

**Fiscal Year 2003 - 4th Quarter Report**

**University of Delaware**

**Period of Coverage: July 1 - September 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**

#### **TRAINING**

##### **Corporate Finance Part II 20 May – 10 July**

This FLAG/UD course is the last in a long-term distance training program in Financial Management. This course is an extension of Corporate Finance Part I. Major topics covered capital budgeting techniques such as 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. The objective of the course was to teach participants how to estimate future cash flows and take a decision between alternative investment projects, how to determine the optimal capital structure given different financial risk applications, and also to discuss the interaction between schedules of investment opportunities curve and marginal cost of capital. The instructor was Tsvetan Kintisheff and participants came from 11 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 showed that all participants are very satisfied with the course and the training met their needs and expectations. The trainer was evaluated very high at 4.67, based on scale 5 – excellent, 1 – poor.

##### **Investment Projects Analysis and Evaluation, 3-4 July**

FLAG/UD organized a course focusing on capital budgeting tools and techniques (cash flows, capital budgeting methodology, investment alternatives, and risk). The course content represented a balance between theory and practice, useful methodology and large number of case studies and exercises. Trainer was Dr. Rumen Brusarsky, a local expert and university lecturer in the field. The course was attended by 8 participants representing 8 companies in the following industries: IT and Software development, business consulting, financial services, pharmaceuticals, and beverages. Trainer was evaluated at an average rate of 4.47. Exit evaluations showed that 80% of participants are very satisfied and 80% stated that the course met their needs and expectations.

##### **Effective Sales Skills, 5-6 July**

FLAG/UD conducted a seminar in Effective Sales Skills, designed to help sales and marketing teams in acquiring useful skills for examining strengths and weaknesses, improving interpersonal and communication skills in dealing with customers, reviewing the best practices and techniques for customer needs assessment analysis, learning how to approach and attract customers, and reviewing innovative problem-solving approaches. Trainer was Yavor Yankulov, local instructor, assistant professor in the Department of Trade at the UNWE-Sofia. 20 participants from a Bulgarian export-oriented company in light manufacturing took part in the training. The participants' exit evaluations were very positive. 85% of the participants reported that the seminar was very useful for them, 80% 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).

### **Value Based Management, 7 July**

FLAG/UD delivered a course on Value Based Management- a totally new topic for Bulgaria that introduces a new concept for managing company financial and accounting operations. Trainer was Violeta Kasarova, PhD in Finance. 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 Analyse the Financial Ratios; Basic Ratios for Measuring the Growth Rate of Company's Value. Participants were 28 representatives from the cosmetics industry. Evaluations were very positive, showing that 95% of trainees were very satisfied with the course and 95% of them reported that the training met their needs and expectations. The trainer received an average evaluation of 4.43 (based on 5 – excellent and 1 – poor).

### **Business Valuation, 11 July**

UD/FLAG conducted a seminar in Business Valuation in Sofia for 9 participants from 7 Bulgarian companies. The companies represented were from the following clusters: food and beverages, financial services, business consulting, software development, IT solutions, light manufacturing. The trainer was Violeta Kasarova, PhD in Finance. Participants' evaluations showed that 70% of them found the seminar very useful and 90% said that the training met their expectations. Participants also rated the trainer at an average grade of 4.30 (based on scale 5 – excellent, 1 – poor). The aim of the training was to review the best practices, tools and techniques used in business valuations. This seminar focused on business valuation theory, principles, tools and standards; the three approaches to valuation – cost approach, income approach and market approach; and application in value based management.

### **Winning Business Negotiations, 17-18 July**

FLAG/UD organized a seminar on Business Negotiations in Sofia for 9 representatives of 7 Bulgarian export-oriented companies. The trainer was local consultant Ivailo Frantz. The companies were from the following clusters: export machine engineering, health sector, building and construction, business consulting, IT and software development. The seminar participants' exit evaluations showed that 100% of them found that the course was very useful, and all participants said that the training met their expectations. Participants also evaluated the trainer (based on scale 5 – excellent, 1 – poor) as follows: Ivailo Frantz – 4.83. Seminar topics included: introduction to business negotiations, who takes part in negotiations, preparing to negotiate, negotiation process and phases, effective negotiation strategies, tactics and techniques, team negotiations.

