

PD-ABP-298

NEWBIZNET Project: Ukraine, Moldova & Belarus

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

94454

Development Alternatives, Inc.

**Evaluation Report on the NEWBIZNET
Business Support Centres**

**J. Houghton
COP
September 1996**

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1. INTRODUCTION

The USAID - funded NEWBIZNET project is managed by Development Alternatives Inc. (DAI). In August 1996, the Project undertook an evaluation of the four current Business Service Centre (BSC) sub-contractors. The evaluation took place at a time when considerable changes were taking place within NEWBIZNET. The long-term technical assistants (LTTAs) in Lviv and Odesa had not had their contracts renewed and the third NEWBIZNET Chief of Party was appointed on 1st July 1996.

A new strategic project plan was produced and presented to the USAID Kyiv team on 17th July. Many of the changes proposed and approved in the project plan were in the process of implementation during the period of the evaluation. A copy of the new organisation chart is shown in Appendix I. The results presented in this report must be considered in the light of these changes.

The primary purpose of the evaluation is to review the performance of each of the BSCs in relation to the work of the sub-contractors at each site. At the same time, the evaluators were able to assess the overall support provided to the BSCs both by the site-based LTTAs and by the project management team at the Kyiv NEWBIZNET Co-ordination Center.

The three services provided by the BSC subcontractors are business advisory services, business training and education, and business information network (BIN). The LTTA at each of the BSCs is responsible for support and advice in providing these services as well as developing a local support network (LSN).

After a briefing session at the USAID Mission in Kyiv, the evaluation team left for Lviv on Wednesday 7th August. After returning to Kyiv on Friday 9th, the team travelled down to Odesa on 12th August, drove across to Moldova on Wednesday 14th and spent two days in Chisinau and Balti before returning to Kyiv on Friday 16th. The final evaluation, of the Kharkiv BSC, took place on Monday and Tuesday, 19th and 20th August. This report summarises the main findings of the evaluation team.

In the time that has elapsed between the evaluation and the completion of the report, a number of major events have taken place within the NEWBIZNET Project. They include the appointment of a new sub-contractor for Moldova, the transfer to Odesa of the previous Kharkiv LTTA, and the recruitment and appointment of two new LTTAs for Lviv and Kharkiv.

2. THE EVALUATION TEAM

The members of the Evaluation Team included representatives from USAID Washington and Kyiv, an independent Ukrainian business consultant and the NEWBIZNET COP.

The members from USAID Washington were: Paul F. Novick - Chief, Small Business Division, Office of Enterprise Development at the Bureau for Eastern Europe and the New Independent States; Hans C. Shrader - Project Officer, New Business Development - Russia; and Sherry Grossman - Officer in Charge - Ukraine, Belarus and Moldova. Karrye Braxton, post-privatisation officer, represented USAID, Kyiv.

An independent Ukrainian business consultant, Alexsey Stupnitsky - the president of the Private Initiative Foundation in Kyiv, provided local expertise and continuity to the evaluation team as he was also a member of the original selection team which chose the BSC sub-contractors. The NEWBIZNET project was represented by Jeff Houghton the recently appointed COP.

Messrs. Novick, Stupnitsky and Houghton visited all four BSCs for the Evaluation. Mr. Shrader was at Lviv, Ms. Grossman at Odesa and Moldova, and Ms. Braxton at Kharkiv.

The reports and comments made by each of the individual team members are included in Appendix II. Their views and opinions are reflected in this report.

3. METHODOLOGY

In advance of the Evaluation the NEWBIZNET team at the Kyiv Coordination Center prepared information for each of the team members in the form of two booklets, the first contained 'Evaluator Materials and Information' and the second, individually prepared for each BSC, contained a business plan and scoring materials. These booklets are too bulky to be attached to this report but are available at the USAID Kyiv Mission and the NEWBIZNET Coordination Center.

3.1 'Evaluator Materials and Information' Booklet

This contained background information on the evaluation program and, under four other headings, information on: Contract Provisions Relating to Evaluation of BSC Activity; the Evaluation Procedure; the Evaluation Process; and Scoring. Included under the last heading was a method of allocating scores to each BSC based on the following performance indicators:

Section 1.1 - Quantitative Performance During the Term of the Current Contract;

Section 1.2 - Qualitative Performance During the Term of the Current Contract;

Section 1.3 - Quantitative Elements of the Proposed Second Year Program;

Section 1.4 - Qualitative Elements of the Proposed Second Year Program;

Section 2.1 - Service Delivery to SME Businesses;

Section 2.2 - Leadership Within the SME Community;

Section 2.3 - Development of a Viable Fee For Service Program;

Section 2.4 - Solicitation and Achievement of External Support;

Section 3.1 - The Evaluator's Judgement of the Overall Credibility, Integrity and Plausibility of the BSC Business Plan; and

Section 3.2 - The Evaluator's View, in General, of the Expectations of Performance by the BSC.

Included after the scoring information is a copy of those sections of the DAI/USAID contract which refer to the contractual relationships between DAI and the BSCs. This is followed by a copy of the NEWBIZNET Annual Work Plan for the year from April 1 1996 to March 31st 1997, and finally, by a copy of NEWBIZNET's latest Project Operations Plan diagram, prepared in July 1996.

3.2 'Business Plan and Scoring Materials' Booklet

Individual booklets were prepared for each BSC. The first section contained the same general background information included in the 'Evaluator Materials and Information' booklet. The second section contained blank scoring sheets and the third and final section contained a BSC business Plan.

3.2.1 BSC Business Plans

At the end of July 1996, the only business plan available for any BSC was one prepared by Lviv LTTA who, as already mentioned in the introduction, was soon to be leaving Ukraine. There was no historic or projected revenue information on the BSCs available in the Kyiv Coordination Center.

In the short time available before the evaluation it was decided that the best way to have consistent business plans available was to contract this work to the Project Preparation Unit (PPU) of the Agency for the Development of Enterprise in Kyiv. The PPU has been established, under EU Tacis, to prepare business plans for Ukrainian businesses. Four, Ukrainian, PPU business planners were sent out to each of the BSCs and worked with the Directors and staff to develop business plans to the same format.

The result was that at the start of the evaluation, business plans were available in a consistent format which included the projected budget forecasts shown in Appendix III of this report. The speed in which these business plans were produced inevitably effected their quality, but even with this caveat, the results provided were of great benefit to the evaluator's ability to assess profitability and the prospect of self-sustainability of each BSC.

Once the evaluation was over, each of the Directors, with the help of their LTTA and the NEWBIZNET Business Advisory Coordinator were able to revise and amend their own business plan using the same format.

4. THE BUSINESS SERVICE CENTRES

4.1 Lviv - General

The previous Lviv LTTA had been ineffective and tended to operate in isolation from the BSC subcontractor - the Lviv Institute of Management (LIM).

Lviv is the best developed of all the BSCs so far. This does not mean that NEWBIZNET management is totally satisfied with its performance. It is only that, at the time of the evaluation, it was the best of the four BSCs. In Mr. Valery Piatak it has a dedicated, competent director who has great influence within the community. He is currently Deputy Chairman of the Lviv Oblast Advisory Committee.

The BSC is pursuing a range of business clients in order to sell its services which, according to the evaluation team's interviews with BSC clients, is considered to be of high quality.

All three NEWBIZNET activities had been operational although the BIN was not properly understood. The BSC considers it is incurring losses on training and consultancy which are 50% subsidised by the project.

4.1.1 Business Advisory

According to information provided by the BSC, 325 clients had used the business advisory service, one third of which were business start-ups. 63 businesses were assisted in registering, 29 with business plans and 7 with market surveys. None of the business plans had succeeded in obtaining funding for the clients. A large proportion of the requests for assistance related to changes in legislation and the provision of market information.

The only client list shown to the evaluators was hand-written. There were no printed reports which could confirm the statistics provided.

4.1.2 Business Education and Training

Since October 1995, 481 participants had attended 23 courses delivered by the BSC. Western trainers, from Germany, United Kingdom and the U.S. Peace Corps, had been actively involved in designing and delivering training programs. Most of the training courses appear to break even although, once again, no costings were provided.

Clients are attracted to BSC courses through word-of-mouth and through advertising in newspapers and on radio and TV. They are continuously

developing new products for the future which will include courses in business planning and sales techniques.

4.1.3 BIN

They have five functioning databases which include SME legislation and information on 230,000 Ukrainian companies. They have been experiencing problems with Lotus Notes which, they believed, could not handle the Cyrillic alphabet. The two computer specialists working on BIN have no marketing experience and will have difficulty in dealing with clients. The BSC does not have an Internet connection.

4.1.4 Conclusions and Recommendations:

- Computer training is needed for most of the BSC staff;
- Additional training in the use of Lotus Notes should be provided;
- The BSC Director and the new LTTA should work closely together;
- The Director's proposal to hire a specialist to market the BSC should be investigated;
- The BSC should continue to provide short term training courses which do not compete with the higher education institutions;
- A client database should be established;
- There should be more co-operation with regional banks; and
- The consensus of the evaluation team is that, if the subcontractor accepts a performance based contract, their contract should be renewed.

4.1 Odesa - General

There had also been problems with the previous LTTA in Odesa and his contract was not renewed.

Intmar, the subcontractor, believes it can break even over the life of the project but they will need to expand their non-training activities if this is to be possible. Odesa, ranked third by the evaluation team, should improve business advisory and BIN services when the new LTTA starts in October.

The BSC is active in the business community and its representatives serve on a number of local business councils and working groups including the Odesa SME Policy Commission.

4.1.1 Business Advisory

Services were provided to 129 clients, only 5 of which had been attracted through training courses. This illustrates the weak linkages between the three activities. Clients are recruited through media advertisements and by referrals from government offices. There was no information available on client data, income, or profitability of the business advisory services.

The approach to consultancy is too academic. The head of consulting has two other jobs as well as his BSC responsibilities. He has 400 hours of lecturing per year and 1-2 hours per day at a local bank.

4.1.2 Business Training and Education

Intmar, is licensed as a training provider by the Ukrainian Ministry of Education and is recognised as the market leader in Odesa. It spends relatively large amounts of its own money on advertising.

According to the BSC Director, 440 participants had generated \$28,000 in training revenues. This generated a net profit of \$4,800. They could not provide a computerised list of participants.

4.1.3 BIN

The BIN system does not function. There is no full-time person specifically responsible for BIN work. No computerised information was available for the evaluators. Only three out of the 14 BSC staff are able to use any of the 8 available computers.

Odesa also raised the problem that Lotus Notes was unable to handle Cyrillic characters and that additional Russian software could be needed.

4.1.4 Conclusions and Recommendations:

- Computer training is urgently needed to improve the level of computer literacy;
- The head of consulting must concentrate on NEWBIZNET work;
- There is good potential for growth if the BSC staff are better trained;
- The BSC must market all of its services and not just training;
- Training must be seen as a business activity which should be provided at no charge only if the Director believes it will bring future client business;
- BSC staff need to be trained on how to provide an effective, chargeable consulting service;
- An effective LTTA is urgently needed;
- BIN links with the Kyiv co-ordination office must be improved; and
- Even though Odesa BSC is weak in two out of three of their activities, the consensus of the evaluation team is that, if the subcontractor accepts a performance based contract, their contract should be renewed.

4.3 Balti/Moldova - General

The Balti BSC is located about 150 kilometres from Chisinau where the LTTA and LSN activities are based. This in part accounts for the fact that Balti is the least developed of the four BSCs. Although it only started its operations in April 1996, there should have been evidence of more activity than was demonstrated to the evaluators. In contrast, there had been considerable LSN activities performed by the LTTA's team in Chisinau.

Unlike the other NEWBIZNET subcontractors, Agbis has little or no experience at income generation. They did not even have a leaflet advertising their services. The company wins contracts and makes a 'profit' by keeping its costs below the value of the contract. There was confusion over which clients were for Agbis and which were NEWBIZNET. Agbis has recently won a new contract which, according to the director, will mean that an additional 400 staff will need to be employed.

4.3.1 Business Advisory

Agbis had assisted in the restructuring of 5 enterprises, one of which was done by the BSC. Two out of 150 clients paid for services but no documentary proof could be provided. The Director still claimed that he faced strong competition from the Chamber of Commerce. 50% of BSC enquiries were about credit. There was a lack of co-ordination between the Balti and Chisinau offices.

4.3.2 Business Training and Education

The Director stated that six training courses had been provided, one of which was taking place during the evaluation team's visit. At least one of the others was an MAS business management training courses. Four of the courses were provided at no charge. The Director also claimed that they had provided a number of workshops on legislation topics. They have advertised for participants on local TV and radio.

4.3.3 BIN

The BIN operated out of the Chisinau LTTA office but the evaluators were unable to ascertain the numbers of clients that had used the service.

4.3.4 Conclusions and Recommendations

- Agbis and its Balti BSC director are the least credible of all the four BSCs;
- The centre of operations for Moldova should be located in Chisinau with 'satellite' offices in Balti and another location in southern Moldova;
- Agbis has just been appointed as a subcontractor to another USAID contractor which will could lead to even greater confusion between their new responsibilities and NEWBIZNET;
- The current Director is well below the standards of competency of the Ukrainian BSC directors; and
- Any contract renewal should be subject to further negotiation between DAI and the chairman of Agbis.

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4.4 Kharkiv - General

The BSC has good contacts with local government and the business community through participation in a variety of associations. The previous LTTA had been active in developing a network of people who could address matters such as policy reform. According to the business plan prepared by the subcontractor, RBAC, the centre could be profitable.

RBAC is the second subcontractor to be appointed to run Kharkiv BSC, and only really started operating in December 1995. Despite this Kharkiv BSC was the second best performer out of the four BSCs.

The Director is very enthusiastic and ambitious but tends not to focus on key issues relevant to the NEWBIZNET project. He still spends a disproportionate part of his time on publishing activities which are unlikely to make any profit. The autocratic management style of the Director was also a cause for some concern.

4.4.1 Business Advisory

They have assisted 102 clients since the start of 1996 and have generated \$4,479 in revenue. One third of the clients are large businesses, 5% are start-ups and 5% are repeat clients. They had lost their first business consultant because his gross salary of \$500 was not competitive after taxes had been deducted.

