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GLOSSARY

ACRONYMS

ABLE	American Business Linkage Enterprise
ACDI	Agricultural Cooperative Development International
BDS	Business Development Services
BSO	Business Support Organization
BSP	Business Support Project
CEE	Central and Eastern Europe
CDC	Citizens Democracy Corps
CEL	Country Experimental Lab
EBRD	European Bank for Reconstruction and Development
EC-Phare	Grant assistance program of the Commission of the European Communities
ENI	(USAID) Bureau for Central and Eastern Europe and the New Independent States
ENI/ED	(USAID) ENI Office of Enterprise Development
EU	European Union
IESC	International Executive Service Corps
IFC	International Finance Corporation
LOL	Land o' Lakes
MBA EC	MBA Enterprise Corps
NGO	Non-Governmental Organization
OAR/Warsaw	Office of the AID Representative to Warsaw
PIET	Partners for International and Executive Training
PBAS	Polish Business Advisory Services
RAAPS	Restructuring Agriculture and Agribusiness: Private Sector Program for Poland
RFP	Request for Proposals
SEAF	Small Enterprise Assistance Fund
SMART	Small and Medium-sized Agribusiness Resource Triangle
SME	Small and Medium-sized Enterprises
SOE	State-owned Enterprise
TA	Technical Assistance
USAID	United States Agency for International Development
VOCA	Volunteers in Overseas Cooperative Assistance

DEFINITION OF TERMS USED

Activity	A specific program of assistance implemented by a given Provider.
Advisor	A U.S. volunteer expert providing technical assistance services to client organizations
Association	A legal form of voluntary organization with a mandate to work for

	social betterment; minimum of 15 individual members; can be involved in economic activities limited to the objectives contained in its statute; income cannot be divided among the members.
BSO	An organization, including for-profit and non-profit NGOs, that provides business support services to private sector enterprises. These services could include training, consulting, space, office services, financing, etc.
CEL	Country Experimental Lab; a series of experimental programs carried out as a part of USAID's reengineering strategy.
Foundation	A registered legal entity with the goal of gathering capital for social purposes; no membership but has a statute, board of directors and can have a council; can be involved in economic activity if it is in its statute, with such economic activity being taxable.
Graduation	The end of a USAID foreign assistance program in a given country due to the attainment of the program's objectives.
Intervention	One specific incidence of assistance by a single Provider.
Partner Cities	The 45-50 municipalities that will work with the Local Government Partnership Program operated by USAID acting in partnership with a Program Steering Committee. Objectives of the LGPP are to increase local government's capacity to efficiently deliver services and manage local resources, to increase public participation in local government decision making, and to improve indigenous mechanisms for support to local government. As part of the pilot program, eight cities have been identified and are receiving technical assistance.
Provider	A USAID-funded organization providing assistance to the SME sector in Poland.
SO 1.3	USAID Strategic Objective 1.3: Private Sector Stimulated at the Firm Level. Programs reviewed in the survey all contribute to the accomplishment of this strategic objective.
SME	Small and Medium-Sized Enterprise; the programs in Poland have to date defined SME as a firm or business with between 5 and 500 employees; beginning with the new Business Support Project an SME will be defined as having 10 - 250 employees.

EXECUTIVE SUMMARY

Since 1991 USAID has provided nearly \$24 million in firm level assistance to the Small and Medium Enterprise (SME) sector in Poland. In addition to related but separate support of policy and financing activities to assist private sector development, USAID has taken a lead in providing technical assistance and training directly at the enterprise level aimed at strengthening the technical and managerial capacity of enterprises to operate in a market economy. To review and document the extent and effectiveness of these expenditures, and to provide guidance for future USAID-funded SME assistance, a six-person team from AID/Washington and OAR/Warsaw carried out two weeks of field work in Poland during September, 1996. In six regions of Poland, interviews were conducted with 63 clients that had been recipients of technical assistance provided by one or more of seven major USAID-supported organizations (referred to throughout this report as "Providers"). The clients interviewed included both SMEs and the Business Support Organizations (BSOs) that serve the SME sector. Client information was gathered in four major areas -- client profile, use of assistance, effectiveness of assistance, and future needs. In addition, key staff members from each of the Providers were interviewed and written program information was also requested from each Provider.

From this array of information a series of findings, conclusions and, ultimately, recommendations were developed. While these review results do not apply in every instance, the review team made a conscious effort to include only those conclusions and findings that were true at a general level, i.e., across Providers. The only obvious caveat stems from the exclusion from the client interviews of SMEs and BSOs in Warsaw, making inferences on a program or country-wide basis perhaps inappropriate in some cases.

Findings

The survey found that the key to successful SME interventions was careful planning in matching the client and the expertise of the advisor. In addition, flexibility in making necessary adjustments to the scope of work during the provision of assistance and the involvement of senior client management were critical. Once they had experienced the value of the assistance, SMEs seemed willing to bear a greater share of technical advisor costs although there was some ambiguity over whether Polish consultants had much to offer in highly technical areas. There was clear indication that the consulting and training needs of the SMEs are becoming increasingly sophisticated as they mature and develop. This has important implications for BSOs that seek to serve this potential client pool. The importance of credit, while identified by many SMEs as a major constraint to their continued growth, may be somewhat exaggerated. This reflects both an inadequate understanding of the real costs and benefits of credit on the part of SME management and a tendency to equate available credit with subsidized interest rates.

While BSOs are found in various shapes and sizes, most are small and targeted toward specific groups. Many are effective in dealing with start-up SMEs, but the survey indicated that they are not generally viewed by the established SME sector as a source of consultants and training. A substantial portion of BSOs, particularly those with incubators, have already

reached a considerable degree of financial sustainability. Nevertheless, long-term survival of the BSOs also requires attention to programmatic issues and the capacity of the BSOs to adjust to changing SME needs. Legal barriers did not seem to be an overwhelming constraint to development and growth of BSOs, although the uncertain and ever-changing legal framework obviously hindered forward planning on the part of both BSOs and SMEs.

A very high percentage of both SMEs and BSOs expressed strong desires for better access to information on a wide range of subjects. Both groups also were very interested in additional opportunities for networking to improve their performance. SMEs, however, did not necessarily highlight such networking as a means to influence public policy, but rather a mechanism to increase information on markets, credit, and training opportunities. U.S. training, particularly group study tours, seemed to have been highly appreciated and participants were able to articulate an impressive array of tangible benefits. Many BSOs and SMEs were not aware that the assistance they had received (training and/or technical assistance) had been funded by USAID.

Survey results suggested that the follow up and monitoring data collected by Providers were at times inaccurate and/or misleading. This stemmed from both a tendency by some clients to be less than fully candid about the assistance received as well as monitoring methodologies that lacked rigor and essential analysis. Coordination among the USAID-funded Providers was almost always informal and normally quite limited; even the SMART activity involving a joint proposal by multiple Providers never achieved the planned level of coordination. At a donor level, there appeared to be a similar lack of coordination.

Recommendations for Future Assistance

While the new Business Support Project (BSP)¹ being inaugurated with USAID funding will most certainly capitalize on the assistance provided to date, it important that the BSP be clearly distinguished from previous, USAID-funded SME/BSO support activities and that more effort be given to developing name recognition. The BSP needs to encompass a range of BSOs, including for-profit organizations committed to providing services to SMEs. The most important selection criteria should be BSO willingness to participate in the BSP program as reflected in a signed participation agreement which spells out a commitment to work with SME firms of indicated sizes, to engage in an outreach program for SMEs, to utilize Polish consultants (in some cases paired with U.S. consultants) and to charge fees-for-service. The U.S. contractor implementing the program should develop a customized assistance plan for each BSO.

In implementing the new Project, a three-tier approach to monitoring (activity level, SME/BSO community level and Strategic Objective level) is recommended. Emphasis needs to be placed by the implementing contractor on the establishment of SME-Consultant-BSO links, the execution of site visits using Polish consultants to determine assistance needs, the use of expatriates only when Polish expertise is not available, and the provision of repeat assistance, rather than one-time assistance, to meet changing client needs over time. Attention to policy and regulatory issues should be provided in close collaboration with the

¹ At the time this survey was carried out, award for this new project had not yet been made.

SME Foundation. U.S. participant training should continue to be an important assistance element, with preference to group tours focused around particular topics.

A clear monitoring and management plan, including field spot checks by USAID, is essential for efficient and effective management of the new project. Special attention should also be given to coordination with other donors to reduce overlap and to ensure coordination. An even higher level of coordination needs to be obtained among all USAID-supported activities that impact on the BSO/SME sector.

I. INTRODUCTION

BACKGROUND AND PURPOSE OF THE STUDY

Over the course of the five years of USAID's SME program in Poland, assistance has focused on three major areas of support: 1) providing direct firm-level assistance; 2) improving the enabling environment; and 3) increasing access to financing. Since 1991, nearly \$24 million has been directed toward the provision of firm-level assistance, provided through separate programs delivered mainly by U.S. NGOs. Each of these programs had its own specific objectives and implementation strategy.

In early 1995, OAR/Warsaw began looking for a more focused approach to the delivery of this assistance. As a part of USAID's Country Experimental Lab (CEL) program, OAR/Warsaw challenged the then-current Providers to develop new approaches for the delivery of technical assistance. The details were left to the Providers, but the new strategy was generally expected to maximize the cost-benefit of the assistance provided and be collaborative and synergistic in nature. This challenge met with mixed results. One formal collaborative activity was funded -- the Small and Medium-Sized Agribusiness Resource Triangle (SMART). The remainder of the USAID-funded Providers employed informal collaborative efforts.

Pursuant to the CEL, and in preparation for the eventual completion of the USAID program in Poland, OAR/Warsaw developed a Graduation Strategy that focuses on ensuring the sustainability of assistance efforts. To specifically address the sustainability issue, a new program for providing assistance to the SME sector was designed in 1996. The primary objective of this new Business Support Project (BSP) is to develop a sustainable indigenous capacity that can continue to provide the SME sector with a variety of business support services, most notably consulting and training. The BSP will work with business support organizations (BSOs), consultants and private sector SMEs to strengthen the capacity, capability, and linkages that are needed to ensure that the BSOs, their trainers and consultants can continue to effectively service the SME sector after the termination of USAID assistance.

The purpose of this survey, then, is two-fold. It is meant to document, through the use of sample interviews, the extent and effectiveness of past assistance. At the same time, the survey is designed to help identify the type of future assistance needed. The latter will be strongly influenced by the issues and constraints currently seen as most common in the SME sector and by the strength of the existing linkages among various groups in the SME community.

TARGET AUDIENCE FOR THE REPORT

There are three basic audiences for this report. We believe all can benefit from the report and will find it useful for different reasons and purposes.

First, the report contains information, and recommendations, that can and should be utilized by the organization selected to implement the new Business Support Project. As an activity that builds on past experience while developing a legacy for the future it is critical that

data and information reflecting that experience be available. It is also important to have a snapshot of where we are now. The information collected on existing BSOs and a range of SMEs, the perceptions that recipients have of past assistance, the distillation of lessons learned and recommendations developed should provide a very applicable guidance document for the detailed implementation planning necessary by the selected organization. Hopefully, the information provided to the BSP contractor will point the BSP in some quite specific directions and lead to a more successful program that will reach and benefit greater numbers of BSOs and SMEs.

The second audience for the report is USAID - both OAR/Warsaw and AID/Washington. As a look back, the report will serve to document the results achieved from the wide range of SME interventions in Poland over the past five years by a variety of assistance Providers. The report does not and cannot substitute for the wealth of information reported by the Providers in numerous reports about their respective programs. Nor does it quantify in hard numbers the results of the various assistance activities. However, with a degree of confidence based on the number and the wide range of recipient interviews, the report does reach generally applicable conclusions about the effectiveness and impact of the assistance provided at the SME and BSO level. The report does not pretend to assess the aggregate impact of USAID's SME assistance program or to reach conclusions on the totality of the USAID assistance provided to the sector.

