

Fiscal Year 2001 - 4th Quarter Report
University of Delaware
Period of Coverage: July 1 - September 30, 2001

Fiscal Year 2001 - 4th Quarter Report

University of Delaware

Period of Coverage: July 1 - September 30, 2001

A. PREVIOUS REPORT UPDATE

- UD/FLAG provided technical assistance in developing competitive strategies to several small businesses from the tourism industry cluster.
- UD/FLAG is assisting United Bulgarian Bank (UBB) in utilizing USAID's Micro-enterprise and Small Business Loan Portfolio Guarantee, which is aimed at assisting the mobilizing of credit for SMEs through the formal financial sector in Bulgaria.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

TRAINING

Export Promotion Seminar

UD/FLAG offered a seminar in Export Promotion on 27 September. The seminar brought together 18 participants including 15 representatives of 13 export-oriented companies. The following companies were represented: Vitex Troyan, Kaliakra, Technology of Metals Group, Pexim Holding, Vida Style, Ataro Klima, Zhiti, Solid Ladies Fashion, Rei Holding, Aroma, Erato Holding, Natalia, Balkanpharma. Among the participants were three representatives of industry associations: Rouse Chamber of Commerce, Regional Industry Association Maritza, and Bulgarian Export Promotion Center.

The participants expanded their knowledge and acquired new skills in foreign markets development and competitive strategies. Marcy Daniel, MBA, facilitated the seminar.

The UD/FLAG Export Promotion and Competitive Strategies Training Outreach helped companies achieve improved capacity to export, increased competitiveness on foreign markets, and a better understanding of international trade principals. The seminar topics included foreign markets and partners, marketing research and competition investigation, intermediaries, strategic positioning on foreign markets, information gathering and analysis, marketing and sales plans and strategies, distribution and networking, direct sales, analysis of results, and financial matters.

Trade Finance Seminar

UD/FLAG offered a seminar in Trade Finance on 28 September. John Stocker, PhD in Finance, and Rossitza Boncheva, consultant and Head of International Payments Department in Encouragement Bank, conducted the training.

19 participants attended the seminar. Among them were 16 representatives of 15 export-oriented Bulgarian producers: Ataro Klima, Kaliakra, Zhiti, Vitex Troyan, Aroma, Erato Holding, Natalia, Pelmo B, Solid Ladies Fashion, Hydravlika, Mebel AD, Linex, Technology of Metals Group, Mlechna Promishlenost Plovdiv, Planex LZ. Also in attendance were three representatives of industrial associations and

institutions: one from Maritza Regional Industrial Organization, and two from the Bulgarian Export Promotion Center.

The UD/FLAG Trade Financing and Business Planning Training Outreach helps companies understand tools and techniques in planning and financing their businesses to improve performance in international markets. The training was focused on the following topics: the importance of a business plan, preparing pro-forma financial statements, increasing opportunities to obtain trade financing, local and international sources of trade finance, INCOTERMS, types of letters of credit, and bank guarantees.

UD/FLAG, jointly with the Bulgarian Association of Management Consulting Organizations (BAMCO), delivered a training and awareness seminar on *Financing Opportunities and TA in Agribusiness*. EU (SAPARD) and other donor programs were presented information by Ms. Tsvetelina Uzunova (Market Test - reported on the Bulgaria Agricultural Survey of 2000); Ms. Antonina Stoyanovska (PHARE/SAPARD PMU - presented technical details regarding the SAPARD project), and Mr. Nikola Hristovich, Finsys Ltd. (spoke on business plan writing for agricultural projects). Twenty-four agricultural business representatives, farmers, and consultants participated in the training.

Finance Facilitation

UD/FLAG is helping United Bulgarian Bank (UBB) utilize the Micro-enterprise and Small Business Loan Portfolio Guarantee. The purpose of the Guarantee is to assist in mobilizing credit through the formal financial sector for qualifying micro-enterprises and small businesses on the basis of a risk sharing arrangement. The Guarantee covers up to 50 percent of the bank's net loss on the principal amount of loans made to qualifying businesses.

UD/FLAG has made a commitment to support the implementation of the guarantee facility. Currently there are three projects in the pipeline.

Sigma Bio Ltd.

UD/FLAG is assisting in the preparation of a loan application on behalf of a local medium-sized chocolate candy and biscuits manufacturer – Sigma Bio Ltd. The company operates two chocolate and biscuit production facilities in Sandanski and Botevgrad. Sigma Bio wants to upgrade the Botevgrad facility, to furnish it with new higher productivity equipment, and to purchase the adjacent plots of land. The company needs financing of approximately \$90,000, which they hope to obtain from UBB utilizing the guarantee facility.

