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USAID-BUSINESS FINANCE BRIDGE CONTRACT

OCTOBER 1, 1997 - SEPTEMBER 30, 1998

CONTRACT # 168-0056-C-00-7104-00

FINAL REPORT

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CHAPTER ONE INTRODUCTION

This report is submitted in partial fulfillment of the DAI USAID – Business Finance Project, contract number 168-0056-C-00-7104-00. Its purpose is to provide a summary of progress in attaining contract targets and benchmarks from October 1, 1997 through the end of the contract on September 30, 1998. Detailed monthly contractor reports are available in the contract's files as are quarterly contractor reports for the October-December 1997, January-March 1998, and April-June 1998 periods. In addition to an overview of the entire contract period, this present report also includes information on progress for the July-September 1998 period.

The section of this report on individual loan recommendations provides information on the amounts of each loan and the name and location of a borrower's company. Some borrowers may consider such information as sensitive. For that reason, recipients should limit the distribution of copies of this report.

CHAPTER TWO PROGRESS

Over the 12 months of the Bridge Contract, USAID-Business Finance (BF), under DAI's management, has made significant progress and contributed importantly to United States foreign policy objectives in Bosnia. DAI is proud of the role it has played in the management of this critically important program. In addition to performing contractual obligations with skill and efficiency, DAI, whenever called upon, gave priority to responding quickly and effectively to the USAID Sarajevo Mission Director's requests for immediate action, whether for program modification or for expansion into new areas of Bosnia. DAI worked in close collaboration with USAID toward the goal of stabilizing Bosnia and reviving its devastated economy. As the July-August 1998 evaluation and the Mission Director himself have commented, DAI kept the project on the course demanded by USAID. DAI also accomplished nearly 100% of the contract indicators of success and, as this report will show, did much more than simply meet performance targets. In keeping with DAI's corporate philosophy, the BF team worked to promote sustainable development in Bosnian business and banking sectors. DAI's key contribution was to create a robust, goal-oriented organization capable of quick, effective, and prudent lending in a stressful and risk-filled business environment.

The accomplishments of BF during the twelve-month Bridge Contract are impressive: an average of 23.17 loans recommended each month for a total of 279 loans for a loan volume of almost DM160 million. This accomplishment is all the more impressive considering the constraints placed on DAI by the bureaucratic context of the Bridge Contract (see section on problems).

The Bridge Contract was for four months duration, with two four-month add-ons, called Option I and Option II. Performance targets were modified for each of the four-month periods, with major changes in Option II. Progress in each of the contract periods against expected performance was excellent.

Performance Against Contract Award Targets for October 1997 to January 1998

Performance targets in the first four months of the Bridge Contract were straightforward. There were three numerically quantifiable objectives, as shown in the table below. DAI achieved 100% of two of the three targets and 70% of the third.

Contract Award Targets October 1997 – January 1998	Target Evaluation Criteria	Comments for period
1 Target One Loan Volume in recommendations-represents 50% of total possible award fee	DM 69.5 million over a four month period (award fees offered for 70% or for 100% of target)	BF achieved 100% of this target
2 Target Two Participant training represents 30% of possible award fee	181 participant weeks of training. Award fees offered for achieving 70% or 100% of target	BF achieved 100% of this target

3 Target Three Jobs created represents 20% of possible award fee	5 793 jobs created Award fees offer for achieving 70% or 100% of target	BF achieved 70 % of this target
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Performance targets in Option I of the Bridge Contract were also straightforward, with numerically quantifiable objectives DAI achieved 100% of the two targets for which there were measurements

Performance Against Contract Award Targets for February to May 1998

Contract Award Targets Option I February 1998 – May 1998	Target Evaluation Criteria	Comments for period
1 Target One Loan Volume in recommendations-represents 60% of total possible award fee	DM 70 million over a four month period (award fees offered for 70% or for 100% of target)	BF s credit unit met 100% of this target
2 Target Two Participant of training represents 40% of total possible award fee	160 participant weeks of training Award fees offered for achieving 70% or 100% of target	BF s training unit met 100% of this target
3 Target Three No award fee offered On best-efforts basis create jobs at rate of one job per DM10,000 loaned	On best efforts basis create jobs at rate of one job per DM 10 000 loaned No award fee offered	BF s average was one job for each DM16 000 loaned

As noted in the table above, the target for jobs created was modified to demand “best efforts” rather than a fixed number of jobs so as not to exclude certain categories of borrowers from the lending program In increasing numbers since May 1997, when state-owned companies were prohibited by USAID from receiving loans, the size of companies for which BF recommended loans began to decrease Along with a decrease in size came a decrease in the number of jobs created per DM10,000 USAID encouraged the downward trend in loan size, even though this meant a higher cost, measured as funds loaned per job created, than the previously standard This standard—requiring one job per DM10,000 loaned—had, in fact, discouraged small private businesses from applying for loans Small business owners repeatedly told BF lenders that such a standard was inappropriate for efficiency-conscious private business owners re-starting or starting-up a business Wishing to encourage owners of smaller private businesses to participate in the program, USAID modified the employment target to “best efforts ”

The number of small loans rose considerably Before June 1997, an average of one in four loans was for DM500,000 or below (excepting a cluster of loans to the poultry industry made in March 1997) Ten months later, by March 1998, for example, 23 of 33 loans were for DM500,000 or

below (70%) The next month, April 1998, this number was 27 of 40 loans (68%) In May, it was 39 of 47 loans (83%) And, in the last two months of the contract, August and September, the numbers respectively were 23 of 30 (77%) and 12 out of 15 loans recommendations (80%) for DM500,000 or under The 12 small loans in September averaged DM203,000, with seven of these for under this amount

Performance Against Contract Award Targets for June to September 1998

Option II of the Bridge Contract introduced performance targets that were not at all straightforward, as explained below DAI achieved 100% of all the qualitative targets In previous contracts, none of the performance targets were qualitative, for Option II, qualitative targets were 70% of all performance targets

The modified performance targets reflected objectives more complicated and diverse than those of the earlier months of the project They encouraged a focus on sustainable growth in the Bosnian banking and business sector Two of the targets were familiar loan volume and number of participants trained The other targets were new and concerned the quality of

- loan recommendations, measured by financial and business soundness, by the quality of collateral, and by the degree to which the loans satisfy USAID’s priorities),
- portfolio management measured by tasks performed, such as a portfolio review, an evaluation of Agent Banks, the implementation of new Agent Bank agreements and a new fee structure, and by the effectiveness of the BF workout program and collaboration with Business Consulting,
- training of bankers and borrowers, and
- BF’s response to USAID’s programmatic and political imperatives

These performance measures are indicative of the graduation of USAID’s Business Development Program (BDP), of which BF is a key part, from a lending program responding to the emergency situation of post-conflict Bosnia to a mature banking and business development program creating and safeguarding commercial assets Under Option II performance measures, lending funds to Bosnian businesses was still an important goal, but with a less urgent status than earlier in the project Option II performance measures focused on the consolidation of the very considerable past progress

Contract Award Targets Option II June 1998 – September 1998	Target Evaluation Criteria	Comments for period
1 Target One, Loan Volume in recommendations-represents 20% of total possible award fee	DM 17.5 million per month or DM 70 million over a four month period (award fees offered for from 50% to 100% of target)	DM 18.9 million was the total volume of loans for the Option II period There were 54 loans and 1007 jobs pledged The average loan size was small, at DM 352,000 per job compared to DM 822,000 the average loan size of the first four month period of this contract During the month of August, BF did achieve DM10,533,000 loan volume for 30 loans, equaling 60% of the monthly target
2 Target Two Loan Quality represents 20 % of total possible	The quality of new loans will be	Loan recommendations for the June to September 1998 period are high quality They are the

award fee	determined by the COTR assisted by the staff of the Business Development Program Division in USAID on the basis of the following criterion Award fees offered for 70% or 100% of target	product of professional due diligence provided by experienced bankers assisted by trained Bosnian staff, Agent Bank staff and Business Consulting staff The loans are diversified as to location industry and size
	-Financial soundness of recommendation	Loan recommendations are financially sound and take into consideration the risk factors of the Bosnian business environment Recommendations are based on DAI's deep experience in the Bosnian market which is unmatched by that of any other organization in both length and detailed on-the-ground knowledge
	Business soundness of recommendation	Judgements as to the soundness of the borrowers business plans are made after interviews site visits industry-wide reviews in conjunction with Business Consulting and Agent Bank staff
	Quality of collateral	Collateral is appropriately structured for each loan with appropriate consideration given to the Bosnian legal and social context For example, BF almost always takes residences as collateral to ensure a borrower's commitment
	-Degree to which loan satisfies priority USAID criteria including employment support for multi ethnic and non-discriminatory principles of Dayton inter entity commerce and understanding stimulating effect on economy and high value added	The loans satisfy priority criteria Businesses in the following sectors are represented furniture textiles miscellaneous manufacturing stone products food products, livestock production construction trades lumber and wood products heavy construction Recommended loans will create 1007 jobs (DM18,800 per job) Many of the loans were to small, family-owned business to diverse sectors of the economy BF did not recommend loans to borrowers who did not agree to support Dayton principles Many of the loans provided companies with the means to buy supplies or market product across entity borders for example, a large Muslim owned potato chip factory was set up in Serb-controlled Banja Luka Several loans were made to Muslim or Croat business persons in areas where they were minorities Loans to the wood processing industry added high value to local resources as did loans to other industries such as meat processors leather workers and door and window makers
3 Target Three Portfolio Management Quality-represents 30% of total possible award fee	The quality of portfolio management will be determined by the COTR assisted by the staff of the Business Development Program Division in USAID on the basis of the following factors	Nothing was more important to DAI in the Option II period than the continued improvement of BF's approach to portfolio management The BF team re-evaluated each borrower against new more sophisticated risk rating standards active portfolio monitoring was expanded and delinquent loans were pursued and corrected aggressively The Option II period saw a comprehensive audit of the entire BF portfolio and significant strengthening of the structure and incentives for BF's work with Agent Banks

		Finally DAI put its own funds at risk to ensure a smooth transition of all BF assets to the management of a new contractor
	development and implementation of timely and managed disbursement program designed to preclude the potential for misuse on the part of the either borrowers or agent banks	<p>Borrowers suffered delays between loan approval and disbursement because many borrowers have difficulty meeting agreed upon collateral requirements. Between loan approval and disbursement the borrower had many legal requirements to fulfill especially regarding collateral to ensure BF's proper legal position. Many borrowers failed to show clear title and therefore had to go through a lengthy process to legitimize ownership in the appropriate documents. This situation was worsened by other Bosnia specific problems like land restitution destroyed court files and unusual and unfamiliar exchanges of land and property between entities of Bosnia or former Yugoslavian states. Property was often in the name of several family members of which one or more was out of the country. This presented a problem because to pledge property as collateral all owners (whether they are obliged to travel from abroad or not) must physically appear in court. This problem appeared more frequently as BF began to lend to small business owners who used family residences as principal collateral. A serious backlog developed in the early part of 1998 as BF's loan volume increased rapidly. As BF's agent banks developed more responsibilities both related to BF and their other activities, they were more subject to delays in assisting approved borrowers to get the necessary information for collateral registration.</p> <p>Disbursed funds are now more secure because of the caution with which pre-disbursement conditions are handled. Also a draw down system implemented this contract period reduced the risk of BF funds lodged in Agent Bank accounts.</p>
	-further development and implementation of effective loan monitoring program on the part of both agent banks and contract staff	<p>Team leaders, lending officers, lending associates and field associates visited borrowers to identify potential repayment problems. The new risk rating system for Business Finance requires lending teams (composed of lending officers, lending associates and field associates) to re-evaluate each loan, ensuring enhanced knowledge of the progress of each borrower and an increased awareness of the risk potential for each loan.</p> <p>The Audit Unit continued this period working on the following major objectives thereby enhancing the quality of loan monitoring (as in previous months)</p> <ol style="list-style-type: none"> a) Testing and improving the Policies & Procedures Manual b) Reviewing credit and collateral files of the BF loan portfolio c) Making on-site visits to interview

