

FINAL REPORT

**University of Delaware
Firm Level Assistance Group
Danube River Initiative (DRI) Program
Period of Coverage: September 30, 1999 – April 30, 2001**

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University of Delaware
FLAG Crisis Response Regional Economic Development Program
Within the Danube River Initiative

I. Major Implementation Accomplishments

The DRI implementation methodology, utilizing a top down approach, proved to be effective and successful. Twelve projects were financed and \$200,000 was disbursed. The projects capitalized were in the DRI priority sectors: agriculture, agricultural processing, and related light manufacturing. FLAG/DRI EDP projects created 131 new jobs. These projects also accounted for creating or retaining 360 jobs in assisted business ventures and integrated production as a result of direct financing. All targets have been met or considerably exceeded.

Technical assistance was provided to DRI beneficiaries in the areas of business plan development, marketing, management, agricultural-related training, and custom-tailored assistance based upon the clients' specific needs.

II. Contribution to Targets and Benchmarks

The DRI program met or considerably exceeded all targets. The assisted businesses generated revenue of \$265,766 for the period September – April, following the receipt of a DRI grant. The table below shows the results achieved.

A. Contribution to Targets

Impact Indicator	Target	Results to Date	Results Rate
1. Number of jobs created and retained by assisted cooperatives, associations, and business ventures as a result of direct financing.	80	131	164%
2. Number of jobs created and retained by assisted cooperatives, associations, and business ventures in assisted business ventures and integrated production.	500	513	103%
3. Revenue generated by assisted cooperatives, associations, and business ventures.	\$200,000 in the first year, (or \$600,000 over 3 years)	\$265,776 for eight months	133%
4. Number of new and established cooperatives, associations and business ventures that have adopted western-style practices.	20	20	100%

Assisted female-owned businesses: 16
Assisted female-managed businesses: 39
Assisted female employees: 148

B. Contribution to Benchmarks

Task	Output / Impact Benchmark	Time Frame	Accomplishment
1. Conduct the first technical assistance project in farm management for cooperatives and business ventures	Improved business operations, production, and marketing plans of a group of eligible business ventures	By the sixth month	Completed in April (VE Atkinson).
2. Approve all direct grant clients	Direct financing of \$200,000 released	By the fourth quarter	The amount of direct financing approved and disbursed is \$200,000.
3. Conduct Training Seminars for eligible business clients	Improve requisite management skills with training that supplements and reinforces TA. A minimum of eighteen seminars offered	Starting the sixth month and on-going	Three seminars for ninety-five participants completed. 32 companies received intensive counseling and business advice.*
4. Identify projects eligible for review for direct grants	Twenty project plans developed	By the fifth month	Twenty project plans developed for prospective grant recipients.
5. Conduct technical assistance for direct grant and other clients	Complete 18 volunteer assignments	By the 18 th month	Twelve volunteers conducted technical assistance to date.
6. Facilitate market information exchanges and trade linkages	Register increased income and job creation in targeted business ventures and cooperatives through increased sales and trade	On-going	131 jobs created and \$265,776 generated in income.

Note: * In the course of implementing the program, one-to-one business counseling and training has proven a more effective format. Thus, some of the seminar effort has been redirected to the latter format.

III. No-Cost Extension and Monitoring of EDP Sub-grant Projects

UD implemented a one-month no-cost extension for the UD/FLAG DRI Project No. 183-G-00-99-00111-00. The no-cost extension allowed for the following activities to be carried out in April:

- Completing procurement and disbursement of the final three sub-grants for direct financing
- Completing monitoring and the “graduation” of co-operatives and business ventures that have received sub-grants under the FLAG/DRI project
- Compiling updated information and preparing the final project report and evaluation

All financed projects have been monitored on a monthly basis in terms of their financial condition, progress toward achievement of projections, installment and utilization of equipment, the process and necessary documentation of hiring new employees, and safety standards and environmentally friendly production technologies. Clients were also advised on strategies to cope with financial, management, marketing and human resource issues. Examples of monitoring and evaluation follow below.

- **Sewing Factory Start-Up near Rousse**

The sewing factory employs 80 women. The company’s principal was advised on providing safe work conditions, development of a motivational pay system, and human resource management.

The following projects were evaluated in terms of exports:

- **Milk Goats in Trastenik and Milk Cows in Rousse**

The two companies sell their production to *Sirma Prista Jsc.*, Rousse. The milk processor is the only one in the region exporting goat cheese to the USA.

