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PROMOTION OF SMALL AND MEDIUM PRIVATE ENTERPRISES

DP/ROM/90/002

Report of joint in-depth evaluation mission*

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* This document has not been edited.

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GLOSSARY

BKHF	British Know How Fund
COMFAR	Computerised Model for Feasibility Analysis and Reporting
CTA	Chief Technical Advisor
EU	European Union
FAIR	Foundation for Assistance to Romanian Entrepreneurs
GoN	Government of the Netherlands
IRM	Resources and Industry Ministry
IROMA	Romanian Institute of Management
Judet	County in Romanian language
JICAP	Joint Industrial Commercial Attachment Programme (UK)
LSPM	Labour and Social Protection Ministry
MIS	Management Information System
NAP	National Agency for Privatization
NAPSMED	National Agency for Privatization and Small/Medium Enterprises Development
NMP	Netherlands Programme for Senior Managers (also NMCP)
NUPER	National Union of Private Entrepreneurs in Romania
PHARE	EU Programme for the private sector
PIET	Partners for International Education and Training (USA)
RBFT	Romanian Bank for Foreign Trade
RBI	Romanian Bank for Investment
RDA	Romanian Development Agency
RDB	Romanian Development Bank
RNB	Romanian National Bank
SME	Small and Medium Enterprises
SMPE	Small and Medium Private Enterprises
TTM	Trade and Tourism Ministry
UNWID	UN Programme for Women In Development

EXPLANATORY NOTES

The average commercial exchange rate of the Romanian Lei in relation to the US\$ (Lei / US\$) during the last five years has been as follows;

Year	1988	1989	1990	1991	1992	1993	1994	1995
Rate	14.28	14.92	22.43	76.39	307.95	706.05	1100	2170

EXECUTIVE SUMMARY

1. Main evaluation findings

Project management strategy

The strategy of project management has been to rely upon local manpower resources rather than 'importing' foreign expertise. This approach has proven to be very successful, as it opened challenging opportunities to Romanian professionals and ensured appropriate Romanian language consulting services shortly after project inception. Other features of the management strategy are an entrepreneurial approach to consultancy ('would I finance this project with my own money'); conviction that the private sector has the capacity to organise its own support activities; recognition of the prime importance of thorough staff selection (setting high standards) and application of the principle that training must be based upon practical experience.

Effectiveness of services rendered

The services developed by the Centre have been very effective. The consultancy services provided are in tune with the needs of SME's and most services have proven to be replicable for other Centres and organisations in the country. The number of over 2000 entrepreneurs counselled in 4 years by the ROM-UN Centre alone, is a very good achievement. A more detailed assessment of the specific project outputs is attached.

The strength of the materials and consultancy methods developed lies in their specificity; this makes it possible to quickly train new counsellors, to avoid advice-over-load for the clients and to stimulate 'self help' to the maximum possible extent. Another strength is transparency. The Centre is not secretive with its methods; it publishes guidelines and business information, and allows other organisations to get their staff trained.

Without exception entrepreneurs visited expressed great appreciation for the services rendered. The 'winning formula' of the project is the combination of professional business appraisal and financial intermediation, which serves both the need of the entrepreneurs and the finance institutions, thus enabling the Centres to perform more effective management consultancy for the clients. The majority of the entrepreneurs are operating in the manufacturing industry sector (72 %).

Efficiency of project interventions

The cost effectiveness of the Centre's services is very high by any standard. For a total budget (donor and government contributions) of approximately US \$ 1.5 million, the ROM UN centre has been established and operated for four years, together with the establishment of 10 self sustaining Judet Business Promotion centres. It is estimated that through this network almost 3000 entrepreneurs have been counselled or trained. The annual turnover of the assisted entrepreneurs covers a wide range from insignificant figures up to

US\$ 300 million. However, based on the responses to the questionnaire, 63% of the entrepreneurs have a yearly average turnover of approximately US\$ 500,000.

The major factors in achieving high cost effectiveness are:

- The replicability of all consulting and training methods used;
- Reliance upon highly qualified Romanian staff;
- The high quality of the advice given;
- Mobilization of support by the business community and local government.

The last, but not the least, factor to be mentioned is that the project has avoided over-funding. This keeps all stakeholders fully aware of their own responsibility in the joint undertaking, and helps to maintain a business-like way of working.

Capacity building

The project has created a very qualified group of counsellors, that is highly motivated to further expand the activities. It has also developed a very effective mode of capacity building through its replication mechanism with Judet (county) centres. The success of this approach is inspiring, and serves as a good example for other areas in Romania and neighbouring countries. Moreover, the Centre contributed to capacity building in other organisations, dealing with SME promotion, through training of their staff. An important feature of the approach is confidence building and achievement motivation, not only among staff, but also among entrepreneurs and supporters (like local authorities). The mode of operation strengthens faith in their ability to organise themselves and to face the challenges with their own means.

The establishment of FAIR Foundation, as an umbrella organization of the Judet Centres, provide the proper institutional basis for further development of the network. Exploitation of the advantages of information exchange is a good idea, and can be facilitated with an E-mail network.

Impact

The contribution of the project to SME's development is considered to be significant. The system used has created a large outreach, with good prospects for further expansion over the country. The second impact is that confidence has been created in the ability to effectively undertake support activities for SME's. This will help to make future SME programmes more focused and effective. A third potential impact of the programme is that it may help the Government to better distinguish between efficient and inefficient approaches for SME development, thus allowing for a better return on the investments made in this sector. Finally, mass media coverage for the activities of the Centre helped to remove in the early 90's the negative image of the private sector in the eyes of the public.

It is concluded that the development objective, the strengthening of the small and medium private sector in Romania, has been attained.

Sustainability and prospects for further development

The Judet Centres are self sustainable, thus demonstrating that SME consulting services can support themselves on the basis of the fee charged for the services rendered. The concept of self sustainability is not yet well defined however. Strict application of this concept might lead to non-accessibility for starting entrepreneurs and small operators in general: the potential for local subsidies should be established and appropriate pricing policies in respect of the lower size-bracket of clients defined. The present set-up of the 10 Judet business centres already established, safeguards that self sustainability will be maintained also in the future.

Opportunities and risks

Opportunities

- To facilitate not only individual business creation, but also business associations, so as to increase effectiveness and outreach, and stimulate advocacy for private sector development;
- To replicate the model further within Romania and neighbouring countries;
- To strengthen and further formalize the relationship with local financial institutions;
- To study opportunities to improve finance access for small entrepreneurs, especially those lacking collaterals.

Risks

- Creation of client dependence (free services, cooperation with ill-conceived grant-schemes);
- Non-achievement of financial sustainability of FAIR Foundation by 1997;
- Gradual loss of interest/activity by the Judet centres if the core functions of the ROM-UN Centre would not be taken over effectively by FAIR;
- Too much demand on the services of the Centre by other organisations (donors), which, as they pay well, are given priority; resulting in relative loss of attention for small entrepreneurs and Judet centres;
- Non maintenance of the present high standard of services resulting in a decline of the trust that financial institutions have in the (feasibility) studies of the Centre.

2. Conclusions and recommendations

It is concluded that the project has been very successful and that continuation in accordance with the plans is justified.

The mode for making the current Centre activities sustainable through FAIR foundation is not yet worked out in detail. It is recommended that within 6 months a Corporate Plan/Business Plan for FAIR shall be worked out, and that ultimately after 12 months a review of the sustainability aspect shall be done by the contributors to the project..

In view of the problems observed in respect of access to finance for SME's it is recommended that the Centre, possibly in consultation with its donors, shall study the

possibilities for improving financing facilities for SME's, especially for the smaller enterprises and starting entrepreneurs.

3. Lessons learned

The success of Judet Centres show the strength of the 'people first' strategy. The project did not attempt to safeguard good performance by prescribing a standard institutional structure for the Judet Centres, but rather insisted on professional and very thorough staff selection.

The success of the consulting services with the business community shows the importance of an entrepreneurial approach to business consulting; 'do as businessmen do'. Spoon-feeding and charity alienate; a professional and businesslike approach attracts.

1. INTRODUCTION

1.1. Background

The project Promotion of Small and Medium Private Enterprises in Romania (DP/ROM/90/002) started in 1991. The initial duration was planned to be 36 months. The aim of the project was to establish a consulting and service centre (called ROM/UN Centre) to help, free of charge, interested private Romanian entrepreneurs in identifying, analysing and implementing new business opportunities. The establishment of private enterprise became possible after the revolution of December 1989, which marked the beginning of the transition to a market economy.

Through its direct contacts with the private sector, the Centre was also expected to provide Government institutions useful information to develop appropriate policies, procedures, strategies and laws to create and facilitate a supportive environment to the private initiative. UNIDO was selected as executing agency for the implementation of the project.

After a revision in 1992 and another one in 1993, setting as new targets the establishment of ten Business Centres in the Judets, as part of the Government's strategy to build up a national network of such centres, the project has been extended until December 1995.

As the Dutch Government has shown interest in financing a further extension of the project, UNDP and UNIDO decided to field of a joint in - depth mission for a mid-term review.

1.2. Purpose of the evaluation

A description of the tasks of the evaluation mission are described in the Terms of Reference (annex 1 refers). The primary purposes of the in-depth evaluation are:

- To assess the achievements of the project against its objectives and expected outputs, particularly the multiplier effect of the project;
- To identify and assess the factors that have facilitated the achievements of the project's objectives, as well as the factors that have hindered the fulfilment of the objectives;
- To determine which lessons are to be learned from the existing experience, in order to improve the project activities in the possible further phase, with particular regard to the operations of the county centres and their ability to become self-sustainable.

The mission also reviewed whether the approach utilized in the project has led to optimum results, or whether another one would have improved the results.

1.3. Composition of the evaluation mission

The persons nominated to conduct the evaluation have not been involved in the design, appraisal or implementation of the project. Their observations and findings are the result of the in-depth evaluation carried out in their own capacity. The views and opinions of the team do not necessarily reflect the views of UNDP, UNIDO or the Government of the Netherlands.

The mission was composed of the following members:

- * Mr. Joost de la Rive Box (Independent consultant, NEDWORC Foundation). Representative of UNDP and team-leader, whose assignment has been financed by the General Directorate for the International Cooperation of the Ministry of Foreign Affairs of the Netherlands.
- * Mr. Mario Marchich (Evaluation Officer - Evaluation Section). Representative of UNIDO.

The mission assembled in Bucharest on Sunday 17 September 1995, to start its work. Ten working days were allowed for visiting the Romanian private entrepreneurs, interviewing the ROM/UN Centre staff, discussing with the Romanian Government counterparts for the private sector development, visiting the UNDP office in Bucharest and four Consulting Centres established in different parts of the country. An overview of the mission programme is contained in annex 2.

The preliminary findings have been presented by the evaluation team to the UNDP office in Bucharest, to the National Counterparts and the Chief Technical Adviser, at the end of the field mission, on 29 September 1995.

1.4. Evaluation methodology and approach

Prior to the evaluation mission a questionnaire on client appreciation of services has been sent to over 200 of the Centre's clients. A total number of 71 clients responded in time, which is considered a sufficient sample size to be representative. The mission has given priority to meetings with entrepreneurs/clients/end-users, representatives of the business associations and local government, apart from discussions with the project staff and local counsellors. This has been done in six towns: Bucharest (ROM UN), Pitesti, Buzau, Brasov, Alma Iulia and Satu Mare.

The data derived from the Management Information System of the project, the questionnaire results, the interviews and the evaluators' own observations, enabled the mission to get sufficient insight in the achievements of the project, to accomplish its task. The conceptual framework for evaluation is described in paragraph 2.4 and Annex 4.

2. PROJECT CONCEPT AND DESIGN

2.1. Socio-economic context

Communist heritage

The characteristics of a centrally planned economy were established in Romania between 1948 and 1953, when industry, commerce and finance were nationalized. The communist take over of power proceeded on similar lines to elsewhere in the Soviet bloc, concentrating economic and political power in the hands of the party. Agricultural collectivisation took more time, large holdings were expropriated in 1949, but the full collectivisation was completed only in 1962. In 1965 Ceausescu became Party General Secretary and over the next 24 years he has accumulated power and developed a personality cult. Through the party and the secret police, he consolidated and tightened his personal control over the country.

Revolution of 1989

Due to the severe and closed economic policies the country suffered strong hardships and in the late 1980's, the little internal opposition was growing. The situation deteriorated very rapidly. In December 1989, due to the deportation of a Lutheran pastor in the town of Timisoara, the Romanian ethnic Hungarian community started demonstrations, joined promptly by Romanians. The situation escalated quickly, growing into a full-scale popular revolt, preparing the way for a palace coup among the members of the communist party. On 22 December, the headquarters of the party in Bucharest were seized and two days after, Ceausescu and his wife were executed.

Successive elections

The interim government formed under the NSF (National Salvation Front) was composed of officials who had fallen into disgrace during the previous regime. Some of the most unpopular policies were reversed and new ones introduced, freedom of travel, possibility of foreign borrowing, freedom of press, political amnesty, removal of restrictions on domestic consumption of energy and on imports of consumer goods.

The NSF promised stability, ample social provision and gradual reform, gaining the elections in May 1990, with 68% of the votes¹. The evolution of Romania towards a western-style economy has been hindered by frequent popular disturbances and labour unrest. Two factions developed within the NSF. By early 1991, the pro-reform faction, led by the Prime Minister Petre Roman, obtained the support for the second stage of the reform programme. Mr. Roman was forced to resign in September 1991, following a mass demonstration in Bucharest,

¹ The Economist Intelligence Unit, Country profiles, 1995.

of thousands of miners, joined by many citizens. The political situation was unclear. New elections were delayed by the NSF, which then split into two parties: DNSF (Romanian Social Democratic Party) and the Democratic Party. Several members of the most important opposition parties created the Democratic Convention.

After the elections of September 1992 the RSDP emerged as the strongest party, with 28% of the votes, but unable to form a majority government. After several attempts, finally in November 1992, a minority government was formed. However, this government has a hostile opposition (which is not united) and suffers for labour unrest due to the continuing economic instability. The population has begun increasingly to blame the government for falling living standards, high inflation and unemployment. However, the government is still in power, thanks a series of foreign policy successes, the positive results of the stabilization programme and funding from multilateral donors.

Economic circumstances

Living standards in Romania for the majority of the population were always low, even by East European standards, but in the 1980's they reached the lowest level since the war. The regime increased exports of refined oil products, while imposing energy reduction at home. Domestic consumption was cut back sharply as resources were channelled to pay back the debt.

After the revolution of 1989, the new government cut energy and food exports and increased imports of basic consumer goods, including food, but price liberalization forced many goods out of the range of most consumers.

Although eliminating queuing and improvement in the range and quality of goods and services, the fall in the consumption of main foodstuffs, together with the increase in ownership of durables (cars and some household electrical goods), presents widening income disparities. There has been little change after the revolution in the structure of household expenditure. Nearly 70% of the average family budget continues to be expended on food.