		<p>borrowers inspect their places of business and review records verifying invoices to insure loan proceeds have been used according to plan</p> <ul style="list-style-type: none"> d) Maintaining a direct verification program by mailing notices to 100% of the loan customers of BF e) Developing a Borrower Site Visitation Summary Report to track borrower trends in the Agent Banks f) Conducting internal audits of selected BF departments, g) Training Bosnian audit associates on the-job to conduct independent borrower site reviews and prepare related reports <p>Also this period BF introduced a new, simplified but comprehensive Quarterly Monitoring Report (QMR) and provided intensive training in the procedures and objectives for loan monitoring to both its internal staff and to loan monitors employed by Agent Banks. This QMR is now in use by every BF office and Agent Bank, and early results indicate improved monitoring performance by all parties. DAI continues to advocate that sustained improvement in monitoring will only be ensured by USAID's approval of a revised fee structure that rewards banks primarily for the performance of the loans they recommend.</p>
	<p>design and execution of a rigorous portfolio review (internal audit) exercise providing an accurate case by case assessment and rating of the status of each and every disbursed loan in the portfolio and recommendations for corrective measures where indicated</p>	<p>A rigorous portfolio review was designed in June and executed in June and July. The review proved very helpful in August and September in reviewing loans and isolating problems requiring lending officer and lending associate work out activity or the attention of the special assets team. Almost all of the recommendations of the portfolio review were implemented by the end of this period. BF's management team responded officially to the findings, marking its agreement with all major findings.</p>
	<p>- re-evaluation and re-selection of agent banks in the program so as to arrive at smaller, stronger, more effective group of banks serving the program</p>	<p>The Agent Bank Review process was designed in March for April implementation, but the review was held up at USAID's request. The Agent Bank Review was conducted in July and August, and the report, including recommendations for Agent Banks, was submitted to USAID in August. At that time USAID decided to postpone by 90 days a decision regarding which Agent Banks would be selected to continue with the BF program. In September, BF submitted to USAID recommendations regarding a new Agent Bank fee structure and also to USAID and the new</p>

		<p>contractor a revised BF Policy and Procedures Manual for Agent Bank guidance The Agent Bank review indicated that the majority of BF s lending is already conducted through a small capable, and effective group of about 15 banks Less active banks, however were found to be critical to meeting USAID s stated volume and political/geographic objectives, and to pose insignificant risk to BF funds While a few banks were recommended for removal from the BF program the report also recommended several modifications to BF underwriting, disbursement and portfolio management systems that would reduce the risk associated with the temporary custody of BF funds in all Agent Banks</p>
	<p>-implementation of new agent bank agreement and fee structure providing for enhanced performance incentives relative to borrower compliance with loan terms and repayment</p>	<p>As part of the Agent Bank review process BF submitted a significantly strengthened Agency Agreement that was reviewed and found acceptable by BF and USAID attorneys BF Agent Banks, and USAID staff A revised fee structure based on the need to align BF and Agent Bank incentives to improve asset performance, and the actual loan servicing costs of Agent banks was also submitted to USAID Implementation of both the new Agency Agreement and the new Fee Structure was postponed at USAID s direction until November 1998</p>
	<p>effectiveness of workout program resulting in a reduced problem loan portfolio and overall improved repayment record over the period Taken into account here will be collaboration with The Business Consulting turnaround program</p>	<p>During the contract period BF s Special Assets unit made excellent progress in working out problem loans teaming with BC s Turnaround unit and coordinating closely through BF management with USAID The Special Assets unit also worked closely with the lending teams advising them of appropriate restructuring strategies for companies with problems but not classified as Special Assets</p> <p>BF obtained USAID approvals for 12 foreclosures and litigation actions Some of these actions paid quick dividends by forcing companies to pay rather than face legal action One company (Siporex) paid over DM200 000 and appeared to be acceptable as a restructure with BC Turnaround intervention Another company (Fering) paid over DM200 000 and is under review for restructure A third company (Alhos) paid current with DM150 000 A fourth (Teloptic) paid over DM300 000 including penalty interest and expects to pay its loan in full (Teloptic, in fact did pay off its loan in full with all penalty interest in October) BF filed public notices of foreclosure filings against borrowers, an action which had a positive effect in the marketplace as reported by newspapers One article declared that USAID BF s western style banking practices had had introduced a new</p>

		<p>understanding among Bosnia borrowers that you lose your collateral if you don't pay your loan!</p> <p>BF also obtained USAID approval for 18 restructures. Booking these restructures improves in the status of the portfolio. Restructured borrowers pay regularly as lower payments that matches their present business income and operations capability. This reduces total monthly payments on the portfolio, but means that borrowers have additional monthly income to sustain growth, employment and long term viability. Additionally in several instances BF improved its collateral position. In all cases BF used improved legal documents for the restructure which provides for improved future collections should the loan have to be foreclosed on.</p> <p>BF staff continued to put pressure on chronic delinquents (like Kovina, Hidrogradnija, Unis Tadi, Breza Dom, Maomex), getting full or partial payments each month.</p> <p>BF collected significant funds from borrowers who had been non-paying until turned over to Special Assets: DM323,000 in June, DM451,000 in July, DM1,100,000 in August, and DM1,117,000 in September. Special Assets increased pressure on borrowers during the month of transition to the new contractor, lest borrowers think they would enjoy a brief holiday after the DAI team left.</p>
	<p>effectiveness of collaboration with the Business Consulting Contractor for improved borrower performance</p>	<p>BF works with BC in a highly collaborative fashion. BC focuses on post-loan approval and the post-disbursement training of borrowers. BC regularly shares with the BF lending staff their Initial Company Assessment (ICA). BF-BC collaboration was an important factor in bringing a number of BF borrowers current on their obligations.</p> <p>BF worked with Business Consulting collaborating on more than 15 Turnaround efforts. Borrowers began to follow BC Action Plan improvements as mandated in the BF restructured loan documents. This has produced good results: one former problem loan (Sport Form) placed full page newspaper ads to sell surplus equipment. Another former problem loan (KRAS) followed BC production line improvement recommendations and increased individual worker productivity and gross income.</p>

<p>4 Target Four Training – represents 20% of total possible award fee</p>	<p>Both volume and quality will be assessed in this case First a level of training of 40 person weeks per month will be required to secure 50% of the total possible award fee of 20% Quality of training will earn the remaining 50% of the award fee</p> <p>Quality of the training will be evaluated in terms of the relevance of training program targeting in support of program objectives Both banks and borrowers will be trained – banks in terms of improved performance in origination monitoring ,and management of disbursement and repayment processes and borrowers on their responsibilities under the terms of their loan agreements and options for dealing with problems</p>	<p>BF s training unit focused on courses and other training activities of key relevance to the BDP program during this period while achieving the goal of 40 participant weeks per month (the average was 52.2 participant weeks per month) The focus of training was on banks and to a lesser extent, borrowers, to improve loan application preparation, loan analysis, loan monitoring and problem loan resolution The BF program began in 1996 as a forum to provide the Bosnian bankers a common language for credit review it has evolved into an arena wherein BF program specific processes and goals are promoted</p> <p>Seminars in Managing Problem Loans were offered to bankers in Sarajevo and Banja Luka Each seminar introduced concepts to help bankers to better monitor loans currently in banks portfolio and provided techniques for working with existing borrowers who are experiencing operational difficulties The seminar presented practical examples of loan administration, of how to identify and manage problem loans utilizing case studies to reinforce concepts</p> <p>An intensive version of the Managing Problem Loans forum was held for BF Associates Tailored to address BF practices the forum encouraged full discussion of questions or concerns regarding active BF deals in relation to the portfolio management and quality control techniques presented by BF lenders</p> <p>Other in house training included the introduction—as part of the BF reorganization—of procedures that will streamline the BF loan process and further the process of Bosnianization and of a new Credit Risk evaluation system The BF internal procedure enhancement continued from July through September with one on one associate training in credit risk ratings These training sessions were held with all LA s FA s and a participant bank trainee This training reinforced the risk rating procedures, not only providing a structure for assessing risk but also a check list to ensure that all aspects of credit risk are considered In an independent survey conducted by the Audit department, staff members gave the new system a high rating</p>
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		<p>At USAID's request BF and BC worked together to promote a BC developed a borrower-targeted core competency course. The BF Training Unit coordinated with BC to include agent bankers in the BC borrower courses. BF also developed and delivered a special course for borrowers and bankers, Concepts for Successful Growth Management. Adapted specifically for USAID Business Finance borrowers (and for which attendance was made mandatory for many borrowers) this two-day workshop held in Sarajevo, Tuzla and Banja Luka focused on business growth management, cash flow management /projections and the critical importance of loan repayment. This seminar utilized lecture and case studies to emphasize critical concepts. Additional discussions addressing how to strengthen banking relationships were also presented. This course reinforced the BF compliance requirement for accurate and timely submission of quarterly financial information and loan repayment.</p> <p>76 bankers from 25 Agent Banks completed the Quarterly Monitoring Report Workshop. This half-day session was aimed at improving the quality of the information bankers provide to BF detailing the current status of borrowers. The workshop presented the new format and utilized a case study to show bankers proper interview techniques and proven methods of analysis. The courses were held at BF training locations as well as in many of the participant banks.</p> <p>Lending to agricultural enterprises has greatly increased. Therefore, this period BF again presented its newly developed course, Financing the Agro-Enterprise to bankers responsible for developing lending relationships with agricultural concerns. Business problems specific to an agro enterprise were analyzed giving bankers the tools they need to deal with agro-business owners or financial managers. The course focused on cash flow lending and the practical aspects of giving counsel to and communicating with agribusiness owners regarding their financial position and their financial management.</p> <p>BF also began bringing bank personnel into BF for an in house training program. One trainee</p>
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		<p>began a month of training at the BF offices partnered with BF personnel to learn specific procedures and analytical skills required to properly appraise a potential borrower. The training will concentrate on credit but will also include legal, environmental and operations issues.</p> <p>BF also conducted its traditional introductory and advanced level credit courses for new Agent Bank staff: the Financing the Small Business course, and other key courses. A new course first introduced this year- The International Accounting Standards for Lenders course was also offered. This course provides lending officers and other bank personnel responsible for analyzing financial statements the knowledge and skills needed to make informed lending decisions using International Accounting Standards (IAS). The participants discuss the importance of IAS and related disclosures. Case studies are used to show how to analyze IAS financial statements effectively, make lending decisions and modify country specific financial statements to those based on IAS. A five day version of this course was presented to bankers, a condensed version was offered to BF Lending Associates with discussions revolving around live BF loans.</p>
<p>5 Target Five Degree to which Contractor effectively responds to programmatic and political imperatives during the period which can not be foreseen at the outset of the period – represents 10 % of total possible award fee</p>	<p>The ability of the contractor to respond to such imperatives in an effective and timely manner will be evaluated. An example is the major push now going on in Banja Luka. If no such imperative is received during the period the fee for this category will be divided between targets two and three.</p>	<p>BF assisted USAID to promote profound changes in the political structure of Bosnia. The donor community led by USAID worked diligently in the months leading up to elections in September, endeavoring to influence the vote for pro Dayton political groups (thereby discouraging support for the proponents of ethnic division). The most visible and concrete of all donor efforts was the Business Development Program, led by BF. BF made the Bosnian electorate aware by means of country wide promotions of its lending program and the possibility of borrowing amounts as low as DM30 000. BF also conducted a targeted promotion campaign (billboards, leaflets and newspaper advertisements) in Central Bosnia and in Western RS, the two critical areas for the election. The BF team delivered over 50 loans to these areas since the election effort began.</p> <p>The Central Bosnia Imperative (the major Croat area) was initiated by USAID in July. During the contract period BF aggressively</p>

