

ANNUAL REPORT  
2002

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Southeast Europe  
Enterprise Development

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FYR MACEDONIA • FR YUGOSLAVIA

**IFC**

International Finance Corporation



The World Bank Group



**SEED'S  
MISSION**

To support SME development and improve  
the overall environment for SME growth  
and competitiveness in the region.

**The World Bank Group  
SME Department  
MISSION**

Improving lives by creating  
opportunities in small business.

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## **SEED Annual Report 2002**

### **Report Coordinator and Editor**

Denis Obarcanin

### **Editorial Team**

Mariann Kurtz, Jane McNeil, Hans Shrader, Kathy Wujcik, Senada Hadzagic

### **Photography**

Denis Obarcanin, Mark Fallander, Chris Miller

### **SME Department Support**

Rob Wright

### **Design Layout**

Goran Zavadil for Tirada doo, Sarajevo

### **Printing**

CPU, Sarajevo

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## MESSAGE FROM HAROLD ROSEN

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I am delighted with the progress SEED has made in this, its second year of operations. Its mandate of promoting sustainable small business development in the Balkans is a remarkably difficult one, especially since IFC and our donor partners ask it to work simultaneously on so many fronts: raising capital, building capacity, improving the business environment for SMEs, and others. Doing so successfully in such a volatile region would be hard for any organization, and I am encouraged by this year's clear signs that SEED has found its way.

I well remember the Sarajevo launch meeting back in September 2000. All of us who came together then to form SEED realized that much donor-funded private sector development activity was already underway. Still, we felt there was something to be gained by carefully defining local SMEs' key unmet needs, then pooling our resources in finding cost-effective ways to address them. As the manager of several similar SME facilities around the world, IFC was in a good position to spearhead these efforts, but knew it had much to gain by working with other partners and leveraging SEED's interaction with their programs.

Two years on, I think we're seeing the kinds of results we all had in mind at the outset.

In late 2001 for example, our Austrian donor approached SEED for help in designing a new financing structure that would usher in more of the term lending so badly needed by SMEs in FR Yugoslavia. The resultant collaboration has led to a new EUR 6.6 million credit line from Raiffeisenbank in Belgrade, partially guaranteed by the Austrian government, for which SEED's Investment Services team is helping generate deal flow. This is just the kind of cooperation on the financing side we were looking for.

It was also good to see SEED as an important part of the team that



designed the World Bank's new USD 44 million Business Environment Adjustment Credit for Bosnia and Herzegovina. This project will support new commercial legislation essential to improving the business environment in customs administration, business licensing and registration, and other areas - important steps in fostering a more dynamic Bosnian SME sector.

SEED has also been doing good original work in building capacity, such as with its regional training courses to strengthen the consulting industry. The fact that its 'Development of Consulting as a Business' workshops drew 125 fee-paying participants in four countries is a clear sign of demand being met, and a likely improvement in the quality of local business development services.

There is, of course, more to be done to refine these good initial efforts and, especially, to explore methods to transfer as many of them as possible to the local private sector in ways that will hold up over time. None of this will be easy, but I look forward to seeing our good momentum continue in 2003, and to ongoing close collaboration with all our donor partners in this important work.

Harold Rosen  
Director  
World Bank Group SME Department

## MESSAGE FROM MARIANN KURTZ

**D**edication. Teamwork. Tenacity. Vision. SEED's team of local professionals employed all of these traits to make our second year of operations a success. SEED's team including talented local consultants delivered detailed analyses of business performance and prioritized recommendations for improvement to 31 companies this year. Twenty companies benefited from investment plans of which 14 were financed for a total of \$9.1 million. Nearly 700 jobs were created or retained in SEED client companies which paid over \$90,000 in fees for SEED's services. More than 1,600 SME employees benefited from SEED training programs and more than 1,000 local business service providers received training and technical assistance. These groups paid over \$120,000 for SEED's assistance.

These are promising signs that entrepreneurs are beginning to value, and are willing to pay for quality advice and services. Given the volume of donor assistance in the region, this represents an important shift from dependence on highly subsidized programs to careful selection of commercially-based products and services. To support this shift, SEED selected through a competitive process, over 45 consultants representing 13 firms in the region to act as partners in delivery of our programs. These consultants work side-by-side with SEED's own local staff to identify clients and design tailored solutions for their needs.

To further support the local service providers, SEED provided training to help these entrepreneurs in their own right to better market and manage their own consulting practices. Likewise SEED provided assistance to self-motivated business associations to create strategic plans for increasing membership and providing fee-generating products and services. All of these efforts are aimed at enhancing the ability of local service providers to play a valued and sustainable role in supporting the growing entrepreneurial sector.



Supporting small business development in Southeast Europe, however, remains a daunting task. The business environments still lack sufficient transparency and ease of process to attract entrepreneurs into the formal economy. Access to capital remains a constraint to growth as does the ever-changing political climate. Elections will be held in the fall of 2002 in FYR Macedonia, Bosnia and Herzegovina (BiH) and FR Yugoslavia. Albania withstood its own change in government last year while FYR Macedonia weathered a resurgence of ethnic tensions and fighting. Investor confidence at home and abroad is naturally sensitive to the continued growing pains of the region.

Still, significant inroads are being made to improve conditions for business. SEED supported the drafting of a leasing law which was adopted by FYR Macedonia parliament in January. Drafting of leasing legislation is currently underway in the rest of SEED's countries. Ministries in FYR Macedonia and Serbia dedicated to SME development have partnered with SEED to craft national SME strategies. Meanwhile SEED partnered with the World Bank and local private sector actors to develop new credits to support the business environment and poverty reduction strategies for BiH and Albania, respectively.

SEED has formed many effective partnerships in the last year with local professionals as well as other donor agencies. I want to express my appreciation to these partners and our staff for their innovative ideas and effective collaboration. I look forward to our continued partnership and joint success in the years to come.

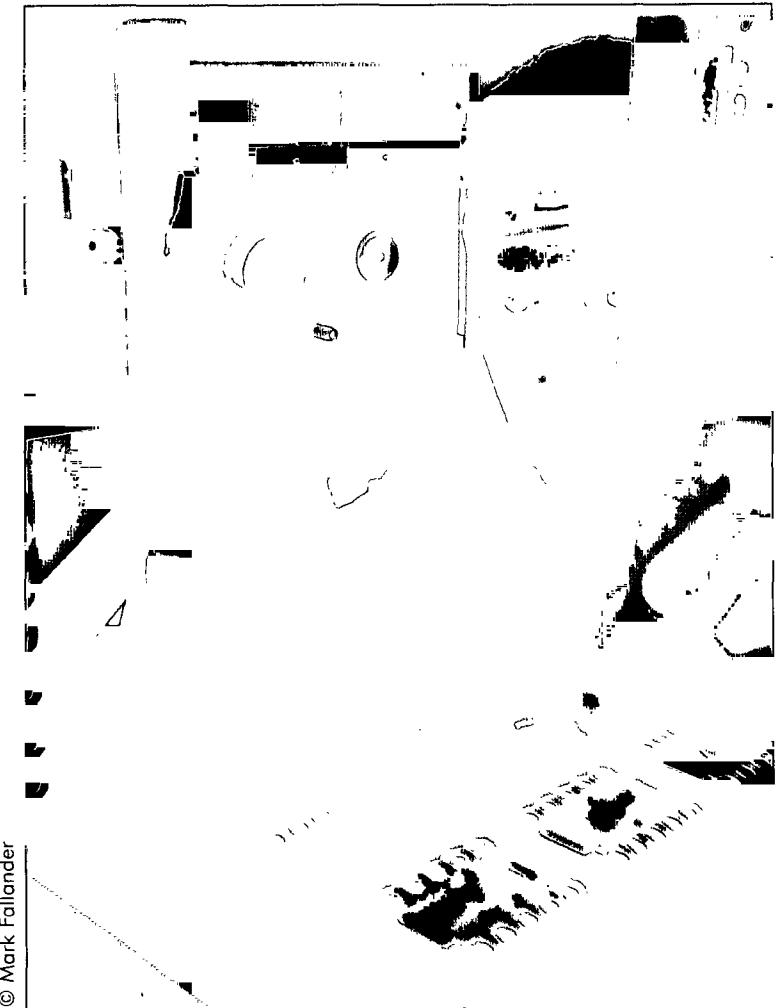
A handwritten signature in black ink that reads "Mariann Kurtz".

Mariann Kurtz  
General Manager  
SEED

# SEED'S MANDATE

SEED officially opened its doors in September 2000 and currently provides services to the small and medium enterprise sectors in Albania, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia (Serbia, Montenegro and Kosovo).

SEED supports the development of SMEs as well as individuals and institutions that serve the needs of SMEs. SEED works in concert with other donors and local institutions to enhance the broader enabling environment in which all of these stakeholders operate. SEED currently offers a broad range of services, including consultancy advice and financial match-making for SMEs, capacity building to local service providers, and support for policy and legislative reform.



© Mark Fallander

Assembly of electric boxes AB Technics Sarajevo, BiH



SME DEPARTMENT WEBSITE:  
<http://www.ifc.org/sme>

# INVESTMENT SERVICES

SEED Investment Services provides management and financial consultancy to SMEs in the region. The team focuses on finding solutions to the broadest range of problems and helping firms grapple with the issues that interfere with their successful development. SEED does NOT make investments; rather it actively tries to match SMEs with appropriate investors and financiers. In addition, our consultancy work focuses on the internal problems that hinder growth and competitiveness of our client companies. SEED interventions cut transaction costs for both the SME and the investor, and build confidence in the market for increased investment in the SME sector. During FY 2002, SEED delivered 20 Investment Plans, of which 14 had received total financing of \$9.1 million prior to June 30, 2002. In addition, 31 companies received an Internal Enhancement Plan (IEP), an in-depth analysis of current operations with prioritized recommendations for improving their performance. The IEP is quickly becoming one of the most valued products offered to SEED's SME clients.

Based on the increasing demand for Internal Enhancement Plans, SEED has developed a number of new non-investment products to complement the IEP. Specifically, SEED and its network of local consultants are now able to specialize and focus on the following four product areas

## 1. FINANCIAL PRODUCTS

- Financial Analysis
- Financial Modeling
- Financial Projections
- Financial Ratios
- Valuations
- Cost Analysis
- Breakeven Analysis
- Working Capital Planning

## 2. TECHNICAL PRODUCTS

- Process Review
- Capacity Analysis
- Capability Analysis
- Cost Analysis
- Inventory Management
- Purchasing Policy
- Equipment Appraisal
- Equipment Investment Analysis

## 3. MARKETING PRODUCTS

- Sales Analysis
- Market Analysis
- Marketing Strategy
- Marketing Plans

## 4. SOCIAL and ENVIRONMENTAL PRODUCTS

- Environmental Analysis

## Consultancy Network

SEED has developed a strategic alliance with 17 local consultancies from SEED's four target countries. The network is designed to extend the reach of SEED's Investment Services to expand exponentially its capacity to deliver products, and to support Investment Services with core competencies outside of the financial field.

