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VENTURE CAPITAL IN POLAND: VENTURE CAPITALISTS' DECISION CRITERIA IN VENTURE EVALUATION

The article examines the decision criteria environment as perceived by sixty four investment officers from twenty four venture capital funds based in Poland and abroad (response rate 64%). The decision criteria fall into six categories: 1) market and product and service, 2) entrepreneur and management, 3) strategy and competitive position, 4) valuation and returns, 5) transaction terms, and 6) other factors. The paper provides evidence to demonstrate that the venture capitalists surveyed exhibited a great deal of consistency in the relative importance they attach to criteria considered in the investment process, especially in relation to the entrepreneur and management criteria.

INTRODUCTION

Developing a successful private sector in Poland faces two problems. The first concerns access to finance (Błaszczak, 1998; Róg, 1999; Szubański, 1998). It is often found that access to finance is one of the major problems companies face, with this being a particular constraint on their ability to increase the level of technology in their enterprises. The second problem concerns corporate governance (Pietrzak, 1999; Kurasz, 1999). Newly created enterprises with entrepreneurs inexperienced in a commercial environment may possess shortcomings in their corporate governance mechanisms (Stankiewicz, 1999). Similarly, the simple transfer of state-owned enterprises to the private sector does not necessarily enhance governance (Rymarczyk, 1999).

The problems of access to finance and corporate governance are closely inter-linked since access to finance may be necessary for effective governance and effective governance may be a condition for access to finance (Karsai, Wright & Filatotchev, 1997). These problems may be solved by the introduction of closely involved investors such as venture capitalists who can help to solve the dual problem of an adequate system of

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corporate governance and the lack of long-term finance for restructuring and investment. Such investors can provide a form and style of financing that has not been provided elsewhere in the spectrum of financial services available in Poland so far. This is with respect to its combination of a certain length of commitment with greater involvement and a degree of influence over the companies in which equity stakes are taken. Other providers of financing such as financial institutions or investment bankers rarely take an active role in "hands-on" managerial assistance to companies.

Venture capital can be most simply defined as risk-equity investing. It is an activity by which corporate investors support entrepreneurial ventures with funds and business skills to exploit market opportunities and, therefore, obtain long-term capital gains. In practice, venture capital includes a variety of different types of financing: provision of start-up finance, specialist portfolio investment in small unquoted companies, provision of second and subsequent rounds of development capital for later stages of business expansion, and financing of management buy-outs or buy-ins.

In comparison to other types of financing, venture capital has many important features. It is equity-oriented, usually highly selective in the choice of businesses in order to minimize risk, makes a medium- to long-term commitment of finance, requires an identifiable exit route, and has some degree of active "hands-on" involvement in the management of a company receiving capital. In principle, it may be defined as the "business of building businesses" (Pratt, 1991).

1. DECISION MAKING CRITERIA

The process of making investment decisions encompasses the heart and soul of venture capital. For the entrepreneur, the act of seeking financing for his young business is a rite of passage, producing an end result that reflects personally on the entrepreneur as well as his company and business plan. For the venture capitalist that must act as a judge, it is also a very personal process, and consequently each venture capitalist brings to the investment decision his own biases based on past experience. There are a number of standard "turnoffs" for venture capitalists, such as i) business plans which are either incomplete or sloppy, or too complete and slick, ii) management's unwillingness to candidly discuss risks, iii) high projected salaries, iv) company cars or other organizational "perks", v) the use of intermediaries in seeking early stage financing, and vi) unqualified relatives in important positions. While virtually all venture capitalists strongly prefer experienced management, some are wary of "professional entrepreneurs", who start new companies every two or three years.

Regardless of the rational and intuitive variables which impact their decisions, venture capitalists are employed to make calculated bets, although they only get rewarded and keep their jobs in the long run if their bets are successful. Venture capitalists typically focus on five key variables in their investment decision: i) target markets and products, ii) management/entrepreneur, iii) returns and valuation, iv) company strategy and competitive position, v) the deal, and vi) other criteria.

According to Chrisman, Bauerschmidt & Hofer (1998), the performance of a venture in a given industry depends upon more than just a good idea. It is one thing to formulate a broad scope, low-cost strategy based on a new technological process. It is quite another to secure the resources and build the competence necessary to implement such a strategy. Even a venture with a carefully crafted strategy cannot survive if it lacks capital (Vesper, 1990). Likewise, achieving success will be almost impossible if the venture lacks people with the requisite skills or commitment to make the strategy a reality.