Under communism Romania was an extreme version of the Stalinism industrialization development policy, whose main features were:

- Accent of industrial development at the expense of agriculture. Industrial production accounting for 80% of export earnings and 35% of employment.
- Emphasis on heavy industry (fuels, metallurgy, machinery building, chemicals, non-metallic mining).
- High industrial concentration to ease planning. In 1990 enterprises with over 2000 employees accounted for two-thirds of employment. Less than 1% of the work force was in firms under 200 workers.
- Disregard of consumer goods production and personal consumption.
- Maximum self-sufficiency to the point of autarky.

The forced development pursued gave some advantages after the revolution, like the absence of foreign debt, but although the main necessary legal framework was put in place relatively quickly, the implementation of reforms has been slow. In 1990 foreign trade was liberalized and basic financial reform introduced.

Structural transformation

In May 1994 the IMF approved an agreement worth up to US\$ 720 million in structural transformation facility funds, over 18 months. Tight monetary policy, an acceleration in structural reform including privatization, and liberalization of the foreign exchange market and foreign investment regulations, are the key issues of the agreed policy framework.

Some conditions, related particularly to restructuring and privatization, can allow Romania to expect inflows from other donors, like World Bank, European Union, European Bank for Reconstruction and Development, European Investment Bank. Presently in Romania only 3% of the national capital is invested in private business.

The government has launched a mass privatization scheme to privatize 30% of the state enterprises (approximately 3800). Every Romanian over 18 years old will get a nominal voucher of one million lei (around 500 US\$) and will be able to opt, before 30 September 1995, for shares in the companies he prefers. Since this operation will concern 30% of the total capital of these companies, the remaining 70% will be auctioned off for cash on the market. The value of the shares is based on the registered capital of the company.

The medium and long-term foreign debt of Romania grew in July 1995 to US\$ 4814 billion against US \$ 4801 billion, according to the National Bank's July statement. The major creditors are the International Financial bodies - IMF, European Union, IBRD and EBRD - to which Romania has to reimburse an overall of US\$ 2820 billion. The foreign debt in bilateral relations amounts to US\$ 1993 billion in all².

2.2. Institutional context

At the last census of 1992, Romania had a population of 22.7 million and, after 40 years of centrally planned economy, the country was in poor economical conditions and with severe infrastructure deficiencies. Since 1990 industrial production has considerably declined, energy resources have decreased due to the supply of oil, gas and electricity.

According the annual report 1994 of the Romanian Development Agency (RDA) the private initiative in Romania at 31 December 1994 was subdivided as follows:

Number of companies with private capital	660,176 ³
out of which	
- family associations	81,494
- independent persons	144,641
- companies with private Romanian capital	395,344
- companies with foreign participation	38,356

² Romania Libera, independent newspaper, September 1995.

³ Some companies are still undergoing the registration procedures with the Trade Register

The private sector at end 1994 has contributed 35% of the GDP, employing around 1.1 million persons.

The field of activity of the private capital is as follows:

- manufacturing industry and trade 35%
- services 65%

The RDA defines the SMEs according the following criteria:

- a small enterprise has the number of employees ranging from 1 to 25';
- a medium enterprise from 26 to 200.

Considering its large share of contribution to the GDP, the importance of the SME sector in the Romanian economy is of great importance. The Romanian government and UNDP identified that the lack of knowledge of a market economy and its requirements, coupled with poor entrepreneurial and management skills, were significant drawbacks for the development of the small and medium scale enterprises.

In the light of the above in 1990 the project ROM/90/002 was established for the promotion of the small private enterprises and identification of new business opportunities for the private sector. The original concept of the project was to set up a Centre that would be given to the employees in a short time. The centrally planned economies certainly did not favour the development of private entrepreneurs, but on the contrary, created a negative attitude to profits. Also, lack of competition resulted in poor quality and scarcity of goods and services.

The population did not know market economy requirements. Financial services, materials, premises, equipment, consultancy advice did not exist. For those reasons the possible entrepreneurs needed qualified and competent assistance in developing their ideas and planning a business. The establishment of a consulting and services Centre with knowledgeable, trained and capable persons, was in the initial project document of 1991, the main activity to attain the development objective of the project: strengthen the private sector in Romania, through the assistance to small and medium entrepreneurs, with emphasis on manufacturing and services sector.

At the time of the project formulation, the Romanian main institutions concerned with small private enterprises development were:

- The National Agency for Privatization and Small/Medium Enterprises Development (NAPSMED), also called NAP, that aims at promoting activities based on the free initiative through:
 - simplification of all procedures
 - attraction of foreign capital of Romanians residing abroad
 - elaboration of free market commercial principles and passing units from the public sector to the private one
 - elaboration of the legal protection framework
 - creation of the necessary conditions

- consulting activity
- RDA, the Romanian Development Agency, which is the Government counterpart for the project and acts as public administrator in supporting and developing private small and medium enterprises. One of the main tasks to promote a solid infrastructure of SMEs is to facilitate the creation of SME-DCs (SME Development Centres) all over the country. RDA elaborates strategies, but do not have direct contacts with the entrepreneurs.
- The Romanian Loan Guarantee Fund for private enterprises. The Fund has been created in September 1992 as project, having Canada as Donor for the programme. Since 1993 it is a regular established institution. The Fund guarantees the loans given by the bank to the entrepreneurs to 70% of the ultimate loss, after the bank has recovered from the collaterals.

Moreover a great number of institutions were dealing with certain aspects of SMPE development, such as:

- The Chambers of Commerce, which are independent and are situated in each district with whom all enterprises must register.
- The District Townhalls, which issue licenses for activities based on the free initiatives.
- The Romanian National Bank (RNB), which grants credits under conditions elaborated by the Ministry of Finance.
- The Romanian Bank for Foreign Trade (RBFT), which approves the financing from abroad in hard currency.
- The Romanian Bank for Investment (RBI), which grants credits for deploying activities based on the free initiative.
- The Labour and Social Protection Ministry (LSPM), whose task is to certify the professional capacity of the individuals to carry out independent activities.
- The Trade and Tourism Ministry (TTM), which issues the licences for import/export.
- The Resources and Industry Ministry (IRM), which establishes the quotations of certain raw materials.
- The State Social Insurance Companies which levy the contributions for social insurance and pension.
- The Revenue Offices, which check the balance sheets and levy the tax rates for all the categories.
- The District Courts, whose task is to solve the litigations connected with refusal to grant a licence or its withdrawal.

- The National Union of Private Entrepreneurs in Romania (NUPER), whose statute provides for protection of small entrepreneurs' interests and representation of the common interests of its members.

The National Agency for Privatization and Small/Medium Enterprises Development (NAPSMED) was considered the most appropriate home for the new project.

2.3. The Project Document and its Revisions

In 1990 the first project document was completed. The target beneficiaries of the project were the SMPE entrepreneurs, to enable them to initiate and sustain their own business or to develop existing enterprises.

The main objective was the creation of a consulting and services Centre to facilitate the start-up of small private enterprises. Considering that Romania was just coming out from 45 years of communist centralized economy, counselling to private entrepreneurs was considered of great importance to help the development of the private sector.

In 1993 it was concluded that the ROM/UN Centre had met or exceeded the targets set in the previous revised project. Subsequently, in November 1993 new targets were set, anticipating an additional contribution by the Dutch Government and by the Romanian Government in kind and cash. The new targets established aimed at the creation of ten consulting and services centres in various Judet (counties) of Romania. This development was in line with the Government's strategy to set up a national network of such Centres throughout the country, with the aim to build up loan appraisal capacity for entrepreneurs and financial institutions and to increase the capacity to provide advice and training to private entrepreneurs and organizations. The proposal was approved by all parties concerned, and hence it became the basis for continued operation of the project in 1994 and 1995.

In May 1995 a new budget revision "J" was signed. The budget had an additional financial support by the British Know How Fund. Among the new targets of the project is foreseen to provide assistance to ten newly privatized (formerly State) companies and to upgrade through appropriate training the skills of the new and old counsellors working at the ROM-UN Centre in Bucharest and at the Business Consulting Centres already operating in the Judets. Furthermore, this year a new project document has been drafted for the period 1996-1997, with a plan for the establishment of five more Judet Centres, which has been presented to the Netherlands Government for co-financing.

2.4 Framework for evaluation

As described above, the project design has been revised various times, resulting in the addition of outputs and objectives. Whereas this procedure allowed for distinguishing outputs achieved in the previous phase from outputs not yet achieved, it resulted in a multiplicity of outputs rather than a new revised concept in which all objectives are integrated. For the purpose of evaluation it was desirable to work with one logically consistent set of objectives and outputs. For this reason the three sets of project aims, have been combined in one new

logical framework (annex 4 refers). This framework may also be useful as a basis for further project monitoring and review.

3. PROJECT IMPLEMENTATION

3.1 Establishment of a Business Promotion Centre for SME in Bucharest

During the first phase of the project (1991-1993) the ROM/UN Centre in Bucharest has been established, in accordance to the first project plan. The Government provided a centrally located villa in town, and some support for operating expenses. In April 1991 the Chief Technical Adviser was recruited and in November 1991 the first local consultant, who became the National Project Manager. Project design had been based upon a survey among SME⁴ to identify their problems. This initial problem identification was followed up by round-table conferences in various places of the country. These provided a good insight in the real needs of SME entrepreneurs and a basis for design of the consultancy services to be provided. In 1992 8 counsellors were recruited and trained, and in the following years staff was increased with another 6 counsellors.

Total staffing is shown in table 3.1 below:

Table 3.1: Staffing ROM UN Centre	1992	1993	1994	1995 ⁵
CTA	1	1	1	1
National Project Manager	1	1	1	1
Counsellors	8	7	11	13
Administration	2	2	2	2
Driver	1	1	1	1

At present there are 6 Business Counsellors, 4 Finance Counsellors, 1 Marketing counsellor and 2 Technology Counsellors. All staff of the ROM/UN Centre are paid out of the UNIDO budget.

Recruitment was done on the basis of advertising and a very thorough selection procedure, including tests based on practical cases. All staff members received a three week intensive in-house training in the following subjects:

- Basics of the Consultancy Process
- Basics of General Business Management
- Financial analysis (projections, ratios)
- Export
- Marketing
- Investment appraisal (feasibility study)
- Business plan formulation

⁴ U.N. Report - Survey to Ascertain the Development Problems of the Small and Medium Private Sector in Romania, 1990

⁵ In all tables the 1995 figures refer to the period January to August.

- How to use a computer
- How to use the computer programme for financial appraisal

After a certain period (one or two years) the CTA quickly transferred training of new staff to the staff on board, thus establishing a solid basis for training of staff of other centres.

Staff members also received additional training abroad, as shown in table 3.2 . The only exception are those who recently joined, and one who received overseas training in his previous employment. It should be noted that the national consultants were selected for their professional qualifications, but the CTA and UNIDO agreed on the desirability of additional training to upgrade their skills for operating in a free market economy.

Table 3.2: Training abroad	1992	1993	1994	1995 (September)
Staff ROM UN Centre	1			
- Scottish Enterprise, Scotland				
- Business Development Agency (LEDU) N. Ireland	1			
- Canada, SOCCRENT	1			
- GTZ, Germany		1		
- Scottish Enterprise and other private companies, Scotland		2		
- METCOM - UK				4
- UNIDO - Turkish Gov't, Turkey				1
RDA & Min.of Industry staff				
- Workshop on Industrial Production Development, Turkey				3
- Inward Investment Seminar, Geneva				2

None of the staff training consisted of formal classroom-type of instruction, but rather in-business training to get acquainted with modern business practice and management approaches. This practical exposure, no doubt, has strengthened the consultants' capacity to counsel entrepreneurs effectively. In order for counsellors to stay ahead of perceived needs, Centre and Judet counsellors received training in organisational behaviour and restructuring, based on practical experiences from Poland. In 1991/02 some counsellors undertook training offered by the Romanian Institute of Management (IROMA), conducted by universities from France and UK in management and marketing.

A good yardstick for successful establishment of the Centre, is the number of clients served, as shown in table 3.3 below.

Table 3.3: Number of clients served by the ROM/UN Centre	1992	1993	1994	1995 (September)
Total number of clients served	562	549	577	360
- existing clients (repeat visit)	110	155	127	72
- new clients	452	394	450	288
Total number of meetings with repeat-clients	318	551	441	273
Average number of meetings with repeat-clients	2.89	3.55	3.47	3.79

About a quarter of all clients become 'repeat' clients, visiting the centre 3 - 4 times. The number of clients served annually has more or less remained constant over the four years of Centre operation.

The centre is well equipped, with up to date computer, printing, copying and communication facilities.

3.2 Development of Business Consultancy Services for SME

The services rendered by the Centre to entrepreneurs can be distinguished into six distinct groups of intervention:

- a. Entrepreneur counselling
- b. Business Management Training
- c. Capacity building (training of trainers)
- d. Facilitating access to credit
- e. Technology advice to entrepreneurs
- f. Restructuring of (to be) privatised companies

Each of these services will be briefly described below. The project has developed a Client Registration and Reporting System, on the basis of a computerised data base. With the exception of training seminars, all tables in this chapter could readily be extracted from this data base.

a. Entrepreneur counselling

The Centre has been able to rapidly develop a variety of services in response to the existing demand. Table 3.4 tabulates the areas of entrepreneur counselling, and shows that the scope of counselling activity has changed in the past three years. A marked reduction of counselling can be observed in the field of 'starting up a business', 'bookkeeping', management

issues and 'feasibility studies'⁶. A marked increase can be seen in preparation of loans documentation, business plans and technology advice.

Table 3.4: Counselling area	1992	1993	1994	1995 (September)
Starting	558	478	289	241
Business plan	210	263	292	179
Finance/loans	108	164	443	497
Supply/stocks	29	120	12	15
Marketing	99	146	113	80
Planning	172	66	69	31
Foreign trade	7	55	47	44
Bookkeeping	199	30	7	3
Production management	75	3	6	10
Staff management	44	2	9	1
Legislation	6	62	14	18
Joint ventures/partners	14	82	47	28
Technology	2	51	66	112
Equipment suppliers data base	5	199	8	9
Feasibility study	73	79	43	25
Others	278	41	35	43

In annex 6 a brief description is provided of the main fields of counselling. Over time the demands of clients have clearly changed, in line with the development stage of their business. Whereas initially most clients were assisted with the establishment of their business, gradually more clients came for counselling related to the development of existing businesses. This included also new clients, that had not been assisted in the start up phase.

Table 3.5 Stage of activity of clients served	1992	1993	1994	1995 (September)
Planning of a new venture	247	152	112	21
Starting up of business	66	99	98	67
Development of existing business	27	229	326	240
Other	208	0	3	0

In line with its stated objectives, the Centre has clearly focused on clients involved in production and service industries, rather than trade and commerce.

⁶ The reduction of 'feasibility studies' seems odd in view of the increased importance assistance with loans. This reduction only reflects a change in recording behaviour; from 1994 onwards counsellors were instructed to record all loan-related work under 'Finance/loans'.

