



# **Impact Assessment Report**

## **Fiscal Year 2005**

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## **1. Executive Summary**

### *Monitoring and Evaluation*

Fiscal Year 2005 offers the most complete picture yet of the evolving impact of SEED's work. With more than 2,000 client responses from every program area for FY 05 alone and 7,000 responses total spread over the past three years, it is now possible to evaluate trends and assess individual programs within a broader context.

Monitoring and evaluation is a constantly evolving process. SEED has a dedicated Monitoring and Evaluation (M&E) team, separate from project staff, that works to tailor SEED's M&E systems and process to the needs of individual projects while maintaining sufficient cross-programme relevance to enable aggregation of data at a global level and comparison of programmes across SEED. This report is based on the outputs of that process, which includes client surveys, follow-up interviews, and focus groups.

### *Market Development*

SEED's market development activities have had a positive influence on the development of a sustainable market for business services. SEED's clients are satisfied with their services as a whole and as such are more likely to seek out business services, pay for services, and value those services. These conclusions are supported by client feedback, repeat clients, and willingness to pay.

### *Retail Training*

In general, SEED's M&E process indicates that its retail training activities have had a strong impact on businesses. Clients have gained new skills, applied those skills in their businesses, and made real changes in business operations. For many clients those changes have led to significant improvements in business performance.

### *Business Development Services*

In limited circumstances, there appears to still be a niche for developing and/or introducing new products and services into the market. Under some circumstances, this can be very successful. However, granted the diminishing returns noted by SEED in FY 04 when BDS support was a much larger part of its work, SEED should continue for the most part to develop the capacities of local BDS providers only so much as SEED itself needs them to pursue its programmatic goals.

### *Financial Institutions*

SEED's work with Financial Institutions has strong impact and should be repeated and expanded upon as far as possible.

### *Linkages*

SEED's linkages work had an overall positive impact on the companies with which SEED worked. While SEED is by no means wholly responsible for improvements in business performance, there was improvement in business performance in the time after SEED worked with their clients, and the clients felt that SEED made a significant contribution. Though somewhat different from IFC's traditional linkages model, SEED's

linkages program did have good impact on the small number of companies with which they have worked.

#### *Business Membership Organizations*

SEED's BMO development methodology has been highly successful in some areas and moderately successful at others. In terms of providing targeted services to businesses, creating networking and market development opportunities for their members, and serving as a vehicle for information dissemination, SEED's BMO partners have had a high level of impact on their members. As a vehicle for driving policy changes, some of SEED's partner BMOs have been very successful, others much less so. SEED's partner BMOs have increased the revenues provided by membership fees and services to members, but still remain dependent on donors for a substantial amount of their operating expenses.

#### *Corporate Governance*

In general, it seems that SEED Corporate Governance training provided good knowledge to participants, and that there was a real understanding on their part about the need for greater education. There is less clarity that SEED's pilot has had much impact on businesses, at least as of yet. Future Corporate Governance programming is planned within a more systematic framework and will proceed in greater depth, both of which should make it more effective.

#### *Alternative Dispute Resolution*

SEED's two Alternative Dispute Resolution methodologies, piloted in Belgrade, Serbia and Montenegro and Banja Luka, Bosnia and Herzegovina, were both resoundingly successful. All of the stakeholders, judges, mediators, and litigants found the mediation process to be a significant improvement over the traditional court resolution process. Several million dollars were freed from legal encumbrance, cases were resolved in significantly less time than is the norm in the region, and there were strong indications that the mediation process would be financially self-sustaining in the long run.

#### *Business Enabling Environment*

Measuring the performance of Business Enabling Environment (BEE) projects is a complex and difficult endeavor. BEE projects by their nature are long-term, affect a wide pool of end-recipients, and seek broad impact not easily attributable to one cause. This makes it difficult to determine impact without broad surveys and/or detailed economic indicators not easily available in many target countries. The costs of acquiring that information, particularly in developing countries where data is often difficult to obtain, are significant.

SEED's BEE portfolio generally reflects strong results where such results are available. Particularly in the financial sector where factoring and leasing work have born fruit, and in work focusing on improving the interaction between government and business such as business registration and inspections, SEED's projects have born fruit. In other areas, it is difficult to assess impact, and the best that can be offered is progress reports.

## 2. Introduction

Fiscal Year 2005 offers the most complete picture yet of the evolving impact of SEED's work. With more than 2,000 client responses spread across every program area for FY 05 alone and 7,000 responses total, SEED's impact assessment system is paying dividends in terms of its ability to give a thorough evaluation of SEED's impact on its clients and the overall effectiveness of its work. In addition with more than three years of client responses, it is now possible to evaluate trends and assess individual programs within a broader context.

SEED has worked to integrate the results of its Monitoring and Evaluation (M&E) process into every aspect of its work. During project development and design, a logical framework is developed which helps staff and management understand the scope and depth of the project. Also during the development stage, indicators are identified that can be used during and after the project as concrete measurements of success. Throughout its life cycle, each project undergoes regular monitoring and reporting. A short time after project completion, the effectiveness of the project and, as far as possible, its impact on end clients is assessed. At each of these phases reporting to project staff, management, and donors facilitates continuous improvement and/or reallocation of resources.

Monitoring and evaluation is a constantly evolving process. SEED has a dedicated Monitoring and Evaluation (M&E) team, separate from project staff, that works to tailor SEED's M&E systems and process to the needs of individual projects while maintaining sufficient cross-programme relevance to enable aggregation of data at a global level and comparison of programmes across SEED. The M&E team works with the staff to understand the intricacies of each project, but reports directly to management and to donors. At the heart of SEED's M&E work is the sophisticated management information system known as the Project Tracking Monitoring and Reporting System (PTMRS). PTMRS can integrate data from the budgets, actual expenditures, staff timesheets, quarterly reporting, customer satisfaction, and impact assessment process into a coherent whole at any point in the project lifecycle for use by project managers, SEED management, donors, and the M&E Team.

### **Box 1: An Independent Critique of SEED's Monitoring & Evaluation System**

In 2005, the IFC hired Marco Lorenzoni, a consultant with wide-ranging experience in Monitoring and Evaluation, to conduct an independent assessment of SEED's M&E systems and processes. While making a number of recommendations on ways to improve the system in the future, his report indicated that SEED's M&E processes and systems were managed in an open and transparent fashion, and that they provided useful analyses of the effectiveness and efficiency of SEED's programming. He also concluded that while the M&E System offered some insight into the long-term impact of SEED's work, a broader assessment would need to be done over time to offer conclusive evidence of impact. A summary of his findings is attached as Annex 2 to this report.

## *2. 1. Monitoring and Evaluation in SEED*

The monitoring and evaluation process within SEED had three main goals: The first was **institutional learning and development**. By providing management and project staff with initial client responses, consultant/trainer evaluations, and client follow-up data, the M&E process facilitated improvements during the project lifecycle and in subsequent interventions.

The second goal was **project selection and evaluation**. By combining information from client responses and independent evaluations with the applied knowledge of the project staff, SEED's management could respond to changes in the market, fill development gaps, and redirect resources to where they would have the greatest impact.

The final purpose of the monitoring and evaluation process was **external reporting** to donors, the IFC, and other partners about the progress and impact of SEED's activities.

As SEED's fiscal year 2005 (FY05) was SEED's final year of operations, this report is primarily concerned with external reporting and, to a lesser extent, with providing lessons that could be applied both to SEED's successor, the Private Enterprise Partnership – Southeast Europe (PEP-SE), and others involved in providing technical assistance to the private sector.

This report seeks to answer several basic questions:

- How has SEED affected the market for business services in the region?
- Were SEED's clients satisfied with the services that they received? Why or why not?
- Have SEED clients improved their business skills or knowledge as a result of SEED's services? If so, has that translated into concrete changes in their business operations?
- Have these changes translated into a measurable impact on the profits or employment levels of Small and Medium Enterprises?
- How has SEED contributed to improving the overall business environment in the target countries?

In addition to the FY05 Impact Assessment report generated by SEED's M&E Team, SEED has also commissioned two reports by independent external evaluators. These reports should provide additional insight into the effectiveness of SEED's interventions.

The data in this report was gathered between July of 2002 and September of 2005 (fiscal years 2003 through 2005) and reflects projects completed during that period of time. Fiscal years 2004 and 2005 (FY04) saw a dramatic upswing in the quantity and quality of client responses within every type of project. This can be jointly attributed to better processes by the M&E team and greater support from project staff. Table 1 below shows the cumulative number of customer satisfaction and impact assessment forms collected for the FY03 and FY04 as well as response rates in impact assessment surveys.

**Table 1. Cumulative customer satisfaction and impact assessment forms  
from FY03 to FY05**

	FY03		FY04		FY05	
	Customer Satisfaction	Impact Assessment	Customer Satisfaction	Impact Assessment	Customer Satisfaction	Impact Assessment
Retail Consulting	40	10	58	23	84	75
Retail training	273	148	1366	431	2814	1327
Wholesale Training BDS	193	145	605	157	1165	228
Wholesale Training FI	85	17	122	24	308	260
BMO					42	33
ADR – Trg					51	75
ADR – Judges						17
ADR – Mediators						15
ADR - Clients					13	1286
BEE				8		18
<b>Total inputs</b>	<b>591</b>	<b>320</b>	<b>2151</b>	<b>643</b>	<b>4477</b>	<b>3334</b>
<b>Response rate</b>	<b>FY03</b>	<b>35%</b>	<b>FY04</b>	<b>54%</b>	<b>FY05</b>	<b>67%</b>

\*The response rate includes only those projects for which Impact Assessment was due and survey conducted at the time of reporting

A more detailed explanation of the methodology underlying this report is available in Annex 1.

### **3. Market Development**

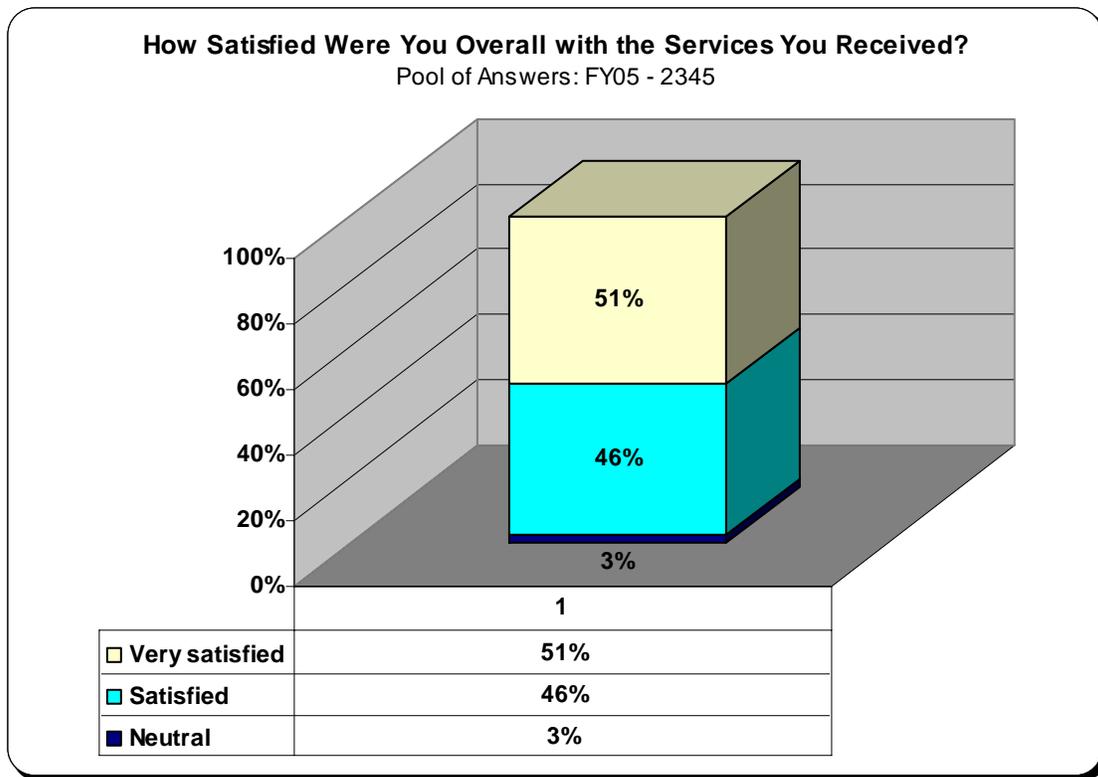
One of SEED’s primary objectives has been the development of a sustainable market for affordable business services in the region. SEED’s strategy was to build both the supply of high-quality, commercially affordable business services for SMEs, and the demand for those services. On the supply-side, SEED’s work has focused on developing the capacities of Business Development Service (BDS) providers such as private consultants, universities, and BMOs. On the demand-side, SEED has focused on developing or bringing into the region targeted trainings and consulting services either not previously available or not available at prices SMEs could reasonably afford. SEED’s rationale for providing direct services to SMEs has been to demonstrate the potential impact of these services on SMEs and thus develop demand in the market. By charging for services it delivered or facilitated, SEED sought to establish both the viability of the market, particularly the SME market, for service providers and establish an expectation of payment for services in a region still heavily influenced by donors.

### 3.1. Client Satisfaction

The satisfaction of SEED's clients as a group is important both as an indicator of SEED's performance and within the context of SEED's market development mandate. If SEED successfully demonstrated the benefits of paid business services to SMEs in the region, they are more likely to demand and pay for those services in the future.

In general SEED's clients continue to be satisfied or very satisfied in general with SEED's work across all project types and countries. In FY05 97% of all respondents said that they were satisfied with SEED's work, which is consistent with results in FY03 and FY04.

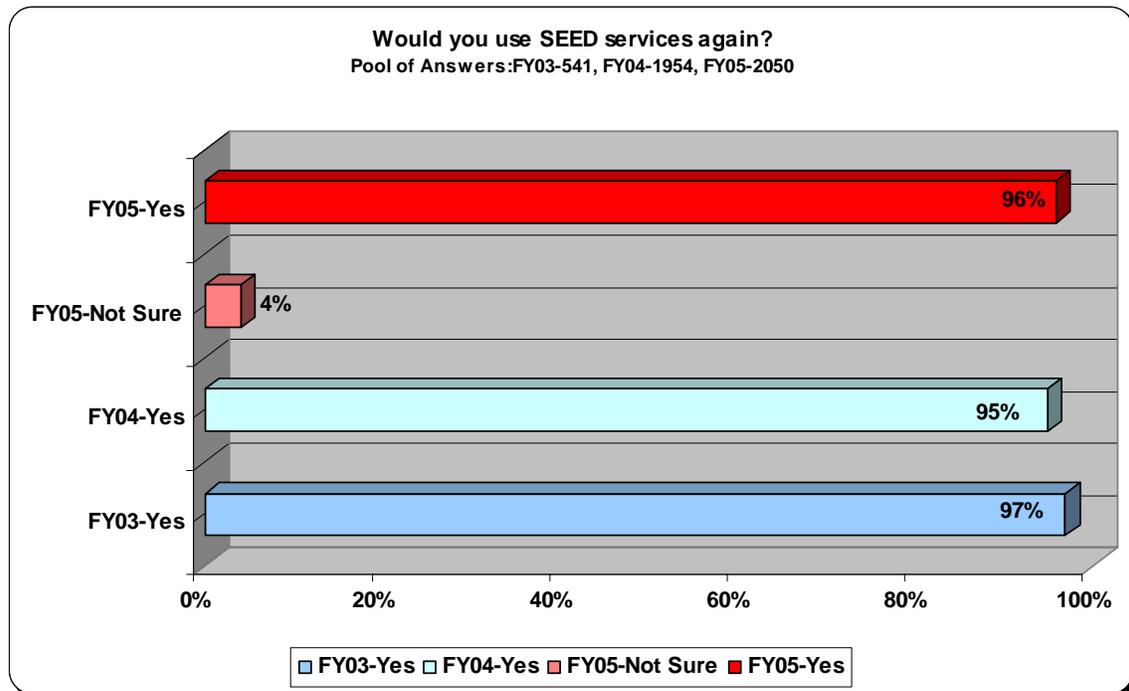
**Figure 1: Overall Client Satisfaction**



Each of the more than 2,000 respondents was polled at the time their intervention with SEED ended, reflecting more whether SEED met their expectations than whether their broader objectives were accomplished. This indicates a strong sense that by working with SEED, its clients are achieving their goals.

This conclusion supported by the number of SEED clients (96% in FY05) who indicated that, given the opportunity, they would use SEED services again.

**Figure 2: Would You Use SEED Services Again?**



*3.2. Repeat Clients*

In FY04, in addition to asking hypothetical questions about whether clients would use SEED services again, the M&E Team began tracking the number of clients who actually did. Repeat clients provide a concrete statement about the quality of SEED services, as dissatisfied clients would presumably not return to SEED, particularly granted the need to pay. Furthermore, repeat clients are in some ways a measure of SEED’s success at building demand for business services.

**Table 2: Number of Repeat Training Client Companies**

	Repeat Training Client Companies				Total # client companies	% of Repeat clients
	2 times	3 times	4+ times	Total		
Albania	44	20	23	87	321	27%
Bosnia and Herzegovina	113	29	45	187	742	25%
Macedonia	38	10	14	62	405	15%
Serbia and Montenegro	51	14	19	84	758	11%
Total	246	73	101	420	2228	19%

There are number of clients who have used SEED 8 to 16 times in different trainings. They are listed in Annex 3 as SEED’s most frequent clients in trainings.

This chart only includes client companies, not individuals who have attended several SEED trainings.

**Table 3: Number of Repeat Consulting Clients**

	Repeat Consulting Clients				Total	Percentage
	2 times	3 times	4+ times	Total	# clients	%
Albania	1	2	1	4	28	14%
Bosnia and Herzegovina	6	1	3	10	50	20%
Macedonia	2	2	0	4	23	17%
Serbia and Montenegro	4	0	1	5	36	14%
Total	13	5	4	22	137	16%

The percentages of repeat clients in both training and consulting have improved since FY04. The M&E Team believes that the improvement is related to the increasing transition from one-off interventions to more focused, demand-driven programmes with greater technical specificity in both their training and their consulting work.

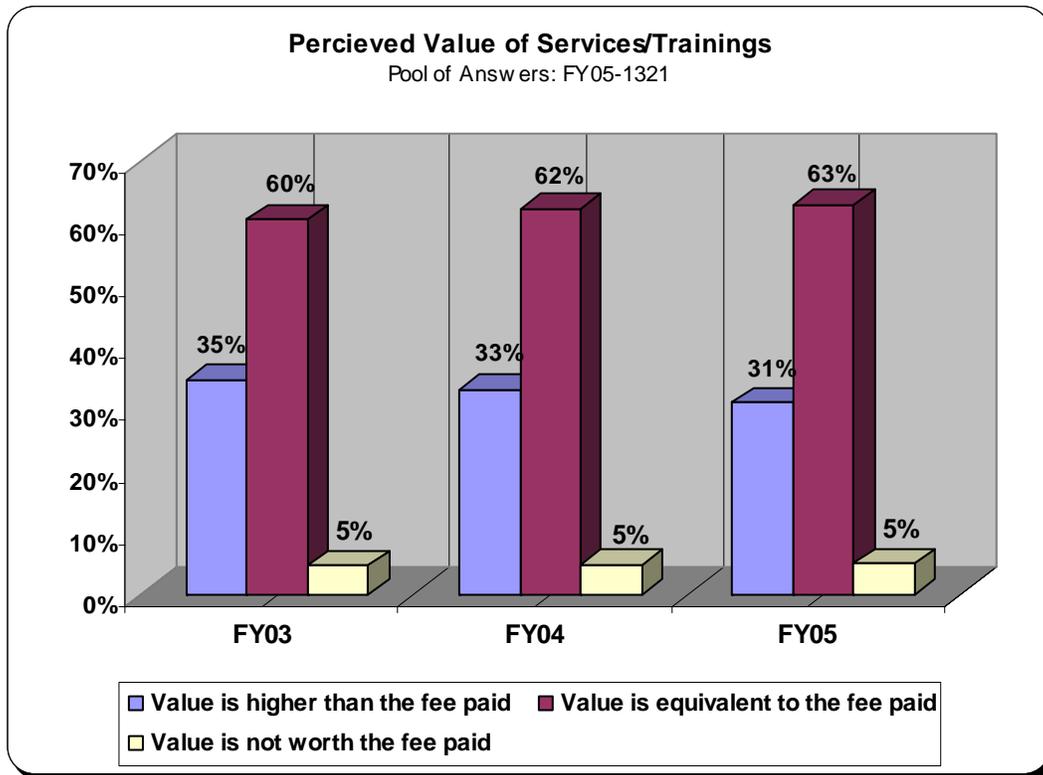
It is difficult to establish benchmarks for these numbers because of SEED's unique position in the market, but the M&E Team is satisfied that the level of repeat client participation in the program is consistent with other indicators of SEED's market development impact.

### *3.3. Pricing*

As one of SEED's ultimate goals was the development of a sustainable market for paid business services, SEED's pricing is extremely important. Excess subsidies crowd out local competitors and retard market development, however while the market for businesses services remains in its infancy, low prices are essential to attracting businesses that might not otherwise be willing to participate. This is particularly true in markets such as Southeast Europe in which there are many donors operating with heavily subsidized or completely free business consulting and training products.

In FY05 SEED's clients (94%) felt that SEED services were worth the price they paid. In fact a significant minority (31%) say that SEED services were worth more than the price they paid, and that they would be willing to pay more in the future.

**Figure 3: Perceived Value of Services**



These numbers should not be taken at face value, as it is unlikely that the clients surveyed would actually use the exact same services again, so there is little disincentive for them to indicate that the price should rise. However, combined with the number of repeat clients and the steadily increasing number of paying clients from year to year (see Figure 4 below), there is significant evidence for an increase in the general willingness to pay for business services.

### 3.4. Cost Recovery

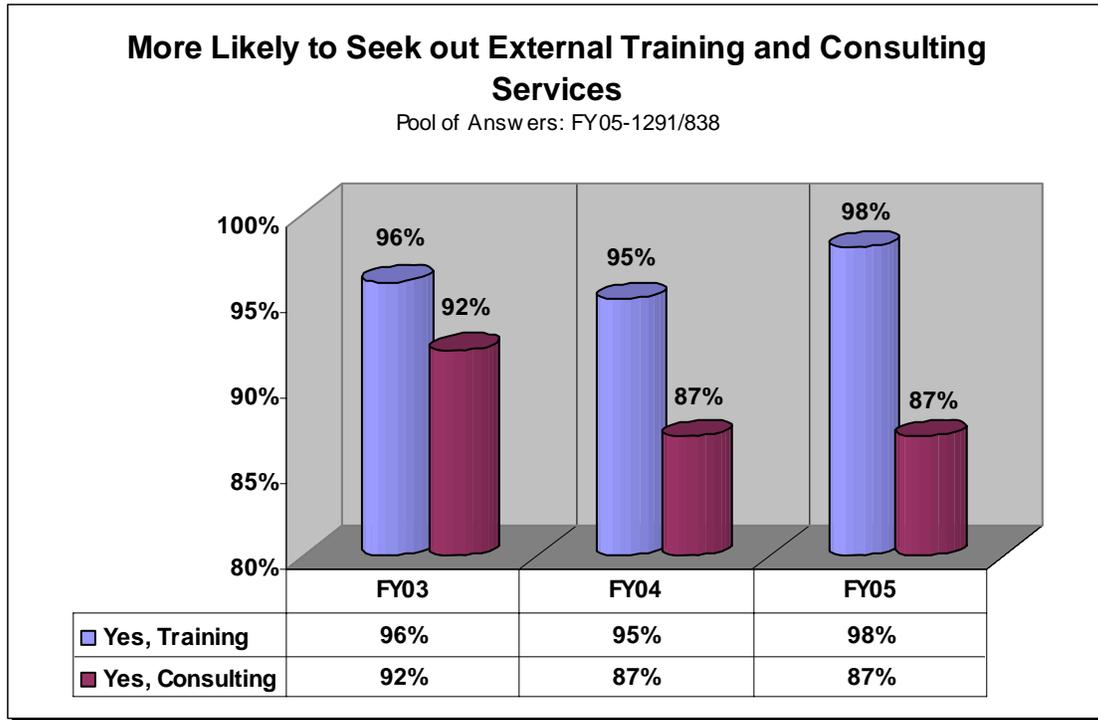
As part of its market development activities, SEED continues to push for full local cost recovery. While this is not a reality for many of its products, nor should it be granted its development mission, SEED seeks to cover a high percentage of its costs in fees. For FY04, SEED covered approximately 82% of its local SME training and consulting costs with fees, indicating a significant willingness to pay on the part of SEED's clients, and significant progress in developing a sustainable market for business services. Local costs do not include international consultants retained for individual modules or trainings, although international consultants are used for only a minority (27%) of projects.

### 3.5. Demonstration Effects

As SEED's activities are geared towards developing the market for business services as a whole, SEED's impact on the demand for business services in the market is an important indicator. When surveyed, 98% of SEED's clients indicated that they were more likely to

seek out other training as a result of having worked with SEED. The vast majority (87%) of SEED’s clients indicated that they were more likely to seek out consulting services as a result of SEED’s intervention.

