



INTERNATIONAL PROGRAMS
AND SPECIAL SESSIONS

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To Whom It May Concern:

Enclosed are two copies of the Fiscal Year 2000 – 3rd Quarter Report for the University of Delaware - Bulgaria Cooperative Agreement (Award No. 183-A-00-97-00020-00), per the grant approval document.

Sincerely,

A handwritten signature in black ink, appearing to read "Gempesaw II".

Conrado M. Gempesaw II
Vice Provost for Academic Programs and Planning

Encl: 2
CMG/tmr

Fiscal Year 2000 - 3rd Quarter Report
University of Delaware/Firm Level Assistance Group
Bulgaria
Period of Coverage: April 1 - June 30, 2000

A. PREVIOUS REPORT UPDATE

UD/FLAG engaged in follow-up activities proposed in the action plan of the SEETI conference specifically in the area on competitiveness and regional trade linkages. FLAG assistance this quarter was focused on group- and cluster-level assistance aimed at achieving considerable increase in our clients' exports and their sustained growth through interventions resulting in improved competitiveness and effective regional trade linkages.

In order to increase the quality and effectiveness of its services and provide an adequate response to the need for efficient marketing information exchange, FLAG established a Trade Development Center (TDC), staffed by all FLAG organizations.

The CFA Training Courses (Level I and II) were brought to successful completion in May. UD/FLAG assisted the establishment of a Bulgarian Association of CFA Candidates and Charter Holders, which aims to enhance the members' investment knowledge and encourage a higher level of ethics and professionalism within the Bulgarian investment community.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

CFA Training Courses

The CFA Training Courses offered by UD were completed in May. The courses prepare candidates for taking the CFA Examination Levels One and Two, which are a requirement for earning the internationally recognized title of Chartered Financial Analyst (CFA).

CFA is a widely respected designation for professionals in the investment industry awarded by the Association for Investment Management and Research (AIMR). AIMR awards the certificate to candidates who have passed the three levels of rigorous testing and obtained a minimum of three years of investment management experience. The CFA curriculum emphasizes the global application of investment principles suitable for analyzing fixed income, equities, derivative instruments and real estate. CFA Charter Holders are equipped for a variety of positions, including security analyst, portfolio manager, research analyst, investment banker, venture capital analyst, and corporate financial officer.

The UD course curriculum is based on the body of knowledge required by AIMR. The CFA lectures provided in-depth coverage of the topics of Accounting Principles, Quantitative Methods, Ethical and Professional Standards, Economics, International Markets and Instruments, Financial Statement Analysis, Corporate Finance, Equity Securities Valuation, Debt Securities Valuation, Derivatives, Alternative Investments and Portfolio Management.

The success of CFA candidates was monitored by in-class exams at the end of each study module. At the end of the course, the participants who demonstrated success rate of above 70 percent received certificates of achievement.

The CFA post-training course evaluation showed the following results:

- 87% of the respondents agree, or strongly agree, that the training program was very useful for them
- 79% agree, or strongly agree, that the training was directly relevant to their work
- 85% agree, or strongly agree, that they will be able to apply what they have learned in their work
- 85% agree, or strongly agree, that the training objectives were met
- 88% assess their overall training experience as excellent, or very good
- 78% have made arrangements to maintain personal, or professional relations with their course counterparts host, and/or training providers

The number of CFA candidates in Bulgaria has been steadily increasing since UD first introduced the CFA training courses three years ago. The CFA program has become widely accepted in the Bulgarian Financial Community. In April this year a group of CFA candidates and charter holders established a Bulgarian Association of CFA Charter Holders and Candidates as a local chapter of AIMR. The goals of the organization include:

- Enhancing investment knowledge and encouraging a high level of ethics and professionalism within the Bulgarian investment community
- Encouraging contacts and communication among investment professionals in Bulgaria
- Supporting and providing useful information to CFA charter holders and CFA candidates.

UD has made a commitment to assist the new association with organizational support, technical assistance, and providing specialized literature. UD recognizes the benefits that self-organization could have in gaining public trust and thus sees the initiative as an important step in fostering ethical and professional standards in the local investment industry.

Trade Promotion Training Seminars

On June 23rd, UD/FLAG hosted a trade promotion training seminar titled: "Trade Financing for Export Oriented Companies." The seminar targeted export-oriented companies from the FLAG priority industry clusters under the Light Manufacturing and Agriculture sectors. Representatives of the Export Promotion Center of the Ministry of Economics were also invited to the seminar.

