

## ANNEX 10 – INDEX OF ADDITIONAL ANNEXES PART II

Joint publication of OECD and UNIDO

### Effective Policies for Small Business. A Guide for the Policy Review Process and the Development of Strategic Plans for Micro, Small and Medium Enterprises

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## **Annex 10.1 Monitoring the Health of the SME sector**

Two examples are provided of the monitoring of the health of the private sector. Both are private/NGO initiatives.

2.1.1. The first is a simple barometer survey that goes to a stratified representative sample of 300 small businesses on a quarterly basis. It is undertaken by a consulting group on behalf of a national UK bank and a not-for-profit trust dedicated to research into the small business sector

2.1.2. The second represents a more sophisticated truly in-depth attempt to collect the views of the middle businesses in Europe. The work was undertaken by the European Venture Capital Association and the European Foundation for Entrepreneurship Research, established by a Dutch entrepreneur. The questionnaire was also used in a UNIDO in-depth study of policies and programmes for SME development in Central Europe.<sup>1</sup>


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<sup>1</sup> UNIDO (1998) 'A Comparative Analysis of SME Strategies, Policies and Programmes in Central European Initiative Countries' UNIDO Vienna

# Annex 10.1.1 Example of Quarterly SME survey undertaken on behalf of the British Natwest Bank

## Quarterly Survey No. 69

Small Business Research Trust  
Survey Section  
c/o Bannock Consulting  
Freepost WD549  
Chorley, Lancashire PR6 7ZZ



**Please circle the appropriate letters or fill in the blanks. Your answers will remain confidential.**

Confidential

**1** Please indicate your firm's annual turnover (excluding VAT):

a. Less than £20,000	c. £50,000-£149,999	e. £350,000-£749,999	g. £1,500,000 and over
b. £20,000-£49,999	d. £150,000-£349,999	f. £750,000-£1,499,999	

**2a** Employment: How many people (including yourself) work in the business? \_\_\_\_\_

**2b** If your business is not a limited company, how many of these people are self-employed proprietors or partners? \_\_\_\_\_

**3** How many years has your present business been trading? \_\_\_\_\_

**4a** Please classify your business activity by circling one of these categories:

a. Agriculture, Forestry, Fisheries	d. Construction	g. Hotels & Restaurants	i. Other Services
b. Manufacturing, Mining, Processing	e. Wholesale	h. Business Services	
c. Transport	f. Retail Trade	(Finance, Consultants, Designers, etc.)	

**4b** Please also describe in a few words the precise nature of your business: \_\_\_\_\_

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**5** By roughly what total percentage has your annual income (drawings) from the business changed over the past year and the past three years (e.g. 'UP 20%' or 'DOWN 15%')?

a. PAST YEAR: Income in 2000-2001 compared with 1999-2000: UP / DOWN _____ %	b. PAST 3 YEARS: Income in 2000-2001 compared with 1997-1998: UP / DOWN _____ %
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**6** Do you think that the UK economy is in, or heading for, recession?

a. Yes, already started	b. Yes, by end of 2001	c. Yes, probably within next 6 months	d. No	e. I do not know
-------------------------	------------------------	---------------------------------------	-------	------------------

**7** To what extent have you changed your line of business or switched industries over the past year and past three years?

(i) Over past year: a. Completely b. Substantially c. Some minor changes d. Not, but intend to within next year e. No significant changes

(i) Over past 3 years: a. Completely b. Substantially c. Some minor changes d. Not, but intend to within next 3 years e. No significant changes

**8** If your business is currently suffering from low turnover/lack of business is this mainly due to a generally poor economic climate, increased competition or because marketing problems mean that you have been less successful than others in attracting business?

a. Poor economic climate	b. Increased competition	c. Marketing problems	d. Low turnover not a problem
--------------------------	--------------------------	-----------------------	-------------------------------

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**9** How did your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compare with the same period in 2000? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	July, August, September 2001 compared with the same period 2000					
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

**10** What is the MOST important problem facing your business today? Please circle ONE ONLY:

a. Inflation	f. Low Turnover/Lack of Business	k. Internal Management Difficulties
b. Interest Rates	g. Competition from Big Business	l. Cashflow/Payments/Debtors
c. Access to Finance	h. Gov't Regulations and Paperwork	m. Premises, Rents, Rates
d. Lack of Skilled/Trained Employees	i. High Rates of Pay	n. Other (Please specify)
e. Total Tax Burden	j. Shortage of Materials, Supplies, etc.	

**11** Please indicate the sex of the owner(s) of the business:

a. Male	b. Female	c. Joint Male/Female ownership
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Thank you for completing this confidential survey questionnaire.  
**Please return it to the Small Business Research Trust by 16th November 2001.**  
 Please note that this is a FREEPOST address (no stamp required).

**Annex 10.1.2 Example of in depth survey of SME needs**

**EFER/EVCA DYNAMIC ENTREPRENEUR STUDY**

**QUESTIONNAIRE**

**Interviewers:** \_\_\_\_\_  
**Date of Interview:** \_\_\_\_\_ **Place:** \_\_\_\_\_  
**Firm ID#:** \_\_\_\_\_

**A. BASIC INFORMATION**

**A1. Owner Being Interviewed:**

- 1. Name: \_\_\_\_\_
- 2. Position in this company:  
 0. Owner only  
 1. Owner and manager  
 11. Owner and other (specify) \_\_\_\_\_
- 3. Gender:  1. Male  2. Female
- 4. Age: \_\_\_\_\_ years
- 5. Direct telephone number: \_\_\_\_\_

**A2. Full References of the Company:**

- 6. Full name: \_\_\_\_\_  
\_\_\_\_\_
- 7. Full address: \_\_\_\_\_  
\_\_\_\_\_
- 8. Telephone: \_\_\_\_\_ Telefax: \_\_\_\_\_
- 9. Month/year of registration: \_\_\_\_\_
- 10. Month/year of start-up: \_\_\_\_\_
- 11. Legal form of the company:  
 0. Limited liability company  
 1. Joint stock company  
 2. Limited partnership  
 3. Privately registered  
 4. Other (specify) \_\_\_\_\_

12. Equity owners of the company (by share):  
(can choose more options)

- |                          |                                   |                      |       |
|--------------------------|-----------------------------------|----------------------|-------|
| <input type="checkbox"/> | 0. Owner being interviewed        | <input type="text"/> | %     |
| <input type="checkbox"/> | 1. Owner's family member(s)       | <input type="text"/> | %     |
| <input type="checkbox"/> | 2. Members of the management team | <input type="text"/> | %     |
| <input type="checkbox"/> | 3. Employees                      | <input type="text"/> | %     |
| <input type="checkbox"/> | 4. Other individuals              | <input type="text"/> | %     |
| <input type="checkbox"/> | 5. Banks                          | <input type="text"/> | %     |
| <input type="checkbox"/> | 6. Venture capitalists            | <input type="text"/> | %     |
| <input type="checkbox"/> | 7. Other companies                | <input type="text"/> | %     |
| <input type="checkbox"/> | 8. The government or the State    | <input type="text"/> | %     |
| <input type="checkbox"/> | 11. Other (specify) _____         | <input type="text"/> | %     |
|                          |                                   | Total:               | 100 % |

13. The origin of this company:

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | 0. Founded by entrepreneur                                |
| <input type="checkbox"/> | 1. Bought from the State                                  |
| <input type="checkbox"/> | 2. Bought from private owner                              |
| <input type="checkbox"/> | 3. Bought from a state-owned enterprise                   |
| <input type="checkbox"/> | 4. Privatised within the national privatisation programme |
| <input type="checkbox"/> | 5. Spin-off   |
| <input type="checkbox"/> | 11. Other (specify) _____                                 |