**Figure 4: More likely to Seek out External Training and Consulting Services**

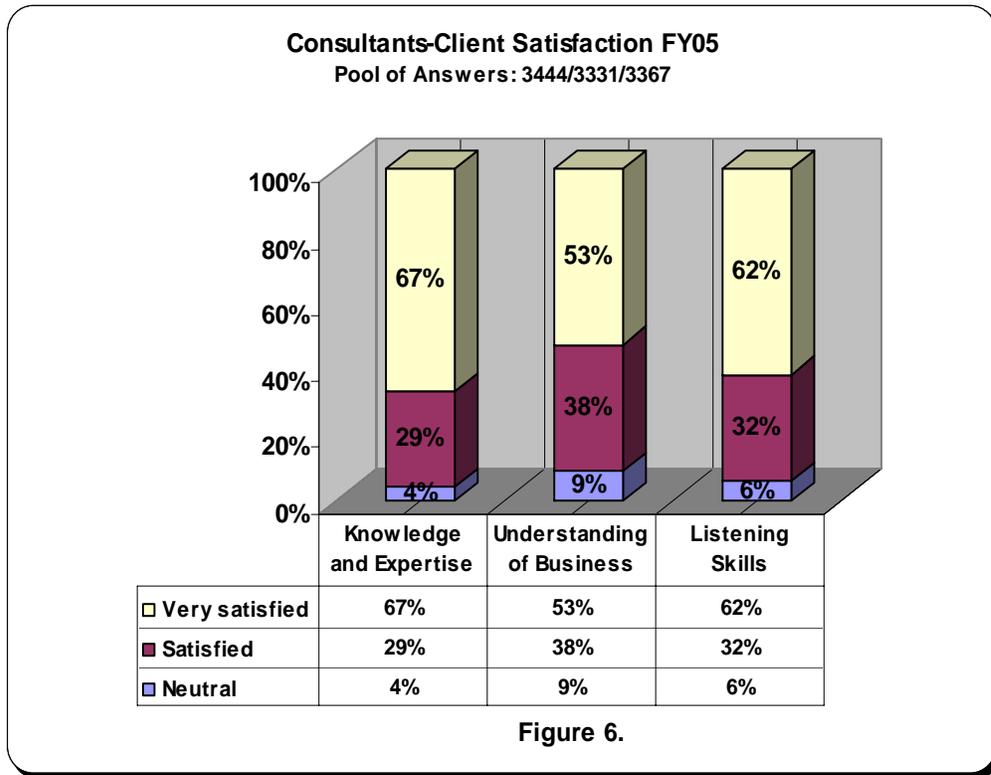


While this is far from conclusive, it is indicative that SEED is having a positive impact on the market.

*3.6. Client Satisfaction with Consultants and Trainers*

The Chart bellow shows client satisfaction on SEED selection of consultants and trainers. Based on these evaluations of consultants / trainers, SEED used to decide who to engage within projects. The vast majority of SEED clients were either satisfied or very satisfied with consultants and trainers of which 62% were very satisfied.

**Figure 5: Client satisfaction with Consultants**



**Conclusions**

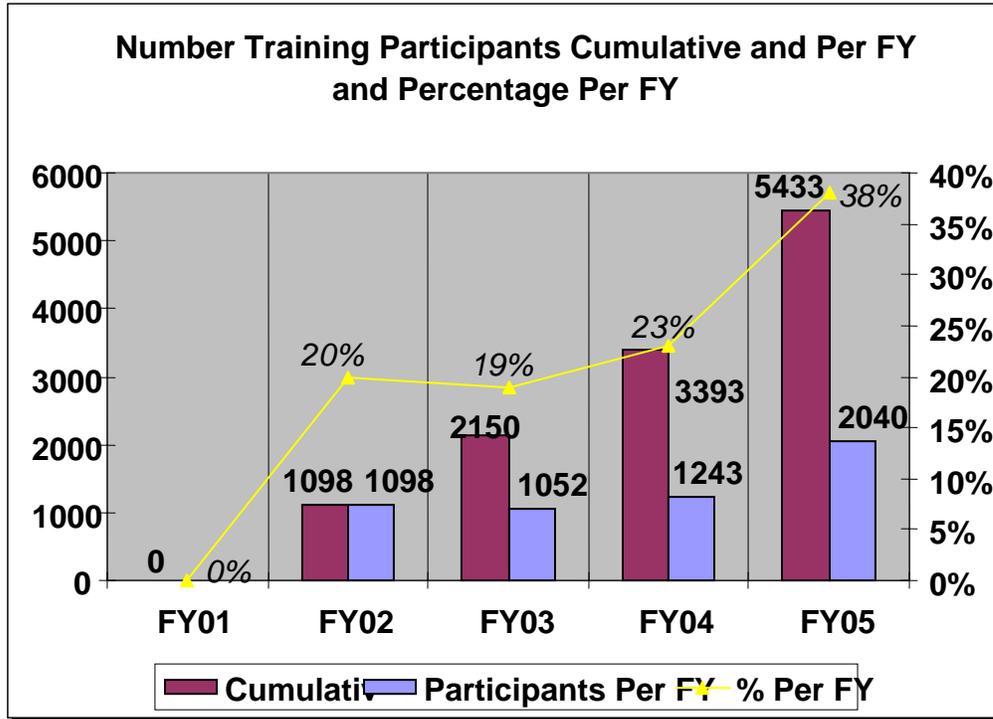
SEED’s **market development** activities have had a **positive influence** on the development of a sustainable market for business services. **SEED’s clients are satisfied** with their services as a whole and as such are **more likely to seek out business services, pay for services, and value those services.** These conclusions are **supported by client feedback, repeat clients, and willingness to pay.**

Based on surveyor’s experience it could be also concluded that clients appreciate to be contacted in order to give response on client satisfaction and project evaluation after intervention. Maintaining relations with clients during and after the end of project is very important from clients’ point of view.

## 4. SME Training

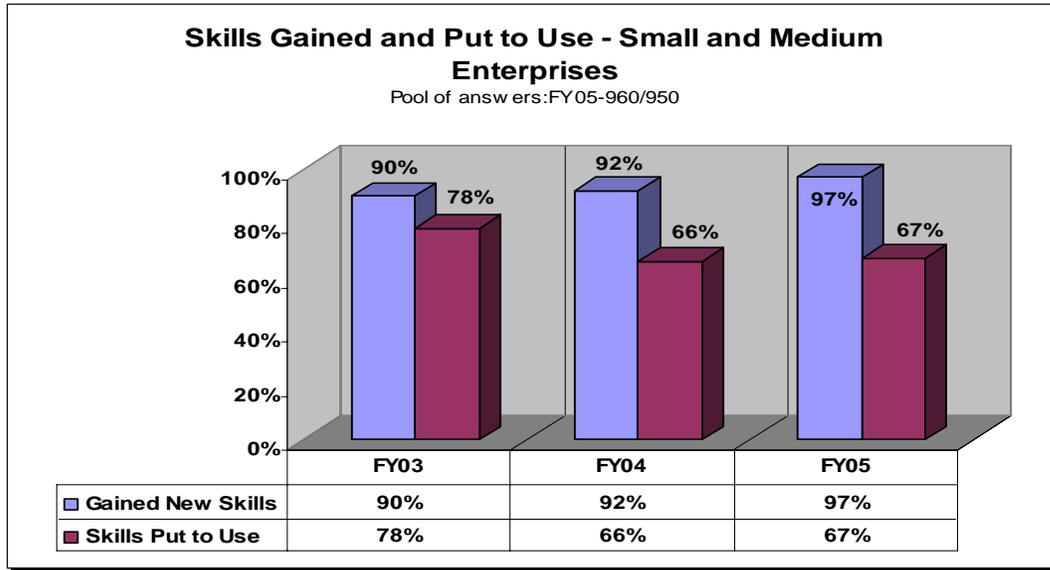
In FY05, SEED's facilitated training for more than 2,000 participants from SMEs, Financial Institutions, BMOs, government officials, and BDS providers.

Figure 6: Number of Training Participants per Fiscal Year



Many of these participants was surveyed both immediately after the training and several months later. The depth of this data in each year and over time enables us to look at these results with some confidence

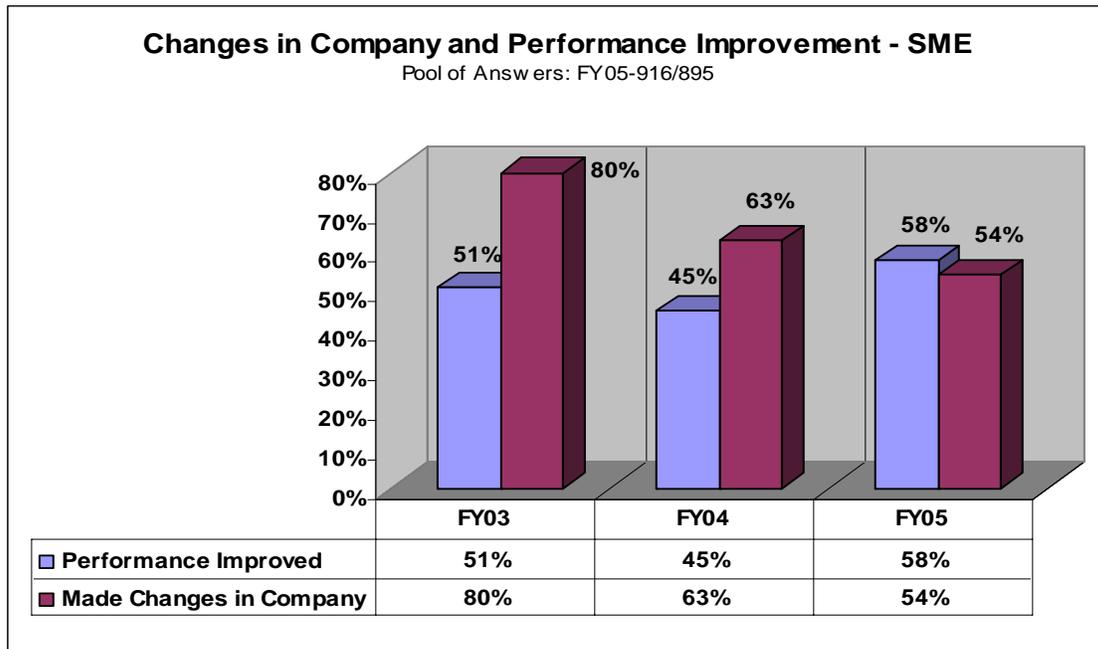
**Figure 7: SME Training- Skills Gained and Put to Use**



When contacted several months after the training was completed, more than 90% of SEED’s clients indicated that they had gained new skills, and more than 60% indicated that they were immediately able to put those skills to use in their businesses.

In FY 05, just under 60% of clients made changes in their business as a result of SEED’s trainings, and just over half (54%) felt that those changes led directly to an improvement in business performance.

**Figure 8: SME Training- Changes in Company and Performance Improved**



In FY04, the best results came from SEED's "technical" trainings (HACCP, FIDIC, HR Management, Customer Service, ISO, Leasing training, etc.) focused on specific sectors, precise skills, or with a great deal of depth. In FY 05, SEED focused almost exclusively on those types of trainings, with strong results. Particularly as the market for training in Southeast Europe has developed and grown more sophisticated, in part because of SEED's efforts, the continued high impact of SEED's work is remarkable.

Based on comments from client surveys we realized that participants' selection is very important for training effectiveness and any further outcome and impact. No matter how well the training is designed and delivered if training participants are from are not related to the training topic result is not achieved. They are not able to apply gained knowledge if their work is not related with training topics and training doesn't reach the final goal.

### *Conclusions*

In general, SEED's M&E process indicates that its **retail training activities** have had a **strong impact** on businesses. Clients have **gained new skills, applied those skills in their businesses**, and made **real changes** in business operations. For many clients those changes have led to significant **improvements in business performance**.

### *Recommendation:*

Selection of training participants is very important. The training participants work should be related to training topics in order to achieve the final goal, new knowledge applied and improved performance.

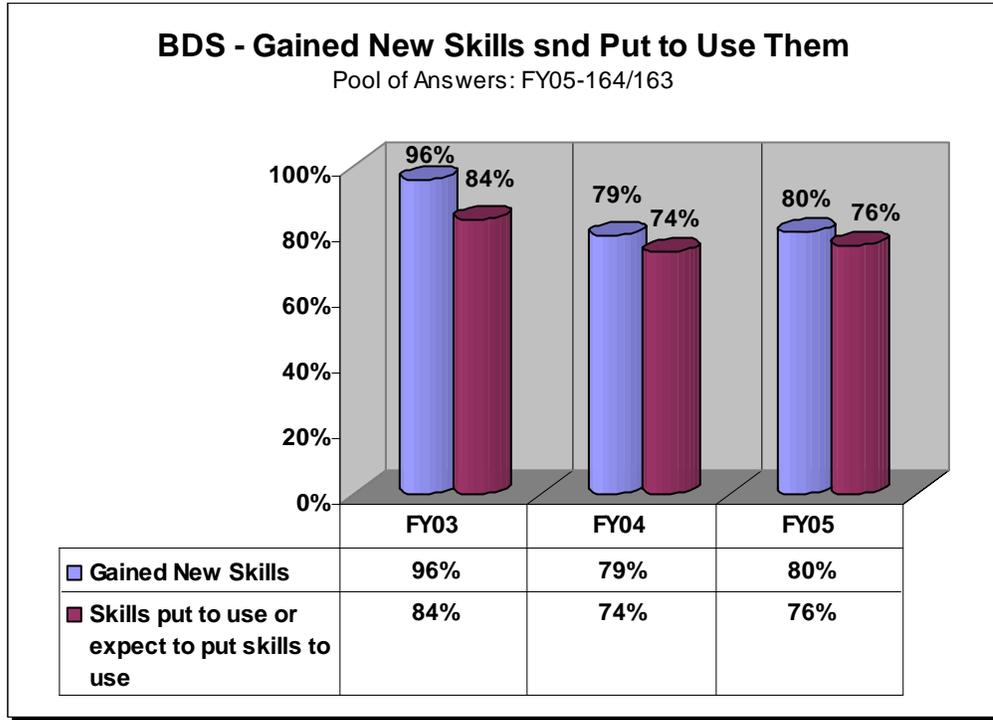
## **5. Business Development Services Training**

Business Development Services, as the name indicates, refer to organizations or institutions that offer business services to SMEs. In working with them, SEED's intent was to broaden their offerings and to help them extend down into the SME market. As the market developed and many groups began offering a wider range of business services, the demand for and effectiveness of SEED's BDS work began to decline.

This was validated in the FY 04 Impact Assessment Report.

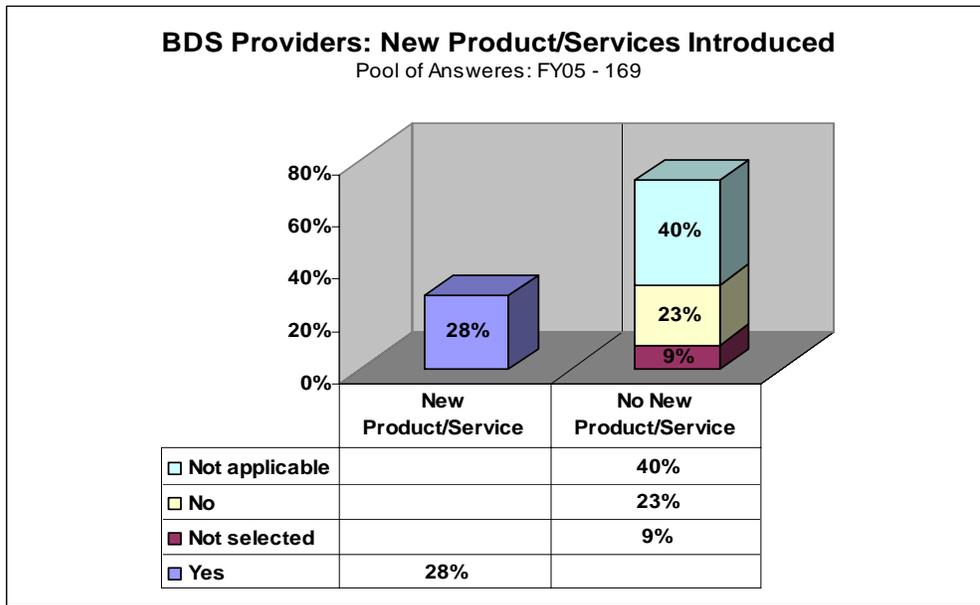
After FY 04, SEED's strategy changed and SEED began to focus on developing the local capacity to implement their broader programming, rather than on developing products that could be sold into the local market independently. In FY 05, SEED's BDS clients overwhelmingly (80%) indicate that they have gained new skills from SEED's interventions, and that they either have been able to put those skills to use (53%) or expect to be able to put those skills to use (23%). These numbers are unsurprising granted the shift in SEED's strategy- most of their training was immediately put to use by SEED.

**Figure 9: BDS Providers- Skills Gained and Put to Use**



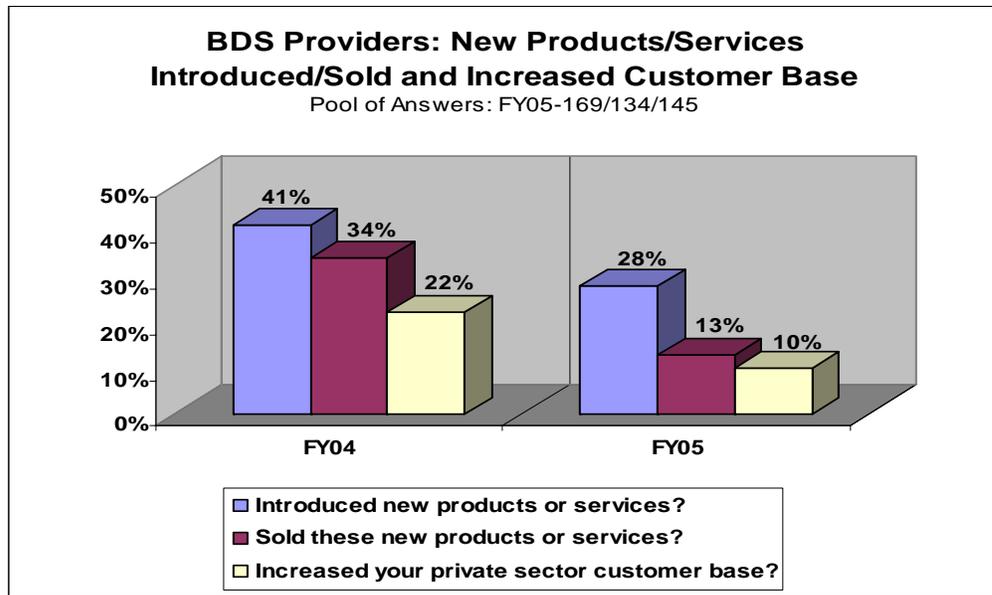
However when it comes to actually introducing new skills and products into the market, only about 47 of the 169 BDS clients that responded to the M&E Team’s surveys felt that introducing new products or services was applicable as a goal of their interaction with SEED. The others did not select an answer, answered no, or replied that introducing new products or services was not applicable.

**Figure 10: BDS Providers: Introduced new services**



The other training recipients had different goals. However, of those who indicated that a goal of their interaction with SEED was to develop new services for their markets, SEED had considerable success in helping them get those products to market.

**Figure 11: BDS Providers-New Products and Services**



**Conclusions**

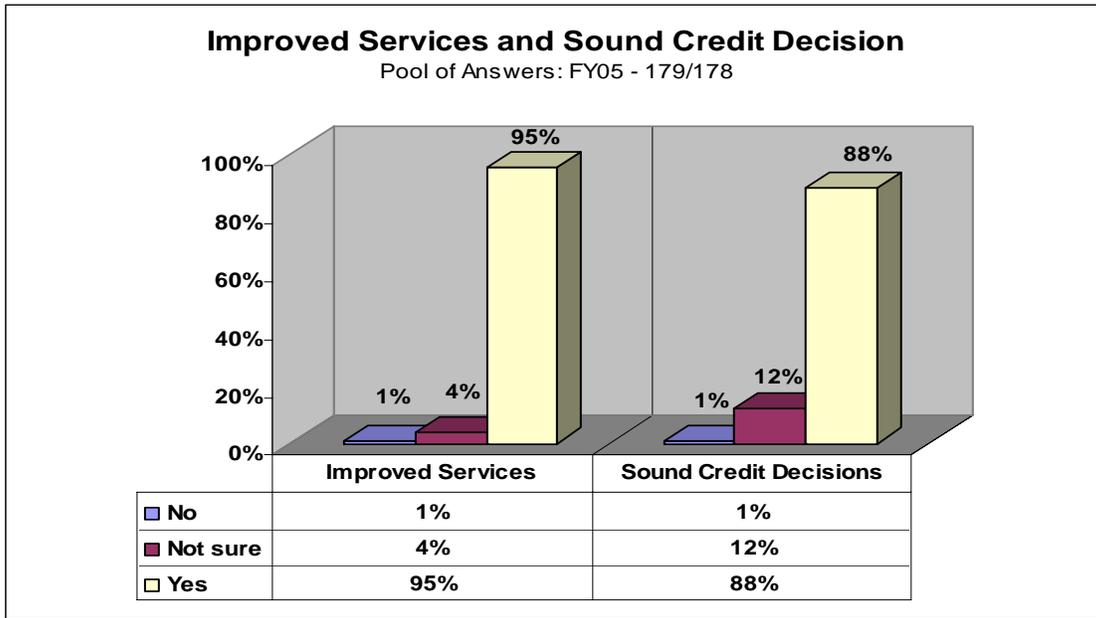
In **limited circumstances**, there appears to **still be a niche** for **developing and/or introducing new products and services** into the market. Under **some circumstances**, this can be **very successful**. However, granted **the diminishing returns** noted by SEED in FY 04 when BDS support was a much larger part of its work, **SEED should continue** for the most part **to develop the capacities of local BDS providers only so much as it needs them to pursue its programmatic goals**.

**6. Financial Institutions**

SEED’s interactions with Financial Institutions dramatically changed at the end of FY 04 and throughout FY 05. Instead of more general trainings focused on basic skills required for dealing with SMEs, SEED developed and delivered a set of highly specific trainings dealing with issues such as leasing, factoring, financial derivatives, environmental risk management, and microfinance. When surveyed about these interventions, financial institution managers and employees had remarkably good things to say.

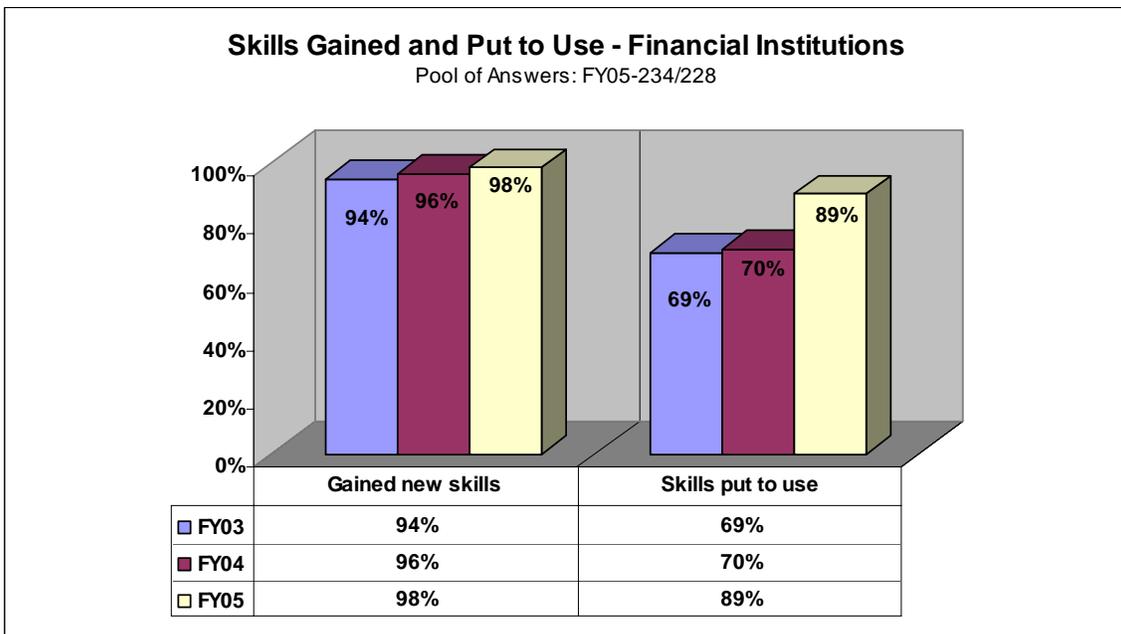
The vast majority of those surveyed felt that the training they received would have a positive impact on their ability to provide services to their clients (95%) and to make sound credit decisions (88%).

**Figure 12: Training would have positive impact on services and credit decisions**



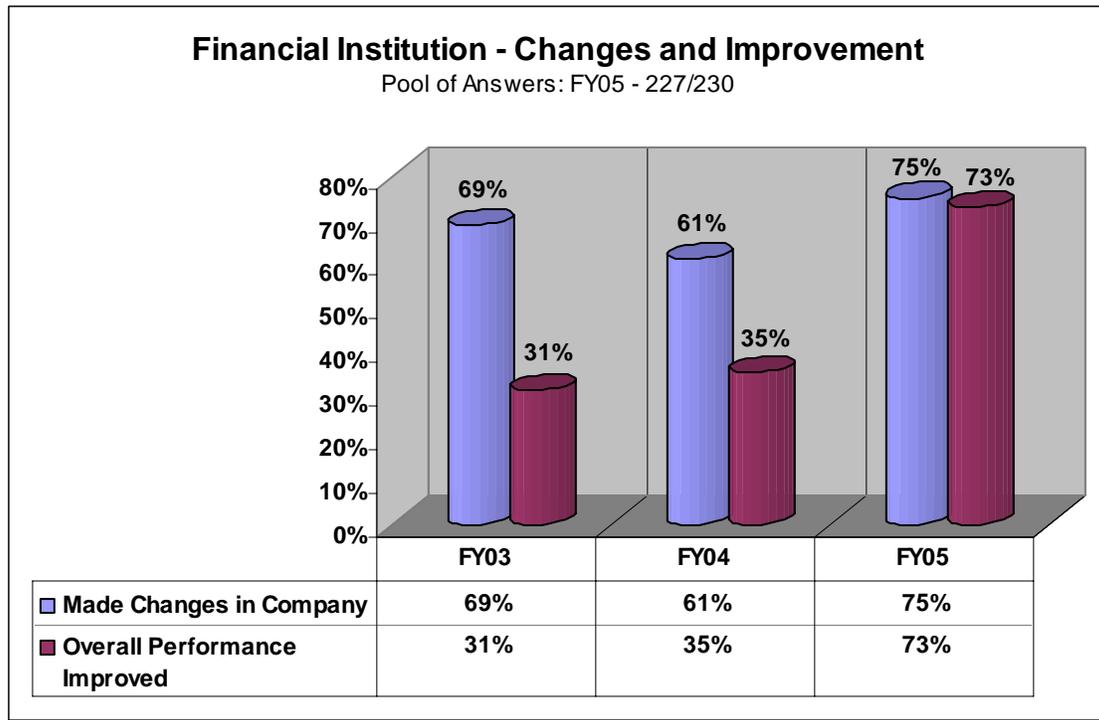
Please note that the number of responses from FY05 is significantly higher than for previous years.