Babimex SP

FLAG/UD has been performing an evaluation analysis on Babimex SP viability for obtaining financing under the Microenterprise and Small Business Loan Portfolio Guarantee Program. Babimex SP has been a client of United Bulgarian Bank, Maria Luiza Branch, for more than 10 years. Presently, the bank has provided a one-year credit line of BGN 50,000 to the sole proprietor.

Babimex SP imports household furniture mainly from Poland and trades in-country. The firm has rented three shops located in Sofia, Plovdiv, and Bourgas. Babimex SP also provides custom-tailored services by producing furniture in accordance with its customers' specific requirements and needs. The production

process takes place in a small workshop rented in Ilientzi, Sofia. A strategic goal is the construction of the firm's own trade complex with a show room and an administrative department. The project is estimated at approximately \$150,000.

Psiron OOD

FLAG/UD is assisting the application process for obtaining a loan from UBB by developing a business plan for Babimex, helping the firm meet all credit requirements of the bank.

The main activity of Psiron OOD is apparel manufacturing. The company exports its production to Holland based on Cut-Make-and-Trim (CMT) orders and also sells on the domestic market. Psiron OOD is a UBB client. Currently, it is utilizing a credit line of 30,000 BGN for satisfying its working capital needs. The company is applying for an investment loan for purchasing additional equipment and constructing its own electricity distribution point. The UD/FLAG team of consultants is assisting the company in preparing a business plan for a new loan to be placed under the USAID Portfolio Guarantee Program.

CONSULTING

Stream Commerce OOD is a private company established in 1997 with two main lines of business: import and distribution of construction materials and of flower and vegetables seeds. The seeds are imported from the German Crestensen Company. Stream Commerce distributes over 140 types of flowers and 150 types of vegetable seeds in the so-called "hobby" packaging. UD/FLAG assisted the company in finding financing for the purchase of a packaging machine and working capital. The total financing requested amounts to \$35,000. It will allow the company to substantially improve its profit margins.

UD/FLAG consultants advised **Tsenko Tsenev SP**, a Sofia Printing House, on developing a leasing scheme for financing the purchase of new printing equipment – a Heidelberg machine – worth DEM 110,000.

Panayot Bakalov of **Poly Print LTD**, Gabrovo, was assisted in marketing research and financing opportunities for acquiring an environmentally friendly paper-cup production line from US manufacturers.

George Menev from **Favorite Vision**, Sofia, received technical assistance in fund-raising and production of a video material aimed at promoting alternative tourist destinations and opportunities in Bulgaria.

UD/FLAG consultants advised **Agenda Ltd**, a Varna-based exporter of Bulgarian electronic equipment, in evaluating opportunities for the establishment of a new ISP provider in Armenia. The consultation covered the areas of licenses, domain name registration, trademark application, setting up a business checking account and banking relationships, as well as in the preparation of their Marketing/Sales plan and budget.

UD/FLAG consultants and visiting consultant Ferdinand Wieland advised a number of local businesses from the tourism industry sector on developing competitive strategies to help them expand their revenue base. Donka Sokolova, owner and manager of **MD Travel** and Executive Chairperson of the Bulgarian Association of Travel Agencies, received assistance in identifying opportunities for improving the marketing image of Bulgaria at international tourism fairs and exhibitions.

Ferdinand Wieland consulted Maria Petrova, owner of **Vila Niki**, and Danka and Ilia Karakamovi, owners of **Vila Mareshnitza**, from the village of Apriltsi near Lovech in developing promotion strategies for their

bed-and-breakfast operations. Both businesses are family-owned ones that offer authentic Bulgarian atmosphere, traditional meals and opportunities for fishing, hiking, and horse riding.

Petar Dimov, president of **Zlatni Piasatsi Travel** company, was advised on exploring opportunities for the inclusion of incentive tours in the company's product range. Zlatni Piasatsi Travel is one of the major transportation operators in Varna and faces the challenge of significant downtime in the winter months.

Irina Ilieva, manager of **Terra Bulgaria**, a niche-tour operator from Varna, received technical assistance in preparing a strategy for offering folklore exploration trips to the Dutch tourism market served by the company.

UD/FLAG consultant F. Wieland also advised **Yuri Pankov** from the village of Leshten and the **Kapsazovi family** from the village of Kovachevitsa in developing strategies to bring their lodging operations to external markets. Mr. Pankov is the manager of a complex of 15 old-style Bulgarian houses and two taverns in Leshten. The Kapsazovs operate two houses with a total lodging of 12 beds. Both operations have become popular with the international community in Bulgaria, but serve mainly as weekend destinations and need to raise their occupancy during working days.