During the past year, SEED conducted competitive tenders to identify and select local consultancies to participate in SEED's network. The applicants were asked to complete a business plan exercise and define how they would best add value to SEED's mandate. In total, the 13 partnership agreements signed encompass 47 consultants. The agreement stipulates that to qualify for inclusion, the consultancy had to be local/locally registered and book no more than 30% of their business with SEED.

SEED provides marketing training and capital to facilitate each consultancy's market outreach with the aim of identifying a pipeline of potential clients. SEED provides a second screening to the pipeline, and helps the consultancies tailor an array of services to high potential clients. SEED and members of the consultancy work side-by-side on project implementation, thereby allowing SEED to maintain quality control. SEED's involvement with and reputation as a part of the

Members of the Consultancy Network meeting in Montenegro



# INVESTMENT SERVICES

International Finance Corporation helps to build a trusting and valued relationship between the consultants and entrepreneurs, who are unaccustomed to using consultancy services

All SEED services are provided to SMEs for fees. The fees are set to reflect local market conditions, thus creating or sustaining demand for high quality, local services on a commercial basis. Currently SEED collects the fees and pays the local consultants. As market confidence increases in the local consultancy sector, more and more services identified through the Internal Enhancement Plans will be provided directly by the consultancy network and paid by the client to the local providers.

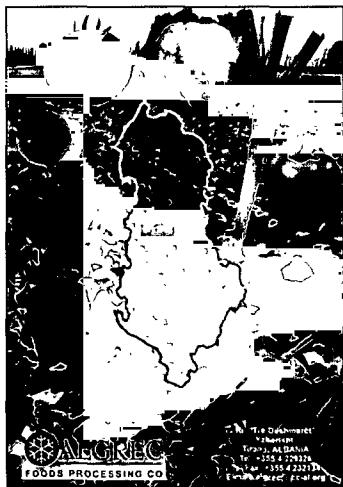
In the past year, SEED has provided assistance in a number of sectors and to companies of various sizes. Most notably, our work has helped companies in the food processing, pharmaceutical, metal production and packaging sectors to raise financing in the toughest of financial conditions. Highlights of SEED's work with selected Investment Services clients follow

## ALBANIA

### Algrec

Algrec is a Tirana-based frozen food processor that employs 10 full time staff and 50-80 seasonal workers. The company began operations in 1999 after signing a rental agreement for a relatively modern but state-owned vegetable processing facility controlled by the Ministry of Public Economy and Privatization. The company

retails its own brand of frozen vegetables for export to markets in Germany and Greece



Algrec, like most agri-business firms, needs access to working capital. Since the company rents the bulk of its premises and equipment, it has very limited collateral. SEED prepared a report titled "Raising Working Capital" on the company's behalf and began a marketing process to convince a local bank to invest in Algrec. Credins, a private bank headquartered in Tirana, has provided an initial USD 50,000 loan with an option for an additional USD 100,000 in the next six to ten months. As one of the first loans of its type in Albania, this may help create a precedent for SME lending that was previously considered too risky

## BOSNIA & HERZEGOVINA (BiH)

### Fratello Fish and Seafood Products

SEED brokered a EUR 2 million investment by Horizonte Venture Management into Fratello, a leading Bosnian fish and seafood products distribution company with a 12% market share and considerable exports to its neighboring countries. On March 29, 2002, Horizonte signed the agreement to obtain a 30% equity stake in the company for EUR 765,000, and will jointly raise EUR 1.3 million with Fratello to finance the construction and establishment of a fish processing and packaging facility in Banja Luka. This foreign equity investment represents one of the first of its kind in the Republika Srpska and is expected to help the overall investment environment in the country.

The Bosnia Horizonte Fund is one of five funds managed by the Venture Management Group based in Vienna. It is one of the largest fund managers currently operating in Southeast Europe and



includes International Finance Corporation (IFC) as one of its investors. SEED has developed a strong working relationship with this important but rare source of equity capital. SEED provides post-investment services to existing Horizonte investments and selects strong SMEs that are identified as potential investment candidates.

### AB Technics

AB Technics is a private engineering company in Sarajevo established in 1991. The firm specializes in varied engineering works, such as mechanical, electrical and hydro technical design and construction. As a result of SEED's efforts in creating and marketing the Investment Plan, AB Technics was able to raise financing of EUR 600,000 from a local bank and a bilateral credit line. Since the company is

# INVESTMENT SERVICES

involved in light manufacturing and engineering products, it is extremely hard to identify financing for such companies in an environment in which banks prefer to work with export-oriented producers and trade companies. By working with this company, SEED was able to demonstrate that these types of companies are increasingly becoming part of the banking sector's corporate strategy

## FR YUGOSLAVIA

### PUM & IMPAZ Dairies

SEED has taken an active part in supporting the development of ten independent dairy companies across Serbia. These small and medium-sized dairies are now looking at merger possibilities that are likely to improve their overall investment attractiveness. SEED has helped these independent companies analyze the feasibility/viability of a merger, to undertake fundamental operating, financial and ownership changes, and to raise external financing. The successful restructuring of these companies should lead to an increased demand for milk products since the market can rely on a consolidated, reliable supply. The current structure involves hundreds of farmers, suppliers and collectors, all of whom will need to be integrated for the system to work efficiently.



Mladost dairy in Kragujevac, Serbia

### Stefani

Stefani is one of a new breed of integrated private berry processors. SEED provided a detailed analysis of the company's current operations and its ability to undertake an investment and generate a satisfactory rate of return for the new investor. SEED's role was crucial in marketing the Investment Plan to Raiffeisen Bank Serbia and in providing the justification for the first time use of the FGG Risk Reserve Scheme

The FGG Risk Reserve with Raiffeisen Bank Serbia is designed to give additional incentives to the bank to provide financing to a broader group of SMEs that is currently excluded from financing. With the help of SEED and with use of the FGG Risk Reserve, Stefani was able to finance EUR 225,000 that will be used to enhance its processing capabilities and to plant an additional 30 hectares of land with a higher quality and better yielding variety of raspberry designated for export to discerning customers in the EU. Djordje Stevanovic commented on his company's cooperation with SEED to date: "SEED and its associates helped us resolve many dilemmas. As a result we were better able to define the future direction of our business."



Stefani workers sort berries in Pozega, Serbia

## FYR MACEDONIA

### Plastex

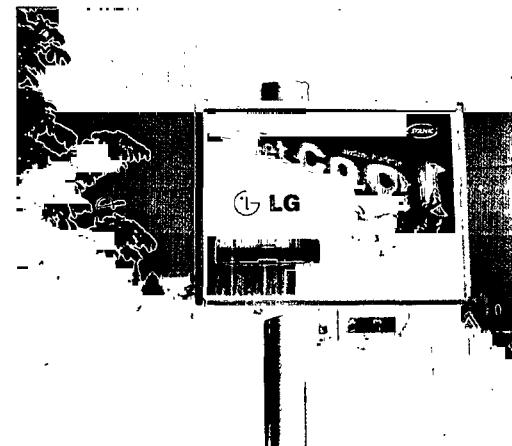
Plastex is a private manufacturing firm producing various types of plastic bags used in retail business, industry and households. With a 20% market share, the company is one of the largest producers of high-density propylene bags in FYR Macedonia and exports its products to Kosovo, Albania and Greece. The company intends to increase its existing production capacity by investing in a new production hall and more advanced equipment. SEED's extensive financial and technical analysis of the company's existing operations detailed its current market positioning, defined its new business strategy, and checked the viability of the planned expansion project. The company is now tasked with improving its current performance. With SEED's assistance, the company is evaluating its strategic options and weighing a much broader range of investment opportunities.

# INVESTMENT SERVICES

Country	Client name	Industry	SEED FY-02 Interventions		
			IEP	IP	\$ '000 Raised
Albania	ABA Algrec Frozen Food Processor Cupi sh.p k Edil AL-IT	Bank Guarantee Food Processing Agriculture & Forestry Construction & Real Estate	yes yes yes	yes yes yes	50
Bosnia & Herzegovina	AB Technics Sarajevo Agros Alarm West Bamcard Bosnalijek Borghi CPU Fruktona Fratello GRAFID Invest-Brcko District Klas Livno Lora Splonum Vitaminka IFC Wood Agency Inc	Engineering Agriculture & Forestry Security Finance & Insurance Pharmaceuticals Agriculture & Forestry Print works Food & Beverages Food & Beverages Printing Construction & Real Estate Agriculture & Forestry Food & Beverages Construction & Real Estate Food & Beverages Consulting	yes yes yes yes yes yes yes yes yes yes yes yes yes yes yes yes	yes yes yes yes yes yes yes yes yes yes yes yes yes yes yes	300 150 420  3500 2200
FR Yugoslavia	ALB - KOS Construction Impaz Dairy Assoc. Mobi Corporation PUM Dairy Assoc Stefani Universal Spektar Tigar Company Tourism Development Initiative Vulic & Vulic (FGG)	Construction & Real Estate Food & Beverages Agriculture & Forestry Food & Beverages Agriculture & Forestry Chemicals Industrial & Consumer Prod. Tourism Food & Beverages	yes yes yes yes yes yes yes	yes yes yes yes yes yes	470 450
FYR Macedonia	MGN Lola Fadek Vipro Plastex OKEAN Bela Napoli	Industrial & Consumer Prod Agriculture & Forestry Plastics & Rubber Food Processing Manufacturing - Shoes	yes yes yes yes yes	yes	
Other IS Projects					
Regional	Seebiz net	IT	n/a	n/a	n/a

## MGN Lola Fadek

MGN Lola Fadek is a private engineering and metal processing firm in Skopje that designs, manufactures and sells various aluminum and steel billboards, light boxes, awnings and similar 'street furniture' used in the outdoor advertising industry. The company also has ambitious plans to export its products to neighboring markets. MGN asked SEED for assistance in restructuring, with a particular emphasis on how to incorporate a newly acquired company into its core business. Since acquiring the company, MGN has redesigned the production facility and is using SEED's assistance and training in strategic planning to prepare for further integration of the new facility.



Advertising billboard installed near a busy roadway

## LINKAGES

Linkages is a program embraced by IFC to explore ways in which SMEs can benefit from and participate in the overall economic impact of a Foreign Direct Investment. The objective of a Linkage initiative is to develop business relationships and, ultimately, to enhance the financial operating outcomes of SMEs that provide goods and services to larger companies. Linkage work encompasses the SME supply and distribution chains, SME spin-offs from the large enterprise, and the creation of new SMEs needed to support the needs of the larger company and its employees and customers.