**Figure 13: Financial Institutions- Skills Gained and Put to Use**



In FY05, 75% of SEED financial institution clients felt that their organizations (banks or microfinance organizations) made changes as a result of SEED’s work. However, in FY 05 a much greater number of clients felt that those changes had led to an overall improvement in the performance of the institution as a whole.

**Figure 14: Financial Institutions - Made Changes in Organization**



***Conclusions***

SEED’s work with **Financial Institutions** has **strong impact** and should be **repeated** and **expanded** upon as far as possible.

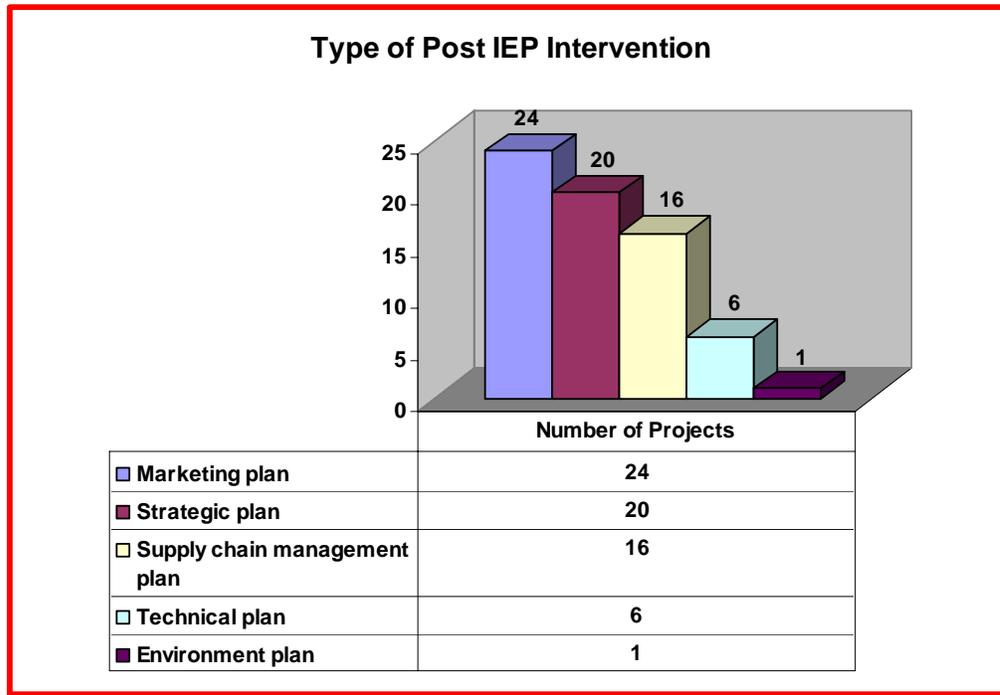
**Recommendation**

In general, training participants from financial institutions highly valued SEED trainings and expressed willingness to participate in other trainings. This should be taking into consideration for any PEP SE programs which might target financial institutions as beneficiaries or intermediaries (e.g. Corporate Governance program).

## 7. Consulting

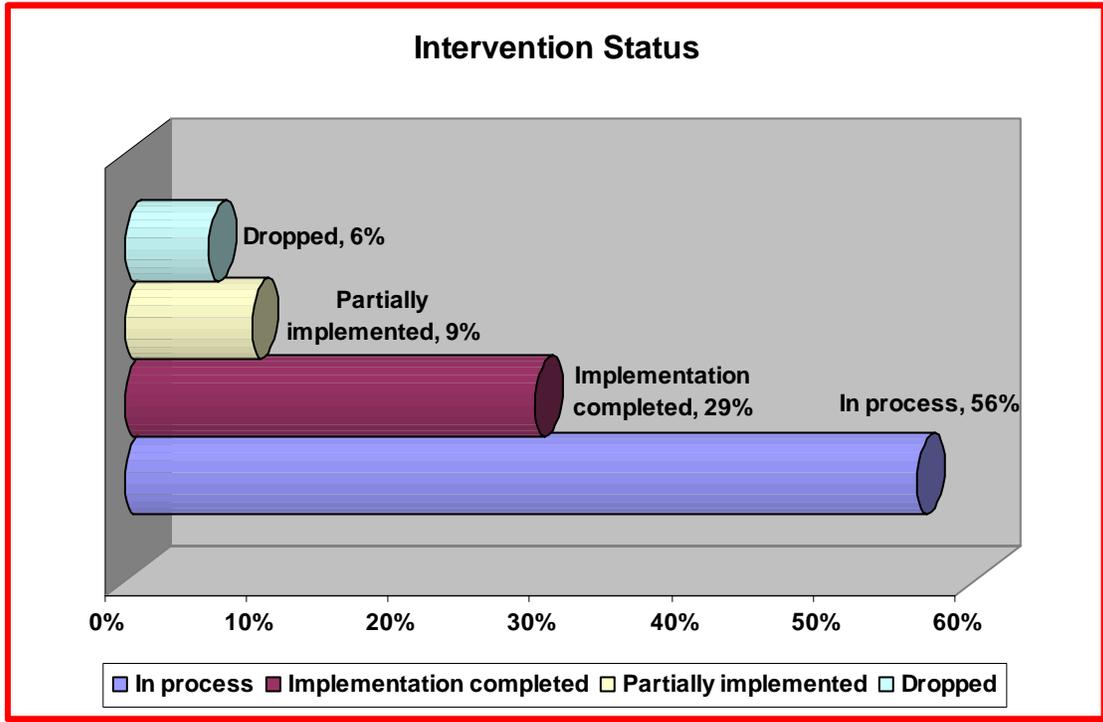
SEED's consulting work involves work directly with a client on the issues specifically facing their business. This category includes anything from Internal Enhancement Plans (IEPs) to market analysis to supply chain optimization to help preparing an investment plan. The chart below breaks down the types of consulting SEED facilitated in FY05.

**Figure 15: Type of Direct Intervention in the Company**



These interventions resulted in recommendations which were in different stage of implementation at the moment when survey was conducted. Final results of interventions may be expected some time after recommendations implemented. This leads to conclusions that some of these surveys either were conducted a little bit earlier than they should have been or some recommendations were not implemental, so the final goal was not achieved. In order to avoid this it would be better to conduct outcome / impact surveys after eight to ten months rather than six months after consulting intervention completed.

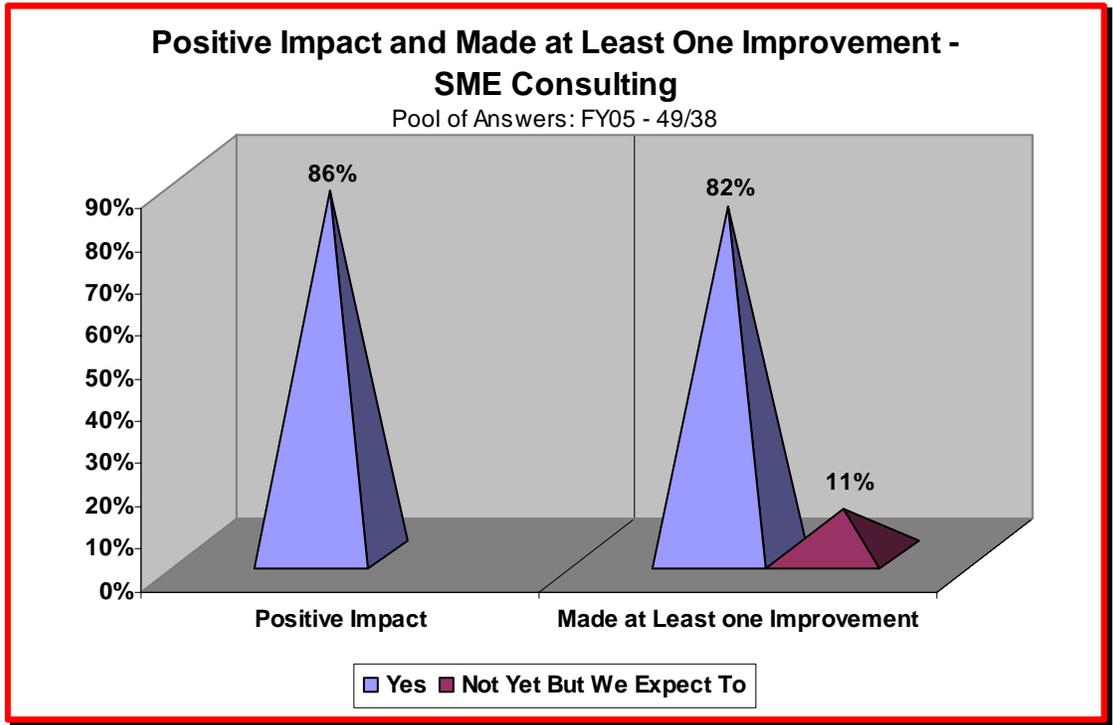
**Figure 16: Status of Direct Intervention in the Company**



Consulting clients are generally the most difficult group from which to obtain impact assessment results, as generally the only person qualified to comment on the impact of SEED’s work is the General Manager, who is often less willing to spend time discussing work which was completed at least six months earlier. To address this issue, during FY 04 the M&E Team piloted the use of involved in-person interviews for SME Consulting projects. This approach has met with considerable success in FY 05, giving the M&E Team its best picture yet of the impact of SEED’s consulting work. For FY 05, the M&E Team succeeded in getting impact assessment results from 50 SME consulting projects, up from 18 in FY04. A response pool of this size has enabled the M&E Team to get a good sense of the value of SEED’s consulting services in the eyes of their clients.

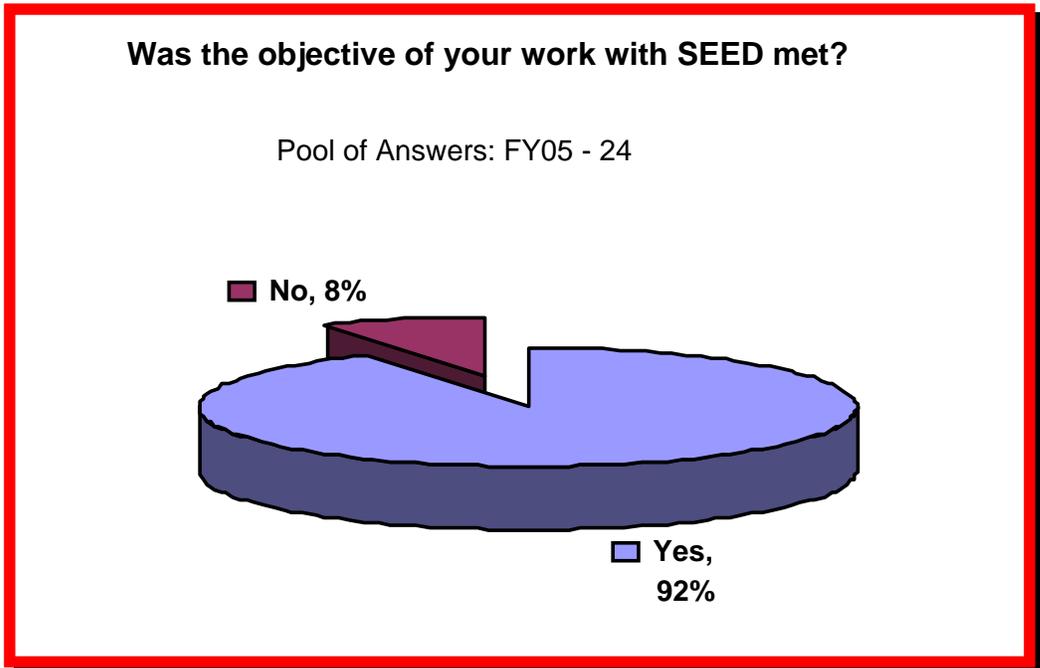
Of these responses 86% of SEED’s clients indicated that SEED’s intervention had a positive impact, while 14% indicated that SEED had no impact. 82% of those who responded had made at least one improvement on the basis of SEED’s work.

**Figure 17: SME Consulting- Positive Impact and Improvements Made**



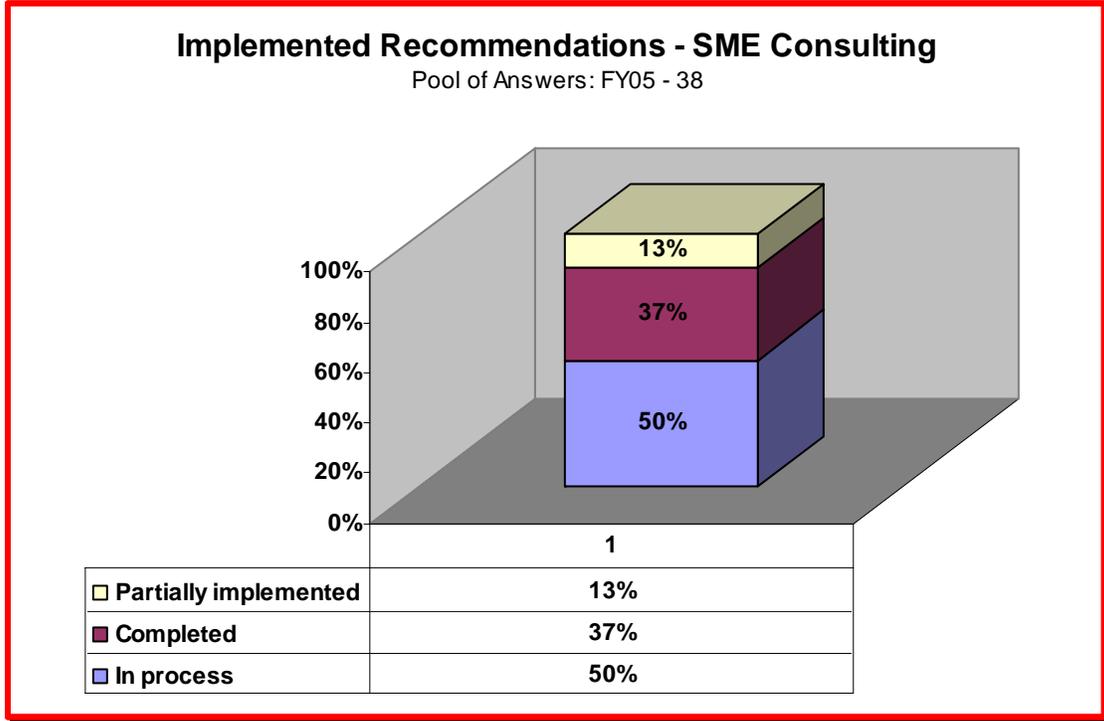
The vast majority of SEED’s clients (92%), felt that the overall objective of their work with SEED had been accomplished.

**Figure 18: Meeting Objectives**



Of the majority of SEED’s clients (82%) that are making changes in their companies as a result of working with SEED, 37% had completely implemented the changes at the time of the evaluation, 13% had partially implemented them, and 50% are in the process of implementing SEED’s recommendations.

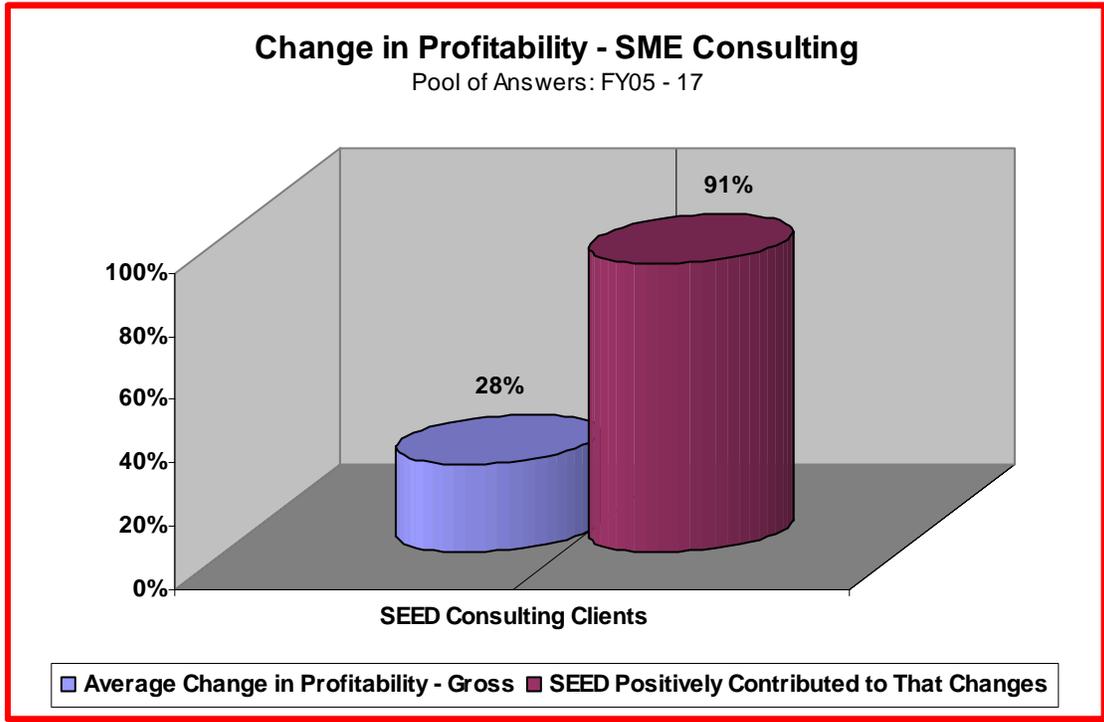
**Figure 19: SME Consulting- Recommendations Implemented**



Of course two of the major indicators of the success of SEED’s work is changes in SME profitability and employment levels. Unfortunately, these are two of the most difficult indicators about which to get valid responses from SMEs. As was mentioned in the *Limitations* section of the methodology annex, SMEs are reluctant to share this information, even anonymously, for fear that this information will be reported to the authorities. However, in FY 05, the M&E Team managed to get responses from a far greater number of clients (17) than in any previous year.

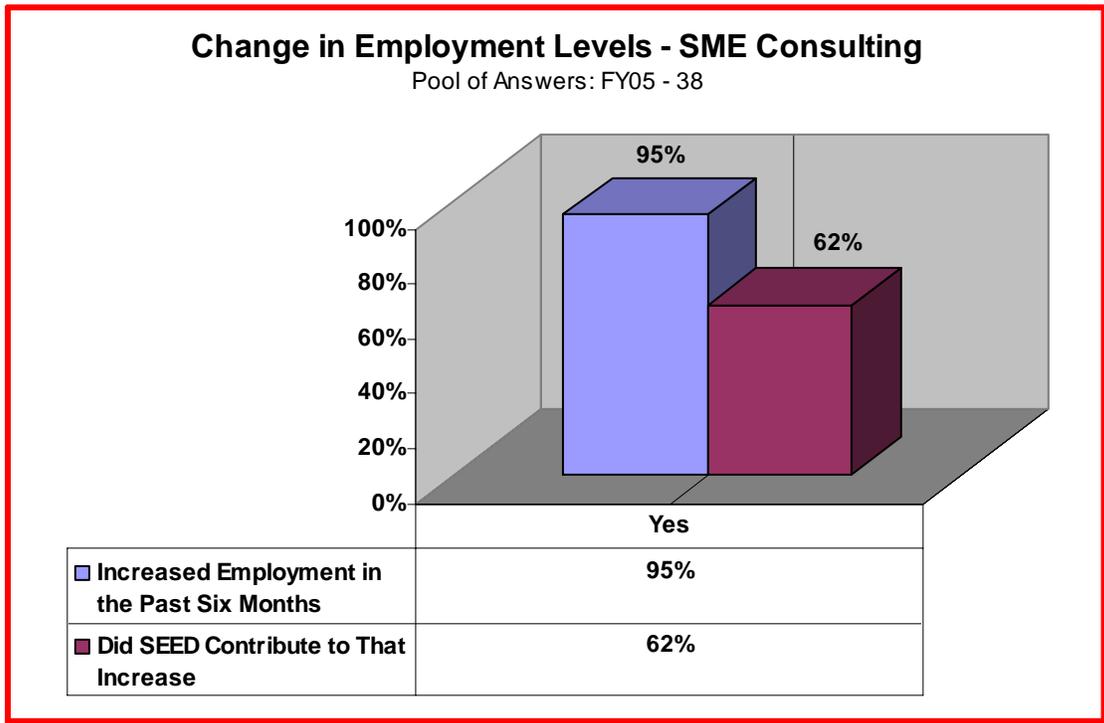
The chart below, while far from conclusive, indicates that some of SEED’s clients are improving their overall profitability and that they credit SEED with contributing to that change. The average change in gross profitability is skewed somewhat by the presence of one company which experiences explosive growth over the six months after SEED’s intervention. The median growth for all the companies that responded was 9%.

**Figure 20: SME Consulting- Change in Profitability**



A similar story can be told about employment. Of the 38 companies that responded to the survey, 36 reported increased employment levels after SEED’s intervention. Of those 23 reported that SEED had contributed to the increase in employment.

**Figure 21: Employment levels**



## *Conclusions*

The majority of SEED's consulting clients indicate that SEED's intervention had a **positive impact** and led to **at least one improvement** in the company. The **vast majority** indicated that the **main objective** of their work with SEED **was met**. **Seventy-five percent** indicated that they had either **fully, partially**, or were **in the process** of **implementing SEED's recommendations**. Most clients indicated a **positive impact** on **company profitability** and **employment levels**.

## *Recommendations*

SEED ended cooperation with companies with recommendations delivered. But interaction should be extended during implementation of recommendation. For these kinds of services it will be very important part which might end with coaching how to implement recommendations.

## **8. Assessing the Impact of SEED's Business Membership Organization Work**

### *8.1. Introduction*

In many developed economies, voluntary Business Membership Organizations (BMOs) are an essential element in providing targeted services to their members, creating a pro-business legal and regulatory environment, and creating networking and market development opportunities. Over the course of the last four years the SEED, in collaboration with other IFC facilities, has created a methodology for increasing the capacities of BMOs in all of these areas while developing a sustainable funding model, which will enable BMOs to survive after SEED's subsidies end.

This report combines results from SEED's in-house Monitoring and Evaluation (M&E) system with inputs from project managers, SEED management, focus groups, and external sources. The report seeks to assess the success of this SEED's BMO development model, record lessons learned, and evaluate the impact of SEED's BMO work impact on businesses and on the BMOs themselves. This report will evaluate the methodology and impact of BMOs' a) Services to Members, b) Business Enabling Environment, c) Market Development and Networking, and d) Capacities and Financial Sustainability.

### *8.2. Services to Members*

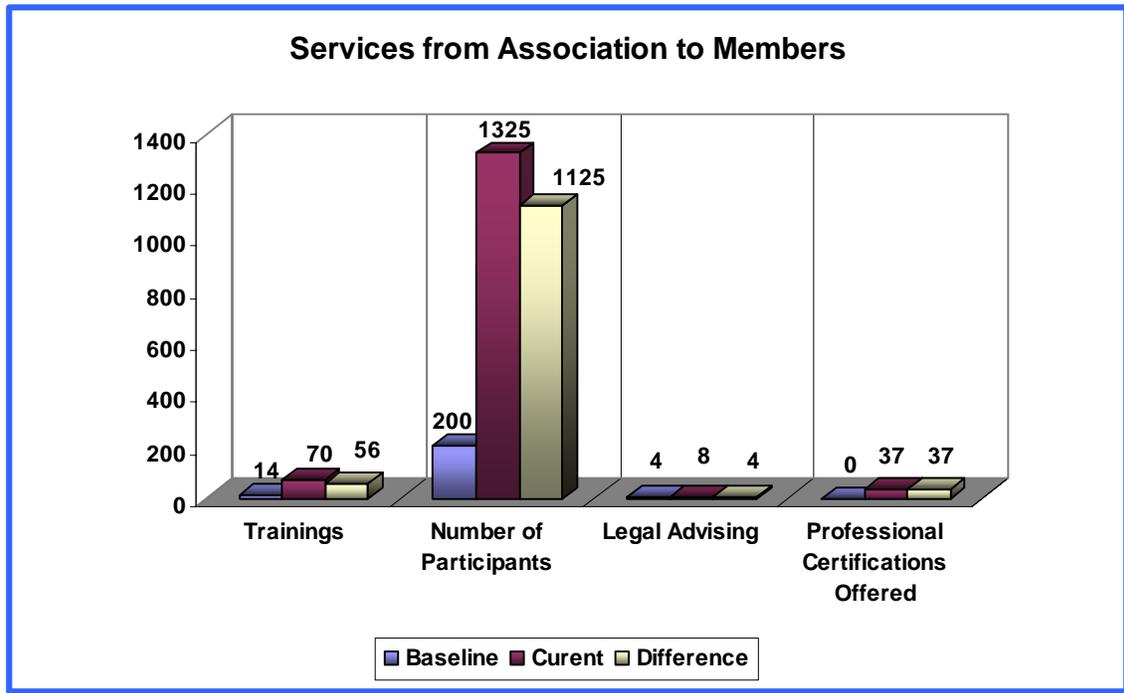
One of the major obstacles to the expansion of businesses in southeastern Europe is the absence of a developed market for business services. Often businesses do not know their own needs or obstacles for growth, and when they do understand those obstacles, they do not know how to address them. Further, as businesses in the region have relatively little

experience with consulting or training, they do not know how to value these services or what to expect for their money.