### **Forfeiting and Modern Trade Finance Schemes, 25 July**

FLAG/UD organized a training course in modern financial schemes and operations. Trainer was Dr. Borislav Naidenov. This course is 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 cosmetics sector. Evaluations from the course were very positive with 75% of participants reporting they were very satisfied with this course and it met their need and expectations. The trainer received an average evaluation of 4.50 with 5 being highest.

### **Sales Skills: Business Meetings and Negotiations (Handling Objections), 6-7 September**

UD-FLAG held a specific skills training course in Sales: Business Meeting and Negotiations (Handling Objections). The course focuses on special skills needed for successfully negotiating a deal and handling clients' objections. 14 participants attended the training from media and advertising, IT and communications industries. Trainer was the local consultant Ivailo Frantz. Participant evaluations were extremely positive with all of them reporting high satisfaction with the training and 92% saying it totally met their needs and expectations. The trainer, Ivailo Frantz, was evaluated at an average of 4.82 with 5 being highest grade.

### **Sales Skills: Telesales and Communication Skills, 13-14 September**

As a result from the successfully held training on 6-7 September, the same target audience requested training in Telesales and Communication Skills. UD-FLAG held this course on 13-14 September with trainer Ivailo Frantz and 14 participants from media and advertising, IT and communications industries. The evaluations show that 92% of participants found the course very useful also saying it met their needs and expectations. The trainer received an average evaluation of 4.58 for this course (based on scale 5 – excellent, 1 – poor).

### **Competitive Intelligence, 17 September**

FLAG/UD organized a seminar in Competitive Intelligence in Sofia for 12 representatives of 9 Bulgarian export-oriented companies. The instructors for the seminar were local consultants Viktor Manev and Alexander Pazderski. The companies were from the following clusters: IT and communications, business consulting, financial services, logistics, food and beverages, construction. The seminar participants' exit evaluations showed that 90% of them found that the seminars were very useful, and the same percentage said that the training met their expectations. Participants also evaluated the trainers (based on scale 5 – excellent, 1 – poor) as follows: Viktor Manev – 4.46, Alexander Pazderski – 4.37. The seminar explores 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 at the seminar: CI Fundamentals, Tasks of CI, The Axioms of CI, The Intelligence Cycle, Intelligence Tools & Techniques, CI Information sources, Recommendations for information gathering.

### **Financial Statements Analysis, 18-19 September**

In response to the high demand for financial and accounting specific training based on IAS, FLAG/UD held a seminar in Financial Statements Analysis with the local expert Violeta Kasarova, PhD in Economics. The training was held in Sofia and attended by 12 participants from 10 companies in IT and communications, software development, business consulting, financial services, construction, wood production and processing. The participants' exit evaluations show that 92% of them found the seminar very useful, all of them said that the training met their expectations. Participants also evaluated the trainer at an average grade of 4.86 (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 was designed based on International Accounting Standards.

### **Effective Inventory Management, 25-26 September**

FLAG/UD conducted a seminar in Effective Inventory Management, aimed at assisting 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. Topics covered 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 9 representatives of 5 export-oriented Bulgarian companies in the following clusters: food and beverages, light manufacturing, business consulting. The seminar participants' exit evaluations were very positive, 100% of the participants reported that the seminar was very useful for them; all said that the training met their expectations. Participants also evaluated the trainer at an average grade of 4.87 (based on scale 5 – excellent, 1 – poor).

## **BUSINESS PLANNING & FINANCE FACILITATION**

### **ET "HMM-Hilmi Muftiev" – Taran village, Smolian**

FLAG/UD developed a business plan for ET "HMM-Hilmi Muftiev" for the implementation of a SAPARD investment project in the amount of \$67,000. The project focuses on finishing the construction and purchasing the equipment for the tavern and one floor of the hotel. This is the first stage of the four-storey complex for alternative tourism in the village of Taran. The hotel will offer comfortable rooms and the tavern will provide for unique specialties from the Rodope region. The first floor of the hotel offers 5 double rooms, 11 beds, and the capacity of the tavern is 25 guests. It is estimated that 60% of the revenue will come from the tavern since there are no other restaurants in the village. At 50% annual occupancy rate for the hotel, pre-tax profit margin is expected to increase from 13% in the first year to 46% after the repayment of the loan. UBB has agreed to finance 76% of the project with the owner providing the remaining investment funds. With FLAG/UD's assistance ET "HMM-Hilmi Muftiev" applied for 50% refunding from the EU program SAPARD.

