria has not yet completed its first follow-up evaluation of client enterprises utilizing the 20-criteria model required by IESC. Less than half of the client assistance activities have been completed during the past six months, and most are at the incubation stage of trying to implement IESC recommendations or assistance. Consequently, the first evaluation, which is now in progress, will examine client organizations with a nine-month post-activity history, and later in 1993, a fully articulated evaluation will be scheduled. Therefore, we have no verifiable data on changes in sales, profits, employment, markets, products, services, or productivity. Nevertheless, of the nine clients visited and an additional 18 files reviewed, all work plans were completed as contracted, and with few exceptions, they were completed slightly under budget in slightly fewer days than scheduled. Eight of the clients had begun implementation of the IESC recommendations and reported favorably that IESC had done an excellent job in every instance. In fact, the eight clients felt IESC staff, VEs, and U.S. support groups had gone far beyond the work plan and expectations.

The one exception was a defense conversion client, a state-owned company called Samel-90 Ltd. This is an integrated manufacturer of electronic devices, radar jamming instruments, radios, transmitters, control panels, military field equipment, and all the tools, machinery, metals, plastic forming processes, and delivery systems necessary for a "closed" system supplying the previous Soviet military market. The current managing director could not guess how many people had been employed in the company's system, but at his main electronics center, employment was around 2,500 factory workers in 1987 and was now at slightly less than 600 with most working at about 40% capacity. Through IESC assistance and the firm's own initiatives to move toward privatization, the company is capable of producing commercial radios, sensors, security alarms, lights and lanterns, mobile receivers, and parts for various

electronic appliances. It sells about 20 percent of its current total product line to private wholesalers in Hong Kong, but 80 percent of sales are still in military or police and security markets of Eastern and Central Europe. IESC helped realign production, develop a glossy product catalog, and a marketing program. IESC also established a marketing department and training four resource personnel in sales, advertising, trade contracts, and pricing. The managing director said he was extremely pleased with IESC work, but he would not be able to implement much because the company will not be privatized. Under a government five-year freeze, this and similar defense related plants will be barred from privatization or restructuring.

Recommendations Specific to Bulgaria

The Bulgarian office staff has barely one year of field experience, and a majority of activities have been pursued over the past six months. In addition, there have been four "governments" in three years in Bulgaria and two entirely different groups to work with in the past year. Policies are generally "on hold" in the areas of privatization, land restitution, taxation, and monetary efforts. A commercial banking sector has not been adequately developed, and transactions are cash based without clearinghouse mechanisms or reliable foreign exchange mandates. Consequently, IESC is in a difficult position to help companies that face uncertainties arising from these constraints. Yet IESC has been extremely active and successful in private sector initiatives, small business, rural and regional development, and certain sectors.

U.S.A.I.D. has been consistently supportive and has provided coordination and assistance communication systems that seem to work extremely well. This will benefit IESC and other groups with activity selection, project management, and cooperative joint assistance. IESC remains a short and near term provider of technical, managerial, and trade and investment assistance. Consequently, there remains a pressing need for continuation of assistance for most clients to ensure implementation and sustainability. With these points in mind, the evaluation team has several recommendations.

1. U.S.A.I.D. in conjunction with assistance program officers devise a method of sustainable long-term support for viable candidate organizations. This should be structured with a strategic objective spanning several years and include the incremental needs of a well-planned business enterprise.

2. More work is essential from a U.S. assistance standpoint in the public policy area in Bulgaria, but the fragile political environment may not be conducive for organizations such as IESC to become involved. IESC may be better advised to reduce its exposure to policy initiatives while maintaining appropriate support for private enterprise initiatives that reflect the objectives of U.S. assistance in Bulgaria.

3. The current constraint on defense conversion and on restructuring implies high risk to activities associated with integrated state-owned enterprises affected by legislation. It may be best to completely avoid defense-related initiatives and any large manufacturer with a predominance of products or technology tied to defense.

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4. Responses by almost everyone the evaluation team approached, and the teams own experience, suggests that the two most pressing problems of private enterprise development are currently an archaic telecommunications and postal system, and a defunct commercial banking system. Yet little direct assistance is being allocated to either problem area. IESC has helped with security problems and organization in the postal and telecommunications agency, but far more effort is required to generate an internationally connected system. A determined effort is necessary to support the major infrastructure needed by business and industry. A similar effort is required in banking to facilitate foreign exchange and transactions.

5. Travel, recreation, and tourism are areas that could be rapidly developed across the entire nation with every size of business enterprise. To do so, a major government allocation (Bulgarian) is needed, and then a great deal of specific assistance will be needed. If this occurs, there will be major spread effects through tremendous leverage of assistance efforts. IESC is addressing this now, but much more is needed, and again, a sustainable effort is required.

6. Perhaps a mundane issue, yet one that is affecting IESC efficiency at this time is restricted allocations for office support and transportation. The IESC automobile (a US make) was in need of repair while the team visited, and it had been inoperable for some time. Repair parts and services for U.S. cars is a serious problem in Bulgaria, and the cost of renting or operating a domestic car is nearly double the existing budget. With the geographic diversity of clients and the need for staff to be in the field most of the time, one car with the current level of funding is far from adequate. Second, office space, equipment, and utilities are at a premium in Sofia. The IESC office is parsimonious but adequate. It is very presentable and decently furnished largely through individual efforts of staff. It is also one of many targets of burglars and has been broken into several times. Perhaps a re-evaluation of location, equipment, and space allocation is in order.

7. As in recommendations for the other countries, it seems important to institute an orientation and training system for volunteers coming into Bulgaria. Several terminated projects may have ended due to VE problems in the field, and there was at least one strong formal appeal by a VE to the A.I.D. project officer about conditions of work and living.

Appendix C

VOLUNTARY AGENCY PROFILES

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Agricultural Cooperative Development International (ACDI)

Agricultural Cooperative Development International (ACDI), a non-profit training, technical and management assistance organization headquartered in Washington, DC, indicates it was created in 1963 by leading U.S. agricultural cooperatives and other farmer organizations in response to Congressional mandates in the Foreign Assistance Act. ACDI states that its overseas mission is "..to improve the economic well-being of farmers worldwide by assisting agricultural and member-owned organizations to increase trade and achieve sustainable economic development."

The purpose of ACDI's AID grant-funded, Eastern Europe, Agribusiness Exchange Program (ABE) is "...to increase the efficiency and effectiveness of the production and business sectors of the agricultural economies of East European countries." The program addresses two basic objectives: provision of training to agriculturalists and staff of rural credit organizations in management, financial and technical skills appropriate to a market economy and to other agricultural sector individuals in specific management and technical areas needed to increase productivity and efficiency.

The ABE program is implemented through customized, in-country training as well as US observation/training activities for selected participants from/in Eastern Europe. ACDI maintains a core staff in Washington to plan, coordinate, and backstop its training programs. While ACDI relies on networking with other training and technical assistance providers (such as VOCA, USDA, Peace Corps, Cochran Program representatives, EC technical staff) to identify potential training participants and training topics, it began fielding ACDI personnel in 1992 (Poland and Bulgaria) to more effectively provide preliminary assessment of training needs and topics and perform in-country follow-up and evaluation.

Since ACDI, like other voluntary agencies, had only a minimal understanding of the nature and dimensions of the socioeconomic problems of East Europe when it initiated program activities in the countries in the region, it had to perform country-by-country analyses while simultaneously implementing its programs. ACDI believes that in countries whose economies have been devastated by central planning, particularly the agricultural sector which is the focus of ACDI programs, it is essential to work with and strengthen grassroots organizations and institutions and/or those national-level and regional institutions which provide assistance to and foster the development of these grassroots entities.

ACDI Activities in Latvia

ACDI does not maintain a presence in Latvia. In fact, it has only conducted one observation/training program -- June 26-July 25, 1992 -- for eight participants (four of whom were interviewed during this evaluation). These were selected with the help of other technical assistance delivery agencies and key government officials. Contacts were made during an ACDI preliminary Baltic countries needs assessment.

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Given priorities and program concentration in other Eastern European countries, ACDI does not plan any additional training activities for Latvia. In fact, after conducting two follow-up workshops in Estonia in July, 1993, ACDI plans no additional training activities in the Baltic countries.

The four training participants interviewed in Latvia represent a rather disperse spectrum of agricultural interests and activities. One is a private farmer, member of a dairy cooperative. Another is a private entrepreneur, who has bought controlling interest in three small grocery stores and has organized a grocery store owners association. However, when selected, he was the Deputy Chairman of the Farmers Federation, but was not reelected in the election campaign in December 1992. A third participant is the Chief of the Agricultural Advisory Service in Jekabpils. The fourth participant was and is an official in the Ministry of Agriculture. His current assignment is Chief of the New Farmers Division.

While each of these beneficiaries of the ACDI training program is in a position to assist in the development of the agriculture private sector, only two have the potential of making an immediate impact on a reasonably broad spectrum of the private sector. The other two can make a more limited impact and exert a degree of influence and their potential contribution should not be discounted. Unlike participants in other ACDI training programs, these four participants apparently have not maintained contact with each other nor planned joint activities in order to share their experiences with other Latvians.

Since, in essence, Latvia represents a one-shot deal for ACDI's Eastern Europe program, the only impact that can be realized is that which the training participants themselves can make in the private sector in Latvia. While on an individual basis the training effort was successful, from a programmatic standpoint the impact is probably negligible, particularly since there will be no follow-up nor networking of the participants with each other or with other ongoing assistance programs. VOCA may be able to network with some of the ACDI beneficiaries.

ACDI Activities in Poland

ACDI has operated training programs in the U.S. and in Poland for selected Polish participants beginning in FY 1992. It has maintained a training project office for Poland, staffed with a U.S. Resident Representative and a Polish Office Director, since July 1992.

ACDI concentrates its program efforts in three geographic areas: Olsztyn, Rzeszow, and Siedlce in Eastern Poland; but at the request of USDA it will initiate some training activities on a pilot basis in Western Poland in coordination with USDA extension staff. ACDI focuses on farmer-owned and controlled cooperatives, state cooperatives (collectives) in the process of being privatized, and small to medium-sized private agribusinesses. It places priority on assisting food processing entities having a comparative advantage. These include producers of specialty meats, poultry, and dairy products and, to a lesser extent, processors, packagers, and distributors of Polish staples such as potatoes, grains, and fruits.

In addition to coordinating with USDA, ACDI works closely with VOCA and with the ACDI cooperative banking project staff, depending on them to identify potential training candidates, although the final selection is made by ACDI training project staff. Individuals selected for training are managers, directors, or technical staff of private sector, target entities. An exception is made to include public sector officials in the ACDI training program who are involved in key policy and legislative decision-making. This category includes high level agricultural extension officials and, more recently, legislators and aides to legislators involved in writing the new cooperative law and in defining agricultural policy affecting farmers and agribusinesses.

Within the past seven months, ACDI conducted eleven in-country training courses and seminars for over 200 participants in topics ranging from cooperative principles and practices, agribusiness management, cooperative bank management and board responsibilities, and training of trainers. U.S. training has been provided in eight separate observation/training units for one to ten selected participants in topics ranging from loan officer procedures, livestock operations, extension techniques and services, agricultural cooperative structure and operations, poultry processing. The training units for one person were actually a combination of observation/training and internship in an agribusiness or extension service.

The most recent U.S. training event was the observation/training program conducted for seven legislators serving on the committee charged with drafting the new cooperative law. This was the culmination of ACDI/VOCA collaborative activities, involving the U.S. observation/training for the Advisor to the Vice Chairman of the Senate in November-December 1991, the fielding of two VOCA volunteers in 1991 and 1992 to assist in the drafting process, capped by the legislators' trip to the U.S. in January 1993.

ACDI performs follow-up activities with its training participants, encouraging them to maintain contact with each other and take advantage of other training opportunities. Several participants have actually engaged in collaborative activities with each other or are planning to do so. ACDI also invites and encourages the individuals who have received training to share their experience with other to the maximum extent possible and to participate in the ACDI in-country seminars, wherein practical.

ACDI Activities in Bulgaria

Anticipating an acceleration in its training activities in the Southern Tier, ACDI has recently stationed a Regional Representative in Sofia, Bulgaria (November 1992). He is assisted by a Bulgarian Country Director.

To date, ACDI has conducted only one U.S. observation/training course. Of an initial list of 15 potential participants identified by the ACDI poultry project advisor, with help from other technical assistance providers, the ACDI Vice President for Training selected six on one of her assessment trips to Bulgaria. Training in cooperative management was provided

from September 19 to October 14, 1992.

During the last three quarters of FY 1993 (January-September) ACDI is planning four in-country training courses/seminars -- formation of production and marketing associations, and agricultural credit. During the same period ACDI is planning two U.S. training events -- cooperative management and marketing, and poultry technology. The poultry training will be provided in support of the ACDI poultry project.

Both training participants interviewed during this evaluation are utilizing what they have learned to influence policy and practice in Bulgaria. One has written a series of articles on the practical aspects of Western-style cooperatives. The other, an agricultural economist serving as advisor on the Agriculture Committee of the Bulgarian Parliament, is providing critical advise to parliamentarians on ways to enhance the privatization of agriculture and the positive role that cooperatives can play in the development of Bulgarian agriculture and agribusinesses.

Citizen's Democracy Corps (CDC)

CDC was created to mobilize U.S. private sector assistance on a pro bono basis to Central and Eastern European as well as the CIS countries. Its aim is to help strengthen public and private sector decision making processes, institutions, and operations. This non-profit organization has tapped the highest quality American expertise and know-how, gaining a roughly eight to one return on every dollar invested by A.I.D.[1] C.D.C.'s four main programs have been designed to:

1. promote entrepreneurship through senior level guidance and selective short-term assistance for small to medium size enterprises;

2. establish for larger scale enterprises, corporate-to-corporate relations based on a long-term presence of a senior executive, with discrete and task oriented infusions of short-term technical assistance;

3. mobilize volunteers in a way that yields attitudinal and behavioral changes as well as contribute to host country policy and program formulation; and

4. provides a clearinghouse for information on U.S. institutional and individual resource development in this geographic area.

Established ten days after the President's speech on the need to respond rapidly to the transitional requirements, CDC was besieged by 5,000 phone calls of individuals who wished to contribute their time. Immediately, it put in place its information system, and have since developed profiles of American institutions working in particular countries. These comprehensive documents are polished and filled with the details of U.S. assistance to peoples in this part of the world.

CDC Activities in Poland

Although there were earlier volunteers, CDC's formal assistance program only got underway in October 1992. Since then, the combination of an energetic and visionary country director and experienced resident advisor have begun to get the program on course.

The resident entrepreneurship advisor has been systematically visiting the various regions, distinguishing those businesses with potential and others which are "sunset"--ones that are dying. Listings are made by region of possibilities for assistance. Business information is categorized based on market potential, current production and management practices, receptivity to change, and willingness to cover the in-country expenses of technical

[1] Under its agreement with A.I.D., CDC is designed with A.I.D. coverage of 34% of its costs. Current activities have produced a ratio that far exceeds the anticipated one.

assistance. The promising candidate firms are selected for further investigation then chosen for assistance. On completion of the assistance, a regular follow-up program is initiated to help insure recommendations are pursued.

CDC also has mobilized major U.S. firms such as Union Pacific, RJR Nabisco, and CSX in its corporate assistance program. This is the program with the highest leverage of A.I.D. resources, for these corporations are underwriting most of the costs. Poland's privatization difficulties, decision making process complexities, and sometimes changing U.S. corporate interests may jeopardize the fruition of these initiatives such as the revamping of the Polish State Railways. Probably due to the influence of the CDC Board, it must be stated clearly that these corporate commitments are serious and provide a mode of development assistance that yields greater development returns than A.I.D.'snormal modes.

With the establishment of a functional Warsaw office, the volunteer program is taking off, with primary focuses on education and public administration. Of particular concern is developing a secondary school textbook on entrepreneurship, using young people to expand a knowledge of entrepreneurship.[2]

Outside of the regular CDC programs, friendships and eventual business relations are taking place such as improving a restaurant in the "old" city.

CDC Activities in Bulgaria

With a longer start-up period than Poland, the CDC activities in Bulgaria are more developed. Through its corporate assistance program, Upjohn assessed and assisted Bulgaria's pharmaceutical industry, Dresser Industries/M.W. Kellogg advised Agrobiochim, a Bulgarian fertilizer manufacturer, and Brown & Matthews, Inc. has assisted on issues related to privatization of the construction industry.

The business entrepreneur program is under way, with assistance mainly to Bulgarian light and heavy manufacturing industries. The program has been expanding due to the quality of technical assistance which has resulted in several referrals.

As a result of initial screening of opportunities, CDC has embarked on a program to assist municipal hospitals. At least eight volunteers will be involved in this program and results of their work is being fed directly to the Minister of Health. This is an excellent of a "focus and concentrate" strategy with volunteer inputs into national policy and program formulation.

CDC has also provided assistance to the development of the agricultural extension service

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[2] In Warsaw, we saw a comic book developed by CDC for teaching young people in Russia the principles of entrepreneurship. This signaled the evaluation team's interest in building an understanding and receptivity among younger people who can spearhead the transition.

and Veterinary Medicine University. While CDC has a mandate for educational development, VOCA or a major U.S. agriculture university may be better suited for this type of work.

CDC Country Director maintains high visibility, with speeches, TV interviews, and meetings. This type of visibility contributes to broader U.S. policy objectives.

Projections for Future CDC Assistance

CDC plans to increase its program threefold in Bulgaria, and more than seven times in Poland (which had a late start-up). One concern of the evaluation team is losing impact if CDC's activities become too scattered. Further, it may be difficult to maintain the follow-up that results in the adoption of volunteer recommendations.

Financial Services Volunteer Corps (FSVC)

Strategy of FSVC Assistance

Of the countries studied in Central and Eastern Europe for this report, FSVC is active primarily in Poland, where field work was initiated in May 1990.[3] Their major emphasis is toward institutional support and systems development at the policy levels of government. Ideally, Poland's investment and financial markets would be structured as western systems, enabled through government legislation but self-regulated and self-sustaining in the private sector. The insurance and commercial banking sectors would follow similar patterns. To achieve this, FSVC is providing assistance through expert advice, seminars, training, and technical intervention.

In Poland, FSVC has placed a resident country director who spends approximately half of his time at the Ministry of Finance working on issues related to the government's mass privatization program; the remainder of his time is spend coordinating the efforts of FSVC volunteer activities. Clients in Poland include the Ministry of Finance, stock exchanges, commodities exchanges, the governing body of the Polish Securities Exchange, depository insurance authorities, and various banks. FSVC Poland's training activities are mostly in-country, but approximately one-third of training takes place in the U.S with brokerage houses, insurance companies, and regulatory agencies, funded by U.S. constituents. The intense introduction to western systems and hands-on development experience results in a "resource staff" that returns to Poland capable of making institutional changes and training others, and generates substantial leverage for the program.

Nature and Scope of FSVC Activities

A private non-profit organization based in New York, FSVC channels voluntary assistance toward Central and Eastern European clientele with an interest in financial institution building. Assistance is in the form of technical advice, development of capital markets, assisting with regulatory frameworks related to financial and capital markets, privatization, and relevant legal issues. FSVC representatives categorize their activities as follows:

1. ***Banking Systems Development.*** Engaged in various activities in support of central banks and other important commercial banks. Review accounting, clearance and settlement procedures. Conduct training in securities analysis and company valuation, assist in bond and stock underwriting, cultivate bank strategy for brokerage and custody services, develop loan management and credit analysis skills. With the expected hiring of a country director in Hungary and the recent failure of three commercial banks, FSVC anticipates extensive activity in banking assistance for that country.

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[3] Other major centers of activity for FSVC in Central and Eastern Europe are the former Czechoslovakia and Hungary. Relatively minor activities take place in Bulgaria and other countries.

2. ***Capital Markets Development and Regulation.*** Work with trader and back-office operations for stock and commodity exchanges to bring exchanges up to international standards and ensure that effective legislation is in place. Involved in efforts to form financial depository insurance, broker licensing, and mutual fund regulations, and to revise many of the security and insurance rules related to judicial processes and trading within a capital markets industry.

3. ***Privatization.*** In Poland, the country director works directly with the Ministry of Privatization on the Mass Privatization Program. Assists in the monitoring of contractor performance, documenting various equity funding vehicles, training government officials, and restructuring the 600 companies that are slated for conversion.

4. ***Investment Advisory Services.*** FSVC facilitates the establishment of links between U.S. and Polish investment and financial institutions and private capital funds. Trains Polish investment managers in U.S. investment marketing methods.

5. ***Insurance.*** FSVC is establishing a system of private insurance companies with appropriate regulatory mechanisms for decentralized markets in business, risk, loss, and institutional insurance instruments.

6. ***Other Activities.*** Helps rural bank development in transactions processing and loan analysis. Provides training in financial and bank accounting methods, and advises on potential international agreements with U.S. and British interests.

FSVC Activities in Poland

FSVC has identified 24 assistance activities in Poland. Six reflect capital market development, five concern regulatory development, two mass privatization, two investment advisory services, five insurance industry development, and four involve uncategorized assistance. Assistance is established through agreements between FSVC and the clients for specific technical work or training and through mutual understandings for support, such as a cooperative relationship for on-going advisory services with the Ministry of Finance.

FSVC contracts with U.S. volunteers who may be sponsored by their organizations or by institutions that support the FSVC mandate. For example, active executives from Morgan Stanley were sent to Poland to provide training in back shop operating procedures to the Poznan Commodities Exchange in 1992.

The mechanism for securing assistance is a preliminary contract with "terms of reference" for the proposed activity. This details client objectives and program expectations, timing, and the responsibilities for support and funding by the participating volunteer organization. At completion, the country director evaluates the results, gathers client feedback on services rendered, then writes a summary for FSVC in New York with recommendations for improvements or change.

FSVC Activities in Bulgaria

FSVC is presently searching for a country director for Bulgaria and accordingly has had only limited activities there. The recently-hired country director for Hungary is responsible for activities in Bulgaria.

During 1992, FSVC sponsored the participation of two officials in seminars in the U.S. The first event was the visit of the Legal Advisor of the Bulgarian National Bank to the International Law Institute seminar in Washington, D.C. on legal issues in privatization. The advisor was able to use skills from the seminar while designing and implementing regulations associated with privatization in Bulgaria.

The second event was the visit of a member of the Bulgarian State Insurance Institute to the International Meeting of the National Association of Insurance Commissioners in Washington, D.C. The official established contacts with other insurance officials from the U.S. and elsewhere, and was able to use these contacts as resources while drafting parts of Bulgaria's insurance law.

FSVC Performance Indicators and Impact Assessment

FSVC has not suggested objective performance indicators; in follow-up meetings at FSVC headquarters several months after the initial field visits by the team, they stated that their activities are not comparable in a quantitative sense, and therefore are difficult to measure. Instead, they suggested a case-by-case method of analysis without comparative indicators.

Unfortunately, the evaluation team was not able to obtain verifiable information during the field visits in February 1993, and could not estimate activity costs, budgets, or intervention results on a case-by-case basis. The only information provided at the time was a summary of the nature of assistance with client organizations, types of training or advisory service rendered. Since the initial visits, FSVC has provided new information on their activities in Central and Eastern Europe, although it is not extensive enough to do case analysis. Consequently, the evaluation team cannot make specific recommendations on activities or conduct of assistance intervention by FSVC.