The current business consultant interviewed by the evaluation team had no idea about what he was supposed to do and lacked sufficient business experience. He is unsuitable for consultancy work and would detract potential clients. Most of his work was not related to consulting.

4.4.2 Business Training and Education

The BSC tries to tailor its training to client needs and places great emphasis on charging participants. The training manager was not enthusiastic enough about the courses available and would have difficulty in selling training to potential participants. They did not have a training license.

They have trained 1,287 participants which have generated \$16,567 in revenue. 75% of the revenue comes from taxation workshops. 90% of the participants in these workshops were directly involved in business activities.

4.4.3 BIN

Kharkiv BSC is the most advanced in terms of BIN. Technically, the staff are very competent and are capable of running a successful BIN. But they lack marketing skills. They also publish a book on 5,000 companies in Kharkiv.

They have a database of 3,600 Ukrainian firms purchased from the Ministry of Statistics. Information is updated every day through nodes in other cities including Donetsk, Lugansk and Kyiv. The whole database is updated quarterly.

In its first year the BSC serviced 260 clients and generated \$8,303 in revenue. The staff believe that INTERNET access would enable the BSC to earn considerably more income.

4.4.4 Conclusions and Recommendations:

- A new business advisory manager must be appointed to replace the current business consultant;
- The training manager should receive training herself and get experience of working in another BSC;
- The training manager and the Director should assess the profitability of BSC training courses based on current prices;
- The Director must concentrate his efforts on NEWBIZNET activities;
- Training on the marketing of BIN services should be provided; and
- The consensus of the evaluation team is that, if RBAC accept a performance based contract which emphasises NEWBIZNET activities, the contract should be renewed.

5. OVERALL CONCLUSIONS

Due to the shortage of statistical information on BSC performance the evaluators had to rely on a higher degree of subjective judgment than should have been necessary. Nevertheless, there was general consensus in the overall assessment of BSC performance. However the evaluators did differ on what action should be taken in regard to the worst performer - Balti/Moldova.

The NEWBIZNET name and logo is not prominent in either the BSCs themselves or on their literature. The BSCs internal organisation structure does not reflect that of the project as a whole. NEWBIZNET funded positions, including that of the Director, are not always filled by full-time employees. The quality of the staff in funded positions is too variable.

The BSC directors see the lack of credit as the major factor in restricting the number of BSC clients - particularly for business advisory services.

5.1 Ranking of BSCs

The BSC Summary Score Sheet completed by Mr. Aleksey Stubnitsky, shown in Appendix IV, reflects the overall conclusions of the evaluators. Lviv, even with its problems was ranked well ahead of Kharkiv which was closely followed by Odesa. Moldova was a clear fourth and much further behind Odesa than is indicated on the score sheet.

5.2 Business Advisory

The lack of emphasis on business advisory work is related to the quality and skill levels of the BSC staff working in this activity. There is a wide variation of products offered by each BSC. There is also a lack of co-ordination and exchange of ideas between the BSCs and the Kyiv office. Business planning skills are generally weak. Business registration assistance is the most popular service requested by BSC clients.

5.3 Business Education and Training

This is the strongest activity throughout the BSCs. There is little exchange of training course information between the BSC training managers. A common core range of training courses is not available for the centers.

5.4 BIN

Although the basics of the BIN were established in May 1996, there is still a general lack of understanding of what is available and of how to use Lotus Notes.

5.5 Action List:

- Set and agree with BSC directors new financial and performance targets for the next three years;
- Introduce financial and management information systems to monitor actual performance against agreed targets;
- Introduce financial incentives to encourage BSC directors to improve their performance;
- Research ways of encouraging BSCs to increase their start-up and small business clients;
- Investigate the possibility of easing access to credit for BSC clients;
- Promote NEWBIZNET name and logo;
- Produce new NEWBIZNET leaflets for each BSC and for the overall project;
- All funded posts should be approved by NEWBIZNET;
- Assess the level of competency of key BSC personnel;
- Training must be provided by NEWBIZNET for all the funded positions;
- Raise the overall level of computer literacy at BSCs;
- Appoint business advisory, training and BIN co-ordinators to the Kyiv co-ordination office;
- Encourage more interaction between 'key' BSC staff and the Kyiv co-ordination office;
- Define scope and definition of business advisory services offered by the BSCs;
- Introduce a standard format of business plan for use by BSCs;
- Encourage BSCs to try to increase the number of post-privatisation clients;
- Develop 'core' training courses that should be available at each BSC;
- Check status of BIN system with DAI, Bethesda;
- Research the need for additional Cyrillic alphabet software; and
- Appoint BIN managers to market the service at each BSC.

6. APPENDICES

I. Organisation Chart - NEWBIZNET Project, July 1996

II. Individual Evaluator's Reports and Comments

II.i) Paul Novick/Hans Schrader/Sherry Grossman, USAID
Washington

II.ii) Karrye Braxton, USAID Kyiv

II.iii) Alexey Stubnitsky -

II.iv) Jeff Houghton - NEWBIZNET

III. Projected Budgets Forecasts for BSCs

III.i) Lviv

III.ii) Odesa

III.iii) Moldova

III.iv) Kharkiv

IV. BSC Summary Score Sheet

I. Organisation Chart - NEWBIZNET Project, July 1996

II. Individual Evaluator's Reports and Comments

**II.i) Paul Novick/Hans Schrader/Sherry Grossman, USAID
Washington**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

DATE: August 26, 1996

TO: Jeff Houghton, DAI Chief of Party
Steve Hadley, USAID/Director:Office of Privatization
Ivan Shvets, USAID/Office of Privatization

FROM: Paul Novick, USAID/W ENI/ED: Small Business Division

SUBJECT: **NewBizNet Project: Evaluation of Business Service Centers**

The following is a report on the performance of the Business Service Centers within the subject project, based on our team evaluation conducted during the period August 5-20, 1996. As you know, we evaluated all of the centers -- Lviv, Odessa, and Kharkiv in Ukraine -- and Balti/Chisinau in Moldova. The time period reviewed was roughly from the date of contract award, October 1995, to the present. While the opinions expressed in this report are mine, I believe they closely represent the consensus of our team as reflected in our daily conversations.

The report is divided into four sections: one for each center. Evaluation criteria are the same for each center to aid in comparing and contrasting operations. The evaluation process we conducted on a daily basis was as follows:

day 1 - discussions with BSC Director and staff on **performance** during the period October 1995-present. (In the case of Moldova, discussions were also held with the local DAI Technical Assistance expert to solicit his views on the BSC operations and to evaluate his performance). **Quantitative** performance achievements were noted, based on project data, and **qualitative** performance was based on impressions from interviews and other observations. Each part of center operations -- consulting, training, business information network (BIN), and local support network (LSN) -- was reviewed.

discussions of proposed quantitative, as well as, qualitative performance achievements for the upcoming year.

discussions of **leadership and advocacy** within the SME community.

- discussions of the **financial viability and sustainability** of the BSC 1996-98 and beyond. This included an evaluation of the fee structure of the service program, as well as BSC achievements in garnering external support outside of USAID.
- day 2 - discussions with BSC business clients **and** public officials to get their views and opinions on the performance of the BSC, as well as, recommendations on improvements.
- wrap up session with the BSC director and staff to review last minute questions and to summarize key issues that DAI/USAID want to focus on in the future.

At the end of each BSC evaluation session, the team convened to discuss our findings and to determine whether there was an issue of renewing the BSC contract for the upcoming year. While there are issues in the operations of each center, some serious, I personally do not feel that we should solicit bids to change any of the companies presently operating the BSCs. Despite variations in performance, all BSCs have achievements under the project. We don't know if there exists a universe of companies that can implement the project any better than the companies we have. Going through a new contracting process to select a new firm will be too time consuming to improve overall net results. Our DAI/USAID project management has also been problematic over the review period, so I don't feel we can hold these companies fully accountable for any mediocre program results. I think the DAI Chief of Party can negotiate some rigorous terms in the next contract that will noticeably improve overall performance next year. And strengthened DAI management coupled with more training and TA from DAI/Kiev will measurably strengthen the project from here on in.

Based on what I have observed during my assessment last March and from our last two weeks of review, I am still **optimistic about the future** of the NewBizNet program. The BSCs are still in the infancy stage. They are providing business support services to clients. They are charging for their services. They are becoming established and making themselves known to the SME community. However, profitability and sustainability are real issues for now and in the near future. Consultant services are not profitable, widespread nor dynamic. Training is more developed in some of the centers, yet lacks professional management. The business information network is for the most part, non functional, in all of the centers, except maybe for Kharkiv. Nevertheless, there are practical and do-able solutions to all of these problems that can be implemented over the next several months. There have been more serious issues with leadership and technical competence of the DAI management team in the past, which has severely limited the achievements of the project to date. However, with the appointment of an experienced Chief of Party and Deputy, as well as the replacement of two of the BSC long-term advisors, I feel we have for the first time a competent team in place that can truly enhance management, communication and ultimately BSC services and performance.

Beyond the project, we have identified a key issue that constrains the performance and impact of the NewBizNet Project, i.e., **lack of access to credit for SMEs**. Time and again we heard from BSC staff, clients and public officials that credit availability was the single most important issue confronting SME development. (Now, it is well-known that there are billions of dollars in "mattress money" in Ukraine and BSCs need to be more assertive in recommending self-financing as a viable credit alternative for their clients). Nevertheless, for the BSCs this is a serious issue because, despite their business planning and

other services, they have been unable to assist their clients in obtaining credit. There seems to be a lot of wasted preparatory work. Banks, we were told, focus primarily on short-term lending with high interest rates and stringent collateral requirements. This credit can serve traders but is not appropriate for SMEs that are investing and growing over the mid-longer term. On the other hand, external donor credit (e.g. EBRD and Enterprise Fund) is oriented more toward larger enterprises, not SMEs. In either case, BSC clients have been unable to secure credit except in a couple of circumstances. This is hurting BSC credibility as a meaningful service center.

Following is an evaluation of each center with highlights on key issues and recommendations for action. As mentioned earlier, the issues are many. However, NewBizNet has a structure in place and it is functioning. With new DAI leadership, renewed technical assistance from the new advisors, better communication and guidance for the BSCs, the new "performance-based" contracts to be implemented with each center will spur achievements and have a positive impact on the SME sector.

BUSINESS SERVICE CENTER: LVIV
August 8-9, 1996

Background

The Lviv BSC is probably the most developed of the four centers. It has an excellent director, Mr. Valery Piatek, who is a dedicated manager and committed to the project and its objectives. We got the sense after two days of intensive discussions that Mr. Piatek is an honest and concerned individual, someone upon whom we can have trust and confidence in implementing the project. He is a pillar in the community, active in the SME advisory group, and respected by his clients. Having been previously associated with the Lviv Institute of Management, the center has the most developed and active training program of all of the BSCs. Consultancy services have been provided to a large number of clients during the rating period which has facilitated the creation of some joint ventures. The BIN is partially operational with five data bases of enterprises and three bases of legislation. Advocacy work is being done with the BSC assisting the local government on implementing reforms and the Director participating in the Advisory Board of the Lviv City Council.

Training Program

Since October 1995 the BSC has conducted 23 training courses on a wide variety of business topics (see NewBizNet-Lviv Project report) with participants totaling 481. BSC staff develop training curricula based on client feedback. They get the word out about their upcoming training by direct contact with clients, mailings, discussions on radio/TV, and in their business meetings. They have no budget for advertising. Costs and profits are about break-even.

To increase the profitability of the training program they propose:

- conducting a new course to teach entrepreneurs to do their own business plans (as opposed to having the BSC do them). This should generate increased "paid" participation.
- having more "training of trainers" to improve staff technical capacity.
- expanding "Sales Techniques" program, which is only one of its kind in region (idea born out of their training in Poland).
- restructuring training office in Kiev to improve central coordination and guidance.
- buying an overhead projector -- they don't have any.

Issue: our impression was that the center takes more of a passive approach than an aggressive one in attracting clients to their training program. The Director took issue with this observation and replied that all potential clients receive information on the range of BSC services. In addition, they actively visit businesses to promote their services. Nevertheless, they plan to hire a marketing expert to generate ideas on attracting clients and selling their services.

Recommendation: DAI/Kiev should work more directly with the center directors and staff to promote more aggressive marketing of services. This is an area where staff lack experience and ideas. The director's plan to hire a marketing expert is a good one that should be supported. This is important with respect to profitability and longer-term sustainability, a critical issue to be discussed later in the report.

Consulting Services

The BSC did more than 600 consultancies during the rating period (in the areas of privatization, foreign trade, marketing, accounting, taxation, and management). Documentation was prepared for 63 firms, 29 large firms were assisted in preparing project and business plans, and 7 market analyses were completed. Despite all of this activity, impact and results were difficult to determine. The staff estimate that 50% or more of clients come to the center looking for credit. While the BSC prepared business plans and other requisite documentation, clients were unsuccessful in securing financing for their enterprises.

Issue: lack of access to credit is a major constraint to SME development. There are 6 banks in the Lviv area participating in the EBRD credit line but minimum loan size is a hefty \$1 million. Regular bank credit requires 100-150% collateral. Foundations only lend to large clients. Even the Eurasia Foundation is not making loans under \$100,000. Effectively, there doesn't seem to be any available SME credit.

Recommendation: SME credit availability is the Achilles's heel of the project. Without this component, BSCs can only go so far in providing needed services to their clients. Training and BIN services will satisfy maybe half of clients, but there's a larger half out there that need financing to expand their businesses. If BSC business planning and preparation services don't lead to securing credit, then there's a lot of wasted activity and an eventual credibility problem. The DAI Chief of Party is looking into cost savings that might free up some amount of project resources for SME credit. This idea should be explored with USAID as to its feasibility and legality. USAID should also aggressively explore its on-going and planned programs and those of other donors to find credit that might be linked to the NewBizNet program. Even small amounts of financing will boost SME expansion.

Business Information Network (BIN)

The BSC has a functioning BIN with 5 data bases of 230,000 Ukrainian and foreign enterprises and their products and 3 data bases of legislation affecting SME development. Clients are visiting to view manufacturer data, although there is no compiled data on visits/month etc. The center is not actively touting the BIN with their clients. There are some serious shortcomings in the system. It is not linked to the Internet. It is not linked to Kiev nor to the other centers. There has been little or no guidance or contact from the Kiev office on using and marketing the system. There is a serious problem with the software foundation of the system -- Lotus Notes. It does not allow sorting of Cyrillic characters, which comprise the bulk of the data base. Hence, data access is limited to English data at this point. There are two software specialists operating the system. Neither is a marketing expert and their effectiveness in managing the BIN as it was designed, is questionable.