A more valuable immediate use of the report should be for OAR/Warsaw activity management purposes. As a major element and contributor to the achievement of S.O 1.3, the BSP is an important activity requiring careful management. Improved understanding of the SME sector and the BSO network, what has worked and what has been less effective, combined with client recommendations about current and future support needs, should enable USAID managers to better direct and monitor performance. Clearly, the new information will permit a better and more substantive dialogue with the BSP contractor as well as the development of better reporting criteria.

A third audience are other USAID Missions in the ENI region and their associated set of USAID-funded assistance Providers that will continue to have programs in the region. Some of the findings and recommendations may reinforce the activities currently underway, while others may suggest changes that would improve the results and impact of their assistance efforts.

METHODOLOGY

USAID's program of direct firm-level assistance to SMEs was both varied and broad. Identifying a representative sample of recipients of this assistance who could be visited within a reasonable amount of time and level of effort presented a challenge. The methodology adopted was a multi-step process.

Program Selection

Under Projects 180-0023 (Technical Assistance to Enterprises) and 180-0024 (Restructuring Agriculture and Agribusiness), the two projects that have provided the major funding for the SME sector, USAID has funded well over 20 separate programs in Poland.

This survey focused on reviewing the clients of the seven major Providers of direct firm-level assistance: Citizens Democracy Corps (CDC), International Executive Service Corps (IESC), MBA Enterprise Corps (MBAEC), Polish Business Advisory Services (PBAS), Agricultural Cooperative Development International (ACDI), Land O' Lakes (LOL) and Volunteers in Overseas Cooperative Assistance (VOCA). It should be noted that the latter three organizations have had both separate programs of assistance and also collaborated to provide assistance under the Small and Medium-sized Agribusiness Resource Triangle (SMART). SMART was also one of the few USAID-funded programs in Poland that dealt specifically with the development of business support organizations.

Sample Selection

There were a number of possible approaches to the task of sample selection. Since assistance to BSOs is a focus of the future SME program and since the number of BSOs assisted to date was small, the sample selection started by identifying areas where USAID-funded organizations have provided assistance to BSOs. The team then mapped out the cities that fit the following criteria:

- outside the Warsaw metropolitan area
- sites of BSOs assisted under the SMART project
- sites of other BSOs that have received, or been offered, USAID assistance
- partner cities identified to date

The next step in the process was to try to tie these sites into groups that: 1) could be visited in a three day interval; 2) provided at least one reasonable access point to and from Warsaw; and 3) were geographically representative of the country. Six general areas and nineteen cities were finally targeted as focal points for this study. They are as follows:

Area 1: Krakow, Rzeszow, Mielec, Sandomierz

Area 2: Gdansk, Paslek, Olsztyn

Area 3: Poznan, Wroclaw, Ostrzreszow

Area 4: Lublin, Pulawy, Lodz

Area 5: Szczecin, Koszalin, Borne Sulinowo

Area 6: Katowice, Knurow, Bielsko-Biala

The map in Annex 3 shows the routes for each of the six trips.

Selection of Entities to be Interviewed

Since one of the purposes of this study was to assist future programming, the target group of firms and organizations to be included was limited not only to those clients located outside the Warsaw metropolitan area, but to SMEs that had no more than 250 employees at the time assistance was provided. The group was also limited to those clients that received assistance in the three year period ending March, 1996.

A letter was sent to the seven identified Providers asking them to submit the names of firms and organizations with which they had worked that met the criteria as described above (see Annex 4). With one exception, team members randomly chose the entities to interview from the lists submitted. An exception was made with BSOs, where an attempt

was made to schedule an interview with as many BSO-type or possible BSO on the lists. Providers were then requested to set up meetings with the entities selected by the survey team, resulting in interviews with 63 organizations. Table A shows a breakdown of the interviews by Provider. Since some clients were assisted by more than one Provider, the detailed data for number of clients will actually total to more than 63. The number of interventions reflects the total number of technical assistance advisors and the total number of training activities these clients received.

Table A: Summary of Interviews, by Provider

PROVIDER	CDC	IESC	MBAEC	PBAS	ACDI	LOL	VOCA	OTHER ^{1/}	TOTAL ^{2/}
# clients	12	4	11	7	16	13	8	2	63
# interventions	14	11	15	9	30	33	15	3	130

^{1/} Recipients of USAID assistance through Providers other than those included in this survey.

^{2/} Some clients were served by more than one Provider; therefore, the total (63) is net of overlapping clients.

Field Work

Based on the questions and issues identified in the Scope of Work, three survey questionnaires were developed, one to be used for firms, one for BSOs or BSO-like organizations, and one for the Providers of the technical assistance and training. (See Annex 2). These forms were developed to serve as guides during the interview process; it was not expected that the organizations be questioned directly from the forms.

Field work was carried out over a two-week period by a six-person team, three members from OAR/Warsaw and three from ENI/ED. Interviews with firms were scheduled for one hour, interviews with BSOs for one and a half hours. Almost all interviews were held with at least one person from senior management as well as those persons most familiar with the assistance provided. A list of clients interviewed is found in Annex 5. Other than the inclusion of their names in this annex, clients were assured complete confidentiality of their interviews.

ISSUES AND QUESTIONS ADDRESSED

The information gathered can be broken down into four general areas: client profile, use of assistance, effectiveness of assistance, and future needs.

Client Profile

Information was sought on the firm itself that would help to classify it into various categories, e.g., geographical, type of ownership structure, area of activities, and age and size of firm. Information was also sought on the genesis of the assistance and the degree to which Polish SMEs recognized both their need for and the availability of assistance.

Use of Assistance

A key part of the information sought was on the nature of the assistance provided and its utility to the client. Since the utility depends on properly identifying the need and providing an advisor able to meet that need, information was sought on the degree and accuracy of the client's awareness of the type of assistance needed and the Provider's ability to correctly identify the need and field a matching advisor. It was also important to identify any constraints, perhaps beyond the control of either the client or the Provider, which affected the assistance and its utility.

Results of Assistance

Most important was the result of the assistance, especially the degree to which it led to changes for the client and an improvement in operations. In addition to noting positive change, it was also likely that there would be occasions where the advisor's recommendations would not be implemented, perhaps because the recommendations themselves were not practical in the Polish context or because of changes in circumstances between the time the recommendations were made and the attempt to implement them. In view of the likelihood of at least some changes which might affect the outcome taking place after the departure of the Advisor, information was also sought as to the degree of follow up rendered by the Advisor and/or the Provider.

Measuring the direct impact of the intervention itself on the total performance of the client can be both difficult and ambiguous. Nevertheless, this was the key issue to address, in qualitative if not quantitative terms. Therefore, clients were asked what difference the assistance had made, namely where they would now be without the assistance. Also of interest was whether the specific instance of assistance might have had an effect beyond the client, whether on other firms or on the locality in which the firm was located.

Future Assistance

Having provided assistance to the client at least once, it is important to know what the client now considered as factors impeding future growth, whether internal or external to the firm, and if there were a need for further outside assistance. Also important is the ability and willingness of the client to pay for future assistance. Now that the client had experienced external assistance and (presumably) found it valuable, would s/he be willing to cover more, if not all, of the costs of delivering training and/or technical assistance. A related question was the degree of awareness and use of such assistance provided by BSOs in the region.

The questions addressed at BSOs were modified slightly in order to capture information unique to the BSOs' situations. Such questions concerned the degree to which they were self-sufficient, and if not, what it would take to achieve self-sufficiency. Other questions dealt with the extent to which there were linkages among the BSOs and other organizations devoted to assisting the SME sector. This latter would include the degree to which the BSOs were presently acting as advocates for their SME clients with government entities, local, regional or national. And lastly, if such linkages did not exist, did the BSOs see the creation of such linkages as useful or important. The answers to these questions would provide an indication of the amount of work the BSP needed to undertake in order to help BSOs reach sustainability and attain an important role in the SME sector.

II. OVERVIEW OF PROGRAMS REVIEWED

Details of the programs of the seven Providers can be found on Table B on page 10. Except for the dates and funding levels, all data on this table were submitted by the Providers at the time this survey was conducted.

CITIZENS DEMOCRACY CORPS (CDC)

CDC operates its Business Entrepreneurship Program by providing management assistance to small and medium-sized businesses and to institutions that promote and support the development of these businesses. Senior-level American volunteers are assigned to work with private or privatizing businesses as well as municipalities, nonprofit organizations, and educational institutions that provide services, financing or training to SMEs. Of the 195 assignments completed in fiscal years 1995 and 1996, 25% represented the Agribusiness sector, 23% Manufacturing, 29% Service Retail, 5% Banking, and 18% were BSOs.

CDC volunteer advisors generally serve two month assignments, with USAID-provided funds covering the cost of the airfare, the host company providing housing, a translator, and local transportation, and the volunteers covering their food and incidental expenses. In the last two years CDC has embarked on an extensive cost effectiveness program through careful planning and scheduling of the volunteer advisors. In addition, CDC has also revised its internal policies in order to institute a more extensive cost recovery program. In the first nine months of 1996, CDC had thirteen clients that paid over \$50,000 in either retainer fees or cost recovery contracts.

INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)

The original objective of the IESC program in Poland was to provide American expertise to Polish enterprises during the time of transition. The IESC program has changed since its start up in 1991 as the Polish economy transformed and the private sector began to take hold. The focus of IESC's program shifted from assisting SOEs to assisting private sector firms (with up to 500 employees, but neither microenterprises nor start ups). Focus has also shifted from the manufacturing sector to the service sector. With the introduction of the Long Term Intensive Focus on Enterprises (LIFE) strategy in 1994, emphasis has been placed on providing more intensive assistance to a smaller number of clients bringing them to the point of "graduation", e.g., where the firm no longer has a need for subsidized assistance. In addition to providing volunteer advisors, IESC has two other major categories of assistance: Business Development Services (BDS) and American Business Linkage Enterprise (ABLE) research studies. BDS provides clients with direct access and links to U.S. and European sources of technology and equipment, identifies potential business partners, and establishes mutually beneficial commercial transactions with U.S. firms. ABLE uses IESC's business networks and credibility in the U.S. to access industry-specific information and business intelligence for overseas clients.

MBA ENTERPRISE CORPS (MBA EC)

MBA EC is entering its sixth year of operation in Poland. Corps members, who are recent U.S. MBA graduates, have worked in virtually every major city in Poland providing selected private businesses with in-house development assistance. These volunteers stay with a company for a period of one year, working mostly in the areas of general management, marketing, and finance. The assisted company provides the Corps member with housing and a monthly stipend. In addition to an MBA degree the volunteers are expected to have at least three years of practical experience. The MBA Country Director reports that the level of expectation of Polish firms is rising along with the sophistication in the marketplace, and that the demand for volunteers remains high and is spread fairly consistently across functional areas. Reports also indicate that approximately 50% of the volunteers remain in country upon completion of their assignment.

POLISH BUSINESS ADVISORY SERVICE (PBAS)

PBAS, also known by its Polish acronym PPP or 3P/PBAS, is a multi-donor project that was also supported by the International Finance Corporation, the European Bank for Reconstruction and Development, the Government of the Netherlands and other bilateral programs. The objective of 3P/PBAS was to encourage business development, particularly in the privately-owned medium-sized enterprise sector, by providing technical assistance to individual companies and entrepreneurs in conceiving and designing business plans and investment proposals, and more broadly in adjusting to the new economic and business environment. PBAS has also developed a business consultant training program, funded in large part by EC-Phare.