During the later visit to FSVC headquarters, the organization presented follow-up evaluation forms which it has been using to assess and describe assistance impact, project management, and administrative performance for each assignment. FSVC also displayed an annual report for 1992 and a draft of a report on the first quarter of 1993.

Funding information reveals that FSVC has distinct leveraging, estimated to be over $3 for every $1 invested by A.I.D.[4]

Recommendations and Conclusion

During the initial field visits in February, the evaluation team had unusual difficulty relative to the other PVOs in trying to establish communications with New York and Warsaw managers. As a result, the team could not set up an adequate number of appointments for site visits which would have resulted in the case analysis need for this evaluation. Undoubtably, FSVC is a lean organization staffed by individuals who are busy and therefore not necessarily accessible on short notice. However, A.I.D. may want to consider whether it is important for FSVC (a grantee with a longer leash than a contractor) to be as "bureaucratically responsive" as the other PVOs. It should be noted that FSVC has been very helpful since the initial visits.

The FSVC strategy and scope of work seems well focused and clearly in support of its mandate to establish institutional support for financial and investment markets. To the extent that FSVC is helping resolve regulatory issues, influencing U.S. and Polish private sector investments, enhancing legislative proposals, encouraging mass privatization, and providing appropriate technical assistance, the program can be deemed beneficial and effective.

[4] A.I.D. has granted $4.7 million for all FSVC activities. FSVC estimates the market value of its volunteers' time to be over $15 million. FSVC has also received $516,000 from the Carnegie Corporation and $200,000 from the Andrew Mellon Foundation.

Land O' Lakes

Land O' Lakes (LOL) is a major American agribusiness (approximately 300,000 members) with extensive international development experience, capability and with several of its own international agribusiness or related operations. In this context, the company doesn't fit the typical USAID voluntary agency profile in the Private Enterprise Development Program.

First of all, LOL is one of the few prime contractors representative of the **productive** private sector--which is especially ironic given that so many of the clients are also from the **productive sector** or striving to quickly become part of same.[5] By virtue of its status as a productive enterprise (i.e.,"a real American business") LOL has been able to quickly generate credibility. Locals are at first surprised then impressed that a big American company would make this level of commitment.

LOL began its work under this contract with the objective to initially focus in on one country; go into that country and have an early success or beachhead that would establish a high profile for the company thereby facilitating subsequent linkages with key local leaders and organizations.

LOL invariably launches its work in country with a rapid sector study focusing on key reforms underway or planned and the dairy industry. This is followed by a one day "National Forum" in which key leaders from the agriculture sectors in the host country prominently engaged. The local participants and main speakers at this forum are representative of the full agribusiness spectrum-- reflecting the company's commitment to an integrated agribusiness developmental approach. Typically participants include national and municipal level legislators, policy-makers, farmers and farmers organizations, processors and processors organizations, agriculturalists (researchers, professors veterinarians, extension centers and agents; agricultural finance representatives, etc.) From this National Forum LOL is able to devise a list of the most important needs in the area of training and technical assistance. The next step is the selection of a small representative group (between 5-10 persons) to participate in the LOL U.S. based Leadership and Agricultural Policy Orientation which lasts about ten days on the average. Typically the group is involved in seminars, discussions at LOL headquarters that expose them to the LOL corporate approach (including various management and production processes) and tours of various sites (i.e., cooperative farms, processing plants, government agencies, university programs etc.). Subsequently this leadership group becomes a key consultative network in-country on which LOL can rely for assistance in identifying clients for training, internships and technical assistance.

LOL activities in the region include: a series of well packaged training seminars that reflect

[5] In this context it should be noted that the productive sector doesn't necessarily always share the same views as USAID about who should be doing business development, what constitutes development, sustainability.

the integrated **farm to food model** [6] as do the technical assistance assignments; a U.S. based three month internship (International Agriculturalist Program).

The company has evolved two important criteria for working in the region as a whole : (1) they do not work **piecemeal** (i.e.,on only one aspect of the business such as dairy production and not on dairy management); (2) they work only with clients who are **serious** about privatizing. [7] In this context we can now ask what are LOL's unique contributions first of all to development in the region and secondly to the development process,in general?

The history of collectives in the region has been such that the mere mention of the word **cooperative** immediately evokes strong negative reaction. LOL's very presence in this program has made a major contribution to allaying doubts about the cooperative as a viable structure in a market economy. LOL is the living breathing truth of how effectively cooperatives can be operated as private businesses in a market economy. LOL reflects the magnitude, scope and profitability of the American cooperative model at its best. The opportunity to interact with real corporate executives from a cooperative and to hear them explain and illustrate how the American model differs from their old system of collectives has added credibility; this along with the eye-witness accounts of those who have been fortunate enough to be selected for the LOL U.S. based internship. This contribution becomes even more important in the context of agrarian reform and land restitution in many countries and the implications of same for national agricultural production as a whole.[8]

Because of its unique status as a viable productive sector business LOL affords USAID the opportunity to learn how to work effectively with and understand the development issues from a different development perspective; a perspective in which development linked to business is viewed as a win-win situation. It is an opportunity for USAID to understand how traditional concerns about sustainability and spread effect are dealt with when the contractor has a long-term vested interest as well as financial commitment, and is a stake-holder as opposed to a neutral facilitator in the development process.

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[6] Training of Trainers, Agribusiness Management/ Private Agri-business Management, Introduction to Marketing, Advanced Marketing, Privatization, Dairy Plant Maintenance, Cooperative Principles and Practices, Agri-Input Distribution, Dairy Processing & Manufacturing)

[7] In this context the discussion of Bulgarian educational institutions, specifically and educational institutions in the region as viable training delivery mechanisms is important.

[8] Country specific contributions are discussed in sections 3,4,5.

MBA Enterprise Corps

The MBA Enterprise Corps is a consortium of U.S. member business schools. The consortium was formed in 1990 to encourage the development of free enterprise systems, the internationalization of U.S. Businesses. It is managed by the Kenan Institute of Private Enterprise (Kenan-Flagler Business School, University of North Carolina) under the direction of a board comprised of representatives from each of the now 22 top ranked U.S. member schools. Graduate U.S. MBAs are placed in one to two year assignments with private and privatizing firms in Central- Eastern Europe[7] The firm pays the Corps member a local salary plus housing. At present four categories of companies are predominant in the program: manufacturing, commercial, consulting, computer (hardware and software).

The specific objectives of the program are to accelerate the development of private firms and the restructuring of privatizing firms; strengthen long-term business ties to the U.S. through technology transfer and access to U.S. markets; increase understanding of international private enterprise among future Eastern and Central European and U.S. business leaders. Forty nine MBAEC members were contracted under the 91 program. The number of new host companies applying for Corps members in 92 was 75 representing an increase of approximately one third. Fifty additional positions are reportedly being prepared for 1993/94. The Corps has increased its presence in Poland from two geographic locations at start-up to the current five (Krakow, Warsaw, Skawina, Zielona, Gora, Radom).

Recently the Consortium Board deemed that only countries transforming their economies from socialist planning to free-market are eligible for MBAEC services. However, no particular geographic or sector strategy has been articulated; nor is their any attempt to reconcile placements with the overall economic development strategy. In essence firms of all sizes representing a variety of industry and service sectors are acceptable.[8]

MBA program is unique in the USAID Private Enterprise Development Program because unlike the other contractors it provides for long term implementation assistance (Corps members remain to see policies put in place, practices changed) and cost is shared by host enterprises giving them even more of a vested interest in the program and placement. It is also unique because two priorities dear to USAID-- sustainability and spread effect-- are less evident when the enterprise is the sole focus of technical assistance.

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[7] The Corps also can and does work in other regions worldwide; it currently has pilot programs in Indonesia and Ghana..

[8] For examples of host companies see First Annual Report of the MBA Enterprise Corps Dec. 21, 1992 pp 9-37. It is also interesting to note that in the composition of the Board there is no MBAEC student representative, yet some of the most informative, insights into the program have been provided by Corps interviewees; who after all along with the host enterprises have the most direct experience with the implementation realities.

A preliminary assessment provides some indicators of spread effect. For example, in addition to the contributions to their respective firms, MBAEC members are frequently asked to make presentations to groups or teach formal classes which has an impact beyond the one-on-one, on-the job technology transfer approach which the program embraces. Also, in some instances a Corps member works for more than one enterprise.[9] Further, MBAs are required to prepare case studies. These are reportedly being edited and will be used in the future for teaching purposes[10].

The issue of sustainability, however, becomes murky in light of the program's stated goal--" The goal of the Corps is to put itself out of business--in other words to help companies and countries reach a place of free market competence where Corps assistance is no longer needed. As this happens the Corps will simply move on to the next country or region where its assistance can be effectively utilized." The issue of "graduation" for countries and enterprises is an important and recurring theme handled elsewhere in this study. The complex questions in the case of the MBAEC goal are: At what point does the Corps determine it is time to move on? Will the work of the Corps have been so effective that the host countries will no longer have need for these type of services? Is it reasonable and feasible to expect some kind of institutionalization of this type of assistance given the fact that privatization may continue for years to come and new business start-ups ad infinitum.(i.e., When the Corps leaves Poland, does the Krakow International Center For Enterprise Development or other Polish Institution have the capability to carry on if need be? In essence, USAID questions regarding sustainability of the MBAEC are not unfounded. Even in an advanced market economy like the U.S. small, medium and large enterprise business assistance is on going and has been institutionalized through a variety of public and private vehicles. The Consortium Board might find it a useful topic for consideration, since in other aspects the program appears to be a win-win situation.

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[9] No listing of these activities could be located but it would be useful for future USAID concerns regarding comparative development impacts of this type of enterprise specific, one-on-one approach.

[10] These cases are reportedly being edited and reworked by Columbia and Harvard for teaching purposes. However, there was no mention of potential use by host country educational institutions or enterprises. Corporate proprietary aside, the larger question is exactly who will benefit from these materials which, unlike the LOL materials are not translated and widely disseminated for benefit of
country nationals.

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National Cooperative Business Association/ American Cooperative Enterprise Center (NCBA/ACE)

The NCBA is a seventy-six year old organization representing the U.S. cooperative business community. NCBA sponsors meetings, technical assistance programs, publishes journals and other cooperative resource materials for its members. NCBA founded CARE and represents the International Cooperative Alliance (ICA) at the United Nations.

The International Development Process at the NCBA is becoming more closely linked with the brokerage and trade processes and the ACE is the vehicle through which this is being accomplished. The ACE Center made possible with funding from NCBA members, is managed by its affiliate- Cooperative Business International (CBI). [11]

The development-trade/brokerage linkage is essentially the context in which NCBA/ACE has pursued its main activity in Poland-- a project initially conceived with the Polish Cattle Breeders Association (referred to here as Polish Cattle Breeders Association PBA or Independent Self Governing Production Organization of Cattle Breeders (ISGPOCB) which has now been modified to pursue a comparable scaled down project in collaboration with an alternative, independent Polish organization.

The business plan initially paired the Polish Breeders Association (PBA) and NCBA/ACE member-- 21st Century Genetics and had the objective to help establish a farmer controlled organization to import and distribute American genetic products in Poland (to set up a new Polish bovine artificial insemination network).[12] In the Polish case, conceptualization of NCBA's brokerage-trade and development approach has proven much easier than the implementation. The progress thus far has been without firm results and the eventual

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[11] The members- AgProcessing, Inc. (soybean processing with operations in seven states and Canada); the Center for Cooperatives-University of Wisconsin (an interdisciplinary unit combining Agricultural and Life Sciences and the Cooperative Extension Service -University of Wisconsin promoting cooperative action as means to economic,social well-being); CoBank (based in Colorado ,10 U.S. banking centers,provides banking services through a network of 200 correspondent banks in over 50 countries; the Cooperative Development Foundation (promotes economic development through cooperatives in U.S. and worldwide); Countrymark Cooperative, Inc.(regional agricultural marketing and supply owned by over 164 Indiana, Michigan, Ohio farmer cooperatives); Farmland Industries (marketing, supply and grain cooperative concentrated in 19 mid Western states); Land O' Lakes, Inc.,(a $2.5 billion food and agricultural cooperative owned by 300 farmers, and ranchers marketing a complete line of agricultural inputs on a regional basis, nationally distributes over 600 dairy food products); Nationwide Insurance ($ 33 billion multiple-line insurers in the U.S.,leader in the development of international cooperative insurance companies; 21st Century Genetics (largest direct-member, farmer owned cattle breeding cooperatives) as well as USAID.

The CBI is a for profit subsidiary of NCBA established in 1984 as an international business company promoting cooperative trade and investment. CBI has generated over $150 million in sales and 6,000 jobs in developing countries.

[12] The project organizers cite research that has indicated significantly increased profits for dairy farmers who use American genetic products. It would be useful for investors to examine first hand one or two of the strongest of these research studies.

outcomes of the proposed project are at best uncertain. The key issues involving the disintegration of the partnership between NCBA/ACE and the PBA have political-philosophical undercurrents not unique to this project.[13]

Philosophical differences between the PBA and its the American partners arose over whether the project should be (1) independent of the old state insemination system and its subsidies; (2) single versus multi-purpose i.e.,-also engaged in genetic production; (3) trying to reform the old state insemination system; (4) using part-time vets as technicians; (5) whether farmers would be willing to pay anything in conjunction with this venture.[14] The differences were so profound on these issues that the NCBA/ACE and 21st Century Genetics officially withdrew their participation.[15]

The NCBA/ACE has subsequently proposed a slightly modified business plan that would involve developing a small scale artificial insemination cooperative with a core group of leading farmers; in essence an alternative to the ISGPOCB. This alternative plan is looked upon with skepticism by some who think it's time to cut bait.[16]

The NCBA/ACE said that it learned the following lessons (challenges): 1) being keyed into and understanding the complex Polish farmer network and underlying political agenda was a significant disadvantage; 2) there was an over-emphasis placed on the organizational structure and under-emphasis on which "bulls" would be available. The former may be

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[13] It is not unlike the philosophical division arising when the CDC and Bulgarian University system had different ideas on the establishment of an independent versus centrally controlled extension service'; the ground is still fertile for the old guard entrenched statists versus new independent minded reformists.

[14] Unfortunately, these differences occurred only after significant work was put into the write-up of the project business plan and an official letter of agreement signed by the PBA president. It is believed by the American partners that ISGPOCB was playing the American against the Germans in order to maximize short-term one time grants of product or money.

[15] The ISGOPCB 's view is somewhat different: a) perhaps they NCBA/ACE are too strict about the business plan; b) that we first have to prove ourselves to farmers before asking for money because of their distrust based on past experiences; c) the initial 75% Polish 25% American partnership should be switched to something better like 50 % Polish, 25% American, 25% other--we need more variety in the seamen supply; d) the veterinarians would be used at least initially taking in both vets and technicians to avoid conflicts between the two *; e) 21st Century didn't know enough about our conditions which is not surprising because they deal exclusively with artificial insemination; f) that maybe their (NCBA/ACE) motivation is that they're afraid some more people will be involved in the profit.

The ISGOPCB representative indicated that he did not consider the relationship with NCBA/ACE to be terminated--this even though a letter confirming this has been sent. "We've not talked to them-really! They've not talked to us--really!"

* Both groups are members of the ISGOPCB

[16] NCBA/ACE activities in Poland besides its work on the development of this project have been very limited causing many at AID to wonder what they've gotten out of this or will get out of this, if anything at all. The perspective of NCBA/ACE and 21st Century Genetics is opposite-they do not consider the project to be over but rather going into a different phase.

expanded on by contradictory NCBA/ACE and ISGPOCB reports regarding the actual number of farmers meetings held--"numerous" versus " only one where attendance was negligible". Perhaps the lesson is that much more "leg-work" and "face-work" with farmers is essential to build mutual trust, understanding on both sides and to assess the political situation. Further it may be that one of the inputs lacking is the professional advice of a Polish national who is well tuned into and knows all the key players and can keep his ear to the ground on behalf of the NCBA/ACE.

The funding cycle of the NCBA/ACE is through 1996. So half way into the project a Polish initiative has still not been effectively launched, although it may stand on the brink of doing so. This however, should be contrasted with NCBA/ACE performance in other countries.

The cost of the Polish program operation (including in-country and U.S. back-up was $360,000 at the end of the last quarter. This represents 3% percent of the total of $11.5 million in voluntary agency program expenditures in Poland. What USAID should decide in consultation with the Warsaw Representative -rather quickly- is whether it thinks the project has more than a 50 percent chance of success and what accomplishments over the next six months would constitute progress (i.e.- individual letters of agreement with farmers plus a percentage of their $15.00 equity investment by April 30th.,etc.)

In this context USAID should weigh equally the potential maximum benefits from the development view as well. Among others is the fact that this is AID's only joint venture project in this portfolio and the lessons learned will be unique from the point of view of why trade-brokerage linked development can or cannot work. Poland would be an important country to be included in this laboratory.

In the instance that USAID should decide to continue the pursuit of phase two at minimum a rigorous monitoring plan involving a detailed outlining dates,times place, groups and individuals met with, rationale for meeting, content and outcome of meetings and seminars and related activities should be adopted. The Warsaw project officer should also be unobtrusively present at several of these in order to get a first hand impression of how the situation is evolving.

In the instance USAID should not want to continue its participation a compromise would be for other members of the NCBA/ACE to pick up the costs of same with 21st Century genetics sharing 50 percent of the total.

Peace Corps

The Peace Corps has launched an ambitious program for Central and Eastern Europe that combines its acknowledged strength of working at the local level with a strategy that emphasizes private enterprise development, ecological recovery and English language training. It is now the largest U.S. development agency in the region.

The Peace Corps began its private enterprise program in 1990, and has been providing technical assistance and training to local governments, banking systems, and the private business sector. For this work, the Peace Corps has attracted a more mature volunteer with significant business or banking experience. The average of volunteers is in the mid-forties.

Unlike the other voluntary agency projects, the Peace Corps negotiates host country agreements, helping to insure that its programs reflect host country priorities. This has facilitated their work, and regular discussions with Ministry officials provide a means for channeling volunteer experiences into national decision making.

Most countries are undergoing the process of decentralization and local government development, allowing unique opportunities for volunteer training and other inputs. Moreover, the local positioning of volunteers allows the channelling of A.I.D., other international donor and voluntary agency resources to the regional or municipality levels. Also, it provides a quality U.S. presence throughout these countries which is much publicized by local radio and television stations.

Peace Corps Activities in Latvia

In February 1992, Peace Corps was invited to work with the Latvian government to encourage private sector farming, and the first group of eight volunteers arrive in July 1992 for training and eventual placement in October. Working mainly with the Latvian Agricultural Advisory Service (which was formed in 1991), the aim of the volunteers is to build the small enterprise capacity of rural Latvia by newly privatized farmers through business skill development.

This program is still in its embryonic stages, and initial progress has been slow as LAAS itself is still establishing its own capabilities. Correctly, volunteers like the one visited in Jekabpils are being careful not to take the lead but rather they are performing support functions so ownership remains in the hands of the Government and farmers.

Peace Corps Activities in Poland

The Peace Corps initiated its assistance to private enterprise development in November 1990. It now has 70 Small Business Development volunteers, working under four main projects. The first is the Municipal Advisors Project directed at increasing the capabilities

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of local government and local institutions. Initially volunteers were asked to assist in privatization of local government assets, but this work has now expanded to a wide range of activities: improving government operations, economic planning and investment promotion, and the development of housing and urban planning strategies.

The second project is the Privatization Advisors Project, created in 1991 as an outgrowth of the Municipal Advisors Project. As Polish state owned enterprises undergo privatization, several large enterprises have requested Peace Corps assistance. Nearly one quarter of SBD volunteers are assigned to the Privatization project as a primary assignment, and many other volunteers are working in privatization as secondary projects. Volunteers provide technical assistance and training to local public and private institutions in NGO development, business incubator development, work with regional development agencies, and business consulting for state-owned enterprises in the privatization/restructuring process.

The third project is the Business Training Project, which is designed to strengthen and develop business education centers as well as to provide direct training. The Peace Corps has recognized the need to document the different privatization experiences in Poland and to provide resource support for SBD volunteers throughout the region. Working with the local universities and academic institutes (and with A.I.D. financing), the Peace Corps has established the Krakow Free Enterprise Transition Consortium (FETC) to perform these functions. The FETC provides a resource center, a case study library, technical assistance and tailored training to help complete the process of economic transition in Poland. Polish entrepreneurs work closely with Peace Corps Volunteers to most effectively utilize the resources at FETC.

The final project is the Peace Corps Banking Conference, an annual event which will take place for the third time in November 1993 in cooperation with the Progress and Business Foundation in Krakow and UNDP. The conference was originally organized by a Peace Corps volunteer who invited bankers from the American Institute of Banking and a representative from the U.S. Treasury's Office of Thrift Supervision. The goal of the conference is to present American banking practices to Polish bankers. The curriculum includes 15 different banking and related courses including credit analysis, asset and liability management, correspondent banking, business development, management styles, bank security, foreign currency operations, management communications, and bank products and services. This training effort is the first of its kind conducted in Poland by an established American banking organization. The Peace Corps Business Development program in Poland has a number of qualified bankers serving as volunteers and will continue to provide this type of training in the future.

Initially, the SBD volunteers were concentrated in the Eastern part of Poland, but they now cover most parts of the country. It has avoided policy and program functions, concentrating instead on grassroots practical training and technical assistance. The average age of the SBD volunteers in Poland is forty-six, with various business, banking, and government backgrounds. The program continues to evolve, with the country Peace Corps leadership

responding to new opportunities. As lessons are learned, there is a need to focus and concentrate at least functionally if not geographically.

Peace Corps Activities in Bulgaria

The Peace Corp's Small Business Development Project was started in 1992, with 24 volunteers serving as business resource specialists. A primary aim of the program is to establish eight business advisory service centers. The centers are high tech, with A.I.D. provision of the equipment and the municipalities providing operational costs. It was intended that these centers would become self-sufficient in one year.

While the initial design of the project appears logical, filling an important need in enabling the efficient development of private sector businesses, when the PCVs began implementing the project it became apparent that the design was flawed. The design for the centers was done by a non-business consultant, and lacks solid business planning and organization. This problem, combined with delays in equipment delivery, have raised questions about the role and functions of these centers. The Peace Corps Country Director has organized her volunteers to rework the program, including the development of quantifiable indicators of progress.

The Peace Corps still intends to coordinate the activities of the center with other assistance delivery organizations, i.e. Bulgarian-American Enterprise Fund, CDC, VOCA, U. S. Department of Commerce, IESC.

Volunteers in Overseas Cooperative Assistance (VOCA)

Volunteers in Overseas Cooperative Assistance (VOCA), a private, non-profit international development organization headquartered in Washington, DC, was founded in 1973 as the international voluntary arm of the U.S. cooperative movement. Its mission statement underscores its predominant agricultural sector focus: "...to increase the economic opportunities and income of (l) members of all types of cooperatives and (2) other small- and medium-scale enterprises that are agriculturally based."

VOCA was the first American organization to initiate development activities in Poland. In Eastern Europe, the vehicle selected by VOCA for delivery of its technical assistance and training is through the identification of specific agribusiness needs for which it recruits and fields qualified volunteers for short periods of time. This is preceded by a careful assessment by VOCA field staff and the agribusiness entity requesting the assistance of the nature and dimensions of the need. A financial commitment by the requesting entity is required to cover basic local costs (local transportation, housing, translations, meals and incidentals) of the TA intervention. VOCA performs three-month and six-month follow-up monitoring to assure proper understanding and implementation of TA recommendations. VOCA coordinates its activities with other foreign technical assistance providers (such as ACDI, USDA, Cochran Program representatives, Peace Corps, EC technical staff) and occasionally enters into joint activities with some of them or refers clients to them.