TOURISM GROWTH POTENTIAL SURVEY

Ferdinand Wieland, UD/FLAG consultant assisted by local consultant Kalina Stefanova, conducted an assessment of the local tourism sector. The survey targets the development of competitive industry clusters at the regional and city level with the aim of increasing the potential for export and employment growth beyond the mass market beach destinations. F. Wieland is a member of the International Society of Hospitality Consultants and has over 35 years of experience in the Hospitality Industry with expertise in turn-around management, quality management, budgeting, renovations of hotels, start-up hotel and resort operations. His services include assessment of the tourism industry, market studies, facilities reviews, advising in management contract negotiations, preparing offer documents for the sale of hotel assets, assisting in evaluating bid proposals and drafting, and implementing a plan to attract strategic investors for the tourism industry.

During the two weeks of his stay in Bulgaria. UD/FLAG consultant F. Wieland provided technical assistance and training support for the development of small, locally owned and operated hotels, bed-and-breakfasts, and other services that make tourism work in not-yet-developed and non-traditional tourist areas of the country.

One of the principal purposes of evaluating the "Growth potential of selected Bulgarian tourism markets and destinations" was to identify opportunities at the regional level to focus technical assistance and training and to open access to international "niche-tour" operators in support of export promotion. The tourism advisor visited numerous small hotel and restaurant owners, tour operators, and the tourism associations that unite them. The feasibility study looked at vertically integrating a sub-cluster of cultural and country tourism destinations of large resorts/hotels with smaller operators, hotel and restaurant owners.

The study assessed current tourism market segments for development opportunities and recommended follow-on TA and training assistance targeting increased competitiveness and sales to focus on some of the following areas:

1. A broad-based "Discover Bulgaria" program

Provide technical assistance to selected travel agents and tour operators in the following areas:

- Help develop and market "seven to fourteen day excursion packages"
- Help develop and market "Fly - Drive" Vacation Packages
- Help establish links with "Niche" tour operators (tour operators who serve affinity groups such as historical societies, alumni groups, Rotary, professional groups, fraternal groups, etc., in Europe, USA and Canada)

2. Development of "Village and Eco Tourism"

- Provide technical assistance and finance facilitation to "qualified" developers for start-up operations including Bed and Breakfasts, Restaurants, Souvenir Production, Tour Services at the village level - support the implementation of the ARD Biodiversity Conservation and Economic Growth Project
- Provide "seminar" programs in Successful Small Business Management including topics of concept development, finance, cost controls, cost effective sales and marketing, standards of service, quality assurance, safety and sanitation
- Help introduce "National Rail Pass" using the Swiss Model to the national Railroad

3. Development of Convention and City Tourism

- Provide technical assistance aimed at convincing international airlines to feature Sofia as a "City Break" and Convention destination in airline magazines and to show a short "Discover Bulgaria Video" on in-bound Sofia flights
- Provide leadership in setting up an industry coalition to promote and market Sofia as a convention city at the Incentive Tourism Fair in Geneva.

4. Development of Wellness Spa Tourism

- Provide technical assistance to operators and private owners of hotels and resorts who wish to gain a competitive advantage by adding Spa and Wellness facilities

UD/FLAG will support the recommendations of the survey and the cooperation that has been fostered in the pilot destinations with follow-on technical assistance in tourism marketing, communication & management, improved customer service, and business plan development for attracting foreign investment.

SYNERGY AND COOPERATION

UD/FLAG consultants met with Ms. Rita E. Cesti, Natural Resources Management Officer with the World Bank, and Marietta Stoimenova from the Pollution Reduction Project with the Ministry of Environment and Water. At the meeting these environmental specialists were advised of UD's experience (based on the Danube River Initiative project client Bulsidimpex) in recycling waste into "clean coal" (Clean Coal Technology, CCT). As a follow on of that meeting, a site visit was arranged with Bulsidimpex, a producer of environmentally friendly-briquettes. UD is going to cooperate with the local WB mission/MEW in

recycling reed plants within their Wetlands Restoration project.

UD/FLAG consultant Ivan Ivanov assisted Nick Warn from Horwood International Ltd, UK, and Alexander Atanasov from Horwood Electroimpex International Consultants in designing specialized training and preparation assistance to Bulgarian SMEs to help in the acquisition of internationally recognized quality assurance standards (ISO and HACCP).

C. CONTRIBUTION TO TARGETS

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members		
INDICATOR	BASELINE	RESULT
1. Export increase in assisted priority industry clusters.	\$140,094	\$15,000
2. Value of linkages in assisted priority industry clusters.	N/A	\$255,000
3. Growth in employment in assisted target firms. (Jobs created and retained)	294	36
4. Domestic sales increase in assisted priority industry clusters.	\$1,742,396	\$187,000
5. Improved competitiveness and efficiency of target industry clusters measured by increased sales per employee ratio.	\$6,403	\$6,317
6. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.	N/A	3
TOTAL NUMBER OF PROJECTS COMPLETED:	TOTAL NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:	TOTAL NUMBER OF BUSINESSES IMPACTED:
15	6	41

- Women-owned business: 10
- Women-managed business: 14
- Female employees: 138

NOTE: All of the above data is subject to Evaluation Committee verification.