UD financial consultant and lecturer Dr. John Stocker, and Rossitza Boncheva, a Bulgarian Bank Executive with over 25 year of experience in International and Documentary Bank Payments, were the instructors for this seminar. Both instructors are professionals with significant backgrounds in business planning and advisory services and financial analysis, and both possess an in-depth knowledge of the Bulgarian trade and financial sectors. The

seminar covered the topics of business planning and pro-forma financial statements, opportunities for obtaining trade financing, terms and concepts, types of documentary letters of credit and bank guarantees, INCOTERMS, local and international sources, and requirements for trade financing.

Sixteen representatives of Bulgarian export-oriented companies and the State Export Promotion Center attended the seminar. The event was the first step of a training program, developed by UD/FLAG for the needs of the Bulgarian trade professionals to help their companies adopt competitive strategies and increase exports.

Glenn Surabian - UD/FLAG marketing and sales consultant, instructed the second training course in Export Promotion for Bulgarian light manufacturing and agribusiness producers. The course focused on introducing the managers of Bulgarian export-oriented company to developing effective competitive strategies for international marketing. Fifteen managers and owners of Bulgarian light manufacturing exporters attended the course.

Economic Development Consulting

In response to a request from Vidin Mayor Ivan Tsenov, UD/FLAG advised the municipality on municipal real estate property management and strategic investments. UD/FLAG will follow-up with developing an assistance plan and providing an American expert in the area of municipal development to provide additional technical assistance to Vidin municipality in the fall.

Business Consulting

UD/FLAG consultants prepared a company profile for the *Magura Winery* and made an introduction to a potential source of capital interested in investing in Wineries in Bulgaria. *Magura* built a strong reputation for producing quality sparkling wines (white and red, dry and semi-dry) among the CEE and SEE countries. The winery currently exports to China, Western Europe, and the United States. With the help of the UD consultants *Magura* made financial projections in line with its growth strategy that would attract outside sources of finance.

UD/FLAG consultants carried on business diagnostics and appraisal of *Todor Christov Consult* – a management consulting company from Razgrad. UD/FLAG also advised *Ita Effect Ltd.* from Sofia on the viability of their equity investment and export projects.

UD/FLAG also provided consulting to *Konfruta Ltd.*, a company seeking opportunities to export wheat flour; *Iliia Chalakov SP* looking for financing for the completion of a propane gas station; and *Vassil Prodanov SP* from Petrich on developing leasing schemes for the agricultural equipment he sells.

Credit Financing Consulting

UD/FLAG is committed to assisting its clients in their efforts to get financed by commercial banks, acting as a liaison between the financial institutions and the client companies. This type of assistance is aimed at helping clients approach the financial institutions in the appropriate manner and at increasing their access to credit.

UD/FLAG consultants advised Temenujka Stoichva, CEO of *Engineer Consult Ltd.* – Sofia, on financial management and credit financing. Stoicheva sought UD/FLAG assistance on referral from the Agency for Small and Medium-size Enterprises (ASME). *Engineer Consult Ltd.* is a building company from Sofia, planning to leverage their operations through credit financing of the construction a new residential complex. Upon completion of the development of her business plan, Stoicheva plans to seek credit financing of \$100,000.

Alexander Dimitov, manager of *Shiko D* and Alexander Napoleonov, manager of *Scorpio 24* sought advice on financing their joint project for the construction and operation of a petrol station in Pernik. *Shiko D* and *Scorpio 24* are joint-stock companies from Pernik, specializing in production and trade in construction materials. UD consultants familiarized the managers of the companies with the commercial banks' requirements to credit applicants concerning the minimum acceptable information about the applicant's background, financial documentation and other banks' references. The companies were also advised on choosing among different types of bank guarantees and the respective terms and conditions, and on developing business plans for their ventures.

Technical Assistance for Improved Marketing Strategies

UD/FLAG marketing advisor Glenn Surabian consulted on-site with *Kentavar Ltd.*, - a light manufacturing company from Drianovo. The company produces precision machine parts and has the capacity to produce carbide-tipped tooling and replacement parts for wood and metal cutting machinery.