As with ACDI, VOCA had to acquire an understanding of the unique problems of the agricultural sector in each of the Eastern Europe countries which inhibit the development of truly private sector agribusinesses and organizations while simultaneously implementing its early program efforts. VOCA feels very strongly that long-lasting development will take place only as local, rural institutions and organizations move away from the State and central planning stranglehold which has prevailed in Eastern Europe. The key to real development of the agricultural sector will depend on the strength of these grassroots entities and programs, coupled with the key government entities providing and articulating the enabling legislation and policies. Given the need for government enabling intervention (policies and legislation), VOCA has provided volunteer assistance in all three countries to local as well as national government officials who are in a position to assist in the development of the agricultural private sector. In Poland and in Bulgaria, volunteers have actually assisted in drafting key cooperative legislation.

VOCA Activities in Latvia

Volunteers in Overseas Cooperative Assistance (VOCA), has maintained a presence in Latvia since March 1992, when it stationed its Baltic Regional Representative in Latvia. Since he must spend one week each month in Estonia and in Lithuania, his work is augmented with the assistance of a Latvian Country Director.

In 1992, VOCA fielded 20 volunteers to work with private farmers, farm organizations, collective and state farms (in the process of privatization), and private agribusinesses. VOCA made no attempt to narrow its focus during this period -- either in terms of geography or of category of agricultural activity or subsector.

From a geographic standpoint, this was not a handicap given the size of the country and the relatively easy accessibility of the rural farming areas to each other and to Riga. A contributing factor in determining not to limit the program thematically was the realization that there was insufficient grasp of just was types of agroindustry and supporting agricultural activities were in the greatest need of external assistance. Rather, priority focus was placed on the growing privatization of agribusinesses, the transformation of collective and state farms and the emerging new organizational units (e.g. Western-style cooperatives, Farmers Union), and the entities providing support to the agricultural sector -- the Ministry of Agriculture and its nascent Agricultural Advisory Service, and the Latvian Agriculture University.

Apart from advising on organizational structure, VOCA volunteers have provided critical technical assistance in dairy technology, meat processing, forestry management, and feed mill operations, to name a few areas where expert advise has been given.

Prior to fielding a VOCA volunteer, the VOCA Regional Representative and the Country Director make an assessment of need based on a specific request for assistance from an agribusiness, a farmers organization or an intermediary (i.e. public sector) organization which provides assistance and support to private sector agricultural activities. The requesting entity presents a written request for assistance and commits itself to provide local cost coverage (local transportation, lodging and meals, and interpreter) and of adapting and applying recommendations. Both the volunteer and the beneficiary organization prepare evaluations of the assistance provided and of the receptivity of the beneficiary organization. VOCA/Latvia staff conduct three-month and six-month evaluations after the conclusion of the assistance intervention. Volunteers often continue contact with the beneficiary organization providing information and even critical advice or referrals on a voluntary basis.

While the VOCA/Latvia program does not need to limit its geographic outreach, it might be stronger if it selected one or two thematic areas, or subsectors, for concentration. Its follow-up activities and linkages while positive could be made even stronger.

VOCA Activities in Poland

Volunteers in Overseas Cooperative Assistance (VOCA) was the first U.S. organization funded by AID to initiate assistance activities in Poland with the arrival of the first volunteer in March 1990. Currently, VOCA has a full-time Resident Representative in Poland, supported by a staff of four Polish professionals.

VOCA has fielded literally dozens of volunteers concentrating their efforts generally, but

not exclusively, in Eastern Poland. These have played roles in assisting Polish agriculturalists and organizations in defining the proper role, functions, and structure of Western-style cooperatives. One volunteer assisted Rural Solidarity leaders in Southeastern Poland in organizing and opening the first Polish cooperative and agribusiness advisory and training center -- the Agency for Cooperative Promotion. This center works closely with the Regional Cooperative Service Union, created through World Bank and EEC efforts, and provides a vehicle for reinforcing and propagating the technical advice of VOCA volunteers.

VOCA strategy for Poland focuses on five program areas: agricultural advisory services, privatization of state enterprises, food processing and marketing, cooperative development, and agricultural credit. VOCA has essentially vacated the last category in deference to the ACDI cooperative banking project.

While most of its volunteers have worked directly with, and even in, agribusinesses, in 1991 and again in 1992 two VOCA volunteers have worked with the Parliament committee charged with drafting the new cooperative legislation. Although the state-controlled collective cooperatives have been a disaster, and have left many individuals with a decided bias against "cooperatives", key political and agricultural sector leaders have sought to reintroduce Western-style cooperatives, similar to those that flourished in Poland prior to the Communist takeover. VOCA has repeatedly been requested to provide volunteers to give advice on specific types of cooperatives. VOCA maintains a degree of neutrality in that it does not insist on cooperatives as the preferred agribusiness structure. In fact, it encourages its clients to explore various alternatives.

VOCA Activities in Bulgaria

VOCA presence in Bulgaria consists of one American Regional Representative (for Rumania as well as Bulgaria) assisted by a Bulgarian Country Director and a support staff of three Bulgarians.

The VOCA/Bulgaria program began operations fourteen months ago. It focuses on three priority areas: private agricultural production (member controlled farm enterprises); private agribusiness processing activities; and agricultural credit and banking. These areas are reinforced by utilization of the media (television and the press), working with key public sector officials, and assisting in the creation or strengthening of key farmer organizations.

The approach in Bulgaria was modeled after VOCA's longer experience in Poland, with the exception that there are few, if any, private farmers in Bulgaria. VOCA/Bulgaria staff describes its program as needs driven/ or need/responsive; i.e. VOCA does not initiate a volunteer assignment unless there is a specific request from an agribusiness or agriculture support organization. This accounts for the diversity of the assignments -- dairy processing, meat processing, hog breeding, alternative agribusiness organizational structures, role of local (municipal) government in support of overall agricultural sector development. The individual volunteer impact has been multiplied by having volunteers conduct village-level

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seminars (usually two village meetings per day) with attendance ranging from 10-to-20 to over 100. While the evaluation was being conducted, VOCA had ten volunteers in the field, working in teams of two covering the major agricultural areas of Bulgaria.
As in Poland and beginning in Latvia, VOCA conducts three month and six month evaluations of volunteer assignments to assure understanding and adequate implementation of the assistance provided.

While the diversity of the program may be a strength, in that it provides a fairly broad coverage of agricultural developmental problems, it may also be a weakness in that it could possibly spread VOCA's limited resources too thinly. VOCA Management in Washington and in Bulgaria will need to weigh the pros and cons to determine its policy and priorities for future program activities.

Appendix D

CODING SYSTEM

The evaluation team examined 68 interventions by nine voluntary agencies in three countries over a three week period. In the process, we compiled a huge amount of information on the interventions which is summarized in Appendix E. For mainly descriptive purposes, we coded the cases. Since a part of the SOW was to look at the cost effectiveness of different approaches, we have attempted some ratings which are highly qualitative. This, combined with a "get what you can" sample, makes this a flawed exercise but some useful hypotheses may be formed. The coding is as follows:

Case Number (CN):

Overall Development Returns (DR)

This rating is on a scale of 0 to 8 based on the three following measures combined:

- Productivity Measures (PM)

  Productivity was measured on a scale of 0 to 4 as follows:

  0 - start up
  1 - initial assignment under way
  2 - adoption of one performance measure
  3 - adoption of two or more performance measures
  4 - definite evidence of increased productivity or income

- Indirect Locality Specific Development Benefits (IR)

  0 - start up
  1 - evidence of at least one definable effect
  2 - evidence of two or more definable effects

- Broader Benefits (BB)

  0 - start up
  1 - minor, but one example for host country or U.S. contribution to host country or U.S. policy or program
  2 - more than two examples

Cost Category (CC)

1 - Less than 50% of A.I.D. Contractor Costs
2 - Between 50% and 90%
3 - Within +/- 10%
4 - More than 10% higher

Benefit/Cost Ratio (BC)

Development Return divided by Cost Category

Country (C)

1 - Latvia
2 - Poland
3 - Bulgaria

Location (L)

1 - Capital
2 - Outside

Sector (S)

1 - Agriculture
2 - Light Manufacturing
3 - Heavy Manufacturing
4 - Social Service
5 - Finance
6 - Tourism
7 - Retail and Trade

Voluntary Agency (VC)

1 - ACDI
2 - CDC
3 - FSVC
4 - IESC
5 - MBAEC
6 - LOL
7 - NCBA
8 - PC
9 - VOCA

Mode of Assistance (MA)

1 - Point in time, short-term training, training, with marginal follow-up

2 - Short-term technical assistance and training, with systematic follow-up

3 - Periodic and coordinated assistance and training, with systematic followup; longer-term involvement

Type of Client (CE)

1 - Small scale enterprise start up
2 - Strengthening existing privately owned enterprises
3 - Privatization of small to medium size enterprises
4 - Privatization of large enterprises
5 - Government
6 - Individual

Cooperating Institution (CI)

0 - Absence
1 - Presence

Type of Assistance (TA)

1 - Direct
2 - Intermediary

Annex 1 presents the raw data, and Annex 2 presents the basic cost calculations against which voluntary agency costs were compared. Annex 3 summarizes the cost data received from the voluntary assistance agencies.

Annex 1

CASE NO.	DEVELOPMENT RETURNS	PRODUCTIVITY MEASURES	INDIRECT BENEFITS	BROADER BENEFITS	COST CATEGORY	BENEFIT/ COST RATIO	COUNTRY	LOCATION	SECTOR	VOLUNTARY AGENCY	MODE OF ASSISTANCE	CLIENT	COOPERATING INSTITUTION	TYPE OF ASSISTANCE
1	1	0	1	0	3	0.33	1	1	1	1	1	6	0	2
2	6	2	2	2	2	3.00	1	1	5	4	2	5	1	1
3	5	2	1	2	2	2.50	1	1	6	4	2	5	0	2
4	1	1	0	0	2	0.50	1	2	1	4	1	2	0	1
5	2	1	1	0	2	1.00	1	2	2	4	1	4	0	1
6	8	4	2	2	2	4.00	1	1	2	4	4	4	0	1
7	2	2	0	0	2	1.00	1	2	3	4	2	3	0	1
8	1	0	0	1	4	0.25	1	2	1	6	1	2	0	2
9	2	1	1	0	2	1.00	1	2	1	8	4	6	1	2
10	3	2	1	0	2	1.50	1	2	1	9	2	3	0	1
11	3	3	0	0	2	1.50	1	2	1	9	2	3	0	1
12	1	1	0	0	2	0.50	1	2	1	9	1	1	0	1
13	1	1	0	0	2	0.50	1	2	1	9	1	1	1	1
14	2	2	0	0	2	1.0[illegible]	1	2	1	9	2	2	0	1
15	4	1	2	1	3	1.33	2	2	1	1	2	6	1	2
16	5	2	2	1	1	5.00	2	2	1	2	1	3	1	1
17	6	4	1	1	1	6.00	2	1	2	2	1	2	1	1
18	4	3	0	1	1	4.00	2	1	5	2	4	5	0	1
19	2	1	1	0	1	2.00	2	1	5	3	3	2	0	2
20	6	4	1	1	2	3.00	2	1	3	4	2	5	0	1
21	4	4	0	0	2	2.00	2	1	7	4	1	4	0	1
22	6	4	1	1	2	3.00	2	1	7	4	1	2	0	1
23	6	3	2	1	2	3.00	2	1	3	4	1	2	0	1
24	4	3	1	0	2	2.00	2	2	3	4	2	4	0	1
25	6	4	1	1	2	3.00	2	1	4	4	1	2	0	1
26	7	3	2	2	2	3.50	2	1	4	4	1	5	0	2
27	5	4	1	0	2	2.50	2	1	7	4	1	2	0	1
28	1	1	0	0	4	0.25	2	2	1	6	1	4	1	1
29	2	1	1	0	4	0.50	2	2	1	6	1	5	1	2
30	3	1	2	0	4	0.75	2	2	1	6	1	5	1	2
31	4	4	0	0	1	4.00	2	2	7	5	1	2	0	1
32	2	2	0	0	1	2.00	2	2	7	5	4	2	1	1
33	2	1	1	0	1	2.00	2	2	4	5	1	2	0	1
34	2	2	0	0	1	2.00	2	2	7	5	4	2	0	1

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Annex 1 (continued)

CASE NO.	DEVELOPMENT RETURNS	PRODUCTIVITY MEASURES	INDIRECT BENEFITS	BROADER BENEFITS	COST CATEGORY	BENEFIT/ COST RATIO	COUNTRY	LOCATION	SECTOR	VOLUNTARY AGENCY	MODE OF ASSISTANCE	CLIENT	COOPERATING INSTITUTION	TYPE OF ASSISTANCE
35	3	3	0	0	1	3.00	2	2	7	5	2	2	1	1
36	1	1	0	0	2	0.50	2	2	1	7	4	2	0	1
37	3	3	0	0	2	1.50	2	1	4	8	2	5	1	2
38	6	2	2	2	2	3.00	2	2	3	8	2	5	1	2
39	2	1	1	0	1	2.00	2	2	1	9	1	5	0	2
40	4	3	1	0	2	2.00	2	2	1	9	2	4	1	1
41	2	2	0	0	2	1.00	2	2	1	9	1	4	0	1
42	3	2	1	0	2	1.50	2	1	5	9	1	3	1	2
43	5	3	2	0	2	2.50	2	2	1	9	2	5	0	2
44	1	1	0	0	2	0.50	2	2	1	9	1	4	0	1
45	5	3	1	1	2	2.50	2	1	4	9	2	5	1	2
46	5	4	1	0	2	2.50	2	2	1	9	2	2	1	1
47	2	1	1	0	3	0.67	3	2	4	1	1	6	0	2
48	2	0	1	1	1	2.00	3	2	4	2	1	3	0	1
49	7	4	2	1	1	7.00	3	1	2	2	2	3	0	1
50	1	0	1	0	1	1.00	3	2	3	2	1	3	0	1
51	5	3	0	2	2	2.50	3	1	4	4	2	2	0	2
52	6	2	2	2	2	3.00	3	1	6	4	1	2	0	2
53	4	2	1	1	2	2.00	3	1	6	4	1	2	1	1
54	3	2	0	1	2	1.50	3	1	6	4	2	5	0	2
55	3	2	0	1	2	1.50	3	1	4	4	1	4	0	1
56	1	1	0	0	2	0.50	3	1	3	4	1	4	0	1
57	2	1	1	0	4	0.50	3	1	4	6	2	6	0	2
58	2	1	1	0	4	0.50	3	1	1	6	1	2	0	2
59	4	2	2	0	4	1.00	3	2	1	6	2	2	0	2
60	5	2	2	1	4	1.25	3	2	1	6	1	4	0	2
61	6	3	2	1	4	1.50	3	2	1	6	1	4	0	2
62	5	3	1	1	4	1.25	3	2	1	6	1	2	0	1
63	4	1	3	0	4	1.00	3	2	4	6	1	4	0	2
64	1	1	0	0	2	0.50	3	2	4	8	4	2	0	2
65	5	3	1	1	2	2.50	3	1	5	8	4	4	0	1
66	1	1	0	0	2	0.50	3	2	4	9	1	5	0	2
67	5	4	1	0	2	2.50	3	2	1	9	2	2	0	1
68	1	1	0	0	2	0.50	3	2	1	9	1	2	0	2

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ILLUSTRATIVE COSTS OF LONG-TERM ADVISORY SERVICES PROVIDED BY FOR-PROFIT MANAGEMENT CONSULTING FIRM

Cost Category	Assignment Post			
	Warsaw	Riga	Sofia	Average
1. Salary	86,589	86,589	86,589	86,589
2. Overhead	86,589	86,589	86,589	86,589
3. Travel & Transportation				
RT Airfare (coach)	2,300	2,700	2,800	2,600
UAB Shipment (250 lbs)	2,500	2,500	2,500	2,500
HHE Shipment (7,200 lbs)	21,600	21,600	21,600	21,600
Subtotal	26,400	26,800	26,900	26,700
4. Allowances				
Post Differential	12,988	17,318	17,318	15,875
COLA		3,480		
Housing	12,000	12,000	12,000	12,000
Subtotal	24,988	32,798	29,318	27,875
5. Other Direct Costs				
DBA Insurance	2,778	2,899	2,899	2,859
MEDEX Insurance	78	78	78	78
Travel Preparation	500	500	500	500
Communications	1,200	1,200	1,200	1,200
Miscellaneous	1,200	1,200	1,200	1,200
Subtotal	5,756	5,877	5,877	5,837
6. Total Estimated Costs	230,323	238,653	235,273	233,589
7. Fixed Fee @ 7%	16,123	16,706	16,469	16,351
8. Total Costs plus Fixed Fee	246,445	255,358	251,742	249,941

Assumptions:

a. One-year assignment.
b. Overhead includes fringe benefits.
c. Advisor originates in Chicago and is not accompanied by family members.
d. In the absence of housing information, a conservative estimate of $1,000 is used for each location.

ILLUSTRATIVE COSTS OF SHORT-TERM ADVISORY SERVICES PROVIDED BY FOR-PROFIT MANAGEMENT CONSULTING FIRM

Cost Category	Assignment Post			
	Warsaw	Riga	Sofia	Average
1. Salary	8,630	8,630	8,630	8,630
2. Overhead	5,609	5,609	5,609	5,609
3. Travel & Per Diem				
RT Airfare (coach)	2,300	2,700	2,800	2,600
Ground Transportation	1,000	1,000	1,000	1,000
Per Diem	4,920	6,150	7,440	6,170
Subtotal	8,220	9,850	11,240	9,770
5. Other Direct Costs				
DBA Insurance	241	241	241	241
MEDEX Insurance	17	17	17	17
Travel Preparation	250	250	250	250
Communications	200	200	200	200
Miscellaneous	200	200	200	200
Subtotal	908	908	908	908
6. Total Estimated Costs	23,367	24,997	26,387	24,917
7. Fixed Fee @ 7%	1,636	1,750	1,847	1,744
8. Total Costs plus Fixed Fee	25,003	26,747	28,234	26,661

Assumptions:

a. Four-week assignment @ A.I.D. maximum rate of $331.92 per work day, based on six-day work week (26 day work month) and including travel time.
b. Advisor originates in Chicago and travels economy-class both ways.

U.S. Short-Term Training

1. Study Tours

Example: Part of a Study Tour at University of Michigan - East Lansing in Farming Systems Research

Program for 4 Weeks

• Programming Costs: $600 per week per participant	$2,400.00
• Per diem $65 per day (x 28 days)	1,820.00
• HAC (Health Insurance)	120.00
• Transportation within the U.S.	400.00
• Books & Shipment of Books	120.00
4 Weeks for	$4,860.00
1 day	$ 173.57

2. On-Shelf Courses

Example: 3-week Financial Management Course at USDA Graduate School

• Tuition	$2,250.00
• Per diem in Washington, D.C. @ $107	2,247.00
• HAC (Health Insurance)	120.00
• Books & Shipment of Books	120.00
3 Weeks	$4,737.00
1 day	$225.57

3. Additional Optional Costs

Professional Societies	$225.00
Washington International Center - Orientation	505.00
Optional: For above programs	$730.00

In-Country Training

Cost of one expatriate technician to give training to a group of 30 participants from different parts of the country for 30 days:

Example:

Salary of Technician	$ 5,000.00
R/T Travel to European Country	1,000.00
Per diem	3,000.00
Salary of Local Administrative Assistant	700.00
Rent of Classroom	1,000.00
Supplies	500.00
Per diem for participants who do not reside in city of training (20 participants at $20 per day x 30 days)	$12,000.00
Transportation for participants within country	1,000.00
Total for one month	$24,200.00

Note: If more than one expatriate is required, add $9,000.

Long-Term Training

$20,000 per year is about right for U.S. long-term training

Example: Institution: SUNY (Syracuse), Field: Forestry

Annex 3

Rough Cost Estimates of Programs, as Submitted by Voluntary Agencies

To determine the comparative costs of assistance, each voluntary agency was formally requested to submit the following:

- Long-Term Advisor (cost per year)
- Short-Term Advisor (cost per day)
- U.S. Training (cost per trainee per week)
- In-Country Training, with Home Office Trainers (cost per trainee per week)

The manner of calculating costs varied so differently that we resorted to a 1 to 4 scale, showing voluntary agency costs as compared with average A.I.D. contracting costs for a consulting company.

1. <u>Agricultural Cooperative Development International</u>

a)	Long-Term Advisor:	Not Applicable
b)	Short-Term Advisor:	$451/day (includes trainer fees, travel, per diem, interpreter services)
c)	U.S. Training:	$2,896 per trainee per week (includes training fees, allowances, travel, insurance, interpreters, administration, and overhead)
d)	In-Country Training:	Not Applicable

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2. Citizens Democracy Corps

Poland:

	COST			
	Direct	Overhead	Combined	In-Kind
Long-Term Advisor (Field Representative) per Year:	173,514.33	44,713.64	218,227.97*	
Long-Term Adv.(Entrepreneur in Residence) per Year:	11,938.04	3,076.36	15,014.40	143,000.00*
Short-Term Advisor (Entrepreneur Advisor) per Day:	3.85	0.00	3.85	550.00
Short-Term Adv. (Corporate Assistance Program) per Day:	0.00	0.00	0.00	1,703.00

Bulgaria:

	COST			
	Direct	Overhead	Combined	In-Kind
Long-Term Advisor (Field Representative) per Year:	194,214.12	57,716.06	251,930.18*	
Long-Term Adv.(Entrepreneur in Residence) per Year:	20,378.20	6,055.94	26,434.14	143,000.00*
Short-Term Advisor (Entrepreneur Advisor) per Day:	3.85	0.00	3.85	550.00
Short-Term Adv. (Corporate Assistance Program) per Day:	0.00	0.00	0.00	2,198.00

*The long-term advisor estimate incorporates all office rental and operations as well as supporting host country personnel. CDC's mandate calls for 34% A.I.D. funding of total expenditures. CDC has accomplished a much lower ratio which is discussed in the main body of the text.