14. Activity of the company:  
(can choose more options)

- |                          |  |
|--------------------------|--|
| <input type="checkbox"/> | 0. Manufacturing                         |
| <input type="checkbox"/> | 1. Construction                          |
| <input type="checkbox"/> | 2. Transport and communications          |
| <input type="checkbox"/> | 3. Engineering                           |
| <input type="checkbox"/> | 4. Trade                                 |
| <input type="checkbox"/> | 5. Tourism                               |
| <input type="checkbox"/> | 6. Financial and other business services |
| <input type="checkbox"/> | 11. Other (specify) _____                |

15. Short description of company's principal product/activity/service:

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16. Number of full-time employees: 1993 \_\_\_\_\_  
1994 \_\_\_\_\_  
1995 \_\_\_\_\_

17. Turnover (in ECU): 1993 \_\_\_\_\_  
1994 \_\_\_\_\_  
1995 \_\_\_\_\_

## B. THE ENTREPRENEUR

### B1. Education and Working Experience

1. What is the highest level of education which the entrepreneur completed?

- 0. None
- 1. Primary
- 2. Apprenticeship
- 3. Secondary
- 4. University (bachelor) degree
- 5. Post-graduate (Masters, PhD)
- 11. Other (specify) \_\_\_\_\_

2. What sort of formal education (secondary or higher) do you have?  
(can choose more options)

- 0. Technical
- 1. Economic/business
- 2. Law
- 11. Other (specify) \_\_\_\_\_

3. Have you ever received any training abroad?

- 0. None
- 1. Practical training
- 2. Theoretical
- 3. Both
- 4. Worked abroad
- 11. Other (specify) \_\_\_\_\_

4. What kind of short term training course would be most useful to you today?  
(can choose up to three options)

- 0. None
- 1. Accounting or bookkeeping
- 2. Marketing
- 3. Financial management (planning, dealing with financial institutions)
- 4. Legal
- 5. Management
- 6. Import/export
- 7. Technical/technology
- 8. Languages
- 11. Other (specify) \_\_\_\_\_

5. How many years of working experience did you have before starting this business?

- 0. None
- 1. Less than 1 year
- 2. 1 – 3 years
- 3. 3 – 5 years
- 4. 5 – 10 years
- 5. More than 10 years

6. Where did you work immediately before starting this business?
- 0. Was unemployed
  - 1. Worked in a government institution
  - 2. Worked in a state-owned enterprise
  - 3. Worked in another private company
  - 4. Worked in another business I owned
  - 5. Worked in a foreign company in my country
  - 6. Worked in a Slovenian company abroad
  - 7. Worked in a foreign company abroad
  - 11. Other (specify) \_\_\_\_\_
7. What was your position in your last job?
- 0. That is my first job
  - 1. Top management
  - 2. White-collar worker
  - 3. Blue-collar worker
  - 11. Other (specify) \_\_\_\_\_
8. Are you producing the same product in your current business that was produced in your previous jobs?
- 0. The same
  - 1. Very similar
  - 2. Related but different
  - 3. Completely different
  - 11. Other (specify) \_\_\_\_\_
  - 12 N/A

## B2. Start-up

9. Who started this business?
- 0. Started business alone
  - 1. Started business with my spouse or/and other close family members
  - 2. Started business with a non-family member
  - 3. Started with a combination of the above
  - 4. Bought the business
  - 5. Inherited the business
  - 11. Other (specify) \_\_\_\_\_
10. What was your main motivation for starting your own business?  
(can choose up to three options)
- 0. Achievement – wanted to use the skills I have
  - 1. Independence – wanted to work on my own
  - 2. Control – wanted to be in charge
  - 3. Money – wanted to earn more money
  - 4. Economic necessity – had few other choices
  - 5. Career/security – this route offered the best future
  - 6. Status/prestige – wanted to improve my social status
  - 7. Tradition – parents/relatives were in private business
  - 11. Other (specify) \_\_\_\_\_

11. What was the founding capital you started your business with?

- 0. Less than 1.000 ECU
- 1. 1.000 – 4.999 ECU
- 2. 5.000 – 9.999 ECU
- 3. 10.000 – 19.999 ECU
- 4. 20.000 – 100.000
- 5. 100.000 or more
- 12. N/A

12. Is this business the first one that you have started?

- 0. No, I have started other business before
- 1. Yes, the first one and the only one
- 2. Yes, the first one but not the only one

13. Were all of your start-ups successful?

- 0. Have not started any own businesses before
- 1. Yes
- 2. No
- 12. N/A

14. Are you an owner/major stockholder in any other business?

- 0. No
- 1. One
- 2. Two
- 3. Three or more
- 12. N/A

15. What do you think is a main reason for success of this business?  
(can choose up to three options)

- 0. Education of the owner/management team
- 1. Experience of the owner/management team
- 2. Organisational skills of the owner/management team
- 3. Innovations
- 4. Connections
- 5. Good relations with customers/clients
- 6. Marketing of our product/service
- 7. Adequate financing
- 8. Quality of our product/service
- 11. Other (specify) \_\_\_\_\_

16. What are the biggest problems affecting your business today?  
(can choose up to three options)

- 0. None
- 1. Insufficient market
- 2. Insufficient financial strength/inability to obtain financing
- 3. Out-of-date technology
- 4. Limited availability of skilled workers
- 5. Difficulties in collecting payments for goods/services sold
- 6. Poor quality of raw material and/or other inputs
- 7. Difficulties with transportation
- 8. Unfavourable government regulation
- 11. Other (specify) \_\_\_\_\_

17. If you had the opportunity to start over, would you choose to start your own business again?

- 0. Would choose to work for somebody else
- 1. Would start my own business – same industry
- 2. Would start my own business – different industry
- 11. Other (specify) \_\_\_\_\_
- 12. N/A

### C. FIRM PROFILE

#### C1. Human Resources

1. How many full time employees work in your business?

	A	B	C	D	E
# of employees	1 <sup>st</sup> Year	1992	1993	1994	1995
0. 0	_____	_____	_____	_____	_____
1. 1 – 4	_____	_____	_____	_____	_____
2. 5 – 9	_____	_____	_____	_____	_____
3. 10 – 19	_____	_____	_____	_____	_____
4. 20 – 34	_____	_____	_____	_____	_____
5. 35 – 49	_____	_____	_____	_____	_____
6. 50 – 99	_____	_____	_____	_____	_____
7. 100 – 199	_____	_____	_____	_____	_____
8. 200 – 499	_____	_____	_____	_____	_____
9. 500 or more	_____	_____	_____	_____	_____
12. N/A	_____	_____	_____	_____	_____

2. How many part-time employees work in your business?

	A	B	C	D	E
# of employees	1 <sup>st</sup> Year	1992	1993	1994	1995
0. 0	_____	_____	_____	_____	_____
1. 1 – 4	_____	_____	_____	_____	_____
2. 5 – 9	_____	_____	_____	_____	_____
3. 10 – 19	_____	_____	_____	_____	_____
4. 20 – 34	_____	_____	_____	_____	_____
5. 35 – 49	_____	_____	_____	_____	_____
6. 50 or more	_____	_____	_____	_____	_____

3. What is the educational profile of your business?  
(can choose more options)

- |                          |   |                      |                        |
|--------------------------|---|----------------------|------------------------|
| <input type="checkbox"/> | 0. No formal education                        | <input type="text"/> | %                      |
| <input type="checkbox"/> | 1. Primary education                          | <input type="text"/> | %                      |
| <input type="checkbox"/> | 2. Apprenticeship                             | <input type="text"/> | %                      |
| <input type="checkbox"/> | 3. Secondary education                        | <input type="text"/> | %                      |
| <input type="checkbox"/> | 4. University (higher professional education) | <input type="text"/> | %                      |
| <input type="checkbox"/> | 5. University (high professional education)   | <input type="text"/> | %                      |
| <input type="checkbox"/> | 6. Post-graduate (Masters, PhD)               | <input type="text"/> | %                      |
| <input type="checkbox"/> | 11. Other (specify) _____                     | <input type="text"/> | %                      |
| <input type="checkbox"/> | 12. N/A                                       | <input type="text"/> | %                      |
|                          |   | Total:               | <input type="text"/> % |

