

Fiscal Year 2003 - 3rd Quarter Report
University of Delaware
Period of Coverage: April 1 - June 30, 2003

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A. PREVIOUS REPORT UPDATE

During the reported period FLAG/UD has continued its assistance to private Bulgarian enterprises through providing a series of in-country training offerings on financial management and business development topics, as well as finance facilitation and business planning consulting services.

FLAG/UD has continued to provide technical assistance, consulting and training for the development as well as enhancement of small, locally owned and operated hotels, bed and breakfasts, and other services that make tourism work in not yet developed and non-traditional tourist areas of the country. Assistance is targeted at the development of a competitive industry cluster at the regional and city level with the aim to increase the potential for exports, jobs generation and finance facilitation beyond the mass market beach destinations.

B. MAJOR IMPLEMENTATION ACCOMPLISHMENTS

TOURISM CLUSTER

FLAG/UD continued the implementation of the action plan presented in the Assessment of Small Lodging Enterprise Development in the Bulgarian Alternative and Eco Tourism Sector, aimed at achieving increased competitiveness of the Bulgarian alternative/eco tourism industry, export facilitation, increased access to financing and job generation.

FLAG/UD with cooperation from BAAT published the first in Bulgaria comprehensive National Guidebook to Bed and Breakfasts and Guesthouses. The guidebook is in full color and includes information on how to get to the destination, scenic routes and byways, directions to cultural and historical monuments in addition to detailed information on each available B&B and Guesthouse, and is instrumental for promoting in-country travel of foreign tourists and establishing Bulgaria as a preferred alternative tourism destination. A presentation to promote the official launch of the Guidebook was held at USIS on June 30, 2003. Among the invited were the US Ambassador to Bulgaria, US Cultural Attaché, USAID/BG Mission Director and other USAID/BG representatives, FLAG Consortium, other USAID/BG implementers, representatives of the Ministry of Economy, tourism associations, and media representatives.

Alternative tourism major advantages include the following: it is not greatly dependent on destination country political developments; it has a positive impact on social, economical, and population issues in rural and mountainous areas by generating jobs and higher income and spreading out prosperity throughout these communities, contrary to the effects of mass tourism, which concentrates in a few beach and mountain resort areas. Major challenges in alternative tourism relate to poor infrastructure, lack of expertise among local providers and owners for instance in language and management skills, and lack of adequate promotion and advertising. In an effort to help overcome these problems BAAT, jointly with FLAG/UD carried out a series of focused training and advisory sessions, and subsequently developed and published this Guidebook to B&Bs and Guesthouses.

The first edition of the Guide is 2,000 copies. Industry standard suggests that each copy of the guidebook will generate one "Trip with five overnight stays", the economic payoff of which should be 10,000 overnights, plus retail sales of tourist product and services at the local level. As a result, sales are expected to increase by over 25%. Jobs generation in the sector is expected to increase by at least 10%.

FLAG/UD continued its follow-up assistance to the Eco Label Certification and Quality Assurance Programs for the Bulgarian Hospitality Industry through the development of a national Green Hotel Award Initiative, as well as a national Quality Seal of Bulgarian Hotels web sites. Our efforts represent an integral part of a wider initiative for an integrated approach to improve the overall quality and image of the Bulgarian hospitality industry. The wider initiative includes a quality oriented, classification and categorization system of lodging and catering establishments. The Eco-Label Program for tourist accommodations will stimulate SME and thus regional economic development. The adoption of eco-oriented best management practices, as well as new products and services will be needed for implementing eco-efficient building technology, replacing appliances, providing eco-friendly consumables and recycling waste products typically generated by hotels such as paper, glass, aluminum, grease and oils, and organic waste.

TRAINING

Chartered Financial Analysts Training Program, 4 February – 10 May

This course curriculum emphasized the global application of investment principles suitable for analyzing fixed income, equities, derivative instruments and real estate. The study program concentrated on the basic tools of investment analysis. Target audience was a variety of professionals in the financial services industry, including security analysts, portfolio managers, business analysts, research analysts, venture capital analysts, and corporate financial officers. Trainers were local experts and consultants, incl. Ilian Komitski, CFA, Ivailo Avramov, Kosta Savov, Tsvetan Kintisheff. The course lasted 14 weeks and had a review session and final examination at the end. Participants were experts from Bulgarian private financial houses, service and consulting companies and production companies. Final evaluations showed that participants were very satisfied with the course – 100% reported that the training was useful to them and met their needs and expectations.

