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AgBiz Program

Agribusiness Finance Manual

February 2008

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Acknowledgements

The authors of the Finance Manual would like to acknowledge several people and organizations that provided help through the development and editing process. Foremost, we would like to thank USAID for its vision to fund and support the drafting of this document. We would also like to thank the AgBiz Program Team, especially Jim Maxwell, Martin West, Natasha Lazovska, and Sonja Petrovska for their suggestions and assistance in collecting information from financial institutions.

Help from the Crimson Development Foundation, especially Simona Sosolceva, Dragan Martinovksi, and Perunika Damjanovska, was critical in designing a Finance Manual that focused on the real and current constraints in Macedonia for agribusinesses to access finance and investment. We would like to thank EnviroTech Financial for allowing use of their excellent Glossary of financial terms.

Michael Gold, Richard Currie, and Lovre Ristevski of Crimson Capital Corp. were all major contributors to both parts of the Finance Manual. Lovre, along with Simona Sosolceva, deserve special thanks for all their hard work in collecting and verifying information from financial instiutions for Section I.

We also appreciate the responsiveness and inputs of all financial instiutions, donors, agribusinesses, and partners that provided information and ideas for the Finance Manual. Unfortunately, they are too numerous to name here.

We hope that this Finance Manual will serve as a useful resource for agribusiness across Macedonia. We welcome comments and suggestions to be incorporated into future updates.

Greg Jacobs
Crimson Capital Corp.

Table of Contents

Why an Agribusiness Finance Manual?

Accessing finance and investment is daunting for many agribusinesses in Macedonia, yet it is increasingly achievable. To address the complicated process of accessing finance, assist companies obtain money needed to become more competitive, grow their business and create jobs, The United States Agency for International Development (USAID) has commissioned the preparation of this Agribusiness Finance Manual.

Purpose of this Finance Manual

The purpose of this Manual is to provide a simple, straightforward explanation of the range of financing products and services available to Macedonian agribusinesses. It is intended to better educate business owners on what types of finance may be appropriate for their businesses, the expectations/perspective of lending institutions, and how to improve the likelihood of receiving financing with the loan terms and conditions best suited to their circumstances.

Lenders Also Have a Bottom Line

What often gets overlooked by borrowers is that lenders are businesses too. The money that they lend or invest comes from deposits from individuals or businesses (like you) or from shareholders. They have an obligation to protect the capital of their depositors and shareholders, cover their costs, provide a return to their depositors and shareholders, and serve their clients. All financial institutions are either regulated or supervised by the National Bank of Macedonia or they must comply with international best banking practices. This places constraints on the banks' lending practices that are outside of their control and limits the flexibility they have in extending financing to their customers.

Despite these restrictions, financial institutions want to lend and invest capital. It is how they make money. Yet, they need good clients with good business prospects that will repay the principal on their loans as well as interest (which is how the lender covers its costs, risks, and return to shareholders and depositors). Like you, they are looking for an attractive business proposition. Our hope is that this Manual can help you bridge the gap between lenders and borrowers. And, most importantly, help you gain better access to appropriate financing opportunities.

Which Sources of Finance are Included?

All financial institutions registered and in good standing with the National Bank as of the date of publication are included in the Finance Manual unless they specifically requested for their information not to be included. This Manual focuses especially on sources of finance in Macedonia that we identified as relevant for agribusiness. We note (information in Section I below in bold text) institutions that have specific products focused on agribusinesses. Section II also presents alternative forms of finance, such as supplier finance, that are important for Macedonian agribusinesses. Many financial institutions do not have products or services designed specifically for agribusinesses, although many of them are still viable lenders or investors for this sector.

Often lenders treat agribusinesses the same as businesses from any sector, and consider them eligible for all products and services they offer. We tried to make the information on lenders in this Manual as complete as possible, but note that lenders that specifically stated that they do not lend to agribusinesses were not included, and the information contained in this Manual is not exhaustive.

How to Use this Manual

This Manual is organized in two parts:

Section I: Sources of Finance

Section I contains a listing of financial institutions that are interested in lending to agribusinesses. Each institutional profile follows a similar format to help ease comparison of different institutions and types of finance.

Institutions are listed by type of organization. So, if you are interested in getting financing from banks, turn to the bank Section. If you are interested in equity finance, turn to investment funds, etc. The information in this Section is subject to change at any time by the lender. **It is strongly recommended to contact any institution listed for the most current information on products, terms and conditions they offer.**

The Glossary (Appendix A) provides definition of commonly used financial terms throughout this Manual. Products listed are the common and most relevant financial products and services offered by financial institutions. Each financial institution has provided a contact. If you are interested in getting more information on any product, service or institution, accessing a loan applaction, etc. it is recommended to contact this person directly.

Section II: Accessing Finance

Section II focuses on helping you select the best product for your needs and helping better educate you on how to improve the likelihood that you will receive credit or investment, and on more favorable terms. We provide details on the various types of finance and their appropriate usage, and information to help you be better prepared to approach potential sources of finance.

This Section also looks at lending from the perspective of a financial institution. For example, when the Loan Officer meets with you, what are the steps they go through in reviewing potential loan applications? What information is most important to convince a lender to extend credit? By presenting this point of view, we hope this Manual can help you become a more attractive customer and ultimately help you obtain the financing you need.

Each chapter in Section II addresses a core component of the financing process such as cash flow, collateral, types of products, financial information, documentation requirements and tips for how to make your proposal more marketable. This Section includes a check list to ensure you are as prepared as possible before approaching potential sources of finance.

About the AgBiz Program

AgBiz Mission Statement

The goal of the AgBiz Program is to increase the rate of economic growth in Macedonia through expanded, environmentally sustainable production and sales of value-added agricultural products by enabling producers and processors to compete regionally and globally. With an office in Skopje the AgBiz Program will promote greater linkages in the following ways:

- **Fast-Track Transactions Identification**
  The objective of this early activity is to enable AgBiz to quickly target program assistance on immediately implement-able transactions, and to achieve successful program supported sales within one year. Every AgBiz Program intervention must lead to commercially viable and sustainable transactions.

- **Value Chain Competitiveness Enhancement Opportunity and Constraints Identification**
  The major focus of this work will be to a) determine what these value chain participants believe are the most significant opportunities for expanding the number and average value of transactions in their value chain, and b) what they see as the most significant constraints to improving the competitiveness of their value chain.

- **Support Program Development and Implementation**
  This support will be structured as a package of services needed by a firm, or grouping of firms or producers (AgBiz customer) in the selected value chains, to capitalize on the identified opportunities and/or overcome the constraints to competitiveness in high opportunity markets.

- **Policy and Institutional Reforms**
  AgBiz, working with its partner AIRD, will implement policy work collaboratively with associations and members of the targeted value chains to identify, via actual competitiveness enhancement activities, the underlying regulations and/or government linked institutions that inhibit the targeted value chains' successful completion and sustainability of transactions and sales contracts.

- **Financing Secured for Customers**
  AgBiz, working in concert with our partner Crimson Capital, will help customers in the selected value chains secure cost and terms effective financing for their projects, i.e., competitiveness enhancement activities and sales contracts.

See http://www.AgBiz.com.mk/en/index.html for more information about the AgBiz Program.

Part I: Sources of Finance

Banks

Euro Standard Banka AD Skopje

1. Address:
27 Mart bb, (small ring), 1000 Skopje

2. Website:
www.eurostandard.com.mk

3. Branches:
Skopje

4. E-mail:
madzaroskip@eurostandard.com.mk

5. Tel:
+389 2 3228 444

6. Fax:
+389 2 3224 092

7. Contact:
Panche Madzaroski

8. Title:
Director of the Economy Crediting Office

9. Types of available finance: Investment loans; fixed assets loans; working capital loans; MKD and foreign currency guarantees; letters of credit.

10. Products:

Product	**Range (MKD)**	**Interest Rate**	**Maturity**	**Fees**	**Collateral**
Investment loans	2,000,000 - 150,000,000	9 - 13%	Up to 60 months	1.5% upon payment	Pledge: immovable and/or movable property, Bills of Exchange
Fixed asset loans	1,000,000 - 60,000,000	9 - 13%	Up to 60 months	1.5% upon payment	Pledge: immovable and/or movable property, Bills of Exchange
Long-term loans for working capital	1,000,000 – 60,000,000	9 - 13%	Up to 60 months	1.5% upon payment	Pledge: immovable and/or movable property, Bills of Exchange
Short-term loans for working capital	1,000,000 – 60,000,000	9 - 13%	Up to 6 months Up to 12 months	0.5% upon payment 1.0% upon payment	Pledge: immovable and/or movable property, Bills of Exchange
Micro-credit lines	Up to 200,000	9 - 13%	Up to 12 months Up to 36 months	1.0% upon payment 1.5% upon payment	Bills of Exchange
Credit lines for SMEs	Up to 20,000,000	9 - 13%	Up to 12 months Up to 36 months	1.0% upon payment 1.5% upon payment	Pledge: immovable and/or movable property, Bills of Exchange
Product	**Range (MKD)**	**Interest Rate**	**Maturity**	**Fees**	**Collateral**

Guarantees: - MKD - foreign currency	Up to 3,000,000 3-5,000,000 Over 5,000,000 Up to 150,000,000		Up to 12 months	0.25-0.5% monthly 0.25-0.4% monthly 0.25-0.3% monthly 0.2% single fee - 2% quarterly	Pledge: immovable and/or movable property, Bills of Exchange

11. Other terms and conditions: Advantage: clients of Eurostandard Bank AD Skopje. Standard required documentation. Grace period for investment loans of 6 to 12 months contingent on the business plan assessment.

Open letters of credit can be used to obtain credit from the bank.

12. Specific Agribusiness or SME product: All products are available for qualifying SMEs and Agribusinesses. Advantage: working capital loans for export-oriented production and products that are substitutes for imported components.

13. Collateral: Depends on the amount of the loan. The collateralized immovable and/or movable property is subject to insurance by an insurance company and the insurance policy must be payable to the bank. Loans up to 600,000 MKD can be secured with Bills of Exchange.

For loans secured by an assigned monetary deposit, the interest rate (bank's markup) is 3 percentage points above the amount of the passive interest on the deposit and fees are not charged.

14. Criteria: The legal entity should demonstrate positive operating results in the last three years, and be classified as “A” or “B” risk category.

15. Summary comments: For more detailed information please call our contact person or visit our website at www.eurostandard.com.mk

Invest Banka A.D. SKOPJE

1. Address:
Makedonija 9-11, 1000 Skopje

2. Website:
www.investbanka.com.mk

3. Branches:
Ohrid, Gevgelija, Shtip, Berovo, Kavadarci, Strumitsa, Kumanovo, Bitola, Tetovo

4. E-mail: ljupco.milosevski@investbanka.com.mk

5. Tel:
+389 2 3200 548

6. Fax:
+389 2 3200 575

7. Contact:
Ljupcho Miloshevski

8. Title:
Manager

***9.* Types of available finance:**
Long-term and short-term MKD and foreign currency loans for legal entities (large clients, small and medium and micro loans, agricultural loans), consumer (among others, also agricultural loans), and credit cards, guarantees, letters of credit, payment transactions in the country and abroad.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Primary production (natural persons)	30,000 -300,000	6% - 10%	Up to 5 years (depending on purpose)	1.5% fee upon payment	Guarantors, immovable property, movable property
Primary production (natural persons)	300,000 - 3,000,000	6% - 10%	Up to 6 years (depending on purpose)	1.5%	Immovable property, movable property
Primary production (legal entities)	300,000 - 3,000,000	6% - 9% (depending on duration)	Up to 6 years (depending on purpose)	1.5%	Immovable property, movable property

***For additional informations see Gavarment of Macedonia Programs Page, Agricultural Credit Discount Fund.**

11. Other terms and conditions: Loans for 1 to 6 years, grace period of 3 months to 3 years, depending on purpose. Amounts of 30,000 MKD to 3,000,000 MKD approved, depending on the needs of the client. Completely targeted for agriculture (exception, construction of agricultural facilities are not financed by loans).
12. Specific Agribusiness or SME product:
Unrestricted agriculture loans for: Farming, greenhouses, cattle breeding, grape production, production of fruits, machines and equipment, and trading (buy-out) for legal entities.

13. Collateral: Depending on the amount of the loan (mortgage on real estate, pledge on movable property, deposit, Bills of Exchange, 30 PP forms, and for loans up to 300,000 MKD to physical persons – farmers with three guarantors).

14. Criteria: Only for agribusinesses.

15. Summary comments: For more details concerning our current products and services please visit our website at ***www.investbanka.com.mk***

Izvozna i Kreditna Banka AD Skopje

1. Address:
Partizanski odredi br. 3 blok 11

2. Website:
www.ikbanka.com.mk

3. Branches: Skopje, Bitola, Prilep, Negotino, Gevgelija, Resen, Sveti Nikole, Strumica, Kumanovo, Gostivar

4. E-mail:
ikbcred@ikbanka.com.mk
ikbcred2@ikbanka.com.mk

5. Tel:
(+389 2) 3240 830; 3240 820

6. Fax:
(+389 2) 3240 833

7. Contact:
Aleksandar Iljov
Nadica Avramovska
Frosina Angelovik

8. Title:
Head of CRM Direction
Head of Micro and Small Loan Department in Skopje
Senior Loan Officer for SMEs

9. Types of available finance:

Corporate and personal deposits, business lending to private entities and lending to individual business entrepreneurs, bank guaranties, domestic and foreign payment transactions, currency exchange, e-banking and information services, credit and debit cards Visa, safe boxes, working with securities, Western Union money transfer, brokerage services Bro-Dil AD, Skopje.

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Micro loans	50 – 15,000 EURO	11.9% - 13.9% annual nominal interest rate	Up to 48 months	1.5% single fee depending on the amount of the loan	See below in item 11.
Small loans	15,000 – 50,000 EURO	9.9% - 11.9% annual nominal interest rate	Up to 60 months, grace period included for fixed assets	1% - 1.5% of the amount	See below in item 11.
Express loans	50 – 5,000 EURO	13.9% annual nominal interest rate	Up to 36 months	1.5% single fee depending on the amount of the loan	See below in item 11.
Super express loans	Up to 5,000 EURO	12.9% annual nominal interest rate	Up to 36 months	1.5% single fee depending on the amount of the loan	See below in item 11.
Express loan up to 3000 EUR without guarantors	Up to 3,000 EURO	17% annual nominal interest rate	Up to 36 months	1.5% single fee depending on the amount of the loan	BILLS OF EXCHANGE;
Household Improvement Loans	250 -20,000 EURO	9% - 13.9% annual nominal interest rate for reconstruction/ adaptation	Up to 5 years	Single fee of 1.5% of the loan amount in advance	See below in item 11.

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Housing loans for individual entrepreneurs and owners of micro and small enterprises	Up to 100,000 EURO	8.5% annual, subject to change	Up to 15 years	Single fee of 1.5% of the loan amount in advance	See below in item 11.
Agriculture loans	Up to 10,000 EURO	8% - 12% annual nominal interest rate	Up to 36 months (for fixed assets), up to 12 months (for working capital)	1.5% to 2.5%- single fee of the loan amount depending on manner of payment	See below in item 11.
Micro Agro-loans	Up to 3,000 EURO	12% - 14% annual nominal interest rate	Up to 36 months (for fixed assets), up to 12 months (for working capital)	Up to 1.5% to 2.5%- single fee of the loan amount depending on manner of payment	See below in item 11.
Loans for SMEs					
Working capital Loan	Up to 500,000 Euro, in MKD counter value	From 7.9 - 17% annual nominal interest rate	12 months	From 0.3% to 1.5% single fee on the amount of the loan	See below in item 11.
Investment loans	Up to 500,000 EURO	From 7% - 17% annual nominal interest rate	Up to 10 years with grace period included	From 0.3% to 1.5% single fee on the amount of the loan	See below in item 11.
EAR	Up to 1,800,000 MKD	Discounted rate of NBRM on the date of signing the loan agreement plus 3% for loans to be repaid up to 3 years; discounted rate of NBRM on the date of signing the loan agreement plus 4% for loans to be repaid from 3 to 5 years	3 - 5 years	1% single fee on the amount of the loan	See below in item 11.
EBRD - Loans for SMEs	Up to 300,000 EURO	From 8.5% - 9.9% annual nominal interest rate	Up to 5 years, grace period included	Single fee of 1.2% to 1.5%, on the amount of the loan, in advance	See below in item 11.
Italian credit line	50,000-2,000,000 EURO	7% annual nominal interest rate for fixed assets, from 7% - 8% annually for working capital	Up to 5.5 years, 22 quarterly installments	1% annually for engaging funds	See below in item 11.
Overdraft loans	Up to 5,000,000 MKD	12% - 17% annually	Up to 1 year	From 0.3% single fee on the amount of the loan	See below in item 11.

11. Collateral*:*
Combination of the following instruments: Bills of Exchange; Personal Guarantees -; Guarantors – legal entities; Administrative ban on salary; Pledge on movable property; Mortgage on immovable property; Depot of valuable objects and securities; Other acceptable for the Bank.

12. Other terms and conditions:
Standard required documents.

13. Specific Agribusiness or SME product:
All credit products are for SMEs that satisfy the listed criteria.

14. Collateral:
Depending on the amount and the purpose of the loan, combination of security instruments is applied in compliance with the Bank's credit policies and procedures.

15. Criteria:
The criteria are defined in compliance with the Bank's credit policies and decisions for approving the Bank's credit products.

16. Summary comments:
For more information please visit the website of Export and Credit Bank: www.ikbanka.com.mk

Komercijalna Banka AD Skopje

1. Address:
Kej Dimitar Vlahov, 1000 Skopje

2. Website:
www.kb.com.mk

3. Branches: Veles, Kochani, Kumanovo, Ohrid, Prilep, Shtip, Gostivar / Bitola, Bogdanci, Vinica, Gegelija, Kavadarci, Kichevo, Makedonski Brod, Radovish, Resen, Struga, Tetovo, Delchevo

4. E-mail: corporatecredit@kb.com.mk

5. Tel:
(+389) 2 3107 334

6. Fax:
(+389) 2 3119 459

7. Contact:
Kiril Jovanovski

8. Title:
Officer

9. Types of available finance: Loans (long-term, short-term, in MKD, in MKD with foreign currency clause, in foreign currency), guarantees, letters of credit

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
MKD loans and MKD loans with foreign currency clause for fixed assets	Depends on the client's creditworthiness.	7% - 10% annual	Up to 10 years	1% One time fee	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200-300%)
MKD loans and MKD loans with foreign currency clause for working capital	Depends on the client's creditworthiness	7% - 10% annual	Up to 3 years	0.5% - 1%	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200% - 300%)
Loan for exceeding the account balance in the Bank	Depends on the client's creditworthiness	7% - 10% annual	Up to 12 months	0.25% annually	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200-300%)
Foreign currency loans	Depends on the client's creditworthiness	Euribor for the loan currency + 3% annually	Up to 10 years	0.5 - 1%	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200% - 300%)
MKD Guarantees	Depends on the client's creditworthiness			0.1% single fee – 0.4% monthly	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200% - 300%)
Foreign Currency Guarantees	Depends on the client's creditworthiness			0.3% - 1.2% quarterly	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200% - 300%)
Letters of credit	Depends on the client's creditworthiness			0.3% - 1.2%	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200% - 300%)

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Credit lines	Depends on the client's creditworthiness	7.5% - 9%	Up to 6 years	1.5% single fee	Depending on the client's creditworthiness (immovable property minimum 120% and/or movable property from 200% - 300%)

***For additional informations see Gavarment of Macedonia Programs Page, Agricultural Credit Discount Fund.**

11. Other terms and conditions: Grace period of two years for long-term loans. Standard required documentation.

12. Specific Agribusiness or SME product: All products are available to SMEs and Agribusinesses that satisfy the criteria.

13. Collateral: Depends on the amount, the purpose of the loan and the client's creditworthiness. Priority security, mortgage on immovable property.
Pledge on movable property, bank guarantees, pledge on deposits, bills of exchange.