		<p>marketed its program in Central Bosnia, including setting up an office in Travnik and organizing a high profile opening with the US Ambassador as the chief guest. This led to over 40 inquires about our loan program at the Travnik office and many applications. Most of the inquiries are for loans under DM150 000. Ten of the 50 loans mentioned above were recommended in Croat areas.</p> <p>The BF team was proud of its contribution to the positive results of the election in the RS and in Croat majority areas.</p> <p>Programmatic concerns impacted heavily on the DAI team during the month of September. DAI was asked to focus on three (somewhat mutually exclusive) activities during the last month of its contract: 1) closedown its contractual activities, 2) continue full speed ahead with its contractual activities, and 3) provide transitional training to the new contractor. Normally when an institutional contractor closes down a contract, it is not expected that project activities for which the contractor is directly responsible will continue in the same intense and high volume manner up to the end of the contract. Usually near the end of a contract there is ample time available for staff to take remaining annual leave because activity on the part of the contractor slows down. In contrast to the pace of a normal contract close out period, activity at Business Finance in fact accelerated as it has continually done over the past few months as the portfolio grew and as USAID's political and programmatic (i.e. transitional) imperatives became more important.</p>
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Bridge Contract Contribution to the BF Portfolio

BF's progress over the past twelve months against contract objectives created a large and varied (by industry sector, location, and loan size) portfolio of loan assets for the BDP. A review of the 279 loans recommended under the Bridge Contract, grouped together by month, provides an appreciation of the amount and variety of work performed during the reporting period. See Annex I for the list of loans.

PROGRAM PRODUCTION	Oct 97 through Sep 98		
	No	Value DM	Jobs
Loans Recommended	279	159,511 479	8,722
New Prospects Received	396	218 818 863	10 097
Disbursements	180	100,139,054	6 082
Prospects Rejected	140	73 009,395	3 918

Portfolio Status as of September 30, 1998

LOAN PORTFOLIO OUTSTANDING 06/96 – 09/98	
No of Loans Outstanding	256
Non Accrual Loans	2
Total Commitment	153,108 091
Outstanding Balance	148,396 268
Undistributed Tranche	4 711 823

LOAN PORTFOLIO OVERVIEW 06/96 – 09/98	
Total Disbursed	172 139 943
Principal Repaid	23 530,615
Funds relent to Borrower	29 776 277

At the end of September 1998, Business Finance had 256 loans outstanding. Of these loans two were in non-accrual status. Total funds committed as of September 30, 1998 were DM153,108,091. As of this date, Business Finance had disbursed a total of DM172,139,943 to Bosnian banks, had received principal repayments of DM23,530,615, and had relent DM29,776,277, including borrower interest payments to Business Finance.

SUMMARY PAST DUE INFORMATION				
	One month	Two months	Three months	Over three months
No of Loans	19	10	6	33
Unpaid loan Balance	14,703 101	6 579 857	4 261 667	27,050 610
% Delinquency	9 91%	4 43%	2 87%	18 23%

The delinquency rate for the entire portfolio was 35.44% (including loans one payment past due) as of September 30 compared with 34.94% for August and 36.27% for July. BF's Special Assets department and the Lending Teams, with the collaboration of BC, began a restructuring program in June. The purpose of this program is to sort out the many companies who could perform well if the tenor of their loan or other conditions were modified, and brought more in line with western lending practices. A number of the BF loans from the first eighteen months of the

contract suffer from a too literal application of the loan tenor terms (thirty six months) set forth in the Grant Agreement which created the project in 1996

Other Major Accomplishments of BF during the Bridge Contract Period

Strong technical, logistical, and administrative support permitted the DAI BF team to work efficiently, accomplish difficult tasks with speed, and add, over the past 12 months, important commercial assets to the BDP for Bosnia. The project's technical and administrative support structures were modified in the past and will continue to be modified as conditions change, but on October 1, 1998, the new contractor assumed management of systems, structures and personnel (both local and expatriate) DAI put in place and/or refined during the 12 previous months. Some of these are listed and discussed briefly below. Major accomplishments and events are also discussed below.

- **Geographical Expansion**

During the Bridge Contract, BF set up offices in Banja Luka and Travnik, establishing a base of operations in the new areas of concentration in Western Republika Srpska and Central Bosnia respectively. These offices were linked by email (direct on-line, real time access, in the case of Banja Luka), by telephone, and fax for coordination with the BF Tuzla and Brcko offices and for supervision by the BF Sarajevo office. Also, during the Bridge Contract, BF negotiated with the Central Bank for more office space, eventually receiving an additional ten offices for a modest monthly rental fee.

- **Lotus Notes-based Management Information System (TAMIS)**

BF, over the past 12 months, developed numerous management applications for DAI's TAMIS Deal Tracking, a Lotus Notes-based information system used managing BF's large and complicated workload. BF created the Deal Tracking TAMIS just prior to the beginning of the Bridge Contract in order to standardize loan production tracking. TAMIS Deal Tracking, primarily a management tool (and not an accounting program) contains detailed information about every loan. Its database can be manipulated to show a wide range of information on the BF program, including industry sectors, industry concentrations, number of loans per municipality, and status of all deals. TAMIS creates the numerous forms used to move a deal from the initial status of loan prospect to that of recommended, approved and disbursed. By centralizing and standardizing a loan recommendation process through TAMIS, BF arrived at a shorter, more accurate and more efficient production process. USAID also has electronic access to the Deal Tracking TAMIS, with special views requested by the USAID COTR and Mission Director. Although DAI has sole ownership of the intellectual property rights to the TAMIS program itself, the use of the Deal Tracking TAMIS was provided to the new contractor by means of a no-cost license for use in the BF project only.

- **Decentralized and Capable Management, Able to Respond to USAID's Programmatic and Political Imperatives**

During the contract period DAI's management team consistently demonstrated its ability to respond to USAID's programmatic and political imperatives, quickly, precisely, and without confusion

Three instances of strong and competent management response are notable

The Banja Luka Push

In response to a USAID request to increase the rate of lending by 500% in Banja Luka during the months of April and May of 1998, BF added three lending teams to the two already established and began working closely with banks and borrowers in an accelerated program. This effort produced 33 loan recommendations in nine weeks. The three new lending teams, which included two experienced lending teams from the Federation, quickly set up work routines in temporary office space and began analyzing loan prospects. BF management gave this effort the highest priority, but at the same time continued an aggressive program of making loans in the Federation. Total production during these nine weeks was 87 loan recommendations.

Intensive BiH-wide Promotion of the Business Development Program

At USAID's request, BF management made a major effort in July 1998 to ensure a more thorough penetration of the BF program in Central Bosnia and the Republika Srpska. With the assistance of USAID and BC, BF organized the inauguration of the Business Development Program office in Travnik. The event, which included speeches by the US Ambassador, the USAID Mission director, and local dignitaries, received local and national television coverage. BF also mounted an important publicity campaign for the USAID Business Development Program, publishing a new leaflet (designed to increase the participation of small businesses in our program) and placing posters and billboards throughout Middle Bosnia Canton.

In the RS, where billboards for non-political poster ads were not available, BF arranged for the distribution, as inserts in newspapers, of 169,000 BF leaflets. BF also placed numerous advertisements in several newspapers serving the targeted areas and the rest of Bosnia.

Rapid Modification of Portfolio Management

A major BF activity during Option II was the planning and implementing of a profound reorganization of credit management. Between June 1996 and the present, BF was month by month transformed from a project providing an "emergency response" (injecting funds into an economy devastated by war) to its present status of a mature banking program tasked with creating sound commercial assets. During the first twenty-two months of BF, the (three different) contracts under which DAI performed its services targeted technical assistance effort on one major goal—that of making good loans as rapidly as possible so

as to restart the business sector and put people back to work. The success of this effort exceeded the expectations of most observers and participants.

Four months before the end of our contract, at the end of May 1998, there were already 366 loans recommended for a value of DM260 million—the result of a concerted effort on the part of BF, the staff of Business Consulting, USAID, Agent Banks, and a multitude of suppliers, buyers, sellers, planners, designers, and managers.

With such a large portfolio, monitoring and working out problem loans was increasingly requiring a priority effort. From late 1997, DAI's management team, in quarterly reports and in discussions, had been emphasizing to USAID the need to shift program emphasis. They recommended more targeting of portfolio management effort towards the care and nurture of existing loans and a decrease in emphasis on loan quantity. Until June, BF's emphasis remained production oriented. Lending teams were structured to recommend loan and a centralized management team handled all loans post-disbursement.

The Option II contract ushered in the requested change in emphasis, and is an example of USAID and BF's mutual understanding of the challenges facing the project. Upon receiving a copy of the Option II contract in late May, BF's management reorganized BF's credit department. By June 1, four lending teams replaced centralized portfolio management, each team responsible for a portion of the portfolio, with loan accounts assigned on the basis of industry sector specialization and past experience with the borrower. The teams were charged with maintaining a strong borrower-banker relationship, with generating new loans, and with taking initial actions in problem loan resolution. Managed by expatriate team leaders, and staffed by expatriate lenders, Bosnian Lending Associates, and Bosnian Field Associates, the teams' responsibilities include all credit tasks—origination, underwriting, recommendation, approval, closing, documentation, and monitoring, with the support of the operations unit. Making this change caused a temporary decrease in new loan production, but the new structure strengthened and improved the quality of the portfolio.

The reorganization included robust measures for intensive management of the portfolio. The companies in the portfolio were suffering from the effects of Bosnia's troubled economy (cash strapped, slowly recovering from the war and from socialist planning) and from the lack of management expertise in the companies. Company managers were too oriented towards production and had little experience in marketing and handling accounts receivables.