4. Do you think that your employees are as highly skilled as you want them to be?

0. All of them  
 1. Most of them  
 2. Half of them  
 3. Only few of them  
 4. None of them  
 11. Other (specify) \_\_\_\_\_

5. Do you have problems recruiting workers who have the specific skills and are as highly trained as you need them to be for the growth of your company>

0. No problems at all  
 1. Moderate problems  
 2. Big problems  
 3. It is impossible to find workers I would need  
 11. Other (specify) \_\_\_\_\_

6. Where have most of your workers learned the skills they use in your company?

0. In the school system  
 1. In training courses outside the formal education system  
 2. From on-the-job training in previous jobs  
 3. From on-the-job training in your company  
 11. Other (specify) \_\_\_\_\_

7. What is the average monthly net salary that workers in your company make?

0. Less than 250 ECU  
 1. 250 – 350 ECU  
 2. 350 – 500 ECU  
 3. More than 500 ECU  
 12. N/A

8. Do you run the business with qualified management team?
- 0. Manage all vital activities by myself/alone
  - 1. Have a poor management team of non-owners
  - 2. Have a good management team of non-owners
  - 3. Have a poor management team of non-owners and owners
  - 4. Have a good management team of non-owners and owners
  - 5. Have a poor management team of owners
  - 6. Have a good management team of owners
  - 11. Other (specify) \_\_\_\_\_
9. What is the average monthly net salary that members of the management team in your company make?
- 0. Less than 250 ECU
  - 1. 250 – 350 ECU
  - 2. 350 – 500 ECU
  - 3. 500 – 750 ECU
  - 4. 750 – 1,000 ECU
  - 5. 1,000 – 1,500 ECU
  - 6. More than 1,500 EU
  - 12 N/A
10. To what extend does your employees' performance influence their remuneration?
- 0. Not at all
  - 1. Insignificantly
  - 2. Significantly
  - 11. Other
  - 12. N/A
11. What is the average monthly compensation (net) that you receive from the company?
- 0. Less than 350 ECU
  - 1. 350 – 500 ECU
  - 2. 500 – 750 ECU
  - 3. 750 – 1,000 ECU
  - 4. 1,000 – 1,500 ECU
  - 5. 1,500 – 2,000 ECU
  - 6. More than 2,000 ECU
  - 12. N/A
12. How many hours per week do you work yourself?
- 0. Less than 40
  - 1. 40 – 50
  - 2. 50 – 60
  - 3. 60 – 80
  - 12. N/A

13. What is your policy concerning employment this year?

- 0. Maintain the current number of employees
- 1. Plan to increase the labour force
- 2. Plan to increase number of managers only
- 3. Plan to reduce the labour force
- 4. Plan to reduce number of managers only

14. What is the structure of the total cost of labour of your business?

- 0. Paid directly to workers (salaries, bonuses, allowances) \_\_\_\_\_ %
  - 1. Paid for taxes on wages \_\_\_\_\_ %
  - 2. Paid for benefits/insurance \_\_\_\_\_ %
  - 12. N/A \_\_\_\_\_ %
- Total: 100 %

15. How do you feel about workers being also shareholders in your business?

- 0. No way
- 1. I am indifferent
- 2. Might be advantageous, but will not do it
- 3. Might be advantageous and plan to do it
- 4. They are already shareholders in my company and I like it
- 5. They are already shareholders in my company and I don't like it
- 11. Other (specify) \_\_\_\_\_
- 12. N/A

## C2. Physical Capital

16. Does your company own the factory (building) that it occupies?

- 0. All
- 1. Some of them, some are leased
- 2. None, all are leased
- 11. Other (specify) \_\_\_\_\_

17. Does your company own the machinery and equipment?

- 0. All owned by the company
- 1. More than one half owned, rest leased
- 2. Less than one half owned, rest leased
- 3. None owned by the company, all are leased
- 11. Other (specify)
- 12. N/A

18. What is the average age of your equipment?

- 0. Less than one year old
- 1. 1 – 3 years old
- 2. 3 – 5 years old
- 3. 5 – 10 years old
- 4. 10 – 20 years old
- 5. More than 20 years old
- 11. Other (specify) \_\_\_\_\_

19. What problems, if any, are there with domestically made equipment that your company uses?  
(can choose up to three options)

- 0. We have no problems with domestically made equipment
- 1. It's of poor quality
- 2. It's more expensive than the imported ones
- 3. The specifications are wrong for what we need
- 4. The equipment we need is not manufactured in our country
- 11. Other (specify) \_\_\_\_\_

**C3. Financial Capital**

20. From which sources have you obtained funding and financing at **start** and during **first** year of operation of your business?  
(can choose more options)

- |                          |   |         |
|--------------------------|---|---------|
| <input type="checkbox"/> | 0. My own savings                             | _____ % |
| <input type="checkbox"/> | 1. Management team's own savings              | _____ % |
| <input type="checkbox"/> | 2. Family/friends borrowing                   | _____ % |
| <input type="checkbox"/> | 3. Venture capital (private equity investors) | _____ % |
| <input type="checkbox"/> | 4. Supplier credits                           | _____ % |
| <input type="checkbox"/> | 5. Buyer credits                              | _____ % |
| <input type="checkbox"/> | 6. Bank loan                                  | _____ % |
| <input type="checkbox"/> | 7. Government programme                       | _____ % |
| <input type="checkbox"/> | 8. Profits from the business                  | _____ % |
| <input type="checkbox"/> | 11 Other (specify) _____                      | _____ % |
| <input type="checkbox"/> | 12. N/A                                       |         |
|                          | Total:  | 100 %   |

21. Which sources have you used for financing of your investment and working capital **after three (3) years** in business?  
(can choose more options)

- |                          |   |         |
|--------------------------|---|---------|
| <input type="checkbox"/> | 0. My own savings                             | _____ % |
| <input type="checkbox"/> | 1. Management team's own savings              | _____ % |
| <input type="checkbox"/> | 2. Family/friends borrowing                   | _____ % |
| <input type="checkbox"/> | 3. Venture capital (private equity investors) | _____ % |
| <input type="checkbox"/> | 4. Supplier credits                           | _____ % |
| <input type="checkbox"/> | 5. Buyer credits                              | _____ % |
| <input type="checkbox"/> | 6. Bank loan                                  | _____ % |
| <input type="checkbox"/> | 7. Government programme                       | _____ % |
| <input type="checkbox"/> | 8. Profits from the business                  | _____ % |
| <input type="checkbox"/> | 11 Other (specify) _____                      | _____ % |
| <input type="checkbox"/> | 12. N/A                                       |         |
|                          | Total:  | 100 %   |

22. With which banks do you have the best experience?

- 0. No good experience
- 1. State-owned domestic banks
- 2. Private domestic banks
- 3. Foreign (or mixed) banks
- 11. Other \_\_\_\_\_
- 12 N/A

23. What problems, if any, have you encountered trying to get a short-term money for financing working capital and investment? (can choose more options)

- 0. None
- 1. High interest rates
- 2. Short amortisation periods
- 3. Costly insurance, high collateral
- 4. Very time-consuming procedure
- 5. Size of loans available not sufficient
- 6. Bankers prefer to make larger loans
- 7. Complicated application procedure, feasibility studies required
- 8. Bank has not believed/trusted or understand my proposal
- 11. Other (specify) \_\_\_\_\_
- 12. N/A

24. What are in your opinion for bankers' decision whether to approve a loan or not the most important elements of the bank proposal?  
(can choose more options)

