

**NEWBIZNET Project: Ukraine, Moldova, & Belarus**

**(Contract No. : 110-0005-C-00-4050-00)**

**Development Alternatives, Inc.**

**ANNUAL WORK PLAN**

**April 1, 1996 to March 31, 1997**

**Submitted to USAID/Kiev**

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## **1996 WORK PLAN**

### **NEWBIZNET PROJECT: UKRAINE, MOLDOVA AND BELARUS**

#### **I. INTRODUCTION**

This Annual Plan summarizes the approach and activities of the NEWBIZNET Project (Contract # 110-0005-C-00-4050-00) from April 1, 1996 to March 31, 1997.

This Plan is intended to guide the next twelve months of project activities. It should not be viewed as an inflexible blueprint for implementation. On the contrary, one of the principles of operation fundamental to the NEWBIZNET Project concept is responsiveness to a rapidly changing and often unpredictable market. As a demand-driven project, NEWBIZNET will remain flexible within the larger context of its mission, to ensure that the overall project objectives are met in an efficient and relevant manner. Consequently, the Project (and USAID) should be prepared to add, delete, or modify specific tasks as appropriate consistent with the objectives of the Project.

#### **A. Project Vision**

The NEWBIZNET project will establish, develop, and operate the premier regional business resource centers in Ukraine and Moldova and prepare these centers for sustainable, independent operation upon the completion of the project in 1998.

As this document is being written, these four key business centers have been established with local Ukrainian and Moldovan firms as the operating contractors for the Business Support Centers. The other ongoing and projected NEWBIZNET activities described within this work plan will support the realization of this project vision.

#### **B. Project Goals of NEWBIZNET**

The NEWBIZNET Project in Ukraine, Moldova (and eventually Belarus) has as its goal the economic growth of local communities through development of their indigenous small and medium sized private business sectors.

The growth of small and medium enterprises (SME) will be supported through a combination of technical assistance, institutional strengthening, business training, regulatory reform, and information services.

## C. Project Approach

NEWBIZNET will conduct four strategies simultaneously in order to pursue the project goals and implement the vision stated above. These four strategies are:

- C Create and/or strengthen existing local Business Service Centers (BSCs) which will, through their services, increase small and medium business' understanding of market principles and operations, and foster their use of modern, market-based business management principles. In so doing, the BSCs will provide technical assistance, training and education, information, research, an introduction to modern business practices, and other assistance in conducting business in a market economy.
- C Create or assist existing Local Support Networks (LSNs) of business associations, business leaders, and local authorities which will nurture a supportive local environment for private business operations. Through their local association, these organizations will share successful business methods and practices; through their national advocacy connections the LSNs will lobby appropriate government organizations to create a regulatory environment favoring SME development. In addition, the LSNs will promote an understanding of market-based business principles and operations by government authorities which will help local government personnel to understand business needs.
- C Create a Business Information Network (BIN) linking national, regional, and international subscribers and facilitating their communication and exchange of ideas. The network will also provide access to Internet, business information databases and resources, markets and marketing opportunities, business news, and other information relevant to individual businesses and to economic policy formulation.
- C Establish linkages and identify business resources available through other programs, other donors, PVOs/NGOs and other governments. This resource identification will result in the business centers becoming resource centers for all business activities within the respective regions. NEWBIZNET and AID represent only a part of the various business support programs in Ukraine and Moldova. The business centers must develop linkages and identify the total resources available to SMEs, and provide referrals and points of contact for those programs.

**Project Approach for Moldova and Ukraine:** The project has different methods of implementing the above approach in Ukraine as compared to Moldova, because they are very different countries with significant differences.

### Ukraine

In Ukraine, each of the four strategies outlined above will be pursued at three regional sites: Kharkiv, Lviv, and Odessa. Each city currently has an operating BSC and has established local LSN activity. NEWBIZNET must now help the BSCs begin achieving profitable operating

results from the services provided and establish new services which have value to the local businesses served by the BSC and begin to turn the BSCs into regional resource centers.

In addition, NEWBIZNET shall establish a national level advocacy program. This requires the expansion of the local staff in Kiev by hiring a Ukrainian local director to begin this work and the development of a "local" Kiev support network with impact on a national scale.

## **Moldova**

In Moldova, NEWBIZNET has established a coordinating office in Cisineau and a BSC office in Balti. The BSC has the same responsibilities and expectations as those described above. However, the Cisineau office was organized with the purpose of coordinating two BSC sites (Balti and a southern office), and beginning national level policy advocacy as soon as possible. The southern BSC site will not be initiated for the foreseeable future due to the political situation in that area. However, LSN activity in Cisineau is national level advocacy work. Since Moldova is a small country and Cisineau is the capital, it was an obvious choice for initiating national policy support work right away, and NEWBIZNET is doing that under this work plan.

**Specific Regional Plans :** Detailed implementation plans for each regional site will be developed in accordance with this work plan 15 days after approval by AID and will be attached to this work plan at a later date as annex 4.

## **D. Project Status as of April 1996**

The following principal activities have been completed across the project:

1. The U.S. advisory staff was mobilized and Ukrainian and Moldovan staff assembled. Office space was secured, renovated, and administrative systems installed.
2. A competitive tender was completed for the selection of BSC organizations in four sites. Contracts were signed and budgets negotiated with each location in September and October.
3. BSCs, with the assistance of NEWBIZNET Long Term advisors began reorienting their services to take advantage of expanded service options available by virtue of their participation in the NEWBIZNET project. Program plans and implementation strategies were developed by BSCs, and initial new services launched.
4. It was determined that the information and services provided must be useful and practical, therefore, several surveys were developed and conducted to determine what information is needed and could best be provided by the BSC.
5. New or expanded premises were secured by all of the BSCs. Where necessary, renovation and physical improvements to these premises were undertaken. Procurement actions were undertaken for business center equipment, and equipment has been purchased and installed.

