

Statement of Work

Evaluation of Firm Level Assistance Group (FLAG) Program in Bulgaria.

A. Introduction

The focus of this evaluation will be Firm Level Assistance Group (FLAG) program in Bulgaria, which focused extensive technical assistance towards small and medium sized private enterprises and private sector growth in Bulgaria. The FLAG program is implemented by a Consortium of US PVOs and one university, and has been operational since April 1997. This evaluation should cover and assess program implementation from April 1997 to date. The FLAG program contributes to USAID/Bulgaria Strategic Objective (SO) 1.3 "Accelerated Development and Growth of Private Enterprises in a Competitive Environment."

A.1 Background

In response to a call from USAID to assist Bulgarian private firms to grow in a competitive environment, USAID contractors and grantees came together in late 1996 with a new concept, a focused strategy, and a highly efficient model for providing business services to the Bulgarian private sector. They decided to pool their resources, skills, and experience in order to offer better service to clients and to improve reach and impact. The consortium became known as the Firm Level Assistance Group (FLAG). The organizations developed a team charter, a unique organizational structure, tools, policies and procedures and were funded through individual Cooperative Agreements.

FLAG has worked successfully on facilitating private business growth in target sectors by focusing on such Bulgarian SME problem areas as: limited capability in market-oriented product development, low productivity and inexperienced management, limited market information and access to foreign markets and sources of financing, lack of sophisticated corporate governance and business planning skills, inadequate accounting systems and financial management, and the slow-pace of structural market reform.

To date, FLAG has delivered 1,431 direct technical assistance interventions (1,147 to small and medium-sized private firms, 132 to professional and business associations, 57 to consulting companies, 54 to Intermediary Support Organizations, 26 to privatization funds and holding companies, 15 to pension funds). In addition, FLAG has provided numerous piggyback assignments and assistance projects.

In order to monitor its performance, FLAG developed a well-designed performance monitoring system to provide USAID with data on impact indicators on quarterly basis. The monitoring data shows that FLAG has performed well against targets. Some of the key results achieved under the FLAG program include:

- \$44,967,838 worth of joint ventures and business linkages established;

- 39 business plans have been developed with a total of \$25,514,654 committed for financing private firms in the agribusiness, light manufacturing, construction and tourism sectors
- More than 5,004 new jobs have been created and close to 20,000 jobs have been retained
- 15% increase in exports for client companies
- 13% increase in domestic sales for assisted firms
- 71 companies have adopted international industry standards

Over the years FLAG program have evolved in response to the changing environment. After the initial firm-level technical assistance and training to small and mid-size private firms and newly privatized enterprises through cost-effective services, FLAG focused its support of the Business Associations (BAs) and other Intermediate Support Organizations (ISOs), thus aiming at broader impact through their overall customer base. The lack of thriving private sector in enabling economic environment, however, led to exhausting the opportunities for impact through the Business Associations and the other ISOs, as they practically reached the point of saturation in attracting new members. In response to the changing environment and in an effort to exploit the synergistic benefits of joint operations, in April 2000 FLAG adopted an enhanced assistance approach, aimed at increased impact and an increased return of assistance efforts invested, by focusing on competitive industry groups and cluster-level assistance.

Based on hands-on experience and in-depth knowledge of sectoral comparative advantages, FLAG selected sectors and formed groups and clusters of leading firms to be assisted in enhancing competitive advantages and export promotion through focused and intensive interventions. The ultimate objective of this new effort and approach is to improve competitiveness of these clients, which will result in sizable increases of their exports. In achieving its mission to promote exports, FLAG has established a Trade Development Center, which is now the main service delivery mechanism for promoting trade and regional integration.

A.2 Information Sources

The contractor shall review all project documents and any other additional sources relevant to the evaluation. USAID will provide the Contractor with the following non-exhaustive list of available information sources, to be examined by the evaluation team at minimum as sources of the most essential information:

1. Cooperative Agreements # with UD, IESC, and ACDI/VOCA.
2. Quarterly Progress Reports on FLAG program implementation
The methodology of performance monitoring and the reported data will facilitate the evaluation work as the team shall use the data reported without any need to collect it.
3. Annual work plans for FLAG program implementation
4. Available reports or studies produced by FLAG.
5. Various conference reports and materials produced under FLAG.

6. FLAG Web site resources and monthly newsletters
7. The 1997 USAID study : “A comparative Assessment of specific aspects of USAID Program to Develop SMES in Bulgaria, Poland, Russia and Ukraine
8. USAID/Bulgaria-funded Survey on FLAG-assisted Business Associations and private firm customers, completed by a local economic research institute in 1998
9. Survey on impediments to Private Sector Growth, commissioned by USAID/Bulgaria to a local think-tank in spring 1999.
10. Most recent USAID surveys and assessments - SME (October 2001 by Jim May), Agriculture (December 2001), etc.

