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# ENHANCING SME PERFORMANCE

QUARTERLY REPORT, DECEMBER 31, 2005

December 2005

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

**Contractor contact information**

James Packard Winkler, Chief of Party  
DAI-Nathan Group LLC – Croatia  
Florijana Andrašeca 14  
Zagreb, Croatia  
Tel: 385-1-384-5240  
Fax: 385-1-384-5241  
E-mail: jim\_winkler@ph.com.hr

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## C. Abbreviations

ACE	Agribusiness Competitiveness Enhancement (Project)
AMC	Association of Management Consultants
B&B	Bed and Breakfast
CIPO	Croatian Investment Promotion Outreach (Alliance)
CSERP	Croatian Social and Economic Recovery Project
EBRD	European Bank for Reconstruction and Development
ESP	Enhancing SME Performance
EU	European Union
FDI	Foreign Direct Investment
FINA	Finance Agency
GTZ	German Development Agency
HAMAG	Croatian SME Promotion Agency
HBOR	Croatian Bank for Reconstruction and Development
HPB	Hrvatska poštanska banka
IDA	Istrian Development Agency
IT	Information Technology
LAN	Local Area Network
LEDA	Local Economic Development Agency
M&E	Monitoring and Evaluation
MIGA	Multilateral International Guarantee Agency
MoE	Ministry of Economy
NASfH	National Association of Small and Family-run Hotels
PBZ	Privredna Banka Zagreb
PRIMA	Entrepreneurship Center, Split
ROP	Regional Operating Programme
SME	Small and Medium Enterprise
TAPA	Technical Assistance Partnership Agreement
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development

## D. Executive Summary

This quarterly report for the period October 1 to December 30, 2005, covers the first quarter of ESP's second year of implementation. ESP is exceeding most of its performance indicators and managing a portfolio of activities with various degrees of risk and impact.

The project continues to meet almost all performance targets during this quarter, demonstrating bottom line improvements to 910 companies in terms of growth in sales, revenues, and jobs. Tangible improvements at the company level are critical to establish credibility for the project and to expand higher value training, consulting, financial and other services to SMEs through our partners. Financial services brokered by ESP continue to exceed targets: 626 SMEs received new credit through commercial bank partners, nearly exceeding the target of 700 firms in the first quarter; 18 companies are using factoring and non-bank services against the year 2 target of 20.

ESP continued to provide a broad range of high quality training courses to 1,273 entrepreneurs across the country. The demand for training services continues to grow, even as ESP is charging higher fees through partners for these courses, which are delivered by practitioners. For the quarter, ESP did not estimate increases in jobs, sales, and exports because data was not available for this period.

ESP is building a solid foundation of achievements and partnerships to achieve higher impact in terms of reaching 4,000 SMEs and creating 20,000 jobs. The project is working with a network of partners to assist firms to reach new markets and respond to buyer requirements. The Anuga Trade Fair in Cologne, Germany, in early October 2005 included over 550 products from 62 food companies organized by ESP. ESP is working with the industry to develop an association to follow up on the export sales opportunities and address the shortcomings export procedures, licenses, and certificates in cooperation with the Ministry of Agriculture.

Work on industry and business specific activities is highlighting a number of policy issues that the project will address. For example, the initiative to support regional guarantee funds requires conversion of single city or country entities into regional development agencies, following EU accession guidelines supported by the Ministry of Economy. Local governments are risk averse and reluctant to join new regional groupings until they see success stories of cooperation. ESP is working with the Ministry of Economy to develop such success stories that result in new credit guarantees and partnerships with regional and national banks to extend services to SMEs in underserved areas of the country. At the same time, ESP is working with 17 Business Development Centers across the country to extend services in franchising, training, and consulting services.

The development of stronger partners is a key part of ESP's strategy to reach into underperforming areas of the country where USAID can provide assistance to SMEs.