Motivated by the abundant natural, cultural and historical attractions in Rodope Mountain, several entrepreneurs united to promote alternative tourism in the region of Smolian. Hilmi Muftiev is a representative of this initiative and the first entrepreneur to build a family hotel in the village of Taran.

### **Village of Mogilitca**

The Local Tourism Council in the village of Mogilitca, Smolian region, leads and manages the efforts of local entrepreneurs to develop an effective alternative tourism operation in the region. Currently, the destination can provide only 15 beds which are not enough to meet the demand from groups of 35 to 40 people. The place is

attractive for foreign and Bulgarian tourists who appreciate nature and ecotourism services. Ten members of the council plan to build family hotels which will increase the capacity of beds available in the village for larger groups. Currently, FLAG/UD is in the process of assisting four local entrepreneurs in the development of business plans for SAPARD application.

**ET "Ostrica M-Mitko Chochev" – Mogilitsa village, Smolian**

FLAG/UD is assisting the client in preparing his business plan for the SAPARD program. To date Mitko Chochev has invested about \$50,000 in a one-storey building and needs another \$49,000 to complete his project. The business plan focuses on the completion of a three-storey family hotel building, restaurant, summer garden with barbecue, parking, and proper equipment for the premises. The house has a comparative advantage with its location and a picturesque view to the mountain. The starting point of the eco-routes is next to the house. The hotel will offer of 17 beds and the restaurant 25 seats. With an average occupational rate of 55% during the summer and 35% during the winter season, the complex is estimated to generate revenue of about \$52,000 annually. Pre-tax profit margin is projected to increase from 7% in the first year to 43% after the repayment of the loan.

**ET "Dinko 90-Dinko Uzunov" – Mogilitsa village, Smolian**

FLAG/UD is assisting the client in preparing a business plan for the SAPARD program. To date Dinko Uzunov has invested about \$31,000 in a three-storey family hotel and a restaurant. He needs an additional \$50,000 to complete the project. The company intends to finish the construction of the hotel and restaurant and purchase equipment for operations. The hotel will provide 18 beds and the restaurant 30 seats. The project is expected to generate annual revenue of about \$50,000. The operating profit margin is estimated to increase from 9% to 44%.

**ET "VAED-Vesko Chetnev" – Mogilitsa village, Smolian**

FLAG/UD is assisting the client in preparing a business plan for the SAPARD program. To date Vesko Chetnev has invested about \$25,000 in a four-storey family hotel and needs about \$50,000 for additional construction works and equipment to finish the project. The hotel is located in the center near by the main historical attraction in the village. The hotel will provide 16 beds and is expected to generate annual revenue of about \$25,000.

**Borislav Slavchev – Smolian village, Smolian**

FLAG/UD is assisting the client in business preparing a business plan for the SAPARD program. Borislav Slavchev has a four-storey family house. He plans to equip two of the floors properly for guests and to build a restaurant with capacity of 30 seats. The guesthouse will offer 13 beds. So far, Borislav Slavchev has invested \$35,000 in the house and needs additional \$20,000 to complete the project.

## **TRADE & INVESTMENT FACILITATION**

FLAG/UD facilitated the contacts between Goyaike S.A., one of the largest commercial seed producing and cattle breeding facilities in Argentina, and respective Bulgarian companies operating in that field. The visit was part of Goyaike's mission to Bulgaria aimed at identifying investment opportunities in the region. Goyaike S.A. is family-owned Argentinean company (member of Peres Group) with over 30 years of operational history in the agricultural sector. The company is interested in investing in the field of animal biotechnology and potatoes, corn, soybean and wheat seed multiplication. Goyaike S.A met with the chair as well as selected members of the Bulgarian Association of Grain Producers, the Association of Cattle Breeding, and the Agro Bio Institute in Sofia – Bulgaria's leader in biotechnology. On-sight visits also took place to four leading Bulgarian companies in the field of grain production, as well as a Cooperative in Dobrudja.

