

UKRAINE BUSINESS INCUBATOR ENVIRONMENT ASSESSMENT

ANNEX A

Scope of Work

A. Background Summary

In 1997, \$5 million was earmarked by the U.S. Congress to be used for funding of business incubator activities in Ukraine. Although business incubator activities were not identified as a strategic program area within the business development portfolio, USAID/Kyiv issued a Request for Applications from interested parties to participate in the establishment of small business development incubators in Ukraine. In October 1997, USAID/Kyiv awarded grants of the total expenditure amount of approximately \$4,700,000 to two U.S. nongovernmental organizations: Counterpart International and Loyola College. Counterpart International established a business incubator in Lviv under the name “Counterpart Meta Center.” Loyola College established two business incubators, one in Kharkiv and one in Kyiv, under the name “Business Incubator Development Program.”

The focus of the incubators is on providing business skills training. In addition, the centers also offer the following assistance:

- Small business incubator facility
- Micro credit loan programs
- Extension of services of lending, training, and equipment

In addition to USAID funded incubators, numerous small locally funded incubators have been established in Ukraine. Also, other international donors have investigated the possibility of establishing business incubators. The International Renaissance Foundation, funded by Soros Foundation, has been reviewing the overall business and economic environment for the establishment of business incubators.

B. Purpose of Assessment

USAID/Kyiv would like to formulate a Mission policy regarding the support of future business incubator development in Ukraine. The purpose of this assessment will be to assist USAID/Kyiv in understanding the current overall environment for the growth and sustainability of business incubators in Ukraine, and provide recommendations for the formation of the Mission policy.

The team will assess the two current USAID-funded business incubator programs and other selected business incubators in Ukraine. In addition to the questions noted below, comparisons should be made between the USAID-funded business incubators in Ukraine and business incubators in other countries, including Poland. The team will compare the USAID-funded business centers in Ukraine with other business incubators in Ukraine and in the region to note

any similarities or differences. A report including results and recommendations from this assessment may be used to develop a Mission policy.

C. Specific Tasks

The team will conduct an assessment of the overall economic environment for the establishment and growth of business incubators in Ukraine and prepare a report summarizing the general findings of the assessment and detailing the conclusions drawn. The assessment activity will include reviewing all relevant information that has been prepared and assembled; interviewing all key parties involved in business development specifically in the business incubator sector; compiling any additional materials that may be necessary to support any recommendations.

Specifically, the team will assess the two USAID funded business incubator programs and at least two other business incubator programs in Ukraine. The assessment will review the overall financial, technical, and managerial sustainability of the business incubator institutions in Ukraine. The assessment will include a comparison of Ukrainian business incubators with other business incubators in Eastern Europe, including Poland. Specific questions to be addressed include the following:

C1. General Operations

- Has the business incubator assisted with the expansion/growth of the clients served? (Interviews with current tenants/clients should be conducted.)
- Are services market-oriented? Has or does the business incubator have a niche or competitive advantage over other business incubators and business centers in the region/city? Does the business incubator have a marketing plan?
- What are the major constraints facing the business incubators? Has the business incubator identified these constraints and worked on overcoming them?
- Has the business incubator developed a system for monitoring and evaluating its overall operations? Does the business incubator effectively use its system to manage the activity?
- How many jobs have been created from services provided?
- How many enterprises have “graduated” from the incubator?
- Have business incubators assisted their enterprises with obtaining credit? If yes, how?

C2. Physical Incubators

- How many desks have been rented? How many offices? Is the physical incubator cost effective compared to available similar commercial space and the costs of operation of the business incubator?

- How many jobs have been created from businesses within the incubator?
- Are rental costs of desks/offices in the incubator competitive with local similar space available in the local market?

C3. Sustainability

- Is the incubator financially self-sustaining? If not, how close is it to becoming so?
- What is the business incubator's approach to cost effectiveness/cost recovery/cost sharing; what seems to be working best/least well.
- How effectively are the assets being utilized?
- What is the percentage of costs/expenses being covered by revenues?

C4. Business Service Market

- What advantages, if any, do these incubators have over other business service providers?
- How do incubators serve clients in ways different from other business service providers?