3. Financial Services Volunteer Corps

a)	Long-Term Adv. (Regional Director):	$89,500 per year (including overhead, moving and storage costs, two round trips to the U.S. for two people)
b)	Short-Term Advisor:	$130/day average (Maximum allowable is $246/day)
c)	U.S. Training:	$155/day (based on cost of hotel room, food, and transportation)
d)	In-Country Training:	Done by volunteers; minimal costs

4. <u>International Executive Service Corps</u>

a)	Long-Term Adv. (Defence Conversion):	$180,000 per year
b)	Short-Term Advisor:	$439/day (Latvia) $659/day (Poland) $656/day (Bulgaria) (These figures include overhead, per diem, field support, country office, recruiting, and air fare)
c)	U.S. Training:	Pay per diem and air fare, use own staff and offices
d)	In-Country Training:	Not Applicable

5. <u>MBA Enterprise Corps</u>

a)	Long-Term Advisor:	$28,000 per year ($29,800 for 18 months)
b)	Short-Term Advisor:	Not Applicable
c)	U.S. Training:	$770 per week
d)	In-Country Training:	$540 per week

6. Land O'Lakes

a)	Long-Term Advisor:	Not Applicable
b)	Short-Term Advisor:	$245/day (Latvia) $390/day (Poland) $161/day (Bulgaria)
c)	U.S. Training:	$2,965 (Latvia) $2,143 (Poland) $2,423 (Bulgaria)
d)	In-Country Training:	$591 (Latvia) $2,651 (Poland) $621 (Bulgaria)

7. National Cooperative Business Association

a)	Long-Term Advisor:	Not Applicable
b)	Short-Term Advisor:	$232 per day, including interpreter
c)	U.S. Training:	$1,100 per week
d)	In-Country Training	Not Applicable

8. Peace Corps

No information was forwarded

9. Volunteers in Overseas Cooperative Assistance

a)	Long-Term Advisor:	Not Applicable
b)	Short-Term Advisor:	$378.22 per day (Baltics) $251.59 per day (Poland) $400.19 per day (Bulgaria)
c)	U.S. Training:	Not Applicable
d)	In-Country Training:	Not Applicable

Appendix E

THE VOLUNTARY AGENCY CLIENTS OR PRIVATE ENTERPRISES

Cases #1 - #14: Latvia

Cases #15 - #46: Poland

Cases #47 - #68: Bulgaria

Cases #1 - #14: Latvia

Case #1: ACDI Observation/Training Tour

Country: Latvia

Ownership: N/A

Size: 4 participants, listed below

Sector: Agriculture

Location: In the U.S.

Voluntary Agency: ACDI

Period of Assistance: Tour dates were June 6 - July 25, 1992.

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Tour participants included:

· Maris Ragelis, Private farmer, member of Gulbene Dairy Association, a collection center for the Jaungulbene Cooperative Dairy Society (see Case #11)

· Zigurds Tomins, Chief, Agricultural Advisory Service, Jekabpils, provides assistance to the Jekabpils Grain Elevator and Feed Mill, (see Case #12)

· Janis Lapshe, Chief, New Farmers Division, Ministry of Agriculture, Riga

· Roland Berzins, Former Deputy Chairman of Farmers Federation (lost position in recent election), currently private entrepreneur - owner of three small groceries stores and founder of grocery store owners association (Ogres and Riga) which still in start-up stage

Each of these beneficiaries of the ACDI training program is in a position to assist in the development of the agriculture private sector. Two have the potential of making an immediate impact on a reasonably broad spectrum of the sector. The other two can make a more limited impact and exert a degree of influence and their potential contribution should not be discounted.

On an individual basis the training effort was a success, but from a programmatic standpoint the impact is probably negligible, particularly since there will be no follow-up nor

networking of the participants with each other or with other ongoing assistance programs. VOCA may be able to network with some of the ACDI beneficiaries since it has been in contact with most of them.

Lessons Learned:

Given the fact that this training exercise is the only one planned for Latvia, it is fair to question whether the funding might have been more effectively utilized in another Eastern European country where ACDI has a Resident Representative and maintains active follow-up with and assists in establishing networks between participants.

Productivity Measures (PM)	0
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	3
Benefit/Cost Ratio (BC)	0.33

Case #2: Bank of Latvia

Country: Latvia

Ownership: State

Size: Medium

Sector: Finance (Central Bank of Latvia)

Location: Riga, Latvia

Voluntary Agency: I.E.S.C.

Period of Assistance: 90-day, March-May 1992. Assistance in Tech/Mgmt: Bank management organization; systems automation for central clearing house, foreign op's department, and transactions; training IS resource staff. Follow-on 2nd activity, June 1992 for systems evaluation, software assistance, bank system training.

Cooperating Institutions: IMF, EC, AID, IBRD, EBRD

Type of Assistance: Direct

Narrative:

VE planned and help execute BOL reorganization including regional and special banking interface. Information System generated for automating cash and credit transactions, account clearing, and administration of a central bank system with foreign operations department. Staff initially trained in use of IS technology and FOD/Central Bank accounting using IS. Subsequent activity vital to evaluate and follow-up systems requirements, train key BOL as resource staff to enhance sustainability of intervention.

Lessons Learned:

Volunteers brought on line operational IS based on U.S. Central Bank model including foreign operations department in conformance with international bank accounting and clearing methods. Restructuring streamlined bank management and created job descriptions and logical reporting, control, and authority. IESC completed all contracted work order points, extended request to address issues in training and staffing, and met budget and time requirements. BOL reported "extremely pleased" and indicated "productivity and efficiency had rapidly improved with major policy changes influenced by assistance including revision to the Latvian Ruble (LAT) versus previous Soviet Ruble; monetary policy initiatives possible to begin implementation with IS capability; control and coordination with domestic and regional banks, and with foreign

interests greatly enhanced. Additional current assistance from U.S. Treasury; U.S. representative reported IESC activities and subsequent continued support were invaluable.

Productivity Measures (PM)	2
Indirect Benefits (IR)	2
Broader Benefits (BB)	2
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

Case #3: Latvian Tourism Board

Country: Latvia

Ownership: State Sponsored Agency

Size: Small

Sector: Tourism

Location: Riga, Latvia

Voluntary Agency: I.E.S.C.

Period of Assistance: 60-Day, Feb-April 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Assistance included advising board on comprehensive plans for development of nationwide tourist industry; developing specific marketing plan to attract foreign tourists, North American investors for tourism; advising on management and operations infrastructure for board. There was follow-on activity by same VE in August 1992 under new contract to properly develop and implement marketing plan; subsequent off-budget support in U.S. for PR, agency contacts, and systems development.

The initial contract was to be focused on a comprehensive marketing plan. The VE and board felt fundamental strategic planning and major restructuring of the organization was essential before "jumping into" marketing. Management tasks and administration methods were devised and implemented. A thorough marketing plan was developed during initial and second activity together with PR materials, advertising methods, operational procedures, regional private sector development projections, and investment profiles for private enterprise development.

The tourism board was located in an historic part of town with renovations in process. Public relations materials, logos, advertising tactics, information for media use in Europe and North American was produced, and staff authority and responsibilities redefined along productive lines. A comprehensive marketing plan was developed for Latvia with regional and local considerations to assist private owners and entrepreneurs. An association of tourism was formed with most members from private enterprise. Subsequent efforts in the U.S. beyond assistance funding include on-going networking with U.S. tourist associations, provisions to

Latvia of U.S. tourism and travel information, advise on data access, technical reports on travel, costs, and accommodations, and referrals for potential investors.

In January 1993, American Airlines corresponded with the board about a new route to Riga, possibly in March. PR has now extended using U.S. model and plan to Sweden, and IESC helped board create reciprocal agreement with Irish Tourist Board. U.S. Information Services was contacted for working with board on airport development plans. PR used in Germany, travel to Riga up from Germany and Sweden since ads and brochures distributed in October 1992 by 30% per month through January 1993. Four investment groups from U.S. and U.K. have contacted private resort owners through assistance contacts on hotel development.

Lessons Learned:

The board director said that IESC went "far beyond expectations to enthusiastically help create a viable organization with strategic plans and direction." Further, the board director and three regional private women entrepreneurs with travel and hotel investments reported that IESC has continued to provide "very important help and materials" and recently planned a foreign writers and travel editor's "conference and competition" for spring 1993 to open Latvia to American markets.

Productivity Measures (PM)	2
Indirect Benefits (IR)	1
Broader Benefits (BB)	2
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #4: Sleinera Pansija

Country: Latvia

Ownership: Private Stock\Entrepreneur

Size: Small

Sector: Agriculture (Whey By-produce Manufacturer)

Location:

Voluntary Agency: I.E.S.C.

Period of Assistance: 21-Days, November 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance included creating light manufacturing company plans; assisting in locating U.S. equipment and supplies vendors; advising on business plans & products. Upon completion of all work plan activities, IESC recommended an in depth ABLE assistance which begin in January 1993.

Owner/entrepreneur was prior employee of state-owned collective dairy farm which privatized into 8 new entities. As an engineer and manager with seniority, owner had option on small part of run-down "steam power" station on site. This had facilities, however, and as an entrepreneur, he created a new company to convert facilities into a factory for using waste products from whey to reduce pollution and to provide commercially marketable protein, lactose enzymes, and minerals for medical adaptation. IESC VE was to help structure the idea into a workable production and business plan, advise on technical factory specs, and investigate equipment and supplies needed from U.S. sources for the factory.

The VE completed a "feasibility plan" and advised client how to gather proper market and distribution data. The VE also created a production plan with a factory process and plant layout, and then wrote lengthy recommendations to help the owner implement ideas and pursue investors. On his return to the U.S., the VE secured lists of vendors and information of equipment specifications. He solicited actual bids for new and used equipment, screened bids for accuracy, and also evaluated potential U.S. markets for end products. The business is still "on paper" without adequate investors at this time, however, IESC assisted the owner in

generating a profitable business as a start by subcontracting steam-generated electric power to the local township and several businesses. Consequently, the entrepreneur has had a "living" with recent parsimonious profits with which to begin to pursue the factory plan.

Lessons Learned:

The evaluation team remarked in general overview of IESC that this was an example of an activity that might fail. The VEs efforts were exceptional, but also perhaps too far beyond the owner's capability. A complete factory plan is nice, but hardly a priority now. A solid business plan is needed to attract investors or to leverage the existing facility. The ABLE report may address this pressing need.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

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Case #5: Dailrade Production Association

Country: Latvia

Ownership: Approved for privatization as joint-stock company with employee equity.

Size: Approximately 500 full time, plus individual contractors

Sector: Light Manufacturing (handicrafts, wood & textile toys, boxes, gifts, souvenirs, clothes, jewelry, rugs, etc.)

Location:

Voluntary Organization: I.E.S.C.

Period of Assistance: 60-day, Sept.-Oct. 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Client asked for assistance finding investors and export markets/contracts with U.S. interests for a "full" range of their products and to quality company for immediate privatization. The VE, IESC, and client revised work plan on arrival to first rationalize product line (2,000 products in above mentioned list plus ceramics, metal items, housewares, glass, and leather). Later developed a privatization plan based on a logical marketing plan. Subsequent activity evaluation led to ABLE marketing and export feasibility report approved in January 1993.

The activity focused on the three priorities as assessed at the beginning of the intervention: 1) A plan to reduce the vast product line and rationalize operations; 2) A plan for privatization which would protect employee interests and be acceptable to the ministry; and 3) a marketing plan with detailed program for export trade as well as domestic sales. The VE and his wife worked as a team to provide assistance, established the criteria for intervention, and completed all items as planned within the time specified. Recommendations included some important changes in management (e.g., creation of a marketing department with training and procedures implemented), reduction of useless assets and operations, and repositioning of company products with profit potential while shedding those with little potential or that currently created cash-flow losses. An ABLE project was recommended to generate a thorough export marketing program.

Lessons Learned:

The work was completed as described, and a comprehensive marketing report was written, later expanded and improved by the VE and his wife in the U.S. The company director, however, has not implemented any recommendation, nor has the company reduced its product line. It has pursued (and been approved) for the privatization proposal. The company has also retained all employees who were at work when the activity began (approximately 500 full time plus "contract" people with "cottage industries" weaving textiles or making handicrafts and clothes). A marketing department was created -- one sales clerk and an accountant -- and production continues with cash losses. The company failed to meet payroll twice in the past two months. So although IESC and the VE activities were loudly applauded, the company has not followed through.

This enterprise was described in the main report as an example of how client management attitudes and expectations can undermine an otherwise very good assistance effort. Our opinion is that the company is near to closing even though it has excellent opportunities, and IESC is rather uncomfortable with results.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.00

Case #6: Grindex Pharmaceutical

Country: Latvia

Ownership: Approved for privatization immediately as joint-stock company; U.S.investor has made a formal offer.

Size: Large

Sector: Pharmaceuticals Manufacturing

Location:

Voluntary Agency: I.E.S.C.

Period of Assistance: April 1992-to-March 1993

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Five total activities contracted for Grindex. The first was short term for general corporate evaluation of potential for survival. Second advised on asset reduction and restructuring to prepare for privatization. Third was contracted CPA work in the U.S. to create audited reports of company operation. Fourth was certified appraisal by CPAs in U.S. of assets. Fifth on-going was development plans for wholesale marketing and distribution system.

Two of five activities contracted in U.S. by active executives as volunteers together with off-budget IESC assistance in plans for production, quality testing, sales leads, export marketing, and privatization.

Work plans completed in all instances as described which include the privatization plan, production and operations manuals, asset reduction and company reorganization, new techniques for export-quality manufacture of pharmaceuticals, CPA-audited statements and financials, complete valuation for investment purposes, approval of joint-stock company, and contracted offer by New England company for majority interest investment in Grindex that could be implemented by the time of this report. In addition, initial orders have been completed in excess of $1 million of new products to U.S. interests to test quality and performance of Grindex.

Lessons Learned:

Managing director, key managers, and several employees interviewed have high praise for all work done by IESC. The evaluation team was impressed by the extent to which IESC in Latvia has helped the company and the substantial help by U.S. IESC staff and outside volunteers to bring Grindex to a position in one year from "no sales" and 1,500 idled workers to sufficient sales to meet current cash flow needs and maintain a core of 600 employees. IESC was instrumental in helping 48 potential investing companies visit Grindex in 1992. IESC Latvia helped the managing director of Grindex to solidify the Director's Club and to form an association of pharmaceutical employees for self-help and employee or family assistance. This should be considered one of the outstanding success cases in the Latvian portfolio.

Productivity Measures (PM)	4
Indirect Benefits (IR)	2
Broader Benefits (BB)	2
Overall Development Returns (DR)	8
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	4.00

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Case #7: Spodriba Chemical & Production

Country: Latvia

Ownership: State-owned, privatization proposal under review.

Size: Medium

Sector: Household and Commodity Chemical Manufacturing

Location:

Voluntary Organization: I.E.S.C.

Period of Assistance: Six person months. Two VEs on 90-day assignment, started 24 Jan.1993

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Two VEs assigned with two work plans. The first is to generate an acceptable privatization plan (company's independent effort prior to assistance was "referred"). The second is to create a viable plan for product rationalization and subsequent marketing to include export markets in the U.S. The first plan is being implemented. The second is currently in limbo as the VE returned home with heart trouble following a mild MI and hospitalization.

The VE is revising the privatization plan and helping the company replan production items, assets, and management organization to align with the needed private enterprise requirements. This includes provisions for joint-stock owners once approved. The second part of this work is to help the company make a transition from state-owned accounting to westernized accounting practices, a necessary step for privatization as well as good operations. A formal business plan is expected to emerge from this effort, and although not specified in the work plan, this would be essential to guide future operations.

Lessons Learned:

There are no results as yet, but on visiting the plant, the evaluation team felt that substantial progress was being made, including the use of upgraded information systems and operations methods that will improve product quality. However, the company currently makes a broad assortment of glues, soaps, shampoos, paints, lubricants, deodorants, bug sprays, and so on.

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This is not a logical pattern of production and creates a crazy array of markets, suppliers, technologies, and skill requirements.

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.00

Case #8: Rujiena Dairy Producers Federation

Country: Latvia

Ownership: Private Dairy Cooperative

Size: 75 employees, 50 members

Sector: Agriculture

Location: Rujiena, Latvia

Voluntary Agency: Land O'Lakes

Period of Assistance: Less than one person month. Training, June 14-23,1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

This is a major dairy processing plant serving five regions. The organization is independent both in finance and organizational structure and has membership of about 50. The plant processes two kinds of cheeses; also ice cream and milk (4 tons and 20 tons per day, respectively) and employs 75 persons.

The Chairman of the Board Mr. Janis Yasans was selected to participate in the LOL U.S. Leadership and Agricultural Policy Orientation Tour.

Land O' Lakes (LOL) is just starting up in Latvia. During the period of the team visit it was learned that a country coordinator had been named and would begin official duties in February, 1993. Only one activity could be identified from the available quarterly reports and conversations with home office staff-- three month internships for a private farmer and the Chairman of a major Dairy Producer's Organization. These internships indicate a departure from the regular LOL process of first holding a National Forum and subsequently then a U.S. Leadership and Agricultural Policy Orientation tour.

An initial impact and lesson learned are worth mentioning here based on the one in-country client interview:

· the client was able to help prepare (gave significant input into) the Latvian national law on cooperatives and suggested that in the future Latvia may even adopt the two level of

cooperatives he learned about;

· the client expressed the view that different courses are necessary for farmers versus managers like himself;

· the client cautioned LOL should be careful to recruit people who are not from the old bureaucratic system.[1]

Productivity Measures (PM)	0
Indirect Benefits (IR)	0
Broader Benefits (BB)	I
Overall Development Returns (DR)	1
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	0.25

[1] Because of insufficient interview time as well as less than satisfactory interpreter services it was not possible to explore the comment in the depth that would have been useful. It can only be speculated that either the appropriate orientation as to why it is important to integrate farmers and managers was insufficient (i.e. emphasis on the LOL "integrated approach") and/ or the content was insufficiently challenging or responsive to the needs of a Board Chairman. The observation about type of individuals who should be recruited may stem from the client's own experience with, knowledge of same via his work with the Ministry of Agriculture The LOL country representative should undertake an extensive debriefing of both of these interns in order to get valuable input for design modifications.

Case #9: Commercial Agricultural Bank Development

Country: Latvia

Ownership: Two Businessmen/Regional Government

Size: Start-Up

Sector: Agriculture

Location: Jekabpils, Latvia

Voluntary Agency: Peace Corps

Period of Assistance: October 1992 to present

Cooperating Institutions: Swedish AID, U.S. Embassy

Type of Assistance: Intermediary

Narrative:

The private enterprise assistance program in Latvia began in July 1992. The volunteer visited is a young banker, assigned to the Regional Government, mainly to help with the establishment of a commercial agricultural bank which is being supported by the regional government (and which received a U.S. Embassy development grant). Related to the bank, the volunteer will provide business planning assistance to individual clients of the Region's agri-business development service which is being financed by Swedish aid. And further, he is training regional staff on how to use its computer.

Work is just getting under way so there has been no discernable effects as yet. There have been improvements in regional staff performance from counterpart relations and training. As a side project, he has been helping local art museums and handicraft shops with marketing. The volunteer would like to see the impact of his stay measured by the bank's profitability and loan repayment rates. On a broader basis, he suggested as a measure the overall flow of financial resources to the agriculture sector.

Lessons Learned:

The volunteer has taken a supportive rather than lead role to increase local ownership. Despite the urging of regional officials, he does not teach English in order to protect his primary role as a business advisor.

Discussions with the Governor and her staff accented the problems of decentralization in Latvia--the lack of resources (only about 20 percent of the national budget) and the shifting of non-productive (e.g. social service) enterprises for management and privatization without additional resource allocations.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.00

Case #10: Cooperative Dairy Society, Jaungulbene

Country: Latvia

Ownership: Partially privatized state owned enterprise; legally constituted entity as of 1 February 1993 -- milk production, processing, sales.

Size: 66 employees, management plans to reduce to maximum of 42-45 (10-12 current employees are also members) Membership is 18 out of 324 milk producing farmers in the region

Sector: Agriculture

Location: Jaungulbene, Latvia

Voluntary Agency: VOCA.

Period of Assistance: One person month. One short-term VOCA Volunteer TA -- development of business plan and follow-up, December 2-20, 1992.

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Present milk production is "a catastrophe", with anticipated 20-25% reduction due principally to malfunction of milk separation machine, compounding ability to achieve main objective of attaining high quality of production. Pressing problems are "technology, finance, and attitude." Equipment and technology need immediate updating, but with interest rates of 100-120 %, investment now not feasible. Meantime, farmers slaughtering cattle for domestic consumption.

· Association considering feasibility exchanging wood products for used equipment, and participation of foreign investors.

· Through sponsorship of regional extension center, association requested VOCA assistance in developing viable business plan. VOCA Volunteer helped association develop plan, making recommendations for technology, production changes, and financial calculations. Most recommendations were accepted and incorporated in business plan. Volunteer also convinced association leaders of immediate need of accelerating privatization process (and of pressing

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Ministry of Agriculture for more rapid action) in order to prevent further deterioration in identity and financial position of association.

Lessons Learned:

VOCA assistance may have been premature, given fluid circumstance affecting the dairy association. On the other hand, with a clear view of what needs to be done, the association is poised to move quickly when circumstances change. Sustainability under present circumstances unpredictable, but given high visibility of dairy, potential for spread effect is good.

Productivity Measures (PM)	2
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	3
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.50

Case #11: Jekabpils Grain Elevator and Feed Mill

Country: Latvia

Ownership: State enterprise in the process of being privatized

Size: 140 employees, down from 200

Sector: Agriculture

Location: Jekabpils, Latvia

Voluntary Agency: VOCA

Period of Assistance: Two person months. Two short-term VOCA Volunteers TA -- management, marketing, and grain sourcing; quality and distribution of feed, May 13-June 18, 1992.

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

At moment grain elevator and feed mill complex caught in evolutionary process, in transition from large state enterprise to a downsized but, hopefully, more efficient operation. The Director, who apparently has extraordinary powers and authority, is also apparently a genius at working his way through bureaucracy and tangle of debt, ownership and eventual organizational structure of the complex.

· Plans underway to expand operations by purchasing, part in cash and part in debt instruments, a currently bankrupt pig farm which would provide immediate consumer outlet for feed mill and provide greater income than beef.

· VOCA advice re technology and operations of grain elevator and feed mill provided basis for reorganization and introduction of technology modifications. VOCA would have assisted in development of business plan, but sufficient, adequate data was not available. Now, enterprise must contract consulting firm to prepare one.

· Contact has been maintained with volunteers. Director will travel to U.S. for follow-up visit with volunteer -- ACDI pays for ticket. other costs covered by Director and volunteer.

· Eventual aim: privatization of entire enterprise, closed membership corporation, open only to workers and those who have invested in initial stock company.

Lessons Learned:

Receptive and adaptable client important key to proper and effective utilization of technical assistance and advice, coupled with ongoing contact between client and volunteer. A genuine entrepreneur finds ways of getting things done without waiting for entire legislative/legal package to catch up.

Productivity Measures (PM)	3
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	3
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.50

Case #12: OSA Private Farmers Organization/Mechanization

Country: Latvia

Organization: Limited partnership, organization in formative stage

Size: 50 employees, 33 farmer members

Sector: Agriculture

Location: Osa, Latvia

Voluntary Agency: VOCA

Period of Assistance: Less than one person month. One short-term VOCA Volunteer TA -- business organization, farm management, January 18 - 30, 1993

Cooperating Agencies:

Type of Assistance: Intermediary

Narrative:

Former members of state (collective) farm acquired various types of farm machinery from the farm, and have pooled these resources to create a mechanization project through creation of a limited partnership.

· Partnership involves not only utilization/access to machinery pool, but also to collaborative efforts in production. Joint marketing not yet planned.

· VOCA assistance requested through Regional Agricultural Advisor. Although partnership meets current needs of the group, they are waiting for cooperative legislation to be in place to determine whether there would be an advantage in converting to a cooperative form of organization or of remaining as a limited partnership.

Lessons Learned:

Important to clearly delineate the various organizational structures (cooperative, limited partnership, corporation, share-holders company) possible under Latvian law in order that farmer groups can decide which best meets their needs.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

Case #13: Ogres Forestry Association/Rural Innovation Center

Country: Latvia

Ownership: Association, not yet legally constituted, undergoing start-up stage

Size:

Sector: Forestry

Location: Ogres, Latvia

Voluntary Agency: VOCA

Period of Assistance: Less than one person month. One short-term VOCA Volunteer TA -- role of a forestry cooperative in forest management, harvesting, processing, and marketing, November 10 - 23, 1992.

