



**INTERNATIONAL PROGRAMS
AND SPECIAL SESSIONS**

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1. FISCAL YEAR 2001 – 1st QUARTER REPORT
AWARD NO.: 183-A-00-97-00020-00
STRENGTHEN PRIVATE ENTERPRISES IN BULGARIA FIRM LEVEL
ASSISTANCE GROUP, UNIVERSITY OF DELAWARE

Fiscal Year 2001 - 1st Quarter Report

UNIVERSITY OF DELAWARE

Period of Coverage: October 1 - December 31, 2000

2001

Fiscal Year 2001 - 1st Quarter Report

University of Delaware

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A. PREVIOUS REPORT UPDATE

UD/FLAG is offering a distance learning course in financial analysis, in response to the demand for quality financial analysis education for improved competitive performance of Bulgarian export-oriented companies. The course introduces the financial managers and accountants of firms in the light manufacturing and agribusiness clusters to the principles of effective financial management.

The Trade Development Center of FLAG held a second B2B meeting in Skopje in October with the aim of providing business opportunities for Bulgarian export-oriented companies dealing in textiles and light manufacturing. The forum was organized in collaboration with the Macedonian Business Resource Center (MBRC), and coincided with the traditional autumn technical fair TECHNOMA.

In November, the FLAG Consortium, jointly with the Ministry of Economy, organized a series of B2B meetings in Zagreb and Bucharest.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

TRAINING COURSES & SEMINARS

Financial Analysis for Export Oriented Companies

In October UD/FLAG started a nine-month training course in Financial Analysis for Export Oriented Companies. The course is aimed at providing in-depth knowledge of financial techniques for export financing, analysis of company operations, and forecasting company and industry sales. The course curriculum is based on the Chartered Financial Analysts (CFA) program body of knowledge. The course consists of distance learning modules, followed by in-class review sessions. The presentation materials are developed by qualified American and Bulgarian professionals in trade and finance.

Sixteen financial managers of Bulgarian export oriented companies are taking part in the course. The distance learning method has allowed the participation of six companies that are based outside of Sofia. The participating companies include Sizif Ltd. – Honey Production, Marena Ltd. – Apparel Industry, Rila Solutions JSC – IT and Software Industry, SVZ-Bulgaria Ltd. – Fruit and Vegetables Export, Markam Ltd. – Apparel Industry, Ita-Effect Ltd. – Food Processing, Ruen JSC – Apparel Industry, Mlechna Promishlenost-Plovdiv JSC – Dairy Industry and others.

The topics covered this quarter include Financial Accounting (Review of the Accounting Process; Financial Statements and Financial Statements Analysis) and Quantitative Methods (Time Value of Money; Descriptive Statistics, Probability Theory, Hypothesis Testing and Regression Analysis). UD/FLAG consultants John Stocker and Alexander Georgiev, head of the marketing department at United Bulgarian Bank, taught the financial accounting section. Local instructor Ivailo Avramov taught the statistics session.

At the end of each section the trainers conducted an intermediate test to monitor the learning progress of course participants.

International Accounting Standards Training Course

UD/FLAG offered a new course in International Accounting Standards, December 11th - 16th 2000, in response to the high demand for a comprehensive and hands-on course on this subject. The training was targeted at leading Bulgarian companies, and aimed to improve their compliance with international

standards and enhance their competitive performance.

By the year 2000, International Accounting Standards (IAS) are expected to become the most widely used international financial reporting framework. By preparing one set of financial statements under IAS, companies will be able to satisfy external-reporting requirements. An advantage of IAS is that companies adopting them make comparability across different industry sectors and countries much easier. IAS is recognized as a global reporting framework by IOSCO (the organization which represents securities regulators worldwide), the World Bank and the European Commission.

The training participants were 18 chief accountants and financial managers of Bulgarian companies from the IT and software development sector, the consulting and financial services sector, the light manufacturing sector, and the agribusiness sector. The course explored International Accounting Standards framework and concepts. The training program combined the most widely used IAS and compared them to the Bulgarian National Accounting Standards (NAS).

Six qualified professionals in accounting and finance were the course instructors. All trainers were members of the Institute of Certified Public Accountants with significant experience in presenting the application of national and International Accounting Standards.

Business Start-up Seminar

UD/FLAG offered a seminar titled "How to Start-up Your Own Business" for laid-off army officers in Plovdiv Region. The seminar was held twice - 30th November and 7th December 2000.

The seminar was organized in response to the need for professional re-adjustment of former military personnel, laid off as a consequence of the reform process in the Bulgarian Army. It was organized in conjunction with the Plovdiv Defense Forces Social Work Foundation.

