

Special study

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Programme

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Evaluation Department



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for Reconstruction and Development

SPECIAL STUDY
EVALUATION OF BUSINESS ADVISORY SERVICES

PREFACE

This report presents the findings of an evaluation of the Bank's Business Advisory Services (BAS) Programme by its independent Evaluation Department (EvD). The evaluation was carried out by Harvey Susser (Consultant) and supervised by Wolfgang Gruber (Senior Evaluation Manager) who collectively hereafter are referred to as "the Evaluation team". The BAS Programme is administered by the EBRD under the responsibility of its TurnAround Management and Business Advisory Services Team (TAM/BAS Team).

The need for an evaluation of the BAS Programme arises from the Bank's obligation to extend the same treatment to donor-financed operations as it does to the operations funded from the Bank's own resources. The Bank, thus, has an obligation to carry out independent evaluations of donor-funded operations. Beyond this obligation, it would like to ensure that donors are satisfied with the Bank's assessment of relevance, efficacy, efficiency and impact of programmes that they are funding and that evaluation findings are used to guide future efforts.

According to Good Practice Standards guiding evaluation, programmes of the BAS-type should be independently evaluated every three to five years. The only previous evaluation took place in 1997, when the Programme was still in its infancy and confined to a few countries. Moreover, its consultations with members of the Board of Directors (notably members of the Audit Committee) and members of banking teams supported inclusion of the evaluation in EvD's 2006 work programme.

Acknowledgements

The Evaluation team would like to acknowledge the extensive time, effort and resources made available by the BAS programme to support the data collection and fieldwork for this study, for which the Evaluation team is truly grateful.

In addition, BAS Management and personnel provided extensive commentary and suggestion for improvement on an earlier draft of this paper. Where possible, suggestions, recommendations and additional factual content have been taken into account. A number of areas raised by this paper, where the Evaluation team and BAS Management do not agree, are reflected by comments in the text and footnotes, as appropriate.

**SPECIAL STUDY
BUSINESS ADVISORY SERVICES PROGRAMME**

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SPECIAL STUDY
EVALUATION OF BUSINESS ADVISORY SERVICES PROGRAMME

ABBREVIATIONS

| | |
|---------------|---|
| BAS | Business Advisory Services Programme |
| BD | Banking Department |
| CCR3 | Third Capital Resources Review |
| CPD | Continuing Professional Development |
| CRs | Completion reports |
| CSU | Consultancy Services Unit |
| DAC | Development Assistance Committee |
| DIF | Direct Investment Facility |
| DfID | Department for International Development |
| DLF | Direct loan facility |
| ED | Environmental Department |
| EI | Enterprise initiative |
| ETCs | Early transition countries |
| ETCI | Early Transition Country Initiative |
| EvD | Evaluation Department |
| FFC | Funds Financial Control |
| HACCP | Hazard analysis and critical control point |
| HR | Human resources |
| IFI | International financial institution |
| ISO | International Standards Organisation |
| MIS | Management Information System |
| OECD | Organisation for Economic Cooperation and Development |
| OGC | Office of General Counsel |
| RO | Resident Office |
| SEECCA | Southern & Eastern Europe, Caucasus and Central Asia |
| SMEs | Small and medium-sized enterprises |
| TAM | TurnAround Management |
| TC | Technical cooperation |
| TI | Transition impact |
| TOR | Terms of reference |

DEFINED TERMS

| | |
|----------------------------|---|
| the Bank | European Bank for Reconstruction and Development. |
| the Evaluation Team | Staff of the Evaluation Department and the independent sector consultant who jointly carried out the evaluation |

EXECUTIVE SUMMARY

1. Introduction

The Business Advisory Services (BAS) Programme was established in 1995 and has since been active in 19 countries and raised commitments of over €52 million to fund its operations but has not been evaluated by the EBRD Evaluation Department (EvD) since 1997, at which time BAS was still in its infancy. This current evaluation focuses on the period between 2000 and 2005, which covers the start of the BAS expansion period to the most recent full year of operation (as at the launch of the evaluation in 2006).

2. BAS Overview

Strategic objectives of BAS

There is no single agreed document between key BAS stakeholders as to exactly what the strategic objectives of BAS are. The 1997 evaluation of the Baltic programme identified BAS as a small and medium-sized enterprise (SME) support programme. The EBRD 2000 SME strategy document referred to the role of the Bank in developing a culture of SME support and expressed an active role for the EBRD in the promotion of business support networks. The 2002 EBRD update on the Bank's SME strategy barely mentions the BAS programme. However, the dual themes of first, providing business advisory services and secondly, building local consultancy capacity, have generally persisted.

More recently, there has been an evolution of BAS' documented objectives towards those of market development, as reflected in the EBRD 2006 micro, small and medium-sized enterprise (MSME) Strategy but the evolution of objectives does not seem to have been part of a wider and universally coordinated strategic repositioning of BAS. BAS positions itself in the field as an enterprise support programme that has consultants as a secondary programme target. At the same time it supports Bank operations.

Looking forward, the 2007-09 TAM/BAS Strategy underscores the integration of TAM/BAS into the Bank and places TAM/BAS for the first time explicitly as an instrument to support the Bank's MSME Strategy, specifically through enhancing access to investment finance for enterprises supported by TAM/BAS.

For this evaluation, the BAS Programme was reviewed in its wider context – both as to whether it was fulfilling its objectives as an *enterprise development* programme (where consultants are a subsidiary target group) and whether BAS was fulfilling *market development* objectives.

How BAS operates

BAS is a mechanism for distributing small-scale contributory grants to private SMEs, collectively referred to here as BAS enterprises. Grants are for the explicit purpose of co-financing short-term consultancy projects. The support or “subsidy” element is

typically 50 per cent of the consultant cost. Consultants are usually local and have to undergo a BAS “accreditation” process prior to the approval of BAS support for a given SME support application.

BAS provides on the ground infrastructure, resources, the distribution mechanism and procedures for implementing the grant scheme. The EBRD provides BAS Management and support resources at London head office and an umbrella to the field operations (which confers EBRD status upon local BAS operations). Donors provide funding to finance the field grant distribution mechanism, the grant itself and a contribution towards head office operating costs.

BAS impact potential

Chapter 2 of this report summarises the potential impacts of BAS. Chapter 4 examines the extent to which impacts are realised. The intention of BAS in any market is to produce a sufficient pool of successful enterprise development projects that provide a demonstration effect of the benefits of using consultants. Yet, nowhere in any of the documents reviewed in connection with this review is there an expression of what is being demonstrated, how it is to be disseminated and by what indicators this is measured.

BAS activities 2000-2005

BAS activities over the retrospective period are indeed extensive. In total, 3,419 projects committed with approximately 2,950 clients (4,949 projects undertaken since 1995 to 1 June 2006, 4,318 of which are completed and 631 in progress). BAS has operated in 19 countries through 26 main offices (five programmes exited on termination of funding) and is currently operating in 19 main locations.

Grants of €17.7 million were committed over the retrospective period on total project budgets of €37.9 million at an average BAS contribution of €5,184 (47 per cent average grant contribution). Approximately 1,461 consultants were engaged on projects, 87 per cent locally owned or foreign-owned local firms. BAS field programmes are active to varying degrees in market development related initiatives. To date BAS has delivered 49 twinnings, trainings and workshops.

3. Management of the BAS instrument

BAS and Bank operational integration

Prior to 2004, BAS operated under the supervision of a non-banking Vice Presidency of the Bank. BAS field programmes historically had little formal linkage with Resident Offices (ROs) or Bank operations. From 2004 moves were made to encourage closer linkages between BAS and the Bank but overhead costs were still financed out of donor support, and BAS continued to operate independently from Bank operations.

The 2007-09 TAM/BAS Strategy takes some major steps forward in accelerating and deepening operational integration between BAS and the Bank, in particular, the Bank will underwrite an annual budget of up to €3.5 million of TAM/BAS head office and field implementation costs hitherto funded by donors.

BAS Management

At the time of the field programme evaluation (commencing June 2006), BAS' structure comprised two layers of head office management (three resources), two layers of field management (32 resources) and one to two layers of field resources (59 resources). During the evaluation field programme, BAS and its personnel were widely praised by stakeholders for transparency and honesty, which has not been achieved at the expense of exaggerated procedures.

Programming

BAS programming makes virtually no mention of demonstration effect or market development on which the value of the instrument is predicated. Dissemination of demonstration effect was almost absent from both the feasibility studies and fiches reviewed. The resulting programmes largely mirror each other, often only differentiated by size and fine-tuning of support area or recipient, both functions of donor requirements. They are currently not structured to address specific issues encountered in individual markets.

The programmes are designed on an input-output basis where donor funds and BAS manpower and know-how represent the inputs and completed projects provide the outputs. Consequently, programme indicators are either output based (for example, number of projects) or confined to the individual enterprise level (for example, changes in turnover and turnover/employees). BAS programmes as currently designed seem to have no discernable life cycle. Clarifying strategic objectives for BAS and establishing a logical framework approach would enable the programming process to follow.

Evaluation within BAS

External evaluations are commissioned on an *ad hoc* basis through BAS Management, usually at the donor request and focusing on specific programmes funded by the donor. Some donors also undertake their own monitoring and evaluation. The evaluation approach, methodology and reporting of previous evaluations appears sound and professionally executed. The evaluations reviewed did not identify the design limitations (discussed above), took a very narrow interpretation of sustainability and focused on the immediate impact level (BAS enterprises) but otherwise seemed satisfactory for BAS and donor purposes.

Financial control

Over the retrospective period all field operating cost data were collected on a funding-line basis rather than office or programme basis. No reliable monthly or annualised data was readily to hand for head office operating costs. Without such information it is difficult to understand how BAS Management can fully appreciate the cost of delivering the BAS and TAM programmes and therefore exercise effective cost and management control, a finding that also was highlighted in the evaluation of the TAM Programme in 2003.

Opportunity for fraud and corruption

In any grant scheme there is risk of fraud and BAS is no exception to this. However, BAS does not exhibit the features or characteristics that would cause major concern. The bigger concern might be that of reputation risk to a programme under a Bank umbrella. An effective enterprise diagnostic process could be adapted to include

integrity elements. Field staff training, combined with experience would also strengthen BAS' position.

Coordination with the Bank or the RO over best practice and cross referral of BAS applicants to the RO would provide an alternative view of project sponsors. It is also important to keep the issue in perspective. In 13 years of operation and thousands of projects completed, none has developed into a public "scandal" where BAS has supported a business that it should have avoided. This is, however, no reason for complacency.

4. BAS impact over the period

BAS is generating a portfolio of successful enterprise development projects, consistent with the Bank's transition impact (TI) objectives. Overall, the BAS enterprise population seems to be dynamic. Their involvement with BAS has contributed to shaping their attitudes towards consultancy but it is yet to be seen if this is backed-up by actions over the medium term. Many consultants too have benefited from involvement with BAS, not just financially. In the field BAS has generally won wide praise from stakeholders. For many donors these are significant and acceptable achievement.

However, BAS impacts largely stop at enterprise level and the population of BAS enterprises is tiny in the context of national economies. Benefits that accrue to consultants are a by-product of the BAS process and a one-off rather than a targeted exercise in capacity building. True market development activities for the programme overall are scant. When they do take place, they are not part of a strategic and planned initiative identifying and targeting the barriers to consultancy market development.

This is not to criticise the achievements of BAS to date, few other programmes work to such a reliable and consistent formula across such a wide territory. Rather, it is to say that there are unrealised opportunities for BAS that would bring it closer to long-term sustainable development via market development. This therefore begs the question of what it is that stakeholders want from the BAS Programme, which, in turn, must drive measures of success.

5. BAS implementation costs

Cost structure

BAS 2006 estimated office-running costs indicate that approximately 43 per cent of all BAS expenditure (grant plus all operating costs) went towards implementation of instruments and 57 per cent as grant towards final beneficiaries. However, these figures disguise quite wide variations in field implementation costs. For example, there are distinct economies of scale available to larger programmes.

A high proportion of expenses are being absorbed by middle management, routinely around 20 per cent of all field implementation costs (and frequently more). Head office operating costs are a small part of all BAS expenditure, estimated at 3 per cent of all BAS expenditure (which will in future be absorbed by the Bank).

There are cost issues to consider in whether a simple €5,000 individual grant initiative warrants the current cost base (derived out of a multi-tiered management structure) and whether there is a minimum viable size below which BAS is simply too costly to provide value for money. The answer hinges on what the expectations of BAS are. If BAS is intended simply as a “machine” for distributing enterprise development grants, then BAS does have a costly implementation model but there is almost certainly scope to increase financial efficiency without prejudicing operating effectiveness (currently measured as number of successfully completed projects).

The more challenging scenario for BAS is what cost base is appropriate if it is to serve as a true market development instrument combining project work, institution and capacity building, skills transfer and dissemination activities to generate lasting and sustainable change. This scenario is inevitably costly to deliver and would involve a distinct migration away from pure grant implementation to programme activities (dissemination, capacity building and so on). It must also be remembered that even small or costly programmes have the potential to satisfy donor objectives. This became clear during field and donor interviews.

6. Alternative scenarios for BAS

Through a combination of better programming and adequate funding for individual programmes, the BAS instrument has the potential to make a greater contribution to sustainable market development than is currently the case. The scenario of BAS evolving as a market development instrument is considered further in Chapter 6, supported by Annex XVI.

7. Conclusions and overall assessment of the BAS instrument

The Evaluation team arrived at an overall rating of the BAS Programme of “Successful” on a four-grade rating scale in accordance with the Evaluation Policy. This rating is a composite of the individual ratings applied to the five evaluation dimensions: relevance, effectiveness/efficacy, efficiency, transition impact, and sustainability. A detailed discussion of the ratings and their scales is provided in Chapter 7. With some modifications to the BAS instrument as elaborated in this report, a rating of “Highly Successful” should be obtainable in future.

| Criteria/Dimension | Rating |
|----------------------------|-------------------|
| Relevance | Satisfactory |
| Effectiveness/Efficacy | Good |
| Efficiency | Satisfactory |
| Transition impact | Good |
| Sustainability | Satisfactory |
| Overall performance | Successful |

8. Main recommendations

8.1 Strategic objectives

Strategic objectives need streamlining and consolidating throughout the Programme. BAS' strategic objectives have become less clear over time. Best practice for instruments such as BAS would be to work more overtly towards sustainable market development or capacity building but this may not accord with stakeholders' wishes.

8.2 Strategic planning

It follows that a BAS strategic plan (as distinct from an umbrella combined TAM/BAS plan) should be developed and led by revisited strategic objectives of BAS, as agreed between stakeholders. The 2007-09 TAM/BAS Strategy has an important, but narrow, emphasis on supporting access to finance in connection with other Bank-supported facilities. A wider strategic plan for BAS would identify how BAS can deliver on revisited strategic objectives. It would also identify any modifications required to the BAS model, geographic focus, management structure, resources, funding, time scale and monitoring as well as evaluation framework to deliver the plan. Strategic priorities identified in the plan should flow into donor fund-raising propositions and implementation planning (including objectively verifiable indicators of achievement) for new field programmes.

8.3 Secure funding for BAS

Donor support should be explored for establishing a "BAS fund". Lack of funding or threat of termination of funding is a persistent threat to BAS programmes, even though this pressure has been eased through changes introduced under the Third Capital Resources Review (CRR3) strategy. A BAS fund with the authority to allocate programme funding would provide a foundation to translate early stage programme investments of time and resources into desired impacts without risking premature termination for potentially successful field programmes. Such a fund would also enhance BAS' chances of fulfilling strategic objectives.

The Bank may wish to consider "seeding" or contributing to such a fund. Alternatively, if support for a fund concept is not forthcoming, the Bank might consider leading the way in co-funding a BAS field programme specifically designed to address market development using a programmatic approach. Such an approach would involve the Bank in the active sponsoring and design of a development programme, rather than the Bank's more usual partnering approach with development programmes. Sponsoring BAS in this way would be both an inducement for BAS to step up to new challenges and a logical progression in the Bank's relationship with the programme. This relationship has now stood for more than a decade and is on a path to much closer integration with the Bank.

8.4 Financial control and cost efficiency

There is an urgent need for management accounts (against budgets) that present reliable information on how much it costs to implement BAS in relation to grants

disbursed. It is recommended that the full cost of implementing BAS is captured by management accounts including all overhead costs absorbed by the Bank. Development and implementation of effective management accounting and financial controls should be accompanied with a cost review to determine where opportunities for efficiencies might lie. It should be recognised that revisited strategic objectives for BAS (8.1 and 8.2 above) may lead to an implementation model that requires greater or fewer resources than at present.

8.5 Operational strengthening

Under the current BAS model there is room to strengthen core functions and skills in areas such as enterprise diagnostics (including probity and environmental elements) and other programme aspects such as accreditation. In the light of this document, BAS Management may wish to consider how these functions can be enhanced and incorporated into the service model across BAS.

8.6 Programming and indicators

The current programming and implementation model for BAS is input/output based. This is also reflected in the approach to indicators of achievement but should go beyond striving for higher-level aspirations. There are opportunities to strengthen the programming approach and develop meaningful indicators beyond those currently used. Depending on the outcomes of recommendation 8.1 and 8.2 above, BAS Management may wish to consider working with donors on developing new programming approaches for BAS that ensure future field programmes fit firmly within strategic objectives of the instrument.

It should also ensure that appropriate indicators are set and that the necessary data capture systems are put in place to facilitate performance monitoring at the programme and instrument-wide levels. A fresh approach to programming could be accompanied with the introduction of a logical framework approach (for both the BAS instrument and at the country programme level). This may help distinguish between objectives, outputs and impacts/outcomes and bring consistency to the implementation of the instrument.

BAS Management comments to recommendations 8.1 to 8.6 have been presented in full in Annex XIX.

In addition, a number of “operational type” recommendations have been made in the body of this document, largely concerning the management and implementation of the BAS instrument including those covered in Section 8.4 of the main report.

SPECIAL STUDY

EVALUATION OF BUSINESS ADVISORY SERVICES PROGRAMME

1. Introduction

1.1 *Background to the mid-term review*

The Business Advisory Services (BAS) Programme was established in 1995, originally operating as a Baltic programme covering Latvia, Lithuania and Estonia. It operated under the wider transition support provided by the Nordic Council of Ministers and funded under the Baltic Technical Assistance Special Fund. In 2000, BAS began a period of extension to other EBRD countries of operations. This first expansion extended BAS to the St Petersburg region. This was sponsored by the Nordic Council of Ministers as a pilot programme in order to determine whether the BAS approach could be applied outside the original three Baltic countries. BAS has since been active in 19 countries and raised commitments of over €52 million to fund its operations. The *modus operandi* for BAS is described in Section 2.1.2.

Despite the expansion in coverage and scale of BAS operations, the overall BAS instrument has not been evaluated by the EBRD's Evaluation Department (EvD) since 1997.¹ At that time BAS was still in its infancy and had only been operational in the three Baltic states.² The current evaluation focuses on the period from 2000 to 2005, which covers the start of the BAS expansion period to the most recent full year of operation as at the launch of the evaluation in 2006.

This report is intended to be of interest to Bank Management and Board, BAS Management and donors.³ Whilst the focus of this report is the period from 2000 to 2005, it is also intended to contribute to and inform current discussion over the future direction and management of the BAS Programme and, therefore, some more recent developments will also be considered. As a matter of good practice, instruments of this nature (that is, programmes with an extended and/or open-ended lifespan) should undergo a process of independent, external evaluation every three to five years. Hence, this mid-term review is well overdue.

1.2 *Study methodology*

The study deployed a three-layered research approach over the period from June to September 2006:

- Layer 1: A mass survey questionnaire was distributed by email to all participating enterprises (BAS enterprises) and consultants that were contactable and had completed projects during the retrospective period. Out of 1,866 questionnaires distributed, the survey generated 1,113 returns from BAS enterprises, which represents a response rate of 60 per cent. From the 1,300 consultants canvassed, 695 responded, representing a slightly smaller response rate of 53 per cent.⁴

¹ Three of the BAS Programmes were evaluated by external consultants reporting to BAS Management (south-eastern Europe 2003, Central Asia 2004 and South Caucasus 2004). Because of the reporting relationship to BAS Management they have to be regarded as BAS self-evaluations.

² BAS operations ceased during 2003 in all Baltic states.

³ BAS Management means the London based BAS Director, Deputy Director and Senior Manager.

⁴ The mass survey questionnaire was discussed fully with BAS and comments fully incorporated.

- Layer 2: One country from each of the six BAS operating regions was selected for an in-depth field study (field programme) comprising interviews with enterprises, consultants, local BAS staff and local stakeholders such as national small and medium-sized enterprise (SME) support bodies, business associations, other programmes, donors, international financial institutions (IFIs) and EBRD Resident Offices.⁵ Field visits were used to complement the broad-brush findings of the mass survey and assess operational effectiveness of BAS resources in delivering the BAS programme. A total of 54 enterprises and 47 consultants were interviewed.
- Layer 3: An extensive desk-based review of relevant BAS information was undertaken. This was complemented by an interview programme and regular meetings with BAS Management and other EBRD personnel with functional or cross-cutting involvement with the BAS Programme. A selection of EBRD Board Directors and other stakeholders were also interviewed to obtain donor perspectives on the BAS Programme.

1.3 Other

At various points in this document operational suggestions are made that BAS Management may wish to consider. Suggestions can be identified by bold italic font.

⁵ In the retrospective period BAS was divided into six operational regions (Baltic states, South-eastern Europe, East Europe, Russia, South Caucasus, Central Asia). Both Kaliningrad and Russia's Far East were visited under the Russia programme, resulting in seven in-depth field visits.

2. BAS overview

2.1. The BAS instrument

2.1.1 Strategic objectives of BAS

There is no single agreed document between key BAS stakeholders (Bank Management, Bank Board, BAS Management and donors) as to exactly what the strategic objectives of BAS are.

The 1997 evaluation of the Baltic programme identified BAS as an SME support programme and pointed to the BAS brochure of the time that also identified a role to “support the development of institutions which support SMEs.... In addition, the BAS Fund is intended to support the development of private local consultants”.⁶

The EBRD 2000 SME strategy document simply states: “While the Bank will work primarily through financial intermediaries in achieving financing goals, benefiting SMEs will be an important consideration across the spectrum of its activities. The Bank will develop a *culture of SME support*.”⁷ The document goes on to identify that “[t]he Bank will play an active role in the promotion of *business support networks*. To the extent possible, the Bank will aim to involve local consultants and support organisations in its projects (e.g. as under the Baltic Business Advisory Services Fund), but will also use its network of partners to strengthen the local business support infrastructure.”

This document stops short of defining what the role of BAS will be in delivering the Bank’s SME strategy. The 2002 EBRD update on the Bank’s SME strategy barely mentions the BAS programme but does introduce wording that identifies BAS’ role in building sustainable local consultancy competence and capacity to provide business advice.⁸

This dual theme of, on the one hand providing business advisory services and on the other, building local consultancy capacity, has generally persisted since that time, although concepts of supporting institutions and infrastructure do not appear to have been developed since appearing in the documents referred to.⁹

More recently a subtle but important evolution of BAS’ documented objectives seems to be taking place. A 2005 document refers to the purpose of BAS as coaching “micro and SME managers to use external business services”¹⁰ and to some small extent there has been a movement to position BAS strategically as an instrument to strengthen the “breadth and depth of the local consultancy sector”¹¹, in other words,

⁶ “Mid-Term Review of Baltic Business Advisory Services (BAS) Fund Project”, Project Evaluation Department, EBRD, September 1997.

⁷ “Promoting SMEs in the Transition: The Bank’s Strategy”, EBRD, 13 January 2000.

⁸ “Update on Implementation of the Bank’s SME Strategy”, 28 October 2002. The 2004 “Update on Implementation of the Bank’s SME Strategy” is not contradictory to the 2002 document.

⁹ For example, the BAS web site: <http://www.ebrd.com/apply/tambas/about/bas.htm> and the presentation to BAS AGM on 22 May 2006.

¹⁰ EBRD TurnAround Management and Business Advisory Services (TAM/BAS) Programme Strategic and Operational Plan 2006-08.

¹¹ BAS document “Early Transition Countries Initiative (ETCI) TC Project Fiche, Regional, South Caucasus, Success Indicators”, undated. In connection with this evaluation. a small sample of recent

signs of an evolution of stated BAS objectives to those of market development, that had not existed previously, which was carried through into the EBRD 2006 Micro, Small and Medium-sized Enterprises Strategy.

The realignment of BAS objectives between BAS Management and an important donor such as the Early Transition Country Initiative (ETCI) starts to bring stated objectives of BAS into closer alignment with those articulated verbally by BAS Management during this evaluation.¹² It is notable, however, that the evolution of objectives does not seem to have been part of a wider and universally coordinated strategic repositioning of BAS. For example, as recently as December 2005 it was expressed that the main objectives comprised “poverty alleviation in very poor regions of Russia through developing the SME business sector, leading to job creation and economic growth.”¹³

While current BAS Management articulate the instrument’s role in market development, BAS feasibility studies indicate that BAS positions itself in the field as an enterprise-support programme. It considers consultants as a secondary programme target and, at the same time, it supports Bank operations.¹⁴ Most recently, the EBRD Third Capital Resources Review (CRR3) signalled a hybrid vision of BAS as an enterprise-support programme (traceable to the 1997 vision) that, since 2004, has been pursuing closer linkages with banking operations evidenced by the number of BAS enterprises being financed by the EBRD or EBRD-supported financial institutions through credit lines or equity funds.

Since 2004 BAS has been on a slow path of increasing integration within the Bank. This placed BAS, organisationally, under the EBRD Business Group Director for south-eastern Europe, Caucasus and Central Asia (SEECCA) although a high degree of operational autonomy within the Bank was retained.¹⁵ The change in management structure is explored in more detail in Chapter 3.

Over recent years there has been a tendency within BAS to accommodate the broadest constituency of supporters possible from the donor community. This too has had a role in shaping stated objectives. At various times this has been reflected in

- adopting a poverty alleviation agenda
- espousing a women in business role
- taking up environmental objectives

funding proposals were provided and reviewed (Moldova, Kaliningrad and South Caucasus) and similar wording on market development had been introduced in each either referring to objectives, sustainability or indicators.

¹² Established in 2004, the Bank’s ETCI is “designed to promote reform and raise living standards in the poorest member countries of operations”. The early transition countries (ETCs) include: Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan.

¹³ BAS document “Funding Proposal BAS Programme in Kaliningrad, Main Objective”, December 2005.

¹⁴ BAS feasibility studies: Kaliningrad, discussion draft, 26 November 2001; Uzbekistan and Kazakhstan, 8 May 2002; Armenia, Azerbaijan and Georgia, October-November 2002; Khabarovsk, Vladivostok and Yuzhno-Sakhalinsk, September-November 2003; Moldova, March 2004.

¹⁵ Prior to 2004, BAS operated under the supervision of a non-banking vice presidency of the Bank and remained largely operationally independent after the 2004 reorganisation. The TAM/BAS 2007-09 Strategic and Operational Plan (2007-09 TAM/BAS Strategy), distributed to the Financial and Operations Policies Committee of 20 November 2006, details a much closer management and operational integration between TAM/BAS and the Bank.

- supporting business incubators.

None of these sub-themes are necessarily wrong but all serve to confuse the discussion as to what the core objectives of BAS are.

In light of such diversity and fluidity of stated objectives, it is not surprising that there is a wide range of views among stakeholders as to what the objectives of BAS are and the means for achieving them. To some, BAS is an enterprise development programme. To others, it represents a tool of job creation, poverty alleviation or of Bank policy. To others still, BAS is a consultancy market development programme. Programming and strategic vision are discussed later in this document (Section 2.1.3) but an early mention serves to highlight the likely benefit of identifying a unified position between key stakeholders as to what BAS objectives are and is incorporated in recommendations elaborated in Chapter 8.

The reason for the diversity of BAS objectives probably lies in the historic nature of the instrument as a Bank-hosted but entirely donor-funded programme. Under this arrangement, BAS used part of the donor funding to contribute to the cost of services it received from the Bank and relied on a constant flow of new lines of funding to cover programme management costs. BAS was constantly modifying itself to accommodate donor agency requirements. Consequently, the objectives of BAS became rather flexible and not directly linked to specific Bank shareholder objectives.

For the purposes of the retrospective elements of this evaluation, the BAS Programme was reviewed in its wider context – both as an *enterprise development* programme (where consultants are a subsidiary target group) and as a *market development* programme. These three objective sets (enterprise, consultant and market) are consistent with BAS commentary received in connection with this report. In the commentary, two objectives of the BAS programme are identified as

- assisting private enterprises
- developing the local consultancy market (assumed to encompass consultant development).¹⁶

It is against these objectives that this evaluation is set. Of these three objectives it is *market development* that is both the “higher level” objective but also the most challenging to achieve.¹⁷

¹⁶ An objective suggested by TAM-BAS has been “to market the BAS approach in order to maintain a viable product for SME development in transition countries”. The evaluation did not consider marketing the BAS instrument as a programme objective for evaluation but did assess the extent to which there were institutional linkages and capacity-building with local SME support programmes. The evaluation regarded marketing the BAS instrument as a priority management activity. This has implications for programme costs (see further Section 5.1) and absorbs management time, which arguably could be otherwise devoted to strengthening programme-based impacts as, for example, suggested in Chapter 6.

¹⁷ It could be argued that if the donor programming for BAS has not placed market development at the heart of its objectives, then funding for market development will not flow from the donor programme design. However, since BAS is operating under a mandate of a market development objective, this is one of the standards by which the BAS instrument must be evaluated. The argument can equally be made that it is BAS’ responsibility to ensure the centrality of market development to the design of funding proposals put to donors as well as to the corresponding BAS intervention logic, programme design and implementation.

Looking forward, the 2007-09 TAM/BAS Strategy underscores the integration of TAM/BAS into the Bank. The 2007-09 TAM/BAS Strategy document is being reviewed by the Financial and Operations Policies Committee and makes clear that it will take into account the conclusions of this evaluation. The Management aspects of the 2007-09 TAM/BAS Strategy are discussed briefly in Chapter 3. With regard to implications for BAS strategic priorities, the 2007-09 TAM/BAS Strategy document places TAM/BAS for the first time explicitly as an instrument to support the Bank's MSME Strategy, specifically through enhancing access to investment finance for enterprises supported by TAM/BAS.

Special emphasis is placed by the 2007-09 TAM/BAS Strategy on the opportunities for supporting SMEs to access Bank-sponsored MSME credit lines, such as the Medium-sized Co-financing Facility (MCOFF), the Direct Investment Facility (DIF), the Direct Loan Facility (DLF) and the Western Balkans Local Enterprise Facility.¹⁸ Support opportunities are envisaged at all key stages of pipeline development, pre and post-investment, and a number of targets are set for supporting access to finance. Contributing to the Bank's Resident Offices (ROs) role in policy dialogue is also given prominence and several sub-themes such as rural development, environmental protection, women in business, business incubators and tourism sector support are also highlighted.

The 2007-09 TAM/BAS Strategy does not identify distinct strategic priorities for BAS as opposed to TAM and in practice some of the aspects described above may be more applicable to one or the other but this is not clear. It should also be pointed out that the 2007-09 TAM/BAS Strategy does not elaborate the strategic role of the core BAS grant scheme in relation to accessing finance priorities introduced by the new strategy.

2.1.2 How BAS operates

BAS is principally a mechanism for distributing small-scale contributory grants to private sector SMEs, collectively referred to here as BAS enterprises (other BAS activities relating to consultant development and wider market development are discussed in Section 2.3.1 below). Grants are for the explicit purpose of co-financing short-term consultancy projects. The support or "subsidy" element is typically 50 per cent of the consultant cost but some local BAS offices apply a varying scale of contribution ratio. In some instances, this is done to provide extra incentive to SMEs to utilise consultancy services (higher than 50 per cent). In other cases, where a consultancy market segment is perceived as developed, the grant may be reduced below 50 per cent, or withdrawn altogether.

Consultants are usually local and have to undergo a BAS "accreditation" process prior to the approval of BAS support for a given SME application.¹⁹ BAS provides on the ground

¹⁸ Some of these instruments (for example, DIF) are more applicable to larger (TAM) enterprises than BAS enterprises.

¹⁹ The term "accreditation" is used by the BAS Programme to indicate that the BAS "accredited" consultant has been registered with the Programme following a brief review of the consultant's ownership structure, some references of past work assignments and its financial viability. It is not regarded as an "official" certification, nor implying any eventual legal obligation by the Programme. See also Section 4.3 and Annex I for further details.

- infrastructure
- resources
- the distribution mechanism
- procedures for implementing the grant scheme.

The EBRD provides BAS Management and support resources at London head office and an umbrella to the field operations (which confers EBRD status upon local BAS operations). Donors provide funding to finance the field grant distribution mechanism, the grant itself, a contribution towards head office operating costs and approval for each funding proposal. A brief description of the BAS project process is contained in Annex I.

BAS is a sister programme of the TurnAround Management programme (TAM) in that it shares the BAS Director and Deputy Director, some of the field management and administrative structures. However, the two have very different ways of operating. TAM enterprises are usually larger, often in distress and their corporate development priorities are addressed on a much wider basis over a longer time horizon. TAM engages senior international executives from a relevant industrial background whereas BAS overwhelmingly mobilises local consultants. A summary comparison of the main features of the two programmes is presented in Annex II.²⁰ The most recent evaluation of the TAM Programme can be accessed through the Bank's web site.²¹

Overall the BAS instrument is, at the field level, a relatively simple grant scheme. It operates on a continuous call basis. This means that it avoids batch processing and the relative or competitive selection techniques used by many grant schemes of other providers.²² The competitive selection process is frequently the source of delay for other grant schemes but not so for BAS, which processes applications on a first-come, first-served basis. BAS also operates within a small but generally effective set of rules and policies that provide guidance and boundaries for BAS field personnel. Yet at the same time, they do not attempt to be prescriptive to all circumstances and so stifling flexibility or pragmatism at the field level.

It should be noted, however, that whilst the instrument and *modus operandi* are quite simple, the skills that BAS field personnel are required to deploy are at a relatively high level, including enterprise diagnostics, appraisal of consultants, project development and management across a very wide range of disciplines. BAS teams (typically comprising a national director, project officer and analyst or assistant) also have to embody a certain level of business-to-business "sales and marketing skills" as well as stature and credibility to promote the Programme. Wider economic development and creative skills may also be called on in pursuing market development or demonstration effect objectives.

²⁰ TAM was evaluated by the EBRD Evaluation Department in April 2004.

²¹ www.ebrd.com/projects/eval/showcase/index.htm.

²² A relative selection process grades all applicants and then only selects the highest scoring applicants to receive the grant down to a threshold where the grant fund is committed or all qualifying projects are being supported. Other competitive forms of grant scheme require a minimum evaluation score to be achieved.

2.1.3 BAS impact potential

As identified above, there is no single definition of BAS strategic goals or objectives. Similarly, no clear description has been found during this evaluation of how BAS activities (inputs) are intended to achieve desired impacts and therefore of the methods and blends of intervention required to do so.

The following summary of potential impacts has been extracted from a selection of BAS documents and interviews. It is intended to reflect ways in which BAS believes that projects can have impacts. Chapter 4 of this document examines the extent to which impacts are realised.