Cooperating Institutions: ACDI

Type of Assistance: Intermediary

Narrative:

Rural Innovation Center, Ogres, assisted some of its members in organizing a forestry association, to provide vehicle for them to judiciously exploit forest resources on their farms.

· VOCA assistance was requested, through the intermediation of an ACDI training participant, to guide the founding members in the formation of their association and in the procedures required for harvesting, processing and marketing (including market research) forest products. The volunteer's assistance apparently met all of the expectations of the group.

· Forestry, on a small scale by private farmers is a new concept in Latvia. This association, if successful (and it appears to be off to good start), could provide model for other similar associations in Latvia since Latvia has large forest resources which are being privatized and most farms have exploitable trees. The approach urged by the VOCA volunteer, if followed, will assure an ecologically sound exploitation, generating income in addition to that earned through traditional farming activities.

Lessons Learned:

A good fit -- Volunteer/local enterprise -- can produce modest though impressive results in a short period of time, reinforced by follow-up contacts. This reinforces the argument that a ready and receptive audience will provide the environment for adaptation of technology. This is an example of a type of activity not usually encountered in development assistance programs, except where there is a reforestation effort. This one benefits by being ahead of the environmental destruction which requires massive reforestation programs.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

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Case #14: Bauska Meat Producers Association

Country: Latvia

Ownership: Legally constituted association, exploring feasibility of potential investment in meat processing plant and of market outlets

Size: 30 individuals, 12 from share capital company

Sector: Agriculture

Location: Bauska, Latvia

Voluntary Agency: VOCA

Period of Assistance: One person month. One short-term VOCA Volunteer -- market analysis and development; processing plant start-up, including equipment needs and product valuation, January 4 - 22, 1993

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Because Bauska is a major meat production area and Riga maintains the monopoly in processing meat, a group of cattle owners, exploring feasibility of investment potential in local meat processing plant and developing market outlets, formed a legally constituted association, registered January 29, 1992.

· Through assistance of Agricultural Advisory Service, the association requested VOCA help in analyzing what steps were needed which would lead to the goal of building a meat processing facility. Had already received bids and joint venture feelers from various European concerns, but wanted to take a more careful, objective view prior to making investment commitments

· VOCA volunteer reaffirmed that starting from ground zero was practical, and preferable to taking over and privatizing a state enterprise. However, recommendation was made to begin with less ambitious plan than those under consideration -- with phasing of operations until a full-scale operation could be realized.

· Assistance in preparing business plan and developing specs for required technological package provided association leaders with clearer vision of what needed to be done -- export outlets being explored with 100 Tons of meat already on way to Azerbaijan

Lessons Learned:

Sometimes the most important element of external assistance is to confirm feasibility of enterprise concept, provide details which fill out the concept and pose questions which leaders must explore and answer.

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.00

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Cases #15 - #46: Poland

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Case #15: ACDI Observation/Training Tour

Country: Poland

Ownership: N/A

Size: 4 separate training interventions with 7 participants, listed below

Sector: Various

Location: In the U.S.

Voluntary Agency: ACDI

Period of Assistance: Differs by each intervention; see narrative below

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Tour Participants included:

For the first tour, November 30 - December 21, 1991:

· Krzysztof Majkowski, Director, Regional Cooperative Service Unit, Rural Cooperative Foundation (formerly, President, Kiezliny Rural Production Cooperative).

· Ewa Niesiobedzka, President, Prosper Poultry Processing Plant (see Case #46).

· Isabela Wojcik, Advisor to the Vice Chairman of the Polish Senate (see Case #45).

For the second tour, March 18 - May 19, 1992:

· Zbigniew Dabrowski, President, Lukta Dairy Plant (local government investment with potential for ultimate privatization).

For the third tour, October 23 - December 21, 1992:

· Halina Siemaszko, Marketing Specialist, Center for Promotion and Support of Agriculture Enterprise, Technoserve/Poland-assisted foundation.

For the fourth tour, January 23 - February 6, 1993:

· Ireneusz Niewiarowski and Maria Zajaczkowska, members of the Lower House of Parliament and cooperative law reformation committee.

ACDI participants, interviewed during this evaluation, represent three different types of ACDI clients: public sector officials, with potential to influence policy, legislation, and support to/for the private sector; private sector organizations which provide assistance and technical support to the small business sector; and small businesses and entrepreneurs.

· Given the ongoing three-month and six-month evaluation follow-ups per participant, the networking sponsored by ACDI or spontaneously between participants, and the utilization of trained participants in seminars and other public exposure forums, ACDI is assuring a wider coverage than just the person trained or his/her immediate work environment.

· ACDI's networking with other organizations and institutions (e.g. VOCA, USDA, IESC, Peace Corps, and others) provides it with access to potential participants which it might not otherwise have.

Lessons Learned:

While it may be legitimate to question whether, in addition to all the other assistance provided to Ewa Niesiobedzka and the Prosper Poultry Processing Plant (see Case #46) can be fully justified, the diversity of the above listed individuals and organizations they represent, which have benefitted from ACDI training program in Poland, demonstrates how a low budget training program can have influence beyond those individuals and organizations immediately affected. Even the assistance provided to Prosper Poultry has the potential of spread effect and, in fact, provides an example of what concentrated assistance can achieve when the individuals benefitted (Ewa and Tadeusz Niesiobedzka) exemplify obvious entrepreneurial characteristics. They might have succeeded without the assistance, but at much slower pace and, probably, without the high degree of technology and efficiency that characterizes their operation.

Productivity Measures (PM)	1
Indirect Benefits (IR)	2
Broader Benefits (BB)	1
Overall Development Returns (DR)	4
Cost Category (CC)	3
Benefit/Cost Ratio (BC)	1.33

Case #16: Food Processing Corporation

Country: Poland

Ownership: Under Privatization

Size: Medium

Sector: Agriculture

Location: Southeast Poland

Voluntary Agency: CDC

Period of Assistance: One Year

Cooperating Institutions: Polish American Enterprise Fund

Type of Assistance: Direct

Narrative:

The Tomasovia plant in southeastern Poland produces frozen berries, jams and preserves, and rotgut wine. At the request of CDC, RJR Nabisco agreed to field a one year advisor, supported by short-term assistance by corporate executives. The first requirement was to teach company officials how to identify products that turn a profit. This led to a fourfold increase in the production of strawberries, the elimination of some jams and preserves, and a change in the wine label. It also led to the establishment of a Sales and Marketing Division. Tomasovia landed a contract with a U.S. firm that needed berries for ice cream making in Western Europe but the growing season was too short to deliver.

Other fundamentals were addressed such as packaging, developing a business plan and an accounting system. The corporate advisor found that time was required for the training and acceptance of his assistance. While working at Tomasovia, he identified a firm that produced bakery goods and was progressive so assistance was extended to this firm. All of this assistance, except for the resident advisor's housing in Poland (which was contributed by Tomasovia), was provided by RJR Nabisco. He also met a nearby Peace Corps volunteer that ended up in marriage.

Lessons Learned:

This case shows the extent of corporate contributions that can be mobilized through a corporate-to-corporate program. RJR Nabisco developed a separate cost center for this operation. Strong senior corporate relationships were necessary to gain this commitment.

While some businesses have progressive leadership, in others it takes time to change attitudes and practices. This may be accomplished by systematic assistance and training over time.

An important indirect effect was when a local banker received a solid business plan, he started requesting this of other firms.

Productivity Measures (PM)	2
Indirect Benefits (IR)	2
Broader Benefits (BB)	1
Overall Development Returns (DR)	5
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	5.00

Case #17: Secura

Country:	Poland
Ownership:	Private
Size:	Medium
Sector:	Light Manufacturing
Location:	Warsaw, Poland
Voluntary Agency:	CDC
Period of Assistance:	Three Institutional Visits
Cooperating Institutions:	Polish American Enterprise Fund
Type of Assistance:	Direct

Narrative:

Secura's innovative President established his firm in 1982, outwitting communist party leadership by gaining permission to produce safety equipment to help workers. In addition, he was able to maneuver ownership of his plant complex. He established partnerships with the Warsaw Institute of Technology and the Military Institute of Chemistry and Radiometry to cooperate on a continuing research and development, earning more than 20 U.S./Polish patents.

Secura's volunteer, a former Bell Telephone executive started his assistance by doing a complete evaluation of the company with the President and his management. From this work, a business plan was developed and product standards developed for competition in the international market. On the third trip, with another CDC volunteer, the concentration will be on improving product manufacturing. International interest in the use or leasing of the technology may be seen in the increasing number of delegations entering into negotiations with Secura. The Polish American Enterprise Fund has invested heavily in this firm.

Secura plans include an annual increase in production over the next five years. The volunteer has refused other CDC assignments because he wants to be a part of this process, "following through on the work we've started". He also emphasizes the need to provide concrete examples and assist in the implementation process.

Lessons Learned:

This case suggests the importance of time phased volunteer assistance, with personnel continuity. It also raises the question of whether graduation criteria are needed, perhaps ones built on increased profitability.

Productivity Measures (PM)	4
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	6
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	6.00

Case #18: Polish State Railways

Country: Poland

Ownership: State-Owned

Size: Large

Sector: Transportation

Location: Warsaw

Voluntary Agency: CDC

Period of Assistance: Two Years

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Polish State Railways known as PKP saw its traffic decline considerably after trade within the Eastern bloc fell off and new competition arose as the European Community lifted internal trade barriers, ending a 150 year monopoly. The management did not know how to handle of transition, particularly since it was burdened by a $1.0 billion debt, reduced government subsidies, and a swollen work force of nearly 400,000.

The CDC Chairman, who was also CEO of Union Pacific, decided to lead by example and took on the task of assisting PKP by providing an advisor for eighteen months, with continuous short-term assistance. A corporate advisor with expertise in U.S. rail and truck deregulation helped PKP examine its traffic flows. PKP found that 80% of its traffic flow ran on just over 50% of its lines, leading to a PKP decision to abandon thousands of miles of low traffic lines. PKP had to cut costs but ran into union resistance. Union Pacific labor specialists explained how to formulate force reduction programs, leading to union agreement to allow cuts of 42,500 workers. The five unions were made aware that PKP could loose its market unless it converted to market behavior.

CSX was then persuaded to provide the ongoing assistance with a focus on financial management. Although the process has been initiated, considerable time and even more drastic work force reductions will be required to even stop the current losses that run into hundreds of millions each year.

Lessons Learned

The revamping of PKP will take intensive and long-term effort which raises the question whether voluntary agencies should take on such massive tasks. CDC through the contacts of its Chairman has moilized high powered American corporations which are the only vehicles capable of providing this form of assistance. Even though gains have been made, the impact is still minor compared to the size of the problem.

Productivity Measures (PM)	3
Indirect Benefits (IR)	0
Broader Benefits (BB)	1
Overall Development Returns (DR)	4
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	4.00

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Case #19: FSVC Activities in Poland

Country: Poland

Ownership: Various government and private institutions and agencies

Size: Various

Sector: Finance

Location: Various

Voluntary Agency: FSVC

Period of Assistance: Continuous since May 1990

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

A private non-profit organization based in New York, FSVC channels voluntary assistance toward Central and Eastern European clientele with an interest in financial institution building. Assistance is in the form of technical advice, development of capital markets, assisting with regulatory frameworks related to financial and capital markets, privatization, and relevant legal issues. Field work was initiated in Poland in May 1990. Their major emphasis is toward institutional support and systems development at the policy levels of government. FSVC has identified 24 assistance activities. Six reflect capital market development, five concern regulatory development, two mass privatization, two investment advisory services, five insurance industry development, and four involve uncategorized assistance. Assistance is established through agreements between FSVC and the clients for specific technical work or training and through mutual understandings for support, such as a cooperative relationship for on-going advisory services with the Ministry of Finance.

FSVC has placed a resident country director who spends approximately half of his time at the Ministry of Finance working on issues related to the government's mass privatization program; the remainder of his time is spend coordinating the efforts of FSVC volunteer activities. Clients in Poland include the Ministry of Finance, stock exchanges, commodities exchanges, the governing body of the Polish Securities Exchange, depository insurance authorities, and various banks. FSVC Poland's training activities are mostly in-country, but approximately one-third of training takes place in the U.S with brokerage houses, insurance companies, and regulatory agencies, funded by U.S. constituents. The intense introduction

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to western systems and hands-on development experience results in a "resource staff" that returns to Poland capable of making institutional changes and training others, and generates substantial leverage for the program.

Lessons Learned:

Due to a lack of verifiable information and only brief meetings in Warsaw, the evaluation team could not estimate activity costs, budgets, or intervention results on a case-by-case basis. (Please see the section on FSVC in Appendix C for further explanation.) The evaluation of FSVC was inconclusive and is based on limited, general information.

The FSVC strategy and scope of work seems well focused and clearly in support of its mandate to establish institutional support for financial and investment markets. To the extent that FSVC is helping resolve regulatory issues, influencing U.S. and Polish private sector investments, enhancing legislative proposals, encouraging mass privatization, and providing appropriate technical assistance, the program can be deemed beneficial and effective.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	2.00

Case #20: Warel of Warsaw (Defense)

Country: Poland

Ownership: State-owned

Size: Large

Sector: Defense-related Electronics

Location: Warsaw, Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: 7 months (June 1992 - January 1993)

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance includes defense conversion, including major restructuring and complete plans for commercial development of product lines with potential for private investment initiatives. Unusual for IESC as an initial 7-month project, and this is some initiative for follow-on.

Main focus is business plan development around a core of electronic products that could be converted to commercial manufacture from previously concentrated military hardware or defense-related equipment. This integrated plant concentrated on various forms of measuring and circuity instrumentation, and consequently, it has the capabilities for commercial radio or various types of receivers. Part of the conversion assignment was to get past planning to initial manufacturing, and the VE who completed his term the day to leave as the evaluation team also ended its stay, noted that during his tenure, orders were obtained for prototype radio receivers from Radio Shack, and there had been inquiries by Motorola for a European model of mobile telephone equipment. His business plan was submitted, and the team was told verbally that the job performed by the VE was exceptional with additional recommendations and help with company reorganization, training, and introduction of international standards for product safety and quality.

In addition to actual sales (all domestic), Warel has a projection of nearly 30% increase in 1993 which would turn the company profitable at its current level of employment. Several companies have expressed interest in co-venture contracts, including Phillips and Harris Electronics, and several companies in the EC have made preliminary orders of OEM

switching and contact electronic parts.

Lessons Learned:

Warel's directors are very enthusiastic about IESC help and the VE is highly praised. The IESC country director has also been instrumental in setting up piggyback training and networking Polish interests with this factory conversion process for providing supplies and supplier credit. As a result, it appears that Warel may be one of the few high-potential defense conversion projects with solid opportunities for privatization and success.

Productivity Measures (PM)	4
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

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Case #21: Anto-Mot SA

Country: Poland

Ownership: Private Stock Company

Size: Large

Sector: Wholesaler, Import & Export of auto and truck parts, and has vehicle service centers.

Location: Warsaw, Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: One person month, one VE, March 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance included setting up joint stock company after being approved for privatization, and reorganizing management with separate marketing functions. Currently has request to IESC for help with MIS and training.

VE came into short-term position with clear mandate for technical assistance. Because the company had been a state-owned center for vehicle supplies and repair parts, it was not difficult to continue the same business under private ownership. However, management had no knowledge of stock or private investment processes. In addition, the firm was structured without marketing supply sourcing or procedures (or experience) in export or import. The VE set up a structure with a marketing department to complete the new company formation, and then assessed skills requirements to make further recommendations.

Lessons Learned:

Since the VE activity, the company has become completely privately owned, and the new format, established March 1992, has resulted in increased sales, increased productivity (as measured by value shipped per employee), and lower total cost. The company expects to be profitable within a few months and has made cash flow requirements without debt since early December 1992.

Productivity Measures (PM)	4
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	4
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.00

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Case #22: IBC Company Ltd.

Country: Poland

Ownership: Private Corporation

Size: Large

Sector: Holding company for diverse interests in food shops, clothing, meat retail, ice cream manufacturing, construction, bakery goods, toys.

Location: Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: 60 days, December 1992-February 1993

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance included restructuring the company and management, setting up merchandising plan for retail operations, assisting in reducing costs and assets, and repositioning company for growth. Company came into being as a new stock company after a variety of family and "extended family" stores and business locations were reinstated under the land ownership and economic reform initiatives.

The resulting company after owners gathered interests was many business enterprises and locations that were stocked or turned into enterprises through aggressive business initiatives. However, this resulted in a collection of poorly managed shops and services. The VE made very strong recommendations for a new management structure that included fired some people, eliminating executive positions, retraining and changing operations into decentralized outlets or enterprises, and selling off some interests in manufacturing. Before the project ended (during the evaluation team's visit), the owners had in fact started to rapidly implement the suggestions. The VE also drew up merchandising plans and new store layouts, including new product lines and suppliers both domestically and through imports from the United States.

Lessons Learned:

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By the end of the activity, costs had been reduced by about 25 percent against total sales, and sales had increased by about 15% in two months. The store layouts were changed, PR was enhanced, and contracts signed for imported products from the United States. The VE also produced a solid marketing plan for long term implementation. Provisions were also made for handicapped workers and improved safety in the work place. The consensus of opinion by management, IESC country director, and the evaluation team was that the project was highly successful with marked changes in sales and productivity, plus the bonus of actual new business relationships with U.S. suppliers.

Productivity Measures (PM)	4
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

Case #23: Pribo

Country: Poland

Ownership: Private/Entrepreneur

Size: Medium

Sector: Construction

Location: Warsaw, Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: 60 days, November 1991 - January 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance included repositioning construction company in a market segment with profits and evaluating new plans for framed housing unique to Poland. Activity extended to 90 days with add-on work later in 1992.

The company initially asked for investment support for new vacation house plan concept, and then wanted marketing advice for these framed modular small structures. On arrival the VE recognized the fundamental plan suitable for a two or three bedroom home, even though somewhat smaller in size that envisioned for a similar home in the U.S.. The plan was modified to try to establish viable new plans for family housing. This was supported by IESC surveys and advice from Warsaw on the need to provide more and cheaper housing to relieve serious housing problems across Poland. The VE and client set about to plan a new enterprise position in commercial housing, and created blueprints, material sourcing requirements (many for U.S. and Canadian materials), and completing costing data.

The results were a completed prototype frame structure, up and ready to model or even occupy within several weeks after the activity was completed. It was then costed out, modified, redefined slightly, and set up for several models and a marketing plan. This work was accomplished in part by the VE and friends well after the IESC activity support ended. U.S. supply channels were also identified and some bids were obtained on parts and materials. A secondary activity helped implement several marketing plans, such as developing a full line of brochures and sales documents, and creating a linkage with a

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commercial bank for debt support of home buyers.

Lessons Learned:

All evaluations and the subsequent 6-month follow-up evaluation rated the success of this project extremely high with actual sales, new employment, a very reasonable plan with high-demand products, and good management.

Productivity Measures (PM)	3
Indirect Benefits (IR)	2
Broader Benefits (BB)	1
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

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Case #24: Unimor - Gdynia

Country: Poland

Ownership: State-owned

Size: Large

Sector: Defense Electronics Manufacturing

Location:

Voluntary Agency: I.E.S.C.

Period of Assistance: 6 months, January-June 1993

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance concentrated on defense conversion of electronics sector for integrated Polish defense-based company in northern city. Initial evaluation work and planning sessions conducted in early December 1992 and funded to position the IESC work before actual VE selection and commitment.

The general director of Unimor initially sought IESC for investment and infusion of technology to underscore a restructuring proposal directed toward privatization efforts. This was modified by the lead evaluation team and the IESC staff in 1992 to focus assistance more carefully on realistic goals. The current contracted work plan is to establish a strategic long-term plan with specific 1993 objectives and a five-year plan for conversion. In addition, IESC will identify technology changeover required, reorganization of company sectors that would be candidates for private stock companies rather than convert a fully integrated complex, and establish a profit-planning scenario for management.

Lessons Learned:

The VE had been involved for several weeks when the evaluation team met Unimore and U.S. parties through a reception and conducted personal interviews. A very rapid implementation has begun to occur as several large U.S. electronic manufacturers have been attracted to investigate Unimor's capabilities even as the planning has only begun. Zenith has actually drawn up a "letter of intent" to co-venture on television sets to be produced for

the European market as Zenith has no export market for U.S. made products in Europe (technical requirements differ too much to redesign U.S. plants for potentially small relative EC sales). Unimor has developed an initial plan with IESC that is perhaps ahead of its target for strategic evaluation to manufacture and sell 200,000 TV-sets in 1993, and if events unfold as expected, employment will rapidly stabilize and give the company and IESC time to systematically complete its entire work plan.

Productivity Measures (PM)	3
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	4
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.00

Case #25: RP Telecom, Warsaw

Country: Poland

Ownership: Private stock/new company

Size: 40 employees

Sector: Public Media Agency

Location: Warsaw, Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: Three person months, one VE, 90-day, December 1992 - March 1993

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance concentrated on helping new enterprise licensed through state to develop a central phone control system complete with switching networks and national integration of technology and services. RP Telecom has a Polish government grant and a high-priority mandate to accomplish this. Contractors involved through government grants together with private investment initiatives including work by Polish Business Advisory Services and World Bank advisors.

IESC has a specific technical and managerial contract with a VE from U.S. West to establish operating methods and switching controls under a nationwide plan for telecommunications. This implies a redefinition of existing phone services technology and a conversion to computer-based U.S. technology, but EC bidders are involved together with Motorola (e.g., Erricson of Sweden). The VE will provide a comprehensive operating manual and network strategies for the eleven provincial telecommunication authorities.

Lessons Learned:

An unusual project to date as the client started from ground up, scratch, and has about 40 highly skilled employees now operating the major telephone center serving Warsaw. It has already contracted for several U.S. supplied equipment items, and the management expects to go with a U.S. system due to the direct assistance by predominately American interests.

The IESC and VE are looking for tremendous leverage effects from this activity by setting up a "model" for central telecommunications controls and service that can be eventually replicated in 80 projected regional and local enterprise centers for a fully integrated national system.

Productivity Measures (PM)	4
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

Case #26: Ministry of Privatization

Country: Poland

Ownership: Government

Size: Large

Sector: Public Administration

Location: Warsaw, Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: 90 days, August-November 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Assistance centered on advising and assisting in restructuring of management, planning and helping to develop privatization procedures, methods, and priorities. Coordinated activities by other assistance have evolved from this effort including liaison work with the FSVC, the Polish Business Advisory Service, American Investment Initiatives, and a proposed long-term support effort through the MBA Corps.

VE was involved at the policy level for developing privatization options and financial/managerial mandates of restructuring related to defense and public sector agencies. Management job descriptions, positions, reporting systems, and administrative procedures were also developed for the ministry, and the VE conducted several seminars, meetings, and on-site evaluations. A privatization strategy was put in place through IESC efforts that separated large industry from small or micro-enterprise priorities, and a shift in emphasis was proposed to rapidly convert small business endeavors as cost-effective measures. Large-scale efforts were set up for ranking through a needs assessment process which has now become an operational procedure at the ministry.