Table 3.6 Sector of clients served	1992	1993	1994	1995 (September)
Production/Manufacturing industry	201	208	247	186
Services	221	212	153	80
Commerce	148	152	110	62
Other sectors	26	25	115	196

A detailed sector distribution of enterprises served by the Centre is contained in Annex 7. This shows that the most commonly assisted businesses are in the field of:

- Agriculture (111)
- Food and beverage industry (188)
- Textile products industry (92)
- Wood processing industry (89)
- Publishing and printing (82)
- Oil processing (238)
- Building construction (102)
- Wholesale (269)
- Retail trade (173)
- Travel & transport (97)
- Research and development (85)
- Business services (99)

Whereas wholesale is the single largest group, in the total of all clients (amounting to 2048) the trade sector only covers 22%⁷.

b. Management training for entrepreneurs

The strategy of ROM/UN has been not to get involved in training of entrepreneurs directly, but rather concentrate on training of trainers, as to enable other organisations to undertake this training (discussed below under 'capacity building'). In selected cases training events have been organised by ROM/UN itself for groups of entrepreneurs. This has been done only on request of other organisations, like the UN-WID programme, British Council and private organisations. These training events are usually fully costed and charged to the client-organisation. Usually the funds earned went to the Judet Centres involved. Beginning this year, a portion of the income has also gone to FAIR Foundation.

Examples of such training events are:

- Women in Business seminar, 1 week
- Management seminar for top managers of Arexim, 5 days
- How to get a bank loan - one day.

⁷ Moreover it can be noted that whereas these clients report to be in trade, they often come to the Centre to explore possibilities for redeployment of their earnings in production or export-related procedures.

The table below shows that the number of seminars and the number of participants increased substantially increased.

Table 3.7 Seminars for entrepreneurs	1992	1993	1994	1995 (September)
Number of seminars	9	6	14	13
Number of participants	190	134	328	306

c. Capacity building (training of trainers)

Most training events of the ROM/UN centre have been geared towards training of trainers, so as to allow other organisations to provide consultancy and/or entrepreneur training functions by themselves. Most training of trainers for other organisations has been done on a fee basis. The fees charged are fully covering the costs. The magnitude of these activities are indicated in table 3.7 and 3.8. As the project does not make a distinction in its monitoring statistics between training of trainers, and training of entrepreneurs, the tables also include the latter category.

Table 3.8: Type of seminars held	1992	1993	1994	1995 (September)
NUMBER OF SEMINARS:				
Training of counsellors	-	-	5	1
Training of counsellors Moldova	-	-	-	1
Staff training MIS	-	-	-	1
Finance	3	3	5	-
Women in Business	-	-	-	4
Business plan for unemployed people	-	-	-	1
Communication system	-	-	-	2
Business seminar	-	-	3	1
General Business and finance	6	4	-	-
Export	-	-	-	1
Export financing	-	-	5	2
Management	-	-	-	1
Marketing	-	-	4	1
Recruiting	-	-	-	1
How to get a bank loan	-	-	-	1
Business seminar for PCV	-	-	1	1
COMFAR ⁸	-	-	2	-
TOTAL	9	7	25	19

⁸ COMFAR stands for "Computer Model for Feasibility Analysis and Reporting".

Table 3.8 shows that the total number, and also the diversity of seminars has substantially increased.

The number of participants increased similarly:

Table 3.9: Number of participants in seminars	1992	1993	1994	1995 (September)
Training of counsellors	-	-	141	18
Training of counsellors Moldova	-	-	-	4
Staff training MIS	-	-	-	16
Finance	58	75	123	-
Women in Business	-	-	-	85
Business plan for unemployed people	-	-	-	22
Communication system	-	-	-	30
Business seminar	-	-	70	25
General Business and finance	140	89	-	-
Export	-	-	-	12
Export financing	-	-	78	54
Management	-	-	-	15
Marketing	-	-	100	58
Recruiting	-	-	-	50
How to get a bank loan	-	-	-	24
Business seminar for PCV	-	-	50	24
COMFAR	-	-	29	-
TOTAL	198	164	591	437

The table also indicates the increased importance of instruments that facilitate access to finance, including training for COMFAR, which is a computerised model for feasibility studies of medium sized enterprises (developed by UNIDO).

Table 3.10 Seminars; by type of participants (excluding entrepreneurs)	1992	1993	1994	1995 (September)
NUMBER OF SEMINARS:				
Counsellors of 'our' centres	-	-	2	1
Counsellors of 'other' centres	-	1	3	-
Bank staff	-	-	3	1
Chamber of Commerce	-	-	-	1
Ministry of Labour	-	-	1	-
RDA and others	-	1	2	3
NUMBER OF PARTICIPANTS:				
Counsellors of 'our' centres	-	-	36	18
Counsellors of 'other' centres	-	20	74	4
Bank staff	-	-	61	-
Chamber of Commerce	-	-	-	25
Ministry of Labour	-	-	42	-
RDA and others	-	10	50	84

Not included in the above tables are cases when the Centre staff have been significant contributors to seminars and conferences. Moreover the staff of the Centre has spent substantial time on contributions to papers and studies prepared by others. The Government tends to send drafts of new laws and regulations to the Centre for comments, and so do various other organisations with studies related to SMPE development in Romania.

d. Access to finance

The distribution of client counselling topics (table 3.4 above) shows the increased importance of activities geared to facilitate access to finance, both loans and grants. Already in 1992 the Centre approached a number of banks in order to make them aware of the common interest in improved and standardised loan appraisal methods. Bank staff was informed about the Centre's capability in providing business plans and feasibility studies, and some were trained to use the financial projection model for appraisal. The Centre had previously invested considerable time in the development of its own spreadsheet-based financial projection model, which greatly facilitated this process. No doubt, the good relationship between the Centre and a number of banks is based upon the support rendered by the Centre to the staff of these organisations. Presently the Centre has cooperation agreements with the Post Bank and with the Romanian Development Bank (RDB). The Centre is also working with the newly formed Bucharesti Bank, a private bank with foreign share holding. These agreements are concerned with the standard format for loan applications and the documentation to be provided for loan appraisal. The existence of cooperation with the banks, has greatly strengthened the Centre's attractiveness for clients, because it became an effective mediator for credit access. Similarly, the Centre mediates for access to grant funds, available under other international and NGO schemes in support of the private sector.

Table 3.11: Credit access	1992	1993	1994	1995 (September)
Number of loan applications	5	14	91	58
Amount of loan applications in US \$'000	3526	8865	33566	43308
Number of loans approved	3	6	36	23
Amount of loans approved in US \$'000	692	5654	6139	36710

Table 3.11 shows that the annual amount of approved credit, for which the Centre assisted with loan documentation, has increased from US\$ 692,000 in 1992 to US \$ 37 million in 1995.

e. Technology support to entrepreneurs

The Centre developed a data base for suppliers of new and second hand equipment in Romania and abroad. It contains data of 758 local and 479 foreign suppliers. Retrieval can be done on the basis of key words or sector classification. A users manual has been produced, which, together with the computer programme, has been made available to the Judet Centres. The staff of all Centres has been trained on its use. Presently the possibilities for networking between Centres through E-mail is being investigated. In table 3.4 it can be observed that the number of clients demanding counselling in the field of engineering is increasing.

f. Restructuring

The Centre was invited by the EU funded PHARE Programme to assist with the preparation of restructuring plans for five selected companies, with the assistance of foreign experts.

FAIR Foundation

In April 1995 the FAIR Foundation has been set up as an umbrella organisation for the 10 Judet Centres supported by ROM UN, and one Judet Centre supported by the BKHF. F.A.I.R. is the acronym in Romanian for 'Foundation for the Assistance to Romanian Entrepreneurs'. The purpose of FAIR is to create a network organisation of the Judet Centres and to sustain the activities of the ROM UN Centre after termination of the ROM UN project. The 11 Judet foundations are the founding members. ROM UN could not be a founding member since it lacks legal status, but the ROM UN National Director is a member of the Board of Directors. The Board of Founders elects in the Annual General Meeting a Board of Directors, consisting of five people. This Board of Directors will appoint an Executive Director. It is envisaged that by the end of 1996 the National Project Manager of ROM UN will become the Executive Director of FAIR.

Client Registration and Reporting System

As indicated above, the project is working with a computerised Client Registration and Reporting System. It serves as a Management Information System, in order to help both the counsellors and management to keep track of services provided. By september 1995 the data base cover a total of 2048 clients.

The data base programme is user friendly, as it is entirely menu driven. It has been made available to all Judet Centres. Training of operators in the other Centres is done on the basis of a detailed instruction manual.

3.3 Replication of Business Consultancy Services through the establishment of local Judet Business Promotion Centres

Centre creation

In 1992 the Government adopted as a policy that Business Promotion Centres should be established in 41 counties (called Judet) all over the country. The ROM/UN Centre planned to assist with the establishment of 10 centres. The initiation of Judet Centres was not the same everywhere. In some cases (eg. Satu Mare) a local party came with a request to the ROM/UN Centre, in other cases the ROM/UN Centre took the initiative to consult with all parties involved. In various places (eg Alba Iulia, Constanta) round table conferences were held with the local authorities (Prefectura), the Chamber of Commerce and local business men and their Associations. The leading role was adopted by any of these parties, depending upon which party turned out to be better organised and committed. The project concluded cooperation agreements with the 10 Centres established with the assistance of ROM/UN, which specifies the conditions for cooperation. These 10 centres have to be financially sustained by the local parties. That means that the business associations or the local authorities have to provide the premises with the office furniture, and that the salaries and other operating expenses are recovered from earnings on services rendered. This approach has been adopted by ROM UN from the outset, as it is considered to be the best safeguard for sustainability on the long term. Centres supported by the PHARE programme of the EU are heavily subsidized, and it is doubtful what will happen when the PHARE support comes to an end. Also the performance of these centres is generally considered to be far less successful than those set up by the ROM UN Centre.

Staff recruitment

One of the conditions of cooperation was that the ROM/UN centre is made fully responsible for the recruitment procedure of Judet Centre staff. Based on the experience in Bucharest, it was considered essential for the success of the Centres to select people with the right skills and character traits to become good consultants. This condition was accepted by all 10 centres, not only because it ensured professional selection, but also because it freed the office bearers involved from pressures of the local community to consider this or that person. The recruitment procedure was a replica of the one used for the ROM/UN centre.

Staff capacity building

All newly recruited staff started with a three week intensive training at the ROM/UN centre. Starting in 1994, the training was organised together with the new staff for the ROM/UN itself. This shows that also the training for the Judet centres is a replica of the method developed for internal staff training of the project. Subsequently, one ROM/UN staff member spent a period of two month in the Judet Centre for 'shadowing' the local counsellors and further on the job training. Usually thereafter another counsellor took over for another two months (not necessarily in one block). In 1995 five staff members of local Centres obtained fellowships for training in the UK (British Council), one is in Australia for a 1 year MBA programme and one in Canada for a 6 weeks training.

Equipping the centres

The 10 Judet centres have been provided by ROM-UN Centre with a car, a copier, telephones, fax, computers and printer, together with software and data bases programmes. Half of the equipment for the centres was paid from the Dutch budget, the other half from counterpart funds provided by RDA.

3.4 Support for the strengthening of the national policy framework for SME

Initially the counterpart organisation for the project was the National Agency for Privatization (NAP). During the first six months of his stay, before the preparations for establishment of the Centre were finalised, the CTA spent considerable time with officers of NAP to discuss policies to be established for SME's. Later on, as the Romanian Development Agency was put in charge of Small and Medium Enterprise Promotion, the project was transferred to RDA which became the national counterpart agency. In the early stage, RDA staff was assisted by the ROM-UN Centre in the formulation of national policies for SME. No doubt, the project was in a unique position to advise the Romanian Government on SME policy issues, and as it actively offered this advice, it was felt to be of great help by those concerned.

On request of the World Bank the ROM UN Centre carried out a study to "Identify and Alleviate Major Constraints to Registration of New Companies in Romania", which was well received.

The project gave considerable advice to the PHARE group in setting up their centres, including the whole package of selection, institutional structuring, operating procedures etc. The project also worked closely with USAID, Peace Corps, NMP (Netherlands), Ministry of Industry and the National Council of Reform. Contacts with Soros foundation, P.I.E.T. and JICAP were established to help people get work experience overseas. Assistance was rendered to various embassies in identifying and appraising local parties for Joint Venture programmes.

3.5 Production of books and magazines for SME entrepreneurs

In the 1993 Revised Project Document it was planned that the following publications would be made:

- Basic Managerial Finance book
- Exporting book
- Quarterly publication "INFOCONSULT".

The latter idea was dropped, as it turned out that RDA started a journal for entrepreneurs in 1994. The two books have not yet been completed, but plans exist to publish them soon. The finance book is expected to be ready by the end of 1995, and the Export book by March 1996. The Entrepreneurs Guide has been selling very well - 50,000 copies until now - and is about to be published in a third edition. In order to keep the book affordable for starting entrepreneurs, the price has been set just to balance the publication costs.

3.6 Strengthening private business associations

Even though it has not been a formulated objective, the Centre has undertaken various activities in support of private sector business associations. These activities include:

- Counselling and technology support to the National Society of Fruit Growers in Romania (located in Pitesti). The association, now consisting of over 2000 members, was assisted with equipment for its office and with technology advice on fruit juice production. The Centre is likely to be invited in the future for seminars and counselling of entrepreneurs, especially those involved in fruit processing.
- Assistance to the Hortus - Vegetable Growers Association

3.7. Project inputs and budget

In the first project document, dated 29 October 1990, the UNDP/IPF contribution to the project was US\$ 665,400, while the Romanian input was in kind for a value of 3 million Lei. However, it has to be noted that the contribution of the Romanian Government in real terms is more than indicated, because they were able to get the premises of the centre at a special price, that is at least five times less than the real value of the rent at the current market prices.

In the revision of the document dated 3 April 1992 the UNDP contribution was increased to US\$ 748,254 and the Government input in kind was the equivalent of 30 million Lei. At the date of the signature of this document the UN official rate of exchange was US\$ 1 = 198 Lei.

In December 1994 a new project document and budget revision was signed. Thanks to a contribution of the Dutch Government and a significant increase by the Romanian Government new targets were set: create that replication model of the project through the establishment of ten consultancy business centres in various counties of Romania as part of the Government's strategy to set up a national network of such centres. The increased

contribution offered to the project allowed to establish the objective of creating ten centres, five financed by the Netherlands and five by Romania.

The new inputs were as follows (in US\$):

UNDP/IPF	764,988
Dutch Government cost sharing	542,684
TOTAL	<u>1,307,672</u>

Plus the Romanian Government inputs in kind Lei 47,140,000 and in cash Lei 112,500,000 (for the financing of the five centres).

In consideration of the good results achieved by the project, with the creation of a loan appraisal and follow up service for entrepreneurs and financial institutions, coupled with advice and training to private entrepreneurs and organizations, a new project revision "J" was signed in May 1995 with an additional financial input of the British Know How Fund. This input is designed to provide assistance to ten newly privatized companies and to upgrade and improve the skills of the counsellors at the ROM-UN and associated centres.

The present financing of the project is therefore as follows (in US\$):

UNDP/IPF	764,988
Dutch Government cost sharing	544,199
British Know How Fund cost sharing	216,646
Others (self generating income of the project for a study produced for the World Bank)	40,966
TOTAL	<u>1,566,799</u>

To this amount has to be added the Romanian Government input in kind equivalent to approximately US\$ 75,000, which covers the expenditures for the premises of the centre.