6. A two-week training for BSC managers was conducted in Poland by the Polish-American Advisory Foundation which runs business centers in Poland. Participating BSC Directors have unanimously endorsed the value of that training.

7. The Business Information Network was designed and procurement actions undertaken for the purchase of hardware and software which will be located at the BSC sites. The BIN has been installed in three of the four sites and is up and running.

8. Initial meetings were undertaken with a number of potential collaborators including WestNIS Enterprise Fund, Peace Corps, The Alliance (PVOs operating in Ukraine). An agreement was reached with WestNIS Enterprise Fund for it to establish site offices in three of the BSC locations.

Specific regional accomplishments are detailed in monthly and quarterly reports and are available under separate cover.

## **II. PROJECT COMPONENTS AND 1996 WORK TASKS**

For planning, management and monitoring purposes, the project's activities will be organized in five primary components:

- C Business Support Centers.
- C Local Support Networks.
- C Business Information Network.
- C Establishment of Resource Center Linkages.
- C Project Management.

Two additional tasks currently treated as options could become project components in the future:

- C A video-taped business course for widespread local distribution
- C A National Economic Policy initiative.

### **A. Strengthen Business Service Centers**

#### **1. The Model of a High Performance BSC**

The BSCs which were selected in the fall of 1995 all had existing programs of some degree, but the NEWBIZNET Project intends to greatly expand the scope and reach of those services. The BSCs will reach this higher performance level through training, technical assistance, and systems upgrades provided by NEWBIZNET. A High Performance BSC will have the following attributes and characteristics:

- C A wide ranging business service capability which is able to assist both start-up and more advanced businesses with marketing, operations, finance, and business planning, with services being provided using two complementary techniques:
  - \* Training courses on subjects of use to groups of businesses and individuals, and
  - \* Individualized consultations of a more specialized nature.
- C A walk-in business support facility at which businesses can rent time on computers, communications systems, and services (Business Technology Centers).
- C An on-line data system to support business communications and information needs.
- C A fee-for-service structure which provides income to make the operations sustainable upon the withdrawal of NEWBIZNET support.

## **2. How NEWBIZNET Helps BSCs Reach the "High Performance" Stage**

NEWBIZNET will assist in the growth and development of BSCs in the following ways:

- < Direct financial support for key staff and facilities.
- < Upgrading technology through the installation of computer systems and other office equipment (Business Technology Centers).
- < A long term advisor at each site to provide overall strategic guidance and to assist in specific technical activities.
- < Staff and management training (the Advanced Business Skills Training program is outlined in Annex 1).
- < Information assistance in the form of printed and video material.
- < Computerized, indexed, business data, market, vendor and supplier information.
- < Indexed credit and financial resources, to include sources of capital (equity and debt). This will include profiles of the type of loans preferred by each bank or capital source, the loan information required, and profiles of successful applications.
- < Development of program-wide linkages to other entities in the region which can expand the access to capital, technical capabilities, and information.

## **3. Specific BSC Support Activities Planned for 1996**

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## TASK A-1: Maintain Support and Guidance to BSCs

DAI has entered into contracts with the four BSCs through which NEWBIZNET provides financial support to the BSCs. The intent of this financial support is to cover the major portion of their fixed cost of expanding their services and programs. BSCs will be afforded the opportunity to test the market for new services and to receive the use of capital equipment which will improve service delivery and management capability. Over time (estimated at approximately two years), fee-based services will come to represent the major share of BSC activity, making it possible to gradually withdraw the NEWBIZNET financial support. Under Task A-1, NEWBIZNET will continue to provide financial support in the form of direct payment for BSC rent, key staff, and certain operating expenses for the next six months, with an evaluation of how much fee-based revenue comes in to determine the amount of support necessary in the following six month period.

DAI has placed a long term ex-pat advisor at each site. These advisors work directly with the BSC managers to assist them in conceptualizing new services and implementing the services outlined above. The advisors also monitor the expenditure of NEWBIZNET support funding by the BSCs and will help identify the fee for service structure that should be put in place. During this year, each BSC will work with the advisor to identify specific performance goals for the individual BSCs which will be requirements for continuation in the program and for continued financial support. This shift from general support to performance based support is in line with making the BSCs self-supporting businesses.

### Actions/Benchmarks:

1. Budgets submitted and approved by Kiev	MONTHLY
2. Expense reconciliations performed	MONTHLY
3. BSCs submit performance reports	MONTHLY
4. BSCs develop business plan through Oct 31.	APRIL 30
5. LDS and BSCs produce 1996 performance objectives	JULY 1
6. BSCs write one year business plan	JULY 1
7. Evaluation of 1996 BSC performance	AUG 15
8. Final evaluation of 1996 BSC performance	SEP 15
9. Renewal of contract for 1996/97(or selection of new firm)	OCT 1
10. BSCs develop long-term business plan (3 years) with specific performance objectives for each year	OCT 31
11. Review of quarterly performance objectives	DEC 31
12. Review of quarterly performance objectives	MAR 31
13. Evaluation of performance requirements and business plan	MAR 31
14. Adjustment of performance requirements and business plan based upon above reviews	MAR-APR

Success Indicator: BSCs must develop viable business plans that indicate an ability to sustain themselves over time. In addition, they must produce achievable performance objectives which identify successful movement towards sustainability. If the BSCs are on target with monthly

performance objectives, and they develop feasible business plans, then the likelihood for success and sustainability is excellent.