Portfolio quality was improved not only by monitoring but also by adjusting the fit of a given loan structure to the realities of a borrower's company. By the end of Option II, BF had USAID's approval to restructure 18 problem loans. The restructuring was undertaken with the assistance of BC.

- **Recruitment and Training of Staff**

At the end of the contract, DAI had prepared 41 local professional staff in credit analysis, loan monitoring, environmental analysis, credit administration, and project coordination. In the credit department, most of this staff had had from six to twelve months experience and training, a few had had over twenty months. All credit personnel had taken the BF bank training courses. Almost all had taken an intensive in-house course to ensure a fundamental understanding of the credit risk analysis process and of the terminology used in assessing and managing credit risk. This in-house training constituted an exciting advance in the professional preparation of BF's future Bosnian lenders. It was intended as the formal beginning of BF's own Bosnianization. Within a relatively short time (six to twelve months), the first Bosnian junior lenders would be graduated from in-house credit training.

- **Creation of a Goal-Oriented Team**

During the Bridge Contract, BF's already proven team spirit grew increasingly stronger.

During its 27 months implementing BF, DAI created an experienced and highly motivated expatriate lending team, composed of long- and short-term banking consultants, hired and trained an outstanding local professional staff, hired and trained an excellent administrative staff, procured equipment and supplies needed for the project's effort, developed a large client base, ensured wide publicity for the project, and, in a spirit dedicated to excellence, created a fine-tuned high-performance project team with a strong work ethic.

Of supreme importance to any team is the intangible factor of morale. Increasingly, over the twelve months of the Bridge Contract, the BF team enjoyed, and the project benefited from, high morale, an unquantifiable part of success in meeting targets. The team of environmentalists, operations specialists, administrative and logistics personnel, and lenders worked together harmoniously and toward the same clearly defined goals. Expatriate members of the team, as well as Bosnian professionals, were motivated by the knowledge that they were making a significant contribution toward the success of the Dayton Accords. The Bosnian staff was also motivated by career opportunities that participation in the project afforded them. The high morale of the BF team was evident in November 1997, for example, when the entire team met to establish guidelines for activities during the upcoming months. Chief among staff priorities was training, both on-the-job and formal, for the local staff. Local staff members made the following request to management staff: "Continually challenge us. Keep our adrenaline pumping the way it did during the first days of the project when we had no offices and only one lap top, and a huge job to do." This sense of "adrenaline pumping" did, in fact, characterize the rest of the contract, as everyone, the Bosnian staff especially, were continually challenged to do more and do it better.

The BF team was truly disappointed in April when DAI was not selected to continue the work it had started. But one of the greatest achievements of the BF team was its ability to maintain a spirit of team work and solidarity in the face of difficult circumstances. The team, when called upon to do so, directed its skill and energy to turning over the project to a new contractor. Its intention was to effect the best turnover possible. Remarkably, in the month of May, before it learned that its contract would be extended for another four months, the BF

team kept its momentum and accomplished a record month's total of forty-seven loan recommendations

Eventually, in September 1998, DAI's management team had the duty turning over this exceptional creation to USAID's new contractor to manage for the future of the BF. The turn over was carried out in a spirit of collaboration and encouragement. Over the past two-plus years, DAI's BF team had touched deeply the businesses, lives, and jobs of thousands of business workers and owners and managers. Its work had been deeply appreciated. Its departure was in keeping with the spirit of its dedication to the task.

- **Agent Bank Review**

The Agent Bank Selection Team evaluated, through on-site and off-site reviews, the past performance, compliance with BF procedures, business strategy, staff capabilities, and financial strength of the nearly 30 Bosnian commercial banks that, in July 1998, applied for continued or new BF Agency. A report on each bank, and overall recommendations to improve the security of BF funds under the temporary custody of Agent Banks, was submitted to USAID in August. In September, DAI submitted the final report of the Agent Bank Selection Team, which included an analysis and suggested modifications to BF's fee structure, in order to align BF and Agent Bank incentives for improved portfolio performance. The Agent Bank Selection team also oversaw the significant revision and strengthening of BF's Agency Agreement, and the production of an updated version of BF's Agent Bank Policies and Procedures Manual, which provides specific instructions and guidelines to Agent Banks recommending and servicing BF credits. The Agent Bank selection process provided USAID with a solid baseline review of the banking sector's participation in the Business Development Program, an input critically needed as USAID considers broadening the scope of technical assistance USAID will make available to selected Bosnian banks.

- **Credit Review**

DAI conducted a thorough review of the BF portfolio, recruiting an eight-person team of established professional bank and credit auditors. The credit audit provides BF with general findings and recommendations to serve as guidance to project management and to the lending teams as they manage their portfolios. It also provides detailed comments about each disbursed loan, comments which were useful to the lending teams and to the Agent Bank selection team in its review of Agent Bank loan monitoring.

A portfolio review team audited all loans disbursed as of May 29, 1998. At examination date, the BF Portfolio consisted of 187 approved, disbursed borrowers (190 loans) with a total outstanding principal balance of DM 127,268,123. This group of borrowers had an original outstanding principal balance of DM 140,522,902 at loan origination, reductions in the outstanding balance being due to principal repayments exclusively. BF responded to the audit report findings and recommendations in September, accepting all major findings.

- **Special Assets**

This department was developed and expanded during the contract period. By the end of September 1998, two expatriate workout specialists, two Bosnian associates, and two Bosnian legal experts were employed almost full time working with problem borrowers. This strong workout section was created and expanded by DAI in order to manage responsibly BF's mandate to carry out sustained rapid lending in a troubled economy.

Perhaps the most significant challenge for the Business Development Program is to assist borrowers and banks to resolve problem loans, to set up systems to prevent or foresee similar problems, and to do so without slowing the pace of the lending program. Success in resolving borrowers' problems will have several positive effects on the program, in addition to recovering the funds without recourse to foreclosing on collateral: 1) borrowers will learn better business practices, 2) banks will learn how to work with problem loans, and 3) the business community will understand that loans must be managed very carefully from the beginning to avoid becoming a BF loan work out, usually a trying and painful experience for the borrower. Under DAI, BF set up its workout team, with legal expertise built into the team. BF also set up a loan monitoring system focused on detecting early warnings of problems. In addition, Business Consulting began monitoring, in coordination with BF, the progress of the company closely during the early months of a loan and, should the company have serious problems later, would place a "turn around" team in the company to assist it in working its way out of difficulty.

BF's Special Assets department must also propose foreclosures against borrowers who cannot reimburse their loans or who will not repay (but who could, were loan reimbursement their priority). Although foreclosing on loans and collecting on the value of mortgaged property is not uncharted territory in Bosnia, the procedures are vague and the outcomes uncertain. For the sake of program integrity and of borrower discipline, however, BF went forward with twelve foreclosures or litigations in the June to September 1998 period rather than waiting until new collateral laws define a more effective procedure.

BF makes recommendations for restructuring loans, in coordination with BC, to USAID for USAID's approval. This activity is part of an aggressive program to accelerate the resolution of problem loans, many of which can be resolved by a fairly simple restructuring of the loan to match local and market conditions. Others must be resolved by more forceful methods. In either case, serious problems are handled by the loan workout team in Special Assets. Less serious problems are dealt with by the credit teams themselves, even including minor restructurings of loans. In all cases, USAID approves a loan restructure, even when funds are not added.

- **BC Relationship**

BC and BF, after a year of close collaboration, enjoyed an even closer and more productive working relationship the last four months of the contract. USAID facilitated increased productivity by eliminating the requirement that BC co-recommend each of our loans, thus permitting BC to dedicate more resources to active, rather than prospective, borrowers. BC

began providing extraordinary efforts to some of the Business Development Program companies needing major assistance in turning their companies around (or else go bankrupt) BC assigned a turnaround specialist to lead this effort, facilitating our Special Assets team in its work

- **Business Development Program Evaluation**

The BF team cooperated with and provided facilitation services for the Business Development Program Evaluation team We furnished the team information, arranged meetings with local bankers and business people on request, shared with them our insights, our vision of the potential of the Business Development Program, and our experience over 24 months We also provided office space (on a part time basis)

CHAPTER THREE PROBLEMS

The major problems of BF were 1) the tensions inherent in striving for a large quantity high quality loans in a severely distressed economy, 2) constraints posed by the very unusual contractual context and by less than optimal flexibility from the regional contracts office, and 3) a persistent lag between approval of loans and disbursement of loans

Tensions of Quantity versus Quality

Any commercial bank must establish the degree of risk it can accept. The International Finance Corporation (IFC) in Bosnia has, for example, a low tolerance for risk. It therefore approaches credit applicants very carefully, conducting complete audits of creditors' Bosnian companies, and investigating business connections abroad. The IFC has a target of around five loans per year, for a value of under DM30 million. By contrast to the IFC's selective, low-volume and low-risk approach, BF targets each month over forty loans for a value DM17 million. By the nature of its more ambitious goal--restarting the Bosnian economy and providing large numbers of jobs by injecting USD250 million into the business sector over a period of thirty-six months--BF was established as a decidedly risk-tolerant undertaking.

The portfolio of aging loans had grown large by January 1998. These loans began to require nurturing, some were already having problems. Allocation of effort, a finite resource, to assist borrowers work out their problems meant less effort for loan recommendations, and a reduction in lending volumes. The tension between quantity and quality and between aggressively pushing loan production and carefully nurturing loan quality, was growing steadily. As the portfolio grew and aged, the effort needed for loan management and loan work out grew also, but the effort needed for loan recommendation remained more or less static. Increased effort in loan management required a decreased effort in loan production, or an expanded program that also included the Agent Banks as lenders. Discussions of quantity versus quality continued, but the pendulum of effort continued to swing toward quantity. But at the end of May, with the advent of Option II, the pendulum began a return in the direction of quality. It is likely that, had DAI been in a normal contract sequence, the pendulum of effort would have swung sooner. USAID seemed, however, cautious about making any changes during the Bridge Contract period.

Borrowers have problems with loan repayment for many reasons, including failings in management, poor linkage to markets, the weak national economy, lack of freedom of movement, the inability of customers to pay, a loan tenor of only 36 months duration (requiring large principal repayments), and other reasons. Each problem, or combination of problems, has to be properly appreciated before a decision to continue with a company, rather than foreclose on the collateral, is made.

Barter trade rather than cash payment became, over the course of the contract period, a growing and persistent problem for our borrowers. Many began to resort to a complicated system of barter in order to have cash for salary and monthly loan payments. Often our borrowers' clients did not have cash, because their own clients could not pay them in cash, whose clients in turn had trouble paying in cash. Payment in kind was thus often resorted to,

in a complicated fashion involving several parties, in different countries, working together to turn bartered goods into cash. This contributed to delays in payments, for both delinquent and non-delinquent borrowers.

Prevention being more efficient than cure, BF moved beyond short term remedies. In June, as BF lending teams began examining their respective portfolios, they became increasingly aware that some borrower problems could be obviated by a simple restructuring. The loan and business could be put more surely on the course of success, were the loans restructured before payments fall seriously in arrears. One borrower explained, for example, that he could not survive his loan repayments at the present schedule of DM25,000 per month, but, with a lengthier loan tenor and a reduced payment of DM17,000 per month, he could both pay his loan off and have a healthy company. A bank in the US would immediately accept such a proposition, other considerations being equal.