IFC and French industry leader Michelin formed a joint venture with Tigar, the region's largest producer of tire and rubber goods located in Pirot, Serbia. While the focus of the joint venture is tire production, Tigar has several other business units not related to tire manufacturing. SEED, in partnership with Tigar, is examining the possible spin-off of non-core business units into commercially viable SMEs. In addition, SEED is supporting Tigar and its new partners in enhancing the current network of SMEs involved in supply and distribution to the tire production business. Specifically, SEED has provided the following services to date:



Accenture - SEED -Tigar team at work

- i) Evaluated the future viability of non-core assets as newly independent SMEs and provided recommendations to enhance their ongoing sustainability and profitability,
- ii) Prepared feasibility studies for the creation of new enterprises to provide business opportunities for redundant workers affected by the spin-off of non-core assets,
- iii) Evaluated the sales network consisting of franchisees, wholly-owned outlets, and independent retailers, and proposed strategies and tools to enhance their internal operations and market performance.



Linkage initiatives consist of various tools, training and technology products packaged together into a holistic methodology that SEED staff can deliver to clients. Specific tools being developed for the Tigar project include:

- Business Assessment Tools – step-by-step guide to conducting a business assessment
- Supply Chain Overview Training – course detailing key Supply Chain related subjects
- Software Packages – products reviewed and recommended by SEED to automate key business processes and communication links between Tigar and its distribution network

Linkage opportunities should have long term, sustainable impacts for the SMEs, Tigar, and the surrounding community. SEED's work with Tigar will yield both experience and tools that can be applied to other large investments/privatizations in the Balkans, as well as to opportunities identified through other IFC Project Development Facilities around the globe.

### Making Linkages Work

SEED has partnered with Accenture Development Partnerships (ADP) to develop strategies and tools specific to the Tigar project. ADP, a not-for-profit group within Accenture, is newly created to provide high quality business and technology consulting skills within a developmental context. The group works with a variety of not-for-profit organizations in the development sector and draws upon experienced Accenture consultants who are seconded on a short-term basis for field projects. SEED's partnership with ADP on the Tigar project provides access to the latest consulting skills and knowledge, as well as to new technologies surrounding supply and distribution chain management. ADP is working hand-in-hand with SEED staff and Tigar to tailor these tools and knowledge to the needs of Tigar's surrounding SME network.

# CAPACITY BUILDING

SEED's Capacity Building initiatives may be grouped into two main categories – those aimed at SMEs and those aimed at local service providers. In the first category, SEED delivered a number of training programs designed to assist entrepreneurs in planning and running their businesses more effectively. SEED delivered all of these courses in a Train-the-Trainer (TTT) format as well as in direct deliveries to entrepreneurs. SEED's goal is to develop high quality programs that may be transferred to local service providers for re-delivery.

The second category of Capacity Building activities specifically addresses the needs of select Business Development Service (BDS) providers, including local consultants, business associations, bank lending officers and local government officials engaged in economic development. Some of the tailored initiatives included how to run a small consultancy and how to market consulting services. Similarly, business associations were offered skill enhancements in increasing membership, developing fee-paying services for their members, and taking a lead role in private-public dialogue. During FY 2002, SEED trained over 1500 representatives of SMEs and local service providers. Highlights of selected programs include:

## Construction Contracting - 'How to Prepare Winning Bids for Internationally Funded Construction Projects'

Due to the unprecedented demand for training in this field, the number of people pre-registering was oversubscribed in three of the four host countries (Albania, Bosnia & Herzegovina BiH, FR Yugoslavia and FYR Macedonia), with a total of 120 attendees. While the abundance of large construction contracts in the region provides substantial opportunity for local subcontractors, many lack knowledge of current industry best practices. This training provides key prerequisites for many technically savvy regional firms that are regaining their international competitiveness.

The three-day training program was developed and delivered by an international expert in the field in cooperation with a group of four local consultants, one from each of SEED's target countries. Those participating in the training included industry specialists and owners/managers of SMEs in building construction. SEED will provide further training on FIDIC-related topics and will support the creation of a construction industry business association should potential members initiate such actions.

## Entrepreneurship Development

Entrepreneurship is often viewed in most post-command economies as the realm of black marketeers and even war profiteers. Economists, politicians and citizens alike,

however, will agree that entrepreneurship is a key element in economic restructuring and recovery. SEED hopes to help create a positive culture of entrepreneurship in the region by creating high quality support systems for local entrepreneurs.

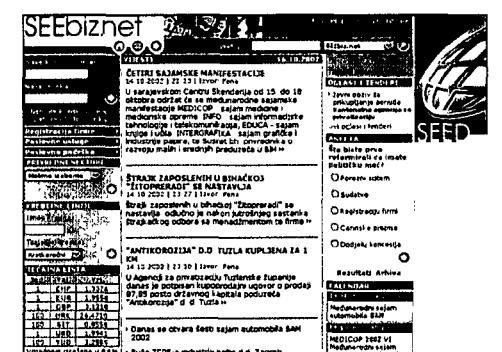
SEED's Entrepreneurship Development Initiative is designed to develop 'faculty,' a professional cadre of trainers, consultants and professors that will provide on-going services to entrepreneurs. Key to this goal is equipping the providers with the skills to teach and train adults. The pedagogy of adult education is both specific and new to the professionals in this region. In addition, teaching entrepreneurs who may have large egos and be skeptical of consultants and trainers, let alone university faculty, adds to the challenge.

SEED's strategy for cultivating entrepreneurship in the region includes

- Promoting commercial interaction between local service providers and private enterprise
- Preparing 'faculty' to expose entrepreneurs to the 'real world of business'
- Promoting practical business experience for local service providers and faculty of the university of economics
- Encouraging universities and institutes to provide education/training courses relevant to private enterprise
- Preparing and encouraging university students to become entrepreneurs

**SEEbiz.net** (Southeast Europe Business Network) is a regional web portal for entrepreneurs. This is a web-based tool designed to provide entrepreneurs in the region with targeted, sector-specific information

The goal is to create a central repository for all business information relating to the registration process, credit lines, taxes, institutions, associations, organizations and individuals who provide services to small and medium-sized enterprises. To date the portal covers BiH, FR Yugoslavia and FYR Macedonia and contains information on some of the following economic sectors: agriculture, engineering, construction and dairy. The portal also provides useful advice on certification, export of products, forwarding and transport, packaging and marketing. Recently the site has been supplemented by a business news service which is updated twice weekly.



Danas se otvara šestaj satjam automobila BMF 2002  
Putje ZEP-a u potražnja načela d.d. Zagreb  
Vrednost novčanica je 4000 KM

In order to help SEED implement this strategy, we have made concerted efforts to identify local partners who have a commercial interest in providing services to entrepreneurs. These local partners are primed to update their own skills and intensify their interactions with the small business community. In addition, SEED has identified numerous donors and NGOs whose existing programs focus on entrepreneurship development. As a result of its inquiries, SEED has compiled an 'Entrepreneurship Directory,' available in both hard copy and on-line, that includes more than 260 entries grouped into the following categories:

- SEED Region university-based entrepreneurship education programs
- SEED Region entrepreneurial training activities
- world-wide university-based entrepreneurship education programs
- world-wide entrepreneurial training programs

### **Business Plan Competition**

Many of the region's entrepreneurs come from the ranks of university students and recent graduates. In order to stimulate their entrepreneurial interests, SEED sponsored a business plan competition in BiH that also included a series of free seminars on the topic of Business Planning and Entrepreneurship. Apart from the very strong youth-targeted content and interesting array of guest speakers, the seminars received wide-scale publicity across the entire country and subsequently attracted 37 applications covering 58 applicants. The seminars were organized in partnership with Norway's Business Innovation Programs and the competition received additional support from several local corporate sponsors. An expert panel of local and international judges selected the winning business plan, 'Win-Win Life Co.' created by Amra Kramo. The business idea provided an innovative approach to selling sandwiches in the dynamic Sarajevo fast food market. In addition to receiving official certificates in recognition of their success, winners also received symbolic cash prizes.

### **City Tours**

After attending the Business Plan seminar series, a group of three students formed 'City Tours,' a Sarajevo-based tour guide company. Within six days the company hosted its first tour of the city. Early results from this initiative are promising.

### **CFO Development**

One of the biggest challenges for SMEs is financial management. Although the region boasts many qualified bookkeepers and accountants, few have been called upon to provide the critical analysis and leadership of a chief financial officer (CFO). SMEs thus lack strategic financial

focus and rigorous analysis of information, which results in poor or incomplete planning. To address this need, SEED has developed a training program aimed at building CFO capabilities among SME finance and accounting professionals working both inside companies and independently serving several SMEs. SEED kicked off the training program in Skopje, FYR Macedonia. The training modules were delivered to 129 participants in half-day and one-day sessions, commencing in May and set to run until February 2003. The training materials were prepared in collaboration with local accounting and finance professionals.

### **Development of Consulting as a Business**

This three-day workshop was implemented in BiH, FYR Macedonia and FR Yugoslavia. The program was designed and delivered by Firma 2000, a Polish consulting firm with substantial knowledge and experience in training business service providers in countries in transition. In all, a total of 92 consultants from various consulting disciplines and regions participated in the training. Many of the participants were already clients of SEED from previous trainings or are partners in other projects. While many local consultancies have sprung up in the transition to a market economy, few have any substantial experience in managing such a business. This training program was designed to help local consultants understand the history and evolution of consulting as a business and to offer



Swedish tourists visiting Sarajevo, with 'City Tours'

# CAPACITY BUILDING

practical tools and techniques on how to effectively manage all aspects of their consulting practice, including human resources and finance. Participants were widely pleased with the program and offered praise for its practical subject matter and valuable networking opportunities.

## Regional Business Association (BA) Program Development

SEED has developed a region-wide initiative to assess the capacities of existing business associations as well as their needs for training and development. SEED staff partnered with Carl Dagenhart of IFC's Private Enterprise Partnership who has led a long term project of assistance to business associations in Belarus. Using Mr. Dagenhart's insight and experience, SEED interviewed more than 30 associations across the region in order to identify those with highest potential to leverage technical assistance. The target group was identified using the following criteria: willingness to cooperate with SEED, eagerness to work toward the improvement of the business environment, scope and focus of their mission, size

of membership base and growth potential, and a track record of activities and achievements. This screening process yielded seven associations poised to receive SEED's assistance. Those associations are the Employer's Confederation in the Republika Srpska in BiH, Unija Cacak 2000, SIGMA, and the Association of SMEs and Entrepreneurs Vrsac in FR Yugoslavia, the Association of Mushroom Producers and the Association of Bee Keepers in FYR Macedonia, and the National Construction Business Association in Albania.

Initial assistance to these associations focused on improving the sustainability of the organizations by improving their management skills. Additionally the target associations received technical assistance to help them improve their abilities to conduct public relations and to advocate on behalf of their members. In the next fiscal year, SEED will provide comprehensive training to these partner associations in the areas of membership management and strategic planning.

## Capacity Building Training Topics

### 'What will an International Lender Want to Know about My Company?'

Provides detailed instructions on the information donors and international banks require in credit applicants. Topics include: market analyses, the strategic planning process, preparing the balance sheet and income statement, improving working capital and cash flow by managing operating cycles, and financial performance projections.

### Executive Management Development

Exclusively created for Chief Executive Officers (CEO's). Topics include the role of the CEO, using financial statements to manage a company more efficiently, the CEO's role in managing resources, improving profitability by strategic management, performance measurement, and management reporting systems.