### **TASK A-2: Strengthen the BSC Service Delivery Capability**

The BSCs will be provided with two methods by which their service delivery capacity will be expanded:

- C New technology for BSC management and client services.
- C New skills and capabilities for delivering client services.

Each BSC will be provided with a Local Area Network (LAN) consisting of a File Server and five work stations (expandable in the future as market conditions warrant). BSC counselors and advisors will be able to use this equipment to assist clients with financial analysis, business planning, marketing, bookkeeping, communications, training, and other relevant services. The computer systems will also contain software to assist the BSCs with client tracking and monitoring. By maintaining an active data base on clients and contacts, the BSC will be better able to organize its own business operations and to track the impact and quality of its services.<sup>1</sup>

Each BSC will receive a total of four weeks of Advanced Business Skills Training provided at their locations in order to enhance their current level of expertise. This course, to be conducted by Management Advisory Services (MAS), will be a very practical program oriented to solving problems typically encountered in small and medium sized firms. It draws heavily on participatory exercises and case studies, which will be customized to the Ukraine/Moldova environment. The first two weeks, targeted for April and May, will be entirely skills-oriented and focused on technical subject matter.<sup>2</sup> A second two week course will take place approximately four to six weeks later, and will consist primarily of techniques for using the problem-solving skills in delivering client services. MAS trainers will assist the BSC personnel to customize the training materials so that they can be used by BSCs in conducting seminars for their own clients, and the BSCs will be certified by MAS as authorized trainers in their respective regions. For greater detail on the Advanced Business Skills program see Annex 1. A detailed proposal for this training has been delivered to AID under separate cover.

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<sup>1</sup>This equipment will also be used as the link to the Business Information Network (BIN), described in Section C. Access to the BIN is considered a potential fee-generating business service.

<sup>2</sup>Each course can accommodate approximately 15 - 20 persons. Therefore, BSCs will be permitted to invite other local attendees such as businesses, bankers, and local government personnel, and will be permitted to charge fees where appropriate.

Actions/Benchmarks: Technology Upgrade

- |                                                                                                                   |            |
|-------------------------------------------------------------------------------------------------------------------|------------|
| 1. New equipment on site and local networks installed                                                             | APRIL 20   |
| 2. Client service software installed and counselors trained                                                       | MAY 15     |
| 3. BSC needs assessment conducted and development of specific software for BSC management and operations designed | MAY 31     |
| 4. BSC Management and Client Tracking software installed                                                          | MAY 31     |
| 5. BSCs expand marketing of services and client base                                                              | Continuous |
| * BSCs produce a brochure of services                                                                             | MAY 31     |
| * Each BSC undertakes a marketing campaign by means of public media.                                              | MAY 31     |
| 6. Fee-for-services programs launched and/or expanded                                                             | MAY 31     |
| 7. Project launches "NEWBIZNET News"                                                                              | JUNE 1     |
| 8. BSC management and operations software completed                                                               | JULY 15    |
| 9. Review of management operations for improvement                                                                | OCT 31     |

Actions/Benchmarks: Skills Training

- |                                                                     |            |
|---------------------------------------------------------------------|------------|
| 1. MAS lead trainer visits sites to structure course agendas        | FEB 20     |
| 2. MAS training materials translated into Russian                   | FEB - APR  |
| 3. First two week technical skills course undertaken in each region | MAY        |
| 4. Second two week skills course undertaken in each region          | MAY - JUNE |

Success Indicators:

1. Completing the installation of equipment will accomplish the goal of upgrading the facilities of the BSCs, and completing the skills training will give the BSC personnel the requisite skills to use the equipment to expand their services.
2. The success indicator for these expanded BSC services will be fee revenues which should increase monthly according to the following goals:

<u>DATE</u>	<u>% OF MONTHLY OPERATING COSTS SUPPORTED BY FEE REVENUE</u>
JUNE 1996	5%
SEPT 1996	10%
DEC 1996	20%
MAR 1997	30%
JUNE 1997	40%
SEPT 1997	50%
DEC 1997	60%
MAR 1998	70%
JUNE 1998	80%
SEPT 1998	90%
DEC 1998	100%

3. Increased fee revenue will also result in a reduction of project support funds going to the BSCs. The reduction in project support funds will lag behind the accomplishment of fee revenue, but must be constant and consistent to ensure the eventual sustainability of the BSCs after the end of the project. The following funding schedule is proposed:

<u>DATE</u>	<u>% OF MONTHLY OPERATING COSTS SUPPORTED BY NEWBIZNET</u>
SEPT 1996	95%
DEC 1996	90%
MAR 1997	80%
JUNE 1997	70%
SEPT 1997	60%
DEC 1997	40%
MAR 1998	50%
JUNE 1998	30%
SEPT 1998	20%
DEC 1998	10%
After Dec 1998	0%

These revenue targets and funding reductions (which lag behind in a consistent manner) will be reviewed in October and once again in January and April to determine if they are realistic and to see how well the revenue goals are being met. It must be remembered that the purpose of reducing support funds and increasing revenue goals is to assure that the regional BSCs are able to succeed on their own when AID funding to the project ends. This means that we must not endanger the survival of the BSCs, but, at the same time, we must establish a plan to eliminate financial support over the life of the project.