Until June, BF was not permitted to offer much flexibility in the terms of its loans even to those borrowers who managed their businesses relatively well, but who needed special consideration to prevent problems or even bankruptcy. A number of BF's problem loans manifestly suffered from BF's too rigid (in retrospect) adherence to the loan structure delineated in the BRFF Grant Agreement. This was especially true for loans made during the first eighteen months of the program. Some borrowers were unnecessarily constrained by the requirement to reimburse working capital loans on a monthly basis, thus diminishing their working capital at times when most needed. Others felt they were penalized by having to reimburse principal over thirty-six or forty-eight months when, in the USA, the same kind of loan would have a much longer tenor. BF repayment schedules prevented borrowers from building up a buffer against seasonal drops in sales or poor accounts receivables performance. Some of BF's better companies argued they would be more healthy than otherwise, were they not having to reimburse construction loans, for example, in an arbitrarily short period. The credit audit and the Business Development Program Evaluation examined, with BF's advice and participation, the issue of appropriateness of the structure of BF loans in more detail and advised USAID to make necessary restructures as soon as possible. By the time the audit and the evaluation were published, USAID had already begun approving the first set of major restructurings.

Constraints in BF's Contractual Context

On several occasions DAI had to choose between taking unnecessary cost risks or jeopardizing the progress of the project. DAI chose the former. Examples are presented and discussed below.

BF was required to do an extraordinary amount of work by the contract, some of it on a best efforts basis. Often "best effort" required making such effort an immediate priority owing to the political and long range importance of the planned for results of such effort. DAI chose not to stint in its support of USAID's program, even when it meant limiting employee leave time. We understood as well as any of the other partners in the donor effort that the work site was Bosnia, which meant that stakes were high. DAI provided its wholehearted best in each and every instance.

There were several justifications for keeping staff on-the-job rather than releasing them for vacations. I will discuss four below.

- the political imperatives of USAID,
- a major, time-consuming reorganization of the project in response to new performance targets,
- an inherent difficulty in managing four month contracts as if there were long-term contracts, and
- a programmatic requirement to transfer key technical skills and information to the new contract team in the month of September (to permit the project to continue with its same performance as before)

1) Political Imperatives

USAID's political imperative for June, July, August, and September was for the BDP to assist in winning the hearts and minds of certain sections of the Bosnian population before September elections. Our specific tasks were to make as many loans as possible in the Republika Srpska (RS) and in Middle Bosnia and to ensure that there was strong popular awareness of the Business Development Program in these areas before the critical September 12 and 13 elections. DAI responded to this imperative in Middle Bosnia by opening a Travnik office, by ensuring a broad public awareness that Business Finance would accept loan requests for amounts as low as DM30,000, and by marketing the municipalities of the canton intensively with a highly visible promotion campaign. This required extra staff time from the two Sarajevo lending teams, as they had to concentrate attention on developing market opportunities for the future.

In the meanwhile, these teams of lending officers and associates did not reduce their efforts in the Federation, especially concerning origination of new loans, disbursement of approved loans, and monitoring of disbursed loans. In the RS, where we have one lending team, the pressure was even more intense. Not only were they charged with managing a large promotion campaign, with training banks to receive applications for small loans (an innovation in the program), but also with preparing the disbursements of the loans originated in USAID's previous political imperative, the "Banja Luka Push." This refers to the five lending teams we assembled in Banja Luka in April and May, at USAID's request, to make as many loans as possible (and, in the meanwhile, leave during the period of this concentrated effort was virtually suspended). Thirty-three loans were recommended and approved. After May, the one team remaining in Banja Luka was charged with handling the complicated and important details of disbursement for as many of these loans as possible before the September elections, in addition to preparing new recommendations.

The high quality of USAID's BDP efforts in this political imperative over the past four months is in part due to our lending officers and project managers not taking lengthy leave. All activities in BF were performed under pressure for results. The activities that directly promoted USAID's political objectives were under the highest of pressures. They required the time and attention of our most experienced officers, who were also those with the most leave accumulated.

2) Major Reorganization of Business Finance

As outlined above in this present report, the reorganization was an intensive and very time consuming activity, one which constituted a logical response to changes in performance objectives as outlined in Option II of our bridge contract, signed at the end of May. Our January 1998 contract extension, called Option I, had called for business as usual—that is, loan production and training—for the February through May period of the bridge contract. Option II, however, specifically called for new activities and new emphases. It required DAI to focus intense effort on portfolio quality rather than on loan production and to respond rapidly to USAID’s changing political imperatives. The new performance targets required a serious management response. DAI responded as required. In June, for example, BF prepared for USAID’s ambitious program to expand the reach of the BDP to a geographically, ethnically, and economically more diverse target group, including going “down market” to borrowers requiring funding in the DM30,000 to DM150,000 category.

The accent during the first two years of BF was on loan production. With the new contract targets, the accent shifted to ensuring that ample resources were directed toward monitoring of the portfolio, with performance targets weighted accordingly. In addition to the new target for portfolio monitoring and care, other targets were introduced, such as

- the degree to which loans satisfy priority USAID criteria including employment, support for multi-ethnic and non-discriminatory principles of Dayton, inter-entity commerce and understanding, stimulating effect on economy and high value added,
- the development and implementation of a timely and managed disbursement program designed to preclude the potential for misuse on the part of the either borrowers or agent banks, [and
- the] further development and implementation of an effective loan monitoring program on the part of both agent banks and contract staff

Included in the above was intensive assistance given for an Agent Bank Review effort and cooperation with the Business Development Program evaluation. These and the Credit Review occupied almost eight weeks of our 16 week contract period.

In summary, organizing the contract team to respond to the new targets was a major effort and required, especially, the presence of our few experienced expatriates.

3) Constraints Inherent in Four Month Contracts

DAI managed the Business Finance project for 16 months under a series of four month contracts. This has made safeguarding continuity in personnel a high but difficult priority. Core staff have had repeatedly to train new incoming staff, ensuring that they understood their duties and acquired the skills necessary for this challenging environment. The fact that DAI was operating under four month contracts for what was in reality a long term effort made the management of the project extremely challenging.

3) Requirement to Assist the New Contractor

The decision that the new contractor overlap with the DAI contract for one month entailed a requirement that DAI, in addition to normal contractual duties, prepare and otherwise train the new contractors’ staff. The new contractor needed an intimate, hands-on exposure to managing

Business Finance so that, come October 1, USAID's program not suffer in any way. This was a critical task, the successful accomplishment of which was a high priority for the USG. DAI carried out an extensive and focused effort to prepare the new contractor to make a seamless transition. This was a daunting challenge, requiring the "teaming" of our professionals with members of the new contract team.

One final point should be noted. Normally when an institutional contractor closes down a contract, it is not expected that project activities, for which the contractor is directly responsible, will continue in the same intense and high volume manner up to the end of the contract. In contrast to the pace of a normal contract closeout period, activity at Business Finance accelerated, as it has continually done over the past few months, because the portfolio grew and because USAID's political imperatives were tied to September elections.

The USAID staff—especially the ERO staff, the COTR, the Controller, and the Mission Director—in Sarajevo accorded the departing DAI team every consideration and every service requested. The cooperative attitude of DAI and its just appreciation of the strategic urgency of the project was appreciated by USAID Sarajevo.

Lag Time Between Loan Approval and Loan Disbursement

Between loan approval and disbursement, the borrower had many legal requirements to fulfill, especially regarding collateral, to ensure BF's proper legal position. Many borrowers failed to show clear title and therefore had to go through a lengthy process to legitimize ownership in the appropriate documents. This situation was worsened by other Bosnia specific problems like land restitution, destroyed court files and unusual and unfamiliar exchanges of land and property between entities of Bosnia or former Yugoslavian states. Property was often in the name of several family members of which one or more was out of the country. This presented a problem because to pledge property as collateral, all owners (whether they are obliged to travel from abroad or not) must physically appear in court. This problem appeared more frequently as BF began to lend to small business owners who used family residences as principal collateral. A serious backlog developed in the early part of 1998 as BF's loan volume increased rapidly. As BF's agent banks developed more responsibilities, both related to BF and their other activities, they were more subject to delays in assisting approved borrower to get the necessary information for collateral registration.

CHAPTER FOUR BF TRAINING

BF training, as discussed in the section of this report on award fees, has been not only broad reaching, covering most of the basic skills that Bosnian bankers should have and reaching almost every bank and banker in Bosnia, but has also, during the last eight months of the contract, focused on project specific activities and targeted support of program objectives. Both banks and borrowers were trained – banks in terms of improved performance in origination, monitoring, and management of disbursement and repayment processes and borrowers on their responsibilities under the terms of their loan agreements and options for dealing with problems. See Annex II for a list of courses conducted from October 1997 through September 1998. The total of participants equals 775,5 participant weeks, or an average of 64.8 participant weeks per month, well over the target for training.

ANNEX I

Loans Recommended Under Business Finance Bridge Contract

Date	Company	Location	Nature of Business	Value DM	Jobs
October 1997					
October 1997	Alba Uniprom djl	Sarajevo	Saw mill	245 000	23
October 1997	Tahograf doo	Sarajevo	Odometer calibration for heavy vehicles	250 000	15
November 1997					
November 1997	Agroimpex doo	Banja Luka	sawmill and production of furniture elements trade of food and non food products roasting and packing coffee	3 600 000	150
November 1997	Arting Gradnja doo	Lukavac	Civic engineering and the production of carpentry and furniture	354 000	10
November 1997	Best doo	Novi Travnik	sausg other prep mts	1 120 000	50
November 1997	Best Produkt (2)	Zenica	Botl Cnd Sft Drnks	136 000	22
November 1997	Budo Export	Novi Seher	wood products Nec	650 000	16
November 1997	Cenanovic doo	Sarajevo	Concrete Products Nec	360 000	36
November 1997	Damm doo	Tuzla	Soap Other Dtrgents	300 000	24
November 1997	Dukat djl (formerly Riva Commerce)	Jelah	Flour Grain Mill Products	540 000	13
November 1997	Dunolit doo	Kiseljak	Cut Stone Stone products mfg	200 000	5
November 1997	Flexoper djl	Tuzla	Insulation	244 000	13
November 1997	Gradacacpromet djl	Gradacac	Concrete Prdcts Nec	750 000	57
November 1997	Granap doo	Zivinice	Poultry Slaughtering	750 000	38
November 1997	Grand po	Busovaca	Wood Products	300 000	16
November 1997	Ideal djl	Sarajevo	Residential/nonresidential construction mfg wooden windows and doors	500 000	35
November 1997	IP Agra doo	Zivinice	Fid Pwr Valvs Fittngs	1 260 000	70
November 1997	Jezerka ppg	Maslovare	Pitry Sighthng Proc	600 000	38
November 1997	Koding djl	Gracanica	Metal processing industry	200 000	20
November 1997	Minel doo	Zepce	Metal Doors Sash Trim	270 000	20
November 1997	Nezirevic AG	Sarajevo	Sausg Other Prepared Mts	340 000	15
November 1997	Polet Export Import djl	Mrkotic	Chicken Eggs	195 000	13
November 1997	Ratar zz	Brka	Crops Production	1 000 000	98
November 1997	Rose djl	Gornji Vakuf	Sawmill	711 000	20
November 1997	Sarajevski Kiseljak dd	Kiseljak	BOTL CND SFT DRNKS	930 000	52
November 1997	Valdium	Gracanica	production of toothpicks tool handles and boxes	240 000	7
December 1997					
December 1997	Ambra djl	Gracanica	plastic products	310 000	5
December 1997	Askopromet doo	Zenica	Wood processing	800 000	50
December 1997	Atlantik BB pp	Banja Luka	Commrci Prtng Nec	700 000	26
December 1997	Brcko Gas doo	Brcko	Wholesale and retail trade of petroleum products	1 528 000	42
December 1997	Continental pp	Ugljevik	Wood processing parquet production	500 000	34
December 1997	Drimex Hellas dd	Prnjavor	Sawml Plng Mill Gnrl	1 800 000	90
December 1997	Etna djl	Lukavac	bakery bread and pastry	200 000	14
December 1997	Grading djl	Gracanica	Construction and production of doors and windows	220 000	19