14. Criteria: Legal entity with positive operating results in the last three years.

15. Summary comments: For more details concerning our current products and services please visit our website at www.kb.com.mk

Macedonian Bank for Development Promotion A.D. Skopje

1. Address:
Veljko Vlahovik 26, Skopje, R. Macedonia

2.Website:
www.mbdp.com.mk

3. Branches:
N/A

4. E-mail:
info@mbdp.com.mk

5. Tel:
(+389 2) 3115 844; 3114 840

6. Fax:
(+389 2) 3239 688

7. Contact:
Aleksandar Stanojkovski
Marija Tanasoska

8. Title:
Credit & Guarantee Department Manager
Chief of Insurance Department

9. Types of available finance: Loans and Export Credit Insurance

10. Products:

Product	*Range (EUR)*	*Interest Rate*	*Maturity*	*Fees for MBPR*	*Collateral*
Credit Line for financing SMEs	15,000 – 500,000 in MKD counter value	For the end user 8%	8 years, grace period of one year maximum included	N/A	- Mortgage, bills of exchange, - pledge, - acceptable securities - other
Financing of Export Credit Beneficiaries	30,000 - 2,000,000 in MKD counter value	For the end user 8% (-0.5% if exports are insured)	12 months with a possibility for extension	N/A	Mortgage, bills of exchange, - pledge, - acceptable securities - other
Credit Line for working capital	30,000 -300,000 in MKD counter value	For the end user 8%	3 years	N/A	- Mortgage, bills of exchange, - pledge, - acceptable securities - other
Credit Line by KfW for finan-cing SMEs – Revolving Fund	50,000 -400,000 in EUR	For the end user 10%	Up to 4 years, grace period up to 6 months included	N/A	- Mortgage, bills of exchange, - pledge, - acceptable securities - other
Product	*Range (EUR)*	*Interest Rate*	*Maturity*	*Fees for MBPR*	*Collateral*
Credit Line from the Council of Europe Development Bank (CEB)	Up to 400,000 in EUR	Floating interest rate: for the end user 3 months EURIBOR + 1.28% + margin for participating bank	Up to 7 years, grace period up to 2 years included	N/A	- Mortgage, bills of exchange, - pledge, - acceptable securities, - other
Italian Commodity Aid Program	50,000 - 2,000,000 EUR	For the end user 7%	Up to 7 years, grace period of up to 1.5 year included	N/A	- Mortgage, bills of exchange, - pledge, - acceptable securities, - other

Product	*Range (EUR)*	*Interest Rate*	*Maturity*	*Fees for MBPR*	*Collateral*
KfW Credit Line for micro, small and medium enterprises (GMF)	Up to 50,000 EUR	For the end user 10% - 17%	Up to 4 years	N/A	- bills of exchange, - administrative ban, - pledge
Micro Credit Line for SMEs – EAR	Up to 100,000 legal entities Up to 5,000 natural persons	Up to 9% annually	Up to 5 years, grace period of up to 12 months included	0.75%-1.5%	- mortgage, - pledge - bills of exchange,
World Bank Sustainable Energy Project	- energy efficiency projects: $100,000 - $400,000 - Renewable energy projects: 500.000 - $4,000,000	Determined by the participating bank	- energy efficiency: 4 years - renewable energy: from 5 to 10 years, grace period of 3 year included	N/A	- mortgage, - pledge, bills of exchange
Export Credit Insurance against short-term commercial risks	Cover against bankruptcy and protracted default	Application forms available at MBDP or on website	Policy costs: - Credit limit costs - Premium rate from 0.23% - 3.04%, depending on: payment terms, buyer's country risk, number of buyers insured - Coverage: Maximum 90% of the invoice insured		

11. Other terms and conditions: Legal entities apply for loans with business banks. Exports insurance documentation is available at MBPR and our website.

12. Specific Agribusiness or SME product: N/A

13. Collateral: Depends on the agreement with the participating bank, the credit history of the loan applicant with the bank, the feasibility of the project, etc.

14. Criteria: Legal entity with positive operating results.

15. Summary comments: Fore more detailed information about our products, please contact our services (Crediting, ext.: 115, 219, 220, Manager: 105 or Insurance, ext.: 217, 218, Chief: 113) or visit our website: www.mbdp.com.mk

NLB Tutunska Banka AD Skopje

1. Address:
Bul. Dvanaesetta Makedonska Brigada br. 20, Skopje

2. Website:
www.tb.com.mk

3. Branches*:* Skopje (Main office, Avtokomanda, Aerodrom, GTC, Karposh 3, Assembly, Old Bazar, Chair, Center, Tri Biseri)
Bitola, Valandovo, Veles, Gevgelija, Gostivar, Kavadarci,
Kichevo, Kochani, Kumanovo
Neogtino, Ohrid, Prilep, Radovish,
Struga, Strumica, Tetovo, Shtip

4. E-mail: lj.janevska@tb.com.mk

5. Tel :
(+389) 2 3105 809

6. Fax:
(+389) 2 3105 695

7. Contact:
Ljubitsa Janchevska Dimitrovska

8. Title:
Manager of the Credit Lines and Consortium Office

9. Types of available finance:
Range of loans and other bank services

10. Products:

Product	***Range (EUR)***	***Interest Rate***	***Maturity***	***Fees***	***Collateral***
Long-term loan from the European Investment Bank	Up to 2,000,000 Euro	App. 8% annually (depending on the fluctuations of EURIBOR)	4 - 12 years, with a grace period up to 3 years	Up to 1% single administrative fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
European Bank for Reconstruction and Development	Good standing and creditworthiness of the legal entity	App. 8% annually (depending on the fluctuations of EURIBOR)	Up to 5 years, with a grace period up to 12 months	Up to 1% single administrative fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Credit lines through MBPR (Macedonian Bank for Reconstruction and Development)					
Product	***Range (EUR)***	***Interest Rate***	***Maturity***	***Fees for MBPR***	***Collateral***
Credit line for development of SMEs	from 15,000 to 500,000 Euro	8% annually	Up to 8 years, with a grace period up to 1 year	Up to 1.5% single admin, fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Credit line of the Council of the European Development Bank	Up to 400,000 Euro	App. 8% annually (depending on the fluctuations of EURIBOR)	Up to 7 years, with a grace period up to 2 years	Up to 1% single admin. fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments

Product	***Range (EUR)***	***Interest Rate***	***Maturity***	***Fees for MBPR***	***Collateral***
Credit line for export financing	from 30,000 - 2,000,000 Euro	8 % annually; 7.5 % annually if exports are insured through MBPR	Up to 12 months	Up to 1.5% single admin.fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Loans from the credit programme for SMEs from the KFW credit line (Revolving Fund)	from 50,000 - 400,000 Euro	10.2% annually	Up to 4 years, with a grace period up to 6 months	Up to 1.5% single admin. ee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Italian credit line	from 50,000.00 to 500,000.00 Euro	7% annually for working capital, for companies that have already used a loan from the Italian credit line 8% annually for working capital	Up to 3 (five) years, no grace period	Up to 1.5% single admin. ee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
German Macedonian Fund	Up to 15,000.00 Euro micro loans From 15,001 to 50,000 Euro –small loans Up to 20,000 Euro –loans for renovating, adapting and building housing premises	From 11-16% annually for micro loans up to 15,000 Euro From 9% - 11% annually for loans from 15,001Euro to 50,000 Euro Up to 9 - 12% annually for loans for renovating, adapting and building housing premises up to 20,000 Euro	Up to 36 months with a grace period Up to 6 months for micro loans Up to 48 months with a grace period Up to 12 months for small loans Up to 60 months without grace period for loans for renovating, adapting and building housing premises	From 1.5% to 2% single admin. fee on the amount of the loan	Depending on the amount of the loan (bills of exchange, guarantors, pledge, mortgage)
Credit line under the PHARE Programme	Up to 1,800,000 MKD	Currently from 10% - 10.5% annually	From 3 - 5 years, with a grace period up to 6 months	Up to 1.5% one admin. fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Revolving Fund from the Credit Line of the International Bank for Reconstruction and Development	Up to 1,150,000 Euro (for fixed assets and working capital) Up to 400,000 Euro (for working capital)	App. 8.5% annually (depending on the 6-month LIBOR of the Euro)	Up to 5 years, with a grace period up to 1 year (for fixed assets and working capital) Up to 3 years without grace period (for working capital)	Up to 1.5% one admin. fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments

Product	*Range (EUR)*	*Interest Rate*	*Maturity*	*Fees for MBPR*	*Collateral*
Credit line through the Macedonian Development Foundation for Companies	From 10,000 Euro **Type 1:** From 15,001 to 75,000 Euro (for small enterprises) - loan **Type 2:** Up to 15,000 Euro (for micro enterprises) - loan type 3	From 7.25% (for loan type 1) From 9% (for loan type 2) From 12% to 15% (for loan type 3)	Up to 5 years, with a grace period up to 1 year (for loan types 1 and 2) Up to 4 years, with a grace period up to 1 year (for loan type 3)	Up to 1.5% one administrative fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Project for financial services in the agriculture in the Republic of Macedonia supported by IFAD	Up to 2,000 Euro – first category (micro loans for individual farmers) Up to 50,000 Euro – second category (for primary agriculture) Up to 150,000 Euro – third category (for processing of agricultural products) Up to 150,000 Euro – forth category (for marketing agricultural products)	6% annually for the first and the second category 7% annually for the third and the forth category	Up to 7 years, with a grace period up to 2 years	Up to 1.5% one administrative fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Own sources of NLB Tutunska Banka AD Skopje (foreign currency loan or MKD loan indexed in Euro)	In compliance with the evaluation of the good standing and creditworthiness of the legal entity	App. 7% - 8.5% annually (depending on the fluctuations of EURIBOR)	Up to 3 years (for working capital) Up to 7 years, (for fixed assets) with a grace period up to 2 years	From 0.5% - 1% single administrative fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Own sources of NLB Tutunska Banka AD Skopje (MKD short-term loans)	In compliance with the evaluation of the good standing and creditworthiness of the legal entity	From 7 - 11% annually	Up to 12 months	Up to 0.5% maximum 50.000 MKD, single administrative fee on the amount of the loan	Mortgage on immovable property, pledge, bills of exchange and other security instruments
Foreign currency guarantees and letters of credit	In compliance with the evaluation of the good standing and creditworthiness of the legal entity			Up to 0.6% quarterly	Mortgage on immovable property, pledge, bills of exchange and other security instruments
MKD Guarantees	In compliance with the evaluation of the good standing and creditworthiness of the legal entity			From 0.6% - 1.2% quarterly	Mortgage on immovable property, pledge, bills of exchange and other security instruments

***For additional informations see Gavarment of Macedonia Programs Page, Agricultural Credit Discount Fund.**

11. Other terms and conditions: For long-term investment loans, applicants are obliged to submit investment programme and provide from 15% to 20% own participation in the total investment.

12. Specific Agribusiness or SME product: In addition to the above described credit lines for support of rural development, NLB Tutunska banka AD Skopje also offers agri-micro loans from own sources up to 25,000 Euro. Security for these loans: Guarantors up to 5,000 Euro and mortgage on immovable property, pledge and BILLS OF EXCHANGE for loans from 5,001 to 25,000 Euros.

13. Collateral: The extent of the security to be provided by the client depends on the evaluation of the client's good standing, the amount of the loan and the maturity.

14. Summary comments: For more detailed information about the products and services offered by NLB Tutunska Banka AD Skopje, please visit the branches of NLB Tutunska Banka throughout the country and the bank's website: www.tb.com.mk

Ohridska Banka AD Ohrid

1. Address:
Makedonski Prosvetiteli, No.19, 6000 Ohrid

2.Website:
www.ob.com.mk

3. Branches:
Ohrid, Skopje, Struga, Bitola, Resen, Štip, Strumica

4. Email:
katerina.celeska@ob.com.mk

5. Tel:
(+389) 2 3222 902

6.Fax:
(+389) 2 3222 920

7. Contact:
Katerina Celeska

8.Title:
Corporate Relationship Officer

9. Types of Available Finance: Range of loan products and other banking services

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Micro express loans	30,000 – 300,000	12% - 14%	up to 36 months	1.5% disb.	Bills of exchange with 1 endorser
Micro loans	300,000 – 1,200,000	10% - 12%	up to 36 months	1.5% disb.	Bills of exchange with 1 endorser, pledge on equipment, vehicles, inventory
Short-term loans		7.5% - 9.5%	up to 12 months	0.5% disb.	mortgage, pledge on equipment, vehicles, inventory, Bills of exchange
Long-term loans for equipment and real-estate		7.5% - 9.5%	up to 120 months	0.5% disb.	mortgage, pledge on equipment, vehicles, Bills of exchange
Long-term loans for infrastructure		8.5% -10.5%	up to 180 months	0.5% disb.	mortgage, pledge on equipment, vehicles, Bills of exchange
Guarantee			up to 12 months	0.3 - 0.9% quarterly, min.1,500 MKD quarterly	mortgage, pledge on equipment, vehicles, Bills of exchange

11. Other Terms and Conditions: Required documentation: Income Statement, Balance Sheet, List of A/R and A/P, registration, copy ID card of owner. For investment loans business plan is needed. Grace period up to 1 year available on investment loans.

12. Specific Agribusiness or SME Product: All products available for qualifying SMEs and Agribusinesses.

13. Collateral: Depends on the amount and use of the loan. Loans up to 300,000 MKD can be secured with bills of exchange with 1 endorser. For other loans primarily request is real estate as collateral.

14. Criteria: For micro express loans – min. 3 months profitable operations; for micro loans – min. 1 fiscal year profitable operations.

15. Summary Comments: See www.ob.com.mk for more information on products and services.

Sileks Banka AD Skopje

1. Address:
Gradski stadion BB

2. Website:

3. Branches: Stip, Probistip, Kratovo, Veles, Kumanovo, Resen

4. E-mail: bisera.naccova@sileksbanka.com.mk

5. Phone:
(+389) 2 3249 300

6. Telefax:
(389) 2 3249 303

7. Person for contact:
Bisera Nacova

8.Ttitle:
Head of Credit Committee

9. Typws of available finance:

10. Product:

Product	***Value (MKD)***	***Interest rate***	***Loans by maturity***	***Fees***	***Collateral***
Loans for working capital	Depends on the collateral	0.8% - 1.5% monthly	1 - 5 years	1%	Deposit, guarantees, mortgage
Cooperation with MBPR	6,000,000	9% annualy	Up to 5 years	1%	Deposit, guarantees, mortgage
Guarantee	Depends on the range of the deposits	0.5% monthly	Up to 12 months		Deposit, mortgage

11. Other terms and conditions: Loans in interest grace period up to 10 month - loans for working capital

12. Specific Agribusiness or SME Product: Products are available to agribusinesses and SMEs.

13. Collateral: Depends on the amount and the use of the loan. Priority collateral: deposit, guarantees and mortgage.

14. Criteria: The company should have positive financial statements.

Stopanska Banka AD Bitola

1. Address:
Dobrivoje Milosavljevik 21, Bitola

2. Website:
www.stbbt.com.mk

3. Branches:
Skopje, Prilep, Resen, Demir Hisar

4. E-mail:
vele.s@stbbt.com.mk

5. Tel:
(+389) 47 207 500; 207 512; 207 566; 207 568

6. Fax:
(+389) 47 207 513; 207 541

7. Contact:
Nada Darkova
Vele Stefanovski

8. Title:
Assistant Director
Assistant Director

9. Types of available finance:
- liquidity loans
- short-term loans for working capital
- short-term framework loans for working capital
- long-term loans for constant working capital
- investment loans
- guarantees
- letters of credit

10. Products:

I. Short-term loans from Bank's own sources	
Use	▪ *for working capital* ▪ *framework revolving of credit* ▪ *framework revolving for opening letters of credit and payments abroad* ▪ *for liquidity*
Maturity	Up to 12 months Up to 30 days (for liquidity)
Interest Rate	Up to 12.5% annually Up to 15% for liquidity loans Subject to change
Collateral for Loans	➢ Mortgage on immovable property in proportion 2:1 ➢ Money ➢ Guarantees from banks in good standing
II. Loans from small enterprises from the EAR Export Arrangement Credit Line	
Range (MKD)	Up to 100,000 Euro for legal entities and 5,000 Euro for natural persons
Maturity	Up to 5 years
Grace period	Up to 1 year
Interest Rate	➢ 9% annually
Fees	➢ 1% single fee for administering an arrangement on approved investment loan ➢ 0.9% single fee for application for investments up to 1,000,000 MKD, minimum 3,000 MKD ➢ 0.6% single fee investments over 1,000,001 to 50,000,000 MKD; minimum 100,000 MKD
III. Loans from the credit line for financing exports	
A Export projects ***A/1 Export financing***	1 export financing 2. for working capital

Range	30,000 - 2,000,000 Euro
Maturity	Up to 12 months
Interest Rate	8% annually (the interest rate can be decreased for 0.5% if exports are insured through MBPR)
Fees	0.5% annually for engaging funds
Administative fee	Up to 2% single fee on the amount of the loan
Use	➢ financing preparations and realization of production, purchasing raw materials, components and other goods necessary for the implementation of concluded contracts ➢ up to 85% of the investment can be financed
A/2 loans for working capital	
Range	30,000-1,000,000 Euro
Maturity	Up to 24 months
Interest Rate	11% annually
Fees	0.5% annually for engaging funds
Administratuve fee	up to 2% single fee on the amount of the loan
Use	➢ For working capital – strengthening the competitive position of exporters
IV. Loans from the credit line for financing small and medium enterprises	
Range	15,000 – 500,000 EURO
Maturity	Up to 8 years
Grace Period	Up to 1 year
Interest Rate	8% annually
Fees	0.5% annually – for engaging funds, 0.125% on the amount of the loan paid before maturity
Administrative Fee	Up to 2% single fee on the amount of the loan, increased for VAT
Use	➢ Purchase of fixed assets – minimum 50% of the amount of the sub loan. ➢ Purchase of main herd and durable plantations are excluded form financing ➢ Financing of working capital under the planned project - up to 50% of the amount of the sub loan.
Criteria	Own participation min 15%
V. Loans from the credit line for financing the development of SMEs under the KWF – Revolving Fund credit line	
Range	50,000 – 400,000 Euro
Maturity	Up to 4 years
Grace Period	Up to 6 months
Interest Rate	Annual interest rate of 10% Interest is subject to change in compliance with the fluctuations of the six-month EURIBOR rate
Fees	0.25% annually for engaging funds
Administrative Fee	Up to 2% single fee on the amount of the loan
Use	➢ Purchase of fixed assets, minimum 40% of the amount of the sub loan. ➢ Financing of working capital – maximum 60% of the amount of the sub loan
Criteria	The trade company to be privatized with over 51% and to have own participation of minimum 15% of the accounting value of the investment

VI. Loans from the credit line for financing SMEs for permanent working capital	
Range	30,000 - 300,000 Euro
Maturity	1 to 3 years depending on the amount
Grace period	N/A
Interest Rate	8% annually
Administrative Fee	MKD 2,000
Use	Permanent working capital
Target groups	SMEs with over 51% private ownership
VII. Loans from the credit line of the framework revolving fund with World Bank funds	
Range	Up to 5,000,000 Euro
Maturity	• For working capital up to 3 years depending on the amount • For investment projects up to 5 years
Grace Period	• For investment projects up to 1 year, none for working capital
Interest Rate	• Up to 9% annually
Use	For working capital and fixed assets
Administratuve fee for loans and working capital	MKD 2,000
Investment loan fees	1% single administration fee ➢ 0.9% single fee for investments up to 1,000,000 MKD, minimum 3,000 MKD ➢ 0.6% single fee investments over 1,000,001 to 50,000,000 MKD, minimum 100,000 MKD
Target groups	Trade companies with over 51% private ownership
Criteria	Own participation minimum 30% of the accounting value of the investment. Internal efficiency rate min. 15%
VIII. Loans from the IFAD credit line	
Range	• 2,000 Euro micro loans • 50,000 Euro for primary agricultural production • 150,000 Euro for processing and trade with agricultural products
Maturity	• Up to 3 years for working capital • up to 7 years for investment projects
Grace Period	Up to 1 year
Interest Rate	• 6% annually for micro loans an primary agricultural production • 7% annually for trade and processing industry
Investment Loan Fees	➢ 1% single administration fee ➢ 0.9% single fee for investments up to 1,000,000 MKD, minimum 3,000MKD ➢ 0.6% single fee investments over 1,000,001 to 50,000,000 MKD, minimum 100,000.00 MKD
Administrative Fee for Loans and Working Capital	➢ MKD 2,000
Use	➢ Purchase of fixed assets and materials for primary agricultural production, processing and trading with agricultural products.
Criteria	Own participation minimum 20%

***For additional informations see Gavarment of Macedonia Programs Page, Agricultural Credit Discount Fund.**

11. Other terms and conditions:

1. Written loan application
2. Registration form issued by the Central Registry
3. Court registration
4. Charter (for joint stock companies), Articles of Incorporation or Founding Statement
5. Decision from the Statistical Office on classification of business activity
6. ZP form (form for authorized account signatories)
7. Financial Statements for the last two years (balance sheet and income statement) 31.12.2005 and 31.12.2006
8. Book note/Financial statement until 31.12.2005 and 31.12.2006
9. Gross balance for the last month preceding the month when the application was filed
10. A/R (Accounts Receivables) and A/P (Accounts Payable) as of December 31, 2005 and December 31, 2006
11. Audit report for trade companies obliged by law to prepare it
12. Documentation of acceptable security
13. Financial Statements of entities/companies related to the company or the founders

12. Specific Agribusiness or SME product: IFAD and EAR Arrangement

13. Collateral:

- Cash deposit or Cash Cover
- Mortgage on immovable property
- Pledge on movable property, rights and securities, guarantess from other banks

14. Criteria: All trade companies and natural persons-farmers may apply for loans from the IFAD credit line.

15. Summary comments: Additional information may be obtained at the Bank's website: www.stbbt.com.mk

Stopanska Banka AD Skopje

1. Address:
11 Oktomvri br. 7 Skopje

2. Website:
www.stb.com.mk

3. Branches: Over 50 branches, in almost every city

4. E-mail:
sbank@stb.com.mk

5. Tel:
(+389) 2 3295 555

6. Fax:
(+389) 2 3120 343

7. Contact:
Dejana Moskovska

8. Title:
Administrator

9. Types of available finance:
Micro Business Loans (for micro and small businesses)

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Instant micro business loans	Up to 5,000 Euro	14.5%	Up to 2 years	2% single fee	Bills of Exchange with one endorser
Express micro business loans	Up to 15,000 Euro	13.5%	Up to 3 years	2% single fee	Bills of Exchange with two endorsers
Credit line / limit	Up to 50,000 Euro	Per agreement	3 years with annual evaluation	1% annually	Mortgage or pledge
Long-term / investment loan	Up to 50,000 Euro	Per agreement	Per agreement	1% annually	Mortgage or pledge
Short-term loan	Up to 50,000 Euro	Per agreement	Up to 1 year	1% annually	Mortgage or pledge

11. Other terms and conditions:
The application should be accompanied by a Current Condition Statement from the Central Register; for loans exceeding 10,000 Euros, official balance sheets and income statements of the business should also be submitted.

As additional information, Stopanska Banka AD issues all types of guarantees and letters of credit.

12. Specific Agribusiness or SME product:
All products are also available to agribusinesses.

13. Collateral:
BILLS OF EXCHANGE, mortgage on immovable property, pledge on movable property (equipment, vehicles), bank deposits, bonds, also a combination of collateral, depending on the product.
14. Criteria:
Profitable operation of the business.