Issue: obviously, the BIN operation is a global one, not limited to the Lviv operation. Software, staff expertise, lack of centralized BIN system, lack of linkage between BSCs, lack of training in use of system.....Essentially, the BIN is only marginally operational.

Recommendation: DAI/Kiev needs to immediately devote its attention to getting this system operational from central headquarters out to the centers. A software expert must be hired to resolve the Lotus Notes issue. An information specialist is needed to design the plan for developing and updating the data bases. There are no specifications or requirements at this point. The design calls for centralized data bases with equal access by all of the centers to the same data with regular updating. Training needs to be provided to all of the BSC staffs in general computer

use. (For example, a list of clients provided to us was "hand-written." Despite the most up-to-date and sophisticated hardware/software, much of the staff is computer "illiterate"). Training is needed in the use and marketing of the BIN resource. Finally, DAI should work with the centers to hire information marketing specialists to run the BIN systems.

Local Support Network(LSN)

The long-term technical advisor (LTTA) was replaced due to his ineffectiveness in managing and promoting this component of the project. The new replacement is an individual with strong USAID project management experience who we anticipate will make a strong contribution to the project in the future. The defined role of the LTTA is to take the lead on developing the LSN, as well as coordinating local project management with DAI/Kiev.

The BSC Director feels that he should take the lead on LSN coordination -- he has been doing it effectively by serving as the Deputy Chairman on the Advisory Group and by participating in other municipal and regional advisory organizations. He advises that the LTTA should work jointly with him on the LSN and concentrate his other efforts on project coordination with DAI.

Issue: the Director is taking the lead role for the LSN component, which has been previously defined as the role of the LTTA.

Recommendation: The director is a respected leader of the community, has strong business/public sector contacts, and is very knowledgeable about the issues. The expat advisor does not have this background and experience. Hence the LTTA should work jointly with the director on the LSN activity and focus his efforts on project implementation issues, of which there are many pressing ones -- consulting, training, BIN, profitability/sustainability, performance.

Clients

The team interviewed three clients of the BSC to get their opinion on BSC services. The first client was a dentist who went into a joint venture with a US Dentist to setup a dentistry office in Lviv. The BSC did the official paperwork and registering of the business with the municipality. The BSC keeps the dentist apprised of their training sessions and he contacts them for consultancies when he has issues to resolve. He has paid for his services. Others colleagues of his have used the BSC for services. They first heard about the center through the Lviv Institute of Management where they studied. The dentist spoke very highly of the BSC Director and the services. The dentist is planning a trip to the US to find suppliers of dental equipment and supplies to expand his enterprise operations. If the BIN were operational, maybe the BSC could save him a trip and find his potential suppliers.

A second client is the former state monopoly of light bulb production, ISKRA, which has been privatized. It's facing serious financial problems, has a large inventory backlog, and lacks enough capital to pay for modernization (much less for BSC services). The BSC has helped ISKRA through training and consultancies to resolve problems. It has paid for services. It needs to restructure and to do so requires business/management plans. It doesn't have enough money to pay the BSC for these plans, even though it says the BSC prices are reasonable. The Chief Financial Officer spoke highly of the BSC and its services and he envisions further contact in the future, if they can improve their balance sheet.

Comment: the BSC is pursuing a range of clients from small to large to sell its services. It

seems genuinely appreciated by its clients, if these two are any indication. (To minimize biases the team personally selected these two clients from a list of 30 clients). The quality of BSC services appears high, as recounted by these clients. The ability to pay for support services is a potential issue among clients that the project will have to explore in more detail because of the impact on profitability and sustainability, which follows.

A third "client" that we chose to interview was not a business client but the Chief Economist of the Lviv Regional State Administration, who was knowledgeable about the BSC and its operations. This gentleman, Dr. Myron Yankiv, spoke eloquently about the need for a greater market environment and the importance of the BSC in promoting SME development in the region. He stated the importance of the director's work on the advisory committee in surfacing SME and legislative issues for the administration. He praised the excellence of the BSC program and the need to expand its operations throughout the Western Ukraine. His view was to improve the BSC to the levels of similar entities in Poland, the Czech Republic and Hungary. He would like to see the BSC involved in a public literacy campaign to educate the masses on privatization and the new market environment. (Apparently, legislation does not allow the government to do this). He wants the BSC to operate in close association with USIA to link to their visitor training programs. His view of the major obstacles impeding SME growth: (1) regressive taxation policies (2) lack of a constituency for business support among the masses and (3) lack of investment support, both domestic and international.

Financial Picture

In the financial plan developed by DAI (see attached), the financial picture deteriorates for the BSC from 1997-99. As the USAID subsidy declines to 0% the net profit of all operations goes sharply into the red. This is a first draft of the financial health of the BSC which will be updated and revised over the next couple of months with new data from the BSC. Nevertheless, this is a key issue that must be carefully addressed to ensure a sustainable operation after the project life.

Issue: BSC sustainability is an issue that must be planned for. The strong negative financial picture suggests that operations with paying clients must be expanded significantly over the next three years. Cutting costs will not be sufficient to ensure sustainability. Presently, the Lviv BSC is primarily a training institute, with consulting and business information as limited activities.

Recommendation: The DAI Chief of Party is acutely aware of the issue and the need to expand revenues of the BSCs. Profitability is an issue facing all of the BSCs. Especially important is getting the BIN fully on-stream and marketed to new clients, as well as expanding consulting operations for paying clients. Aggressive marketing of the full range of BSC services must be an important focus of the BSCs over the course of project life.

Contract Renewal

The team is in full consensus that a new "performance-based" contract be negotiated with the Lviv BSC.

BUSINESS SERVICE CENTER: ODESSA
August 13-14

Background: The center in Odessa is operated by INTMAR, a company that specializes in business training. The BSC is located in a busy part of the city readily accessible by clients. It has a well-developed training program for clients and actively researches training interests. It provides consulting services and has a reasonable number of clients but few are paying customers. It has state-of-the-art computer hardware and software, but no operation BIN system. Few staff are computer literate. Profitability is break-even and projected to continue this way over the life of project if no improvements are made in operations. The core business will sustain INTMAR with or without the project, but potential for growth is very good if staff capabilities are upgraded and more aggressive marketing of services is pursued.

Training Program: Training is the prime emphasis of this BSC. After all, training is what INTMAR knows best. The BSC actively analyzes the market for training needs and tries to fill those needs. There is competition from other firms, but INTMAR is recognized as the leader in the market as other firms use INTMAR training materials. The BSC has a large advertising budget, which is the opposite approach of the Lviv BSC, which relies on word of mouth and personal contact. (Surveys among clients in Odessa indicate 90% heard about the training courses from advertisements). Training topics cover "starting a business," legislative changes, taxation, business plan writing, dealing with hard currency, accounting, etc. The common complaint is that "people can't pay for services. The economic situation is not good." Hence, the center has a lenient payment policy that hurts its profitability. For the period, BSC training had 440 participants that generated \$28,000 in revenue. Net profit was \$4,800.

An important item is that the BSC has a license from the government to conduct training. This will be an issue for the other BSCs who don't yet have licenses. The new legislation stipulates the necessity of all training entities having a license.

The staff keep a list of training participants but this is not computerized, despite the enormous computing resources.

Issue: training is the "bread and butter" of the BSC but it's passive policy on participants paying for services is hurting long-term profitability.

Recommendation: DAI/Kiev should work with the staff to explore alternative marketing techniques to encourage payments for training and to develop within staff a stronger "business" orientation. Presently, training seems to be viewed more as humanitarian assistance than business assistance.

Consulting Services: the BSC provided services to 129 clients during the rating period. Only 5 of these clients came over from the training program showing weak linkage between the programs. Clients are recruited through mass media, government information and from the training. Surprisingly, the BSC was not advertised in the yellow pages directory. The BSC aids clients in business planning, understanding legislation, and doing contracts, as well as seeking credit. However, only two clients have received credit. Donor money (EBRD and Enterprise Funds) is not directed at SMEs and bank credit is unavailable beyond short-term financing.

Issue: Access to credit seems to be the same key issue here in Odessa as we saw in Lviv.

There were no data on the profitability of the consulting services. Revenues were \$2,240 for 4 months work (just started the service in April). Questioning staff revealed that the situation is the same with these clients as with the training clients -- many can't pay because of their poor financial state. The projections for this component do not indicate much growth beyond break-even.

Issue: As with training, staff take more of a humanitarian assistance approach than a business approach in implementing this activity. Many consultancies are done freely. Also, it appears that the staff is not fully knowledgeable about the consulting business, approaching it more from an academic angle.

Recommendation: The BSC needs to develop a more assertive financial approach if this component is to generate profit and growth over the project life. Sustainability is important and this component must develop if the BSC is to be more than a training institute. Secondly, staff need training on developing an effective consulting service.

Finally, the head consultant works two other jobs during the week which limits the amount of time he can devote to the BSC. (The DAI Chief of Party dealt directly with this issue during our stay and negotiated an immediate reduction in the consultant's outside activities).

Business Information Network

The Odessa BIN is not operational. There is no full-time information specialist, as in the other BSCs. One technician is volunteering his time to the activity. There is no computerized data base of firms, products and legislation, as in Lviv. Only three staff members out of fourteen are computer literate. The BSC has eight state-of-the-art machines.

Recommendation: This BSC needs total dedication to this component. First, a full-time information specialist position should be established. Staff need to be trained on software and the BIN concept. Microsoft software -- Russian language version has to be purchased. DAI/Kiev has to maintain close contact and support with this BSC in implementing the information services component.

Local Support Network

The BSC has been active in working with the government administration, serving on business councils, and analyzing business issues. The chief consultant is on the Regional Assistance to Entrepreneurs working group. It appears that the LTTA who was "retired" did little in this area other than a few presentations. We did not get the impression that this was a strong component of the project, especially comparing with Lviv.

Recommendation: This BSC needs a strong LTTA who can stimulate the LSN. Newell Cook is strong in this area and his transfer to this center should significantly improve the activity level.

Clients

The team interviewed two very impressive clients. The first, Odessa Printing, was an established firm previously public, now privatized. With 300 employees it handled a strong publishing business in the city. The BSC helped prepare all of the documents for privatization, a marketing plan to expand business, and a business plan to define itself. They also conducted seminars for the firm. The

association between the BSC and firm was strong and well appreciated. Odessa Printing has told other firms about the BSC services. The firm is using its business plan to negotiate equipment purchases with a British firm. The BSC has also helped the firm find and negotiate services from three foreign firms. According to Odessa Printing, the BSC provides them with all the services they need at this point. All services are on a payment basis.

A second company, Venetian Blinds/Window Coverings, was a much smaller operation. It was woman-owned and had about a dozen employees. One of the managers had taken advantage of the BSC's training courses and consulting services. Their business has grown from 200 square meters of installed coverings to 1200 square meters in the past year. They have recommended the BSC to other firms as a good place to get consulting advice at a reasonable price. They were very pleased with the BSC services and staff assistance.

Financial Picture

According to the business plan projections up through 1999, the bulk of revenues will be generated by the training program, with small contributions from the BIN and consulting services. Net profit is projected to be only a few thousand dollars above break-even. It's clear that this BSC has to find ways to expand its paying clients. It does a lot of training and consulting but much of it is done on a free or discounted basis. Sustainability is a key issue that will have to be addressed closely during project implementation.

It was obvious to me that with some training in "consulting as a business" and in marketing this BSC had the potential to increase its earnings. INTMAR is a known business in Odessa but its staff need more orientation in business and profit. The situation here is no different from Lviv and the other centers in this respect, so the project will have to address this issue of sustainability.

Contract Renewal

Recommendation: A new performance-based contract should be negotiated with the Odessa BSC.

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BUSINESS SERVICE CENTER: BALTI, MOLDOVA
August 15-16, 1996

Background

The Moldova BSC operates in Balti, while the main business of AGBIS is found in the capitol, Chisinau. This is the smallest operation of the four BSCs. It really didn't get started in Balti, according to the Director, until April of this year. AGBIS has assisted in the restructuring of 5 enterprises, of which 1 was prepared by the BSC. The program comprises training and consulting. There is no operational BIN. This is clearly the least developed of the BSCs.

Training Program

The BSC has held six training courses. They have advertised the program in local papers and in television. The training coordinator has visited enterprises to spread the word. The BSC did not charge for the first four courses so it could attract participants. It now charges a \$12 fee for its latest course, "How to Start a Business." This BSC highlighted the same issue as Odessa, the difficulty participants have of paying for training due to their poor financial situations. Staff plan to funnel training participants into the consulting program.

The BSC has held a number of workshops on various technical topics, such as "Duties and Obligations of Joint Stock Companies." These topics are solicited from the BSC's business clients. Right now the training program is in its beginning stages and needs very close assistance and attention from DAI/Kiev.

Consulting Services

The Director estimated that they had provided consulting services for 150 clients. Most clients came in looking for credit. The BSC has provided technical advice on a variety of business topics but has been unable to assist clients in getting credit. There is competition from the Chamber of Commerce which also does business plans. 2 out of 150 clients paid for services -- \$500 for a business plan and \$4,000 for a restructuring plan.

Issue: again access to credit is highlighted as a key constraint to SME development. Clients will not pay for business plans unless they lead to credit.

Recommendation: A proposal is now circulating in AID/W to approve a Microlending Program for Moldova through the EBRD. Once this is approved, DAI and USAID should ensure that the BSC is linked to this credit facility. The linkage of the BSC services with credit would provide a full-service operation for business clients -- something that doesn't presently exist in any of the BSCs.

Business Information Network

The BIN is operated out of the office of the LTTA located in Chisinau. While we did not have time to view this operation, it appeared from the discussion with the LTTA that the system is functional. We did not ascertain how many clients used the service or what the profitability was.

Issue: There is a real disconnect in this operation. The BSC in Balti has no operational BIN and no connection to the BIN being maintained by the LTTA. This is really not the LTTA responsibility, according to the original design. However, because of the split office situation, this operation has evolved differently from the other BSCs.