From its start in 1991 till the actual foreseen expiration of the project around mid-1996 the expenditures of the project in US\$ are budgeted as follows:

1991	1992	1993	1994	1995 (estimate)	1996 (estimate)
135,122	291,577	223,095	316,289	401,544	199,172

Project total: US\$ 1,566,799

The present budget is globally for the entire life of the project divided in the following budget lines:

BL-11	International Consultants and Chief Technical Adviser	688,633
BL-13	Administrative project support	83,890
BL-15	Project travel	99,727
BL-16	Headquarters staff travel	12,784
BL-17	National counsellors	383,537
BL-21	Subcontracts	30,410
BL-31/33	Training	56,824
BL-41	Expandable equipment	11,898
BL-42	non-expandable equipment	50,792
BL-45	local procurement	64,434
BL-47	international procurement	56,315
BL-51	Sundries	<u>47,555</u>
TOTAL		1,566,799

It has to be mentioned that during the first three years of the project the expenditures for telephone and fax of the ROM-UN Centre have been paid by the Romanian Government out of their contribution.

It should also be mentioned that the CTA, although still guiding the project and physically still in the ROM-UN office, since this year is paid by a regional programme which provides umbrella support for three recipient countries (Albania, Kazakstan and Moldova) in establishing sustainable organizations and systems for the promotion of the small and medium private sector.

Since the present project executed by UNIDO has proven to be very successful in its assistance to the government and to the emerging small and medium private entrepreneurs, even exceeding the original objectives, the regional project will try to replicate the same model in the three above mentioned countries.

The new regional project, also implemented by UNIDO, is based in Bucharest, in the same premises of the ROM-UN Centre. Besides the successful results of the project ROM/90/002, other reasons for establishing the focal point of the regional project in Bucharest are:

- * the CTA will be the same;
- * the expertise utilized will mainly be Romanian;
- * the ROM-UN Centre is well located geographically to cover the three recipient countries;
- * the existing training facilities in the project ROM/90/002.

The fact that Romania, as host country of the new regional project, is making available assistance, providing accommodation for the headquarters and lecture rooms for the training of the counsellors from the participating countries, is a further acknowledgement of the good achievements of the project ROM/90/002 and its positive impact at the political and public administration level in the country.

3.3. Backstopping by UNIDO Headquarters

The project is implemented by UNIDO and reports to the Human Resource, Enterprise and Private Sector Development Division. The direct backstopping of the project is in the Enterprise Development and Restructuring Branch.

From its beginning the project has been backstopped by the same staff member at UNIDO and this has allowed a continuous and updated monitoring. According to the information gathered by the evaluation mission, the UNIDO backstopping officer has periodically visited the project, at least twice per year, and the contacts with the CTA have been regular, at least twice per week. The regular and active monitoring of the project by the Headquarters and the good cooperation with the CTA are among the important elements that have allowed the project to meet or exceed all the targets set in the project document and its subsequent revisions.

4. PROJECT RESULTS AND ACHIEVEMENTS

4.1 Relevance and management strategy

Relevance

The project was very well-timed. By the time that private enterprise became possible in Romania, the project was already in preparation. Thus it became the first UN donor-funded project for the private sector. In view of the need for a rapid transition towards a market economy, and the obvious need for guidance to the pioneer entrepreneurs in this process, great responsibility was put on those who were offering this guidance. The ROM UN Centre has very well disposed of its responsibility, and has very quickly built up the capacity to meet the demand.

Project management strategy

The strategy of project management has been to rely upon local manpower resources rather than 'importing' foreign expertise. This approach has proven to be very successful, as it opened challenging opportunities to Romanian professionals and ensured appropriate Romanian language consulting services shortly after project inception. Other features of the management strategy are an entrepreneurial approach to consultancy ('would I finance this project with my own money'); conviction that the private sector has the capacity to organise its own support activities; recognition of the prime importance of thorough staff selection (setting high standards) and application of the principle that training must be based upon practical experience.

4.2 Effectiveness of services rendered

Effectiveness is assessed in three ways:

- a. Were the services rendered as planned ?
- b. Clients appreciation of services rendered
- c. Evaluator's assessment of service profile and quality

a. Were the services rendered as planned ?

The project documents provide precise descriptions of outputs, but usually no quantitative targets in terms of numbers of clients etc.. A process approach to planning has been used, in which the project plans and activities have been updated in accordance with experience obtained. Thus, actual achievements can be compared to the 'outputs' planned. In annex 4 an assessment is made of the actual achievements for each of the planned outputs. From this assessment it can be concluded that the project has realised all planned outputs, with only minor exceptions (eg. the delay in publication of the finance manual and export manual).

Due to the fact that no quantitative targets were included in the project plans, there is no 'hard' yardstick for the volume of work done, as described in chapter three above. It is observed however that in the perception of those who have been involved in supervision of the project from the Government, the project has certainly not disappointed in terms of number of entrepreneurs served. Rather the contrary; generally great satisfaction is expressed about the quality and the volume of services rendered. Especially the successful replication through Judet Centres, has created a good perspective for reaching a substantive part of all starting entrepreneurs in those areas.

b. Clients appreciation of services rendered

With 71 respondents, the questionnaire provides a good basis for assessment of client appreciation of the services rendered by the Centre⁹. The details of the survey results can be looked up in Annex 10. The main conclusions from the survey are:

- Most clients indicated that the services were useful to them (63 % 'very useful'; 30 % 'useful').
- Many clients (74%) obtained direct benefit from the advice (most frequently loans or grants, but also contact with local partners, legal and financial information, and information how to better run their business).
- The vast majority (88%) found the relationship with the counsellor appropriate; and consider their knowledge 'very good' (82%) or 'good' (8%).
- Without exception the respondents would recommend the Centre to a friend.
- A very high proportion (96%) indicate that continued contacts with the Centre would be useful to them.
- Almost all respondents (94%) indicate willingness to pay for the services rendered
- 'What did you like concerning our services?' is answered with: professionalism, competence, kindness, promptness (together 77%).

Moreover, many respondents added very appreciative personal notes on their relationship with the counsellor.

It seems fair to conclude that the services are highly appreciated by clients, and have proven to be effective for the majority of them.

c. Evaluator's assessment of service profile and quality

The project has been able to rapidly develop a set of tools, enabling the counsellors to deal with the common needs of entrepreneurs in an efficient manner. The strength of the materials and consultancy methods developed lies in their specificity. They are focused on the core issues; thus avoiding over dosage of information. This makes it possible to quickly train new counsellors, to avoid advice-over-load for the clients and to stimulate 'self help' to the maximum possible extent. Another strength is transparency. The Centre is not secretive with its methods; it publishes

⁹ The questionnaire has been sent to the clients with which the Centre has been dealing more seriously; this was a sub set of approximately 10 % of the total number of clients ever served. In this way the survey is 'biased'; it selected clients who continued to work with the Centre after the first visit.

guidelines and business information, and allows other organisations to get their staff trained. It has even assisted other donor programmes to strengthen their set up, and under the new regional programme, assistance is rendered to organisations in neighbouring countries to build up Business Centres.

The 'winning formula' of the project is the combination of professional business appraisal and financial intermediation, which serves both the need of the entrepreneurs and the finance institutions, thus enabling the Centres to perform more effective management consultancy for the clients.

The services developed by the Centre have been very effective. The consultancy services provided are in tune with the needs of SME's and most services have proven to be replicable for other Centres and organisations in the country. The number of over 2000 entrepreneurs counselled in 4 years by the ROM-UN Centre alone, is a very good achievement.

It is concluded that the services rendered by the Centre have been very effective in assisting private entrepreneurs to set up or develop their enterprises.

4.3 Efficiency of project interventions

Have the resources provided by the Romanian Government and donors (UNDP, GoN, BKHF) been used well ? This aspect of efficiency assessment can be approached by looking at:

- a. Cost effectiveness of project operations
- b. The replication model used (Judet centres and information dissemination)
- c. Evaluators assessment of efficiency of work done by the centre

The **cost effectiveness** of the Centre's services is very high by any standard¹⁰. For a total budget (donor and government contributions) of less than US \$ 1.6 million, the ROM UN centre has been established and operated for four years, together with the establishment of 10 self sustaining Judet Business Promotion centres. It is estimated that through this network almost 3000 entrepreneurs have been counselled or trained. Part of the 'return' on this investment is yet to come, through replication of 5 other Judet Centres and continued operation of the present centres.

The major factors in achieving high cost effectiveness are:

- The replicability of all consulting and training methods used, and the active replication efforts of the project (through Judet Centres).
- Reliance upon highly qualified and well trained Romanian staff
- Mobilization of support by the business community and local government

¹⁰ Cost-effectiveness is usually assessed by comparing costs of two or more programmes with comparable outputs or effects. In this case the mission has not formally analyzed the cost of other programmes. It is known however that for instance the PHARE programme of the EU spends many times the total budget of the ROM-UN project, while the output is substantially lower, both in terms of number of centres and end users, and in terms of quality of service (as perceived by financial institutions).

The last, but not the least, factor to be mentioned is that the project has avoided over-funding. This keeps all stakeholders fully aware of their own responsibility in the joint undertaking, and helps to maintain a business-like way of working.

Replication model

An important factor in cost effectiveness, and at the same time the major achievement of the Centre, is the successful replication in 10 Judet centres. By the time that the project started this effort in 1993, it was a difficult undertaking. The Centre could offer its expertise and some financial assistance for equipment, but nothing else. Housing, salaries for counsellors and other operating expenses had to be covered by the local parties involved. Moreover, the Centre insisted that it should be given a free hand in the selection of staff. Those involved in the mobilization of local entrepreneurs and local government for the establishment of Judet Centres must be commended. They succeeded in getting the parties together on this enterprise, and to create confidence that it can be done with their own resources. The result is that a sense of pride and ownership has been created, and that perpetual dependence on subsidies has been avoided. What is most important, these Centres deliver valuable services. Even though the client survey did not include clients of Judet centres, the feed-back obtained from parties involved on the local level confirms that the quality of work generally matches that of the ROM UN Centre. For instance: an officer of a national financial institution indicated that they rely upon the studies made by the ROM-UN related Centres for their financial appraisal, while this is not the case with studies prepared by other Business Centres or institutions.

4.4 Capacity building

Recruitment of the right counsellors, is considered one of the most important factors for the success of the project. The aim of the recruitment procedure was to identify and attract excellent young professionals with all personality characteristics required for business consultancy. The flow of positive signals received from clients and cooperating organisations, indicate that this has been achieved. The fact that some finance institutions only want to rely upon the recommendations of ROM/UN, and not on those from other similar business centres, underlines the crucial importance of trustworthiness and character-integrity of the counsellors.

The project has created a qualified group of counsellors that is highly motivated. It has also developed a very effective mode of capacity building through its replication mechanism with Judet (county) centres. The success of this approach is inspiring, and serves as a good example for other areas in Romania and neighbouring countries. Moreover, the Centre contributed to capacity building in other organisations, dealing with SME promotion, through training of their staff. An important feature of the approach is confidence building and motivation, not only among staff, but also among entrepreneurs and supporters (like local authorities). The mode of operation strengthens faith in their ability to organise themselves and to face the challenges with their own means.

The establishment of FAIR Foundation, as an umbrella organization of the Judet Centres, provides the proper institutional basis for further development of the network. Exploitation of the advantages of information exchange is a good idea, and can be facilitated with an E-mail network.

4.5 Significance and impact

To what extent has the project contributed to the wider objective of SMPE promotion in Romania? This question can be answered by looking at the direct impact; the enterprises assisted by ROM UN, and the indirect impact on other organisations working towards the same objective.

Direct impact

One way to measure impact is to look at the type of enterprises that are assisted by the Centre, and the number of jobs they create. Table 4.1 shows that the total employment of enterprises, as recorded at the moment of **intake**, is approximately 18.500 jobs.

4.1 Characteristics of registered businesses in data base	1992	1993	1994	1995 (September)
Number of businesses registered	347	422	494	324
Total number of employees	3230	3557	6989	5118
Average number of employees	8.6	8.4	14.2	15.8

The size distribution in terms of employment, shows that the focus is on the smallest size bracket of enterprises. This confirms that the Centre takes the small entrepreneurs as its targetgroup.

4.2 Size distribution of registered businesses in terms of employees	1992	1993	1994	1995 (September)
1-5	317	366	347	214
6-10	20	25	59	39
11-20	10	13	52	32
21-50	19	14	47	31
50-100	6	8	10	5
100-200	8	4	10	6
over 200	2	3	3	4

The impact is much larger however than can be deduced from records made at the moment of intake. The evaluators visited several firms that have shown spectacular growth in the three or four years of their existence. Some examples:

- Labor Med, a company producing medicines, started with 9 partners in 1991 and a capital of US \$ 500. The company now has 130 employees and a turn over of US\$ 2.5 million per year.
- ELMI Company, started by a pharmacist and her husband in 1992 with \$ 50, produces cosmetics and now employs 13 people with a turn over of \$ 600,000 .
- Condem company was started two years ago by a production manager in a state company, who took along 40 of his workmen. Now the company has constructed a big workshop for metal fabrication, employs 130 people and has an achieved turn-over of \$ 2.1 million per year.

These are examples of typical success cases, but they illustrate the point that assistance to small enterprises now, may have impact on what will be medium scale or even large scale enterprises in few years time.

Indirect impact

Apart from the clients served by the ROM UN Centre, the project had a very substantial indirect impact through the 10 Judet Centres that it helped establishing and through other organisation it assisted. In the past year that the Judet Centres have become operational, they assisted 1193 clients. Together they assisted with 173 loan applications for a total amount of over US\$ 35 million. They organised 20 seminars for over 450 participants, mostly entrepreneurs. More detailed information on the activities of the 10 Judet Centres is contained Annex 9.

Conclusion

The contribution of the project to SME's development is considered to be significant. The system used has created a large outreach, with good prospects for further expansion over the country. The second impact is that confidence has been created in the ability to effectively undertake support activities for SME's. This will help to make future SME programmes more focused and effective. A third potential impact of the programme is that it may help the Government to better distinguish between efficient and inefficient approaches for SME development, thus allowing for a better return on the investments made in this sector. Finally, mass media coverage for the activities of the Centre helped to remove in the early 90's the negative image of the private sector in the eyes of the public.

It is concluded that the development objective of the project, the strengthening of the small and medium private sector in Romania, has been attained.

4.6 Sustainability and prospects for further development

Sustainability

The Judet Centres are self sustainable, thus demonstrating that SME consulting services can support themselves on the basis of the fee charged for the services rendered. The concept of self sustainability is not yet well defined however. Strict application of this concept might lead to non-accessibility for starting entrepreneurs and small operators in general: the potential for local subsidies should be established and appropriate pricing policies in respect of the lower size-bracket of clients defined. The present set-up of the 10 Judet centres safeguards that self sustainability will be maintained also in the future.

The ROM UN Centre is not self sustainable because until now no fees were charged for their services. The main reason given is that, unlike the Judet Centres, the ROM UN Centre did not have a legal status and hence was not able to charge for services. The strategy is that FAIR will take over the activities of the ROM UN project, at least those parts that are not taken over by new (donor funded) follow up projects. It is envisaged that by the end of 1996 FAIR will be able to continue the core tasks of the ROM UN project on a financially self sustaining basis.