- 0. Track record/ability of the entrepreneur
- 1. Quality of the idea and its prospects in the market
- 2. Motivation and commitment of entrepreneur
- 3. Clarity of the resource requirement
- 4. Business plan
- 5. Collateral
- 6. Quality of other sources of financing
- 7. Connections
- 11. Other (specify)
- 12. N/A

#### C4. Business Performance

25. Which activities generate most of the turnover in your business?  
(can choose more options)

- 0. Manufacturing \_\_\_\_\_ %
- 1. Trade \_\_\_\_\_ %
- 2. Services \_\_\_\_\_ %
- 11. Other (specify) \_\_\_\_\_ %
- 12 N/A

Total: 100 %

26. What was the turnover of your company in first year of operation and what do you expect it to be next year:

	A	B	C	D	E
	1 <sup>st</sup> Year	1992	1993	1994	1995
0. Less than 100,000 ECU	_____	_____	_____	_____	_____
1. 100,000 – 0.5 Mio ECU	_____	_____	_____	_____	_____
2. 0.5 – 1 Mio ECU	_____	_____	_____	_____	_____
3. 1 – 2 Mio ECU	_____	_____	_____	_____	_____
4. 2 – 5 Mio ECU	_____	_____	_____	_____	_____
5. 5 – 10 Mio ECU	_____	_____	_____	_____	_____
6. More than 10 Mio ECU	_____	_____	_____	_____	_____
12. N/A	_____	_____	_____	_____	_____

27. At what rate did the turnover of your company grow in the past and what do you expect in the future?

	A	B	C	D	E
	2 <sup>nd</sup> /1 <sup>st</sup> Year	92/91	93/92	94/93	95/94
Annual growth					
0. Negative	_____	_____	_____	_____	_____
1. 0 – 4.9 %	_____	_____	_____	_____	_____
2. 5 – 9.9%	_____	_____	_____	_____	_____
3. 10 – 49.9%	_____	_____	_____	_____	_____
4. 50 – 99.9%	_____	_____	_____	_____	_____
5. 100 – 199.9%	_____	_____	_____	_____	_____
6. 200% or more	_____	_____	_____	_____	_____
12. N/A	_____	_____	_____	_____	_____

28. What is the most important reason for increase in your production volume in the last 12 months?

- 0. We have experienced decrease in our production volume
- 1. Increased demand for our products in local markets
- 2. Increased demand for our products in foreign markets
- 3. Better availability of raw materials
- 4. Modernised production methods and technology
- 5. Increase in price of imported goods
- 6. Decline in production of state-owned companies
- 7. Positive changes in laws, regulations and policies
- 11. Other (specify) \_\_\_\_\_

29. What is the most important reason for decrease in your production volume in the last 12 months?

- 0. We have experienced increase in our production volume
- 1. Weak demand for our products in local markets
- 2. Weak demand for our products in foreign markets
- 3. Worse availability of raw materials
- 4. Out-of-date production methods/technology
- 5. Lower price of imported goods/stronger foreign competition
- 6. Increased supply of similar products by local competitors
- 7. Negative changes in laws, regulations and policies
- 8. Labour problems
- 11. Other (specify) \_\_\_\_\_

30. Which activities generate most of the profit in your business?  
(can choose more options)

<input type="checkbox"/>	0. Manufacturing	<input type="text"/>	%
<input type="checkbox"/>	1. Trade	<input type="text"/>	%
<input type="checkbox"/>	2. Services	<input type="text"/>	%
<input type="checkbox"/>	11. Other (specify) _____	<input type="text"/>	%
<input type="checkbox"/>	12 N/A		
Total:			100 %

31. How much profit (before tax) did your company make in the past and what are your expectations?

PBT (000 ECU)	A 1 <sup>st</sup> Year	B 1992	C 1993	D 1994	E 1995
0. Loss	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1. Less than 49,000 ECU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2. 50,000 – 99,000 ECU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3. 100,000 – 199,000 ECU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4. 200,000 – 499,000 ECU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
5. 500,000 or more	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
12. N/A	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

32. Is your business more or less profitable now than in the first few months after start-up?

<input type="checkbox"/>	0. About the same
<input type="checkbox"/>	1. Less profitable
<input type="checkbox"/>	2. More profitable
<input type="checkbox"/>	11. Other (specify) _____

33. Are profits of this business up to your expectations?

<input type="checkbox"/>	0. Much lower than expected
<input type="checkbox"/>	1. Slightly lower than expected
<input type="checkbox"/>	2. As expected
<input type="checkbox"/>	3. Slightly higher than expected
<input type="checkbox"/>	4. Much higher than expected
<input type="checkbox"/>	11. Other (specify) _____

34. Where are your products sold?  
(can choose more options)

	A 1991	B 1993	C 1995
<input type="checkbox"/> 0. Domestic market	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="checkbox"/> 1. Central and East European countries	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="checkbox"/> 2. Western European countries	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="checkbox"/> 3. US market	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="checkbox"/> 4. Other countries	<input type="text"/> %	<input type="text"/> %	<input type="text"/> %
<input type="checkbox"/> 12 N/A			
Total: 100% 100% 100%			

35. Which markets are for you the most profitable

- 0. Domestic market
- 1. Central and East European countries
- 2. Western European countries
- 3. US market
- 4. Other countries
- 12 N/A

36. Who are your main customers?  
(can choose more options)

- 0. Wholesalers \_\_\_\_\_ %
- 1 Retailers \_\_\_\_\_ %
- 2. Final consumers \_\_\_\_\_ %
- 3. Manufacturers \_\_\_\_\_ %
- 4. Government \_\_\_\_\_ %
- 11. Other (specify) \_\_\_\_\_ %
- 12. N/A

Total: 100 %

37. Who are your main suppliers of raw materials and other inputs?  
(can choose more options)

- 0. Domestic suppliers \_\_\_\_\_ %
- 1. Suppliers from Central/Eastern Europe \_\_\_\_\_ %
- 2. Suppliers from Western Europe \_\_\_\_\_ %
- 3. Suppliers from other countries \_\_\_\_\_ %
- 12. N/A

Total: 100 %

38. How would you characterise the competition in your industry?

- 0. Very hard
- 1. Moderate
- 2. Little competition
- 3. No competition
- 11. Other (specify) \_\_\_\_\_

39. Who are your firm's main competitors?  
(can choose more options)

- 0. None \_\_\_\_\_ %
- 1. Small private firms \_\_\_\_\_ %
- 2. Large private firms \_\_\_\_\_ %
- 3. State enterprises \_\_\_\_\_ %
- 4. Foreign-owned firms \_\_\_\_\_ %
- 5. Foreign-local joint ventures \_\_\_\_\_ %
- 6. Imports \_\_\_\_\_ %
- 11. Other (specify) \_\_\_\_\_ %
- 12. N/A

Total: 100 %

40. How does your company rank among the competition nationally?

- 0. Top 3%
- 1. Top 10%
- 2. Top 20%
- 3. Top 50%
- 11. Other (specify) \_\_\_\_\_

41. What is the greatest advantage of your company compared to the competition?  
(can choose more options)

- 0. Low costs of inputs
- 1. Low costs of labour
- 2. Excellent organisation
- 3. Excellent marketing strategy
- 4. Excellent connections/networks
- 5. Strong financial health
- 6. Skilled workers
- 7. Modern technology
- 11. Other (specify) \_\_\_\_\_

42. What do you do with your profits?

- 0. Invest them in the same business
- 1. Invest them in another business
- 2. Save them
- 3. Pay dividends
- 4. Increase bonus
- 5. Other (specify) \_\_\_\_\_
- 12. N/A

#### **C4. Investment Plans**

43. Is company planning to make substantial investments in the coming years and what is the expected size of investment?

- 0. None
- 1. Less than 100,000 ECU
- 2. 100,000 – 0.5 Mio ECU
- 3. 0.5 – 1 Mio ECU
- 4. 1 – 2 Mio ECU
- 5. 2 – 5 Mio ECU
- 6. More than 5 Mio ECU
- 12. N/A

