

Fiscal Year 2002 – 2nd Quarter Report
University of Delaware
Period of Coverage: January 1 - March 31, 2002

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A. PREVIOUS REPORT UPDATE

UD/FLAG is assisting United Bulgarian Bank (UBB) in utilizing USAID's Micro Enterprise and Small Business Loan Portfolio Guarantee, which is aimed at mobilizing credit for SMEs through the formal financial sector in Bulgaria.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

TRAINING

Accounting Standards Seminars

UD/FLAG offered a seminar in accounting on January 25 in Varna. The instructors were Boiko Kostov and Teodosii Georgiev. The topics covered included expected changes and current issues concerning Bulgarian Accounting Law with an emphasis on the adoption of international accounting standards. Topics discussed also included tax laws and current taxation according to the new developments in accounting and tax legislation. Thirty accountants from twenty-nine local small and medium enterprises attended the seminars.

Business Planning Seminar

In January UD/FLAG organized a seminar in Business Planning, which took place in Bankya. The seminar trained representatives of two local eco-tourism initiative groups working with the BCEG project implemented by ARD. The objective of the workshop was to identify eligible bankable projects to follow up with business plan development and submission to appropriate sources of financing. The instructors for the seminar were UD/FLAG consultants John Stocker and Ilian Komitski. Fifteen representatives of tourism companies participated.

UD/FLAG business planning advisors provided follow-on consulting to ARD clients with the purpose of moving them forward to bankable project status. Those not yet ready for debt financing were advised on next steps they should take with their businesses. The seminar participants' exit evaluations were positive and the clients were quite satisfied with the content and overall quality of the seminar. 100% of the participants reported that the seminar was very useful for them, 62% reported that the training fully met their expectations and 38% that it met their expectations to a large extent.

The UD/FLAG Business Planning training helps companies understand the tools and techniques in planning and financing their businesses to attract outside financing. The seminar presented the elements that are part of a sound business plan, how to identify a company's strengths, overcome its inherent weaknesses, and forecast the financial requirements of the businesses. The training

explored the basic financial ratios and pro-forma financial statements as the most important part of the plan and discussed the importance of the business plan for obtaining finance or credit and raising capital.

Financial Management and Analysis Long-term Training Course

This quarter three regular in-class sessions were held, covering the following topics: Quantitative Methods, Economics, and Managerial Accounting and Finance. Six additional in-class sessions were held focused on topics and problems of special interest for the participants. The three intermediate examinations showed a high level of performance of the trainees.

The Financial Management and Analysis Long-Term Distance Learning course is based on the CFA (Chartered Financial Analyst) program's body of knowledge. This course helps export-oriented firms understand the most widely used techniques in finance, make solid investment decisions, find capital, reduce costs, and increase profits. The outcome of the training will be increased knowledge of global financial principles and the adoption of international accounting standards, resulting in increased competitiveness in international markets.

Ninety participants from 57 Bulgarian export-oriented companies, financial institutions and NGOs are enrolled in the course. The course instructors are highly qualified American and Bulgarian financial advisors and financial management experts with multiple years of experience in Bulgaria and the United States.

Cost Accounting Course

An executive training course in Cost Accounting started March 27th. Twelve representatives of companies from sectors including information technology, food-processing, pharmaceuticals and cosmetics, banking, and NGOs enrolled for the training. The companies represented were ING Bank, Blagoevgrad BT, WizCom, STS Holding Group, Eurooffice, CNSys, Kraft Foods, and the Institute of Market Economy.

This training program encompasses the study of the basic concepts of Cost Accounting, including the identification, determination, and analysis of costs for purposes of managerial planning and control. Emphasis is on the analysis of cost behavior, standard cost identification, budgeting, and responsibility accounting. The course utilizes a variety of methods to study cost and managerial accounting concepts, including the use of problem sets, case studies, computer applications, and additional readings. The course instructors are highly qualified American and Bulgarian financial advisors and financial management experts with several years of experience operating businesses in Bulgaria and the United States. The principal instructors for the course are John Stocker, PhD in Finance and Ilian Komitski, MBA.

This Cost Accounting training course consists of 45 academic hours (one in-class 3-hour lecture per week for 15 weeks). Successful completion of the course requires regular attendance and the successful completion of the homework assignments, exams, and an outside project. The course is designed around the principles of: academic approach through intensive in-class learning

sessions focusing on key elements and practical applications; accessibility to expert advice at the touch of button from American and Bulgarian finance experts; interactive through multimedia presentations in-class and e-mail messaging sessions.

The course is designed for senior management and key decision makers, managers reporting to key decision makers, analysts developing economic, industry specific or company specific reports and presentations, consultants providing strategic and financial management services including the preparation of business plans and the sourcing of capital.

FINANCE FACILITATION

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

UD/FLAG has made a commitment to support the implementation of the guarantee facility. As a result of UD/FLAG intervention, and as of March 31, 2002 41 loans totaling USD 1,973, 772 have been put under guarantee. During the reported quarter 14, totaling \$689,573 has been put under guarantee.

UD/FLAG assisted First Investment Bank in developing the documentation for a Development Credit Authority (DCA) facility. The facility is a portfolio guarantee program for First Investment Bank to cover up to 50 percent of the risk exposure on the principal of loans to qualifying non-sovereign Bulgarian borrowers. The chief objective of the program is to promote long-term financing, which increases the efficiency and competitiveness of Bulgarian entrepreneurs.

Yantra Tours

In line with our cooperation with FIB, UD/FLAG is assisting Yantra Tours JSC in the preparation of its credit application for a loan of USD 750 000 to be put under the DCA facility.