It needs to be stressed that BSCs will also be making efforts to generate revenue from other sources than just SME client fees. Such sources include other donors, private international foundations, domestic or foreign financial institutions as well as business groups. In each case the NEWBIZNET LTTA will work with the BSC to design and implement a strategy for additional revenue generation which may involve designing new service products.

## **B. Build Local Support Networks (LSN)**

### **1. Description of the Local Support Network (LSN)**

The Local Support Network refers to the establishment of a local group of businesses and organizations which have common goals and/or business interests. A regional LSN will usually include trade associations, industry support organizations, chambers of commerce, and groups of linked business, such as bankers and suppliers to a particular industry or region. The principal objective of the LSN is to engage in activities which can improve the economic policy environment in which businesses operate. While some activities of the LSN will be originated from within the BSC, the LSN is not exclusively a BSC activity.

The LSN is not necessarily a single organization, though it may, in time, evolve into an

umbrella organization. Furthermore, the nature of the LSN, both in form and in program activities, will vary from location to location. Therefore, the nature of the support provided by NEWBIZNET may similarly vary. Initially NEWBIZNET will carry out targeted activities that fit within the larger LSN strategy, and will use these activities as a way to "grow" the network over time.

## **2. How NEWBIZNET Will Help Build The LSNs**

The NEWBIZNET Project will help with the creation and development of the LSN in the many ways, including, but not limited to:

- < Work with membership associations to assist them in defining member services, developing effective business assistance programs, and preparing revenue generating plans.
- < Provide an information-sharing system by which entities within a single region, or entities in several regions, can share ideas and information.
- < Sponsor regional seminars on Business - Government cooperation.
- < Sponsor study tours to locations in the U.S. and in other countries on subjects of particular interest in the LSN development.
- < Develop policy papers and provide technical specialists who can assist in defining policy issues and solutions to problems.
- < Provide technical assistance in the development of specific projects such as small business incubators and joint ventures between public and private sector entities.

### **Task B-1: Expand the Financing Options Available to Businesses**

While there is an agreement between NEWBIZNET and the WestNIS Enterprise Fund to collaborate in business development, the BSCs and SMEs cannot rely on the Enterprise Fund as the exclusive source of financing for businesses in their localities. NEWBIZNET will cultivate a relationship with the Enterprise Fund, but will also explore alternative sources for financing, through banks, donor organizations, and others.

NEWBIZNET will conduct outreach both within the region, as well as, in the U.S. and Western Europe to identify alternative sources of business finance. A data base will be established with names, addresses, and their capital investment criteria. Banks and other institutions will be asked for what they are interested in and what criteria they depend upon to make decisions. This criteria will be loaded into the database for wide distribution. Where possible, application procedures and forms will be secured and loaded electronically into the BIN for distribution throughout NEWBIZNET.

NEWBIZNET can be of great service to Ukrainian banks in helping to work with their bad loans. This would be an opportunity for the BSCs to work with companies that have operating problems that need to be fixed. This would be an excellent source of fee for service revenue, because the BSCs could do a review of business principles and problems with the "bad debt" companies. Then a percentage fee from the banks for a portion of the debt recovered from the company could be realized as a service to the bank. In addition to the service to the bank, the BSC would be helping the economy and developing a network of clients that were helped by the BSC. Obviously, not every company with a credit problem can be salvaged, but a great many of them can benefit from external review and evaluation and this provides a win-win-win situation for the bank, the BSC, and the company with the credit problem.

NEWBIZNET will coordinate with AID and/or USIS on a bankers study tour. AID has other contractors working this issue in Ukraine and the U.S. and we assume that locations such as EBRD (London)<sup>3</sup> and the IFC/World Bank (Washington) will be visited. It is important that the bankers receive specific exposure to the problems, issues, and advantages of working with SMEs. SMEs are a major part of the US economy and many US banks specialize in providing service to them. NEWBIZNET will consider a bankers study tour a tremendous missed opportunity if it does not provide insight and support to working with SMEs.

Actions/Benchmarks: Financial Resource Data Base

- |                                                                                      |          |
|--------------------------------------------------------------------------------------|----------|
| 1. Financial resource organizations researched and evaluated                         | MAY 31   |
| 2. Criteria and application materials obtained                                       | MAY 31   |
| 3. Information compiled and loaded onto BIN                                          | JUNE 15  |
| 4. Evaluation of various fund sources for client success                             | SEPT 15  |
| 5. Comparative evaluation and publication of results                                 | OCT 15   |
| 6. Identification of one Bank/site for "bad loan" initiative                         | JUNE 15  |
| 7. Establish "bad loan" program with identified bank                                 | JULY 1   |
| 8. Expansion of "bad loan" program to other banks after initial success              | DEC 1    |
| 9. Coordination with AID banking project(s) for additional development of SME sector | JAN 1997 |

Success Indicators:

1. The successful development of a data base of local and international financing sources will be made available to each BSC by means of the BIN and will be a real tool for helping businesses identify sources of capital. This tool can immediately result in a fee structure for its use and success will be measured by the revenue generated by the fees. Additionally, this information will readily lend itself as an evaluation tool to identify which banks/funding sources are actually providing funding to clients and the BSCs can use this information to help clients and publicize the results of their analysis.

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<sup>3</sup>EBRD currently provides financial support to private banks in Russia for small enterprise financing, and it is hoped that briefings would be held concerning possible expansion of that program into Ukraine and Moldova.

2. If the bankers study tour takes place and has an appropriate focus on SMEs, the participants should be more willing to offer financing and other services to local businesses. This will be easily measured by the number of accepted loans and services that result after the tour.