The seminar aimed at solving the unemployment problem and encouraging job creation. The beneficiaries were 160 former army officers. It provided a review of the process of starting up a private business and planning for success. The topics covered included evaluation of personal skills, planning and marketing tools and techniques, legislative framework, market analysis, product strategies, financial forecasting, sources of financing and review of business support centers and organizations.

The instructors for the seminar were UD/FLAG consultants Vassil Donev and Bill Mays.

Seminar on Business Planning for Healthcare Institutions

UD/FLAG held a two-day seminar on 24-25 November 2000, which focused on preparing business and investment plans for hospitals and other healthcare institutions.

By the middle of 2001, all healthcare institutions in Bulgaria will have to sign agreements with the National Health Insurance Fund. This will lead to changes in the financing and management of healthcare institutions. Hospitals will have to combine governmental financing with external financing and become self-sustaining institutions. Owners and managers of healthcare institutions will have to find new forms of financing and develop sustainable business strategies.

In response to the demand for knowledge in business administration and hospital management, UD/FLAG supported the development of this seminar in conjunction with the Regional Union of Hospitals "Stara Planina" and the Association for Partnership and Citizen Activity Support "Balkan Assist".

Participants in the training included 22 representatives of member healthcare institutions of the Regional Union of Hospitals "Stara Planina" in 8 municipalities from Gabrovo region – Drianovo, Tryavna, Gabrovo, Sevlievo, Apriltzi, Troyan, Lovech and Teteven.

The seminar included a review of the process of business planning and investment strategies. The topics covered were market analysis and planning, product strategies, financial forecasting, sources of

financing, and strategic planning. The professional trainers discussed the specifics of healthcare institution management. The legislative framework was presented together with expected developments and changes to become effective in the near future. The importance of personnel motivation and organizational design was emphasized as an essential part of the management process.

Vassil Donev, experienced trainer in Business Planning and Investment Strategies; Petar Salchev M.D. from the Department of Social Medicine and Health Management of Sofia Medical Academy; Sava Boyadzhiev M.D. and Anny Vladimirova from Torax Clinics were the instructors.

BUSINESS CONSULTING

Krallex LTD

UD/FLAG began a program of technical assistance for production restructuring and modernizing for Krallex LTD - a local producer of frozen vegetables and fruits. Krallex exports about 90% of their production for big food processors in the European Union. The company has operated since 1997 and is now looking to make a number of structural investments through the vehicle of the SAPARD program. Most of the investments are equipment purchases and facility upgrades.

UD/FLAG consultants are advising the company in preparing its business plan for applying for SAPARD financing. To supplement the financing aid, UD/FLAG efforts will be concentrated on developing a program for improving employee performance and motivation. The long-term goal is improved quality of the company's production and entry into new, higher profit-margin markets.

TED Mattresses

UD/FLAG consultants are working with Elin Todorov – owner manager of one of the biggest private Bulgarian mattress factories. Todorov believes he can turn his company into the leading producer of mattresses in Bulgaria and has developed a line of mattresses that will be competitive on the Western and Eastern European markets. TED is well managed and has the potential for becoming a successful exporter. They have made significant investments in technology and have acquired a favorable credit line with Express Bank in Plovdiv at 12% to continue these investments. Additionally, they have been successfully in marketing their mattress products through over 100 retail shops and large outlets, such as Metro, within Bulgaria.

The research conducted by UD consultants indicated that even though TED appears to be poised to export, they are currently experiencing problems with the distribution and promotion of their product. The management was advised on implementing a strategy of improved relations with their distributors and for building up the product's image. Developing such a strategy will be later used as a stepping stone for creating the company's export plan.

Digema Express

UD/FLAG consultants developed new presentation materials for Digema Express – a small producer of aquamats from Silistra. The aquamats are electronic devices for bathroom applications that allow for increased hygiene and water saving. Digema Express has supplied the aquamats to numerous local consumers, among which are the Railway Station – Sofia, the National Theater, and a number of hotels. The company is looking to export their products. With UD/FLAG assistance it is now in negotiations with companies from Germany and India.

Other Consulting Services for SMEs

UD/FLAG consultant Bill Mays advised the manager of V&S Legal and Consulting services George Vulkov on constructing GAAP-based financial statements for his clients who need business plans and sources of equity and debt financing.

Bill Mays also advised the General Manager of Hotel Maria Luisa – Sofia and Georgi Tzurev, on the preparation of a business plan for a planned \$4 million new hotel in the Sunny Beach resort. Stefan and Reni Marinopolski, owners of the Vidin-based winery Vini, received assistance in establishing sales contacts for export to the USA.

Assistance for the Silistra Regional Development Association (SRDA)

During October 20-22, 2000, UD/FLAG assisted the Silistra Regional Government and SRDA in organizing and hosting an exhibition titled “Euro-Danube”. The exhibition included a series of business to business meetings between companies from the Silistra region and from Calarashi, Romania. A total of 42 companies attended the exhibition and displayed their products. Four speakers gave presentations, including Boyko Tsenov, Director General in the Ministry of Regional Development.