Overall, the criteria venture capitalists use to make their venture capital decision are of interest for the following reasons. Firstly, venture capitalists are conspicuously successful in their investment decisions. Secondly, a better understanding of the criteria for successful new ventures could lead to an improvement in the success rate of new ventures. Thirdly, venture capitalists' investment criteria are of enormous importance to entrepreneurs seeking venture capital finance.

There are numerous studies, which provide a useful assessment of the relative importance of various decision factors. Some (Benoit, 1975; Zoupinidis, 1994) have concluded that there is a wide diversity of key criteria and decision factors. All these studies, however, concluded that the management team and the entrepreneur are considered as of primary importance (Muzyka, Birley, and Leleux, 1996). Sandberg (1986) specified in their model that the performance of a new venture was the consequence of factors that encompass the attributes of the entrepreneur, strategy, and industry structure. Subsequently, their earlier study was extended to include other factors such as resources and organizational structure (Chrisman, Bauerschmidt & Hofer, 1998). These criteria relate to the commercial proposition in the project.

The second set of decision criteria relates to an assessment by the venture capital fund of the probability of the project being completed. In simple terms, these criteria are concerned with the fund's ability to complete the deal. This is an important area since the risk of not completing the project is normally regarded as above average in any investment project, mainly due to potentially unsuccessful negotiations or a tender approach used in many transactions.

1.1. Market and product

Some debate exists over whether the market or the management or the entrepreneur is the most important variable for successful venture-backed companies and investments. Many venture capital firms and industry observers believe that management is the key ingredient (Hill, 1997; Muzyka, Birley & Leleux, 1996). Others focus first on a potential investment's market (Gompers, 1998). Many very successful companies have been built around management teams totally unproven at the time, who had a leadership product in the right markets at the right time (e.g. Apple Computers and Microsoft). Conversely, even the best management is unlikely to succeed in the wrong market. A study by Hall (1993) suggests that venture capitalists screen and assess business proposals very quickly and these capitalists attach less importance to the entrepreneurial team, especially during the early stages of the venture evaluation process. A second reason for focusing first on the target markets is that venture capitalists can often build, grow, enhance or change management teams if necessary, whereas they cannot do much to change their portfolio companies' markets. It is often believed that the market risk is one of the venture capitalist's worst enemies. Zietz (1997) suggests that the market risk is significantly worse than other risks associated with technology, financing, and management.

Arguably, the first strategic decision confronting the entrepreneur is which opportunity to pursue or in other words "What business should we be in?" This is arguably the most important strategic decision because the market (e.g. stage of industry evolution, market consolidation, barriers to entry and mobility, nature of competition, power of buyers and suppliers) providing the opportunity will influence both the probability of venture success and the likelihood that a new entrant will survive long enough to be successful. The attractiveness of the market with respect to business opportunities affects the absolute or average profit potential of the industry and therefore, the expected internal rate of return (IRR).

Similarly, the most attractive markets for venture capitalists are typically large, rapidly growing and unstructured, contain no dominant leaders and as little competition as possible, and offer a reasonable opportunity for a new company to successfully enter and sustain a strong position in that market. Research confirms (Reynolds, 1986; Bruno, Leidecker, and Harder, 1986) that the choice of the right market is critical in the company's ability to succeed in a long term.

Venture capitalists try to research a market's size and growth rate to estimate its potential based on available information and logical assumptions. Many potential investors use market forecasts, which have been independently prepared by industry experts, who specialize in estimating the size and growth rates of markets and market segments in their fields of expertise. The tools for market research include detailed information on companies in comparable or the same industries in Western markets and customer analysis. Other valuable sources of information include newsfeeds, investment banking analyst reports, market research analyst reports, and the Internet. In practice, however, because of the lack of resources and frequently the lack of data, market potentials are often estimated using secondary-based analytical techniques, where these techniques focus on or utilize demand patterns, income elasticity measurements, and estimation by analogy.

The start-up or emerging company should define its chosen market segment size and growth rates as precisely as possible to realistically forecast the company's opportunity and to understand the forces driving competition in the industry. The market should be segmented and sized according to all key variables, direct and indirect competition (both the product and technology), and the degree of forward and backward integration. When describing the market, management should identify the major customers for the company's products. It is important to know whether customers are more interested in price, quality, or product features and how the company's products meet these interests.