3. The "bad loan" program will be measured by how much assistance (loan recovery) can be provided to the chosen banks and the companies in question. This, too, will be easily measured by fee revenue generated by recovered loans. It can also be measured by the number of cases processed by the BSC.

### **Task B-2: Create an Effective Business/Government Collaboration in Each Region**

Another important objective of NEWBIZNET is to undertake actions which will help improve the overall economic environment for businesses. Historically, the governments of the USSR were hostile to private enterprise, and while the overt hostility may now be dissipating, there are many impediments which remain today. NEWBIZNET will bring together a group of approximately fifteen business leaders and fifteen government officials for a program directed toward creating a more cooperative interaction between business and government.

This will be a three step approach: the first step will be holding regional seminars for business - government cooperation within each region during spring (May/June), followed by a business - government study tour which will take place in the fall (a detailed proposal for the regional seminars is at Annex 3), and finally a forum on business - government relations will be conducted.

Originally NEWBIZNET had considered conducting separate tours for business and for government. However, the BSC Directors recommended that the groups be combined. They believe that having business and government leaders travel together for two weeks will establish personal as well as professional links for building more effective collaborations. The study tour will visit several cities in the U.S. where effective business and government partnerships have been established. By meeting with such partnership organizations, the Ukrainian and Moldovan delegations will gain new insight into cooperative interactions. Among the possible visit sites will be Atlanta, Baltimore, and Pittsburgh.

A lower cost alternative which accomplishes similar goals is also being considered as an option. This would be a study tour of Eastern European countries (Czech Republic, Hungary, Poland) which have also moved towards a market economy and are further along the path towards success than Ukraine. This would be interesting and effective, because these countries have faced similar constraints and achieved significant results.

Upon completion of the Study Tour, a "Forum on Business/Government Collaboration" will be conducted in each region. Working with the Study Tour participants, NEWBIZNET will organize and carry out a public forum to expand the theme of "business/government collaboration" throughout the community.

#### Actions/Benchmarks

1. Discuss specific seminar and study tour goals with USAID

APRIL

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2. Review and approval of business - government seminars	APRIL
3. Conduct regional seminars	MAY
4. Criteria for participation in study tour established	JUNE
5. BSCs nominate candidates for participation for USAID approval	JULY
6. Final sites and schedules for visits determined	AUG
7. Study tour takes place	SEP
8. Each region completes plan for Business/Government Forum	OCT
9. Each region holds Business/Government Forum	NOV

**Success Indicators:**

1. Completion of regional seminars and identification of specific issues for cooperation.
2. Completion of the study tour of approximately thirty business and government leaders.
3. A "Forum on Business - Government Cooperation" is scheduled and takes place in each region, including a review of original issues identified in seminars. Development of an action plan to address outstanding issues. Ultimately, the study tours will be successful if they result in business and government personnel working together to establish an environment supportive of small businesses.
4. Review and evaluation of issues identified and success in resolving those issues including the action plan. Is the action plan realistic and achievable?

**Task B-3: Pilot Projects, Demonstrations, and Other Special Situations**

Consistent with the NEWBIZNET philosophy to be responsive to opportunities and market demand, the project will be prepared to support special projects and activities which offer opportunities to demonstrate one or more of the NEWBIZNET objectives. Similarly, the Project will lay the groundwork for project implementation during subsequent time periods by undertaking research and planning for possible future NEWBIZNET activities. It is noted that no specific pilot projects, demonstrations, or other special situations will be initiated without specific approval by USAID. Among the types of activities which will be researched could include:

1. Collaborations between similar projects in neighboring countries of the region.
2. Collaboration between NEWBIZNET and other projects within Ukraine, such as the banking projects, which would be able to focus upon SME needs.
3. As a follow-up to business-government cooperation, evaluate the possibility of government contract opportunities for SMEs, and a government sponsored program to use SMEs, since many government needs could be met by SME organizations.

**Actions/Benchmarks**

1. Specific pilot and demonstration projects identified (May - July)

## **C. Install and Operate Business Information Networks (BIN)**

### **1. Description of the BIN**

The business information component of the project has two primary objectives:

- C The first is to service the data and communication needs of the project offices/BSCs and selected LSN collaborators and to facilitate timely preparation of project tracking, financial and client reporting requirements.<sup>4</sup>
- C The second, is to provide both electronic and hard copy marketing, financial, supply and product information/intelligence for SMEs through business centers, business associations, and other business services organizations, that are members of the LSN.

The system will be appropriate to the present working environments in Ukraine and Moldova and will not be overly reliant on an expensive or complex system or equipment. Software materials, hard copy materials, and a well trained staff will be the most important information resource in the early stages of the project. With technological and electronic development will come greater system complexity and reliance on electronic information dissemination.

The Business Information Network (BIN) will begin with installation of a communications hub in Kiev which will then be expanded to include satellite centers at BSC locations in Ukraine and Moldova. The hub will allow for further expansion to Belarus and to business support organizations throughout the region in the future. From the very beginning, communication and transfer of documents via the network will be a very important aspect of the system. The Kiev hub will be the primary source of information for the project's BIN. It will consist of a central business library with business reference directories, CD ROM databases, and access to the Internet international electronic mail system. The INTERNET access will allow for expansion to other databases, some of which are available at no charge. The Freund, available through the United Nations, will provide excellent access to the hub and eventually to other sites. Area networks will be installed and software such as that available through World Wide Web will help facilitate access and indexing. This is important to track and index locally available business information which must be organized in order to be of use.

### **Task C-1: Installation of the BIN**

All necessary equipment for the BIN installation has been delivered and installed at each

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<sup>4</sup>As noted previously, the BIN will operate on the same equipment which is being supplied to BSCs for their client services and organizational management.

regional site. Training is now ongoing to let the BSCs fully utilize the network system.