SMALL AND MEDIUM-SIZED AGRIBUSINESS RESOURCE TRIANGLE (SMART)

Volunteers in Overseas Cooperative Assistance (VOCA)

Land O' Lakes (LOL)

Agricultural Cooperative Development International (ACDI)

Caresbac/Polska

SMART is an alliance of four organizations, all of which had separate programs operating in Poland at the time this consortium was funded in September 1995. (Note: Caresbac/Polska is an unfunded member of the consortium). The SMART program with its focus on the agribusiness sector has several objectives aimed at the BSO and SME communities. Building on the volunteers of VOCA, the training programs of Land O' Lakes, the credit/finance activity of ACDI and, to a lesser extent, the financing capacity of Caresbac, a variety of activities have been undertaken. Originally designed as a two-year program, SMART received only one year of funding. A no-cost extension will give the program a 15-month life of activity. Establishing coordination among Providers and the short time available have undoubtedly been constraining factors.

Volunteers in Overseas Cooperative Assistance (VOCA)

VOCA, the prime grantee of the SMART consortium, has been active in Poland since 1990 with the introduction of the Farmer to Farmer program. Initially the program emphasis

was on the provision of short-term advice and assistance to farmers, cooperatives and associations. Starting in 1993 the focus changed to private agricultural enterprises and agricultural credit/financial institutions. Within those broad groups emphasis has been on marketing, management and business plan development with less attention on production and technical issues. The largest number of volunteer assignments have been in the areas of agricultural credit/financial institutions (30%) followed by agribusiness/business operations (24%) and farm association support (18%). VOCA estimates that the assistance provided from all of its programs has reached 3530 direct beneficiaries (1885 male/1645 female) and over 99,000 indirect beneficiaries.

Agricultural Cooperative Development International (ACDI)

ACDI has two major activities under SMART: improving the performance of BSOs servicing agribusinesses and assisting financial institutions to equip themselves with the skills needed for financing agribusiness.

The strengthening of BSOs serving the agribusiness sector was a program element that was introduced into OAR/Warsaw's agribusiness program with the funding of SMART. The effort has been constrained by the limited life of the activity, but the program has developed an informational newsletter, instituted a methodology to measure SME performance impact, instituted a system of paired U.S./Polish consultants, created a data base of firms assisted and provided technical assistance and training to 15 BSOs.

The ACDI Credit/Banking program is charged with developing a pilot SME lending program with two BSOs and two cooperative banks. The pilot program seeks to offer an acceptable risk to participating banks while meeting the financial needs of SMEs. It reflects a move by ACDI from the emphasis in their regular program (funded separately) on organizational, financial and management/staff training issues toward assistance with actual lending programs. Overcoming the information gap between banks and SMEs will be critical to the success of the pilot program to be implemented between September and December 1996. If successful the program will begin to address the financing/credit issue identified by almost all SME assistance Providers, and by the SMEs themselves, as a major constraint to SME growth and development.

Land O' Lakes (LOL)

LOL has implemented seven different activities in Poland, including SMART. In addition to three early training activities, Poland participated in the Free Market Cooperative project, a CEE regional activity that worked exclusively in the dairy sector primarily with producer cooperatives. Activities expanded under the next program, Restructuring Agriculture and Agribusiness: Private Sector (RAAPS), for which LOL was the lead organization. RAAPS covered all agriculture sectors, but concentrated on grain, meat, and fruits and vegetables. Assistance focussed on providing training (faculty, management, consultant) and technical assistance (mainly business plan development). Business plan development and training for agribusinesses continued under SMART, with all assistance provided by Polish advisors with minor exceptions where courses were co-taught with Americans. It was also under SMART that cost recovery for the training courses was introduced. LOL is also currently implementing the Agricultural Commodity Market Information (ACMI) project which is developing market information systems in four sectors (dairy, meat, grains and feed, and poultry). This project

is designed to develop the capacity of the Polish agribusiness community by increasing the capability of trade associations to more effectively serve the SMEs in their respective sectors and by establishing a commodity market information system. While it is expected that this project will have a positive impact on the agribusiness sector, the project is not yet at a stage where it was reasonable to include its activities in this survey.

Caresbac/Polska

Caresbac/Polska, part of the Small Enterprise Assistance Fund (SEAF), was established in 1994 and has been funded by both USAID and EBRD. Caresbac provides equity financing to SMEs. Financing has been provided to 32 companies, 17 of them with USAID funds. Investees to date, including two firms that have gone bankrupt, have shown a 50% growth in employment and a real change in investee revenue of 104%. Caresbac currently has pre-tax projected internal rate of return on investments of 28%. Though Caresbac received no additional funding through the SMART cooperative agreement, the program description included Caresbac's participation in the alliance as a full partner. In return for Caresbac making equity funding available to SMART clients, Caresbac investees could avail themselves of the technical assistance, training and other services provided by SMART. Caresbac's participation in the decision making on potential clients and its input into program adjustments was intended to add a new dimension and perspective to the package of assistance provided to any given SME.

TABLE B: SUMMARY OF USAID-FUNDED FIRM-LEVEL ASSISTANCE

Program (Provider)	Start Date	End Date	Total AID Funding ^{1/}	# clients ^{2/}	TA interventions ^{2/}		Training ^{2/}		Other ^{2/}
					Number	Person Days	U.S.	In-country	
Business Enterprise Program (CDC)	09/01/91	12/31/96	2,099,800	127	195	3416	-	1012 trained/ 312 hours	<ul style="list-style-type: none"> • Business linkages = 10 • Assisted w/ access to finance = 20
IESC	03/01/91	12/31/96	5,954,552	222 est.	284	n/a	-	300 seminar participants	<ul style="list-style-type: none"> • 88 ABL studies • 120 BDS clients (value of initial transactions = \$2.8m)
MBA Enterprise Corps	09/01/91	09/30/97	2,858,703	130	160	35,200 est	-	-	
Polish Business Advisory Services ^{3/}	09/01/91	09/30/95	3,000,000	40	46	n/a	-	450	
Agribusiness Exchange Program (ACDI)	08/01/91	6/30/95	1,780,000	-	-	-	176	1370	<ul style="list-style-type: none"> • 27 persons received both U.S. and in-country training
RAAPS (Land O' Lakes)	03/01/92	03/29/96	4,498,555	84	84	continuous	75 internships	Faculty training = 220 Mgt. training = 77 Advanced Mgt = 39 Financial Mgt. = 140	<ul style="list-style-type: none"> • 4-5 day workshops for ca. 2000 persons • Information Bulletins in 3 subsectors
Farmer to Farmer and Regional Agribusiness Development (VOCA) ^{4/}	10/91	09/96	2,561,607	163	263	5674	-	-	
SMART VOCA ACDI LOL	10/01/95	12/31/96	1,200,000	47	28 17 9	423 continuous -	21 ^{5/}	<ul style="list-style-type: none"> • 386 (156 men/230 women) in 18 courses, 9 topics, 1091 p/days 	<ul style="list-style-type: none"> • VOCA direct beneficiaries: 185 (m), 133 (w); • LOL cost recovery thru Sept. averaged 30-50% , expected to reach 50-80% in Oct-Nov.
Total			23,953,217	813	1086				

^{1/} Funding prior to FY95 is the estimated portion of regional grants (for CDC, IESC, MBA EC, ACDI and VOCA)

^{2/} Information provided by grantees at the time of the survey or from Final Reports submitted by grantees to USAID.

^{3/} Total funding from all donors is approximately \$12 million; in order to attribute a reasonable portion of the results to the level of USAID funding, the number of clients and TA interventions reported here represent one quarter of the results reported for the entire program.

^{4/} VOCA numbers only reflect the two programs for dates shown and do not include earlier or non-related programs.

^{5/} Training provided in cooperation with PIET

III. FINDINGS AND CONCLUSIONS

INTRODUCTION

Table C (page 19) provides a breakdown of three scales used to rate the quality of the assistance provided: satisfaction, usefulness, and overall impact. The satisfaction and usefulness indices are further broken down by three categories of assistance: technical assistance, in-country training and participant training. The design of the survey called for asking the recipients themselves to provide the satisfaction and usefulness scores. However, the survey team uniformly detected a pronounced tendency for the recipients to give very high scores, marks that often did not correlate with what they had been saying. Therefore, all the scores shown on the table reflect marks given by the team based on interviews with the recipients.

In general, and not surprisingly, the satisfaction scores are higher than the usefulness scores. BSOs had the highest rate for satisfaction and usefulness of TA, but ranked significantly lower than SMEs in the overall impact of the assistance. This is in large measure due to the fact that USAID assistance to BSOs is very recent, mostly within the last year, and there has not been enough time to see significant change. However, most of the assistance provided to BSOs appeared to be rather ad hoc. There were no clear work plans or scopes of work developed that outlined the purpose and extent of the assistance provided, making any determination of specific change or impact very difficult.

For SMEs the spread in individual ratings is much greater than for any other group, ranging from 1 to 6 in all categories of satisfaction and usefulness, and from 0 to 3 in impact. There are numerous examples where the assistance provided made a significant and lasting contribution to the performance of an individual firm. Positive results were found across sectors, regions, and Providers. Examples of this assistance range from the general, e.g., changing management style, to the specific, e.g., revising product lines, implementing new accounting procedures. One oft-repeated outcome of assistance, although difficult to quantify, is that the advisor's assistance changed the management style and/or the way senior management looked at a problem.

A medium-sized distribution firm was the recipient of an advisor originally brought in to help the client with marketing. However, when interviewed, the vice president of the company said the major result of the advisor's stay was that they "just began to look at things differently". The two examples he gave were the way management now approached communication and the way they approached issues. Previously, he said, the majority of the communication (and corresponding decision making) was done in the hallways. The firm now encourages distribution of materials and notes prior to meetings where better informed decision making is taking place. A second change that was made was in how they approached issues. The advisor got them to look at the broader picture, introduced the team concept, and got the management to think "in order", e.g., to consider strategy before looking at details. Just how much this change in management style and approach has contributed to the firm's continued growth in sales and employment is difficult to measure. In the vice president's mind, however, there was no doubt.

There are also a smaller, yet notable, number of examples where technical assistance fell short of making any substantial difference. In some cases this is because insufficient time has elapsed to be able to determine any positive results. Most often, however, it is directly related to the mismatching of client and advisor, either because the needs assessment failed to identify the "real" need or because the Provider simply did not field a person with the requisite skills. In other cases the recommendations provided by the advisor, although sound from a business or management perspective, were not able to be implemented. This was

most pronounced in education and research organizations. Although a limited number of these organizations were included in the sample, the ones that were included ranked significantly lower than any other group. Technical assistance to these organizations was often course or project specific and usually of limited duration. Few recommendations were able to be implemented as the organizations themselves were generally not ready to change and/or were constrained by bureaucratic regulations.

BSO DEVELOPMENT

Findings

There is no single definition of a "business support organization". They come in various shapes and sizes and serve a wide variety of clientele, although each BSO generally targets specific groups. Target clientele is usually dictated by geographic location and/or how they were organized and founded. The force behind many BSOs is one individual whose own particular background and interests set the direction of BSO development. In general the BSOs surveyed are small, formed within the last five years, and have a long way to go before becoming full-fledged business support providers. In addition, there are signs of social consciousness among many of the non-profit BSOs who consider themselves to have a responsibility to provide more than just business advice, but also to provide needed services to the community at large. In some cases this leads to a confused organizational identity.