44. From which sources will planned investment be financed?  
(can choose more options)

- |                          |   |                      |   |
|--------------------------|---|----------------------|---|
| <input type="checkbox"/> | 0. No investment planned                      | <input type="text"/> | % |
| <input type="checkbox"/> | 1. My own savings                             | <input type="text"/> | % |
| <input type="checkbox"/> | 2. Management team's own savings              | <input type="text"/> | % |
| <input type="checkbox"/> | 3. Family/friends borrowing                   | <input type="text"/> | % |
| <input type="checkbox"/> | 4. Venture capital (private equity investors) | <input type="text"/> | % |
| <input type="checkbox"/> | 5. Supplier credits                           | <input type="text"/> | % |
| <input type="checkbox"/> | 6. Buyer credits                              | <input type="text"/> | % |
| <input type="checkbox"/> | 7. Commercial or investment bank loan         | <input type="text"/> | % |
| <input type="checkbox"/> | 8. Government programme                       | <input type="text"/> | % |
| <input type="checkbox"/> | 9. Profits from the business                  | <input type="text"/> | % |
| <input type="checkbox"/> | 11 Other (specify) _____                      | <input type="text"/> | % |
| <input type="checkbox"/> | 12. N/A                                       |                      |   |

Total: 100 %

45. What is the most decisive factor influencing your choice of financial source?  
(can choose up to three options)

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | 0. No investment planned                    |
| <input type="checkbox"/> | 1. No selection, take whatever is available |
| <input type="checkbox"/> | 2. Simple and fast application processing   |
| <input type="checkbox"/> | 3. Low interest rate                        |
| <input type="checkbox"/> | 4. Low collateral                           |
| <input type="checkbox"/> | 5. Additional support of financier          |
| <input type="checkbox"/> | 6. Prestige                                 |
| <input type="checkbox"/> | 7. No loss of independence                  |
| <input type="checkbox"/> | 11. Other (specify) _____                   |
| <input type="checkbox"/> | 12. N/A                                     |

46. How do you plan to allocate additional funds?  
(can choose more options)

	Next 2 years	next 5 years
<input type="checkbox"/>		
0. No investment		
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
1. Land and buildings	%	%
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
2. Other fixed assets	%	%
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
3. Working Capital	%	%
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
4. Acquisitions	%	%
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
5. Research and development	%	%
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
6. New market entrance/marketing	%	%
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
11. Other (specify) _____	%	%
<input type="checkbox"/>		
12. N/A		
	Total: 100 %	100 %

47. How many new jobs will be created due to the investment?

- 0. No investment planned
- 1. None
- 2. 1 – 9
- 3. 10 – 34
- 4. 35 – 49
- 5. 50 – 99
- 6. More than 100
- 12. N/A

48. What changes in the financing environment would motivate you to increase activity, invest more or invest sooner?

(can choose up to three options)

- 0. None
- 1. Better availability of long term credit
- 2. Better availability of short term credit
- 3. Better availability of risk capital
- 4. Less stringent credit conditions
- 5. Lower interest rates
- 11. Other (specify) \_\_\_\_\_

49. What changes in the business environment would motivate you to increase activity, invest more or invest sooner?

(can choose up to three options)

- 0. None
- 1. Better economic outlook
- 2. Higher consumption
- 3. More skilled workers
- 4. Better management and support
- 5. Lower taxes
- 6. Positive changes in government regulation
- 11. Other (specify) \_\_\_\_\_

50. What positive changes in government regulations would have the greatest impact on your decision to expand and/or invest more?

(can choose up to three options)

- 0. Lower income taxes
- 1. Larger tax incentives
- 2. Lower export/import taxes
- 3. Less stringent requirements related to licenses and permits
- 4. Positive changes in law on labour relations (hiring/dismissal)
- 5. Reinforcement of financial discipline in the economy
- 6. Full currency convertibility
- 11. Other (specify) \_\_\_\_\_

## D. BUSINESS ENVIRONMENT

1. What kind of problems did you have to obtain registration, licenses or permits that you needed for starting your business?

- 0. None
- 1. Registration/application procedures were very complicated
- 2. Processing of application took too much time
- 3. Instructions were not clear or were often changed
- 4. High costs/fees
- 11. Other (specify) \_\_\_\_\_

2. How long did it take you to get all of the licenses and permits that you needed?

- + 0. Less than a month
- 1. 1 – 3 months
- 2. 3 – 6 months
- 3. More than 6 months
- 11. Other (specify) \_\_\_\_\_

3. What do you think about taxes on profit in your country?

- 0. Too low
- 1. Just right
- 2. Too high
- 11. Other (specify) \_\_\_\_\_

4. Does the taxation law in your country stimulate reinvestment of profits?

- 0. No
- 1. Yes
- 11. Other (specify) \_\_\_\_\_

5. Does the taxation law provide enough incentives for young growing businesses?

- 0. None
- 1. Few, but not sufficient
- 2. Enough
- 3. Many (more than in other countries)
- 11. Other (specify) \_\_\_\_\_

6. How would you rate the attitude of the government, public officials, and managers of state enterprises toward private business and profit making?

- 0. Very negative
- 1. Negative
- 2. Neutral
- 3. Positive
- 4. Very positive
- 11. Other (specify) \_\_\_\_\_

7. How would rate the average citizen's attitude toward private business and profit-making?
- 0. Very negative
  - 1. Negative
  - 2. Neutral
  - 3. Positive
  - 4. Very positive
  - 11. Other (specify) \_\_\_\_\_
8. Do you consider the present conditions for small business to be:
- 0. Highly favourable
  - 1. Favourable
  - 2. Unfavourable
  - 3. Very unfavourable
9. How well do those who operate the regulatory environment for small businesses understand the small firm (tax officials, licensing officers, health and safety inspectors, etc.)?
- 0. Extremely well
  - 1. Moderately well
  - 2. Poorly
  - 3. Very poorly
10. Which is the main Ministry responsible for small business development in your country?
- 0. Don't know
  - 1. Ministry of Industry
  - 2. Ministry of Employment
  - 3. Ministry of Environment
  - 4. Ministry of Privatisation
  - 5. Ministry of Finance
  - 11. Other (specify) \_\_\_\_\_
11. Do you think that the government should play a role in providing services to small business?
- 0. Yes
  - 1. No
  - 2. Don't know
12. If Yes what would be the key areas of need to be addressed by government?  
(Score each out of 10)
- 0. Training
  - 1. Consultancy
  - 2. Provision of premises
  - 3. Tax incentives
  - 4. Loans
  - 5. Loan guarantees
  - 6. Market information
  - 7. Business to business contacts
  - 8. Improvement of understanding of those in the regulatory environment
  - 11. Other (specify) \_\_\_\_\_