The Kiev Hub configuration is designed so that its basic set-up can be replicated onto the servers at each regional location. The DAI Information Specialist participated in the set-up and replication in three of the regional sites, and then the local computer specialists finished the job by setting-up the Kharkiv BIN.

Once all of the networks are in place and communication between them has been established, data base information will be put into each site. The system is designed to receive data and share data in two ways: over telephone lines and through the use of CD ROM. Ultimately, data transfer by telephone lines would be the fastest and most efficient means of sharing data. However, because phone lines in Ukraine are not always reliable, each regional site will also have reference information available on CD ROM.

Certain data bases will be available immediately. International data from Internet sources, U.S. Department of Commerce, European Union, and commercial sources will be obtained and installed on the BIN. Other data will be accumulated over time. For example, Task B-1 contemplates building a data base of financial institutions which can serve Ukrainian and Moldovan firms and a data base of legal and regulatory information will be developed to help businesses identify operating requirements. As that data becomes available, it will be added to the BIN. Similarly, the registers of client contacts at each of the regional sites will be accumulated, eventually leading to a data base of Ukrainian and Moldovan businesses.

As the BIN is established and becomes an operating support system, NEWBIZNET must plan for the long-term transfer of the BIN to the BSCs. The ultimate success of NEWBIZNET will be the successful establishment of fee supported BSCs in each region, the transfer of BIN and other equipment to the BSC, and the removal of all advisors and financial support. The Kiev and Cisineau network hubs will become support database and computer systems for national level advocacy groups in the two capitals. This national level advocacy program will begin this year and expand dramatically in year three.

#### Actions/Benchmarks

1. Equipment released from customs and transported to sites	MAR
2. Local networks installed	APR
3. Core BIN set up in Kiev and functioning	MAR
4. Regional BIN linkages established and functioning	APR
5. Initial data bases secured and loaded	MAY
6. Additional data bases loaded and expanded	APR-JUN
7. BSCs develop client services using BIN data	APR-JUN
8. Fee structure for walk-in and database services established	JULY
9. Evaluation of BIN success and initiatives for change	SEP
10. Evaluation of BIN expansion and possible sites	OCT-NOV

#### Success Indicators:

1. The BIN is functioning in each site and useful data is available.
2. BSCs and other local organizations are using the BIN data and generating fee based

revenue for BIN services.

#### **D. Establish Linkages and Identify Business Resources**

NEWBIZNET and AID represent only a part of the various business support programs in Ukraine and Moldova. The identification and involvement of PVOs/NGOs and programs from other sponsors will allow the different projects to achieve synergy by working together. The business centers will thus become resource centers for all business activities within the respective regions; the BSC will identify all support available to SMEs, and provide referrals and points of contact for programs and donors.

##### Actions/Benchmarks

- |                                                                                |          |
|--------------------------------------------------------------------------------|----------|
| 1. Identify all US sponsored business support programs operating in the region | MAY      |
| 2. Hold donors meeting of PVOs/NGOs in Kiev                                    | MAY      |
| 3. Identify and meet with other government business support programs           | MAY      |
| 4. Enter data developed above into BIN database                                | JUN      |
| 5. Develop and print a regional business resource guide                        | JUN      |
| 6. Distribute regional business resource guide                                 | JUN/JUL  |
| 7. Provide referrals to programs identified above                              | CONSTANT |

##### Success Indicators:

1. The number of referrals made. The number of businesses helped by those referrals. The number of BIN requests for referral data. The number of resource guides used by clients of the BSCs.

2. The number of PVO/NGO volunteers working with the regional BSCs.

3. The number and quality of cooperating programs with other governments which are initiated by this program.

#### **E. Optional Activities**

There are two additional project activities which have been suggested as possible NEWBIZNET activities: reconsideration of the video-tape business course, and a national economic policy component. A possible approach to each is presented here, but neither has yet been structured as a program task.

##### 1. Video-Taped Business Course

The earlier idea of a video taped course, as presented by the Economic Literacy Project, was deferred because of its high cost. A major element in this high cost was that fact that ELP

proposed to do much of the production in New York, one of the most expensive places in the world for such work. DAI believes that by producing much of the course in Ukraine or Moldova, the result would be both less expensive and more relevant to the local market.

We propose using an "executive producer" from the U.S., which would guide the overall production process, along with a "content specialist" to advise on the specific subject matter and script contents. A local production firm (or firms) would be engaged to prepare the final script, select narrators and actors, produce and edit the tape, and distribute it.

We propose a two-part competitive tender which could take place during 1996. The tender would seek to identify both the executive producer and the local production firm. The original ELP organization would be permitted to offer a proposal, but would not be guaranteed an exclusive right to that role. Other possible executive producers might include universities, public television stations, and private commercial firms.

It is anticipated that during the period of this workplan, the two-part tender could be completed and production firms selected. Actual production could begin in early 1997.

Two lower cost alternatives also exist: A 13-segment basic business program was developed by Vermont Public Television under a grant from U.S. Department of Agriculture. For a royalty of about \$5,000, we could obtain the rights to rebroadcast this program and have the sound dubbed over in Russian, Ukrainian, and Moldovan. There has been no investigation of the costs of dubbing, but it is believed that for well under \$100,000, this course could be translated and made available for rebroadcast in WestNIS. In addition, IFC has also apparently produced a business training program on video for use in Russia, and this could be adapted for use in Ukraine.