December 1997	Gramat djl	Gracanica	Building products	350 000	15
December 1997	Granex djl	Gracanica	Lumber	220 000	17
December 1997	Granit pp	Banja Luka	sawmill and joinery production	1 200 000	79
December 1997	Krivaja dd	Zavidovici	Wood Products Nec	12 316 000	1 260
December 1997	Lipa djl	Gracanica	Wood processing producer of wall paneling strip flooring doors and windows etc	260 000	8
December 1997	Maxmara pp	Banja Luka	Spcl Trd Cntrs Nec	400 000	25
December 1997	Merx djl	Gradacac	Fruit Processing	700 000	25
December 1997	Metalplast K djl	Tuzla	Linsptd Plastic Shapes	420 000	10
December 1997	Meteorx djl	Kakanj	WMNS MS OUTRWR NEC	1 000 000	74
December 1997	Mirso djl	Tuzla	Carpentry Production	250 000	10
December 1997	Misko Export Import p o	Zepce	furniture fixtures nec	300 000	29
December 1997	Naturprodukt djl	Gradacac	Production of natural fertiliser and compost	360 000	17
December 1997	Osnova djl	Caparde	Sawmill Wood processing and wholesale trade in construction materials	350 000	27
December 1997	Pionir pp	Brcko	Production of liquid concrete	1 300 000	40
December 1997	Pirkan djl	Celic	Furn Fixtures Nec	185 000	10
December 1997	PP Elektron s p o	Novi Travnik	Rrfgrtn Htng Eqpmt	200 000	8
December 1997	Promex tv pp	Zvornik	Production of hardwood elements for furniture and parquet	310 000	18
December 1997	Sabix djl	Sarajevo	Upholstered Household Furniture	1 200 000	80
December 1997	Secom djl	Visoko	Sawml Ping Mill Gnrl	360 000	15
December 1997	Sinter Komerc djl	Gracanica	Beef Cattle Feedlot	120 000	2
December 1997	Zeroprom djl	Gracanica	Metal and plastics processing production of plastic final products (various packages bottles boxes bags dishes etc)	450 000	24

January 1998

January 1998	Agrounja pp	Srbac	Pitry Slightng Proc	250 000	60
January 1998	Akova Impex dd	Sarajevo	food production meat processing	2 500 000	46
January 1998	Delibasic Poliuretani djl	Kakanj	Plastic Foam Products	500 000	29
January 1998	Eurotrans doo	Gradacac	Production of wheat flour	407 000	24
January 1998	FAO Commerce Company djl	Visoko	Nfer Foundries Nec	1 932 000	70
January 1998	Frasuda doo	Tuzla	Production of heating ventilation and air conditioning ducts and profiles	1 000 000	30
January 1998	Glas Company	Olovo	production of joinery	300 000	12
January 1998	Gradis djl	Tuzla	Construction marble cutting and installation	340 000	18
January 1998	Gromex djl	Tuzla	Concrete Blck Nec	1 103 000	263
January 1998	Gvozdencac pppp	Gradiska	Gen Frms Prim Anmls	206 000	10
January 1998	Holding Stanic doo	Kresevo	Sausg Othr Prep Mts	3 000 000	100
January 1998	House Milos doo	Sarajevo	Quarrying	720 000	55
January 1998	Infosoft doo	Sarajevo	Computer Terminals	300 000	30
January 1998	Inter Color Centar djl	Sarajevo	Paints Alued Prdts	700 000	70
January 1998	Jadrna dd	Gracanica	Wood Hshld Furntr	2 010 000	100
January 1998	Menprom djl	Tuzla	Sausage Other Prep Meat	500 000	25
January 1998	Metalac pp	Odzak	Foundry producing of metal casting and trade with buildingmaterials and glass	610 000	20
January 1998	Minas Co doo	Sarajevo	Production and trade	860 000	20
January 1998	Mljekoprodukt pp	Kozarska Dubica	Dairy Farms	500 000	20
January 1998	Omerbasic doo	Odzak	Canned Frts Vgtbls	990 000	30
January 1998	Papir karton djl	Tuzla	Printing and reproduction of forms booklets cardboard box and continuous feed paper manufacturing	250 000	18
January 1998	Perspektiva djl	Travnik	Fluid Milk	900 000	52
January 1998	Pingo ice doo	Lukavac	Ice Crm Frzn Dssrts	500 000	18
January 1998	Plastex djl	Gracanica	Plastic Products Nec	300 000	10
January 1998	Posavina promet pp	Odzak	Gravel Separation concrete production	1 000 000	30

January 1998	Puzic pp	Odzak	trading with building materials		
January 1998	Rudmont doo	Zivinice	Farm for beef and milk production	300 000	7
January 1998	TGA Commerce doo	Sarajevo	Production of metal and plastics doors	1 386 000	63
January 1998	Vigmelt doo	Banja Luka	windows central heating installation repair of industry machines		
January 1998	Vuletic doo	Kiseljak	Fbrtd Rubber products Nec	475 000	15
January 1998			Fbrctd Mtl Prds Nec	700 000	45
January 1998			Indl Bldngs Wrhses	950 000	50
February 1998					
February 1998	Binis pp	Banja Luka	Concrete Prdcts Nec	1 500 000	49
February 1998	Boric Company djl	Sarajevo	Curtains Draperies	430 000	15
February 1998	Brajlovic djl	Sarajevo	Sausg Other Prep Meats	1 500 000	100
February 1998	Bratstvo djl	Sivsa	Wood Products Nec	730 000	28
Feb 98	Ekis djl	Sarajevo	Information Rtrvl Svcs	400 000	21
February 1998	Gloria Line po	Banja Luka	production of bed clothes safety suits clothes for restaurants and hotels	395 000	20
February 1998	Gomex pp	Trn	Cndy Cnfctnr Prdcts	320 000	33
February 1998	Hetrng djl	Sarajevo	Wood Products Nec	800 000	58
February 1998	Homik djl	Dobo	Production of wooden products i e joinery (wooden doors and windows)	290 000	27
February 1998	HP djl	Tesanj	Food Prprtns Nec	720 000	30
February 1998	Interimpex djl	Sarajevo	coal other min ors	780 000	346
February 1998	Lady A djl (2)	Zenica	Clothes Manufacturing	269 500	0
February 1998	Moda plast djl	Gracanica	Production of Plastic Items and Goods	300 000	9
February 1998	Mulahalilovic Titan doo	Gradacac	Fbrctd Mtl Prds Nec	1 000 000	27
February 1998	Niagara doo	Zenica	Candy cnfctnr products	1 000 000	96
February 1998	Pingvin 2B	Laktasi	Ice Crm Frzn Dsrts	200 000	15
February 1998	Posavina koka	Orasje	Prepared Feeds Nec	700 000	17
February 1998	Tropik Ribarstvo doo	Banja Luka	Finfish	1 200 000	59
February 1998	Tropik Ribarstvo doo	Bocac Klasnice Krupa Ribnik Banja Luka Bocac Klasnice Krupa Ribnik	Finfish	1 200 000	59
March 1998					
March 1998	Agromiks doo	Nova Topola	chicken breeding and production of animal feed	400 000	20
March 1998	Agrosped pp	Veliko Blasko	Firn Grn Mill Prdcts	680 000	26
March 1998	Belif doo	Tesanj	Manufacturing	200 000	11
March 1998	Bila comerc djl	Travnik	Sawml Ping Mll Gnrl	233 000	12
March 1998	Bitu djl	Banovici	Wood processing lumber business production of panel parquet strip floor ties for railroads tracks etc	709 000	13
March 1998	Bramex pp	Ugljevik	Production of one day chicks broilers and eggs	690 000	25
March 1998	Gracia Komerc po	Veliko Blasko	sawmill production of beech elements	220 000	20
March 1998	Grako doo	Gradacac	Broiler production and slaughtering	1 725 000	33
March 1998	Helix export pp	Bratunac	Snail & mushroom processing	500 000	55
March 1998	Ingrat djl	Gracanica	Furniture production combination of steel and wood	200 000	11
March 1998	Iskra Komerc djl	Zavidovici	Chicken Eggs	300 000	19
March 1998	Jasarevic kop djl	Tesanj	Quarry sand production and construction business	220 000	14
March 1998	Jelovica Bos doo	Zenica	Wood Products Nec	350 000	33
March 1998	Koka BK po	Laktasi	Chicken Eggs	210 000	4
March 1998	Kvintex dd	Banja Luka	production of socks and ladies panty hose	228 000	10
March 1998	Maen djl	Gradacac	Production gravel construction business transportation services	660 000	16
March 1998	Mecom doo	Sarajevo	productin of leather and PVC accessories	300 000	10

March 1998	Medena Commerce djl	Tesanj	Industrial Valves	600 000	31
March 1998	Mepal djl	Breza	Plastics Products Nec	239 000	9
March 1998	Mirdem djl	Sarajevo	Bakery	321 000	13
March 1998	Monix doo	Zivnice	Agriculture and food items trade	340 000	12
March 1998	Novosped djl	Tuzla	Production of textile accessories	500 000	20
March 1998	Panslavija	Brodac	Wholesale trade with wheat flour secondary materials building materials and artificial fertilizer	300 000	16
March 1998	Pariz djl	Zenica	Bakery pasta production	630 000	58
March 1998	Peradarstvo putescic djl	Putesic	Chicken meat production	290 000	12
March 1998	Planjax djl	Tesanj	Printing and publishing	450 000	15
March 1998	Plastex po	Srbac	Plstcs Products Nec	580 000	16
March 1998	Rikovc djl	Sarajevo	Beef Cattle feed lot	499 500	52
March 1998	Sahbaz djl	Sarajevo	Poultry Slightng Proc	300 000	8
March 1998	Samina djl	Jelah	Table eggs production	230 000	5
March 1998	Sampinjon djl	Breza	Mushroom growing compost production	300 000	23
March 1998	Spahic Promex doo	Sarajevo	Manufacturing	870 000	45
March 1998	Veterina agrar doo	Husino	Hog breeding	900 000	19