Corporate Finance Part I, 25 March – 10 May

This course was part of a long-term distance training program in Financial Management. Corporate Finance I is an introduction to the tools and techniques of corporate finance and financial management. The objective was to enable the participant to understand and apply the principles of financial theory to real business problems. Major topics included time value of money concepts and applications, long-term and short-term financial planning, company, debt, and equity valuation, and assessing risk and return. Instructors were Viktor Manev, CMC and Alexander Pazderski. Participants were 14 representatives of Bulgarian export-oriented companies in the following industry sectors: food and beverages, business consulting, cosmetics, financial services, apparel and textile, tourism, IT and communications. Evaluations show that all participants were very satisfied with the course and the training met their needs and expectations. Trainers were evaluated very high at 4.68 (Viktor Manev) and 4.54 (Alexander Pazderski), based on scale 5 – excellent, 1 – poor.

Leasing Operations, 2 - 4 April

FLAG/UD offered a course on leasing operations and procedures that focused on: characteristics of a leasing operation; different types of leasing; legal aspects of leasing contracts; taxation in leasing; collaterals in leasing contracts; securitization of receivables under leasing contracts; types of leasing deals; international leasing contracts; insurance of leasing operations. Trainer for this course was Dr. Borislav Naidenov, a local expert in the field. The course was attended by 15 participants representing 12 companies in the following industries: financial services, business consulting, equity investment holdings, IT and Software development. Trainer was evaluated at an average rate of 4.36. Exit evaluations showed that 65% of participants are very satisfied and 70% saying the course met their needs and expectations.

Effective Inventory Management, 17 - 18 April

This seminar assisted companies to improve customer service, reduce inventory cost, increase productivity, and achieve ISO quality standards and many more benefits to help with their impending integration into EU. The topics covered during the seminar included: usage and demand, lead-time and safety allowance, order cycle and line point, EOQ, min/max and other replenishment methods, stock inventory investment, replenishment process, physical inventory and cycle counting. The seminar was attended by 13 representatives of 10 export-oriented Bulgarian companies in the following clusters: bread producers and confectioners, electronic and plastic components production, export machine engineering, logistics and transportation, paper processing and production, software development, toys production. The seminar participants' exit evaluations were very positive. 100% of the participants reported that the seminar was very useful for them, 77% said that the training met their expectations. Participants also evaluated the trainer at an average grade of 4.60 (based on scale 5 – excellent, 1 – poor).

Financial Statements Analysis, 24 - 25 April and 7 May

In response to the high demand for financial and accounting specific training based on IAS, FLAG/UD held two seminars in Financial Statements Analysis with the local expert Violeta Kasarova, PhD in Economics. The two trainings were held in Sofia and attended by 34 participants from 17 companies in cosmetics and perfumery, financial services, business consulting, electric appliances, home furnishings, food and beverages. The participants' exit evaluations show that 87% of them found the seminar very useful. 92% said that the training met their expectations. Participants also evaluated the trainer at an average grade of 4.74 (based on scale 5 – excellent, 1 – poor). This seminar enabled participants to identify the key elements of the financial statements, understand the major techniques used in ratio analysis, critically assess a set of financial statements, and assist them in releasing more accurate financial statements and in making better investment decisions. The training is designed based on International Accounting Standards.

Competitive Intelligence, 9 May

FLAG/UD organized a seminar in Competitive Intelligence in Sofia. Eleven representatives of 9 Bulgarian export-oriented companies participated in the trainings. The instructors were local consultants Viktor Manev and Alexander Pazderski. The companies were from the following clusters: IT and software development, media and advertising, publishing, business consulting, financial services. The seminar participants' exit evaluations showed that 86% of them found that the seminars were very useful, and all participants said that the training met their expectations. Participants also evaluated the trainers (based on scale 5 – excellent, 1 – poor) as follows: Viktor Manev – 4.62, Alexander Pazderski – 4.29. The seminar explored Competitive Intelligence as a systematic and ethical program for gathering and analyzing information about competitors' activities and general business trends to further company's goals. This one-day course aimed to introduce trainees to the CI fundamentals, tools and techniques and the basics of their practical implementation. The following topics were covered: CI Fundamentals, Tasks of CI, The Axioms of CI, The Intelligence Cycle, Intelligence Tools & Techniques, CI Information sources, Recommendations for information gathering.