13. Which are the main channels for communication of the small business with government?  
(Score the main 3 in order of importance 1, 2 and 3.)
- \_\_\_ 0. Don't know  
 \_\_\_ 1. Chamber of Commerce  
 \_\_\_ 2. Small Business/Entrepreneurs Association  
 \_\_\_ 3. Trade/Industry Association  
 \_\_\_ 4. Local/regional Government  
 \_\_\_ 5. Local Enterprise Agency/Advice Centre  
 \_\_\_ 6. Local Member of Parliament  
 \_\_\_ 11. Other (specify) \_\_\_\_\_
14. How effective are the main channels for communication with government?
- \_\_\_ 0. Highly effective  
 \_\_\_ 1. Moderately effective  
 \_\_\_ 2. Relatively ineffective  
 \_\_\_ 3. Wholly ineffective
15. Which of the following are the major influences on the conditions affective small buisiness?
- \_\_\_ 0. National government  
 \_\_\_ 1. Regional government  
 \_\_\_ 2. Local government
16. Are you a member of any entrepreneurs organisation where you can meet with other business people?
- \_\_\_ 0. No and I have no desire to become one  
 \_\_\_ 1. No, but I would like to become one  
 \_\_\_ 2. Yes, member of a formal entrepreneurs organisation  
 \_\_\_ 3. Yes, member of an informal entrepreneurs organisation  
 \_\_\_ 11. Other (specify) \_\_\_\_\_
17. In your opinion, who should establish organisations – forums where business people could meet?
- \_\_\_ 0. I see no need for such forums – organisations  
 \_\_\_ 1. Chamber of Commerce  
 \_\_\_ 2. Enterprise Club  
 \_\_\_ 3. Local Enterprise Agency/Business Advice Centre  
 \_\_\_ 4. Local Authority  
 \_\_\_ 5. Central government  
 \_\_\_ 6. Local education institutions  
 \_\_\_ 11. Other (specify) \_\_\_\_\_
18. Member of which formal entrepreneurs organisation are you?
- \_\_\_ 0. I am not a member of any formal entrepreneurs organisation  
 \_\_\_ 1. National Chamber of Commerce  
 \_\_\_ 2. Other national organisation for private companies only  
 \_\_\_ 3. Organisation that represents specific industry sector  
 \_\_\_ 4. Organisation that represents certain geographical region  
 \_\_\_ 11. Other (specify) \_\_\_\_\_

19. What benefits do you receive as a member?

- 0. Not a member
- 1. Information (on markets, technology, laws and/or regulations)
- 2. Political representation/lobbying
- 3. Education
- 4. Better access to the capital
- 5. Professional (advisory) services
- 6. Network
- 11. Other (specify) \_\_\_\_\_

20. What would be your main motivation for joining certain business association?  
(can choose up to three options)

- 0. None
- 1. Status/prestige
- 2. Building network
- 3. Exchanging information/being informed
- 4. Being able to influence economic policy-making (lobbying)
- 5. Prospects of better access to venture capital
- 6. Availability of certain professional (advisory) services
- 11. Other (specify) \_\_\_\_\_

21. Are there outstanding institutions in your locality that support small business and which are they?

- 0. No outstanding institution
- 1. Education Institution
- 2. Local Enterprise Agency/Business Advice Centre
- 3. Local Authority
- 4. Regional Development Organisation
- 5. Innovation Centre
- 6. Incubator
- 7. Chamber of Commerce
- 8. Business/Trade Associations
- 9. Entrepreneurs Club
- 11. Other (specify) \_\_\_\_\_

22. Have you used any special support services?

- 0. None
- 1. Information
- 2. Consultancy
- 3. Training
- 4. Financial
- 5. Provision of premises
- 11. Other (specify) \_\_\_\_\_

23. How did you rate the service?
- \_\_\_ 0. Haven't used any  
 \_\_\_ 1. Very good  
 \_\_\_ 2. Good  
 \_\_\_ 3. Poor  
 \_\_\_ 4. Very poor
24. How effective do you think the Local Enterprise Agencies/Business Advice Centres in your country are?
- \_\_\_ 0. I am not aware of their work  
 \_\_\_ 1. Very effective  
 \_\_\_ 2. Effective  
 \_\_\_ 3. Ineffective  
 \_\_\_ 4. Very ineffective
25. To your knowledge are there particular support programmes for:
- \_\_\_ 0. Business start-up  
 \_\_\_ 1. Business survival  
 \_\_\_ 2. Business growth  
 \_\_\_ 3. Business exporting  
 \_\_\_ 4. Business innovation  
 \_\_\_ 11. Other (specify) \_\_\_\_\_
26. How effective, in your opinion are these programmes?
- \_\_\_ 0. Highly effective  
 \_\_\_ 1. Effective  
 \_\_\_ 2. Ineffective  
 \_\_\_ 3. Highly ineffective
27. Overall, in your opinion, does the government have a well-defined policy for support of small business?
- \_\_\_ 0. Yes  
 \_\_\_ 1. No  
 \_\_\_ 2. Don't know
28. Should your government have a well defined policy for support of small business?
- \_\_\_ 0. Yes  
 \_\_\_ 1. No  
 \_\_\_ 2. Don't know
29. How well do you think your government as a whole understands small business?
- \_\_\_ 0. Extremely well  
 \_\_\_ 1. Very well  
 \_\_\_ 2. Moderately well  
 \_\_\_ 3. Not very well  
 \_\_\_ 4. Very badly

30. Are there any outstanding (successful) support programmes/schemes in your country that you could name (and their providers)?

- \_\_\_ 0. None
- \_\_\_ 1. \_\_\_\_\_
- \_\_\_ 2. \_\_\_\_\_
- \_\_\_ 3. \_\_\_\_\_

### E. ENTREPRENEURSHIP AND ETHICS

1. Do you sometimes find yourself in situations where you have to make decisions that you consider morally questionable?

- \_\_\_ 1. Never
- \_\_\_ 2. Very seldom
- \_\_\_ 3. Often
- \_\_\_ 12. N/A

2. Considering your professional experience, how difficult do you find it to implement ethical principles?

- \_\_\_ 1. Not difficult
- \_\_\_ 2. Difficult, because there are no ethical guidelines in my profession
- \_\_\_ 3. Difficult because of competition
- \_\_\_ 4. Difficult because of stress in business life
- \_\_\_ 5. Not difficult, but inconvenient
- \_\_\_ 12. N/A

3. What is your opinion about the following statements:

(please mark one of the following options at each of statements:

**0** No answer, **1** Strongly disagree, **2** Disagree, **3** No opinion, **4** Agree, **5** Strongly agree)

- \_\_\_ 1. Government shouldn't restrict competition, even not interfere through incentives.
- \_\_\_ 2. Professional bodies/organisations should provide services to their members only.
- \_\_\_ 3. Changes in business should be avoided at all costs.
- \_\_\_ 4. A firm should not leave the location where it is established.
- \_\_\_ 5. Jobs should be clearly described and defined in details.
- \_\_\_ 6. Managers should plan rather than follow their intuition.
- \_\_\_ 7. Firms should only introduce proven office procedures and production techniques.
- \_\_\_ 8. In family owned businesses management should stay in family hands.
- \_\_\_ 9. Small firms should not hesitate to do business with large firms.
- \_\_\_ 10. Small business managers should take personal responsibility for the recruitment of all employees.
- \_\_\_ 11. A manager should consider ethical principles in his behaviour.
- \_\_\_ 12. Business should take precedence over family life.

4. How do you judge the following patterns of behaviour:  
(Please mark one of the following options at each of statements: **0** No answer, **1** Completely wrong, **2** Hardly acceptable, **3** Not desirable, but sometimes unavoidable, **4** Not a moral, but a utility question, **5** Harmless)

- 1. Making employees work overtime without additional payment (on a regular basis)
- 2. Tax evasion
- 3. Price agreements in public tenders
- 4. Undercutting competitors' prices
- 5. Delivering misleading data to obtain public subsidies

## Annex 10.2 – Linking Support Policies and Programmes to Overall Economic Social and Economic Objectives

### Annex 10.2.1 - Examples of Linking SME Start up Support Policies and Programmes to Overall Economic Social and Economic Objectives

#### Overall National Economic and Social Objectives

<i>Start up Programmes Examples</i>	<i>Growth, Productivity and Competitiveness</i>	<i>Employment</i>	<i>External Trade Balance</i>	<i>Economic and Social Balance</i>
Programme to counter effects of privatisation and restructuring via transfer out of start -up businesses	- helps to create new supply chain development and leaner, more competitive sub-contracting model of industry structure	- mitigates the loss of employment through restructuring - creates potential for creation of new jobs	- may lead to savings of imports via domestic production - in general helps international competitiveness	- provides greater potential to fill out the local economy - creates basis for stronger local entrepreneurship culture
High Tech Incubation support programme	- more businesses with international product/market focus - high added value businesses established - more businesses with 'growth potential'	-more jobs for skilled workers and greater potential for training in high tech fields	-increases the base for international competitiveness	- incubators can be focused in areas of high development need with the aim of creating growth poles or clusters
Youth Vocational start -up programme	- little contribution to growth but enables higher utilisation of skills in the economy	- creates basis for higher growth in self employment	- little contribution to external balance but in the long run by filling out the micro service sector of the economy will make it more attractive to foreign firms	-helps to prevent localised youth unemployment - helps to create a self help culture among youth - can be targeted on disadvantaged groups