Business Membership Organizations can help address these issues by serving as a conduit for high-quality business services. BMOs have a good sense of the specific needs of their members and can identify specific barriers to be addressed. Additionally, BMOs lend their credibility to consultants and trainers they recommend, increasing the perceived value of their work.

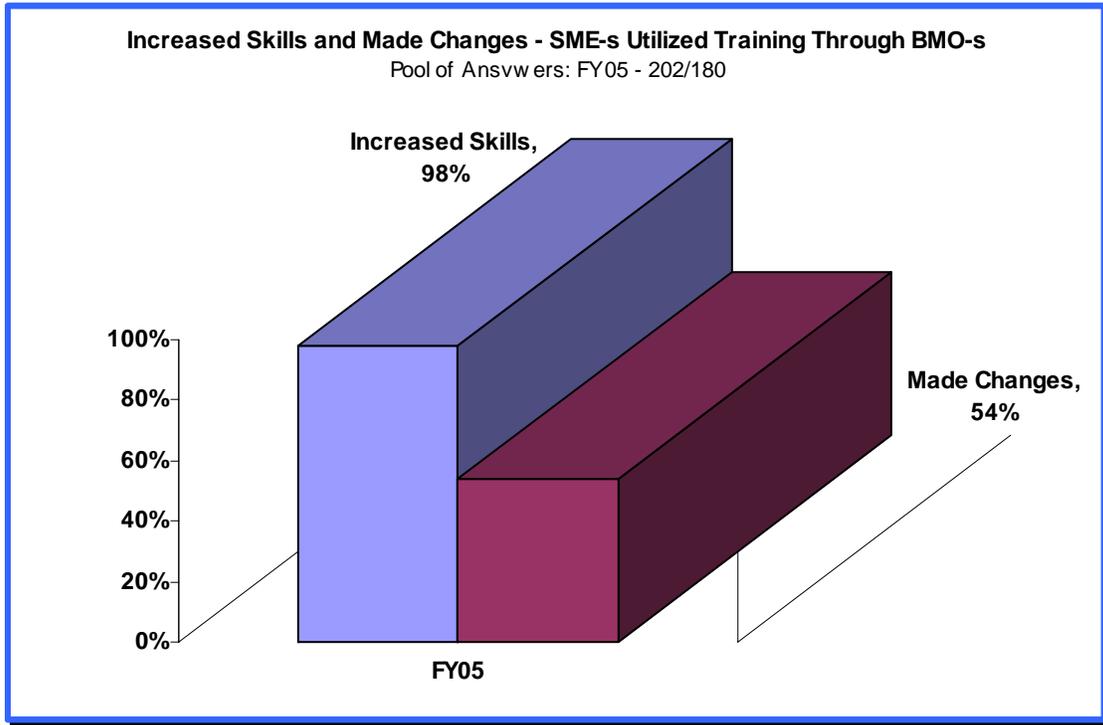
As a means of bringing targeted business services to the membership of BMOs, SEED’s interventions have been highly successful. Since the beginning of SEED’s work, the selected BMOs have delivered more than 70 trainings and 29 consulting interventions to over 1,000 SME participants. In addition, some SEED BMO clients have become authorized to issue professional certifications on behalf of the government, such as commercial vehicle or export licenses.

**Figure 22: Services from Association to its Members**



According to participant surveys administered three to six months after the intervention, in the 2004 and 2005 fiscal years SEED’s trainings led to increased business skills (92%) and led directly to changes in the participants’ companies (63%). Many participants (45%) felt that these changes led to an overall improvement in the company’s performance.

**Figure 23: SMEs utilized Training through BMOs and Increased Skills and Made Changes**



There is also significant anecdotal evidence that utilizing BMOs to provide or facilitate these services has led to the overall development for the market for business services by stimulating demand for needed services on the part of their members. In fiscal year 2004, 95% of SEED’s clients said that they were more likely to seek out training in the future, and 87% said that they were more likely to seek out consulting.

SEED’s BMO methodology calls for the facilitation of trainings and consulting services to become a profit center for the BMO over time. This has happened in a few instances, but is not yet normalized. As a whole, SEED’s trainings currently recover around 82% of local costs, and that number has been increasing over time as the market develops. The profitability model for BMO-facilitated training is below.

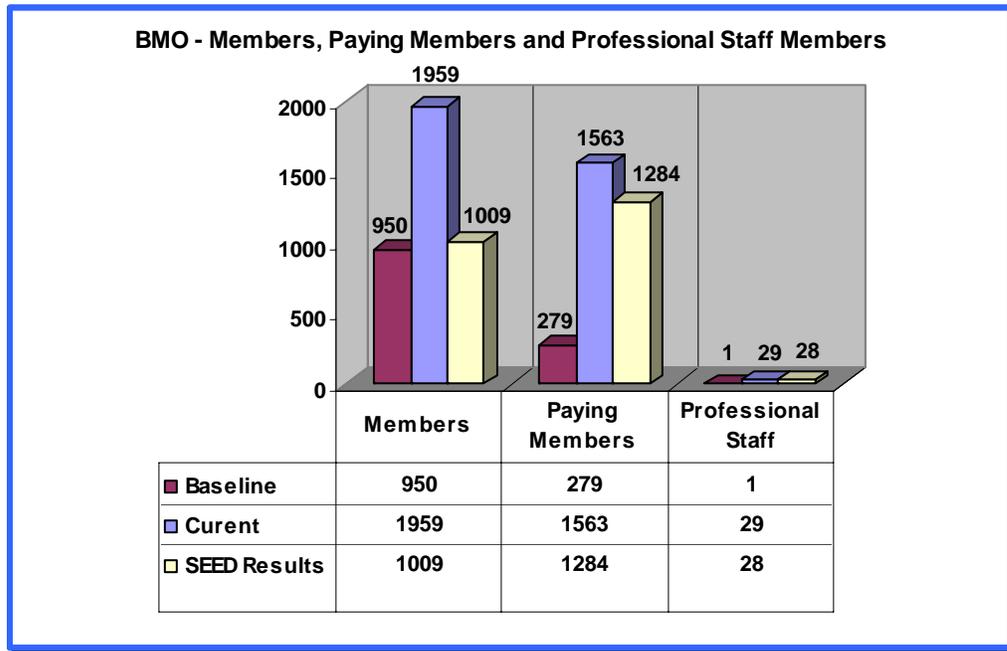
As a means for delivering appropriate business services, SEED’s BMOs methodology has been a resounding success. There is significant evidence that the services provided have had strong impact on the target businesses.

*8.3. Business Enabling Environment*

SEED’s BMO methodology calls for the development of the associations’ capacities to advocate with the government on behalf of their members’ interests, to serve as a representative of their members within the media, and to disseminate relevant information about market opportunities or changes in the business environment to members. In this area, the results of SEED’s efforts have varied widely depending on the association.

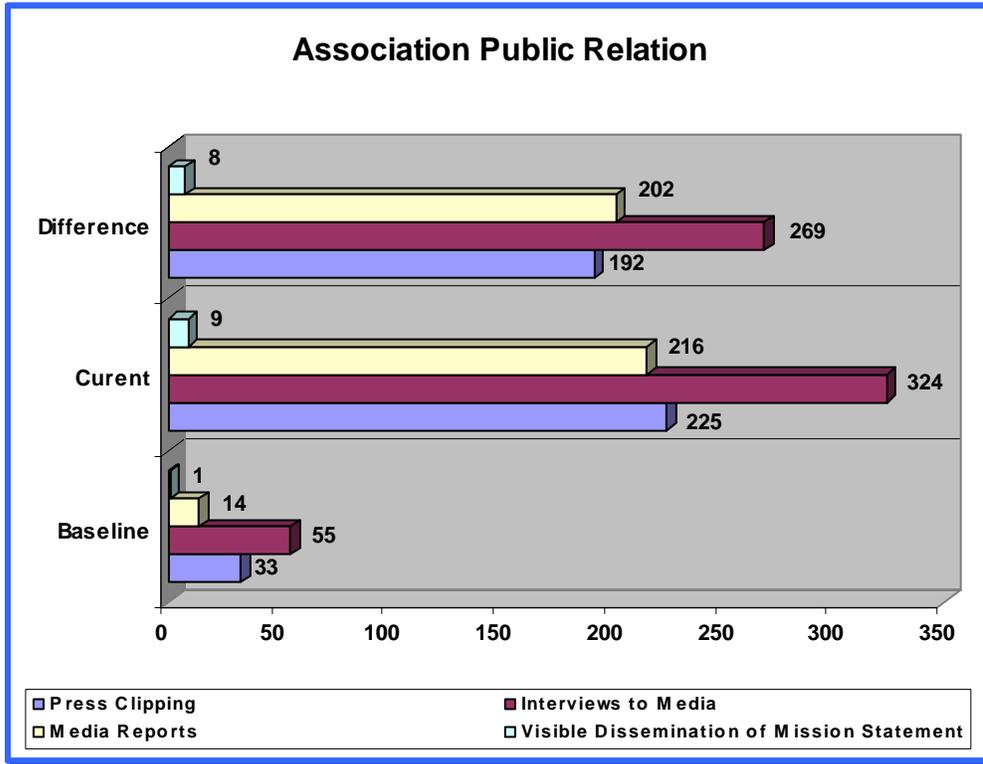
In general, during the life of SEED’s intervention the partner BMOs have significantly improved their ability to act as a representative for their members with the public and the government. This can be measured by the number of active members and the amount and quality of media coverage of the association. The number of active association members has more than doubled during the course of SEED’s interventions, from 950 members at the beginning of SEED’s work with BMOs to close to 2,000 as of April 2005.

**Figure 24: BMO Members, Paying Members and Professional Staff**



There has also been a significant upswing in the number of time associations are featured in the local and international media. From the beginning of SEED’s work with them through April of 2004, the leadership of BMOs working with SEED gave 269 interviews to the media, and the BMOs were mentioned more than 100 times annually. Anecdotal evidence and focus group responses indicate that on several issues BMOs are clearly shaping the public dialogue about issues important to them.

**Figure 25: Public Relation of the Associations**

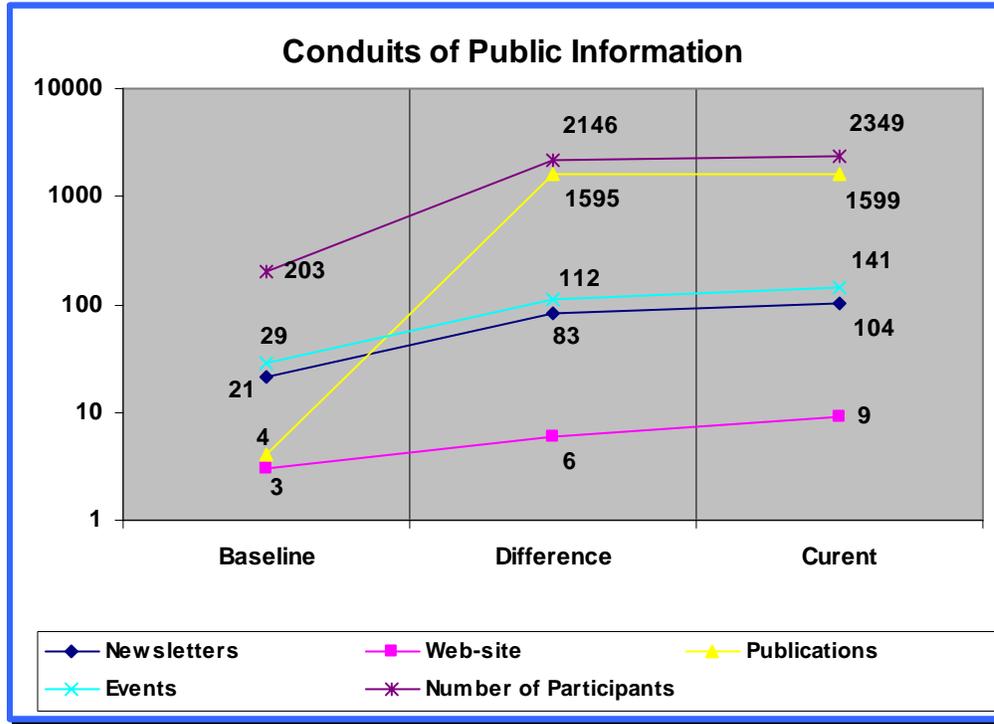


Additionally, BMOs have been a highly successful channel for distributing information that is important to businesses such as the implications of new laws, taxes, or market opportunities. SEED’s partner BMOs held 51 public-private dialogue round tables, in addition to regular annual meetings, and other events at which various issues were raised and discussed. They developed and distributed 112 newsletters, which have become a regular part of their activities. Most (9) have developed websites with information about events and issues impacting their members.

However, as a means for achieving specific policy objectives, SEED’s BMO work has had uneven results. There have been a large number (78) of obstacles to growth identified by BMOs as important and targeted for change by their leadership, which is important. In response to these obstacles, several BMOs developed position papers on issues, held round tables, and discussed issues with the government.

But only some BMOs have succeeded in bringing these issues before the government and having them addressed. Areas in which BMOs seem to have been successful range from the very broad, such as delaying the implementation of a Value-Added Tax or changing the role of inspections, to the highly specific, such as changes to tariffs on yeast or the passage of a law on mediation. A number of issues advocated by BMOs are various stages of government review, and it is possible that they will ultimately be successful.

**Figure 26: Conduits Public Information**



What is clear is that many of SEED’s partner BMOs either did not target legislative and regulatory reform as a major priority or were not successful in bringing these issues before the government. As the role of BMOs as an advocate for their members is a major justification for SEED’s BMO work, the advocacy component of SEED’s methodology must be examined more closely. One evaluator commented that just when BMOs are becoming most useful as a policy tool, SEED’s methodology calls for them to be “graduated,” reducing the interaction SEED has with them in order to encourage independence. This is an issue that should be addressed in future work with BMOs. SEED’s BMO methodology has been successful in helping BMOs to become representative of their members to government and the media, as well as a useful tool for disseminating information to businesses. However, as a means of achieving specific policy objectives, SEED’s partner BMOs have had highly uneven impact. Some BMOs have been highly successful, while others have either not made advocacy a priority or have not been successful. This issue should be specifically addressed in future BMO projects.

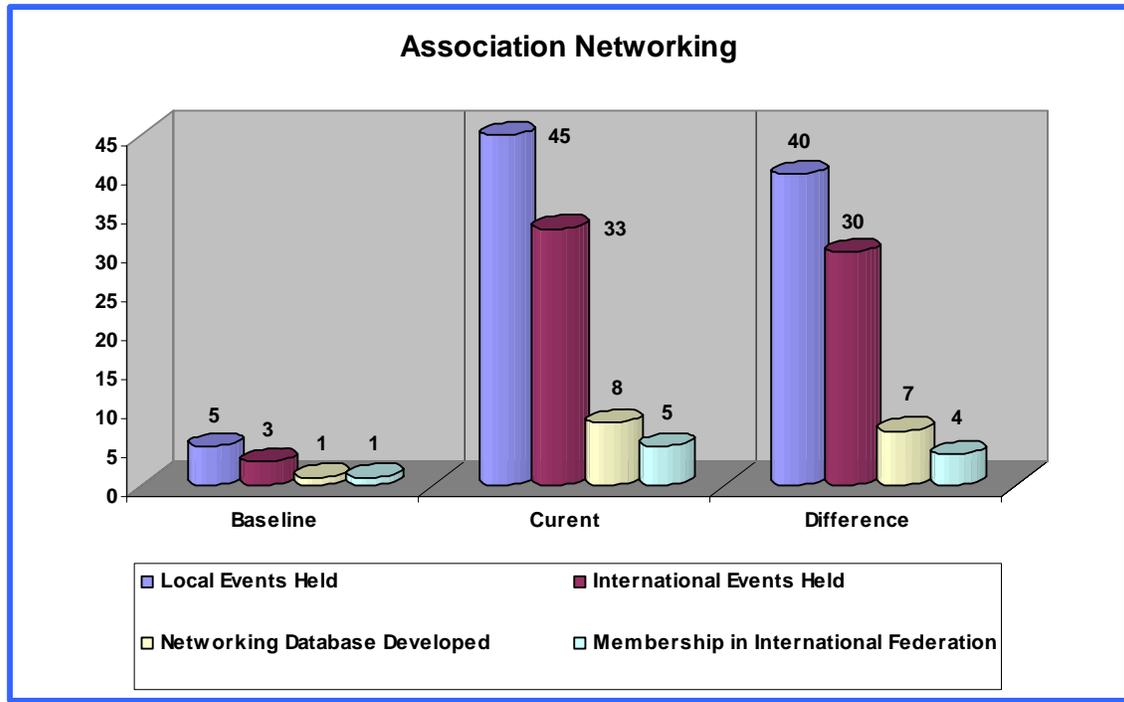
*8.4. Market Development and Networking*

One of the major roles of Business Membership Organizations is creating business networks among their members and forging links with external businesses and markets. In terms of creating networks among their members, the best measurement for this is the number of events held by BMOs. During the course of SEED’s intervention, the total number of networking events has gone from 4 to 55, in addition to regular annual

meetings. In addition, approximately and in average 30% of BMO members utilized the offered training or consulting services while in some instances this number reaches 65%.

Also during SEED’s intervention, partner BMOs held 33 events, which included international market development components. This type of event often includes international buyers, prospective investors, or similar companies looking to increase trans-border contacts. These types of events are key elements of domestic and international market development and bring real utility to member businesses.

**Figure 27 Association Networking**



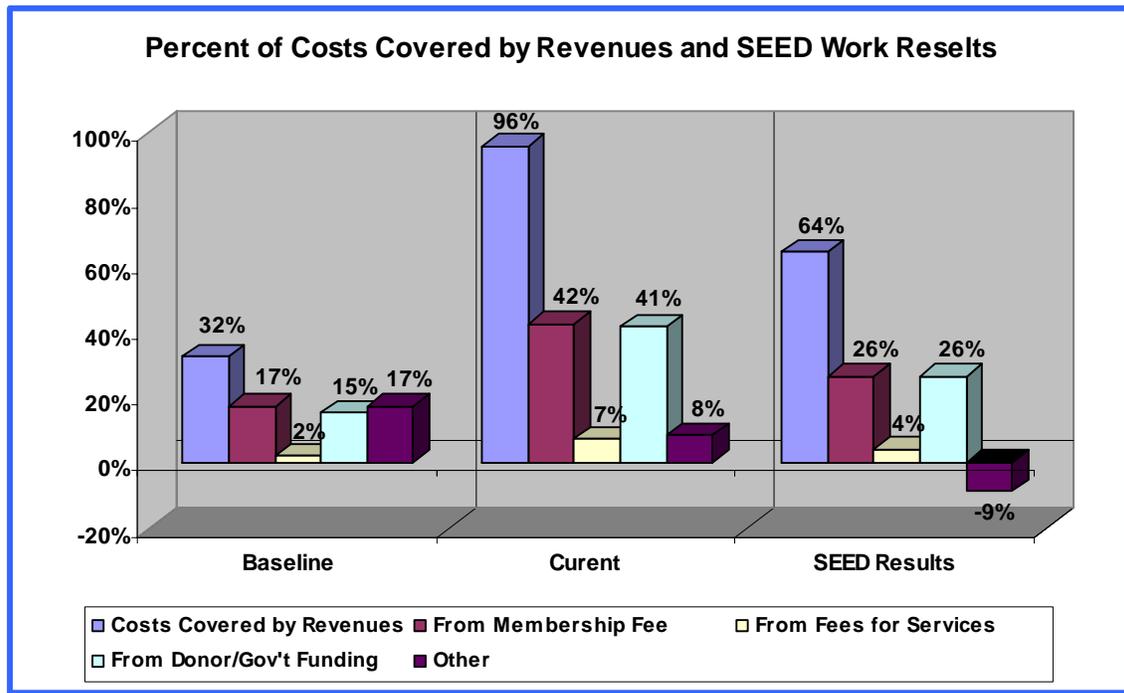
SEED’s BMO methodology has successfully helped BMOs to create domestic and international networking opportunities.

### 8.5. Capacity and Financial Sustainability

One of SEED’s stated goals is the financial sustainability of business associations at the end of SEED’s intervention. There are a number of different models for this among BMOs in more developed countries, but they usually involve a combination of membership fees, fees for services, and government subsidies.

To date, SEED’s work with BMOs has had mixed results. It is clear that there has been a significant increase in the costs covered by revenues as a whole from 32% to 96%. Much of that increase is attributable to the increase in the number of paying BMO members, which increased from 279 to 1284 during the length of SEED’s interaction. This willingness to pay also says a great deal about the value placed by businesses on BMOs. However, most of SEED’s partner BMOs remain substantially subsidized by donors, including SEED. While this is certainly good progress, the case that BMOs in the region can be made fully self-sustainable is not yet clear.

**Figure 28: Percentage of Costs Covered by Revenues**



BMOs working with SEED have made substantial progress towards financial sustainability, however most are not yet sustainable and it is unclear that they will be in the near future.

**Conclusions**

Taken as a whole, SEED’s BMO development methodology has been highly successful in some areas and moderately successful at others.

- In terms of providing targeted services to businesses, creating networking and market development opportunities for their members, and serving as a vehicle for information dissemination, SEED’s BMO partners have had a high level of impact on their members.
- As a vehicle for driving policy changes, some of SEED’s partner BMOs have been very successful, others much less so.
- SEED’s partner BMOs have increased the revenues provided by membership fees and services to members, but still remain dependent on donors for a substantial amount of their operating expenses.

As a whole, SEED’s BMO development methodology has delivered strong results to date and with some refinement, particularly in the area of advocacy, could continue to deliver good impact. Whether BMOs will become a financially sustainable method for delivering these services to businesses over the long term remains an unanswered question.

## 9. Assessing the Impact of SEED's Linkages Work

### 9.1. Introduction

The Linkages projects refer to the development of connections between large companies and the smaller enterprises that make up the larger company's supply and distribution chain. Linkages interventions include work within both large companies and with smaller companies. With large companies, Linkages interventions focus on helping them to understand their own businesses and how those businesses are interconnected with their supply and distribution chains. With smaller companies, Linkages interventions focus on helping SMEs to improve their operations, better communicate with the large companies they work for, and streamline their operations.

#### **Box 2: Traditional IFC Linkages Work and SEED**

As IFC has traditionally done linkages work, an investment is made in a large company and then IFC provides technical assistance to Small and Medium Enterprises (SMEs) to enable them to work with the large company effectively. Utilizing the small companies is made a condition of IFC financing.

As there are very few large companies in Southeast Europe that have attracted the attention of IFC, SEED's linkages work has proceeded, for the most part, without the accompanying IFC investment. This has meant a more limited project scope as SEED first had to sell to the large company the idea of improving their supply or distribution chain, without the leverage provided by financing. Then, SEED had to convince the company to pay for SEED's services. This process is time-consuming and prone to stoppages if company management became resistant to change.

Over the course of the last four years the SEED, in collaboration with other IFC facilities and Accenture Consulting, has created a methodology for developing linkages between large and small companies in a variety of disparate industries. SEED has utilized that methodology to work with companies in Albania, Bosnia and Hercegovina, Macedonia, and Serbia and Montenegro.

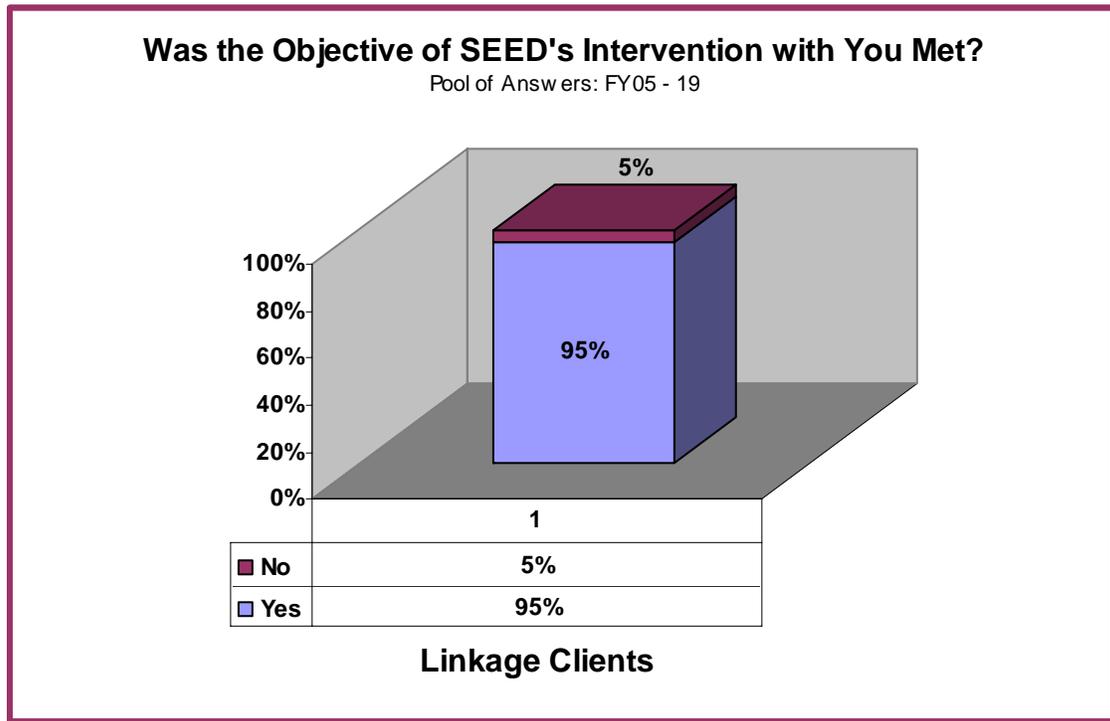
The report seeks to assess the success of this SEED's Linkages model, record lessons learned, and evaluate the impact of SEED's linkages work on businesses and on the BMOs themselves. This report combines results from SEED's in-house Monitoring and Evaluation (M&E) system with inputs from project managers, SEED management, focus groups, and external sources. This report will evaluate SEED's Linkage training and consulting products on the business operations of the targeted companies and on the impact of the changes companies made.