15. Summary comments:
For more detailed information please visit the website of SB – www.stb.com.mk or any branch of the bank. Information is also available on telephone: 3 295 555.

Post Bank AD - Skopje

1. Address:
27 Mart bb, 1000 Skopje

2. Website:
www.postbank.com.mk

3. Branches: The bank has the widest network of branches in Macedonia, which covers all postal units. The total number of branches is 320, of which 130 are located in Skopje. Larger branches are located in Skopje, Gostivar, Tetotvo, Bitola, Kumanovo, Shtip, Strumica, Ohrid and other large cities.

4. E-mail:
ksekerovski@postbank.com.mk

5. Tel:
(+389) 2 3103 224; 3103 200

6. Fax:
(+389) 2 3103 216

7. Contact:
Kliment Shekerovski

8. Title:
Manager of the Office for Financing Legal Entities

9. Types of available finance: Post Bank AD, Skopje offers the following products:
- Long-term financing
- Short-term financing
- Issues all types of bank guarantees.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Long-term loans: purchasing fixed assets, investments in fixed assets, etc.	In compliance with the needs of the company	9% - 12% fixed annual interest rate	From 12 months to 60 months	1.5% - 2.5% single fee on the amount of the loan	First line lien on: immovable movable property
Short-term loans: support of current operations	In compliance with the needs of the company	8.5% - 12% fixed annual interest rate	Up to 12 months	0.60% - 1.5% single fee on the amount of the loan	First line lien on: immovable movable property
Bank guarantees	In compliance with the needs of the company		Up to 12 months	Fees: from 0.1% - 0.9% quarterly, depending on the offered collateral and the good standing of the company	First line lien on: immovable movable property, lien on bonds, depotsit.

11. Other terms and conditions: The bank finances all profitable projects, based on prudent bank criteria. The grace period is determined based on cash flow analysis. For newly established companies, financial projections are required (minimum for the period for which the loan is requested, and for existing companies positive operating results in the last three years.) The good standing of the companies is determined by the Bank.

12. Specific Agribusiness or SME product: The bank finances all profitable projects based on prudent bank criteria.

13. Collateral: For newly established companies the loan needs to be secured by highly marketable collateral (immovable property, bank guarantee).

14. Criteria: The bank decides based on three criteria:

1. The history of operations of the company in the last three years (financial operation, market share, etc.);
2. Establishing the good standing of the company (credit risk);
3. Evaluation of the collateral.

15. Summary comments:
For more detailed information please visit out offices on "27 Mart bb (small ring), Skopje, or visit our website or contact us on tel.: 02 3103 224.

ProCredit Banka AD - Skopje

1. Address:
Bul. Jane Sandanski 109a
1000 Skopje, Macedonia

2. Website:
www.procreditbank.com.mk

3. Branches:
Skopje (11), Tetovo (2), Gostivar, Kumanovo (2), Strumica, Shtip, Bitola (2), Prilep, Struga, Ohrid, Veles, Kochani, Kichevo, Kavadarci, Gevgelija, Debar. In Kriva Palanka, Sveti Nikola and Delchevo branches will be opened by the end of the year.

4. E-mail:
info@procreditbank.com.mk

5. Tel:
(+389) 2 3219 927

6. Fax:
(+389) 2 3219 901

7. Contact:
Zoran Kimov

8. Title:
Credit Officer

9. Types of available finance:

- Pro-Express
- Pro-Instant
- Pro-Standard
- Pro-Active
- Pro-Agro
- Pro-Renovation
- Business Overdraft
- Credit Line
- Pro-Stop Plus
- Car Loans
- Letters of Guarantee
- Letters of Credit

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
ProExpresss	From 6,000 MKD -600,000 MKD	From 18.6 % annually	Up to 48 months	1 - 2% single fee	No collateral for loans up to 300,000 MKD, guarantor for amount of 301,000 MKD
ProInstant	From 10,001-50,000 €	From 13.2% annually	Up to 60 months	1 - 2% single fee	Flexible collateral
ProStandard ProActive	Over 50,000 €	From 8.4% annually	Up to 84 months	1% - 2%	Flexible collateral, mortgage
ProAgro	Up to 100,000 €	From 10.2% annually	Up to 60 months	2% single fee	No collateral for loans up to 300,000 MKD, guarantor/ flexible collateral/mortgage on land and building in country or in city (depending on the amount and the maturity)
Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
ProRenovation	Up to 30,000 €	From 12% annually	Up to 120 months	1 - 2% single fee	No collateral for loans up to 120,000 MKD, guarantor/ flexible collateral/mortgage (depending on the amount and the maturity)
Business Overdraft Credit Line	From 30,000 MKD	From 10% annually	Up to 48 months	0.5% - 1% single fee	Flexible collateral
Prostor Plus	Over 20,000 €	From 5% +6months EURIBOR annually	Up to 180 months	1% - 2% single fee	Mortgage on the building in question
Car Loans	Over 100 Euros	From 10.2% annually	Up to 72 months	1% - 2% single fee	The vehicle in question
Letters of Guarantee		From 0.2% monthly			Flexible collateral
Letters of Credit		From 0.1% monthly		0.5% single fee	Flexible collateral

11. Other terms and conditions:

Grace period of 3 to 6 months for AgroLoans depending on the amount and the possibility for a nonstandard repayment plan, grace period of up to 12 months for investment loans.

12. Specific Agribusiness or SME product:
Agriculture and business loans can have a nonstandard repayment plan.
Unique product for SMEs, Business Overdraft with approved negative balance in the account.

13. Collateral:
Only payroll statement is required for guarantors for the Pro-Express Loans.
Flexible collateral means that security is provided by a combination of movable property, goods in stock, machinery and equipment, household appliances and mortgage.

14. Criteria:
Business should be functioning actively for a minimum of 3 months for a Pro-Express loan, and a minimum of 6 months for larger loans, and for agribusiness the minimum requirement is one season of harvest.

15. Summary comments:
More detailed information for all services and products offered by ProCredit Banka can be obtained on our website: www.procreditbank.com.mk or in any branch throughout Macedonia.

TTK Banka AD SKOPJE

1. Address:
Naroden Front 19a Skopje

2.Website:
www: www.ttk.com.mk

3. Branches: Skopje, Tetovo, Gostivar, Rostushe, Debar, Kichevo, Struga, Ohrid
Vinica, Kochani, Strumica, Shtip, Kumanovo, Bitola, Radovish

4. E-mail:
leona.dimitrovska@ttk.com.mk

5. Tel:
(+389) 2 3236 408

6. Fax:
(+389) 2 3236 444

7. Contact:
Leona Dimitrovska

8. Title:
Officer for SMEs

9. Types of available finance:

Framework limit
The framework limit is issued for a particular amount and for a particular time period, mostly for a period of 5 years, based on provided collateral. In the framework of the approved amount, the client can use a variety of products: guarantees, letters of credit, short-term loans, long-term loans or investment loans.

Short - term loans
A short-term loan may be approved as a special loan or under the framework limit. It can also be used for financing short-term needs of the client for working capital and improving the current solvency.

Long- term loans
A long-term loan may be approved as a special loan or under the framework limit. It can be used to support investment projects for developing and expanding the business, or construction or purchase of facilities, purchase of equipment, machines or for durable working capital.

Guarantees
The bank guarantee is defined as an irrevocable obligation of the bank to pay a certain amount of money in case of non-performance of the contractual obligations by a third party. TTK Banka AD Skopje issues all types of guarantee, such as cost, tender, payment, customs guarantees. Issues nostro foreign currency guarantees for the benefit of non-residents, acceptance and notification of loro guarantees for the benefit of the residential, and thus becomes a guarantor for its client.

Letters of credit
The bank issues a documented letter of credit and thus undertakes an irrevocable obligation to pay the beneficiary of the letter of credit if, within a set time period, the terms of the L/C are fulfilled. By careful wording of the terms in the L/C the commercial risk is reduced, and thus the exporter enjoys better security that he will charge goods / the importer will pay the goods, after the terms of the L/C are fulfilled.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Short-term loans for working capital	Depending on the client’s creditworthiness	9.9% -13.9% annually 3 percentage points over the passive interest rate (depotsit as collateral)	Up to 1 year	1% single fee on the approved amount 2% single fee on the approved amount (-bills of exchange as collateral)	- mortgage on immovable property -pledge on movable property - personal and corporate guarantees -bills of exchange -other collateral

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Long-term loans for investments or durable working capital	Depending on the client's creditworthiness	8.9% annually	Up to 6 years, grace period of up to 12 months included	2% single fee on the approved amount	- mortgage on immovable property -pledge on movable property - personal and corporate guarantees -bills of exchange -other collateral
Vehicle loans	Up to 70% of the amount on the pro-invoice for the vehicle	9.9% annually	Up to 3 years	2% single fee on the approved amount	-pledge on the vehicle, Casco insurance policy payable to the bank -other collateral (per agreement)
Loans from the EBRD credit line	from 10,000 - 125,000 Euro	5.75% annually + every 6 moths EURIBOR	Up to 5 years, grace period of up to 12 months included	2% single fee on the approved amount	- mortgage on immovable property -pledge on movable property - personal and corporate guarantees -bills of exchange -other collateral
Loans from the MBPR credit line	Depending on the client's creditworthiness	8% annually	Up to 8 years, grace period of up to 12 months included	2% single fee on the approved amount	- mortgage on immovable property -pledge on movable property - personal and corporate guarantees -bills of exchange -other collateral

11. Other terms and conditions: For long-term loans, in addition to the standard documentation the client should also submit the investment program. The standard documentation includes:

- Loan application
- Short history of the applicant
- Current condition statement from the Central Registry
- Final statements for the last two years
- Financial statement for the current year
- A/R and A/P
- Proposed collateral and proof of ownership (deed or invoice for purchased equipment)

12. Specific Agribusiness or SME product:
All products are available to SMEs provided they meet the terms and criteria as defined by the credit policy of TTK Banka AD Skopje. **Currently, there are two credit lines, designed specially for the needs of the SMEs as follows: Credit line for SMEs from the European Bank for Reconstruction and Development, the Credit line for development of SMEs of the Macedonian Bank for Reconstruction and Development.**

13. Collateral:
Depends on the amount and the purpose of the loan.

14. Criteria:
Legal entity with positive operating results in the last 2 years. Applications by start-up business are also accepted, provided that they show positive operating results in the last 6 months, with good history and experience in the area.

15. Summary comments:
For more details concerning our current products and services please visit the website of TTK banka AD Skopje: www.ttk.com.mk

Univerzalna Investiciona Banka AD Skopje

1. Address:
Ul. Maksim Gorki no.6, Skopje

2. Website:
www.unibank.com.mk

3. Branches:
Total branches - 38
Skopje, Tetovo, Gostivar, Kichevo, Struga, Ohrid, Bitola, Resen, Prilep, Negotino, Kavadarci, Veles, Shtip, Radovish, Strumica, Kumanovo, Sveti Nikole, Kriva Palanka, Berovo, Delchevo, Valandovo, Kochani, Vinica, Gevgelija, Krushevo

4. E-mail:
info@unibank.com.mk
frosina.nikolovska@unibank.com.mk
biljana.trpkoska@unibank.com.mk

5. Tel:
(+389) 2 3111 111

6. Fax:
(+389) 2 3286 000

7. Contact:
Frosina Nikolovska
Biljana Trpkoska

8. Title:
Manager, Sector for Micro-crediting
Loan Officer, Sector for Micro-crediting
Corporate Financing Office

9. Types of available finance:
All types of credit products for legal entities and private individuals, guaranties, letters of credit, credit and debit cards with chip technology, deposits, payment transactions in the country and abroad, currency exchange operations and foreign currency market, and all other financial services.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Investment loans	In compliance with the needs and statutory regulations	In compliance with the applicant's good standing and the collateral offered	Flexible	In compliance with needs and statutory regulations	Combination of the following instruments: Mortgage on immovable property, pledge on movable property, lien on funds, funds on deposit, administrative ban on guarantors' salary, bills of exchange

11. Other terms and conditions:
Standard documentation, possibility for a grace period depending on the type of loan.

12. Specific Agribusiness or SME product:
Credit products – Loans for farmers and Loans for cattle breeders.
13. Collateral:
Flexible, dependent on the type of loan.

14. Criteria:
Companies in good standing and good creditworthiness.

15. Summary comments:
For more information please visit www.unibank.com.mk or call 02 311 1111.

Other Financial Institutions

Crimson Development Foundation/SME Finance Fund

1. Address:
bul.Kliment Ohridski No. 22

2. Website:
www.smef.com.mk

3. Branches:
Skopje

4. Email:
simona.sosolceva@crimsoncapital.org

5. Tel:
(+389) 2 3231 561

6. Fax:
(+389) 2 3231 558

7. Contact:
Ardian Marku
Simona Sosolceva
Sonja Tasevska

8.Title:
Loan Officer
Loan Officer
Loan Officer

9. Types of Available Finance:
Financing for working capital, production and trade. Use of funds can include inputs, raw materials, packaging, components, subassemblies, finished goods for resale, and other costs associated with producing, selling and delivering of products and services.

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Purchase Order Finance	500,000 – 6,000,000	8 - 14%	120 – 365 days	2% - 2.5%	One or combination of the following collateral instruments: Bills of exchange; Bank Guarantees; Assignment of working capital assets; Personal and corporate guarantees
Pre-Export Financing	500,000.00 – 6,000,000.00	8% - 14%	120 - 365 days	2% - 2.5%	One or combination of the following collateral instruments Bills of exchange; Bank Guarantees; Assignment of working capital assets; Personal and corporate guarantees

11. Other Terms and Conditions: The CDF loans are available to companies operating in any region or town in Macedonia.

12. Specific Agribusiness or SME Product: All food and agricultural processors, inputs and materials suppliers, and traders/distributors of food and agricultural products are eligible for financing.

13. Collateral: One or combination of the following collateral instruments Bills of Exchange; Bank Guarantees; Assignment of working capital assets; Personal and corporate guarantees.

14. Criteria: The CDF provide loans to legal entities engaged in production, trade or services that are privately owned with a profitable operating history and with permanent staff of typically between 3 and 200 employees.

15. Summary Comments: For additional information please contact our office.

Foundation Horizonti

1. Address:
Rampo Levkata 14

2. Website:
www.horizonti.org.mk

3. Branches: Skopje, Gostivar, Veles, Shtip, Kochani, Strumica, Prilep and Bitola

4. Email:
VDavaliev@horizonti.org.mk

5. Tel:
(+ 389) 2 309 33 71

6. Fax:
(+ 389) 2 309 33 76

7. Contact:
Vasil Davaliev

8.Title:
Executive Director

9. Types of Available Finance:
Loans for micro-entrepreneurs, micro-enterprises and individual farmers.

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Working capital loan I	30,000 – 160,000	18%	6 -12 months	No	No
Working capital loan II	60,000 – 200,000	16% – 20%	Up to 24 months	2% of the loan amount	Guarantors, pledge
Small Investments loan	120,000 –300,000	15% – 18%	Up to 36 months	2% of the loan amount	Guarantors, pledge
Working capital loan for agriculture	30,000 - 180,000	18%	12 months	No	No
Small Investments loan for agriculture	120,000 - 300,000	15% – 18%	Up to 36 months	2% of the loan amount	Guarantors, pledge

11. Other Terms and Conditions:
Grace period up to 6 months applies to agriculture loans.

12. Specific Agribusiness or SME Product:
All the above listed products.

13. Collateral: Horizonti uses group and individual lending methodology.
Working capital loan I and Working capital loan for agriculture are group loans based on solidarity guarantee, groups are formed of 3-5 members and all of them are borrowers and at the same time.

14. Criteria:
Applicants with existing business (at least 6 months).

15. Summary Comments:
Please contact us at: (02) 309 33 71 or www.horizonti.org.mk

Leasing Companies

Eurolizing AD Skopje

1. Address:
Vasil Glavinov 12, TCC Plaza 1000 Skopje

2. Website:
www.euroleasing.com.mk

3. Branches:
None

4. E-mail:
lenkabalalovska@euroleasing.com.mk

5. Tel:
(+389) 2 3233 486

6. Fax:
(+389) 2 3233 487

7. Contact:
Lenka Balalovska

8. Title:
Manager of the Economic and Legal Sector

9. Types of available finance:
Financial Leasing

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees:*	*Collateral*
Financial leasing	From 300,000 to 2,400,000	8.5% - 9%	From 12 to 60 months	1.5% of total value	The object of leasing

11. Other terms and conditions:

12. Specific Agribusiness or SME product:
Terms and conditions are identical for all users of financial leasing and for all vehicles and equipment.

13. Collateral: In addition to ownership of the leased goods for the entire duration of the leasing, the following security can also be required: For private individuals – bills of exchange; for legal entities – collection-only cheque (check), or guarantee from other company (in good standing) which would take over the obligations.

14. Criteria: For natural persons – regular monthly income, where the installment should not exceed the income; for legal entities: good standing (positive financial performance in the previous and the current year).

Hypo Alpe-Adria- Leasing DOOEL Skopje

1. Address:
Vasil Glavinov 12, Skopje

2. Website:
www.hypo-leasing.com.mk

3. Branches:
Skopje

4. E-mail:
milivoj.smilevski@hypo-alpe-adria.com.mk

5. Tel:
(+389) 2 324 8888

6. Fax:
(+389) 2 324 8889

7. Contact:
Milivoj Smilevski

8. Title:
Sales Manager

9. Types of available finance:
Financial leasing of vehicles and equipment.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees:*	*Collateral*
Financial leasing	From 300,000 - no top limit	9 -12 %	Up to 6 years	1% - 1.5 %	Ownership over the vehicle/equipment

11. Other terms and conditions: Grace period up to 6 months.

12. Specific Agribusiness or SME product: The product is fully available to SMEs satisfying the financial criteria.

13. Collateral: The object of financing remains in ownership of the leasing company until full payment of the arrangement. Insurance of the object of financing is mandatory for the entire repayment period.

14. Criteria: Positive financial result in the last 2 years and appropriate cash flow.

NLB Leasing DOOEL Skopje

1. Address:
Mito Hadzivasilev 20, 1000 Skopje

2. Website:
www.nlblizing.com.mk

3. Branches:

4. E-mail:
info@nlblizing.com.mk

5. Tel:
02/ 3290 550, 3216 097

6. Fax:
02/ 3290 551

7. Contact:
Boris Cunev

8. Title:
Commercial Supervisor

9. Types of available finance:
Financial leasing, Operational Leasing, Other financial services

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees:*	*Collateral*
Financial leasing of vehicles	no limit	8,2% p.a.	up to 72 months	1,5%	promissory-bill
Financial leasing of equipment	no limitv	9,2% p.a.	up to 72 months	1,5%	promissory-bill
Financial leasing of real estate	no limit	7-9% p.a.	up to 180 months	1,25%	promissory-bill
Operational leasing	no limit	8,2% p.a.	up to 60 months	1,5%	promissory-bill

11. Other terms and conditions: Clients have to provide standard required documentation.

12. Specific Agribusiness or SME product: In collaboration with USAID, there are specific products for SMEs and energy-efficiency program.

13. Collateral: If application is according to standard terms and conditions, only promissory-bill is required (menica). If non-standard conditions are being approved, other collaterals are required as well (mortgage etc.).

14. Criteria: All companies and individuals in Macedonia

15. Summary Comments:
www.nlblizing.com.mk

Investment Funds

SEAF Macedonia – South Balkan Fund

1. Address:
Partizanski odred 62 Skopje, Macedonia

2. Website:
www.seaf.com

3. Branches:

4. Email:
office@seaf.com.mk

5. Tel:
(+389 2) 3079 611

6. Fax:
(+389 2) 3079 612

7. Contact:
Martin Stosik

8. Title:
Investment Analyst

9. Types of Available Finance:
Equity financing

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Equity investment	18,000,000 MKD – 92,000,000 MKD (300,000 – 1,500,000 Euro)	Not applicable	Not applicable	Not applicable	Not applicable

11. Other Terms and Conditions: Equity ownership range 20% - 49%; Exit after 3-7 years
12. Specific Agribusiness or SME Product: Investments in qualified Agribusiness and SME companies are considered.

13. Collateral: N/A

14. Criteria: Privately-owned companies who are committed to rapid growth, equity partnership, and transparent modern management.

SIF – South Balkan Fund

1. Address:
Mitropolit Teodosij Gologanov br.39 Skopje

2. Webpage:

3. Branches:

4. Email:
info@spmg.com.mk

5. Tel:
(+389 2) 3231 037

6. Fax:
(+389 2) 3239 703

7. Contact:
Oliver Kosturanov

8. Title:
Investment Analyst

9. Types of Available Finance: Equity financing

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Equity investment	\$50,000 – \$150,000	Not applicable	Not applicable	Not applicable	Not applicable

11. Other Terms and Conditions: Equity ownership min 20%; Exit after 3-7 years

12. Specific Agribusiness or SME Product: Qualified agribusinesses and SMEs are considered.

13. Collateral: N/A

14. Criteria: Privately-owned companies who are committed to rapid growth, equity partnership, and transparent modern management.

15. Summary Comments: After three to seven years, SIF divests itself in a way acceptable to both the original principals and SIF, typically selling its ownership with an appropriate return (1) back to the partners, (2) to a mutually acceptable third party, or (3) to the public through the stock exchange.

