



## Southeast Europe Enterprise Development

### Quarterly Report Highlights: May 01 – June 30, 2004 (Q4 FY04)



#### ACCESS TO FINANCE

**Leasing Development** – SEED has helped broker an agreement between all nine leasing companies currently operating in Serbia to form an Association of Leasing Companies in Serbia (ALCS). The goal is to transfer a significant portion of leasing development activities to local stakeholders thus leveraging SEED's resources. As one of the first steps, the ALCS agreed to finance the entire second stage of the leasing national awareness campaign envisioned to last for the next three months. The campaign will target primarily SMEs and individual entrepreneurs in an effort to enhance understanding of the benefits of financial leasing. Additionally, two leasing trainings were held in Belgrade and Kragujevac during this quarter. The trainings were delivered to 39 participants from 31 organization to increase their knowledge on leasing and understanding of the benefits of this financing alternative.

**Factoring Development** – In addition to leasing development, SEED is moving forward with introducing other wholesale access to finance products in the region. In FYR Macedonia, SEED has performed extensive research for the purposes of preparing a factoring feasibility study. SEED representatives visited all relevant players in this field: businesses, financial institutions, government, regulators etc. SEED has assessed (i) legal environment for starting factoring operations in the country (legal survey); (ii) analysis of tax and accounting treatment for factoring (tax and accounting report); (iii) commercial banks' interest and capacity in introducing factoring as a new product along with the interest among companies in using this product (market study). With the help of an international expert, an overall Factoring Market Feasibility Study was developed to incorporate findings of all local reports. Following the study's publication, SEED has conducted two factoring roundtables - one for banks and bank like institutions and the other for businesses. Both of these workshops stirred a lot of interest within the public and private sector community. The opportunity was used to introduce Prvi Factor, a Slovenian factoring company with 13 years of experience in the business who shared some of its practices with the Macedonian businesspeople.

**Alternative Dispute Resolution** - The mediation pilot project launched during the previous quarter with the 1st Instance Court in Banja Luka, Bosnia is showing encouraging results. In the first month of operations, the mediation centre helped successfully resolve approximately 20 commercial disputes releasing assets totalling EUR 1 million. The average duration of these mediations was approximately 1.7 hours, which is an enormous success given that some of these disputes were argued before courts for three or more years before entering mediation. Given the overwhelming interest within the business community, the pilot will continue into the next quarter as well.

**National Commercial Bank Capacity Building** – During this quarter, SEED has completed a capacity building program for the staff of the National Commercial Bank of Albania, with an intention to build competencies and expertise of the bank to better service its clients and the SME sector in particular. Four training modules (3 days each) have been prepared and delivered during April-June 2004. The trainings were focused on credit issues and branch management practices given that these were the areas of the greatest interest for NCB. Over 70 bank employees from 15 branch offices and headquarters attended this training.

#### LINKAGES

SEED is currently preparing an assessment and development plan of the domestic distribution network for **Metalac** from Gornji Milanovac, Serbia, the largest cookware manufacturer in the Balkans. The company has approximately EUR 30 million in sales, 65% of which is generated in the domestic market. SEED's intervention aims to improve efficiency of the distribution chain of larger and smaller wholesalers and retailers, through introduction of good management practices. Moreover, SEED is helping the company optimize its activities and add value in the Metalac downstream supply chain, consisting of 40 larger wholesalers, about 500 smaller wholesalers and retailers, and a Metalac - owned retail network. In addition, SEED is assisting the management in creating a redundancy plan for approximately 150 employees.

Another ongoing Linkages project is the one with **Sunce** from Sombor, the third largest edible oil producer in Serbia and Montenegro. The company has demonstrated consistent growth in the past period, significantly increasing the number of suppliers it works with. SEED has produced a farmers' needs assessment with a goal to improve the performance of the value chain through developing access to finance programs for the farmers. An external industry expert has been commissioned to prepare a detailed report on farmers needs in terms of equipment that would stabilize the quality and the yield, and therefore the raw material supply of Sunce.