Table 1: Summary of potential BAS impacts

| Type of intervention/BAS involvement | Potential impact on demand (BAS enterprises) | Potential impact on supply (consultants) |
|---|--|---|
| Project development | <ul style="list-style-type: none"> ▪ Better defined consultant assignments lead to more valuable outcomes ▪ Supports enterprise in developing consultant management capability | <ul style="list-style-type: none"> ▪ More valuable assignment outcomes strengthen marketing proposition of consultants who have participated on BAS assignments |
| Matching enterprise needs (demand) with consultancy offerings (supply) | <ul style="list-style-type: none"> ▪ Reduces enterprise barriers to acquire advisory services from the domestic market | <ul style="list-style-type: none"> ▪ Widens market reach of consultant (additional marketing channel and range of services), leading to more project experience |
| Consultant “accreditation” | <ul style="list-style-type: none"> ▪ Reduces perception of risks of service quality at first-time use of consultants | <ul style="list-style-type: none"> ▪ Provides a marketing impetus to promotion of the firm for non-BAS projects |
| Adherence to BAS <i>modus operandi</i> | <ul style="list-style-type: none"> ▪ Introduces good practice methodology (clarity of TOR, transparency of budgets, defined milestones and deliverables) | <ul style="list-style-type: none"> ▪ Introduces good practice methodology (clarity of TOR, transparency of budgets, defined milestones and deliverables) |
| Grant | <ul style="list-style-type: none"> ▪ Reduces financial barrier to acquiring consultant services ▪ Facilitates greater project scope for similar cost to a more limited project ▪ Provides incentive to accept BAS procedural requirements | <ul style="list-style-type: none"> ▪ Sales incentive to unsure clients ▪ Enables offer of greater project scope for similar cost to BAS Enterprise, leading to <i>deeper</i> project experience |
| Involvement during project | <ul style="list-style-type: none"> ▪ Maintains impetus and focus of enterprise management ▪ Lends experience to resolve mid project issues | <ul style="list-style-type: none"> ▪ Maintains impetus and focus of consultant |
| Partnering consultants with external or complementary consultants where needed (“twinning”) | <ul style="list-style-type: none"> ▪ Extends scope of projects that can be serviced | <ul style="list-style-type: none"> ▪ Opportunity to deepen skills and experience ▪ Widen market contacts |

The intention of BAS in any market is to produce a sufficient pool of successful enterprise development projects that provide a demonstration effect of the benefits of using consultants.²³ Nevertheless, none of the documents reviewed in connection with

²³ 2002 BAS Operating Procedures Manual and BAS Management interviews.

this review contains an expression of what is being demonstrated, how it is to be disseminated, and the indicators that can be used for measuring demonstration effect.

2.2 Consistency with EBRD objectives

BAS fits clearly with the third pillar of the Bank's SME strategy, as outlined above. Operationally, the types of consultancy assignment that BAS seeks to finance (BAS projects as outlined in Section 2.3 below) and the results of these assignments are consistent with the Bank's transition impact objectives "to promote, through private and other interested investors, the establishment, improvement and expansion of productive, competitive and private sector activity, in particular small and medium-sized enterprises".²⁴ The extent to which transition impacts are being fulfilled are discussed in Chapter 4 of this document.

Since 2004 the gradual integration of BAS into the Bank has brought BAS activities closer to Bank objectives. After 2004, BAS began to track linkages between BAS enterprises and other Bank operations such as the DIF, the DLF, the utilisation of Bank-supported SME credit lines and other capital raising. Under the TAM/BAS 2007-09 Strategic and Operational Plan these linkages will be formalised as explicit TAM/BAS objectives and thereby also support Bank objectives of enhancing access to finance and financial intermediation in support of SMEs.

BAS might also accord with Bank objectives in a more intangible way. Where BAS is active, even with small-scale programmes, it might serve to strengthen the standing of the Bank as a partner and advocate for the SME sector, not just of large-scale Bank financing operations.

2.3 BAS activities 2000-05

2.3.1 Overview

BAS activities over the retrospective period are indeed extensive. Annex III of this report distils and analyses a selection of data on 3,419 projects committed by BAS during the period. Annex IV provides a summary of BAS projects by location over the period from 1995 to 2006. Just a few summary statistics serve to illustrate BAS activities during the focus period:²⁵

- 3,419 projects committed during the focus years with approximately 2,950 clients (4,949 projects undertaken since 1995 to 1 June 2006, 4,318 of which are completed and 631 in progress)
- has operated in 19 countries through 26 main offices (5 programmes exited on termination of funding) and currently operating in 19 main locations²⁶

²⁴ Article 2, Section 1 (i) of the Agreement Establishing the Bank.

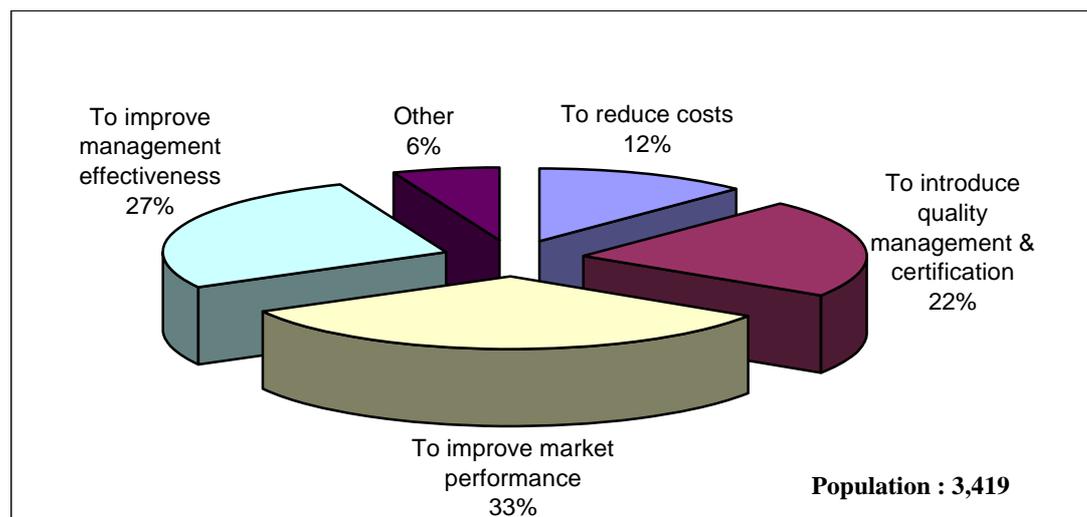
²⁵ All data are approximate only. There is no centralised BAS data management system. All BAS operating data are collected on a series of individual Excel spreadsheets for each funding line. This has led to a great variety of data collection platforms and formats, which does not lend itself to easy data manipulation. Data are often incomplete or out of date, are not entered in a consistent manner, which makes it difficult to manipulate and analyse (for example date formats vary considerably, are sometimes entered in date format and sometimes as text). Company names are written in different ways, so it is not always easy to find a company or be sure that one has found the correct company or even identify how many projects have been supported with the same business.

²⁶ As of June 2006.

- grants committed of €17.7 million on total project budgets of €37.9 million
- average BAS contribution of €5,184 on an average project value of €11,091 (47 per cent average grant contribution)
- average business size turnover of €2.8 million and 80 employees
- approximately 1,461 consultants engaged on projects, 87 per cent locally owned or foreign owned local firms (6 per cent of the total).

Projects over the retrospective period were distributed over the BAS categories presented in Chart 1.

Chart 1: Distribution by project type 2000-05



Average figures inevitably disguise variances and it is worth pointing out that the size of BAS projects ranged from under €1,000 to €10,000. BAS projects can be typified as relatively small projects, operating in a narrow or defined project area over a relatively short period of time (usually less than a few months). BAS projects are not intended as broad enterprise development projects in the way that TAM projects are.

Rather, they are intended as focussed interventions. For businesses without experience of using consultants BAS is intended to familiarise the enterprise with the use and value of external consultancy in breaking down barriers to business development (information asymmetries). In this regard BAS is intended as an instrument to “help break the ice”. BAS enterprises can be typified as an SME with reasonably established businesses (at least several years established and usually with sales above €500,000).

In addition to BAS’ activities in implementing the project grant mechanism, BAS field programmes are active to varying degrees in market development related initiatives (per market development objectives of BAS discussed in Section 2.1.1 above). Aggregate data for market development activities are not collated centrally as it is for enterprises, projects and consultants. BAS Management and field offices have provided a description of training, twinning (joint projects between foreign and local consultants where local expertise is lacking), dissemination and other market development related activities that have been undertaken. These are presented in full in Annex XVIII.

To date BAS has delivered 49 twinnings, trainings and workshops. In crude statistical terms this is an average of approximately 2.5 activities per BAS programme.²⁷ Details of other market initiatives are also presented in Annex XVIII and include:

- linked promotions between consultants and BAS to promote particular types of consulting service particularly ISO and management information system (MIS), as in Central Asia and Armenia. Other initiative such as tourism (Armenia) have also been implemented
- cross border initiatives (introducing consultants from one BAS territory into another territory not served by local consultants)
- supporting consultants to extend their skills into new product areas and establishing their track record with the help of initial BAS projects
- supporting other sector initiatives such as contributions to consulting industry exhibitions (Central Asia).

2.3.2 Donor commitments

Over the retrospective period, BAS raised donor funding commitments of €32.9 million. An analysis of commitments by BAS recipient region is presented in Annex V and summarised here in Table 3. The level of funding corresponds closely to the level of BAS project activity and is therefore both a useful input and output measure.²⁸ Annex V indicates 41 per cent of all funding was concentrated over the south-eastern Europe region. However, this region comprises 8 of the 19 BAS operational locations.²⁹ It is therefore not surprising that it has a high proportion of the total funds allocation.

Table 2: Major programmes 2000-05

| Regional coverage ⁱ | Budget allocation €m | % of total BAS funds |
|---|----------------------|----------------------|
| Kazakhstan, Uzbekistan, the Kyrgyz Republic | 9.98 | 30.3 |
| North-west Russia | 1.47 | 4.5 |
| Far East Russia | 1.91 | 5.8 |
| Armenia, Azerbaijan, Georgia | 4.87 | 14.8 |
| Macedonia ⁱⁱ | 1.97 | 6.0 |
| Croatia ⁱⁱ | 1.91 | 5.8 |
| Total large programmes | 22.11 | 67.2 |

Notes: (i) Many programmes have regional donor budget allocations covering more than one country of activity. It has not been possible under this review to analyse budget allocation retrospectively per country.
(ii) Also included in multi-county funding lines. These figures slightly under-represent the level of funding.

²⁷ Spread over the five years of the retrospective period the rate of delivery is one initiative every 2 years, notwithstanding a 67 per cent concentration in Central Asia and the South Caucasus (9 of the 49 initiatives are twinnings, that is, with one firm).

²⁸ No donor funding data was provided for the Baltic region for the period from 2000 to 2005.

²⁹ Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Serbia and Slovenia.

More informative is activity concentration in six larger programmes each with an average country allocation of over €1.5 million as shown in Table 2.³⁰ Here, 10 of the 19 BAS programmes represent 67.2 per cent of donor commitments over the period. Concentration in the Central Asian programmes is particularly noticeable and provides impetus to the earlier referenced ETCI. The remaining nine programmes received commitments ranging from approximately €600,000 (Moldova and Samara) to €1.2 million (Montenegro).³¹ Because the BAS implementation model and infrastructure is very homogeneous through its countries of operation, the range of budget allocations has profound implications for the ratio of grant distributed relative to administrative expenses, discussed in Chapter 5.

Table 3: Major donors 2000-05

| Donor nation or donor fund | Budget allocation €m | % of total BAS funds |
|----------------------------|----------------------|----------------------|
| Japan | 6.0 | 18.3 |
| Switzerland | 5.9 | 18.0 |
| Italy | 3.7 | 11.2 |
| Netherlands | 3.4 | 10.3 |
| ETC Fund | 2.8 | 8.5 |
| EAR | 2.7 | 8.2 |
| EuropeAid | 2.4 | 7.2 |
| Austria | 2.1 | 6.2 |
| Nine others | 3.9 | 11.9 |
| Total: | 32.9 | 100 |

The vast majority of BAS funding over the period was provided by a small group of donors, as shown in Annex VI and summarised in the following Table 3.³² Most of the donor sources must satisfy their own support criteria, for example regions of operation. Consequently, most donors have elected to support BAS in a limited geographical location. This has major implications for the way in which BAS has expanded since the Baltic programme as it operated in locations with existing donor interest, rather than in locations of highest strategic value to the enhancement of programme objectives. In this sense, BAS can be characterised as donor-led rather than programme-driven.

³⁰ “Programme” here is used loosely to describe a geographical area with its own main office rather than in the sense of a defined donor intervention.

³¹ Moldova has additional commitments under negotiation. The Samara programme has closed.

³² These figures under-represent the contribution of donors who are both bilateral supports of BAS and contributors to multilateral funds.

3. Management of the BAS instrument

3.1 *BAS and Bank operational integration*

As mentioned in Chapter 2, prior to 2004, BAS operated under the supervision of a non-banking Vice Presidency of the Bank.³³ BAS field programmes historically had little formal linkage with ROs or Bank operations. In some cases BAS administrative procedures developed alongside the Bank's main processes, including the delegation of some functions such as contracting. The Bank maintained an involvement in procedures developed within BAS.³⁴

The reason behind the continued operational separation between TAM/BAS and the Bank lies in a shared view between the BAS Supervisory Board and Bank Management that BAS should not be integrated into the Bank. One reason underpinning this shared view was a concern, of both parties, that enterprises supported by TAM/BAS should not perceive TAM/BAS support as indicating that enterprises would receive financing from the Bank. There was also a concern that TAM/BAS resources should not be called upon where a Bank operation was in difficulty.

This partially explains the historic separation, but interviews with Bank, donor and BAS stakeholders that have had longstanding involvement in this subject, point to a wider set of contributory factors. In a sense, it was perceived that a "Chinese Wall" should be drawn between banking and BAS operations. Also, the Bank decided, in the mid-1990s, scarce TC resources should be drawn upon primarily in support of or facilitating investment operations (as opposed to supporting stand-alone TC operations for which the BAS Programme stood). This was not conducive to creating a joint culture.

Further cultural divisions appear to be caused by the fact that BAS staff often come from non-banking backgrounds and were therefore not regarded by "bankers" as peers. Moreover, one may point to the fear voiced from within banking that the TAM/BAS programmes may open a second channel of policy dialogue as regards the

³³ In 1993, the Bank set up a TAM (later TAM/BAS) Supervisory Board, comprising Bank Management as well as representatives of key donors. Until the end of 2004, there were twice yearly meetings of the Supervisory Board, and 23 meetings in total had been held (but no meetings held in 2005 and 2006). BAS Management reported that papers presented at the meetings and the minutes of all meetings were widely circulated to the donor community and to all relevant Bank departments. This Board existed for five of the six years of the retrospective period and BAS Management has asked that the Supervisory Board's role be noted for its active contribution and strong role in BAS policy and operations, including all costs and programme funding. BAS further reported that the decision to discontinue Supervisory Board meetings was made by the Bank but BAS maintained bi-lateral relations with donors at donor insistence.

³⁴ Funds Financial Control (FFC) exercises an oversight of financial accounting and control (see Section 3.5.3 below). BAS Management advised that contracting is reviewed by the Bank's Consultancy Service Unit (CSU) and that they apply the CSU "Guidance for Contracting Consultancy" of August 2000. They obtain CSU approval for non-standard contracts or exceptions. This needs some qualifications as regards CSU involvement. While it is true that the CSU assumes an active role in approving BAS consultant contracts exceeding €50,000 (mainly concerning non-Bank contracted BAS staff as part of the delivery mechanism), it executes an ex-post monitoring function only for the bulk of smaller consultant contracts (between BAS field offices and local consultants). Different views within the Bank on implementation of procedures within BAS is a function of BAS not being fully integrated into the Bank, itself a consequence of the historical background outlined in Chapter 2.

SME sector for which banking claimed sole responsibility. Lastly, Bank Management and TAM/BAS Management, drawing on scarce bilateral grant resources, were perceived as competitors. Banking, rightly or wrongly, thought that resources tapped by the TAM/BAS management would limit or even jeopardise their ability to access sufficient TC funding for facilitating investment operations.

With the very different operational characteristics of TAM/BAS and the Bank, it would have required a proactive strategic initiative by Bank Management and donors for a closer integration to have commenced before 2004.

In 2004 the previous BAS Management was replaced. Moves were also made to encourage closer linkages between BAS and the Bank, but overhead costs (TAM/BAS London salaries, rent and services as well as a management charge to the Bank for providing umbrella services to BAS, such as managing and accounting for TC funds) were still financed out of donor support while BAS continued to operate broadly independently from Bank operations. Where linkages occurred between BAS and Bank operations, they might be characterised as accidental or incidental in nature.

The 2007-09 TAM/BAS Strategy takes some major steps forward in accelerating and deepening operational integration between BAS and the Bank, in particular:

- helping SMEs to access Bank instruments is incorporated as a specific objective of the BAS Programme (see 2.1.1 above)
- the Bank will underwrite an annual budget of up to €3.5 million of TAM/BAS head office and field implementation costs currently funded by donors (see Section 3.5 below)³⁵
- Bank funding will be used to establish initially three (to be expanded to five) regional hub offices either in or adjacent to ROs with the intention of maximising operational cooperation with the RO and contributing to Bank country/regional and policy dialogue strategies.

Several initiatives are also in place to review BAS financial control, contracting and human resource (HR) procedures against Bank standards.

3.2 *BAS Management*

BAS reporting lines, central and field management structures and resources are described in Annex VII.

At the time of the evaluation field programme (commencing June 2006), BAS' structure comprised:

- two layers of head office management (three resources)
- two layers of field management (32 resources)
- one to two layers of field resources depending on whether a main office and remote office structure applied (59 resources).

³⁵ Approximately €1.7 million of BAS field costs, approximately €1.9 million to cover the costs of the TAM/BAS London team (not allocated between TAM and BAS costs).

It was evident from the evaluation field programme that BAS personnel are highly regarded for their:

- operating structure independent from government or national SME programmes
- professionalism
- speed of decision making
- accessibility
- comparatively unbureaucratic, pragmatic way of working.

Often the reference point for enterprises, consultants and stakeholders is previous donor programmes or grant schemes under EU, USAID and World Bank, or in some rare cases national funding, where applicants have often had unsatisfactory experiences.

BAS implementing teams also appreciated the operating model. The field resource division generally believed that the combination of a limited but workable set of guidelines underpins transparent objective selection criteria for projects. They also considered the ultimate London sign-off as providing a shield in the event of contentious decisions. It is common for grant schemes in transition countries to be dogged by claims of favouritism or opaqueness, both alluding to corrupt practise. By contrast, BAS was widely praised by stakeholders for its perceived transparency and honesty, which has not been achieved at the expense of exaggerated procedures.

However, as mentioned in the previous chapter, BAS is a simple and standardised instrument. The grants are small (average €5,000) and this should lend itself to a light procedural structure, which is largely achieved. However, BAS' multiple layered, vertical management structure may not be optimal when the operational objective largely consists of delivering projects.³⁶ The structure adds to costs (see Chapter 5 below). In addition, it is debatable if successive layers of approval (for example, involving satellite office, main office project, officer, director, programme director and London) lead to greater quality or integrity beyond that which could be achieved with sound management controls and checks at the national director/director level.

Certainly, national directors/directors value the experienced sounding board and mentoring that regional/programme directors bring to the project or the operational issues. However, such contributions could be construed as management support that could be provided centrally or from a floating resource as needed. Nevertheless, a flexible management resource approach is not well suited to a funding structure where the vast majority of BAS' implementation costs have to be directly funded under

³⁶ Taking on more complex programming and delivery beyond grant implementation extends the demands on the regional and programme directors (see Chapters 4 and 6 below and related Annex XVI). In some cases BAS Programmes are attempting to deliver more than just grant implementation. Consequently, regional and programme director activities go well beyond approval and mentoring. An example has been provided by BAS for the Central Asia Regional Programme Director (RPD) and is presented in Annex XVII. While it could be debated that all the activities listed can only be provided by a full-time regional, ex-patriot management resource (or are indeed local programme delivery functions), it highlights that, in the right programming context, regional and programme directors with appropriate skills and experience potentially have much to offer. However, where BAS activities are heavily orientated to grant disbursement, there appear to be few functions that could not be performed by local (national) directors after a learning period, provided appropriate management systems are in place (this is also a credit to the capacity of BAS Management to identify and develop local-level management capacity).

programme budget lines. Hence, most regional/programme directors contract on a fixed, not a flexible, contract basis to BAS (for example, days per month) that is recovered directly against programme budget lines. It is not known however why some *programme directors are not contracted on a framework basis, which could be adjusted as needed and any surplus budget at the end of a period reallocated to projects. BAS Management may wish to consider this option.*³⁷

3.3 *BAS field relationship with Resident Offices (ROs)*

Local BAS offices are set up under the EBRD legal umbrella and require the practical support of the respective RO. ROs support the BAS office logistically, for example with payments on behalf of BAS for office rent, purchase of office equipment and furniture. This ensures that BAS also benefits from the Bank's special VAT status and local currency regulations. ROs also host BAS Programme launch and opening ceremonies, invite the relevant Ministries, SME support agencies, media and so on.

BAS offices might or might not be located close to the EBRD RO as there is no fixed position on this. Some offices and ROs take the view that proximity facilitates the working relationship, others that it sends out a message that a BAS enterprise is somehow EBRD "vetted" and automatically a suitable candidate for Bank financing. BAS field offices have no functional reporting obligation to EBRD ROs but in all cases observed, main BAS offices maintain some degree of dialogue with the RO.³⁸ This ranges from very informal to more structured mutual information sharing over possible linkages between BAS Enterprises and Bank activities in the country.

Since 2005, TAM/BAS has been recording all BAS project referrals to ROs, which serve as potential pipelines of projects for DLF, DIF and MCFF Bank facilities. Prior to 2005 data were collected informally by BAS.

Generally, cooperation over supporting Bank products and capital-raising is not an explicit mandate of BAS programmes as captured in the funding agreements. However, the collection of this type of data is seen by BAS field teams as a performance indicator. Therefore, attention is given to maximising (or highlighting) the convergence with and deal generation from the BAS portfolio. In some cases, BAS offices are in active dialogue with ROs over how to maximise BAS involvement in these products. This extends to the use of BAS projects in providing support to enterprises applying under the DIF and the DLF. The 2007-09 TAM/BAS Strategy now regularises this relationship.

³⁷ BAS Management comments have rejected these suggestions on the basis that (i) the structure (as modified by the CCR3) is optimal to deliver quality and integrity of a programme; (ii) programme directors have short notice period contracts, that is contracts have a degree of flexibility; (iii) budget lines with donors represent a maximum, not a fixed amount. Where for example an RPD does not claim all their allocated days or claims less travel budget than allocated, the surplus can be reallocated to projects. Indeed, the CCR3 has moved the programme director cost issue from donors to the Bank but the cost persists. Further information on programme director costs is presented in Section 5.1.

³⁸ Provided there was an RO in the same territory, which is not the case for example in Kaliningrad, which is handled out of St. Petersburg.

This type of linkage/cross-referral system with the RO has the potential to develop significant mutual correspondence but should ideally be developed in a context where:³⁹

- strategic objectives of both the BAS instrument and BAS programmes are clearly defined and shared by key stakeholders
- BAS enterprise selection policies are not compromised by targets to maximise linkages (the first-come, first-served basis of BAS contributes to transparency)
- any express requirement of BAS programmes to support Bank objectives are formalised and performance indicators established so that BAS and the Bank know what is expected of each other and have thought through any resource implications this might have (the 2007-09 TAM/BAS Strategy covers much of this).

The opportunity certainly exists to formalise the working relationship between BAS offices and ROs but consideration needs to be given to what the imperatives and objectives are for formalising the relationship and to what the most appropriate type of operational relationship could be.

3.4 Recent developments

Following the 2005 EBRD CRR3, it was decided that the Bank would increase its level of direct support for the BAS Programme by absorbing BAS head office and field costs currently funded by donors.

The Bank will assume the costs of 30 TAM/BAS positions (the BAS element of this is not specified) – 15 in London and 15 in the field – plus all the operating expenses for the TAM/BAS London team and five regional offices. The annual costs in total will be €3.5 million, which were previously provided by donors. Of this, approximately €1.9 million will be for the London team and approximately €1.7 million for the regional offices.

Three TAM/BAS regional offices are planned for 2007 in Central Asia, South Caucasus and Western Balkans (all three have existing BAS programmes) and a further two are planned for when donor programme funding has been mobilised for Russia and Ukraine. The first three regional offices will be:

- Almaty for Central Asia: major business centre, best travel and communication links, RO and BAS offices are already adjacent
- Tbilisi for the South Caucasus: important city in the region acceptable to all three countries, best travel links, RO and BAS offices will be in a single location in 2007
- Skopje for the Western Balkans: FYR Macedonia regarded as relatively “neutral” within the region and so allows the best intra-regional communications.

The remaining two regional offices will be located in EBRD offices when established later. The programme director structure will presumably continue for BAS programmes not covered by regional offices.

³⁹ For the Bank, benefits lie in potentially working with better performing business in the DIF, the DLF and similar facilities. For BAS the benefit lies in the demonstration effect of a consultant supported business accessing external finance and the prospect that appropriately funded companies will be better performing.

It is an almost constant threat to BAS that the ending of funding for a programme would lead to closure of the programme, as occurred in Samara, and the dissolution of valuable infrastructure (people, offices, databases, know-how and experience). Absorbing some of the overhead costs into the Bank would enable a bridge to be established for Regional Directors between the ending of one funding commitment and commencement of new funding. It would also allow fixed resources to be spread around programmes rather than tied to specific programmes (flexible management) and should allow a greater proportion of donor funding to go to programme activities.

However, it is not clear at this stage how these arrangements might influence the cost effectiveness of the BAS instrument measured as grants disbursed and determined as a percentage of total implementation funds. ***Bank and BAS Management might wish to consider hub proposals in the light of Chapter 5 below, concerning the BAS cost structure.***

Nor is it apparent that the hub arrangements will bring stability to the field infrastructure, which is the direct business-to-business contact point in delivering BAS. Field programmes will still be donor funded and exposed to the risk of funding ending. Strong regional directors often have the potential to be relocated within BAS when a particular programme ceases. Field resources, who are mostly nationals, do not usually have this option and are particularly vulnerable when donor funding is drying up for a programme. This is unlikely to change under the new arrangements. Short-term funding horizons are therefore likely to remain a continuous threat to the delivery of the BAS programme and field resources.

3.5 Governance, administration and financial control

3.5.1 Programming and programme exit

Before establishing a new BAS activity or entering into a new operation territory, the typical programme development process within BAS involves a feasibility study prior to formulating a funding request. This may be initiated after a tentative concept has been discussed with a potential donor or might be initiated by BAS with a view to promoting to donors for support. Six of the feasibility studies for the field programme were reviewed in connection with this evaluation.

All followed a very similar template and were highly focussed on supply and demand criteria for consultancy services and the presence of similar enterprise support programmes. In all cases, markets were identified as being at a relatively early stage in their adoption of consultancy. All six markets were found to offer some level of consultancy sector capacity and similar support programmes were generally found to be absent. There were no reasons to doubt these findings and they were taken as sufficient grounds to establish the relevance of the BAS programme.

Once donor support is established for the proposed programme, a funding *fiche* is prepared for internal use (presentation to the TC Committee), describing the proposed project, objectives, resulting transition impact, attainment of sustainability and success indicators. An example of a funding *fiche* is presented in Annex VIII.

Funding agreements are drawn up on the basis of the fiche and more detailed supporting funding proposal.⁴⁰

As programming documents the feasibility study and fiche are input (donor funding) and output (project) focussed. The fiche could go further to identify for example:

- the underlying problems to be addressed (causes of market failure or barriers) leading to underdevelopment of consultancy markets
- how the BAS instrument can intervene and address underlying issues
- how intervention will lead to capacity building in the consultancy sector or sustainable markets
- why these are desirable outcomes
- how they are going to be measured
- how the BAS instrument is complying/blending/complementing the Bank's respective country strategy.

The fiches reviewed made no mention of fulfilment of demonstration effect on which BAS predicates the value of the instrument. Dissemination of demonstration effect was virtually absent in both the feasibility studies and fiche reviewed. The absence of a clearly structured and presented intervention logic was also highlighted under the interim evaluation of the European Commission (EC) funded BAS South Caucasus programme.⁴¹

The resulting programmes are largely mirrors of each other, often only differentiated by size and fine-tuning of support area or recipient. They are functions of donor requirements, rather than structured to address specific issues encountered in individual markets. The programmes are designed on an input-output basis where donor funds, BAS manpower and know-how represent the inputs and completed projects provide the outputs. Consequently, programme indicators are either output based (for example, number of projects) or confined to the individual enterprise level (for example, changes in turnover and turnover/employees).

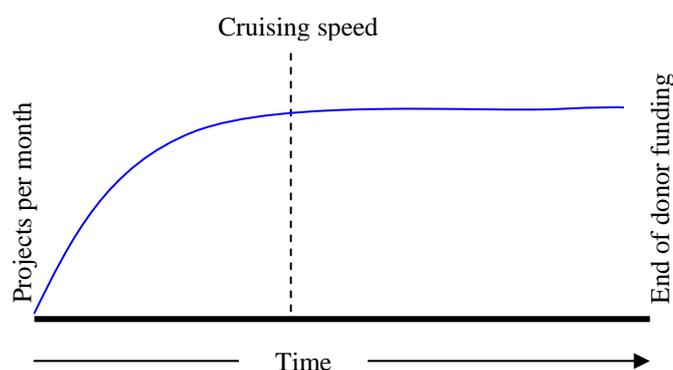
As a consequence of the input-output design approach, BAS programmes seem to have no discernable life cycle other than a start up period where the infrastructure is put in place. Interest and momentum are built up and followed by a consistent period of project implementation (cruising speed). Once a sufficient pipeline of consultants

⁴⁰ The BAS Management commentary to this report has since advised that detailed funding proposals are also prepared incorporating a "very structured and presented intervention logic". BAS were asked to provide relevant funding proposals covering the field programme (as distinct from funding agreements) but the Evaluation team were not made aware of the existence of funding proposals that capture intervention logic.

⁴¹ Monitoring Report, EU Programme for Private Sector Development in Armenia: "The project framework provided by the Terms of Reference (TOR) was incomplete. It did not identify the overall objectives and the project purpose/specific objectives; it also overlooked the inputs and risks/assumptions. The Objectively Verifiable Indicators were pointed out only for the results. Consequently, the intervention logic of this project was not identifiable in its original design. The project had no Project Partner; however the TOR mentioned two target groups: *Primary* – SMEs; and *Secondary* – other stakeholders". In their final monitoring report, the EU monitor again referred to the absence of an institutional partner for BAS but weighed this up against the SME sector as the de-facto counterpart for BAS. The final report also emphasised the appearance of an intervention logic (but only described the project level inputs, outputs and immediate impacts). It must be noted also that overall a positive rating was given to this BAS Programme and it was highly praised by the Task Manager in Yerevan (see also Section 4.2.1).

and projects has been developed, BAS design encourages programmes to cruise at the level of project delivery that will absorb donor funds over the funding period. Therefore the design process fails to establish end goals of the BAS Programme and does not allow for an evolution and development that aims at higher or more challenging goals through a programme's life cycle or through successive rounds of funding. The programme simply continues as long as donor funding is available. The BAS programme life cycle can be characterised diagrammatically in Chart 2.

Chart 2: Schematic profile of BAS life cycle



Bringing clarity to strategic objectives for BAS (Chapter 2) would assist the programming process to follow.

The absence of a structured programmatic approach, either at the level of the BAS instrument or at the programme level, raises the possibility of introducing a logical framework (log frame) approach, or similar. The log frame is a simple but potentially powerful tool used in development programming to help strengthen activity design, implementation and evaluation. It can be used in almost any context to identify what is to be achieved and determine to what degree the planned activity fits into broader or higher level strategies.⁴² An example log frame format is presented in Annex IX. The example includes one of the tools developed by the Department for International Development (DfID) to assist with log frame development and an example of an instrument-level log frame for the EBRD ETC Fund (the log frame presented is a working draft and presented as an example only).

Implementation of a log frame approach within BAS would bring a structure and focus to BAS programmes at the outset. It would also establish specific objectives, activities, outputs and intended outcomes at the field programme level. In addition, a log frame approach would sharpen the focus on objectively verifiable indicators and bring clarity as to which BAS objectives are being delivered by an intervention and how. By developing programmes with defined start and end points, it might be easier for some donors to support BAS operations over a period of time, as opposed to a sequence of piecemeal follow-on funding of virtually identical outputs.

This is not to say that every BAS programme should be time limited but that each intervention should be defined. There is nothing in such an approach to prevent follow-on or sequential support of further programmes that build on earlier

⁴² See DfID Tools for Development: www.unssc.org/web1/ls/downloads/toolsfordevelopment%20dfid.pdf including extensive sections on the development of logical frameworks.

interventions. Having said this, it would be helpful if BAS could determine when the instrument should exit a market or region and focus resources elsewhere. This is something difficult for BAS to identify at present because performance measurements are largely volume driven, implying the more projects over the longer period, the greater the level of success.

3.5.2 Evaluation within BAS

As a matter of good practice, long-term development programmes should undergo a process of independent interim evaluation every few years and an ex-post evaluation once concluded. BAS has no such arrangement in place but external evaluations are commissioned on an ad hoc basis, usually at the donor's request and focussing on specific programmes funded by the donor. Some donors also undertake their own monitoring and evaluation of programmes they have supported, such as the EC (see footnote 37). BAS also engages an external consultant to undertake ad hoc procedural and compliance reviews.

The three evaluations referred to earlier (see footnote 1) were all reviewed briefly in connection with this report. The terms of reference for the evaluations were set by BAS Management (presumably in accordance with the donor) and were based on the template used by EBRD's EvD for the 1997 evaluation of the Baltic programme. All three evaluations were undertaken by the same firm.

The evaluation approach, methodology and reporting all appeared sound and professionally executed. The evaluations reviewed did not identify the design limitations (discussed above) took a very narrow interpretation of sustainability and focussed on the immediate impact-level and BAS enterprise-level. Nevertheless, they seem satisfactory for BAS and donor purposes.

Where concerns might exist over external evaluation, as implemented in BAS, the concerns are mainly procedural, particularly:

- i. to ensure impartiality and independence of evaluation BAS Management should not lead the setting of terms of reference, selection or contracting
- ii. it would be normal practice to establish a peer or stakeholder group to receive and review the evaluation results, agree actions required and decide on a mechanism for tracking and monitoring implementation. There should be external involvement in this process (external to BAS Management). Prior to 2005 the Supervisory Board oversaw evaluations and thereby provided external input.

3.5.3 Financial control

A programme such as BAS would usually be expected to generate a range of financial data: annual income/expenses statement (or even profit and loss), balance sheet and cash flow statements for individual offices and head office function (apportioned between TAM and BAS) and consolidated data for the programme as a whole.⁴³ It would also be common to produce monthly management accounts.

⁴³ BAS holds assets such as cars, computer equipment and leases that need to be amortised. It also has debtors, creditors and contingent liabilities in the form of grant commitments.

Without such information it is difficult to understand how BAS Management can fully appreciate the cost of delivering the TAM and BAS programmes and therefore exercise effective cost and management control. This finding was also highlighted in the evaluation of the TAM Programme in 2003 (Chapter 4). Other common procedures would include an internal and external audit and a spot check.⁴⁴ Due to the way cost data is collected within BAS (geared around donor requirements), great difficulty was experienced in obtaining meaningful and consistent financial information that informed the cost of implementing BAS.

Prior to the changes effected by the CRR3, no standardised and annualised financial information was available to present the income and operating expenses of BAS head office. An estimate allocating head office costs to BAS (distinct from TAM) was requested and provided as part of this evaluation. However, it is not clear how reliable this information is and whether it includes expenses incurred by the Bank such as salaries that are not covered by the so-called “number 2 account”.

Neither is it apparent if it includes internal management accounting recharges for things such as rent, facilities, telecommunications and so on.⁴⁵ Where the Bank is funding BAS expenses, these should still be attributable to BAS Management accounts to understand the overall costs of delivery. It can also be argued that central costs should be notionally reallocated locally to reflect true delivery costs at the local level.

Funding for BAS local implementation expenses is derived from grant funds. Each donor funding agreement sets out budget lines for things such as local office rent, travel, personnel and so on. Detailed record-keeping for this is managed by BAS, as is the disbursement of grant subsidies. All payments controlled by the local BAS office (essentially, office running costs and the grants themselves) are dealt with in the Bank under an exceptional accounting procedure. There, aggregations against donor commitment and entry onto the Bank’s SAP system is executed by Funds Financial Control (FFC) on the basis of information given to them by BAS.

BAS Management provide local offices with budget lines mainly for office running costs and project grant disbursements, which are cash accounted using Excel spreadsheets. The FFC reviews, reconciles, reconfigures (for example, identifying foreign exchange, so-called “fx”, gains and losses) and apportions items against donor funding commitments or TC funds as appropriate (for example, foreign exchange gains and losses). It then posts aggregate monthly figures to the Bank’s SAP system.

The data review by the FFC ensures expenses are assigned a correct accounting code.⁴⁶ The FFC review also ensures items are allocated against a donor commitment number on the Bank’s TC funds records. Any aggregate overspend against aggregate donor commitment would therefore be visible as would any variance between the accounting records and the bank account cash positions. To limit overall cash risks, local bank accounts are not left with large funds on account but are replenished on a periodic basis.

⁴⁴ BAS is subject to donor audits but not specifically included under EBRD internal or external audit.

⁴⁵ In the absence of an alternative, this information has been assigned to BAS head office costs.