Saving Houses

FULM Saving House DOOEL Skopje

1. Address:
Mito Hadzivasilev Jasmin 48, 1000 Skopje

2. Website:
www.fulm.com.mk

3. Branches: Skopje – Head Office, JSP Avtokomanda and Aerodrom, Strumica, Tetovo, Kavadarci and Bitola

4. E-mail:
info@fulm.com.mk

5. Tel:
(+389) 23115 244

6. Fax :
(+389) 2 3115 653

7. Contact:
Ana Jakimovska

8. Title :
Member relationship department

9. Types of available finance: A range of loans targeted to natural persons.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
IFAD loans	Up to 120,000	Depends on the amount of the loan	12 - 60 months	Min. 1.2%	Guarantor/s
Loans for farmers	Up to 90,000	Depends on the amount of the loan	6 - 12 months	Min. 1.2%	Guarantor/s
Member for Member Loan	Up to 90,000	Depends on the amount of the loan	6 - 12 months	Min. 1.2%	Guarantor/s
Student loan	Up to 90,000	Depends on the amount of the loan	12 - 36 months	Min. 1.2%	Guarantor/s
Employment loan	Up to 100,000	Depends on the amount of the loan	36 months	Min. 1.2%	Guarantor/s
Loan – pension circle	Up to 50,000	Depends on the amount of the loan	18 months	Min. 1.2%	Guarantor/s
Loan with administrative ban	Up to 170,000	Depends on the amount of the loan	6 - 36 months	Min. 1.2%	Guarantor/s
Loan with guarantors	Up to 120,000	Depends on the amount of the loan	12-36 months	Min. 1.2%	Guarantor/s
Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Loan with a Possessory pledge	Depends on the pledge	Depends on the amount of the loan	6 - 12 months	Min. 1.2%	Collateral: foreign currency funds, deposit or gold
Fast loan	Up to 30,000	Depends on the amount of the loan	1 month		No guarantors

***For additional informations see Gavarment of Macedonia Programs Page, Agricultural Credit Discount Fund.**

11. Other terms and conditions:
Terms of payment – monthly payments of annuity (instalment).
Grace period of 3 - 12 months for IFAD loans for farmers.
For student loans targeted at all students in all universities in RM and abroad, a photocopy of the student's book is required.
For employment loans, in addition to the loan application the applicant is required to also submit a certificate of unemployment from the Employment Service Agency.
For all types of loans the loan application should be accompanied by a photocopy of a valid identification document (personal identification card, passport) of the applicant and the guarantor/s.

12. Specific Agribusiness or SME product: /

13. Collateral: Depends on the amount of the loan. Primary security: guarantor/s.
For the loan: pension circle, the security is guarantors – pensioners.
For the possessory pledge loan, the collateral is deposit, foreign currency funds or gold.

14. Criteria: All natural persons who have properly filled out and certified the applications for obtaining loans from FULM Saving House.

15. Summary comments: More favorable terms for the next loan application.
The borrower, and who have timely and fully repaid the previous loan can take a certain type of a loan to a certain amount without guarantors.
Loan application forms can be obtained the counters of FULM Saving House or downloaded from our website www.fulm.com.mk
Immediate payment.

For more detailed information please visit our website www.fulm.com.mk or call our branches: **Head Office** Skopje 02/3115-244**,** 02/3217-912**, branch Murtino** Strumica 034/330-721**, branch Polog** Tetovo 044/351-281**, branch JSP Avtokomanda and Aerodrom** in Skopje 02/3109-327 and 02/2403-208**, branch Tikveshija** Kavadarci 043/400-655 and **branch Bitola** in Bitola 047/236-796**.**

Moznosti DOOEL Skopje

1. Address:
blvd. Jane Sandanski 111

2. Website:
www.moznosti.com.mk

3. Branches: Skopje (2), Tetovo, Kavadarci, Kumanovo, Strumica, Kochani, Veles, Kichevo, Gostivar, Bitola

4. Email:
www.moznosti.com.mk

5. Tel:
(+389) 2 2401 051

6. Fax:
(+389) 2 2401 051

7. Contact:
Contact Branches in Skopje, Tetovo, Kavadarci, Kumanovo, Strumica, Kochani, Veles, Kichevo, Gostivar, Bitola

8. Title:

9. Types of Available Finance: Loans for small, micro and medium businesses, agricultural loans, individual loans (consumer, housing, student)

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Loans for current assets, working capital and capital goods for micro businesses	Up to 15,000	10% - 20%	Up to 48 months	1% - 3%	Combination of collateral
Loans for current assets, working capital and capital goods for micro and small businesses	From 15,001 – 30,000	10% - 18%	Up to 60 months	1% - 3%	Combination of collateral
Loans for current assets, working capital and capital goods for small and middle businesses	From 30,001 – 100,000	8% - 18%	Up to 60 months up to 180 months for business premises	1% - 2%	Combination of collateral
Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Long term loans for current assets, working capital and capital goods for individual agriculture producers	Up to 30,000 for physical persons Up to 100,000 for legal entities	10% - 18%	Up to 60 months	1% - 3%	Combination of collateral
Consumer loans	Up to 10,000	12% - 19%	Up to 60 months	2%	Combination of collateral
Housing loans	1.up to 40,000 2.from 40,001-60,000	1.10% -18% 2.8% - 10%	1 - 180 months 2 - 240 months	1.2% 2.0.5% - 2%	Combination of collateral
Student loans	Up to 1,500	16%	9 - 24 months	1%	Combination of collateral
Denar loans	2,000	12% - 25%	Up to 60 months	2%	Combination of collateral

***For additional informations see Gavarment of Macedonia Programs Page, Agricultural Credit Discount Fund.**

11. Other Terms and Conditions: Grace period up to 9 months for micro loans, grace period up to 12 months for loans for micro and small businesses, up to 6 months for loans for small and medium businesses, up to 60 months for agriculture loans

12. Specific Agribusiness or SME Product:

13. Collateral: Depending on the loan amount a combination of instruments it is used: Administrative bans, bill of exchange, attested notary public settled mortgage, bill of exchange with notary act, bank guaranties etc.

14. Criteria:

15. Summary Comments: For all additional information You can visit our web site www.moznosti.com.mk or you can contact our loan officers in our branches throughout the country.

Saving House Bavag Skopje

1. Address:
Kocho Ratsin 32/1, Skopje

2. Website:

3. Branches:

4. E-mail:
bavag@mol.net.mk

5. Tel:
(+389) 2 3134 362

6. Fax :
(+389) 2 3135 328

7. Contact:
Dragan Andrijevik

8. Title :
Director

9. Types of available finance: Short-term loans for working capital

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Loans for working capital	100,000 – 1,500,000	12% - 18%	Up to 12 months	N/A	Real estate, equipment, bills of exchange, guarantor

11. Other terms and conditions: Standard required documentation.

12. Specific Agribusiness or SME product: Loans are available to SMEs and Agribusinesses that satisfy the criteria.

13. Collateral: Depends on the loan amount. Priority security, mortgage on immovable property.

14. Criteria: Legal entity with positive operating results in the last 2 years. Registered at the Central Registry.

15. Summary comments: For more detailed information please visit the offices of Shtedilnitsa BAVAG.

“Saving House Fershped” DOO Skopje

1. Address:
Ul. “Marshal Tito” 11a

2. Website:
www.fersped.com.mk

3. Branches:

4. E-mail:
z.fiti@refsped.com.mk

5. Tel:
(+389) 2 321 93 03

6. Fax :
(+389) 2 321 93 50

7. Contact:
Mrs. Ziska Fiti

8. Title :
Director of “ Saving House Fershped” DOO Skopje

9. Types of available finance:
-Loans
-Deposits
-Currency exchange operations

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Short-term and long-term loans -population -legal entities	 30,000 -900,000 500,000 - 2,000,000	 17.88% 20.4%	 12 - 24 months		Bills of exchange, administrative ban, gold, bonds, mortgage
Deposits		0.3% - 10.8%	1 - 12 months		

11. Other terms and conditions: Depending on the amount of the loan, one or more guarantors. Standard required documentation.

12. Specific Agribusiness or SME product: Qualified agribusinesses and SMEs are eligible.

13. Collateral: Depends on the loan amount. Secured by bills of exchange, administrative ban, gold, bonds, mortgage on immovable property.

14. Criteria: Legal entities are required to have positive operating results, while natural persons need to be regularly employed.

Saving House Mladinec Skopje

1. Address:
bul.Goce Delchev, br. 11 Skopje
DTC Mavrovka lamela A 1 kat

2. Website:

3. Branches:

4. E-mail:
info@mladinec.com.mk

5. Tel:
(+389) 2 3161 802

6. Fax :
(+389) 2 3161 802

7. Contact:
Gjorgjieva Lidija

8. Title :
Officer

9. Types of available finance: Unassigned financing of the population.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Short-term loans	From 6,000 to 300,000	2.2% monthly	From 1 month to 12 months		Administrative ban, notary act, bills of exchange with two guarantors
Long-term loans	From 6,000 to 300,000	2.2% monthly	From 1 year to 5 years	2% premature repayment of the loan	Administrative ban, notary act, bills of exchange with two guarantors

11. Other terms and conditions: Applicants should be a full time employeed, at least one applicant employed in an organization financed by the state budget.

12. Summary comments: Unassigned loans.

Guarantee Organizations

Guarantee Fund

1. Address:
Blvd. Jane Sandanski 15/2/3 Skopje

2. Webpage:
www.gfund.com.mk

3. Branches: /

4. Email:
guarantee@gfund.com.mk

5. Tel:
(+389) 2 240 33 77; 244 45 20

6. Fax
(+389) 2 240 33 77

7. Contact:
Ms. Aneta Atanasovska

8. Title:
Guarantee Officer

9. Types of Available Finance: guarantees
- loan guarantees
- guarantees to suppliers
- guarantees to suppliers with bank loan

10. Products:

Product	*Range(MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Loan guarantees	Up to 3,660,000	Set by the bank	Up to 5 years	1.5% admn. fee 2% premium per annum	Movable – immovable property, equipment, bill of exchange
Supplier's guarantees	Up to 3,660,000	8% discount rate	Up to 5 years	1% admn. fee 3% premium per annum	Movable – immovable property, equipment, bill of exchange
Supplier's guarantees with loan	Up to 3,660,000	8%	Up to 5 years	1% admn. fee 3% premium per annum	Movable – immovable property, equipment, bill of exchange

11. Other Terms and Conditions:
- Guarantees to banks for companies applying for loans and fulfilling the criteria required by the banks nd the Guarantee Fund, but have lack of collateral. Guarantee can cover 60% of the loan.
- Guarantees to suppliers: guarantees can be issued for equipment or raw material for Buyers fulfilling the criteria required by the suppliers and the Guarantee Fund. Before the guarantee is issued the client would pay up to 25% of the contract value to the supplier. The rest is covered by the Guarantee Fund.
- Guarantees to suppliers with bank loan (represents combination of the above two models). Client pays 30% of the contract value of the goods to the supplier. For the remaining part of 70% Guarantee Fund issues guarantee to the banks where the client takes loan in order to pay for the goods to the supplier.
- Decision for issuing guarantee is based on:
- Economic-financial indicators from the client's Business Plan
- Other documentation delivered with the application letter for issuing guarantee
- Report delivered by the Operative Department from the field visit

12. Specific Agribusiness or SME Product:
The Guarantee Fund focuses its activities on SME's and farmers. Guarantees are intended for cli-

ents that are willing to take loan from the banks or purchase equipment from suppliers on delayed payment, but do not have sufficient collateral to cover it.

13. Collateral:

Being an organization with development agenda Guarantee Fund accepts less valued collateral or collateral that is not accepted by the banks (land, equipment etc).

14. Criteria:

- Start-up companies
- Existing private companies or companies with dominant private ownership
- Farmers

15. Summary Comments: all information can be obtained at: www.gfund.com.mk or telephone: 2 403 377

Government of Macedonia Programs

Agricultural Credit Discount Fund (ZKDF)

1. Address:
Dame Gruev 14 Skopje

2. Website:

3. Branches:

4. E-mail:
acdf@acdf.gov.mk

6. Tel:
(+389 2) 3299 090

6.Fax :
(+389 2) 3299 094

7. Contact:
Efimija Pechinska

8.Title:
Manager

9. Types of available finance: Loans for fixed assets and working capital.

10. Products:

Product	*Range (MKD)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Primary agricultural production loans for individuals and SMEs	Up to 100,000.00 Euro	4% annually*	NA	NA	NA
Agro - processing loans for SMEs	Up to 200,000.00 Euro	5% annually*	NA	NA	NA
Rural trading loans for SMEs	Up to 200,000.00 Euro	5% annually*	NA	NA	NA

***** Interest rates for loans approved through the saving houses that are servicing this credit line range from 6% for the primary production loans and 6,5% for agro-processing and rural trading loans**.**

11. Other terms and conditions:
Loans are marketed though the participating banks and saving houses with which the Ministry of Finance –ZKDF has signed agreements for co-financing of the loans – ZKDF participates with 80% of the total loan amount, while the financial institution through which the loan in question is marketed participates with 20% . The credit risk is fully covered by the financial institution.

Financial institutions through which these loans can be obtained:
- NLB Tutunska Banka AD Skopje
- Investbanka Banka AD Skopje
- Komercijalna Banka AD Skopje
- Stopanska Banka AD Bitola
- Saving House Moznosti DOOSkopje
- Saving House FULM DOO Skopje

12. Specific Agribusiness or SME product:
Use of loans:
- Fixed assets and working capital for primary agricultural production (cattle breading, farming, production of fruits, production of grapes, tobacco production, etc.);
- Fixed assets and working capital for processing agricultural products (production facilities, equipment, purchase of row materials, etc.);
- Fixed assets and working capital for marketing agricultural products (warehouses, cooling devices, calibration machines, buy-out of agricultural products, etc.)

13. Collateral:

Security is obligatory for all credit products. Each involved financial institution individually determines the security in line with their credit policy. The following instrument are most often used for securing loans:
- Guarantors in good standing (natural persons and legal entities)
- B/E (for legal entities)
- Pledge on movable property
- Mortgage on immovable property
- Guarantee Fund
- Other security instruments as determined by the bank or the saving house

14. Criteria:

Loan terms (maturity, grace period) are established by each financial institution individually in line with their credit policy and subject to the type and purpose of the investment, the amount of the loan, the conditions for production and suchlike.

15. Summary comments:

The Agricultural Credit Discount Fund is a separate unit within the Ministry of Finance. Its primary task is to administer the fund for financing individual agricultural producers and small and medium enterprises that are processing or marketing agricultural products.

The overall goals of the Agricultural Credit Discount Fund are:
- To ensure inclusion of the banking sector in extending loans in agriculture
- To integrate small farmers in the banking sector
- To reduce the credit risk in agriculture

Donor Programs

Foundation Open Society Institute - Macedonia

1. Address:
bul. Jane Sandanski 111, P.O. box 378, Skopje

2. Website:
www.soros.org.mk

3. Branches:
N/A

4. E-mail:
msrdan@soros.org.mk

5. Tel:
(+389) 2 244 44 88

6. Fax :
(+389) 2 244 44 99

7. Contact:
Milica Srdanovik

8.Title :
Economic Reforms Program Coordinator

9. Types of available finance:

10. Products:

Product	*Range (EUR)*	*Interest Rate*	*Maturity*	*Fees*	*Collateral*
Agriculture loans	Up to 10,000 EURO	8% - 12%	Up to 36 months (for fixed assets) Up to 12 months (for working capital)	1.5% -2.5%	Combination of the following instruments: - Bills of exchange - Guarantors (natural persons) - Guarantors - legal entities - pledge on movable property - Mortgage on immovable property - Funds or funds in deposit - Other as necessary and acceptable to the Bank
Loans for start-up businesses*	NA	NA	NA	NA	NA

***Note:** The development of procedures and term and conditions for applying for loans for start-up businesses are underway. They will be available for FIOOM projects.

11. Other terms and conditions: Grace period up to 6 months.

12. Specific Agribusiness or SME product: The loans are available to individual agricultural producers and small private agricultural entities that have been registered for at least 6 months and employ up to 25 persons.

13. Collateral:
Combination of the following:
- Bills of exchange
- Guarantors (natural persons)
- Guarantors - legal entities
- Pledge on movable property; minimum 130% of the amount of the loan
- Mortgage on immovable property; minimum 130% of the amount of the loan
- Funds or funds in deposit

- Other as necessary and acceptable by the Bank

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14. Criteria:

The loans are approved for:

- Working capital
- Purchase fixed assets
- Purchase machines and equipment (tractors, machinery, etc.)
- Expanding the main herd (cattle, sheep, etc.)
- Planting short-term growth crops

15. Summary comments: Loans are marketed through Izvozna i Kreditna Banka.
For more information please visit the website : www.ikbanka.com.mk

List of Donor Programs in Macedonia[1]

Type of Instituion	Name of Institution	Phone and Fax	Email and Webpage	Adress
UNDP	United Nation Development Program	Tel: + 389 2 3249 500 Fax:+ 389 2 3249 505	matilda.dimovska@undp.org www.undp.org.mk	8-ma Udarna Brigada Str.2, 1000 Skopje
EU	Mission of the European Union to the Republic of Macedonia	Tel: +389 2 3248 500 Fax: +389 2 3248 501	Delegation-FYRMacedonia@ ec.europa.eu	Marsal Tito 12, 1000 Skopje
WB	World Bank Macedonia	Tel: +389 2 3117 159 Fax: +389 2 3117 627	www.worldbank.org.mk	34 Leninova 1000, Skopje
EBRD	European Bank for Reconstruction and Development (EBRD)	Tel: +389 2 3297 800 Fax: +389 2 3231 238	bojadziv@ebrd.com milosheb@ebrd.com	Dame Gruev 14 Business Centre Intex 1000 Skopje
BAS Programme	BAS Programme Macedonia Business Advisory Service Program	Tel: +389 2 313 5078 Fax: +389 2 313 5092	www.basprog.com.mk	Ilindenska 47 / 1, 1000 Skopje
AgBiz	USAID AgBiz Program	Tel: +389 2 321 60 70 Fax +389 2 321 60 70 Ext.111	www.AgBiz.com.mk	Ivo Lola Ribar 57/3 1000, Skopje
FAO	FAO		aleksandar.nikolovski@fao.org.mk	
GTZ MAFP	Introduction of EU Directives in the Macedonian Agricultural Policy and Support to Cooperation in the Agro and Food Economy with the Countries in the Region	Tel: + 389 2 3103 572; 3103 573 Fax: + 389 2 3103 572	gtzagro@mt.net.mk	Antonie Grubisic 5 1000, Skopje
IFAD 2	Agricultural Financial Services Project - IFAD 2	Tel: + 389 2 3215 080 Fax + 389 2 3109 514	www.ifad.org.mk	8-mi Mart, 3 1000, Skopje
MAASP	Macedonian Agricultural Advisory Support Programme	Tel: +389 2 3233 641 Fax:+389 2 3233 641	info@optointernational.com.mk	Bul.Kliment Ohridski 23-1/1 1000, Skopje
MAFWE	Ministry of Agriculture, Forestry and Water Supply	Tel: + 389 2 3134 477 Fax:+ 389 2 3239 429	www.mzsv.gov.mk	Leninova 2, 1000, Skopje
PZZP	Proekt za zajaknuvanje na zemjodelstvoto i pristap kon EU		n.jovanovska@asap.com.mk	
SFARM	Support to Farmers' Associations in the Republic of Macedonia	Tel: +389 2 3128 224 Fax:+389 2 3296 589	info@sfarm.org.mk	20-ti Oktomvri 17 1000, Skopje
WB LEF	EBRD-Italy Western Balkans Local Enterprise Facility	Tel. +389-2-3297-800 Fax: +389-2-3231-238	Serrif@EBRD.com; Corbof@EBRD.com; Bojadziv@EBRD.com	Makedonija 19, Makosped building 3 floor 1000 Skopje
FOSIM	Foundation Open Society Institute - Macedonia	Tel: + 389 2 2444 488 Fax: + 389 2 2444 499	msrdan@soros.org.mk	Bul. Jane Sandanski 111, 1000 Skopje

1 The list provides a general overview of donors and specific programs active in Macedonia, especially in the agribusiness and SME sectors. Any donor program providing financing directly to businesses is listed in the previous pages. As many donors provide financing through local financial institutions, these products are listed on the page of the specific local institution doing the on lending—i.e. the point of service.