During this quarter, SEED developed and delivered an extensive corporate governance training program for the management of **Privatization Investment Fund** portfolio companies in Bosnia. The program was implemented in three three-day modules covering the topics of disclosure, transparency, shareholders rights, roles of board members, regulatory framework and investor information requirements. There were approximately 25 participants that took part in the training, and the fees collected exceeded EUR 10,000 covering the total local costs incurred. The entire effort was implemented through a local consultancy partner, marking a stronger shift towards facilitation in the local markets. Given the expressed interest, SEED intends to replicate this training and possibly expand to other types of corporate governance services to SMEs. Wherever possible, in designing and executing corporate governance programs, SEED will tap into IFC's extensive knowledge and resources in this area.

#### BUSINESS MEMBERSHIP ORGANIZATIONS

Continued education and training services to **Employers' Confederation of Republika Srpska (ECRS)** and support to its members was in the center of SEED's efforts of strengthening BMOs in Bosnia. During this quarter, ECRS and SEED have completed a first set of trainings to ECRS membership. Approximately fifty participants took part in workshops on marketing, financial reporting, sales management and human resource management.

These two-day training programs were developed with an intention to help entrepreneurs overcome obstacles impeding business growth, and equip them with the tools needed to perform different roles and functions in running their businesses. The training topics were based solely on ECRS membership demand and tailored to participant needs thus ensuring a high level of flexibility and resilience. Being well adjusted to ECRS member demand, the trainings have received a very positive feedback from participants. SME managers and employees have evaluated the program with highest marks (the average

score in all four trainings was 4.65 out of 5.00 points).

Having considered these and other positive reactions of participants, the Employers' Confederation and SEED intend to develop and implement other training programs for ECRS members in the future as well. As it has been the case so far, the trainings will be based upon demand to ensure their effectiveness and relevance. In addition to helping SME membership, the capacity building program also aims to strengthen the link between the association and its membership, and to improve on the services already provided by the ECRS. First reactions from entrepreneurs are showing that these objectives are being met.

## INSTITUTIONAL STRENGTHENING

**SME Macro Study** - Policy-making in Albania has been greatly hindered by the scarcity of reliable information and statistics on the SME sector, so the Albanian SME Agency asked IFC for assistance in addressing the problem. Drawing on qualitative and quantitative analyses of available statistical information, SEED helped to develop an SME Macro Study that provided an overview of SME economic activity in Albania for the period 1998-2001. The study established indicators for monitoring SME performance and the role played by these businesses in economic growth, in addition to their level of compliance with EU Standards. The study is being used as a tool for policy makers in designing strategies and incentives for SME development.

**Ministry of Economy** – During this year, acting upon request from the Macedonian Ministry of Economy, SEED has created a platform centred around this institution as a key-holder to add upon the MoE's limited resources in supporting SME development. A number of consulting services, capacity building interventions and business enabling environment initiatives were implemented within the platform during this quarter. The Macedonian shoe cluster is one of SEED's more notable clients within this program. The cluster has formed a footwear industry association in Kumanovo area with SEED's support in an effort to build the capacities of local manufacturers through an integrated consulting and capacity building program as well as to promote investment and business opportunities within the industry. For this purpose, SEED has undertaken an extensive research of the industry and developed a shoe cluster study which was presented to the business community and the public sector. The Macedonian Minister of Economy has voiced strong support and commitment to future SEED's activities within the footwear industry. Building upon this partnership with both private and public sector, SEED intends to create a separate program designed to support the footwear industry in Macedonia.

Additionally, during this quarter, SEED has implemented a 10 day company training program for shoe cluster members through a local implementing partner. The program was carried out during May and June and it was structured in 6 training modules on topics encompassing investment decision-making, team building, tendering, leasing, ISO standards and business law.