Special attention should be given to competitive analysis (Porter 1980; Thompson & Strickland III, 1989). The biggest situational considerations underlying the choice of strategy are market and competitive conditions as well as a company's own internal situation. The objective of market and competitive analysis is to fully reveal the strategically relevant features of the market's overall situation by probing into such specifics as the dominant economic characteristics of the market, the drivers of change in the market, the nature and strength of competitive forces, the positions of key competitors and the moves they are likely to do next, the key factors influencing competitive success, and the reasons why the market is relatively attractive or unattractive.

Venture capitalists favor young companies, who address markets that are rapidly growing and are part of an emerging or fragmented industry. The venture capitalist's research determines whether the intended market has many or few of these characteristics. The greater the number of such characteristics, the more likely the entrepreneur will receive funding. Not surprisingly, successful start-up and emerging companies often identify markets that are new or emerging themselves, and are thus difficult to quantify precisely. Such industries offer new companies easier entry and growth due to unestablished competition, leadership, and infrastructure.

Another attractive generic industry type for young companies is a fragmented industry. Venture capitalists will look for several characteristics when evaluating young companies which intend to compete in fragmented industries, including: entry barriers, diverse market needs, high product differentiation and especially diseconomies of scale in some important aspect of the market favoring new entrants. Such diseconomies may include short product life cycles requiring quick response and intense co-ordination among functions, low overheads, heavy creative components, or the need to be close to key customers and provide special services or product customization.

1.2. Entrepreneur/Management

Management is certainly the most important variable for venture capitalists after market and the strength of human capital has been proven to coincide with good performance (Baumol, 1968).

People who start their own companies are entrepreneurs, and a common trait of many successful entrepreneurs is a total unwillingness to lose or give up, no matter how challenging the obstacles may appear. While there have been many definitions of an entrepreneur, Schumpeter (1934) defined him or her as an innovator and a shaper of new combinations. The distinguishing feature of entrepreneurship is business action that is opportunity-driven as opposed to being either resource-driven or resource limited. A study by Dingee, Smallen, and Haslett (1981) suggests twelve attributes by which potential entrepreneurs can examine themselves to determine whether they have adequate commitment, motivation, and skills to start and build a major business. These attributes are: drive and energy level, self-confidence, long-term involvement, using money as a performance measure, persistent problem solving, setting challenging but realistic goals, taking moderate risks, learning from failure, using criticism, taking initiative and seeking personal responsibility, making good use of resources, and competing against self-imposed standards. With respect to many possible combinations of the personal characteristics listed above, Vesper (1990) defines various types of entrepreneurs. These are solo self-employed individuals, deal-to-dealers, team builders, independent motivators, pattern multipliers, economy-of-scale exploiters, capital aggregators, and acquirers. Drucker (1984) emphasizes the entrepreneur's effectiveness as the most important personal characteristic.

Hill (1997) further believes that management need to have a clear vision and value system, experience (quality, quantity, and relevance), appropriate education (though no formal business education is required), track record, and capability in process management. Researchers (Eisenhardt & Schoonhoven, 1990; Cooper & Bruno, 1977) have also suggested that the entrepreneur's skills and previous experience will influence both its ability to obtain resources and the decision regarding which industry the venture will enter. Moreover, the personality and values of the entrepreneur have been linked with decisions regarding the strategy, organizational structure, processes, and systems of a venture.

Being an entrepreneur is a necessary but not sufficient condition to obtaining venture capital financing. It is also important to have a strong management team, possessing complementary functional skills and backgrounds. Most venture capitalists finance entrepreneurial teams rather than solo entrepreneurs. In effect, organizations work best when entrepreneurial management is developed in the form of company policies and practices. If a company meets these market and management tests to the satisfaction of the venture capitalist, he generally moves on to analyze the viability of the company's competitive position, financial projections and investment terms.

1.3. Company Strategy and Competitive Positioning

While corporate strategy broadly specifies the industry where opportunities are pursued, business strategy specifies particulars of opportunity in terms of products, customers, and technologies and how resources are deployed. In other words, business strategy deals with the way a firm competes in a given industry.