Sources of Finance Outside Macedonia[2]

List of Sources of Finance Outside Macedonia

Institution	Type of Finance	Telephone/ Fax	Webpage/Contact	Address
American International Group (AIG)	Equity, fixed income, hedge funds, private equity, and real estate. (previous investments in the region)	Tel: +212 458 2156 Fax: +212 458 2153	aigcp@aig.com http://www.aiginvestments.com/aig/default.htm	AIG Capital Partners, Inc. 175 Water Street 23rd Floor New York, NY 10038
Black Sea Trade & Development Bank (BSTDB)	Project Finance, Trade Finance, Special Funds	Tel: +30 2310 290 400 Fax:+30 2310 221 796 or +30 2310 286 590	info@bstdb.org www.bstdb.gr	1 Komninon str. 54624 Thessaloniki, Greece
European Bank for Reconstruction and Development	The EBRD provides loan and equity finance, guarantees, leasing facilities and trade finance. The Bank also finances professional development through support programmes	Tel: +389 2 3297 800 Fax: +389 2 3231 238	www.ebrd.com Head of Office: Kenji Nakazawa	EBRD 3rd Floor Makedonija Street, 19 Skopje, 1000 FYR Macedonia
European Fund for Southeast Europe (EFSE)	short-term loans, local currency loans, term deposits, subscriptions to PLI bond issues, certificates of deposit, co-investments (syndicated loans) as well as stand-by letters of credit, guarantees, equity and quasi-equity participation in PLIs.	Tel::+ 49 69 154008 611 Fax:+ 49 69 154008 (regional office in Bulgaria) Phone: +40 21 312 26 53 Fax: +40 21 312 26 54	http://www.efse.lu info@efse.bankakademie.org dumitrescu@efse.bankakademie.org	Sonnemannstrasse 9-11 60314 Frankfurt Germany
Export-Import Bank of the United States	Trade finance products including working capital, insurance, loan guarantees, finance lease guarantees, direct loans and special initiatives	Tel: (202) 565 3946 or (800) 565 EXIM Fax: (202) 565 3380	www.exim.gov	811 Vermont Avenue, NW Washington, D.C. 20571
Foreign Agriculture Service	(products primarily for US companies) market development programs, export programs, import programs, commercial export financing, trade adjustment assistance	Tel: +202 720 4221 Fax:+202 690 0251	www.fas.usda.gov	Room 4524, South Building Washington, DC 20250
IFC	Syndicated loans, equity finance, quasi-equity finance, equity and debt funds, structured finance, intermediary services, risk management products, local currency financing, municipal finance, ade finance	tel. + 389 2 322 33 06 fax. +389 2 22 32 98	www.ifc.org zmartinovski@ifc.org	2121 Pennsylvania Ave., NW Washington, DC 20433

2 This list is provided as a general overview of sources of finance outside of Macedonia. Many of these programs have specific conditions and requirements. Contact their representative or website for more information if any of these sources may be relevant for you. Generally, these institutions are interested in financing medium to large sized operations/deals

Institution	Type of Finance	Telephone/ Fax	Webpage/Contact	Address
Multilateral Investment Guarantee Agency (MIGA)	Insurance, guarantees, investment support	Tel: (202) 458-9292 Fax: (202) 522-2630	fdalbono@worldbank.org www.miga.org	1800 G Street, N.W., Suite 1200 Washington D.C. 20433
Overseas Private Investment Corporation (OPIC)	OPIC assists U.S. companies by providing financing (from large structured finance to small business loans), political risk insurance, and investment funds. OPIC complements the private sector in managing risks with foreign direct invest.	Tel: +202 3368674 or 800 424 OPIC Fax: +202 408 9859	www.opic.gov	1100 New York Avenue, NW Washington, DC 20527
Southeast Europe Equity Fund (SEEF)	Equity fund focused on the region	Phone: 212-333-9727 Fax: 212-397-0139	david.mathewson@ soros.com	Soros Private Funds Management LLC 888 Seventh Avenue New York, NY 10106
U.S. Trade and Development Agency	(for projects with US companies as partners) Trade capacity building and sector development, project definition and investment analysis	Tel: + 703 875 4357 Fax:+ 703 875 4009	www.tda.gov	1000 Wilson Boulevard Suite 1600 Arlington, VA 22209-3901
World Bank Group	Wide range of products and services, especially in terms of financing and technical assistance. Consult their webpage for more information	Tel: (703) 661-1580 Fax: (703) 661-1501	www.worldbank.org	World Bank Publications PO Box 960 Herndon, VA 20172
Soros Economic Development Fund			www.soros.org	See website for more details
Council of Europe Developmet Bank / Norway Trust Account		Tel: +33 (0)1 47 55 55 00 Fax: +33 (0)1 47 55 03 38	www.coebank.org	55, avenue Kleber F-75116 Paris, France. See website for more details

Section II: Accessing Finance

Introduction

This Section is designed to help you understand how to access appropriate finance and investment by improving your understanding of lenders and strengthening your bankability to lending institutions. It is intended to better educate you on types of finance, how to become a more attractive client for financial institutions and how to present your case to lenders.

In order to make the right decisions for financing your business, you should be as informed as possible on products offered in the financial market (Part I) and the process for obtaining finance (Part II). If you talk with lenders in Macedonia, they will tell you that many companies (including agribusinesses) could be “bankable clients”. Yet, many potential clients are restricted by limited credit history and credit discipline, weak accounting systems and understanding of financing alternatives, along with limited cash flow and collateral. In the following pages, we will walk you through each of these issues and help demonstrate actions you can take to transform the perception of lenders about your company.

We note that this is an overview of the lending process and suggestions on improving your potential for obtaining financing. If you have questions after reading this Manual or the terms and discussion aren’t clear we advise that you contact a business support advisor or lawyer as appropriate.

If you were the Loan Officer….

The critical question to ask yourself when looking for outside financing for your company is: Would you make the loan with your own money if you were the financial institution and why? All lending and investment decisions are based on a set of criteria to determine if the loan application or investment application is worthwhile and if the lender/investor is assured of getting their money back plus a return and profit in the form of interest, dividends, upside on an equity ownership, etc.

This process involves a detailed assessment and analysis of a business and its management, risks regarding paying the loan on time with interest and fees, determining the interest rate and collateral - and most importantly for lenders, the potential for the business to become a long-term customer that uses other products and services they offer, now or in the future. Transparency (providing accurate and complete information) and being properly registered as a business are critical for success. Clear bookkeeping and proper financial and legal documentation also play an important role in increasing the confidence of lenders when analyzing your business.

Also keep in mind that the financial institution may require up to 20 to 30 days to process the loan application upon its submission. Lenders often tell of potential borrowers who want loans disbursed in a very short turn around time. Loans for items such as seeds, fertilizer, raw materials are often very time sensitive from the point of an agribusiness. Thus, try to start the loan application process as soon as possible and recognize that it could take up to one month to receive a loan.

Many agribusinesses choose to take loans as individuals as opposed to through their company. This can limit the amount of financing you can access as well as the ability of your company to grow and become more profitable. Even if your business is just you as an individual, it is best to register appropriately as an entrepreneur, sole proprietor, etc., so that your activities as a business are official with the respective authorities, and so you have the necessary trade licenses, etc.

Financing Agribusiness is not Easy

By extending finance to your business, a financial institution is taking a risk. They are trusting you with their or their depositors’/shareholders’ money. The perceived and real risks of the agriculture sector and its strong seasonal character, has additional risks beyond an average industry when you consider the often uncontrollable elements of weather (such as flood, drought, extreme temperatures, etc.), market volatility and an increasingly global marketplace. Thus, it is even more important as a borrower to help reduce the risk of lending to you by taking the necessary steps to become a better client. While some responsibility for risk analysis will be taken by the lending institution, you cannot rely on them to fully understand your business. You should be prepared to provide complete information, strong analysis of your business and the market you serve, and to highlight the positive aspects of your business and your ability to repay the loan or investment.

Obtaining financing is a *process*. From the financial institution's perspective, it involves client selection, careful loan appraisal/risk analysis, collateralization, and monitoring. Be ready to shop around to different financial institutions and look for opportunities to make your business proposal more attractive. If one lender is moving too slowly for your needs or is not meeting your requirements, then contact another. By talking with several potential sources of financing, you can also help better shape your credit request to be more reasonable and to stimulate competition between financial institutions, which can often help determine the final loan terms and conditions you may be offered.

A. Frequently Asked Questions from Lenders

The process for obtaining financing is made easier by knowing what questions a lender will ask you and to be prepared to answer these questions clearly and thoroughly. Although many businesses don't think of preparing themselves before they require a loan, it is a good business practice to understand what you will need should a new opportunity arise. For example, you just received an order for processed vegetables from a buyer in Italy. It is a great opportunity for you to increase your exports to the EU market. However, you need additional working capital to pay for packaging and transport to complete the order. Can a financial institution provide the cash you need and in time to make the sale?

The answer is "Yes" if the lender feels confident that you will be able to repay and securitize the loan. In other words, as a borrower, you will have the necessary cash flow (demonstration of future income) and collateral (secondary security) to minimize the risk in providing you financing. While lack of adequate collateral can be a key constraint to accessing financing, cash flow is actually the most important issue with regards to repayment for lenders – because you repay the loan from the cash flow of your business. It is critical to getting financing that you can demonstrate exactly how you will repay the loan with interest and fees.

However, lenders need more than just positive cash flow and adequate collateral to make a loan. For example, one of the primary factors for lenders and investors is the management of the business – as it's the management that runs the business and determines the success of the business. Below, we present an introduction to the 6 "C's" of loan analysis *(Capital, Character, Capacity, Collateral, Conditions, Credibility)* which constitute the basis of the questions that lenders frequently ask….*and that you should be prepared to answer!*

The Six "C's" of Loan Analysis

- **Capital**

The money that is already invested in the business is considered its capital. Lenders are often looking for companies that already have most of the necessary cash or assets to operate, and need more help to become more profitable through the purchase of a new piece of equipment, filling a larger than normal order, etc. (usually not to finance 100% of any given order or asset purchase). This is a main reason why most banks do not usually finance start-up operations unless there is already considerable capital invested by the owners and there is sufficient cash flow to demonstrate the success of the venture.

If you are looking for long-term funding to build a new warehouse, for example, the lender will generally want to see that the company itself has invested some of its own money in the venture and thus has a stake in its success or failure and is sharing the risk with the lender. The lender may evaluate the company as a risky potential client if the production facilities and equipment according to legal documentation are owned by the manager/owner personally rather than being owned by the company itself.

Key question:[3] How can I demonstrate adequate capital in terms of my own investment in the company in general as well as for this specific financing opportunity?

- **Character**

Businesses are run by people, and although the lender or investor is providing financing to the business, in fact they are really investing in the managers and owners, and basing their decisions largely on their assessment of the character of these people and their ability to perform. Financial institutions want to do business with companies that are well managed and are operated by honest and trustworthy people. Loan Officers want to feel confident that those individuals running the business are in good mental and physical health, have a solid plan and vision for success, provide clear, accurate and complete informa-

3 See the end of this Chapter for potential answers to this and other key questions.

tion, and have a clear track record of paying their bills and previous loans on time and in full.

As you prepare yourself to apply for a loan or investment, think of examples where you have a positive business reputation in terms of meeting your obligations to your customers, suppliers, partners, and employees. Make sure you have explanations if you have any legal action pending against your company or you as a person. And consider cases showing your capacity to innovate and take advantage of dynamic market opportunities.

Key question: How can I show that I run a responsible and fully legal business that meets its obligations and would be a good client for a financial institution?

- **Capacity**

A positive and growing cash flow is strong evidence of your business' capacity to repay a loan and is an important consideration for lenders. Other factors a lender will consider regarding your capacity for repayment include: the amount of cash you have on hand and in reserve for contingencies, the adequacy of your payables to be covered by your collectable receivables, how you will remain competitive if there are sudden changes in your market segment (e.g. new businesses enter the market or an existing company reduces its prices or offers new products or services, prices for inputs,raw materials or finished goods or other costs rise, etc.), how you will mitigate the impacts of seasonal fluctuation, production and price variations, how well your balance sheet and income statement reflect solid financials and strong historical growth, and how well your financial projections demonstrate future growth, profitability, and positive cash flow – including repayment of the principal and interest on the loan.

Loan applications from almost all financial institutions will cover these and other similar points to determine the central risks in financing your agribusiness.

Key question: How can I clearly show my capacity to repay this loan on time and in full?

- **Collateral**

Lack of adequate collateral can be a major constraint to obtaining financing. Though, there are increasingly more ways to 'collateralize' a loan. The riskier a financial institution perceives a loan to be, the more stringent they will make the collateral requirements. For larger and longer term loans, this becomes increasingly important and lenders often require real estate or other fixed assets as collateral which many companies simply do not have or have already committed as security for other financing. As the financial markets in Macedonia are developing, lenders (as indicated in the previous Section) are utilizing more alternative types of collateral when providing financing. For example, this can include bills of exchange, cross checks, purchase orders, and other instruments.

If collateral does become a road-block to obtaining a loan, you can consider more creative mechanisms. For example, quasi-equity and equity financing are often unsecured (i.e. no collateral other than an interest in the company is given) though they come with different types of stipulations. Equity investors, for example, usually require part ownership of of the company, as well as playing a role in decision making. Innovative or more creative types of finance are often much harder to get, especially for SMEs and agribusinesses, but they should always be considered. These types of financial instruments, as well as more details on various types of collateral instruments are covered in the following pages (see Chapter H: Collateral).

Key question: What good alternatives can I provide as collateral for this loan?

- **Conditions**

Financial institutions will be considering the main factors which impact your ability to repay the money you have borrowed. For example, the current and future demand for your products and services, your market share and position relative to your competition (both locally and regionally), price and production risks, and the overall market trends of your sector. More specifically, for example, consider how you will be able to stay in business if another Macedonian company, or a Serbian, German or even Chinese company starts selling a similar product in Macedonia to the ones you offer. While these types of questions are important to obtaining financing, they also are critical to your own overall business strategy and ability to growth and increase your profitability (and income).

Key question: How can I demonstrate the competitive position and resiliency of our business?

- **Credibility**

The fundamental consideration regarding credibility is that a lender can trust you with *their* money as well as with <u>your</u> money (from deposits). Similar to the discussion of character, the credibility of the information that you provide to financial institutions is very important. Loan Officers are highly trained and knowledgeable about most aspects of the businesses they lend to in Macedonia. They have seen all sorts of “projected” numbers that have no basis in reality or potential for further growth. The key is keep it simple and real; provide transparent, complete and correct information right away to the financial institution. If a lender perceives that you are dishonest, or hiding assets, sales or cash flow, you can almost certainly forget about receiving financing from them.

Key question: Is all information accurate and correct in my credit application and supported by all necessary legal and financial information?

REVIEW: POTENTIAL ANSWERS TO KEY QUESTIONS

Key question: How can I demonstrate adequate capital in terms of my own investment in the company in general as well as for this specific financing opportunity?

- Show your own investment and experience with the company.
- Demonstrate that you are sharing risk with the lender.

Key question: How can I show that I run a responsible and fully legal business that meets its obligations and would be a good client for a financial institution?

- Provide clear documentation and proof of all your required business registrations and documents.
- Provide references from your clients, suppliers, and previous sources of finance that you have worked with successfully for a sustained period of time.
- Demonstrate the stability and competitive position of your company.

Key question: How can I clearly show my capacity to repay this loan on time and in full?

- Provide potential sources of lenders with a clear and accurate picture of your cash flow.
- Provide examples of previous loans you have paid back on time and in full (if possible).
- Demonstrate that your clients have a track record of paying you on time and in full.

Key question: What good alternatives can I provide as collateral for this loan?

- From the list in Chapter H, determine what instruments you may have available for this loan.
- Provide necessary documentation and proof of ownerships for any collateral instrument you propose utilizing.
- Study and understand the advantages and disadvantages of various forms of collateral.
- Provide collateral that matches the tenure and use of the loan as well and that is accepted by the financial institution.

Key question: How can I demonstrate the competitive position and resiliency of our business?

- Convincingly show your comparative advantage in the market place along with a proven track record of success.

Key question: Is all information accurate and correct in my credit application and supported by all necessary legal and financial information?

- Check all information several times for accuracy before approaching a lender. Consider having employees or advisors verify information as well as a secondary review.

B. Types of Debt Finance and Usages

There are three main types of finance:

- ***Debt*** - Money borrowed on credit with terms and conditions indicating how it will be repaid, as well as what interest and fees will be charged. Usually, it is securitized through some form of collateral.

- ***Quasi-Equity*** - Generally is considered debt but has the characteristics of equity capital such as a flexible repayment, expected higher rate of return and is often unsecured. Usually refers to funds rather than paid-in capital and retained earnings. Sometimes, long-term debt is thought of as quasi-equity when repayment is spread over an extended period of time. Examples of quasi-equity are convertible debt, venture loans, subordinated debt, mezzanine financing, and royalty payments.

- ***Equity*** - Investors (including you) put money in your company in exchange for a share of the ownership of the company. There are many forms of equity investment, but primarily, this form of finance is provided by outside investors to medium and large companies that demonstrate strong growth potential. Investors will be looking for an “exit strategy” for their interest, such as a strategic partner that will buy the investor’s share, or where you, as the primary owner will be able to buy out the investor at some future date.

Most financing in Macedonia is simple debt. Accordingly, on the follow pages we provide a chart describing the key types of debt financing, their main uses, appropriateness for companies of various sizes and their advantages and disadvantages. The chart focuses on the main types of finance available in Macedonia and the region in general.

This chart is intended to help you get an idea of which types of financing may be appropriate for your business. As each company is different, it is important to talk with your Loan Officer to learn more about available products, the loan terms and conditions, and which one is right for you.

Mechanism	Definition/Main Use	Usual Business Size[4]	Key Benefits	Risks/Obstacles
Collections	Payment is made on receipt of goods (goods are shipped, bill of exchange {draft} is drawn by the seller on the buyer and/or documents sent to seller's bank {remitting bank} with clear instructions for collection through correspondent bank in buyer's country (collecting bank).	Usually Large companies only	* Facilitates payment upon release of goods.	* Complicated, but can be used to assure that goods will not be released to Buyer until payment is made. Usable if the Buyer cannot get a letter of credit.
Credit Lines	Intended to provide short term working capital. Can be used for financing trade though not specifically a "trade finance" product.	Can be used by all sizes of business needing short term finance, but usually for Medium and Large companies.	* Provides working capital with higher flexibility for use. * Can draw down against credit line as funds are needed. * Can often roll over loan to future periods if needed	* Not available to some companies because it requires solid credit history and profitability track record. * Collateral requirements often exceed what company can provide. * Company can get into trap of continually paying interest and never paying back principal – and not being able to get additional credit.
Export Insurance	To guarantee payment if Buyer doesn't pay	Medium, Large	* Can help assure payment and can reimburse company in case of default of Buyer	* Expensive and cumbersome to set up * Does not help the company produce and ship the goods and does not accelerate payment * Could take many months or even years to get paid as legal process runs its course
Factoring	Accelerate receipt of 50 - 85% of invoice value after goods are shipped and invoice is issued (does not provide working capital to produce order pre-shipment).	Small, Medium, Large	* Enables firms to be paid majority of invoice faster once order is shipped	* Does not help companies that need money prior to shipping to produce or buy the products to fill orders * Can be difficult for most companies to actually get factoring even when offered by banks * Some Buyers don't like their suppliers using factoring * Factoring typically requires that the Buyers of the products are large, established and credit worthy companies
Importer Pre-Financing	Provides financing to the importer to enable the importation of goods	All sizes, though not common with Micro	* Can help support financing the import transaction – fundamentally a form of Purchase Order Financing	* limited availability on the market * requires actual, verified orders from Buyers

4 Micro (1 – 9 employees), Small (10 – 49 employees), Medium (50 – 249 employees), Large (more than 250 employees).

Mechanism	Definition/Main Use	Usual Business Size	Key Benefits	Risks/Obstacles
Invoice Discounting	Similar to factoring though the Buyer is not aware that the invoice was financed.	Generally Medium and Large	* Enables firms to be paid majority of invoice faster once order is shipped	* Does not help companies that need money prior to shipping to produce or buy the products to fill orders * Cumbersome setup * Like factoring, typically requires that the Buyers of the products are large, established and very credit worthy companies * Not readily available for most companies.
Letters of Credit	Formal bank letter guaranteeing payment if certain conditions are met. Helps specify terms and conditions of order (typically export or import) and to guarantee payment if conditions are met	Generally Medium and Large	* Proven and commonly used method * Safe transaction (Governed by I.C.C. Uniform Customs and Practice for documentary credits UCP 500 revision 1993)	* Buyer/Customer must be able to get Letter of Credit from its bank (however, if Buyer can't get letter of credit, transaction might be doubtful in the first place, or Buyer might not be credit worthy)
Open Account	Buyer pays on receipt of goods	All sizes	* Payment is typically made on acceptance of goods by Buyer	* Requires that Buyer is absolutely credit worthy and completely trustworthy – typically large multinational whose reputation in the market is important * Usually only provided in cases where there is a long, stable relationship between Buyer and supplier
Other forms of Documentary Credit such as Letters of Guarantee, Inward Bills, Check Negotiations	To guarantee payment or performance. Can include Tender Guarantee, Bid Bonds and Initial Guarantee. Performance Guarantee, Advance Payment Guarantee, Retention Money Guarantee, Purchase Guarantee, Telephone Guarantee and Maid Guarantee. They can be foreign guarantee or counter guarantee.	Generally Medium and Large	* Can help secure financing and lower interest rates.	* Can be expensive and might not applicable to all situations, especially for SMEs and early stage companies

Mechanism	Definition/ Main Use	Usual Business Size	Key Benefits	Risks/Obstacles
Pre-Export Financing	Providing working capital for firms to prepare, complete and ship export orders	All sizes, including MSMEs	* Help companies fill export orders, increase revenues and profits and create jobs. * Short term, flexible instrument * Does not require real estate collateral	* currently somewhat limited availability on the market but quite attractive to companies * requires actual, verified orders from customers
Purchase Order Financing	Providing working capital for firms to prepare, complete and ship orders	All sizes, including MSMEs	* Helps companies fill orders, increase revenues and profits, and create jobs. * Short term, flexible instrument * Does not require real estate collateral	* currently somewhat limited availability on the market but quite attractive to companies * requires actual, verified orders from customers
Term Loans	Intended for medium or long term needs (two to ten years), primarily for capital expenditures (buildings, equipment, vehicles). Can be used for financing trade but not really appropriate or advisable.	All sizes	* Provides medium and long term money for fixed assets or long term projects. * Many lenders have specific products for companies of a given size or for a given industry	* Not for short term needs or working capital. * Not available to a lot of companies because it often requires solid credit track record and collateral requirements exceed what company can has. * Sometimes companies use term loans to finance short term working capital needs or trade and get stuck in a “credit straightjacket” where they can’t get the additional financing they need to grow

C. Choosing the Right Product for your Needs

Perhaps as important as obtaining financing is first determing which product best suits the needs of your business.

Determine Which Financing is Right for You

With the many possible financial instruments available, it can be difficult to determine which product is right for your specific financing needs, particularly in light of the economic and financial realities of your business. The more successful your business is (and the more it can be documented and verified), the more likely you can access a broader range of financial products and services.

Financial institutions often use a variety of different jargon to describe similar or sometimes identical products. This helps them differentiate themselves from their competition, but does not necessarily help you to better understand the product and its terms and conditions. Make sure you know all the terms and conditions of a specific product before proceeding, ask questions when things are unclear, and don't agree to something you don't understand.