An economic cooperation agreement was signed, between the municipalities of Silistra, Bulgaria, and Calarashi, Romania, which set the priorities for trans-border cooperation between the two cities and the respective communities.

NEW TECHNICAL ASSISTANCE INITIATIVES

Technical Assistance for IT Cluster Competitiveness

One of the new areas of UD/FLAG efforts is the assistance for companies from the local IT cluster. Steps are underway to evaluate the potential for the inauguration of a high-tech incubator in Gabrovo. Another area of assistance includes researching opportunities for outside equity financing and establishing a joint venture with an international partner for David, a Bulgarian IT company with experience in software development. David has been successfully marketing its own document flow processing software in Bulgaria, Macedonia, and Germany and looking to expand its product and export potential.

Technical Assistance for Tourism Cluster Competitiveness

UD/FLAG consultants have carried on a number of meetings with representatives of Bulgarian tourism associations and governmental agencies that promote tourism in an effort to identify the needs for technical assistance in the local tourism industry. UD/FLAG is surveying and identifying competitive Bulgarian tourism products, and will become involved in developing and implementing a promotional strategy to include specialized tour-guiding and websites in conjunction with local and international partners.

TRADE DEVELOPMENT CENTER ACTIVITIES

With the aim of further supporting regional trade and linkages, FLAG TDC organized a series of business-to-business meetings.

The first B2B event was held in Skopje, Macedonia on October 19, 2000. It was focused on providing business opportunities for Bulgarian companies seeking partnerships in the light manufacturing and machine building industries. Twenty-two companies dealing in cosmetics, electric appliances, machine building, electronics, and steelware production were matched with 45 Macedonian counterparts. This resulted in the establishment of 101 initial contacts and another 58 contacts were established during the TECHNOMA exposition visit. Erato Holding, a company producing machines for briquette production, radiators, and wood processing machines, marked considerable success by establishing partnerships, both at the meeting and the fair, with more than 30 Macedonian companies and negotiated the delivery of two wood processing machines worth \$18,000. Krepezhni Izdelia, a bolt producer, also signed a contract to the amount of \$45,000.

In response to a call for assistance and cooperation from the Bulgarian Ministry of Economy and the Bulgarian Chamber of Commerce and Industry to organize a B2B meeting in Croatia and Serbia, FLAG TDC supported the initiative and recruited Bulgarian participants. FLAG organized the attendance of

Bulgarian participants and prepared a handbook that was distributed among foreign participants. FLAG also facilitated the business meetings.

The B2B meeting in Zagreb, Croatia took place in the Croatian Chamber of Commerce on November 13, 2000. 35 managers presenting the activities of 23 Bulgarian export-oriented companies and organizations, among which Bitova Electronica, Bulgarian Rose, Vinimpex Preslav and Record Gabrovo established direct contacts with representatives of 30 Croatian companies. Consequently, 47 initial business contacts were established between Bulgarian and Croatian companies.

Two similar forums were held in Belgrade and Niš, Serbia. The collaborating partners on the Serbian side were the United Industrial Chamber of Commerce of Yugoslavia in Belgrade, and the Regional Chamber of Commerce in Niš. Eighty-three participants presenting the activities of 56 Bulgarian export-oriented companies and organizations took part at the meetings, and established partnerships with more than 150 Serbian companies resulting in 247 initial business contacts. A contract amounting to \$5,000,000 was signed between the Bulgarian Association of General Contractors in the Construction Industry, and Poseidon, a Serbian company, for the construction of a highway between Sofia and Niš. A bid was presented to Vinex Preslav for the delivery of 500MT of wine distillate, in the amount of \$750,000.

The last in the series of B2B events was held in Bucharest on November 23, 2000. FLAG TDC supported the Ministry of Economy in organizing a B2B exchange meeting in cooperation with the Romanian Commercial and Industrial Chamber. It was the second one after the B2B meeting in Gjurjevo at the end of June, and proved extremely beneficial for the 23 Bulgarian companies that took part. They established 50 initial contacts with 33 Romanian partners. The Bulgarian attendees represented the food processing, cosmetics, textiles, electric, construction, and machine building industries. Vetmark, Bulgarska Rosa, Vitamina, Zahara, Nitonteks, Ficosota Holding, Yuta, Industrialimport, Rosmary Trade, Mary Super and other companies are expected to conclude trade deals within the next six months.

At the annual food show MESSOMANIA'2000 and BULPEC held in Sofia from Nov. 8 to Nov. 11, the Trade Development Center participated with its own booth presenting its scope of activities and services delivered.