- **Stone-Working Equipment in Vratsa**

The major portion of fireplace surrounds will be exported to an Italian fireplace construction company – *Piazzetta S.P.A.*

The following projects adopted environmentally friendly production technologies and complied with quality and safety standards:

- **Briquettes Manufacturer in Yassen, Pleven**

Biomass briquetting provides an eco-friendly alternative to traditional fuels. Bulgaria produces huge quantities of agro-residues, which often cause extensive pollution to the environment. The company manufactures biomass briquettes made from sawmill and furniture manufacturing wastes. These wastes are compacted into log-like briquettes that are sold as an alternative resource to natural firewood, coal, and fuel oil.

- **Fruit and Vegetable Dryer in Dobrodan, Troyan**

The dryer, whose construction was financed through a DRI sub-grant, uses a heating method where there is no direct contact of the burned gases with the heated air and the product. This method allows for preserving the taste and nutrition characteristics of the dried fruits and vegetables through an ecologically clean and high quality method.

- **Detelina Flourmill in Nikolaevo**

By providing reliable and replicable measurements on both the input and the output side, the quality control equipment improves the mill's operational efficiency and gives it a competitive edge in marketing. The establishment of regular quality control practices by Detelina is in conformity with the spirit of Bulgaria's adoption of European and international food standards. Voluntary certification and the emphasis it puts on quality as an important element of competitive advantage have a long-term impact on the whole grain products cluster (including the bakery industry) and create a replicable model of consumer-oriented practices.

IV. Success Stories

The following DRI Economic Development Projects, which have received UD/FLAG sub-grants, have demonstrated above average results and have stood out both in terms of an effective business and planning strategy and in terms of performance. The principals, with UD/FLAG advisory help, have successfully executed competitive expansion and growth strategies resulting in considerable increases of sales and/or exports, as well as realizing their full job generation potential. A number of them have been especially successful in opening jobs for women.

The majority of the FLAG/UD DRI projects have demonstrated success in the introduction of innovative and environmentally friendly production technologies as well as in the introduction of international quality and safety standards.

A. Sewing Factory Start-Up near Rousse

UD/FLAG DRI purchased a pocket-welting sewing machine for \$25,000 and granted it to Martin Danchev SP, an apparel manufacturer near Rousse. The machine was the final production line piece of equipment necessary for the successful start-up of the sewing factory. The machine is a vital piece of professional equipment for the production of the men's jackets and coats in which Danchev specializes. The machine guarantees quality workmanship along with decreased production times, both of which are essential preconditions for receiving "Cut, Make, and Trim" (CMT) orders for export.

- The company is a valuable addition to the Bulgarian apparel export industry through the combination of a modern sewing facility, a skilled and motivated workforce, and Martin Danchev's previous experience in the sector.
- Currently, the company fills CMT orders for France and the Netherlands. Company production includes men's and women's suits, jackets, and trousers.
- Danchev has started preparations for increasing capacity with 50% due to a high demand for CMT orders. This process will be completed in the following three months.
- The company generated \$65,600 in income for the period September – April. The income generated for the first full year of operation is projected at \$101,817 (net income of the company plus the salaries of all employees). Based upon the current financial results, the company will reach its projections.
- This project has created 50 new jobs through the granting of the specialized pocket-welting machine to the company. Currently, Danchev has 80 employees. The manager provides training to his employees, which is a highly valued skill in the area.
- Danchev received technical assistance in operations management and human resource management. Technological assistance was provided on more efficient methods for manufacturing his products, and aimed at increasing productivity. The manager was advised on developing standardized time frames, technological documentation for manufacturing the different products, and introducing an incentive-based pay system.

B. Briquettes Manufacturer in Yassen

FLAG/DRI purchased a biomass briquetting machine worth \$14,800 for Bulsid Impex from the village of Yassen near Pleven. This machine allows the company to manufacture 130 tons of biomass briquettes per month, made from sawmill and agricultural waste. Bulsid Impex is manufacturing biomass briquettes made from sawmill and furniture manufacturing waste. The waste is compacted into log-shaped briquettes, which are sold and burned by other production facilities, schools, heating plants, and households as an alternative to natural firewood, coal, and fuel oil.