Common elements of financial products include terms or tenors (length of loan in months or years), interest rates, fees (and there can be many types of fees), collateral requirements, and the purpose or "use of funds" (e.g. to purchase a car or to provide working capital to obtain raw materials). When comparing products and services from different institutions, pay special attention to the fees, terms and all conditions included in the product *in writing* and make sure you understand what the total fee charges will be. In addition, know what extra charges will apply if you are late in repayment. Fees and other costs can be substantial, yet not always so clear, so definitely read the loan agreement carefully several times and understand exactly what the total costs of the financing will be!

Confirm Your Actual Interest Rate

Always pay attention to how the interest rate is quoted to you and ask what your rate is in terms of the Annual Percentage Rate (APR) or the "total cost of credit to the consumer expressed as an annual percentage of the amount of credit granted" (from Wikipedia). As interest rates can be quoted in different ways, loans that seem to have low rates may actually be much higher. Many banks have loan calculators on their webpage where you can "run the numbers" regarding a loan you are interested in receiving. Use tools such as these to better understand the risks and benefits of various products – but don't forget to factor in all the fees.

Remember

* **Make sure your interest rate is given in terms of APR**
* **Make sure you have written information on all fees and conditions of the loan**
* **Make sure you determine the total cost of the financing**
* **If the financing will help your company grow and become more profitable, then it may well be good to accept it, even if the interest rate and fees seem to be high – the most important thing is for your company to be successful**

The Key Questions You Should Ask

In considering what product(s) could be right for your business' specific needs, ask yourself the following five questions:

1. **What do I need the money for?**

This is the most important question in terms of what type of financing might be appropriate. Choosing the wrong type of finance for your needs often can have a negative effect on your business. For example, if you take a long term loan and tie up all your collateral for several years, when you actually only need the money for a few months to a year (short term), you will pay much more in interest costs which will limit your cash flow and reduce the profits of your business. In addition, since all your collateral is tied up, it will limit your ability to raise more financing.

Do you need money to build a new factory or warehouse? Do you need money to complete and ship an order? Do you need a new piece of equipment that you could either purchase or lease? If you need money related to working capital, such as for agricultural inputs (seeds, fertilizer, pesticides, etc.), raw materials, packaging, semi-finished goods or components, finished goods for resale, etc., you should be thinking about short term products which match the business cycle of the particular product being produced or supplied (the business cycle being the amount of time from when you receive the order to when you get paid by the Buyer).

Of course, loans for equipment, land, buildings or other capital investments usually require longer term financing since these assets have longer useful lifetimes and you probably need more time to pay for these assets. The type of financing should match the purpose of the money – short term products should be used for short term purposes (and be secured with short term collateral such as purchase orders, receivables, inventory, etc.) and long term products should be used for long term purposes (and be secured by long term collateral such as land, buildings, durable equipment, etc.)

2. **How much money/credit do I need?**

Often, if you ask a business person how much money they need and for how long, they may say twice as much as they need and for two to ten times as long as they need. With this approach you may end up with the wrong type (term, collateral and cost) of finance for what you actually require – or may not get the financing at all. Lenders will do an analysis of your needs and your ability to repay the loan safely. Remember, borrowing money costs money. While borrowing money often makes sense to help a business grow and be successful, try to avoid borrowing more money than you really need or for longer than you need it.

As noted in the FAQ Section, financial institutions usually do not want to give 100% of the money you may require – they expect you and your business to share the risk and provide some of the money. Look for ways that you can reduce the amount of money you borrow. This will help protect your own risk exposure from defaulting on loans, and will push you towards sustainable growth of your business. Failing to fulfill your obligations on financing you receive can make it very difficult for you to get future financing – and can even cause you to lose your business. Thus, try to take a prudent, incremental approach to increasing the amount of money you borrow. And make sure you match the money you borrow to the real needs of your business and your ability to repay the loan.

3. **For how long do I need the money?**

It is common to see a SME that has all of its collateral (real estate, inventory, receivables, equipment, etc.) pledged to the lender for a revolving line of credit that gets rolled over for several years. Yet, they may only need access to the money for a few months out of each year. With this in mind, it doesn't make sense to commit all of your collateral and pay interest for 12, 24 or more months if you actually only need the money for a part of each year. You don't want to pay more interest and fees than is necessary to fulfill the purpose of the financing and you don't want to tie up all of your collateral if you don't have to. If your collateral is already pledged, you can't use it to obtain additional financing that you may need to grow.

No one knows your business better than you. Look at your cash flow, historical and projected, and try to determine how you can reduce the length of time of your credits. Lenders actually like short term credits that get paid off and then repeat, as it helps limit exposure and risk for both lender and borrower. Also, if you take shorter-term loans in smaller amounts, this can reduce the collateral requirements and you can build a positive track record with a lender by showing you are a good, credit worthy client.

Of course, there are times when reducing the tenure of the loan is simply not possible. If you need a new factory or warehouse, for example, then you usually have to take a longer term perspective. Although, the reality is that at any given time, most businesses require financing for working capital which is short term. Businesses only infrequently need new factories or warehouses (for example, if you are currently at less than 70-80% utilization of your existing production capacity, then you probably need to obtain and fill more orders to utilize your existing capacity, rather than to build or buy additional capacity).

4. Is this proposition attractive to a financial institution?

After you have determined how much financing you need, for what purpose, for how long, and how you will repay it with interest and fees, the next step is considering if this financing proposal is attractive to a financial institution *as a business proposition*. As described throughout this Section, it is critical in your loan application and discussion with potential lenders to make a clear presentation of your business plan, market research backing it up, and the relavent financial needs and analysis. You must be able to quickly explain why you need the money, how it will benefit your business (e.g. increased sales, increased profitability, etc.) and how you will pay the money back. If on the first time around, lenders are not interested in what you propose, be creative in adjusting your proposal, collateral, structure, tenure, etc. to make it more compelling to a financial institution as a sound business decision. Also, consider speaking with your lender about their expectations before submitting your application in the first place and use this discussion to tailor your proposal.

5. How will you repay and collateralize the loan?

When thinking about what type of finance you need, consider what instruments you can offer as collateral and how you will repay the loan. In general, best practices in lending suggest that the type of collateral should match the tenure of the loan. That is, short term collateral instruments such as purchase orders, accounts receivable, inventory, etc., are appropriate for short term loans, whereas long term assets (land, buildings, durable equipment, etc.) are more applicable for long term loans. Be aware that lenders do not always follow this practice!

As it is very rare for businesses to have the same exact cash flow every month, you may need to ask your lender if they can be creative with repayment cycles. For example, ask if you can increase payments when you know that you will be receiving more money from your Accounts Receivable and decrease payments in months where you have less cash flow. Many agribusinesses have substantial cash flow in the late autumn and early winter months but then are cash poor in the winter and spring.

Structuring repayment cycles to match your cash flow is not something that every financial institution will do, although this can help reduce the risk of default and make it easier for you to make loan repayments without squeezing the monthly cash flow of your business.

Exercise:[5] **What Type of Finance do you need if?**	
A. You need money for raw materials and packaging to complete and ship an order and until you get paid by the Buyer in three months?	1. Trade finance
B. You want to build a new factory?	2. Short term working capital
C. You want to purchase new canning machine to improve your competitiveness with higher quality and efficiency?	3. Overdraft
D. You need a loan to provide air transport to deliver goods in Germany	4. Investment loan or equity investment
E. You are unsure if your accounts will balance at the end of the month due to late payment by two of your clients	5. Equipment loan or lease

Answers: A-2, B-4, C-5, D-1, E-3

Choosing the Right Financial Institution

Every lender is different and has different priorities and requirements -- you must choose the financial institution that is right for you, your business and your circumstances. Some loan officers are very helpful and friendly whereas others are difficult to work with. Some financial institutions have credit lines from foreign donors especially focused on lending to agribusinesses and SMEs. If you are not satisfied with your current lender or have just begun your search for a lender, try to identify 2 – 3 financial institutions that you feel match the profile of the types of products and services you need and conduct business in a way that makes you feel comfortable.

Also, look for financial institutions that can help you with more than just one product. While your immediate need may be a 6 month loan, can the financial institution provide other services to help you run your business and grow in the future? It is in their best interest also to capture your deposits, provide you a loan for your car, etc. The more business you do with an institution, the more comfortable and knowledgeable you will be about how they work and the more flexible they may be with your terms and conditions.

It is almost always easier to get financing from a bank if you also have your deposits there and have them handle your payments and transfers. They can then see the amount of money flowing into and out of your business, and they can use that information to more easily analyze your ability to repay the loan. Further, this will help you build personal contacts with individuals at the institution which can be helpful when you need financing fast or run into challenges with your business -- as we all do at one time or another.

D. How Lenders Evaluate Credit Applications

Understand the Process

Financial institutions employ a systematic approach to lending that enables them to analyze all potential financing proposals on a primarily objective, quantitative basis. The process begins with the initial contact and a screening process to weed out companies or individuals that are not attractive to the lender. If a business and its financing requirements pass the first screening, the next step is usually a loan application. Most institutions use what is called a *credit scoring system*, whereby potential clients receive points/grading for strong cash flow, collateral, a track record of repaying loans, management experience, market position, etc. Based on this assessment, it is generally determined if you are eligible for a loan with that institution and what the terms and conditions, including the interest rate, will be.

If the financial institution determines that you could be a good candidate, a Loan Officer will generally be assigned to work on your loan application, to analyze the information provided, and to make an asseement if you are a good manager. The Loan Officer will often also check references and try to determine if the Collateral is actually owned by you or your business and if it is free from other pledges or liens (thereby being available as collateral on this new loan). If the Loan Officer determines that the loan proposal is credit-worthy, then the loan is recommended to the Credit Committee, which determines whether to approve the loan or not, as well as to specify the final terms and conditions.

If your loan is approved, you will sign the loan origination documents in which you agree to the specific loan terms and conditions. Then, the loan is disbursed and monitored by the Loan Officer or another member of the financial institution to ensure you are making the principal, interest and fee payments as agreed in the loan agreement.

Key Things to Consider

The first thing financial institutions will look at is if you have borrowed money from them or others before, and if you paid it back in accordance with the loan contract. This constitutes a major part of your credit history or credit track record. This is why getting the first loan is often difficult because you may lack a track record of borrowing and repaying loans. Lenders will usually check with other financial institutions and with credit reference bureaus to get additional information about your credit history and track record.

Building a positive credit history with lenders is a key to helping your business grow as your access to financing opportunities will dramatically increase as you demonstrate that you are a good, reliable borrower (*i.e. you repay your loans in full and on time!*). Don’t be afraid to be proactive in reaching out to your financial institution if you are having problems making payments on the loan. While restructuring a loan often involves additional fees that you have to pay, a restructured and paid loan is better than a defaulted loan. In reality, lenders do not want to try and collect collateral from you in order for the loan to be repaid because it is a costly and time consuming process and often banks cannot fully recoup 100% of their costs. They would much rather try and work with you to help you repay the loan out of your businesses cash flow or from your personal resources than repossess your collateral or put you into bankruptcy. But this requires that you be honest and proactive with your lender.

Banks are monitored by the National Bank on their Non-Performing Loans (NPL), which are loans that are not expected to be paid back or where principal and interest are more than 90 days delinquent. Moreover, as the number of banks’ NPL increase, a lender loses money. For many Loan Officers, having an extremely low NPL for their portfolio is a sign that they are doing a good job and making loans to good businesses. That is one of the key reasons that they will only want to recommend their institution making a loan to you if they are convinced that you will repay the loan according to the agreed terms and conditions.

Are you Eligible?

All financial products and services have specific criteria you must meet to be eligible for consideration. For example, to get an SME loan you often must have between 10 – 250 employees (the standard EU definition for SMEs), although the actual numbers might vary somewhat from lender to lender. Pay careful attention to the criteria in Section I for each institution, because it is a waste of time and resources (*including for the institution!*) for you to apply for a loan that you could have determined in advance that you don't qualify for, and it also can hurt your credibility with that lender. Lenders always like to see that their potential clients have done as much homework as possible.

What is the Loan Officer Going to Ask?

The types of questions and information that each financial institution will require are similar. The amount of information and collateral or guarantees/mortgages requested might be more for larger loans, if you have no lending history, or if you have failed to pay previous loans on time. Below, we have summarized the main types of information that lenders will ask for. Loan applications from most financial institutions are available on their website. If you are interested in getting finance from a bank, review their loan application online and make sure you can provide solid answers to the information they request.

E. Typical Questions on Credit Applications

- How much money do you need and what will you use the money for?
- What is the total cost of the goods/services/equipment/building that you want the loan for, and how much of this cost will you or your company cover out of your own funds?
- How will the financing benefit your company and its future prospects?
- What is the background and history of your company, its development over the past three years, its current main areas of activity, and its main partners?
- What products and/or services do you provide?
- What percentage of your total production/trade capacity is currently being utilized? Is that utilization in one, two or three shifts?
- Who are your main suppliers, what payment terms do you have with them, and how current are you in your payments to them?
- How do you market, sell and distribute your products?
- Who are your main customers, where are they located, what percentage of total sales does each of them account for, what are their payment terms, and how current are they in their payments to you?
- Describe in detail your industry, your market segments and your market share.
- What is your competitive advantage(s) in this industry and your particular market segments?
- What characteristics determine success in your industry?
- Who are your competitors? What is the nature of competition in your industry?
- Who manages and owns your company? What is their educational background and total years of relevant experience? How long have they worked for your company?
- What assets can you offer as collateral, both in types and values?
- What inventory do you currently have and what is its current value?
- What are the values and aging of your Accounts Receivable and Accounts Payable?
- What are your current liabilities?
- Do you have relationships with other financial institutions? If yes, which institution?
- Do you have any current outstanding loans with another financial institution? If yes, what institution?
- Do you have any other existing short-term and/or long term liabilities as of the date of this application?
- Are there any legal actions of any kind pending or current against you, your company, its management or other owners (or other companies that you are involved with)?
- Does your company have any liabilities or obligations that are not reported on the balance sheet or in the loan application?
- What are the most significant risks/issues that your company will face over the term of the loan?
- Have you or any companies that you have been involved with declared bankruptcy in the last 5 years?
- Are you involved in any other business activities or partnerships other than the business that is applying for this loan? If so, please provide details.

F. The Importance of Cash Flow

Financial institutions use cash flow as the main determining factor of your ability to repay a loan. Why? Because you actually pay the principal and interest payments out of cash flow, and if you don't have enough cash flow after other business expenses, you can't repay your loan. How much money is your company bringing in every month? How does current growth compare to past growth? Are cash flow cycles similar from year to year based on monthly breakdowns? Is the supply of available cash increasing or decreasing? Why? They are the types of questions financial institutions will be thinking about before they consider extending credit to your business.

Cash is King

In lending, cash is "King." As is often said to new loan officers "cash pays you back, not collateral." As a business person, you already know the basic structure of cash flow. Basically, cash flow is the difference between the money you take in on sales or other income minus the money you pay out to cover expense and costs. Future cash flow can be anticipated by the relationship between *accounts receivable (A/R)* (money owed to your company by customers) and *accounts payable (A/P)* (money which your company owes to suppliers/vendors). A/R and A/P are usually structured where payments are due within 30 – 90 days of the sale of goods or services and the purchase of material and supplies. Money that you already have or have paid should already be accounted for in your books.

Below, we provide an example of an Accounts Receivable (A/R) Aging chart from the Crimson Development Foundation's loan application. You can see how lenders get at these issues in terms of understanding the finer details of your cash flow cycle. This A/R Aging tells the lender if your customers are paying on time and how well you are collecting the money that is owed to you. In the case of A/P, it tells the lender how well you are fulfilling your obligations to your suppliers. Normally, they will look to see that you have enough A/R to cover your A/P comfortably, even if some customers don't pay or don't pay on time.

Accounts Receivable Aging (A/R Aging) (money that you will be receiving over time from your customers)

A/R as of (date)	Payment Terms in Days	Amount (MKD)	% of Total A/R	Current – Not Past Due Date	0-30 days Past Pmt. Due Date	31-60 days Past Pmt. Due Date	61-90 days Past Pmt. Due Date	90 days + Past Pmt. Due Date
Customer Name								
Other								
Total			100%					

In addition, your A/R and A/P Aging helps the lender to determine how diversified your customer and supplier bases are. If you are working with just one or two suppliers, the financial institution could perceive this as a risk since your business could be negatively impacted if these suppliers ran into problems or raised their prices to you. Similarly, what percentage of your A/R is concentrated with only a few customers? If you are waiting to be paid by, for example, only two customers that constitute most of your A/R and payment from one or both is late, you could run out of cash and not be able to make payroll or cover your A/P (pay your suppliers) or make your loan payments – which could result in your business failing.

Getting the Full Picture

For projecting cash flow through the cycle of the loan, lenders want to make sure that they have an accurate picture of your cash flow cycle. Simply put, do you pay your liabilities on time and do your customers pay you on time? The only information they have to work from is the financial information that you provide to show your business and accounting history as well as current outstanding liabilities and expected payments.

Make sure the information on your A/R and A/P Aging schedule is current and expect that lenders will verify the information you provide, through contacting your business partners (generally they will request your permission prior to contacting anyone), as well as seeing signed contracts with payment terms, invoices, etc. If a payment is late, provide information on why it is late, and when payment is expected. If you have a long standing business relationship with your suppliers and/or customers, explain this situation. If payment is late on the eighth order, but the first seven have been paid on time, a financial institution will view this differently than if the first payment of a new buyer is late.

The quality of A/R owed to your company is important per the illustration above. Sometimes, due to extenuating circumstances, payments or contracts need to be adjusted and most lenders understand this. Yet, the more you can demonstrate strong, proven relationships with your suppliers and customers, the more confident lenders will feel about your projected cash flows. The more customers you have that pay you on time, the more credibility there is in the projections of future cash flow during the repayment period of the loan.

Finally, with regard to your company's credit terms, lenders will want to know how customers are charged, if there is a higher price for customers that take longer to pay, and what are the penalties that are assessed on late accounts. Ultimately, who in the company will make the decision to sell on credit and on what criteria is this decision based on? View this as an opportunity to demonstrate your sound business model, which should be well formulated and adapted to the realities of the market, the needs of your customers and the cash flow needs and cycles of your business – including the repayment of your loan!

G. Documentation Requirements

Along with the issues we have discussed above, all financial institutions will require a set of financial and legal documents to verify the information you provide in the initial assessment. As stressed earlier, providing incorrect, partial, or misleading information is a red flag to financial institutions. This leads lenders to ask “What are they hiding?” when they should be asking “How can we finance this operation to help these managers grow their business and become a bigger and better client for us so that we make more money?” Remember, financial institutions are in business to make money too -- just like you. They have to make payroll, cover their expenses, pay interest to depositors, pay dividends to shareholders, pay interest on the funds they borrow to on-lend to you, and replace any funds that are lost because of unpaid loans.

Financial information is a key element of any loan or investment application. While requirements may vary between institutions, we provide here a list of the most commonly requested documentation from lenders:

- Historical financial statements (past 3 years) and projected financial statements (at least for the period into the future to cover repayment of the loan. The financial statements include Balance Sheet, Income Statement and Cash Flow Statement
- Detailed information on accounts receivable and accounts payable, including aging by major customers and suppliers.
- Complete court registration of company showing ownership and management
- Court certification of no bankruptcy or liquidation
- Tax registration certificate and Tax ID number
- Tax returns
- Account signature form
- Certification from Institute for Statistics for Types of Approved Businesses
- Creditworthiness of Company issued by Commercial Banks on form PDP-2
- Business, trade, import and export licenses as required
- Proof of ownership of assets to be used as collateral
- Proof of ownership or valid lease for business premises used by the business

For working capital loans for the domestic market, also be prepared to provide (as applicable):

- Customer Purchase Order, and/or Sales and Purchase Contracts between Customer and Supplier (often for working capital loans or trade finance)
- Confirmation by Supplier of Purchase Order (or Sub-Order under Supply Contract)
- Pro-forma Invoice from Supplier
- Letter of Credit Issued on Borrower’s Bank in favor of Supplier
- Payment Draft
- Other Proposed Collateral

For export loans, also be prepared to provide (as applicable):

- Commercial Invoice from Supplier
- Packing List
- Bill of Lading (CMR, etc.)
- Certification of Origin (EUR 1, etc.)
- Letter of Credit Issued on Customer’s Bank in favor of Supplier
- Insurance Certificate
- Payment Draft

- Any additional documents as Specified in the Letter of Credit, Supply Contract and/or Purchase Order

H. Collateral

Since lending is a risk, financial institutions want to protect their capital (actually, as we've mentioned, some of the money they provide in loans comes from *your* deposits, so you want them to protect *your* money as well). While strong cash flow and overall positive business characteristics may help you get small, unsecured loans (these are available in Macedonia), this is often not enough for the financing needs of most growing agribusinesses, and so the lender will often require collateral to secure the loan.

If you do not repay your loan on time, then collateral gives the lender a means to compensate for the potential loan loss. Traditionally, lending in Macedonia has been collateralized primarily by real estate assets. As the economy and financial markets have developed, other forms of collateral are increasingly being utilized. Generally, the more risky a collateral instrument is perceived to be – meaning less marketable or able to be converted expeditiously into cash by the lender (such as a personal guarantee, livestock, or an unusual piece of equipment that isn't used by many businesses) the more stringent requirements and terms a lender will require.

As stressed earlier, the types of collateral used for financing should match the nature and tenure of the transaction: short term assets for short-term loans and long term assets for long-term loans. This is important for you as a business in terms of maximizing your assets and best utilizing your resources to leverage your ability to get all the financing and investment you may need. Some lenders accept a combination of different collateral instruments for one loan. This is useful when real estate or other fixed assets are not available or don't fully cover the necessary value. Ask your financial institution about this possibility.