### 'Is it time to plan for your company's future?' – Developing a strategic plan

Topics include. Why should CEOs think strategically? What is a strategic plan? What is strategic thinking? What is change management? What is the strategic planning process?

### Construction - Winning bids and FIDIC

Specifically intended to educate members of the construction industry on the process of submitting successful bids/tenders. Topics include: understanding instructions to bidders, technical specifications and special conditions, reading drawings

accurately, pricing and understanding the bill of quantities, international standards in construction, FIDIC contracts, and access to information on upcoming tenders.

### 'Agribusiness and EU standards'

Remains an important topic given the highly developed regional agribusiness sector. Topics include. quality control and insurance systems (ISO, HACCP), food safety, facility hygiene and sanitary procedures, product storage and handling, identity protection, packing and labeling, and EU standards and preferences

### Marketing - Cross Sector

This three-day training program for owners and managers of SMEs and business service providers (BSPs) covers concepts and techniques of marketing products and services. Topics include: market positioning, developing a marketing mix and plan, forecasting, market research and branding.

### Chief Financial Officer Development Program

The program is intended as a comprehensive course for the needs of a financial manager. It builds on accounting training activities and takes participants a step further in their professional development. Topics include: financial management, managerial accounting and general management. The course is conducted by domestic and international experts and includes lectures, exercises and case studies

## Capacity Building Initiatives (Direct Support to SMEs and Group-based SME Training) - Fiscal Year 2002

Programs	Countries	Seed Intervention	Programs	Countries	Seed Intervention
Train courses/clients			Train. courses/clients		
1 Japet	BiH	Development of accounting & inventory control software that can be used by SMEs at a reasonable price	9 Facilitating the Strategic Planning Process	FYR Macedonia, FR Yugoslavia	9 SMEs have been introduced to the strategic planning process and made aware of its importance to the success of their business. The exercise included writing the strategic plan 19 local professionals trained by SEED assisted in the writing process
2 "What will a lender want to know about my company," for owners and managers of SMEs	Albania, BiH, FYR Macedonia, FR Yugoslavia	Local consultants and SEED staff delivered this training program to owners and managers of SMEs	10 Training - Marketing - Cross Sector	Regional	Designed to assist SMEs in marketing their products and services more effectively and providing business service providers with skills to be able to provide marketing consultations to the SMEs. Some of the topics covered included researching the marketplace, strategy for building a successful brand, marketing communication, designing a marketing plan etc. Total of 60 participants
3 Needs assessment for Executive management training	BiH	IEDC Bled School of Management conducted a survey in BiH to assess the interest in a General Management Development Program (GMDP) The respondents indicated limited interest reflecting SMEs lack of willingness to pay for training and development	11 Entrepreneurship Business Plan Competition Training	BiH	First Annual Business Plan Competition (pilot program in BiH) sponsored by SEED and Partners. Includes free seminars on business planning and promoting entrepreneurship for students and professors, awarding of prizes and recognition, potential funding for start-up capital in the form of grants, loans and equity in each country for a Business Plan that represents a venture deemed to be economically viable and sustainable and that meets other criteria that may be defined by SEED
4 Executive Management Development for Owners of Small and Medium-sized Enterprises	BiH, FYR Macedonia	SEED staff and local consultants conducted the training program. The training was designed to help the participants (27) in matters of executive management including financial management and planning, human resources and strategic planning	12 Entrepreneurship SEED/GTZ Seminar for Textile & Leather Industry	BiH	SEED cooperated with GTZ on a three-day seminar targeted at textile/leather industry Design and Management students and young professionals, as well as textile industry managers. There were a total of 80 participants. The seminar focused on business management, new innovations in the textile industry and encouraging entrepreneurship among young students
5 Credit Training for Bank Lending Officers	BiH, FYR Macedonia	A training of Bank lending officers in order to enhance their skills in assessing business plans and investment proposals from SMEs	13 EU Standards	Albania	The purpose of this training was to enhance the skills and knowledge of the modern practice of agro food processing, specifically those that comply with European Union (EU) standards. Also offered to local SMEs were technical and practical training in food quality and food safety issues that affect marketability and competitiveness
6 Tourism Development Initiative Training - Kotor & Budva	FR Yugoslavia	Tourism Development Initiative in two Municipalities Budva & Kotor, developing a local tourism strategy, marketing plan, Identification of clients / potential projects, training needs assessment, training courses, supporting and developing tourism associations	14 Stefani - Management Information Systems (MIS)	FR Yugoslavia	Installation of MIS software and training of accounting staff. This software is designed by Japet, a BiH firm specialized in accounting software for small business
7 Winning bids on Construction Contracts-SME Format	Albania, BiH, FYR Macedonia, FR Yugoslavia	An international and a local consultant conducted a 3-day training program for employees of SMEs that are contractors, sub-contractors and producers of construction materials. The training addressed international standards in construction, pricing, access to information about upcoming construction projects etc	15 MOBI (MIS)	FR Yugoslavia	Installation of MIS software and training of accounting staff
8 2001 Balkan Case Challenge - in Partnership with Austria's WUS (World University Service)	Regional	SEED participated in the case study competition for selected university students from SE Europe organized by World University Services Austria (WUS Austria). This multi-national event brought students from different countries and ethnic backgrounds from the region together and included (1) Business Case Competition, (2) Law Moot Court and (3) Model United Nations. SEED was a major sponsor along with Open Society Institute-Budapest, German Academic Exchange Service (DAAD), CEEC and NIS of the Austrian Federal Ministry for Foreign Affairs. As a major sponsor, SEED's intervention included a) contribution of USD 5,000 b) development of the Business Case Study c) providing training in the methodology of using a case study as a tool for learning d) serving on the jury that judged the competition e) offering internships to the winners of the Business Case Study competition	16 Entrepreneurship - Faculty Development Program - IMTA Professor Training - Regional	Regional	SEED sponsored four young professors to attend the International Teacher Management Academy (IMTA) in partnership with Central and East European Management Association. IMTA's two-week program is intended for young faculty members who wish to develop and improve their skills and teaching methods
			17 Chief Financial Officer Development Program	FYR Macedonia	A total of 28 modules will be delivered over a period of 10 months aimed at enhancing the skills of financial managers in SMEs. 129 individuals participated in 7 modules thus far
			18 General Management Development Program	FR Yugoslavia	The purpose of the GMDP is to provide skill enhancement for members of executive management of SMEs and for independent consultants and firms who provide consultancy services for SMEs. This is a 25-day program to be conducted in five 4-day and one 5-day modules from June - November. Fees collected are for the entire training (June - November). The first module - consists of four days training conducted by faculty members of the American College of Thessaloniki

## Capacity Building Initiatives (Direct Support to SMEs and Group-based SME Training) - Fiscal Year 2002

Programs	Countries	Seed Intervention	Programs	Countries	Seed Intervention
<b>SME Workshops</b>					
19. Conversion to the Euro and its impact on local SMEs	Albania, BiH, FYR Macedonia	The primary objective of this workshop was to increase awareness of the owners and managers of SMEs regarding logistical issues surrounding the introduction of the Euro in their countries and its impact/consequences on their businesses	25. Strategic Planning Awareness Workshop	BiH	Half-day pro-bono workshop on strategic planning for the owners and managers of SMEs, business service providers, banks, business associations and government representatives from Zenica municipality. During this workshop, the representative of "Japet" demonstrated accounting software
20. Leading Radical Transformation	BiH, FR Yugoslavia	Presentation provided insight into the demands of changing from a command to a demand economy and the necessity of managing and controlling that change. This event was sponsored by SEED and hosted by Dr Peter Kraljevic, a senior director at the McKinsey Dusseldorf office. 311 participants attended	26. Survey of entrepreneurs as a basis for a TV series	FYR Macedonia	Twenty successful entrepreneurs were interviewed and their results were used for the 10 local TV series on how to become a successful entrepreneur
21 Entrepreneurship - FDP - Workshops by Centre for Entrepreneurship Education Development (CEED)	Regional	Expert partners from Canada came to the region in June and conducted pilot workshops and teacher training seminars, round-table workshops on development of entrepreneurial curriculum, further staff development opportunities to offer non-academic training seminars, and inclusion of the private sector in business education. The experts came at a greatly reduced daily rate and promised long-term no-fee cooperation between their home institutions and the beneficiaries in SEED region. SEED is covering their travel and room and board costs	27. Survey of Needs of Women Entrepreneurs	FYR Macedonia	A survey covering 30 participants was conducted to determine the need for a separate training for women entrepreneurs. The survey determined that skill enhancement needs of women entrepreneurs can be satisfied by offering SEED capacity building courses to the target group
22. Entrepreneurship - Faculty Development Program - Workshops by GTZ - FR Yugoslavia	FR Yugoslavia	SEED is a partner with GTZ Novi Sad for the expansion and reform of the Advanced Business Schools (ABSs) in Belgrade and Novi Sad. SEED has worked with these schools on faculty training and curriculum development in order to improve the focus and quality of the education they provide to fit to the market needs, namely focusing on subjects related to entrepreneurship and managing SMEs	28 Entrepreneurship Directory	BiH	SEED compiled a database of 140 potential partners in the region and another 150 world-wide education/training programs. This was achieved through research and a series of surveys and individual meetings with donors, SMEs, universities/colleges, business associations, NGOs, and training institutions located within the SEED Region. The following categories of information were gathered (1) SEED Region university-based entrepreneurship education programs,(2) SEED Region entrepreneurial training activities,(3) World-wide university-based entrepreneurship education programs,(4) World-wide entrepreneurship training programs,(5) Other sources of entrepreneurship assistance for the SEED Region. The purpose for this data gathering was to determine the quality, availability, and distribution of education/training programs, curricula, and materials for entrepreneurship development
23 Entrepreneurship - OSCE	BiH	The Youth Entrepreneurship Program is designed to introduce youth (ages 15 to 25) to the elements of becoming an entrepreneur. A training workbook and instructor's guide called "The Young Entrepreneur's Advantage" was developed in partnership with the Organization for Security and Cooperation in Europe (OSCE). Illustrated in a comic book format by a young Bosnian designer, the workbook was presented in 16 one day interactive workshops across BiH	29 Building Construction Industry Study		A study was conducted by local consultants and SEED staff members by collecting information from Building Construction Companies through Questionnaires and site visits
24 Entrepreneurship - one off seminars	Regional	SEED is sponsoring the launch of continuing public-outreach networking seminars for entrepreneurs and aspiring entrepreneurs to promote entrepreneurship, entrepreneurial ideas, the importance of training, consulting, associations and networking. SEED will assist the partner institution organize the launch of the (2-hour max) seminars and the speakers, etc and guide on promotion and logistics organization. These seminars will aim to attract large audiences who will continue to come to the regularly scheduled seminars each month and pay a small attendance fee in order for the organizers to cover costs of fees/expenses for consultants, guest speakers, copying, promotion, and serving refreshments. SEED agreed to provide initial financial support to cover costs for the first 6 months of these seminars and will assist, when necessary, in obtaining guest speakers and give guidance on topics of interest. The regular events provide an encouraging environment for prospective and existing entrepreneurs to develop opportunities for business	30 Industry Sector Performance Standards (ISPS)	BiH	The ISPS was developed initially in partnership with USAID Business Finance (USAIDBF). The baseline statistics are a compilation from SME financial statements from fiscal years 1999-2000. The ISPS has been expanded to show the same statistics based on 2001 fiscal year financial statements of over 2900 companies. Financial Statements were received from several banks in BiH as well as USAIDBF
			31 Market Survey of Demand for BDS Providers	BiH	SMEs were surveyed regarding their experience using local service providers to assist their businesses. Providers received information about the types of service in demand by SMEs. SEED was able to plan more focused capacity building initiatives