# 1. CROSS-CUTTING RESULTS

Table 1: SUMMARY TABLE OF ESP RESULTS

No.	Performance Indicator	Target LOP	Target 2005	Actual Results as of September 30
1	Total number of SMEs assisted	4,000	600	910
2	Number of jobs created among assisted SMEs	20,000	2,000	estimated 2869
3	Increase in total revenue of assisted SMEs	\$150 M	\$25 M	\$23.25 Mil As of September 2005
4	Increase in export revenue of assisted SMEs	\$20 M	\$3.3 M	\$4.37 Mil As of September 2005
5	Value of foreign direct investment (FDI)	\$80 M	\$ 6 M	\$51.6 M
6	Number of SMEs using new bank financing	2,200	200	626
7	Number of SMEs using new non-bank financing	65	5	18
8	Number of people trained in enterprise growth areas	800	200	1273 (43% female)

## 2. SIGNIFICANT EVENTS

Within ESP's four thematic components, outreach and technical interventions occurred, which either generated key results or laid the foundation for notable developments later in the year. Key events and milestones are presented below by component.

### 2.1. MARKETING

Important developments include the following:

- **ANUGA Trade Fair:** ESP Team assisted 62 companies to exhibit over 550 products at ANUGA. The show was very successful with over 1,000 visitors and 300 trade leads. This was the first organized joint exhibition of Croatian specialty food products in a top international exhibition. Several products, such as prosciutto and truffles, sparked significant interest among buyers. In November and December, the team worked on the follow-up of the exhibition:
  - Follow-up letters were sent to all visitors at the stand in Cologne.
  - Several responses and requests received, mostly for organic food, were forwarded to producers or regional offices as appropriate.
  - Samples of honey, jams, cookies and dried fruits were sent to the UK at the request of a potential buyer that expressed serious interest.
  - Trade leads gathered at the fair were sent to relevant companies or to regional offices for follow-up as appropriate.
- **Quality and Standards Training of Trainers:** Consultant Ed Nemeroff delivered a training of trainers session to business service providers and to project staff on introducing SMEs to the basic concepts of quality and standards. The course focused

on strengthening the client's understanding of the various applications of different quality systems and certifications. The training also covered "buyer beware" aspects of engaging consultants and obtaining certifications, such as awareness about the importance of accreditation and an explanation of how to determine if proposed services would lead to a certification that is internationally recognized or valid in the markets of interest to the client companies. Mr. Nemeroff also presented materials to trainers that would help SMEs understand how they could fully benefit from an ISO 9000 certification, and what the differences were between the various quality improvement options open to SMEs. The training underscored the difference between mandatory technical regulations and voluntary standards, and the importance of striving for quality improvements to meet the expectations of clients and the requirements of the market in which the product will be sold.

- **Membership Survey for Exporters Association:** Mario Bebek facilitated finalization of the association's membership survey and made changes in the final version of the survey instrument. The Exporter's Association has delayed implementation of the survey for several months, and has not demonstrated much commitment in following through on activities where the Association solicited ESP support.
- **Training for Foreign Investor:** Slavenska Drvna Industrija (Snaidero/Trokut JV) assistance was finalized, including ESP participation in worker re-training and re-qualification programs designed to qualify workers for employment in the new factory that will operate at much more sophisticated level than workers are currently prepared for. The investment by Snaidero Group has the potential to create 180 new jobs in 2006, and ESP's participation is designed around using trainers and consultants from the AMC and previous CEP practicums to design training and TA for SDI employees and management that will be transferable to other manufacturing SMEs. Snaidero will co-fund the development and implementation of training programs, providing tutors from Snaidero Group and an international consulting company (Eupragma) to work with ESP trainers and consultants, and hiring a team of Croatian consultants specialized in wood processing which ESP helped identify. ESP will focus on retraining which is non-wood specific and will use this opportunity to pilot new services and training initiatives. Siniša Bronic assisted SDI with the identification of consultants/trainers for the re-training and re-qualification initiative, and coordinated the recruitment and selection process for SDI. After ESP's initial selection for re-qualification of workers in 12 training programs, SDI and Snaidero interviewed six candidates, all of which were accepted by Snaidero. In addition to the consultants selected, ESP identified local business service provider Otvoreno Učilište Novska as a potential provider of Language and Informatics courses for SDI. This concludes the search for local consultants/service providers for this project and the next steps will be scheduling local consultants to work with Snaidero technical experts and Eupragma consultants funded by Snaidero to adapt materials and prepare for delivering the required TA and training in the first quarter of 2006.
- **Meeting with Ministry of Economy to seek support for the Croatian Association of Specialty Food Producers, 14.11.2005:** Michelle Morgan, Renata Šeperic Petak, and Siniša Bronic went with Zoran Manojlovic, representing the Association, to meet with Ivan Bracic and Ivan Krpan, the persons responsible for reviewing grant applications for cluster initiatives at the Ministry of Economy, Labor and Entrepreneurship. The Association's grant request had been denied and Mr. Manojlovic and ESP staff had requested an appeal meeting. Vice Minister Bracic was briefed about the project's support of activities related to the gourmet food cluster, and brought to his attention the success of the Anuga fair in generating interest in Croatian specialty foods. ESP stated that the Association was in need of support for start-up funds related to professional administration and organization of the 'cluster' and that the project would like to support the industry with further activities but that implementation would be slow without the grant funds due to lack of resources for the Association to fund a full time administrator