Pivoimpex

UD/FLAG is assisting Pivoimpex JSC in the preparation of a business plan and due diligence for attracting USD 8 million foreign investment. Pivoimpex owns a malt plant with capacity of 75, 000 t. per annum. The facility is 80 % completed and the investment will allow the owners to put the plant into operation and meet their initial working capital needs. The successful finalization of the project will result in opening approximately 3 000 new jobs in the area of Yambol.

In 1988 the construction a new malting plant in Jambol started (barley growing area) in replacement of the eleven old malting plants attached to the various breweries in the country and one small commercial operator. The project was entrusted to Pivoimpex, the state holding

company for the whole Bulgarian Brewing industry. The logic behind this investment still remains valid today: firstly, the newest of the existing malting plants dates from the late 50's and all are in urgent need of rehabilitation and in competition for funds with the modernization of the breweries themselves and secondly the brewers have to tie up a lot of working capital financing a years worth of raw material at harvest time. As soon as a commercial malting plant is in operation the brewers will stop malting themselves. (Undertakings to this effect are already given by the two biggest users of malt in the country, Interbrew and Heineken. - 30 and 36.000 tons of capacity).

Herbs production in Zlatia and Dolni Tsibur

UD/FLAG is assessing the opportunity for setting up a joint venture company for the production of herbs in the villages of Zlatia and Dolni Tsibur. The project provides for farming 4,000 dca peppermint, common balm, brier, chamomile, marigold, fennel, and basil. The project will allow the current title of the project to expand its existing operation and plant additional 1,600 dca of herbs. At present the project employs 600 people of roman origin. The successful completion of the project will open 900 new jobs in an area, which suffers an unemployment rate of above 85 %.

SP Emilia Borisova – Zodiak

UD/FLAG is assisting SP Emilia Borisova – Zodiak, a hotel owner and operator in the town of Samokov in the preparation of the company's application for USD 30, 000 investment loan, which will allow the expansion of the current operation. The project is submitted to UBB to be put under guarantee in line with the Loan Portfolio Guarantee program.

Forum Ltd.

UD/FLAG is assisting Mr. Rusko Ruskov, Manager and owner of Forum Ltd. of the town of Stara Zagora in the preparation of an investment project for the completion of a small hydro-power plant with installed capacity of 1.3 MW, located on the River of Gabrovnitsa. The USD 750, 000 project will be submitted for evaluation to interested equity investors.

C. CONTRIBUTION TO TARGETS

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members		
INDICATOR	BASELINE	RESULT
1. Export increase in assisted priority industry clusters.	N/A	N/A
2. Value of linkages in assisted priority industry clusters.	N/A	\$1,439,573
3. Growth in employment in assisted target firms. (Jobs created and retained)	560	48
4. Domestic sales increase in assisted priority industry clusters.	N/A	N/A
5. Improved competitiveness and efficiency of target industry clusters measured by increased sales per employee ratio.	N/A	\$2,368
6. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.	N/A	N/A
TOTAL NUMBER OF PROJECTS COMPLETED:	TOTAL NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:	TOTAL NUMBER OF BUSINESSES IMPACTED:
15	10	143

- Women-owned business: 0
- Women-managed business: 0
- Female employees: 173

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

D. FORECAST FOR NEXT QUARTER

On-going training offerings will continue in April and beyond subject to USAID funding availability. The following training offerings are part of our continued commitment:

Financial Management and Analysis Long-term Training Course

Sections V and VI of Financial Management & Analysis Distance Training Course will take place respectively in April and May. An in-class session will be held at the end of each Section. The sections will be taught by UD/FLAG consultants John Stocker and Ilian Komitski and by three external experts – Viktor Manev, Alexander Parzedski and Tsvetan Kintisheff. A final examination is scheduled for May.

Cost Accounting Course

The Cost Accounting course continues through April up to the end of June. The sessions take place every Wednesday. A mid-term exam will be held in the middle of May. Participants are working on individual business projects that are due at the end of June.

Introduction to International Accounting Standards

UD/FLAG will offer a course on International Accounting Standards in response to the high demand for a comprehensive and hands-on course on the subject in compliance with the new requirements of the Accounting Law leading to the adoption of IAS in Bulgaria. The course will take place in Sofia from April 22 to April 27.

The course explored the International Accounting Standards framework and concepts. The training was targeted toward leading Bulgarian companies and aimed to improve their compliance with international financial and accounting standards and their competitive performance, ability to satisfy external-reporting requirements, and adopt them with the purpose of achieving comparability across different industry sectors and countries.

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. Pivoimpex, Yambol
 - b. Mincho Benov
 - c. Due Diligence and business plan development
 - d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A			8		N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	80					
4. Domestic sales:	N/A					
5. Introduction of international industry standards (list them).	-					

2.
 - a. Herbs Production, Zlatia and Dolni Tsibar
 - b. Mincho Benov
 - c. Joint-venture facilitation
 - d. Baseline Data / Result Per Indicator

BASELINE DATA		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #5
1. Exports:	N/A			40		N/A
2. Value of linkages:	N/A					
3. Jobs created and retained	480					
4. Domestic sales:	N/A					
5. Introduction of international industry standards (list them).	-					

Attachment B
FLAG Coordination
ASD

1. ASD continued to provide FLAG member organizations with database monthly Implementation Status Reports and quarterly Client Baseline Reports.
2. 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.
3. 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.
4. ASD continued to provide maintenance and monthly update of the FLAG web site.



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April 25, 2002

USAID
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To Whom It May Concern:

Enclosed are two copies of the Fiscal Year 2002 – 2nd 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 "Conrado M. Gempesaw II".

Conrado M. Gempesaw II
Vice Provost

Encl: 1
CMG/itt