To illustrate that BSOs are a diverse lot, we turn to Borne Sulinowo, a former military base that was taken over by the neighboring rural community in 1993. It very rapidly turned into a growing town with 2500 current inhabitants. Technical assistance has resulted in the setting up of a business incubator and the provision of basic BSO services for the start-up companies that are attempting to breathe economic life into the town. Participation by the BSO director in a U.S. group study tour has led to significant progress in the implementation of kitchen incubators. The BSO was set up by the local authority and they work closely together to guarantee business development in the community. Such close cooperation is becoming more common as the number of local authorities taking economic development into their own hands grows.

BSO/SME Linkages: The majority of BSOs interviewed in this survey worked primarily with start up companies. They were generally unknown to the more established SME community found in the survey sample which tended to only be aware of chambers of commerce and/or trade associations. (However, neither the chambers nor trade associations were often perceived by SMEs to be sources of consulting and training.)

Training: All BSOs interviewed provided training and had in-house capacity to provide basic training courses. However, training capacity rarely went beyond a few very basic courses, e.g., starting a new business, basic management, fundamentals of accounting. There was little evidence that BSOs currently had any capability of providing more sophisticated training to established SMEs.

Consulting: With the exception of business plan development, BSOs generally have no in-house capacity for consulting. The one area where BSOs appeared to use outside consultants was to give seminars on legal and tax issues. Although only three for-profit consulting groups were interviewed, these were the organizations best qualified to provide technical assistance to existing SMEs. Their lack of outside support makes it necessary for

them to seek larger medium-sized firms for clients, since these are the clients most able to meet their unsubsidized fee structure. These consultants expressed, however, an interest in serving the entire SME community.

Sustainability: Of the 17 BSOs in the sample group, close to half reported that they had reached or were near financial sustainability. Financially sustainable or not, most BSOs appeared to be at a crossroads in their development. There were some that were content with their current status and a few who felt that continued reliance on significant outside support was not an problem. However, most realized that they had to expand their programs and reach out to a larger clientele in order to survive independently into the future. How this was to be accomplished was very seldom clear and rarely did a BSO have any business plan of its own that outlined future development.

In 1994 a small town in eastern Poland founded a BSO to foster the development of the community. A three year strategy, that included registration of the organization as a Foundation able to engage in economic activity, has resulted in the creation of an incubator which houses 10 firms with 60 employees and a separate Business Service Center whose current training and advisory services will be expanded as a part of a new program membership drive. The Foundation has recently received two new grants from the donor community based on its work record. It is on track to reach its target of 100% financial self-sustainability in approximately 18 months. Among the keys to success, according the Board President, are its close ties to the community, a solid relationship with a large local employer, and on-going linkages with another Foundation in a nearby large city.

Legal Constraints: There are still legal restrictions that constrain a BSO's ability to function effectively and efficiently in the market place, e.g., the lack of reasonable tax laws governing NGOs. Many BSOs cite these restrictions as limiting their ability to charge for their services. Yet, at least some have been able to successfully address these obstacles.

Conclusions

- Currently there are only weak links, where they exist at all, between the BSOs and the Polish consulting community; this is an area requiring much work, yet will be essential to the success of creating improved capacity in the Polish consulting community.
- There are a number of BSOs that really work. They have dynamic leadership and a true commitment to the people in their community. They are not yet equipped, however, with sufficient capacity or expertise to move much beyond a very basic, and in some cases very donor dependent, organization. They need assistance in better defining their vision and outlining the steps necessary to achieve it.
- BSO sustainability is more than simply a financial issue. Sustainability must be viewed as having two major elements: financial and programmatic. Some BSOs may presently be able to generate enough revenue to cover operating costs, but this may not be enough to guarantee longer-term survival. The programs of the BSOs need a capacity to change and grow as the sophistication and needs of the SME sector change.
- Constraints exist concerning the operation of non-profit or not-for-profit work in Poland which require Government of Poland action to bring legislation in line with EU-member-state standards. At the same time the importance of legal issues can be exaggerated by the BSOs to justify their lack of success in achieving sustainability. Although the legal barriers may hamper the effective development and growth of BSOs, these

barriers do not appear to be insurmountable. Much more important is for the BSO to want to expand and then find the way to overcome impediments.

SME ASSISTANCE

Findings

All indications are that SMEs are a vibrant force in the Polish economy. And while the Polish economy is one of the growth leaders in the CEE, this growth is uneven. There are many regions where SMEs find themselves in a difficult situation. There are pockets of high unemployment that threaten to grow with the "right-sizing" of privatized SOEs. In agricultural areas comprised of small family farms, underemployment is a major issue. Larger companies from the West are establishing themselves in the Polish market and many niche markets are dwindling. In addition, in August 1996 the Law on the Commercialization and Privatization of State Enterprises was passed by Parliament. This law, the provisions of which have yet to take effect, would move many smaller SOEs to the voivodship level. These voivodships do not necessarily have the funds nor the expertise to support these privatizing enterprises.

A small agribusiness firm in northwest Poland wanted a technical expert able to advise on several, very specific operational issues. The volunteer advisor that was selected for his specialized expertise provided multiple recommendations that the firm was able to implement within a relatively short time frame. The changes have led to an increase in revenue of 25 percent and a 100 percent increase in operating profit. In the words of the client, "(the advisor) acted as a partner not a theoretician".

The SMEs included in this survey not only represent a wide geographic area, but also reflect a wide range in size and area of business. A general breakdown is as follows:

<u>Size, by # of employees</u>		<u>By area of business</u>	
5-50	33%	food processing	24%
51-100	17%	manufacturing	15%
101-250	33%	service	41%
> 250	17%	other	20%

Findings clearly indicate that the SME sector in general has become much more sophisticated in recent years and the current demand for training and technical assistance reflects that change. Unfocussed and general technical assistance is no longer appropriate. There is still a great need for strategic planning as well as specific business advice to get the SME sector through the next phase in the transition to a full market economy. Current expectations are that Poland will gain membership to the EU in the year 2002 and many SMEs are aware that they must be prepared to adapt themselves to the competitive conditions of the EU market.

Among the clients interviewed there were a variety of attitudes toward the assistance received. However, there were no consistent patterns to indicate that any one Provider had a more or less successful program than another. All had cases of highly successful interventions and all had cases of failed interventions (those where the client was dissatisfied or where there were little or no results). Likewise, there was no one type of intervention that

by itself could be considered superior to another. Many firms had needs which required more than one form of assistance (e.g., both training and technical assistance).

Matching Client and Advisor: Careful planning for the intervention and matching needs and the expertise of the advisor are keys to the success of an intervention. While it may be that earlier on in the programs assistance of a more general nature was viewed as helpful, over time the clients became more sophisticated both in their general business knowledge and in their ability to assess the type of assistance they needed. Therefore, where the need was well identified, success and failure depended on the degree to which the advisor's expertise matched the client's needs. There were times when the area identified for assistance was not the primary need of the firm and the scope of work needed to be adjusted to take that into account. Appropriate input and involvement of the client's management was key to making the appropriate adjustments. Where that was done and the advisor possessed the needed expertise, the results were successful, despite the initial failure to properly assess the firm's needs.

Access to Credit: SMEs often identified difficulty in gaining access to credit and related financial constraints, especially high interest rates, as being major constraints to their future growth. It is unclear, however, whether the SME management yet fully understands the role and nature of the financial system in a market economy. This is especially true regarding complaints about high interest rates, since they invariably speak of the nominal rates and do not think in terms of the real rate. It further seems that the issue of access to credit is sometimes used by SME management as a convenient excuse for not making management decision or operational changes.

Use of Training: SMEs were generally aware and supportive of the need for continued or further training. However, the more established SMEs are looking for a more sophisticated level of training than the basic training courses already prevalent in the market place. In addition, they expected this training to be directed toward specific levels of target groups, e.g., various management levels, education levels, etc.

Cost Sharing: Having received foreign assistance (sometimes from other-donor-sponsored organizations), many firms had come to appreciate the value of such assistance. Some were now willing to contribute more toward meeting the costs of such assistance, even if unable to meet the full costs. Some were also willing to hire knowledgeable Polish consultants, while others continued to doubt the ability of Polish consultants to assist them.

Conclusions

- It is extremely important to correctly assess the needs of a client prior to the arrival of the volunteer advisor; the better the identification of the need and the match in expertise of the advisor, the greater the degree to which the intervention will be successful and, therefore, a skillful preparation (by a Polish consultant, for example) plays a crucial role in the eventual success of the intervention.
- Many SMEs have gone well beyond a small, start up company. Thus their training and consulting needs have become much more sophisticated and demanding, and have gone beyond the basic training and general assistance that has been prevalent over the last few years. SMEs are looking for more advanced, high quality training matched to

the needs and level of a specific audience. They are becoming a much more focussed and demanding

- Limited credit availability appears not to be the only factor behind complaints on the lack of access to credit. It is likely that there are other factors, either not articulated or not properly recognized, that lie behind these complaints. That does not mean that there is no need for improving the availability of credit to SMEs in Poland, only that SME management may have to be educated more fully to be better able to analyze both the cost and benefit of credit.

CROSS-CUTTING TOPICS

Findings

Participant Training: The one type of intervention area that ranked highest with all groups was Participant Training. At least one employee in 21 of the 63 organizations interviewed had participated in a study tour or internship in the United States. They consistently stated that one could not overestimate the impact that such assistance had by allowing them to see for themselves how business was done in a fully developed market economy. It would be fairly easy to dismiss such statements as being self-serving and illusive. However, the recipients were able to give clear and concrete examples of how this assistance helped them and how they were able to directly utilize the knowledge and ideas gained or at least properly identify the technical assistance they needed. In addition to specific business skills and knowledge, the training experience resulted in an increased level of confidence among the participants and provided networking opportunities that appeared to remain functional long after the training had ended.

The vice president of a family-owned food processing and distribution company was selected to participate in a study tour in the United States. He was able to view and get first-hand information on modern factory management as well as product diversity, packaging, and marketing. Upon his return, the company introduced two new products that soon were among its top sellers. In addition reorganization of his production line increased productivity. The study tour also taught him the need to be more aware of the competition. The company now has a well thought out marketing and product development plan.

Information: On a fairly consistent basis SMEs and BSOs alike spoke of a need for better access to information on a wide range of subjects, including information on legal and tax issues, market access, training opportunities, business skills and strategies, etc. The frequent citing of the need for more information is even more notable since this was not a question that the team asked directly, but was usually in reference to identifying current constraints to future growth.

Networking: Linked to the need for information is the desire on the part of both BSOs and SMEs for increased opportunities to build contacts and networks with organizations with similar interests and needs. There were many cases where BSOs were joining, formally and informally, into associations or networks that were sharing information, experiences, and staff expertise. These linkages were seen as stimulating and productive and necessary for moving beyond the status quo. On the SME side, the desired networking was focused on building business contacts and sharing experiences. In general, there seemed not to be any conscious

or immediate need on the part of SMEs to associate with other SMEs in order to have a great influence on public policies affecting them in their business.

Conclusions

- The benefits of participant training, especially group study tours, go far beyond the acquisition of specific business skills. Participant training can play a vital, and cost effective, role in affecting a change in the way of thinking of Polish managers who are then able to bring new insights and perspectives into problem solving and decision making in general.
- SMEs and BSOs alike place a high value on the importance of information and are prepared to make use of relevant information to positively affect their performance. Likewise many SMEs and BSOs are well enough established that they can both benefit from and contribute to networks of like organizations, both for the sharing of ideas and information and for influencing the larger SME body politic.