- The commercial success of the new Bulsid Impex production line is a replicable model for efficient use of waste material in the Bulgarian light manufacturing industry. In addition to the economic benefit, the briquette technology also conserves wood, a commodity extensively used for heating in Bulgaria and leading to the destruction of forests.
- 15 jobs were created: 11 employees for servicing the production line and loading the briquettes, 1 production manager, 1 driver, 1 accountant, and the company manager.
- Bulsid generated \$10,420 in income (net income of the company plus the salaries of employees) for the period September – April. The company will meet its projections of \$14,874 for its first year of operations.
- Bulsid Impex, with the assistance of a UD/FLAG consultant, developed the packaging and labeling for the product.

C. Milk Cows in Rousse

FLAG/DRI purchased 80 milk cows for \$25,000 and granted them to Policommerce SP from the town of Rousse. To date, his herd has grown to 320 cows. The company specializes in raising high quality cow breeds such as Jersey and Holstein.

- The company purchased additional 35 milk cows.
- The cow breeding operation generated income (salaries to employees and net income) of \$42,456 for the period October - April. The projections for the first full year of operations are \$73,623. The company will meet its projections based upon the results to date.
- 15 jobs were created to maintain the livestock.
- The milk is sold to *Sirma Prista Jsc.*, a middle-range producer of dairy products in Rousse that exports cheese to the USA. Dimitrov, as one of the biggest milk suppliers of the company, became a shareholder after the company was privatized.
- The Encouragement Bank approved the extension of a loan to Policommerce SP. Dimitrov will purchase additional cows to reach its stated goal of 600 cows. The company bought a new cow barn that is now under construction, and is negotiating the purchase of another one.

- Bruce Brockett, an agricultural volunteer, advised the principal on farm management, modern practices for cow breeding, feeding formula, and marketing of agricultural products (milk and meat). The volunteer recommended that the farmer introduce a central cow record system, stabilize the feeding program, and incorporate body condition scoring to fine tune the feeding program. He also provided the farmer with forms and worksheets for gathering the information necessary for a good record keeping system on the cows. A second general area of assistance includes counseling sessions on strategic planning, budgeting and general management.

D. Meat Products Packaging Line in Dunavtsi

FLAG/DRI purchased a vacuum packaging and labeling line for meat products for \$25,000 as part of an investment of \$27,560. The machines were granted to Meat Products – Manolov Ltd., a meat processor located in the village of Dunavtsi, Rousse district. The packaging line, together with two refrigerators, is set in a new facility for packaging and storage of processed products. The total investment (installing the packaging line and the two refrigerators) was \$37,892. Manolov’s contribution was \$12,892.

- The principal employed 3 new employees to service the new equipment.
- The company generated income of \$39,141 for January-April. The expected generated income for the first year of operations is \$119,491. Based upon the current financial performance, the company will reach its projections.
- Manolov projects that the new facility for packaging and storage creates the opportunity to increase annual sales by approximately 20%. The company’s meat products have more attractive packaging and labels, and their shelf life has doubled. The operations of the new processing facility strengthen the company’s market position by attracting new clients and expanding the current distribution network.
- The company made improvements in the processing facility and the slaughterhouse in compliance with the now mandatory EU accession sanitary requirements for meat processing plants. Compliance with European and international food standards will allow the company to pursue export opportunities. All types of meat and meat products for export to the EU need to be vacuum-packaged. The new equipment enables Manolov to offer packaged pork and veal to foreign customers.
- Lyle McCormick, a meat-processing advisor, provided technical assistance and training to “Meat Products – Manolov”. He counseled the entrepreneur on marketing, with an emphasis on sales, packaging, and labeling. The volunteer also performed demonstrations on cutting meat and advised on the types of products to be made from the various cuts. The volunteer provided them with charts of different cuts of beef. Manolov will receive additional training and technical assistance in the areas of finance and accounting for small enterprises.
- Jarvis Asbill consulted with Manolov Ltd. for two weeks on new technologies and new product development in the meat processing industry. The volunteer advised the beneficiary and made demonstrations on how to prepare jerky and bacon.