The strategy of a new venture, however, is unique, a special case with its own peculiar characteristics. Unlike an established business, a new venture has little history and no "realized" strategy from which to build. In its early stages, the new venture's intended strategy must be designed to surmount rather than build or exploit barriers inhibiting entry into an industry if it is to survive. The venture's initial strategy must specify what resources are needed as well as how those resources will be obtained.

A new venture must pursue opportunity without regard to resources currently controlled because the only resources available are those the entrepreneur possesses or can muster from capitalists willing to accept the risk of organization. This, of course, must be accompanied by a clear strategy of developing and deploying the resources the venture controls, or seeks to control if the venture is to attain a lasting competitive advantage in its targeted market. Without such a strategy, there is little hope that the venture will be able to achieve the growth and profit potential inherent in its industry. However, while competitive advantage and success may be sought, survival, which depends upon available resources, remains a paramount strategic concern.

1.4. Valuation and Returns

Private company valuation is an inherently subjective process. It is therefore not surprising that valuations range widely across deals and between venture capitalists and entrepreneurs. Venture capital valuations in general are influenced by the cyclicality of the venture capital industry. However, the external funding environment principally affects the rate at which young companies receive funding during difficult times (deal sizes and numbers), and has less impact on the valuations of those companies, which are financed. Beyond these basic facts, there are a few rules by which the entrepreneurs can test the fairness of a venture capitalist's proposal. The most common strategy for an entrepreneur is to let market forces price the deal by seeking bids from two or three reputable venture capitalists. If their bids are close, they probably represent the market price, however different they may be from the entrepreneur's own optimistic expectations as to the value of his company. In the end, fortunes are made in building successful companies rather than in focusing unnecessary and counter-productive efforts on dividing up ownership at the outset. This lesson needs to be learned and re-learned by entrepreneurs as well as venture capitalists. Ultimately, the job of the venture capitalist is to invest in and be involved with the very best companies. If one can accomplish this first objective, valuation does not make too much difference since a successful company will virtually always become a very successful investment.

1.5. The Deal

The commercial terms of the proposed investment and specific conditions are initially summarized in a detailed Terms Sheet, which is usually presented to the company in the initial stages of the investment process. Formal legal documentation sets out the terms and principles under which the relationship between the venture capital fund and the company is governed. This document includes among others, the following points:

- A reasonable level of shareholders' protection, especially in cases where venture capital funds are minority shareholders;
- Budget and strategic decision approval procedures;
- Standard investor rights (e.g. pre-emptive rights, rights of first refusal);
- Exit mechanisms.

In many cases, the extent of the protection achieved during the negotiation process determines the attractiveness of the deal to venture capitalists.

1.6. Other Factors

Other key criteria relate to the financial analysis such as time to break even, cash flow, sales and profitability growth potential. Other key criteria include the strength of the national economy and the venture capital fund's specific criteria.

While much has been made of the importance of the investment decision, complete with some basic framework for analysis, any framework is probably thoroughly applied by venture capitalists in only 10–20% of the young companies whose business plans they analyze. In a few instances, the investment decision is easy to make because of the obvious strengths of the people involved and the attractiveness of the opportunity. At the other extreme, the great majority of start-up company business plans do not merit detailed investigation due to several major weaknesses, which can be identified immediately. Therefore, it is the attractive but not instantly compelling 10–20% of investment opportunities that consume the great majority of time devoted to venture capital investment decisions.

2. EMIPIRICAL RESEARCH

2.1. Research Methodology

The following set of objectives guided the design of the methodological approach and statistical analysis:

- To define the decision criteria environment as perceived by investment officers at the venture capital funds in Poland and abroad (the UK); and
- To develop a typology of venture capital firms involved in venture capital investments in Poland.

Due to feasibility reasons, the target population was limited to venture capital funds in Poland and in the UK. It was established that these funds would be easy to identify and obtain their co-operation. The target population was derived from *the Book of Lists* published by the Warsaw Business Journal as well as other sources (Kurasz, 1999; Rymarczyk, 1999; Tamowicz, 1995; Węcławski, 1997). In selecting the companies for the questionnaire, two basic criteria were used: the size of a fund (at least $5 million) and the number of completed transactions (at least one transaction). Different types of funds were analyzed, which ensured not only data integrity, but also reliability of results. 122 questionnaires were sent to 24 venture capital funds yielding a response rate of 64% (78 respondents).