PROGRAM IMPLEMENTATION AND MANAGEMENT

Findings

Follow-up/Monitoring: All Providers employed some form of follow-up with the assisted client. In many cases, but not all, follow-up forms and records were provided to the survey team. Since such information was requested, it can only be assumed that it did not exist in all cases. There were cases where the completed follow-up documents did not coincide with the information obtained in the survey interview. In these cases the interviewee often admitted that he had not expressed his true view of the intervention at the time of the exit evaluation. The usual explanation was that they found it difficult and insensitive to seemingly denigrate assistance which they had received free of cost or at a highly subsidized cost. Furthermore, although records were kept and reports were submitted, there was little evidence that any of the Providers used the information contained therein as a management tool. Even with the data from the follow-up questionnaires there appeared to be very little analysis done.

Donor Coordination: USAID is only one of many donors providing assistance to the SME sector. All of the BSOs interviewed had worked extensively with other donors and many still had on-going relationships with these donors. SMEs had most often been involved with other donors as recipients of training, training similar in nature to that received under USAID sponsorship. There was little evidence of any effort to coordinate such assistance.

Cost Sharing/Cost Recovery: The use of volunteer advisors always came with some cost sharing on the part of the SMEs assisted. The extent of cost sharing varied among Providers, but generally included one or more of the following elements: translator, in-country transportation, lodging, per diem. The MBA Enterprise Corps also received a monthly stipend provided by the host company. A few of the Providers had started to implement more extensive cost recovery/cost sharing programs. Under the SMART project, Land o' Lakes started charging fees for the training courses; CDC has a limited set of clients that pay all or part of the actual costs of the volunteer.

Cost Effectiveness: Volunteer advisors, even though their time is "free", still come with a significant price tag. Because the programs are varied it is difficult to determine an exact or even average cost of this assistance, but the minimum cost of a volunteer is not less than \$10,000; including indirect costs this figures runs much higher.

Program Recognition: Many BSOs and SMEs are not aware that the assistance they have received has been funded by USAID. There is little, if any, awareness that USAID has a particular program of assistance for the SME sector. Recipients of assistance may be familiar with the name of the particular organization providing advisors; more often than not the Recipients refer to advisory services by recalling the name of the individual advisor.

Conclusions

- It is inefficient, expensive and confusing for the SME programs of the donor community to operate completely independently of one another. Coordination could prevent program redundancy, promote synergy among the programs, leverage scarce resources, and provide a more logical as well as comprehensive package of assistance to the sector. A lack of such coordination also poses the danger that multiple and continued donor assistance will not wean the sector from heavy reliance on subsidized services.
- The more extensive cost recovery programs have generally only gotten started in the last year, but there are clear indications that increased cost recovery is possible without jeopardizing demand. This appears to be especially true in the area of training.
- Careful planning and matching of in-country needs and volunteers advisors are necessary to ensure a cost effective program of assistance. The length of stay for any given advisor is critical. The "piggy-backing" of assignments and the use of qualified volunteer advisors in broader training programs are examples of ways of improving cost effectiveness.

TABLE C: Summary of Ratings of Assistance Provided

Type of Organization	Number in Sample	Number of Interventions	Impact Score (0-3)	Technical Assistance		In-country Training		Participant Training	
				S score (1 - 6)	U score (1 - 6)	S score (1 - 6)	U score (1 - 6)	S score (1 - 6)	U score (1 - 6)
BSO	17	32	1.40	5.21	4.57	5.50	5.00	5.50	5.50
SME	35	78	1.85	4.68	4.44	4.57	4.43	6.00	5.86
Teaching/ Training	4	5	0.80	4.80	3.80	n/a	n/a	5.00	5.00
Consulting	3	9	3.00	n/a	n/a	6.00	6.00	6.00	6.00
Other	4	6	1.25	4.00	3.75	n/a	n/a	5.00	5.00
All Orgs.	63	130	1.69	4.77	4.38	5.08	4.92	5.68	5.63

Note: Impact Score. Range 0-3: 0 = no impact; 3 = significant, long-term impact
 S score = Satisfaction Score. Range 1-6: 1 = unsatisfied; 6 = extremely satisfied
 U score = Utilization Score. Range 1-6: 1 = no utilization; 6 = highly utilized

IV. RECOMMENDATIONS FOR THE FUTURE PROJECT

The following set of recommendations flows from the findings and conclusions. They are forward looking and directed solely at providing guidance and improving the performance of the new USAID-funded Business Support Project. Most, but not all, of the recommendations touch on or reinforce areas and ideas articulated in the RFP for the new activity. The balance of the recommendations reflect the new information and understandings derived from this survey.

Project Start Up

1. The new Business Support Project should be clearly distinguished from previous SME/BSO support activities funded by USAID. A name for the project that reflects the origin of the support (USAID) and the project objective should be developed and utilized from project inception.

2. There are a variety of BSOs operating in Poland offering a range of services (incubator, consultancy services, training, etc) to SMEs on a free to full-fee basis. The selection of BSOs for assistance under the new USAID-funded project needs to reflect that range of BSOs and fee strategies if it is to fulfill the model testing aspects of the program. Consideration should also be given to including for-profit business support organizations, such as consulting firms, as long as there is a clear commitment to providing services to SMEs.

3. In determining the BSOs to be assisted, the expressed willingness of the BSO to participate must be the most important selection criteria. This criteria can be measured by the willingness of the BSO to: a) devote time and resources to work with SME firms of the indicated sizes (10-250 employees); b) engage in an outreach program for SMEs; c) see themselves as a business that charges a fee-for-service; d) utilize Polish consultants to provide services to SME clients (in some cases paired with U.S. consultants); and e) sign a participation agreement that specifies a firm commitment to the program, resources to be applied and expected results.

4. The new USAID-funded project includes a general set of assistance activities that may be undertaken with participating BSOs. The actual package of assistance will, however, vary from BSO to BSO. To ensure complete understanding of what will and will not be undertaken by the contractor and the BSOs, the work plans for the project should include a requirement that the contractor develop customized assistance plans for each BSO to be assisted.

Project Implementation

5. Measuring the impact of the new Business Support Project is important for both substantive and reporting purposes but poses several challenges in ensuring that data collected are accurate and meaningful. It is strongly recommended that a three-tier approach to monitoring be adopted: 1) monitoring at the activity level to track and analyze the progress of project implementation; 2) monitoring of the broader results that assistance is having on the SME community; and 3) monitoring of impact at USAID's strategic objective level. Detailed recommendations and illustrative indicators are included in Annex 6.

6. There are policy and regulatory issues that impact on the BSO and SME sectors. Changes are being considered. The new USAID-funded project should work closely with the SME Foundation on clarifying policy/legal issues affecting BSOs and in developing/implementing systems that communicate information in these areas to and from the BSO/SME communities.

7. The strategy of the new USAID-funded project requires a pairing of expatriate and Polish consultants in providing SME assistance. It is expected that paired expatriate and Polish consultants may also provide assistance to BSOs in selected areas. Because the SME-Consultant-BSO links are often very weak, the Contractor must be strongly encouraged to make a concerted effort to establish and strengthen these linkages in all cases.

8. BSO sustainability is more than simply a financial issue. The programs of the BSO also need a capacity to change, and perhaps grow, as the sophistication and needs of the SME sector changes. The USAID-funded contractor should devote time and attention to assisting BSOs in thinking strategically and in formulating the longer-term development plans.

9. SMEs often understand clearly their needs for assistance and are able to articulate those needs well. Nevertheless, it appears that visits to the potential client site prior to the assistance are normally highly beneficial in more precisely defining requirements and in beginning to establish the trust and rapport that are so important to ultimate client satisfaction. The Contractor should be encouraged to make site visits a part of assistance development identification process to the maximum extent possible, involving Polish consultant members of the intervention team already at this point, where possible.

10. There is sometimes a temptation, often encouraged by USAID, to equate larger numbers with greater success, i.e. more volunteers, more clients or more visits are better than fewer volunteers, etc. To meet changing client needs over time, providing the opportunity for repeat assistance to the same clients should be preferred to single visits to a larger number of clients.

11. The pool of skilled Polish manpower has expanded rapidly and the knowledge base of both BSO and SME management staff in areas such as marketing and management is increasingly sophisticated. Nevertheless, U.S. participant training remains an exceedingly valuable form of assistance for selected individuals and groups at certain times and in specific technical and management/organizational areas. Such training should continue to be provided with preference to group tours focused around particular topics. If additional resources become available, strong consideration should be given to expanding this aspect of the USAID-funded BSO/SME assistance efforts.

12. Present BSO staff and Polish consultants are very capable of providing needed advice in a wide range of areas such as business plan development for new firms, computer utilization, accounting, etc. The implementing contractor should ensure that U.S. consultants are not utilized in these or other areas where Polish expertise is available. For cost and impact reasons U.S. consultants should only be employed when Polish expertise is not available and when an on-the-job or formal training opportunity exists.

Program Management

13. Several donors remain involved in providing BSO/SME assistance in Poland. To maximize the impact of USAID-funded support, reduce overlap and ensure coordination/cooperation, it is essential that USAID and the implementing contractor regularly contact other Providers. It is recommended that a regular schedule of informational meetings be conducted, or a regular round table of these donors be convened, to enable the needed information exchange. This coordination and exchange of information is not only needed at the director (senior management) level, but also at the project officer level, i.e., among those people who actually manage and monitor individual projects. This could perhaps be accomplished under the aegis of the SME Foundation.

14. For USAID-supported activities in Poland, it is even more important that collaboration/coordination be maximized to provide needed synergy. This will include activities such as Gemini-PEDS, the partner cities program, ACDI banking, Caresbac, etc. The responsibility for such coordination should be the responsibility of USAID and not the Business Support Project staff.

15. Although perhaps an obvious requirement, OAR/Warsaw needs a clear strategy for monitoring the new USAID-supported activity. It is recommended, while the Contractor should be expected to provide the basic information necessary for monitoring results and impact, that USAID implement a systematic program of spot checks in the field. Such a program would provide a means of verifying reported results while also seeking to get beneath the cultural veneer that encourages assistance recipients to be overly generous in their assessments of assistance benefits.

V. CONCLUDING COMMENTS -- The Collaboration Conundrum

INTRODUCTION

Since the introduction of the Country Experimental Lab (CEL) in Poland early in 1995, USAID-funded Providers have operated with a heightened awareness that collaboration was seen by USAID as a highly desirable program element. There have been both formal and informal attempts at defining and utilizing various modes of collaboration, and both the definitions of and approaches to this collaboration vary. All of the Providers mentioned their collaborative efforts in both meetings and reports. However, some basic questions remain to be answered. What has this so-called collaboration really achieved? Have there been genuine increases in results and/or efficiencies?

FORMAL AND INFORMAL COLLABORATION

Formal Collaboration

In the area of formal collaboration, one activity was funded as a result of the CEL -- the Small and Medium-Sized Agribusiness Triangle (SMART). Three organizations received funding under the SMART cooperative agreement: VOCA (the prime), ACDI, and LOL. Caresbac and the ACDI Cooperative Banking Project were also formally² affiliated with the SMART consortium, but received no additional funding under the cooperative agreement. The objective of the activity, per the Program Description, was to "form an alliance of assistance providers that work to identify SME client needs, deliver an integrated package of assistance designed to improve operations and profitability of small and medium-sized agribusinesses, formalize and capitalize on the synergy and cooperative relationship to more effectively and efficiently service agribusiness clients, and improve the skills and capacity of Polish institutions providing support to the SME community." Although submitted as a multi-year proposal, the activity was funded for one year only. It was granted a 3-month extension, bringing the life of activity to 15 months.

Informal Collaboration

The informal approach to collaboration was followed by other USAID-funded Providers of direct firm-level assistance in Poland, including CDC, IESC, MBA Enterprise Corps and PBAS. For the most part this type of collaboration consisted of client referrals, although IESC and PBAS did collaborate to do several sector surveys. While the referrals to and from organizations with complementary programs, e.g., Caresbac, Peace Corps, were undoubtedly beneficial, they were to some extent already occurring before the CEL exercise brought the concept of collaboration to the fore. The new referrals among and between firm-level Providers were mainly their "spill over" clients.