Project plan for 1995 - 1997

In the coming two years (1995/96 and 1996/97) the project will undertake four major tasks:

- Continue to serve clients for the Business Centre in Bucharest;
- Continue to provide backstopping to the 10 Judet Centres established in 1995/95;
- Establish 5 new Judet Centres;
- Gradually transfer the operations to FAIR, in such a way that by the end of 1996 FAIR can take over all core activities in a self sustaining manner.

In order to build up FAIR Foundation three phases can be distinguished:

- Phase 1: ROM UN will attract contracts, that shall be implemented through FAIR by the Judet Centres and the ROM UN Centre. In this stage FAIR is still an 'empty' organisation. The purpose is to generate within FAIR a working capital of approximately \$ 40,000, as a basis for starting the second phase. It is expected that this will be accomplished by mid 1996.
- Phase 2: FAIR takes over three counsellors from ROM UN Centre and recruits an administrative officer. This core staff will take over an agreed part of the work of ROM UN, and will sustain itself from the income generated with consultancy work and studies. ROM UN project activities are now all fully charged, and the minimum conditions for self sustainability of these activities have been met. This should be achieved in the second half of 1996.
- Phase 3: All core project activities are taken over by FAIR. The National Project Manager becomes the Executive Director of FAIR. It is likely that most of the project counsellors will also move to FAIR. The project can be terminated without jeopardising continuity of the activities initiated by the project.

On the basis of this plan, it can be concluded that a perspective for sustainability exists, even though the details of this plan still need to be worked out.

4.7 Opportunities and risks

Opportunities

- To facilitate not only individual business creation, but also business associations, so as to increase effectiveness and outreach, and stimulate advocacy for private sector development;
- To replicate the model further within Romania and neighbouring countries;
- To strengthen and further formalize the relationship with local financial institutions;
- To study opportunities to improve finance access for small entrepreneurs, especially those lacking collaterals.

Risks

- Creation of client dependence (free services, cooperation with ill-conceived grant-schemes);
- Non-achievement of financial sustainability of FAIR Foundation by 1997;
- Gradual loss of interest/activity by the Judet centres if the core functions of the ROM-UN Centre would not be taken over effectively by FAIR;
- Too much demand on the services of the Centre by other organisations, which, as they pay well, are given priority; resulting in relative loss of attention for small entrepreneurs and Judet centres;
- Non-maintenance of the present high standard of services resulting in a decline of the trust that financial institutions have in the (feasibility) studies of the Centre.

5. C O N C L U S I O N S A N D R E C O M M E N D A T I O N S

It is concluded that the project has been very successful and that continuation in accordance with the plans is justified.

The mode for making the current Centre activities sustainable through FAIR foundation is not yet worked out in detail. It is recommended that within 6 months a Corporate Plan/Business Plan for FAIR shall be worked out, and that ultimately after 12 months a review of the sustainability aspect shall be done by the contributors to the project.

In view of the problems observed in respect of access to finance for SME's it is recommended that the Centre, possibly in consultation with its donors, study the possibilities for improving financing facilities for SME's, especially for the smaller enterprises and starting entrepreneurs.

6. LESSONS LEARNED

The good performance of the project points out that there are quite a few lessons to be learned:

- * The selection of the CTA was well done. It was a good idea of UNIDO to organise formal interviews with the CTA and UN and Government Officials in Bucharest prior to his being hired. In view of the value of this selection, it was worth the investment in travel expenditure.
- * Rather than relying upon a team of foreign consultants, training their (junior) counterparts, the project adopted a strategy of recruiting very good Romanian professionals and provide them some additional training/exposure on consultancy. This staff is well-remunerated by Romanian standards, but the solution is more effective and more sustainable.
- * The replication model used for the Judet Centres is innovative and an important step forward. Replication -or 'demonstration effect'- is often aimed at, but not so often realised. In this case it is fully realised, with maintenance of the quality standards set by the ROM UN Centre. Crucial elements:
 - The project knew how to get the local business community and local authorities along, so as to let them take the initiative and responsibility.
 - Staff was selected by the ROM UN Centre; thus ensuring maintenance of a high professional standard
 - The good reputation of the ROM UN Centre in the business community inspired confidence.
- * Replicability was 'in built' in all activities; no methods or approaches are used that cannot be easily communicated (in training or counselling) by Romanian staff to new counsellors.
- * The success of Judet Centres show the strength of the 'people first' strategy. The project did not attempt to safeguard good performance by prescribing a standard institutional set up for the Judet Centres, but rather insisted on professional and very thorough staff selection.
- * The success of the consulting services with the business community shows the importance of an entrepreneurial approach to business consulting; 'do as businessmen do'. Spoon-feeding and charity alienate; a professional and businesslike approach attracts.
- * Training of Romanian consultants has been 'on the job' in West European companies, rather than degree courses and classroom-type of training.

PROJECT ROM/90/002: PROMOTION OF SMALL AND MEDIUM PRIVATE ENTREPRISES

TERMS OF REFERENCE FOR THE EVALUATION MISSION September 1995

I. BACKGROUND

The project ROM/90/002 started in October 1990 having as its development objective the promotion of the small and medium private sector in Romania.

The project established the first consulting centre for SMPEs in Romania in 1991 providing consulting, training and information services for private entrepreneurs. After 3 years of successful operations, the funding bodies - UNDP and the Romanian Government - decided to expand the project in order to establish a national network of 10 county consulting centres for SMPEs. Additional funding from the Dutch Government were committed to this objective starting 1994.

From June 1995 the activities of the project were further developed for assistance in the restructuring of recently privatized companies, with a contribution from the British Know How Fund.

II. PROJECT OBJECTIVES

The immediate objective of the project is the strengthening of the small and medium private sector in Romania.

To achieve this objective the activities of the centre are focused in the following areas:

1. Provision of confidential, impartial and professional direct counselling, training and information services to existing and potential private entrepreneurs, and assistance for privatized companies in their restructuring process.
2. Assistance in the implementation of the national network of consulting centres for SMPE.

III. MISSION AIMS

The mission will focus on the following aspects:

1. Evaluation of the set and attained objectives, activities, and current achievements using the success criteria established in the last revised Project Document both from a qualitative and quantitative point of view.

Particular attention will be paid to the assessment of the multiplier effect of the project and to the development of a corpus of well qualified national professionals.

With respect to the operations of the county centres the attention will be focused on their ability to become self-sustainable.

2. Evaluation of the availability and use of the financial and other resources allotted to the project.

The mission will assess if the initial budgets were well dimensioned and well spent, if the premises and other material contributions were appropriate for the development of quality activities.

3. Evaluation of the respect of timetables and of the possibility of attaining all objectives by the end of the project - mid 1996 according to the current Project Document.

4. In order to draw some recommendations for further activities, the mission will:

- analyze the major problems which should be solved in order to ensure the good operations of the project;

- determine what lessons are to be learned from the existing experience and are to be used to further improve the project activities;

- examine the relations between the consulting centre and the end-users;

- analyze the current and perceivable results in order to suggest:

- areas in which further support will be needed (from the project team, local counsellors and / or from other international aid programmes);

- new areas requiring support activities;

- areas in which no significant results were obtained or which do not need further assistance.

IV. MISSION MEMBERS

- A representative of UNDP - Head of the mission
- A representative of UNIDO - the executing agency
- A representative of RDA on behalf of the Romanian Government

V. TIMETABLE

The evaluation mission will take place in the period 18 - 29 September 1995.

VI. FIELD RESEARCH

The mission members will be in permanent contact with the UNDP Resident Representative in Romania, the Romanian Government authorities in charge with the private sector development and the implementation of this project, the Chief Technical Advisor, the National Project Manager, and all national experts within the project.

The mission will be in contact with the managers and personnel of any of the 10 county consulting Centres and will visit some small private entrepreneurs who utilized the services of the Centre.

The mission will be free to discuss any issue related to its mandate with the involved bodies, but will avoid making any decision or commitment on behalf of the project funding and executing agencies.

VII. FINAL REPORT

According to the UNDP procedures, before its departure from Bucharest, the mission will present a draft report to be further discussed by involved parties at the local UNDP Office.

The Resident Representative will be responsible to officially submit the final report to the Romanian Government body in charge, to the UNDP and UNIDO headquarters, and to the Dutch Government.

Dear Client,

We kindly ask for your support in our attempt to continually improve and adapt our services to your requirements and needs.

Please fill the following questionnaire and add any comments and recommendations you think appropriate. Your answers will be used in strict confidentiality and will be of real help for us.

QUESTIONNAIRE

1. Name of the company
Year of establishment
2. Type of activity:
1. Production 2. Services 3. Trade
3. Number of employees
4. Annual turnover
5. Where did you learn about our centre:
 1. In the newspapers (name it)
 2. From an institution (name it)
 3. From a friend
 4. At a public meeting
 5. In a book / catalogue (name it)
 6. Other source (name it)
6. When did you first contact our centre? (approximate date)
7. How many times did you meet one of our counsellors?
1 2 3 more than 3
8. What kind of assistance were you seeking?
 1. Start-up
 2. Business plan / Feasibility study
 3. Finance - accounting
 4. Marketing
 5. Legal information
 6. Partners / contacts
 7. Technology
 8. Others (list please)
9. What assistance did you obtain?
 1. Start-up
 2. Business plan / Feasibility study
 3. Finance - accounting
 4. Marketing
 5. Legal information
 6. Partners / contacts
 7. Technology
 8. Others (list please)

- 10. Was the assistance:
 - 1. very useful
 - 2. useful
 - 3. normal
 - 4. slightly useless
 - 5. completely useless

- 11. Did you obtain any benefits from the assistance received? Y / N
 If Yes, please shortly describe

- 12. What is your impression on:
 - 12.1. - Your relationship with our counsellors:
 - 1. appropriate
 - 2. normal
 - 3. inappropriate

 - 12.2. - The way the activity of the centre is organized (appointments, timing, premises):
 - 1. appropriate
 - 2. normal
 - 3. inappropriate

 - 12.3. - The professional knowledge of our counsellors:
 - 1. very good
 - 2. good
 - 3. normal
 - 4. slightly inappropriate
 - 5. very bad

- 13. Would you recommend our services to a friend? Y / N

- 14. What further services / support do you need?
 Please list

- 15. Do you think keeping regular contacts with our centre would be useful to you? Y / N

- 16. Would you be willing to pay for such services? Y / N

- 17. How much do you think is worth the following services ? (lei):
 - 1 piece of information
 - 1 counselling session on a complex matter
 - assistance in elaborating a loan dossier / feasibility study
 - 6 hours of training

- 18. What did you like concerning our services?

- 19. What did you not like concerning our services?

- 20. Other recommendations and comments:

PROGRAM FOR THE EVALUATION TEAM

Mo., September 18

- 09:00 - 09:30 Welcome to the team
- 09:30 - 12:30 NPM presentation of the program
- 14:00 - 15:00 Rromani Criss Association
- 15:00 - 16:00 Introduction to the national experts, discussions
- 16:00 - 18:00 Client reporting system and technical data base

Tu., September 19

- 09:00 - 10:00 CTA
- 11:30 - 13:00 Romanian Development Agency
- 14:00 - 15:00 UNDP Bucharest
- 15:00 - 16:00 Romanian Loan Guarantee Fund

Wed, September 20

- 09:00 - 10:00 Discussions on findings (ROM/UN Centre)
- 10:00 - 13:00 Visit of LABOR MED ltd - work in process
- 14:00 - 16:00 Questionnaires - Centre evaluation done by the clients

Th., September 21

- 09:00 - 10:30 Visit to Elmiprod ltd
- 10:30 - 12:30 Visit to Vinexport ltd
- 12:30 - 13:00 Meeting with USAID
- 14:00 - 16:00 Visit to Condem ltd

Fr., September 22

- 08:00 - 12:30 National society of the fruit growers SNPR/HORTUS
- 13:00 - 16:00 Centre in Bucharest -individual discussions with all counselors

Mo., September 25

- 08:00 - 17:00 Buzau and Brasov Centres (local centre, local partner, clients)
Overnight in Brasov

Tu., September 26

- 07:30 Departure for Alba Iulia
- 11:00 Alba Iulia Centre, local authorities, clients
Overnight in Alba Iulia

Wed, September 27

- 07:00 Departure for Satu Mare
- 11:00 - 18:00 Satu Mare Centre, local partner, clients.
Overnight in Satu Mare

Th., September 28

- 8:00 Departure for Bucharest
- 9:30 - 16:00 Centre in Bucharest- preparation of the report; discussions with UNDP Resident Representative

Fr., September 29

- 09:00 - 12:30 Centre in Bucharest- preparation of the report
- 14:00 - 16:00 Discussion of the draft report with CTA, NPM and staff

LIST OF PERSONS MET

BUCHAREST

Ministry of Foreign Affairs

Mr. Ion C. Popescu	Director of Division of the United Nations and International Organizations
Mr. G. Istode	Counsellor

Romanian Development Agency (R.D.A.)