## 2. A National SME Policy Agenda

A key objective of the NEWBIZNET Project is improving the economic policy environment in which businesses operate. The LSN component is designed to stimulate such improvements at the local level. When NEWBIZNET was designed three years ago, there was a belief that little could be gained by working with the national government. However, with the election of a new President last year, attitudes have changed. Therefore, USAID has expressed interest in having a national SME policy component within its program portfolio.

DAI has had considerable experience with national SME Policies. As USAID's prime contractor for the GEMINI Project, we have worked for over six years in over thirty countries on various aspects of SME policy and programs. One such activity which began under GEMINI and has functioned continuously for three years is the SME Policy Project in Poland. This initiative was recently renewed for an additional two years. It has had a major impact on public policy, resulting in the creation of the quasi-governmental SME Foundation. The "SME Policy" conceptualized under GEMINI, was adopted by the Polish Parliament last year.

DAI/NEWBIZNET has not undertaken any serious review of the national economic policies currently in place in Ukraine and Moldova up to this point. Consequently we are not able to offer specific suggestions at the present time. The development of a national policy agenda requires considerable effort and resources. It is estimated that a Kiev based staff of five to seven personnel would be required to develop this effort into a serious program with the likelihood for achieving results. With that in mind, DAI will engage in a series of dialogues with relevant ministries, NGOs, and businesses, both nationally and through the emerging LSNs. At the end

of the one year time period, DAI would present a set of options to USAID which could form the basis for a SME Policy Project in subsequent time periods.

## **F. Project Management.**

This component cross cuts all other components by coordinating the project's activities, providing strategic direction, ensuring timely delivery of professional services and guiding counterpart organization relationships. The Project Management office in Kiev, supported by the DAI home office in Bethesda, has the responsibility for overall direction and performance under the contract, coordinating activity with subcontractors and collaborators, securing appropriate approvals and clearances from USAID, accounting for project expenses, maintaining control over project assets, and filing reports with USAID.

In addition to the general responsibilities outlined above, the project management office in Kiev will carefully track the accomplishment of the specific benchmarks set out in this work plan and the impact of those activities. This will be done to ensure that the project goals are being met in the field. If project goals are not being met, AID will be informed of the specific issues and corrective action will be taken to change those results (up to and including the replacement of BSC subcontractors).

The NEWBIZNET coordinating office in Kiev will include the Business Information Network (BIN) hub and will take on the added function of a Ukrainian national advocacy office managed by the project's local Deputy Director. A similar Moldovan national advocacy office managed by the Chisinau coordinating office Deputy Director will form part of the Chisinau Coordinating Office. The advocacy tasks performed by these two individuals will be to coordinate the work of the regional LSNs in each country, coordinate and synthesize their concerns and recommendations, and bring these to the attention of the appropriate national government organizations. Their tasks will also be to lobby the national organizations on behalf of the SME sector and work with them to improve the business climate and the regulatory environment for SMEs.

The three regional advisors in Ukraine and the one in Moldova are directly responsible to the Kiev Coordinating Office. Each serves as an advisor/coordinator for the regional BSC, will develop and oversee/manage a LSN organization, and manage a local BIN office directly tied into the BIN hub in Kiev.

DAI is committed to success on this project and is making significant personnel changes in order to ensure that success. DAI has replaced Mr. Potocki with Mr. Bruce Sweeney as Deputy Chief of Party in Kiev in order to improve the management, coordination, and compliance functions of that office, and a search is currently being conducted to hire a new Chief of Party for the project. DAI/Bethesda also provided at no cost to the project one of its home-office project monitors for five weeks to assist with the upgrading of the local management structure.

The proposed staffing pattern (Local Country Nationals) for the Kiev Management Office is as follows:

Position

Staff member Name

Local Deputy Director	To be filled
Administrative Director	George Khomenko
BIN Director	Alexey Proskura
BIN Data Manager	Alexander Yarovy
BIN User Support/Trainer	To be filled
Accountant	Tatiana Pasechnik
Translator/Interpreter	Yaroslav Yurtsaba
Secretary/Receptionist	Tatiana Maximova
Driver/Logistical Assistant	Vladimir Toulovsky

## **2. Specific Management Activities Planned for 1996**

- C Complete the hiring of all Ukrainian Staff, and make other staffing changes as necessary.
- C Complete all operating manuals and procedures for Management and Regional offices.
- C Complete the 1996/1997 Workplan and submit to USAID
- C Submit monthly and quarterly reports as required
- C Maintain ongoing relationship with USAID for efficient management of the project.
- C Maintain financial records of Project expenses; review budgets and expenditure documentation from BSCs and Regional Advisors.
- C Initiate discussions with key policy-makers concerning a possible national economic policy initiative for the NEWBIZNET Project
- C Manage the logistics and technical aspects of training events, in close coordination with DAI/Bethesda and the Regional advisors and BSCs

## **III IMPLEMENTATION PLAN**

The major requirement for NEWBIZNET is for the LTTAs to work extensively with the BSCs in accomplishing the objectives and time-lines outlined in the previous sections of this document. The ultimate success or failure of this venture is dependant upon enabling the BSCs to provide appropriate business services to local clients, and for clients to find those services valuable enough to pay for. The BIN and LSN portions of this work plan are also important, but the BIN itself is dependant upon successful implementation at the BSC sites and the achievement of the BSC in marketing services related to the BIN.

In addition, as previously stated, specific implementation plans for each regional site will be developed in accordance with this work plan 15 days after approval by AID and will be attached to this work plan at a later date as annex 4.