Lessons Learned:

Formal letters to IESC, and feedback by the minister and staff to the evaluation team, praise IESC highly and explain that the VE went well beyond expectations to address all issues. He provided a reorganization plan for the ministry whereby management had clear

authority and internal communications were improved. There has been results not anticipated by intervention with two candidate companies for privatization. Through the investigation process for the ministry, the IESC studied the ORBIS hotel chain and tourist group, and found that it was able to test prototype privatization plans by actual implementation with ORBIS. Consequently, ORBIS was restructured and provided with a complete planning scenario for development. A similar effort was made with Glogow Copper Mine and Smelting Complex, a huge state-owned enterprise with 40,000 employees. Through this intervention, Glogow was provided guidelines for privatization and rationalizing operations and management.

Productivity Measures (PM)	3
Indirect Benefits (IR)	2
Broader Benefits (BB)	2
Overall Development Returns (DR)	7
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.50

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Case #27: Consortium of Apple Juice Processing Companies/IESC

Country: Poland

Ownership: Volunteer Association

Size: Small

Sector: Trade and Export Distributor

Location: Warsaw, Poland

Voluntary Agency: I.E.S.C.

Period of Assistance: 30 days, September - October 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Assistance included providing a national survey of apply juice growers and food processing plants directed toward apple juice concentrate for domestic and export markets; creating a marketing and economic projection plan for concentrate in Europe and North America. Project was initiated as a trade and investment effort under IESC, not for a specific enterprise, but for use in developing the entire apple juice concentrate industry.

Comprehensive survey and data collection on Polish apple growers, juicing programs, and storage and distribution capabilities. A comprehensive marketing survey was accomplished with field volunteers and cooperative information from U.S. assistance groups in several other agricultural field endeavors. Research into the European markets, with emphasis on Germany (prime exporter to the U.S. at this time of juice concentrates), and IESC analysis of U.S. markets for imported apple juice concentrate. Data collected in large reports and set up for five-year plans, including export opportunities, competition, import requirements for equipment and facilities, and distribution methods.

Lessons Learned:

Plans for generating a dockside loading site for concentrate were put forward by the VE in charge, and subsequently, a group of four large northern food processors have begun to refurbish a dockside export facility. Most growers are in coops and larger production associations, but the processors and export distributors are almost all private enterprise.

Consequently, the marketing data is in high demand, and while the evaluation team was present, a major order came through from an agent representing U.S. canning companies for Polish concentrate in replacement of German orders. It appears that the Polish apples used in this process are superior to other types grown throughout Europe, and IESC has forecasted Poland's sales to more than quintuple during the next two years, mainly competing in U.S. markets, but competing against other European firms.

Productivity Measures (PM)	4
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #28: OSM Dairy Cooperative, Piatnica

Country: Poland

Ownership: Privatized Dairy Cooperative

Size: 280 employees, 4,000 suppliers

Sector: Agriculture

Location: Piatnica, Poland

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance:

Cooperating Institutions: VOCA. (VOCA TA to provide information to farmers on how to improve milk quality. VOCA volunteer lived with farmers for period of assignment.) Compare with Case #41, which is the same dairy cooperative.

Type of Assistance: Direct

Narrative:

The Piatnica Dairy Cooperative is a privatized cooperative comprised of private farmers. The plant actually started up in 1952 in Wamja and moved to new modernized building and facilities in Piatnica over the last 3 years. It was originally private but was annexed by the state in the 1950s when all dairy cooperatives were ruled illegal. There are 4,000 milk suppliers, 46 procurement points, and 280 employees. Milk is bought processed into farmer's cheese (an intermediate product) for sale primarily to the domestic market. They produced 200 tons of cheese in January. Also the plant sells high quality milk, cream. The Chairman of the Cooperative plans to expand to the production of cottage cheese and has just completed negotiations for equipment needed. His objective "to corner the market" on sale of cottage cheese which he said does not yet exist in Poland.

Land O'Lakes (LOL) intervention involved training in dairy production for one employee and in marketing for the manager of marketing and sales. Within five days of completion of the training using LOL samples and other samples presented at training session, she redesigned the logo, developed new patterns, design added color and information to packaging (expiration dates, how to open diagrams, temperature storage, organic value, how to serve, etc). Previously they had been using a plain bag simply labelled "milk"or "cheese". She also designed a new tighter cup for their cheese product. If a picture is worth a

thousand words the big grin on the face of Mr. Kalinowski as he gleefully waved the plain, unappealing plastic milk bag of the competition in our faces said it all. He indicated the intent to request TA from LOL for developing a domestic marketing strategy (how to saturate the Polish market); pricing and distribution.

Lessons Learned:

Short term training interventions can have immediate impact; potential spread effects from assistance to enterprises may be indirect (i.e. the competition is surely going to catch on and begin to repackage as well). It may be possible rework the existing set of performance indicators, key them to specific courses being offered by Voluntary Organizations and have USAID or a contractor monitor same.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	0.25

Case #29: ODR Center Poswietne

Country: Poland

Ownership: State Affiliated Agricultural Extension Service

Size: 70 Advisors

Sector: Agriculture

Location: Poswietne, Poland

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Training of over 35 participants, September 14-19, 1992

Cooperating Institutions: VOCA (asked to provide TA)

Type of Assistance: Intermediary

Narrative:

The Center has served about 1,800 farmers who own on the average 9 hectares; main production is milk. There are about 40,000 farms in the entire region. Approximately two years ago they ranked second in milk production; but now of the 10 regions in the country theirs ranks 47th out of 49th in milk production. The objective is to improve this situation as quickly as possible.

LOL conducted two courses: training of trainers- 26 participants (including advisers from other centers); farm management- 6 farmers, 3 advisers (some from other centers). Two other courses were held at other Centers which some of their advisers attended-- forage production and marketing. Positive signs: two of their dairy farmers have been selected for an 8 month LOL internship; first private dairy processing plant is in their region.

There are about 70 advisers at the center responsible for providing services to farmers. Major changes in farmers attitudes have been observed which is important because "Polish farmers are very conservative. Their biggest moment is a change of mind."

Preliminary indicators of impact showing change in attitude:

· re the utility of advisers: farmers now see them as valuable and a few are coming in to the Center every day for consultation (approximately a five fold increase)

· before course early last year farmers were passive; after began to borrow money to invest in farms.(" Previously they would borrow money and go out and buy cars.") Center has now done 500 business plans for farmers since last September.

* (Previously it was free of charge; now they charge a small fee. If plan involves 500 million zlotys it's done on site; 1 billion or more must be done at the center. This also provides a mechanism for monitoring the farmer because when he wants a change -- he has to come to the center. ODR would like to sell this monitoring concept to agriculture banks -- get a contract to do monitoring for banks.)

Lessons Learned:

Given the client group and activities to date, the potential for widespread development impact through this ODR Center is excellent.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	0.50

Case #30: Bialystok ODR Center

Country:	Poland
Ownership:	State Affiliated Agricultural Extension Service
Size:	Small
Sector:	Agriculture
Location:	Bialystok, Poland
Voluntary Agency:	Land O'Lakes (LOL)
Period of Assistance:	Training Seminars (Insert dates of training)
Cooperating Institutions:	Polish American Extension Service (Training on Cooperatives)
Type of Assistance:	Intermediary

Narrative:

The Bialystok ODR Center provides agricultural services to approximately five regions. Its clients are for the most part employees of cooperatives (member farmers) and cooperative banks, through which 85 percent of farmer credits are provided. Upon completion of the new agrarian law, the Center director anticipates the demand will rise for the full array of services needed to establish and support new cooperatives.

LOL has established collaborative relationships with several of these ODR centers throughout Poland in the delivery of its training seminars. The Bialystok ODR Center has collaborated on a series of seminars including Marketing, Private Enterprise and Cooperatives, Cooperative Principles and Practices. The Center handled the recruiting for these seminars--incorporating several Agricultural Advisers in the training. The Director reported that interest was extremely high and several who wanted to participate could not be admitted. (Another course is to be organized for northern Bialystok.)

Impacts of the training have been evidenced in several new participant initiatives. Participants reported the training gave them the ideas, incentive for: establishment of a supply-distribution system for (baby cow food -technical term needed); start-up of a series of farmer marketing centers; more aggressive advertising strategies for pesticide promotion (supplier demonstrations, village training seminars for farmers, publishing of how to booklet) resulting in approximately a three-fold increase in chemical sales; t.v. news advertising for a baby juice processing plant.

Lessons Learned:

Recruitment by ODR Centers has definite advantages. Because the personnel know the community very well they are able to identify highly motivated participants and to weed out those whose financial position is too precarious to benefit from training thereby increasing potential for sustainability and spread effect.

Productivity Measures (PM)	1
Indirect Benefits (IR)	2
Broader Benefits (BB)	0
Overall Development Returns (DR)	3
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	0.75

Case #31: Adept S.A.

Country: Poland

Ownership: Private Joint Stock

Size: 30 full-time and 15 part-time employees

Sector: Service and Trading

Location: Krakow, Poland

Voluntary Agency: MBAEC

Period of Assistance:

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

This year and a half old company is engaged in management consulting and trade (sales of office products and computers). It was started by several professors from the Krakow Academy of Economics. Employment is approximately 30 full- time and 15 part-time workers. The consulting division was the major source of revenue having won major contract with the Italian government to help prepare a project to retrain workers due to factory closings; also smaller contracts with Unilever, Proctor and Gamble to handle conferences and logistics.

On the other hand the trade division was losing money. The company had established relationships with two big suppliers one based in Krakow the other in Sweden; but was having problems getting its office supplies. When the MBAEC member arrived his strategy included a plan to increase the customer base and increase the number of products. He helped to create, train and supervise a direct sales force of students working on a commission basis. The company had never run a sales force before. The Corps member trained the students in sales and product lines. During 1992 there was an increase in gross sales from 40 to 110 million zlotys in 1992 for which the company president gives significant credit to improvements instituted by the Corps member.

Lessons Learned:

A firm on the bridge of bankruptcy could provide an excellent challenge for an MBA; the

labor utilization and process measure can be useful for measuring impact for interventions with firms in this sector. (Economics professors are not necessarily good businessmen.)

Productivity Measures (PM)	4
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	4
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	4.00

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Case #32: Qumak,International

Country: Poland

Ownership: Limited Partnership

Size: Small

Sector: Retail and Service

Location: Krakow, Poland

Voluntary Agency: MBAEC

Period of Assistance: June 92-present

Cooperating Institution: Polish American Enterprise Fund short term TA

Type of Assistance: Direct

Narrative:

Qumak is a leading computer distributer (retail and service) that started up in 1987 with 5 persons and later spun off in 1988 with 3 of the original founders.The founders were a group of engineers and electronics specialists who had no knowledge of business. (" We had no idea how to do a business plan. At the moment we still need a lot of support.")

In 1991 the company signed a joint venture agreement with the Polish American Enterprise Fund in which the Fund took 50 percent in shares with the other 50 percent taken by Qumak (approximately 10 private investors). This was done to raise capital needed to handle a large contract the company won to supply 400 computers to a major bank. A Polish American Enterprise Fund consultant had suggested that the company pay more attention to direct sales; extend number of retail shops, reduce costs; open business in Warsaw and reduce their wholesale business. They agreed with the suggestions regarding sales, and expanding retail shops. Currently Qumak's retail shops are in Krakow, but the company intends to expand west and south to other towns.

A solid, well known company, many people would like to work for Qumak, however, the management was looking for a marketing specialist--an area "not so well known to us".The objective was to find someone to help develop the corporate marketing strategy and help to educate our sales and marketing people. The Corps assigned two members to Qumak. One has led the senior management team to develop and refine its corporate strategy and business plan. ("We're trying to focus them on industry selling verses product selling".) The

Corps member created and managed a five person marketing department and executed a marketing strategy for each of four business units. The other convinced the senior management of the importance of an MIS system (including an integrated inventory management system and the creation and implementation of a financial control system).

Lessons Learned:

The long term nature of this program permits the time for member to impact the top levels; performance indicators related to finance resource utilization, process efficiency, quality improvements are appropriate for this type of long term TA and in this particular sector.

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	2.00

Case #33: City Prof

Ownership: Private Partnership

Size: 4 full time employees

Sector: Service

Location: Krakow, Poland

Voluntary Agency: MBAEC

Period of Assistance: See narrative

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

City Prof began in March of 1991, currently employs four full-time staff and is involved in three service areas: regional development (physical planning, economic analyses of industrial development; environment (impact assessments); environmental audits (of industrial plants). The company works with development agencies looking for environmental damage as well as groups that do business incubators that create various industry concentrations. They also work with large SOEs (i.e., to identify small group of Western investors who want to take part in the Heat and Power plant privatization.)

Sixty percent of the clientele are local government. The company has two major contracts; the one which involves design of the financial system, procedures, controls for Krakow city government involves the MBAEC members. Currently there are four full time staff; part-time specialists are hired on an as needed basis. The management does not foresee expansion into a larger company; but believes the company's growth will develop in concert with the transformation of Polish industry.

There have been a total of four MBA interventions. Two happened by default in 1992 when other MBA assignments did not work out.[2]

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[2] In one instance the MBA had nothing to do because the management of the 23,000 employee steel mill was not committed to privatization; the other when the company did not effectively use the MBAs marketing capabilities as was originally indicated. This year City Prof has at least one additional MBA whose company suddenly went bankrupt and the MBA was without an assignment. However, it has been pointed out that Corps members have changed jobs at about the same rate as other graduates of their business schools during their first year of work in the U.S.

In one instance the MBA assisted the company on its contract with Krakow city government by producing an economic model for strategic decision making and developing a line of environmental product services- industrial environmental audits,impact assessments,economic analyses of alternative uses of sites to support privatization,environmental planning, other key decisions re liquidation. The other worked on developing proposal for a new hotel and resort and managing a $3 million dollar real estate development project with a U.S. company and general business development.

Currently two MBAs are working at City Prof on the following: a system to track project costing; strategic planning (MBA convinced mangers to move from environmental to regional planning where the a market); the city master plan re use of reserved sites in order to free up cost liabilities; new product development to help municipal governments do environmental planning.

Lessons Learned:

If the procedure is to continue criterion measures must be developed for assignment of more than one MBA to an enterprise; a rapid, but a more rational redeployment system is needed for failed assignments; perhaps tighter screening of enterprises is also needed.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	2.00

Case #34: River Company

Country: Poland

Ownership: Private Partnership

Size: 150 employees

Sector: Service and Trade

Location: Krakow, Poland

Voluntary Agency: MBAEC

Period of Assistance: Approximately 34 person months. 2 MBAs have worked from September 1991 to the present.

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

The River Company is a five year old company involved in trade (computer distribution and retail,alcohol retail,shoe wholesales and garment). It was formed by six individuals (two sociologists, two psychologists, a mathematician and a teacher) with a $2,000. U.S. personal loan. Today it is a company employing 150 persons and had a turnover of $6 million in 1992. The company was plodding along for two years until one of the managers received a 2 month British Know How Fund Internship to study marketing, personnel, management in London. "After that I came back with open eyes;..we had to find somebody to help us. I was using all my contacts" < to find help>. Then he met an MBA enterprise Corps member at one of the groups weekend social affairs. The MBA was assigned to a large Czech SOE where he was "not happy". The reassignment to River Company was made. A second MBA was assigned in September 91.

The MBAs assistance included : clarification of the respective roles as owners and managers; instruction in how computer distribution works in the U.S.; development of a good megastructure; revision of rudimentary bookkeeping system; developing a marketing strategy and training Polish employees in same.

Lessons Learned:

Certain companies have reached the stage where input of MBAs on long term basis has

limited impact; criteria need to be established regarding if, how frequently, such companies should be receiving services; or when they are ready for the next tier of services--i.e. highly specialized short-term interventions; when two MBAs are assigned to the same company there is a tendency for management to make comparative assessments that may diminish impact or perceived contributions of one versus the other. To be accurate the performance indicators might need to be applied to individual units of these multi-purposes companies like River of which their are quite a few.

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	2.00

Case #35: Elefant

Country:	Poland
Ownership:	Privately Held
Size:	220 employees
Sector:	Retail
Location:	Krakow, Poland
Voluntary Agency:	MBAEC
Period of Assistance:	Five person months. One MBA, September 1992-present
Cooperating Institutions:	Academy of Economics
Type of Assistance:	Direct

Narrative:

Elefant is a $5 million diversified retail, wholesale and manufacturing concern that began operating in 1990 and currently employs 220 personnel. Approximately 70 percent of the business is retail, 30 percent wholesale and 10 percent production and other services (i.e.,president is preparing the buyer's group for future McDonald's franchise). Before 89 the company focus was on wholesale selling of various imported goods to state owned chain type trade companies. Currently Elefant sells small goods to the local domestic market. The president boasts that they have the best bookstore in Krakow--some 1,500 scientific and technical books. They also have warehouse space currently under sublet to Amway, Corp.

The economic reform in Poland presents a target of opportunity for Elefant because state retail operations are being privatized first and rapidly. The long term corporate goal is to become a department store by buying up flats from these SOEs that are dying off. In one year some 3,500 ground level meters are expected to become available which Elefant plans to acquire and use for selling larger items. They are also in the process of preparing market studies for the first cash and carry store with foreign partners.

In this context the company sought the assistance of an MBAEC member to: help develop an overall corporate strategy; prepare the grocery store project and other expansion projects with foreign partners. The Corps member has also helped to create a personnel system incorporating training and evaluation for the retail operation; assisted with the development of a marketing package for potential investors, suppliers, clients; convinced the President

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to delegate more responsibility to reduce decision-making burden, achieve greater efficiency

Lessons Learned:

Polish firms have difficulty identifying good counterparts to work with MBAs.; need a database where such individual with appropriate training and experience can be identified and screened. Elefant's model - use of student intern from the Academy of Economics to work with MBA part time has good potential for sustainability of the MBA Corps model in Poland. Since strategic planning often involves long-term impacts performance indicators for immediate outcomes of same are needed (for example before and after business plans reflecting changes in marketing strategy, products financial resource utilization (i.e.,changes in structure of debt, equity, partners and also fixed asset utilization.)

Productivity Measures (PM)	3
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	3
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	3.00

Case #36: Independent Self-Governing Production Organization Of Cattle Breeders[3]

Country: Poland

Ownership: Member-supported Organization

Size: Large

Sector: Agriculture

Location: Piotrkow Kujawski, Poland

Voluntary Agency: NCBA/ACE

Period of Assistance:

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

This Organization of Cattle Breeders which was organized in 1990 as a multi-purpose organization concerned with all aspects of cattle raising, beginning with the first stage--quality of milk, genetics, etc. Activities to date include the purchase of several used cooling containers from the West (Europe). According to the President, "Now we are beginning to think about genetics and embryo transfer in order to get a new line."

The business plan initially paired the Polish Breeders Association (PBA) and NCBA/ACE member-- 21st Century Genetics and had the objective to help establish a farmer controlled organization to import and distribute American genetic products in Poland (to set up a new Polish bovine artificial insemination network). In the Polish case, conceptualization of NCBA's brokerage-trade and development approach has proven much easier than the implementation.

Philosophical differences between the PBA and its the American partners arose over whether the project should be (1) independent of the old state insemination system and its subsidies; (2) single versus multi-purpose i.e.,-also engaged in genetic production; (3) trying to reform the old state insemination system; (4) using part-time vets as technicians;

[3] Official title used in NCBA/ACE Business Plan is Polish Breeders Association (PBA)

(5) whether farmers would be willing to pay anything in conjunction with this venture.[4] The differences were so profound on these issues that the NCBA/ACE and 21st Century Genetics officially withdrew their participation.

The NCBA/ACE has subsequently proposed a slightly modified business plan that would involve developing a small scale artificial insemination cooperative with a core group of leading farmers; in essence an alternative to the ISGPOCB. This alternative plan is looked upon with skepticism by some who think it's time to cut bait.

Lessons Learned:

The NCBA/ACE said that it learned the following lessons (challenges): 1) being keyed into and understanding the complex Polish farmer network and underlying political agenda was a significant disadvantage; 2) there was an over-emphasis placed on the organizational structure and under-emphasis on which "bulls" would be available. The former may be expanded on by contradictory NCBA/ACE and ISGPOCB reports regarding the actual number of farmers meetings held --"numerous" versus " only one where attendance was negligible". Perhaps the lesson is that much more "leg-work" and "face-work" with farmers is essential to build mutual trust, understanding on both sides and to assess the political situation. Further it may be that one of the inputs lacking is the professional advice of a Polish national who is well tuned into and knows all the key players and can keep his ear to the ground on behalf of the NCBA/ACE.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

For a fuller study of this case, please see the NCBA/ACE section in Appendix C.

[4] Unfortunately, these differences occurred only after significant work was put into the write-up of the project business plan and an official letter of agreement signed by the PBA president. It is believed by the American partners that ISGPOCB was playing the American against the Germans in order to maximize short-term one time grants of product or money.

Case #37: Micro-Business Development for the Unemployed

Country:	Poland
Ownership:	Individuals
Size:	1-2 Employees
Sector:	Sales and Services
Location:	Warsaw
Voluntary Agency:	Peace Corps
Period of Assistance:	4 months
Cooperating Institutions:	Polish American Labor Center
Type of Assistance:	Intermediary

Narrative:

The volunteer has initiated with a Ministry of Labor social development center an innovative program to turn the unemployed into small business owners. After screening, individuals are put through a six week training program during which they are required to develop a business plan which is reviewed by the staff. If the plan is approved, the trainee (with a guarantor) receives a $2,000 loan for business start-up. The training occurs at the Polish American Labor Center.

Most of the trainees are women since they are first to recognize the need for food and clothing funds. The four center staff members are also women and do the client communication and training. After entrepreneurs receive their loans, they are expected to report sales and pay back the loan on a monthly basis. These activities are monitored, with follow-up business advice. Repayment rates are over 95%, with only one default which is being pursued in court.

Lessons Learned:

This program provides a social safety net at a cost that is just slightly higher than the eligibility period of Polish unemployment insurance. Replication is feasible since course materials are in Polish and Ministry staff are responsibilities for the program.

Productivity Measures (PM)	3
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	3
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.50

Case #38: Business Development Center

Country:	Poland
Ownership:	Regional Government Service
Size:	Large Scale
Sector:	All Sectors, Mainly Industry
Location:	Ptock
Voluntary Agency:	Peace Corps
Period of Assistance:	4 months
Cooperating Institutions:	IESC, Polish American Enterprise Fund
Type of Assistance:	Intermediary

Narrative:

A husband and wife volunteer team (who use to work for the U.S. Department of Commerce and A.I.D.respectively) are providing assistance to Ptock Regional Government, its municipalities and enterprises. Ptock is a dynamic industrial center with 25,000 businesses, with more than 21,000 private (accounting for 95% of the area's employment. Working with the Governor and regional counterparts, they have helped create a business promotion program, based on systematic data collection on the large scale industries that wish to attract investment and open new markets. In the process, they have identified opportunities for IESC assistance.

The center's promotional materials have already attracted considerable interest and 60 joint ventures were operating by the end of 1992. In addition to some English teaching, the volunteers are assisting the local zoo to develop an environmental education exhibit that will be presented in different parts of the country.

Lessons Learned:

The Ptock Regional Government illustrates with its planning, its computer systems network, and coordination with municipal and computer systems network what may be accomplished through decentralization and local government strengthening.

The volunteers saw themselves in a unique position to leverage other American-financed

initiatives. Their major concern was not having the information to take advantage of these resources.[5]

Productivity Measures (PM)	2
Indirect Benefits (IR)	2
Broader Benefits (BB)	2
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

[5] The Office of the USAID Representative have prepared excellent project descriptions with contact information which will be provided to Peace Corps volunteers.