Corporate Governance, 10 May

FLAG/UD delivered a seminar on Corporate Governance. Trainers were Viktor Manev, CMC, Alexander Pazderski and Georgi Spasov. Topics covered were corporate governance principles and objectives; the shareholders' company bodies; shareholders' rights and the role of the board of directors; auditors; management systems; evaluating managers' performance and incentives schemes; social responsibility; modern corporate governance models – USA and Europe; characteristics of corporate governance in transition economies and in Bulgaria; using financial statements analysis for early identification of problems in corporate governance. 13 participants from 7 Bulgarian companies attended this training. Exit evaluations showed that for 80% of the trainees the training was very useful and 60% said it met their needs and expectations. Trainers were evaluated at an average rate of 4.45, based on scale 5 – excellent and 1 – poor.

International Accounting Standards, 12 - 14 May

FLAG/UD offered this course to 7 representatives of 5 Bulgarian export oriented companies from the following clusters: agribusiness, food and beverages, paint and varnish production, business consulting. Trainers were five CPAs, members of the Bulgarian Institute of Certified Public Accountants: Zhivko Bonev, Vesselina Petkovska, Boiko Kostov, Totio Totev, Tania Konakchieva, Dimiter Zhelyazkov. The course exit evaluations showed that 100% of the participants found the training as very useful and 75% said that this course met their expectations. The course explored the International Accounting Standards framework and concepts, most widely used IAS compared to the Bulgarian National Accounting Standards (NAS); the new accounting legislation in Bulgaria that requires companies to adopt the IAS.

Corporate PR, 16 - 17 May

FLAG/UD organized a course in Corporate PR. Trainer at the course was the only Bulgarian PhD in PR, Zdravko Raikov. Major topics included: control over corporate image and communication with the public and media, effective PR and corporate communication, building awareness of the organizations brands, products and services, the importance of PR, the role of PR and how it contributes directly to good relations, loyalty internally in addition to with company's customers, clients, suppliers and government. Participants were 9 representatives of 9 Bulgarian companies in the following clusters: financial services, food and beverages, food retail, paint and varnish production, media and advertising, business consulting IT. Course exit evaluations showed that 87% of the trainees were very satisfied with the course and 76% reported that the course met their expectations. The trainer received average evaluation of 4.17 based on scale 5 – excellent and 1 – poor.

Value Based Management, 29 - 30 May

FLAG/UD delivered a course on Value Based Management. This is totally new topic for Bulgaria that introduces new concept for managing company financial and accounting operations. Trainers were Violeta Kasarova, PhD in Finance and Tanya Bankova, CFA. Major topics included: Introduction to Value Based Management (VBM); Accounting Approach vs. Value Based Approach – Accounting and Financial Models, Accounting and Economic Profit; How to Measure the Value of the Company; Managing the Value of the Company - Key Factors of Value and Business Financial Ratios; Key Equations to Define the Value of the Company and Analyze the Financial Ratios; Basic Ratios for Measuring the Growth Rate of Company's Value. Participants were representatives of 9 Bulgarian companies in the following industry sectors: pharmaceuticals, export machine engineering, financial services, food and beverages, food retail, media and advertising, business consulting. Evaluations were very positive, showing that 88% of trainees are very satisfied with the course and all of them report that the training met their needs and expectations. The trainer received an average evaluation of 4.56 (based on 5 – excellent and 1 – poor).

Financial Modeling with Excel, 4 - 11 June

Responding to the high demand for specific skills and knowledge in financial tools and techniques, FLAG/UD conducted a training in Financial Modeling with Excel. This training helped participants learn how to use Excel applications to build a pro-forma model that establishes the relationships between the balance sheet, income statement and free cash flows of a hypothetical company. The training was delivered in a blended e-learning format, using Internet as an innovative tool for learning and coaching. Trainers were UD/FLAG consultants Ivailo Nenov and John Stocker, PhD in Finance and the local consultant Ivailo Avramov. The training was attended by 20 representatives of 16 Bulgarian companies in the following sectors: financial services, business consulting, construction, IT and software development, food and beverages, cosmetics, communications. Participants exit evaluations show that 73% are very satisfied with this course. Trainers were evaluated at an average rate of 4.20 (based on 5 – excellent, 1 - poor)