to serve as ESP's counterpart. The Association is legally organized as a citizen's association (as suggested by Tajana Kesic Sapic in order to qualify for the funds) and according to the vice minister is not legally a 'cluster'. Mr. Bracic stated that a cluster must produce a joint product, and that members should not be competitors. In good faith, vice minister said that he will study this matter again in order to find the best way that the ministry can help. In addition, asked for additional detailed information about the 60 participating companies. Renata Šeperic Petak will check the procedure with Mr. Ivan Krpan, and follow up with the vice minister and Mr. Krokut. Given the Ministry's understanding of 'cluster' it is unlikely that ESP industry groups will receive grant funds through this mechanism and the marketing team is working on identifying other means of getting the association and the specialty food companies organized to better benefit from ESP assistance.

- Meeting with IDA to discuss the Istrian Quality initiative and support for a business development planning analysis for Istria county.
- Conducted company visits and initial discussions with boat builders, such as Prinz, Horizont, Tušek and Orka.

## **2.2. BUSINESS DEVELOPMENT**

Key results include the following:

- Visited and introduced a training manual and Phase 2 of ESP's training program to 17 regional partners. This defined roles, responsibilities, fees, promotion, and follow up, which is designed to build partner capacity to deliver training services.
- Defined the training model for start-up's and new entrepreneurs with the Organization for Security and Cooperation in Europe (OSCE) in areas of special state concern, particularly Sinjko/Licka County.
- The new Director of Business Services, Andrew Schafernacker, arrived on November 14, 2006, and began a review of 2006 work plan activities, staffing requirements, and project organization.
- Reviewed activities with Prima, a regional partner in Split, and cancelled TAPA with them, due to their low level of engagement in activities agreed within TAPA and weak interest engaging in further activities. Assessed other potential training partners in Split area and selected commercial training partner Microedukacija in Split area.
- Created and implemented procedures for sourcing assistance to SMEs through AMC.
- Two AMC projects were reviewed and approved – with Biljemarkant and Glazbena mladež.
- Developed training materials for 4 courses and piloted them: on Public Relations, SME Finance, International Standards and Cost Accounting for nation-wide delivery. 9 trainers trained to deliver training on international standards. Trained 554 participants from 176 SMEs in 12 business topics and 28 courses given by ESP staff and partners.

## **2.3. FINANCIAL SERVICES**

The most significant events and results of the ESP's financial services team include 104 SMEs assisted through partner financial institutions:

- VABA generated credit scored loans for 51 SMEs.
- HBOR credit scorecards generated credit scored loans for 20 SMEs. The Team continued assisting HBOR to develop a hybrid financing product by facilitating meetings between HBOR in-house attorneys and outside counsel and providing answers to various questions regarding all aspects of the hybrid financing model. The team also assisted HBOR in evaluating a statistically based credit scoring system it is considering to purchase for use with large loan applications, posing questions to the developer of the model.
- HAMAG approved 33 guarantees during the quarter. The fourth and the fifth phases of STTA for HAMAG were completed. Mary Miller and the team accompanied HAMAG on visits to Croatian National Bank, PBZ and ZABA to negotiate terms of a proposed expedited guarantee process. Ms. Miller also assisted HAMAG in planning for 2006 and summarizing her recommendations for upgrading HAMAG's guarantee operations. The ESP team continued assisting HAMAG to establish an expedited loan guarantee process by facilitating meetings between HAMAG and the commercial banks who will be granted preferred lender status.
- On October 11, 2005, the team carried out training for 8 Hrvatska Poštanska Banka relationship managers (loan officers) in the use of the credit scorecards. Continued helping HPB develop, evaluate and test four different credit scorecards that ESP developed for the bank: for long and short-term loans, and for small companies vs. craftsmen (sole proprietors). Scorecards were launched (for testing and actual use) as a pilot by HPB Zagreb and our team made further adjustments in the scorecards after receiving feedback from HPB.
- On 4 November with the assistance of Mura Regional Development Agency, Slovenia, the team held a workshop in Plitvice on regional loan guarantee funds, attended by around 55 representatives from regional development agencies, counties, municipalities, banks, HAMAG, HBOR and several government ministries. As a direct result of the workshop, the team started assisting the Varaždin County Development Agency AZRA in establishing a regional guarantee fund.
- On November 29 signed a TAPA with Karlovačka Banka, a medium sized, regional bank headquartered in Karlovac and began implementing the new partnership. Initial presentation was made to bank staff about credit scoring on 6 December.
- Commenced direct assistance to several SMEs, including Caligaris, d.o.o, Ravna Gora, a wood processor, and Clarum, a pasta producer in Zagreb, Elcon Marine, MGH and Eurovoce. We will assist these enterprises to select the most appropriate investment financing and intercede with various financial institutions to bring the financing to fruition.

#### **2.4. Investment facilitation**

Highlights include the following:

- Held an extensive, five-day training program on FDI for CEIPA staff, consisting of 8 different modules (Global FDI Trends, Competitiveness and Investment Promotion Function, How Firms Make Location Decisions, Image Building and Media Relations, Development of Investment Promotion Materials and Modalities for Investment Promotion, Investment Promotion Techniques, Developing an Investor Targeting Strategy (ITS), Investor Facilitation and After-care Services and Project Monitoring and Evaluation), FDI Glossary, Tips for Investor Inquiry Handling and CEIPA Competency Ranking. The Training Program was held in the new CEIPA Office in Zagreb from October 3-7. More than 20 recently hired CEIPA staff participated in the Training.

- Together with HBOR, organized the International FDI Conference, "Foreign Investment for the Growth of the Croatian Economy." The Conference was held in Cavtat on October 24, 2005. The FDI team worked on the agenda, list of invitees, presentations of ESP partners and promotional materials of ESP partners. ESP Investment Facilitation Director was Conference Chair. About 150 people participated in the Conference, ranging from representatives of foreign embassies and trade chambers in Croatia and the region, existing and potential foreign investors, entrepreneurial zones, regional and local development agencies, commercial banks and international financial institutions. Several members of GOC spoke at the Conference including Prime Minister, Dr. Ivo Sanader, Minister of Justice, Ms. Vesna Škare-Ožbolt and Minister of Finance, Mr. Ivan Šuker. The Conference attracted huge interest of the Croatian media. USAID Mission Director as well as ESP Investment Facilitation Director gave several interviews for different Croatian TV channels and newspapers and emphasized the importance of FDI for job creation, technology and knowledge transfer and export increase.
- On November 23 FDI team member accompanied Mr Simunic, director of ESP client Nase Klasje to the Municipality of Luka to explore the plots available in the industrial zone and the Municipality investment-related conditions. Mr Simunic was satisfied with this location but will visit other short-listed locations as well. Due to the introduction of a new production line Mr Simunic is looking for a new location to place its growing business.
- From December 14 to 16, FDI director and Representatives of Soritz, an Austrian investor into vegetable production, visited for the third time partners in Dalmatia and discussed in detail the agreements, with specific attention to quality, quantity, delivery times, etc., to be signed with local suppliers. CIPA representative attended all the meetings and will make follow-up contacts on the Soritz project in the future. ESP will also monitor the project development with CIPA.
- Made an extensive analyses of the outstanding issues regarding the final decision of the American investor (Ecologic systems) to invest into tire recycling business in Karlovac region (an area of special state concern). The project is valued at 4.2 mil\$ and will create 32 jobs in the first year of operation.
- MIGA hi-tech study results for Croatia were presented by Mr Paddy Gallagher, an Irish consultant, in Split on November 29. FDI Team, APIU Director Mr Zeljko Kirincic and his team, and Mr Dermot Coffey and Hrvojka Skokovic from EIOP Vienna participated in this presentation.
- CIPO Alliance training 'How to best promote your location' was held in Split from November 29 – December 2. 15 participants (8 CIPO members, 3 ESP partners involved in FDI and 4 APIU members) were trained in negotiation, communication and presentation skills by Mr Peter Finnegan, an Irish consultant
- On December 9, FDI Team and three Zadar city and county officials visited the Istrian Development Agency (IDA). Since the Zadar county is in the process of establishing a regional economic development agency (first in Dalmatia), the main purpose of the tour was to draw on the Istrian experience in setting up and running successfully such an institution. IDA director, Darko Lorencin gave a presentation on IDA, its structure and activities, and EU projects that IDA is involved in. Participants also visited 5 business zones in Istria.