## Capacity Building Initiatives (Support to Business Development Service Providers) - Fiscal Year 2002

Programs	Countries	Seed Intervention	Programs	Countries	Seed Intervention
<b>Training Courses</b>					
Entrepreneurship and BiH Youth	BiH	With Junior Achievement International, SEED provided financial support for secondary schools to introduce business concepts and market economics to students	Train-the-Trainer - Cross Topic	FYR Macedonia, FR Yugoslavia	Executive Management Development Program (EMDP) and "What will a lender want to know about my company" in Train-the-Trainer format. A two day training covering both topics. As a result local consultants have skills to conduct training for SME's
Train-the-Trainer course in strategic business planning for SMEs	Albania, FYR Macedonia, FR Yugoslavia	Four-day seminar for Local Consultants from Albania, FYR Macedonia and FR Yugoslavia and SEED staff. The training increased awareness of the importance of strategic planning and change management. The Local Consultants have been provided the knowledge necessary to facilitate the strategic planning process for SME clients and to conduct such training for other consultants in a T-t-T format	Roundtables and Workshops		
Executive Management for Owners of Small and Medium-sized Enterprises - Train-the-Trainer	Albania, BiH, FYR Macedonia	5-day train-the-trainer format to develop local capacity to deliver the Executive Management training courses to CEOs of SMEs	Local Capacity Building in Environmental/Social Assessment	FYR Macedonia	A day long workshop designed to increase the capacity of a local consulting company to deliver environmental and social development consulting on SEED's behalf to local SMEs
"What will a lender want to know about my company"	Albania, BiH, FYR Macedonia	Train-the-Trainer format to develop local capacity to conduct the training for SMEs	Prijedor Municipality Capacity Building Program for Entrepreneurship and SME Development	BiH	In partnership with Prijedor Municipality and the local private sector, SEED is working on development of a Strategy for Entrepreneurship and SME Development for Prijedor Municipality. Thus far work has resulted in delivery of three workshops, two featured consensus building and the third workshop covered the vision statement and SWOT analysis. In addition data re economic trends for the past 5 years was collected and analyzed. Total participants 150
Training for Business Consultants on HR Management	BiH	In response to a demand from SMEs for training on HR management, SEED provided training on issues such as managing part time and seasonal workers, compensations, developing job descriptions, determining adequate team fit. Training was directed at local consultants	Zenica Municipality Capacity Building Program for Entrepreneurship and SME Development	BiH	In partnership with Zenica Municipality and the local private sector, SEED is working on development of a Strategy for Entrepreneurship and SME Development for Zenica Municipality. Thus far work has resulted in delivery of three workshops, two featured consensus building and the third workshop covered the vision statement and SWOT analysis. In addition data re economic trends for the past 5 years was collected and analyzed. Total participants 150
Regional Program - training "Development of Consulting as a Business"	Regional	3-day training in Albania, BiH, FYR Macedonia and FR Yugoslavia for local consultants. Training offers modules on phases and development of consultancy business, management of consulting operations/ project management, specifics of management of human resources and budgeting tools for successful running of a consultancy practice	Round Tables for BAs on Advocacy/Business Environment in BiH	BiH	Present findings of SEED's recent study of fees and taxes for businesses operating in FBiH, and findings of SEED's study of demand for Business Development Services in agribusiness. Purpose of the roundtable was to increase awareness of issues concerning associations and promote opportunities for association to develop valued client services
Marketing Skills For Consultants	Albania, FYR Macedonia, FR Yugoslavia	Two-day training for local consultants on improving selling techniques and pricing consulting services	Institute of Dr Josif Pancic - Medicinal Plants in Federal Republic Yugoslavia	FR Yugoslavia	Presentation and discussion of the findings and recommendations of the Balkan Herbal Forum conference held in Slovenia to a group from the herbal sector
Management Consultants Annual Conference (MCA 2000)	FYR Macedonia	SEED supported representatives from two management consulting associations to attend the APPC/FEACO International Association of Management Consultants annual conference where they were able to network with other consulting associations and find tools needed to develop a consultant certification program	Development of Consultant Agencies	Regional	Development of a core group of business consultants that will support SEED's IS team by its ability to identify and review potential clients
Marketing for Agribusiness - Train-the-Trainer	Regional	The purpose of this training was to enhance the skills of local industry experts, enabling them to conduct individual and group training for owners and managers of SMEs on cross-sector marketing tools and techniques	GIZ/SIPPO Herbal "Buyer-Seller meeting"	BiH	Presentation and discussion of the findings and recommendations of the Balkan Herbal Forum conference held in Slovenia to a group of herbal SMEs
EU Standards in Agribusiness - Train-the-Trainer	Regional	"The purpose of this training was to enhance the skills of local industry experts, enabling them to conduct training for SMEs on the sub-sector specific requirements to meet European Union standards. Training provided technical and practical skills in food quality and food safety issues that affect marketability and competitiveness. Local trainers/consultants participate. Industry sectors in focus were (a) fruit & vegetables processing, (b) meat processing, (c) wine making (d) dairy processing."			

# SEED PRODUCTS AND SERVICES EVOLUTION

As a member of the Committee of Donor Agencies for Small Enterprise Development, IFC and SEED take to heart the Guiding Principles for Business Development Services for Small Enterprises. These Guidelines issued in February 2001, provide a framework for donors to help them shape their interventions to include increased participation of private sector actors and to provide a diverse array of services demanded by entrepreneurs

A history of donor-provided assistance combined with limited experience of entrepreneurs with consultants and commercial advisers creates barriers for local, professional service providers. Local consultants in particular are met with a lack of trust from entrepreneurs. These local consultants, who themselves are new to commercial service provision, often lack the breadth and depth of experience and knowledge to meet the needs of SMEs.

In such instances, SEED as many other donors, provides services simultaneously to SMEs and to local service providers. SEED works with local consultants, training institutions, business associations, chambers of commerce, etc. to help them enhance both the range and quality of services to SMEs. SEED then partners with these institutions in order to help establish a value and trust relationship between SMEs and local service providers. SEED's involvement provides assurance to the entrepreneur related to the quality of the work product, confidentiality of company data, access to finance and international expertise and in some instances, skills transfer. As entrepreneurs become more experienced with quality local business service providers as represented in SEED's partners, SEED will be able to exit direct service provision and function as a facilitator of services and client relationships.

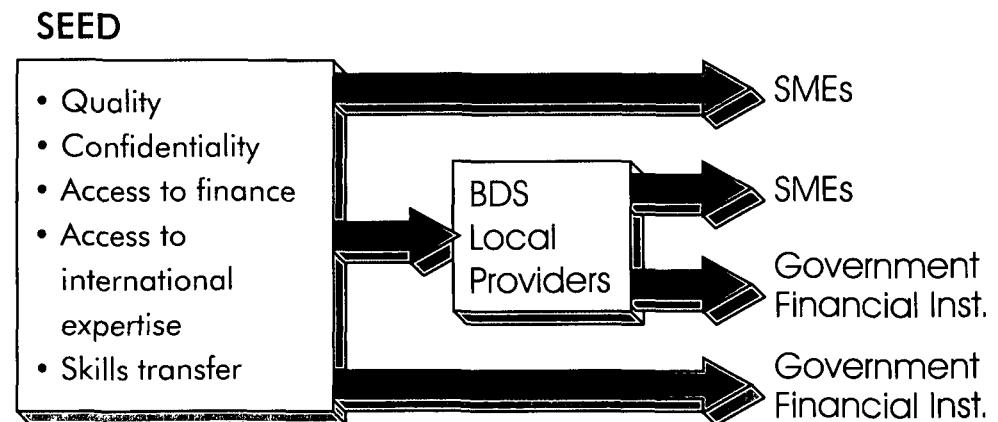
## Challenges and Commercialization

The continued presence of large donor programs offering highly or fully subsidized assistance to SMEs and high fees paid to local consultants by donors continue to distort the local service market. Creating a commercial approach to service provision is an essential ingredient to the full transfer of donor programs to private sector providers. SEED charges all its clients local market rates for the services it provides. That includes paying local service providers a market rate which SME themselves are willing to pay. Over the past year SEED has been able to steadily increase its fees and attract local partners willing to work for local rates. Even local service providers themselves are willing to pay to receive technical assistance. Over 125 local consultants across the SEED region paid to attend a workshop

designed to help them improve the management of their own consulting businesses.

## Current Approach

SEED has developed through competitive tenders a 'branded' network of local consultants, which currently includes more than 45 individuals. SEED provides both formal and on-the-job training to network consultants and is facilitating the ISO 9000 certification of the work processes and products used by the network. In partnership with these consultants, SEED aims to ensure delivery of high quality, value-added service to local SMEs. In addition to the consultant network SEED is developing a local 'faculty' of professionals who want to offer training and technical assistance to entrepreneurs. SEED has developed a menu of courses as demanded by the SME sector and is transferring capacity to deliver these courses through Training-of-Trainers. By the end of fiscal year 2003, SEED will have transferred all its training programs to local providers and will exit the direct provision of training services.



# BUSINESS ENABLING ENVIRONMENT

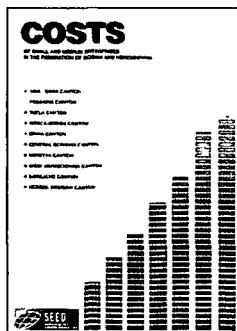
Part of SEED's mandate is to help improve the business environment for SMEs. Many donors are leading specific projects in this area, or have improved the business environment through by-products of their macro-level interventions, such as structural adjustment loans. SEED strives to work within this framework to raise the often unheard voice of entrepreneurs, and to partner with other donors to help ensure consistent and coordinated efforts on shared priorities. SEED's contributions in this area during the last year include:

## FYR Macedonia Leasing Law

Financing options for small businesses in FYR Macedonia have improved considerably through a new leasing law adopted with support from SEED. The law, passed by the Macedonian parliament on January 31, 2002, authorizes the creation of new, independent leasing companies with a minimum capital of EUR 100,000. It also sets clear and transparent standards for the supply of equipment to local companies on contract.