Caresbac and ACDI Coop Banking were named in the grant proposal as major parties to the consortium in that each had a defined role and were members of the SMART "steering committee". Their participation was seen as key to achieving one or more of the program's objectives.

ASSESSMENT OF EFFORTS TO DATE

The results of the collaborative efforts outlined above have been mixed. However, at best, the positive results have only been marginal. In some cases it has been little more than window dressing; in other cases it simply did not work. Although the reasons for this outcome are varied and complex, there are at least three basic causes that either directly or indirectly affected the outcome.

1. The Definition of Collaboration: The CEL did not specifically define just what the collaboration should look like. One of the principles of the CEL was for the organizations themselves to define collaboration, thus asking the practitioners in the field to come up with "what made sense". However, this proved to be a formidable task. Many of the USAID-funded SME activities in Poland were very similar in nature and all had been operating in Poland for at least three years. Without being given some guidelines or framework for collaboration, what "made sense" for most of them was to continue operating as usual.

2. The Intent of Collaboration: Most, if not all, of the Providers saw the emphasis on collaboration as being "budget-driven". Though a decreasing budget was undoubtedly a major concern and driving force, the basis for calling for collaboration was in fact much broader. Collaboration was considered a tool to be used to try to focus assistance to the SME sector. The reason for the focus was only in part due to a decreasing budget; it was also due to managerial pressures and program development. That collaboration could in concrete terms contribute to increased efficiencies and/or increased program effectiveness and impact was a concept that was never truly espoused by the Providers.

3. The Identity Crisis: One of the major stumbling blocks to achieving more effective collaboration stemmed from a perceived loss of organizational identity. All organizations had been working in Poland using their organization's name as the name of their program. It was, therefore, difficult to separate them. They were, for instance, CDC volunteers, Land O' Lake professors, MBA advisors. Collaboration jeopardized the identity that the organizations had worked hard to establish.

SMALL AND MEDIUM-SIZED AGRIBUSINESS RESOURCE TRIANGLE: On paper the SMART consortium had addressed and dealt with the many issues that emanated from consolidating existing activities. There was a defined program with planned roles for each of the members. The development of the concept, at least initially, was done in the field by the staff of the member organizations who would actually be implementing the project. While the members may have each had their questions as to how the concept would actually play out, there was an understanding of the approach, an appreciation of the issues, and a commitment to undertake this new team approach. It was important in this respect that the activity was developed in the field by those people who would be working together on implementation.

The SMART member organizations brought complementary activities to the program, activities that fit well, at least conceptually, into a broader program of assistance to SMEs. VOCA had an on-going program for providing volunteer technical advisors; Land O' Lakes had well-developed and tested training modules; Caresbac and ACDI Coop Banking addressed the financing aspect; and, ACDI had experience in providing quality participant training and internship programs. In addition, ACDI was bringing a new aspect to the program -- strengthening of business support organizations that provided services to the SME sector.

While it is arguable how well this approach did or did not work, there is one indisputable fact -- the approach/methodology as stated in the cooperative agreement was simply never followed. There were no team meetings akin to those envisaged in the proposal and no joint identification of clients and/or client needs. According to the reports submitted to OAR/Warsaw, there were a number of SMART clients that had received assistance from more than one of the SMART activities. However, the survey team found no indication from any of the SMEs interviewed that they knew or perceived that the assistance they received was part of a broader program of assistance.

It appears that the team approach had problems from the outset. Caresbac staff said it took six months for the group to work out issues and really get going; VOCA did not sign the subgrant with LOL until March 29, 1996, a full six months after USAID signed the cooperative agreement with VOCA; and, the ACDI banking activity did not start until August/September 1996. The working relationship among the various members of SMART did not appear to be a smooth or collaborative one.

There was no consensus on why SMART played out as it did. Some program staff recommended that future programs requiring coordination should be more explicit during implementation planning to speed-up implementation and to ensure that the role of each organization is understood and accepted. However, the fact is there was a plan that defined roles; it was simply never followed. Other staff pointed to the lack of a leader. It was clear that no one was able to assume the leadership role and provide the overall direction that the activity required. In addition, the program called for team decision making. While this is undoubtedly difficult, it is impossible if the team lacks direction and/or rarely meets.

Another reason cited, and perhaps the most significant, was that the composition of the group changed. Representatives from VOCA, LOL, ACDI and Caresbac had worked together over a number of months to develop the SMART concept and proposal. Shortly before the cooperative agreement was signed, the ACDI BSO development component was added, thus adding a new member at the last moment. This addition seemed to be driven by the home offices rather than from the field, where the concept and proposal had been developed. In the haste to obligate funds before the end of the fiscal year, not enough preparation was done to integrate this new component. Failure to resolve this issue became a disruptive factor in the implementation. Furthermore, within three months after the agreement was signed, it was announced that both the VOCA and LOL representatives would be leaving for new assignments. In addition, OAR/Warsaw had concluded that a more comprehensive program was needed to address its current strategy and that this assistance would be competed through issuing a Request for Proposals. All of this combined to bring confusion to a nascent program and resulted in SMART never becoming the program that USAID thought it was funding.

Nevertheless, the SMART program resulted in some significant achievements. Even though the program was limited to 15 months, there were notable results achieved. Most significantly, new training courses were developed and a cost recovery program was introduced, a growing number of SMEs continued to receive needed technical assistance, and a network of SMEs were regular recipients of a comprehensive newsletter. In addition, a pilot program with the Coop Banks was to be concluded by the end of the project. SMART also paved the way for a greater USAID effort to increase the indigenous capacity of local business support organizations. The group of 15 BSOs was far more than targeted. In general these

BSOs were making substantial progress towards sustainability and were becoming more proactive in developing programs that were responsive to their client base.

In sum, the collaborative efforts that were introduced through the concept of the CEL (and tried in other ENI countries, each with a slightly different approach), were generally perceived by the Providers as "forced marriages". The sole exception to this view was from Caresbac, whose investees were recipients of technical assistance provided through the various USAID-funded volunteer advisory programs. Caresbac, as a user of technical assistance, felt that the emphasis on collaboration resulted in the Providers being more responsive and interested in providing the most appropriate advisors to its investees. There was no other evidence that the collaboration, formal or informal, had any effect on the provision or quality of technical assistance to the SMEs themselves.

Thus it appears that to work well, collaborative arrangements depend on all players remaining focussed on well-defined program objectives and staying committed to implementing this program through the concepts of teamwork and consensus building. This commitment is needed at both the home office and field level, and it needs constant attention and work. For such programs to be successful, it may call for USAID to play a greater participatory role -- not implementing the program, but helping to assure that the approach stays on track and the activity remains focussed.

ANNEX 1:
SCOPE OF WORK

SCOPE OF WORK
FIELD SURVEY OF SME ASSISTANCE IN POLAND

1. Background and Purpose

Since 1991 the United States Agency for International Development (USAID) has supported a number of activities aimed at developing and strengthening a dynamic SME sector in Poland. USAID's SME program has focused on three major areas of support: 1) providing direct firm-level assistance; 2) improving the enabling environment; and 3) increasing access to financing. To date, USAID technical assistance and training has been provided to over 650 SMEs throughout Poland, mainly through the use of volunteer advisors provided by U.S. Private Voluntary Organizations (PVOs).

By 1995 the Office of the AID Representative (OAR/Warsaw) had funded over 15 separate organizations and programs providing assistance to the SME sector. Though these activities had met with varying degrees of success, a more focused approach to assistance delivery was deemed necessary. This decision was due in part to budget and management constraints, but more importantly, was based on the need to ensure OAR/Warsaw had in place a cost-effective, results-oriented program. As part of USAID's Country Experimental Lab, in April of 1995, OAR/Warsaw challenged the then-current implementors to develop new programs that were collaborative in nature, synergistic in approach and maximized the cost/benefit ratio of the assistance provided. This challenge met with mixed results. In September 1995, funding for a one-year program was given to an alliance of implementors known as SMART (Small and Medium-sized Agribusiness Resource Triangle), composed of VOCA, ACDI and Land o' Lakes (with Caresbac and the ACDI Cooperative Banking activity as unfunded members of the SMART alliance). The remainder of the USAID-funded implementors did not submit proposals at all or did not submit a proposal that was deemed technically sufficient for funding.

Pursuant to the funding of SMART, OAR/Warsaw, as part of its developing Graduation Strategy, designed a new program for providing assistance to the SME sector. This main objective of this new approach was to work toward the development and sustainability of Polish business support organizations that could continue to service the SME sector after the termination of USAID assistance. A contract for this activity (Business Support Project, BSP) is expected to be awarded in September, 1996, with start up the following month.

The purpose of the field survey to be undertaken is to get representative feedback from entities assisted (both SMEs and Business Support Organizations) on how effective USAID assistance has been, both in terms of the firms/organization receiving the assistance and in its terms of its impact on the SME community as a whole. In addition, the survey will identify the major

needs and issues currently faced by SMEs and BSOs. This information is vital to the success of the BSP.

2. Questions to Address

For both SMEs themselves and the service organizations that support them there are three general areas that the study will address: (1) a general profile of the organizations assisted; (2) the use and effectiveness of technical assistance and training provided; and (3) future organization needs and use of assistance.

a. Assistance to Small and Medium-Sized Enterprises (see Appendix A)

- 1) Firm Profile
- 2) Use and Effectiveness of Assistance
 - what was the assistance the firms was seeking
 - did the advisor provide that assistance (or did it develop that a different type of assistance was needed and then provided)
 - was the firm successful in implementing/taking advantage of the advice
 - what impact did that have on the firm (in terms of sales, production, employment, profits, obtaining finance, etc.)
 - did the successful use of the assistance have any larger impact on other firms
- 3) Future Firm Needs and Use of Assistance
 - what are the current constraints and/or needs faced by the firm
 - what is the likelihood that technical assistance and/or training could address these needs
 - is the firm aware of local business support organizations; have they/would they be willing to avail themselves of services provided
 - what would these services likely be

b. Assistance to SME Support Organizations (see Appendix B)

- 1) Organization Profile, including the types of services provided, the types of clients assisted, and the major sources of funding
- 2) Use and Effectiveness of Assistance
 - did the assistance help the organization improve their own operations
 - have they been able to reach a larger audience
 - were they provided with advice, process and/or information which they were able to pass on to others (e.g., training of trainers, consultants, public relations, provision of informational literature.
- 3) Future Organization Needs
 - what does the organization need in order to expand its

- services/increase the impact of services provided
- what does "sustainability" mean to this organization

3. Methodology

Data will be gathered through key informant interviews and informal surveys. Interviews will be held with donor-funded organizations providing assistance to the SME sector, SME clients who have received USAID-funded technical assistance, and indigenous business support organizations that provide assistance to the SME sector.

For purposes of this survey SME clients will be defined as those with less than 250 employees and those who received assistance in the three year period April 1, 1993 to March 31, 1996. An exception to this time period will be made in the case of clients assisted by the SMART program. The survey will seek to interview approximately 75 SMEs and BSOs. Since some of these clients will have been the recipient of more than one assistance intervention, the 75 entities interviewed should represent approximately 90 targeted interventions.

4. Specific Tasks

The survey team will perform the following specific tasks:

- Identify representative sites to be visited
- Select organizations to be surveyed
- Develop survey instruments to be used in assessing assistance provided to SME clients
- Develop survey instruments to be used in assessing assistance provided to BSOs
- Conduct interviews with a representative sample of SMEs and BSOs that have received USAID-funded assistance
- Conduct key representative interviews with organizations providing assistance to the SME sector
- Analyze data and prepare final report as detailed under "Reporting Requirements"

5. Team Members and Time Frame

The survey team shall be composed of six members, three from AID/W (ENI's Office of Enterprise Development) and three from OAR/Warsaw (members of the Strategic Objective 1.3 core team).