Recommendation: DAI/Kiev must intervene here and ensure a coordinated BIN between the Chisinau and Balti centers. This is a source of tension between the Director and the LTTA that needs to be resolved soon.

Local Support Network

The LTTA seems to be a dedicated and productive individual. He has made a number of government:business contacts and has held seminars and workshops on public interest topics. At the same time, the Director in Balti has done his advocacy work with the Mayor and others.

Issue: It's obvious that we have two individuals doing LSN work separately and sometimes at cross purposes (apparently there were some misunderstandings with the Mayor of Balti because of separate meetings with the LTTA and Director).

Recommendation: All advocacy work has be done jointly between the Director and LTTA. Separate operations is a source of tension and do not contribute to the benefit of the program. The Chief of Party should develop a joint program with the LTTA and Director as soon as possible.

Clients

We talked briefly with a businessman who was being assisted by the consultant. He was preparing a business plan. He said he was paying for his services. He expressed satisfaction with the service of the BSC and said he told other businessmen about the BSC. Later we met with the Deputy Mayor of Balti. He was initially very critical of the NewBizNet program but in the end acknowledged the benefit of the program and the BSC. This was a very political individual and the fact he was pleased with the BSC was a strong endorsement.

Financial Picture

The financial picture is not positive, according to the draft business plan. It's important for DAI/Kiev to re-arrange the present operation to make the program more coordinated, dynamic and focussed. Actually, this BSC has the potential to be a performer, if the EBRD Micro-Lending program gets started and linked to NewBizNet. Having credit available to SMEs will increase the client base of the BSC significantly. Even without the credit program, there is a large restructuring effort underway that AGBIS will participate in. This program has the potential to add significantly to the BSC client base.

Issue: The separated BSC is ineffective and compromises performance.

Recommendation: The Chief of Party is aware of the problem and has some good ideas for resolving it. The most promising is to have a coordinating entity in Chisinau with field offices in Balti and in the South. This would result in more coordinated activities and greater client coverage. The success of this idea, however, will depend on negotiations with the Chairman of AGBIS and his willingness to support the project.

Other Issues

AGBIS is slated to get an agricultural restructuring contract to prepare a large number of collective farms for privatization. The BSC director, who apparently was very active in securing this contract, told us that he estimates they will have to hire an additional 400 staff. This is incredible, if it is true. This will definitely have an adverse impact on the project, unless the project and its staff are fully separated from this new activity. Jeff Houghton will have to analyze the impact of this activity very carefully and reach some clear understandings with the Chairman of AGBIS on the NewBizNet implementation.

Contract Renewal

I would recommend contract renewal, subject to the successful negotiation of "details" between the Chief of Party and the Chairman of AGBIS. To re-tender at this late date would compromise the project performance in my opinion. However, we will need very close LTTA coordination with the BSC Director and staff, as well as, staff training support and management from the Kiev hub.

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BUSINESS SERVICE CENTER: KHARKIV

August 19-20

Background

The NewBizNet BSC is an outgrowth of a private consulting firm, PROMSNAB. The BSC has 18 employees and runs a full line of services for business clients: training, consulting, BIN, as well as, a local support network. Legally, the BSC is an independent company that links operations with the parent company. The balance sheet for the BSC over the next 3 years, as drafted in the business plan, shows an improving financial picture with a marginally profitable operation at the end of the project.

Consulting Services

The consulting business has assisted 102 clients since the beginning of the year and generated \$4,479 in revenues. (No net profit figures are available at this time). The first consultant was trained in Poland last year but was hired away by another firm for twice the salary he received from the BSC.

Issue: the salary question has come up again as in the other BSCs. The plethora of taxes on salaries accounts for fully half of the gross salary, thereby making BSC salaries for consultants (\$500/month before taxes) non-competitive with other firms in the consulting business.

Recommendation: DAI has expressed the desire to give "block grants" to the BSCs and let them decide how to handle their finances. This might allow Directors to reduce the amount of salaries on the books and make up the compensation through bonuses and other innovative measures that will reduce the tax burden. USAID should be flexible with DAI in modifying the present financial operation.

The director spoke very highly of the Business Consultant, stating he had setup a couple of companies and had several years of business management experience. He said he was very qualified to run the BSC's consulting operation. Our interview with the consultant presented a totally different picture. This gentleman had no idea about his role and the objectives of his work -- to assist the development and growth of SMEs. When questioned about this he could only say that he thought his job was to do spreadsheets and basic financial plans. He knew nothing about consulting and it turned out he had little business experience.

Issue: The business consultant does not fit the role that is required by the project. He does not have the experience nor the "interest" to be a consultant.

Recommendation: the business consultant must be replaced. He is not trainable -- he is totally unsuited for the position. Until this replacement is made, the consulting side of the project will not be functional.

The BSC has done numerous business plans for companies seeking credit for their operations. Firms are willing to pay the BSC 2% of the value of any loans they receive, according to the Director.

Unfortunately, this BSC faces the same problem as the others -- a lack of access to credit. We again have a situation where the BSC is spending long hours with clients preparing business plans, but the paperwork doesn't lead to bank financing. While business plans are certainly useful for other needs of the business, many entrepreneurs want these documents primarily to obtain credit. This objective is not being realized under the project with the Kharkiv BSC, nor with the other centers.

Recommendation: the same as before with the other centers, USAID and DAI need to put their heads together to see if we can find some innovative ways to provide some credit under the NewBizNet project, either through internal financing or linkage with credit programs.

Issue: As with the other BSCs, the W/NIS Enterprise Fund (EF) has not linked up with the project. Office space in each of the BSCs that was originally constructed for the EF lies vacant.

Recommendation: The USAID Mission Director should engage the EF Director in some constructive dialogue about how the EF and NewBizNet can work together. The BSCs are preparing strong business clients to access credit, but the EF has not entered the SME area. This issue has seriously hurt the reputation and image of the EF with the BSCs and their business clients. More importantly, the lack of EF support for the SME sector represents lost opportunities for truly developing the business, expanding production, trade and commerce, and for generating employment.

The BSC attracts clients primarily through its seminars and workshops. They provide documents detailing their services, as well as a diskette of information for all seminar participants. They publish catalogs with information about firms and products. They publish NewBizNet News, an excellent newsletter of business issues, advertising, and information about the BSC. They also send out letters to thousands of firms advertising their services and training. Overall, they seem to have a very aggressive program for attracting clients to their program. Their problem however, is the same for the other BSCs - getting clients to pay for services. They use a variety of means to generate revenues, even providing some services for the equivalent of 10 cents. Nevertheless, profitability will continue to be an issue.

Training Program

The extent of the training program surprised the evaluation team. Kharkiv has developed a reputation for its BIN service, but was thought to provide little emphasis on the training side of the program. In fact, their training is very dynamic, tailored to the clients needs, and has a strong emphasis on payment for services. The training coordinator is a very competent individual -- she is by far the best training coordinator of the 4 BSCs. The BSC offered programs in a wide range of topics, "Starting a Business", "Marketing", "Accounting", "Legislative Changes" (a real moneymaker at the end of every quarter), "Internet", etc. Participants are queried on their business interests and courses are developed to fill these needs. Since October 1995 the BSC has recorded 1,287 participants and revenues of \$16,567 -- the largest of all of the BSC training programs.

Issue: despite reasonable revenues from training, the coordinator and director frequently discussed the inability of clients to pay for services. The BSC has had to significantly reduce its prices in order to attract participants. Competitor firms have also reduced prices to attract more clients. Profitability will continue to be an issue throughout the project life.

We initially had serious doubts about the substantial numbers of recorded training participants and generated revenues, but we verified this data with both the Director and the training coordinator in separate interviews. This is really outstanding performance for a firm that was not a training business, as Lviv and Odessa. The result in my opinion is that the Kharkiv training program rivals, if not surpasses that of Lviv.

Recommendation: that DAI provide additional training for the training coordinator and send her to the other BSCs to share her experiences and ideas on implementing a "profitable" training program for business clients.

Business Information Network

This BIN system is the most impressive of any of the BSCs. Kharkiv is way ahead in terms of technical competence of its BIN staff, as well as usage and profitability. Jeff Houghton, in fact, arranged for the BIN director to come to Kiev to totally redesign the BIN for the project. One part of the system lists Ukrainian firms and products. This is updated daily and clients can get lists of data. The charge is 200,000 kupons per request. The BSC has paid subscribers that access this database electronically. They pay \$20 monthly. The BSC also publishes a book for industry that lists 5,000 companies in Kharkiv. This is in demand by businesspeople that aren't strong users of computers. There is another electronic data base of 360,000 firms that is purchased annually from the Ministry of Statistics. For the year, the center serviced 260 clients and generated \$8,303 in revenues, far surpassing anything done at the other centers. For sure, Kharkiv BSC is the model for the rest of the other BSCs.

Issue: This BIN is very dynamic and the staff are insistent on getting Internet access to really exploit the potential of the system.

Recommendation: DAI needs to resolve the technical issue of moving the electronic node from Bethesda, Md. to Kiev. This will probably reduce costs of Internet service and certainly improve access times. The potential of offering Internet as a service to businesses to find suppliers and to promote joint ventures is significant and should be pursued as soon as possible with the Kharkiv operation. After successful testing of BIN technologies at Kharkiv, the system can be expanded to the other centers as staff develop technical competence.

In addition to the BIN, the BSC does publishing of a variety of business documents and texts. For the year the BSC serviced 568 clients and received payments totalling \$16,423. While this is not strictly an activity of the project, it does dovetail the project's information component and is a good source of revenues for the firm.

Local Support Network

This BSC has had significant contact, according to their report, with municipal officials and the business community through various organizations and association. A variety of business-related and policy issues have been discussed in workshops and seminars organized by the BSC. The former LTTA was very active in developing a network in the community to address policy reform and the business environment. The LTTA was transferred because of personality differences with the Director.

I was unable to study this component because I left the team early to return to the US. Nevertheless, on my previous visit last March I did learn about the advocacy activity of both the Director and the former LTTA. They were both very much involved in public discussion. While we did not find any particular results from this BSC activity, we are still very early in the development of this component.

Issue: An LTTA is being recruited for this BSC. It's an important position that can achieve results, if the relationship and roles of the Director and LTTA are mutually agreed upon by both parties in advance of re-starting this component.

Recommendation: given the breakup of the previous LTTA:BSC arrangement, the Chief of Party should make a special effort to define roles and responsibilities as soon as the LTTA is recruited and get an agreement from both parties on how the LSN will be implemented to achieve maximum results.

Clients I was unable to interview clients on this part of the evaluation exercise.

Financial Picture

This BSC has marginal financial profitability, according to the draft business plan figures. These calculations should be run again with the new figures generated by the BSC for 1996. I think the financial picture will improve dramatically. The Director and his staff have a real business sense and they are concerned about the bottom line. This "business" orientation is totally different from the other BSCs which are more "academically" oriented. Nevertheless, the BSC surfaced the same issues as the other centers -- i.e., the inability of the majority of their clients to pay for services. This will affect the profitability and hence sustainability of the BSC through time, if new ways are not found to increase revenues.

Contract Renewal

I would recommend doing a new "performance-based" contract with the BSC. It has the potential to be a dynamic and profitable enterprise that can successfully impact the Kharkiv SME sector.

Summary of Evaluation

Taking all of the BSCs together, there has been progress in developing their training, consultancy, BIN, and LSN programs. There has been a lot of disruption and lack of guidance with the replacement of the Chief of Party, Deputy and two LTTAs. Despite these constraints, the BSCs continued activities. As a result I see significant potential in implementing the NewBizNet project. The concept and design is sound. What's needed with the new Chief of Party on board is to pull together all of these BSC entities into a more coordinated business service system. The use of "performance-based" contracts will instill a greater sense of business purpose. Additional training for competent staff will go a long way. Other staff need to be replaced and DAI should be involved in the selection of new staff. With these few interventions I feel the project will make significant progress over the next year and SMEs will indeed benefit from this project.

II. Individual Evaluator's Reports and Comments

II.ii) Karrye Braxton, USAID Kyiv

NEWBIZNET BUSINESS SUPPORT CENTER EVALUATION REPORT
Kharkiv 8/18/96 - 8/20/96

Karrye Braxton 9/9/96

I. General Remarks

The Kharkiv Business Services Center, the Regional Business Assistance Center (RBAC), is located in central Kharkiv and has a spacious, well-appointed office. A neon sign mounted on the building, advertising that it is the NewBizNet Business Center. The sign, however, does not use the official NewBizNet logo, but is attractive and eye-catching. The Center's Director, Alexander Dudka, is very enthusiastic, ambitious and is driven to succeed, probably by the fact that he controls most of the ownership of the Center.

II. B.S.C. Background

The ownership structure of the center was confusing. To wit, these are the owners of the Center: PROMSNAB Net - 30%; GRANIT, the observation committee of the regional association of industrial and businessmen - 30%; and 40% other physical persons. In turn, Mr. Dudka owns 30% of PROMSNAB, along with 86 other individuals, most of whom are his family and friends. In addition, Mr. Dudka also owns 10% of GRANIT, along with other associates. I mention this only because ownership of the Center might have some bearing on what activities are emphasized to the detriment of others. For example, PROMSNAB was formerly prolific in the publishing and printing business and RBAC continues this tradition by, among other things, publishing directories of businesses in the Kharkiv oblast.

The BSC began operations 12/95, following a tender and re-tender. The RBAC had problems with its LTTA, which I won't go into here, but the RBAC was without an expatriate advisor from 4/96 to the present. As I understand, the result of these problems was that for a time the NewBizNet financing support was withdrawn from the Kharkiv center and was not fully reinstated until July 15, 1996.

III. Evaluation of Program Components

A. Training Issues and Recommendations. The Training Director seems capable, but is not enthusiastic or positive enough to generate excitement about existing RBAC training courses. In addition, she is not creative enough to develop ideas on courses that could be delivered in the future or generate marketing angles to increase interest in courses offered. The Training Director claims that businesspeople are only willing to pay for courses in taxation and accounting systems; therefore, approximately 75% of their training revenues come from these two types of courses. The RBAC faces the problem of not being considered as an "academic" institute, therefore, the certificate they provide attendees of courses is not

prestigious in the community. I would recommend training for the Training Director to explore other options to make the training component of the RBAC much more profitable and the courses more sought after.