Case #39: ODR Agricultural Extension Center, Ostroleka

Country: Poland

Ownership: Ministry of Agriculture, Extension Service. Center is agency of Governor's office, Ministry provides budget support

Size: Small

Sector: Government

Location: Ostroleka, Poland

Voluntary Agency: VOCA

Period of Assistance: About two person months. Two short-term VOCA Volunteers TA (2) -- U.S. farm bureau model, role in advising farmers on organizational alternatives (cooperatives or other), different types of cooperatives. Dates of Assistance: November 16 - 29, 1992; January 4 - 22, 1993

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Example of assistance to government agency which provides assistance to private sector farmers and agribusinesses.

· Director is dynamic, visionary, and if he puts into practice what he claims to believe and stand for, the agricultural private sector is bound to realize real benefits from his and his staff's efforts

· Has been instrumental in identifying potential recipients for both VOCA assistance and ACDI training

Lessons Learned:

Sometimes a genuine spread effect can be realized by motivating and providing a public sector official with information and tools for working effectively with and encouraging the growth of the agricultural private sector.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	2.00

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Case # 40: OSM Dairy Cooperative, Piatnica

Country: Poland

Ownership: Cooperative dairy-farmer/owner membership base

Size: 1500 members out of a total of 4000 dairy farmers whose milk is processed by the cooperative

Sector: Agriculture

Location: Piatnica, Poland

Voluntary Agency: VOCA

Period of Assistance: About eight person months. Two short-term VOCA Volunteers TA, directly to cooperative, and two VOCA Volunteers, indirectly; -- organization and owner/participation in cooperative; dairy technology, milk quality improvement. Dates of assistance were July 19 - August 3, 1992; February 2 - 24, 1992; January 3 - 22, 1993

Cooperating Institutions: Land O'Lakes. Compare with Case #29, which is the same dairy cooperative.

Type of Assistance: Direct

Narrative:

VOCA was contacted through the Agricultural Extension Service in the Lomza District and initial, coincidental volunteer contact.

· VOCA provided a wide spectrum of advice: operations modifications and cost reductions, milk quality improvement (including scale for paying quality premium), dairy plant management, introduction of new product lines (cottage cheese).

· As a result of one Volunteer's assignment, the dairy cooperative sent a representative to Wisconsin to tour dairy plant equipment manufacturers (expenses paid by the cooperative), resulting in a visit to Poland by three U.S. manufacturers attempting to sell the dairy their equipment

· VOCA volunteers were impressed with Management of the dairy, ability to conceptualize and adapt, and encouraged VOCA to continue to provide additional assistance, hence the

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multiple Volunteer assignments

Lessons Learned:

A valid question is "when is assistance enough to make a critical difference, and when is it too much?" In this instance, the assistance did not surpass the absorptive capacity of the dairy. It benefitted fully from the assistance. Would it have made a difference if the last Volunteer had been assigned to another dairy cooperative? From total person-days standpoint, plus number of farmers benefitted and apparent Management grasp of priorities and role, level of assistance appears justified. Final assignment may well have been the last input of advice needed to complete improvements in efficiency of operations and quality of the milk, and to increase the income of the 4000 dairy farmers

Productivity Measures (PM)	3
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	4
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.00

Case #41: Wegrow Dairy Cooperative

Country:	Poland
Ownership:	State-controlled cooperative in privatization transition
Size:	600 employees, 8000 members, 10,500 milk suppliers
Sector:	Agriculture
Location:	Wegrow, Siedlce District, Poland
Voluntary Agency:	VOCA
Period of Assistance:	One person month. One short-term VOCA Volunteer TA -- dairy technology, milk quality improvement, June 14 - July 14, 1992
Type of Assistance:	Direct

Narrative:

At request of dairy and of CAL (Company Assistance Limited), a Poland-based, American consulting firm, provided a Volunteer to work with the CAL team in analyzing the overall operations of the dairy. He also conducted on-the-job training for selected technical staff.

· Volunteer focused on milk collection, milk and milk product quality, appropriate dairy equipment, making detailed, specific recommendations, which were included as a separate volume in the package of technical advice and recommendations presented to the dairy.

· The dairy paid CAL $ 8000 for its assistance and provided the VOCA Volunteer with the usual local support - interpreter, lodging and meals, local transportation.

· Some recommendations have been implemented -- i.e. premium payment for quality -- but it appears that overall improvements are lagging pending the outcome of the dairy's privatization

Lessons Learned:

After much discussion re advisability of providing volunteer assistance in conjunction with CAL (which was for fee), VOCA decided to proceed as requested. Probably, this was a case where VOCA should have gone with its initial reservation. It is difficult to determine the real impact of VOCA assistance.

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.00

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Case #42: Bank of Economic Union (Cooperative Bank), Warsaw

Country:	Poland
Ownership:	Cooperative Bank, one in an evolving chain of cooperative agricultural credit system
Size:	Medium
Sector:	Finance
Location:	Warsaw, Poland
Voluntary Agency:	VOCA
Period of Assistance:	One person month. One short-term VOCA Volunteer TA -- credit and risk analysis; loan analysis under market conditions; bank business and market development; agricultural credit directly to farmers or through agribusinesses. September 24 - October 27, 1991
Cooperating Institutions:	ACDI
Type of Assistance:	Intermediary

Narrative:

Rural Solidarity helped create the Bank of Economic Unity as a market economy alternative to the old state system of 1660 cooperative banks. The bank was granted a license to begin operations in May 1991

· Given the complexities faced in creating such a bank and the desire to model the new system after the U.S. farm credit system, Rural Solidarity requested VOCA assistance.

· Prior to arrival of VOCA Volunteer, the newly named president of the bank went to the U.S. to attend an agricultural credit training program at Iowa State, and VOCA monitored his program to assure attention to Poland-specific needs

· Volunteer provided assistance in analyzing current status of the newly created bank, in providing training (three-day seminars) to staff of the 150 participating local cooperative banks, and in making oral and written recommendations regarding future steps required to consolidate formation of the cooperative bank system

· Follow-up has been assumed by ACDI with its ongoing cooperative bank project.

Lessons Learned:

It is instructive to see this type of follow-up to an initial VOCA volunteer assignment. Both VOCA and ACDI realized the importance of providing long-term assistance, rather than a series of short-term volunteer interventions. Thus the ACDI project came into being as a practical, collaborative effort between two cooperative development organizations.

Productivity Measures (PM)	2
Indirect Benefits (IR)	I
Broader Benefits (BB)	0
Overall Development Returns (DR)	3
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.50

Case # 43: ODR Warsaw Agricultural Extension Center, Parzniew

Country: Poland

Ownership: Ministry of Agriculture, Extension Service. Dependency of Governor's office

Size: Small

Sector: Government

Location: Parzniew, Warsaw, Poland. Center is responsible for Warsaw Province, with 6 regions, 32 communities, and 45 extension agents.

Voluntary Agency: VOCA

Period of Assistance: About three person months. Two short-term VOCA Volunteers TA -- cooperative development, agricultural extension, marketing. Dates of Assistance: March 2 - April 5, 1992; November 11 - 21, 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

VOCA assistance requested, already aware of VOCA program in Poland through contacts in Ministry of Agriculture and other extension agencies.

· Both volunteers provided intensive assistance in the office and in the field, working in all 6 regions and 32 communities with 45 extension agents, including many evening meetings.

· Volunteers proved catalyst in organizing farmers; follow-up correspondence has provided useful information and challenge.

Lessons Learned:

As in previous case (Ostroleka Agricultural Extension Center), a spread effect can be achieved utilizing the outreach activities of agricultural extension agencies, provided the chief and his/her agents are fully committed to the development of the agricultural private sector This appears to be the case with this agency.

Productivity Measures (PM)	3
Indirect Benefits (IR)	2
Broader Benefits (BB)	0
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #44: Warsaw Horticultural Cooperative, Ursus

Country: Poland

Ownership: State controlled cooperative in process of privatization

Size: 300 members. 10,000 farmers bring produce

Sector: Agriculture

Location: Ursus, Warsaw, Poland

Voluntary Agency: VOCA

Period of Assistance: Less than one person month. One short-term VOCA Volunteer TA - modernization of cooling plant, storage and packing facilities for fresh fruits and vegetables. Dates of Assistance: April 2 - 17, 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

VOCA assistance was requested to advise re the modernization of the large but inefficient facility which operates both as a cooling center, warehouse and wholesale operation. Warehouse storage capacity is 5000 square meters.

· Years of operating as state enterprise are apparent. Volunteer's recommendations concerning modernization were on target and would require modest investment.

· Unfortunately, management misunderstood VOCA's agenda and expected financial as well as technical assistance. Failing a financial commitment/investment by VOCA, management insisted that the plan was too costly without external financial assistance and has done nothing, although at least one member of the Board understands VOCA role and urges moving forward on the recommendations.

· It is apparent that while the cooperative may be in the process of privatization some of the holdover management staff still operates under the old rules and mentality.

Lessons Learned:

VOCA would have benefitted by a closer examination of the cooperative and by clearly indicating/stressing what type of assistance it provides and what it does not provide. Although the modernization recommendations are still applicable, a year has passed and they may need revision. It would appear that VOCA's resources could have been utilized more effectively in another organization.

Not every organization that states its interest in privatization is really committed to the process. There are probably regressive elements within the organization working against privatization.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

Case #45: Polish Parliament, Polish Cooperative Law Committee

Country: Poland

Ownership: Public Sector, Government Entity

Size: Small

Sector: Government

Location: Warsaw, Poland

Voluntary Agency: VOCA and ACDI

Period of Assistance: About two person months. Two short-term VOCA Volunteers TA -- revision/rewording of proposed drafts of the reform cooperative law; adaptation of U.S. cooperative system. Dates of Assistance: May 5 - May 26, 1992; September 21 - 30, 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Role of cooperatives in development has been a theme which has preoccupied various leaders in the public as well as the private sector; some recall memories of the manner in which Polish cooperatives operated prior to Communist takeover; others have read about or observed Western-style cooperatives in Western Europe and/or the U.S.

· VOCA was approached regarding the possibility of providing assistance to key legislators charged with the drafting of new cooperative legislation; the overriding concern was to assure the complete eradication of the collective cooperatives created by the Communists and their pervasive influence and that laws be promulgated which provide the legal basis for the organization and creation of Western-style cooperatives.

· VOCA provided the services of two volunteers who made a series of suggestions, most of which were incorporated into the various drafts of the new law; they also provided opportunities for forums where the pros and cons of cooperatives compared to other organizational structure could be discussed

· With the efforts of these volunteers, VOCA complemented the activities of ACDI which has sent the Advisor to the Deputy Chairman of the Senate to the U.S. on a training tour

and the subsequent tour of seven Polish legislators to the U.S. (see Case #15)

Lessons Learned:

In order to assure the proper legal setting for the creation and organization of cooperatives, the proper target is the appropriate level in the national government where policy and legislation are defined. The combined efforts of VOCA and ACDI will certainly have a lasting effect on the development of cooperatives in Poland.

A VOCA volunteer also drafted the legislation enabling creation of credit unions.

Productivity Measures (PM)	3
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #46: Prosper Poultry Processing Plant

Country: Poland

Ownership: Limited partnership: producers' marketing "corporation"

Size: 40 employees, 12 partners

Sector: Agriculture

Location: Lukta, Poland

Voluntary Agency: VOCA and ACDI

Period of Assistance: Approximately eight person months. Four short-term VOCA Volunteers TA -- poultry processing operations; improvement in standards, procurement and marketing; expansion of product line; marketing strategy. Dates of Assistance: July 26 - August 4, 1991; March 23 - April 2, 1992; October 10 - November 9, 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Joint VOCA/ACDI participation played an important role in transformation of a small poultry processing operation into a modern, expanding industry.

· VOCA volunteers have provided a variety of assistance interventions -- formation of a producers' marketing corporation or partnership; design of the processing facility; improvement of standards; procurement and marketing; plant management; financial systems; product handling; new product lines and product quality; product advertisement and presentation; business plan.

· In addition to VOCA inputs, both the President and the Vice President have each been to the U.S. on separate observation/training tours - one under the Cochran training program and the other under ACDI training program.

· In addition, the plant partners have benefitted from numerous financial inputs -- two grants from Polish-American Joint Commission (slaughter house construction and processing equipment) which must be repaid not to the commission but to social program activities

in Poland; an AID/VOCA small grant (ice machine); CARESBAC - equity investment.

Lessons Learned:

The large volume of assistance (technical, training and financial) has not been squandered. The poultry plant is a shining example of a model, modern poultry operation, which could be emulated throughout Poland. The partners assist in ACDI seminars. It is, however, reasonable to question why so much assistance was practically showered on this one plant. No other enterprise has received this much VOCA and ACDI assistance.

Productivity Measures (PM)	4
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Cases #47 - #68: Bulgaria

Case #47: ACDI Observation/Training Tour

Country: Bulgaria

Ownership: N/A

Size: Two participants, listed below

Sector: Government and Public Affairs

Location: In the U.S.

Voluntary Agency: ACDI

Period of Assistance: Tour lasted from September 19 - October 14, 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Participants were:

· Maria Zagorska, an official in the Alexandre Stambuliski Foundation and occasional journalist

· Vesselinka Kotseva, Senior Advisor, Permanent Agricultural Committee of the Bulgarian Parliament

Both training participants interviewed for this evaluation are in position to utilize their training and share and put into practice what has been learned; they have the opportunity to reach/influence a much wider audience than their immediate work environment.

· With the assignment in November 1992 of a permanent ACDI Representative, they will be included in the network of trained participants which ACDI will have by the end of the year -- with participants trained in the U. S. and in-country; four in-country courses are planned for this year, at least, one U.S. observation/training course; regular three-month and six-month follow-up evaluations are/will be conducted with all participants.

· ACDI Resident Representative must also cover Romania and Albania, therefore, no more than 40% of his time, at most, can be devoted to Bulgaria. However, he does have a Country Director to assist him.

· ACDI training program also provides support to the ACDI poultry project with a series of U.S. training courses at Rocco Poultry in Virginia, planned for key staff of the plant; ACDI also networks with Pragma and Tri-Valley Growers under RAPS program, and with VOCA.

Lessons Learned:

It is fair to assume that unless ACDI had assigned a representative to Bulgaria and contracted local support, the follow-up and networking now underway would not have taken place even at a less intense level. Training programs need advance preparation and planning (including careful utilization of selection criteria) and follow-up to assure training has been absorbed, is being utilized, and is being shared. It would appear that ACDI is now doing this.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	3
Benefit/Cost Ratio (BC)	0.67

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Case #48: Hospital Administration

Country: Bulgaria

Ownership: Government Hospital

Size: Medium

Sector: Social Service

Location: Dimitrovgrad, Bulgaria

Voluntary Agency: CDC

Period of Assistance: 1 month

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

CDC hospital management assistance is being given to a government hospital, with a bed capacity of 562. Its staff consists of 142 doctors and 450 nurses. The hospital was immaculate but its equipment was far outdated. It also services 14 local clinics.

The volunteer is concentrating on improved financial, care and equipment management, supported by energetic and cost conscious officials--the Economic Director and Chief of Medicine. Daily sessions are held to review different management issues which will eventually lead to a full plan. The volunteer and his wife and daughter were welcomed by the mayor as well as hospital officials. His wife has been visiting and helping orphanages in the area.

This assistance is part of an ongoing program, the results of which are being overseen by the Ministry of Health to develop a national program.

Lessons Learned:

The hospital administration program was not expected at the outset of CDC's work but its initial "fishing"operation found this program which may have strong effects on the Ministry of Health's policies and programs. It also accents the importance of having progressive counterparts and the roles spouses can play.

Productivity Measures (PM)	0
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	2
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	2.00

Case #49: INCOMS - Mechanical Structures

Country: Bulgaria

Ownership: State-Owned, Semi-Independent

Size: Medium

Sector: Light Manufacturing

Location: Sofia, Bulgaria

Voluntary Agency: CDC

Period of Assistance: Four Months

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Incoms - Mechanical Structures produces a variety of metal and plastic products for the Bulgarian telecommunications industry and other customers in the building, security, consumer housewares, and hand garden tool industries. Although the firm has high technical capabilities, the transition resulted in lost markets and financial difficulties.

The CDC provided an enterprise advisor to Incoms with the responsibility of building a business plan, improve management and administrative systems. In the process, he provided basic business training and developed the necessary production control, accounting, and other management tools. The volunteer found that a major weakness was little knowledge of marketing and had to gear his training to the most simple communication techniques. His training made a difference for middle management is getting out and finding new opportunities.

The volunteer was accompanied by his wife who assisted in the development of CDC's volunteer program, including hospital administration, public administration, and education assistance.

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Lessons Learned:

The spirit of the volunteer over a four month period as well as his practical orientation towards developing basic skills and tools had a profound effect on the attitudes and sales orientation of the firm. It suggests the distance firms must come before marketing competitiveness. His wife's CDC involvement resulted in personally satisfying work that contributed to program development.

Productivity Measures (PM)	4
Indirect Benefits (IR)	2
Broader Benefits (BB)	1
Overall Development Returns (DR)	7
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	7.00

Case #50: Optical Technologies

Country: Bulgaria

Ownership: State Owned

Size: Medium

Sector: Heavy Manufacturing

Location: Plovdiv

Voluntary Agency: CDC

Period of Assistance: Start-Up

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Optical Technologies manufactures laser cutting equipment mainly for the international market. Before the break-up of the Eastern bloc, it was producing 330 of this machines yearly and last year the firm sold three.

The CDC advisor arrived in Plovdiv about twelve days before this evaluation visit, with an assignment to help the company develop a business plan, with a special emphasis on marketing. The volunteer has a history of working with small U.S. metal shops, and saw immediately that laser technology would be more cost effective than the heavy band saws currently in use. He is tapping his network of 142 U.S. firms for possible sales.

Lessons Learned:

This case illustrates the potential for new applications of technologies made in Eastern Europe to help improve U.S. productivity.

Productivity Measures (PM)	0
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	1
Benefit/Cost Ratio (BC)	1.00

Case #51: Center for the Study of Democracy

Country: Bulgaria

Ownership: Private non-profit

Size: Small

Sector: Policy and multi-media agency created as a public service/reform and non-profit group

Location: Sofia, Bulgaria

Voluntary Agency: I.E.S.C.

Period of Assistance: Inclusive of 4 I.E.S.C. Activities, 100+ days, September 1991 to April 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narration:

Focus of assistance is to develop reform strategies for public watchdog activities, set up organization as a new venture, assist in funding advice, help create technology for radio, TV, video, and hardcopy media, establish a multi-media center for broadcasting and reference/news covering the entire southern tier of Eastern Europe. Technical assistance for operations and media, PR, news, and conferencing.

The center has attracted support and assistance from nearly every U.S. assistance group in some manner. It has also gained from help by IESC in the U.S., volunteers outside formal assistance, and many reform organizations interested in economic and political progress.

Lessons Learned:

Productivity Measures (PM)	3
Indirect Benefits (IR)	0
Broader Benefits (BB)	2
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #52: Sofia Commodities Exchange

Country: Bulgaria

Ownership: Private/entrepreneurial

Size: Small

Sector: Commodities Trading

Location: Sofia, Bulgaria

Voluntary Agency: I.E.S.C.

Period of Assistance: One month, October 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narration:

Assistance towards the actual formation of new commodities exchange with formal systems, training, and regional networks for market transactions.

A distinct result has been to not only create the commodities trading system and free market exchange, but to establish a training program in market economics and commodity trading now offered regularly by the Commodities Exchange Director and staff. This four-day module runs every week from Friday through Monday and since its inception has had 1,340 participants from among business leaders, candidate brokers, entrepreneurs, and vendors in agribusiness. The exchange has also modelled four regional exchange centers and delivery offices fully serving Bulgaria, and trading has begun in the regions.

Lessons Learned:

The commodities exchange has begun to turn operating profits on operations although all income is being reinvested in planned expansion. The commodities markets will stand firm and grow without further assistance through the essential (and market) characteristics of the nation's agricultural sector.

Productivity Measures (PM)	2
Indirect Benefits (IR)	2
Broader Benefits (BB)	2
Overall Development Returns (DR)	6
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	3.00

Case #53: First Bulgarian Stock Exchange

Country: Bulgaria

Ownership: Private Stock

Size: Small

Sector: Securities Trading

Location: Sofia, Bulgaria

Voluntary Agency: I.E.S.C.

Period of Assistance: 60 days, March-May 1992

Cooperating Institutions: U.S. Securities and Exchange Commission

Type of Assistance: Intermediary

Narration:

Assistance to form new entrepreneurial enterprise for a formal stock exchange and national securities trading center with broker training systems and transactions, clearinghouse, and public offering capabilities. Created the business plan and operating procedure for the stock exchange.

The First Bulgarian Stock Exchange is entirely privately held as a new venture with start-up equity, active trading of several bank stocks and money exchange, and a training and licensing system for brokers established by the IESC volunteer assistance and follow-up help from the U.S. Securities and Exchange Commission. The exchange is now positioned to handle private offerings and new public offerings (IPOs) generated through private enterprise.

Lessons Learned:

The stock exchange has begun to turn operating profits on operations although all income is being reinvested in planned expansion. The stock exchange can only survive and grow if privatization improves to establish listable public stock companies, or if new IPOs begin to appear through greater entrepreneurial activity. Without a core of stock companies, there is no need for brokerage houses or financial underwriters, and consequently, trading will not be active until a market system evolves.

Productivity Measures (PM)	2
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	4
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.00

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Case #54: Committee of Tourism

Country: Bulgaria

Ownership: Government-licensed with grant support

Size: Small

Sector: Public Administration Agency

Location: Sofia, Bulgaria

Voluntary Agency: I.E.S.C.

Period of Assistance: 150 days over two major periods; Fall 1991 and March-May 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narration:

Purpose of assistance was to develop national profile of cultural travel and tourism industry, review accommodations and services, and create plan for tourism for presentation to the deputy prime minister. Another goal was to create a comprehensive marketing plan for the industry and private enterprise development.

Lessons Learned:

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	1
Overall Development Returns (DR)	3
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.50

Case #55: Bulgarian Postal & Telecommunications Ltd.

Country: Bulgaria

Ownership: Government licensed, regulated and funded, but organized as a limited liability stock company

Size: Large

Sector: Postal services and telephone communications

Location: Sofia, Bulgaria

Voluntary Agency: I.E.S.C.

Period of Assistance: 30 days, October-November 1992

Cooperating Institutions:

Type of Assistance: Direct

Narration:

Assistance focused on evaluating total operational plan and providing security measures for mail and handling of cash, transfers, and accounts. Also concentrated on introducing new technology for postal controls and information system controls. There is a request pending for assistance with telecommunications technology, and AT&T has been providing independent private assistance.

Lessons Learned:

Productivity Measures (PM)	2
Indirect Benefits (IR)	0
Broader Benefits (BB)	1
Overall Development Returns (DR)	3
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	1.50

Case #56: Samel-90 Ltd.

Country: Bulgaria

Ownership: State-owned

Size: Large

Sector: Defense Electronics

Location: Outside of Capital

Voluntary Agency: I.E.S.C.

Period of Assistance: 30 days, November-December 1992

Cooperating Institutions:

Type of Assistance: Direct

Narration:

Assistance focused on creating a plan for attracting investors, rationalizing production, and positioning company in marketing. Also concentrated on generating marketing department and making other needed management changes, and writing a marketing plan.