## 9.2. Business Operations

Linkages projects vary widely as they are tailored both to a specific industry and to the needs of the large company within that industry and country. The initial goals of SEED's Linkages interventions ranged from developing an employee incentive system, to implementing new Management Information Systems, to rolling out a franchising model, to improving distribution systems, to developing a brand management strategy. Working together, SEED and the management of the client company would develop an action plan. SEED often facilitated bringing international experts and helped the company to connect with its suppliers.

In this section, percentages refer to respondents rather than companies. Where possible, SEED sought out more than one member of management who could comment on SEED's activities.

**Figure 29: Was the objective of SEED's intervention with you met?**

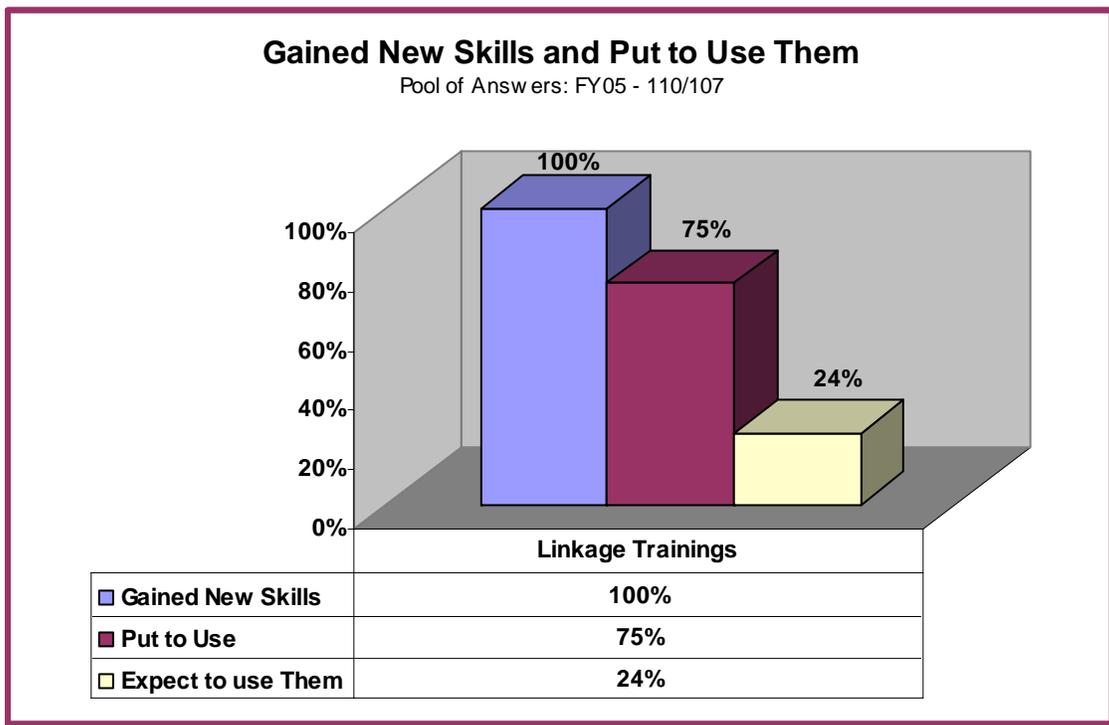


Follow-up interviews with SEED’s linkages clients conducted approximately six months after the end of the intervention indicated that the vast majority of clients felt like they accomplished their goals.

Every linkages client surveyed felt that SEED’s intervention with their company had a positive impact on their business. The type of impact varied widely depending on the kind of intervention, the duration, and the industry. However, a few general responses carried across industries.

One cross-cutting area has to do with developing the skill sets of employees. SEED’s linkages projects were often a combination of training and consulting aimed at increasing the capacities of employees. As such clients’ and management’s assessment of the impact of SEED’s intervention on their skill levels is an important intermediate indicator.

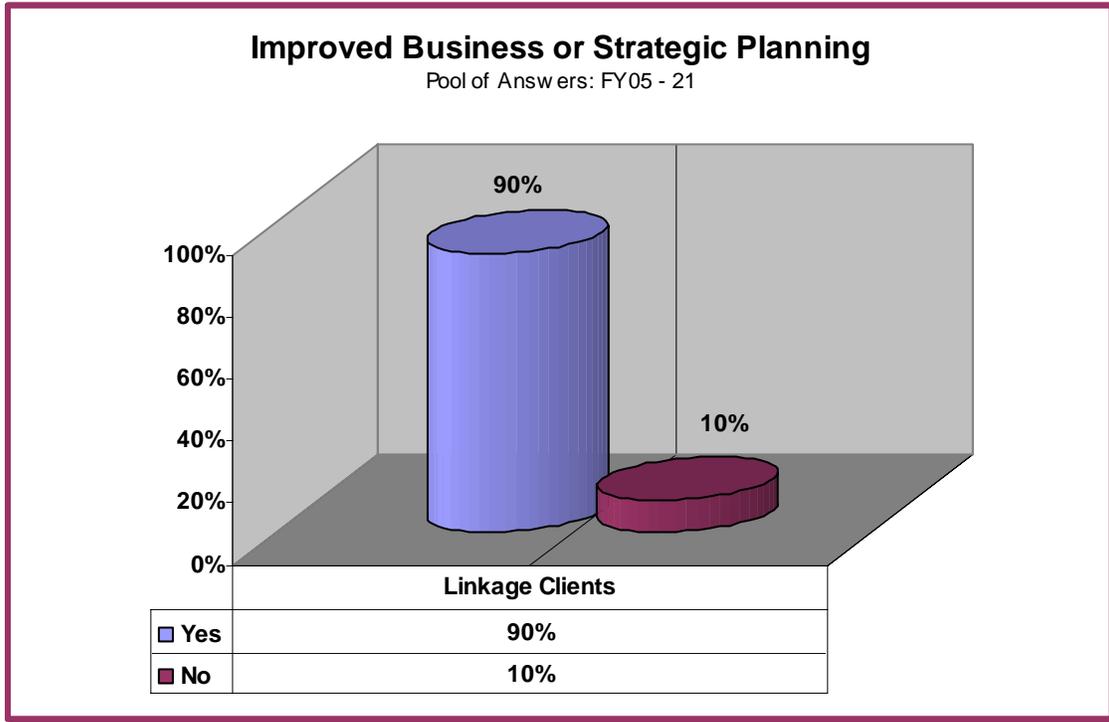
**Figure 30: Has SEED’s intervention improved the skills of your employees and have those skills been put to use in your company?**



The recipients of training were also asked whether the skills they gained were applicable to their business needs.

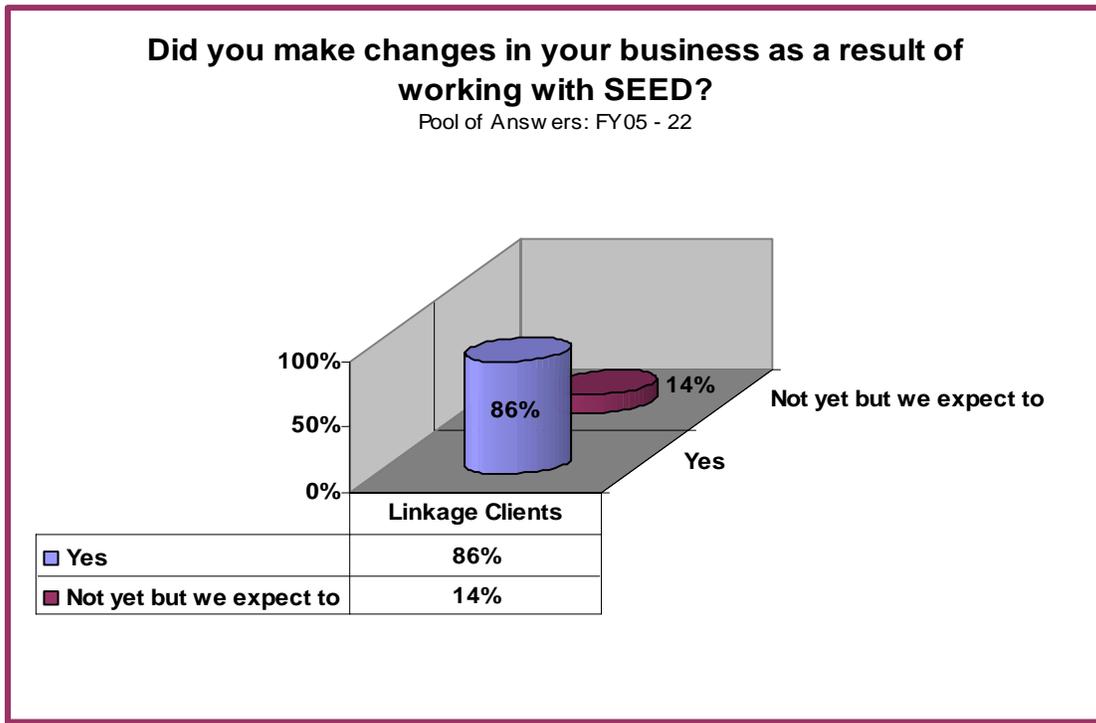
The most common area identified by businesses that SEED helped them was in their strategic planning. Linkages clients identified this as a weakness SEED helped them address.

**Figure 31: Did you improve your business or strategic planning?**



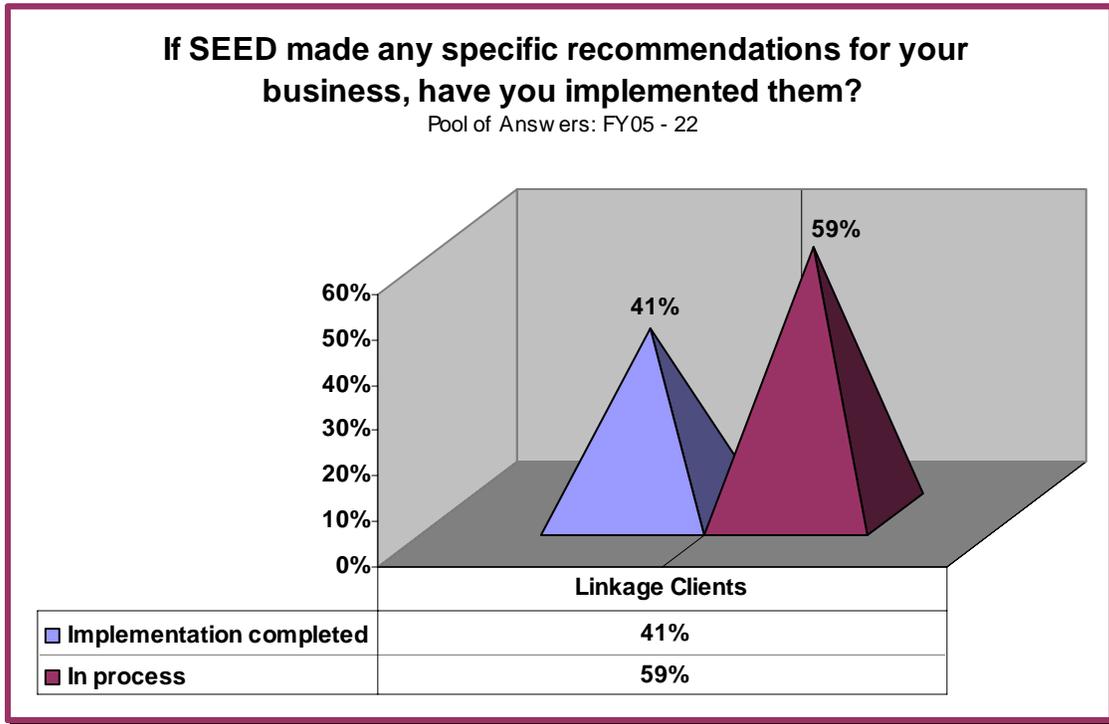
When asked whether they had made changes in their business as a result of working with SEED, the vast majority said yes.

**Figure 32: Did you make changes in your business as a result of working with SEED?**



An important intermediate outcome of any type of consulting work is the implementation of the recommendations made by the consultants. It is very easy to look at a business and offer suggestions for improvement, but whether or not management takes ownership of those suggestions and works to implement them has more significance for their impact. In this arena, SEED’s linkages work is impressive.

**Figure 33: If SEED made any specific recommendations for your business, have you implemented them?**



These numbers significantly outstrip the implementation levels of SEED’s other consulting work.

In general, SEED’s linkages work appears to have had strong impact on the business operations of their client companies. The clients felt like they gained new skills, that they achieved their objectives, and that they implemented changes/recommendations, which had a positive impact on their businesses.

### 9.3. Impact

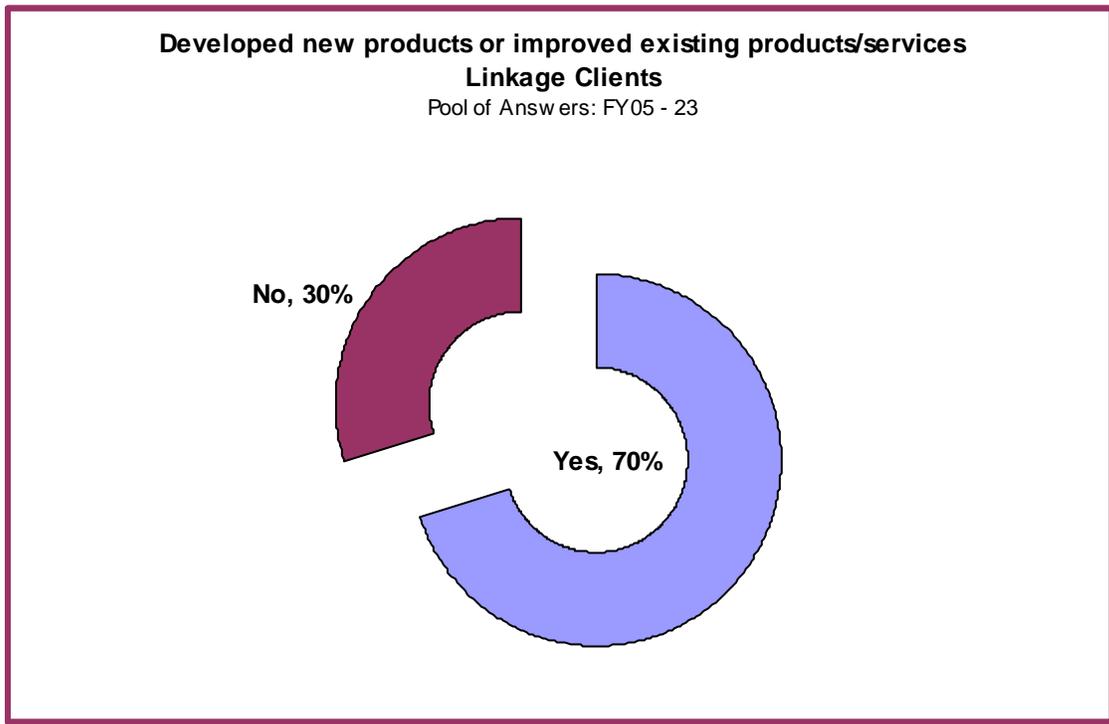
It is often more difficult to determine a link between changes in business operations and impact in terms of profitability or employment, the ultimate goals of SME development work. However, in these linkages projects are unusual because the companies generally are larger and have access to that information. In addition, because of the long and multifaceted interaction between SEED and the company, there is a level of trust uncommon even with other consulting clients. Thus, client companies feel like they can

share information without fear it will be reported to the government or to their competitors.

In this section, percentages refer strictly to companies themselves as this section focuses on hard data.

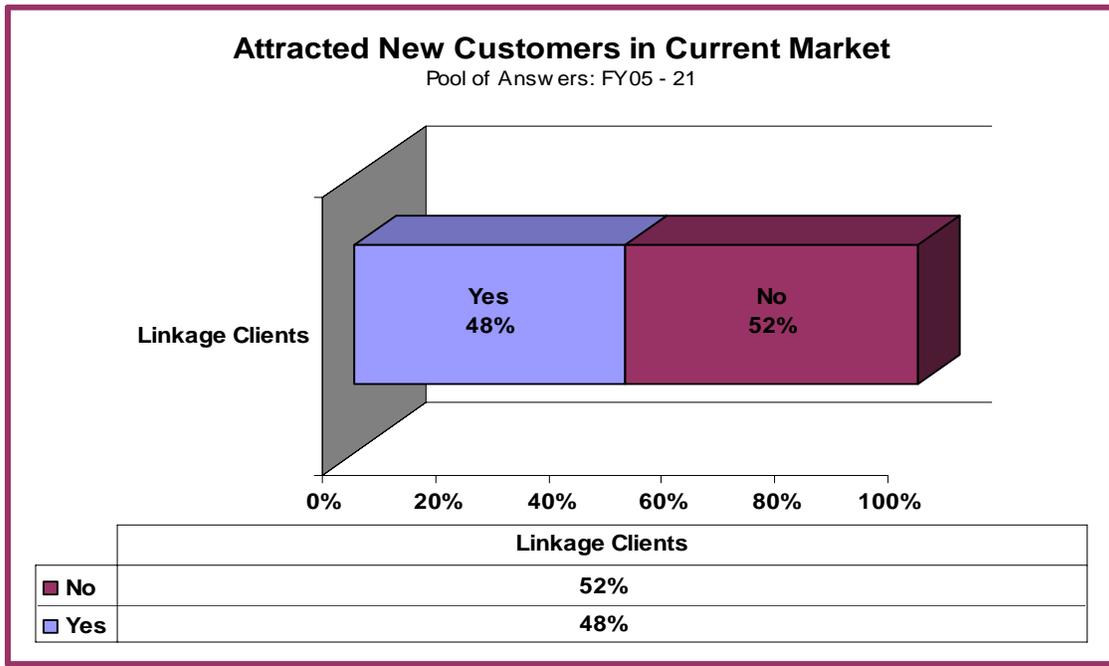
When asked whether they had introduced new products or improved their existing products/services because of their work with SEED, a majority of linkages clients indicated that they had.

**Figure 34: Developed new products or improved existing products/services?**



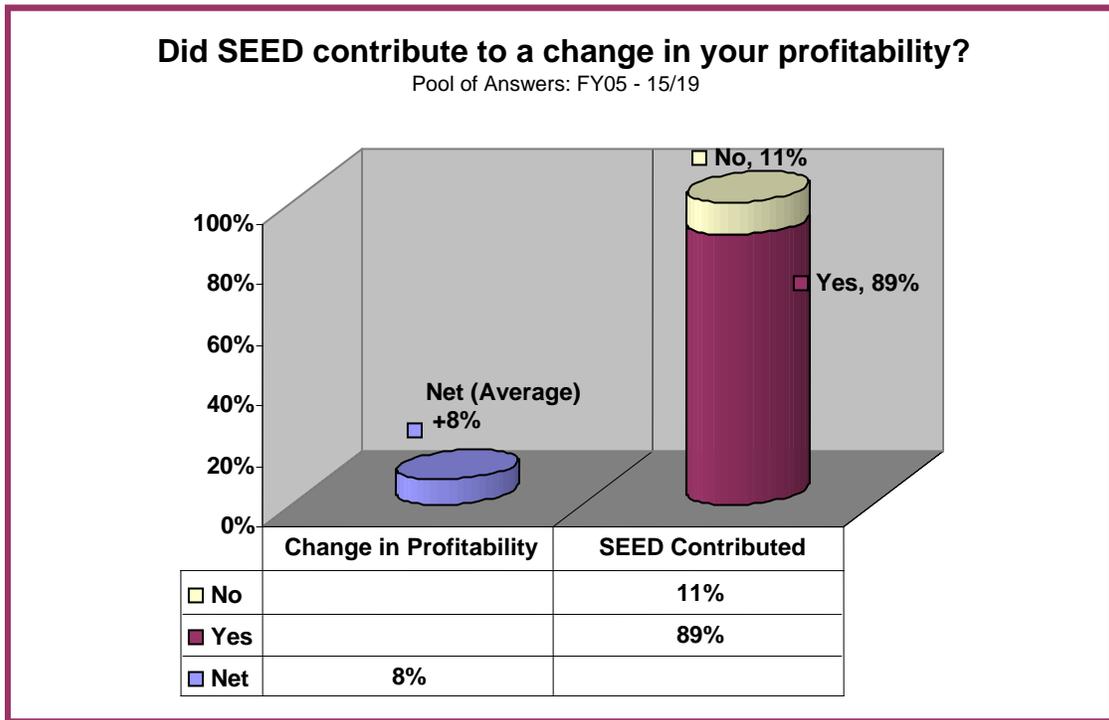
However, when asked whether they had been able to attract new customers because of their interaction with SEED, only two of seven companies said yes. This number is slightly misleading because each of the several divisions of Tigar with which SEED worked indicated that they had attracted new customers.

**Figure 35: Attracted new customers in your current market?**



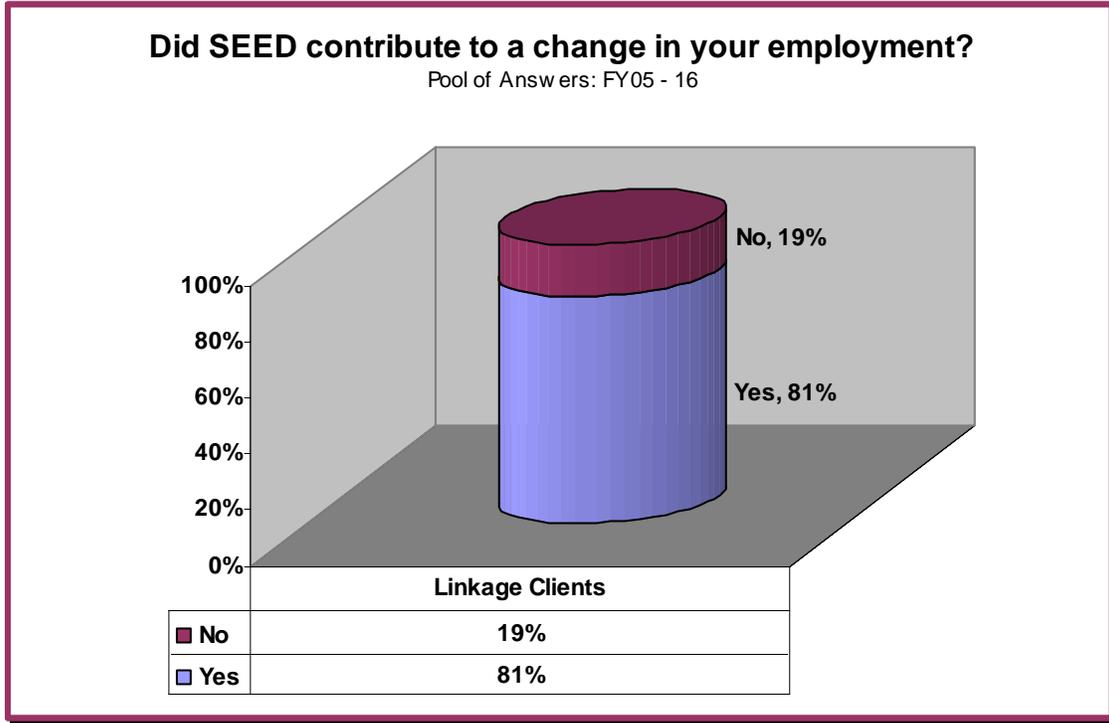
Six companies were willing to comment on their profitability, and of those five indicated that SEED had helped them to improve their profitability. Two were willing to give figures, and they indicated that SEED had helped them to increase their net profitability by four and twelve percent respectively.

**Figure 36: Did SEED contribute to a change in your profitability?**



In terms of employment, all of SEED’s linkages clients indicated that they had increased their employment levels in the time since SEED’s intervention. When asked whether SEED contributed to that change, four companies believed that SEED did contribute, one said no, and one that they did not know whether SEED’s intervention contributed.

**Figure 37: Did SEED contribute to a change in your employment?**



It is clear from this data that SEED’s linkages work had an overall positive impact on the companies with which SEED worked. While SEED by no means is responsible for improvements in business performance, there was improvement in business performance in the time after SEED worked with their clients, and the clients felt that SEED made a significant contribution.

SEED’s linkages work helped companies to make improvements in their business processes, and those improvements correlate strongly with increased profitability and employment levels. Though somewhat different from IFC’s traditional linkages model, SEED’s linkages program did have good impact on the small number of companies with which they have worked.

**Recommendation**

Each Linkages project should be preceded by in depth client analyze which will show weather it is right client for linkages project.

## **10. Assessing the Impact of SEED's Corporate Governance Work**

### *10.1. Introduction*

The transition to a market economy with the accompanying transfer of corporate ownership into private and semi-private hands had made the issue of how corporations are governed a burning issue for the future of Southeast Europe. Privatization programs have created millions of new shareholders, many if not most of who do not have any experience with the rights and responsibilities of owning company shares. Moreover, new legal and institutional frameworks have created a complicated set of interconnecting regulations that can be daunting even for experts.