V. Technical Assistance

- Eugene Hodgkins and Ronald Atkinson, US agricultural extension experts and volunteers, and UD/FLAG DRI resident US finance and marketing consultants John Stocker and Bill Mays, assisted by local counterpart marketing consultant Yovcho Yovchev, provided technical assistance to 30 clients engaged in plant growing, agricultural processing and light manufacturing. UD/FLAG consultants provided counselling and business advice to DRI beneficiaries on: developing their business ideas, identifying problem areas/opportunities with current/potential suppliers and clients, formulating their marketing strategy, making revenue and cost projections, industry specific issues in livestock breeding, and plant growing.
- Eugene Hodgkins and Ronald Atkinson conducted seminars on Farm Management and Marketing of Agricultural Products in the towns of Vulchedrum, Kozlodui and Rousse for 95 farmers. The participants were trained in: developing a business management plan, methods and techniques for keeping good farm records and how to use them to make sound business decisions, basic marketing questions, the types of marketing channels and factors that affect product marketing, and Western-style cooperatives as a form of business — types of cooperatives, advantages of establishing a cooperative, principles in running the cooperative, organizational structure, and strategic planning in cooperatives.
- A two-week training program in the United States through World Learning was organized for six chairmen and members of agricultural cooperatives. The training focused on the following areas: governing principles of cooperatives, financial aspects of cooperative management with emphasis on profit-sharing, organisational development, structure of supervisory boards and professional management staff, supply, marketing, production, budgeting and financing, and external transparency.
- Wade Leaman assisted Boris Mihailov and Co., grain producers from the village of Nikolovo in: grain production and storage, improving work methods, setting up a cooperative and the advantages of Western-style cooperative and management, and properly using the new storage facility and the portable grain dryer.
- John Howland, an agricultural volunteer, counseled Jivko Todorov on farm management, modern practices in goat breeding, feeding formula, and general marketing of agricultural products.
- Walter Grunwald, an agricultural volunteer, provided technical assistance to Detelina Flour Mill on technology of flour milling operation, safety, quality control, general management and marketing.
- Edward Valentine counseled Hristo Hristov, Troyan Commerce, on fruit and vegetable drying technologies, drying of medicinal plants, and marketing of such products.

VI. Observations and Lessons Learned

The DRI methodology of implementation, utilizing a top down approach, proved to be effective and successful. It consists of the following stages: performing rapid reconnaissance in the Danube River municipalities, identification of employment opportunity sectors and viable projects within these sectors, providing technical assistance, and capitalization of projects.

- **Rapid Reconnaissance:** The DRI team conducted needs assessments of the individual municipalities and businesses within the region. This stage allowed for concentration of efforts in sectors with the greatest potential to achieve manageable scope of activities and best results with the available resources.
- **Employment Opportunity Sectors:** The sectors identified struck a balance in terms of economic growth potential in the region, job creation and income generation. These sectors are agriculture, agricultural processing and related light manufacturing.
- **Viable Projects:** The DRI team performed due diligence of businesses in the respective sectors to identify projects for technical assistance and project capitalization. The task included on-site visits, evaluation of premises and equipment, assessment of financial condition, and potential and needs of the businesses.
- **Technical Assistance:** Technical assistance focused on addressing clients' specific needs, including general management, marketing, finance, production operations, and other sector- related training. The assistance provided strengthened the businesses and allowed for better performance of the capitalized projects.
- **Project Capitalization:** Technical assistance, in conjunction with project capitalization, proved to be an effective tool for realizing program goals, i.e. job creation and income generation. This approach addressed vital business needs for expertise in the respective areas, as well as for financing.

The above outlined methodology is recommended for executing economic development projects. It proved to be an invaluable tool for the systematic and consistent implementation of the program and achievement of program results.

VII. Coordination with DRI Partners - Synergy

UD/FLAG successfully coordinated assistance efforts with the DRI partners. UD/FLAG participated in the monthly coordination meetings of the DRI implementers — PLEDGE, FLGR, UNDP/ILO, Nachala Cooperative, CRS, and Solidarity. FLAG, in coordination with the other DRI stakeholders, completed monthly implementation reports and contributed to the DRI Key Events Calendar, Implementation Matrix, and Site Map. These tools were used to facilitate planning and synergistic efforts among DRI implementation partners. UD/FLAG prepared a brochure of implementation highlights and FLAG/DRI progress to date, which was presented to DRI partners and USAID. DRI coordination and synergy had proven valuable in terms of obtaining input and information on issues and needs in the Danube River region, as well as in identifying opportunities for mutual strengthening of DRI implementing partners' activities.