B. Objective of the Evaluation

This evaluation has the following principle purposes:

1. To assess the impact of FLAG program in order to determine whether activities are achieving overall objectives and program scope, and to verify the impact information as collected and reported by FLAG.
2. To examine the FLAG performance, program management and implementation.
3. To assess the overall Efficiency of the FLAG mechanism over the years.
4. To provide recommendations regarding potential future demand and further assistance.
5. To comment on the FLAG program sustainability and replications of benefits to firms

This evaluation should analyze both strengths and weaknesses of the FLAG program. The evaluation team should closely examine various types of activities implemented under the program to determine whether FLAG approach, as currently designed and implemented, is able to effectively address private sector needs as well as assist SMEs and competitive industry clusters in Bulgaria.

C. Statement of Work

This evaluation should address but would not be limited to the following question areas:

- (I) Is FLAG as currently designed and implemented meeting the overall goals and objectives of the program?
- (II) Do implementing organizations and FLAG Administrative Support Division adequately fulfill their managerial and administrative roles?
- (III) What sort of improvements can be made in case of any potential future programs?

C.1 Specific Task/Work Requirements

The team will be expected to provide answers to the following list of specific questions which is not meant to be exhaustive, but illustrate some issues that should drive this evaluation.

(I) Is FLAG as currently designed and implemented meeting the overall goals and objectives of the program?

1. Are goals adequate and achievable within the current economic environment and macroeconomic setting?
2. Are results tangible and realistic?
3. Do program activities address major constraints and impediments for SMEs in Bulgaria?
4. Is the program successful compared to similar programs implemented by other donor agencies?
5. What models could be suggested that would lead to sustainability of the firm level assistance efforts?

(II) Do implementing organizations and FLAG Administrative Support Division adequately fulfill their managerial and administrative roles?

1. How do organizations perform relative to the requirements of their cooperative agreements?
2. Is ADS adequately fulfilling program reporting and administrative requirements in a timely manner?
4. Since inception, how flexible has FLAG been in responding to changing conditions and contingencies?
5. Has FLAG adequately monitored client performance under the program?
6. How successful has FLAG been in promoting FLAG program and in disseminating information?
7. What role has FLAG's US based staff and headquarters played in this program? Had home offices added sufficient value to the program?

(III) What sort of improvements can be made in case of potential future programs?

1. What are the main strengths of the program?
2. What are the major constraints facing the program?
3. How can these constraints be addressed in the design of a follow-on program?
4. What are the lessons learned that can be drawn from this program?
5. How can USAID better use FLAG model in Bulgaria and the region?
6. Is it desirable to continue implementing this program as Consortium type organization? What are the benefits of using a Consortium organization? What are the drawbacks?
7. What are the greatest accomplishments/success stories from this program?

C.2 Evaluation Method

The contractor will conduct a literature review and a draft plan for undertaking the research, which will be submitted to USAID for review. The contractor will not proceed to the next phase until USAID has reviewed and approved the workplan.

FLAG will provide the evaluators with a matrix of the firms assisted, divided by number of businesses by industry sector, year in which assisted, number of TA assignments received, and geographic distribution. FLAG will also provide data on BAs and ISOs assisted, number of TA interventions received and geographic distribution, to be taken into account with respect to related impact on the businesses/Industry clusters without making the BAs/ISOs a target of the evaluation.

The Contractor shall specify and explain the methodology to be used in the initial proposals. Further, the evaluation team in close coordination with USAID/Bulgaria ERGO will finalize the overall evaluation methodology. USAID expects that at a minimum the evaluation team will:

1. Review and analyze existing performance information.
2. Interview relevant USAID staff, implementing organizations, other donor institutions and multilateral agencies working in that area, and a representative sample of client companies that have received technical assistance under FLAG programs.
3. Interview relevant representatives from the home offices (UD, IESC, ACDI/VOCA).
4. Interview various government counterparts and agencies.
6. Conduct a field trip, visit and interview a representative sample of client firms located outside of Sofia.

The evaluation team will select a sample group, that represents each of the factors (industry sector, location, number of TA assignments received, and time of assistance.) FLAG may recommend firms, including both successes and not so successful firms/associations, but the evaluation team will select the final sample to be visited.

Since FLAG has collected significant impact data on the firms and associations, the evaluation team will not repeat data collection on these indicators. The team should see the visits to the firms as case studies that

- a. verify the impact data reported to FLAG and
- b. examine, through the eyes of the firm managers and association/support organizations, the process of how FLAG assistance helped them change, i.e. What did the TA do that helped you, what changes have you made in the way you do business. The outcome is to be able to distinguish between changes made because of the TA and changes due to other factors.