Types of Collateral

Below we provide a list of the most common types of collateral used in Macedonia. As you look at this list, think of which of these instruments you have and could make available to secure your financing.

- Cash (*yes, cash on deposit can be blocked and used as collateral for a loan – it can help you build an initial credit track record*)
- Real Estate (land and buildings)
- Vehicles (car, truck, boat, airplane)
- Equipment (can be anything from office equipment to heavy machinery)
- Furniture
- Inventory (can be perishable or non-perishable items)
- Jewelry, Gold and other precious metals, and precious gems
- Accounts Receivables (due and valid issued invoices)
- Bills of Exchange
- Raw Materials (especially important for agribusinesses on short term loans)
- Firm Contracts/Orders
- Personal Guarantees
- Corporate Guarantees
- Bank Guarantees
- Letters of Credit
- Equity (shares or ownership interest in your company)
- Securities: Stocks/Bonds/Mutual Funds

Whatever you agree to offer as collateral, you will be required to sign legal documentation accepting that the financial institution will take ownership of this asset if you fail to repay the loan. Know the laws about what collateral can be legally accepted in Macedonia—you can get this information from the National Bank of Macedonia website (http://www.nbrm.gov.mk).

Collateralization Ratio

A *collateralization ratio* or *collateral coverage ratio* is equal to the total discounted collateral value divided by the total loan request. For example, a lender may require that you offer collateral equal to 140% of the loan amount. Why is this higher than 100%? Basically, to give the lender added protection if you do not pay the loan back and they have to repossess and sell the asset to cover the loan. It will cost them money to do this and they might not be able to sell it in a reasonable time at the full value. So, to be covered, they need an amount of collateral that exceeds the amount of the loan. Higher collateralization ratios are often required for what lenders perceive to be riskier loans. In Macedonia, collateralization ratios have come down substantially over the last five years. During 2001 – 2002, it was not uncommon for lenders to require more than 200% of a loan amount in hard asset (real estate and readily sellable durable equipment) collateral.

Being a good and repeat borrower with an institution can help lower the collateral burden on you, both in terms of the collateralization ratio and the types of assets you have to pledge. Be smart about what collateral you provide when receiving a loan. Collateral provided for a loan and recognized by a loan agreement is “tied up” and cannot be used for other loans or investments. While this may not be problematic if the collateral is a piece of equipment you are already using, it can restrict your ability to move assets such as inventory or raw materials.

I. Checklist before you Approach Financial Institutions

Ready to Approach Financial Institutions?

The information in the preceding pages should provide you with the information you need to become a more attractive client to financial institutions. Below, we provide a checklist of the key things to remember when you begin your search for finance and investment.

Checklist
- Determine how much financing you need, for how long, and for what purpose
- Determine the type of financing that might match your needs
- Research various financing options, i.e., shop around for the best offer for your needs
- Provide all necessary information in a clear and easy to read format – complete and accurate
- Be professional in your approach to potential sources of finance (no calculations on napkins)
- Make the proposed financing attractive to potential lenders
- Score strongly on the six C's: capital, collateral, credibility, character, capacity, and conditions
- Highlight your market position, competitive advantage, and resiliency as a business
- Provide clear demonstration of your strong cash flow position
- Cash flow, cash flow, cash flow (*yes, it is that important*)
- Demonstrate as much as possible the diversity and timeliness of your A/R and A/P
- Do not borrow more than you need and do not borrow for longer than you need for the purpose
- Know your competition and how you can stay ahead of them
- Know your strengths, weaknesses, opportunities and threats
- Show you know where are you going (strategy, aim, even the potential risks and how to mitigate them)
- Show how this financing is going to help your business be *even more successful*
- Be a good client, keep your lender informed of any changes that may affect repayment
- Consider alternative sources of finance or restructuring your financing requests if necessary
- Pay your loan back on time

- Build relationships with key individuals at financial institutions

Remember: let competition work for you. Financial institutions are competing for your business. Find ways to get the best terms and conditions for your needs.

J. Other Financial Products

The two major forms of financing are debt and equity. Debt financing is by far more prevalent, and that is certainly true in Macedonia for agribusinesses. The most available forms of debt financing are lines of credit and term loans. However, other forms of both debt and equity financing are becoming increasingly available for agribusinesses, and you should give them consideration as well. These include products such as leasing for equipment and equity investments from investment funds and multi-lateral institutions.

It is worth noting that equity financing, though, usually accounts for considerably less than 5% of total financing available on the market. The advantage of equity is that you get to use the money for a period of time and usually do not have to pay much of a return during the period to the investor. More equity in your company can also often allow you to obtain more debt. So equity financing can be highly advantageous to your business and facilitate your growth. At the same time, however, equity is the most risky form of investment for the investor. Their due diligence will be more exhaustive, they will expect a much higher return than the interest rates usually paid on loans, and they will usually require some extent of influence or control of the company. Remember, they are becoming your partner in the full sense of the word – they will have partial ownership in your company.

This Manual includes information about investment funds in Macedonia and other investors outside Macedonia that may be willing to invest in the right company. It does not include all potential sources of investment since this list would be too long and not really relevant to the purpose of the Manual.

Your business partners, suppliers, customers, and even competitors are all potential investors or partners to help you obtain financing. Remember, your suppliers and customers have a strong interest in seeing you succeed – your success can mean their success. They already know you, and this can give you a big headstart. They may be able to provide debt financing (usually short term but sometimes long), they may want to become a co-owner of the business and invest in you with equity (definitely long term), or there may be an opportunity to do a joint venture, where, for example, you provide the production to the venture and they provide the financing and market access or materials and supplies at preferential prices. If you are a trader or distributor, you could do a joint venture with a processor. These could be intestesting opportunities for your business. Below we look at some alternative sources of finance commonly used when traditional sources are not available or appropriate:

“**Love Money”**

Another source of finance, which can either be in the form of debt or equity investment is what is often called “love money.” The sources for this type of finance are sometimes referred to as the “Three Fs,” which are “family, friends and fools” – since these people “love” you, they may be more likely to give you money, especially if your are starting a new business or your business runs into a hurdle and needs a little help to get back on its feet. While the previous sentence is meant to be funny, at the same time it makes the serious statement that you should always also look close to home when raising finance for your business. Remember, who knows you better and wishes you well more than your loved ones? However, also keep in mind that going into business with friends and family can often cause conflicts and tensions which spill over into your personal life, and you want to keep home and business separate.

Angel Investors

Angel investors are usually wealthy individuals or small organizations that specialize in investing in small or relatively new companies that have a very high potential for rapid growth and success. This is usually an equity investment but can also in some cases be debt or a combination of debt and equity. “Angels” are looking to invest at an early stage of the business, often when others won’t, help the company grow quickly, and then sell out their investment at a very large multiple and return to them.

They are called "Angels" for a good reason – as stated, they will often invest at an earlier stage than others and will often tread where others won't go. They literally swoop in and save the day. If your company has the potential for tremendously rapid growth, and you know of or have contacts to a successful, wealthy individual or business person, it might be worth pursuing that person or researching Angel Investors on the web. Angel Investors also frequently provide business advice and help you with contacts to the market, suppliers or additional sources of finance. Keep in mind, however, that they will be a partner in your business and will be expecting much better than average results.

Joint Ventures

Joint ventures and strategic alliances are commonly used forms of cooperation for businesses throughout the world. Basically, a joint venture is an agreement between two or more individuals or businesses to engage in a single project or undertaking. Properly used, they can help businesses increase their economies of scale, become more competitive, access increased financing as well as new market opportunities. They can also help a company increase product exposure, reduce risk, obtain financing, combine complementary skills and technology and improve cost efficiencies by partnering. With limited equity and long term debt financing available in Macedonia as well as Macedonia's unique business challenges, the utilization of joint ventures and strategic alliances offers a potential alternative for Macedonian businesses to generate increased competitiveness and growth.

Other Types of Financial Instruments

Below we provide a quick introduction to some additional financial instruments that you may already be familiar with and that are available in Macedonia. Go to the *Other Financial Institutions* and *Leasing Companies* parts of Section I for more information on these products.

- ♦ Leasing
- ♦ Purchase Order Finance

What is Leasing?

Leasing is an agreement between a borrower (Lessee), a lender (the Lessor) and a supplier of equipment (Supplier) which enables the Lessee to acquire needed equipment. The Lessor buys and owns the equipment and allows the Lessee to use the equipment during the term of the agreement. The two most common forms of leasing are operational leasing and financial leasing (see text box).

Why Leasing?

In the U.S., more than $200 billion of equipment is leased in a single year. It is attractive because entrepreneurs can start using the equipment before they actually own it, which can help them upgrade their equipment or add additional equipment. Until the end of the lease, the equipment is owned by the financial institution and serves as the primary collateral for the lease, so the borrower does not usually need to provide additional collateral. The documentation is fairly simple and credit decisions are based more on the cash flow that will be generated by the equipment and less on the borrower's historical financial statements. During the term of the lease, the business is receiving extra income from the use of the leased equipment, which further helps to strengthen their profitability. For lenders, leasing enables them to reach new customers and markets. At the same time, it allows businesses to use their existing financial resources for working capital instead of having it all tied up in equipment. Leasing has proven to be an effective tool to help companies increase their production, improve their competitiveness, and to develop new products and markets.

Two Common Forms of Leasing

- Operational lease: Lease structured like a contract for use of the equipment. At the lease termination, the Lessee has the right to purchase the equipment for its residual value or to return equipment. Monthly payments are lower than a financial lease but there is a residual payment to obtain ownership.

- Financial lease: Lease structured like a loan for the purchase of the equipment. At the lease termination, the equipment is fully paid for and the ownership transfers to the Lessee. Monthly payments are higher but there is no residual payment to obtain ownership.

What is Purchase Order Financing?

Purchase order financing is a lending product that enables companies to fill purchase orders or sales contracts. When a company gets an order for its products, the lender advances sufficient funds for the company to buy materials, produce and package the order, and ship it to the customer. When the customer pays for the order, the financial institution is repaid the amount advanced, plus interest and fees. The purchase order or sales contract serves as part of the collateral for the loan, thereby reducing the need for businesses to pledge real estate or other fixed assets that they often do not have or that is already pledged.

How does POF help Companies and Financial Institutions?

POF is attractive for a number of reasons: it helps businesses grow quickly, easier collateral requirements, short term repayment, and promotes credit discipline and a proven repayment history making them more attractive to banks and MFIs. It enables them to fill larger and more frequent orders for rapid growth in sales, profits, exports and employment. For financial institutions, POF allows them to offer existing and new clients a broader portfolio of lending products, and provides greater flexibility, lower overall risk, increased profit and the ability to cross sell other bank products and services.

K. Supplier Finance

For agribusinesses, *supplier credit/finance* or what is sometimes called *trade credit* or *direct value chain financing* can be an important source of credit. Fundamentally, it is an agreement between you and your supplier to buy goods or services on credit. It's a way of obtaining inputs, materials, packaging, etc., from your supplier but paying for them over a longer period of time. In other words, you are getting your finance from your supplier. As advertisers on TV like to say, "buy now, pay later." This is commonly used in Macedonia in the agriculture sector as well as other industries such as construction and building materials. Supplier finance is especially important for small companies or those that are unable to get financing from formal financial institutions. It can help you build up your credit track record and so it's very important to pay your suppliers per the terms and conditions of your agreement.

Repayment to your supplier can be in cash or also sometimes in the form of your finished products.

What you Should Know

For certain businesses and certain situations, supplier finance can be an attractive source of materials or credit. For businesses that have worked for several years with a specific supplier, it can seem easier and faster than getting credit from a bank.

There are some elements to consider when exploring supplier financing. Supplier financing is attractive to the supplier because it increases their control over your business operations and increases your commitment to them as a supplier. It can commit you to buying their products, such as seeds, equipment, etc., and can also limit your selling options after you have harvested or processed your product. Since you might be more committed to that supplier, it might lead to the supplier being able to charge you higher prices than if you could more freely shop around.

Supplier financing can often be limited in terms of the amount of resources available. While it might be helpful in the short term, financial institutions with their greater resources and repertoire of products and services are often more attractive in the long run, or certainly in tandem with supplier finance. Suppliers are not an official source of credit so completion of a transaction with a supplier is not the same as repaying a loan to a financial institution. In other words, it does not help you as much as a bank loan in terms of building a strong credit history and track record with financial institutions.

Know your Options

If you work with a regular supplier, this may be a topic you have already discussed. If not, explore your options and see what terms and conditions a supplier may be able to offer you and how these compare to financial institutions. Supplier finance is not something that is always advertised, yet may be available. The more information you have about all sources of finance such as trade credit, the more able you will be to make smart decisions about financing.

L. When you Need a Business Plan

Just the Facts Please

It is always a good idea to have a business plan, both for running your business and for obtaining financing. But your business plan should not be based on “wishful thinking” – it should be based on factual historical information and on projections that are grounded in the real competitive world. The key point here is that the information in the business plan needs to be accurate, well thought out, realistic, and based on actual circumstance and data. Plus, projections should be based actual research with customers, finding out about your competition and analyzing what the market really needs and wants. The projections should be based on solid research and sound analysis. Financial institutions base their decision making process on “**real**” information. That is, past, current and future information that provides them a full and detailed picture of what your business is about, its strengths, weaknesses, threats and prospects for the future.

Business planning is of course a core part of your company’s strategy and planned development. Lenders often ask for a business plan to know that you have one and that you are thinking about such questions as projected growth for one, three and five years out. Also, it is a tool for them to analyze how organized and serious your business is. Business plans add the most value when companies are looking to make a major change, such as adding a new product or service line or buying a competitor. In these cases, business plans can give a good indication of how this change will affect your company and help you build a strategy around reducing risks while capitalizing on opportunities.

Preparing a Business Plan

While outside the focus of this Manual, we provide on the following page some websites in English and Macedonian that can be helpful to you in developing your own business plan. Often, if you are looking for investments in your company, it is a good idea to structure your business plan around key issues for what your targeted source of funding is targeted towards. For example, if you identify an investment fund that wants to place capital in exporting companies that are SMEs, be sure to highlight how this new capital will help you grow exports. Whatever structure you use, remember to make it attractive, accurate, and based on reasonable projections and market opportunities.

Consider Professional Assistance

Sometimes bringing in outside experts to help you with your business plan or growth strategy can be a good idea. Not only will you gain access to the expertise of someone who has done many business plans and knows common pitfalls. This approach can also help increase your credibility in the eyes of potential funders and is likely to make the finished product more professional and attractive.

There are consulting firms in Macedonia that specialize in business planning. Also, there are government and donor programs designed to help agribusinesses and SMEs in this area. If you are too busy or want to get an outside perspective when developing a business plan for your company, this could be an approach you may want to consider.

Helpful Websites when Preparing a Business Plan

In Macedonian *(includes links for General Business Information*)

Website	Content
http://www.apprm.gov.mk/MSP1.asp?id=4	Information on how to prepare a business plan
http://www.seebiz.net.mk/?ItemID=C696EF1A9BEF18478EA27E0DA5EE87B8	Information on key issues for your business such as accounting, accessing finance, organizing your business, etc.
http://www.economy.gov.mk/default-en.asp	Up-to-date information on economic activities in the country
http://www.finance.gov.mk/gb/index.html	Up-to-date information on Ministry's domestic and international activities
http://www.stat.gov.mk	Statistical information for Macedonia
http://www.sec.gov.mk	Securities and Exchange Commition
http://www.ujp.gov.mk	Public Revenue Office – information on Macedonian fiscal system
http://www.nbrm.gov.mk	National Bank of Republic of Macedonia – information on monetary policy

In English

Website	Content
http://www.sba.gov/smallbusinessplanner/index.html	All the information you need to know about business plans
http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/index.html	How to write a business plan
http://www.myownbusiness.org/s2/	How to write a business plan
http://www.bplans.com/dp/	How to write a business plan
http://www.entrepreneur.com/businessplan/	Examples of business plans
http://www.microsoft.com/smallbusiness/resources/startups/business_plans_entities/how_to_write_a_business_plan.mspx	How to write a business plan from Microsoft!
http://www.soyouwanna.com/site/syws/bizplan/bizplan.html	Basics of doing a business plan

Appendix A: Glossary

Used with permission from EnviroTech Financial: http://www.etfinancial.com/financialterms.htm

Accounts Payable	Amounts owed by the business for purchases made on credit. These amounts are paid by the business after a time lag that is measured by Days Payable Outstanding (DPO).
Accounts Receivable	Amounts due to the business from customers for merchandise or services purchased on credit. The business does not receive payment for these amounts immediately, and the delay before payment is measured by Days Sales Outstanding (DSO).
Accrued Expenses	Expenses that the business has incurred for which it has not received, or will not receive, an invoice, and that have not yet been paid.
Accumulated Depreciation	The total amount of depreciation expense recorded to date for the company's fixed assets. On the balance sheet, this value is subtracted from the gross value of Property, Plant and Equipment to derive a net figure.
Acid Test Ratio	See quick ratio.
Acquisition Cost	The amount actually paid to purchase an asset. This includes all costs associated with the purchase, such as installation, freight, and sales tax.
Actuals	Financial statements describing the actual operations of the business. Actuals often pertain to the "historical" period before the start of the forecast period, but as time goes on, additional imported Actuals will generally overlap with the forecast.
Additional Paid-in Capital	The amount paid by investors for stock over and above its par value. See also contributed capital.
After Tax Income	Another term for net income.
Amortization	The recognition of part of an intangible asset's cost as an expense during each year of its useful life. Items that are amortized include goodwill, start-up expenses and purchased patents.
Asset	Anything that has future economic value. In addition to items such as cash and equipment, assets can include intangibles such as goodwill.
Average Annual Return	The expected annual return on an investment, including interest and dividends, expressed as a percentage.
Average Cost	A method of inventory valuation whereby the total cost of all units bought or produced is divided by the number of units.
Bad Debt Expense	Losses for uncollectible accounts receivable.
Balance Sheet	A financial statement that lists the assets, liabilities, and equity of a company at a certain point in time.
Benefits	The total amount of indirect compensation that the business will provide to employees for each forecast year. Benefits are either statutory, such as payroll taxes and worker's compensation; or discretionary, such as health insurance, life insurance, and 401(K) plans.
Book Value	The value of an asset for accounting purposes. For assets where depreciation is taken or reserves booked, this is often expressed as a net book value. The book value of a company is the excess of assets over liabilities, which is equivalent to total owner's equity.
Breakeven Analysis	An analysis tool that models how revenue, expenses, and profit vary with changes in sales volume. Breakeven analysis estimates the sales volume needed to cover fixed and variable expenses.
Breakeven Point	The sales level at which revenues equal expenses (fixed and variable).
Budgeting	The process of determining and recording the expected financial results of a future period, generally the next fiscal year. In some organizations budgeting is limited to financial items that are shown on the income statement, while in others the budgeting process produces the three major statements (Income Statement, Balance Sheet, and Cash Flow Statement). After the target time period begins, the budgeting process frequently includes tracking actual financial figures against the forecast as well. There is considerable overlap between the activities of budgeting and forecasting. Budgeting usually involves a more detailed account structure and a finer time scale than forecasting, which typically covers between three and seven years of higher-level projections.

Capital Lease	A long-term lease of property, plant, or equipment in which the lessee acquires essentially all the risks and benefits associated with the ownership of the leased item. Because it most closely resembles the financing of an asset purchase, a capital lease is treated as a long-term debt rather than as a rental.
Cash & Equivalents	Cash plus investments of very high liquidity and safety, such as money market funds and treasury bills. See also minimum cash balance.
Cash Flow Statement	A financial report that expresses a company's performance in terms of cash generated and used.
Chart of Accounts	In an accounting system, the list of accounts to which transactions are posted.
Common-Sized	A term used to refer to a financial statement in which all items are expressed as percentages of another item in the statement. For example, a common-sized balance sheet might show all values as a percentage of total assets.
Common Stock Equivalents	Convertible preferred stock plus convertible bonds, stock options, and warrants.
Contra Accounts	Accounts, such as Accumulated Depreciation, that offset a related account, usually an asset. The contra account is subtracted from the related account to arrive at the net book value.
Contributed Capital	The total amount paid to the business for its common and preferred stock.
Contribution Margin	The difference between revenue and the associated variable costs. This is an important concept in breakeven analysis.
Cost	Another term for expenditure. See also expenses.
Cost of Goods Sold	Another term for cost of sales.
Cost of Sales/Services (COS)	All the costs associated with the goods or services that were sold during a specified accounting period, including materials, labor, and overhead.
Covenants	A set of conditions agreed to in a formal debt agreement and designed to protect the lender's interests. Covenants may include restrictions on debt/equity ratio, working capital, or dividend payments. See also management goals.
Current Assets	Assets that are convertible to cash within one year in the normal course of business. This usually includes cash, accounts receivable, inventory, and prepaid expenses. See also non-current assets.
Current Liabilities	Obligations that will come due within a year from the current date. These usually include accounts payable, accrued expenses, and the portion of long-term obligations due within one year. See also non-current liabilities.
Current Ratio	Current assets divided by current liabilities. This ratio is a measure of a company's ability to meet its financial obligations in a timely manner.
Days Payable Outstanding (DPO)	The number of days a business takes to pay its accounts payable, on average.
Days Sales Outstanding (DSO)	The number of days a business takes to collect on its accounts receivable, on average.
Debt	A form of liability that represents money borrowed from banks or other institutions.
Debt to Equity Ratio	The ratio of total debt to owners' equity, used as a measure of leverage and ability to repay obligations.
Debt to Tangible Equity Ratio	The ratio of total debt to tangible equity, used as a measure of leverage and solvency. Typical values for this ratio vary from one industry to another. Lower values for the ratio represent a better financial condition.
Deferred Revenue	A liability that arises when a customer pays for goods or services before delivery is complete; for example, a one-year service contract billed in advance. Under accrual accounting, revenue must be booked when the obligation is fulfilled, not when cash is paid or received.
Department	An entity defined for reporting purposes.
Depreciation	The recognition of part of an asset's cost as an expense during each year of its useful life. There are several acceptable methods for calculating this expense, including straight-line depreciation and various accelerated methods. See also double-declining balance, straight-line method, and sum of the years' digits.
Direct Costs	Expenses, such as labor, overhead, and materials, that vary in direct proportion to units produced or services rendered.
Direct Labor	Wages paid for activities directly related to production of units sold or services delivered, considered part of cost of sales. This does not include management and administrative salaries, which are treated as operating expenses or overhead. Also referred to simply as labor.