Ms. M. A. Balan	General Division for SMEs Development
Mr. C. R. Siriteanu	Director SMEs Development Division

Romanian Loan Guarantee Fund for Private Enterprises

Ms. T. Bratescu	Assistant to the President
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The Netherlands Embassy

Ms. S.A.H. van der Laan	Commercial Secretary
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United Nations Development Programme (UNDP)

Mr. P. den Baas	Resident Representative
Mr. G. Galatchi	Assistant Resident Representative

USAID

Mr. G. Ionescu	Economic Assistant
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ROM-UN Centre for the Promotion of Small and Medium Private Enterprises

Mr. J. Allen	Chief Technical Adviser of Regional Programme for the Support of Private Enterprise Development
Mr. V. Nitu	National Project Manager

Mr. F. Botea	Senior Business Counsellor
Mr. G. Constantinescu	Finance Counsellor
Ms. M. Doiciu	Business Counsellor
Ms. A. Duicu	Business Counsellor
Ms. M. Haidaev	Marketing Counsellor
Mr. M. Manole	Finance Counsellor
Ms. C. Manescu	Business Counsellor
Ms. C. Neagoe	Technology Counsellor
Mr. P. Nica	Technology Counsellor
Mr. M. Onita	Senior Adviser and Finance Counsellor
Ms. M. Palaloga	Business Counsellor
Mr. A. Pop	Finance Counsellor
Ms. C.L. Zarzu	Business Counsellor

Romanian Entrepreneurs and Associations - Bucharest

Ms. X.-C. Burcea	Director-General - LABORMED PHARMA, Production of Medicines
Mr. I. Lovin	Technical Director - LABORMED PHARMA
Ms. E. Cremenescu	General Manager - ELMI PRODFARM S.R.L., Cosmetic Products
Ms. A. Varvaroiu	General Manager - PRO-CONSUL, Design and Production of Aluminium Architectural Products
Ms. M. Isfan	Financial Manager - VINEXPORT, Trading Company Ltd.
Mr. N. Zahiu	Director-General - CONDEM, Metal Products
RROMANI CRISS	The RROMA Centre for Social Intervention and Studies

PITESTI-MARACINENI

Dr. Ing. P. Pirva	Director of the Research Institute for Apple Cultivation
Dr. I. Ilarie	Chairman of National Society of Fruit Growers in Romania

BUZAU

Ms. C. Bar	Director of Foundation for the Promotion of Small and Medium Private Enterprises Business Center
Mr. M. Picos	Engineer-Counsellor of the Business Center

BRASOV

Mr. B. Merfea	Director of the Foundation for the Promotion of Small and Medium Entrepreneurs, Consultancy Center
Mr. M. Suman	General Administrator of DOMOREX S.R.L, Civil Construction Works
Ms. S. Dolga	Director-General of PRO-TUAL, Textiles - Working Clothes

ALBA IULIA

Mr. I. Rus	Prefect of Judet Alba Iulia
Mr. O. Marin	Subprefect of Judet Alba Iulia
Mr. I. Bele	Vice-President of Alba Iulia Town Council
Mr. T. Neamtu	Manager - Financial Adviser of Small and Medium Business Consultancy Center Alba Iulia
Mr. V. Resteman	Business Adviser - Small and Medium Enterprises Business Consultancy Center Alba Iulia
Mr. O.D. Duna	Business Adviser - Small and Medium Enterprises Business Consultancy Center Alba Iulia

Mr. Mircea Sabau

General Manager of ABROM S.A., Production
of Wooden Furniture

SATU MARE

Mr. F. Pecs

President of the Foundation for the Development
of Small and Medium Enterprises Satu Mare,
Member of the Parliament of Romania and
Member of the Committee for Foreign Policy

Ms. G. Barkasz

Director, Business Counsellor Center for
Development of Small and Medium Enterprises

Ms. E. Müller

Finance Counsellor, Business Counsellor Center
for Development of Small and Medium
Enterprises

Mr. T. Pacurar

Owner Manager of Hotel-Restaurant Aurora

Ms. R. L. Ghiduti

Owner Manager of Hotel-Restaurant Aurora

Mr. A. Dobi

Manager of DOBIPLAST, Plastics Factory

PROJECT OUTPUTS	INDICATORS
<p>1. Establishment of a viable Business Promotion Centre for SME in Bucharest</p> <p>Activities:</p> <ul style="list-style-type: none"> . staff recruitment and manpower planning . staff capacity building: training and exposure . equipping the centre 	<ul style="list-style-type: none"> . Centre established and functioning . Centre has good reputation . Sustainability of Centre operations <ul style="list-style-type: none"> . staff recruitment . staff sufficiently training and exposed . Centre is fully equipped
<p>2. Development of replicable Business Consultancy Services for SME</p> <p>Activities:</p> <ul style="list-style-type: none"> a. Entrepreneur counselling b. Business Management Training c. Capacity building (training of trainers) d. Facilitating access to credit e. Technology support to entrepreneurs <p>Support activity:</p> <ul style="list-style-type: none"> f. Client Registration and Reporting System 	<p>Consultancy services are provided that are in demand by SME and the services are replicable for other Centres and organisations in the country.</p> <ul style="list-style-type: none"> a. Number of entrepreneurs counselled, repeat demand, client appreciation, appreciation by banks and others) b. Number of Business Management Training seminars conducted; participants c. Number of TOT seminars conducted, participants, client appreciation d. Number of clients assisted with access to credit; amount of loans involved e. Technology support to entrepreneurs: number of clients helped; appreciation f. System serves the purpose of MIS
<p>3. Replication of Business Consultancy Services through the establishment of 10 local Judet Business Promotion Centres that are financially self sustainable.</p> <p>Activities:</p> <ul style="list-style-type: none"> a. staff recruitment b. staff capacity building: training c. equipping the centres 	<p>The establishment of 10 self sustaining Judet Centres The consulting methods and modules of ROM-UN can be applied in full by these centres.</p> <ul style="list-style-type: none"> a. Staff for all centres recruited by ROM UN b. Staff of all centres trained and guided on the job c. All centres equipped
<p>4. Support for the strengthening of the national policy framework for SME</p> <p>Activities:</p> <ul style="list-style-type: none"> . Advice to Government . Policy studies 	<p>Effective policy advice provided to Government bodies concerned with SME</p> <ul style="list-style-type: none"> . Advice to NAP and RDA on government policy for SME . Policy studies executed
<p>5. Production of books and magazines for SME entrepreneurs</p> <p>Activities:</p> <ul style="list-style-type: none"> - Development of the Entrepreneurs guide - Basic Managerial Finance book - Exporting book - Quarterly publication "INFOCONSULT". 	<ul style="list-style-type: none"> . Publications realised . Copies sold
<p>6. Strengthening of private business associations</p> <p>Activities:</p>	<ul style="list-style-type: none"> . Number of Business Associations assisted . Impact of assistance

PROJECT OUTPUTS		ASSESSMENT OF ACHIEVEMENT	
1.	Establishment of a viable Business Promotion Centre for SME in Bucharest Activities: · staff recruitment and manpower planning · staff capacity building: training and exposure · equipping the centre	+ + + - -	Centre established and functioning very well Centre has excellent reputation; its advice or recommendations are relied upon by clients and financiers Highly capable staff recruited; counsellors have developed appropriate and high level consulting skills in a short time. Contrary to other Judet centres, the business community in Bucharest is not participating No self-sustainability of Centre operations achieved as yet; but prospects seem good.
2.	Development of replicable Business Consultancy Services for SME Activities: a. Entrepreneur counselling b. Business Management Training c. Capacity building in Judet centres and other organisations (training of trainers). d. Facilitating access to credit e. Technology support to entrepreneurs Support activity: f. Client Registration and Reporting System	+ +/- + + + + o + + -	The consultancy services provided are in tune with real needs of SME and the services have proven to be replicable for other Centres and organisations in the country. The number of 2000 entrepreneurs counselled in 4 years is a very good achievement. Almost without exception clients express great appreciation for services rendered. The 'winning formula' of the project is the combination of professional business appraisal and financial intermediation, which serves a need both of the client and the financier. The phenomena of 'frequent-clients' is a good sign (full confidence) but also a risk (dependency). The number of Business Management Training seminars conducted is still limited; especially for small entrepreneurs more emphasis might be given to training-events instead of individual counselling (expensive): more self-help. Excellent strategy; 25 seminars/year with 590 participants (1994) is a good achievement; the fact that all training is based on practical experience in Romania, makes it very effective. The Centre created awareness in some banks of mutual interest in solid financial appraisal and (to a lesser extent) the importance of management training and counselling. This strengthened reputation with both banks and clients. Over 90 clients assisted with access to credit (1994) is a good achievement. Training of bank staff is a very good strategy and deserves to be pursued (formalised training events - cooperation agreements?). The banks might be induced to promote management training/counselling for their clients. The financial projection model can be tailor-made for (larger) projects, to help entrepreneur with cash flow planning, management accounts and monitoring (service contract?). Technology support to entrepreneurs: + number of clients increased o plans for networking with technology information centres deserve to be pursued The data base serves the purpose of an MIS The system does not record 'action to be taken'; consider follow-up strategy and action by client
3.	Replication of Business Consultancy Services through the establishment of 10 local Judet Business Promotion Centres that are financially (self) sustainable. Activities: a. staff recruitment b. staff capacity building: training and shadowing c. equipping the centres	+ + + + + + - -	The establishment of 10 Judet Centres has been achieved by mobilization of local business associations, entrepreneurs and local authorities. The consulting methods and modules of ROM-UN can be applied in full by these centres. a. The strategy that all staff for Judet centres is selected by ROM UN Centre has proven to be successful and appreciated by local parties. b. Staff of all centres has been properly trained and guided on the job. The system of shadowing works well and serves the purpose. c. All are centres well housed by local stakeholders and equipped by ROM-UN or RDA. + The concept of replicability has been consistently applied; nothing is done by ROM-UN Centre that cannot be applied also by the Judet Centres on their own strength. Consultancy methods and MIS meet this requirement. + Entrepreneurial approach of local staff is quite remarkable, reflecting good selection and very strong achievement motivation. + The approach adopted creates a strong sense of ownership - Lack of working capital can create problems at the start. - The concept of self sustainability is not yet well defined; it might lead to non-accessibility for starters and small operators: the potential for local subsidies should be established and appropriate pricing defined.
4.	Support for the strengthening of the national policy framework for SME Activities: · Advice to Government · Policy studies	+ -	Effective policy advice has been provided to Government bodies concerned with SME through RDA. This role of the Centre is recognised and appreciated. Through regular reporting and contacts, the Centre keeps policy-makers in touch with the SME business reality. The policy studies executed, such as the 'Regulations' study for the World Bank, help the Centre (know how, exposure, reputation, income) and SME development at large.

PROJECT OUTPUTS	ASSESSMENT OF ACHIEVEMENT
5. Production of books and magazines for SME entrepreneurs	+ The book 'Entrepreneurs Guide' is a success; it now will be published in the third edition of 50,000 copies: It clearly serves a purpose. o Publication of the Basic Managerial Finance book is delayed; it will be published by the end of 1995. o The Exporting book will be published by o The planned Quarterly publication "INFOCONSULT" has been taken by the RDA publication + The publication of three books by the Centre, being a side activity, is no minor achievement.
6. Strengthening of private business associations	+ The new activities in support of the Fruit Growers Association are highly relevant and seem to have good prospect for development impact. The Centre has a useful function as intermediary with eg. local & foreign parties interested in fruit processing. o Work through Business- or Producers' Associations is more cost effective and ensures outreach and impact.

BRIEF DESCRIPTION OF THE VARIOUS FIELDS OF COUNSELLING ACTIVITY

WHAT ARE THE DIRECT SERVICES?

COUNSELLING SERVICES

The counselling services consist of direct advice and assistance to private enterprises and potential entrepreneurs provided at request, according to their needs, at the centre's site or at the beneficiaries' location.

These services practically cover all the aspects concerning a small or medium private business in all its life stages:

- pre-start-up aspects for a small business;
- the registration of a private company;
- drawing up of business plans for start-up or development of the company;
- SMPE management;
- marketing;
- financial planning and management;
- human resource management;
- elaboration of loan / investment documentation;
- elaboration of feasibility studies;
- international commercial contacts and foreign trade techniques;
- technical counselling for equipment, materials, processes and technologies related to production sectors of interest for private enterprises;
- assistance in the development of professional associations.

The area of our counselling services changed according to the stage of development of the private sector. Whereas during the first years the focus was on pre-start-up aspects, basic business knowledge, company registration requirements and basic management principles, at the present the most requested assistance is in fund raising, development strategies, and human resource management.

FINANCIAL ADVISORY SERVICES

As obtaining financial resources is always one of the most difficult problems faced by a small or medium company, we have build a strong financial counselling team and developed financial advisory services for our clients.

Not only the financial counsellors but also the general counsellors are trained and experienced in preparing business plans, feasibility studies, financial projections and financial analysis, loan applications for their clients.

The model of loan documentation and the financial projections elaborated by our centre were agreed and are currently used by several of the most important Romanian Banks, by financial schemes run by other bodies.

Based on this, we have concluded co-operation agreements with several banks, and provided technical assistance within most of the financial schemes available for SMPEs.

As already mentioned, we are trained to use the UNIDO COMFAR III EXPERT software and the in-house developed specialised software for financial projections and analysis.

with examples and case studies - this book was very successful. It was appreciated not only by private entrepreneurs, but also by other experts who currently use it in their work.

We plan to continue our publishing programme with a basic managerial finance book and a book on exporting.

A question to answer is why should a promotion centre write and publish books while this is apparently an academic undertaking ?

A succinct answer was once given by our NPM: "University professors and career writers have filled libraries with business books, but we have filled the private entrepreneurs' bookshelves." In other words it is useful to spread out our experience, and knowledge. Getting down from abstract theory to practice, we try to put at the disposal of as many potential clients as possible the practical tools they need in their current business.

Based on our current consulting and training work, we know what areas of information are most needed, and we are able to present economic concepts in a language easy and clear enough to be understood by non-specialists.

Our manuals are adapted to the specific of small and medium businesses, and contain the basic business know how needed by a beginner in this field. Thus they may be useful as good examples for entrepreneurs in other countries in transition, provided that they are reviewed and adapted to the national economic legal framework.

MONITORING THE SUPPORT TO SMPEs

An important role of the management of any organisation is to monitor the activity, to think out and implement an effective system able to measure results, compare them against set objectives, to dynamically adjust objectives and activities according to the market demand.

The monitoring system of our centre is set in the framework of the project management described above: project document with objectives and activities periodically reviewed.

The data necessary for these revisions are periodically gathered using the following methods:

1) Statistics

The client reporting system provides us with a valuable feed-back from the clients that have obtained counselling or assistance from our centre.

The registration and counselling forms which are filled by the counsellors during each meeting contain, among others, information on the field of activity and the stage of development of the client companies, the areas in which counselling services were provided, the areas and stage of the assistance offered.

This information is processed in a monthly statistical report for the centre and for each counsellor. According to these figures we are able to estimate the demand for our services and to know in what direction we should focus our efforts for the near future.

(See in Annex-5 the forms used and the statistics produced by the client reporting system.)

There is a fruitful co-operation with the technological and marketing counsellors to ensure that the documentation prepared at our centre is sound and the assessments reliable from all the points of view, not only financially.

TRAINING SEMINARS

The training seminars for entrepreneurs were carefully prepared on topics of most interest for our clients. Initially we held discussions with groups of entrepreneurs to ascertain their needs.

The seminars are based on our practical experience and direct contact with private businesses rather than on general business theory.

All seminars include case studies, examples, handouts are available, and they are delivered using modern, effective teaching techniques for adults.

The list of available topics includes:

- pre-start-up and start-up of a private business
- business planning
- general small business management topics
- marketing and foreign trade transactions
- human resource development: job searching and recruiting, communication techniques
- many financial management topics such as: all financial statements, financial ratios, budgeting, pricing and costing, bookkeeping basic principles, etc.
- practical examples of applying legal economic provisions concerning: tax on profit, VAT
- fund raising approaches such as: how to obtain a loan, how to find a foreign investor, etc.

The trainees were some of the clients of our centre in Bucharest, but also private entrepreneurs located in other districts all over the country.

We have also delivered special seminars on similar topics for women entrepreneurs, potential entrepreneurs pertaining to an ethnic minority (gypsies), students in economics.

The seminars were very well received by the trainees for their practicality, because they are clear and easy to understand, and because they are adapted to real conditions and offer solutions to some of the problems faced by private entrepreneurs in their activity.

This is why the demand for such services is steadily increasing, in spite of the fact that there are now relatively many training organisations in Romania.

It is important for a counselling centre to provide training seminars for at least two reasons:

- It is an effective way of disseminating information, increasing the general business awareness, and encouraging entrepreneurship.
- If well done, a training series of seminars is a practical advertisement method for the consulting centre itself. It completes the assistance provided to existing clients and helps creating steady relations with them, and attracts new clients.

TECHNOLOGICAL INFORMATION

The provision of technological information was designed as an additional support to our clients who have or intend to start an industrial processing business. We stress that this is not the main area of activity of our centre as we see ourselves as a consulting rather than an information centre.