While retaining overall responsibility for completion of the work tasks, DAI intends to subcontract a major portion of the actual implementation to other firms. Many of the proposed subcontractors were part of DAI's original proposal to USAID, while others will be identified in the near future. Following is a list of work elements which are to be subcontracted, with the proposed subcontractors identified. It is expected that many of these activities will be awarded through a competitive process and contractors identified below are not necessarily the firms that will actually carry out the activities. Those activities for which a subcontractor has not been explicitly identified will most likely be carried out by DAI directly.

ACTIVITY	TASK NUMBER	SUBCONTRACTOR
Advanced Business Skills Training	A-2	Management Advisory Services
Business/Government Study Tour	B-2	D.J. Miller - Atlanta Visits Development Training Institute - Baltimore Visits
Study Tour Logistics	B-2	To be determined (AED or another entity)
Computer Network Installations	A-1 and C-1	Kvazar-Micro

In addition to these designated subcontractors, each of the BSC's will have the responsibility in their respective regions for the following actions in support of the Work tasks:

1. Providing direct support to local businesses for services and training which will help organizations achieve market success, in accordance with the plans outlined in this work plan.
2. Identifying participants and a site for the Business Skills training program, and assisting with local arrangements and logistics.
3. Identifying individuals to participate in business/government study tour, if approved.
4. Conducting a Business Forum in their region upon completion of the business/government study tour.

#### **IV. FUTURE POTENTIAL VS. BUDGET REALITIES FOR NEWBIZNET**

The NEWBIZNET Project enters 1996 ready to build from the base established in 1995, and with a wide range of short term and longer term objectives and activities which it can pursue. Unfortunately, just as the Project begins to hit its stride, budget constraints are beginning to surface. Budget issues are being considered at the same time that AID is reviewing its own goals

and objectives in the region, and decisions will need to be made which will have major implications for the balance of the project.

The four-year project<sup>5</sup> has a projected budget of approximately \$15.1 million. It was anticipated that by the end of Year 2, approximately \$7.7 million would have been spent. At the beginning of the contract \$6 million was obligated. USAID has informed the NEWBIZNET management that for the April 1996 - March 1997 period approximately \$900,000 would be available to be obligated to the project, resulting in a shortfall of about \$600,000.

#### **A. Options for Program Modification**

Various options have been suggested to overcome the indicated shortfall, and the optimal solution lies in some combination of these changes. They include:

1. Deferral or cancellation of the economic literacy program option.
2. Reduction in the level of support for regional BSCs.
3. Reduction in the level of effort associated with specific short term technical assistance.
4. Elimination or reduction in the scale of the study tour.
5. Reduction in the number of long term advisors assigned to the project.

Deferral of ELP is one of the most obvious actions, since this is an expensive activity which has already been deferred once, and for which no activity has yet begun. The current ELP budget allocation is \$500,000 in Year 2 and \$1,000,000 in Year 3. In accordance with AID guidance we will plan on continuing the deferral of this program.

Some reductions in the level of financial support to BSCs will naturally occur in 1996. For example, there were a number of one-time expenditures for equipment, office preparation, and training which will not recur when contracts are renewed in September, 1996. We also propose a more stringent requirement of cost sharing by BSCs, with a greater obligation to develop fee-generating services. At the same time, we propose allocating some funding in FY 97 to encourage BSCs to open satellite branches linked to the regional centers so as to expand the reach of their programs and produce greater return on the initial BSC investment.

We propose as part of the work plan that funds be made available for up to five satellite offices in cities in the regions of the existing centers. For approximately \$25,000 each, a satellite office or affiliate could be prepared and equipped with two or three computers, a printer, and a small copier. The satellite offices would be linked to the regional centers by e-mail and file transfer capability so that they can access information from the BIN. Funds would be provided on a competitive basis to BSCs which demonstrate willingness and ability to move to more commercial operations in their second year contract negotiations.

Some reductions in the level of STTA and subcontractor activity can be borne by the

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<sup>5</sup>Shortly after the project contract was signed in October 1994, a "stop-work" order was imposed on the project. When that was lifted there was another period at the beginning of 1995 during which time a new work plan and budget was being developed. For purposes of programs and budgets, Year 1 is defined as the period of time beginning with the contract signing and ending on December 31, 1995. Years 2 - 4 are the calendar years 1996 - 1998.

project. Specifically, it is recommended that, since the Alliance is receiving direct Mission funding, that the allocations for VOCA and MBA Enterprise Corps which are presently in the budget be eliminated. Furthermore, because not all of the allocated STTA for 1995 was used, the overall 1995/96 STTA can be reduced.

The work plan has a business-government study tour scheduled for the fall of 1996. We think this tour is instrumental to the success of LSN and BSC activities in the future and that this activity should not be reduced.

We believe that elimination of LTTA positions during 1996 would be harmful to the future effectiveness of the program, although the positions are being reviewed and some personnel changes are being made. As the BSCs become more mature, it will be possible to withdraw some of the technical support being provided to them. However, we feel that withdrawal of that support during 1996 is premature. Of greater concern would be the impact on LSN development. While it might be possible for a single advisor to assist more than one regional BSC, it would be impossible for a single advisor to effectively develop LSNs in more than one region at a time.

## **B. Proposed Budget**

We have reviewed the budget and related cash flow for 1996, and a detailed 1996 budget implementing this work plan will be prepared and presented to AID under separate cover. This budget will include the MAS advanced business skills training, a business/government study tour for fall 1996, LTTA positions for the entire year, and the establishment of five satellite offices late in the year. As already coordinated with AID, the budget projects a total expenditure of \$6,900,000 for the project through March 1997.