SEED provided a technical leasing expert to draft a financial leasing law and present it to the working group of the Ministry of Finance and a panel of experts. Since the passage of the law, four large banks have been approved to perform leasing activities, and 16 smaller banks plus three private companies have their applications under review. SEED is due to provide additional support in FY 2003 to build awareness among SMEs on the benefits of leasing and the practical implications it has for their businesses.

## Comparison of Business Start-Up Costs in BiH and Serbia



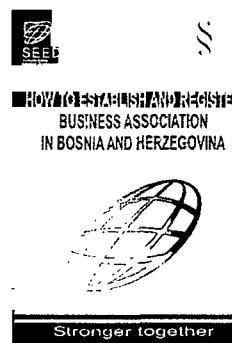
SEED has conducted a survey on business start-up costs for new enterprises in both entities of BiH and in Serbia. This survey examines the financial burden placed on SMEs by municipalities who have substantial influence on the business start-up process.

The survey exposes major discrepancies in the cost of doing

business between municipalities. For example, some municipalities require large, fixed, up-front payments for building permits, while others require a small up-front payment but demand a high percentage payment of the total building value. Generally, fixed fees are the most fair and transparent means of charging as they better reflect the transaction cost for the municipality and are not exposed to subjective evaluations.

The results of these surveys have been published in booklets for use by entrepreneurs and have been publicized in the press. SEED hopes that by highlighting complicated, unclear and non-transparent procedures for setting costs, it can create a greater awareness of choice among entrepreneurs and promote market competition between municipalities.

## Developing Business Associations



To support Business Association development, SEED launched a handbook on 'How to Establish and Register a Business Association in BiH.' The material highlights the recent adoption of a law defining the existence of associations and foundations and allowing for State-level registration rather than the less desirable entity-level registration. The handbook was promoted in five BiH locations Sarajevo, Banja Luka, Mostar, Tuzla and Zenica. SEED estimates that the handbook has directly led to the formation of at least ten statewide business associations in various sectors.

SEED's capacity building efforts aimed at Business Associations have also shown promising results. At the initiative of eight large BiH cable operators and other interested parties, SEED played a key role in facilitating the formation of a Cable TV Operators Business Association in BiH. Planned for next financial year is a one-year program providing technical assistance to seven targeted business associations. The technical assistance will focus on general association management, advocacy, public relations, and product and service development.

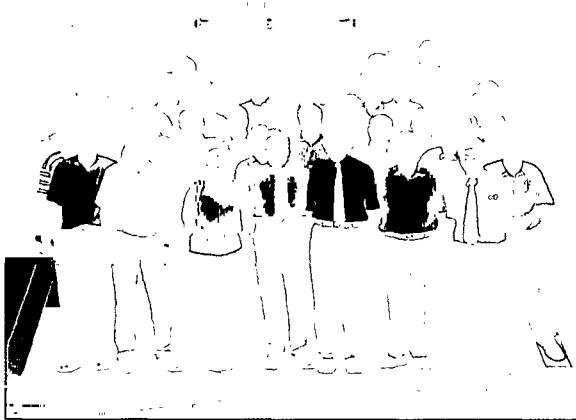
## LED Development

SEED completed Phase I of the pilot Local Economic Development (LED) projects in the municipalities of Zenica and Prijedor, located in BiH. Over the last four months, SEED worked with municipal representatives, business associations and

# BUSINESS ENABLING ENVIRONMENT

SME owners on many aspects of LED that has resulted in

- Reviews of business growth sectors in the municipalities;
- Creation and operation of four LED working groups (Economic Development, Infrastructure and Environment, Human Resources Management and Agriculture & Rural Entrepreneurship),
- Development of a Municipality Executive Body that provides supervision and guidance to the working groups,
- Development of the LED Stakeholders Forum. The Forum consists of a wide cross-section of people representing different institutions, businesses and organizations in the community. The Forum meets regularly to introduce, discuss and debate LED issues, such as strategy and strategy implementation, incubators, tax free zones, one stop shops, outreach to community businesses, fees and permit costs, and inspection reforms.



Shown above is the Zenica (BiH) Stakeholders Forum

of a one-stop-shop in Prijedor that offers municipal services to the community

Phase II of the LED project will allow for the completion of development strategy documents, the implementation of a list of emergency measures agreed upon by consensus, the establishment of an Agency for Economic Development (funded by the municipality and funded and managed by three Zenica business associations), and the establishment

businesses and donors to raise awareness and discuss issues of SME development and investment in Albania. Key conclusions include:

- Financial Sector inhibited by poor enforcements of property rights, moveable property, and secured transaction laws. Specific training and public information campaigns would be beneficial;
- Business support service providers inhibited by poor coordination and marketing of services;
- Need for improved dissemination of business information - trade and market opportunities;
- Need to develop an alternative to court managed adjudication of commercial disputes,
- Need to reduce unfair advantages for businesses working informally or who have access to government contacts that lower the cost of business relative to a competitor

## Tourism Development Initiative (TDI) in Montenegro

SEED has established the Tourism Development Initiative (TDI) in cooperation with the municipality of Budva in Montenegro. The municipality put up funds, provided office space and seconded a staff member to work part time with SEED tourism experts to support this initiative. The TDI focuses on creating a tourism association, developing a tourism strategy, designing a short-term tourism marketing plan, and identifying and providing for training needs. The project's objective is to build better service skills in anticipation of the summer tourist season and to develop strategies to lengthen the season from its current, brief six to eight weeks of concentrated demand. At their own initiative, the local TDI managers registered their business so that it may continue to provide services on a commercial basis to the community after SEED's engagement ends in November 2003. Training topics that have been offered include European Union tourist industry regulation /standards, new tax regulations, tourism marketing, housekeeping and organization for small hotels, apartments and villas, restaurant organization and service etc



## SME Map Albania

Together with the World Bank Group's SME Department, SEED completed the first draft of the SME Map for Albania. The map highlights impediments and opportunities in four key areas: access to capital, access to information, availability and quality of business services, and the general business environment. As part of the process, SEED co-sponsored a Private Sector Development Roundtable with IFC and the Multilateral Investment Guarantee Agency (MIGA) that brought together representatives of the government, local

# COUNTRY MAP

(summary page only)

## Albania

### Summary of Country Facts

#### MARKET SEGMENTATION

##### Number of Private Companies in 2000:

Total	Domestic Company	Joint Venture	Foreign Company
63,155	59,482	2,164	1,509

Source IMF, 2000

#### ECONOMIC INDICATORS

	1998	1999	2000	2001
GDP Growth (%)	8.0	7.3	7.8	6.0
Inflation Rate	8.7	-1	4.2	5.0
Exchange Rate (Lk US\$)	150.6	137.7	143.7	na
Unemployment Rate	17.8	18.0	16.9	na

#### POLICY INDICATORS

##### Degree of Liberalization

	Trend
Banking Sector	Medium
Trade Regime	Medium
Tax System	Medium
Regulatory Environment	Low

Source IMF, 2000 and EBRD, January 2001

### Diagnostics

**Business Environment:** The business environment suffers from a lack of application and enforcement of laws (including property security), a harassing and corrupt public administration system (especially in customs and tax administration), a lack of the most basic infrastructure services (roads, power, water, communication) and problems in accessing land and construction permits

**Capital:** The inadequacy of Albania's financial sector has been a key factor inhibiting the development of the economy. The system is primitive, and most transactions are still in cash. The banking sector is still recovering from the 1997 pyramid scheme crisis. Microcredit is available but institutions are still constrained by a repressive regulatory environment, even for non-deposit taking microfinance institutions

**Enterprise Support Services:** Studies have shown that many SMEs are in need of support services such as business plans and basic management, especially to access capital. There is a limited supply of technical and vocational training and weak accounting and auditing services

**Information:** There is little reliable information on market access, legal and regulatory updates, or support programs for SMEs

### Defining Features

- Albania is still the poorest country in South East Europe. There are marked disparities across regions in terms of social and economic development
- The SME sector has led recovery in many eastern European countries, but this has not been the case in Albania to date. Foreign investment has been limited and the vast majority of enterprises are small and new, and inconsistent enforcement of regulations has encouraged many firms to remain informal
- Almost all enterprises in Albania can be defined as micro or small, with 76 percent of all enterprises having just one employee. Most enterprises are in the trade sector because barriers to entry are low. Only 10 percent of enterprises are in industry, and more than half of all enterprises are concentrated in the Tirana-Durres-Elbasan corridor
- The adverse environment for SMEs is due in part to the series of crises that affected the country, starting with the 1997 pyramid scheme crisis. Political instability, corruption, and constantly changing laws and regulations remain barriers to SME development
- Primary constraints to growth and formalization of SMEs include Albania's failure to implement laws in a consistent and reliable manner, an undeveloped capital market, poor infrastructure, unresolved property rights, and an underdeveloped judicial system
- The rural sector continues to dominate the economy with more than 62 percent of the population residing in rural areas, and more than half of GDP from agriculture. Long-term growth potential exists for the agribusiness, tourism, and mining industries
- International studies consistently identify perceptions that political instability, poor management, illegal trade, and corruption are disincentives for investment

### Priority for Action

**Business Environment:** Because of arbitrary and subjective application of laws, there should be an emphasis on clarifying and enforcing existing laws, in part through training and dissemination campaigns revolving around critical legislation. Need to focus on programs facilitating communication between the government and business community. Finally, need to resolve crises in the electricity sector and poor transportation linkages, which stunt the growth of new and existing businesses and act as disincentives to foreign investment

**Capital:** To strengthen the financial sector and increase lending by both commercial banks and Microfinance institutions, continued work on the legal and regulatory environment is necessary. Focus should be on the enforcement of property rights, movable property, and secured transaction laws to make lending less risky. Additionally, a focus on increasing the skills of entrepreneurs in business planning and other technical areas would do much to increase their access to loans

**Enterprise Support Services:** Strengthen the capacity of Business Service Providers to better address needs of clientele and generate real demand for their services. Coordination and marketing of Business Service Providers is also important

**Information:** Increase penetration of Internet Service Providers (ISPs) and create business information websites. Support Chambers of Commerce and Business Associations to provide information on trade, markets, and business opportunities