## Annex 10. 2. 2 Examples of Linking Regulatory Environment Support Policies to Overall National Economic and Social Objectives

### Overall National and Economic and Social Objectives

<i>Programmes supporting growth of existing business stock</i>	<i>Growth, Productivity and Competitiveness</i>	<i>Employment</i>	<i>External Trade Balance</i>	<i>Economic and Social Balance</i>
Law protecting property rights and property transfer	<ul style="list-style-type: none"> <li>- facilitates foreign investment and joint ventures</li> <li>- encourages long term investment</li> <li>- facilitates capital leverage for financing growth</li> <li>- encourages growth by acquisition</li> </ul>	<ul style="list-style-type: none"> <li>- creates stability of employment by under-pinning continuity of business</li> </ul>	<ul style="list-style-type: none"> <li>- facilitates membership of international free trade arrangements</li> <li>- facilitates licensing and other international partnership arrangements</li> </ul>	<ul style="list-style-type: none"> <li>- by underpinning the operation of the market it enables easy movement of capital between regions</li> </ul>
Creation of one stop shops for licensing and registration of business	<ul style="list-style-type: none"> <li>- encourages ease of business entry and therefore competition</li> <li>- reduces transactions costs of business in general</li> </ul>	<ul style="list-style-type: none"> <li>- makes it easy to start a business and therefore create jobs</li> </ul>	<ul style="list-style-type: none"> <li>- by reducing transactions costs increases international competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>- helps to create the enterprise culture by making it easy for entry into a 'self help' capacity</li> </ul>
Law governing bankruptcy and liquidation of business	<ul style="list-style-type: none"> <li>- establishes the basis for contract dealings based upon a civil code of practice</li> <li>- facilitates the transfer of assets to optimum use</li> </ul>	<ul style="list-style-type: none"> <li>- little immediate impact</li> </ul>	<ul style="list-style-type: none"> <li>- encourages international investment and joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>- facilitates the transfer of resources from one area to another</li> </ul>

## **Annex 10.3 Setting out Specific Targets and Actions to be taken**

### **Example: Improving the Quality of the Existing SME stock**

#### **Key Areas for possible targeting**

Key Areas to focus upon in improving the existing SME stock might include:

- Adding value to value/supply chains in Key Sectors
- Enhancing capacity of firms to use IT
- Encouraging cluster developments in key areas
- Focusing upon major industry sector development in general (for example, tourism, agri-based business)
- Removing regulatory barriers to growth of businesses (for example, planning restrictions, capital gains tax)
- Removing financial barriers to growth (tax, ownership structures)
- Improving management skills
- Supporting export development (for example export credit insurance)
- Removing skill shortages

#### **Example of approach to one Key Area**

**Adding value to supply chains in key sectors** (see Part 1 Annex 1.13.)

#### **Identified Needs**

These might include the need to:

- maximise the potential to add value to key agricultural sectors representing export potential
- remove barriers (social and economic) to increasing productivity in these sectors
- find better mechanisms to engage the leading private sector companies at the top of the chain in partnership with government
- link social and infrastructural investment more closely to economic development needs
- alleviate the impact of certain social problems on productivity (for example AIDS)

#### **Specific Objectives**

These might include:

- to identify the barriers to raising export potential in three key agri-based sectors
- to develop social and economic development plans targeted precisely on removing these
- to do this via creation of a mechanism for sector based private/public partnerships.

#### **Targets**

These might include:

- specific increases in outputs in the sectors over the next 5 years
- removal of major added value bottlenecks in each sector (set out precisely)

#### **Activities**

These might include:

- setting up sector management committees to carry out analysis of key areas of potential for added value
- organisation of sector workshops of key players at all levels to identify barriers to added value
- development of action and resourcing plans to remove barriers

- co-ordination of social, infrastructure and economic activities to meet the above targets

### **Inputs**

These might include:

- private sector secondment of relevant personnel to action plans
- private sector contribution to certain overheads involved in preparation of plans
- public sector contribution on a matching basis
- contributions from other relevant stakeholders (NGOs, relevant local authorities and possibly donors)

### **Outcomes**

Given the above these should include:

- removal of major added value barriers in key sectors
- creation of methodology for private/public partnership in sector development
- real leadership by the private sector
- improved export performance

### **Impact Measurement**

Measures might include:

- at the reaction level, changes in the level of commitment of key private sector and other stakeholders
- at the learning level, measures of understanding of the value chain approach contributes to key sector development
- at the behaviour level, measures of active involvement of private sector personnel
- at the intermediate action level measures of the changes that have taken place in the management of the chain in each sector
- at the ultimate outcome level, measures of increases in added value

## **Annex 10.4. Example 'Barriers to Growth' Framework**

### **What is growth?**

Most governments have a desire to stimulate the growth of the SME sector. To do so successfully they need to understand the processes involved. Growth can be characterised as a discrete step function over a distinct time period in a company's development involving an expansion of sales and, usually, employment. It will involve combinations of finding new customers, new market areas, product improvement and /or new product development and technical and managerial innovation. It can be seen a process of moving from where the company is in time period one to where it aims to go. Its ability to get there is determined by a combination of external and internal factors. It is these factors that are open to influence.

### **The rationale for interest in growth firms**

This is based upon a number of assumptions as follows:

- They are the main job creators. This is not true in aggregate if the growth company is confused with middle size dynamic business only. In the European Union, for example, in the last decade of the 20<sup>th</sup> century the major contribution to employment was from the micro and self-employment sector. It seems to be clear, however, that within any cohort of 100 businesses in any size category, over a distinct, time period, that 5 businesses will create most of the jobs. The two statements are therefore not contradictory.
- They are important in creating a middle business independent ownership structure in the economy, important for economic competitiveness and social stability
- They are more likely to be export oriented
- They are more likely to be High Tech (this is much exaggerated)
- They represent better returns to public investment (this is unproven)

### **The rationale for intervention**

This is often confused with the above and it is important to consider more precisely why any public intervention might be needed. Key criteria include:

- Remedying market distortions created by monopoly situations or lack of information
- Where barriers to entry are unreasonably restricted
- Where regulatory barriers impact unequally upon small and medium business
- Where there are major structural and ownership weaknesses in the economy
- Where public intervention can truly add value

### **Targeting Growth Companies**

This is not easy, as they often do not seem to wish for government intervention and support. Programmes of specific support (financial or consultancy/information)

May seek to identify:

- Individual businesses with specific 'growth projects' to bring forward looking for resource
- Individual businesses with strong ambition to grow
- Businesses in a supply chain keen to meet the demands of a growing large customer
- Businesses in a network or subcontracting cluster seeking to add value as a collective
- Businesses seeking to enter into, or increase, exporting and/or build relationships with foreign companies
- Businesses in a sector or value chain with growth prospects
- Technology or ITC sector businesses with growth prospects
- Businesses with potential that can be 'released' as part of the privatisation, restructuring and downsizing processes of large (often state owned) companies.

### **Influences on Growth**

There are no conclusive formulae for growing a business. It is unlikely that there ever will be. Governments seeking to influence the process therefore have no definitive guidance. What seems to be accepted is that the following external and internal factors seem to be important.