## 2.5. Policy Reform

- **Follow-up on Metrology, Accreditation, Standards and Quality (MAS-Q):** ESP staff have held a series of consultations with the heads of the Certification and Accreditation Agencies, as well as private sector organizations on areas to improve quality standards and management. ESP is developing several concepts for promotion and marketing of quality standards, training activities, consultation services, and public-private cooperation to raise awareness and improve policies and services for the private sector. ESP is organizing a working session on March 1 as part of a high profile workshop with World Economic Forum and National Competitiveness Council on quality standards, with representatives from key government agencies and ministries, as well as private sector representatives. The purpose is to develop consensus on specific actions to raise awareness of quality standards and define action steps for services and improved institutional capacity.
- **Tax Simplification Study:** The ESP team held a series of consultations with the Steering committee of HUP, led by Mr. Damir Kustrak, on developing the tax reform package that will ultimately be reviewed and approved by the HUP Board, which represents 26 industries and 5,000 companies. A series of meetings in the quarter made significant progress in establishing new proposals for personal income tax, as well as changes to deductions, introducing tax on capital gains and interest income, and other provisions. HUP plans to hold a series of consultations with social partners, government and donor representatives in January-February, and introduce the tax reform proposal at the day of the Entrepreneur on March 6, 2006, with the Prime Minister present.
- **Regulatory Guillotine:** The assessment during October to December conducted by ESP staff and Scott Jacobs through a series of presentations, workshops and consultations with senior officials in government and private sector has achieved significant interest in the regulatory guillotine. The Guillotine aims to eliminate up to half of the business regulations, reform another third, and reduce the administrative burden on business. ESP will launch a workshop on March 1 during the visit of Augusto Lopez-Claros, World Economic Forum and the National Competitiveness Council with a working session on the Guillotine with representatives from government and private sector. The Guillotine will be included in Croatia's national strategy, according to Martina Dalic, State Secretary of National Strategy, and NCC will host a series of discussions and a conference in early April.
- **Labor Market Conference:** ESP co-sponsored the Conference "Croatian Labor Market in the 21st century" organized by the Croatian Employers' Association and Moj Posao Portal in Zagreb on November 8, 2005. USAID Mission Director in Croatia, Mr Jeffers was one of the key note speakers and Zrinski Pelajic, FDI Director, presented the topic 'FDI and the labor market'. USAID/ESP encouraged the organizers to focus more on productivity, economic and social aspects of the labour market, EU accession, and to include a wide range of speakers. The Conference gathered around 160 participants ranging from representatives from trade unions, ministries, public institutions, academia to private sector and labor related service providers.

## 2.6. Project Management

ESP undertook a number of activities to improve project management:

- New staff members recruited in the previous quarter joined the ESP team: Andrew Schafernaker as Business Development Director, Siniša Bronic as Marketing Specialist, Petra Potocnik as Translator, Mirela Spreicer as new Receptionist, and Zrinka Nazor as Business Development Assistant. Staff already employed or working as interns also

started in their new roles: Miroslav Levanic as Marketing Assistant and Hana Pavlinic as Zagreb Region Coordinator.