This kind of services was necessary due to the lack of reliable and accessible sources of information for the private entrepreneurs.

The centre's specialists with comprehensive experience in industry and research have developed a computer database containing information on new and "second hand" equipment, materials and technologies supplied by Romanian and foreign companies. They also provide assistance in selecting the best technologies and equipment for various industrial processes.

The database is continually updated and developed according to the required needs of our clients. The information is organised using a double codification: the UN central product classification and the Romanian system. This enables links with other domestic and international databases and a continual increase of the volume of information available.

A user's manual and training seminars for the use and development of this database have also been produced.

In addition to the technical information from the database and specialised advice, our technological counsellors have developed some booklets containing basic information about starting up bakeries, milling plants, and cattle farms.

ASSISTANCE FOR RESTRUCTURING

This is a relatively new field in our activity, where we perceive an increasing demand for assistance.

Following the large privatisation process that has been launched in Romania, many medium companies will enter the private sector. Their problems and obstacles are different compared to green field private companies due to different inheritance in terms of material and human resources, management style, mentalities and work patterns, and many other causes.

In order to adapt to the new economic conditions of the free market they will have to start restructuring and in the process the specialised assistance will be welcome.

In order to meet this increasing need we have devised a structured action plan.

The activity will be undertaken in co-operation with selected local centres and will involve short term international assistance too.

The planned activities are the following:

1. Send to each selected Centre an outline of the project and the planned achievements.
2. Request selected Centres to submit a list of privatised enterprises whom they have vetted and who are interested to receive such help.
3. Undertake the initial selection.

4. Request those selected to prepare current: Balance Sheet, Profit and Loss, Cash Flow, Aged Debtor and Creditor Lists, Stocks (Aged), Product prices and costs, employment number at privatisation and now.
5. Visit the companies that have prepared the required documents to verify their validity.
6. Together with the Centres involved make the final selection. Current status, commitment of companies to succeed, the socio-economic situation of the area, etc. will all be factors taken into consideration.
7. Counsellors from other Centres will be brought in Bucharest for training by ROM-UN on the new version of the UNIDO COMFAR programme.
8. With UNIDO experts who have undertaken privatisation work in Poland to hold an awareness seminar on all of the aspects to be considered when restructuring companies and how they may be approached.
9. With International experts review the situation in each selected company. Undertake seminars on situations found, how they may be addressed, and possible solutions.
10. Discuss these findings with the companies and work out a detailed plan of action with responsibilities and time scales.
11. Company and national experts work on these plans.
12. International experts return to review progress and advise on further strategy / implementation.

WHAT ARE THE INDIRECT SUPPORT SERVICES ?

FEEDBACK TO GOVERNMENT

One of the first activities developed by the centre, even before the direct counselling started, was to assist Government to elaborate **the first national strategy** for the development of the private sector. Under the direct co-ordination of the CTA, the centre's counsellors and the personnel of the National Agency for Privatisation (NAP) have drafted a short term and a medium term strategy including the main domains and methods aimed to provide a co-ordinated support for the creation and strengthening of the sector. The draft was approved by Government.

In order to be conversant with the real obstacles faced by the private entrepreneurs, in 1992 a comprehensive survey was undertaken by our centre in co-operation with NAP, sponsored by UNDP, and the findings published and distributed to interested parties.⁴ This survey was carried out simultaneously in each of the 41 counties and covered some 1500 enterprises in the sectors of production, services, and trade.

This survey was followed by another limited study carried out by our centre in 1994 based on a smaller sample including private companies operating for several years especially in industrial fields, foreign investors, Banks, economic personnel from foreign Embassies, etc. The findings were again presented to Government and published.

⁴ Survey to ascertain the development problems of the small and medium private sector in Romania - 1992

In 1995, we have undertaken a survey for the World Bank on company registration procedures.⁵ The conclusions and recommendations were accepted by the World Bank and used in their negotiations with the Romanian Government.

We maintain a permanent contact with Government (represented now by RDA) and provide them assistance at request in any matters related to the private sector. In this line we made comments and suggestions concerning different drafts of laws and regulations which affect the private sector, shared our experience with other aid programmes co-funded by Government, etc.

Our objective during all these activities was to contribute to the creation of an enabling macroeconomic environment for the private sector, acting as their advocates in front of national authorities and providing the Government with relevant facts and information obtained from our direct contact with the private enterprises.

TRAINING FOR SMPE COUNSELLORS AND OTHER SPECIALISTS

During the process of creation and strengthening of the infrastructure of institutions and programmes aimed to support the SMPE sector, there was an increasing demand for "training of trainers". Our centre was asked to organise training seminars addressed to:

- personnel of other consulting centres established with EEC funds: 5 centres for SMPE and 3 centres for restructuring
- banking personnel
- Chambers of Commerce
- officers within the Ministry of Labour involved in running credit lines for private enterprises.

This activity had several positive effects:

- It enabled us to share our practical experience and disseminate the material and information gathered.
- It speeded-up the process of development of the SMPE support infrastructure.
- It created a healthy competition among more and more consulting units, based on comparable levels of specific professional training, and leading to a continuous increase of the quality of their services to the clients.
- It favoured the development of a common language among different institutions involved.

This represented the first step in the establishment of a formal and effective SMPE support network in Romania.

THE PUBLISHING PROGRAMME OF THE CENTRE

Part of the seminar material that we have developed were gathered in a book - "The Entrepreneur's Guide" - that was published in two editions and already sold in 50,000 copies.

⁵ Study to identify and alleviate major constraints to registration of new companies in Romania - 1995

UN CENTRE

LIST of CLIENTS and THEIR FIELD of ACTIVITY

PERIOD : 01/01/90 - 20/09/95

Pag.: 1

CODE	ACTIVITY NAME	No. of clients
01	Agriculture	111
02	Sylviculture	3
05	Pisciculture and fishing in home waters, Black Sea	4
12	Radioactive ores extraction and preparation	1
13	Metalic ores extraction and preparation	2
14	Other extracting activities	1
15	Food and beverages industry	188
16	Tobacco industry	1
17	Textile and textile products industry	92
18	Textiles, furs and leather ready-made clothes industry	29
19	Leather and footwear industry	19
20	Wood processing industry (except furniture production)	89
21	Pulp, paper and cardboard industry	1
22	Publishing and printing houses and copyright (support reprod	82
23	Oil processing industry; coal coking industry	238
24	Chemical industry and synthetic and artificial yarn industry	13
25	Rubber and plastic processing industry	7
26	Other non-metalic ore products industry	43
27	Metallurgy	8
28	Metallic constructions and metallic products industry	11
29	Equipment and machines industry	46
30	Computer and office equipment industry	7
31	Electrical equipment and apparata industry	18

UN CENTRE

LIST of CLIENTS and THEIR FIELD of ACTIVITY

PERIOD : 01/01/90 - 20/09/95

Pag.: 2

CODE	ACTIVITY NAME	No. of clients
32	Radio, TV sets and equipment industry	14
33	Medical precision equipment industry	6
34	Terrestrial means of transport industry	4
35	Other means of transport industry	9
36	Furniture production industry and various related activities	62
37	Wastes and recyclable materials recovery	4
41	Water collecting, treatment and distribution	5
45	Buildings	102
50	Sales, maintenance and repairs for cars and moto.	26
51	Wholesale trade (excpt. auto. and moto.)	269
52	Retail trade (except. auto. and moto.)	173
55	Hotels and restaurants	38
60	Terrestrial transports; transports through pipes	29
61	Water transports	5
62	Air Transports	23
63	Annex and auxiliary act. for transport, travel agencies act.	97
64	Mail and telecommunications	12
65	Financial and bank institutions activities	1
66	Insurance activities and of pension houses caselor de pensii	1
67	Auxiliary activities for financial institutions	6
70	Real estate transactions	74
71	Rent of machines and equipment without staff	21
72	Informatics and related activities	56

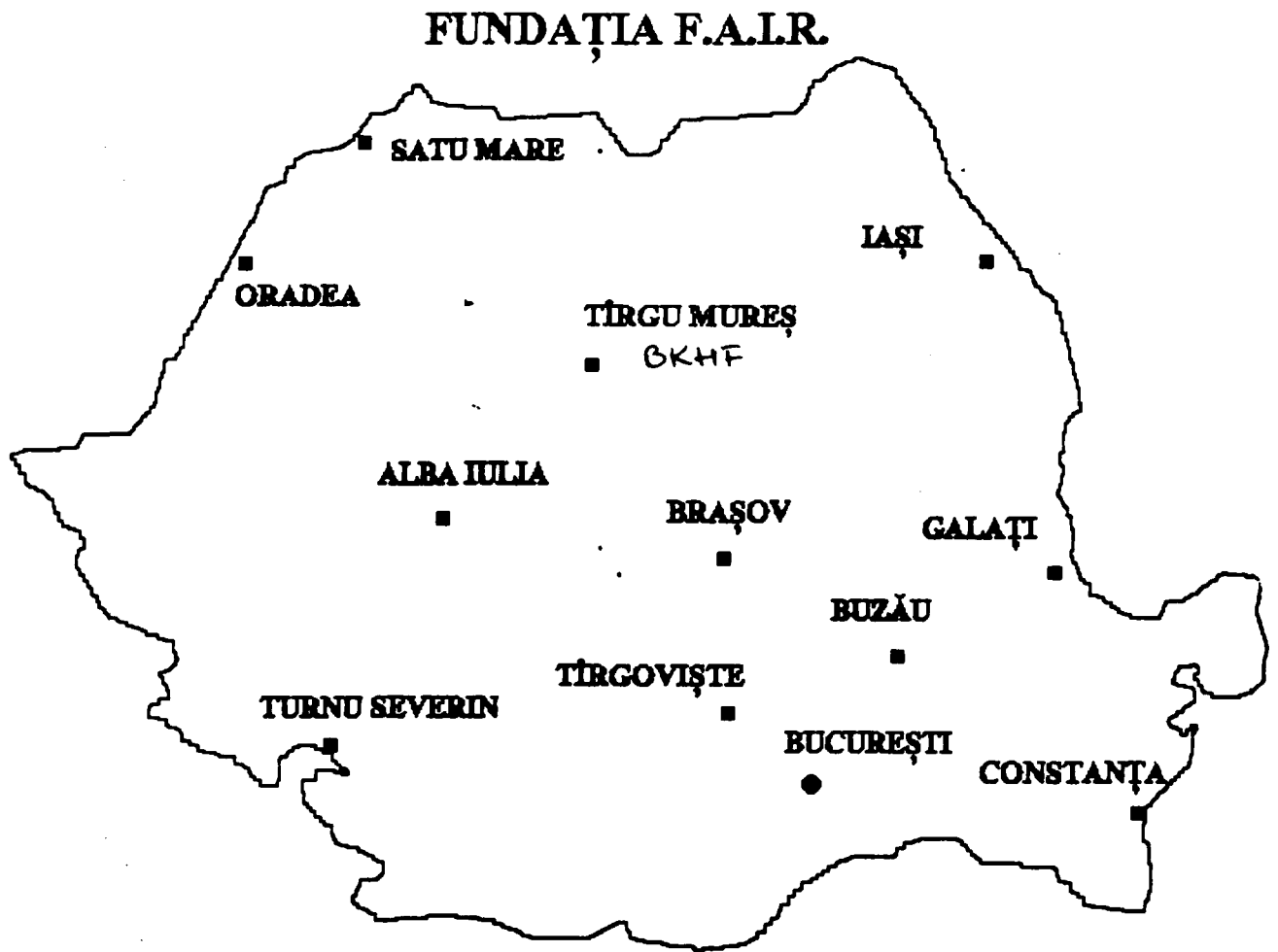
UN CENTRE

LIST of CLIENTS and THEIR FIELD of ACTIVITY

PERIOD : 01/01/90 - 20/09/95

Pag.: 3

CODE	ACTIVITY NAME	No. of clients
73	Research - development	85
74	Other service activ.performed mainly for enterprises	99
75	Public administration and defence;compulsory social assist.	2
80	Education	4
85	Health and social assistance	39
90	Sanitation and wastes removal; salubrity and similar act.	1
91	Spare time, cultural and sport events	10
93	Other services activities	54
95	Activities of household staff in private homes	5
99	Activ. of organizations and extraterritorial bodies	2



STATISTICS ON CLIENT COUNSELLING AND TRAINING BY THE
10 JUDET CENTRES SUPPORTED BY ROM UN CENTRE

I. CLIENT COUNSELLING

TOTAL 1995

1. Client activity	
Total number of clients served	1193
- existing clients (repeat visits)	591
- new clients	602
Total number of meetings with repeat clients	1658
Average number of meetings with repeat clients	2.81
2. Stage of activity of clients served	
- Planning of a new venture	124
- Starting up of business	229
- Development of existing business	823
- Other	17
3. Sector of clients served	
- Production	690
- Services	258
- Commerce	257
- Other sectors	118
4. Counselling area	
- Starting	363
- Business plan	428
- Finance / loans	880
- Supply	3
- Marketing	59
- Planning	41
- Foreign trade	14
- Accounting	19
- Production management	11
- Human resources	3
- Laws	21
- Partners / JV	19
- Technology	4
- Database	0
- Feasibility studies	257
- Other	114
5. Legal form of clients served	
- Individual	75
- Family association	10
- SNC	69
- SCS	0
- SRL	888
- SA	100
- SCA	0
- JV	5
- Other	13

6. Credit access	
- Number of loan applications	173
- Amount of loan applications (mil.lei)	71876
- Number of loans approved	86
- Amount of loans approved (mil. lei)	9099
- Cumulative number of loans taken	74
- Cumulative amount of loans taken	8129

7. Characteristics of registered businesses in database	
- Number of businesses registered	1089
- Total number of employees	15604
- Average number of employees	14.33
- Average registered capital (th. lei)	98839
- Average yearly income (mil. lei)	1980

8. Size distribution of registered businesses in terms of employees	
0 - 5	452
6 - 10	200
11 - 20	236
21 - 50	132
51 - 100	28
101 - 200	31
over 200	10

9. Size distribution of registered businesses in terms of registered capital	
up to 100 th. lei	29
100 -1.000	850
1.001 - 10.000	138
10.001 - 100.000	50
100.001 - 500.000	16
over 500.000	6

II. TRAINING

10. Type of seminars held	
Number of seminars:	20
- Training of counsellors	0
- Starting up a business	1
- Marketing	2
- Finance	6
- Export	4
- Banking	0
- Recruiting	0
- Management	1
- WID	2
- Accessing business information	2
- Bilateral business meetings	2
Number of participants:	454
- Training of counsellors	0
- Starting up a business	20
- Marketing	30
- Finance	121
- Export	77
- Banking	0
- Recruiting	0
- Management	13
- WID	43
- Accessing business information	20
- Bilateral business meetings	130
11. Seminars by type of participants	
Number of seminars:	20
- Counsellors of "our" centres	0
- Counsellors of "other" centres	0
- Private entrepreneurs	16
- Bank staff	2
- RDA staff	0
- women	2
Number of participants:	454
- Counsellors of "our" centres	0
- Counsellors of "other" centres	0
- Private entrepreneurs	385
- Bank staff	16
- RDA staff	10
- women	43

COMMENTS ON THE CENTRE EVALUATION QUESTIONNAIRES FILLED BY CLIENTS

In order to continually improve and adapt our services to the requirements and needs of our clients, we undertook a brief inquiry to obtain our clients opinions on our activity. The attached questionnaire was sent by mail to a sample of 82 clients. The total number of answers received was 71.