⁴⁶ All items are treated under four accounting codes: disbursements of donor money (whether expenses or grants), bank charges, fx gains and losses.

Expenses managed by BAS and the Bank from London, particularly personnel costs and major one-off expenditures (for example, equipment, furniture and rent), together with the local expenses are allocated to the respective funding line against the agreed budget heads. Local capital expenditure is booked in full as paid, rather than depreciated over the life of the programme.⁴⁷ Since any funding line may cover a number of offices, in a number of countries and run simultaneously with other funding lines for the same field programme this information is only useful for observing budget compliance under the funding agreement. It is not helpful as operational management information in understanding programme delivery costs.

All BAS payment processing up to the payment approval stage, including operating expenses as well as grants, are approved internally within BAS before passing to the Bank's FFC Department for booking into SAP. In this respect, it is understood that BAS is not different from any of the Bank's operational departments although BAS' accounting management systems are not integrated into the Bank.

Prior to the CRR3, each funding line also made a contribution toward central costs, typically seven to ten per cent of the total budget allocated up-front. Up to a third (three per cent of the total funding line) of this was allocated to the Bank to cover the costs of managing TC funds. The balance appeared on the TAM/BAS "number 2 account", which is used to cover any operating expenses of TAM/BAS not covered by the Bank or the donor directly. These notably include TAM/BAS head office costs.

It is not clear under this review whether the TAM/BAS "number 2 account" was managed to meet future contracted obligations of the programme or whether it is reliant on constant replenishment from new funding lines to meet obligations already agreed but not covered. It should be noted that since August 2006 and the implementation of the CRR3, all so-called "project support costs" previously covered out of the "number 2 account" are now being funded directly by the Bank. The "number 2 account" is in the process of being wound-up.

3.5.4 Opportunity for fraud and corruption

In any grant scheme there is the risk of fraud and BAS is no exception to this. However, ***BAS does not exhibit the features or characteristics that would cause major concern.***

The main risks to BAS are already well known and include:

- the presentation of fictitious projects for financing by BAS
- overcharging by consultants followed by a kickback to the enterprise reimbursing their 50 per cent contribution to the project
- favouritism of project selection.

It was evident from the field programme that BAS staff take a hands-on approach. Policy is to visit every applicant before agreeing a project to verify there is a tangible business and, in some cases, that a problem worth addressing exists. This, combined

⁴⁷ BAS Management comments do not support the suggestions for aggregated data or the introduction of a depreciation policy (implying the introduction of a balance sheet) on the basis that it would not be additive.

with the fact that projects always require some form of hard or tangible output, means the risk of fictitious projects must be considered very low.

The potential risk of overcharging and kick-backs is mitigated by a number of factors. Firstly BAS procedures require that evidence is provided in the form of a Bank certified statement that payment has been made of the BAS Enterprise's contribution according to the funding agreement reached at appraisal and that, in turn, is approved by BAS Management. The Evaluation team took copies of BAS records showing cleared cheques, enterprise bank statements and payment orders showing the payment had been made (though not that it has been received by the consultant).

Once on the company ledgers, technical accounting and VAT issues apparently make it difficult to reverse or return payments (although this was not investigated under this evaluation). Secondly, over time BAS builds up an appreciation of market rates for services and, certainly in a mature programme, would be able to identify conspicuous over-charging, which would be needed to accommodate a kick-back. BAS Management have commissioned independent procedural reviews that broadly concur with this view.

Finally, since the grant amounts are small, the worst-case outcome of this type of fraud would be that BAS has financed 100 per cent, rather than 50 per cent of a project (ie a very limited worst case scenario since there is still hopefully a worthwhile project at the end of the process).

The BAS operating procedure does not lend itself to the exercise of overt favouritism. Enterprises must show they meet qualification criteria and present a valid project. Otherwise, the scope for qualitative selection of enterprises is quite limited. The greatest vulnerability of the programme might therefore lie in the risk of internal collusion between BAS staff, for example, in booking fictitious or overvalued projects.

The multiple layers of management provide some protection but specific cross-functional or horizontal management processes, controls, procedures, procedures audits, management accounts and occasional spot checks would probably build in greater protection. Currently, BAS rely on spot checks by regional and programme directors, the efficacy of which was not assessed by the Evaluation team. Additionally, average grant amounts are small and the number of cases would have to be significant to make a worthwhile collusion thereby raising the profile and likelihood of detection.

3.5.5 BAS enterprise probity and integrity

Reputation risk to a programme under a Bank umbrella might be a bigger concern. BAS field teams seem to clearly understand the need to protect the integrity of the instrument by avoiding association with businesses that do not reach acceptable standards of probity. The key probity test for BAS is transparency of beneficial ownership, coupled with the absence of negative word-of-mouth character referrals for the principals. In some cases, the BAS office also makes a point of obtaining the internal management accounts, which might be considered a demonstration of good faith and trust but this is not always the case.

For BAS' needs this is likely to be adequate but there is always the risk that unacceptable applicants could be allowed onto the BAS Programme. Some examples encountered by the Evaluation team are briefly described in Section 4.5.1. *An effective enterprise diagnostic process could be adapted to include integrity elements. Field staff training combined with experience would also strengthen BAS' position. Coordination with the Bank or RO over best practice and cross referral of BAS applicants to the RO would provide an alternative view of project sponsors.*

It is also important to keep the issue in perspective. In 13 years of operation and thousands of projects completed, none has developed into a public "scandal" where BAS has supported a business that it should have avoided. This is, however, no reason for complacency.

4. BAS impact over the period

The collective achievements of BAS since its establishment are impressive. Examples of this are given in Annex IV, which reflects the 4,949 projects committed, in 19 countries within the six BAS operational regions as of June 2006. These projects have mobilised the services of more than 1,200 consultants. However, this evaluation is concentrating on the programme outcomes (as opposed to inputs and outputs) at enterprise-level, consultants and market development. Quantitative and qualitative findings are used to inform the performance of the BAS instrument as a whole, which is in turn incorporated into the evaluation ratings presented in Chapter 7.

4.1 Enterprise level

4.1.1 Project impacts

It is worth recapping that BAS generated an impressive population of 3,419 projects in the evaluation focus years with approximately 2,953 enterprises.⁴⁸ The typical BAS enterprise was a small but established business. Of those, 61 per cent had sales of over €500,000 but 85 per cent of BAS enterprises had sales of less than €5 million. Eighty-three per cent were established before 1999 and at least 48 per cent before 1996.⁴⁹ Most BAS businesses were small employers, 58 per cent employed 50 people or less and 76 per cent employed 100 or less. Summary data are presented in Annex X.⁵⁰ BAS projects therefore seem to be reaching the intended target group, further supporting relevance of the instrument.

Completion reports (CRs), described in Annex I, were available for 68 per cent (2,307) of the 3,419 projects. BAS self-rated 94 per cent of these projects to be successful or highly successful.⁵¹ The evaluation field visit programme attempted to verify the suitability of the project in relation to the enterprise needs and reliability of the project CR ratings. It was not possible during a short enterprise visit to reconstruct a diagnostic assessment. However, of 54 businesses visited, the field programme broadly concurred with the suitability of the project scope in 50 cases (93 per cent). In four cases it was questionable whether enterprises were undertaking the most important project rather than the most urgent project but project level relevance was verified on this basis.

CRs were available for 37 per cent of BAS enterprises interviewed during the field programme. CRs were found to be *generally* reliable in 33 cases (89 per cent). The relatively low coverage of CRs is explained by the fact that several of the BAS cases visited were either still under implementation or completed but not yet assessed by the local BAS team. This activity is usually undertaken one year after completion of the consultant assignment. Thus, if this reliability is replicated across the portfolio, the

⁴⁸ Approximately 14 per cent of projects were second projects or in some cases third or fourth projects.

⁴⁹ A more informative figure would be years established prior to a BAS project but this figure is not easily accessible from the BAS data without extensive manual calculation across 3,419 projects.

⁵⁰ Summary data presented here have been extracted against 3,419 projects rather than 2,953 enterprises and therefore enterprises with repeat projects distort the summary data.

⁵¹ A large part of the project population covers closed programmes for which CRs (due within one year) were still pending, such as the Baltic states or Samara programmes, and is therefore not rated.

vast majority of projects would be suitably identified and the high proportion of successful projects under the BAS rating scale would be reasonable.⁵²

These findings are also consistent with the self-assessment feedback received from 1,113 respondents to the mass survey questionnaire. Generally, the population of BAS enterprises recorded that the consultancy projects resulted in recommendations that were implemented or resulted in permanent change and made some or a major positive difference to the way their businesses was managed. This is summarised in Table 4 as follows:

Table 4: Mass survey extract

| Survey Criteria | Response % |
|--|------------|
| The consultancy resulted in recommendations that were partially or fully implemented. | 92 |
| The changes made some or a major positive difference to the success of the business. | 96 |
| The consultancy resulted in permanent changes that were still being benefited from at the time of the mass survey. | 86 |

In-depth interviews were used to map these very positive findings into relevance and effectiveness. The vast majority of enterprises interviewed believed the project addressed important business needs, produced worthwhile results and contributed to lower costs or higher profitability. This is summarised in Table 5a.

Table 5a: In-depth interview extract

| Evaluation category | Criteria | Disagree (-3) Agree (+3) Number of respondents | | | | | |
|---------------------|---|---|----|----|---|----|----|
| | | -3 | -2 | -1 | 1 | 2 | 3 |
| Relevance | The BAS project addressed important objectives or issues for your business. | 0 | 0 | 0 | 4 | 9 | 34 |
| Effectiveness | The project advice was understandable and capable of being implemented. | 0 | 0 | 0 | 2 | 14 | 31 |
| | Results from implementation met or exceeded your expectations. | 0 | 0 | 0 | 3 | 21 | 23 |
| | The project has contributed to lower costs or higher profits. | 0 | 0 | 0 | 6 | 9 | 22 |

Interviews were also used to establish market expansion and skills transfer (transition impact) aspects of BAS projects, summarised in Table 5b below.⁵³

⁵² Where disagreement existed with the BAS CR rating it generally concerned poor diagnostics by the BAS or poor selection of business development priorities (the most urgent rather than the most important assignment). However, the review of projects against write-ups and completion reports has raised some operational concerns over the diagnostic process within BAS, which is discussed further in Section 4.5.1 of this document.

⁵³ For Bank operations, the EvD assesses transition impact in terms of skills transfer, demonstration effect, new standards for business conduct and market expansion at the enterprise level and beyond at the industry or sector levels as a whole. Market expansion and skills transfer are two of the more readily identifiable and pertinent aspects of the transition impact checklist yielded through BAS projects.

Table 5b: Extract of In-depth interview findings /TI

| TI category | Criteria | Disagree (-3) Agree (+3) Number of respondents | | | | | |
|------------------|--|---|----|----|---|----|----|
| | | -3 | -2 | -1 | 1 | 2 | 3 |
| Market expansion | The project contributed to you introducing new, improved or more competitive products or services. | 1 | 0 | 0 | 3 | 13 | 22 |
| | The project contributed to you entering new, or expanding existing markets (markets can be product, geographical, customer or other new segments). | 1 | 0 | 2 | 5 | 14 | 16 |
| | The project had impacts on your suppliers and/or customers. | 3 | 0 | 1 | 7 | 16 | 13 |
| Skills transfer | As a result of this project you have strengthened your skills to deal with similar issues in the future. | 1 | 0 | 0 | 7 | 15 | 24 |
| | As a result of involvement with BAS you have strengthened your skills or understanding of how to get the results you need from consultants. | 0 | 0 | 0 | 7 | 13 | 25 |

Recognising that only a proportion of BAS projects have market expansion as a direct objective, a large proportion of respondents agreed strongly that their BAS project had contributed in some way to market expansion, either through new or improved products or services, new markets or other impacts on customers and suppliers. For example, a MIS system is not directly a market related project but will almost certainly have customer or supplier impacts once implemented.

Skills transfer (coaching SMEs to use consultancy services) is an explicit aim of BAS Management (see Chapter 2). Here, too, responses remain firmly positive. Overall, 85 per cent of interview respondents indicated that BAS helped strengthen their skills to deal with similar issues and enhanced their use of consultants.

Evaluation findings with regards to project level impacts and consistency with the Bank's transition impact objectives are positive but come with three caveats.

- i. Enterprises are generally at an early stage of development, not highly sophisticated and have difficulty identifying project value added. BAS projects operate across a narrow range of functional activities. This includes, for example, management systems leading to International Standards Organisation (ISO) certification. Often, enterprises are unable to distinguish between indirect benefits of something like ISO certification that can yield operational or management improvements and the pursuit of operational efficiency in its own right.
- ii. No payback analysis is attached to BAS projects or the related investment costs of implementing project recommendations. Most business (and BAS) is therefore ill equipped to quantify the financial value of their project results. *Payback analysis is a standard business tool utilised prior to commissioning consultancy and BAS may wish to consider incorporating payback analysis into its process both as a tool for BAS and as a skills development component for enterprises.*⁵⁴

⁵⁴ The simple payback is the ratio of the quantified benefits through the BAS consultancy divided by the cost (with or without BAS subsidy) of the consultant service. Self-evaluations by BAS

- iii. The specific contribution of BAS to projects is less clear. This is explained in the following paragraph.

In-depth interviews with enterprises established that BAS certainly plays a role in project development but not in all cases. In at least 50 per cent of cases, BAS was not involved in matchmaking between the enterprise and consultant. In approximately 50 per cent of cases, BAS enterprises did not identify a meaningful role for BAS in developing the project. There is overlap in these two sets of responses but it highlights that some enterprises might use the matchmaking without involving BAS significantly in project development (or vice versa).

In other cases, enterprises and consultants present package solutions to BAS where the consultant and project are pre-determined and presented for funding support. Yet, in some instances BAS has a significant, or even critical role, in both, matchmaking and developing the project.

This is not to downplay the importance of matchmaking and project development functions – 58 per cent of mass survey respondents indicated non-financial reasons as the primary motive for participating in BAS.⁵⁵ Nevertheless, matchmaking, project development and similar functions are not ubiquitous services delivered in every case. It should be noted that the very high project satisfaction rates can be attributed to the skills and qualities of BAS personnel, again underlining the positive role played by BAS.

For a large number of enterprises, there were indications that the major contribution of BAS from the enterprise perspective was financial. For 42 per cent of mass survey respondents this was their primary motive for participating in BAS. In-depth interview feedback suggests that up to 60 per cent of enterprises considered BAS' involvement as primarily a financial contribution. Furthermore, a high proportion of BAS projects in the focus regions were likely to have proceeded regardless of BAS involvement – 46 per cent of interview respondents indicated this or had a project under development prior to encountering BAS.

While the financial motive for participation is highly significant to enterprises, there are also strong indications, for at least 41 per cent of interviewees and possibly more, that projects were either accelerated or more complete due to the financial contribution.

4.1.2 Enterprise sales growth and productivity

It is difficult to separate the background trading and competitive environment from the role of BAS. Some of the countries and regions where BAS is operating are experiencing high rates of growth and it would be surprising if SMEs did not take part

(Investissement Développement Conseil) have also raised the potential usefulness of payback analysis in assessing effectiveness. BAS Management commented negatively on this suggestion on the basis that payback analysis is outdated and insufficient as a measure of value added (although value added can be incorporated into payback models). The Evaluation team agrees that it should only be part of a package of impact measurement tools and is one that would be particularly useful to enterprise management in understanding the financial value and value added of their project.

⁵⁵ For example, lack of knowledge concerning procurement of consultants, bad past experiences or uncertainty about consultants generally.

in this. Others are implementing regulatory reform that is catalysing responses from SMEs, such as ISO or Hazard Analysis and Critical Control Point (HACCP) certification.

BAS tracks enterprise performance across a limited set of criteria and over a short time frame. It concentrates on sales and employment, both, preceding and subsequent to the project. There are great inconsistencies in the way these data are captured and recorded even within the same programme. Data might only span a one to two year period (see Annex XII for the main BAS data collection headings).⁵⁶

Based on these data, a straight percentage increase in sales and productivity is calculated from the beginning to the end of the data series, regardless of number of years (that is, ignoring compounding and therefore overstating gains). There is no systematic enterprise performance tracking after the completion report (that is, after one year upon project completion). In particular, there is no tracking of survival rates of BAS enterprises. There is no control group against which base-line data for the enterprise population can be measured. Nor is there a productivity index that can be benchmarked against.

Table 6: Changes in productivity of BAS population 2000-2005

| Indicator | Compound growth |
|--------------|-----------------|
| Sales | + 20.45% |
| Employment | + 6.86% |
| Productivity | +15.30 |

To complement BAS data, the Evaluation team attempted to establish more recent sales and employment data for BAS Enterprises under the mass survey.⁵⁷ It also tried to calculate a compound rate of change in productivity, summarised in Table 6. Whilst there is a limit to how far this analysis can be taken, particularly in the absence of a productivity index, it does certainly indicate that the BAS enterprises have increased their sales and productivity over the period at an annual compounded rate of around 15 per cent in the case of the mass survey respondents.⁵⁸

Curiously, this substantially exceeds the straight beginning to end productivity increase figure of 9.2 per cent extracted from BAS original data (Annex III).⁵⁹ BAS enterprise performance versus a control group is a subject being considered in depth

⁵⁶ Productivity is not a donor-requested programme indicator. Rather, it is internal monitoring information collected by BAS.

⁵⁷ In total, 1,003 responses were received, 957 of which were usable. The non-usable responses were highly inconsistent with the earlier BAS data (for example, orders of differential magnitude). Reliable start and end dates for the number of financial years covered by the data was not available. The number of years taken for the data series was assumed as starting 1 January in the start year of the project to 31 December 2005. Turnover is euro denominated.

⁵⁸ An impact assessment being commissioned by the OCE with the University of California Haas School of Business will attempt to establish the medium-term causal relationship between enterprise performance and BAS intervention. Initially limited to Albania and Romania, the results may have important implications for the way data are recorded and tracked at the instrument-level but care must be taken to ensure this does not supersede an immediate need to establish suitable and objectively verifiable indicators as part of the programming process.

⁵⁹ There are many factors that could explain this, such as the respondent group, the response period, errors in the way data was provided. Both figures should be treated as illustrative rather than definitive.

by the Haas School of Business study. Additional comment on the study can be found below in Section 4.1.2.1.

Impact assessment Haas School of Business

As referred to above in Section 4.1.2, BAS together with the EBRD Office of the Chief Economist (OCE) are in the process of commissioning an impact assessment (“Impact Assessment”) from the Haas School of Business, University of California. A copy of the proposal (“Proposal”) from the Haas School of Business dated 27 December 2006 has been provided to the Evaluation team for information.⁶⁰

The Impact Assessment seeks to establish the presence (or absence) of a statistically supported causal relationship between participation in the BAS Programme and the subsequent performance of the BAS enterprise on a broad range of measures (including, enterprise survival rate, productivity, scale of operation, profitability, net job creation, innovation, creditworthiness and investment attraction). The study population will comprise approximately 350 BAS Enterprises drawn from those applying during 2007 and 2008 to recently established BAS Programmes in Albania, Serbia and Romania.

Of those, 50 per cent are located in capital cities and 50 per cent in regional areas throughout the region. The study will follow an equal number of control group enterprises which would qualify for BAS assistance but are randomly selected for the control group and are not offered BAS assistance.

A brief review of the Proposal indicates it is consistent with the World Bank and the Organisation for Economic Cooperation and Development/Development Assistance Committee (OECD-DAC) Secretariat note on impact evaluation (specifically the quantitative impact evaluation sections) and could provide a valuable complement to the technical understanding of BAS amongst the stakeholders (donors, BAS Management and the Bank).

The Evaluation team would also make the following observations to consider in connection with the Impact Assessment:

- The Impact Assessment concerns the enterprise level. This is a subject that has been covered extensively by BAS self-evaluations and external evaluations referred to in this document (see Sections 3.5.2 and 4.2.1) and, most recently, by this document. That BAS projects produce positive impacts at the enterprise level is not in question. It would nevertheless be a valuable addition to the understanding of BAS if the Impact Assessment establishes a proven causality between BAS participation and wider development of the enterprise assisted.

The establishment of a control group, baseline data and collection of extensive enterprise performance data extending beyond the short time horizon of the completion report (see Section 4.1.2) are also welcome. However, in view of the wider ranging issues raised by this document, stakeholders should consider to

⁶⁰ The first phase of this study (financed by the OCE) has been completed covering the optimal design of the (main) study, devising of enterprise questionnaires, power calculations for the sample size, detailed instructions to BAS staff, consultant TOR, and budget for the implementation phase. The implementation phase is estimated to require two to three years. Currently, approval of a budget of €450,000 is for this, funded by the Western Balkans Fund and others.

what extent this Impact Assessment is a management priority for the BAS Programme.

- Study results will not be available possibly until 2012, although there is a preliminary reporting option in 2010. If the Impact Assessment proceeds, it should not delay efforts to reconsider performance indicators for BAS relating to enterprise, consultant and market development objectives, possibly within the context of a logical framework approach (see Section 8.6).

4.1.3 Benchmark comparison

A brief review of the UK Enterprise Initiative (UKEI) is presented in Annex XIII and provides some benchmark comparisons for BAS. The UKEI supported businesses of under 500 employees and included a key component targeting the improvement of management performance by encouraging firms to make use of consultants. BAS seems to compare favourably on a number of indicators used in evaluation of the UKEI.⁶¹

Table 7: Benchmarking against UKEI

| Evaluation criteria | % of enterprises surveyed | | Comment |
|---|---------------------------|------|---|
| | UKEI | BAS | |
| Would not have used consultants at all | 37% | 57% | BAS questionnaire identified if enterprises were previous users of consultants (57% were not). |
| Commissioned assignments on a different scale | 18% | 43% | Collected as one finding for BAS |
| Accelerated a potential assignment | 17% | | |
| Would have gone ahead without assistance (deadweight) | 27% | >46% | A further 26% of BAS client interviews did not produce conclusive findings and some might have gone ahead without BAS |
| Implemented some or all of the recommendations | 82% | 92% | |
| Had improved management skills as a result of the consultancy | 52% | 100% | BAS results refer to skills in using consultants. |
| More likely to use consultants at full market rates as a result of their experience | 41% | 65% | |

Source: UKEI data are taken from "Evaluation of the Consultancy Initiatives", HMSO, 1994, Segal Quince Wicksteed Consulting.

It is also interesting to note that to measure impact, the UKEI evaluation was able to track both turnover and added value at the enterprise level in relation to the cost of implementing consultant recommendations (indirectly generating a pay back calculation). UKEI data indicated firms increased added value by 2.8 times the implementation cost. *The UKEI also tracked subsequent use of consultants and the extent to which businesses had fundamentally changed their approach to the business area concerned. These indicators could all be relevant to BAS.*

⁶¹ The UKEI and BAS evaluation findings are not always directly comparable and the comparisons should largely be treated as informative proxy information.

4.1.4 Changes in attitudes at enterprises

Prior to the BAS project, mass survey responses indicated 58 per cent of BAS enterprises held no financial reservation about using consultants – past bad experiences, how to identify good consultants and lack of confidence in using consultants were identified as the main barriers. Overall, 42 per cent of enterprises indicated that their main reservation was that of paying the full cost. Financial constraints were often presented by enterprises as lack of willingness to take the full financial risk of a project, opening the way for BAS to act as a trusted risk-sharing partner and influential interlocutor if the project ran in to difficulties.

Post-project, and consistent with the high levels of satisfactory projects, BAS enterprises were positive about their experience of using consultants through BAS. In total, 65 per cent indicated they would use consultants again, have a better understanding of how to use them and would pay for it themselves. Harder to determine is the proportion of the 60 per cent or so of BAS enterprises that had not used consultancy services before and were now prepared to purchase services from the market without BAS support.⁶²

This would provide an indication of programme sustainability at enterprise level. Interview feedback from consultants indicates that rates of follow-on work with the same client are low but this may also be a function of the relatively short period of time elapsed since their first BAS work with a client. The use of second projects (and in some cases fourth or fifth projects) within BAS also confuses this picture. If enterprises can have a second subsidised project there is little incentive to pay the full market cost.

It is interesting to note that 28 per cent of mass survey respondents indicated that participation in BAS had made no difference to their attitude towards using consultants (7 per cent were either still unsure or unlikely to use consultants again). Overall, indications towards changing attitudes and intentions following participation in BAS are positive but, it remains to be seen to what extent this translates into real changes in market based behaviour. *For tracking such effects and reaching beyond CR preparation stage, BAS may wish to incorporate market behaviour indicators in future, for example, the use of consultants without a financial subsidy.*

4.2 Consultant level

4.2.1 BAS effects on consultants

Consultants are the secondary target group of the BAS instrument but little data are collected to assess BAS performance with consultants or consultant development during involvement with a BAS programme. None of the feasibility studies or funding fiche reviewed articulate how consultant development is to be achieved and monitored. This evaluation therefore draws heavily on the results of the mass survey, which obtained 695 responses (summarised in Annex XI) and 47 in-depth consultant interviews undertaken during the field programme.

⁶² Overall, 37 per cent of BAS enterprises participating in in-depth interviews had used consultancy services previously.

Both the mass survey and in-depth interviews identified clear evidence of a migration of aspects of the BAS methodology to a large proportion of consultants participating in BAS. This is shown by the following responses:

Table 8: Extract of mass survey findings from consultants

| Survey subject | Response (%) |
|---|--------------|
| BAS helped you strengthen your ability to manage consultancy projects or a consultancy business for example through training (formal or informal) seminars, mentoring or in other ways (mass survey). | 78 |
| There has been migration of approach or methodology from BAS to the firm which has been used in non-BAS projects (in-depth interviews). | 47 |

In-depth interviews identified that, to some degree, consultancy firms were adopting or adapting the structure used for terms of reference (TOR) and appreciated the depth of detail, clarity of deliverables, format for presenting work programmes and budget formats contained in the BAS approach – a skills transfer transition impact. In some cases consultants also appreciated the use of midpoint or milestone reviews and either incorporated the approach or introduced a form of internal peer review to replicate external BAS mid-project review where applicable.

Consultants appreciated the clarity and transparency that the approach generated, but it was not possible to discern how much of this related to the consultant gravitating towards collegiate or partnering working approaches and how much to a contractual definition of obligations. It should also be recognised that these types of benefits are one-offs – once transferred there are no incremental benefits resulting from additional projects regardless of how many projects a consultant undertakes (possibly, 5 to 15 BAS projects or more). For those firms where there was no skills transfer it seemed that BAS was not providing any new methodologies. The benefits also dissipate over time as consultants develop new approaches to respond to their market.

A total of 38 per cent of consultancy firms interviewed confirmed that their BAS connection widened or deepened their existing markets. Market deepening was usually indicated by a fuller or more complex consultancy solution as a result of the grant contribution. In only 17 per cent of cases did interviews evidence that consultants had been catalysed in some way, or supported, to enter a new market (by product type, geographical or client segmentation) as a result of BAS – a market expansion transition impact benefit.⁶³

⁶³ This type of impact was specifically referenced in the final monitoring report for the Tacis-funded Armenian programme (see also Section 3.5.1 above): “the contribution of the BAS Programme in the establishment and development of the local consultancy sector was very high and it continues to be a significant factor. Suffice it to mention that to date there are 120 consulting companies in Yerevan and 250 companies in Armenia in total. In fact, it was precisely the BAS Programme that stimulated such an impetuous development of the consultancy market in the country – in 2006 the BAS Programme brought 15 new consulting companies into the market”. To put this in perspective, from 2003 to 2005, BAS Armenia worked with 34 consulting firms and 195 clients on 247 projects, with an average grant disbursement across four years of data equivalent to about 1 per cent per annum of the Armenian consultancy market, plus the market development activities listed in Annex XVIII. That market development has been taking place in Armenia is not in doubt (and was corroborated by interviews in connection with this evaluation) but what is not evident from the monitoring report is which aspect of BAS inputs were contributory to market development (as distinct from individual consultant-level impacts), in which segments of the market and how.

Examples of new market-entry initiatives include

- linked regional promotion between a consultant and BAS in a service niche (tourism)
- linked sector promotion for example promotion of MIS benefits to a targeted sector
- cross-border initiatives
- consultants extending their skills into a new product areas
- establishing consultants' track record with the help of initial BAS projects.

However, joint initiatives are the exception and it has to be recognised that in its current configuration the association between BAS and new market entry by consultants is low (market-entry support for BAS consultants and wider market development initiatives by the BAS Programme should not be confused).

Consultancy firms also appreciated the role of qualification by BAS. Qualitative remarks collected in the mass survey and reinforced during interviews, indicated positive image building resulting from association with BAS as an international EBRD programme. Indeed, many consultants expressed a wish to see "qualification" extended into a formal "accreditation" process, akin to a quality assurance scheme, supported by BAS with web site information, consultant listings and permission to use BAS accreditation in promotional material.

Only 23 per cent (possibly understated) of firms interviewed had definitely incorporated reference to BAS in some way in their promotional material, most relying on a verbal communication regarding BAS.⁶⁴ This low level of formal association with BAS may be connected to the varying approach of BAS teams to accreditation.

While the benefits described above are significant and attributable to BAS, it is also the case that, for a large proportion of consultants, the main significance of BAS is the financial contribution. For 51 per cent of firms interviewed there was some or clear indication that the financial contribution was their main reason for participating in BAS and the marketing edge the grant provided the main perceived benefit.

A large proportion of firms are also indiscriminate in how they market their association with BAS. At least 12 of 47 consultants interviewed (25 per cent) promote BAS and its financial benefit at an early stage of client contact. By the same token, at least 15 consultants interviewed (32 per cent) make a point of not introducing BAS until a wider financial discussion over alternative work programmes or on meeting affordability issues with the client.⁶⁵

4.2.2 Training and continuing professional development

With a few notable exceptions (see Annex XVIII), very little evidence of training and continuing professional development (CPD) related to BAS was found during the

⁶⁴ Forty-nine per cent of interviewees only relied on verbal communication of BAS, for 28 per cent there was no clear response and might include firms that had recognised BAS in their promotional material.

⁶⁵ No clear results were obtained either way on this subject from 57 per cent of interviewees.

field programme, yet when it does take place it is highly appreciated.⁶⁶ Consultants expressed an almost universal desire for training input in marketing and managing a professional services firm and in current best practice thinking in technical areas.

BAS may be reluctant to become heavily involved in training activities. Training programme management is not a BAS head office skill that has been cultivated. Also, BAS may be reluctant to divert budget away from project activities. However, if consultants are a genuine target group of BAS, it is difficult to ignore this issue (the UK Institute of Management Consultant requires a minimum of 40 hours of CPD annually and is able to support consultants with finding suitable CPD programmes).

One approach might be for BAS to target efforts at helping consultancy firms and fledgling associations understand the role of CPD, how to incorporate it into HR policy and how to construct training or continuing professional development programmes. Merely stipulating it as a condition of maintaining BAS registration would raise the profile of CPD. In this way BAS could stimulate training or CPD without getting involved in the delivery. Opportunities might also exist to link into TAM consultants to give up some time to make presentations to local consultants, for example, with “think pieces” or current best practice in their area of expertise.

Similarly, visiting (mostly international) Bank consultants assigned to facilitating Bank investment operations could be used (if so provisioned for) to present lectures or think-pieces to local consultants in their respective fields of expertise. The benefits of this could be on both sides – local consultant could enrich their skills while international consultants could network with local consultants.⁶⁷

4.3 Market development

4.3.1 Defining market development

In the BAS context, market development can be characterised as the greater use of consultants by the population of SMEs and an increase in the availability of consultancy support able to address the specific issues faced by SMEs. Any measures that are positively influential on the supply and demand for consultancy services on a sector wide basis can be thought of as having a market development impact.⁶⁸

4.3.2 Translating project-level impacts into market development

As identified in this paper BAS is generating a successful pipeline of projects producing worthwhile results. However, the number of businesses reached is nugatory

⁶⁶ For example, the seminars conducted by a St Petersburg-based consultant on marketing a consultancy firm, delivered in three of the six live focus regions.

⁶⁷ BAS Management comments argue that BAS should only undertake training where it is key in the local environment and there are no other institutions to provide it. The presence of other programmes concentrating on capacity building and enhancement of business-support institutions or associations and general enterprise training are also highlighted.

⁶⁸ Indicators of market development should be established on a programme basis according to the needs and objectives identified but are likely to be drawn from or modified from a standard array of indicators. These include, for example, number of consultancy firms in targeted market segments, estimate of market size in targeted segments, SME surveys on consultant use or awareness, presence of a consultancy association, membership, accreditation programme and so on.

in relation to the population of SMEs.⁶⁹ Reaching a wider population of enterprises hinges on three conditions:

- a population of successful projects
- projects that demonstrate the case for consultancy beyond standard type projects that most enterprises can already see the case for
- dissemination of the demonstration effect so that non-BAS businesses choose to experiment with consultants.

BAS certainly satisfies the first requirement but there was no clear field evidence that number of projects alone is leading to market development. Establishing the link between number of projects and market development is hampered by loose programme design and lack of verifiable indicators at the outset.⁷⁰ This is not to say that markets have not been developing in locations where BAS operates but that there is simply no evidence identified by the Evaluation team (input, output or impact) to substantiate that market development beyond the type of initiative referred to in 4.2.1 is attributable to BAS.⁷¹

The main methodological link deployed by BAS in connection with market development is a judgement over when it has supported “enough” projects in a sector, i.e. some sort of graduation has been achieved. This is usually taken as BAS receiving a disproportionate number of applications for the same type of service, or where BAS observes many active users and providers.

At this point certain project types might be put on a reduced subsidy (usually 25 per cent), usually in parallel with some kind of geographic demarcation, for example, no more or reduced subsidies for MIS projects in the capital city. It is difficult to see what connection reducing subsidies has with influencing market behaviour as opposed to ending them.

BAS partially satisfies the second criteria. Most BAS projects offer relatively little in terms of proving the case for new, innovative or “untypical” types of consulting. In-depth interviews suggested that 87 per cent of projects could be thought of as “standard” and this is being generous towards what constitutes “new” or “innovative” in the regions where BAS operates. This should not be surprising. In the field BAS broadly operates on a first-come first-served basis, with little selection of projects for the extent to which they satisfy wider BAS objectives or are specifically linked to market development initiatives.

BAS hardly satisfies the third category. Of the six live programmes visited for this evaluation, four have almost no involvement in dissemination, one undertakes some limited initiatives and another one tries to actively promote dissemination activities

⁶⁹ Estimate number of SMEs for Primorski Krai, Russia: 11,306 (2000), 17,860 (2005) 19,530 (2006); for Armenia: 70,000- 80,000 (2006); and for Uzbekistan: 310,000 (2005).

⁷⁰ Some BAS field programmes argue that BAS has supported the development of businesses that will become leaders in their respective sectors. This will have considerable demonstration effect and show the positive use of consultants. This was not investigated under this evaluation but would support the case for selective programming that targets leading businesses and for integrating national or regional strategies for sector cluster development rather than relying on mass project delivery alone.

⁷¹ Substantiation of BAS’ role in market development is hampered by the absence of a programmed approach to market development, including objectively verifiable indicators for market development.

(also see Annex XVIII).⁷² BAS programmes that were inactive in dissemination activities indicated lack of budget and the focus on projects, as stipulated by the funding agreement (rather than market development activities), as reasons for not engaging in dissemination activities.

Regarding the programme most involved in dissemination activities, it was remarked that it required some negotiation and persuasion with donors and BAS Management to set aside budgets for these activities. However, if BAS is to achieve impacts beyond the individual project level, this is one of the most important activities that programmes can undertake.

BAS also has the potential to address specific market development opportunities through various non-grant based initiatives and activities as described in Section 2.3.1 and Annex XVIII. By combining market development activities with grant projects BAS has the potential to:

- target undeveloped or early stage segments of the consultancy market
- raise enterprise awareness through seminars and workshops
- raise consultant skills through training and workshops
- create linkages with external firms experienced in the field
- link these initiatives through grant-supported projects.

Where BAS has focused its resources in this way, there have been some notable successes. In particular, BAS highlights the development of the ISO sector in Uzbekistan. There are now seven ISO consultants in Uzbekistan, compared to one at the inception of BAS. BAS also highlights its role in transforming the consulting market in Uzbekistan by encouraging individuals to establish firms with the intention of making the market more transparent and easier to navigate by potential clients.

Another example, the EU Monitor for the Armenian programme, specifically references: “BAS initiated the introduction of Management Information Systems in enterprises...” Comments made by the consultants’ association of Uzbekistan during the field programme also deserve a mention. They noted that a BAS training seminar was the first sector-wide initiative in the country and prompted the establishment of the consultants’ association at the initiative of more established consultancy firms.