As the fragile capital markets in the region develop, it is essential that companies and shareholders in the region understand how to separate ownership from company management, what it means for a company to be accountable to its shareholders, what are good transparency and disclosure policies, and other issues related to corporate governance.

In fiscal years 2004 and 2005, SEED conducted a very small-scale corporate governance pilot project in Bosnia and Herzegovina. This project had three components, first was a set of day-long open trainings about general issues in corporate governance. The second component was a more in-depth training for potential consultants who could be used for implementing future corporate governance activities. Finally, SEED did some corporate governance training for one company focusing on their specific issues.

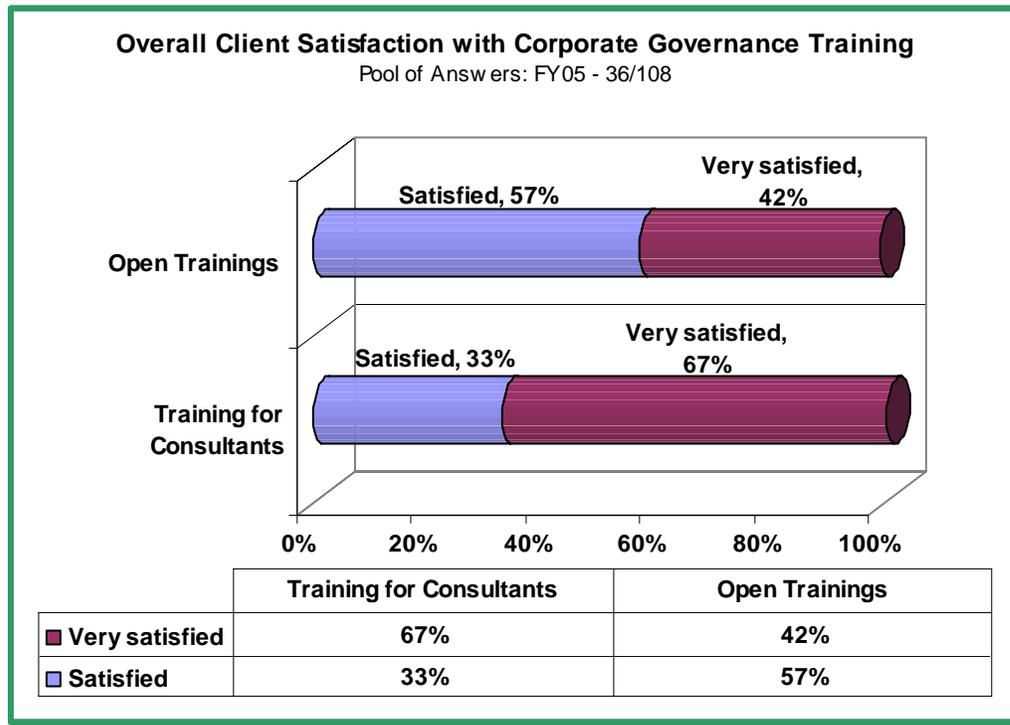
In assessing the effectiveness of this work, the SEED M&E Team made use of client surveys and focus groups.

### *10.2. Knowledge Transfer*

In general, SEED's corporate governance clients felt that they gained new knowledge about corporate governance, and they were very interested in learning more.

On a scale of 1 to 5, with 5 being very satisfied and 1 being very dissatisfied, SEED's CG clients ranked the trainings well.

**Figure 38: Overall Client Satisfaction with Corporate Governance Training**



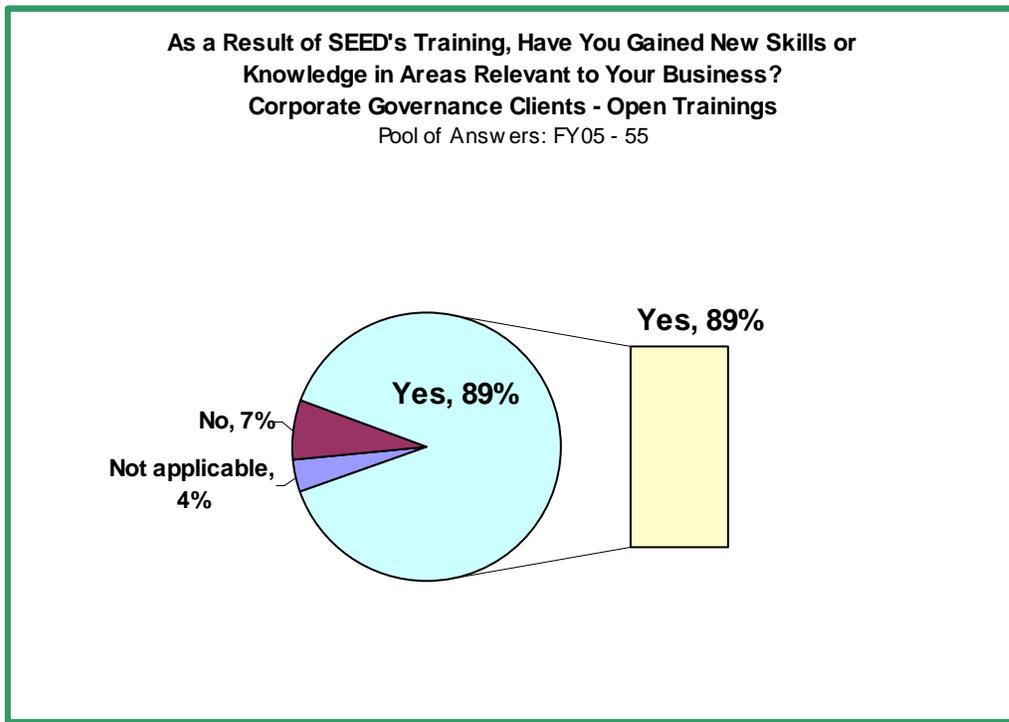
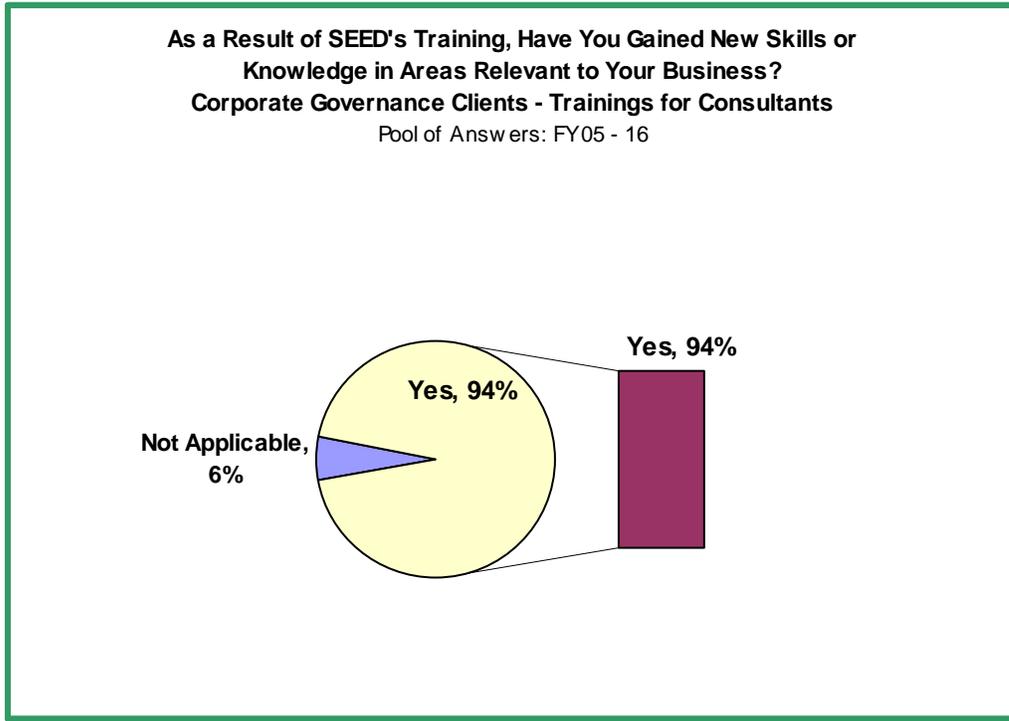
1) General open trainings:

Overall satisfaction with training	4.39
Timeliness and responsiveness of services	4.43
Evaluation of services delivered by trainer / consultant	4.48

2) In-company trainings

Overall satisfaction with training	4.71
Timeliness and responsiveness of services	4.93
Evaluation of services delivered by trainer / consultant	4.95

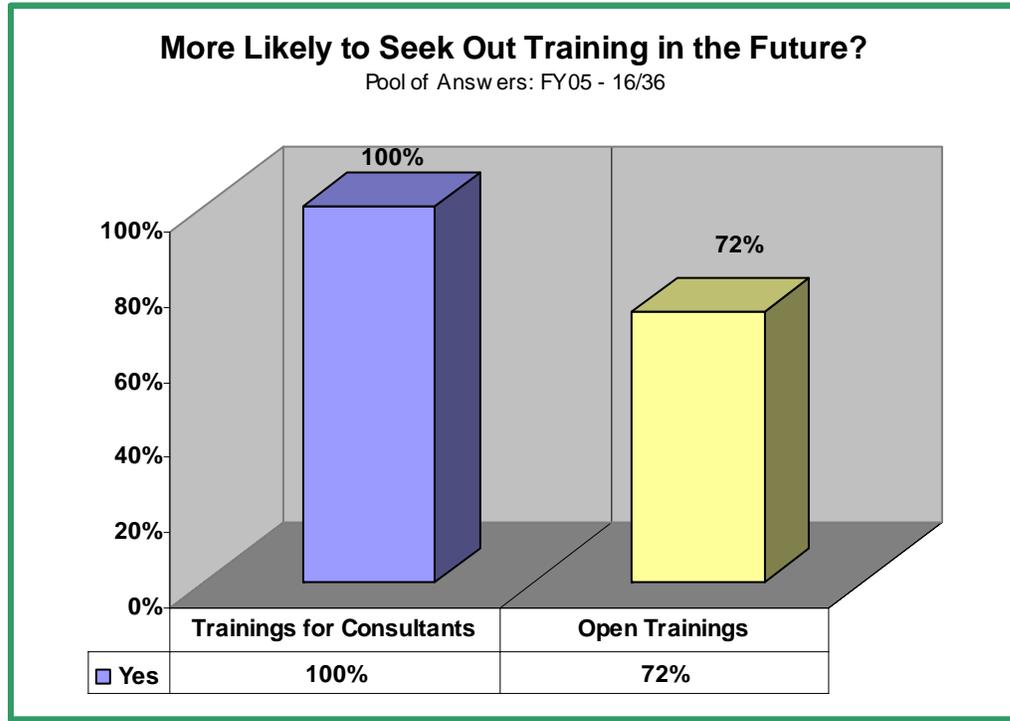
**Figure 39: Gained New Skills**



One of the major objectives of this pilot was to assess the market for Corporate Governance training in the future. The fact that more than 60 participants were willing to

pay \$100 each for this basic training is a strong indicator in and of itself. On top of that, one of the most consistent comments made by participants is that greater training is necessary, both for themselves and for the market in general.

**Figure 40: More likely to seek out training and consulting in the future**



Focus Groups with participants in SEED’s Corporate Governance trainings revealed that one of the major challenges is the widely divergent knowledge base of the participants. As one trainer explained, *“There were people in attendance that I do not believe I have anything new to tell on the subject, while for others everything said was new. ... Then the question arises of what level to go to with fundamental concepts on the one hand, and on the other how far to go with some narrow professional specialist situations?”*

In general, knowledge about appropriate Corporate Governance practices in the region is low, and any information put into the public sphere is welcomed.

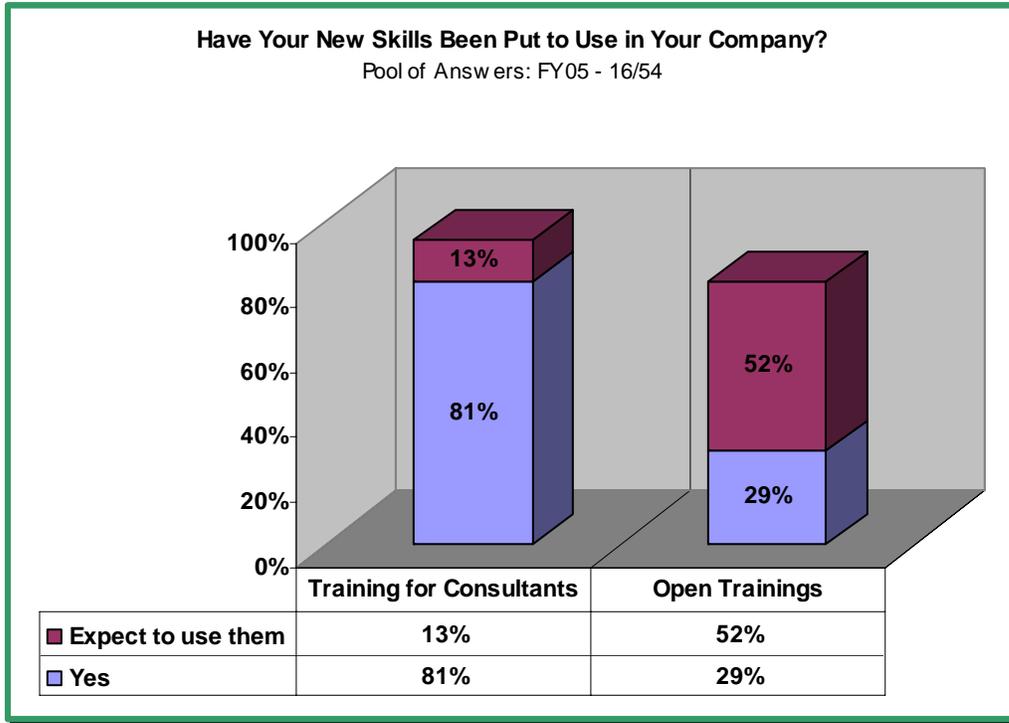
Another repeated comment from the survey forms and the focus groups was that there was too much information conveyed in a very short period of time. As one participant put it, *“I think that two days is about right for one rounded topic...Perhaps there were somewhat too many questions, too many topics in the morning, two in the afternoon – a total of eight topics in two days.”*

But in general, participants felt that they gained new knowledge through SEED’s trainings.

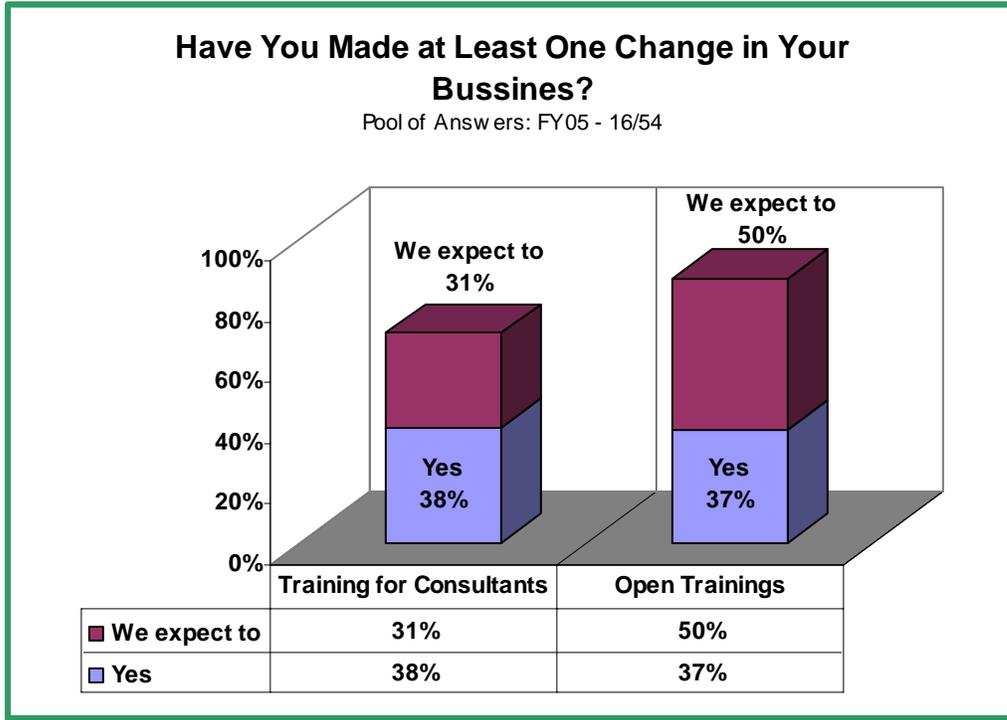
10. 3. Impact

The immediate utility of the knowledge gained by SEED’s clients is more questionable. Surveys three to six months after the training indicated that few clients had been able to put their knowledge to use in their companies.

**Figure 41: Have the skills you gained been put to use?**



**Figure 42: As a result of SEED’s training, have you made at least one change to your company?**



It needs to be acknowledged that Corporate Governance issues are often complicated, and changing them is unlikely to be accomplished in three to six months. Also, there is little knowledge about good Corporate Governance practices in the region as a whole, so training recipients cannot expect to return from training to audiences receptive to the knowledge they have received.

The focus groups offered an insight into more effective interventions. One participant described SEED’s work with them this way, *“It was stock feed production where SEED brought in a foreign consultant that assisted in stock feed production methods. Other people from SEED together with us did an approximation of the financial effects of this – the market, etc. They received useful suggestions about where they may have problems, what are the risks in that business, where and for what reason they may encounter cash flow problems, how to forecast these things, etc.”*

**Conclusion:**

In general, it seems that SEED Corporate Governance training provided good knowledge to participants, and that there was a real understanding on their part about the need for greater education. Future Corporate Governance programming is planned within a more systematic framework and will proceed in greater depth, both of which should make it more effective.

## **11. Analyzing the Impact of SEED’s Alternative Dispute Resolution Work**

### *11.1. Introduction*

For Small and Medium Enterprises (SMEs) and entrepreneurship to flourish in southeast Europe, there needs to be a conducive business environment where rule of law is paramount. The current judicial process in the region is time-consuming, expensive, and often leads to less desirable outcomes. Mediation offers one route to mitigating these issues by offering an alternative to the court process. In mediation, the litigant parties are matched with a neutral mediator who has been trained to help them find or create a mutually satisfactory resolution to their dispute. To be enforced, a solution has to be agreeable to both parties, who then register their agreement with the court.

SEED has worked to develop two different mediation models based upon the legal framework and court administration processes in Bosnia and Herzegovina and in Serbia and Montenegro. In Bosnia and Herzegovina, SEED helped to create an independent mediation center allied with the courts, but separate from them. In Serbia and Montenegro, mediation takes place within the court itself. In both cases, when linked with the formal court process, mediation is often faster, cheaper, and provides better solutions. For often cash poor SMEs, mediation can be an important piece of Access to Finance.

In both countries, SEED’s work involved an extensive public information campaign about mediation and its benefits, legislative capacity building and advocacy work to establish the legal foundations for mediation, and extensive training of lawyers, mediators, and judges.

### *11.2. Banja Luka Pilot*

In Banja Luka, Bosnia and Herzegovina, SEED worked with the 1<sup>st</sup> Instance Court. This is the largest court in the Republic Srpska with a large commercial department. There were several judges within the court who were interested in participating, including the President of the Court. In addition, a number of interested mediators who had been trained by SEED and the Canadian Institute for Conflict Resolution (CICR) lived in Banja Luka.

#### *11.2.1. Mediation Law in Bosnia and Herzegovina*

SEED worked with legislators, lawyers, international experts, and the CICR to create a draft law on mediation that would support the growth of mediation in the region. SEED conducted a national public-awareness campaign focusing on blend between media and targeted information sessions to build momentum for the law and for mediation in general. The Law on Mediation was approved by the BiH parliament at the end of June 2004, was publicized in the BiH “Gazette” August 12<sup>th</sup> and came into effect August 20<sup>th</sup>. The law encourages mediation as a first step in civil cases, and sets out a framework for

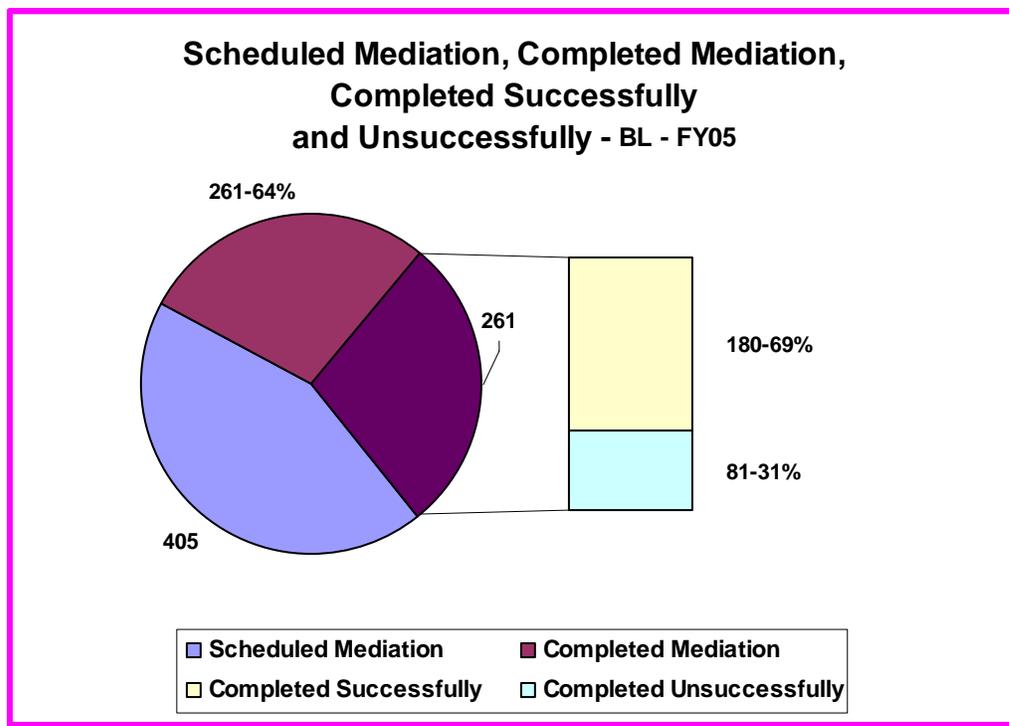
the conduct of mediation and subsequent implementation of mediated agreements. It also regulates the establishment and status of mediators. In order to implement the law, it was necessary to develop court procedures, hold information sessions for both the courts and the public, and test out the utility and public acceptance of mediation in a culture completely unfamiliar with it.

*11.2.2. The Cases*

Judges from the first instance court were trained in mediation and were then asked to select cases they thought would be appropriate for mediation. In the first round, there were 300 invitations sent. After that, judges could refer any case they chose to mediation. Through July of 2005, there were 405 total cases were scheduled to mediation. Sixty four percent were completed successfully while thirty one percent was not successfully completed, which means agreement was not reached within mediation process.

One of the real obstacles to mediation is a lack of understanding within the business and legal communities about mediation.

**Figure 43: Acceptance of Mediation in 1<sup>st</sup> Instance Court of Banja Luka**

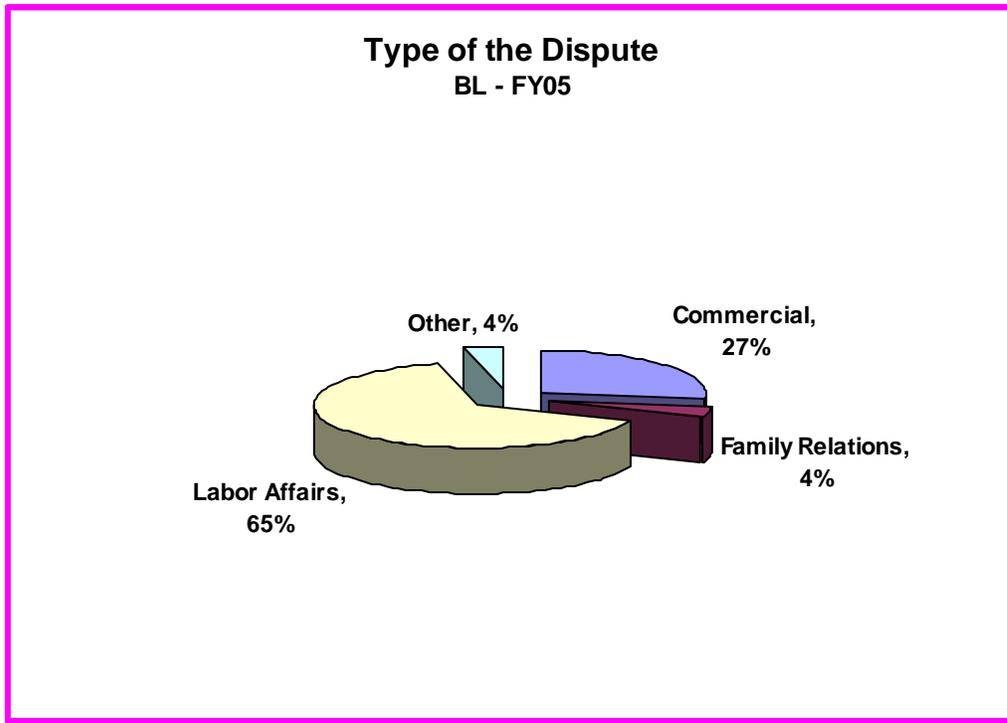


It is clear that a great deal of work remains to be done in terms of convincing the population that mediation is a viable alternative to formal court proceedings. Anecdotal evidence from interviews with parties who refused mediation indicated that a lack of belief in mediation was a major reason for not participating in mediation.