Financial Forecasting, 5 - 6 June

This seminar was designed for professionals pursuing greater expertise in econometric modeling, and aimed at providing a superb guide to the field's frontier. With the goal of providing up-to-date information, essential to deal within a rapidly evolving financial environment, FLAG/UD conducted this Financial Forecasting seminar for 11 representatives of Bulgarian companies in sectors pharmaceuticals, IT, software, and communications, food and beverages, financial services, beer production. The training focused on methods and models related to foregoing research and examined those modeling techniques that seem relevant for the purposes of both their on-going applicability and future advancement opportunity. The course also presented a balanced synthesis of statistic and econometric theoretical concepts and practical tools for data analysis and modeling. Trainers were FLAG/UD consultants John Stocker and Ivailo Nenov, and Nikoghos Kanaryan – a freelance consultant and expert in the field of finance and risk management. Participants evaluated the trainer at 4.1, and their exit evaluations for the course were very good.

Forfeiting and Modern Trade Finance Schemes, 19 – 20 June

FLAG/UD organized a training course in modern financial schemes and operations. Trainer was Dr. Borislav Naidenov. This course was designed for professionals in banks, non-bank financial institutions, commercial entities, lawyers in financial and commercial law, and experts in trade finance, specific finance operations, and venture capital specialists. Topics included: characteristics of a forfeiting operation and other trade finance schemes; different types of forfeiting; legal aspects of forfeiting; taxation; collaterals; securitization of receivables under forfeiting contracts (promissory notes, bill of exchange, check, warehouse receipt); types of forfeiting deals; credit to suppliers and buyers; international forfeiting contracts and other trade finance instruments; insurance of forfeiting operations. Participants were 12 representatives of companies in the following sectors: cellulose production, yarn production, production of hardwood pulp and wood briquettes, financial services, business consulting services. Evaluations were very positive with all participants reporting that they were very satisfied with this course and it met their need and expectations. The trainer received an average evaluation of 4.86 with 5 being highest.

Sales Management, 26 - 27 June

FLAG/UD conducted a two-day sales training for 18 Bulgarian professionals focused on successful management of sales and marketing teams. Participants were from 14 companies in export machine engineering, construction, pharmaceuticals, insurance services, apparel and textile, business and consulting services, production of feed additives, advertising, paper and cellulose production and processing, food and beverages, software development. Topics included were: strategic analysis of sales and sales teams; Market segmentation; Sales quotes; Territory management; Building successful sales teams; Monitoring and evaluating sales teams; Sales promotion; Merchandising; Customers relationship management (CRM). The course targeted commercial and marketing managers leading sales teams, sales managers, product and brand managers. Trainer was Yavor Yankulov, freelance consultant and instructor. Exit evaluations were positive – 71% of participants were very satisfied with the course and 64% said the training met their needs and expectations. The trainer was evaluated at 4.25 (based on the scale 5 – excellent, 1 – poor).

Corporate Finance Part II, 20 May – 10 July

This training course is part of a long-term distance training program in Financial Management. Corporate Finance II is an extension of Corporate Finance Part I. Major topics covered include: capital budgeting techniques including net present value and internal rate of return, estimation of cost of capital and its application in capital budgeting, implications of financial leverage and capital structure policy, overview of puts, calls, and hedging and speculating with options. Instructor for this course is Tsvetan Kintisheff. Participants are 12 representatives of Bulgarian export-oriented companies. Evaluations are due by the middle of July.

BUSINESS PLANNING & FINANCE FACILITATION

Meat Products Manolov SP

The client is a Vidin-based meat processor that FLAG/UD assisted in business plan preparation a year ago. That plan was approved and financed by the SAPARD program. This time, the company requested FLAG/UD assistance in business plan development for the third stage of its investment strategy, again through SAPARD financing. At the end of June, FLAG/UD completed the second business plan for the client. The investment funds for this project amount to \$470,590.

TRADE FACILITATION & CONSULTING

Kolev&Kolev

The company started operation as a green-field project. The company has a record of growth and has established itself as the leading Bulgarian manufacturers of babies' and children's shoes. Kolev specialize in healthy footwear that is both orthopaedically functional and in line with today's fashions. The client is being assisted in market facilitation, aimed at exporting products on the U.S. market.