The schedule for the survey is as follows:

- by 8/23 Identification of key sites to be visited
- by 9/6 Initial identification of SME clients and Business Support

Organizations to be interviewed
by 9/11 Interview schedule complete
9/16 - 9/17 Team planning and interviews with Warsaw-based organizations
9/18 - 9/25 Field work
9/26 - 9/27 Complete preliminary draft report and debrief OAR/Warsaw
by 10/11 Submit final report

6. Reporting Requirements

An outline of the final report, including preliminary findings, will be submitted to OAR/Warsaw before the AID/W team departs country. The final report, subject to review by OAR/Warsaw, will be submitted within two weeks and will include, but not be limited to, the following:

- Purpose of the activity
- Target audience for the report
- Major questions/issues addressed
- Summary of major findings
- Detailed results with supporting data
- Major conclusions and lessons learned

In addition to the main report, the survey team will provide the OAR/Warsaw with the following items:

- Copies of questionnaires used in the survey
- The rationale and methodology used in the selection of the sites and selection of the firms/organizations included in the survey
- A list of persons/organizations interviewed

ANNEX 2:
SAMPLE QUESTIONNAIRES

SURVEY OF SMEs RECEIVING USAID ASSISTANCE
 Poland, September 1996

Client ID:

PART A: CLIENT PROFILE	
Voivodship	
Firm's Area/Sector of Business:	
Firm Size (number of employees, sales):	
When Founded:	
Type of proprietorship (single owner, partnership, shares):	
Notes/Comments:	
PART B: USE AND EFFECTIVENESS OF ASSISTANCE	
INFORMATION ON GENERATION OF ASSISTANCE	
How did the firm come into contact with the Provider?	
To what extent did the firm know what type of assistance it needed and to what extent was this information developed after first contact?	
Timeliness of assistance: How long between first contact and agreement on assistance? How long between agreement and the arrival of assistance?	
INFORMATION ON INTERVENTION	
Quality of Needs Assessment: Did the Advisor understand the client's needs/expectations upon his arrival? How long did it take to come to agreement with the Advisor on the actual scope of work and expected results?	
To what extent was the scope of work followed? If the scope changed, what changed and why?	

SURVEY OF SMEs RECEIVING USAID ASSISTANCE
Poland, September 1996

Client ID:

<p>With whom did the Advisor work most closely? If not with senior management, how often did the Advisor meet with senior management?</p>						
<p>What was the nature of assistance provided; what did the Advisor accomplish during his stay?</p> <p>Did the assistance meet the client expectations?</p>						
<p>General comments:</p>						
<p style="text-align: center;">RESULTS OF THE ASSISTANCE</p>						
<p>How practical were the Advisor's recommendations? How many of the recommendations have been implemented by the client and what have been the results?</p>						
<p>To what degree has the Advisor and/or his Organization continued to provide follow-up assistance/support?</p>						
<p>What difference has the assistance made in the performance of the client? (where would client now be without assistance)</p>						
<p>Has the assistance provided had any effects beyond the client? (on other firms, on the municipality/region)?</p>						
<p>Has the client recommended such assistance to others, provided broader publicity on the assistance received?</p>						
<p>On a scale of 1 - 6, how would you rate your overall satisfaction with the assistance provided?</p> <table><tr><td>1 - Highly dissatisfied</td><td>2 - Dissatisfied</td><td>3 - Somewhat dissatisfied</td></tr><tr><td>4 - Somewhat satisfied</td><td>5 - Satisfied</td><td>6 - Highly satisfied</td></tr></table>	1 - Highly dissatisfied	2 - Dissatisfied	3 - Somewhat dissatisfied	4 - Somewhat satisfied	5 - Satisfied	6 - Highly satisfied
1 - Highly dissatisfied	2 - Dissatisfied	3 - Somewhat dissatisfied				
4 - Somewhat satisfied	5 - Satisfied	6 - Highly satisfied				
<p>On a scale of 1 - 6, how would you rate the overall usefulness of the assistance provided?</p> <table><tr><td>1 - Absolutely useless</td><td>2 - Of little use</td><td>3 - Slightly useful</td></tr><tr><td>4 - Useful</td><td>5 - Very useful</td><td>6 - Extremely useful</td></tr></table>	1 - Absolutely useless	2 - Of little use	3 - Slightly useful	4 - Useful	5 - Very useful	6 - Extremely useful
1 - Absolutely useless	2 - Of little use	3 - Slightly useful				
4 - Useful	5 - Very useful	6 - Extremely useful				

PART C: FUTURE NEEDS & USE OF ASSISTANCE

What are the current major impediments to further growth of the firm?

Is there a need for continued support in the form of a follow-up visit, or additional areas where you feel there is a need for such outside assistance?

If so, what type of assistance would the firm now benefit from?

(Note: confirm the contribution the firm made to the cost of the Advisor)

Would the firm contribute more toward covering the costs of future assistance?

Would the firm be willing, now that it has experienced outside assistance, to hire the services of a consultant or consulting firm, Polish or foreign?

Is the firm aware of business support organizations in its area?

Has it worked with/received assistance from them?
If so, what kind?

Have any members of the firm attended any business training sessions provided by USAID, other donors, or local organizations?
If so, which ones?
How useful has this training been?

PART A: CLIENT PROFILE	
Voivodship	
Type of BSO (private, incubator, chamber, RDA, etc.), including legal status	
Organization Size (# of employees, # of clients assisted annually):	
When/How Founded:	
Type of services offered to date (e.g., incubator, training, loan fund, loan guarantee, in-house and external consultants):	
Target clientele:	
Notes/Comments:	
PART B: USE AND EFFECTIVENESS OF ASSISTANCE	
INFORMATION ON GENERATION OF ASSISTANCE	
How did the organization come into contact with the Provider?	
To what extent did the organization know what type of assistance it needed and to what extent was this information developed after first contact?	
Timeliness of assistance: How long between first contact and agreement on assistance? How long between agreement and the arrival of assistance?	
INFORMATION ON INTERVENTION	
Quality of Needs Assessment: Did the Advisor understand the client's needs/expectations upon his arrival? How long did it take the Advisor to understand the circumstances and problems facing the client?	

SURVEY OF BSOs RECEIVING USAID ASSISTANCE
Poland, September 1996

Client ID:

PART A: CLIENT PROFILE	
Voivodship	
Type of BSO (private, incubator, chamber, RDA, etc.), including legal status	
Organization Size (# of employees, # of clients assisted annually):	
When/How Founded:	
Type of services offered to date (e.g., incubator, training, loan fund, loan guarantee, in-house and external consultants):	
Target clientele:	
Notes/Comments:	
PART B: USE AND EFFECTIVENESS OF ASSISTANCE	
INFORMATION ON GENERATION OF ASSISTANCE	
How did the organization come into contact with the Provider?	
To what extent did the organization know what type of assistance it needed and to what extent was this information developed after first contact?	
Timeliness of assistance: How long between first contact and agreement on assistance? How long between agreement and the arrival of assistance?	
INFORMATION ON INTERVENTION	
Quality of Needs Assessment: Did the Advisor understand the client's needs/expectations upon his arrival? How long did it take the Advisor to understand the circumstances and problems facing the client?	

SURVEY OF BSOs RECEIVING USAID ASSISTANCE
Poland, September 1996

Client ID:

On a scale of 1 - 6, how would you rate your overall satisfaction with the assistance provided?

- | | | |
|-------------------------|------------------|---------------------------|
| 1 - Highly dissatisfied | 2 - Dissatisfied | 3 - Somewhat dissatisfied |
| 4 - Somewhat satisfied | 5 - Satisfied | 6 - Highly satisfied |

On a scale of 1 - 6, how would you rate the overall usefulness of the assistance provided?

- | | | |
|------------------------|-------------------|----------------------|
| 1 - Absolutely useless | 2 - Of little use | 3 - Slightly useful |
| 4 - Useful | 5 - Very useful | 6 - Extremely useful |

PART C: FUTURE NEEDS & USE OF ASSISTANCE

Is there a need for continued support or additional areas where such outside assistance would be beneficial?

If so, what type of assistance do you feel your organization would now benefit from?

What are the current major impediments to further growth of the organization?

Is the organization currently financially self sufficient or does it rely on outside funding?

If not currently self-sufficient, what is needed to attain sustainability?

If the need for outside funding will continue, how reliable does the organization believe these sources to be?

Is the organization aware of other business support organizations and/or organizations that advocate on behalf of the SME sector?

If so, have linkages with such groups been established?

Does the organization feel such linkages are or would be helpful?

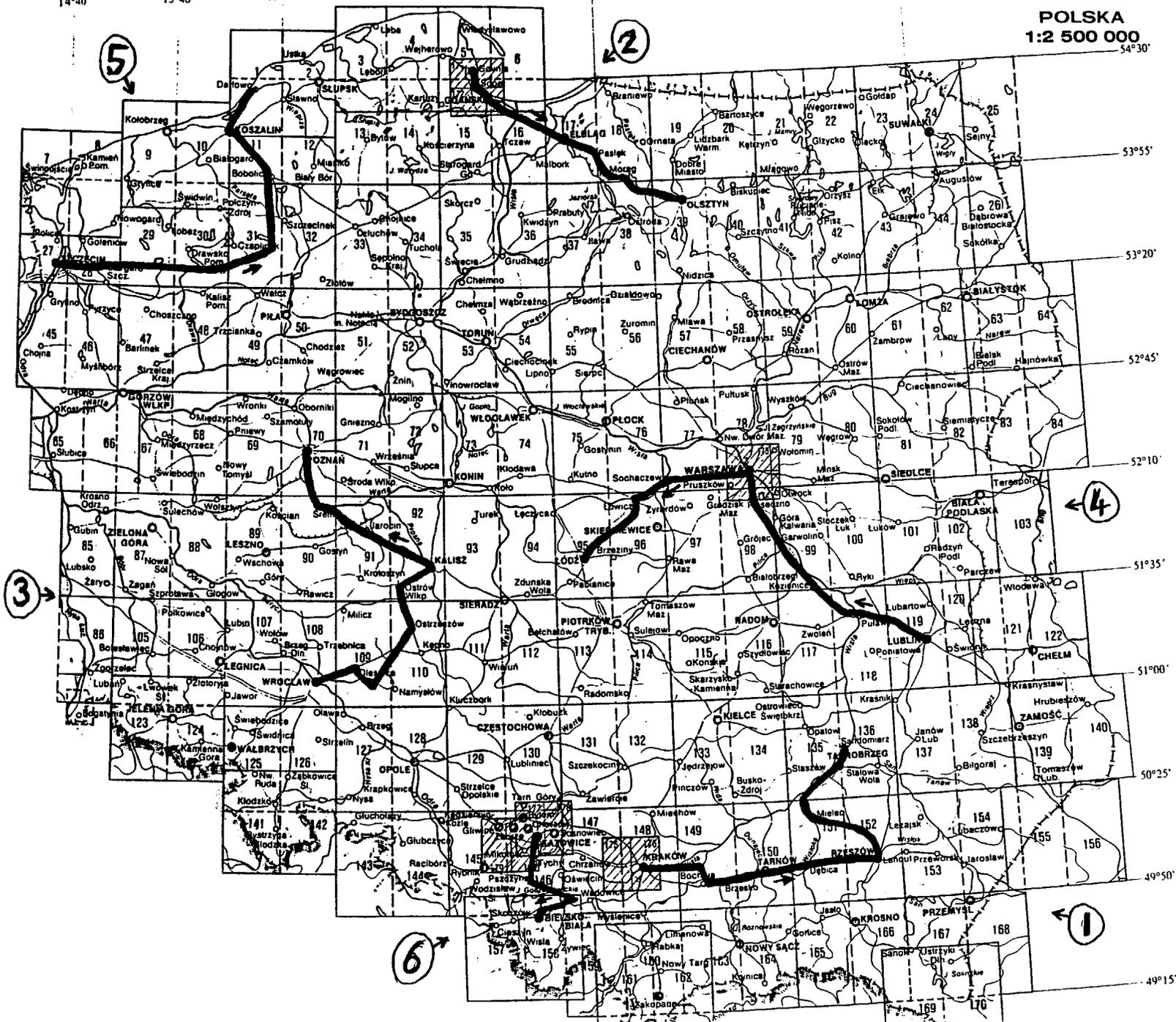
Have any members of the organization attended any business training sessions provided by USAID, other donors, or local organizations?