2.2. Demographic Sections

The following section will briefly discuss the demographic characteristics of the venture capital funds involved in the survey.

Involvement in Venture Capital Activity

The table below presents the percentage breakdown of the venture capital firms' involvement in the venture capital activity in terms of the number of year's involvement in venture capital activity in Poland.

The majority of the venture capital firms in Poland had more than 5 years of experience in venture capital activity in Poland (they were founded in or after 1995). Only 16.7% of the target population has been actively involved in venture capital for less than two years.

Table 1

The percentage breakdown of the venture capital firms' involvement in the venture capital activity

Number of Years in Venture Capital	Funds in Category	%	Cumulative %
1–2	4	16.7%	
3–4	7	29.2%%	45.9%
5–6	10	41.6%	87.5%
7–8	2	8.3%	95.8%
Above 8	1	4.2%	100.0%

Source: Own research.

Number of Deals Completed

The table below presents the overview of the number of deals completed by the venture capital funds in Poland.

Table 2

The overview of the number of deals

Number of Deals Completed	Funds in Category	%	Cumulative %
1–5	4	16.7%	
6–10	4	16.6%	33.3%
11–15	13	54.2%	87.5%
16–20	2	8.3%	95.8%
Above 20	1	4.2%	100.0%

Source: Own research.

The majority (54.2%) of the funds in Poland have completed on average 11–15 deals, which means that they were able to complete around 2 deals per annum. The numbers above indicate that the funds are relatively small organizations – a portfolio of 5–10 deals does not require excessive staffing levels, as discussed below.

Number of Employees

The table below presents the level of staff in the venture capital funds in Poland.

Table 3

The level of staff in the venture capital funds

Number of Employees	Funds in Category	%	Cumulative %
1–3	4	16.7%	
4–6	17	70.8%	87.5%
7–10	3	12.5%	100.0%

Source: Own research.

The venture capital funds in Poland are small organizations. The majority (70.9%) of them employ 4–6 employees. This reflect the small number of deals completed by them and the general nature of the industry.

Expected Internal Rates of Return (IRR)

The table below presents the return expectations by venture capital funds.

Table 4

The return expectations

IRR	Funds in Category	%	Cumulative %
16%–20%	1	4.2%	
21%–25%	2	8.3%	12.5%
26%–30%	8	33.3%	45.8%
Above 30%	13	54.2%	100.0%

Source: Own research.

The venture capital funds in Poland expect to earn at least a 16% plus return in real terms on their investments. The majority of the funds (54.2%) expect returns in excess of 30%.

2.3. Research Results

Overall, the venture capitalists surveyed exhibited a great deal of consistency in the relative importance they attached to the criteria considered in the investment process, especially in relation to the entrepreneur/management criteria. The table presented below shows the relative criteria from each of the six groups. These categories are briefly described below.

Table 5

The relative criteria in six major groups

1. Product and market criteria related to market size, maturity and growth as well as the degree of market development and type of product and its seasonality;
2. Entrepreneur / Management criteria related to the leadership potential and track record of the entrepreneur and well as the quality of other management members. Competencies and experience are also considered as important;
3. Strategy and Competitive criteria related to the strategic positioning in the market, competition, and ease of market entry as well as the relative strength of suppliers and distributors;
4. Valuation and Returns criteria related to the business valuation, potential returns from the investment and competition for the deal from other venture capital funds;
5. Deal criteria related to the stage of investment and nature of the investment consideration.
6. Other criteria related to some financial measures, the strength of the Polish economy, and venture capital funds specific criteria.

Source: Own research.

The table presents the averages across all the categories on the basis of received questionnaires and their relative rankings. The data is divided into two sub-categories: respondents from Polish-based funds and respondents from non-Polish based funds.

Polish-based Funds

All four entrepreneur / management criteria ranked were among the first six, with leadership potential and track record ranking first and second, respectively. The availability of complementary management ranked fourth. It is clear that for Polish-based funds, management and entrepreneurial skills are critical in the investment process. The venture capital funds are looking for individuals or management teams that have been in operation for a number of years and have proven themselves as competent managers and visionaries. They also search for businesses in which strong senior executives who are able to effectively execute the crafted strategy, complement the leader.