These are good examples of how BAS can target its resources and expertise towards market development. However, the overwhelming majority of inputs and outputs are directed towards grant projects not linked to specific market development objectives. A programmatic approach would relate inputs (grants and BAS resources) and outputs (projects) to identified needs and intended impacts/outcomes and ensure that suitable measures are put in place (objectively verifiable indicators) to monitor the extent to which objectives are achieved.

⁷² It was a common response from BAS programmes that the business communities were small and dissemination of the value of consultants to SMEs would take place by word of mouth (from BAS enterprises to non-BAS enterprises).

4.3.3 *Driving market development through consultants*

Ultimately, it is down to the consultancy sector to market and promote their services and break down market resistance. If neither extensive demonstration/dissemination effect nor marketing training/skills development activities are taking place within BAS, the BAS programme is missing an opportunity. There is much that BAS could be doing in this regard.

For example, where professional associations do not exist, BAS could encourage their formation. Where they do exist, BAS could support capacity building. Consultant accreditation, maintaining a consultant database, tracking consultant performance, matchmaking, contributing to project development with model contracts and templates, codes of practice, dispute resolution, professional development support (for example, identifying courses, seminars and so on) are all typical functions that would be provided by consultant or trade associations in developed economies and provided independently of grant support.

BAS embodies many of these skills and functions and could be involved in disseminating them to selected partners over time, which it is not at present. Replicating these skills in selected partners could yield market impacts beyond what BAS can achieve alone. This should also be thought about when asking about the Programme's legacy and effects after the Programme has ceased, beyond the relatively small number of SMEs that benefited from the Programme as discussed above.

In any event the consultant qualification process requires further consideration within BAS. There are differences of opinion within BAS over what the role of accreditation is. While published BAS material refers to accreditation, BAS prefer to use the term "qualification" so as not to imply quality assurance or cause confusion with national accreditation schemes. This is unfortunate, since consultants would appreciate a recognised accreditation scheme and incorporate it into their promotional efforts. There were no other formal accreditation schemes operating in the field programme countries.

There is also wide variation in the rigour of the accreditation process implemented by BAS field teams. For some, the process is quite cursory, heavily relying on the opinions of the consultant's first BAS client (BAS policy does not award more than one contract to a first-time BAS consultant until the first project is concluded). Where accreditation is more thorough, the process is not so different to that deployed by the UK Institute of Management Consultancy.

4.3.4 *Linkages with other programmes and national infrastructure*

It was evident from the country visits that BAS is held in high regard by other international programmes and IFIs. Good linkages have facilitated a reasonable degree of coordination of activities and in some cases have extended to generating new lines of donor support resulting from BAS' on the ground presence and track record.

Where overlaps have occurred with other donors, in two of the six live field regions visited, BAS is attempting to minimise the overlap. Asked why donors elected not to

support seemingly compatible activities through the BAS infrastructure, one indicated programming issues with their aid agency or rigidity, the other, an IFI, indicated procedural issues that would probably exclude BAS from managing one of their programmes (BAS being an organisation of another IFI). One of the strengths of BAS is its ability to fit around donor agendas (an advantage of a light-touch approach to programming) but it should not be a surprise if this is not reciprocal.

BAS is also held in high regard by national programmes (including national and local authorities as well as non-governmental organisations) with which field offices maintain a dialogue. However, relations are generally kept more distant than with international programmes. National and regional bodies expressed support for BAS but are often concentrating on early stage SME business environment issues, policy, infrastructure or programmes driven by economic development priorities. BAS is usually operating on a lower level where national bodies lack the skills or resources (HR or financial) to directly affect interventions. National bodies are happy to see BAS fill this space. The relationship between BAS and local SME authorities can often be characterised as one of *laissez-faire*.

In some cases, there may be good reason for BAS' distance from national programmes. Enterprises, consultants and even international programmes referred to BAS' independence from national programmes or SME support apparatus and the confidence this engendered in the participants. The relative speed, efficiency and pragmatism of BAS field resources were also frequently praised in comparison to both national and other international programmes.

However, it is national policy makers and business support service providers who must take up the long-term challenge of raising enterprise competitiveness. There are opportunities for BAS, over the life of a programme, to work with programmes of a national partner. The type of enterprise-support activities undertaken in BAS are highly pertinent to business support/enterprise development agencies, who could learn much from BAS' methodology and process.

As with sector associations, matching the needs of enterprises to the support offered by consultants is a basic service that an enterprise agency should be able to provide, ideally coupled with effective diagnostics. It is also common for business-support mechanisms to implement grant schemes funded by national or international programmes. Here too, there may be opportunities to build the capacity of potential partners, particularly in candidate countries with access to pre-accession programmes.

This is not to say that BAS should be engaging national programmes from the first day of operations but it should be in the strategic thinking at the programming stage how BAS will engage with national mechanisms and what it could aim for over the life of a programme.

4.4 Conclusions on BAS impacts

BAS does not collect data that would enable a long-term view of programme impact. Nevertheless, there are strong indications that BAS is generating a portfolio of successful enterprise development projects, consistent with the Bank's transition impact objectives. Overall, the BAS enterprise population seems to be dynamic and

their involvement with BAS has been contributory to shaping their attitudes towards consultancy. It is yet to be seen if this is backed-up by actions over the medium term. In addition, many consultants have benefited from involvement with BAS, not just financially. BAS in the field has generally won wide praise from stakeholders. For many donors this is a significant and acceptable achievement.

However, BAS impacts largely stop at the enterprise level and the population of BAS enterprises is tiny in the context of the national economy. Benefits for consultants are a one-off by-product of the BAS process rather than a targeted exercise in capacity building. True market development activities for the programme overall are scant. When they do take place, they are not part of a strategic and planned initiative identifying and targeting the barriers to consultancy market development.

This is not to criticise the achievements of BAS to date, few other programmes work to such a reliable and consistent formula across such a wide territory. Rather, it should be noted that *there are unrealised opportunities for BAS that would bring it closer to long-term sustainable development via market development. This requires asking what stakeholders want from the BAS programme, which, in turn, must drive the measures of success.*

4.5 Other operational observations

4.5.1 Linkage between diagnostics, effectiveness and risk

BAS grants and clients are small and the diagnostic stage must be kept in proportion. It is also important not to risk slowing down the relatively fast and smooth project process that BAS is able to implement.

It is good practice in enterprise development programmes to undertake an effective diagnostic process prior to providing support to a business. This helps ensure that

- the enterprise has well-defined strategic priorities and business objectives
- the support offered is consistent with these objectives
- the programme is addressing the most important rather than the most urgent needs
- that anticipated outcomes are defined prior to the start of the consultancy.⁷³

A strong diagnostic process leads to better project development and greater project level impacts.

Generally, the field visits indicated that the diagnostic function is not well developed within BAS. In most cases BAS was not involved in initial diagnoses prior to formal project application. Mass survey results indicated that BAS was involved in identifying the project to be supported in only 27 per cent of the 958 case studies. There is possibly also confusion within BAS between the use of diagnostics as an enterprise development tool, a marketing tool of the BAS programme and as a process to verify viability of the enterprise, which is a condition of BAS support.

Whilst the Evaluation team found write-ups generally generated a suitable project pipeline and CRs provided a reasonable guide towards overall rating (BAS

⁷³ Outcomes rather than deliverables or outputs where, for example, implementation of an MIS system is an output but stock reduction expressed as number of days of turnover is an outcome.

effectiveness), there were many and wide inconsistencies in the depth and quality of information and scorings used by BAS. In a few rare cases (3 out of the 57 in-depth enterprise interviews), projects appeared to be inconsistent with business priorities (which themselves were ill-defined). In a small number of cases, BAS was taking on enterprises with greater probity or environmental issues than it initially realised.

For example, a market development project was given the best environmental rating (5) for anticipated positive impacts. The rating was granted because the enterprise produces water treatment chemicals. However, the manufacturing process is highly toxic and the plant is located in an environmentally sensitive region.

In another case, the in-depth interview raised serious concerns about a BAS enterprise that had, as the sole bidder, won a public sector contract without appropriate technical or financial partners in place to perform as tendered. BAS agreed to assist with a project supporting post-tender implementation. Doubts over the integrity of the BAS enterprise and tender process were also remarked on by the RO. *These types of cases seem to be rare but a stronger diagnostic procedure, staff development and coordination with the RO over probity or perhaps with the EBRD Environment Department about an environmental module, would reduce their occurrence.*

For the reasons outlined in the opening paragraph of this section, a more developed approach to diagnostics would yield opportunities for BAS to intervene in the most important (and therefore highest value added) projects, rather than the most urgent or those identified by inexperienced management alone. A greater emphasis on diagnostics would have implications for BAS procedures, tools and human resource development.

However, it is quite possible that many of the requisite skills to lead development of a more formal diagnostic process already exist within BAS. Complementary diagnostic skills may also exist within the TAM Programme. It might be an option to incorporate a compulsory diagnostic module into the BAS process in coordination with TAM so that both BAS Enterprises and BAS resources (or even perhaps BAS consultants as part of the CPD) could benefit from TAM experience.

4.5.2 *Second projects*

BAS policy on second or subsequent projects is reasonably clear. They should be in a different field to the first project and should only be agreed after a satisfactory CR has been concluded from the first project. In some cases, as previously mentioned, enterprises are benefiting from fourth or fifth projects. To keep the issue in perspective, repeat projects seem to only make up around 14 per cent of the project portfolio over the focus years extracted from Annex III data.⁷⁴

This is a difficult subject area. All evidence is that the enterprise benefits from additional projects and there is a good chance the enterprises will accelerate or expand projects as a result of BAS intervention. The potential reduction of the BAS enterprise population by 14 per cent (repeat projects) is not an overwhelming reason to prohibit second projects. However, as with consultants, many of the impacts that BAS

⁷⁴ Fourteen per cent does not include sister companies in the same group. This percentage might be understated due to enterprises appearing on the database more than once with slightly different spelling of the name.

generates at the enterprise level will not be multiplied by an ever increasing number of projects. Confidence and willingness to use consultants are key examples of this.

BAS could therefore be far more discerning in its use of second projects. indeed, second projects seem to be rare in the smaller programmes (and common place in the larger). There is a strong argument that concentrating on projects in new areas is the wrong emphasis for second projects. Resources would be better directed to ensuring a complete solution is generated out of a first project for a novice consultancy user – for example, following a marketing strategy with a marketing plan so the BAS enterprise can see an end result from the consultancy work. Focussing BAS resources on second projects that are non-standard or otherwise have a high demonstration effect would be another option. This would also be an incentive for field teams to pursue more ambitious projects.

5. BAS implementation costs

5.1 Cost structure

As already indicated in Section 3.5.3, it has been difficult to obtain reliable aggregated operating cost data for the BAS programme that captures both field and head office operating costs as well as grant disbursements. The closest proxy source identified for global field costs is the BAS 2006 Estimated Office Running Costs. TAM/BAS do not keep separate management accounts (no management accounts have been seen at all), but BAS provided estimates allocating the respective share of BAS head office costs based on 2005 actuals.⁷⁵ The sources have been combined to derive an approximation of BAS implementation costs and are presented in Annex XIV.

Table 9: Analysis of BAS implementation costs

| 2006 estimates | €m | % of total |
|----------------------------|--------------|------------|
| Grant disbursement | 5.70 | 57 |
| Field implementation costs | 4.06 | 40 |
| Head office costs | 0.30 | 3 |
| Total | 10.06 | 100 |

Summary BAS implementation cost estimates are presented in Table 9. Approximately 43 per cent of all BAS expenditure (grant plus all operating costs) is towards implementation of the instruments and 57 per cent as grant to final beneficiaries.⁷⁶ Put another way, 75 cents of every euro disbursed as part of the grant in 2006 go towards implementation cost.⁷⁷

These figures also disguise quite wide variations in field implementation costs. Seven of the 19 programmes (Annex XIV) show implementation costs (as a percentage of total grants plus implementation costs) ranging from 28 per cent to 40 per cent. Eleven programmes are in the 40 to 50 per cent bracket, and one programme is estimated at 64 per cent local cost of delivery in 2006.

⁷⁵ The figures provided cover an estimate of head office salaries (some roles are shared unequally between TAM and BAS) and BAS related travel. They do not appear to cover management accounting recharges (confirmation was not provided) for items such as rent, communications and incidentals. Head office costs may therefore be understated.

⁷⁶ These figures do not capture other implicit bank support costs, such as time and resources of the FFC, TC Committee, Bank Management and so on. Some of these implicit costs might be recouped through the Bank's internal TC management fees that have historically been charged on BAS funds (as distinct from BAS head office operating expenses).

⁷⁷ Previous evaluations of donor field programmes have used a much more flattering calculation basis to establish costs as a proportion of grants where the numerator at the end of a period is taken as projects at all stages over a period (disbursed, signed but not started, pending signature). This is effectively double counting the output measure (disbursement) as one period's pipeline becoming the following period's disbursement. Ideally, figures (Table 9) should be looked at as a time series to smooth out the affects of programmes at different levels of maturity but this data was not available. Previous evaluations have also attributed efficiency rating to the beneficiary co-financing. Whilst co-financing is an essential element of good practice, leveraging of co-finance for consultancy project is not one of BAS' objectives and is not included here in assessing the cost of delivery of the BAS grant.

Apart from varying local cost structures, individual programme cost efficiencies are heavily influenced by the size and maturity of the programme. Recently established programmes require approximately six months to develop a strong project pipeline (Chart 1) and a period of time after that for project delivery. Consequently, there is very little grant disbursement in the first year.

There are also distinct economies of scale available in terms of implementation cost as a percentage of grant. Once a field team is in place incremental funding does not necessitate a proportionate increase in costs to expand the project pipeline. This is explained in the following paragraph.

As a rule of thumb, it is estimated that BAS project execution from start to finish absorbs approximately eight⁷⁸ person days of input. Taking the example of an established three person team plus a Programme / Regional Director, this team has approximately 53 person days available per month⁷⁹ for project delivery, implying capacity of around 6-7 projects per month, or roughly two projects per headcount per month.

Many smaller budget programmes are not expected to complete more than four projects per month (analogous to a performance target) and some less than that (as low as two projects per month, or one per headcount). One of the six focus programmes is producing almost two projects per person per month. The rest are far from it. This should also be seen in the context that outputs alone should not be seen as a measure of BAS impacts.

One of the reasons for the low project volume is that project delivery is generally paced at an average rate corresponding to the end date of the funding. Funding lines cover the operating costs and have fixed end dates therefore implementation speed tends to be geared to the timing of the funding rather than the delivery capacity of the team or the absorption capacity of the market. This is a bizarre consequence of the combination of externally funded programmes combined with semi permanent resources. This is not an issue exclusive to BAS. Externally contracted / outsourced grant scheme management teams experience the same issues when ending one implementation contract and holding a team over pending a non contiguous follow-on contract.

Table 10: Regional/programme director costs as % annual field costs

| Estimates | % |
|-------------|----|
| Programme 1 | 14 |
| Programme 2 | 18 |
| Programme 3 | 20 |
| Programme 4 | 36 |
| Programme 5 | 48 |
| Programme 6 | 62 |

⁷⁸ Estimate based on discussions with field teams, where estimates ranged from 6 to 12 days depending on remoteness and complexity of the case.

⁷⁹ It is based on 22-day month, 10.5-month year for field resources plus say, four days of director time. It assumes 15 per cent of field team time allocated to BAS administration. No allowance is made for market development activities or generic BAS promotion.

Analysis of estimated annual expenditure for the six focus programmes also reveals a high proportion of expenses being absorbed at the level of regional/programme director. This ranges anywhere from 6 to 48 per cent of total field budget.⁸⁰ As a proportion of annual running costs for the field programmes, regional/programme directors routinely absorb around 20 per cent of all field implementation costs and frequently more (see Annex XV based on field programme findings).

In fairness, these figures are highly sensitive to the size of the programme, the time allocated, whether the director is resident or not and other factors, such as the timing of disbursement. The estimated range of regional/programme director costs as a percentage of all field programme costs for the six live field programmes visited in connection with this evaluation is presented in Table 10.

It should also be mentioned that 3 per cent of all BAS expenditure that is absorbed by head office operating costs (which will in future be absorbed by the Bank, see Section 3.5.3). Head office operating costs are a relatively small part of all BAS expenditure, the main costs being absorbed at the field level. Included within head office costs (prior to the recent the CRR induced changes) are the expenses related to marketing the BAS approach to donors.

Ongoing new donor commitments are required to ensure financial replenishments to existing programmes (grant funds and field management costs) and the implementation of new programme initiatives.⁸¹ The direct financial cost of this is not highly significant but under-plays the great commitment and endeavour of BAS Management over the years in maintaining donor funding support. It is possible that the continuing quest for new funding diverted management attention away from management activities to enhance medium/long term Programme delivery and impact, to a short term pursuit of funding, which was wholly necessary for Programme survival.

5.2 Financial benchmarks

A number of grant funds have been selected for comparing implementation costs between those grant funds and BAS (see Table 11 below). Brief characteristics of the selected comparator funds are as follows:

⁸⁰ Grant plus all field related expenses, excluding any head office cost apportionment.

⁸¹ Historically, new funding commitments were also required to generate approximately 7 per cent management fee credited to the so-called TAM/BAS “number 2 account”, used to fund head office activities, which will now be taken over by the Bank.

Table 11: Matching Grant Fund benchmarks

| Sponsor/Fund | Fund size | Geographic coverage | Grant size | Implementation cost | Notes |
|---|----------------------|------------------------------|----------------------------------|---------------------|---|
| EU Joint Small Project Funds (JSPF), Cross Border Cooperation Funds | Typically €-€m | Localised to a border region | From a few thousand € to €30,000 | 7% of fund | Fund management contracted out; extensive hidden costs in programme development and implementation, perhaps a further 7%. |
| Moldova WB MTSQ MGF ⁸² | US\$ 1.2m (€770,000) | Moldova national | Average US\$10,000 (€6,425) | 17% of fund | Contracting of manager pending; some hidden costs in programme development. |
| DfID Business Links Challenge Fund ⁸³ | Approx £16m (€20) | International | Approx £100,000 (€26,227) | 20% of fund | Contracted to a management consortium; few hidden costs. |

No two grant schemes are identical, and it is difficult to find exact comparators for BAS. Three examples have been selected. The EU JSPFs provide comparative fund size and operate in some of the same countries as BAS. The Moldova World Bank MTSQ fund was selected because of its comparable grant and fund size. DfID challenge funds were selected for their wide geographic scope. The comparisons are presented for information purposes but all the instruments identified demonstrate the level of implementation costs that can be achieved.

5.3 Conclusions on implementation costs

It is tempting to conclude that BAS is an expensive instrument to implement. At the level of head office, approximately three per cent annual implementation costs of total funds managed are not alarming. The approximate three per cent represents annual costs and is not analogous to the seven per cent one-off management charge often applied. Some room must also be given to the hidden costs absorbed by the Bank, that exist in most programmes. Leeway must also be given to BAS for the small average grant size it is implementing, which inevitably raises the cost of disbursement.

The real cost issues for BAS lie in:

- whether a simple €5,000 grant scheme warrants the current cost base (derived from a multi-tiered management structure)
- whether there is a minimum viable programme size below which BAS is simply too costly to provide value for money.

⁸² Metrology, Standardisation, Testing and Quality (MTSQ) Matching Grant Fund (MGF). See: www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/10/14/000090341_20051014135127/Rendered/PDF/33629.pdf and refer to sections on MTSQ.

⁸³ Not in the public domain.

Expectations about the nature of BAS are crucial to these questions. If it is intended to simply be a machine for distributing enterprise development grants, then BAS does have an expensive implementation model. However, there is almost certainly scope to increase financial efficiency without prejudicing operating effectiveness (currently measured as number of successfully completed projects).

Costs could be saved by streamlining the management structure (the regional/programme director level) without necessarily prejudicing delivery. Certainly, there is a very strong case for the resource in the start-up period of a programme, but it is difficult to argue for maintaining it as a fixed cost through the life of a programme once local field resources have built up their experience with BAS (particularly if the prime objective of BAS is project outputs). Local BAS staff interviewed value this resource in areas such as practical commercial experience, identifying innovative ways to implement BAS or for guidance on BAS policy issues. However, this could be provided as a floating, occasional or central resource as needed.

Avoiding small programmes would also have a positive impact on average implementation costs as they are among the most expensive (relative to disbursement) to implement (Annex XIV alludes to this). In locations where BAS is only producing two to three projects a month and no dissemination activities, it is arguable that BAS would not be missed in terms of enterprise or market development.

By the same token, channelling larger grant funds down an existing infrastructure would reduce average implementation costs. There is every indication that the BAS infrastructure can accommodate the implementation of more projects. The issue in this case must be what incremental impacts are generated from incremental funding.

It must also be remembered however, that even small or expensive programmes have the potential to satisfy donor objectives, which may not extend to market development at all. Successful engagement and visibility on the ground in regions of strategic interest through teams that are held in high regard locally is impact enough for some donors. In addition, the smaller programmes have the potential to bring incremental benefits to the Bank's other activities in a region and there are increasing moves to strengthen this dimension of BAS' implementation. Small programmes can also serve as *de facto* pilots for eventual larger donor support.

The more challenging scenario for BAS is what cost base is appropriate if it is to serve as a true market development instrument combining project work, institution and capacity building, skills transfer and dissemination activities to generate lasting and sustainable change. This scenario is inevitably costly to deliver and would involve a distinct migration away from pure grant implementation to programme activities (dissemination, capacity building and so on).

Budgets for such a scenario could only be estimated around programme objectives but as already identified, there is probably existing capacity that could be redirected to programme activities. Programme design work for this delivery scenario could also take into consideration the balance of project activities required for the achievement of market development and programme activities. With a concerted programme of market development, less emphasis might be required on project activities to achieve demonstration effect.

The function of BAS as a market development instrument is considered further in Chapter 6 and supported by Annex XVI.

6. Alternative scenario for BAS

Through a combination of better programming and adequate funding for individual programmes, the BAS instrument has the potential to make a greater contribution to sustainable market development than is currently the case. Through a combination of projects, dissemination of demonstration effects and capacity building activities, BAS could leave behind a legacy of skills, mechanisms and processes that can provide wide reaching and lasting enterprise development and market support, long after BAS programmes come to an end.

In such a scenario, market development activities would form a core component of the programming and delivery processes. This would not necessarily require the definition of every programme activity at the design phase of a programme. Rather, it would entail an early identification, prior to each programme phase, of core strategies, partners and plans for dissemination of demonstration effects and capacity building.

A brief outline and accompanying intervention logic for how such a scenario could be developed is presented in Annex XVI. This is presented as a think piece to stimulate discussion between stakeholders as an option or opportunity for the future. It is not necessarily a recommendation for how BAS should be developed, which is ultimately something for the stakeholders to agree amongst themselves.

7. Conclusions and overall assessment of the BAS instrument

The following conclusions and overall assessment are based on the findings summarised in this document. A number of section references have been included (*in bracketed italics*) to help point the reader to the sections supporting the evaluation findings.

In accordance with the approved Evaluation Policy of the Bank, a four-category grading has been applied to the overall performance rating and a six-category grading for individual evaluation criteria/dimensions: relevance, effectiveness/efficacy, efficiency, transition impact and sustainability.⁸⁴ The Evaluation team arrived at an overall rating of the BAS Programme of “Successful”, a composite of the individual ratings.⁸⁵ With some modifications to the BAS instrument as suggested in this report, a rating of “Highly Successful” should be obtainable in future.

7.1 Relevance (“Satisfactory”)

The evaluation rating for relevance is guided by the DAC definition “the extent to which the aid activity is suited to the priorities and policies of the target group, recipient and donor”. DAC also provides guidance over key aspects to consider when assessing relevance.⁸⁶

For BAS, relevance has been considered against the three identified objectives of BAS, as discussed at length in Section 2.1 (addressing market development, enterprise development and consultant development as the secondary target group).⁸⁷

At the operational (field) level there is an apparent need for an instrument such as BAS. Indications are that enterprises are generally early-stage users of consultancy services and many have real or perceived barriers to identifying and engaging consultants. An instrument such as BAS provides an opportunity to “break the ice” within a managed environment (consultant accreditation and project performance overview) that yields satisfactory project results.

⁸⁴ Reference is made to Appendix 1 of the Evaluation Policy of the EBRD document that can be accessed as follows: www.ebrd.com/projects/eval/showcase/evalpol.pdf. The overall performance rating grades are: Highly Successful, Successful, Partly Successful and Unsuccessful.

⁸⁵ The composite rating is not the outcome of an arithmetical calculation but constitutes an overall value judgement to which the individual ratings contributed. It is the same as applied for EvD’s evaluations in general. There may be trade offs that have to be made at the programme design stage, for example, between programme scope (“effectiveness”) and “efficiency”. These trade-offs do not lend themselves readily to quantitative measurement (and therefore to weighting of criteria) and emphasises the importance of programme design to capture clearly the identified needs, operational objectives, intended outcomes, objectively verifiable indicators and so on within a logical framework, or similar. It is further noteworthy that the criteria *transition impact* and *effectiveness/efficacy*, which both attract more weight than the other criteria, were both rated “Good” and, hence, the overall rating of “Successful” appears well justified.

⁸⁶ DAC goes on to recommend that relevance is considered against the following questions: (i) Are the objectives of the programme still valid? (ii) Are the activities and outputs of the programme consistent with the overall goal and the attainment of its objectives? (iii) Are the activities and outputs of the programme consistent with the intended impacts and effects?

⁸⁷ It is worth reiterating that this objective is reflected in the EBRD’s 2006 MSME Strategy and by BAS Management.

For consultants too, BAS is able to offer something that is often not being provided by the consultancy sector itself, particularly “matchmaking” and accreditation functions. At both the enterprise and consultant level, the relevance of BAS can be considered as “Good”.

However, as described in this document, the higher strategic objectives of BAS are loosely defined (2.1.1), and have varied during the course of the Programme’s evolution, including different emphasises placed on BAS field programmes according to donor preferences (which is to be expected).

More specifically, the strategic objectives of the BAS instrument have been largely articulated around the BAS Management understanding of what BAS can *deliver*, rather than the market failure and capacity building it *could* address (the overall goal and objective). This is, in turn, reflected in the design of individual BAS programmes, which focus on grant implementation rather than market development (2.3).

The relevance of BAS could be extended by setting more considered and demanding strategic objectives beyond the delivery of a pool of projects, or as seems likely to be the case in the future, assisting with access to finance. All indications from the field programme were that the enterprise-support infrastructure, which would normally provide the type of services or grant implementation capacity provided by BAS, is very poorly developed.

Relevance would be enhanced (and possibly rated higher) if BAS objectives were extended to market development and capacity building within a programmatic context as well as continued into the design, implementation and management of field programmes.⁸⁸ Notwithstanding significant reservations over design limitations, relevance can be considered as “Satisfactory”.

All three main stakeholders (donors, BAS Management and the Bank) have a role in enhancing the future relevance of the BAS instrument. Together stakeholders can agree what their collective objectives for the BAS Programme are. Donors can ensure that programmes are designed to meet development objectives and are adequately funded over a sufficient time horizon so that BAS can plan and implement programmes designed to achieve market development priorities.

BAS Management has a role in adopting a programmatic approach and “championing” the market development objective with donors. For the Bank, the CCR3 demonstrates a clear commitment to the BAS Programme that had not existed previously, which can be reinforced by placing BAS explicitly at the heart of pillar 3 of the SME strategy, together with the integration of the collective BAS objectives into the Bank’s SME strategy.

Given the lack of similar activities in the areas where BAS is operating, the instrument does not raise concerns over additionality. Where there are overlaps with other programmes, field management seem aware of the need to coordinate in order to avoid direct duplication. However, there are signs that BAS grants can potentially “crowd out” private sector funding at the level of the individual SME consultancy

⁸⁸ As explored in Annex XVI.

project.⁸⁹ To some extent this may be an inevitable risk of a grant scheme, hence the need to ensure that programme impacts are more than the sum of the projects. Where crowding out occurs it is offset by the fulfilment of intermediate and wider programme objectives.

7.2 Effectiveness/efficacy (“Good”)

Effectiveness assesses the extent to which objectives have been, or are likely to be achieved. Reverting to the three objectives of BAS, the programme is generating a worthwhile portfolio of successful enterprise development projects (more than 5,000 projects to date in 19 countries since programme inception). The outcomes generated amongst enterprises are consistent with the Bank’s transition impact objectives (4.1) and there is evidence that involvement in BAS has contributed to changing attitudes at BAS Enterprises, which in future needs to be tracked for changes in actions (4.1.4). For the portfolio of projects developed, BAS merits an effectiveness rating of “Good” due to the high proportion of projects that are satisfactory or better and that therefore satisfy the enterprise development objective, the primary objective of BAS in the way it is currently designed.

Whilst the overall and direct enterprise level effectiveness is not in question, this is less true at the consultant level.⁹⁰ Consultants certainly demonstrate a degree of passing-on of good practice or approach and methodology, albeit to a far more limited degree than the benefits accruing to BAS enterprises (4.2). Overall consultant level objectives are given lower prominence in the design and implementation of BAS programmes than those of enterprise development. For a large proportion of consultants, BAS’ main contribution is financial (as indeed it is for many BAS enterprises).

It should also be noted that there is a large population of enterprises (4.1.1) for which the most significant impact of the BAS Programme is the financial contribution and who would, or might, have proceeded with their project without BAS assistance. A proportion of such “deadweight” is supportable in an instrument such as BAS provided it is contributory in some way to a wider or higher objective (for example, market development, which is itself a relevance and design issue).

As BAS is currently implemented, there is a general lack of impact evidence linking BAS activities to wider market development level (4.3). However, it would be unfair to evaluate BAS effectiveness over the retrospective period against fulfilment of market development objectives which BAS was neither explicitly obliged to programme for by donors or the Bank, nor funded to implement. Putting this in perspective, BAS programming and funding is heavily orientated to projects and their ensuing impacts at the level of BAS enterprises (and to some extent consultants). BAS has shown that it can deliver on these objectives when adequately funded.

It should also be emphasised that many donors have their own objectives in supporting a BAS Programme. These do not explicitly extend as far as explicit or specific market development objectives. This evaluation therefore draws attention to and notes the highly rated evaluations that some of the specific BAS programmes

⁸⁹ Indicated by the significant number of interview respondents who would have gone ahead with projects without BAS involvement (Chapter 4).

⁹⁰ Subject to recommendations made particularly in the diagnostic process (see Chapter 4).

have produced under both, the BAS self evaluation process (as referred to in Footnote 1) and the independent external monitoring such as that for the EU Armenia programme, referred to in 4.2.1.

7.3 Efficiency (“Satisfactory”)

Efficiency is considered here both against financial cost effectiveness and the capacity of BAS to deliver on its objectives in a timely manner.

Grant schemes with the characteristics of BAS are expensive to implement. The grants are small, require personal attention and BAS has had to invest in its regional human resources to build the local credibility that it has undoubtedly generated. The funding structure too often hampers efficiency either because programmes stretch delivery rates to fit the management contract period or because the small size or limited duration of the donor lines inhibits efficient use of the resources (economies of scale).

However, BAS, as it is currently structured, is an expensive instrument if its dominant activity is grant disbursement. Indications are that the high cost base, measured as costs as a proportion of total funds (i.e. grants plus implementation costs) or cost per euro of grant distributed, lies in the field management structure. Here, there is probably an additional layer of fixed cost beyond what this simple grant scheme mechanism can support throughout the life of an individual programme (5.1). This issue is exacerbated and particularly noticeable in programmes with small funding lines. There are also genuine concerns over the absence of appropriate and reliable management information to enable cost efficient management (3.5.3).

How to resolve the cost structure is best addressed by first defining the strategic objectives of BAS between key stakeholders (BAS Management, Bank Management, Bank Board, key donor/bilateral development agencies) and its interlinked objectives with the Bank. This will determine what is expected of the instrument. Resources can then be sought or planned around objectives rather than delivery planned around resources as happens at present. If more is demanded of the instrument, for example explicit market development, it is possible that the cost of delivery could even rise and a judgement can be made by stakeholders over the attributable costs and benefits of this.

It should also be recognised that BAS’ management structure contributes to its high cost base, has also resulted in a *modus operandi* or operating efficiency that was widely praised for its pragmatism, short lines of communication and speed of decision taking (3.2). These characteristics are important to all BAS programmes and especially so to the larger budget programmes (for example, Central Asia and South Caucasus) managing larger project pipelines.

The operating efficiency (as opposed to financial efficiency) offsets to some extent the high operating cost proportion of BAS overall. It should also be noted that many of the most costly BAS programmes to implement (measured as cost per project or grants as a percentage of total funding) are also the smallest. Financial efficiency is partly a function of programme budget (there are other factors such as absorption capacity and implementation/management cost structure). This is something largely beyond the control of BAS Management.

In view of the operating efficiency of BAS and the fact that some key aspects of financial efficiency are beyond the exclusive control of BAS Management, efficiency is rated as “Satisfactory”.

7.4 Transition impact (“Good”)

Transition impact (TI) is without doubt being achieved by BAS projects at the level of individual beneficiaries (4.1.1). However, it must be recalled that BAS projects operate over a limited range of issues, and it would be unreasonable for TIs to be wide reaching in every case. Having said this, the BAS approach does seek to attribute a transition impact to every project and the vast majority of BAS projects will have generated some level of TI. A large proportion of these projects might not have happened as quickly, as comprehensively or might not have happened at all, without BAS intervention.

BAS enterprises have reported improved skills, both for dealing with similar issues and in the management of consultancy projects. Consultants too indicate a degree of transfer of approach and methodology (4.2). Many projects have direct or indirect positive impacts on customers and suppliers and some actively contribute to market development by the BAS enterprise. In a few cases a contribution to market development was also observed (4.3.2).

The portfolio as a whole has generated numerous positive examples and role models that embody demonstration effect (although the majority of projects are not at the frontier of consultancy services in their markets) and the TI outcomes can be considered as “Good”. Were BAS programmed and funded to actively manage the dissemination of TI, or of consultancy market development itself, this would enhance the TI potential of the BAS instrument.

It should also be noted, to the credit of BAS, that the risk attributable to achieved impacts is considered “Low”.

7.5 Sustainability (“Satisfactory”)

It has been argued in previous evaluations (footnote 1) that sustainability in BAS is achieved through the project benefits and skills transfer that live on in the enterprises post-BAS. The reality is more complex (4.1.4). At the most simple level, data do not exist to determine what proportion of BAS enterprises have experienced a permanent change in attitude (itself an intermediate impact) that has manifested itself as a change in behaviour (paying for consultancy services). Tentative indications are that this has not tracked through.

BAS enterprises are also a dynamic population. Notwithstanding the limitation on data, BAS enterprises appear to have yielded impressive sales and productivity growth (4.1.2). Many enterprises are operating in fast changing markets where the direct operating benefits resulting from BAS consultancy support will only endure until they are outdated by developments in the competitive environment.

Most BAS projects deal with applied operational issues and current problems. Very few BAS projects deal with developing sustainable capacity *within* an enterprise, such as creating modern sales and marketing or management and cost accounting functions (rather than systems or strategies). To some extent BAS enterprises are learning how

to contract-in skills or functions they do not possess. A proportion of BAS consultants are acquiring useful methodology and know-how, itself an enduring legacy.

However, in the absence of market development or institutional capacity building, it is difficult to see where sustainability is achieved once funding ceases for a BAS field programme, beyond the BAS enterprise and consultant elements referred to above. Consequently, the rating for sustainability is “Satisfactory”.

It could also be mentioned that as a donor-dependent programme, reliant on relatively short-term funding commitments (but medium to long-term field implementation), the cessation of funding is an ever present threat to sustainability of a programme, particularly when considering it takes an initial six to twelve months to build momentum.

8. Recommendations

8.1 *Strategic objectives*

Strategic objectives need streamlining and consolidating throughout the Programme. BAS' strategic objectives have become less clear over time. Current best practice for instruments such as BAS would be to work more overtly towards sustainable market development or capacity building but this may not accord with stakeholders' wishes.

8.2 *Strategic planning*

Therefore, a BAS strategic plan (as distinct from a combined TAM/BAS plan) should be developed and led by revisited strategic objectives of BAS, as agreed between stakeholders. The 2007-09 TAM/BAS Strategy has an important but narrow emphasis on supporting access to finance in connection with other Bank supported facilities. A wider strategic plan for BAS would identify how BAS can deliver on revisited strategic objectives (which may go beyond access to finance, 8.1 above) and any modifications required to the BAS model, geographic focus, management structure, resources, funding, time scale and monitoring and evaluation framework to deliver the plan. Strategic priorities identified in the plan should flow into donor fundraising propositions and implementation planning (including objectively verifiable indicators of achievement) for new field programmes.