Kentavar would like to distribute their products overseas. The company is currently exporting primarily to their original equipment manufacturing partner, the German company OEM, which has supplied them with a specialized metal cutting machine for that purpose. *Kentavar* would like to build distribution networks with other countries as well. UD/FLAG is implementing a plan for the company that is aimed at improving the marketing strategies of the company and includes the following steps:

- Assisting the company in developing a new advertising catalog
- Developing an appealing Web site for the company
- Developing a more aggressive trade show participation strategy
- Building a company identity
- Competitive benchmarking

UD/FLAG consultants met with *KAM- Nikola Stoikov* - a furniture manufacturer from Vratsa. The company exports its products to the USA, Germany and Switzerland and wishes to expand its export coverage. UD/FLAG is assisting the company in trying to secure investment of \$350,000 for new woodworking equipment, and in developing new export markets and trade linkages with the USA.

UD Trade Development Services

FLAG established a Trade Development Center (TDC) with the aim of supporting regional trade and linkages. Within the scope of activities of the TDC, UD is focusing on:

- Providing Export Promotion and Competitive Strategies Training Outreach
- Providing Trade Finance Training Outreach
- Financial Analysis for Export-Oriented Companies Training
- Developing business plans for export-oriented companies, conducting trade finance consulting, and providing matching and trade information services
- Building local capacity in trade development services, institutional strengthening, and SEE regional linkages development and partnerships
- Performing coordination and liaison services in the implementation and replication of coordinated assistance packages for SEE development for trade and competitiveness

UD plays a critical role in the achievement of the TDC objectives of export promotion, creation of business-to-business relations, boosting competitiveness, trade facilitation and cooperation, and sustained growth in the targeted industry clusters.

The TDC presented its activities to more than sixty local, regional and international ISOs, government and private sector partners. The Center established relations with the Bulgarian Trade Institute, the Export Promotion Center at the Ministry of Industry, and the Bulgarian Chamber of Commerce. The Center has also joined forces with these institutions in organizing Bulgarian Weeks abroad, facilitating trade show participation and enhancing B2B relations.

A positive outcome was the cooperation established with the Bulgarian Ministry of Industry, aimed at facilitating cross-border trade with Romania. The TDC assisted seventy Bulgarian companies in attending a business-to-business meeting in Gjurgevo on June 29, 2000. The Bulgarian Ministry of Economy and the Ministry of Industry and Trade in Romania organized the event. FLAG provided assistance in selecting participants, arranging transportation for all attendants, preparing a catalogue of participants and facilitating the meeting. As a result, about 52 business contacts involving FLAG supported companies were initiated. FLAG/TDC established a partnership with the Romanian Trade Representative in Bulgaria, the Bulgarian Trade Representative in Romania, the Romanian Export Promotion Center and the Gjurgevo Chamber of Commerce.

A series of business-to-business meetings were held in Skopje, Macedonia from June 6 to June 8, 2000. FLAG/TDC

prepared a handbook of Bulgarian export-oriented companies in the areas of food production, the grain industry, and light manufacturing, and distributed it at the meetings. The TDC representative at the meetings established contacts with the Macedonian Business Resource Center, Regional Chamber of Commerce Skopje, LOL - Macedonia, the Association of Women in Business, PRISMA (a PLEDGE counterpart), Export Promotion Centers of Turkey, Greece, and Bosnia and Herzegovina.

As part of the TDC information services more than 30 Bulgarian export products have been registered at electronic commodity exchanges and trade boards. So far 43 requests have been received and followed.

The TDC is in the process of designing a new web site attached to the FLAG web site to promote its activities. Corporate web pages are also being designed for three FLAG clients:

- *Nikdim Ltd.*, Kazanlak, producer of electrical appliances and insulators
- *Nachevi Ltd.*, Sliven, producer of high quality wooden furniture, and
- *Kentavar Ltd.*, a machine tool manufacturer

UD/FLAG developed a TDC client database comprising active and potential sellers and buyers dealing in FLAG priority sectors in agribusiness and light manufacturing.

UD/FLAG has assigned three dedicated staff members to the TDC operation -- an IT specialist, a systems manager, and an information (database) specialist.