If so, which ones?

How useful has this training been?

ANNEX 3:

MAP OF GEOGRAPHIC AREAS COVERED



of

ANNEX 4:

LETTER TO USAID-FUNDED IMPLEMENTORS

ANNEX 5:
LIST OF PEOPLE INTERVIEWED

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LIST OF ORGANIZATIONS AND PEOPLE INTERVIEWED

CITY	ORGANIZATION	NAME/TITLE OF PERSON(S) INTERVIEWED
Bielsko Biala	Befama	Jerzy Pytlarz, President Marek Woźniak, Marketing/Sales Director
Bielsko Biala	Academy of Business	Mr. Edward Myska, Dean Ewa Madoń, President
Bielsko Biala	Coop Bank	Ursula Frazik, Chief Accountant
Bielsko Biala	Bielskie Centrum Przedsiębiorczości	Roman Sanetra, President Zbigniew Grasiło, Incubator Manager
Bierutów	Coop Bank	Krzysztof Pichliński, Director
Borne Sulinowo	Stow. Wspierania Małej i Średniej Przedsiębiorczości	Waldemar Błażejewicz, Chairman and Incubator Director
Chmielnik	Town of Chmielnik	Kazimierz Jaworski, head of local council
Darłowo	SOLMAR	Tadeusz Prus, resp. for trade with U.S.
Gdańsk	Argo Ltd.	Grzegorz Słupski, Director
Gdynia	Everest	Igor Gielniak, Chairman of the Board
Gdynia	Polifarb	Krzysztof Bruski, General Manager Janusz Grochowski, Financial Director Paweł Pliszka, PBAS Project Officer
Janowiec	Reypol	Jarosław and Marian Rejmak, owners
Kalisz	Agaricus	Marek Strojs, Director, owner
Katowice	Szkoła Bankowości i Finansów	Aleksandra Rost, Training Director
Katowice	PBAS/3 P Katowice	Iwona Kasperczyk, Project Coordinator Kordian Lisiecki, Project Officer
Katowice	GAPP	Paweł Podsiadło, President
Knurów	Fund. Na Rzecz Rozw. Miasta Knurów	Ewa Drzyzga, Manager
Koszalin	Fund. Centrum Innowacji i Przedsięb	Wiesław Gronkiewicz, Chairman
Koszalin	Technical Institute	Bogusław Polak, Director Barbara Zdrojewska
Koszalin	Tepro	Paweł Flens, Chairman of the Board
Koszalin	Chłodnia	Romuald Łabędzki, Chairman of Board
Krakow	Elefant & Interimpex	Rafał Sonik, Chairman of the Board
Krakow	Jagiellonian Business School	Prof. Tadeusz Borkowski, Director
Kraków	Agricultural University of Kraków	Professors Józefa Gniewek, Janusz Żmija, Ewa Tyran, and Andrzej Krasnodębski
Kraków	Fund. Promocji Gosp. Reg. Krakow	Krzysztof Kwatera, Incubator Director Barbara Kot, Business Center Director
Krakow	MBA Enterprise Corps	Janusz Jaworski, MBA Coordinator
Łódź	Agros Optima	Krzysztof Kankiewicz, V-ce Chairman
Łódź	Fundacja Inkubator	Jan Mertl, Chairman
Lowicz	ZPOW Agros	Bożena Górczyńska, Director
Lublin	OIC Poland	Jacek Kuterek, Incubator Manager
Lublin	Hotel Unia	Wojciech Przybyłko, Director Grażyna Kania, Business Center Manager
Lublin	LSUM	Franciszek Bożyk, Chairman
Lublin	Fabryka Tworzyw Sztucznych	Marek Jastrzębski, Chairman of the Board Wojciech Szymański, Assistant
Lublin	Eldorado	Jarosław Wawerski, V-ce Chairman
Mielec	Centrum Wspierania Biznesu	Andrzej Kałuski, Marketing Advisor Anna Krężel, Training Specialist
Morąg	GS Morąg	Andrzej Białek, Chairman of the Board

CITY	ORGANIZATION	NAME/TITLE OF PERSON(S) INTERVIEWED
Niepołomice	NZD (Poultry)	Władysław Trojan, Deputy Zdzisław Kulpa, Chairman
Olsztyn	Alczes	Mr. Teodorczyk, Director
Olsztyn	Warmińsko-Mazurski Rynek Hurtowy	Witold Doboszyński, Chairman
Olsztyn	Consultwarm	Szczepan Figiel, Andrzej Kowalkowski, Stanisław Pilarski, Professors/Consultants
Olsztyn	CAA Centurian Advertizing	Sławomir Hryniewicz, owner Anna Hryniewicz, owner
Ostrzeszów	Inkubator Przedsiębiorczości	Włodzimierz Drogi, Director
Pasłęk	Centrum Rozwoju Ekonomicznego Pasłęka	Barbara Bąkowska, Incubator Manager
Pasłęk	Ligawa	Krzysztof, Tadeusz and Waldemar Lewiecki, owners
Poznań	Stow. Organizatorów Ośrod. Innowacji	Krzysztof Zasiadły, Director
Poznań	Agricultural University MBA program	Professors Ryszard Ganowicz, Grzegorz Skrzypczak, and Piotr Grolński
Poznań	Harpo	Dir. Jarosław Urbański, Director
Poznań	Ferrod	Ryszard Ferenc, Director
Pszczyna	Ecovit	Helena Urbańczyk, Director, owner
Puławy	Soil Institute	Professor Mariusz Fotyma Professor Kazimierz Kęsik
Puławy	Fundacja Puławskie Centr. Przedsięb	Adam Kania, Chairman
Rzeszów	Fund. Spółdzielczości Wiejskiej	Tadeusz Kensity, Director Barbara Złamaniec
Sandomierz	Centrum Wspierania Przedsięb Rolnej	Piotr Korpysz, Project manager Anna Nogaj, Accounting Specialist Stanisław Gesele, Director
Sandomierz	Telwolt	Mr. Rajda, Director, owner
Sucha Beskidzka	RAJDIMPEX	Zdzisław Wójcik, Chairman of the Board
Szczecin	Lodom	Zbigniew Skarul
Szczecin	Oskar Wegner Advertizing Agency	Bob Zia, Country Director
Warsaw	Citizens Democracy Corps	James Coon, Country Director
Warsaw	International Executive Corps	June Lavelle, Project Advisor
Warsaw	Agricultural Cooperative Development International	
Warsaw	Volunteers in Overseas Cooperative Assistance	Maura Schwartz, Country Representative
Warsaw	Land O'Lakes	Tom Rulland, Project Leader
Warsaw	Polish Business Advisory Service	Charles Van der Mandele, General Mgr.
Warsaw	Caresbac Polska	Hubert Van der Vaart, Director General
Wrocław	Anis	Grażyna Marciniak, V-ce President
Wrocław	WODROPOL	Antoni Popławski, Director
Wrocław	PAOLA	Paweł Marcinkowski, Director

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ANNEX 6:
PERFORMANCE-BASED MONITORING

PERFORMANCE-BASED MONITORING

In implementing the new Project, a three-tier approach to monitoring is strongly recommended. 1) monitoring at the activity level to track and analyze the progress of project implementation; 2) monitoring of the broader results that assistance is having on the SME community; and 3) monitoring of impact at USAID's strategic objective level. The monitoring system at all levels must be based on three general elements:

1. **Time-Series Data:** All indicators must be measured and reported over time. While a snapshot at any given time may be informative, it should not be taken out of context of what went on before and where we expect to be in the future. Time-series data will show the trend, both in terms of direction and speed.

2. **Methodology:** The information developed through monitoring will be of little value if there is questionable reliability of the data collected. Therefore, it is imperative that a sound and tested methodology is in place. For example, in the field survey conducted for this report all Providers employed some form of follow-up with the assisted client. However, there were cases where the completed follow-up documents collected by the Providers did not coincide with the interview conducted. In these cases the interviewee often admitted that he had not expressed his true view of the intervention at the time of the exit evaluation. The usual explanation was that they found it difficult and insensitive to seemingly denigrate assistance which they had received free of cost or at a highly subsidized cost. While this is understandable, it does not provide the kind of information that is needed to make informed decisions.

3. **Used as a management tool:** The monitoring information will be a paper exercise unless it is used to make needed programmatic decisions. This survey indicated that although records were kept and reports were submitted by all the Providers, there was little evidence that any of the information contained therein was used as a management tool. Even with the data from the follow-up questionnaires there appeared to be very little analysis done. The systems in place were more or less pro forma exercises.

The indicators used by the new Business Support Program will necessarily be defined based on the program of the organization awarded the contract. However, regardless of the exact program, there will be some commonalities: no one indicator will be sufficient for judging the outcome of any given activity, some indicators will have to be chosen as proxies for data judged to be too unreliable and/or expensive to collect, and some indicators will fall somewhat outside the direct control of the BSP, especially those at Levels Two and Three. Illustrative indicators are outlined below.

Level One - Activity

1) Performance of the Business Support Organizations

- a) number of Business Support Organizations assisted
 - number of BSOs achieving sustainability
- b) Index of the organizational strength of the BSOs
 - Organizational and Management Capacity
 - Business plan in place and being utilized
 - % of staff adequately trained for position held
 - marketing (outreach) structure in place and functioning
 - Financial Viability
 - % of operating expenses covered by income
 - % of total revenue from grants
 - % of program costs expenses covered by program revenue
 - Program Quality and Effectiveness
 - # services provided
 - # clients; # new clients; # of repeat clients
 - person hours of training provided
 - person hours of consulting provided to clients

- # of clients receiving consulting services
- % of consulting costs covered by client firms
- % of training costs covered by fees

2) Clients (SMEs) receiving technical assistance through joint consulting efforts

- a) Profile of SMEs assisted
 - # clients assisted (disaggregated by size, sector, region, specific area of assistance)
- b) Client satisfaction and perceived usefulness of assistance
 - # person days of TA provided
 - % of costs recovered through client contribution
 - # and % of clients adopting the consulting (technical assistance) recommendations and/or practices, e.g., marketing and production methods, modern accounting practices, business planning.
 - repeat requests for assistance (by clients willing to increase the amount paid for such services)
- c) Proxy indicators for increased profitability
 - increased sales
 - annual sales per employee
 - employment changes
 - new product areas/new markets
 - increased exports
 - increased foreign investment/joint ventures

Levels Two and Three: Since information at this level may be broader than what can be directly affected by the BSP, indicators and monitoring at these levels should be closely coordinated with associated efforts sponsored by OAR/Warsaw, e.g., the local monitoring contractor for the OAR, the SME Foundation, and new Partner Cities project.

Attention to policy and regulatory issues should be provided in close collaboration with the SME Foundation.