8.3 *Secure funding for BAS*

Donor support should be explored to establish a "BAS fund". Lack of funding or threat of termination of funding is a persistent threat to BAS programmes, even though this pressure has been eased through changes introduced under the CRR3 strategy. A BAS fund (see Annex XVI) with the authority to allocate programme funding in the way that gave BAS the best chance of fulfilling strategic objectives would provide a foundation to translate early stage programme investments of time and resources into desired impacts without risk of premature termination for potentially successful field programmes.

It is recognised that such a concept may not be universally appealing to donors. Some may have visibility requirements or procedural obligations (for example, geographic or socio-economic indicator constraints) that may be incompatible with such a fund. If this is the case, it would be valuable to identify in what circumstances donors would be able to support a fund and evaluate whether the fund can be tailored to satisfy donor requirements without prejudicing fulfilment of strategic objectives.

The Bank may wish to consider "seeding" or contributing to such a fund. Alternatively, if support for a fund concept is not forthcoming the Bank might consider leading the way in co-funding a BAS field programme specifically designed to address market development using a programmatic approach. Such an approach would involve the Bank in the active sponsoring and design of a development programme, rather than the Bank's more usual partnering approach with development programmes. Sponsoring BAS in this way would be both an inducement for BAS to step up to new challenges and a logical progression in the Bank's relationship with the

Programme, which has now stood for more than a decade and is on a path to much closer integration with the Bank.

8.4 Financial control and cost efficiency

There is an urgent need for management accounts (against budgets) that present reliable information on how much it costs to implement BAS in relation to grants disbursed.⁹¹ It is recommended that the full cost of implementing BAS is captured by management accounts including all overhead costs absorbed by the Bank. Development and implementation of effective management accounting and financial controls should be accompanied with a cost review to determine where opportunities for efficiencies might lie. It should be recognised that revisited strategic objectives for BAS (8.1 and 8.2 above) may lead to an implementation model that requires greater or fewer resources than at present.

8.5 Operational strengthening

Under the current BAS model there is room to strengthen core functions and skills in areas such as enterprise diagnostics (including probity and environmental elements) and other programme aspects, such as accreditation. In the light of this document, BAS Management may wish to consider how these functions can be enhanced and incorporated into the service model across BAS.

Opportunities also exist to strengthen management links with Bank ROs (the 2007-09 TAM/BAS Strategy already addresses the operational level). As highlighted in this document it may be a cost saving option or provide alternative perspectives (on probity, environment or enterprise viability) to operate on a “dotted line” / “four-eyes” or “no objection” basis between the RO and BAS national/directors, in place of the current process of vertically passing projects to regional/programme directors and BAS head office. It is recommended that BAS and Bank Management consider this option.

8.6 Programming and indicators

The current programming and implementation model for BAS is input/output based. This is also reflected in the approach to indicators of achievement. However, it should go beyond striving for higher-level aspirations. There are opportunities to strengthen the programming approach and develop meaningful indicators beyond those currently used. Depending on the outcomes of recommendation 8.1 and 8.2 above, BAS Management may wish to consider working with donors on developing new programming approaches for BAS that ensure future field programmes fit firmly within strategic objectives of the instrument, appropriate indicators are set and the necessary data capture systems put in place to facilitate performance monitoring at the programme and instrument-wide levels.

A fresh approach to programming could be accompanied with the introduction of a log frame approach (for both the BAS instrument and at the country programme level). This may help distinguish between objectives, outputs and impacts/outcomes and bring consistency to the implementation of the instrument.

⁹¹ Ideally monthly, quarterly, annually by programme and BAS head office.

BAS Management comments can be found in full in Annex XIX.

8.7 *Other recommendations*

A number of “operational type” recommendations have been made in the body of this document. These largely concern the management and implementation of the BAS instrument. The recommendations are summarised below in bullet point format together with the relevant section reference in the report shown (*in bracketed italics*). The reader should also refer to the relevant section reference for any comments from BAS Management on the recommendation.

- Programme directors could be contracted on a framework basis, which could be called down as needed and any surplus budget at the end of a period reallocated to projects. BAS Management may wish to consider this option (3.2).
- Bank and BAS Management might wish to consider the financial implications of hub proposals in the light of Chapter 5 concerning the BAS cost structure (3.4).
- Payback analysis is a standard business tool utilised prior to commissioning consultancy. BAS may wish to consider incorporating payback analysis into its process both as a tool for BAS and as a skills development component for enterprises (4.1.1).
- The UKEI tracked value added at the enterprise level in relation to the cost of implementing consultant recommendations (indirectly generating a pay back calculation), use of consultants and the extent to which businesses had fundamentally changed their approach to the business area concerned. These indicators could all be relevant to BAS (4.1.3).
- For tracking changes in attitudes beyond the completion report, BAS may wish to incorporate market behaviour indicators in future, for example, use of consultants without a financial subsidy (4.1.4).
- Where professional associations do not exist, BAS could encourage their formation. Where they do exist, BAS could support capacity building. Consultant accreditation, maintaining a consultant database, tracking consultant performance, matchmaking, contributing to project development with model contracts and templates, codes of practice, dispute resolution, professional development support (for example, identifying courses, seminars and so on) are all typical functions that would be provided by consultant or trade associations in developed economies and provided independently of grant support.

BAS embodies many of these skills and functions and could be involved in disseminating them to selected partners over time. Replicating these skills in selected partners could yield market impacts beyond what BAS can achieve alone. This should also be thought about when asking about the Programme’s legacy after it had closed (for whatever reason that might be) and beyond the relatively small number of SMEs that benefited from the Programme as discussed above (4.3.3).

- It is national policy makers and business support service providers who must take up the long-term challenge of raising enterprise competitiveness. There are opportunities for BAS over the life of a programme to work with national partner programmes. The type of enterprise support activities undertaken in BAS are highly pertinent to business support/enterprise development agencies, who could have much to learn from the BAS instrument methodology and process.

As with sector associations, match the needs of enterprises to the support offered by consultants is a basic service that an enterprise agency should be able to provide, ideally coupled with effective diagnostics. It is common too for business support mechanisms to implement grant schemes funded out of national or international programmes. Here too, there may be opportunities to help build the capacity of potential partners particularly in candidate countries with access to pre-accession programmes (4.3.3).

- There are unrealised opportunities for BAS that would bring it closer to long term sustainable development via market development. This raises the question of what stakeholders want from the BAS Programme, which in turn must be the driver of measures of success (4.4).
- A stronger diagnostic procedure, staff development and coordination with the RO over probity or perhaps with the EBRD Environment Department over an environmental module, would reduce further the incidence of projects that were not consistent with BAS or Bank objectives (4.5.1).
- BAS could be far more discerning in its use of second projects (4.5.2).

Annex I: Brief description of BAS mechanism

Grant criteria

The specific grant criteria for each programme are agreed on a case-by-case basis with the donor but the basic characteristics of the grant scheme are very similar in every case and can be broadly summarised as:

- grant size is up to €10,000, though usually much less
- contribution is up to 50 per cent of the project total cost
- the applicant must be majority private owned and majority owned by nationals of the country in which BAS is operating; where the public sector is involved this should be in a minority position
- applicants should be established and viable businesses, usually at least two years old or legal successors to established businesses
- employment at the applicant should be between 15 and 500 employees (BAS tends to treat each company individually rather than calculate group employment at related companies)
- applicant business should be transparent (particularly its ownership and structure) and reputable
- the BAS enterprise should have little or no previous experience with consultants or scarce economic resources to meet full project cost
- there is a negative list of business activities that will not be supported in line with the Bank's practice.

BAS supports projects within five general categories, projects to:

- reduce costs
- introduce quality management and certification
- improve market performance
- improve management effectiveness
- other.

Clearly, these are very general fields in which a vast range of projects can be accommodated, but there are certain project types that BAS will generally not support such as accounting, tax, audit and legal services and training. In addition, BAS will generally contribute to the service element of a project or the development of intellectual property such as brochures. However, it will not support hardware or physical investment. BAS does not systematically sub-categorise the project types.¹

All consultants that work on BAS projects must be screened and approved by the local BAS team and the vast majority of consultants that undertake BAS projects are local to the BAS country of operation.

¹ There is no standard nomenclature for sub-categories. Approximately 30 sub-categories were identified over the focus years from 2000 to 2005, many of which cover identical subjects and are recorded with fractional differences in definition, making them unsuited to basic database analysis techniques.

Project methodology

The methodology through which BAS operates is consistent throughout its countries of operations and is based on two core functions performed by the local offices:

- qualification of local consultants to participate in the BAS Programme
- oversight of consultancy project development, terms of reference and work programmes on a standard format and a tri-partite agreement between the BAS enterprise, consultant and BAS.

All projects go through a similar process. Formal application by a BAS enterprise is followed by review, discussion and development between the BAS enterprise, consultant and BAS. These involve the project TOR, work programme and budget and internal “project write-up”, which is an important internal information, approval and control document.² The project write-up is processed vertically through up to five layers of BAS personnel.³

Approval of the write-up enables finalisation of due diligence related documentation such as the BAS enterprise registration documents and preparation of standard format contracts, including the agreed TOR, work programme and budgets. Contracts are signed locally by the BAS enterprise and counterpart and in London head office by BAS.⁴

BAS maintain contact with the BAS enterprise and consultant during the project (“monitoring”) and generally have as much or as little involvement as the project requires. For example, BAS local personnel might be involved in reviewing interim reports at key milestones and agreeing, in tri-partite discussions, next steps. They also help in keeping projects on track by acting as an honest broker where there are difficulties between the BAS enterprise and the consultant.

The BAS enterprise is responsible for the first part of the consultant’s fees, most commonly 50 per cent of the project total cost. At the end of the project BAS review the project work, interview the BAS enterprise and, in consultation with the enterprise, request additional inputs if necessary in fulfilment of the TOR. If the project has been concluded, the BAS enterprise settles the remaining 50 per cent of the project cost directly with the consultant and presents copies of consultant invoices, payment orders and/or bank statements demonstrating payment. Against this, BAS reimburses the BAS enterprise retrospectively.

² A one to two page standard format document describing the enterprise, qualifying criteria for BAS support, project qualification criteria and basic project details such as project budget, BAS contribution and expected timing and criteria against which enterprise performance will be tracked.

³ This is the extreme case of where a write-up is originated in a regional office, passed through a national BAS officer coordinator, to the national or local director, to the regional director or programme director and finally to head office for approval on a “no objection” basis. Further details on organisational structure are presented in Annex VII.

⁴ More explicitly: (i) the grant application is made by the SME, sometimes with the help of BAS, is recommended by the national BAS office, seconded by the regional- or programme director, and approved by BAS Management in London; (ii) the consultant contract agreed upon between the SME and the local consultant benefits from BAS quality supervision; (iii) the grant agreement between the SME and BAS, whilst prepared and processed by the national BAS office, is approved by BAS Management at the Bank’s HQ.

Approximately one year after completion of the project, the BAS enterprise is visited by local BAS personnel to undertake a retrospective assessment of the project, captured in a completion report (CR). This is a key internal BAS document as it is the last formal contact between the BAS enterprise and BAS over a project. Crucially, the CR captures the BAS self-assigned rating of a project on a four-grade scale.⁵

This is used collectively as a measure by BAS to assess the overall success of the programme, expressed as the percentage of projects rated as “Satisfactory” or above. The CR also captures the final information about the enterprise used for monitoring the population of enterprises, consisting of turnover and employment from which a productivity figure is calculated (sales per employee) and compared to productivity recorded in the appraisal write-up to indicate the absolute level of increase or decline.⁶

As a general rule, a BAS enterprise will only support one project in an enterprise at a time and only agree to the second project after the CR was found to be satisfactory. There is no specific guidance on the number of BAS supported projects an enterprise can benefit from, but there is a general principle that BAS will not support second projects in the same field of activity. The process flow of a BAS project is presented schematically at the end of this Annex II.

Consultant accreditation

To be eligible to work on a BAS project, each consultant (BAS consultant) must first be qualified by BAS to work in the proposed field. Qualification by BAS may be the result of a consultant registering prior to any project opportunities or where an enterprise and consultant have found each other but the consultant is not yet registered. The registration process is intended to provide a good first screening of the consultant’s general standing to undertake BAS projects in the nominated fields and comprises:

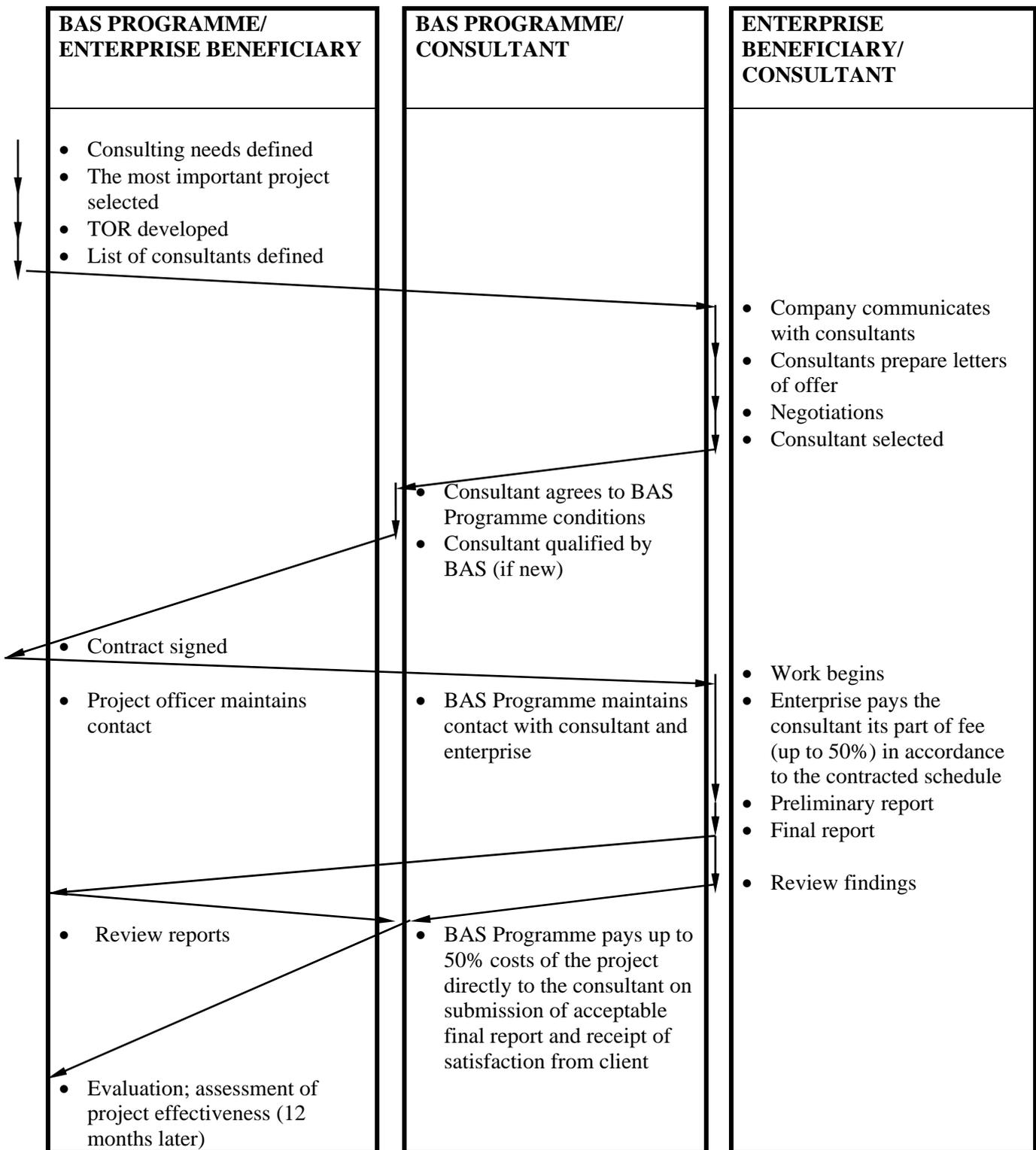
- completion of a basic registration form
- an interview to establish the general stats and background
- a review of brochures and promotional material
- a review of CVs of key people
- a review of recent past project descriptions and client references.

There is no systematised approach to reviewing, scoring or grading this material across BAS and a qualitative judgment is exercised over the acceptance of the consultant on to the register. It is a BAS policy that a newly accredited consultant should only receive one project opportunity until the first project has been completed satisfactorily (completed final payment stage and achieved BAS enterprise satisfaction, rather than the CR stage).

⁵ Highly Unsatisfactory, Unsatisfactory, Satisfactory, Highly Satisfactory.

⁶ Absolute increase or decrease but not annualised over the period.

Schematic of BAS project process



Source: BAS Programme Operating Procedures 2002.

Annex II: Comparison of BAS and TAM programmes

| | TAM TurnAround Management Programme | BAS Business Advisory Services Programme |
|----------------------------|--|--|
| Assists | Medium to large enterprises: 200-1500 employees | Micro, small and medium enterprises: 10-500 employees (71% projects are with enterprises with less than 100 employees). |
| Purpose | Restructure and introduce new management culture into enterprises, leading to improvements in all aspects of production, marketing and finance. | BAS combines the dual role of assisting small enterprises in their business expansion with helping locally BAS accredited business consulting to develop their skills. |
| Methodology | TAM employs highly experienced, industry-specific, senior advisers with at least 15 years' experience as CEOs in the relevant sector in a market economy. TAM has no local representation, no uses local consultants. A standard TAM Team for a particular project consists of a team Coordinator, a Senior Industrial Adviser and a Specialist. Each TAM Team, led by a TAM Team Coordinator, usually spends 60 days with the enterprise over a period of 18 months. As soon as the project is completed, the impact on the company's business performance is independently evaluated and rated. The cost of the project is covered by the Donor. | Through a local BAS office, highly qualified local BAS staff (a National Director, a Project Officer and an Assistant, all overseen by a Regional Programme Director) facilitate short-term consultancy projects by utilising BAS accredited local consultants. BAS pays a grant of up to 50% of the cost of the projects up to a maximum of EUR 10,000, but only after the SME client enterprise has proven payment of its share of the project cost, and BAS is satisfied with the consultant's final report. BAS assists in finding the most suitable qualified local consultant, preparing the Terms of Reference, and monitoring the project's progress. The impact on the enterprise is evaluated one year after project completion. |
| Length | Long-term projects (18 months) | Short-term projects (4-8 months) |
| Local participation | The senior management of the enterprise for the potential TAM project must have the ability to benefit from the project and be prepared to commit the necessary time and effort. | The client enterprises need to be able to demonstrate potential for growth, a genuine need for business advice and a capacity to absorb the assistance given. Local BAS staff initiate projects by identifying target enterprises and matching them with local consultants from the BAS database. |

Annex III: Distillation of BAS project statistics 2000-05

| Country | No of projects | % of total | No of Unique Clients | % of Unique Clients | No of Unique Consult | % of Projects by Unique Consult | Turnover before project(s) (see note) | Turnover after project(s) (see note) | Average crude increase in turnover % | Mean # of Employees before project(s) | Mean # of Employees after project(s) (see note) |
|-----------------------------------|----------------|-------------|----------------------|---------------------|----------------------|---------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|---|
| Armenia | 247 | 7% | 195 | 78.9% | 34 | 13.8% | € 560,202 | € 904,288 | 61.4% | 53 | 71 |
| Azerbaijan | 223 | 7% | 181 | 81.2% | 42 | 18.8% | € 731,965 | € 975,931 | 33.3% | 34 | 40 |
| B&H | 214 | 6% | 201 | 93.9% | 108 | 50.5% | € 2,294,647 | € 3,323,638 | 44.8% | 74 | 89 |
| Bulgaria | 188 | 5% | 180 | 95.7% | 123 | 65.4% | € 2,231,774 | € 2,773,344 | 24.3% | 94 | 106 |
| Croatia | 202 | 6% | 189 | 93.6% | 103 | 51.0% | € 4,662,486 | € 5,795,452 | 24.3% | 86 | 90 |
| Estonia | 280 | 8% | 212 | 75.7% | 86 | 30.7% | € 3,697,832 | € 4,689,591 | 26.8% | 73 | 72 |
| FER | 36 | 1% | 36 | 100.0% | 20 | 55.6% | € 2,645,327 | | | 72 | |
| Georgia | 223 | 7% | 176 | 78.9% | 88 | 39.5% | € 809,765 | € 1,036,945 | 28.1% | 41 | 50 |
| Kaliningrad | 65 | 2% | 63 | 96.9% | 21 | 32.3% | € 1,725,865 | € 2,890,709 | 67.5% | 74 | 93 |
| Kazakhstan | 267 | 8% | 262 | 98.1% | 56 | 21.0% | € 3,183,250 | € 4,980,965 | 56.5% | 130 | 152 |
| Kosovo | 26 | 1% | 26 | 100.0% | 18 | 69.2% | € 1,254,088 | | | 31 | |
| Kyrgyz Republic | 17 | 0% | 16 | 94.1% | 4 | 23.5% | € 400,817 | | | 71 | |
| Latvia | 240 | 7% | 146 | 60.8% | 87 | 36.3% | € 3,344,929 | € 3,534,771 | 5.7% | 86 | 102 |
| Lithuania | 260 | 8% | 191 | 73.5% | 77 | 29.6% | € 4,279,962 | € 4,790,176 | 11.9% | 88 | 113 |
| Macedonia | 146 | 4% | 132 | 90.4% | 81 | 55.5% | € 2,277,506 | € 2,718,513 | 19.4% | 67 | 65 |
| Moldova | 7 | 0% | 7 | 100.0% | 6 | 85.7% | € 976,923 | | | 84 | |
| Montenegro | 91 | 3% | 87 | 95.6% | 51 | 56.0% | € 1,474,354 | € 1,564,766 | 6.1% | 71 | 74 |
| NWR | 104 | 3% | 100 | 96.2% | 64 | 61.5% | € 2,308,938 | € 3,939,669 | 70.6% | 114 | 138 |
| Samara | 34 | 1% | 34 | 100.0% | 32 | 94.1% | € 2,579,765 | | | 72 | |
| Slovenia | 205 | 6% | 196 | 95.6% | 116 | 56.6% | € 9,649,179 | € 9,849,543 | 2.1% | 115 | 102 |
| Uzbekistan | 344 | 10% | 323 | 93.9% | 83 | 24.1% | € 684,687 | € 696,155 | 1.7% | 85 | 88 |
| TOTALS / WEIGHTED AVERAGES | 3,419 | 100% | 2,953 | 86.4% | 1,300 | 38.0% | € 2,748,561 | € 3,278,124 | 19.3% | 80 | 87 |

NB. Unique client & consultant total ignores multiple projects for the same client/consultant

| Country | Average increase in Employees % | Total Project Spend | Total BAS Spend | Mean Project Spend | Mean BAS Contribution | Mean BAS Contribution % | Mean Project Spend per Unique Client | Mean BAS Spend per Unique Client | Mean Project Spend per Unique Consultant | Mean BAS Spend per Unique Consultant | Average Sales/employee before project | Average Sales/employee after project | Growth in sales per employee |
|--------------------------|---------------------------------|---------------------|---------------------|--------------------|-----------------------|-------------------------|--------------------------------------|----------------------------------|--|--------------------------------------|---------------------------------------|--------------------------------------|------------------------------|
| Armenia | 34.0% | € 1,595,448 | € 872,895 | € 6,459 | € 3,534 | 54.7% | € 8,182 | € 4,476 | € 46,925 | € 25,673 | € 10,570 | € 12,736 | 20.5% |
| Azerbaijan | 17.6% | € 1,273,721 | € 689,230 | € 5,712 | € 3,091 | 54.1% | € 7,037 | € 3,808 | € 30,327 | € 16,410 | € 21,528 | € 24,398 | 13.3% |
| B&H | 20.3% | € 1,970,046 | € 947,676 | € 9,206 | € 4,428 | 48.1% | € 9,801 | € 4,715 | € 18,241 | € 8,775 | € 31,009 | € 37,344 | 20.4% |
| Bulgaria | 12.8% | € 1,987,395 | € 970,397 | € 10,571 | € 5,162 | 48.8% | € 11,041 | € 5,391 | € 16,158 | € 7,889 | € 23,742 | € 26,164 | 10.2% |
| Croatia | 4.7% | € 3,057,644 | € 1,397,685 | € 15,137 | € 6,919 | 45.7% | € 16,178 | € 7,395 | € 29,686 | € 13,570 | € 54,215 | € 64,394 | 18.8% |
| Estonia | -1.4% | € 4,022,996 | € 1,709,542 | € 14,368 | € 6,106 | 42.5% | € 18,976 | € 8,064 | € 46,779 | € 19,878 | € 50,655 | € 65,133 | 28.6% |
| FER | | € 337,338 | € 162,803 | € 9,371 | € 4,522 | 48.3% | € 9,371 | € 4,522 | € 16,867 | € 8,140 | € 36,741 | | |
| Georgia | 22.0% | € 1,504,556 | € 766,198 | € 6,747 | € 3,436 | 50.9% | € 8,549 | € 4,353 | € 17,097 | € 8,707 | € 19,750 | € 20,739 | 5.0% |
| Kaliningrad | 25.7% | € 666,462 | € 317,813 | € 10,253 | € 4,889 | 47.7% | € 10,579 | € 5,045 | € 31,736 | € 15,134 | € 23,323 | € 31,083 | 33.3% |
| Kazakhstan | 16.9% | € 3,283,969 | € 1,550,296 | € 12,300 | € 5,806 | 47.2% | € 12,534 | € 5,917 | € 58,642 | € 27,684 | € 24,487 | € 32,770 | 33.8% |
| Kosovo | | € 171,690 | € 93,462 | € 6,603 | € 3,595 | 54.4% | € 6,603 | € 3,595 | € 9,538 | € 5,192 | € 40,454 | | |
| Kyrgyz Republic | | € 115,723 | € 57,712 | € 6,807 | € 3,395 | 49.9% | € 7,233 | € 3,607 | € 28,931 | € 14,428 | € 5,645 | | |
| Latvia | 18.6% | € 3,666,266 | € 1,478,429 | € 15,276 | € 6,160 | 40.3% | € 25,111 | € 10,126 | € 42,141 | € 16,993 | € 38,895 | € 34,655 | -10.9% |
| Lithuania | 28.4% | € 3,871,556 | € 1,574,081 | € 14,891 | € 6,054 | 40.7% | € 20,270 | € 8,241 | € 50,280 | € 20,443 | € 48,636 | € 42,391 | -12.8% |
| Macedonia | -3.0% | € 1,410,855 | € 692,552 | € 9,663 | € 4,744 | 49.1% | € 10,688 | € 5,247 | € 17,418 | € 8,550 | € 33,993 | € 41,823 | 23.0% |
| Moldova | | € 111,518 | € 52,795 | € 15,931 | € 7,542 | 47.3% | € 15,931 | € 7,542 | € 18,586 | € 8,799 | € 11,630 | | |
| Montenegro | 4.2% | € 514,080 | € 424,318 | € 5,649 | € 4,663 | 82.5% | € 5,909 | € 4,877 | € 10,080 | € 8,320 | € 20,766 | € 21,145 | 1.8% |
| NWR | 21.1% | € 1,561,315 | € 743,568 | € 15,013 | € 7,150 | 47.6% | € 15,613 | € 7,436 | € 24,396 | € 11,618 | € 20,254 | € 28,548 | 41.0% |
| Samara | | € 365,955 | € 196,103 | € 10,763 | € 5,768 | 53.6% | € 10,763 | € 5,768 | € 11,436 | € 6,128 | € 35,830 | | |
| Slovenia | -11.3% | € 3,113,664 | € 1,388,902 | € 15,189 | € 6,775 | 44.6% | € 15,886 | € 7,086 | € 26,842 | € 11,973 | € 83,906 | € 96,564 | 15.1% |
| Uzbekistan | 3.5% | € 3,317,070 | € 1,637,665 | € 9,643 | € 4,761 | 49.4% | € 10,270 | € 5,070 | € 39,965 | € 19,731 | € 8,055 | € 7,911 | -1.8% |
| WEIGHTED AVERAGES | 9.0% | € 37,919,267 | € 17,724,121 | € 11,091 | € 5,184 | 46.7% | € 13,221 | € 6,121 | € 33,993 | € 16,022 | € 32,403 | € 35,388 | 9.2% |

| Project Type | No of projects | | Total project cost | | Total BAS Contribution | |
|---|----------------|-------------|---------------------|-------------|------------------------|-------------|
| To reduce costs | 422 | 12% | € 6,443,886 | 17% | € 2,829,887 | 16% |
| To introduce quality management & certification | 750 | 22% | € 7,358,866 | 19% | € 3,272,252 | 18% |
| To improve market performance | 1,116 | 33% | € 10,774,040 | 28% | € 5,450,003 | 31% |
| To improve management effectiveness | 922 | 27% | € 11,138,331 | 29% | € 5,080,842 | 29% |
| Other | 209 | 6% | € 2,204,144 | 6% | € 1,091,137 | 6% |
| TOTAL | 3,419 | 100% | € 37,919,267 | 100% | € 17,724,121 | 100% |

| Original Database Responses | | | | | | | | | | | |
|-----------------------------|------------|--------------|------------|----------------|-----------|-----------------------|-----------|-------------------|------------|--------------------|--|
| Highly Satisfactory | | Satisfactory | | Unsatisfactory | | Highly Unsatisfactory | | No of respondents | | | |
| 120 | 37% | 186 | 57% | 12 | 4% | 9 | 3% | 327 | 100% | | |
| 213 | 43% | 263 | 53% | 13 | 3% | 4 | 1% | 493 | 100% | | |
| 246 | 35% | 412 | 58% | 48 | 7% | 6 | 1% | 712 | 100% | | |
| 228 | 35% | 386 | 60% | 26 | 4% | 8 | 1% | 648 | 100% | | |
| 54 | 43% | 66 | 52% | 5 | 4% | 2 | 2% | 127 | 100% | | |
| 861 | 37% | 1313 | 57% | 104 | 5% | 29 | 1% | 2307 | 68% | Response ra | |

| Summary BAS Project Population Analysis 2000-05 | | | | | | | | |
|---|---------|---------|---------|--------|------|------|-------|----------------|
| sales € | <500k | 500k-1m | 1m-5m | 5m-10m | 10m+ | NUR | total | highest €30m + |
| # projects | 1328 | 460 | 1120 | 281 | 192 | 38 | 3419 | |
| % | 39% | 13% | 33% | 8% | 6% | 1% | 100% | |
| age | 2000-05 | 1996-99 | 1989-99 | <1989 | NUR | | total | oldest 1800s |
| #projects | 571 | 1179 | 1129 | 506 | 34 | | 3419 | |
| % | 17% | 34% | 33% | 15% | 1% | | 100% | |
| employment | <51 | 51-100 | 100-250 | 251+ | NUR | | | |
| #projects | 1986 | 607 | 593 | 224 | 9 | 3419 | | |
| % | 58% | 18% | 17% | 7% | 0% | 100% | | |

Annex IV: BAS projects committed 2000-05 as at 1 June 2006

| BALTIC COUNTRIES | | | | | |
|---|-----------------------|---------------------------|-----------------------------|------------------|---------------------|
| | Total projects | Total completed | | Countries | Offices |
| Lithuania (since 1995) | 526 | 526 | | | Programme completed |
| Latvia (since 1995) | 561 | 561 | | | Programme completed |
| Estonia (since 1995) | 588 | 588 | | | Programme completed |
| TOTALS | 1,675 | 1,675 | | | |
| SOUTH-EASTERN EUROPE | | | | | |
| | Total projects | Projects completed | Projects in progress | Countries | Offices |
| Albania (Since July 2006) | | | | 1 | 1 |
| Bosnia & Herzegovina (since Aug 2001) | 256 | 204 | 52 | 1 | 1 |
| Bulgaria (since Oct 2001) | 209 | 174 | 35 | 1 | 1 |
| Croatia (since Sep 2000) | 237 | 195 | 42 | 1 | 1 |
| Kosovo (since March 2005) | 53 | 31 | 22 | Serbia | 1 |
| Macedonia (since June 2002) | 186 | 152 | 34 | 1 | 1 |
| Montenegro (since February 2003) | 113 | 96 | 17 | Serbia | 1 |
| Romania (since July 2006) | | | | 1 | 1 |
| Serbia (since July 2006) | | | | 1 | 1 |
| Slovenia (since Jan 2001-closed end Nov 05) | 203 | 200 | 3 | | Programme completed |
| TOTAL SEE | 1,257 | 1052 | 205 | 7 | 9 |
| EASTERN EUROPE | | | | | |
| Moldova (since September 2005) | 32 | 7 | 25 | 1 | 1 |
| TOTAL EE | 32 | 7 | 25 | 1 | 1 |
| RUSSIA | | | | | |
| | Total projects | Projects completed | Projects in progress | Countries | Offices |
| Samara (since Dec 2001) | 34 | 34 | | | Programme completed |
| NW Russia (since Jan 2000) | 118 | 110 | 8 | 1 | 1 |
| Kaliningrad (since July 2003) | 91 | 65 | 26 | Russia | 1 |
| Far East Russia (since November 2004) | 90 | 32 | 58 | Russia | 1 |
| <i>Khabarovsk (included in Far East Russia)</i> | 28 | 2 | 26 | <i>Russia</i> | |
| <i>Sakhalin (included in Far East Russia)</i> | 16 | 4 | 12 | <i>Russia</i> | |
| TOTAL Russia | 333 | 241 | 92 | 1 | 3 |
| CENTRAL ASIA | | | | | |
| | Total projects | Projects completed | Projects in progress | Countries | Offices |
| Kazakhstan (since Oct 2001) | 360 | 246 | 114 | 1 | 5 |
| Kyrgyz Republic (since May 2005) | 52 | 18 | 34 | 1 | 1 |
| Uzbekistan (since Oct 2001) | 422 | 330 | 92 | 1 | 4 |
| TOTAL CA | 834 | 594 | 240 | 3 | 10 |
| SOUTH CAUCASUS | | | | | |
| | Total projects | Projects completed | Projects in progress | Countries | Offices |
| Armenia (since May 2003) | 291 | 268 | 23 | 1 | 1 |

| | | | | | |
|------------------------------|--------------|--------------|------------|-----------|-----------|
| Azerbaijan (since July 2003) | 270 | 250 | 20 | 1 | 1 |
| Georgia (since June 2003) | 257 | 231 | 26 | 1 | 1 |
| TOTAL SC | 818 | 749 | 69 | 3 | 3 |
| TOTAL | 4,949 | 4,318 | 631 | 15 | 26 |