### 11.2.3. Litigants

Though SEED's emphasis is on commercial and labor cases, mediation is applicable to a wide variety of potential cases, and judges within the pilot project wanted to explore the full range of mediation's potential. In the 1<sup>st</sup> Instance Court, the division of cases can be seen in Figure 44.

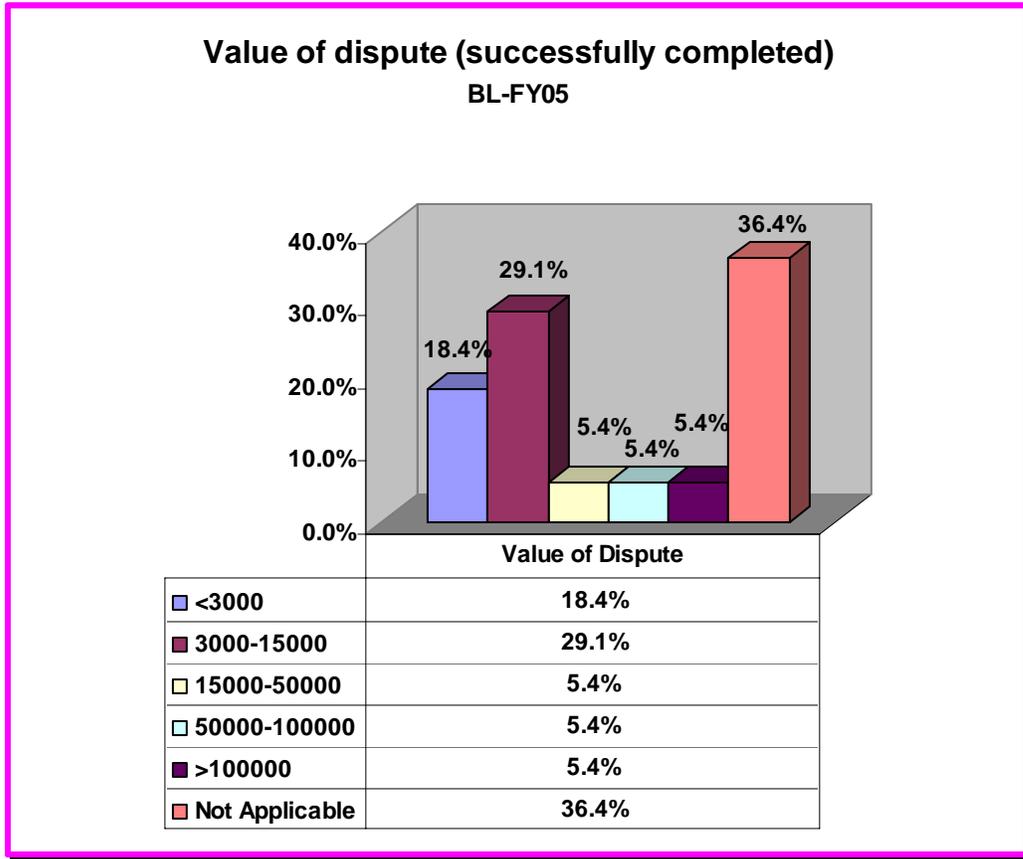
**Figure 44: Types of cases in mediation in the Banja Luka Pilot**



Most of the cases had been in the court system for between 1 and three years, although some had been there for longer. The average is 2.2 years for the whole population of cases.

The duration of mediation process has improved over time. In the first phase of the Pilot project, the average mediation was 92 minutes. During the second phase, it dropped to 44. As the profile of the cases has not changed significantly, this drop can be attributed to the increased skill of the mediators.

**Figure 45: Value of Successfully Completed Disputes**

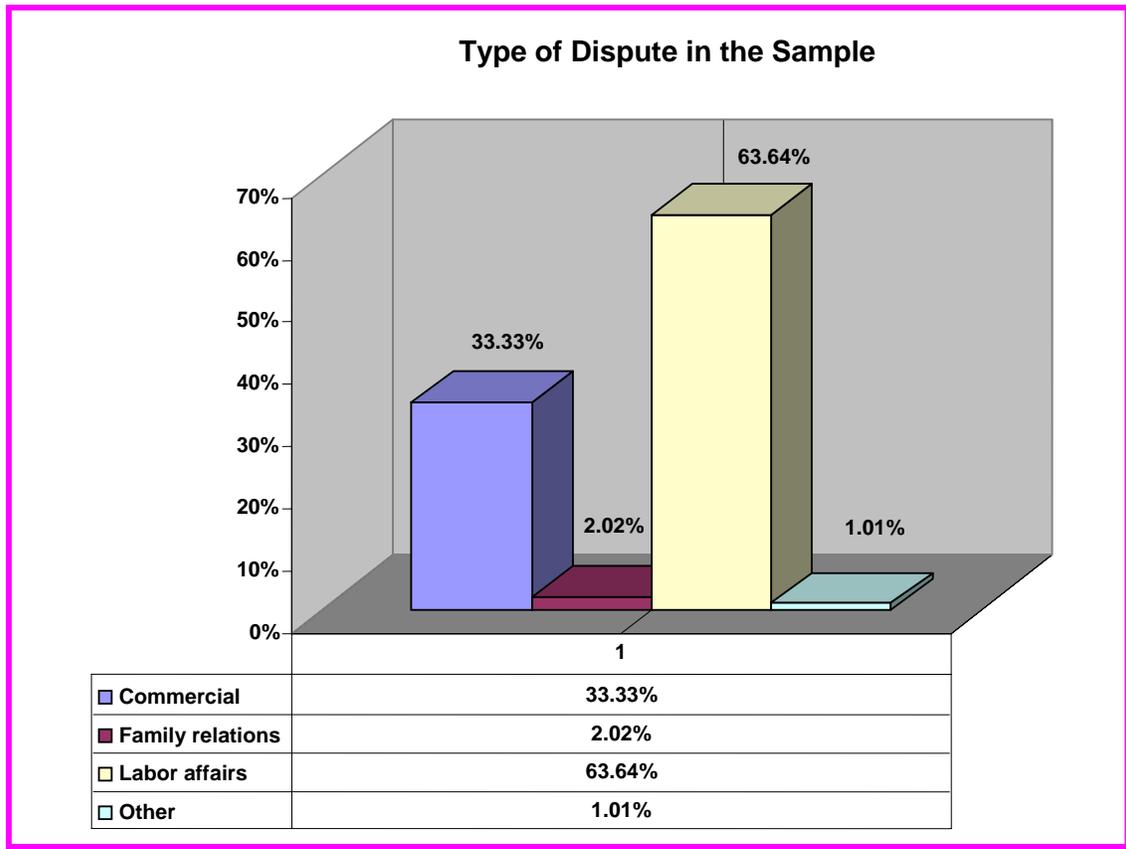


SEED M&E Team conducted an impact assessment survey on a sample of cases, which are representative of the whole population in terms of type and value of disputes distribution. There were some limitations on the sampling method:

- contact availability of client parties
- clients who were available for survey during the period when the survey was conducted in Banja Luka area.

Sample characteristics are provided in the figures 46 and 47.

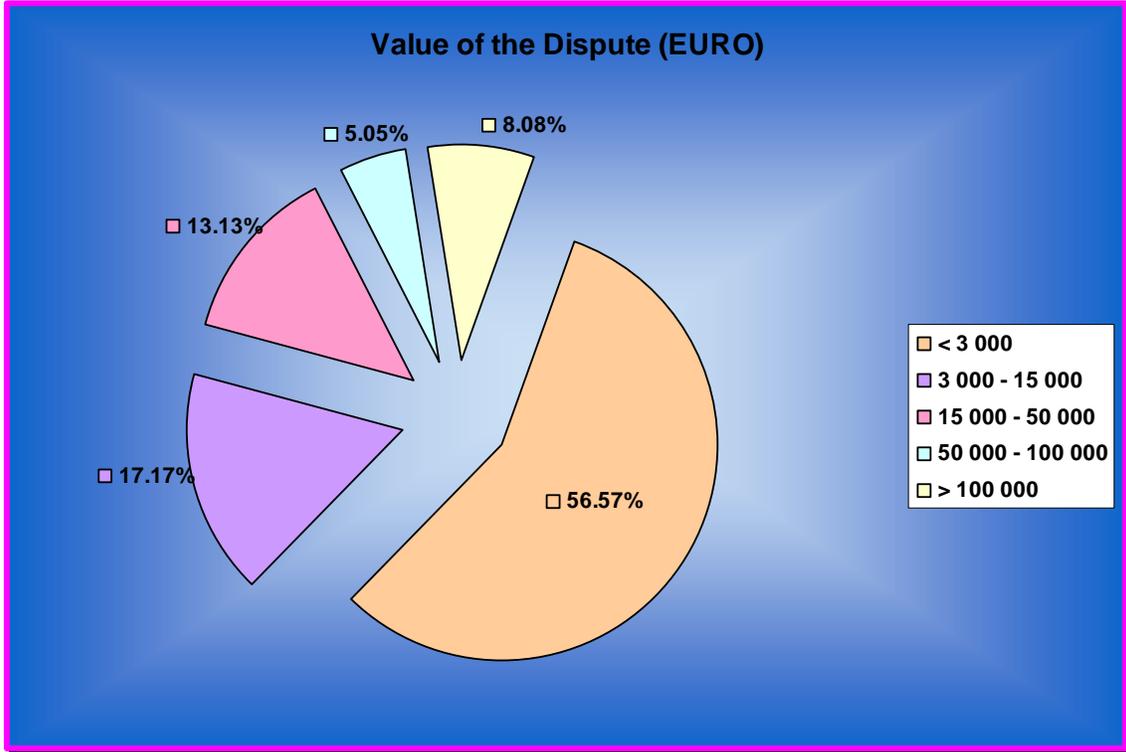
**Figure 46: Type of Dispute in the Sample**



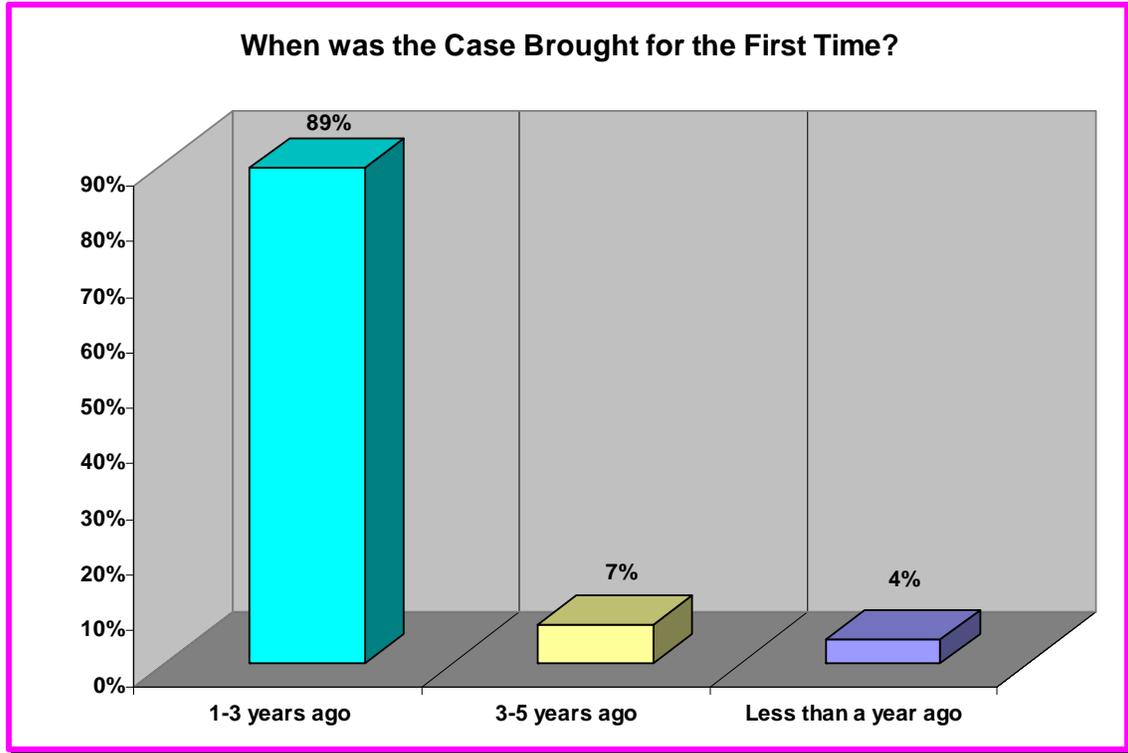
The surveyed sample had 33 percent of commercial cases and 64 percent of family cases which is similar ratio like in population.

Most of the cases were disputing over relatively small amounts of money, although there were a number of high value commercial cases that were resolved through mediation.

**Figure 47: Value of the dispute**

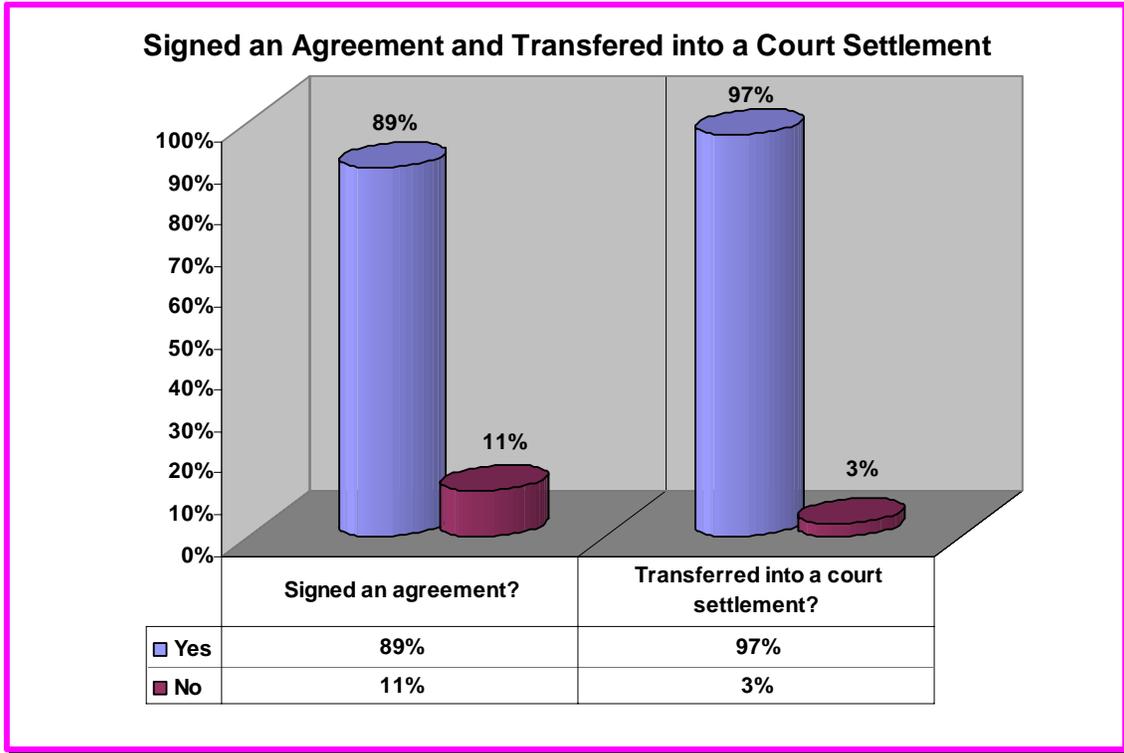


**Figure 47: Length of time the case had been in dispute for sampled cases**



Once in mediation, a high percentage of the cases were able to be successfully resolved. Litigants felt that they were well informed about what to expect and that the process worked well. They also were largely very impressed with the conduct of the mediators in terms of neutrality, level of understanding, and ability to explain the key issues and interests of the parties. Litigants were impressed with the mediators' ability to find creative solutions to problems at hand.

**Figure 48: Did the mediation process result in signing an agreement?**



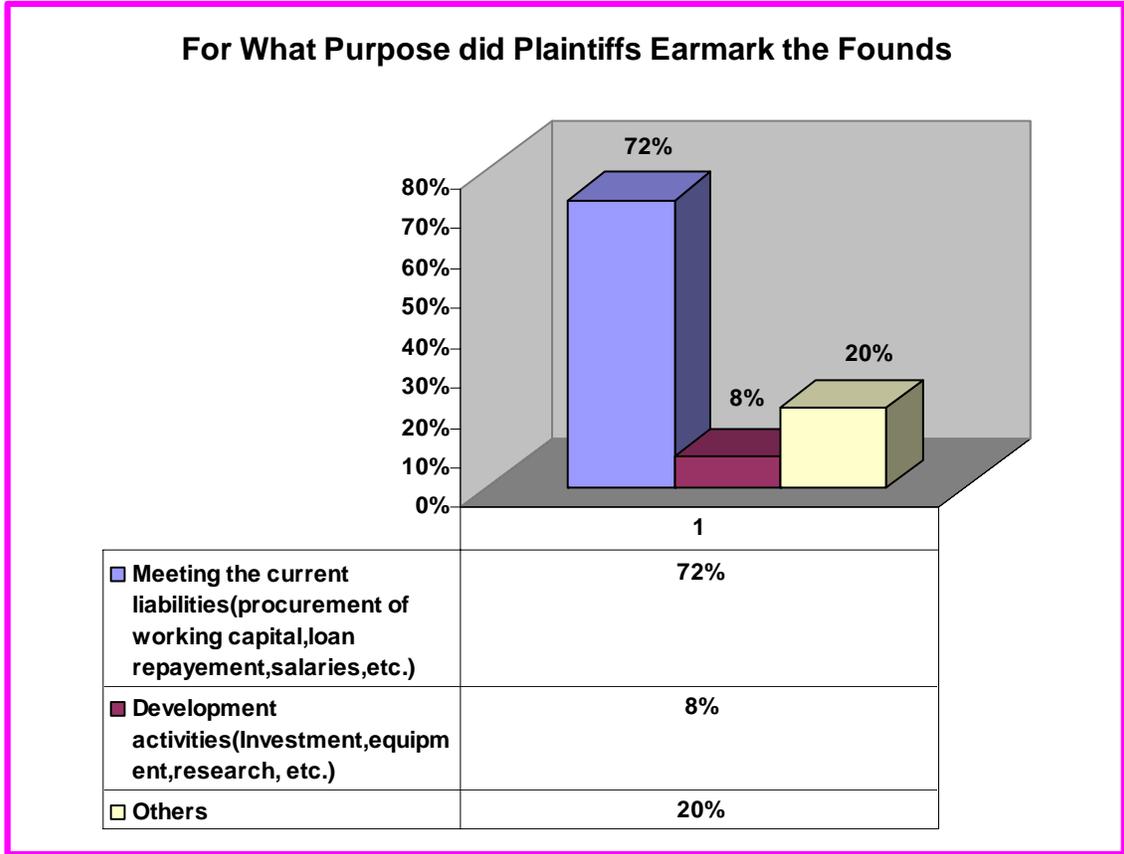
The total value of cases resolved through mediation was 6,745,027 Euros.

One remaining issue is whether, once an agreement has been reached, the parties will stand behind that agreement. By the time the M&E Team or the mediation center followed up with clients in Banja Luka, most of the agreements had been fulfilled, although often with some delay.

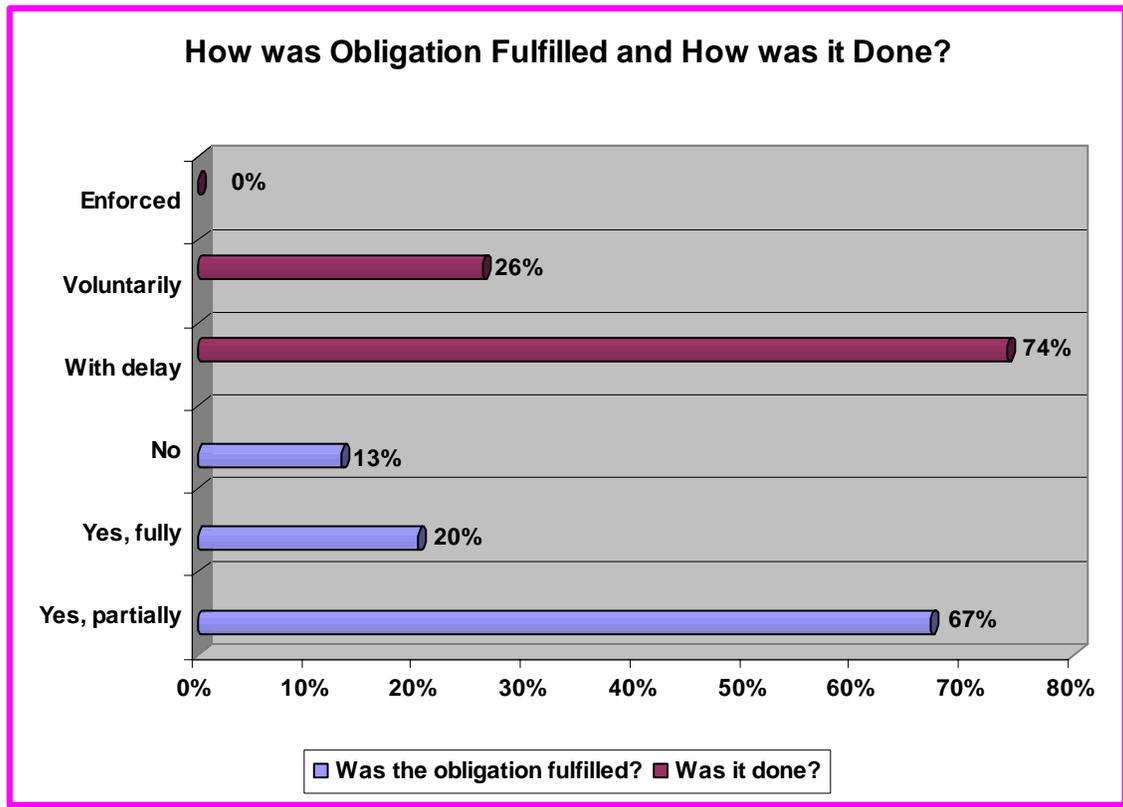
By Bosnian law, once an agreement is reached it must be transferred back to the court system in order to be enforceable by the court. Most cases were successfully transferred, but focus groups and interviews indicated that this was a significant burden on the litigant parties, and there was a strong desire to eliminate this requirement.

Once funds are released they are used mostly to meet current liabilities e.g. salaries, loan repayment, procurement working capital etc. Only eight percent of sampled clients used released funds for development activities, investments, research etc, but having in mind that BH economy is in very difficult situation the results reflect the real situation.

**Figure 49: Purpose of released funds earmark**

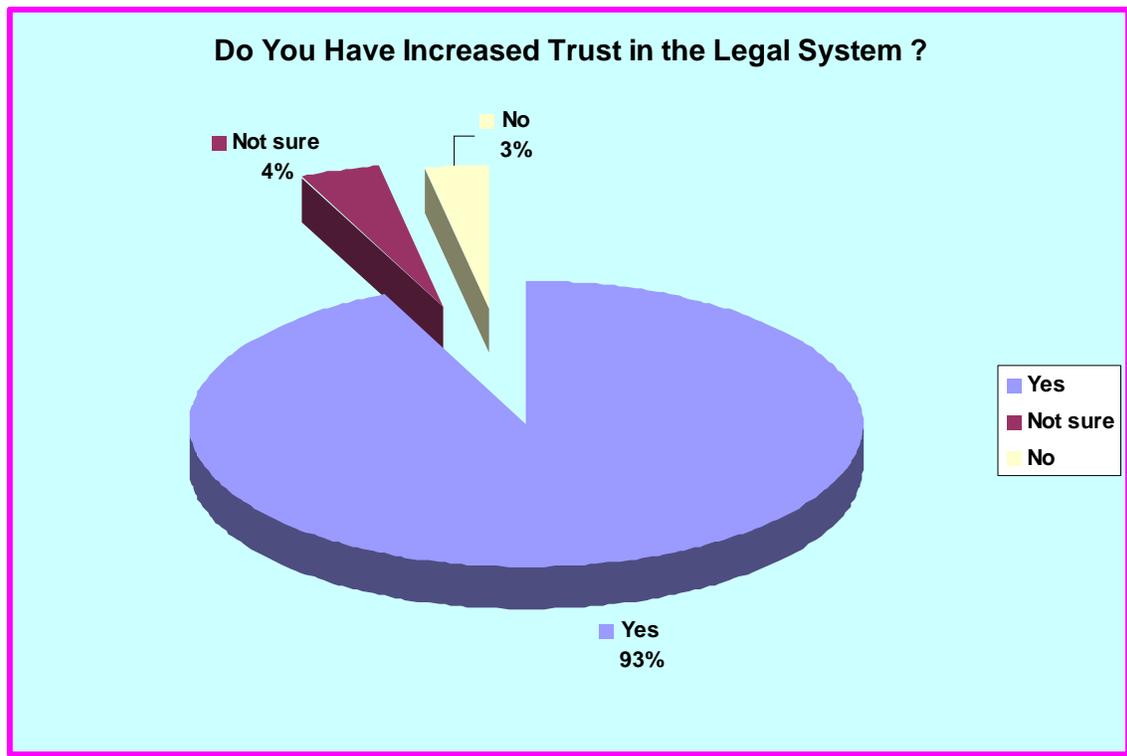


**Figure 50: Has the obligation been fulfilled?**



One of the stated objectives of SEED’s ADR work is to build confidence in the rule of law in the region, as an essential component of economic development. As such, increasing trust in the workings of the judicial system is a useful measure of success.

**Figure 51: After mediation, do you have increased trust in the judicial system?**



The focus group and client follow-up process identified a number of issues with the mediation process that have already changed procedures within the mediation center. But there remain a number of obstacles to the expansion of mediation in the region, the most significant of which is understanding of mediation itself.