- Held regional staff meeting on identification of initiatives for the 2006 work plan; assisted staff with designing and developing terms of reference, and budgeting for these activities.
- Jim Penkusky, former Chief Financial Officer of Nathan Associates, worked with ESP staff to build capacity among local staff on procurement of local services. He provided a training course for all staff and worked with the COP, contracts administrator, and other staff to develop a LOE Tracker for CLIN 2, TAMIS module for contracts administration and procurement procedures, and consult with the CTO and COP on contract issues. Staff documented new administrative procedures for a number of programmatic and administrative tasks and organize documentation and approval files.
- Jeff Luebbe, Director of Finance and Administration, began an internal audit and systems review of ESP from October 20 to November 3, 2005, at no cost to ESP contract. DAI is paying for this consultancy. In the second part of the quarter, the recommendations from the internal audit were implemented.
- Negotiated final terms for a larger office at the same location and started renovation of the new premises. Expected date of the move to the new office space is mid January.
- Short-listed and conducted interviews of candidates for the positions of Manager of Business Services, Tourism Industry Coordinator, ICT Industry Coordinator, Operations Management Advisor, and Zagreb Regional Manager. Selected Gjorgji Miškovski as Manager of Business Services and Nataša Curic as Zagreb Regional Manager.

## **Project Coordination**

ESP worked effectively with other USAID and donor projects during the quarter:

- ACE and ESP collaborating on participant training programs and food safety systems to expand exports
- LGRP and ESP collaborating on FDI benchmarking to enhance zone use and management for FDI and economic growth
- CIPO Alliance, MIGA and ESP collaborating on investor site visits and investor information requirements to increase FDI
- USAID/Croatian Privatization Project and ESP cooperating on one privatization project currently managed by the Croatian Privatisation Fund (ZRC Lipik-ASSC) and possible ESP assistance in finding potential strategic investor.

### 3. STATUS OF BUDGET EXPENDITURES

Table 3 presents project expenditures, as invoiced to-date. At the end of December, ESP expenditures amounted to \$ 5.327.532 or 22% percent of the total contract value (\$19,170,704).

On June 22, 2005, USAID increased the total obligated amount by \$3,200,000 to \$10,146,024. Project expenditures amounted to 37.6 percent of the new obligated amount.

**Table 2. ESP FINANCIAL RESULTS**

<i>Category</i>	<i>Amount Budgeted</i>	<i>Cost Incurred as of the end of the Previous Quarter</i>	<i>Costs Incurred this Quarter</i>	<i>Total Costs Incurred To-date</i>	<i>Budget Balance</i>	<i>Percent Expended of Total Budget</i>
CLIN 1	\$ 16,942,142	\$ 3.966.134,31	\$ 1.108.243,00	\$ 5.074.377,00	\$ 12.976.007,69	23 %
CLIN 2	\$ 2,228,562	\$ 169.201,65	\$ 83.953,00	\$ 253.155,00	\$ 2,059.360,35	8 %
Total	\$ 19,170,704	\$ 4.135.335,96	\$ 1,192.195,79	\$ 5.327.532,00	\$ 15,035.368,04	22 %

### 4. LIST OF ACTIVITIES PLANNED FOR NEXT QUARTER

In addition to on-going activities, additional major activities planned under each area for next quarter are as follows, by component.

#### 4.1. MARKETING

- Design of group consultancy/train the trainers program which will result in increased effectiveness of BSP's. To be launched as a pilot for Snaidero/Trokut investment in Q1/06.
- Initiate training in tourism product-development and marketing for up to 100 regional tourism bodies, inbound tourism operators, and SMEs to improve destination marketing.
- Contract a local consulting firm to design and implement services and "one stop shop" for conversion of unregistered private accommodation owners (UPAOs) to small hotels, bed & breakfasts and pensions and start-up of "one-stop" shop for UPAOs with Small Hotels Association

#### 4.2. BUSINESS SERVICES

- Launch of EFQM approach to building BAS capacity and improving SME competitiveness. Training of EFQM assessors planned for Feb 2006.
- Launch of a sequence of regional team led activities in conjunction with RDAs and LEDAs aimed at improving SME industry competitiveness and building capacity of business development services. It is expected that a minimum of 8 separate regional led activities would be initiated during the quarter ending March 2006.