Source: BAS HQ

Annex V: Distribution of donor commitments by BAS region 2000-05 (Source: BAS HQ)

| BAS region | Donors | BAS country of operations | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Total |
|---------------------------|---------------------|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------------|
| Central Asia | SECO | Kazakhstan | | | | 1,580,048 | | | 1,580,048 |
| Central Asia | Japan | Kazakhstan | | | | | | 998,611 | 998,611 |
| Central Asia | Japan | Kazakhstan, Uzbekistan | 1,900,000 | | 1,200,000 | | | | 3,100,000 |
| Central Asia | SECO | Kyrgyzstan, Uzbekistan | | | | | | 2,864,633 | 2,864,633 |
| Central Asia | SECO | Uzbekistan | | | | 1,437,298 | | | 1,437,298 |
| East Europe | ETC Fund | Moldova | | | | | | 558,000 | 558,000 |
| Russia | Finland | Kaliningrad | | | | 100,000 | | 200,000 | 300,000 |
| Russia | Luxembourg | Kaliningrad | | | | 200,000 | | | 200,000 |
| Russia | Sweden | Kaliningrad | | | | 200,000 | | 100,000 | 300,000 |
| Russia | Denmark | NW Russia | | 40,000 | | | | | 40,000 |
| Russia | DFID UK | NW Russia | | 17,217 | | | | | 17,217 |
| Russia | Finland | NW Russia | 70,000 | | | 73,075 | 99,820 | 200,000 | 442,895 |
| Russia | Germany | NW Russia | 60,000 | | | | | | 60,000 |
| Russia | Norway | NW Russia | | | | | | 300,000 | 300,000 |
| Russia | Secco (not) / CH | NW Russia | | | 28,000 | | | | 28,000 |
| Russia | DFID UK | Samara | | 578,416 | | | | | 578,416 |
| Russia | Japan | Vladivostok | | | | | 1,910,860 | | 1,910,860 |
| South Caucasus | Canada (Wom in Bus) | Armenia, Azerbaijan, Georgia | | | | | | 240,000 | 240,000 |
| South Caucasus | ETC Fund | Armenia, Azerbaijan, Georgia | | | | | 1,500,000 | 750,000 | 2,250,000 |
| South Caucasus | EU Europe Aid | Armenia, Azerbaijan, Georgia | | | 2,380,417 | | | | 2,380,417 |
| South East Europe | The Netherlands | Albania | | | | | | 800,000 | 800,000 |
| South East Europe | DFID UK | BiH, Bulgaria, Croatia | 180,000 | | | | | | 180,000 |
| South East Europe | The Netherlands | BiH, Macedonia | | | | | 1,380,000 | | 1,380,000 |
| South East Europe | Balkan Reg Spe Fund | BiH, Bulgaria, Croatia | | | | | | 432,988 | 432,988 |
| South East Europe | CEI | Bosnia & Herzegovina | | 208,551 | | 223,950 | | | 432,501 |
| South East Europe | DFID UK | Bosnia & Herzegovina | | | | | 144,000 | | 144,000 |
| South East Europe | Austria | Bulgaria, Croatia | | | | | 1,485,650 | | 1,485,650 |
| South East Europe | Austria | Bulgaria | | | | | 300,000 | | 300,000 |
| South East Europe | CEI | Bulgaria | | 94,597 | | 235,182 | | | 329,779 |
| South East Europe | Austria | Croatia | | 64,666 | | | 200,000 | | 264,666 |
| South East Europe | DFID UK | Croatia | | | | 98,204 | | | 98,204 |
| South East Europe | Germany | Croatia | | | 80,000 | | | | 80,000 |
| South East Europe | CEI | Croatia | 1,240,000 | | | 227,781 | | | 1,467,781 |
| South East Europe | EAR | Kosovo | | | | | 500,000 | | 500,000 |
| South East Europe | The Netherlands | Kosovo | | | | | | 200,000 | 200,000 |
| South East Europe | DFID UK | Macedonia | | | | 99,981 | | | 99,981 |
| South East Europe | EAR | Macedonia | | | | | | 1,000,000 | 1,000,000 |
| South East Europe | CEI | Macedonia | | 655,000 | | 216,000 | | | 871,000 |
| South East Europe | EAR | Montenegro | | | 480,000 | | 716,000 | | 1,196,000 |
| South East Europe | The Netherlands | Serbia | | | | | | 1,000,000 | 1,000,000 |
| South East Europe | CEF | Slovenia | | | | 506,336 | | | 506,336 |
| South East Europe | CEI | Slovenia | | 221,852 | | 247,087 | 107,000 | | 575,939 |
| TOTAL FOR THE YEAR | | | 3,450,000 | 1,960,299 | 4,088,417 | 5,444,942 | 8,343,330 | 9,644,232 | |
| | | | | | | | | | TOTAL FUNDING 2000-05 |
| | | | | | | | | | 32,931,220 |

Annex VI: Distribution of donor commitments by donor 2000-05 (Source: BAS HQ)

| BAS Region | Donors | BAS country of operation | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Total | Cumulative | % of total 00-05 |
|--------------------------------|----------------------------|--------------------------|-----------|---------|-----------|-----------|-----------|------------------|-------------------|-------------------|------------------|
| South East Europe | Austria | Croatia | | 64,666 | | | 200,000 | | 264,666 | 2,050,316 | 6.23% |
| South East Europe | | Bulgaria | | | | 300,000 | | 300,000 | | | |
| South East Europe | | Bul Cro | | | | 1,485,650 | | 1,485,650 | | | |
| South East Europe | Balkan Region Special Fund | BiH Mac Cro | | | | | | 432,988 | 432,988 | 432,988 | 1.31% |
| South Caucasus | Canada (Women in Business) | Arm Az Geor | | | | | | 240,000 | 240,000 | 240,000 | 0.73% |
| South East Europe | CEI | Bulgaria | | 94,597 | | 235,182 | | | 329,779 | 3,677,000 | 11.17% |
| South East Europe | | Bosnia & Herz | | 208,551 | | 223,950 | | | 432,501 | | |
| South East Europe | | Slovenia | | 221,852 | | 247,087 | 107,000 | | 575,939 | | |
| South East Europe | | Macedonia | | 655,000 | | 216,000 | | | 871,000 | | |
| South East Europe | | Croatia | 1,240,000 | | | 227,781 | | | 1,467,781 | | |
| Russia | Denmark | NW Russia | | 40,000 | | | | | 40,000 | 40,000 | 0.12% |
| Russia | DFID UK | NW Russia | | 17,217 | | | | | 17,217 | 1,117,818 | 3.39% |
| South East Europe | | Croatia | | | | 98,204 | | | 98,204 | | |
| South East Europe | | Macedonia | | | | 99,981 | | | 99,981 | | |
| South East Europe | | Bosnia & Herz | | | | | 144,000 | | 144,000 | | |
| South East Europe | | BiH Bul Cro | 180,000 | | | | | | 180,000 | | |
| Russia | | Samara | | 578,416 | | | | | 578,416 | | |
| South East Europe | EAR | Kosovo | | | | | 500,000 | | 500,000 | 2,696,000 | 8.19% |
| South East Europe | | Macedonia | | | | | | 1,000,000 | 1,000,000 | | |
| South East Europe | | Montenegro | | | 480,000 | | 716,000 | | 1,196,000 | | |
| East Europe | ETC Fund | Moldova | | | | | | 558,000 | 558,000 | 2,808,000 | 8.53% |
| South Caucasus | | Arm Az Geor | | | | | 1,500,000 | 750,000 | 2,250,000 | | |
| South Caucasus | EU EuropeAid | Arm Az Geor | | | 2,380,417 | | | | 2,380,417 | 2,380,417 | 7.23% |
| Russia | Finland | Kaliningrad | | | | 100,000 | | 200,000 | 300,000 | 742,895 | 2.26% |
| Russia | | NW Russia | 70,000 | | | 73,075 | 99,820 | 200,000 | 442,895 | | |
| South East Europe | GEF | Slovenia | | | | 506,336 | | | 506,336 | 506,336 | 1.54% |
| Russia | Germany | NW Russia | 60,000 | | | | | | 60,000 | 140,000 | 0.43% |
| South East Europe | | Croatia | | 80,000 | | | | | 80,000 | | |
| Central Asia | Japan | Kaz | | | | | | 998,611 | 998,611 | 6,009,471 | 18.25% |
| Russia | | Vladivostok | | | | | 1,910,860 | | 1,910,860 | | |
| Central Asia | | Kaz Uz | 1,900,000 | | 1,200,000 | | | | 3,100,000 | | |
| Russia | Luxembourg | Kaliningrad | | | | 200,000 | | | 200,000 | 200,000 | 0.61% |
| Russia | Norway | NW Russia | | | | | | 300,000 | 300,000 | 300,000 | 0.91% |
| Russia | Secco (not) / Switzerland | NW Russia | | | 28,000 | | | | 28,000 | | |
| Central Asia | SECO | Uz | | | | 1,437,298 | | | 1,437,298 | 5,909,979 | 17.95% |
| Central Asia | | Kaz | | | | 1,580,048 | | | 1,580,048 | | |
| Central Asia | | Kyr Uz | | | | | | 2,864,633 | 2,864,633 | | |
| Russia | Sweden | Kaliningrad | | | | 200,000 | | 100,000 | 30,000 | 300,000 | 0.91% |
| South East Europe | The Netherlands | Kosovo | | | | | | 200,000 | 200,000 | 3,380,000 | 10.26% |
| South East Europe | | Albania | | | | | | 800,000 | 800,000 | | |
| South East Europe | | Serbia | | | | | | 1,000,000 | 1,000,000 | | |
| South East Europe | | BiH Mac | | | | | 1,380,000 | | 1,380,000 | | |
| TOTAL FUNDING 2000-2005 | | | | | | | | | 32,931,220 | 32,931,220 | 100.00% |

Annex VII: Reporting and management structures

Reporting line and indicators

Historically, TAM/BAS operated very independently within the Bank. The main operational reporting function was to a non-Banking Vice President and a supervisory board, largely comprising representatives of the key donors. Over time many functions, such as audit of field programmes and contracting of field resources, migrated out of the Bank's usual structures. As a result, BAS and the Bank no longer share totally compatible or integrated systems and procedures such as human resource (HR) manuals, accounting or collection of management data.

The 2004 TAM evaluation recommended that the Bank take a greater involvement in TAM/BAS and move to a closer integration of Management. Following this, BAS was placed organisationally under the SEECCA Business Group but BAS has remained rather independent operationally. BAS' main interactions with Bank Management over the last few years have involved:

- presentation of the Strategic and Operational Plan to the Executive Committee
- approval of the BAS Capital Resources Review, which determines the level of direct financial support by the Bank of TAM-BAS operating costs
- Technical Cooperation Committee for new funding proposals (an active management check to ensure consistency between BAS Programme and Bank country and sector strategies).

Since 2004 BAS has provided performance information to Bank Management on areas such as the number of BAS enterprises participating in Bank-financed credit lines, the Direct Investment and Loan Facilities and BAS enterprises that have generated operations for the Bank.

During the retrospective period however, the primary obligation of BAS was the implementation of donor lines in accordance with the underlying funding agreement. The main operating reporting function of BAS therefore continued to be to donors on a per programme basis rather than for the instrument as a whole.

Central management and consultants

BAS is managed centrally from the EBRD head office. Summary organisational charts are presented at the end of this Annex.

Head office takes overall responsibility for programme management, staff contracts, financial control (control against donor budget lines and payment processing), fundraising, new programme development, interaction with EBRD head office processes and oversight of field operations. BAS head office also has final sign-off on all project approvals and consultancy contracts and supports local offices on issues of operating procedure and practice.

BAS personnel are either Bank Staff (of three types with different contractual terms) or Consultants, engaged on contract against a terms of reference. Head office personnel staff and some key field resources are contracted as special employees of the Bank.⁷ Most personnel, including some of the regional directors/programme directors, the national directors/directors

⁷ Special employees are individuals funded through external donors and engaged for specific projects of a fixed duration (that is, up to two years) or for positions, where it is not clear whether they will be required on a long-term basis.

and office personnel are on consultancy contracts (see Annex VII for positions in the organisational chart and 3.3 below for descriptions).

Regional/programme directors may be responsible for recruiting three layers of field management and resources (national directors, project officers/analysts and administrative resources) but BAS Management retain authority over the final decision and are involved in all key decisions. It is not by any means unusual on large donor-funded programmes to find consultants contracting and supervising consultants (in the case of BAS consultants are only supervising consultants) but this is an anomaly within the Bank as is contracting outside of the CSU route.

Since some years have elapsed since the BAS took over the contracting function, it may serve BAS Management and the Bank to review contracting policies and procedures, terms (local and international) and consultant quality management procedures with the CSU and other Bank departments with relevant operational expertise in consultant contracting and management. It should be recognised however that whilst the majority of BAS' field resources are technically consultants, the working relationship is much closer in style to that of staff in terms of the way in which they are expected to represent BAS as an EBRD-sponsored programme over a period of years.⁸

Field management

Field management is implemented through a three-layer structure, as mentioned above. Each main office is overseen by one of four regional directors or nine programme directors.⁹ The distinction seems to be mainly one of title and also has some historical programme background, but there is no obvious differentiation in the roles. Generally, the regional directors are expatriate staff and contracted full-time to BAS. Three are resident in the field. Programme directors tend to be contracted for a number of days per month each often to provide services to both BAS and TAM (determined per funding line) and are home country based visiting field programmes every month.

Regional/programme directors are heavily involved in recruiting field personnel, setting up office infrastructure and implementing BAS operating procedures. Feedback from the field programme also suggests they are heavily involved in the start-up period of a programme, building profile and momentum as well as networking and coordinating with stakeholders. Functionally, regional/programme directors:

- sign-off running costs of the local offices (but not staff contracts, these are paid centrally)
- provide an additional review level for project proposals
- provide a first reference point for BAS operating policy and procedures
- are valued by local resources for the experience they bring of dealing with a wide variety of businesses that national directors/project officers might be lacking in the early days of a programme.

Regional/programme directors have first screen-monitoring responsibility for delivery of the programme as defined and agreed with the donor.

Daily programme implementation falls under a cadre of 19 national directors or directors, corresponding to the 19 main field offices, supported by a typical team comprising a project

⁸ This is highlighted by the example that BAS staff are quasi-Bank staff (operating under the EBRD umbrella, logo and so on) during client contact, but they are not covered by the Bank's Code of Conduct. Consequently, there is something of a policy or procedural grey area in this respect.

⁹ Central Asia, South Caucasus, north-west Russia, Russia's Far East.

officer and a junior project officer or assistant national director/director has immediate responsibility for all office functioning and implementation.¹⁰ They lead the operational direction of the programme, relations with wider stakeholders and how the programme generates projects and project execution. At the project level the national director/director is typically more orientated to project generation and the 59 project officers to processing the project (finalising terms of reference, documentation, payments and so on).

National directors/directors and project officers are mostly full-time. In some of the larger geographical territories further coverage is provided by regional offices that report to the national director/director, which are typically resourced by a single project officer and possibly an assistant.¹¹

The majority of field resources are on full-time 22 day per month contracts. Regional/programme directors are contracted on around four to eight days per country. The resource model implies that a typical national BAS office comprising three personnel has around 66 man-days of resources per month with which to deliver programme objectives.¹²

It was very evident from the evaluation field programme that BAS personnel are highly regarded for:

- their independent operating structure from government or national SME programmes
- professionalism
- speed of decision taking
- accessibility
- comparatively un-bureaucratic, pragmatic way of working.¹³

Often, the reference point for enterprises, consultants and stakeholders is previous donor programmes or grant schemes they have had contact with under EU, USAID and World Bank, or in some rare cases national, funding.

BAS implementing teams also appreciated the operating model. The field resource division generally believed that the combination of a limited but workable set of guidelines underpins transparent objective selection criteria for projects. They also considered the ultimate London sign-off as providing a safeguard in the event of contentious decisions. It is common for grant schemes in transition countries to be dogged by claims of favouritism or opacity, both alluding to corrupt practise. By contrast, BAS was widely praised by stakeholders for its perceived transparency and honesty, which has not been achieved at the expense of exaggerated procedures.

However, BAS is a simple and standardised instrument. The grants are small (average €5,000) and this should lend itself to a light procedural structure, which is largely achieved. However, BAS' multiple layered, vertical management structure may not be optimal when the operational objective largely consists of delivering projects (Section 1). The structure adds to costs (see Section 5 below). In addition, it is debatable if successive layers of approval (for example, satellite office, main office project officer, director, programme director, London)

¹⁰ Functionally, these roles are the same. The only difference is that Russia has three main BAS offices (St. Petersburg, Vladivostok and Kaliningrad, each with a director). All other main offices are national main offices (national directors).

¹¹ For example, Sakhalin and Khabarovsk eight days each per month in Russia's Far East or Samarkand, Bukhara and Andijan in Uzbekistan (full-time).

¹² Twenty-two days per month, assumed on a 10.5 months per year basis, multiplied by three plus eight days for regional/programme directors.

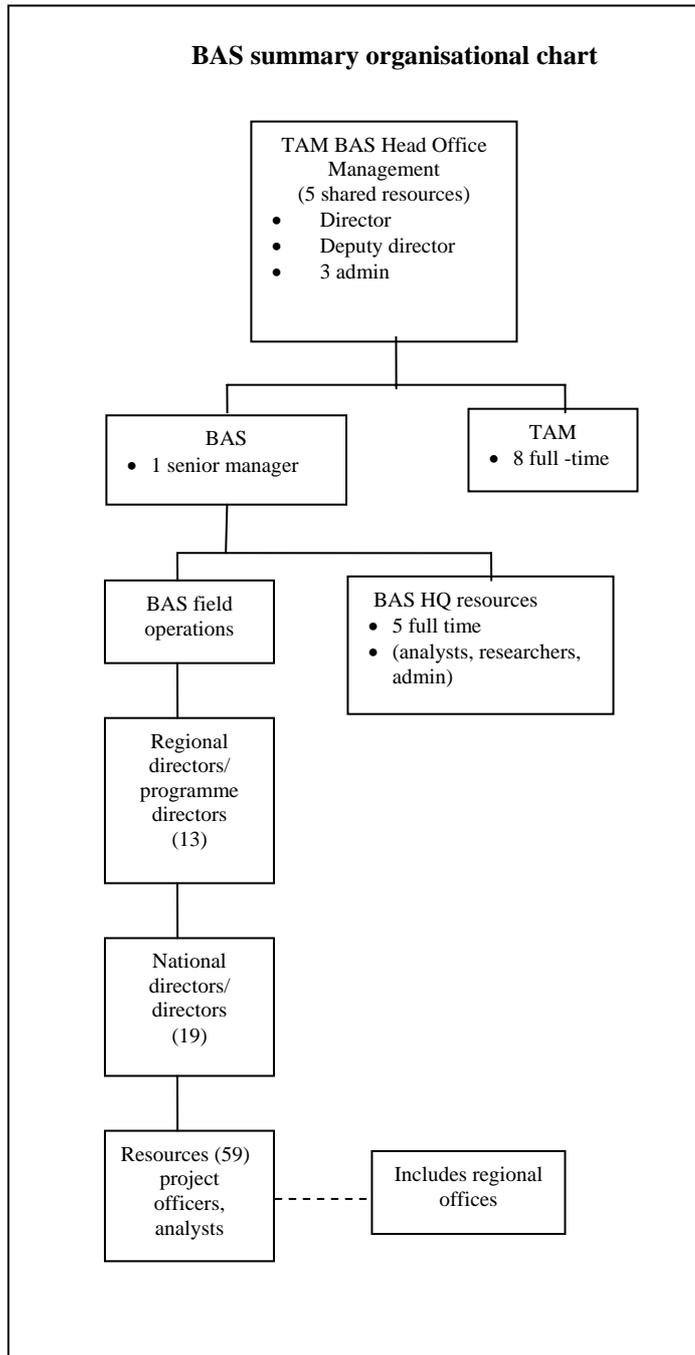
¹³ There are always exceptions and these were few.

lead to greater quality or integrity beyond that which could be achieved with sound management controls and horizontal checks at the national/director level.

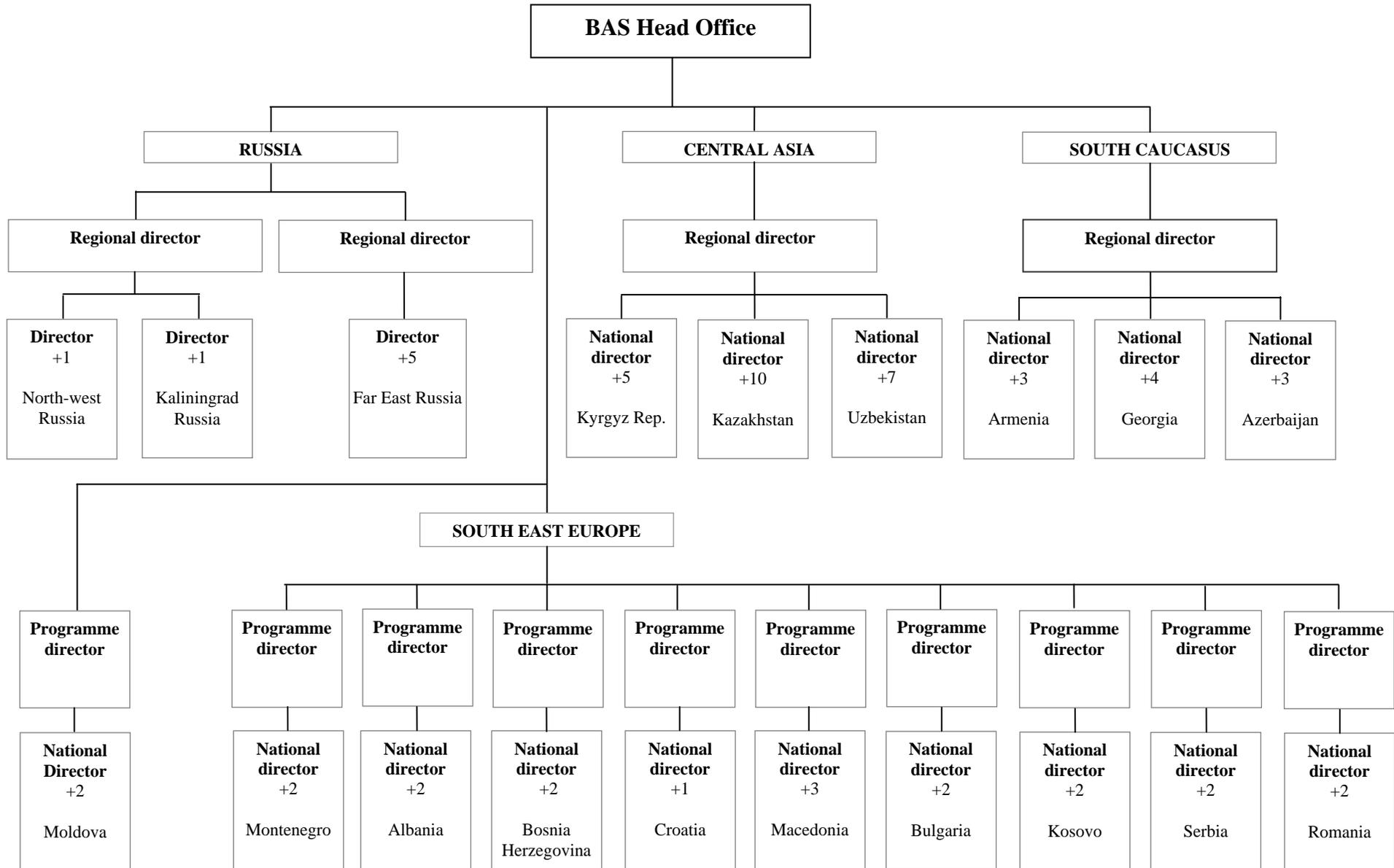
Certainly, national directors/directors value the experienced sounding board and mentoring that regional/programme directors bring on project or operational issues. However, such contributions could be construed as management support that could be provided centrally from a floating resource as needed. Nevertheless, a flexible management resource approach is not well suited to the current funding structure where the vast majority of BAS' implementation costs have to be directly funded under programme budget lines. Hence, most regional/programme directors contract on a fixed, not a flexible, contract basis to BAS (for example, days per month) that is recovered directly against programme budget lines. It is not known, however, why some programme directors are not contracted on a framework basis, which could be called down as needed and any surplus budget at the end of a period reallocated to projects. BAS Management may wish to consider this option.

Organisational charts

BAS Head Office at June 2006



BAS field office organisation at June 2006



Annex VIII: Example of funding fiche

| | |
|---|---|
| Country | XXXXXX |
| TC category | Local Business Development |
| Project title | XXXXXXX |
| Amount requested (€) | XXXXXXX |
| Name of team director: Name of operation leader: | XXXXXXXX |
| Project description (main rationale and short description of services to be provided) | <p>The purpose of the project is to assist economic and social development by supporting the growth of the private micro as well as small and medium business sector. This will be done by utilising the EBRD Business Advisory Services Programme (BAS) to assist such enterprises to improve their efficiency and competitiveness in the market economy. Working with enterprises to define their practical needs and to specify terms of reference for services to be provided by local consultants, BAS will also help to develop the skills of local consultants. BAS typically supports narrowly defined projects with rapid results, such as market research, management information systems and business planning. In addition, BAS provides for partial financing towards the project cost.</p> |
| Project objectives (how project fits into country strategy; why TC is needed; links to potential investments, including EBRD projects; if EBRD investment include estimated amount and status of processing; coordination with other donors if applicable) | <p>The BAS Programme has been operating in the three Caucasus countries since early 2003 and, to end August 2005, a total of 601 projects had been undertaken with 501 enterprises (90% of which have less than 100 employees) engaging a total of 219 consultancy firms (of which 197 were local). These projects have been well spread geographically, with 38% of those projects being outside the main city. Likewise, the distribution amongst the business sectors has been well balanced, with high demand from the agribusiness sector (19%), followed by projects in wholesale/retail distribution (14%); travel/tourism and construction (10% each); and health, wood processing and electronics/IT (5% each).</p> <p>This proposed Project is an important element of Pillar III (enterprise support and development) of the Bank's SME Strategy. This Strategy is reflected in the EBRD country strategies, particularly in the lower transition countries.</p> <p>BAS is not directly linked to EBRD investments, but close collaboration of BAS with Resident Offices, local EBRD financial intermediaries, and where appropriate the Direct Investment Facility (DIF) and the Direct Lending Facility (DLF), is growing rapidly in line with the TAM/BAS Strategic & Operational Plan, 2005-2007.</p> <p>To date, 51 BAS assisted enterprises in the Caucasus have attracted €9.7 million in external financing, of which €2.6 million is from EBRD or EBRD-related financial intermediaries. Also in line with the TAM/BAS Strategic & Operational Plan 2005-2007, BAS assists banking teams to develop pipelines of enterprises for potential EBRD funding, directly or via local financial intermediaries.</p> <p>Furthermore, BAS assists in identification of obstacles to private sector development, and makes important inputs to EBRD's policy dialogue on investment climate with the authorities, and to EBRD country strategies.</p> <p>BAS in the Caucasus also cooperates on specific projects with other donors, including DFID and Soros Foundation.</p> <p>BAS convenes regular meetings with other donor and government agencies in the region to assist in coordination of local aid and development programmes. These meetings are attended by representatives of EU, UNDP, USAID, World Bank, IFC, as well as DFID and Soros.</p> |
| Expected transition impact; impact on poverty alleviation (including reference to PRSP where applicable); and how does the project fit with other ETC Preferential Themes | <p>Working in the micro, small and medium sized enterprise sector, BAS acts as a catalyst for economic and social transition, contributing to donor objectives for alleviating poverty, improving standards of living and increasing social cohesion. BAS is therefore part of one of the ETC Fund Preferential Themes, namely Promotion of Private Enterprise, in particular the SME/MSE sector, which recognises the important link between private sector job creation and poverty reduction.</p> <p>The PRSPs for Armenia, Azerbaijan and Georgia all highlight that micro as well as small and medium businesses play an essential role towards: intensification of the resource potential of the country, stable and dynamic development of the economy, increase of employment and income level of the population and settlement of other social problems.</p> <p>Cooperation between BAS and TAM and with other ETC Initiative facilities, including client referral, has grown significantly, thus realising the potential anticipated in the ETCI for leveraging the role of BAS/TAM.</p> <p>Of the 310 BAS projects in the Caucasus that have been evaluated to date, 96% have been rated as either "Successful" or "Highly Successful". Overall, turnover and employment increased substantially, and productivity was raised by 21%.</p> <p>This demonstrates the important impact of BAS in the Caucasus. A high level of demand for the type of support and advice which BAS has to offer remains in all three countries.</p> |

| | |
|---|---|
| | <p>A recent evaluation of BAS carried out by Investissement Développement Conseil concluded that it considered <i>'this programme to be highly successful... This approach is relevant to the conditions of SMEs and consultant services in the region : SMEs recognise the need for some tasks to be done, but do not contract them out to consultants as they often lack the financial means to pay the consultants, and are suspicious of the actual quality of their services. In the end, the tasks are not performed and the company does not develop. The financial assistance and the technical assistance provided by the BAS Programme alleviate those fears, and help both the SME and the consultant to develop.'</i></p> <p>The recent EU monitoring report on BAS/TAM, which also corroborated this positive assessment of BAS, further pointed out that <i>'the project was in line with the Country Strategy Paper 2002-2006 with its policy objective to foster and support transition towards a market economy. It met well the political priority of Azerbaijan concerning economic and social transformation of the country to strengthen stability in the country. It also fitted well the state Programme on Poverty Reduction and Economic Development (SPPRED), and the State Programme on Regional Development (SPRD). ... The BAS component fully succeeded in meeting the performance indicators planned. In particular: 125 projects were launched in total, with about 30% of them implemented in the regions. The BAS component was also successful in its cooperation with other donors. The BAS office's intermediary and regulatory role in the proper arrangement and driving relations between the local consultants and their client-enterprises was crucial.'</i></p> |
| <p>Sustainability (is TC finite or further TC expected; when does activity become self-sustaining; commitment and ownership by recipient; lessons learned from previous similar projects, if applicable)</p> | <p>BAS projects assist enterprises to become more competent and profitable by defining and improving specific aspects of their businesses which are hindering growth. Moreover, the breadth and depth of the local consultancy sector is built by BAS. Overall therefore, BAS develops sustainable resources that continue to be of benefit after the completion of individual projects and programmes.</p> <p>In the low transition countries, the "life" of BAS programmes would be expected to be at least 5-10 years. There is still a strong need and demand in the major cities, and a relatively long and slow "teaching" and "learning" process to continue in the rural and least developed areas of the countries.</p> |
| <p>Success indicators</p> | <p>The key indicator of success will be SMEs' implementation of BAS advice resulting in:</p> <ul style="list-style-type: none"> - Expansion or breaking into new markets - Grant of ISO or HACCP Certifications - Reduction of costs/improved management and financial control procedures - Increased turnover and/or number of employees - SMEs' changed attitudes and skills towards seeking, selecting and working with consultants - SMEs' recommendations of BAS to the business community - Attraction of external finance (loan, investment) by EBRD, mainly EBRD financial intermediaries, both directly and through other local banks/entities. <p>A further indicator will be the strengthening of the breadth and depth of the local consultancy sector.</p> |
| <p>Implementation timetable</p> | <p>€750,000 is requested from the ETC Multi-Donor Fund to continue the Programme in the three BAS offices for the first half of 2006.</p> <p>Current funding arrangements expire on 31 December 2005 and ETC Fund support is essential to enable the continuation of BAS proven capability to assist in economic and social development in the region.</p> <p>While every effort will be made to seek subsequent funding from other sources, it is likely that at least some of the support for BAS in the Caucasus in the future will have to come from the ETC Multi-Donor Fund. Subject to resource availability, funding will be sought preferably for 12-24 month periods at a time, as a "stop-go" approach based on 6-monthly funding intervals is inefficient and may lead to loss of the high-quality staff operating these programmes.</p> <p>In his Independent Progress Report on the ETC initiative, Michael McCulloch indicates <i>'the review found some evidence of concern that any interruption of funding for continuing programmes, such as BAS and TAM, could have disproportionately damaging effects. High quality staff in the field who, as seen in Armenia, not only lead an effective programme in itself, but also act as frontrunners for many of the Bank's other ETCI instruments, cannot be retained on short term funding horizons.'</i></p> |
| <p>List of main topics discussed in TC Com</p> | <ul style="list-style-type: none"> • Consistency with the approved Bank Strategic and Operational Plan for TAM/BAS confirmed. • Success indicators agreed. • Format of TORs and budgets for individual contracts agreed. |

Annex IX: Example of logical framework format and log frame development tool

The logframe matrix

| Project structure | Indicators of achievement | Means of verification | Important risks and assumptions |
|---|---|---|---|
| <p>Goal What are the wider objectives which the activity will help achieve? Longer term programme impact</p> | <p>What are the quantitative measures or qualitative judgements, whether these broad objectives have been achieved?</p> | <p>What sources of information exist or can be provided to allow the goal to be measured?</p> | <p>What external factors are necessary to sustain the objectives in the long run?</p> |
| <p>Purpose What are the intended immediate effects of the programme or project, what are the benefits, to whom? What improvements or changes will the programme or project bring about? The essential motivation for undertaking the programme or project.</p> | <p>What are the quantitative measures or qualitative judgements, by which achievement of the purpose can be judged?</p> | <p>What sources of information exist or can be provided to allow the achievement of the purpose to be measured?</p> | <p>What external factors are necessary if the purpose is to contribute to achievement of the goal?</p> |
| <p>Outputs What outputs (deliverables) are to be produced in order to achieve the purpose?</p> | <p>What kind and quality of outputs and by when will they be produced? (QQT: Quantity, Quality, Time)</p> | <p>What are the sources of information to verify the achievement of the outputs?</p> | <p>What are the factors not in control of the project which are liable to restrict the outputs achieving the purpose?</p> |
| <p>Activities What activities must be achieved to accomplish the outputs?</p> | <p>What kind and quality of activities and by when will they be produced?</p> | <p>What are the sources of information to verify the achievement of the activities?</p> | <p>What factors will restrict the activities from creating the outputs?</p> |

The logical framework: project design

| | | | | | | |
|---|--|---|--|------------------------------------|---|---|
| Start work on the Project Summary and Assumptions (Columns 1 and 4). Return to Columns 2 and 3 later. | Column 1: Summary – Hierarchy of Objectives | Column 2: Objectively Verifiable Indicators (OVIs) | Column 3: Means of Verification (MoV) | Column 4: Assumptions and risks | As design and implementation progress, return to the logframe and update it. Changes to assumptions, activities and outputs are certain to happen. | |
| STEP 1: Definite goal What is the wider sector or programme goal? What overall need or problem are you trying to address? The goal does not change. It is effected by other factors outside the project. A group of projects may share a common goal. | Goal | | | Goal assumptions (6e) | STEP 6e: Define the assumptions What external factors are needed for, or may prevent, the long-term sustainability of the activity? | <u>ACTION</u> -Redesign the plan -Evaluate your assumptions |
| STEP 2: Definite purpose What is the rationale for what is planned? What impact do you have to make? How will the client/user benefit? The purpose often relates to how outputs will be used or implemented the purpose maybe effected by factors outside your project. | Purpose | | | Purpose assumptions (6d) | STEP 6d: Define the assumptions If the activity’s purpose is achieved, will this in fact contribute to solving the original problem/need, i.e. the goal? If no, then redesign the activity. If yes, then state clearly the assumptions you have made to reach this view. | <u>ACTION</u> -Redesign the plan -Evaluate your assumptions |
| STEP 3: Definite outputs What will be the measurable end results of the planned activities? What results will the activity be directly responsible for? Given the necessary resources, the management team will be directly accountable for the outputs. | Outputs | | | Output assumptions (6c) | STEP 6c: Define the assumptions If the outputs were produced, would the purpose be achieved? What assumptions, outside the control of the activity have been made about the achievement of the outputs? If the risk or assumptions are too great then redesign. | <u>ACTION</u> -Redesign the plan -Evaluate your assumptions |
| STEP 4: Definite activities What will actually be done to achieve the outputs? This is a summary presentation showing what needs to be done to accomplish each output. | Activities | | | Activity assumptions (6b) | STEP 6b: Define the assumptions Check your logic. Will the completed activities lead to achievement of the outputs? Are all the resources needed to achieve the outputs? What assumptions outside the control of the project, have been made? If the risk assumptions are too great, then redesign. | <u>ACTION</u> -Redesign the plan -Evaluate your assumptions |
| STEP 5: Verify the vertical logic Test to check cause and effect. If the given activities are carried out, will the stated output result? And so on up Column 1. | | | | Critical conditions (6a) | STEP 6a: Define the assumptions Include here anything that must happen before the activity can commence. | |