Double Declining Balance (DDB)	A method of recording accelerated depreciation. Also called the 200 percent declining balance method, this system applies twice the annual straight-line rate to the undepreciated balance of the asset's depreciable cost each year of the asset's useful life. For example, if the asset has a depreciable value of $1,000,000 and a useful life of five years, the double-declining balance method would record $400,000 of depreciation the first year, $240,000 the second year, $131,429 the third year, $114,286 the fourth year, and $114,285 the fifth year. See also straight-line method and sum of the years' digits.
DPO	See days payable outstanding.
DSO	See days sales outstanding.
Earnings Before Interest and Taxes (EBIT)	Net income before income tax expense and interest expense. This is a popular measure for comparing the earning power of companies, because it eliminates the impact of capital structure and effective tax rates, two non-operating factors.
Earnings Per Share (EPS)	Net income divided by the number of outstanding shares of common stock and equivalents.
EBIT	See earnings before interest and taxes.
EBIT/DA	See earnings before interest, taxes, depreciation, and amortization.
Economic Indicators	Technical measures that analysts use to forecast events in economic systems; for example, Gross Domestic Product and Consumer Price Index.
Economic Profit	A general term for various technical measures of profit in which adjustments are made to the traditional accounting definition of Net Income. Such adjustments are typically made in order to better estimate the future value of a business.
Equity	Also known as net worth or owners' equity. Equity is the net value of a company's total assets, less its total liabilities.
Expenditures	All purchases made by a business, whether in cash or on credit; not equivalent to expenses. Also known as costs.
Expenses	Resources used to support the ongoing operations of a business for a specified time period; not equivalent to expenditures or costs.
FIFO	See first in, first out.
Finished Goods	Inventory ready for sale.
First In, First Out (FIFO)	A method of inventory valuation whereby the goods first purchased or manufactured are considered the first ones sold. During periods of inflation, the FIFO method shows inflated profits compared to the last in, first out (LIFO) method.
Fiscal Year	The 12-month period, not necessarily coinciding with the calendar year, chosen to constitute a single year for external financial reporting and taxes.
Fiscal Year End	The last month of a company's fiscal year.
Fixed Assets	Another term for Property, Plant and Equipment. See also depreciation.
Fixed Assets to Tangible Equity Ratio	The ratio of net Property, Plant and Equipment book value to tangible equity, used as a type of efficiency ratio. Typical values for this ratio vary from one industry to another. Higher values for the ratio represent a more capital-intensive company, which may be good or bad depending on the industry and how well the assets are being used to generate revenues.
Fixed Costs	Expenses that are assumed not to vary with sales volume within the expected range of sales volumes, such as rent or administrative costs. This is an important concept in breakeven analysis and in distinguishing between gross margin and contribution margin. See also variable costs.
Forecast Period	The period of time for which a business is modeled. Depending on the forecast start month, the first year of the forecast period may not be a complete forecast year. See also Forecast Year.
Forecast Start Date	The month and year on which the forecast period begins. See also Forecast Year.
Forecast Year	Most people choose the forecast year to coincide with either the January-December calendar year or the fiscal year of the business, but this is not a requirement. Depending on the forecast start month, the first year of the forecast period may cover less than 12 months. In this case, assumption values that are entered for the first forecast year should represent the correct fraction of the 12-month totals.
Forecasting	Financial forecasting is the process of estimating future financial performance. The projected financial performance of a business is measured by using pro-forma financial statements as well as other indicators such as trend analysis, ratio analysis, and return on equity. Forecasting often takes a higher-level viewpoint than the related activity of budgeting. In broader terms, forecasting can also refer to estimates of broad economic activity in a country, industry, or financial area. For instance, analysts and economists release forecasts of where interest rates or stock market prices might go in the future.

Goodwill	The accounting term for amounts paid for assets over and above their fair market value. Goodwill arises, for example, when a company purchases another business and pays a price higher than the value of the acquired assets alone. Goodwill theoretically represents the value of the business's name, reputation, and customer relations, which increase the true value of the business beyond the value of its assets alone.
Gross Margin	Net Sales less cost of sales (including both fixed and variable costs), often expressed as a percentage of sales. Also referred to as gross profit.
Gross Sales	The total of amounts received (sales for cash) and amounts expected (sales on credit) in return for products sold or services rendered during the given time period. Gross sales reflects sales at invoice values, before sales discounts and credit card fees.
Income	Another term for net income.
Income Statement	A financial report that shows a company's performance over a specified period of time by subtracting expenses from revenue to obtain net income. Also known as a profit and loss statement (P&L) or an earnings report.
Income Tax Expense	Levies on the income of a business imposed by federal and state governments. This expense appears on the income statement simply as Taxes.
Intangible Asset	A long-term asset that represents a financial, legal, or accounting concept rather than a physical item. Examples of intangible assets include: Goodwill , the value of a patent, copyright, or trademark, the value of a franchise or operating rights. Under accounting rules, an intangible asset must have a useful life greater than one year, and a portion of its value must be amortized over time as an expense. Near the end of the useful life of an intangible asset, when its remaining life is less than one year, the asset must still be classified as a long-term asset. See also tangible asset.
Interest Basis	The interest rate, such as prime or LIBOR, that is used as a reference point for quoting borrowing rates. For example, using the prime rate as the interest basis, a loan might be offered at prime plus one percent. See also Prime Rate and London Interbank Offered Rate.
Interest Expense	Money paid by a business in exchange for the use of capital for a specified time period. On the income statement, "Interest Expense (Income)" is a single account that is the net amount of interest income and interest expense.
Interest Income	Money received by a business in exchange for the use of capital for a specified time period. On the income statement, "Interest Expense (Income)" is a single account that is the net amount of interest income and interest expense.
Interest Rate	The cost of borrowing money, expressed as a percentage per period of time, usually one year.
Inventory	Goods purchased or manufactured by a business and held for production or sale. Inventory is often subdivided into raw materials, work in progress, and finished goods. See also Inventory Targets.
Inventory Targets	The numbers of months of inventory that the user requires to be in stock at a given point in time. For Raw Materials, this amount represents the number of months of future production. For Finished Goods, the amount represents the number of months of future sales.
Inventory Turns	The ratio of annual cost of sales to inventory, commonly used as a rough measure of inventory management efficiency. Also known as inventory turnover ratio or simply turns.
Investment	The expenditure of cash to create additional capital. Investment can be in income-producing vehicles such as stocks and bonds, or more risk-oriented ventures such as the purchase of another company.
Labor	Another term for direct labor. See also salaries and benefits.
Last In, First Out (LIFO)	A method of inventory valuation whereby the goods most recently purchased or manufactured are considered the first ones sold. In periods of rising prices, the LIFO method shows a lower profit than the first in, first out (FIFO) method.
Lease	A long-term contract granting use of real estate, equipment or other fixed assets in exchange for payment. All leases entered in the Property, Plant and Equipment Detail are considered capital leases; operating leases should be entered as expenses in the Expenses Detail. See also mortgage.
Leverage	The relationship between debt and equity. A company is considered highly leveraged if its levels of debt are high compared to its equity.
Liabilities	Obligations used to fund the operations of a business, including bank loans, accounts payable, and accrued expenses.
LIBOR	See London Interbank Offered Rate.
LIFO	See last in, first out.
Line of Credit	The amount of short-term credit available to a business from banks.
Liquidity	A company's ability to generate cash in a timely manner in order to meet its obligations, often measured by the quick ratio or the current ratio.

London Interbank Offered Rate (LIBOR)	The interest rate used among the most creditworthy international banks for large loans in eurodollars. LIBOR is an important reference number, because loans to businesses can be tied to it on a percentage basis. See also prime rate and interest basis.
Long-Term Asset	Any asset that has an economic life greater than one year. Liquid items such as cash are considered to be current or short-term assets. Under accounting rules, intangible assets must always be classified as long-term assets, even if their remaining life is less than one year.
Long-Term Borrowing	Liabilities that represent money borrowed from banks or other lenders to fund the ongoing operations of a business and that will not come due within one year.
Management Goals	A set of conditions a business is striving to achieve. These may include requirements for debt/equity ratio, working capital, or dividend payments. See also covenants.
Market Value	The price at which an asset would pass from an informed and willing seller to an informed and willing buyer, assuming that goodwill played no role in the transaction.
Marketable Securities	Securities that can readily be converted into cash, including government securities, bankers' acceptances, and commercial paper.
Materials	The physical inputs to manufacturing, treated as part of cost of sales. Also known as raw materials.
Miscellaneous Current Assets	An account for current assets that do not fall into the following categories: cash, marketable securities, accounts receivable, other receivables, inventory, and prepaid expenses.
Miscellaneous Current Liabilities	An account for current liabilities that do not fall into any of the categories already defined. Examples of predefined categories are accounts payable, accrued expenses, and short-term notes payable.
Miscellaneous Expenses	An account for operating expenses that do not fall into any of the predefined categories such as salaries, utilities, advertising, and depreciation.
Miscellaneous Non-Current Assets	An account for assets not including current assets, property, plant and equipment, intangibles, deposits, and loans made.
Miscellaneous Non-Current Liabilities	An account for non-current liabilities not including long-term debt (mortgage debt, lease debt, long-term borrowing, and shareholder loans) and deferred taxes.
Mortgage	A long-term debt instrument for the purchase of property by which the borrower uses the property itself for collateral.
Net Book Value	The acquisition cost of an asset less any accumulated depreciation. See also book value and contra accounts.
Net Cash Provided By Operations	On a cash flow statement, net income plus non-cash transactions and the net amount of changes in operating assets and liabilities.
Net Income	Total revenues minus total expenses, including taxes and depreciation, for a specified time. Also known as profit, net profit, or net earnings.
Net Income Before Taxes	Total revenues minus total expenses except the income tax expense, for a specified time. Also known as pretax income.
Net Operating Loss (NOL)	The excess of business expenses over income in a given tax year.
Net Operating Loss (NOL) Carryforward	The amount of Net Operating Losses accumulated over past tax years that is available for offsetting taxable income in the current and future tax years.
Net Present Value (NPV)	A measure of a project's future value in current dollars. Future income and expenses are summed and then discounted using a required rate of return to adjust for the time value of money. Net present value is, theoretically, the best method for evaluating projects.
Net Property, Plant and Equipment	Gross property, plant and equipment minus accumulated depreciation. This number represents that portion of PP&E acquisition cost that has not yet been recognized as an expense. It is not the same as externally determined measures such as market value.
Net Sales	Sales revenue less sales discounts and credit card fees.
Non-Current Assets	Assets that are not convertible to cash within one year in the normal course of business. Property and Goodwill are examples of non-current assets. See also current assets.
Non-Current Liabilities	Obligations that will not come due within one year of the current date. See also current liabilities.
Non-Operating Expense	Expenses not related to the ongoing operations of a company; for example, interest expense, one-time events, and taxes.
Non-Operating Income	Income not related to the ongoing operations of a company; for example, interest income and sale of fixed assets.
Operating Expenses	All expenses related to the ongoing operations of a company, including research and development, sales and marketing, and administrative expenses. Any costs directly attributable to producing goods or services are not included. See also cost of sales.
Operating Income	Sales revenue minus cost of sales and operating expenses. Similar to earnings before interest and taxes, operating income is examined when the earnings of the core business are analyzed. Also referred to as operating profit, operating earnings, and income from operations.

Operating Lease	A type of lease, normally involving equipment, classified as a rental not as a purchase over time. An operating lease must be shown as an expense in the Expenses Detail, unlike a capital lease, which is treated as a long-term debt.
Operating Profit	Another term for operating income.
Other Assets	Assets exclusive of current assets and property, plant and equipment. Other assets can include intangibles, deposits, loans made, and miscellaneous non-current assets.
Other Expenses	Expenses due to activities outside the normal operations of the business, for example, loss from foreign exchange and loss from investments.
Other Income	Income due to activities outside the normal operations of the business, for example, dividends from investments and gain from foreign exchange.
Other Liabilities	Liabilities other than debt, line of credit, and accounts payable, for example, deferred taxes, accrued expenses, and customer deposits.
Overhead	Expenses incurred in operating a business, such as rent, executive salaries, and insurance, that are not directly related to the manufacture of a product or delivery of a service. A portion of overhead can be attributed to cost of sales, usually on a percentage basis; the remainder is considered an operating expense.
Owners' Equity	Another term for equity.
Par Value	The stated value of a share of stock. Par is usually a minimal value (such as $.01) and bears no relation to the market value of the shares. See also contributed capital.
Payables	Another term for accounts payable.
Payroll	The total wages, not including benefits, paid by a business during each forecast year.
Period Expenses	A term for expenses recorded in the period in which they occur regardless of whether or not they pertain to a prior or later period. R&D and advertising expenditures are examples of costs that benefit future periods but must be treated as period expenses according to Generally Accepted Accounting Principles (GAAP).
Periodicity	The level of detail in terms of time at which data is forecast or reported, specified as months, quarters, or years.
Periods	Discrete intervals of time. The word period generally refers either to the interval of the entire forecast (as in forecast period) or the granularity of data in financial statements (as in periodicity).
Plan Period	Another term for Forecast Period.
PP&E	See Property, Plant & Equipment.
Precision	The scale at which forecast numbers are displayed. Choices include dollars, hundreds, thousands, and millions.
Prepaid Expenses	Services, goods, and intangibles paid for prior to the period in which they provide benefit. Prepaid expenses are accounted for as assets until their benefit is realized.
Price List	A schedule that associates prices with individual products. This list allows you to forecast sales in units and still create projections in dollars. See also Discount List.
Price/Earnings Ratio (P-E)	The market value of a company's stock divided by net income.
Prime Rate	The interest rate that banks charge to their most creditworthy customers. The prime rate is an important reference number, because loans to companies are often tied to it on a percentage basis. See also London Interbank Offered Rate and interest basis.
Pro-Forma Financial Statements	A set of financial statements and other schedules that show projected results for a future period. They are called pro-forma financial statements because they have the form of financial statements, but are not prepared from actual operating results. The three major financial statements are the Income Statement, Balance Sheet, and Cash Flow Statement. For external reporting, these statements must conform to Generally Accepted Accounting Principles (GAAP).
Profit	Another term for net income.
Profit & Loss Statement (P&L)	Another term for the income statement.
Prompt Payment Discounts	Discounts that a business gives to credit customers who pay within a specified period of time; also called sales discounts. On an income statement, this amount is subtracted from Gross Sales to yield Net Sales.
Property, Plant and Equipment (PP&E)	Assets used in the operations of a business that have a useful life greater than one year, including land, buildings, machinery, equipment, and furniture. Also known as fixed assets. See also depreciation.
Purchases of PP&E	The acquisition cost of new property, plant and equipment assets in a given year, minus the proceeds from the sale of existing PP&E. See also depreciation.

Quick Ratio	Current assets, excluding inventory and prepaid expenses, divided by current liabilities. Also known as the acid test ratio. Like the current ratio, the quick ratio is used as a measure of a company's liquidity. It helps estimate a company's ability to meet its current obligations using assets that can easily be converted into cash. Although typical ratios vary from one industry and company size to another, financial authorities recommend that the Quick Ratio should be 1.0 or greater.
Ratio	A comparison of financial statement elements in the form of a quotient. Ratios such as the price/earnings ratio, return on assets, and quick ratio are often used for analyzing financial statements.
Raw Materials	Another term for materials.
Receivables	Another term for accounts receivable.
Retained Earnings	Net profits kept within a business in the Owners' Equity account after stock dividends are paid.
Retired Liabilities	Debt paid off within a given period of the forecast.
Retirement of Long-Term Debt	The repayment of a non-current liability.
Return on Assets (ROA)	Net income for a time period divided by total assets. This ratio is often used to measure profitability or the efficiency with which assets are being employed. Higher values for this ratio indicate better financial performance. The specific value obtained for a business should be evaluated in relation to the returns that can be obtained from alternative investments of capital.
Return on Tangible Equity	Net income for a time period divided by tangible equity. This ratio is sometimes used to measure profitability or the efficiency with which the owners' financial investments are being employed. The value of intangible assets such as goodwill is excluded from this ratio in order to better reflect actual operating profitability. Higher values for this ratio indicate better financial performance. The specific value obtained for a business should be evaluated in relation to the returns that can be obtained from alternative investments of capital. An alternate form of this ratio can also be computed using pre-tax income instead of net income.
Return on Equity (ROE)	Net income divided by equity. This ratio is often used as a measure of the return on funds invested in a business.
Revenue	The total income received in exchange for goods or services during a specific accounting period. Revenue can be recorded using either the cash basis (as received), or the accrual basis (as earned). Also referred to as sales or sales revenue.
Salaries	Compensation provided by a business to employees, excluding benefits. On an income statement, Salaries refers only to that portion of compensation (such as administrative and management costs) that does not vary in direct proportion to sales. See also labor.
Sales	Another term for revenue.
Salvage Value	The scrap value of an asset. Acquisition cost minus salvage value yields the total amount that an asset is depreciated over its useful life.
Shareholder Equity	Another term for equity.
Short-Term Borrowing	Liabilities that represent money borrowed from banks or other institutions to fund the ongoing operations of a business that will come due within one year.
SIC code	The four-digit code prescribed by the Standard Industrial Classification System to categorize businesses according to the types of activities they perform.
Solvency	A company's ability to satisfy its obligations to creditors when they are due. A company is "technically insolvent" if it has enough assets to pay creditors, but cannot liquidate them quickly enough to meet payment deadlines.
Standard Costs	A target or average cost that can be used either to value inventory or as a basis of comparison with actual costs. Standard costs can often be used to calculate cost of sales, in which case standard cost refers to the average amount of materials, direct labor and overhead required to produce a single product or service unit.
Standard Costs Plus Variances	The method of calculating cost of sales that compares the amounts of materials, direct labor and overhead projected in the Cost of Sales assumption (the standard costs) to expenses allocated to the Production department in the Expenses, Property, Plant and Equipment, Payroll and Benefits, and Other Assets assumptions (the variances).
Statement of Cash Flows	Another term for cash flow statement.
Stockholders' Equity	Another term for equity.
Straight-Line Method	The simplest form of depreciation, in which an equal expense is recorded in each year of an asset's useful life. For example, if the asset has a purchase price of $1,200,000, a useful life of four years and a salvage value of $200,000, straight-line depreciation would record $250,000 of depreciation each year. See also sum of the years' digits and double-declining balance.

Sum of the Years' Digits (SYD)	A method of recording accelerated depreciation. Also called the sum-of-digits method, it allows the depreciation of an asset based on an inverted scale of the total digits of the asset's useful life. For example, if the useful life is four years, the years' digits (1, 2, 3, and 4) are summed to produce ten, and 4/10ths of the asset's depreciable cost is recognized as an expense the first year, 3/10ths the second year, and so on. See also <u>straight-line method</u> and <u>double-declining balance</u>.
Tangible Asset	An <u>asset</u> that represents a physical object such as land, furniture, and buildings. Under accounting rules, a tangible asset must have a useful life greater than one year, and must be used in business operations rather than being held for resale. The following types of assets are **not** considered to be tangible assets: items held for resale, which are considered to be <u>inventory</u>, cash and other liquid assets which are considered as <u>current assets</u>, and abstract assets such as goodwill, which are <u>intangible assets</u>. See also <u>tangible equity</u>.
Tangible Equity	<u>Equity</u> less <u>intangible assets</u>. See the ratios of <u>debt to tangible equity</u>, <u>fixed assets to tangible equity</u>, and <u>return on tangible equity</u>.
Taxes	Levies on the annual income of a business imposed by federal and state governments. On the income statement, this figure does not include property taxes, which are considered an operating expense.
Treasury Stock	Stock that has been reacquired by the company that issued it and is available for retirement or resale. Also called reacquired stock and treasury shares.
Turns	Another term for <u>inventory turns</u>.
Typical Collection Pattern	A method used to calculate accounts receivable. This allows you to break down receivables into categories that indicate what percentage of the total is paid within specified lengths of time from the sales date. See also <u>days sales outstanding</u>.
Typical Payment Pattern	A method used to calculate accounts payable. It allows the user to break down payables into categories that indicate what percentage of the total is paid within specified lengths of time from the purchase date. See also <u>days payable outstanding</u>.
Useful Life	An estimate of the period of time over which an asset will be of use to a company. Along with acquisition cost and salvage value, this measure is used to calculate the amount that the asset is depreciated each year.
Variable Costs	Expenditures that change in proportion to increases or decreases in sales or production volumes. See also <u>fixed costs</u>.
Variance	The difference between actual and targeted numbers for revenues, expenditures, or productivity. Variances are usually described as either favorable or unfavorable. See also <u>standard costs</u>.
Working Capital	The net amount of current assets and current liabilities. This is equivalent to a company's liquid assets.
Z-Score	A bankruptcy predictor based on the formula derived by Dr. Edward Altman. According to the Altman model, a Z-Score of 3.0 or higher indicates that the company is most likely safe based on the financial data; a score below 1.8 means that the firm is probably headed for bankruptcy. In studies, the Z-Score has been shown to have 90% accuracy of prediction of bankruptcy in the first year of the forecast, and 80% accuracy in the second year.

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