B. Consulting Issues and Recommendations. The Business Advisory Manager is not suited to provide business consulting services to enterprises. He lacks a true business background and is only interested in providing statistics on businesses. Entrepreneurs require business advisors with positive energy, foresight and vision.

Over one-third of the consulting contracts emanate from one large enterprise, but repeat business represents only 5 - 7% of the business advisory group's business. Much of the group's business is not business consulting at all, but techniques to get an enterprise licensed or certified for operation under government of Ukraine regulations or laws.

I recommend that the Business Advisory Manager be replaced with an experienced business consultant who will deliver business support services that entrepreneurs require. In addition, NewBizNet needs to train the new business advisory manager on services and products to provide, especially a real business plan document and process.

C. BIN Issues and Recommendations. The BIN is the most outstanding part of the Kharkiv RBAC. Clients can receive many information services offered by the RBAC, such as commercial product information, Internet connectivity, electronic marketing access and electronic information database searches, including product price lists and entry into electronic business directories. A Yellow Pages supplier information demonstration proved that the BIN has tremendous opportunities, but more training is needed to exploit the resources to their fullest.

D. LSN Issues and Recommendations. While we did not interview Mr. Dudka specifically on the creation of an LSN, based on the report that the RBAC provided us, we read how Mr. Dudka is creating a unifying force for SMEs in the Kharkiv region. According to this report, the RBAC director has met with several business and government associations to ensure that the concerns of local businesspeople are addressed. Mr. Dudka has also made extensive contacts with branches of the Ukrainian banks. Once an LTTA returns to Kharkiv, I can see that this area of the business will become a perceived strength of the center.

IV. Clients' Comments

Based on our conversations with RBAC's industrial clients, there is a large need for business advisory services for the nearly 30,000 existing businesses and the 300 that open up every month. With the introduction of a solid business advisor, RBAC business advisory services component could expand by a large

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magnitude. There are many viable existing entrepreneurs who could benefit from RBAC'S improved services. Two clients we interviewed at the RBAC needed expertise to show them the right way to find markets for products that they can offer as well as help to develop marketing plans for products that they produce. Immediately, the NewBizNet COP suggested opportunities for both these clients, where the business advisory manager seemed dumbfounded to point them in possible directions.

In addition, the current advisor claimed that many businesses cannot afford to pay for their services, such as business plan development. However, we discovered that one of RBAC's clients, the Fat and Oil Institute, was really a competitor in the provision of business plan services, was able to find paying clients for this service. In fact, since one of the Fat and Oil Institute's business plan clients was able to secure outside funding, other clients surfaced for business plan development.

V. Financial Picture Issues and Recommendations

If the RBAC makes the changes recommended, e.g., replacement of the business advisor manager, training for the training manager and BIN manager, as well as return of an LTTA, RBAC can begin to look toward self-sustainability by its target date. To accomplish this goal will take a greater concentration on the core programs of NewBizNet and a reduced emphasis on its printing and publication business.

VI. Contract Renewal

I recommend that the contract with the existing B.S.C. contractor be renewed with the addition of strictly defined target requirements as well as incentives for emphasizing the core components of the NewBizNet program.

II. Individual Evaluator's Reports and Comments

II.iii) Alexei Stupnitskiy - independent expert, Private Initiative Foundation

**REPORT ON THE RESULTS OF THE LVIV BUSINESS SUPPORT CENTER ACTIVITY
(NEWBIZNET PROJECT, AUGUST 8-9, 1996)**

The process of assesment was focused on the four main directions of the center activity in the past year, financials and expenditures, key personnel performance and the business strategy of the center in the Western region of Ukraine.

Generally, I am satisfied with the center operation based on the provided statistical data, analytical descriptions, individual conversations with the center director Mr. Piatak, center staff, clients, the local government representative and reports given by them. It is evident that the USAID selection for the NEWBIZNET Project implementation was correct, taking into account the emphasis on the existing companies active in the market, BSC with LIM is certainly one of them. On the whole I can state that the first year of the center development went successfully, the scope of work was fulfilled, the departments of the center function intensively, the center has occupied and extends its segment in the regional market of consulting services.

Training For the past year the center has trained more than 500 people in 23 major programs, three of these programs are new. Trainers form abroad were actively involved (Peace Corps, UK, Germany), the non-traditional intensive methods of training were introduced, the training was facilitated not only in the premises of the BSC but also on-site, as agreed with a client. In general, the trainers qualification totally complies with the tasks of the training program.

Consulting 325 clients have received consulting services in one year, 1/3 of them were start-ups, people who wanted to start their business. Personnel of the consulting department is highly qualified, able to deliver services in different business spheres. The basis for consulting is the constantly updated legislative and business information; marketing research and post-privatization enterprise support are conducted on a client request; the spectrum of services is very broad, and the portion of the repeat consulting clients is very large (low fees for services are very important).

The center suffers losses in training and consulting, and these activities are 50% covered by the project.

Information The informational department is properly equipped, the staff is highly qualified and experienced (data bank completion, programming, forecast calculations), there is a linkage to INTERNET. But there is a number of technical problems (access to the sources of information, software non-compliance) that do not allow to achieve tasks set by the project. The department has not grown to the level of the required capacity.

Relations with the Local Government The evaluation has revealed that the center relations with the local authorities are steady and productive, the Oblast and City administrations support the center activity, Mr. Piatak is the Deputy Chairman of the regional comission on the SME issues.

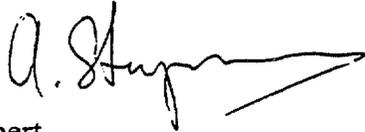
SUGGESTIONS

1. All of the technical and administrative issues of the center operation were perfectly settled during the first year. But the strategy analysis shows the dominance of rather "awaiting" (passive) than "agressive" policy in the conditions of high competition in the region.
2. The originally strong point "training" requires subject restructuring: the center duplicates the courses provided by the Lviv higher educational establishments. The emphasis should be made on short-term applicable programs dealing with the market development, infrastructure, ammendments to the legislation, struture and segmentation of the regional market.
3. The consulting department should undertake "agressive consulting", the passive practice ("waiting for a client in the office") has to be substituted by an independent search for long-term subscribing clients in the conditions when there is not enough funding for advertisement.
4. The client data base should be brought to order, instead of the simple statistical client count the informational files will be better to use. This will give an opportunity to follow up on the dynamics of the companies and organizations, directions of business development, to study the actual demand for services, and to shape the group of constant clients.
5. The lack of informational basis in great measure influences the quality of marketing researches conducted by the center; the data base on the products and enterprises in the region is too general, purely informative, there is no direct access to the data banks existing in Ukraine. The separate data base on the infrastructure and prices should be created to provide forecast research.
6. The center cooperation with the regional commercial banks and the Western Branch of the Ukrainian Comercial Banks Association ought to be more extended (this direction of the center activity, to our point of view, has been missed); information on assets, funding applications, deposits, interest rates on the loans will open a special sector of the center services on relations between the center clients and the financial institutions.
7. The work on the united network of SME support in the region is currently at the initial stage. I think that the reason is not only the technical problem - active assistance of DAI LTTA is needed. (Generally, in the course of staff interviews I never had a feeling of significant support from LTTA in the past).
8. The valuable reserves in center relations with the local government are:
 - 8.1. Participation in the local programs and projects as both consultants and initiating party of the projects, followed by the advantageous right for their implementation.
 - 8.2. "Flexible reaction" to the adopted national programs involving all the levels of local authority for the "vanguard and first-choice" center participation in their execution.

8.3. Usage of the opportunities connected with the Ukrainian regulation on the legislative initiative from the Oblast governments to develop laws on SME status and development; participation in preparation and development of the regulation papers.

Speaking in the whole the center activity can be determined as successful.

A. Stupnitskiy

A handwritten signature in black ink, appearing to read 'A. Stupnitskiy', with a long horizontal stroke extending to the right.

Independent Expert
President of the "Private Initiative" Foundation

**REPORT ON ODESA BSC ACTIVITIES
(NEWBIZNET PROJECT AUGUST 13-14, 1996)**

Training

During 1995-96 contract year 434 participants were trained at 6 courses, which lasted the average of 87 hours and average charge was \$114 per participant (1.7 \$ per hour). The training programs were delivered by highly qualified personnel, including those trained by MAS.

6 issues are of major importance:

- training brings 80% of total revenue;
- only one program out of 6 (10% of total number of participants) is dedicated to SME issues;
- 98% of all participants are Odesa residents, 2% come from Odesa oblast, there were no trainees from other Southern regions;
- programs share in total revenue was 17%, short-term workshops - 4%;
- no computerised data on trainees;
- competition in the training market is rather high and BSC management forecast of the market dynamics is pessimistic. Mass media and direct mail advertisement is used (in Lviv indirect advertisement is used primarily).

Consulting

129 clients received counselling services, 35 of them have a year subscription for the BSC services. The total revenue from consulting services delivered in 4 months (April-June) amounted to \$2,240 (\$550 per month). 2 experts work in the consulting department and 18 investment projects were prepared starting April (2 of them were implemented) - this number arouses some doubts. Selective visits to the BSC clients (Odesa Book Factory, STANI Joint-venture) exhibited good image of the BSC consulting department and its manager and the assistance provided was highly remarked by the above clients.

Information

No basis for analysis

RECOMMENDATIONS

1. The office rent deal should be analysed - \$25 per sq. meter is a high price. Another office space should be found on more favourable terms (possibly purchase) as now the rent takes a great proportion of the budget.
2. Having a long experience in training and relying on advertisement, BSC should have a package of programs (according to the report they now have 6 programs and are developing 2 more) targeted at different segments of the market and types of customers. Special attention should be paid to: a) specialisation in the region; b) training programs exchange between BSCs (in particular with L'viv BSC).
3. A well-balanced approach to the concept of the project should be found: "low prices, costs covered by NEWBIZNET - quality of services delivered - growth of customers and repeat client base - projected sustainability and profitability". Financial plan for all BSC departments is to be developed.
4. There should be an internal planning of BSC activities with full co-ordination, as the departments seem to too autonomous and operate on their own.

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5. BIN should be set up very quickly. Odesa BIN manager should be recruited, tasks are to defined and data base and software development work has to start. Kiev assistance is needed in this situation.
6. Training participants data base should be started to keep contact with them for consulting and further training activities (possibly on beneficiary for them terms).
7. Subscription consulting practice has to be extended to servicing 8-10 medium businesses, which are already successful in the market. There should be permanent complex servicing of production, trade and other cycles (targeted comprehensive consulting). The segment will broaden due to the small businesses growing into medium.
8. The following programs are to be developed:
 - 8.1. a complex public relations campaign projecting BSC participation in regional and international conferences, as well as commercial exhibitions. It can become a part of comprehensive search for potential partners and clients.
 - 8.2. program of joint activities with the Association of independent entrepreneurs, Odesa Entrepreneurs' Guild, other non-governmental, non-profit and independent organisations.
 - 8.3. strategy for attraction and Cupertino with actual and potential clients in the region (Nikolaev, Kherson) to fulfil the main task of the Project - creation and development of business support network in Ukraine Southern regions. Special attention should be paid to the Crimea.
9. BSC structure has to be reviewed. Project goals require rationalising of management, increasing of consulting and informational departments' roles in the Project, new package of tasks to be solved should be designed with a new vision of core elements. In this sense, it will be appropriate to consider Mr. A. Kovalev appointment as the BSC director. Mr. Kovalev has the following "pluses":
 - he is a young, energetic and highly qualified manager;
 - he has good experience in business advisory and training (lecturing for BSC and in Odesa University, practical consulting of companies with different types of property);
 - he has experience in accounting, business planning and marketing research;
 - he has worked in the local government, he is on the Odesa Co-ordination Council on SME support.
 and "minuses":
 - he does several jobs (the University, "Porto-Franco", individual business consulting outside of NEWBIZNET);
 - he is not a co-founder of INTMAR - subcontractor on the Project.

The process of making changes in management should be carefully thought through up to possible registration of a new entity - INTMAR branch with the new owners represented by the BSC departments managers.

A. Stupnitskiy

Independent NEWBIZNET Expert
 President of "Private Initiative" Foundation

REPORT
CHISINAU BUSINESS SUPORT CENTER ACTIVITY
(NEWBIZNET PROJECT, AUGUST 8-9, 1996)

Training

According to the information presented by Balti BSC director Mr. Tkachenko, they have conducted 2 training workshops for fee, one round table, TOT workshop and 2 workshops for free. The average fee was 5-10 USD for 2-5 days, medium-term (3-5 - week) programs were not provided. Limited number of training programs led to small demand (though the potential consumer market comprises 12 areas in Northern Moldova). Indirect advertisement is predominant, including visits to the enterprises. The BSC has not developed its own leaflet. Extension of the training program is planned for the next fiscal year

Consulting

In the period of October 1995 - July 1996 150 individual clients visited Balti, as stated orally by the director (there was no documented evidence). 50% of them were interested in obtaining short-term loans, the rest have received minor consulting services, the total number of which was not counted. According to the business plan revenue of the consulting services amounted to 4,500 USD. Individual consulting was delivered for free. Coordination with the Chisinau office was very weak. My impression is that "AGBIS" interests prevailed in the sphere of consulting, as the activity was mainly directed at Moldova enterprise restructuring.

Information

BIN department operates independently from Chisinau, there is no direct connection with Balti. BIN-Chisinau has independently issued "NBN Moldova. USAID/DAI Annual Project Review" with all the dynamics of business activity in 1991-1995. This review is an independent research on the basis of Ministries for Statistics and Economics data, but there was no evidence of BIN coordination within the BSC structure.

SUGGESTIONS

1. BSC has to be restructured:

- a) consulting department is to be moved from Balti to Chisinau and united (under one roof) with the BIN department in order to capture the service consumer market via cooperation and intensive usage of the BIN data base;
- b) training department should stay in Balti;
- c) NEWBIZNET training department is to be also established in Southern Moldova (the towns of Comrat or Cagul);

The following reorganization will allow:

- a) effective distribution of BSC tasks and responsibilities;
- b) coverage of the whole Moldova territory by NEWBIZNET - Chisinau;
- c) centralized management from Chisinau;
- d) full financial management from Chisinau;
- e) maximum coverage and control over the segment of services.