Example of logical framework for the Early Transition Countries (ETC) Fund of the EBRD

| Narrative Summary | Indicators (OVI) | Verifiers (MoV) | Assumptions |
|--|---|---|---|
| <p>Goal Poverty reduced in ETC countries.</p> | <p>Progress against MDGs 1,7& 8</p> <p><u>MDG 1</u> To halve between 1990 and 2015, the proportion of the population living on less than \$2 per day</p> <p><u>MDGs-7</u> Ensure environmental sustainability. Proportion of population with sustainable access to an improved water source and sanitation facilities both urban and rural.</p> <p><u>MDG-8</u> Develop a global partnership for development. Develop an open, rule based, predictable trading and financial system including a commitment to good governance, development and poverty reduction.</p> | <p>Poverty declining in the 7 ETC countries according to UN MDG database,</p> <p>Increased proportion of population with access to water & sanitation in 7 ETC countries according to UN MDG database,</p> <p>Progress towards MDG 8 according to UN MDG assessments,</p> | <p>1. National Governments fully committed to PRSP process 2. Stable political and economic climate facilitates economic growth. 3. Effective cooperation with other Multilaterals.</p> |
| <p>Purpose Rules-based market economies conducive to private-sector development in place in ETC countries.</p> | <p>Year on year increase in numbers employed in private sector in ETC countries.</p> | <p>i. EBRD transition report. ii. National reports/IFI/UN reports. iii. BEEPs reports</p> | <p>i. EBRD continues to secure ETC donor contributions. ii. National governments actively promote role of the private sector and create conditions for it to survive.</p> |
| <p>Outputs</p> <p>1. Enabling environment for private sector growth improved.</p> <p>2. Private Sector in each ETC country is strengthened.</p> | <p>1.a. Business regulations conducive to private sector growth are introduced through ETC projects</p> <p>1.b. Property rights and commercial judicial systems supportive of private sector growth.</p> <p>2.a. Increase in the private sector proportion of GDP.</p> <p>2.b. Increase in the rate of start up</p> | <p>1.a. BEEPs</p> <p>1.b. BEEPS</p> <p>2.a. EBRD Transition Indicators</p> <p>2.b. EBRD Transition Indicators</p> | <p>1. Government committed to private sector development</p> <p>2.a. Government institutions support private sector growth.</p> |

| | | | |
|--|--|--|--|
| <p>3. Financial Infrastructure in each ETC country strengthened.</p> | <p>of small firms 2.c. Innovative approaches to PSD supported.</p> <p>3. a. Funding available for SME/MSE development increasingly available</p> <p>3. b. Banking services increasingly available to and used by SMEs/MSEs including rural businesses.</p> <p>3.c. Percentage of lending as a value of GDP</p> | <p>2.c.ETC Reports</p> <p>3.a. BEEPS</p> <p>3.b. BEEPS</p> <p>3.c. BEEPs</p> | <p>3. Governments committed to Public Administration reforms.</p> |
| <p>4. Public confidence in conditions for private sector development improved.</p> | <p>4.a. Demand for credit and banking services increased</p> <p>4.b. Levels of domestic saving Increase</p> | <p>4.a. BEEPS Credit and Banking statistics</p> <p>4.b. National savings data</p> | <p>4. Government support improvements to the regulatory environment.</p> |
| <p>5. Access to affordable basic services improved.</p> | <p>5.a. Proportion of population with access to water, sanitation and electricity progressively increases.</p> <p>5.b. Governments to provide tariff structures reflecting ability to pay,</p> <p>5.c. Effective environmental regulation enforced</p> | <p>5.a National and IFI statistics</p> <p>5.b. National and IFI reports</p> <p>5.c. National and IFI reports</p> | <p>5. Regional government has means to provide services</p> |
| <p>6. Regional cooperation strategies in place.</p> | <p>6.a. Establishment of regional trade associations and government cross border initiatives</p> <p>6.b. Improved road and telecommunications</p> | <p>6.a. EBRD Structural Indicators</p> <p>6.b. EBRD Structural Indicators</p> | <p>6.a. Improved relations between ETC national governments</p> <p>6.b Government interested in regional road and communication networks</p> |

| | | | |
|---|---|---|--|
| <p>Activities</p> <p>1. Enabling environment for private sector growth improved.</p> <p>2. Private Sector in each ETC country strengthened</p> <p>3. Financial Infrastructure in each ETC country strengthened,</p> <p>4. Public confidence in conditions for private sector development improved.</p> | <p>1.a. TC support provided to policy reform, institutional strengthening and regulatory improvement,</p> <p>2. TC for</p> <p>a. Direct Investment Facility (DIF),</p> <p>b. Direct Lending Facility (DLF),</p> <p>c. TCs for TAM/BAS</p> <p>d. TCs for development of new products,</p> <p>3. a. TC for MicroLending through specialised microcredit institutions,</p> <p>b. MSE frameworks through commercial banks,</p> <p>c. TC work on remittances with local banking communities,</p> <p>d. Co-financing Facility,</p> <p>e. TC for extension to new targets (e.g., micro lending to rural areas)</p> <p>f. Promotion of environmental improvement.</p> <p>4. Support provided to credit and savings institutions</p> | <p>1.a ETC/EBRD reports</p> <p>2.</p> <p>a/b. Number and distribution of DIF Investments/DLF loans assisted and signed.</p> <p>c. TAM/BAS – Number of enterprises assisted by ETC</p> <p>d. New products introduced with TC support</p> <p>3.</p> <p>a/b. Number of banks with frameworks, number of frameworks signed, enterprises funded and volume of loans</p> <p>c. Reports resulting from TC, collected data and consultations with local financial sector,</p> <p>d. Additional infrastructure projects made possible.</p> <p>e. Additional projects made possible in these areas.</p> <p>f. TCs for Kyoto Protocol activities/Municipal Water/Waste projects.</p> | |
|---|---|---|--|

| | | | |
|---|--|--|---|
| <p>5. Access to affordable basic services improved.</p> <p>6. Regional cooperation strategies in place</p> <p>7. ETC Assembly meetings conducted effectively</p> <p>8. ETC projects implemented speedily and effectively</p> <p>9. Evaluation of ETC shows positive impact</p> <p>10. ETC achievements effectively communicated</p> | <p>5. ETC service delivery projects in place.</p> <p>6. Establishment of cross-border or regional agreements that facilitate an increase in trade or investment or reduction in bureaucracy or tariffs.</p> <p>7. ETC Assembly members satisfied</p> <p>8. Rate of design and implementation of projects sustained at high level</p> <p>9. Evaluations conducted periodically</p> <p>10. Programme of dissemination of achievements in place</p> | <p>5. ETC reports.</p> <p>6. Formal publication of agreements/ adoption by national governments.</p> <p>7. ETC minutes and reports</p> <p>8. ETC Reports</p> <p>9. Evaluation reports</p> <p>10. ETC reports</p> | <p>7. Donor countries continue to provide support</p> <p>8. Projects and programmes managed well by EBRD</p> <p>9. Evaluation methodology appropriate to ETC developed.</p> <p>10. EBRD active in disseminating information</p> |
|---|--|--|---|

(updated and agreed within DFID on 06 October 2006)

Annex X: Mass survey responses: Enterprises

| | TOTAL | |
|--|--------------|--------|
| Total Number of Projects | 2,605 | |
| Q1 Who originally diagnosed your need for the consultancy support? | | |
| Company itself | 624 | 56.1% |
| Independent advisor | 120 | 10.8% |
| The consultant who subsequently undertook the assignment | 202 | 18.1% |
| BAS Personnel | 124 | 11.1% |
| Other | 43 | 3.9% |
| | 1,113 | 100.0% |
| Q2 Which of these statements best describes your expectation of the project after it was designed BUT prior to the consultant starting? | | |
| "We expected the project would be | | |
| Important to many aspects of our business development | 760 | 68.5% |
| Important to resolve an isolated issue or small set of problems | 334 | 30.1% |
| Not very important but we tried it out of curiosity | 16 | 1.4% |
| | 1,110 | 100.0% |
| Q3 Who chose the consultant? | | |
| Company free choice | 615 | 55.3% |
| Company selected from an approved BAS List | 148 | 13.3% |
| Company in conjunction with BAS Advice | 317 | 28.5% |
| Consultant was chosen for me (no choice) | 32 | 2.9% |
| | 1,112 | 100.0% |
| Q4 Which of these statements best describes your opinion of consultants BEFORE the BAS project? | | |
| We wanted to use consultants but didn't know how to find good ones or we had bad experiences of consultants | 176 | 16.0% |
| We wanted to use consultants but didn't know how to use them | 208 | 18.9% |
| We wanted to use consultants but didn't want to pay the full cost | 460 | 41.7% |
| We were not sure about consultants and this was a good way to find out | 259 | 23.5% |
| | 1,103 | 100.0% |
| Q5 Which of these statements best describes your opinion of consultants AFTER the BAS project? | | |
| We would use consultants again, but this project has made no difference to our opinion | 316 | 28.6% |
| We would use consultants again, we have a better understanding of how to use them and would pay for it ourse | 718 | 65.0% |
| We were not sure about consultants before and are still unsure | 38 | 3.4% |
| We are unlikely to use consultants again | 33 | 3.0% |
| | 1,105 | 100.0% |
| Q6 Have you used consultants since the BAS project? | | |
| Yes | 629 | 57.4% |
| No | 467 | 42.6% |
| | 1,096 | 100.0% |
| Q7 Which statement best describes your current position, please cross one only? | | |
| The consultancy made no difference to the way we manage the business | 18 | 1.6% |
| The consultancy resulted in recommendations that were partially implemented | 500 | 45.1% |
| The consultancy resulted in recommendations that were fully implemented | 521 | 47.0% |
| We did not implement the recommendations but the consultancy did make us look at our operation and we made changes as a result | 70 | 6.3% |
| | 1,109 | 100.0% |
| Q8 If you made changes, have these changes made.... | | |
| Major positive difference to the success of the business | 400 | 36.3% |
| Some positive difference to the success of the business | 659 | 59.9% |
| No real difference to the success of the business | 42 | 3.8% |
| Major negative difference to the success of the business | 0 | 0.0% |
| Some negative difference to the success of the business | 0 | 0.0% |
| | 1,101 | 100.0% |
| Q9 Did the recommendations result in a permanent change to the way that you manage your business, that you are still benefiting from now? | | |
| Yes | 946 | 86.4% |
| No | 149 | 13.6% |
| | 1,095 | 100.0% |
| Q10 What is your current annual turnover (in Euros)? (Individual response not applicable to aggregate) | | |
| | | |
| Q11 How many people do you currently employ (full time equivalents)? (Individual response not applicable to aggregate) | | |
| | | |
| Q12 If you had not participated in BAS, do you think your turnover would have been... | | |
| Much lower - at least 25% lower | 272 | 26.1% |
| Little lower | 750 | 72.0% |
| Much higher - at least 25% higher | 4 | 0.4% |
| Little higher | 15 | 1.4% |
| | 1,041 | 100.0% |

Annex XI: Mass survey responses: Consultants

| | TOTAL | | | | | | | |
|--|---|------------|------------|------------|------------|-----------|-----------|--------------|
| Total Number of Consultants Canvassed | 1,300 | | | | | | | |
| Q1 Did you have to complete an approval process to work with BAS (please mark one option only) | | | | | | | | |
| Yes 1st assignment | 548 | 78.8% | | | | | | |
| Yes After 1st assignment | 102 | 14.7% | | | | | | |
| No | 45 | 6.5% | | | | | | |
| | 695 | 100.0% | | | | | | |
| Q2 Has acceptance as a BAS consultant been important to the development of your business for projects without BAS funding? | | | | | | | | |
| Yes | 530 | 76.8% | | | | | | |
| No | 160 | 23.2% | | | | | | |
| | 690 | 100.0% | | | | | | |
| Q3 If yes, how has acceptance as a BAS consultant benefitted your business? | | | | | | | | |
| | (TEXT ENTRY FIELD) | | | | | | | |
| Q4 Has BAS helped you strengthen your ability to manage consultancy projects or a consultancy business for example through training (formal or informal) seminars, mentoring or in other ways? | | | | | | | | |
| Yes | 537 | 78.3% | | | | | | |
| No | 149 | 21.7% | | | | | | |
| | 686 | 100.0% | | | | | | |
| Q5 If yes, were you satisfied with the assistance provided (please mark one option only)? | | | | | | | | |
| Yes fully | 423 | 73.6% | | | | | | |
| Yes partially | 124 | 21.6% | | | | | | |
| No | 28 | 4.9% | | | | | | |
| | 575 | 100.0% | | | | | | |
| Q6 Has BAS helped you strengthen your skills or understanding of current best practice in your area of specialisation for example through training (formal or informal) seminars, mentoring or in other | | | | | | | | |
| Yes | 510 | 74.5% | | | | | | |
| No | 175 | 25.5% | | | | | | |
| | 685 | 100.0% | | | | | | |
| Q7 If yes, were you satisfied with the assistance provided (please mark one option only)? | | | | | | | | |
| Yes fully | 405 | 75.0% | | | | | | |
| Yes partially | 117 | 21.7% | | | | | | |
| No | 18 | 3.3% | | | | | | |
| | 540 | 100.0% | | | | | | |
| Q8 Which of these descriptions best describes the impact of BAS on your business? | | | | | | | | |
| We followed the BAS approach on BAS projects but we have not changed any aspect of our business or how we run projects due to BAS | 186 | 27.1% | | | | | | |
| We learned or benefited from the BAS approach and have incorporated aspects into our business and proj | 500 | 72.9% | | | | | | |
| | 686 | 100.0% | | | | | | |
| Q9 If you have learned or benefitted from the BAS approach, which aspects of your business have | | | | | | | | |
| Assisting clients with project design and/or terms of reference | 243 | 13.6% | | | | | | |
| How we bid for projects | 179 | 10.0% | | | | | | |
| How we manage projects | 204 | 11.4% | | | | | | |
| How we help clients implement projects or recommendations | 341 | 19.1% | | | | | | |
| We have added new services | 590 | 33.0% | | | | | | |
| We are marketing to new geographic or industry sectors | 212 | 11.9% | | | | | | |
| Other | 18 | 1.0% | | | | | | |
| | (No total applied as multiple answers given for each consultant response) | | | | | | | |
| Q1 Responses | 695 | 53.5% | | | | | | |
| Q2 Responses | 690 | 53.1% | | | | | | |
| Q3 Responses (Text entry) | 354 | 27.2% | | | | | | |
| Q4 Responses | 686 | 52.8% | | | | | | |
| Q5 Responses | 575 | 44.2% | | | | | | |
| Q6 Responses | 685 | 52.7% | | | | | | |
| Q7 Responses | 540 | 41.5% | | | | | | |
| Q8 Responses | 686 | 52.8% | | | | | | |
| Q9 Responses (Multiple response option) | 1,787 | 137.5% | | | | | | |
| Question 9 Responses | | | | | | | | |
| | 1st entry | 2nd entry | 3rd entry | 4th entry | 5th entry | 6th entry | 7th entry | Total |
| Assisting with project design &/or TOR | 447 | 2 | 30 | 33 | 78 | 0 | 0 | 590 |
| How we bid for projects | 36 | 207 | 0 | 0 | 0 | 0 | 0 | 243 |
| How we manage projects | 39 | 135 | 5 | 0 | 0 | 0 | 0 | 179 |
| How we help clients implement projects | 20 | 57 | 101 | 161 | 2 | 0 | 0 | 341 |
| Added new services | 16 | 30 | 155 | 3 | 0 | 0 | 0 | 204 |
| New geographical or industry sectors | 11 | 17 | 45 | 50 | 26 | 61 | 2 | 212 |
| Other (text in next column) | 6 | 0 | 1 | 2 | 0 | 1 | 8 | 18 |
| Total | 575 | 448 | 337 | 249 | 106 | 62 | 10 | 1,787 |

Annex XII: BAS data collection headings

| Commitment number | Grant Agreement (GA) number | Client | Country | City/ other | Services/ manufacturing | Industry type | Description of business | Type of advisory services | Before project – turnover (€) | Before project – no. of employees | Year/ month of the data | Company est. date | Ownership private % | Ownership local % |
|------------------------|-----------------------------|-----------------------|-----------------------|--|---|--------------------------|-------------------------|---------------------------|--|-----------------------------------|--|-------------------|---------------------------|-------------------|
| Total project cost (€) | BAS cost (€) | % of BAS contribution | Project approved date | Project start date (service commencement date in GA) | Project end date (disbursed or cancelled) | Cancelled field (Y or N) | Reason if cancelled | Completion report date | After project (as in completion report) - turnover (€) | After project – no. of employees | Final rating | Consultant firm | Consultant firm ownership | Other columns (2) |
| Region | Capital/ region | Donor | Enterprise? | Double donor ent? | Repeat cons? | Double donor cons? | Size | Size under 100? | Size over 250? | Type | Local / foreign / local foreign consltnt | CR? | Ent w CR used? | Rating |
| Change E | % change E | Change in T | % change T | PROD B4 | PROD After | Change PROD% | b CR year | Start year | | | | | | |

Annex XIII: Benchmark comparison - the Enterprise Initiative

The UK Consultancy Initiative¹⁴

In 1988, the UK's Department for Trade and Industry launched the Enterprise Initiative to provide support to growing businesses. A key component of this was the Consultancy Initiative, whose objective was to enhance competitiveness through improving the management performance of SMEs by encouraging firms to make use of consultants. The scheme provided eligible businesses with financial assistance towards the cost of utilising consultants to improve management capability in defined areas of management: business planning, design, financial and information systems, manufacturing systems, marketing and quality assurance. It was hoped that the scheme would also promote awareness of the value of using consultants.

Independent firms, employing fewer than 500 people, could seek 50 per cent (66 per cent in specified areas) of the costs of an assignment of 5-15 days.

Firms were encouraged to submit an application and were then visited by an Enterprise Counsellor who conducted a Business Review – intended to assess whether the firm would benefit, assess whether it could pay its share, select the appropriate initiative and agree broad objectives for the consultancy. The review lasted up to two days and did not cost the firm anything. Firms could nominate a consultant but ultimately, the appointment was decided by the scheme contractors. After completion of the assignment, the Enterprise Counsellor returned to prepare a post-completion report intended to assess the extent to which the firms thought that the consultancy had been worthwhile.

Evaluations were undertaken to assess:

- the impact of the consultancy on business variables such as increased sales, efficiency, product quality or the customer base
- the effect on the way that firm was managed, for example, through increased delegation of management functions or increased priority for management training.

The conclusions were:

- **Additionality:** Some 37 per cent of firms would not have used consultants at all; 18 per cent commissioned assignments on a different scale; 17 per cent brought forward a potential assignment; and just 27 per cent were “deadweight”, meaning they would have gone ahead without assistance.
- **Implementation** was high with some 82 per cent implementing some or all of the recommendations. The average cost of implementation was 21 per cent of average annual turnover, suggesting that most consultancies were of a significant scale.
- **Impact** was measured using increases in turnover (which captures a firm's ability to expand its level of sales) and value added (which captures impacts on both turnover and costs). Firms over-estimated the expected impacts, with actual increases in turnover and value added measured at the post-completion report as just 40 per cent and 36 per cent of the forecasts made at the initial interview. However, in absolute terms the impact was quite high, with firms increasing annual turnover 4.9 times and value added 2.8 times their implementation costs. Generally, employment generation was not a target and the impact was low.
- **Changes in approach:** Some 57 per cent of firms which implemented projects had fundamentally changed their approach to the business area concerned. In total, 52 per cent felt that management skills had improved as a result of the consultancy.

¹⁴ Segal Quince Wicksteed, “Evaluation of the Consultancy Initiatives”, HMSO, 1994

- Satisfaction: Some 68 per cent of firms were happy with their consultants' ability to identify problems and 61 per cent were pleased with the relevance of their recommendations.
- Further use of consultants: Some 41 per cent firms reported that they were more likely to make use of consultants at full market rates as a result of their experience. Overall, 50 per cent had used consultants subsequent to their assisted assignment.

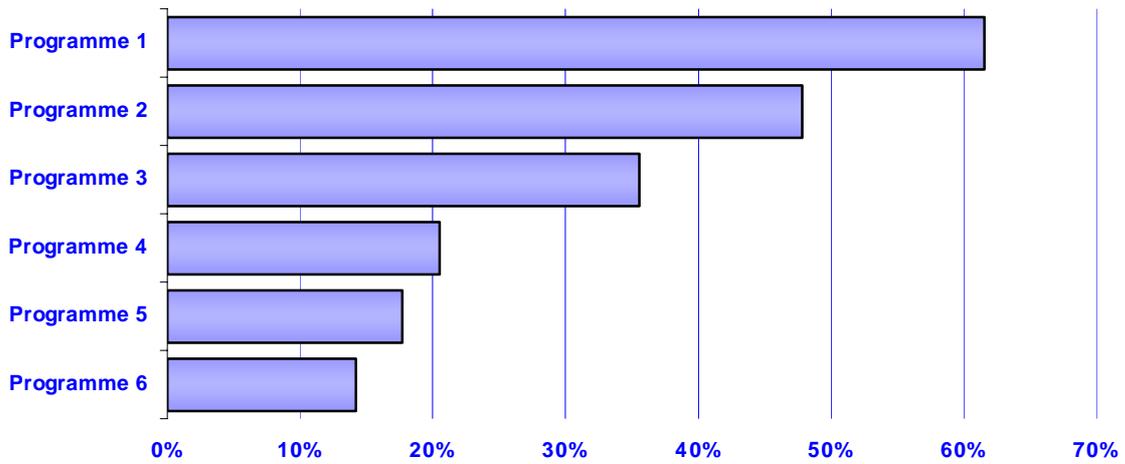
In addition to the consultancy support, firms could also bid for up to five days of "implementation guidance" to help them implement the recommendations.

Annex XIV: BAS implementation cost data

| ESTIMATED BAS OFFICE RUNNING COSTS FOR 2006 (INCL REGIONAL OFFICES) | | | | | | | | | |
|--|-----------------------|-----------------------|----------------------|-----------------------------------|----------------------------------|---------------------------------------|--------------------------------|------------------------------------|-------------------------------------|
| Country | No of projects | Project grants | % total grant | Field Operating Costs Only | Total Grant + Field Costs | field costs as % of total prog | % total BAS field costs | Allocation of 2005 HQ costs | combined BAS instrument cost |
| Kyrgyz Republic (all) | 45 | 153,000 | 2.7% | 274,100 | 427,100 | 64.2% | 6.7% | 8,241 | 435,341 |
| Serbia (from 2006) | 50 | 275,000 | 4.8% | 266,100 | 541,100 | 49.2% | 6.5% | 14,813 | 555,913 |
| North West Russia | 20 | 140,000 | 2.5% | 131,900 | 271,900 | 48.5% | 3.2% | 7,541 | 279,441 |
| Albania (from 2006) | 45 | 225,000 | 3.9% | 207,700 | 432,700 | 48.0% | 5.1% | 12,119 | 444,820 |
| Montenegro | 40 | 200,000 | 3.5% | 184,100 | 384,100 | 47.9% | 4.5% | 10,773 | 394,873 |
| Far East Russia | 80 | 440,000 | 7.7% | 360,300 | 800,300 | 45.0% | 8.9% | 23,700 | 824,000 |
| Bulgaria | 45 | 234,000 | 4.1% | 191,300 | 425,300 | 45.0% | 4.7% | 12,604 | 437,904 |
| Armenia | 95 | 342,000 | 6.0% | 274,700 | 616,700 | 44.5% | 6.8% | 18,422 | 635,122 |
| Kaliningrad | 30 | 150,000 | 2.6% | 119,700 | 269,700 | 44.4% | 2.9% | 8,080 | 277,780 |
| Kosovo | 40 | 144,000 | 2.5% | 113,500 | 257,500 | 44.1% | 2.8% | 7,756 | 265,256 |
| Macedonia | 60 | 276,000 | 4.8% | 200,900 | 476,900 | 42.1% | 4.9% | 14,867 | 491,767 |
| Kazakhstan (all) | 110 | 627,000 | 11.0% | 427,300 | 1,054,300 | 40.5% | 10.5% | 33,773 | 1,088,073 |
| Uzbekistan (all) | 110 | 517,000 | 9.1% | 318,700 | 835,700 | 38.1% | 7.8% | 27,848 | 863,548 |
| Bosnia & Herzegovina | 75 | 337,500 | 5.9% | 199,500 | 537,000 | 37.2% | 4.9% | 18,179 | 555,179 |
| Romania (from 2006) | 60 | 420,000 | 7.4% | 243,500 | 663,500 | 36.7% | 6.0% | 22,623 | 686,123 |
| Moldova | 40 | 240,000 | 4.2% | 135,300 | 375,300 | 36.1% | 3.3% | 12,927 | 388,227 |
| Azerbaijan | 95 | 304,000 | 5.3% | 135,300 | 439,300 | 30.8% | 3.3% | 16,375 | 455,675 |
| Croatia | 50 | 360,000 | 6.3% | 155,300 | 515,300 | 30.1% | 3.8% | 19,391 | 534,691 |
| Georgia | 90 | 315,000 | 5.5% | 125,700 | 440,700 | 28.5% | 3.1% | 16,967 | 457,667 |
| Totals | | 5,699,500 | | 4,064,900 | 9,764,401 | 41.6% | | 307,000 | 10,071,401 |

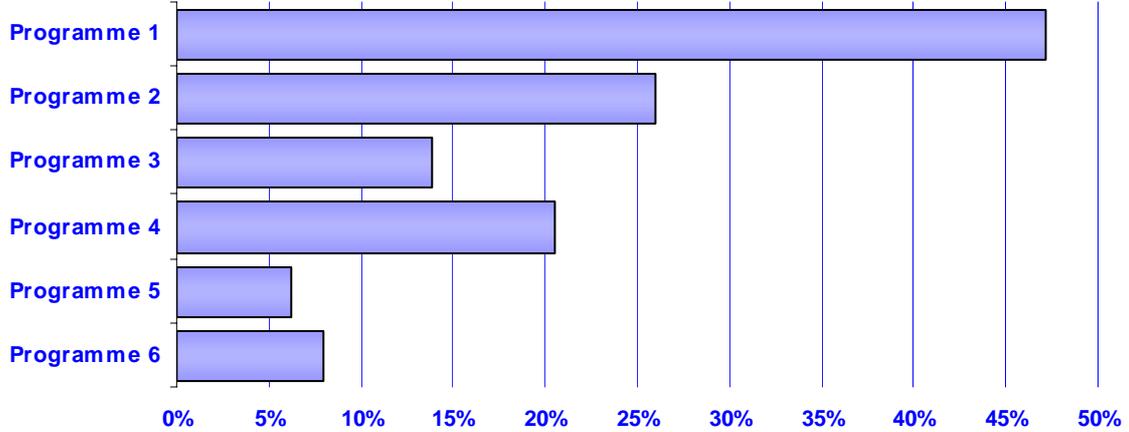
Annex XV: Regional/programme director costs 6 focus field programmes

Regional director costs as a percentage of all field expenses (excluding disbursements)



Source: Data supplied for 6 BAS field offices

Regional director costs as a percentage of all field expenses (including disbursements)



Source: Data supplied for 6 BAS field offices

Annex XVI: BAS alternative scenario

Dissemination activities

Dissemination activities could be geared to actively manage and ensure the passing of demonstration effects to the widest target audience possible. Successful dissemination activities normally involve a linked series of activities targeting a particular theme or target groups. Themes would most likely be developed around areas of consultancy support such as branding, cost accounting and so on and could be geared to particular target groups, usually on a sector basis, such as furniture manufacturers, food producers, garments manufacturers and so on.

There are many mechanisms available for dissemination activities - articles and interviews with the media tailored to key themes, PR activities such as special speaker events (possibly linked with TAM) or workshops and training on attractive themes for consultants and enterprises.¹⁵ Linking dissemination to ground-breaking as well as standard projects would be an additional slant that could be incorporated and there seems to be no shortage of successful BAS case studies and BAS enterprises willing to verbalise their support.

Capacity building activities

The objective of capacity building could be to ensure the transfer of core BAS disciplines and skills. Such an approach could be achieved through forming working relationships with key partners at different levels:

i. Associations and similar

Trade or consultant associations and chambers of commerce are potential adopters of services such as

- meaningful accreditation process for consultants
- consultants database development and management
- matchmaking
- holding master or best practice templates and examples for key documents such as terms of reference, work programmes, deliverables, budgets and contracts.¹⁶

They could also be supported in developing plans to promote these functions as member services and obtaining some cost recovery. In more mature environments there may be opportunity for higher level capacity building, for example, raising the role of associations further with the adoption and promotion of consultant codes of conduct and arbitration services. BAS need not be a single model instrument. Again, and to avoid potential misunderstandings, this is not to suggest that BAS should be pitched to create such infrastructure facilities but to stimulate their coming into existence where seen feasible and appropriate, and where already existing, to support their role and further development.

¹⁵ Media and PR activities for example are used extensively by IFC in their leasing development programme.

¹⁶ Ideally in a far more rigorous and recognised form including annual renewal and continuing professional development.

ii. Enterprise development agencies

Effective diagnostics and the skill to link a business to appropriate consultancy is a core skill for a development agency. BAS has the potential to put enterprise diagnostic approaches at the heart of its methodology and eventually, to disseminate these skills and assist enterprise to build their service modules around enterprise needs.

Development agencies might also be potential partners for future grant schemes. Donors are often hampered by the lack of suitable institutional counterparts (absorption capacity) and BAS could assist in alleviating this by sharing know how and approaches (for example, formal and informal training, placements, mentoring and so on.) with development partners. Some countries are experimenting too with channelling national funds into programmes such as ISO accreditation. National programmes encountered during the field programme were not held in high regard by the business community.

With BAS support national programme performance could be turned around and the negative sentiment reversed, contributing to making national schemes equally credible as BAS and so demonstrating to government the value in getting behind enterprise support programmes. This could be also an area where the Bank, assisted by BAS, could channel a meaningful policy dialogue and seek other support providers' cooperation. In a wider sense such measures are geared to generate trust and thus would complement and support efforts by the Bank to foster SME access to credit.

BAS might also consider promoting diagnostic, match making and project development capacity to the wider business community independently of the grant, demonstrating to local bodies that the market appetite for this kind of support.

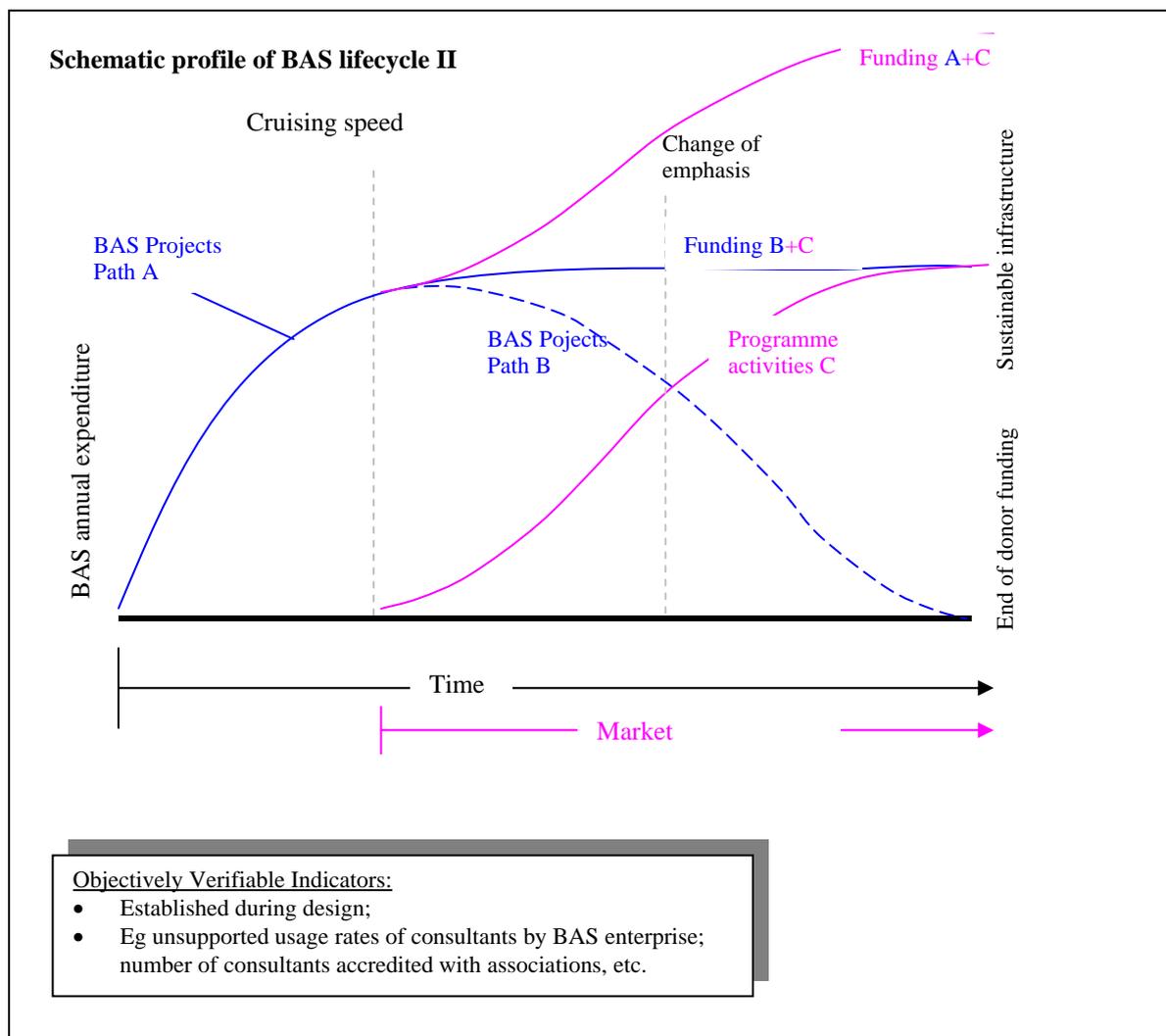
i. Policy dialogue

To the extent that it is not being provided elsewhere, BAS has a role in strengthening the capacity of institutional partners to engage with government on policy dialogue, both over the SME environment and particularly, over issues that affect development of the consultancy sector. Issues such as regulation, registration and accreditation could all have bearing on consultancy market development and assisting civil society (for example, trade and consultant associations) play an effective part could be a legitimate capacity building contribution provided by BAS (not to be confused with undertaking the policy dialogue for which the 2007-09 TAM/BAS Strategy clearly places the Bank in the lead role.

Alternative BAS life cycle

In the scenario outlined, BAS would exist under a programmed model. Each intervention would have a defined start and end point and specific objectives. These could be captured in both the logical framework and intervention logic (see 3.5.1). An example of how the intervention logic for BAS could look is presented at the end of this Annex.

The implementation model discussed in this section would change the BAS life cycle and is presented schematically in a development of the figure used in Chart 1 of the main document.



In the pro market development scenario, a basic choice would have to be made at the programming stage. In the schematic example presented, the current expenditure path is represented by BAS Projects Path A (corresponding to Chart 1 of the main document and labelled in blue). Dissemination and capacity building activities (programme activities) have been presented for illustrative purposes as gathering momentum once a portfolio of BAS projects has been developed (cruising speed). Programme activities are shown in pink and labelled C.

As programme activities (pink line) gather momentum budget would have to be either reallocated from projects (Project Path B in blue dashed), in which case the total budget line A could continue to apply (relabelled as funding B+C).

If the case were made that programme activities must be accompanied by a sustained momentum of projects, this would necessitate additional budget (pink line A+C). The debate however, is that once a sufficient pipeline exists or core demonstration effect projects have been completed with sector leaders, incremental projects do not correspond to incremental achievement of objectives.

There is nothing in this approach that would detract from BAS delivering and cooperating on supporting the Bank's operations. To the contrary, supporting enterprises in access to finance can only enhance the demonstration effect. All of these facilities are based to some extent on their capacity to provide demonstration effect.

Implications for BAS Management

With new ways of working would come new challenges for BAS Management organisation and resources, broadly summarised below.

- What skills are required to implement a new approach?
- What resources are required at the head office and field levels to implement it?
- How are resources organised for maximum effectiveness and efficiency?

A skills review against programme requirement would help identify whether BAS has the right skills base. Clearly, full-time field resources are costly and with complex programmes there may be no choice but to invest in them. At the same time however, many of the skills that BAS needs to strengthen or develop as core skills might be locked away in the field resource, a skills review would help identify these pockets of talents.

Building on core skills, the opportunity may exist to develop the BAS implementation model along a small number of core service modules such as accreditation and project management (as currently) to which could be added components such as diagnostics, environment issues, institution or capacity building and market development. Field specialisations could be developed in these areas and inculcated into the BAS network and *modus operandi*. Such an approach might fit well with the hub resource plans currently under discussion, which might facilitate value added functions being provided on a functional and instrument wide basis, rather than regional basis.

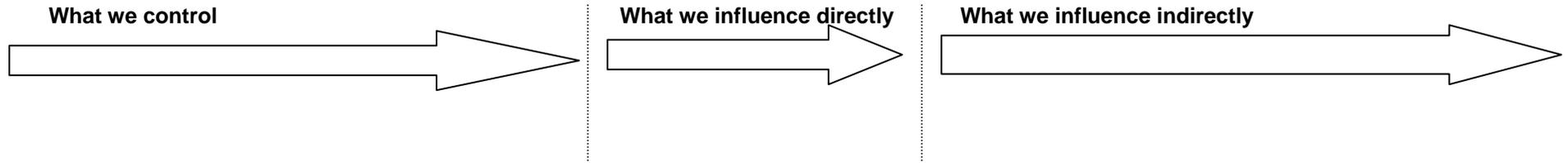
In this scenario, head office functions could evolve too. Programming and programme monitoring (overview) could be elevated in importance as could skills development and best practice sharing with the field network. Strengthening financial and management controls, budget setting and so on could be used to pass greater operational independence to field management to implement agreed programmes. Head office and middle management handling of individual projects could diminish (or disappear).