## Business Enabling Environment Initiatives - Fiscal Year 2002

Country	Name of Initiative	SEED Intervention	Country	Name of Initiative	SEED Intervention
Albania	Donors round table meeting	Coordination among donors that are key players in SME support. The aim of this meeting was to set up a quarterly donor "forum" to share information and coordinate actions related to SMEs	BiH	Business Registration (a working group whose aim is to simplify and streamline the business registration process)	The working group initiative was able to attract and secure up to \$700,000 in funding from DFID to support the design of a joint-entity registration process and procurement of the hardware and software necessary to implement the new design
	Review of Poverty Reduction and Growth Strategy	SEED reviewed the initial draft of the Poverty Reduction and Growth Strategy. This document, along with the Country Assistance Strategy, is the key planning document for the World Bank in Albania. Because of SEED expertise in private sector development and business enabling environment, it focused its review in these areas		Survey on public attitudes of private sector	As a part of a country-wide Omnibus Research Survey of 1000 participants, SEED submitted a list of five key questions to obtain insight on general public attitudes toward private sector in BiH. The findings were disseminated via print media and showed wide spanning prejudices toward the private sector in BiH
	PSD round table on business environment for SME development	Co-sponsored by IFC, MIGA and SEED, this gathering brought together Government, Donors and Business persons to discuss issues impeding SME development in Albania		OECD regional corporate governance roundtable in Romania	SEED supported the participation of six key BiH and FYR Macedonia government representatives in a regional conference on corporate governance
	SME Mapping Exercise	Development of SME map that analyses four areas affecting SME development business environment, access to capital, business services and access to information. A finalized Map is used to guide government and donor policies and programs that support SMEs		Lex Nova - publication	Publications consist of filtered and summarized information on proceedings in FBiH and RS Parliament pertaining to laws and regulations that could affect SMEs. Four publication were distributed to the international community, business service organizations etc
BiH	WB Business Enabling Cooperation - IBRD Business Adjustment Credit (BAC)	World Bank approved the \$44 million Business Adjustment Credit that provides a formal green light for the Government to begin the schedule of planned reforms. Some reforms include removal of mandatory membership to Chambers of Commerce, reduced days needed for business registration and inspections, new bankruptcy legislation and training, improved access to public procurement for SMEs, and support for alternative dispute resolution	BiH	Registration of a business association at the state level - Brochure	This brochure was published following a change in legislation that permitted state-level registration for the first time. The brochure was presented via workshops to the business community in four cities across BiH, and included 97 participants
	Survey on Fees and Taxes for businesses operating in both BiH entities The Federation & Republika Srpska	Examines business taxes and fees for permits & licenses in BiH municipalities in order to draw comparison for municipal officials and businesses		Sarajevo Institute of Economics "How to Start and Manage a Small Business" and "They've made it, try it yourself!"	SEED developed the publication "They've made it-try yourself". This publication is written for start-ups. SEED also developed a second publication "Small Business in BiH". This publication was developed in cooperation with the Sarajevo Institute of Economics, and is a handbook for SME managers. SEED disseminated these publications through 8 seminars in different regions of BiH. Half of these seminars targeted final-year students of Economics and half targeted SME owners
	Environmental Legislation in BiH	In cooperation with EU's PHARE program, SEED provided inputs on draft environmental laws with respect to SME compliance with sound environmental practices		SME map (key development issues and priorities for SMEs)	SEED revised the SME map (last version dates Fall 2000). The Map is one of the key programming tools for SEED, International donors and The Government in identifying key reform priorities in SME and private sector development. Key findings include: A non-transparent and poorly established banking sector, poor enforcement of property rights, inadequate dissemination of business information etc
	Survey on SME Demands for Business Support Services in BiH	In cooperation with Babson College US, surveyed a sample of 130 private SMEs in BiH in agribusiness, construction, transport and IT sectors. Received information about the type of services in demand by SMEs. SEED was able to plan more focused capacity building initiatives	FYR Mac	Support of Ministry of Economy on SME strategy and law	Technical assistance to the Ministry of Economy to develop a National Strategy for the SME Sector in FYR Macedonia. Logistical support in organizing 4 public forums to present the draft SME strategy
	Credit Guarantee Institution	A group of interested parties, including foreign commercial banks, SEED's donor FGG, international organizations and BiH Government proposed to organize a Credit Guarantee Institution (CGI). SEED examined the feasible organizational structures, operations of the CGI & developed a financial model to determine the appropriate size of a Credit Guarantee fund. Ultimately SEED's work concluded that the best form of credit guarantees would be to directly target banks and not through the creation of an institution			

## Business Enabling Environment Initiatives - Fiscal Year 2002

Country	Name of Initiative	SEED Intervention	Country	Name of Initiative	SEED Intervention
FYR Mac	Development of Leasing Law for FYR Macedonia	Requested by the Ministry of Finance, SEED provided technical assistance and in-depth expert reviews of Leasing Law drafts which resulted in the adoption of a leasing law by parliament	FR Yug	Survey of fees and taxes in FR Yugoslavia	SEED conducted a survey of all major fees and taxes for business operating in Serbia with the emphasis on the price differences between municipalities. Major findings are organized and published in a form of booklet which will prompt competition among municipalities. Expected completion is in September 2002
	OECD regional corporate governance roundtable in Romania	SEED supported the participation of six key BiH and FYR Macedonia government representatives in a regional conference on corporate governance		Republic of Serbia - National Assembly SME support	With the Committee for Development and Foreign Economic Relations, SEED co-financed the second of 3 meetings with key Serbian Parliament and Government Officials responsible for Business Development Policy in Serbia and FR Yugoslavia
	ZELS (Association of Macedonian municipalities), first municipal fair 2001	Enabled local municipalities to present their regional programs to the business community and NGO's. Donors presented their programs and learned of plans for local government development. Common issues discussed included attracting and retaining business, information on business development and credit programs and networking with municipalities on provision of services		SME strategy	SEED supported the development of a Serbian SME strategy with the Committee for Development and Foreign Economic Relations. The strategy was presented to the government for consideration
FR Yug	Financial leasing presentation to representatives of the Serbian Government and YU commercial banks	Presentation to Interministerial Committee on leasing issues and legislation. As a result government officials are better informed and supportive of financial leasing and have agreed to form a working group for drafting financial leasing legislation		Workshop On Deregulation of Economy in Serbia (Co-financed with WB, USAID and GTZ)	SEED raised awareness of local stakeholders of the importance of deregulation of the economy and gave examples of successful deregulation in countries neighboring Serbia. A committee on deregulation was formed as a result of the two day workshop. It identified business registration as a priority reform it will concentrate on over the course of the next FY
	Ad Hoc Committee for legal reform	SEED is an active member of the committee. The work of the committee includes recommending various ways to carry out legal reform. The committee also serves as basis for individual donor involvement in passage of reform oriented laws. Current focus is on SME law	Regional	Balkan Herbal Forum	SEED organized a regional conference on the wild herbs business sector in the Balkans. Using regional & international experts, the conference (which included 95+ participants) focused on raising awareness of sustainable business practices in the sector, and recreated required trade contact lost during the break up of Yugoslavia
	Establishment of a Risk Reserve Fund for SMEs	FGG Austria partnered with Raiffeisen Bank Yugoslavia to create a \$ 600, 000 Risk Reserve to leverage a \$ 6 million credit line for SME lending. SEED will bring potential SME deals to Raiffeisen for a credit review. If approved SEED will perform a due diligence process required by FGG. In order for the loan to benefit from the risk reserve			
	Leasing Legislation	SEED has retained an international leasing expert to work with the interministerial working group to draft a leasing law for submission. The work is ongoing and currently the 1st draft is set for completion in early October 2002			
	Chamber of Commerce Study	SEED supported an evaluation of the existing Chamber of Commerce system in Serbia, and provided several recommendations for reform. The Chamber has accepted the review and is seeking assistance to speed up implementation of reform measures			

### SME Development Strategy in Serbia and FYR Macedonia

SEED and its local partners prepared a draft Strategic Plan for SMEs in Serbia that was adopted by the Parliamentary Committee on SMEs. This strategy has been presented to the government in the hope that it will contribute to SME developmental plans. The strategy was developed using extensive public debate in Belgrade and nine other regional cities, representatives of businesses, NGOs, local government, business associations and other interested parties gathered for up to five hours to discuss key business developmental issues.

SEED also assisted the Ministry of Economy in FYR Macedonia to draft a National Strategy for SMEs. Four public forums were held to present and discuss the draft, which has been adopted by the Macedonia Government. Further public consultations are expected over the coming months.

# PARTNERSHIP HIGHLIGHTS



## Entrepreneurship

### OSCE Youth Entrepreneurship

As part of SEED's Entrepreneurship initiative, SEED partnered with the Organization for Security and Cooperation in Europe (OSCE) to develop a program to promote entrepreneurship among youth. The program was designed to introduce youth between the ages of 15 and 25 to the fundamentals of becoming an entrepreneur. A training workbook and instructor's guide, titled "The Young Entrepreneur's Advantage," was developed by a SEED staff member and illustrated in a comic book format by a local Bosnian designer. The workbook was presented and moderated in 16, one-day interactive workshops across Bosnia and Herzegovina (BiH) by SEED staff and local consultants.

### Austrian Credit Risk Reserve Increases Financing Options for SMEs in FR Yugoslavia

The Finanzierungsgarantie-Gesellschaft mit beschränkter Haftung (FGG) signed an agreement with Raiffeisen Bank FR Yugoslavia in February 2002 to establish an SME credit support program. Austria's

Ministry of Finance, through FGG, placed EUR 663,600 on deposit with Raiffeisen Bank to leverage a credit line of EUR 6.6 million for medium and long-term loans to SMEs over the next 24 months. FGG's contribution is intended to reimburse Raiffeisen Bank for defaults on loans that have been granted under this program. Extension of loans under this program is contingent upon close examination of the investment and/or business plan that demonstrates the commercial viability of the project. SEED has been tasked with carrying out a key role in this process. SEED will analyze potential SME deals in addition to the review carried out by Raiffeisen Bank. Once approved for a loan, SEED will complete the due diligence process required

by FGG and review the eligibility of the loan to benefit from the risk reserve. Loans eligible for the risk reserve protection must meet several criteria in addition to those normally extended by the bank, including such factors as reduced collateral requirements (no more than 180%), extended life of loans (more than three years), and reduced company lifecycle requirements (no more than three years in operation).

## World Bank Credit to BiH to Improve Business Environment

The \$44 million Business Environment Adjustment Credit (BAC) for BiH was approved by the World Bank board in May 2002. The BAC supports the BiH Government's reform program to improve the investment climate to attract domestic and foreign investors. Implementation of the BAC-supported reforms represents an important milestone in the realization of the Government's 2000 to 2004 economic development framework adopted by the Parliament last year, which envisions private sector growth as key to economic sustainability and reduction of poverty. Specifically, the credit supports the following elements of the Government's reform program:

- Facilitating business entry through the creation of a simplified and transparent countrywide approach to business registration, and licensing and a strengthened legal framework and capacity for attracting foreign investment;
- Streamlining business operations by reducing administrative and regulatory compliance costs through the rationalization of inspections and regulations; building judicial and extra-judicial capacity to resolve commercial disputes; improving enforcement of secured transactions, and ensuring equal access to public procurement, and;
- Easing business exit through strengthened bankruptcy and liquidation systems

SEED partnered in this significant development by contributing staff (a legal and policy specialist) to the BAC task team. As a result SEED helped prioritize and keep track of commercial legislation essential to improvement of the business enabling environment and to those areas of the reform supported by BAC. Furthermore, SEED's lobbying efforts influenced the Government to move forward with key pieces of legislation essential to the reform program.

This project is an integral part of the Government's strategies to reduce poverty and fight corruption. The reform program also is a pivotal component of the World Bank's overall program in Bosnia and Herzegovina, which lays out a graduated assistance strategy aimed at helping the country undertake necessary reforms to accelerate the country's transition toward self-sustaining growth and away from a dependency on aid.