2. According to the results of the BSC-Moldova (as well as Lviv and Odesa) assessment there does not seem to be much reason to compare BSCs' operations without clear separation of business activity (including financials and reporting) between BSCs and the companies which won the tender in 1995. Another and more acceptable form of organization should be found, which would stimulate BSC business activity, motivate personnel and at the same time provide simpler and more effective system to control BSCs (including financial side).

3. Taking into account all the circumstances dealing with the NEWBIZNET Project in Chisinau I think it will make sense (as opposite to Lviv and Odesa where the contracts can be renewed for the next funding year) to extend the current contract for the next 4 months (on the conditions of the reorganization) and temporary leave Mr Tkachenko as the director of the project, whose obligation will be to produce real results of the BSC NEWBIZNET activity.

A. Stupnitskiy

Independent Expert
President of the "Private Initiative" Foundation

REPORT
KHARKOV BUSINESS SUPPORT CENTER ACTIVITY
(NEWBIZNET PROJECT, AUGUST 19-20, 1996)

Training

As it is stated in the report for the period from December 1, 1995, to August 16, 1996, 1287 people attended 16 training programs. The total revenue amounted to 16,567 USD. 70% of the revenue was obtained from short-term accounting and reporting workshops. Medium-term (3-5 week) courses were not provided because of competition with higher educational establishments. The trainers work on contracts and are not included into the staff. The BSC has concluded agreements with the Kharkov State Economics University and the "Consultant" company to implement training programs and deliver consulting services. The training coordinator admitted that most of the workshops were organized as advertisement and promotion. Lack of demand is the result of the BSC not having a license issued by the Ministry of Education enabling to provide training programs. Without the license the BSC cannot award participants with certificates. The fee for attending workshops varied from 50 to 100 USD depending upon the topic and audience. There were no workshops for free (as in the case of Lviv and Odessa). About 90% of the participants were the people directly involved in business. Generally I would put the department activity and coordinator's report as mediocre.

Consulting

The total number of clients who have received consulting services in the BSC for the past year is 102 (total revenue 4,479 USD). 3 market researches were carried out and 2 contracts for the business plan completion were concluded. But in the course of the individual conversation with the head of the consulting department it turned out that this is the weakest point within the BSC structure. 3 people work in the department. They have the basic technical training and have no idea of the consulting techniques and practice. The department activity relies totally on the BSC informational basis (legislation and taxation) and the most common type of consulting was mechanical client supply with documents printed out from the BSC data base. The client structure of the BSC: 70% - SME, 30% - state and privatized enterprises. 5% - start ups. Average daily number of client visits - 3-4, only one client is in the subscription list. Using the publishing base they give a client a set of documents without any comments, using the principle "think and work it out". The full support services (search for a client - contract signing and follow up - contract implementation) is not provided. The head of the consulting department, Mr. Shevtsov, does not have negotiation and active complex consulting skills, besides according to him consulting will never become sustainable. Meetings with BSC clients demonstrated lack of experience and practical work with customers. General impression is low.

Information

Kharkov BSC information department is much further advanced than the other BSCs' corresponding departments. The computer hours are used more productively. There are constantly updated data bases "Ukrainian Enterprises" (5000 businesses), "Buy & Sell" (1500 ads), commercial and inquiry information, "Yellow Pages - USA". The information is updated every day through the informational centers the BSC cooperates with (Donetsk, Lugansk, Kiev, etc.), newspapers and direct offers from the companies. The whole data base is updated quarterly. The system of electronic marketing is being developed, the contract with Privatbank is concluded on the usage of modem payment system. The personnel is highly qualified with a more than 3 year experience. General impression is good.

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RECOMMENDATIONS

1. As it turned out Kharkov RBAC is a stock holding company created specifically for the NEWBIZNET Project. 60% of the shares (30/30) belongs to "Promsnab" and "Granit" Association, 40% to individuals. Mr. Dudka's share is 30% in "Promsnab" and 10% in RBAC. There is a very peculiar issue. RBAC is managed by a board of directors and its vote distribution on strategic and financial issues may prevail over the general tasks and goals of the NEWBIZNET Project. It is very important in a context of re-investing and sustainability oriented strategy.
2. The consulting department performance is bellow any criticism. The department should have professional consultants, including a lawyer (there were none in BSC). There is no clear definition of the consulting department with a statement on functions and activities. The practice of independent client search and attraction should be started. A new head of the consulting department is needed.
3. There is a bad necessity
 - a) to exchange information among BSCs;
 - b) to summarize the experience and coordinate BIN activity;
 - c) to develop a common data base and access to it.Having a labor and resource potential Kharkov BSC can start software development (a new profitable activity) as of today.
4. In the area of training (as there is no access for the BSC to the long-term programs niche) there should be agreements concluded with the region enterprises to provide targeted short-term workshops (on-site as well) on the issues urgent for the businesses. This will be a combination of training and consulting.
5. Taking into account the fact that the region is a large industrial and scientific center of Ukraine the "bank of ideas" should be started for the future projects with a guarantee of the business plan development. A special attention is to be paid to the "know how" projects, connected with conversion and new technologies.
6. To establish and advertise the BSC image international practical workshops should be organized with an opportunity of internships abroad which is a prospective profitable direction of the BSC activity.

A. Stupnitskiy

Independent Expert
President of the "Private Initiative" Foundation

II. Individual Evaluator's Reports and Comments

II.iv) Jeff Houghton - NEWBIZNET

LVIV BSC

Background

The Lviv BSC is a subsidiary company of the Lviv Institute of Management (LIM) and was established to implement the NEWBIZNET contract. The company is wholly owned by the LIM.

The previous LTTA's contract was not renewed as his contribution was considered totally inadequate. He had little direct involvement in the activities of the BSC and kept himself apart from most of the staff. A new LTTA has been recruited and should start in September 1996.

Observations

Despite their being at a disadvantage in having an ineffective LTTA the Lviv director and his team have done a creditable job in the provision of training and business advisory services.

The BIN network is not operating a direct on-line connection with the Kyiv office computer and the two staff working on BIN think that Lotus Notes may not be the best system to use for network management - especially as it is unable to handle the Cyrillic characters. They clearly needed more direction from Kyiv.

They did operate three databases of Ukrainian companies but unfortunately these databases have not been updated since January 1995. Very little information had been provided to clients on a chargeable basis from the BIN.

There are inadequate statistics available on numbers of clients for business advice and training. When asked for a client list a hand-written summary was handed to the evaluation team. The computers provided by the project are under-utilised and the staff are inadequately trained.

The BSC has close links with LIM and a number of both full-time and part-time staff still teach there. They are therefore more able to understand, and to distinguish, the difference between education and training and to concentrate on the latter.

The LIM network is one of the main strengths of the Lviv BSC and has led to successful LSN activities. The Director is very active and well-known in the community and feels that LSN should be a BSC responsibility. The NEWBIZNET name is not being promoted well enough in relation to LIM.

The Training Manager was on vacation during the evaluation team visit. The Business Advisory Manager seemed to be capable but was a little aggressive during interview.

Conclusions

The Lviv BSC is ranked first out of the four BSCs and is well ahead of Kharkiv, its nearest rival.

The main reason for the centre's success is the leadership of the Director Valery Pjatek.

Training courses are generally profitable and continue to attract regular clients.

The BSC has been successful in attracting other donors to support NEWBIZNET activities through the development of new training courses.

Up to 40% of clients have been on more than one training course.

Five clients have received loans, including two from EBRD, as a result of workshops.

Only 50% of business advisory clients are looking for credit the rest are interested in general business advice and training.

Recommendations

Retain LIM as sub-contractor subject to acceptance of the new contract.

Arrange for additional training, including a visit to the Kyiv office, for BIN staff to learn how to operate the Lotus Notes software.

One of the two computer specialists should be appointed as BIN Manager so that the three funded posts of Business Advisory Manager, Training Manager and BIN Manager have clear responsibilities within the BSC organisation structure.

The BSC Director should promote the NEWBIZNET and the LIM names on the building and on literature.

ODESA BSC

Background

The sub-contractor is Intmar. The LTТА was in place from August 1995 to July 1996. Intmar has four founders each of which own 25% of the company. Two of them, Vitaly Zamkovoy and Galena Prokopchuk, are part of the BSC management team. A new LTТА has been appointed for the period up to and including September 1997.

Observations

The level of computer literacy amongst the BSC staff is very is very low. Only three out of 14 staff are able to use any of the 8 available computers. One of the three computer users cannot use spreadsheets.

BIN activities are almost non-existent. Intmar used an external information specialist from Odesa University during the tendering process. They did not retain his services afterwards.

The business advisory manager, Anatole Kavalov, had two other jobs, 1-2 hours per day at a bank, and 400 hours of lecturing at the university. He has now agreed to finish his work at the bank and to reduce his committed hours at the university.

Business advisory and business planning services were being offered by Mr. Kavalov, but because of his other jobs, he was not always in attendance at the BSC. The quality of business plans produced so far has not been high.

The BSC Director, Vitaly Pavlovich Zamkovoy, seems only interested in training. He depends almost entirely on Mr. Kavalov for business advisory and BIN activities.

The management structure of the BSC is confused Mr. Kavalov is the Director in all but name. The relationship between Mr. Zamkavoy and Mr. Kavalov is sometimes strained although the Director strongly supported his business advisory manager during the evaluation.

The LSN activities have been developed almost entirely by Mr. Kavalov who also serves on the Odesa oblast SME Policy Commission.

BSC clients are not generally aware of the NEWBIZNET connection. They only know the Intmar name.

The training manager, Galina Prokopchuk, seems to be very competent but she would benefit from a better understanding of the inter-connection between BIN, business advice and training. Too many free training places have been made available.

The clients interviewed were generally pleased with the services offered by the BSC.

Conclusions

The Odesa BSC is ranked third out of the four BSCs behind Lviv and Kharkiv.

There has been little LTTA support provided to the BSC team.

The position and responsibilities of the BSC Director has to be reviewed by Intmar and NEWBIZNET management.

The Director of the Odesa BSC must be able to manage all parts of the NEWBIZNET project.

All four NEWBIZNET funded posts should be full-time.

The level of computer literacy, amongst all BSC staff, falls well below what is acceptable. to implement the project.

Although Intmar has been primarily a training company it is dependent on NEWBIZNET support for the next two years.

Due partly to lack of support from the NEWBIZNET Kyiv office, and the shortage of computing skills in the Odesa BSC office, BIN activities have been almost non-existent.

Recommendations

Retain Intmar as sub-contractor subject to acceptance of the new contract.

The newly appointed LTTA should begin his activities in Odesa before the end of September 1996.

A computer literacy training is required for all BSC staff to ensure that all key staff are able to use at least one word-processing and one spreadsheet package.

All four NEWBIZNET funded managers and other business advisory staff should receive business planning training to better understand how businesses operate.

The existing and new candidates for all funded posts must be approved by NEWBIZNET management.

A suitably qualified BIN manager must be recruited and appointed as soon as possible.

Mr. Zamkovoy must consider appointing Mr. Kavalov as BSC Director.

MOLDOVA (Balti) BSC

Background

The sub-contractor is the Chisinau-based company Agbis. The Business Advisory and Training functions are carried out by the BSC at Balti. BIN and LSN activities are managed by the LTTA at the Chisinau office. The LTTA has been in place since July 1995.

Observations

The BSC staff are generally not of sufficient calibre to manage the NEWBIZNET program. Only the business advisor is worth retaining.

The Director is not a credible manager to run this project even if he was full-time on the project. He spends three days each week at Balti and the other days are spent on other Agbis projects. He does not understand the nature of the NEWBIZNET subsidy.

The Director perceives the Kyiv USAID as his project manager rather than DAI. He is in regular and frequent contact with the Mission on all aspects of the project

The level of computer literacy is low. Only the Secretary is able to use both spreadsheet and word-processing software. There is no member of staff sufficiently qualified to deal with BIN activities.

A limited number of training courses have been delivered so far. The level of consultancy provided is also inadequate.

NEWBIZNET is only a small part of the Agbis portfolio of projects. The company has just been awarded a substantial new USAID contract. It is also bidding for TACIS and FAO contracts. Although Agbis continues to win new contracts the company is generally not well respected in the Moldovan business community.

The business plan for the Balti BSC projects losses for every month over the three year period. There is little consideration and understanding of the need for self-sustainability. Agbis sees the NEWBIZNET as a provider of subsidies rather than assisting and supporting the development of a consultancy company which can survive on its own.

Agbis shows little interest in generating income within the NEWBIZNET project. It appears that paying consulting clients are handled through the Agbis Chisinau office. Any resulting income is therefore directed through Agbis not NEWBIZNET. The project is seen as Agbis. The NEWBIZNET name is not promoted.

The LLTA is negotiating a contract with IBM which will provide equipment for a computer training centre in Chisinau linked to the NEWBIZNET project. One of the conditions placed on the deal by IBM is that the centre must be supported by a local company that has the computer skills to service the training centre, the computers provided, and the software used. Agbis does not possess the required level of expertise.

Conclusions

The Balti BSC is by far the worst overall performer of the four BSCs.

It has proven to be very difficult to manage the Balti BSC and the BIN and LSN activities from Chisinau.

The separation of the BIN activities, based with the LTTA in Chisinau, from training and business advice, based at the BSC in Balti has proven to be impractical.

It is important to continue to retain a presence in Balti and one other location in Moldova, however, all BSC activities should be centred on Chisinau.

We should attempt to incorporate the IBM project into NEWBIZNET in Moldova.

Agbis is not dependent on NEWBIZNET to sustain its consulting activities and does not have any real interest in making the project successful.

Recommendations

Conclude the contract with Agbis and select a new consulting company, which also has the computer skills necessary to implement the BIN and manage the IBM computer training centre.

Move all BSC and LTTA activities into the same premises preferably to include the IBM centre.

Retain a satellite office and a training room in Balti.

Establish a new satellite office and training room in another location in Moldova.

Charge the LTTA with the management of all BSC activities until a new sub-contractor is selected.