New ways of working would also involve new funding challenges. Defined programmes may need several years to implement (say two to three) and if resources are to be put in place to match programme objectives, this clearly means funding has to be in place. Some donors may appreciate the move to a programmatic basis and may be willing to contribute to a “BAS fund” against which BAS could put up programme proposals to stakeholders and make the case for resource allocation. This concept has not been tested with donors during the evaluation although some donors have expressed interest in supporting more ambitious objectives for BAS or general willingness to support multi-donor fund approaches that meet the donor’s objectives.

Inclusiveness for donors

It is worth recognising at the outset that, even if there is wide interest in this type of approach, it may not appeal to those donors content with supporting BAS under the current model. If this were the case, there would be no obvious reason why BAS could still not offer the simplified version of BAS if it is capable of satisfying donor objectives. It would also be usual to implement a modified programme through a series of initial pilot programmes. If the pilots proved to be a success, those donors with currently less demanding objectives for BAS may be encouraged to support the more programmatic approach presented in this scenario.

Reconstructed intervention logic for BAS



| Inputs | Outputs | Immediate impacts | Intermediate impacts | Wider impacts |
|---|---|--|--|--|
| Enterprise & consult level | | | | |
| <ul style="list-style-type: none"> SME Diagnostics Consultant Accreditation Matchmaking Framework (TOR, documentation etc) Grant (ie consultant cost subsidy) Consultant CPD | <ul style="list-style-type: none"> Completed consultant assignments (eg MIS, ISO, promotion strategies, business plans etc) Transfer of methodology from BAS to consultants | <ul style="list-style-type: none"> Improved SME viability better consultant performance on BAS projects | <ul style="list-style-type: none"> increased willingness of BAS Enterprises to use consultants possible word of mouth dissemination of consultancy benefits improved BAS Enterprise performance (including access to finance) improved performance on non BAS projects (participating consultants) | |
| Market level | | | | |
| <ul style="list-style-type: none"> Dissemination activities (articles, interviews, workshops including case studies etc) Institution building activities with associations, national infrastructure, NGOs etc: partnering, TA, accreditation, policy dialogue etc | <ul style="list-style-type: none"> Coverage of consultancy benefits and how to get good results service models – transfer of :skills at infrastructure level; good practice methodology; professional codes and standards | <ul style="list-style-type: none"> awareness and information exchange enterprise support capacity to define and assist enterprises access consulting absorption / delivery capacity for national and international programmes | <ul style="list-style-type: none"> Stimulate marketplace for enterprises & consultants Sustainable sector infrastructure Consultant conduct to international practice | <ul style="list-style-type: none"> Contribution to SME performance improvement Contribution to transition and economic development |

Source: DG Budget of the European Commission

Annex XVII: List of functions for Central Asia regional programme director

(Provided by BAS)

The Central Asia RPD fulfils the following tasks, all of which were discussed in detail with the evaluator:

Programme management

- Personnel:
 - Recruiting, training of staff (not only original staff, but replacements as well; with a staff of 25 and new staff to be hired when Tajikistan BAS is launched, this function is substantial)
 - Annual staff appraisals of National Directors, overseeing staff appraisals of all CA BAS staff
 - Motivation of staff to meet/exceed quantitative targets and qualitative objectives; this includes semi-annual Central Asia BAS Team meetings as well as daily work with the NPDs and regular meetings and interventions with the separate country teams;
- Project-related work:
 - Quality control (discussion of many projects at the application stage; review and approval of all project proposals and write-ups; intervention in non-standard or problematic projects)
 - Consultant qualification (review of all new consultant qualifications, direct involvement in introduction of new types of services)
 - Encouraging and coordinating cross-border project work among CA BAS teams (particularly Tashkent-Shymkent, Osh-Andijan, Bishkek-Almaty; this is one example of a function that could certainly not be provided centrally or from a floating resource)
 - Fostering knowledge-sharing and teambuilding among the CA BAS country directors and teams
- Budget management:
 - Managing spending to ensure that the programmes remain within budget and meet efficiency (overhead/grants) expectations (efficiency of CA BAS was evaluated as “good” in previous evaluations)
- Leading CA BAS efforts to cooperate with the TAM Programme:
 - RPD is in regular contact with relevant parties on KZ and UZ TAM and directly oversees preparations for each visit
 - Environmental TAM: RPD developed the proposal to concentrate Environmental TAM’s efforts in Ust-Kamenogorsk, Kazakhstan and led efforts to identify suitable enterprises for screening in that city by Munehiro Fukuda
 - RPD is in regular contact with the relevant party on KG TAM and oversees preparations for his visits
- Consulting market development:
 - Leading Central Asia teams in the strategy of “exiting” from developed service markets, which keeps BAS efforts concentrated on market segments most in need of support
 - Consultant training: developed and piloted the BAS consultant training curriculum that was implemented in Kazakhstan and Uzbekistan and replicated in other BAS countries
 - Chairman of the Advisory Board of the Association of Business Consultants of Kazakhstan

- Leading BAS support of Consul Expo, a commercially-driven, ITE-organized exhibition of consulting services

Strategic planning

- Together with NPDs, planning country activities
- Developing innovations (regional offices, focus on rurally-connected SMEs, cooperation with Environmental TAM)
- Proposing and leading expansions of BAS (the Kyrgyz Republic, then Tajikistan; future expansions could include Turkmenistan and Mongolia)
- Leading feasibility study missions in the region; writing feasibility study reports.

Donor relations, visibility and networking

- In cooperation with HQ, securing and maintaining funding for BAS in Central Asia
- Updating donor representatives in person during their visits to Central Asia or in meetings at EBRD HQ or donor agency HQ
- Report writing
- Proposal, budget writing
- Organising and leading donor presentations and performance reviews
- Cooperation with other enterprise development programmes and institutions in each country (including chairmanship of the SME Donor Roundtable in Almaty and participation in similar meetings in Tashkent and Bishkek; leading the Almaty Donor Roundtable is significant for the entire region as several donors and IFIs oversee their Central Asia operations from Almaty)
- Leading efforts to cooperate with other Japan-funded economic development efforts in Kazakhstan; with the initiation of a new JICA programme in Kazakhstan, this has become a significant and time-consuming task led directly by the RPD
- Leading visibility efforts of Central Asia BAS (press conferences, work with media, presentations on BAS and consulting services to industry groups and associations)
- Participation in relevant international conferences (Cairo November 2005 on Enterprise Development and Business Environments; Chiang Mai, Thailand September 2006 on Developing Service Markets and Value Chains)
- Participation in donor-country events:
 - Zurich SOFI Swiss Invest Forum, June 2006 (maintained a stand on Central Asia, participated in conference)
 - Zurich Chamber of Commerce presentation on Central Asia SMEs, April 2004
 - Berne Forum Ost-West presentations with SECO (State Secretariat for Economic Affairs) on Uzbekistan and Central Asia, December 2003 and December 2006
 - Lucerne SOFI Central Asia Summit, June 2005 (gave presentation on Uzbekistan, lead workshop on sources of finance in Central Asia).

Annex XVIII: Information on training, twinning and market development provided by BAS

1. Schedule of 49 seminars/workshops and twinning exercises undertaken to date by BAS

| BAS region | Consultant's nationality | Contract title | Type of project | Project description |
|--------------|--------------------------|------------------------------------|-----------------------|--|
| Armenia | Armenian | Local Consultant Training | Seminar | Hospitality Training |
| Armenia | Armenian | Local Consultant Training | Seminar | Management Information System |
| Armenia | Armenian | Local Consultant Training | Workshop | Hospital Management Systems & Healthcare Accreditation Standards |
| Armenia | Armenian | Local Consultant Training | Presentation | Local SME development & training in Universities |
| Armenia | Armenian | Local Consultant Training | Seminar | Management Information System |
| Armenia | Armenian | Local Consultant Training | Seminar | Hospitality Training |
| Armenia | Armenian | Local Consultant Training | Seminar | SME Business Skills Training |
| Azerbaijan | Azeri | Local Consultant Training | Workshop | Training for Tour guides & Development of Tourist routes |
| Azerbaijan | British | Local Consultant Training | Workshop | Tourist Guide Workshop |
| Azerbaijan | Azeri | SME Training | Seminar | Training for women-entrepreneurs (on business planning and loan development) in Baku and Guba |
| BiH | Bulgarian | Local Consultant Training | Twinning | Safety Conformity to EU Requirements - CE Marking |
| BiH | Austrian | Local Consultant Training | Seminar | Quality Management (ISO 9000:2000 for Small Business) |
| BiH | Austrian | Local Consultant Training | Seminar | Quality Management (ISO 9000:2000 for Small Business) |
| BiH | Croatian | Local Consultant Training | Seminar | Consulting Skills for Management Consultants |
| BiH | Italian | Local Consultant Training | Twinning | Market Penetration |
| BiH | Slovenian | Local Consultant Training | Twinning | product(s) safety in conformity with EU requirements – CE marking |
| BiH | Italian | Local Consultant Training | Twinning | Supply Chain Management |
| BiH | Italian | Local Consultant Training | Twinning | Project Management Improvement |
| Central Asia | Kazakhstan | Local Consultant Training | Evaluation of Seminar | Evaluation of effectiveness of local Consultant training in Tashkent & Almaty |
| Central Asia | Russian | Local Consultant Training | Seminar | Development of Consulting Skills & Successful Diagnosis of Client Organizations |
| Croatia | Italian | Local Consultant Training | Seminar | Organic Production Methods Qualification Training |
| Georgia | French | Local Consultant Training | Workshop | Knowledge Exchange |
| Kazakhstan | Russian | Local Consultant Training | Seminar | Qualitative Methods in social research |
| Montenegro | Belgian | Local Consultant Training | Seminar | Accounting and Financial Management Information System Seminar |
| Montenegro | Montenegrin | Local Consultant Training | Seminar | Quality Management System (ISO 90000) |
| Slovenia | Italian | Local Consultant Training | Twinning | Supply Chain Management |
| Slovenia | Italian | Local Consultant Training | Twinning | Supply Chain Management |
| Slovenia | Italian | Local Consultant Training | Twinning | Management Information System |
| Uzbekistan | Kazakhstan | Local Consultant Training | Twinning | Brand Development |
| Kosovo | Austrian | Local Consultant Training | Seminar | Quality Management Certification & Examinations |
| Armenia | Armenian | Local Consultant Training | Seminar | BDS providers capacity building in Gegharkunk and Tavush (collaboration with DFID initiative) |
| Azerbaijan | Italian | Local Consultancy Training | Workshop | Market Survey and data interpretation |
| Georgia | Georgian | SME and Local Consultancy Training | Seminar | The seminar on energy efficiency for small and medium sized enterprises, Tbilisi, Georgia (13-14Nov06) |

| | | | | |
|------------|----------|---|----------|--|
| Moldova | Russian | Local Consultancy Training | Seminar | Development of Consultants Marketing Skills (phase II) |
| Armenia | Armenian | SME development - startups | Workshop | Start-up Businesses |
| Armenia | Armenian | University Workshop | Workshop | Start-up Businesses |
| Armenia | Armenian | Jermuk workshop-accounting | Workshop | Marketing & Finance |
| Armenia | Armenian | From Art to Business | Workshop | Marketing & Finance |
| Armenia | Armenian | Benchmarking women-run B&B | Workshop | Hospitality & Food Hygiene |
| Armenia | Armenian | Food Safety seminar | Workshop | Hospitality & Food Hygiene |
| Georgia | Georgian | Regional Workshop "Start your business" | Workshop | Business startups |
| Georgia | Georgian | Women Leadership Programme | Workshop | Business startups |
| Georgia | Georgian | Develop your business Kutaisi | Workshop | Business startups |
| Georgia | Georgian | Rural Tourism in Adjara (Phase II) | Workshop | Hospitality & Food Hygiene |
| Georgia | Georgian | Rural Tourism in Adjara (Phase I) | Workshop | Hospitality & Food Hygiene |
| Azerbaijan | Azeri | Workshop for Gala artisans | Workshop | Business Start-up |
| Azerbaijan | Azeri | Training for Women Entrep. | Workshop | Marketing & Finance |
| Azerbaijan | Azeri | Training for Women Entrep. | Workshop | Marketing & Finance |
| Azerbaijan | Azeri | Workshop in PR Communic. | Workshop | Marketing & Finance |

2. Examples of market development activities extracted from BAS information

All countries (commentary from BAS Management)

All countries believe they are carrying out “dissemination” activities (but, of course, say that they would like to have resources to do more).

BAS has published numerous press releases, maintains contacts with consultants and enterprise associations and local government, organised seminars, workshops aimed at increasing awareness and capabilities of the MSME and consultant community in close liaison with its supporting donors, and presentations at exhibitions/trade fairs and at national donor forums. It is for this very active role of the BAS offices that they have, with no exceptions, gained the respect and excellent reputation not only from the local authorities, NGOs and other international programmes and IFIs, but also from the MSMEs and consultants who have benefited from BAS projects.

BAS is able to get successful projects only by pro-actively going out into the field, visiting large number of potential companies, consultants, local authorities, SME organisations. There are also a number of conferences every year where BAS speaks to broader SME audiences and there are also draft press releases supplied to newspapers and business magazines.

Field visit countries

Moldova

BAS is actively involved in the training and professional development of local consultants. During the first year of the programme, BAS Moldova held two seminars for consultants on the development of consulting skills and organised a “brainstorming” with consultants in order to identify their future training needs. As a result, it is planned to organise another three training events – client company diagnosis, work organisation, and specialised training on marketing.

All the consultants believed that the BAS training events were the best they had attended during recent years, and many mentioned that, taking into account the high quality of training provided, they would consider co-financing in future if necessary. Moreover, after the last training event, some consultants have begun to discuss the idea of institutionalising an “Association of Professional Consultants”, which is a very positive sign and can be considered as a positive BAS impact on the consultants’ market development. BAS sees its role to be a “catalyst” in helping build consultancy capacity, so is contributing by its activities to the professional association creation, but considers that the initiative must come from consultants themselves in order to establish a sustainable institution.

Recently, BAS performed an internal “Training/Knowledge Needs Assessment for Services Industries in Moldova” and is proposing specialised training for selected service industries. BAS is also planning a conference for Moldovan CEOs regarding “Romanian accession to EU and its impact on Moldovan enterprises”.

With regard to information dissemination, there have already been two national conferences and seven provincial conferences during the last year, and many publications/articles in the national/regional press.

Armenia

A municipality BAS project supported Phase I for the creation of a tourism association of a tourism area, as one example of market development in cooperation with the local government in the region.

Central Asia (including Uzbekistan)

Some examples of market development efforts in Central Asia are:

- Support to consultant associations: This type of work, specified by the evaluator as a potential new task in the “Alternative Scenario”, has been ongoing in Central Asia for more than two years. The RPD and UZ NPD are, respectively, on the advisory boards of Kazakhstan and Uzbekistan consultant associations, both of which are member-driven organisations that were founded without donor support. BAS’ advisory role has led to more effective lobbying of consultants’ interests with state agencies in Uzbekistan and to a significant expansion of membership of the Kazakhstan association. Consultants in the Kyrgyz Republic are, after the break-up of a donor-initiated consultant association in 2004, currently not interested in starting a new association.
- Consultant training: Central Asia BAS worked with the St. Petersburg consultant mentioned in the report to develop a consultant training curriculum that was implemented in Kazakhstan and Uzbekistan and replicated in other BAS Programmes. Previous evaluators found the training to be “fully relevant” based on interviews with consultants; the training is to be conducted in the Kyrgyz Republic next year, and the Kazakhstan Association of Business Consultants has consulted with Kazakhstan BAS about making training a central offering of the Association to its members.
- Consulting industry exhibitions: Central Asia BAS has provided extensive advisory support to ConsultExpo, a consulting exhibition held twice in Almaty for consultants throughout Central Asia and scheduled to be repeated in May 2007. BAS provided strategic guidance to the organisers, organised roundtables between consultants and the organisers and marketed the exhibition to consultants and SMEs. The exhibition, run on a commercial basis by ITE Group, a global exhibition organiser, was widely recognised as having positive market impact. The BAS team described BAS involvement in ConsultExpo to the evaluator in detail and provided the exhibition reports, which contain survey data indicating a high relevance and market significance of the event.
- Provincial offices: Developing markets in large countries is a special challenge due to distance and geography. Central Asia BAS has established offices in the provinces (4 in Kazakhstan, 3 in Uzbekistan and 1 in Kyrgyzstan) with the specific intent of addressing market imperfections that prevent regional enterprises from accessing the supply of consulting services concentrated in the business capitals. In addition, BAS provincial offices have, in each city in which they are established, had success in developing – in some cases generating – a limited local market in consulting services;
- Extremely important and time-consuming in the work of BAS teams is providing support for the development of specific types of consulting services; this work does not lend itself easily to brief descriptions – seminars and consultant twinning, to increase the number of Uzbekistan ISO consultants (of which there was one at BAS inception and now seven, one of which was established in Samarkand at the encouragement of the BAS office there) and to transform the consulting market in Uzbekistan to one

dominated by firms rather than individual consultants (at BAS encouragement, the individuals founded firms, making the market more transparent and easier to navigate by potential clients).

- Development of new rural consulting services in Kazakhstan and biogas engineering services in KG.
- BAS Central Asia market development practices were presented under the title “Increasing Business Development Service Supply in Weak Markets” in an international forum at the 7th Annual International Labour Organisation Seminar, Developing Service Markets and Value Chains (held in Thailand in September 2006).

Non-field visit countries

South Caucasus

The BAS Women in Business Initiative began in Azerbaijan in 2004 with a women workshop, run in cooperation with the Soros Foundation, to enable business start-ups and help the growth of established women-owned enterprises. This initiative has been replicated in the other two countries.

Macedonia

Training on Integrated Pollution Prevention and Control (IPPC) for 40 local consultants has been carried out by three BAS-engaged international environmental experts.

Kosovo

Fifteen out of the 25 who attended a BAS course on QMS (Quality Management Systems), will be officially certified from EOQ (European Organization for Quality) and DGQ (Deutsche Gesellschaft für Qualität) for Quality Managers.

Slovenia

TAM/BAS adapted its skills to help with issues directly affecting the environment in Slovenia. BAS contributed to the environmental initiative programme of the EBRD and Global Environment Facility (GEF) to reduce water pollution in the Danube River Basin.

This was highly successful – BAS supported 29 enterprises, 23 of which mobilised €60 million in investments from the Facility.

Expert advisory services were provided to individual companies to address the lack of technical resources and information to

- undertake effective pollution reduction measures
- develop pollution reduction projects requiring investment
- to evaluate if a resulting investment project proposal is appropriate for the size of the company, economically sustainable and/or in conformity with the requirements of Best Available Techniques (BAT) not entailing excessive cost.

Using the basic principles of the BAS model local (or foreign) experts were engaged to conduct various pre-investment activities, for example, process optimisation and wastewater minimisation feasibility studies to ensure cost-effectiveness in the selection of the most appropriate technology introduction of various environmental standards (like ISO 14000, EMAS) and so on.

In addition to providing technical assistance to the beneficiaries, TAM/BAS was directly involved in all stages of the project from preliminary demand assessments to marketing and information dissemination

Replication of this Facility is currently being prepared by Environmental Department and TAM/BAS for five countries in the region and covering industrial energy efficiency and use of small scale renewable.

Annex XIX: TAM/BAS team comments on special study, Business Advisory Services Programme (Regional)

[The following is a verbatim comment from the TAM/BAS team.]

BAS Management has welcomed the in-depth study of its operations during the period 2000-2005 and the recognition of its value, in that it is rated a “successful” programme. Here are Management comments on the report.

Executive summary

The Executive Summary only partially summarizes the conclusions of the Main Report, not conveying in full the evaluations’ measurements of the success and benefits of the Programme. Main Report findings such as *92 per cent of BAS projects result in implementation of recommendations; 96 per cent of enterprises report that BAS made a positive difference to the success of the business; 78 per cent of consultants report that BAS helped strengthen their ability to manage projects and/or their businesses* are not to be underestimated and should therefore be included in the Executive Summary. Furthermore, the ramifications of the established framework for BAS within the Bank on strategic planning and objective setting are not accurately reflected.

In this respect, the importance of the TAM/BAS Strategic and Operational Plans, which have been prepared since 2004, should be emphasised. These are stand-alone, 3 year forward looking documents which are approved by the key BAS stakeholders - the Bank’s senior management, the Executive Committee, the Board, and Donors. The Plans identify very clearly the two strategic objectives of the BAS programme- *assisting private enterprises and developing the local business consultancy markets*.

Well-defined objectives and flexibility in operation have been key assets in allowing BAS to design and structure its programmes in a way to address the specific needs of individual markets and Donors. Similarly, the structured local, regional and headquarters underpinning of operations is, and has been, a crucial part of its success. BAS Regional/Programme Directors are directly responsible for the development and maintenance of the high quality and integrity of BAS field operations and projects. Their role goes well beyond the recommendation of personnel to be appointed. It is to mentor and closely monitor the performance of field staff throughout the life-cycle of a BAS project and to bring in-depth business knowledge and vision in the programming and execution of market development activities. Their experience and functions are invaluable, and Regional Programme Directors cannot be phased-out.

By combining market development activities with grant projects, BAS plays an active role in reaching underdeveloped or early stage segments of the consultancy market, raising enterprise awareness through seminars and workshops, raising consultant skills through training and workshops or linking them with external firms experienced in the field. BAS Management and field staff provided extensive information on these market development aspects of BAS activities, both during the evaluator’s visits and as a part of the commentary to the initial draft report. These experiences have not been reflected in the Main Report, or in the Executive Summary.

Further, it is surprising that the questionnaires to the consultants and enterprises only marginally addressed this component of the BAS Instrument, which has subsequently received a high level of attention from the evaluators.

BAS is clearly **not** a mere “grant disbursement machine”. Market development, together with the constant over - performance in the delivery of strategic, operational and funding targets set out in the agreed BAS strategy, have triggered the increased support received from funding Donors and the Bank, and have enabled the growth of the Programme in recent years.

Governance and management

It is surprising that the governance and management procedures for TAM/BAS which were in place for five of the six years under review are relegated to one paragraph as a footnote.

From its inception until 1999, TAM/BAS Managing Directors reported to the EBRD First Vice President, through an Operations Leader. From 1999 to 2004, the TAM/BAS Managing Director reported to a non-banking Vice President. In 2004, the TAM/BAS Managing Director’s reporting line moved to the Business Group Director of the SEECCA Group.

In 1993, the Bank set up a TAM (later TAM/BAS) Supervisory Board. This Board comprised Bank senior management as well as representatives of key donors. Until the end of 2004, there were twice yearly meetings of the Supervisory Board and 23 meetings in total had been held, but no meetings have been held in 2005 and 2006. The papers presented at the meetings and the minutes of all meetings were widely circulated to the donor community and to all relevant Bank departments.

All stakeholders have therefore played a strong role in the strategies and operations of TAM/BAS. This is particularly important with regard to Donors, because they were supporting the total costs of the programmes, including management and support staff salaries, rent, and “service” costs charged by the Bank, in addition to all the costs of the field programmes.

Section 8: Recommendations

8.1 Strategic objectives

EvD: Strategic objectives need streamlining and consolidating throughout the Programme.

TAM/BAS: BAS strategy and objectives have not become unclear over time. Rather the gradual integration of TAM/BAS within the Bank since 2004 has consolidated BAS strategy and objectives and has provided BAS with a clear context in which to operate within the Bank. Since 2004, there has been an obvious progression to formalise the linkages and support of BAS to the Bank’s financial instruments. Similarly, the Programme has been widening and evolving in discussions with all BAS stakeholders, including donors, and these have been formalised in the Strategic and Operational Plans approved yearly by the key BAS stakeholders - the Bank’s management, the Executive Committee, FOPC, and Donors. The increased support from donors, and the constant over-delivery of the targets set in the documents provide evidence of such a trend.

8.2 Strategic planning

EvD: It follows that a BAS strategic plan (as distinct from an umbrella combined TAM/BAS plan) should be developed and led by revisited strategic objectives of BAS, as agreed between stakeholders.

TAM/BAS: This recommendation opposes the thrust over the last two years, driven by Bank senior management and Donors, for the TAM and BAS programmes to become even more closely linked. This is because TAM/BAS is an institutional capacity building programme, fostering transition through a two-pronged, inter-linked support Programme covering TurnAround Management (TAM) and Business Advisory Services (BAS). The EBRD's MSME strategy visibly identifies TAM/BAS as programmes providing non financial development assistance for private enterprises in the SME sector.

8.3 Secure Funding for BAS

EvD: Donor support should be explored for establishing a "BAS Fund".

TAM/BAS: This has been done in recent weeks and those individual Donors who have been involved so far in separate discussions do not see any potential benefits accruing to them from establishing a BAS Fund. They wish to have clear "ownership" of their individual BAS programmes and also want to be involved in strategic planning overall and close monitoring of their own-funded programmes.

On the other hand, the Donors agree that the Bank's provision of BAS funding for some of the management costs of the BAS field programmes is a strong incentive for them to continue funding the BAS programmes. They also agree that Bank funding for geographical "gaps" in the overall Programme to fully align the programme with the Bank's strategic objectives, and approved by all BAS stakeholders, would enable a longer term vision in the setting of strategic objectives. These gaps at present, where Donor funding is not available, are Russia (except Far East funded by Japan) and Ukraine.

8.4 Financial control and cost efficiency

EvD: There is an urgent need for management accounts (against budgets) that present reliable information on how much it costs to implement BAS in relation to grants disbursed.

TAM/BAS: The overhead costs of direct BAS management in London are available, and presumably similar information can be obtained from other departments if the Bank wishes to establish the full extent of costs absorbed throughout the Bank.

The Bank has now eliminated project support cost charges to Donors, so that 98 per cent of Donor funding for BAS now goes directly into field programmes, compared with around 88 per cent earlier. The Bank, in 2006, assumed €1.65 million of fixed costs for the management of BAS which would previously have been paid by Donors.

In terms of financial control within TAM/BAS, management accounting has reflected the Bank's and Donors' operational and audit requirements, and stewardship and project expenditure control has been of a high order.

Whilst cost efficiency is under constant review, as seen with the recent headquarter restructuring, financial controls could be made more efficient with the introduction of an IT based management information system for BAS. The Bank's contribution to this end is critical.

8.5 Operational strengthening

EvD: Under the current BAS model, there is room to strengthen core functions and skills.

TAM/BAS: The structured local, regional and headquarters underpinning of operations is and has been a crucial part of the Programme's success, enabling rapid and effective decision making. The benefits of developing core expertise and links with the Bank have always been a central element in the development of BAS. This will continue.

8.6 Programming and indicators

EvD: The current programming and implementation model for BAS is input/output based, which is also reflected in the approach to indicators of achievement, but which should go beyond striving for higher level aspirations.

TAM/BAS: Programming operations have clearly been evolving over a long period. Achievement indicators have also advanced. Recently, BAS management has been actively collaborating with the Office of the Chief Economist to ensure the programme's forefront in the field of impact measurement of its primary instrument. Funding for the impact study to be carried out by the University of Berkley is currently being sought. Moreover, BAS uses log frames in many of its programmes.

8.7 Other recommendations

Several "operational type" recommendations (not covered above) were made in the main report. Here are TAM/BAS management responses.

EvD: Programme Directors could be contracted on a framework basis, which could be called down as needed and any surplus budget at the end of the period reallocated to projects.

TAM/BAS: The present contracting system is in line with the recognition that Programme Directors are a key underpinning of the high quality and integrity of BAS field operations and projects.

EvD: Bank and BAS management might wish to consider the financial implications of hub proposals in the light of Chapter 5 concerning the BAS cost structure.

TAM/BAS: The current management models for BAS in Central Asia and the South Caucasus are entirely relevant and effective in maintaining the quality and integrity of the programmes and will remain. The new proposals for enhancing intra- and inter-regional programmes are cost neutral overall but will relieve Donors of some overhead costs.

In the Western Balkans, where the Central Asia model was initially tried when the Programme was set up in 2000, but quickly found to be unsuitable for both political and business reasons, the current model of individual Programme Directors (non resident, 4/5 days a month) was introduced and has been highly successful. The approach was under review at the time of the recent Capital Resources Review and proposals were developed for moving towards the Central Asia model. This will begin soon and has to be implemented carefully.

EvD: Payback analysis is a standard business tool utilised prior to commissioning consultancy and BAS may wish to consider incorporating payback analysis into its process both as a tool for BAS and as a skills development component for enterprises.

The UK Enterprise Initiative tracked value added at the enterprise level in relation to the cost of implementing consultant recommendations (indirectly generating a pay back calculation), use of consultants and the extent to which businesses had fundamentally changed their approach to the business area concerned. These indicators could all be relevant to BAS.

For tracking changes in attitudes beyond the completion report, BAS may wish to incorporate market behaviour indicators in future, for example use of consultants without a financial subsidy.

TAM/BAS: Objectively Verifiable Indicators for BAS activities are currently being further developed jointly with OCE. These include project payback analysis, value added and other indicators which may be relevant. Those in the UK Enterprise Initiative will be considered, as will the other suggestions made by the evaluators.

EvD: Where professional associations do not exist, BAS could encourage their formation. Where they do exist, BAS could support capacity building. Consultant accreditation, maintaining a consultant database, tracking consultant performance, matchmaking, contributing to project development with model contracts and templates, codes of practice, dispute resolution, professional development support (e.g. identifying courses, seminars etc) are all typical functions that would be provided by consultant or trade associations in developed economies and provided independently of grant support. BAS embodies many of these skills and functions and could be involved in disseminating them to selected partners over time, which it is not at present. Replicating these skills in selected partners could yield market impacts beyond what BAS can achieve alone. This should also be thought about when asking what would the Programme leave behind once it closes down (for whatever reason that might be) and beyond the relatively small number of SMEs that benefited from the Programme as discussed above.

TAM/BAS: The issue of professional associations is a worthwhile but complex task, and would result in a more permanent regulatory BAS presence than is currently the case. The evaluators point out that BAS has the skills and functions needed, but unfortunately, at present BAS does not have the required resources.

EvD: It is national policy makers and business support service providers who must take up the long term challenge of raising enterprise competitiveness and there are opportunities for BAS over the life of a programme to work with national partner programmes. The type

of enterprise support activities undertaken in BAS are highly pertinent to business support / enterprise development agencies, which could have much to learn from the BAS instrument methodology and process. As with sector associations, matchmaking enterprise needs to consultant support is a basic service that an enterprise agency should be able to provide, ideally coupled with effective diagnostics. It is common too for business support mechanisms to implement grant schemes funded out of national or international programmes and here too there may be opportunities to help build the capacity of potential partners particularly in candidate countries with access to pre-accession programmes.

TAM/BAS: The incorporation of more institution building in programmes would be considered if resources were available, since again, BAS has important competencies to offer. However, this would need the approval of the Board and Donors and it is important that the focus on the core of BAS programmes, which has led to the eminence of BAS and its credibility for institution building, should not be diminished.

EvD: There are unrealised opportunities for BAS that would bring it closer to long term sustainable development via market development. This therefore begs the question, what is' it that stakeholders want from the BAS programme, which in turn must be the driver of measures of success.

TAM/BAS: Current BAS objectives are clearly defined and shared by all stakeholders. If BAS stakeholders' consensus were to be changed, BAS would respond positively.

EvD: A stronger diagnostic procedure, staff development and coordination with the RO over probity or perhaps EBRD Environment Department of an environmental module, would reduce further the incidence of projects that were not consistent with BAS or Bank objectives.

TAM/BAS: On the issue of probity, it is important to note that BAS grants and clients are small and the diagnostic process must be kept in proportion. As indicated by the evaluators, there have been no concerns on this issue.

EvD: BAS could be far more discerning in its use of second projects.

TAM/BAS: Repeat projects are always assessed on a case-by-case basis and relevance to BAS objectives.

Comments on the executive summary

Incorporation of the following suggestions would improve the executive summary.

| |
|---|
| 1. Introduction |
| 2. BAS overview <ul style="list-style-type: none">• Strategic objectives of BAS: The importance of the Strategic and Operational Plans existing since 2004, approved by the key BAS stakeholders - the Bank's management, the Executive Committee, FOPC, and Donors, should be emphasized• BAS impact potential does not appear to be a summary of what is included in 2.1.3. <i>BAS Impact Potential</i> which describes in Table 1 the substantial potential range of opportunities which are reviewed later. The issue of 'demonstration effect' is a meta level impact and is introduced without explanation of the underpinning activities.• Some important issues in 2.2 <i>Consistency with EBRD objectives</i> (for example, the contribution of BAS to EBRD objectives) should be incorporated in the Executive Summary.• BAS activities 2000-05 should include a reference to donors, and their impact on the programmes that they have financed 100% until the end of 2004 and more than 90% since. |
| 3. Management of the BAS instrument <ul style="list-style-type: none">• BAS and bank operational integration: The second sentence should be deleted or the reasons/ relevance explained. Is it the Director and/or the six-monthly stakeholder meetings?• Programming: The paragraph should be rearranged. Clearly sentence 3 '<i>The programmes...</i>' should come first, and mention should be made that the instrument, when chosen by donors, is a part of <u>their</u> planning cycle, included as an activity in their log frame. Historically, this is the setting for donor-driven BAS programmes. The task now is for EBRD to provide new strategies and funding with the expectation that BAS will respond in a similar, positive way.• Financial control: Although the evaluators found it '<i>difficult to understand...</i>' they should state that, in practice, <u>actual project financial controls</u> have meant no overspending and have maximised the use of donor funds. |
| 4. BAS impacts over the period <ul style="list-style-type: none">• BAS impacts over the period: Clearly BAS projects have contributed to capacity building in each country. However, capacity building is generally in support of national objectives, and these are far more difficult to secure through trilateral discussions (BAS, donor, national government). Capacity building is an expensive medium-long term objective which needs a medium-long term instrument and donor, which, through recent steps taken by the EBRD, may be possible in future (and this should be stated). |
| 5. BAS implementation costs |
| 6. Alternative scenario for BAS <ul style="list-style-type: none">• Alternative scenarios for BAS: It is not clear to whom this is addressed. The BAS instrument is a tool and, since the field programmes are 100% donor funded, is reactive to donors' needs. If this is addressed to the EBRD (or other donors) this should be stated to give the scenario some status. The market development successes described to the evaluators on their field visits, and which have contributed to this "alternative scenario", should be clearly acknowledged. |
| 7. Conclusions/overall assessment of the BAS instrument |

Annex XX: Management comments to Business Advisory Service Programme

Management welcomes the special study and its main conclusion. The results clearly show the success of the BAS Programme in meeting its objectives, which are established with the Bank management and donors in line with their priorities and expectations of the Programme.

Management also welcomes the constructive and good consultation between the Evaluation Department and the TAM/BAS Team.

With regard to some of the specific recommendations, the Bank management would like to highlight the specific comments by the TAM/BAS Team in Appendix XIX. The main points are:

1. Some of the recommendations have already been implemented during 2006 in the context of integration of TAM/BAS in Banking and enhanced linkages of BAS with the EBRD MSMEs Strategy, individual country strategies, the Bank's assumption of the TAM/BAS HQ-based costs and the EBRD procedures. The proposed 2005-2007 Strategic and Operational Plan for TAM-BAS will pursue further efficiency and linkages where feasible, while respecting donors' own requirements and objectives.
2. The BAS objectives and overall strategy are agreed with each donor and have been updated and outlined in the three-year TAM-BAS Strategic and Operational Plan adopted in 2004. There should not be a separate BAS strategic plan. The current approach of developing a 3-year rolling TAM/BAS Strategic and Operational Plan for two closely interlinked programmes, with annual detailed operational plans for TAM and BAS separately flowing from it, should remain. Consultations and discussions with all the donors will be held annually.
3. Based on the many successful activities concerned with "market development", described to the evaluators by the BAS Management and personnel during the evaluators' visits, the evaluators conclude that BAS has the skills to add substantially to the current design and objectives of the Programme. The Bank Management and donors will consider such a broadening of the objectives of the Programme, but this will require additional resources. The Bank and donors may decide that any extra resources would, however, be better used on expansion of the current approach. It is the simple overall strategy of working with individual companies which has, after all, given the results, reputation and credibility to the Programme which would allow it to fulfil a broader mandate.
4. The role of regional/programme directors is a key to the success and to the future of the Programme. The Bank management do not support the alternatives put forward by the evaluators, although the present structure in the Western Balkans will be brought more into line with that in Central Asia and the Caucasus.
5. Currently, the majority of donors do not wish to have a separate multidonor fund for BAS – they prefer full "ownership" of their individually funded BAS programmes.