Market and product/service criteria are ranked as second in importance. Market size and growth, and the degree of value-added products are ranked third and eight, respectively. The venture capitalists are looking for markets which have been increasing at significant growth rates in the past, and from which strong growth is expected to continue for the foreseeable future. The venture capital funds also wish to avoid "commodity" products, with little or no valued-added component. They prefer to choose products or services which can be differentiated from other market propositions and that clients perceive a "value component". Overall, it appears that Polish-based funds try to bet on management teams and the markets and attempt to assess these categories in detail when making the investment decision.

The venture capitalists pay significant attention to the expected internal rate of return. This criteria was ranked fifth. The venture capital funds carefully analyze the earning potential of the companies and their investments.

Other categories of importance included the deal criteria, especially the extent of investor protection and exit potential, which ranked tenth and eleventh, respectively. These criteria appear to be related. The importance of these criteria in the relative ranking may be that the venture capital funds may perceive certain shortcomings in the legal and commercial regulatory framework and choose to protect their investments by additional regulations and protections, perhaps more so than would be customary in the West. The exit potential is important because it allows the venture capital fund to realize their investment. Through appropriate protection and regulations, the venture capitalists attempt to insure their ability to insure liquidity, hence the exit.

Other criteria such as the strength of the Polish economy or the business strategy and competition were determined as less important.

Non-Polish Based Funds

Similarly to Polish-based funds, Western-based venture capital funds see entrepreneur / management as the primary criteria in the investment decision process. The first two categories are ranked the same with the Polish-based funds. The funds headquartered outside of Poland seem to focus on the deal criteria more than the local funds.

Table 6

Comparison of Polish based and non-Polish based funds

Specification	Polish-based Funds (n = 58)		Non-Polish Based Funds (n = 20)	
	Response rate = 59% (58 / 98)		*Response rate = 83% (20 / 24)*	
	Ranking	Average	Ranking	Average
Market and Product / Service Criteria				
• Market size and growth	3	5.36	16	4.59
• Degree of market consolidation	12	4.71	7	5.21
• Seasonality of product or service market	9	4.91	22	4.23
• Degree of value-added products or services	8	4.94	17	4.55
• Entrepreneur / Management Criteria				
• Leadership potential of entrepreneur	1	5.69	1	5.47
• Availability of complementary management	4	5.13	9	5.07
• Industry experience	6	5.04	11	4.92
• Track record	2	5.42	2	5.43
• Strategy and Competitive Criteria				
• Ease of market entry	18	4.21	27	3.68
• Ability to sustain market position	16	4.49	23	4.08
• Market share	13	4.64	19	4.43
• Nature and degree of competition	19	4.17	21	4.32
• Strength of suppliers and distributors	21	4.08	24	4.01
• Availability of clear business plan	14	4.58	20	4.41
• Valuation and Returns Criteria				
• Expected internal rate of return (IRR)	5	5.08	5	5.34
• Ability to pay out	20	4.14	25	3.89
• Competition for the deal	17	4.46	12	4.84
• Business valuation	7	5.00	10	4.96
• Deal Criteria				
• Extent of investor protection	10	4.86	3	5.38
• Ability to influence operations	22	4.05	4	5.37
• Ability to syndicate the deal	24	4.01	8	5.18
• Stage of investment	25	3.89	6	5.28
• Exit potential	11	4.73	15	4.66
• Scale and chance of later rounds of financing	15	4.57	18	4.45
• Other Criteria				
• Financial criteria: time to break even	23	4.03	26	3.87
• Strength of the Polish economy	27	3.57	13	4.77
• Business meets funds constraints	26	3.81	14	4.72

Source: Own research.

In fact, the extent of investor protection and ability to influence operations were ranked as number three and four, respectively. This may be explained since the funds outside of Poland are probably less familiar with local laws and regulations and try to compensate for lack of local knowledge by "over-protecting" against any adverse legal circumstances. They would like to have an ability to be protected in legal documents as well as having the power to influence the company's operations in the case of any material underperformance from the agreed budget. This may be the case since they may be less comfortable with local management teams.

The Western-based funds are also concerned with the state of the Polish economy and funds specific criteria and constraints. This is perhaps since they are not able to track the Polish economy and the investment climate on a daily basis as do their local counterparts. Their investment decisions are also likely to be driven by specific fund's criteria and constrains, which the management of the fund establish for the emerging markets, including Central and Eastern Europe.

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