This is a synthesis of their answers, comments and recommendations.

Q1. Year of establishment

27 % of the sample are companies established in 1991 or earlier.

Most of the companies - 70% - were established in the period 1992 - 1994.

32% of the sample are established in 1994.

We think this spread is relevant for the age of SMPEs in Romania.

(Note that the questionnaire was sent mainly to clients having some business experience. The entrepreneurs in the pre-start-up and start-up stages were not included.)

Q2. Type of activity:

		Number of respondents		Percentage (Number/71)	
1.	Production	- 51		72%	(includes construction)
2.	Services	- 33		46%	
3.	Trade	- 23		32%	(includes foreign trade)

The numbers do not add to the total number of questionnaires because many of the companies are developing activities in more than one field.

The number of businesses involved in production holds the majority - 72% - as our services are targeting this type of clients.

Q3. Number of employees:

		Number of respondents		Percentage (Number/71)	
1.	under 10	- 35		50%	
2.	10 - 25	- 13		18%	
3.	25 - 50	- 8		11%	
4.	50 - 100	- 8		11%	
5.	over 100	- 7		10%	

Most of our clients can be considered small businesses - 79% have up to 50 employees.

This is due to the stage of development of the SMPE sector, but it is also due to the fact that our assistance having been free of charge until September 1995 is attractive to those who cannot afford to pay for such services.

Q4. Annual turnover

Only 49 respondents have mentioned their annual turnover.

This covers a wide range from insignificant figures up to 638 billion lei (the equivalent of approx. USD 304 mil). The average annual turnover is 24480 mil. lei (the equivalent of USD 12 million).

Most of the respondents have a relatively small turnover: 63% of the respondents have less than 1000 mil. lei (the equivalent of less than USD 500,000).

	Turnover: (mil. lei)	<100	100-1000	1.000- 10.000	10.000- 100.000	>100.000
Average	24480	41	405	3662	62500	339333
Maximum	638000	90	884	10000	80000	638000
Minimum	8	8	120	1200	45000	180000
Number		10	21	13	2	3
% (no./49)		20%	43%	27%	4%	6%

Q5. Where did you learn about our centre:

	Number of respondents	Percentage (Number/71)
1. In the newspapers	- 26	37%
2. From an institution	- 25	35%
3. From a friend	- 15	21%
4. At a public meeting	- 1	1%
5. In a book / catalogue	- 0	
6. Other source	- 4	6%

The conclusion is that the most important sources of information about us are media - 37% - and specific institutions - 35%.

Among the most frequently mentioned media sources were:

Daily national newspapers: Romania Libera, Adevarul, Evenimentul zilei

Local newspapers

National and local TV and Radio

Business magazines: Capital, Lumea afacerilor, Jurnal ARD, Adevarul economic, Tribuna economica

The institutions that have referred us clients: Banks, Chambers of Commerce, RDA, Romanian American Fund, RomLease, CISA, World Bank.

The next important source: from a friend - 21%.

Q6. When did you first contact our centre?

Most of the clients who answered first contacted our centre in 1995 - 59% and in 1994 29%.¹

Q7. How many times did you meet one of our counsellors?

	Number of respondents	Percentage (Number/71)
1 meeting	- 5	7%
2 meetings	- 2	2%
3 meetings	- 4	6%
more than 3 meetings	- 60	85%

These figures do not reflect the real ratio of meetings per client registered in our monthly statistics, which is smaller. This is because this time we have sent the questionnaires mainly to "stable" clients, who know us better than those that have met us just once.²

Q8. What kind of assistance were you seeking?

	Number of respondents	Percentage (Number/71)
1. Start-up	- 7	10%
2. Business plan / Feasibility study	- 57	80%
3. Finance - accounting	- 10	14%
4. Marketing	- 15	21%
5. Legal information	- 13	18%
6. Partners / contacts	- 22	31%
7. Technology	- 9	13%
8. Others	- 4	6%

Q9. What assistance did you obtain?

	Number of respondents	Percentage (Number/71)
1. Start-up	- 2	3%
2. Business plan / Feasibility study	- 56	79%
3. Finance - accounting	- 8	11%
4. Marketing	- 13	18%
5. Legal information	- 16	23%
6. Partners / contacts	- 17	24%
7. Technology	- 4	6%
8. Others	- 4	6% (foreign partners)

The figures for these two questions do not add to 71 because most clients were seeking and have obtained assistance in more than one area.

¹This question would be relevant for a more comprehensive survey.

²See footnote 1.

The kind of assistance most frequently requested / provided was for business planning and feasibility studies - over 80%. This is a current trend, as most entrepreneurs are seeking funding sources for development. Some years ago the focus was on other issues such as start-up, legal information and partners.

In fact we are aware of this demand. To better cover the demand, all counsellors have been trained and are able to provide assistance in these areas too.

The next requested areas were:

- partners / contacts - 24% of the respondents have received such assistance
- legal information - 23% of the respondents
- marketing - 18% of the respondents
- finance and accounting - 11% (this does not include the assistance in preparing documents for financial institutions).

Q10. Was the assistance:

	Number of respondents	Percentage (Number/71)
1. very useful	- 45	64%
2. useful	- 21	30%
3. normal	- 1	1%
4. slightly useless	- 1	1%
5. completely useless	- 3	4%

Most of the respondents consider our assistance as very useful - 64 % or at least useful - 30 %. There are still some who stated that the assistance was normal, slightly useless or completely useless - 6 % which gives us room for thought.

Q11. Did you obtain any benefits from the assistance received?

	Number of respondents	Percentage (Number/71)
YES	- 53	74%
NO	- 9	13%
No answer	- 9	13%

The benefits mentioned most frequently were in the financial area: normal or subsidized bank loans, grants and other financial sources.

Other benefits were:

- contacts with potential partners
- legal and financial information
- learned how to better plan and manage their business
- avoided mistakes
- saved 4.7 mil. lei

Some of those who said NO have added that: Banks and other financial sources did not approve their projects, or did not treat them correctly. Bureaucracy and corruption faced

with these bodies were also mentioned. Three of those who said no added that they hope to obtain some benefits after the assistance will be finalized.

Q12. What is your impression on:

12.1. - Your relationship with our counsellors:

	Number of respondents	Percentage (Number/71)
1. appropriate	- 62	88%
2. normal	- 8	11%
3. inappropriate	- 0	
No answer	- 1	1%

12.2. - The way the activity of the centre is organized (appointments, timing, premises):

	Number of respondents	Percentage (Number/71)
1. appropriate	- 58	82%
2. normal	- 11	15%
3. inappropriate	- 0	
No answer	- 2	3%

12.3. - The professional knowledge of our counsellors:

	Number of respondents	Percentage (Number/71)
1. very good	- 58	82%
2. good	- 6	8%
3. normal	- 4	6%
4. slightly inappropriate	- 0	
5. very bad	- 0	
No answer	- 3	4%

The figures speak for themselves. A good sign is the high appreciation concerning the relationship with the counsellors (88% appropriate) and their professional knowledge (82% very good, and 8% good). It means that our approach to the job was good. This opinion is confirmed by the answers given to question number 18.

As concerns the way the activity is organized 82% considered it appropriate, and 15% normal. There is still room for improvement. Some respondents have mentioned the lack of appropriate space.

Q13. Would you recommend our services to a friend?

YES	- 100%
NO	- 0

Although some respondents were not entirely satisfied by the assistance obtained from the centre (see questions 10 and 11), all of them are willing to recommend our services to a friend. This is another proof of the overall good opinion on our centre.

Q14. What further services / support do you need?

The types of support that have been mentioned are:

- Consulting services in: financial matters, marketing, legal matters including international laws, foreign trade, technology, management, etc.

- Information on:
 - new technologies, raw materials, etc.
 - foreign markets, foreign contacts
 - financial sources - especially subsidized loans and nonimbursable funds
 - potential buyers, business contacts
 - laws and regulations
- Information bulletin, more reference material

- Assistance in:

- raising funds,
- developing loan dossiers and feasibility studies
- organization and development of NGOs activities

- Training:
 - for commercial agents
 - on relationship with clients
 - fellowships abroad

- Financing: from investment funds, mutual funds

- Bookkeeping

Q15. Do you think keeping regular contacts with our centre would be useful to you ?

	Number of respondents	Percentage (Number/71)
YES	- 68	96%
Probably	- 2	3%
No answer	- 1	1%

The high number of affirmative answers - 96% - is a good sign. This proves that our clients perceive our services as a very useful support for their businesses and know how to obtain the best of them.

Q16. Would you be willing to pay for such services?

	Number of respondents	Percentage (Number/71)
YES	- 67	94%
NO	- 2	3%
No answer	- 2	3%

This shows a new mentality-towards support services. (Several years ago many used to come just once seeking for cheap money. The first clients did not even think that advice and information is worth money.)

Q17. How much do you think the following services are worth? (lei):

- a) - 1 piece of information
- b) - 1 counselling session on a complex matter
- c) - assistance in elaborating a loan dossier / feasibility study
- d) - 6 hours of training

Relatively many respondents - 35 (i.e. 49%) - did not answer this question. Some gave incomplete suggestions, or suggested that fees should be negotiated and diversified according to the complexity and utility of the services.

The fees suggested cover a wide range, but most of them are around the current market levels.

Fees for: (Th. lei)	Information	Counseling	Dossier	Training
Average	25	61	843	74
Minimum	1	5	25	5
Maximum	100	300	4000	600

a) For 1 piece of information the average fee is 25 thousand lei.

13 respondents suggested fees in the range of 1 - 10 thousand lei and 8 suggested fees between 11 and 50 thousand lei or over.

b) For 1 counselling session the average fee is 61 thousand lei per session.

Some suggested a fee of 10 - 20 thousand lei/hour.

The major part of respondents - 18 - suggested a fee under 50 thousand lei, 9 suggested fees between 50 and 100 thousand lei, and only 5 suggested fees of 100 thousand or above.

c) Suggested fees for assistance in elaborating a loan dossier / feasibility study:

- 0.5 - 1.5 % of the value of the loan - (8 answers)
- 50 - 100 thousand lei (7 answers)
- 500 - 1000 thousand lei (12) - the majority of answers
- 1 mil. lei or over (5)
- 10 - 20 Th. lei/hour (2)

d) Training seminars:

The average fee is 74 thousand lei.

There were 12 answers suggesting fees below 50 thousand lei, 9 with fees between 50 and 75 thousand lei, and only 3 above this level.

We could not correlate the fees that the clients would accept to pay with their size because many did not answer this question, and because we noted a wide spread of their suggestions. (For instance some of the clients with a high turnover suggest levels of fees similar or even below those mentioned by start-ups.)

Q18. What did you like concerning our services?

Many respondents have mentioned:

Professionalism, competence, kindness - 30 opinions - 42%

Promptness - 25 opinions - 35%

Correctness - 5 opinions - 7%

Organization, Quality, Equipment - 7 opinions - 10%

Other aspects: sincerity, confidentiality, involvement in solving clients problems, permanent contacts and information, etc.

Q19. What did you not like concerning our services?

Very few answers, which is another good sign. 60 respondents (85%) gave no answer or said that there was not the case.

The lack of appropriate space was mentioned by 3 respondents.

Lack of representatives in the territory, lack of promptness, insufficient database information, were mentioned by one respondent each.

Q20. Other recommendations and comments:

Generally positive feedback recommending us to continue and expand our activity.

Interesting recommendations:

- to create new centers in the counties;
- to make our services known through better advertisement methods;
- to diversify our services;
- to provide permanent assistance to companies and hands-on management;
- to obtain more influence in the relationship with banks;
- to involve our centre in financial investment schemes for SMPEs;
- to develop databases;
- to organize round tables for SMPEs operating in similar areas;
- to charge our services;
- to produce and spread out more brochures, bulletins.

Some of the comments formulated by our clients:

“We consider that the establishment of the centre and the continuation of its activity under the same auspices is very necessary for the support of private entrepreneurs. We use

THE POLICY OF SMALL AND MEDIUM-SIZED ENTERPRISE DEVELOPMENT IN ROMANIA

The Romanian Development Agency, a specialised central body subordinated to the Government, acts as public administrator in the field of supporting and developing private small and medium-sized enterprises (SMEs).

The small and medium-sized enterprises are defined according to the following breakdown:

- a small enterprise has the number of employees of 0 to 25;
- a medium enterprise has the number of employees of 26 to 200;
- both kind of enterprises have an annual turnover of ROL 10 million to 2 billion.

The development of a strong and dynamic private sector is a central element in the Romanian economic reform. Small and medium-sized enterprises account for more than 90% of the total number of companies; their activity covers a large area, from trade, tourism and services to industry and constructions.

According to the Ordinance no. 25/1993 (approved by Law no. 83/1994):

- the state supports the establishment and development of SMEs by granting special incentives; the necessary funds will be made available from annually approved amounts by law of state budget, from private contributions and from foreign economic assistance;
- the Government and the local authorities will create and manage necessary support for information, assistance and consultancy services (acquired free of charge or at a discount rate) required by SMEs, or may financially support those programs directly;
- the Government and the local authorities prepare and apply regional development programs on economic restructuring and unemployment;
 - Within these programs, SMEs can benefit of:
 - » staff training;
 - » allotment of real-estate and production premises with observance of applicable laws;
 - » allocations for start-up investments, development and upgrading that generate new jobs, improve environment protection, stimulate local resources usage;
- the Government supports the research and technical innovation activity of SMEs, by:
 - » including in the national program, financed from special funds, a specific chapter on

research-development (RD) activities carried on within SMEs;

- » creation of scientific research-development centres that will ensure collaboration and contracting programs, at requested SMEs themes, regardless of financing source;
- » facilitating collaboration with scientific research institutes in research-development contracts;
- » stimulating big enterprises to subcontract RD jobs with SMEs;
- » granting access to specialised technological information, according to the law;
- the Government ensures SMEs non-discriminating access to raw materials, materials, fuel, energy and acquisition of equipment, spare parts and services provided by state companies, to public acquisitions, according to legal regulations, and supports the subcontracting activity of SMEs on production of goods and services by issuing specific regulations as subcontracting procedures;
- the Government encourages SMEs to especially develop export, facilitating access to information on international markets and trade, economic tendencies worldwide, organizing and financing specific promotion activities, ensuring priority access to resources for export oriented SMEs and supporting the establishment of special related bodies, according to the law.

Economic or financial incentives are to be used to support SMEs, as follows:

- » allocations for acquisition of production premises, equipment and manufacturing technologies;
- » application of an advantageous system in obtaining and using available assets or those made available by restructuring, belonging to state companies;
- » advantageous application of a leasing type financial system;
- » guarantees to agreed credits.

The facilities which require budgetary funds are to be determined annually, according to enterprise category, by Government decision at the proposal of the Romanian Development Agency.