The project is a defense conversion effort in a remote city with one dominant factory and industrial integration.

Samel-90 Ltd. is an integrated manufacturer of electronic devices, radar jamming instruments, radios, transmitters, control panels, military field equipment, and all the tools, machinery, metals, plastic forming processes, and delivery systems necessary for a "closed" system supplying the previous Soviet military market. The current managing director could not guess how many people had been employed in the company's system, but at his main electronics center, employment was around 2,500 factory workers in 1987 and was now at slightly less than 600 with most working at about 40% capacity. Through IESC assistance and the firm's own initiatives to move toward privatization, the company is capable of producing commercial radios, sensors, security alarms, lights and lanterns, mobile receivers, and parts for various electronic appliances. It sells about 20 percent of its current total product line to private wholesalers in Hong Kong, but 80 percent of sales are still in military or police and security markets of Eastern and Central Europe. IESC helped realign production, develop a glossy product catalog, and a marketing program. IESC also established a marketing department and training four resource personnel in sales,

advertising, trade contracts, and pricing. The managing director said he was extremely pleased with IESC work, but he would not be able to implement much because the company will not be privatized. Under a government five-year freeze, this and similar defense related plants will be barred from privatization or restructuring.

Lessons Learned:

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

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Case #57: Parliamentary Committee on Agriculture

Country: Bulgaria

Ownership: Government

Size: Training for one person

Sector: Public Administration

Location: Sofia, Bulgaria

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Approximately 36 official training days, plus in-kind follow up technical assistance for Mrs. Vesselina Mincheva both in country and U.S.

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

The Parliamentary Committee members are responsible for completing by the end of 1993 implementation of new agricultural legislation including restitution of approximately 60 million hectares of agriculture land (owned by public institutions, state and local governments and to original owners); changing the laws governing collectives farms.

LOL provided assistance to a key member of this body in: agribusiness, marketing; cooperatives development (organizational structure, financial management, etc.) agricultural credit, liquidation of collective farms, structures for liquidation committees, etc. Participant indicated that this intervention helped her to guide committee colleagues -- answering specific questions about restoration of principles of cooperative organization; how to structure liquidation committees; how to work out an agriculture credit system.

Potential for sustainable results and spread effects are very good if knowledge of these individuals can be harnessed through several local institutions with which LOL may work to implement further training.

Lessons Learned:

LOL may needs to lengthen in-country seminars in order to go into greater depth; especially for policy-level and managers; language training is important for those selected for U.S. based participant training; the validity of the integrated participant training model (putting farmers, policy-makers, others involved in agriculture in seminar together) was reconfirmed.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	0.50

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Case #58: Bulgarian Dairy Union

Country: Bulgaria

Ownership: Non-profit private voluntary association legally registered in 1991.

Size: Large

Sector: Agriculture

Location: Sofia, Bulgaria

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Approximately 20 days. Training seminars; U.S. based Leadership & Agriculture Orientation Program

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

This organization is comprised of state-owned, private farmers and new cooperatives and provides scientific, technological and other relevant information to members. At this point membership is 80 percent state-owned farms, 20 percent private. The Bulgarian Dairy Union is governed by a nine member Board of Directors representing each of the key regions in the country. The elected president (Mr. Todor Minkov) identified two major objectives for 1993-- to influence the government milk pricing policy as well as its privatization plans relative to National Dairy Policy. (It should be noted here that he expressed the desire for continuation of some government controls over milk prices.) He further indicated that they expect to assume the major long term responsibility to train approximately six thousand individual and collective members in new market techniques because the government is no longer providing anything to state dairies.

The President visited the U.S. for approximately 10 days in 1992 as part of the LOL Leadership program; subsequently the Union helped with the LOL recruiting for two seminars -- Marketing Principles and Dairy Processing and Manufacturing. The prospects for this organization to have important spread effects will be largely dependent on its ability to deliver as perceived by the membership. The president observed that membership expectations are high and that they are asking for more than we can give (i.e., investments) The financial support base will undoubtedly have to improve if stated objectives are to be

achieved. At this point much support is in-kind and the organization receives a small stipend from the state-- which will undoubtedly be discontinued once all collective farms have been divested. The question arises as to whether it is too large to be effective at the regional and local levels; especially given how slim its administrative operations are. The potential for success will be greatly enhanced if the organization can joint venture with other private local and international groups working in the same sector on comparable issues.

Lessons Learned:

On the whole LOL seminars were very useful but LOL trainers need stronger orientation to local agricultural conditions; LOL leadership program needs to solicit more input from locals on what they need to see in the U.S.; the in country training needs to do same re appropriateness of course content and identification of future training topics; incorporate local specialists in the training process.

Productivity Measures (PM)	1
Indirect Benefits (IR)	1
Broader Benefits (BB)	0
Overall Development Returns (DR)	2
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	0.50

Case #59: Federation of Farmers and Business Managers Research Institutes

Country: Bulgaria

Ownership: Private non-profit voluntary membership organization

Size: Training for 60 participants

Sector: Agriculture

Location: Plovdiv, Bulgaria

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: 2 seminars, October 1992 - January 1993

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Comprised of approximately eight cooperatives this entity, established in 1991, has the objectives of protecting interests of farmer producers and preparing them for the future. Training farmers and cooperative managers in appropriate structures for Bulgarian agriculture is highest priority. The organization is a member of the Bulgarian (Farmers?) Federation based in Sofia. The President of the Federation is also a member of Parliament. They hope to have more members join after the agricultural reform is completed; especially so because Plovdiv encompasses approximately 220,000 hectares of farm land.

LOL trained approximately 60 of their members over the course of two seminars (Farm Management and Dairy Production Management). Prospects for sustainable results and spread effect are good . There have been more applicants than could be accepted for the training seminars and the organization has proposed more seminars to be held in Plovdiv, including a Training of Trainers for members of the Federation. Furthermore, several specific TA requests are expected to come in from farmers who were involved in training.

Lessons Learned:

There is a need for more regional activities targeting areas like Plovidiv where few PVOs are working. Input from Bulgarians, especially former participants is needed to refine content responsiveness. Use of local organizations to handle recruitment results in a better

selection of participants. LOL strategy for working in Bulgaria in the future (i.e. decisions to concentrate on specific regions or to work via specific structures, etc.) should have the benefit of local input.

Productivity Measures (PM)	2
Indirect Benefits (IR)	2
Broader Benefits (BB)	0
Overall Development Returns (DR)	4
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	1.00

Case #60: Higher Institute of Agriculture

Country: Bulgaria

Ownership: State Affiliated Education Institution

Size: Training of nine professors

Sector: Agricultural Education

Location: Plovdiv, Bulgaria

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Training occurred October-December 1992

Type of Assistance: Intermediary

Cooperating Institutions:

The Higher Institute of Agriculture is a part of the larger state run higher education system which is comprised of a series of academies, some twenty four specialized country-wide research institutes (i.e., sheep breeding, cattle breeding, etc.), about fifty experimental stations that were responsible for getting new products out to the farmers who were viewed as only the physical producers under the old system -- and never were in the role of student-clients. Now as the structure and functions of this huge educational complex and its affiliates are being recast a number of professors are trying to come up with innovative programs that will be responsive to and service the new emerging private farmers.

Nine such professors participated in LOL's Training of Trainers seminar. Several have subsequently put together proposals with good potential for spread effect (training of trainers; training of farmers; organization of extension service systems; joint ventures and exchange programs with Western counterparts, etc.) Most of these professors would like some form of collaboration with LOL or other Western counterpart institutions. The basic constraint appears to be a lack of commitment to coordination, reach consensus, collaborate. Each professor has his or her own idea which really has not been carefully developed and presented in proposal format that could be seriously considered by any Western counterpart, including LOL. In fact, from the samples examined it appears that these professors need training themselves on how to develop and present such proposals; which in essence ought to be the academic equivalent of the private sector business plan.

The only hope for sustainability and spread effect is for a credible representative group of these educators to come together and conduct a national policy dialogue, reach a consensus

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on how to organize and deliver effective training for farmers with emphasis on how the reformed, new democratic educational system should look. Farmers, farmer's organizations and others with direct influence and interest must be part of this dialogue (i.e., using integrated model along the lines of the LOL national forum). Short of this LOL may have to decide which small group of individuals or institutions can provide the best vehicle for long-term training collaboration (i.e.,the new Farmers Colleges and their instructors); which may pose certain risks as well as advantages. In this context, it should be noted that LOL's target group may be different from the target group (future farmers) of many of these institutions.

Lessons Learned:

Critical assessment of Bulgarian educational institutions, their personnel, philosophical orientation, motivation, training potential, etc. must be done in order to determine whether collaborative training can be successful and sustainable in the long term.

Productivity Measures (PM)	2
Indirect Benefits (IR)	2
Broader Benefits (BB)	1
Overall Development Returns (DR)	5
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	1.25

Case #61: Plovdiv Farmers College

Country: Bulgaria

Ownership: State Affiliated Educational Institution

Size: Training of six professors

Sector: Agricultural Education

Location: Plovdiv

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Training occurred October-December 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

This college was established in August, 1992 in response to the needs of the newly emerging target group -- individuals who will work on and manage the farms after the land and agriculture reform is completed. The college targets younger people (average age of students is 30 years) some of whom have already been practicing agriculture with two to four years of experience and those who have been studying agriculture at the secondary school level. Eighty six percent of the students have enrolled as regular full time students; and are usually younger people whose families are involved in agribusiness. Thirty percent are part-time correspondence students -- all farmers between 30 and 40 years. Forty percent of the total student body are females from local villages.

LOL trained six assistant professors of this new farmers college in its Training of Trainers and Cooperative Principles and Practices courses. One impact of the latter seminar was the establishment of the first marketing cooperative in the country d for producers of honey, vegetables, poultry. The objective of the cooperative is to help these producers find domestic and export markets; assist with pricing; eliminate costs of middle men by working directly with cooperatives in other countries.

The knowledge gained by the professors from the LOL training has had an immediate spread effect in that much of the material has already been introduced into courses at the college. Prospects for sustainability are good particularly if the institution can continue to attract high quality students who are able to finance all or part of their educational

expenses. However, extensive on-going collaboration with Western counter parts who can assist in institutional development planning will be critical for future success. In this context, the director has expressed a desire to work with LOL in delivering new training courses; developing farm practicums in the U.S.; developing a small, for-profit joint venture dairy farm and dairy processing enterprise that would be a demonstration project where students could receive practical hands on experiences using appropriate methods, technology etc.

Lessons Learned:

Support for newly emerging democratic institutions like the farmer's colleges are important but will require more long term commitments to assure their sustainability. The issue is whether such support is appropriate under the private enterprise development program and whether contractors can have greater potential for spread effect, sustainability working through these institutions as opposed to directly with enterprises.

Productivity Measures (PM)	3
Indirect Benefits (IR)	2
Broader Benefits (BB)	1
Overall Development Returns (OR)	6
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	1.50

Case #62: Milk Way Company

Country: Bulgaria

Ownership: Joint stock company

Size: 39 employees

Sector: Agriculture

Location: Nova Zagora, Bulgaria

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Technical Assistance, October, 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

This modern dairy processing plant was started up with a loan of approximately US $ 2 million secured from the Nova Zagora Commercial Bank (which has since become consolidated under the United Bank.) The totally self-contained plant was built from the ground up on land bought from the municipality of Nova Zagora using cheap, abundant military labor. Modern equipment was purchased from Germany, Denmark, and Sweden. Currently producing only white cheese, the company intends to expand its product mix to yellow cheese, cream butter and ice cream. The projection for 1993 is approximately 100 tons be processed per day. Farmer supplier contracts have been negotiated at one half cents higher than the state pays; highly skilled labor has been lured from the best state owned dairy processing facility (current employment level of 39 will reach a maximum of 45); operations have been computerized--six programs for quality control tracking from receiving to shipping.

The company plans to focus on the export market, is seeking foreign investment partners and has good prospects for local Bulgarian investment. Plans are for eventual employee shareholding.

The Executive Manager who had heard about LOL training through his activities as liquidation committee chairman for a nearby village requested technical assistance in refining the company business plan and developing a long term business strategy, including advice on introduction of new product lines; pricing contracts with producer farmers and

future possibilities advantages of going cooperative including farmer producers as members so they will remain loyal suppliers; set up of a pricing committee; marketing strategy to compete with state dairies; developing corporate organizational structure; employee incentive,training, code of conduct, etc.

This enterprise has almost all the necessary ingredients for success; however, sustainability will be heavily dependent on the ability to identify and penetrate new export markets. The spread effects will come largely when this plant becomes successful and is therefore is viewed as a role model for other green starts in the region and country wide. Of specific interest should be exploration of the financing scheme in which the local bank has taken significant risk.

Lessons Learned:

While satisfaction was very high with LOL expert assistance a key recommendation was that such experts need to have more thorough advance orientation to Bulgarian agriculture. Several of the quantitative performance indicators would be applicable in looking assessing the impact of the expert intervention in this enterprise (i.e., labor utilization and other utilization factors such as new product mix; new export markets). However, at minimum periodic interventions over the long-term would be necessary in order to attribute impacts to the LOL TA intervention.

Productivity Measures (PM)	3
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	5
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	1.25

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Case #63: Stara Zagora University of Zootechnics and Veterinary Medicine

Country: Bulgaria

Ownership: State affiliated educational institution

Size: Large

Sector: Education

Location: Stara Zagora

Voluntary Agency: Land O'Lakes (LOL)

Period of Assistance: Training, Oct. 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Like other institutions in the Bulgarian Higher Education system, this one brings the weakness of a purely theoretical orientation into the arena where both the economic and agrarian reforms underway will demand pragmatic programs. (The education reform law redefining the entire education system is expected from Parliament Committee very soon.) The university staff, comprised of 300 professors (60 full, 80 associate, 160 assistant) has experience working with the large collectives in specialized veterinary areas and as engineers. They lack knowledge, materials, practical experience. Eight associate and assistant professors are in a training program conducted by U.S. professors focused on management, marketing, law in a market economy. CDC reportedly initially began to work with this institution in the hope of devising an extension service but subsequently abandoned the project. (See discussion under PVO Profile- LOL Bulgaria strategy.)

Two years ago the second Farmer's College in the country was started under the University umbrella. Thus far the College's only outside assistance has come via LOL seminars. CDC trainers reportedly will give lectures in the near future. LOL conducted several seminars (Training of Trainers, Introduction to Private Agribusiness Management, Dairy Herd Management and Nutrition, Principles of Cooperative Organization and Management). Approximately 10 farmers, several Farmers College professors participated in most of these seminars.

Lessons Learned:

The LOL intervention has already had significant spread effect. LOL training materials have been copied and are being used extensively as texts by the professors. The farmers have copied the materials and are sharing them with other farmers. (Professor Yanblaski quoted farmers remarks upon receipt of training materials: "This is what we need. Why don't you develop this ?") Issues underlying potential for sustainability and spread effect are discussed in depth under the PVO profile section-LOL Bulgaria strategy.

Productivity Measures (PM)	1
Indirect Benefits (IR)	3
Broader Benefits (BE)	0
Overall Development Returns (DR)	4
Cost Category (CC)	4
Benefit/Cost Ratio (BC)	1.00

Case #64: American Bulgarian Center, Multi-Link Resource Centers

Country: Bulgaria

Ownership: Private Sector

Size:

Sector: Business Advisory Services

Location: Stara Zagora, Bulgaria

Voluntary Agency: Peace Corps

Period of Assistance: Forty-eight person months. Two year assignment for two long-term PCVs, two Bulgarian counterparts and staff. Assignment began in June 1992, to be completed May 1994.

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

This was the first center established in Bulgaria; the two volunteers were assigned to Stara Zagora in June 1992; center was officially opened in September 1992; severely hampered by lags in delivery of equipment, books and other supplies; other difficulties involved in original project design -- no strategic plan, no indicators for monitoring, no quantifiable reporting system, lack of focus and organization; Peace Corps/Bulgaria correcting this problem by setting up various committees to reexamine role and function of the centers and redefine project, including setting up quantifiable indicators.

· Municipality participates in covering cost of telecommunications, electricity, building; anticipate over 1-year period that center will become self-sufficient through fees for services (E-mail, data and information, referrals, specific training in areas such as accounting, writing business plans); clients are walk-ins or come in by appointment; key data selected on those that appear genuinely interested (i.e. not just curious).

· Media - TV, radio, and press have been very supportive.

· Too soon to measure impact, although PCV indicates that from original, relatively high interest in center, public currently appears to be lukewarm.

Lessons Learned:

A project design which looked good on paper, in Washington, proves impractical, requiring modifications in implementation. Possibly could have been improved by having been authored, or at least reviewed, by experienced business person or business advisory consultant, in country.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

Case #65: Commercial Bank, Sofia

Country: Bulgaria

Ownership: State-owned, in process of being privatized

Size:

Sector: Finance

Location: Sofia, Bulgaria

Voluntary Agency: Peace Corps

Period of Assistance: Twenty-four person months. One long-term PCV on two year assignment, with Peace Corps back-up. Assignment began April 1992, to be completed March 1994.

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

PCV assignment began in April 1992 providing training and technical assistance to small business lenders; services provided in Sofia and Plovdiv; utilizes case studies; each course lasts three weeks; profit motive is a new idea and, for some, difficult to understand/accept; attempting to move bank from asset lending base to potential business income/cash flow basis; training program participants are both bank personnel and business representatives.

· Training is only 50% of time; other 50% devoted to ad hoc consulting; some work in coordination with the PC business advisory centers; PCV also training trainers.

Lessons Learned:

This is an example of placing a PCV in an assignment in which he/she has potential to provide training and/or technical assistance to more than just the enterprise to which assigned, in this case the Commercial Bank of Bulgaria. This provides for greater spread/multiplier effect.

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Productivity Measures (PM)	3
Indirect Benefits (IR)	1
Broader Benefits (BB)	1
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #66: Office of the Deputy Mayor, Stara Zagora

Country: Bulgaria

Ownership: Government

Size: Small

Sector: Public Administration

Location: Stara Zagora, Bulgaria

Voluntary Agency: VOCA

Period of Assistance: About one and a half person months of direct assistance. One short-term VOCA Volunteer, directly; various others, indirectly -- cooperative principles and practices; farm and cooperative management. Dates of assistance: April 10 - May 26, 1992

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

Among other duties and concerns, Deputy Mayor Petki Chamov interested in introducing Western-style cooperatives in his region, thus request for VOCA assistance.

· Either the Volunteer and the Municipality were a mismatch, or the Municipality had different expectation, or the Volunteer expected a less sophisticated audience for his seminars; in any event, his effectiveness seen only in retrospect, at best.

· Deputy Mayor has high hopes and ambitions for the municipality, which is essentially equivalent to a county in the U.S.;unfortunately, unable to prioritize and conceptualize what is needed first and what circumstances are required to provide proper setting and impetus for development.

· However, at least in theory and in verbal arguments, Deputy Mayor is completely convinced of the need for the private sector to lead the way in economic development of the region and is anxious that the public sector provide the necessary policy and legislative environment for its success. He needs solid guidance and advice, not necessarily from VOCA.

Lessons Learned:

Sufficient advance preparation of the client (i.e. the municipality), coupled with thorough assessment of the individuals who will interact with the Volunteer (i.e. the seminar participants) and an intensive briefing of the Volunteer regarding these two factors might have prevented what must be considered a less than desirable utilization of a Volunteer's input. This may even extend back to the Volunteer recruitment process in the U.S., since it apparent that the Volunteer did not meet local expectations, and his expectations of the sophistication level of training participants was too low.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

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Case #67: Stoyko Stoykov Farm/Feed Mill and Meat Processing Plant

Country: Bulgaria

Ownership: Privately owned and operated Farm and Plant

Size: 13 employees: 9 at farm, 3 at plant, 1 at outlet shop

Sector: Agriculture

Location: Stara Zagora, Bulgaria (and outskirts)

Voluntary Agency: VOCA

Period of Assistance: About eight person months. Four short-term VOCA Volunteers TA - feed mill facilities operations and management; business plan; meat processing operations; new product (sausage) lines (2 husband and wife teams). Dates of assistance: October 15 - 29, 1991; March 7 - April 19, 1992

Cooperating Institutions:

Type of Assistance: Direct

Narrative:

Stoyko Stoykov, displaying characteristics of a bona fide entrepreneur, determined to get into the meat processing business by both owning a cattle farm and cattle (400) and the plant where the meat could be processed; he accomplished this through series of cash and credit transactions; although he sought potential partners, and may still involve one or more partners, at moment he is sole proprietor.

· The VOCA volunteers came at critical periods for him, advising first on the cattle farm and feed mill and then on the operation of the meat processing plant, including introduction of 12 new kinds of sausage; one of the wives assisted Stoykov in preparing a business plan for use in soliciting credit and in dealing with potential foreign purchasers and joint venture partners.

· The volunteers also assisted him in making key contacts in Spain and Turkey for needed equipment and technology; he may also enter into a joint venture with a German firm and introduce a line of dried fruit on his farm; also considering the introduction of dog food production.

· Has realized 70% increase in sales this past year.

Lessons Learned:

Nothing works as well as finding an individual with a venturesome entrepreneurial spirit and providing him/her with the information and technology to get going. This is one outstanding case of someone who would probably have done what he did anyhow, but who utilized external assistance to accelerate the development of his enterprises and avoid making costly mistakes.

Productivity Measures (PM)	4
Indirect Benefits (IR)	I
Broader Benefits (BB)	0
Overall Development Returns (DR)	5
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	2.50

Case #68: Brazdi Farmers' Cooperative

Country: Bulgaria

Ownership: Independent, i.e. private, cooperative, in formative stage

Size: 192 members, representing a total of 1200 hectares

Sector: Agriculture

Location: Trankovo, Stara Zagora, Bulgaria

Voluntary Agency: VOCA

Period of Assistance: Over one person month. One short-term Volunteer TA -- model private cooperative organizational structure including budget and operations projections in context of local crop production, labor costs, input supply. Dates of assistance: January 10 - February 26, 199

Cooperating Institutions:

Type of Assistance: Intermediary

Narrative:

This cooperative is probably typical of various groups of farmers in Bulgaria who want to take advantage of changes in land ownership and in legal status and structure of cooperatives; some groups, such as this one, which were members of a collective have forged ahead and organized a cooperative in name, while waiting for land ownership and ultimate distribution of collective's infrastructure and equipment; others, fearful of the unknown, wish to maintain status quo and reinstate the collective, or similar organizational structure.

- This group sought VOCA assistance in defining a Western-style cooperative and in preparing its bylaws, including relationship between board, members and manager.

- The manager is in a key position to move ahead once land issues are settled since he chairman of Liquidation Council.

- The VOCA volunteer's approach was not understood or appreciated, at first, possibly due to misunderstanding of Bulgarian reality; the manager admitted that in retrospect the volunteer's work was useful and will prove more so as the cooperative sets about the task of more structured organization.

Lessons Learned:

This, also, is a case where there may have been a mismatch, or where the external assistance was provided sooner than could usefully be absorbed and utilized. One problem was the volunteer's wife, who found it difficult to adapt to the living conditions. This type of problem requires more careful screening during the recruitment process in the U. S.

Productivity Measures (PM)	1
Indirect Benefits (IR)	0
Broader Benefits (BB)	0
Overall Development Returns (DR)	1
Cost Category (CC)	2
Benefit/Cost Ratio (BC)	0.50

Appendix F

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