KHARKIV BSC

Background

The sub-contractor is RBAC which is a wholly-owned subsidiary of another company called PROMSNAB. Both of these companies are effectively controlled by Mr. Alexander Dudka, the BSC Director.

RBAC was contracted to manage the NEWBIZNET BSC after the contract with the previously contracted company was terminated.

The LTTA has been in place since July 1995 and continued his activities until June 1996. A new LTTA is being recruited.

Observations

RBAC and PROMSNAB have been mainly engaged in business information services and publishing, and had little previous experience in providing training and business advisory services.

The Director places too much emphasis on publishing and pays less attention to training and business advisory services.

There is a high level of competence amongst the staff engaged in BIN activities. They have developed their own databases and they are the only BSC actively selling business information services.

Within the management structure the position of BIN manager has not yet been created.

The training manager needs to be more motivated and be trained to understand the connection between training and the other services offered by the BSC. There are too many free training places provided. There needs to be a clearer distinction between training and the provision of information.

The weakest area is business advice. The business advisory manager, Mr. Vladimir Schvetsov is totally unsuitable for this position and has no understanding of his role. Mr. Dudka has now agreed that he should be replaced.

The BSC is using a software package called 'Project Expert' which produces 25 pages of financial data but is definitely not a business plan. The level of understanding of business planning is low.

RBAC is using its own NEWBIZNET logo and is not conforming to the standard logo which must be used throughout the program.

Conclusions

The Kharkiv BSC is ranked second out of the four BSCs, ahead of Odesa and Balti, but behind Lviv.

The level of computer literacy is the highest of all four BSCs and will serve as an example to the others.

There is not enough commitment to training .

The business advisory services are inadequate. More BSC staff will need to be committed to this activity.

All funded managers and business advisory staff should receive business planning training to better understand how a business operates.

There is a general lack of understanding of how entrepreneurs think and act. Consequently there is a reluctance to treat small businessmen seriously.

Recommendations

Retain RBAC as sub-contractor subject to acceptance of new contract.

The internal BSC organisation structure must be changed to better reflect the needs of the NEWBIZNET project.

A new business advisory manager should be recruited, approved and appointed as soon as possible.

All four NEWBIZNET funded managers and other business advisory staff should receive business planning training to better understand how businesses operate.

A BIN manager should be appointed from within the existing staff.

The existing and new candidates for all funded posts must be approved by NEWBIZNET management.

The BSC Director should concentrate on developing business advisory services and training to paying clients.

III. Projected Budgets Forecasts for BSCs

III.i) Lviv

Projected Budget Forecast, Year 1 ended September 30, 1997

	Oct US\$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$	Total \$
Income													
Consulting and Investments	3,542	3,799	3,220	1,867	2,446	2,833	3,220	3,542	2,384	1,548	901	2,898	32,200
Training	8,554	6,415	7,841	4,990	7,128	7,841	4,277	7,128	5,702	2,138	2,138	7,128	71,280
BIN Services	4,000	3,600	3,600	2,000	3,200	3,600	4,000	4,400	3,600	2,400	2,000	3,600	40,000
Office Support Services	1,100	1,100	1,000	500	800	900	900	1,000	800	600	400	900	10,000
Other Services													0
Total Income	17,196	14,914	15,661	9,357	13,574	15,174	12,397	16,070	12,486	6,686	5,439	14,526	153,480
Expenditure													
Newbiznet Salaries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Newbiznet Office Expenditure	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	26,040
Subsidized Running Costs	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	50,040
Salaries	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	16,440
Other Expenditure	12,274	10,537	11,197	6,764	9,696	10,822	8,322	11,174	8,625	4,389	3,577	10,281	107,656
Lviv BSC Running Costs	13,644	11,907	12,567	8,134	11,066	12,192	9,692	12,544	9,995	5,759	4,947	11,651	124,096
Total Expenditure	17,814	16,077	16,737	12,304	15,236	16,362	13,862	16,714	14,165	9,929	9,117	15,821	174,136
Surplus (Deficit)	(618)	(1,163)	(1,076)	(2,947)	(1,662)	(1,188)	(1,465)	(644)	(1,678)	(3,242)	(3,677)	(1,295)	(20,656)
Funded by:													
USAID Subsidized Salary	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	26,640
USAID Subsidized Expenditures	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	37,884
Total USAID Subsidy, \$	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	64,524
USAID Subsidy, %	95%	90%	90%	80%	80%	80%	70%	70%	70%	60%	60%	60%	
USAID Subsidy, \$	3,962	3,753	3,753	3,336	3,336	3,336	2,919	2,919	2,919	2,502	2,502	2,502	37,739
Other Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Funding	3,962	3,753	3,753	3,336	3,336	3,336	2,919	2,919	2,919	2,502	2,502	2,502	37,739
Surplus (Deficit) + Funding	3,343	2,590	2,677	389	1,674	2,148	1,454	2,275	1,241	(740)	(1,175)	1,207	17,082

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Projected Budget Forecast, Year 2 ended September 30, 1998

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
	US\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income													
Consulting and Investments	4,444	4,759	4,040	2,335	3,054	3,547	4,040	4,444	3,006	1,972	1,123	3,636	40,400
Training	9,600	7,200	8,800	5,600	8,000	8,800	4,800	8,000	6,400	2,400	2,400	8,000	80,000
BIN Services	3,500	3,150	3,150	1,750	2,800	3,150	3,500	3,850	3,150	2,100	1,750	3,150	35,000
Office Support Services	1,650	1,650	1,500	750	1,200	1,350	1,350	1,500	1,200	900	600	1,350	15,000
Other Services													
Total Income	19,194	16,759	17,490	10,435	15,054	16,847	13,690	17,794	13,756	7,372	5,873	16,136	170,400
Expenditure													
Newbiznet Salaries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Newbiznet Office Expenditure	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	2,170	26,040
Subsidized Running Costs	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	50,040
Salaries	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	16,440
Other Expenditure	14,060	12,171	12,830	7,723	11,036	12,335	9,534	12,757	9,811	5,043	4,019	11,739	123,058
Lviv BSC Running Costs	15,430	13,541	14,200	9,093	12,406	13,705	10,904	14,127	11,181	6,413	5,389	13,109	139,498
Total Expenditure	19,600	17,711	18,370	13,263	16,476	17,875	15,074	18,297	15,351	10,583	9,559	17,279	189,538
Surplus (Deficit)	(406)	(952)	(880)	(2,828)	(1,522)	(1,028)	(1,384)	(503)	(1,595)	(3,211)	(3,686)	(1,143)	(19,138)
Funded by:													
USAID Subsidized Salary	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	26,640
USAID Subsidized Expenditures	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	37,884
Total USAID Subsidy, \$	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	64,524
USAID Subsidy, %	50%	50%	50%	40%	40%	40%	30%	30%	30%	20%	20%	20%	
USAID Subsidy, \$	2,085	2,085	2,085	1,668	1,668	1,668	1,251	1,251	1,251	834	834	834	17,514
Other Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Funding	2,085	2,085	2,085	1,668	1,668	1,668	1,251	1,251	1,251	834	834	834	17,514
Surplus (Deficit) + Funding	1,679	1,133	1,205	(1,160)	146	640	(133)	748	(344)	(2,377)	(2,852)	(309)	(1,624)

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Projected Budget Forecast, Year 3 ended September 30, 1999

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
ing and Investments	5,192	5,546	4,720	2,714	3,540	4,130	4,720	5,192	3,540	2,360	1,298	4,248	47,200
ices	10,800	8,100	9,900	6,300	9,000	5,400	9,900	9,000	7,200	2,700	2,700	9,000	90,000
port Services	4,500	4,050	4,050	2,250	3,600	4,050	4,500	4,950	4,050	2,700	2,250	4,050	45,000
ices	2,200	2,200	2,000	1,000	1,600	1,800	1,800	2,000	1,600	1,200	800	1,800	20,000
ure	22,692	19,896	20,670	12,264	17,740	19,880	16,420	21,142	16,390	8,960	7,048	19,098	202,200
et Salaries	2,000	2,000	2,000	2,170	2,170	2,170	2,170	2,000	2,170	2,170	2,000	2,000	24,000
et Office Expenditure	2,170	2,170	2,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170	50,040
et Running Costs	4,170	4,170	4,170	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	1,370	16,440
penditure	16,456	14,307	15,011	8,989	12,868	14,403	11,302	14,988	11,554	6,062	4,756	13,747	144,444
et Running Costs	17,826	15,677	16,381	10,359	14,238	15,773	12,672	16,358	12,924	7,432	6,126	15,117	160,884
penditure	21,996	19,847	20,551	14,529	18,408	19,943	16,842	20,528	17,094	11,602	10,296	19,287	210,924
(Deficit)	696	49	119	(2,265)	(668)	(69)	(422)	614	(704)	(2,642)	(3,248)	(189)	(8,724)
Subsidized Salary	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	26,640
Subsidized Expenditures	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	3,157	37,884
AID Subsidy, \$	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	5,377	64,524
Subsidy, %	10%	10%	10%	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Subsidy, \$	417	417	417	417	0	0	0	0	0	0	0	0	1,251
unding	0	0	0	0	0	0	0	0	0	0	0	0	0
unding	417	417	417	417	0	0	0	0	0	0	0	0	1,251
(Deficit) + Funding	1,113	466	536	(2,265)	(668)	(69)	(422)	614	(704)	(2,642)	(3,248)	(189)	(7,473)

III. Projected Budgets Forecasts for BSCs

III.ii) Odesa

Projected Budget Forecast, Year 1 ended September 30, 1997

	Oct US\$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$	Total \$
Income													
Business Advisory Service													
Training	1,550	1,550	2,000	2,000	2,000	2,000	2,000	2,000	2,200	2,200	2,200	2,200	23,900
BIN Services	10,000	10,000	10,000	10,000	10,000	11,000	11,000	11,000	11,000	11,000	11,000	12,000	128,000
Office Services	200	200	200	200	200	200	250	250	250	250	250	250	2,700
Publications	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Total Income	11,950	11,950	12,400	12,400	12,400	13,400	13,450	13,450	13,650	13,650	13,650	14,650	157,000
Expenditure													
NEWBIZNET Salaries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
NEWBIZNET Office Expenditure	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	85,800
Subsidised Running Costs	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	109,800
Salaries	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	31,560
Other Expenditures	7,174	7,174	7,174	7,174	7,174	7,174	7,174	7,174	7,174	7,174	7,174	7,174	86,088
Intmar Running Costs	9,804	9,804	9,804	9,804	9,804	9,804	9,804	9,804	9,804	9,804	9,804	9,804	117,648
Total Expenditure	18,954	227,448											
Surplus (Deficit)	(7,004)	(7,004)	(6,554)	(6,554)	(6,554)	(5,554)	(5,504)	(5,504)	(5,304)	(5,304)	(5,304)	(4,304)	(70,448)
Funded by:													
USAID Subsidised Salary	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
USAID Subsidised Expenditures	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	85,800
Total USAID Subsidy, \$	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	109,800
USAID Subsidy, %	95%	90%	90%	80%	80%	80%	70%	70%	70%	60%	60%	60%	
USAID Subsidy, \$	8,693	8,235	8,235	7,320	7,320	7,320	6,405	6,405	6,405	5,490	5,490	5,490	82,808
Other Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	8,693	8,235	8,235	7,320	7,320	7,320	6,405	6,405	6,405	5,490	5,490	5,490	82,808
Surplus (Deficit)+Funding	1,689	1,231	1,681	766	766	1,766	901	901	1,101	186	186	1,186	12,360

Projected Budget Forecast, Year 2 ended September 30, 1998

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
	US\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income													
Business Advisory Services	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,800	2,800	2,800	2,800	31,200
Training	12,000	12,000	13,000	13,000	13,000	14,000	14,000	14,000	14,000	15,000	15,000	15,000	164,000
BIN Services	300	300	300	300	300	300	350	350	350	350	350	350	3,900
Office Services	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Publications	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	15,100	15,100	16,100	16,100	16,100	17,100	17,150	17,150	17,450	18,450	18,450	18,450	202,700
Expenditure													
NEWBIZNET Salaries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
NEWBIZNET Office Expenditure	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	85,800
Subsidised Running Costs	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	109,800
Salaries	2,663	2,663	2,663	2,663	2,663	2,663	2,663	2,663	2,663	2,663	2,663	2,663	31,956
Other Expenditures	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	92,400
Intmar Running Costs	10,363	10,363	10,363	10,363	10,363	10,363	10,363	10,363	10,363	10,363	10,363	10,363	124,356
Total Expenditure	19,513	234,156											
Surplus (Deficit)	(4,413)	(4,413)	(3,413)	(3,413)	(3,413)	(2,413)	(2,363)	(2,363)	(2,063)	(1,063)	(1,063)	(1,063)	(31,456)
Funded by:													
USAID Subsidised Salary	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
USAID Subsidised Expenditures	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	85,800
Total USAID Subsidy, \$	9,150	109,800											
USAID Subsidy, %	50%	50%	50%	40%	40%	40%	30%	30%	30%	20%	20%	20%	
USAID Subsidy, \$	4,575	4,575	4,575	3,660	3,660	3,660	2,745	2,745	2,745	1,830	1,830	1,830	38,430
Other Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	4,575	4,575	4,575	3,660	3,660	3,660	2,745	2,745	2,745	1,830	1,830	1,830	38,430
Surplus (Deficit)+Funding	162	162	1,162	247	247	1,247	382	382	682	767	767	767	6,974

Appendix VIII.C.