C4. Staffing

- What is the strategy of the program in developing the capacity of local Ukrainian staff to take over the program activities at the end of USAID or other donor funding? Is it effective? How are management responsibilities being transferred to Ukrainian Staff?

C5. Gender Issues

- How has the business incubator analyzed gender issues?
- Does the business incubator have an understanding of the issues of women in business?
- Does the business incubator's work-plan effectively integrate gender considerations/issues?
- How have the business incubator's activities integrated gender considerations/issues?

C6. Linkages

- Are the programs developing linkages with other similar programs, such as those funded by the local government, USAID, and other donors? If yes, how are these linkages being made?

D. Team Composition

The team will consist of two people -- one American Business Incubator Specialist, who will serve as Team Leader, and a Business Incubator Specialist from the NIS or CEE regions. The individuals shall have the following qualifications:

D1. Team Leader - American Business Skills Development Specialist

The team leader should be a senior specialist with 10 or more years experience in the area of business skills development including business incubator experience. He/she should have demonstrated project evaluation/assessment experience including leading a team effectively and producing a quality report. He/she should have excellent verbal and written communication skills. Experience with USAID's small and medium enterprise activities in ENI region is required. Russian or Ukrainian language ability is desirable, but not essential.

D2. Regional Business Incubator Specialist

The Regional Business Incubator Specialist should have substantial experience in one or more of the countries of Eastern Europe or the Newly Independent States on business incubators programs or related activities. Familiarity with the experiences of other Central and Eastern European countries in the development of incubators is preferred. Fluent verbal and written English is required. Russian or Ukrainian language ability desirable, but not essential.

E. Methodology/Level of Effort

1. Prior to departure to Kyiv, the team leader will have one day in the United States to hold meetings with the various USAID personnel including the representative from USAID's Center for Development Information and Evaluation (CDIE) to review USAID's activities in the business skills development sector including business incubators. The Regional Specialist will have one day in his/her home country of origin to do any required research on business incubator development.
2. The team will develop a work plan, including additional or modified questions to be addressed during the assessment in Ukraine. The work plan should be completed by the close of the second working day in Kyiv, in consultation with USAID/Kyiv. The representative from CDIE will be in Kyiv when the team arrives and provide preliminary research information regarding business incubator programs and assessments. The USAID/CDIE representative will work with the team to develop the work plan, questionnaires, and approach to the assessment.
3. The team will spend a total of four weeks in Ukraine conducting the assessment and preparing the draft report. The team shall travel to Kharkiv and Lviv to view programs in those cities as well as programs in Kyiv. A six-day workweek will be required while in Ukraine. The USAID/CDIE representative shall travel to Lviv with the team to review and assist with assessment process.

4. The team will conduct interviews within Ukraine with appropriate business related USAID implementers and/or activity managers, including:
 - Counterpart Meta Center in Lviv
 - Loyola College – Business Incubator Development Project in Kyiv and Kharkiv
 - DAI/NewBizNet Project
 - IFC Business Center Project
 - International Renaissance Fund – Incubator Project
 - Appropriate Ukrainian Government Organizations
5. After receiving final comments from USAID/Kyiv, the team members will have 4 days in their countries of origin to complete their final report.

The ceiling for the total level of effort for this assessment will be 58 workdays.

F. Reports and Briefings

The team will conduct progress update briefings to relevant USAID officials on a periodic basis (weekly, if possible). USAID/Kyiv will approve a draft report outline submitted by no later than the end of the third week in the country.

The team will conduct a debriefing for USAID/Kyiv at the end of the four-week in-country assessment and will present five (5) copies of a draft report with recommendations to USAID/Kyiv, at least two days before departing Kyiv. USAID/Kyiv will provide the team with comments on the draft report within approximately 3 weeks of the end of the assessment visit. The team will submit five copies of the final report to USAID/Kyiv within three weeks of the receipt of USAID/Kyiv's comments. Format for the final report should conform to the following guidelines:

- Cover page
- Executive Summary (3-5 pages)
- Main text (maximum 30 pages, single spaced)
- Conclusions, including recommended Mission policy on business incubator developments.
- Appendices (including Scope of Work, Description of the methodology used, List of persons contacted/interviewed, bibliography, and Others documents, as appropriate)