- Launch of Business Navigator planned for February 2006.
- Develop and pilot 9 new training courses (Market Research, Basic legal issues, Employee-Employer Relationship, Managerial Accounting, Tax Issues, Franchising, Investor Services, updated Packaging and Labeling and Payment collection), hold 50 workshops/trainings on old and new topics, and train at least 200 people.
- Complete business services demand survey to establish demand among SMEs for different types of services and their willingness to pay for them.
- Initiate capacity building of ESP partner business associations (Small Hoteliers Association, Croatian Exporters Association, AMC) with participation of expatriate specialist. Start Jan 2006.

#### **4.3. FINANCIAL SERVICES**

- Special leasing program aimed at yacht industry with Lokat Leasing to finance more sales of Croatian yachts.
- STTA to augment factoring in Croatia through training with Bankers Association and by improving PBZ's factoring operation.
- Carry out the next phase of consultancy on hybrid financing for HBOR.
- Ongoing consultancy and support for HAMAG to improve its loan guarantee operations, particularly implementation of expedited guarantee approval process for the largest Croatian banks.
- Assist Varaždin County and other counties or municipalities in establishment of regional loan guarantees.
- Assist Karlovačka Banka to establish credit scoring to increase small business lending; and ZABA in deposit mining exercise

#### **4.4. INVESTMENT FACILITATION**

The major activities under this component in the next quarter include:

- Continue working with the existing investors in the pipeline and pitching for new potential investors.
- Continue assisting CEIPA in developing strategy, performance indicators, FDI facilitation, promotional materials, and web content.
- Prepare STTA to train ESP partners involved in FDI on marketing plan for zone development in Q2/06.

#### **4.5. POLICY REFORM**

- Tax reform proposal to be discussed with social partners and HUP.
- Regulatory guillotine and quality management to be discussed during NCC-WEF workshop on March 1; NCC taking more active role in policy advocacy work with key government counterparts, promoting regulatory guillotine with key government champions.

## ANNEX A: LIST OF REPORTS & DELIVERABLES

ESP's cumulative list is presented in Table 3.

**Table 3: ESP'S DELIVERABLES AND REPORTS**

Title	Author	Date
<b>Work Plans</b>		
First Annual Work Plan (October 04- September 05)	Roger Manning (Nathan staff)	11/05/04
<b>Quarterly Reports</b>		
Quarterly Matrix/Report, October- December 04	Paola Lang, DAI staff	
Quarterly Matrix/Report, January – March 05	Paola Lang, DAI staff	
Quarterly Matrix/Report, April – June 05	Paola Lang, DAI staff	
Quarterly Matrix/Report, July - September 05	Jim Winkler, DAI staff and Aleksandra Andrakovic, ESP staff	
Quarterly Matrix/Report, October – December 05	Jim Winkler, DAI staff and Aleksandra Andrakovic, ESP staff	
<b>Monthly Reports</b>		
October 04	Charles Conconi, Nathan staff	
November 04	Paola Lang, DAI staff	
December 04	Paola Lang, DAI staff	
January 05	Paola Lang, DAI staff	
February 05	Paola Lang, DAI staff	
March 05	Paola Lang, DAI staff	
April 05	Paola Lang, DAI staff	
June 05	Paola Lang, DAI staff	
July 05	Jim Winkler, DAI staff	
August 05	Jim Winkler, DAI staff	
September 05	Jim Winkler, DAI staff	
October 05	Jim Winkler, DAI staff	
November 05	Jim Winkler, DAI staff	
December 05	Jim Winkler, DAI staff	
<b>Consultant Reports</b>		
M&E Plan and Operating Manual	William Millsap, Social Impact Consultant (later revised by Paola Lang)	12/29/05 (7/20/05)
IT Systems Manual	Sani	01/14/05