**Kolev&Kolev**

FLAG/UD facilitated a linkage between Kolev&Kolev, the leading Bulgarian manufacturer of babies' and children's shoes, with a Moldovan importer interested in purchasing approximately \$120,000 in shoes over the coming twelve months.

## **TOURISM CLUSTER**

FLAG/UD continued its follow-up assistance to the Eco Label Certification and Quality Assurance Programs for the Bulgarian Hospitality Industry through the development and launching 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.

### **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.

**C. CONTRIBUTION TO TARGETS**

- women owned business - 0
- women managed business - 0
- female employees - 35

<b>IR 1.3.2.1 Improved Business Performance of Private Sector Association Members</b>			
<b>INDICATOR</b>	<b>BASELINE</b>	<b>RESULT</b>	<b>RATIO</b>
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	\$187,000	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
<b>TOTAL NUMBER OF PROJECTS COMPLETED:</b>	<b>TOTAL NUMBER OF VOLUNTEERS / TRAINERS PROVIDED:</b>	<b>TOTAL NUMBER OF BUSINESSES IMPACTED:</b>	
20	16	329	

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

#### D. FORECAST FOR NEXT QUARTER

FLAG UD has requested a three-month extension, with no additional USAID funding, from the present termination date of October 31, 2003 to January 31, 2004. This extension will allow us to complete commitments to local partners and on-going TA, meeting or exceeding original goals as stated in the current CA. These additional three months (January will largely be devoted to close-out measures) will enable us to have an even more successful impact on the Bulgarian private sector, as well as to secure program close-out in accordance with stated procedures.

#### **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**

As a follow-up to the July 2003 training FLAG UD provided together with MSI and the Trade Promotion Agency to Bulgarian businesses on business opportunities related to the reconstruction of Iraq and in response to the expressed demand by our clients for facilitating contacts with businesses in the Middle East, FLAG UD in cooperation with USAID Bulgaria and USAID Jordan will carry out in November 2003 a fact finding and business development trip to Amman, Jordan for several leading Bulgarian businesses interested in rebuilding opportunities in Iraq.

We believe that Jordan is the ideal place in the Middle East not only because of its geographical location but also due to the historical track record of good trade relations the country has with Bulgaria. The purpose of the trip to Jordan will be to establish relations with formal and non-formal parties and meet business people who can become counterparts for doing business with Iraq.

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:

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#### **October 2003**

**Course Title: Sales Management**

Trainer: Yavor Yankulov

Duration: 2 days

**Course Title: Principles of Financial Accounting**

Trainer: Kalina Pelovska

Duration: 6 weeks

**Course Title: International Accounting Standards**

Trainer: Totio Totev, Zhivko Bonev, Tatiana Konakchieva

Duration: 8 days

**Course Title: Effective Sales**

Trainer: Yavor Yankulov

Duration: 2 days

**Course Title: Sales Skills**

Trainer: Yavor Yankulov

Duration: 2 days

**Course Title: Brand Management**

Trainer: Petar Manouvsy

Duration: 2 days

### November 2003

**Course Title: Winning Business Negotiations**

Trainer: Ivailo Frantz

Duration: 2 days

**Course Title: Effective Inventory Management**

Trainer: Dimiter Tenchev

Duration: 2 days

**Course Title: Leasing Operations**

Trainer: Dr. Borislav Naidenov

Duration: 3 days

**Course Title: Financial Modeling with Excel**

Trainers: Ivailo Avramov, Ivailo Nenov, John Stocker

Duration: 2 weeks

**Course Title: Budgeting**

Trainer: Viktor Manev, Alexander Pazderski

Duration: 1 day

**Course Title: Corporate Governance**

Trainer: Viktor Manev, Alexander Pazderski

Duration: 1 day

### December 2003

**Course Title: Introduction to Quantitative Methods**

Trainer: Nikoghos Kanaryan

Duration: 6 weeks

**Course Title: Collaterals and Guarantees**

Trainer: Dr. Borislav Naidenov

Duration: 2 days

**Course Title: Strategic Planning**

Trainer: Viktor Manev, Alexander Pazderski

Duration: 1 day

**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. ET "HMM-Hilmi Muftiev". Tounsm, STTA
  - b. Dessimira Psycheva
  - 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		\$67,000	4		
2. Value of linkages:	N/A					
3. Jobs created and retained	2					
4. Domestic sales:	N/A					
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.