# DONOR RELATIONS

## Donor Participation

In May 2001, SEED's donors supported the expansion of SEED into the Federal Republic of Yugoslavia. SEED required additional funds to support that expansion and not disadvantage programming in the countries originally included in SEED's mandate. SEED donors Austria (FGG), Switzerland (SECO), Norway (Ministry of Foreign Affairs) and IFC jointly committed an additional \$5.3 million to support the expansion. Current donations and disbursements are summarized below.

DONOR	MINISTRY AGENCY	COMMITMENT (US\$equiv.)	DISBURSED
Austria	FGG	2,304,710	2,304,710
Canada	CIDA	1,364,866	1,364,866
Greece	Ministry of National Economy	250,000	250,000
Netherlands	FMO	5,000,000	2,000,000
Norway	Ministry of Foreign Affairs	3,200,000	3,200,000
Sweden	SIDA	2,212,160	2,212,160
Switzerland	SECO	4,000,000	4,000,000
United Kingdom	DFID	868,558	582,203
Slovenia	Government of Republic of Slovenia	200,000	200,000
IFC		6,000,000	3,500,000

## SEED Belgrade Office Marks its First Year of Operation

SEED officially launched operations in the Federal Republic of Yugoslavia on September 25, 2001. SEED's activities will complement the reconstruction and development activities of the World Bank Group and other multilateral and bilateral donors in FR Yugoslavia.

SEED General Manager Mariann Kurtz joined the Federal Finance Minister, Prof. Dr Jovan Rankovic, at the ribbon cutting at the Belgrade office that formally launched SEED's activities in the country. Dr Rankovic remarked that Yugoslav authorities look forward to working closely with SEED and the World Bank Group to support SME development, which is the key to the country's growth and prosperity. "The opening of SEED's offices in Belgrade represents a great step forward for Yugoslav entrepreneurs."

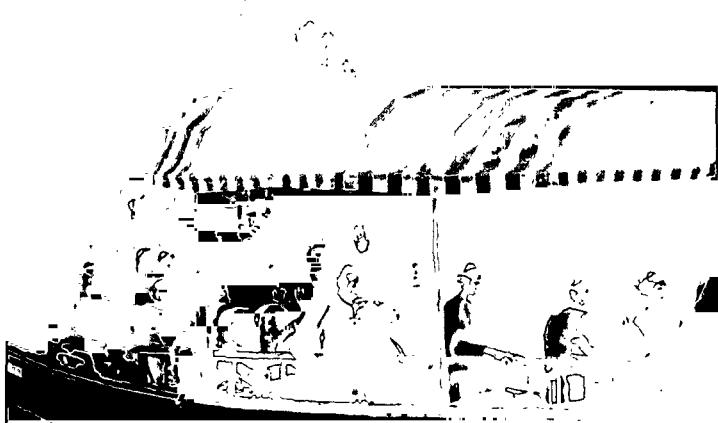
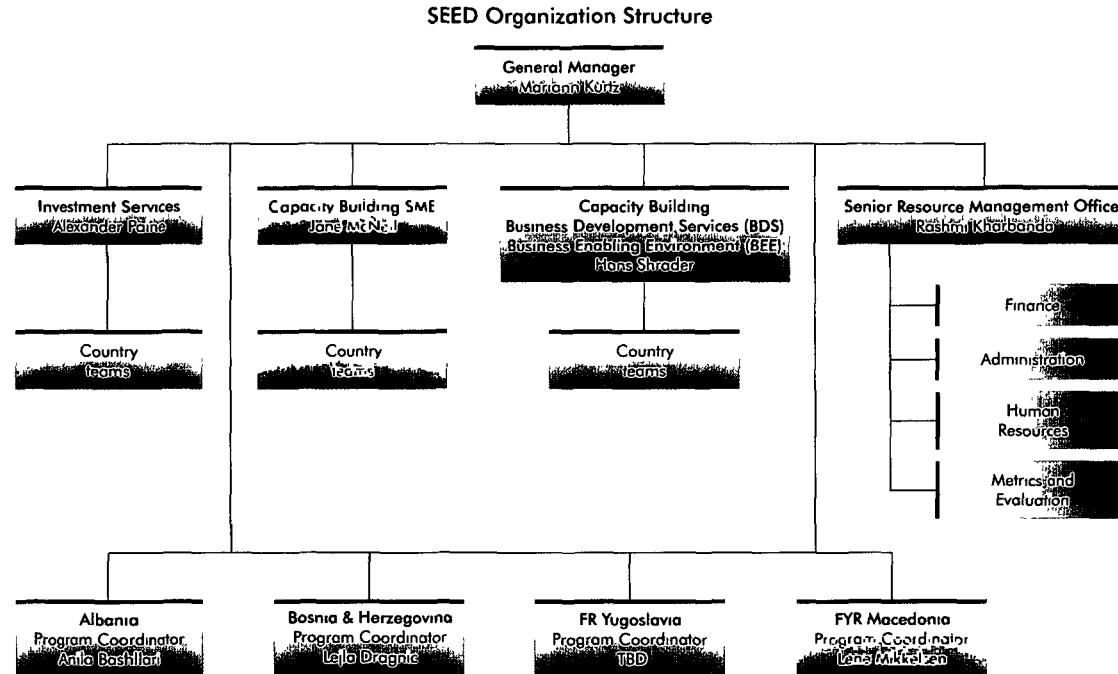
TOTAL COMMITMENTS	25,400,294
TOTAL DISBURSED	19,613,939



# HUMAN RESOURCE AND STAFF DEVELOPMENT

Today SEED is nearly 100 percent staffed with 80 professionals across five offices in the region. Each country office has a program coordinator, at least one team member for each strategic business area of SEED's work plus necessary support staff. The most significant addition to SEED's staff this year has been the appointment of Rashmi Kharbanda as Senior Resource Management Officer. Ms Kharbanda joins the management team with more than 10 years of audit and internal controls experience with PricewaterhouseCoopers. She previously managed a local audit team in BiH for two years and most recently served as a project manager in Vietnam. Ms. Kharbanda will manage SEED's finance, administration, HR and reporting functions.

One of the most important tertiary benefits to SEED's work is the regional integration of local professional staff. SEED team members represent all ethnic groups within the region. Staff travel frequently between countries to work together on projects, activities are planned for the region as a whole. Those staff involved in commercial projects have formed a regional working group to develop a business plan for their eventual spin-off from SEED into a private consultancy. The importance of such cross-border and cross-cultural relations cannot be underestimated and represents an important building block for the region's peaceful and commercially viable future.



SEED team building workshop Lake Bled, Slovenia



SEED Staff, children's party, Sarajevo, BiH

# SEED'S TEAMS

## Albania Staff



Standing left to right: Enkeleda Kuka, Irena Begraj, Ledia Terpo, Doriane Bilali, Anila Bashllari, Irena Gribizi  
Keler Gjika Seated left to right: Fatos Hida, Silvana Rusi, Tomi Papadhopulli

## BiH and Headquarters Staff



Left to right: Denis Mesihovic, Ismeta Agic, Tamir Mostarac, Igor Tutnjevic, Almir Ahmethodzic, Azra Delalic, Edin Hukic, Denis Obarcanin, Samir Besirevic Below left to right: Smiljana Vuletic, Nerma Karic, Jasna Arnavotic, Almira Tahirovic, Ivana Curic, Amila Dedic, Sasa Zoe-Miric, Senada Hadzagic, Ayla Dizdarevic, Gordana Alibasic, Iso Abinun, Dragan Ajanovic. Seated left to right: Senada Havic-Hrenovica, Lada Dervisbegovic, Sanela Pasic, Samira Sauvage Not present: Edin Terzic, Andrew G Anderson, Goran Zaric, Chris Miller, Adnan Dulic, Davorin Pavelic, Adnan Mededovic, Stevo Topalovic



## Management Team



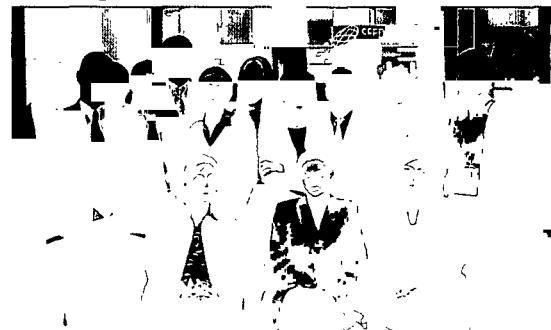
Left to right: Jane McNeil, Anila Bashllari, Hans Shrader, Rashmi Kharbanda, Lene Mikkelsen, Mariann Kurtz, Vojislav Kandic (acting Program Coordinator FR Yugoslavia), Alexander Paine, Lejla Draganic

## FYR Macedonia Staff



Left to right: Lene Mikkelsen, Zoran Nikolovski, Valentina Popovska, Valentina Paskalova, Natalija Stojanova Pesesvska, Goce Toleski, Magdalena Soljakova, Anica Markic, Dragan Kolevski, Zoran Martinovski  
Not present: Afrim Hajredin, Gjorgi Miskovski

## FR Yugoslavia Staff



Standing left to right: Hans Shrader, Djordje Petric, Stevan Gregovic, Aleksandar Pavic, Wasilis Laitos, Olivera Sredajevic, Natalija Cordero, Lana Vukovic, Mehrdad Etemad, Vladimir Illic, Biserka Jevtimijevic-Drinjakovic, Jelena Avramovic, Ivana Vranjican, Milica Vukadinovic Seated left to right: Jasmina Vignjevic, Mirjana Popovic, Sonja Velasevic  
Not present: Predrag Matic

# **CONTACT INFORMATION**

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## **SEED Headquarters Sarajevo Office**

The World Bank Group  
Hamdije Kresevljakovica 19/IV  
71000 Sarajevo  
Bosnia and Herzegovina

Tel.: (+387-33) 251 -555  
Fax: (+387-33) 217-762  
[seedinfo@ifc.org](mailto:seedinfo@ifc.org)  
Contact: Lejla Dragnic

### **Belgrade Field Office**

SEED  
Kneginje Zorke 96-98  
11000 Belgrade, FR Yugoslavia  
Tel.: (+381-11) 3023-750;  
Fax: (+381 11) 3023-740  
Contact: Mehrdad Etemad

### **Skopje Field Office**

SEED  
Ulica Makedonija 9-11/III  
1000 Skopje, FYR Macedonia  
Tel.: (+389-2) 223-306;  
Fax:(+389-2) 223-298  
Contact: Lene Hojmark Mikkelsen

### **Pristina Field Office**

SEED  
The World Bank Group  
Tirana-str. N-35  
Pristina, Kosovo  
Tel.: (+381-38) 249-459; 249-998  
Fax: (+381-38) 249-780

### **Tirana Field Office**

SEED  
Deshmoret e 4 Shkurtit, nr 34, Sky Tower 8th floor  
Tirana, Albania  
Tel.: (+355-4) 2 231-401;  
Fax: (+355-4) 2 231-260  
Contact: Anila Bashllari





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