Evricom LTD

The company was founded in 1993 in Stara Zagora with 100% private funds. Their main activity is production of paraffin and candles for lighting. The company is a leader on the Bulgarian market and one of the biggest manufacturers on the Balkans. The client is being assisted in market facilitation, aimed at exporting products on the U.S. market.

IT & SOFTWARE DEVELOPMENT CLUSTER

FLAG/UD has continued work on the establishment of a U.S. presence for marketing of the software development capabilities of Bulgarian software firms.

SYNERGY

Business Opportunities – The Reconstruction of Iraq

FLAG/UD, MSI, the Agency for Trade Promotion and Elieff Center, jointly organized a training event for Bulgarian companies interested in business opportunities related to the reconstruction of Iraq. The one-day training attracted close to 70 participants and focused on the following topics: What Prime Contractors Want to Know About Potential SME Vendors; Successful SME Marketing Plans to Prime Contractors; Sources of Business Information; Tariffs, Quotes, Taxes, Payments, Insurance; Risks Involved, Competition; Business Proposal Writing; Effective Presentation and Negotiation Skills.

C. CONTRIBUTION TO TARGETS

- women owned business - 3
- women managed business - 4
- female employees - 87

IR 1.3.2.1 Improved Business Performance of Private Sector Association Members			
INDICATOR	BASELINE	RESULT	RATIO
1. Export increase in assisted priority industry clusters.	N/A	N/A	N/A
2. Value of linkages in assisted priority industry clusters.	N/A	\$470,590	N/A
3. Growth in employment in assisted target firms. (Jobs created and retained)	N/A	N/A	N/A
4. Domestic sales increase in assisted priority industry clusters.	N/A	N/A	N/A
5. Improved competitiveness and efficiency of target industry clusters measured by increased sales per employee ratio.	N/A	N/A	N/A
6. 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:	
20	31	258	

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

D. FORECAST FOR NEXT QUARTER

Tourism Cluster

FLAG/UD will continue to provide technical assistance to niche tour operators offering eco and alternative tourism services in business planning and finance facilitation, as well as to expand their web-sites and provide reservation links to local B&B and small hotels, unique area restaurants, bio farms and arts and craft shops and other tourist service providers in the community. As a result, total sales are expected to increase by over 35%.

Finance Facilitation, Business Planning, Training and Consulting Services

UD/FLAG will continue on-going finance facilitation, business planning, consulting services and training offerings. The following trainings are part of our commitment for next quarter:

Course Title: Investment Projects Analysis and Evaluation

Trainer: Rumen Brusarsky

Duration: 2 days

Course Title: Effective Sales Skills

Trainer: Yavor Yankulov

Duration: 2 days

Course Title: Value Based Management

Trainer: Dr. Violeta Kasarova

Duration: 1 day

Course Title: Business Valuation

Trainer: Dr. Violeta Kasarova

Duration: 1 day

Course Title: Winning Business Negotiations

Trainer: Ivailo Frantz

Duration: 2 days

Course Title: Forfaiting and Modern Trade Finance Schemes

Trainer: Dr. Borislav Naidenov

Duration: 1 day

Course Title: Competitive Intelligence

Trainers: Viktor Manev, Alexander Pazderski

Duration: 1 day

Course Title: Financial Statements Analysis

Trainer: Dr. Violeta Kasarova

Duration: 2 days

Course Title: Effective Inventory Management (Logistics)

Trainer: Dimitar Tenchev

Duration: 2 days

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 # 6. Number of companies from assisted priority industry clusters introducing international industry standards such as ISO, HACCP, AQL, IAS, etc.

1.
 - a. Meat Products Manolov SP, Food processing, STTA
 - b. Kevork Marashlyan
 - c. Business Plan Development
 - d. Baseline Data / Result Per Indicator

BASELINE DATA FY'01		RESULTS (give increment only)				
		Ind. #1	Ind. # 2	Ind. # 3	Ind. # 4	Ind. #6
1. Exports:	N/A		\$470,590			
2. Value of linkages:	N/A					
3. Jobs created and retained	55					
4. Domestic sales:	\$764,700					
6. Introduction of international industry standards (list them).	N/A					

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.