April 1998

April 1998	Agrocimex po	Gradiska	Fattening young bulls and chickens and potatoes growing	280 000	11
April 1998	Arhitekt djl	Gracanica	Production of concrete elements	800 000	70
April 1998	Ats djl	Tuzla	Assembling and servicing of the telephone switchboards	374 000	31
April 1998	Avaz djl	Sarajevo	Newspapers	2 075 000	55
April 1998	Bauming djl	Gracanica	Wood Products Nec	208 000	15
April 1998	Beta Commerce doo	Donji Podgradci	Chicken Eggs	396 200	12
April 1998	Caco bec pp	Bijeljina	Production of slaked lime	284 000	10
April 1998	Deelgros komerc pp	Zvornik	Production of cattle feeding cow and hog fattening	240 000	11
April 1998	Dekoram djo	Odzak	Concrete Prdcts Nec	330 000	15
April 1998	Dimetra po	Srbac	Fattening bullocks	742 000	10
April 1998	Domet djl	Banja Luka	Potato Chips Snacks	2 000 000	60
April 1998	EKO&MMM po	Banja Luka	Paints Allied Prdts	1 000 000	70
April 1998	Elad comerc djl	Laktasi			
April 1998	Fami Trade djl	Tuzla	Tire Rtrong Ryr Shp	250 000	12
April 1998	HGP Graditelj NS pp	Tesanj	Wood Products Nec	540 000	21
April 1998	Hifa doo	Prnjavor	Paints Allied Prdts	300 000	17
April 1998	Ishrana plus zz	Tesanj	Service	1 300 000	33
April 1998	Jorgos pp	Brcko	Feed mill poultry production veterinary services & chicken slaughtering	750 000	20
April 1998	Leder pp	Bijeljina	Animal Feedmill	250 000	12
April 1998	Lepsi djl	Bijeljina	Slaughtering the livestock for third parties and trading business with leather (hide)	500 000	22
April 1998	Loprom pp	Sarajevo	Sausg Other Prep Meats	560 000	20
April 1998	Lozana pp	Lopare	Trading with food items production of wheat flour	273 000	11
April 1998	Mirjam pp	Zvornik	Slaked lime production and trade	550 000	35
April 1998	NBI po	Zvornik	Production of women s cloths	453 000	41
April 1998	Obnova promet pp	Zepce	Ready mixed concrete and concrete elements	300 000	15
April 1998	Pavlovic pp	Brcko	Cattle feedlot operation with slaughterhouse supplemented with income from lead recycling business	150 000	5
April 1998	Piskavica djl	Banja Luka	Brd Cke Rltd Prdcts	175 000	11
April 1998	Rabic djl	Gracanica	Chicken Eggs	370 000	7
April 1998	Ratarka pp	Sarajevo	commrci prtng nec	325 000	15
April 1998	Razvitak PP	Bijeljina	Plastic Mtrls Rsns	165 000	11
April 1998		Odzak	Concrete Prdcts Nec	200 000	5

April 1998	Senzual djl	Zenica	Canvas rtd products	400 000	63
April 1998	Simil doo	Kozarska Dubica	Flour production juice production bakery trade	450 000	27
April 1998	Soni pp	Zvornik	Building re construction building construction road building and repair Stone aggregate quarrying	450 000	13
April 1998	SS Gracia Trade djl	Tuzla	Fab Txtle Prdts Nec	300 000	15
April 1998	Stolarja Ropic pp	Gradiska	Sawmill/Wood Processor	1 200 000	20
April 1998	Trm Komerc doo	Kozarska Dubica	Sausg Other Prep Mts	500 000	22
April 1998	Tuzla inzinjering pp	Tuzla	Manufacture of household boilers and fire extinguishers	645 010	60
April 1998	Udamnik djl	Donji Vakuf	Concrete Products Nec	350 000	20
April 1998	Vama djl	Tesanj	Sntry Paper Products	540 000	16
April 1998	World Trade djl	Tuzla	Uphlstrd Hshld Furn	300 000	15

May 1998

May 1998	Agroklinkomerc pp	Laktasi	Bull fattening and meat processing	305 000	11
May 1998	Agroslavija zz	Srbac	Men s underwear production	250 000	60
May 1998	Auto - hees djl	Lukavac	Vehicle repair shop and construction works	200 000	12
May 1998	Bulls export pp	Bijeljina	Agriculture cattle feeding	200 000	8
May 1998	Calypso doo	Sarajevo	Production of fashion apparel	202 000	10
May 1998	Dijabaz doo	Tuzla	Quarry exploiting separation and crushing the stone	1 743 221	50
May 1998	Drnica-Vodenica pp	Srbac	Production of lumber furniture elements and solid wood filled panels	300 000	17
May 1998	Drvoprodeks pp	Banja Luka	Sawmill/Wood Processor	630 000	36
May 1998	Fabrika soli dd	Tuzla	Salt production	1 500 000	140
May 1998	Gas petrol d o o	Brcko	Fish pond	500 000	11
May 1998	Gater pp	Knezevo	Sawmill/Wood processor	268 000	7
May 1998	Grafomark pp	Laktasi	Printing	285 000	16
May 1998	Husanovic & co djl	Gracanica	Wood processing manufacture of parquet paneling strip flooring elements for furniture	405 000	20
May 1998	Ikoff djl	Sarajevo	Frame workshop and stores	200 000	8
May 1998	Index doboj istok djl	Gracanica	Metal processing metal parts and tools for wood processing industry	307 000	7
May 1998	Jafa Jase 4 doo	Srebrenik	the production of carpentry	300 000	11
May 1998	Jaz po	Elezagici	Fattening bullocks and potatoes growing	165 000	5
May 1998	Jezeropromet djl	Kladanj	Wood processing production of strip floor paneling lumber parquet and briquettes	400 000	11
May 1998	Jovanic pp	Laktasi	Sawml Ping Mill Gnl	275 000	15
May 1998	Juginex pp	Banja Luka	Beef Cattle Feedlot	226 000	15
May 1998	Kelvin pp	Banja Luka	Production of medicines	1 800 000	41
May 1998	Lokve doo	Hadzici	Wood processing	500 000	20
May 1998	Metaldom djl	Gracanica	Manufacturing of various tin and metal products	360 000	15
May 1998	Modena kamber djl	Gracanica	Production of cakes ice creams and pastries	260 000	7
May 1998	N Spiric pp	Banja Luka	Production of heavy machinery spare parts and the maintenance	274 000	15
May 1998	Oling djl	Olovo	Designing bureau for all types of objects and interiors	205 000	11
May 1998	Oroz po	Petosevci	Stone processing	435 000	22
May 1998	Pasuscuro pp	Banja Luka	Meat processor	495 000	25
May 1998	Piksi pp	Orasje	Metal fabrication instalation and service of electronics (fire & burglary alarms telephone systems cable and satellite dishes)	350 000	16
May 1998	Poljoprodeks po	Laktasi	Cattle/pig raising	275 000	7
May 1998	Puljarevic i sin pp	Donji Podgradci	Fattening bullocks and piglets slaughtering agricultural production	200 000	7
May 1998	Radex pp	Knezevo	Sawmill/Wood processor	130 000	8
May 1998	Reweus doo	Lukavac	Production of liquid concrete transportation services and trade with sand and gravel	500 000	17

May 1998	Safari Komerc pp	Banja Luka	Men s suit production	154 000	10
May 1998	Sikman pp	Mrkonjic Grad	Wood processor	205 000	15
May 1998	Sofic doo	Zenica	Industrial production of gold jewelry	500 000	44
May 1998	Spaltex djl	Visoko	Leather Processing	280 000	22
May 1998	Strogokon po	Gradiska	Dairy	635 300	17
May 1998	Teen doo	Banja Luka	Tennis balls production	314 000	40
May 1998	Terranova po	Gradiska	Cattle farm	253 000	6
May 1998	TP Granit pp	Loncar	Production of ceiling joists and building materials	470 000	15
May 1998	Transkom 93 pp	Bijeljina	Production of concrete elements and trading business with construction material	265 000	10
May 1998	Transkontinental djl	Sarajevo	Production of animal feed	860 000	40
May 1998	Univerzal trade pp	Bijeljina	Production of concrete and prefabricated concrete construction elements	1 109 000	36
May 1998	Vitmark pp	Dabovci	Dairy / Milk Processor	270 000	5
May 1998	Vukmir Dimitrije pp	Laktasi	Potato seeds production	220 000	13
May 1998	Zlatno Zmo doo	Bosanska Gradiska	Flour Mill and Bakery	1 438 000	45
July 1998					
July 1998	Bajra djl	Travnik	Slaughterhouse meat processing feed lot	1 150 000	75
July 1998	Dakic export import po	Banja Luka	PE wrapping material (bags sheets etc)	400 000	9
July 1998	Ilisevic Voce Komerc po	Gornji Podgradci	Planting of the apple and peach trees	200 000	7
July 1998	Misoca doo	Sarajevo	Asph Pving Mxt Bicks	1 000 000	80
July 1998	Printcom doo	Tuzla	Printing and publishing government documents and forms reference books office supplies periodicals and journals	250 000	10
July 1998	Salvis djl	Kiseljak	Gathering and semi processing of secondary raw materials mostly scrap metal	420 000	58
July 1998	Slapovi pp	Krupa na Vrbasu	Industry Code 09 Fishing Hunting and Trapping	110 000	3
July 1998	Suman djl	Gracanica	Manufactures awnings outdoor umbrellas and vertical and horizontal blinds and assembles weedeaters	330 000	8
July 1998	W&B Marine doo	Vogosca	Manufacturing	200 000	8
August 1998					
August 1998	Agro-Auto doo	Mrkonjic Grad	Vehicle Repair and Maintenance	130 000	4
August 1998	Agro Popovic po	Misin Han	Chicken eggs	149 000	4
August 1998	ANS - DRIVE doo	Sarajevo	Wood Products for building construction	1 140 000	40
August 1998	Armani po	Banja Luka	Truck repair and service	300 000	4
August 1998	Cer djl	Zivinice	Wood Products	210 000	10
August 1998	Dicco d j l (aka Dilaver)	Zenica	Wood products	800 000	74
August 1998	Drvored djl	Srebrenik	Production of sawn lumber strip flooring/paneling	210 000	6
August 1998	Dzambo doo	Pribava	Wood processing cut lumber strip flooring paneling and sawdust briquettes	265 000	10
August 1998	Eggs Produkt djl	Gracanica	Production of consumer eggs	60 000	2
August 1998	Elan Ross doo	Zenica	Work clothes mfg	505 000	34
August 1998	Esta djl	Sarajevo	Mechanical security products	153 000	8
August 1998	Gasr Prom djl	Travnik	Bread and other bakery products	150 000	9
August 1998	Gin djl	Sarajevo	Breeding animals fattening lambs slaughter retail	1 472 000	32
August 1998	Grading djl	Gracanica	Production of wooden joinery	45 000	19
August 1998	IMC doo	Sarajevo	Scrap Waste Mtrls	603 000	18
August 1998	Janjicic pp	Velika Obarska	Expansion of the present panel production and starting the production of parquet	300 000	21
August 1998	Jumbap 198 djl	Zivinice	Lime stone quarry	250 000	15
August 1998	Maric - Produkt po	Laktasi	Bakery Bread and related products	205 000	7
August 1998	Mss pp	Loncar	Cattle feeding livestock production	100 000	5