At the beginning of November 2000, a TDC representative made a presentation on TDC services and progress to date at the Second Southeast Europe Trade Initiative Conference: "Building Competitive Advantages" held in Skopje, Macedonia. More than 165 attendees representing USAID and USAID-sponsored organizations, government institutions, NGOs and private businesses participated at the conference. FLAG TDC established partnerships with the National Council of Small and Medium-Sized Enterprises in Romania, the Romanian Commercial and Industrial Chamber, Albanian-American Trade and Development Association, the Trade Facilitation Office of Canada and the European Movement of Serbia.

To further promote its client-oriented activities, UD/FLAG launched a TDC web site at <http://tdc.flag.bg> available both in English and Bulgarian. The information published there is constantly updated and reflects the latest TDC activities, investment opportunities, services delivered, and the full versions of Trade Leads Bulletin issued on a monthly basis. Corporate web pages are also being designed for Yanitza - Elhovo, knitwear producer, and Nikdim Ltd. – Kazanlak, producer of electrical appliances and insulators.

C. CONTRIBUTION TO TARGETS

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members			
INDICATOR	BASELINE (TOTAL)	RESULT (TOTAL)	RATIO
1. Export increase in assisted priority industry clusters.	\$1,560,000	\$105,000	
2. Value of linkages in assisted priority industry clusters.	N/A	\$35,000	N/A
3. Jobs created and retained. (Employment generated in assisted priority industry clusters.)	\$1,400	N/A	N/A
4. Domestic sales increase in assisted priority industry clusters.	\$397,000	\$30,000	N/A
5. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.	N/A	N/A	N/A
TOTAL NUMBER OF PROJECTS COMPLETED:	TOTAL NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:	TOTAL NUMBER OF BUSINESSES IMPACTED:	
9	9	63	

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

- women owned business 15
- women managed business 18
- female employees 680

D. FORECAST FOR NEXT QUARTER

- Next Quarter UD/FLAG is helping local SMEs develop and launch an integrated e-shop for domestic trade and regional exports of products to be sold via the Internet. The project involves the preparation of online catalogues for local SMEs as well as e-commerce resource information and a virtual training center. The technology on the site, supported by UD/FLAG, will allow small and medium size businesses to develop a consistent and high-end catalog to sell their goods and services.
- UD/FLAG will offer the course in International Accounting Standards to export-oriented companies from northern Bulgaria. The course offering is being organized jointly with ABC-Invest - the Varna based consulting company - and BIA-Varna.
- The distance learning course in Financial Analysis for Export-oriented companies will continue with sessions in Microeconomics, Macroeconomics, International Markets and Instruments. Local instructors Milen Velushev and Tsvetan Kintishev will prepare the sessions.

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. Client Name, Sector, Assistance Type: Digema Express, Light Manufacturing, Short Term Technical Assistance

b. Volunteer / Trainer Name: Marcy Daniels

c. Description of Intervention: Preparing presentation and promotional materials to support the export strategy of the company.

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	0	\$20 000	N/A	N/A	N/A	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	10					
4. Domestic sales:	\$50 000					
5. Introducing international industry standards	N/A					

2.

a. Client Name, Sector, Assistance Type: TED Mattresses; Light Manufacturing, Short Term Technical Assistance

b. Volunteer / Trainer Name: Marcy Daniels

c. Description of Intervention: Improving and elaborating the company's distribution strategy

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	0	N/A	N/A	N/A	\$30 000	N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	68					
4. Domestic sales:	\$100 000					
5. Introducing international industry standards	N/A					

Attachment B
FLAG Coordination
ASD

1. ASD coordinated the preparation and submitted to USAID/BG the FLAG FY 2000 TraiNet Report.
2. ASD assisted the FLAG TDC in the preparation of a presentation on TDC services and progress to date at the Second Southeast Europe Trade Initiative Conference: "Building Competitive Advantages" held in Skopje, Macedonia.
3. ASD developed time series data of FLAG client records and provided support to the two FLAG Committees.
4. ASD provided on monthly basis FLAG Events of the Horizon List and US Visitors Schedule to USAID/BG.
5. ASD continued its input of FLAG clients to the CEEBN database.
6. ASD continued to provide FLAG member organizations with database monthly Implementation Status Reports and quarterly Client Baseline Reports.
7. ASD assisted the activities of the Tracking, Follow-on and Evaluations Committee by providing reports of FLAG clients due for three-, six- and twelve-month evaluations and generating Evaluations Committee database programmed quarterly reports.
8. ASD published on a monthly basis the FLAG Newsletter and distributed it to FLAG member organizations, other USAID funded partners, major clients, RDAs and local strategic partners.
9. ASD continued to provide maintenance and monthly update of the FLAG web site.