#### **Some Key Factors Influencing Growth**

INTERNAL	EXTERNAL
Strategic orientation of the owner and management team	State of the economy
Ambition and Leadership of the owner	Growth of demand in the relevant sector
Team development. A formula favoured by venture capitalists but not proven.	Removal of unreasonable regulatory demands affecting motivation to grow (ability to transfer and accumulate capital for example)
Strong orientation to building network 'know who'	Stakeholder awareness of needs of growing SMEs (banks, investors, local authorities, large buyers and suppliers, regulators)
Excellence in relationship management with key stakeholders to the business	Supply of adequate loan and equity capital
Strong orientation to marketing and product/technical/IT innovation	Pressure for adding value in any supply or value chain
Pressure from key staff	Release of businesses with potential from large state companies
Professionalisation of management (not conclusive) including influence of non executive directors	Pressure from competition
Peer review and observation of behaviours of other companies	Influence of external advisors
Education of owners and key managers (largely unproven)	Availability of market/customer information (through new technologies, for example)

## **Annex 10.5. Example of Key Headings in an Annual Report on Small Enterprises**

### **The State of Small and Medium Enterprises and its support in the Slovak Republic Annual Report 1995\***

1. Introduction: pointing out the key areas of Policy interest
2. Conditions for the small firms in the Slovak Republic
  - Importance of small firms
  - Macro-economic framework
3. Scope and Structure of small businesses
  - definition and organisational forms of small businesses
  - development of small businesses - including contribution to employment, contribution to output, legal entity development, sector developments
4. State Support to small businesses
  - work of Ministry of Economy
  - work of State Agency - information services, Consulting and training, financial support programmes- bilateral co-operation
  - work of Ministry of Labour. Social Affairs and Family
  - work of Ministry of Finance - guarantees bank
  - State (local) Development programmes
5. Bank Institutions and Funds in Support of small businesses
  - commercial credits
  - supporting funds and capital assistance
  - foreign credit lines
6. Other Supporting Institutions
  - Slovak Chamber of Commerce
  - Slovak National Agency for Foreign Investments and Development
  - Business Consulting Centres
  - Significant Interest Groups and Associations - Association of Entrepreneurs, Union of Tradesmen, Association of Landowners and Farming Entrepreneurs -Association of Christian entrepreneurs - Association of Building Entrepreneurs - other Organisations
  - Other Advisory and Education Institutions
7. Proposed Measures for Further Development
  - Strategic Measures - macro-economic - legislative framework - support for the spirit of enterprise - institutional network
  - Programmes of support to small firms - pro export - information - consulting - credit
  - guarantee - education and training - technologies transfer - start-up and risk capital - economic sectors development

\* Extracted from (1995) State of Small and Medium Enterprises. Slovakia. Published by the National Agency for Development of Small and Medium Enterprises

## Annex 10.6 Logical Framework

### Annex 10.6.1 Logical Framework Guide

(Adopted with permission from the UK department of International Development Guide to Office Procedures)

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
<p><b>Overall Objective</b> What are the wider problems which the project will help to resolve?</p>	<p>What are the quantitative ways of measuring, or qualitative ways of judging, whether these broad objectives have been achieved? (quantity, quality, time)</p>	<p>What source of information exists, or can be provided cost-effectively?</p>	<p>What external factors are necessary for sustaining objectives in the long run?</p>
<p><b>Intermediate Objectives</b> What are the intended immediate effects on the project area or target group?  What are the expected benefits (or dis-benefits) and to whom will they go?  What improvements or changes will the project bring about?</p>	<p>What are the quantitative measures or qualitative evidence by which achievement and distribution of effects and benefits can be judged? (quantity, quality, time)</p>	<p>What sources of information exist or can be provided cost-effectively? Does provision for collection need to be made under Activities-Outputs&lt;</p>	<p>What conditions external to the project are necessary if achievement of the project" purpose is to contribute to reaching the project goal?</p>
<p><b>Outputs</b> What outputs are to be produced by the project in order to achieve project purpose?</p>	<p>What kind and quantity of outputs, and by when will they be produced? (quantity, quality, time)</p>	<p>What are sources of information?</p>	<p>What are the factors not within the control of the project which, if not present, are liable to restrict progress from outputs to achievement of project purpose?</p>
<p><b>Activities</b>  What activities must be undertaken in order to accomplish the outputs and when?</p>	<p>Input/Resources  What materials/ equipment or services (personnel, trained staff etc) are to be provided at what cost over what period by: - DFID - Other donors - Project partners?</p>	<p>What are sources of information</p>	<p>What external factors must be realised to obtain planned outputs on schedule?  What decisions or actions outside control of DFID necessary for inception of project?</p>

### Annex 10.6.2 Example – Logical Framework applied to Training for English Language

Narrative Summary	Verifiable Indicators	<i>Means of Verification</i>	Important Assumptions
<p><b>Overall Objective:</b> More effective performance of returned trainees in their work</p>	<p>Positive perceptions of colleagues and project staff</p>	<p>Surveys and interviews conducted by project evaluators</p>	<p>Returned trainees' new skills contribute towards their country's development</p> <p>Other asocial and economic factors complement the contribution of training to development</p>
<p><b>Intermediate Objectives:</b> All trainees study successfully on specified English-medium training courses</p>	<p>90% pass rate on main course of study within the time specified in training awards</p>	<p>British Council Annual Reports</p>	<p>Trainees are used effectively on completion of their studies</p>
<p><b>Outputs:</b> Trainees achieve required English Language Test Scores</p> <p>Trainees acquire appropriate study skills including word processing and learner independence</p> <p>Trainees gain the necessary general and language skills and cultural preparedness to enable them to live and operate in an English medium environment</p>	<p>95% attending courses in both 1995/96 and 1996/97 achieve an ELT score of at least 5.0</p> <p>95% trainees attending short-term training achieve pass marks in end of course tests</p> <p>Acceptable test scores obtained and successful completion of work-processed assignments by the end of each course</p> <p>95% of 1995/96 and 1996/97 candidates able to study successfully in English by the end of their course</p>	<p>Annual completion report including ELT score obtained</p> <p>ELTS and other test scores and in-course research assignment</p> <p>End of course reports from training managers. Academic reports from training providers</p> <p>As above</p>	<p>Tests area reliable means of assessing ability to study in English</p> <p>Trainees studies in Britain are not impeded by other external factors e.g. poor health, academic as opposed to linguistic failure</p> <p>Trainees enrolled on appropriate courses</p>

Narrative Summary	Verifiable Indicators	<i>Means of Verification</i>	Important Assumptions
<p><b>Activities:</b> Teach and administer trainees on intensive full time courses</p>	<p>All candidates screened by interview and written British Council placement test to achieve minimum band 3</p> <p>All candidates receive 25 hours tuition per week including study skills. Tests preparation, word processing, general English upgrading and cultural orientation</p> <p>Payments of stipends received by all trainees by the end of the first week of each month</p>	<p>British Council annual completion report</p> <p>Course programmes</p> <p>Documented invoices sent to DFID East Asia</p>	<p>All nominations received on time</p> <p>Sufficient candidates meet minimum entry requirements</p> <p>Trainees can be released by project/employer for long periods on full time courses</p> <p>Trainees are sufficiently motivated to learn</p> <p>Trainees personal circumstances do not hinder training</p>
<p>Administer practice tests</p> <p>Arrange formal tests and process results</p> <p>Enrol all candidates in British Council library</p> <p>Counsel trainees individually</p> <p>Provide self access study facilities</p>	<p>Tests given on average every 3 weeks</p> <p>Tests arranged for last week of each course and results notified within 2 weeks of each test</p> <p>100% library membership amongst trainees</p> <p>Study Unit discussion and individual tutorials held at least every 3 weeks</p> <p>15 hours per week set aside for self-study in the computer room, Study Unit, language laboratory and library/ECS.</p>	<p>Course programmes and timetables</p> <p>Annual completion reports</p> <p>Library membership records</p> <p>Course timetables</p> <p>Facilities described in trainees' information pack.</p> <p>Course schedules</p>	<p>To be explored in local discussions</p>