Gender : The evaluators shall disaggregate data by men and women when analyzing the people level impact of the FLAG programs over the years and shall evaluate the different impact of the programs on men and women.

D. Schedule

Approximately three to four weeks are estimated to complete this evaluation with an assumption of a six-day workweek. A proposed work schedule is to be prepared by the contractor, which would be discussed and modified upon review by USAID/Bulgaria.

E. Timing and Period of Performance

Work will be executed in the following stages:

STAGE I (1 week) Preparation in the US – Desk reviews of Documents
Preliminary research and preparation; adjusting tools and methodology, meetings in the US (USAID/Wash. D.C. and headquarters). Development of a workplan for electronic submission to USAID for approval, and subsequent scheduling appointments in country

STAGE II (2 weeks)
In-country evaluation, meetings and writing up draft report. This will also allow including in person briefings and presentation of preliminary findings and recommendations. Analyze results, weigh conclusions and prepare preliminary report of findings for presentation to USAID/Bulgaria.

STAGE III (1 week)

Drafting of final report for USAID review, comments and approval.

This task order is scheduled to commence no later than June 17, 2002. First draft of the preliminary findings is due to USAID/Bulgaria three weeks after the commencement of the task order. Final report is due to USAID/Bulgaria not later than four weeks after the commencement of the task order.

TEAM COMPOSITION AND STAFFING

A team comprised of three US consultants will carry out the evaluation with one of these experts acting as team leader. Additionally, support local (Bulgarian) staff person/s will support the team as an interpreter/s and logistics coordinator/s. The members of the team will be as follows:

- **Team Leader:** Responsible for coordinating and directing the reporting effort, including preparation and submission of the draft and final report. The incumbent should have extensive overseas program evaluation experience, including USAID experience in the Central and South Eastern Europe region, and demonstrated experience in evaluating SME activities.. He/she must be thoroughly familiar with techniques of program appraisal. As team leader, the incumbent should possess excellent organizational and team-building skills.

- Two SME and Private sector experts: Must possess both overseas and evaluation experience and be familiar with USAID programs in the areas of economic growth and SME development. Also, the 2 experts shall possess:
 - a) demonstrated knowledge of and substantial experience working with SMEs in Central and South Eastern Europe;
 - b) knowledge of the business environment in Bulgaria;
 - c) demonstrated experience in organizational development/management, and demonstrated skills in monitoring and evaluation of small business activities. d. experience in SME finance.

These consultants should have a combination of economic background, consulting experience and SME development skills. If possible, these consultants should also have experience in SME finance.

- Interpreter and Logistics Coordinator/s: (The Evaluation team should decide on the permanent or part-time interpreter, one or more persons, depending on the intensity of the interview schedule and, potentially the team language skills in Russian/ Bulgarian). He/she should have knowledge of terminology related to small business activities. He or she will be responsible for translating discussions with Bulgarian entrepreneurs and government officials, as well as any Bulgarian language documents provided to the evaluation team. Experience in simultaneous translation is desired. This person will also be responsible for all necessary actions as a Logistic Coordinator (i.e. schedule, meeting arrangement, transportation, etc.).

DELIVERABLES

The final report shall include an overall assessment of the issues listed in the section “Objective of the Evaluation” and will address the questions listed in the section “Statement of Work”. Other information to be included in the report will be determined in consultation with USAID staff over the course of the evaluation.

The final report shall be submitted to USAID/Bulgaria electronically in MS Word ’97 compatible format as well as five hard copies, which will be submitted towards the completion of this task. The outline and format of the report proposed by the contractor shall be approved by the Evaluation Coordinator at the beginning of the evaluation. The evaluation report will primarily be for internal use by USAID project management unit. It may, at USAID’s discretion, be disseminated to outside partners if deemed appropriate.

Final Report (product)

The team will submit a final report containing an executive summary, overview, analysis, and recommendation section. A presentation to key USAID staff and draft report will be provided to the Mission prior to the team’s departure from Bulgaria. Final version of the report in electronic form (software application compatible with MS Office 97) and five

paper copies must be delivered to Nora Ovcharova at USAID/Bulgaria in Sofia, for USAID Bulgaria review and comments within 10 working days after the submission.

RELATIONSHIPS AND RESPONSIBILITIES

The contractor will report to a team of : Nikolay Yarmov as the FLAG main liaison and Nora Ovcharova as the CTO for this Delivery Order. Designated USAID/Bulgaria staff will review all reports and appointments as necessary.

SPECIAL PROVISIONS

Gender Issues - The Contractors shall evaluate and comment on the different impacts of the FLAG programs on men and women and the methods for measuring these impacts

Work locale and logistics - Work will be conducted in both Bulgaria and the US. The contractor will be responsible for arranging all necessary support and logistics associated with this Task Order.

Languages - All reports by the Contractor shall be submitted the English.