August 1998	Poljasi po	Gornji Karajzovci	Fattening bullocks and piglets potato and strawberry growing	200 000	4
August 1998	Porobic djl	Zavidovici	Construction reconstruction and maintenance of the roads canals etc	300 000	24
August 1998	Rafajlovic pp	Dvorovi	Stone processing marble and granite	440 000	23
August 1998	Ramex djl	Gojakovici	Sawmill / Wood processor	80 000	23
August 1998	Raming gradnja djl	Kladanj			
August 1998		Sarajevo	Ready Mixed Concrete and plaster	850 000	30
August 1998	Samir djl	Brcko	Pasta production Fish farm	200 000	6
August 1998	Slatina djl	Tuzla	Production of consumer eggs	104 000	3
August 1998	Stal pp	Bijeljina	Wooden joinery kitchens etc	200 000	8
August 1998	Trgo coop doo	Tesanj	Processing chicken and beef into chicken frankfurters salami and sausages and beef sausages and sudzuka"	582 000	15
August 1998	Vejzprom djl	Zenica	Charcoal production/trade of household goods	230 000	20
August 1998	Vlastic MG doo	Travnik	Prime and final wood processing production	300 000	17
September 1998					
September 1998	Binvest djl	Sarajevo	Wood Products Carpentry	142 000	17
September 1998	Bmids djl	Begov Han	Production of cut lumber strip flooring paneling furniture elements	225 000	10
September 1998	Brokoka djl	Gracanica	Chicken Eggs	120 000	2
September 1998	Djeno pp	Orasje	table eggs broilers 18 week old chicks feed and fertilizer	259 000	4
September 1998	Ekskluziv djl	Sarajevo	Manufacturer wholesaler and distributor of venetian blinds draperies bedding and floor covering	250 000	44
September 1998	Gradnja promex pp	Zvornik	Construction company general contractor	330 000	29
September 1998	Hazarton djl	Sarajevo	Wooden and upholstered Bosnian style furniture	360 000	38
September 1998	Kamen doo	Sarajevo	Stone cutting	600 000	33
September 1998	PN Commerce djl	Travnik	Production of sunflower seed oil	200 000	23
September 1998	Samija Promet djl	Gracanica	Chicken Eggs and Broilers	50 000	2
September 1998	Saraj-Milk djl	Maglay	Production of milk sour and sweet cream	592 900	31
September 1998	Tal Prom djl	Gradacac	Production of consumer table eggs	185 000	3
September 1998	Ugarak Produkt doo	Visoko	PVC windows doors and panels	775 758	12
September 1998	Vecom_HS doo	Srebrenik	Production of consumer eggs	115 000	4
September 1998	Vend Prom djl	Gradacac	Production of sugar cubes powder sugar and packing sugar in small paper bags for restaurants etc	202 000	2
Total (adjusted by BF Operations in October)				159,511 479	8 722

ANNEX II

List of Training Courses Conducted during the Bridge Contract

Month	Part Weeks	Title	Location	Dates	Days	Banks	Participants	% Female
October 1997	80 0			-				
		Financial Analysis of Banks	Sarajevo	10/01/97 - 10/06/97	5	22	38	73 7%
		Financing the Small Business	Sarajevo	10/06/97 - 10/10/97	5	13	24	70 8%
		Counting on Your Banker	Sarajevo	10/13/97 - 10/17/97	5	13	18	61 1%
November 1997	129 4			-				
		BANKEEXEC Simulation	Sarajevo	10/27/97 - 11/01/97	6	13	24	70 8%
		Training Orientation	Sarajevo	11/03/97 - 11/03/97	1	1	40	40 0%
		Financing the Small Business	Banja Luka	11/10/97 - 11/14/97	5	12	42	73 8%
		Counting on Your Banker	Banja Luka	11/17/97 - 11/21/97	5	36	40	35 0%
		Executive Meeting	Banja Luka	11/22/97 - 11/22/97	1	12	26	11 5%
		Executive Meeting	Sarajevo	11/27/97 - 11/27/97	1	18	27	29 6%
December 1997	58 8			-				
		Financial Analysis and Business Planning	Banja Luka	12/01/97 - 12/03/97	3	17	26	61 5%
		Financial Analysis and Business Planning	Banja Luka	12/04/97 - 12/06/97	3	10	17	88 2%
		Managing Problem Loans	Sarajevo	12/08/97 - 12/12/97	5	18	33	81 8%
January 1998	39 0			-				
		Counting on Your Banker	Tuzla	01/12/98 - 01/16/98	5	11	14	42 9%
		Counting on Your Banker	Banja Luka	01/19/98 - 01/23/98	5	6	10	60 0%
		Executive Meeting	Sarajevo	01/24/98 - 01/24/98	1	23	42	42 9%
		Lowering Credit Risk An Environmental Assessment	Tuzla	01/28/98 - 01/30/98	3	5	11	63 6%
February 1998	57 7			-				
		Managing Problem Loans	Banja Luka	02/02/98 - 02/06/98	5	13	31	71 0%
		Lowering Credit Risk An Environmental Assessment	Sarajevo	02/02/98 - 02/04/98	3	10	17	70 6%
		Managing Problem Loans	Tuzla	02/09/98 - 02/13/98	5	6	14	50 0%
		Executive Meeting	Sarajevo	02/28/98 - 02/28/98	0 5	14	25	24 0%
March 1998	57 6			-				
		Advanced Credit Seminar	Sarajevo	03/03/98 - 03/06/98	4	11	21	66 7%
		Financial Analysis Review Session	Sarajevo	03/07/98 - 03/07/98	1	1	6	50 0%
		Financing the Small Business	Sarajevo	03/09/98 - 03/11/98	3	2	14	21 4%
		Senior Lending Associate Program	Tuzla	03/16/98 - 03/16/98	1	1	5	100 0%
		Senior Lending Associate Program	Sarajevo	03/18/98 - 03/18/98	1	1	5	40 0%
		International Accounting Standards for Lenders	Sarajevo	03/23/98 - 03/28/98	5	14	22	54 5%
		Senior Lending Associate Program	Banja Luka	03/23/98 - 03/23/98	1	1	4	100 0%
		Senior Lending Associate Program	Sarajevo	03/25/98 - 03/25/98	1	1	7	42 9%
		Executive Meeting	Sarajevo	03/26/98 - 03/26/98	1	20	25	36 0%

Month	Part Weeks	Title	Location	Dates	Days	Banks	Participants	% Female
April 1998	102 0				-			
		International Accounting Standards for Lenders	Banja Luka	03/30/98 - 04/03/98	5	11	26	80 8%
		Senior Lending Associate Program	Tuzla	04/02/98 - 04/02/98	1	1	5	100 0%
		Senior Lending Associate Program	Sarajevo	04/03/98 - 04/03/98	1	1	4	50 0%
		Counting on Your Banker	Sarajevo	04/13/98 - 04/17/98	5	28	31	48 4%
		Advanced Credit Seminar	Banja Luka	04/21/98 - 04/24/98	4	11	28	67 9%
		Financing the Agro Enterprise	Sarajevo	04/27/98 - 04/30/98	4	13	26	57 7%
May 1998	41 8				-			
		Financing the Agro Enterprise	Banja Luka	05/04/98 - 05/07/98	4	8	17	70 6%
		Counting on Your Banker	Banja Luka	05/11/98 - 05/15/98	5	16	21	47 6%
		Payment Systems	Sarajevo	05/18/98 - 05/18/98	1	26	36	33 3%
June 1998	67 2				-			
		Managing Problem Loans	Sarajevo	06/01/98 - 06/05/98	5	19	28	53 6%
		USAID BF Project Directions	Sarajevo	06/05/98 - 06/05/98	1	1	35	40 0%
		Managing Problem Loans	Banja Luka	06/08/98 - 06/12/98	5	9	20	70 0%
		Managing Problem Loans	Sarajevo	06/15/98 - 06/16/98	2	1	15	60 0%
		Credit Risk Systems	Sarajevo	06/16/98 - 06/16/98	1	24	31	41 9%
July 1998	56 1				-			
		Risk Rating Workshop	Tuzla	07/01/98 - 07/01/98	0 5	1	5	80 0%
		Risk Rating Workshop	Banja Luka	07/02/98 - 07/02/98	0 5	1	6	33 3%
		International Accounting Standards for Lenders	Tuzla	07/06/98 - 07/10/98	5	8	15	53 3%
		Risk Rating Workshop	Sarajevo	07/09/98 - 07/09/98	0 5	1	10	20 0%
		BANKEEXEC Simulation	Sarajevo	07/13/98 - 07/17/98	5	14	22	40 9%
		BANKEEXEC Simulation	Banja Luka	07/20/98 - 07/24/98	5	8	17	23 5%
August 1998	29 1				-			
		Financing the Small Business	Tuzla	08/03/98 - 08/07/98	5	8	19	73 7%
		QMR Workshop	Sarajevo	08/06/98 - 08/06/98	0 5	1	5	40 0%
		QMR Workshop	Sarajevo	08/06/98 - 08/06/98	0 5	1	5	20 0%
		QMR Workshop	Sarajevo	08/07/98 - 08/07/98	0 5	3	7	100 0%
		QMR Workshop	Sarajevo	08/07/98 - 08/07/98	0 5	1	12	83 3%
		QMR Workshop	Sarajevo	08/10/98 - 08/10/98	0 5	2	11	72 7%
		QMR Workshop	Banja Luka	08/11/98 - 08/11/98	0 5	1	4	75 0%
		QMR Workshop	Banja Luka	08/12/98 - 08/12/98	0 5	4	9	55 6%
		QMR Workshop	Tuzla	08/13/98 - 08/13/98	0 5	4	10	90 0%
		QMR Workshop	Tuzla	08/13/98 - 08/13/98	0 5	1	7	71 4%
		QMR Workshop	Brcko	08/14/98 - 08/14/98	0 5	3	6	66 7%

Month	Part Weeks	Title	Location	Dates	Days	Banks	Participants	% Female	
September 1998	58 8	QMR Workshop	Travnik	08/28/98 - 08/28/98	0 5	5	7	42 9%	
		QMR Workshop	Sarajevo	08/31/98 - 08/31/98	0 5	4	10	70 0%	
		QMR Workshop	Sarajevo	08/31/98 - 08/31/98	0 5	4	8	87 5%	
					-				
		Financing the Agro Enterprise	Tuzla	08/31/98 - 09/03/98	4	7	13	53 8%	
		Concepts of Successful Growth Management	Sarajevo	09/03/98 - 09/04/98	2	12	17	64 7%	
		Concepts of Successful Growth Management	Tuzla	09/08/98 - 09/09/98	2	12	19	31 6%	
		Concepts of Successful Growth Management	Banja Luka	09/10/98 - 09/11/98	2	14	15	33 3%	
Advanced Credit Seminar	Sarajevo	09/21/98 - 09/25/98	5	17	28	57 1%			

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