Projected Budget Forecast, Year 3 ended September 30, 1999

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
	US\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income													
Business Advisory Service	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Training	16,000	16,000	16,000	16,000	16,500	16,500	16,500	16,500	16,500	16,500	16,500	16,500	196,000
BIN Services	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Office Services	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Publications	-	-	-	-	-	-	-	400	400	400	400	400	4,800
Total Income	19,800	19,800	19,800	19,800	20,300	241,600							
Expenditure													
NEWBIZNET Salaries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
NEWBIZNET Office Expenditure	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	85,800
Total Running Costs	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	109,800
Salaries	2,770	2,770	2,770	2,770	2,770	2,770	2,770	2,770	2,770	2,770	2,770	2,770	33,240
Other Expenditures	8,008	8,008	8,008	8,008	8,008	8,008	8,008	8,008	8,008	8,008	8,008	8,008	96,090
Intmar Running Costs	10,778	10,778	10,778	10,778	10,778	10,778	10,778	10,778	10,778	10,778	10,778	10,778	129,330
Total Expenditure	19,928	239,130											
Surplus (Deficit)	(128)	(128)	(128)	(128)	372	2,470							
Funded by:													
USAID Subsidised Salary	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
USAID Subsidised Expenditures	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	85,800
Total USAID Subsidy, \$	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	9,150	109,800
USAID Subsidy, %	10%	10%	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
USAID Subsidy, \$	915	915	915	-	-	-	-	-	-	-	-	-	2,745
Other Funding	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding	915	915	915	-	-	-	-	-	-	-	-	-	2,745
Surplus (Deficit)+Funding	787	787	787	(128)	372	5,215							

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III. Projected Budgets Forecasts for BSCs

III.iii) Moldova

Projected Budget Forecast, Year 1 ended September 30, 1997

	Oct US\$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$	Total \$
Income													
Consulting													
Training			1,000										
IT Services		500	500	500	500	500	500	500	1,000			1,000	4,000
Publications				20	20	20	20	500	500	500	500	500	5,500
Other Services				10,000	10,000	7,000	20	20	20	20	20	20	180
Total Income	0	500	1,500	10,520	10,520	8,520	520	520	1,520	520	520	1,520	27,000
Expenditure													
ewbiznet Salaries	2,000	2,000	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,000
ewbiznet Office Expenditure	2,300	3,700	3,700	3,700	3,700	3,700	3,730	3,730	3,730	3,730	3,730	3,730	43,180
Subsidized Running Costs	4,300	5,700	6,100	6,100	6,100	6,100	6,130	6,130	6,130	6,130	6,130	6,130	71,180
Salaries	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Other Expenditure	2,000	10,500	10,000	0	0	0	0	0	0	0	0	0	22,500
Costs covered by Agbis	2,150	10,650	10,150	150	150	150	150	150	150	150	150	150	24,300
Total Expenditure	6,450	16,350	16,250	6,250	6,250	6,250	6,280	6,280	6,280	6,280	6,280	6,280	95,480
Surplus (Deficit)	(6,450)	(15,850)	(14,750)	4,270	4,270	2,270	(5,760)	(5,760)	(4,760)	(5,760)	(5,760)	(4,760)	(58,800)
Funded by:													
USAID Subsidized Salary	2,000	2,000	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,000
USAID Subsidized Expenditures	2,300	3,700	3,700	3,700	3,700	3,700	3,730	3,730	3,730	3,730	3,730	3,730	43,180
Total USAID Subsidy, \$	4,300	5,700	6,100	6,100	6,100	6,100	6,130	6,130	6,130	6,130	6,130	6,130	71,180
USAID Subsidy, %	95%	90%	90%	80%	80%	80%	70%	70%	70%	60%	60%	60%	
Other Funding	4,085	5,130	5,490	4,880	4,880	4,880	4,291	4,291	4,291	3,678	3,678	3,678	53,252
Total Funding	4,085	5,130	5,490	4,880	4,880	4,880	4,291	4,291	4,291	3,678	3,678	3,678	53,252
Surplus (Deficit) + Funding	(2,365)	(10,720)	(9,260)	9,150	9,150	7,150	(1,469)	(1,469)	(469)	(2,082)	(2,082)	(1,082)	(5,548)

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Projected Budget Forecast, Year 2 ended September 30, 1998

	Oct US\$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$	Total \$
Income													
Consulting	1,000	0	1,000	0	1,000	0	1,000	0	1,000	0	1,000	0	6,000
Training	600	600	600	600	600	600	600	600	600	600	600	600	7,200
BIN Services	30	30	30	30	30	30	30	30	30	30	30	30	360
Publications	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	1,630	630	13,560										
Expenditure													
Newbiznet Salaries	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
Newbiznet Office Expenditure	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	49,980
Subsidized Running Costs	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	78,780
Salaries	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Other Expenditure	500	0	0	0	0	0	0	0	0	0	0	0	500
Costs covered by Agbis	650	150	150	150	150	150	150	150	150	150	150	150	2,300
Total Expenditure	7,215	6,715	81,080										
Surplus (Deficit)	(5,585)	(6,085)	(5,085)	(6,085)	(67,520)								
Funded by:													
USAID Subsidized Salary	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
USAID Subsidized Expenditures	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	49,980
Total USAID Subsidy, \$	6,565	78,780											
USAID Subsidy, %	50%	50%	50%	40%	40%	40%	30%	30%	30%	20%	20%	20%	
USAID Subsidy, \$	3,283	3,283	3,283	2,626	2,626	2,626	1,970	1,970	1,970	1,313	1,313	1,313	27,573
Other Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Funding	3,283	3,283	3,283	2,626	2,626	2,626	1,970	1,970	1,970	1,313	1,313	1,313	27,573
Surplus (Deficit) + Funding	(2,303)	(2,803)	(1,803)	(3,459)	(2,459)	(3,459)	(3,116)	(4,116)	(3,116)	(4,772)	(3,772)	(4,772)	(39,947)

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Projected Budget Forecast, Year 3 ended September 30, 1999

	Oct US\$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$	Total \$
Income													
Consulting	1,000	0	1,000	0	1,000	0	1,000	0	1,000	0	1,000	0	6,000
Training	600	600	600	600	600	600	600	600	600	600	600	600	7,200
BIN Services	50	50	50	50	50	50	50	50	50	50	50	50	600
Publications	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Income	1,650	650	13,800										
Expenditure													
Newbiznet Salaries	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
Newbiznet Office Expenditure	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	49,980
Subsidized Running Costs	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	78,780
Salaries	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Other Expenditure	500	0	0	0	0	0	0	0	0	0	0	0	500
Costs covered by Agbis	650	150	150	150	150	150	150	150	150	150	150	150	2,300
Total Expenditure	7,215	6,715	81,080										
Surplus (Deficit)	(5,565)	(6,065)	(5,065)	(6,065)	(67,280)								
Funded by:													
USAID Subsidized Salary	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
USAID Subsidized Expenditures	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	4,165	49,980
Total USAID Subsidy, \$	6,565	78,780											
USAID Subsidy, %	10%	10%	10%	0%									
USAID Subsidy, \$	657	657	657	0	0	0	0	0	0	0	0	0	1,970
Other Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Funding	657	657	657	0	1,970								
Surplus (Deficit) + Funding	(4,909)	(5,409)	(4,409)	(6,065)	(5,065)	(6,065)	(5,065)	(6,065)	(5,065)	(6,065)	(5,065)	(6,065)	(65,311)

COMMENTS ON MOLDOVA:

Sherry Grossman

I spoke to Jeff last Wednesday evening and he told me that the afternoon and next day in Moldova (after I departed) went better than the morning session and that he was thinking we could continue to work with AGBIS without re-tendering. He was still thinking along the lines of moving the main BSC to Chisinau and having satellite offices in Balti and somewhere in the South.

I agree with you that strengthening the team is more to the point than finding a new company. I didn't see anything that led me to believe that AGBIS was not capable of running this project, but they need to re-dedicate themselves to the task and give us confidence that they can handle both NEWBIZNET and this other post-privatization tender they've won, which made our activity sound like small potatoes. I'd like to see them identify people who can do the job - including spreading entrepreneurial spirit as well as giving concrete, practical advice - BEFORE the contract is renewed, and lay out a plan for how they'll improve their performance with a new office configuration, assuming we all agree that the BSC should be moved to Chisinau with satellite offices. I'm not totally convinced that a satellite office can accomplish much, but it depends on the scope of work.

Paul Novick:

Ivan: I'll send my report (on all of the BSCs) along to all of you in the next couple of hours. In the meantime, Jeff and I did discuss the possibility of re-tendering, but both of us agreed that that would probably not be necessary. Everything depended on Jeff being able to successfully negotiate with the AGBIS chairman a strong "performance-based" contract, a renewed commitment to the project (in the midst of their new restructuring work--400 new employees will be hired), and some staff changes (possibly the project director, consultant and trainer). (Our initial discussion with Muravskij, Chairman, indicated that he was willing to consider all of our ideas -- so I recommend letting Jeff work out the details and then consider what options he has).

Personally, I would not recommend re-tendering because we don't know if there are any "better" companies out there who can do the work, tendering takes time and will definitely slow down the project for who knows how long, and there's not alot of time left in this project. We need to work with what we have.

Re: the "new arrangement" -- small central staff in Chisinau with satellite offices in Balti and in the South -- I like it and think Jeff feels this is the way to go to have the most coverage of the SME firms (which are mostly agribusiness at this point and surely will be after the restructuring effort).

Karrye Braxton:

As I was not involved in the Chisinau trip, I can't give any first-hand knowledge about the operation of the business center there. During the Kharkiv trip, however, I did hear reference made to the fact that AGBIS had recently won another tender from USAID (perhaps one of the land privatization/agricultural land privatization tenders) and there was concern that AGBIS managers were going to be stretched too thin to ensure that NewBizNet was successful.

Also, I heard conversations that suggested that the managers and staff for the Moldova business center could be changed because they were considered weak performers. Is this possible or can this management and staff only be changed through a retender? Tenders require lots of time, effort and expense. Rather than a retender, perhaps the NewBizNet project would be better served by a change in management and staff for the Moldova center as well as strictly defined objectives.

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III. Projected Budgets Forecasts for BSCs

III.iii) Kharkiv

Projected Budget Forecast, Year 2 ended September 30, 1998

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
	US\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Income													
Consulting	1,000	1,100	1,200	1,300	1,400	1,500	1,600	1,700	1,800	1,900	2,000	2,100	18,600
Training	1,000	1,000	1,000	1,200	1,400	1,600	1,800	2,000	2,200	2,400	2,600	2,800	21,000
IT Services	2,400	2,400	2,400	2,500	2,500	2,500	2,600	2,600	2,600	2,700	2,700	2,700	30,600
Publications													0
Other Services	600	600	600	700	700	700	700	700	700	800	800	800	8,400
Total Income	5,000	5,100	5,200	5,700	6,000	6,300	6,700	7,000	7,300	7,800	8,100	8,400	78,600
Expenditure													
IT Services Salaries	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	22,800
IT Services Office Expenditure	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	50,400
Subsidized Running Costs	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	6,100	73,200
Salaries	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Other Expenditure	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Costs covered by Promsaab	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	37,200
Total Expenditure	9,200	9,200	110,400										
Surplus (Deficit)	(4,200)	(4,100)	(4,000)	(3,500)	(3,200)	(2,900)	(2,500)	(2,200)	(1,900)	(1,400)	(1,100)	(800)	(31,800)
Funded by:													
USAID Subsidized Salary	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	22,800
USAID Subsidized Expenditures	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	50,400
Total USAID Subsidy, \$	6,100	6,100	73,200										
USAID Subsidy, %	30%	50%	50%	40%	40%	40%	30%	30%	30%	20%	20%	20%	
USAID Subsidy, \$	3,050	3,050	3,050	2,440	2,440	2,440	1,830	1,830	1,830	1,220	1,220	1,220	25,620
Other Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Funding	3,050	3,050	3,050	2,440	2,440	2,440	1,830	1,830	1,830	1,220	1,220	1,220	25,620
Surplus (Deficit) + Funding	(1,150)	(1,050)	(950)	(1,060)	(760)	(460)	(670)	(370)	(70)	(180)	120	420	(6,180)

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Projected Budget Forecast, Year 3 ended September 30, 1999

	Oct US\$	Nov \$	Dec \$	Jan \$	Feb \$	Mar \$	Apr \$	May \$	Jun \$	Jul \$	Aug \$	Sep \$	Total \$
Income													
Consulting	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	33,000
Training	3,000	3,200	3,400	3,500	3,500	3,500	3,500	3,500	3,600	3,600	3,600	3,600	41,500
BIN Services	2,800	2,800	2,800	2,900	2,900	2,900	3,000	3,000	3,000	3,100	3,100	3,100	35,400
Publications													0
Other Services	800	800	800	800	800	800	800	800	800	800	800	800	9,600
Total Income	8,800	9,100	9,400	9,700	9,800	9,900	10,100	10,200	10,400	10,600	10,700	10,800	119,500
Expenditure													
Newbiznet Salaries	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	22,800
Newbiznet Office Expenditure	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Subsidized Running Costs	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800
Salaries	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Other Expenditure	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Costs covered by Promsnab	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	37,200
Total Expenditure	9,500	9,500	9,500	9,500	9,500	9,500	114,000						
Surplus (Deficit)	(700)	(400)	(100)	200	300	400	600	700	900	1,100	1,200	1,300	5,500
Funded by:													
USAID Subsidized Salary	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	22,800
USAID Subsidized Expenditures	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Total USAID Subsidy, \$	6,400	6,400	6,400	6,400	6,400	6,400	76,800						
USAID Subsidy, %	10%	10%	10%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
USAID Subsidy, \$	640	640	640	0	0	0	0	0	0	0	0	0	1,920
Other Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Funding	640	640	640	0	0	0	0	0	0	0	0	0	1,920
Surplus (Deficit) + Funding	(60)	240	540	200	300	400	600	700	900	1,100	1,200	1,300	7,420

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IV. BSC Summary Score Sheet

COMPANY NAME

NEW BIZNET

USAID/DAI

DATE 19.08.96

BSC SUMMARY SCORE SHEET

Name	Lviv	Odesa	Chernihiv	Kharkiv
Section 1.1.	5	2	2	3
Section 1.2.	5	2	2	3
Section 1.3.	3	3	2	3
Section 1.4.	7	4	5	7
Section 2.1.	12	7	6	9
Section 2.2.	8	5	3	5
Section 2.3.	10	7	5	6
Section 2.4.	9	9	7	8
Section 3.1.	7	8	5	6
Section 3.2.	11	7	7	9

Section total
12 max 20
12 max 20
11 max 20
23 max 40
34 max 60
21 max 40
28 max 60
33 max 40
26 max 40
34 max 60

Section average
3 max 5
3 max 5
2.8 max 5
5.8 max 10
8.5 max 15
5.3 max 10
7 max 15
8.3 max 10
6.5 max 10
8.5 max 15

TOTALS	77	54	44	59
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BSC total
max 400

234

BSC on ave
max 100

58.7

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