HAMAG Certified Consultant Program: Training Materials, Operating/procedural Manual and Final Report	Paul Moran, DAI consultant	12/25/05
Institutional Upgrade of HAMAG – Technical Assistance with Assumption of the UNDP/EU Guarantee Fund: Initial Report and Action Plan	Mary Miller, DAI staff (STTA)	05/12/05
Survey on Corporate Governance	Economic Institute (STTA)	06/20/95
Tourism Market Study	Alan Saffery, Nathan consultant	05/03/05
Institutional Upgrade of HAMAG – Technical Assistance with Assumption of the UNDP/EU Guarantee Fund: Interim Report	Mary Miller, DAI staff (STTA)	5/12/05
HAMAG Voucher Program: Operational Manual and Start-Up Materials	Regionalni centar za razvoj d.o.o.	March 2005
Benefits of Registering Informal Accommodations	Dalmaconsult d.o.o.	09/12/05
Hybrid Financing Product	Bryce Khadabux	Pending
FDI Benchmarking	P.J. Daly Paola Lang	Pending
MAS-Q Activities in Croatia	Edward Nemeroff	December 05
Tax Simplification Study Survey of the Croatian system Study Macro projections PPT presentations, draft papers, workshops	Mark Gallagher, Ante Babic	12/01/05 02/01/05
Regulatory Guillotine The Regulatory Guillotine Strategy Cleaning up rules with the Regulatory Guillotine	Scott Jacobs	October 2005/revised in December 2005
M & E Data base ESP CDM 1.0 Diagrams, CDM Report 1.0, ESP CDM Report	Pardus d.o.o.	22 Dec 05
<b>ESP Work Products</b>		
Credit Scoring Model (VABA)	Tocher Mitchell, DAI staff	1/25/05
Deposit Mining	Tocher Mitchell, DAI staff	1/25/05
Guidelines on Local Guarantee Schemes	Tocher Mitchell, DAI staff	1/31/05
List of Business Service Providers	Darije Josic, ESP staff	1/26/05
Strategy Paper: Loan Products	Tocher Mitchell, DAI staff	3/1/05
Strategy Paper: Credit Enhancements	Tocher Mitchell, DAI staff	3/1/05
Briefing to Companies Exhibiting at ANUGA	Michelle Morgan, Nathan staff	4/1/05
Spring 05 Training Program Guidelines	Marko Slunjski	4/1/05
Credit Scoring Model for SME Start-Ups	Tocher Mitchell, DAI staff	5/5/05
Credit Scoring Manual	Tocher Mitchell, DAI staff	5/27/05
Annual Report of the Association of Small and Family-	Tatjana Horvath, ESP intern	7/12/05

Run Hotels		
Product Offerings for ESP Partners	Paola Lang, DAI staff	7/12/05
<b><i>Cost-Shared Consultancies through the AMC: Final Reports</i></b>		
Gumi-Implex	Ružica Marušić	10/11/05
Požgaj d.o.o.		November 2005
Argus d.o.o.	Optimus d.o.o.	10/20/05
<b><i>Training Courses</i></b>		
AMC: EU Accession	AMC consultant	
ESP/Deloitte: Operations Management	Igor Šaravanja	4/1/05
ESP: Strategic Planning	Zdravko Kuzmic	4/1/05
ESP: Packing and Labeling	Michelle Morgan, Dean Vranic	4/1/05
ESP: EU Accession Grants	Nenad Kocmar, Karlo Culo	4/1/05
ESP: Buyer Agent Orientation Training	Robert Delemarre, Ron Wherry	4/1/05
ESP/MicroGrupa: Market Positioning	Glenn Surabian, Nathan staff, Darije Josic, ESP staff	5/9/05
ESP/MicroGrupa: Market Segmentation	Glenn Surabian, Nathan staff, Darije Josic, ESP staff	5/9/05
ESP/MicroGrupa: Cost Accounting	Marko Slunjski, ESP staff	April 2005
ESP/MicroGrupa: Employee Incentives	Glenn Surabian, Nathan staff, Darije Josic, ESP staff	April 2005
ESP/PBZ: Foreign Exchange Risk Management	PBZ staff	April 2005
ESP: Company Diagnostics	Glenn Surabian, Nathan staff	August 2005
ESP: How to Interview a Client	Tocher Mitchell, Ivan Pilepic	June 2005
ESP: Credit Scoring	Tocher Mitchell, Ivan Pilepic	August 2005
International Standards and Accreditation	Edward Nemeroff	Nov. 05