C. CONTRIBUTION TO TARGETS

- Women-owned business: 5
- Women-managed business: 12
- Female employees: 1,600

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members		
INDICATOR	BASELINE	RESULT
1. Export increase in assisted priority industry clusters.	\$17,186,200	\$1,583,960*
2. Value of linkages in assisted priority industry clusters.	N.A.	-
3. Jobs created and retained (Employment generated in assisted priority industry clusters.)	2,287	140
4. Domestic sales increase in assisted priority industry clusters.	\$74,370,900	\$6,030,000*
5. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.	N.A.	11
NUMBER OF PROJECTS COMPLETED:	NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:	NUMBER OF BUSINESSES IMPACTED:
14	6	41

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

Note: * Exports and domestic sales increases are projected annual results.

D. FORECAST FOR NEXT QUARTER

Next quarter UD/FLAG will assist the Trade Development Center (TDC) in organizing a business to business forum in Skopje, Macedonia in conjunction with the Macedonian Business Resource Center (MBRC). The purpose of the forum will be to facilitate cross-border trade with Macedonia and to provide opportunities for trade linkages of Bulgarian export-oriented companies.

In September, UD will start a nine-month training course in Financial Analysis for Export-Oriented Companies. The course will provide in-depth knowledge of financial techniques for export financing, analysis of company operations and forecasting company and industry sales.

Next quarter the Bulgarian Association for Partnership (BAP) will carry out the second round of the National Competition for Young Entrepreneurs. UD/FLAG has made a commitment to provide technical assistance to the association in developing selection procedures for the competition participants and the evaluation of individual projects.

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: Magura AD

Assistance Type: Consulting, Business Plan Writing

b. Volunteer / Trainer Name: John Stocker

c. Description of Intervention: Preparation of Company Profile, Financial Forecasting and Capital Investment Advising

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (increment only)				
		Ind. #1	Ind. #2	Ind. #3	Ind. #4	Ind. #5
1. Exports:	\$96,000	\$15,360	-	-	\$10,000	1
2. Value of linkages:	N/A					
3. Jobs created and retained	55					
4. Domestic sales:	\$60,900					
5. # of companies introducing international industry standards.	N/A					

2.

a. Client Name, Sector: Kentavar Ltd.

Assistance Type: Consulting and Counseling

b. Volunteer / Trainer Name: Glenn Surabian

c. Description of Intervention: Export Promotion Counseling, Development of Export Marketing Strategies

d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (increment only)				
		Ind. #1	Ind. #2	Ind. #3	Ind. #4	Ind. #5
1. Exports:	\$832,000	\$100,000	-	-	\$10,000	1
2. Value of linkages:	N/A					
3. Jobs created and retained	400					
4. Domestic sales:	\$1,240,000					
5. # of companies introducing international industry standards.	N/A					

3.

- a. Client Name, Sector: Owners and Managers of Export Oriented Companies
Assistance Type: Training
- b. Volunteer / Trainer Name: John Stocker
- c. Description of Intervention: Training Seminar on Trade Financing
- d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	\$15,998,200	\$ 1,440 000	-	140	\$6,000,000	5
2. Value of linkages:	N/A					
3. Jobs created and retained	1,452					
4. Domestic sales:	\$71,070,000					
5. # of companies introducing international industry standards.	N/A					

NOTE: The table summarizes preliminary projected results to be substantiated by material evidence in the three months post intervention evaluation.

4.

- a. Client Name, Sector: Owners and Managers of Export Oriented Companies
Assistance Type: Training
- b. Volunteer / Trainer Name: Glenn Surabian
- c. Description of Intervention: Training Seminar in Export Promotion
- d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	\$ 260,000	\$28,600	-	-	\$10,000	4
2. Value of linkages:	N/A					
3. Jobs created and retained	380					
4. Domestic sales:	\$2,000,000					
5. # of companies introducing international industry standards.	N/A					

NOTE: The table summarizes preliminary projected results to be substantiated by material evidence in the three months' post intervention evaluation.

Attachment B
FLAG Coordination
Administrative Support Division

1. ASD provided liaison services between FLAG/UD, FLAG members, and the Trade Development Center (TDC) in administering the Export Financing and Export Promotion seminars.
2. ASD developed time series data of FLAG client records.
3. ASD provided support to the two FLAG Committees, as well as to the Marketing ad-hoc Committee.
4. ASD continued to provide FLAG member organizations with database monthly Implementation Status Reports and quarterly Client Baseline Reports.
5. ASD has 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.
6. 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.
7. ASD provided maintenance and monthly update of the FLAG web site.