D. FORECAST FOR NEXT QUARTER

- The Financial Management & Analysis Distance Training Course will start October 22, 2001. The course runs for seven months and is based on the CFA (Chartered Financial Analyst) Program body of knowledge. This training will assist export-oriented firms in becoming more successful, understanding the most widely used techniques in finance, making investment decisions, finding capital, and reducing costs.

The training is expected to result in increased knowledge of global financial principles and adoption of international accounting standards, which will allow the local companies to be more competitive in global markets.

The course will explore financial management concepts, tools, and techniques employed by leading firms throughout the world. The training curriculum emphasizes the global application of investment principles suitable for analyzing fixed income, equities, derivative instruments, and real estate. The body of knowledge covers basic concepts of financial management. It includes a review of the accounting process and quantitative methods used in finance as well as key macro and micro economic concepts, and is followed by a detailed review of more advanced topics – International Accounting Standards (IAS), cost accounting techniques, capital budgeting, forecasting, and hedging techniques.

The training combines theory with best practices, including topical knowledge of sources of finance and loan proposal preparation. The course gives a basic understanding of the most widely used techniques in finance, and practical means of their application in Bulgaria.

- In the next Quarter, UD/FLAG will organize two seminars in Business Planning and Strategies for Project Financing. The seminars will train representatives of local export-oriented companies in the development of a business plan and pro forma financial statements.
- In November, UD/FLAG will hold a training seminar in Effective Inventory Management. The seminar is in response to the need of large distributors and wholesale operators who need to optimize their inventory management systems.

Attachment A

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members

Indicator # 1. Export increase in assisted priority industry clusters.

Indicator # 2. Value of linkages in assisted priority industry clusters.

Indicator # 3. Jobs created and retained. (Employment generated in assisted priority industry clusters.)

Indicator # 4. Domestic sales increase in assisted priority industry clusters.

Indicator # 5. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.

1.
 - a. Psiron OOD, Sewing industry, Business plan
 - b. UD/FLAG
 - c. Business plan
 - d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	\$140,094	\$15,100	\$15,000	6	N/A	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	71					
4. Domestic sales:	\$93,396					
5. Introduction of international industry standards (list them).	IAS					

2.
 - a. Client Name, Sector, Assistance Type: Babimex SP, trade and production of furniture, business plan development
 - b. Volunteer / Trainer Name: Dessislava Yordanova
 - c. Description of Intervention: A business plan will be developed if the company meets all credit application requirements of United Bulgarian Bank.
 - d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
Year 2000		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	\$150,000	20	\$87,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	58					
4. Domestic sales:	\$1,072,000					
5. Introduction of international industry standards (list them).	IAS					

3.
 - a. Client Name, Sector, Assistance Type: Sigma Bio Ltd, Food Manufacturing, Business Plan
 - b. Volunteer / Trainer Name: UD/FLAG Consultants
 - c. Description of Intervention: Business Plan Preparation
 - d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	\$90,000	10	\$50,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	150					

4. Domestic sales:	\$479,000					
5. Introduction of international industry standards (list them).	IAS					

4.

a. Client Name, Sector, Assistance Type: Stream Commerce Light Manufacturing, Business Plan and Finance Facilitation

b. Volunteer / Trainer Name: Mincho Benov

c. Description of Intervention: Business Plan Preparation and Finance Facilitation

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A	N/A	N/A	N/A	\$50,000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	15					
4. Domestic sales:	\$98,000					
5. Introduction of international industry standards (list them).	N/A					

Attachment C
FLAG Coordination
ASD

1. ASD worked on consolidating the results of the Women in Economic Development Survey.
2. ASD developed time series data of FLAG client records. ASD provided support to the two FLAG Committees and FLAG member organizations in collecting the TraNet input data.
3. ASD continued to provide the four FLAG member organizations with database monthly Implementation Status Reports and quarterly Client Baseline Reports.
4. ASD assisted the activities of the Tracking, Follow-on, and Evaluations Committee by providing reports of FLAG clients due for three, six, and twelve months evaluation and generating Evaluations Committee database-programmed quarterly reports.
5. ASD published the FLAG Newsletter and distributed it to FLAG member organizations, other USAID funded partners, major clients, RDAs, and local strategic partners.
6. ASD continued to provide maintenance and monthly update of the FLAG web site.