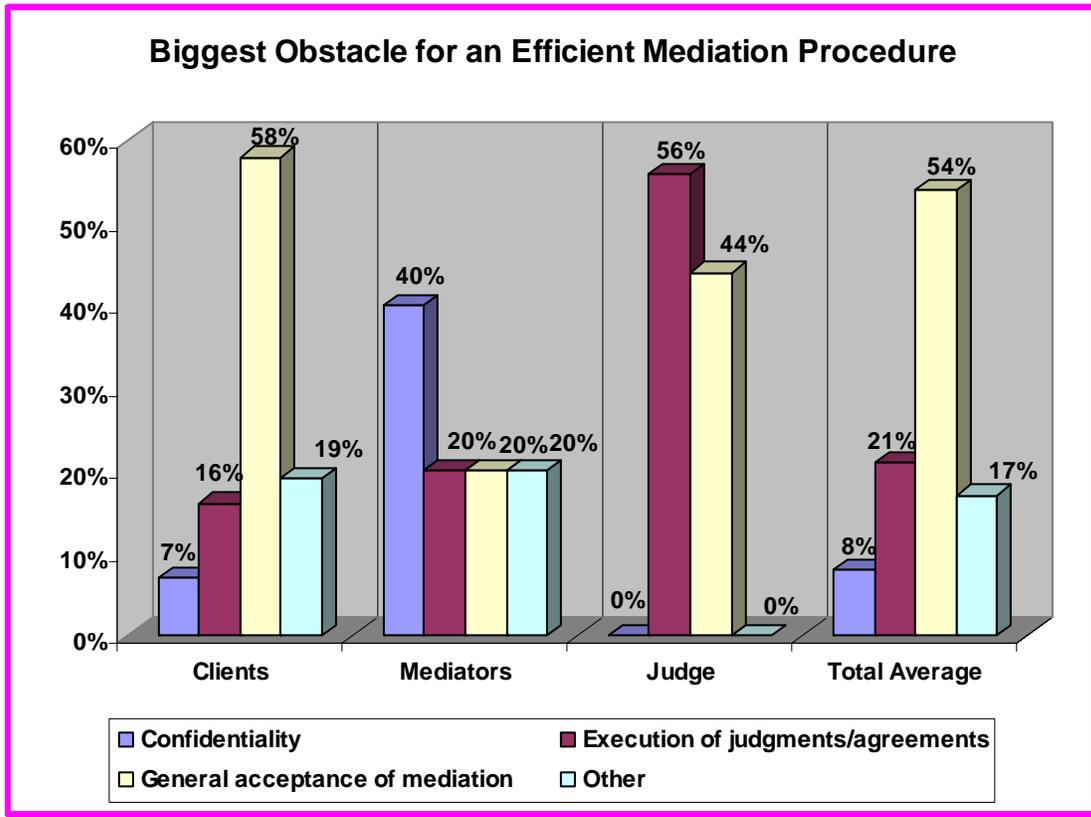
#### *11.2.4. Mediators*

This report is going to focus on mediators actually working in the mediation center in Banja Luka. In general the mediators were extremely positive about the mediation process and about the training they received. They universally felt that they had received enough training to be successful as mediators.

A key element to their success, however, was that each mediator watched other mediations and received mentoring and coaching from a senior mediator before being allowed to mediate on their own. In their own estimation and in that of the mentor, there was significant progress between their first and fifth mentored mediation, and that their success rates were likely to continue to increase as their skills and confidence increased.

From within the mediation center, mediators placed much more emphasis on the importance of confidentiality as an obstacle to growth than did the litigants. Granted the unique perspective of the mediators, this is an issue that should be addressed.

**Figure 52: As you see it, what is the biggest obstacle to an efficient mediation procedure?**



### 11.2.5. Judges

The role of judges in the mediation-center model is to select and refer cases to mediation, and then to certify any agreements reached by the participants. As such, mediation has the potential to drastically reduce the amount of work for judges and to make a dent in their case backlogs.

The judges who participated in the SEED pilot in the first instance court were supportive of the process and generally positive about mediation in general, but they also held some reservations. As one judge said in the focus group, *“We can’t say that everything will be solved by mediation, since it is not a magic stick. People will then think that you can do everything in mediation what the Court can’t do.”*

Judges were only somewhat satisfied with the process of selecting cases for mediation; with 44% indicating either satisfied or very satisfied. A larger percentage (56%) felt satisfied about the interaction between the court and the mediation center. However, in general, judges were eager for the pilot project to continue and enthusiastic about the mediation process.

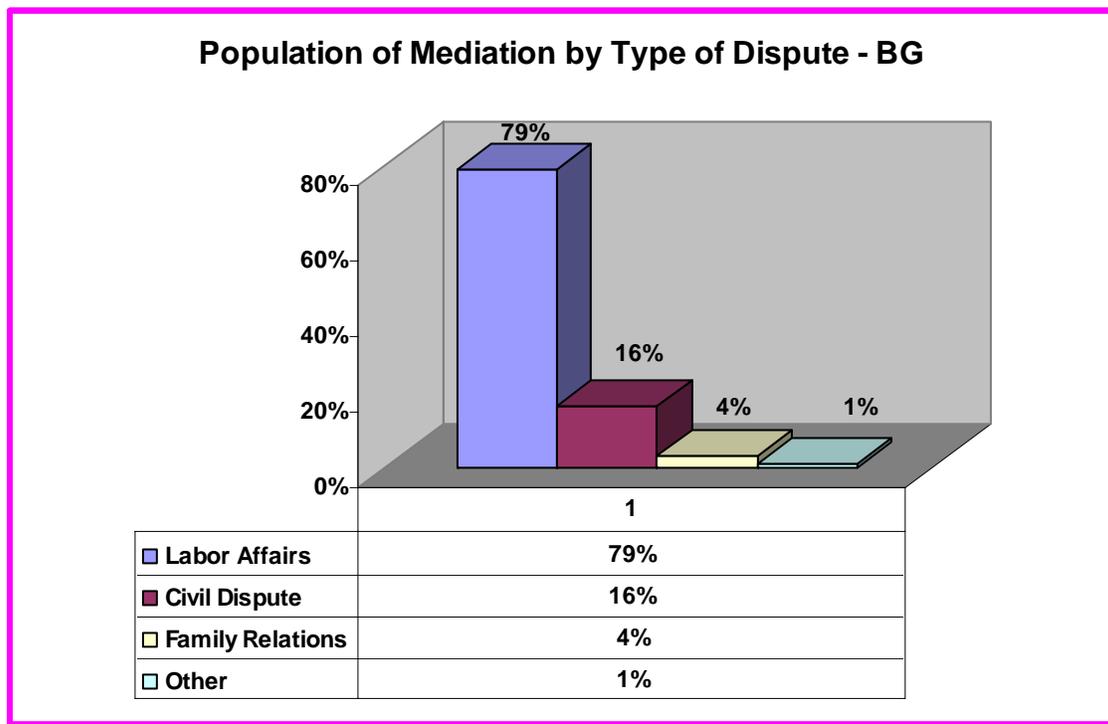
## Conclusions

In general, there is strong support for mediation in general, and for the mediation center model in particular, by all of the relevant stakeholders. A major remaining obstacle identified by all stakeholders was the need for broader education about mediation targeting the general public. Additionally, the need to return to court after a successful mediation was identified as a problem. However, to date the pilot program in Banja Luka has proven highly successful and has validated the potential for mediation to greatly expand within Bosnia and Herzegovina.

### 11.3. Belgrade Pilot – Second Municipal Court

In Belgrade, SEED worked to develop a court-centered model that focuses on the use of active judges as mediators. Judges who worked in the courts mediated cases on which they were not presiding and the mediation takes place somewhere in the courthouse.

**Figure 53: Types of cases in mediation in the Belgrade Pilot**



This model makes the acceptance of mediation less of an issue, because the presiding judge can apply more pressure to the litigants encouraging them to seek mediation. This is reflected in the rate of cases referred to mediation that actually go to mediation.

Figure 54: Acceptance of mediation in the Belgrade Pilot

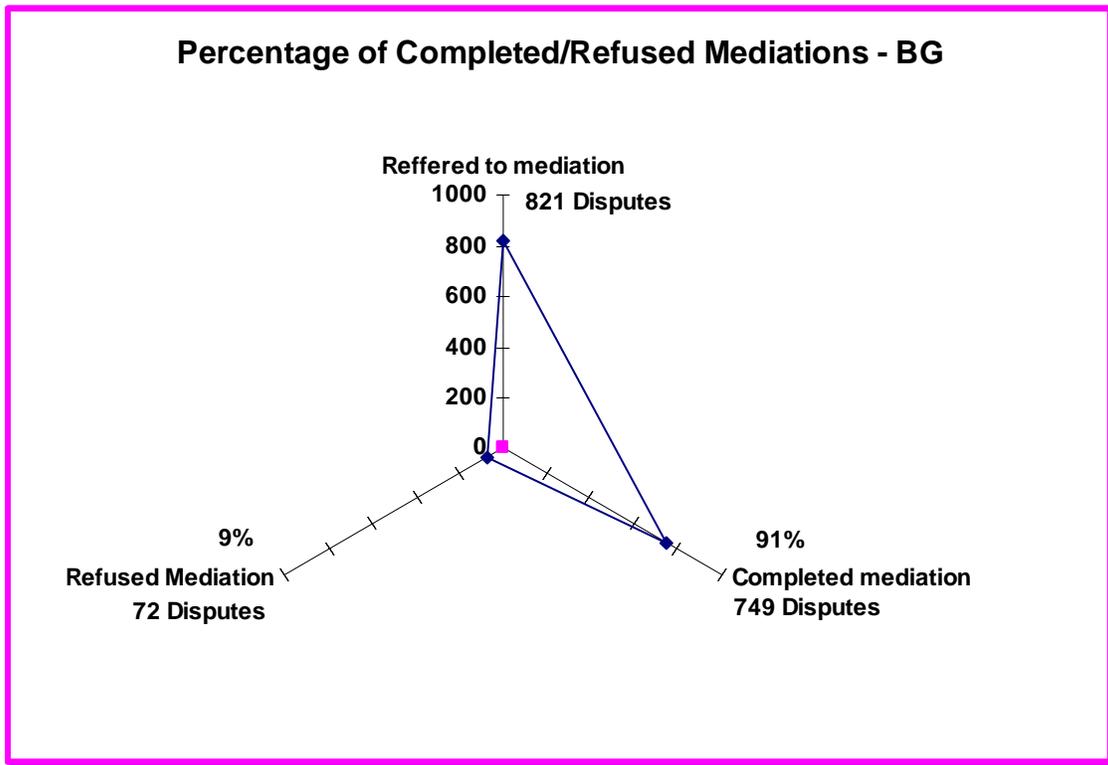
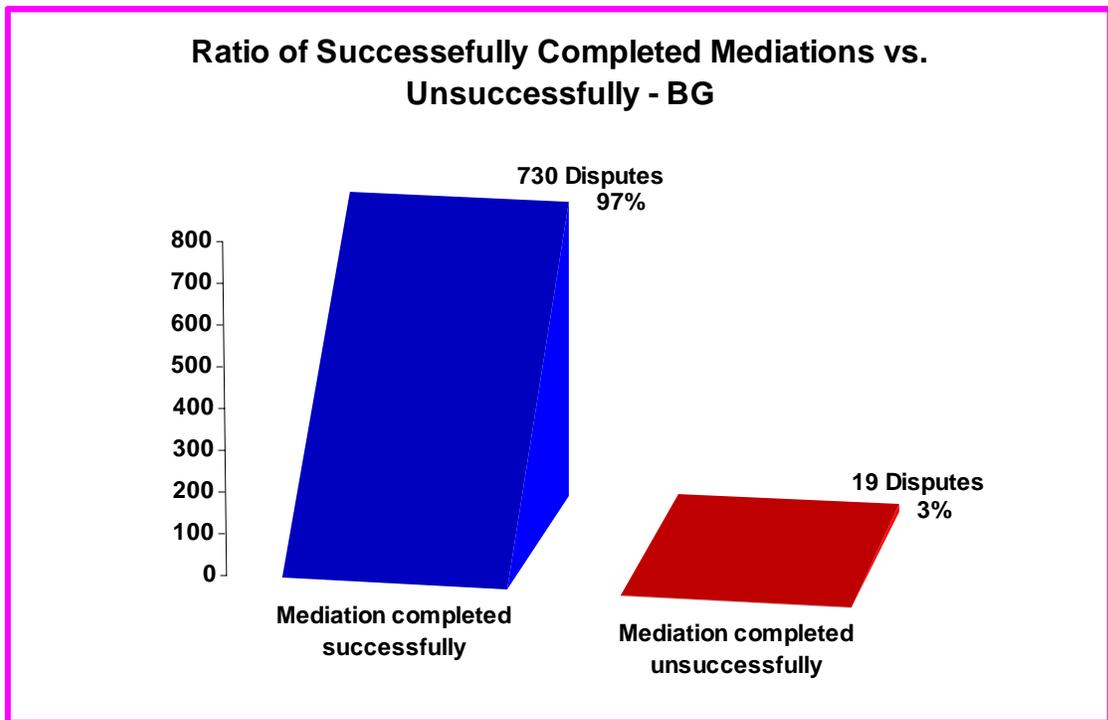


Figure 55: Ratio of successfully completed mediations



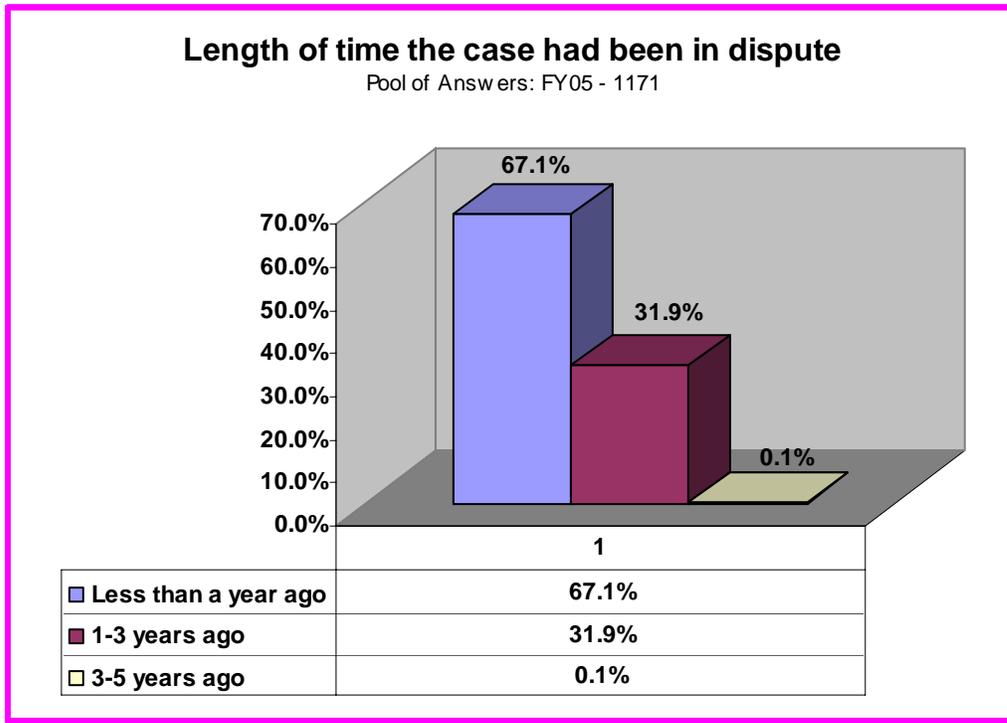
### 11.3.1. Litigants

The Second Municipal Court in Belgrade is focused on labor law, which has a big impact on the profile of cases. Most of the cases have been in the court system for less than a year.

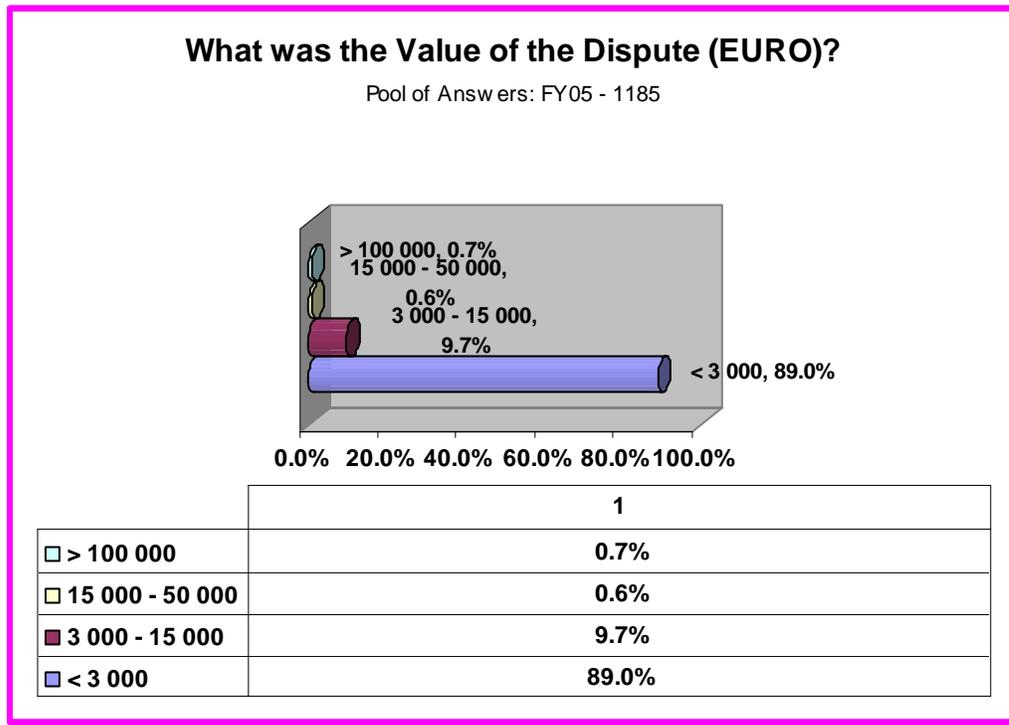
M&E Team conducted client survey based on sample. Since commercial cases are not subject of the Second Municipal Court the labor cases are selected for survey.

The figure bellow shows length of time the case had been in dispute before accepting mediation.

**Figure 56: Length of time the case had been in dispute**



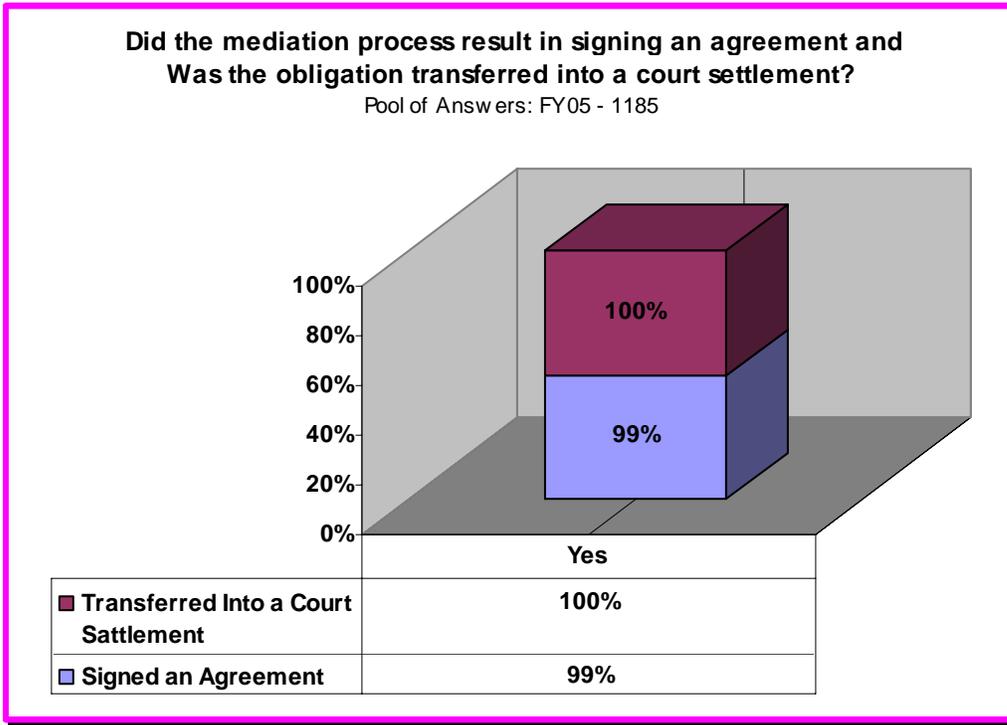
**Figure 57: Value of the dispute**



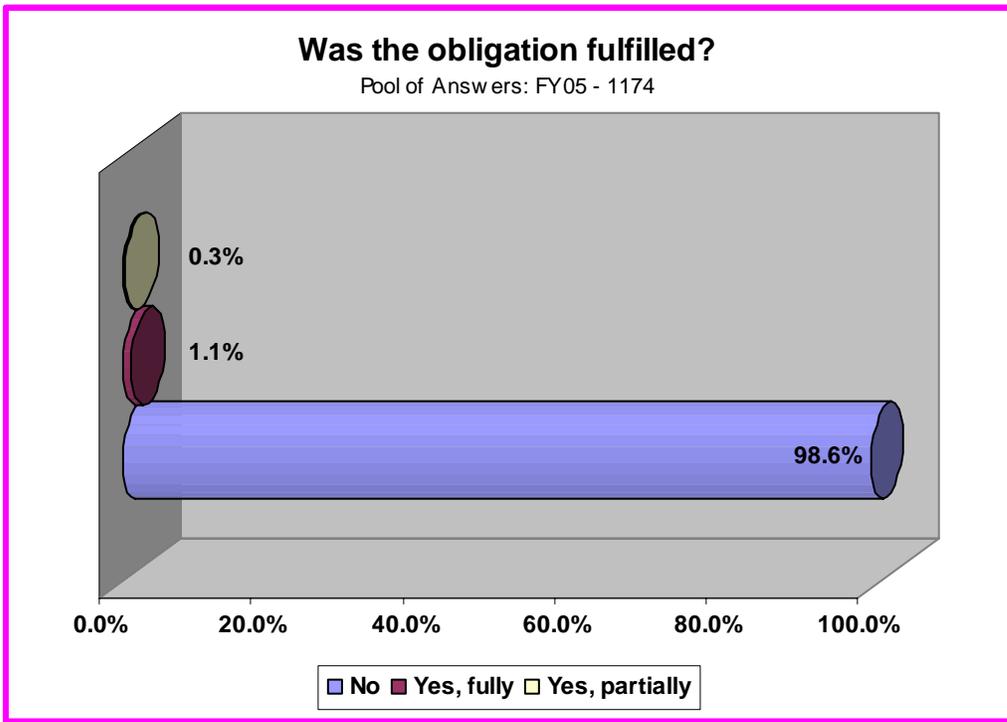
Most of the cases were disputing over relatively small amounts of money, although there were a number of higher value case that were resolved through mediation. In total, almost 2 Million Euros had been released by the project through FY 05.

In Belgrade, almost all (99%) of the cases referred to mediation ended in an agreement and that agreement was transferred into a court settlement. This situation is much easier than in Bosnia and Herzegovina because the mediation is done in the court itself. But only one small percentage of obligations were fulfilled (1%).

**Figure 58: Did the mediation process result in signing an agreement? Was the obligation transferred into a court settlement?**



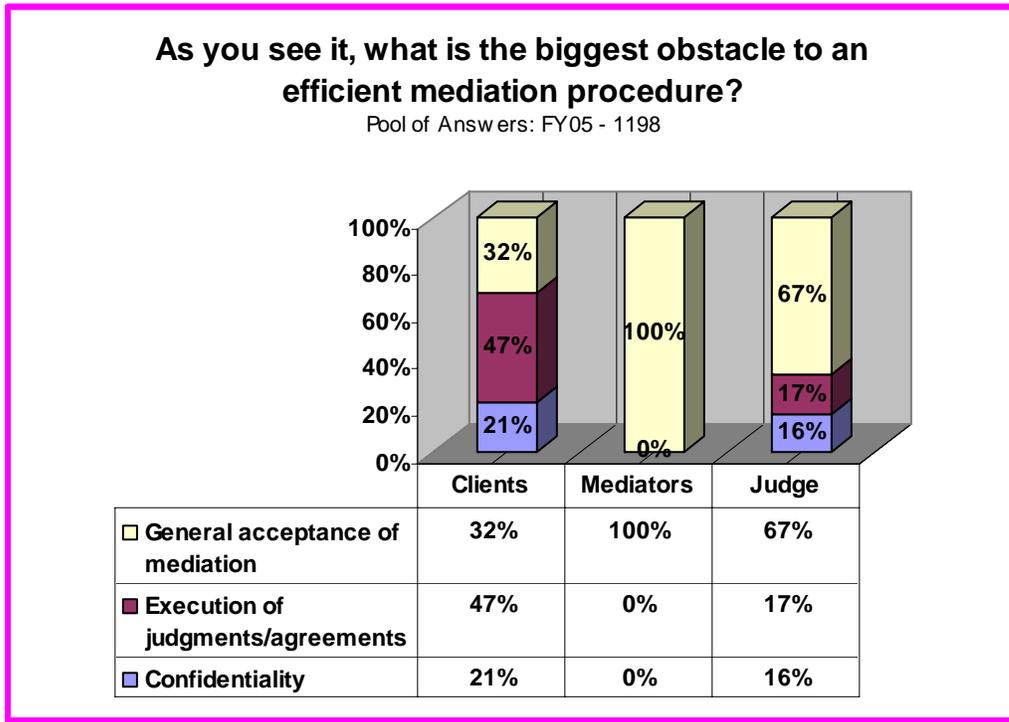
**Figure 59: Percentage of fulfilled agreements**



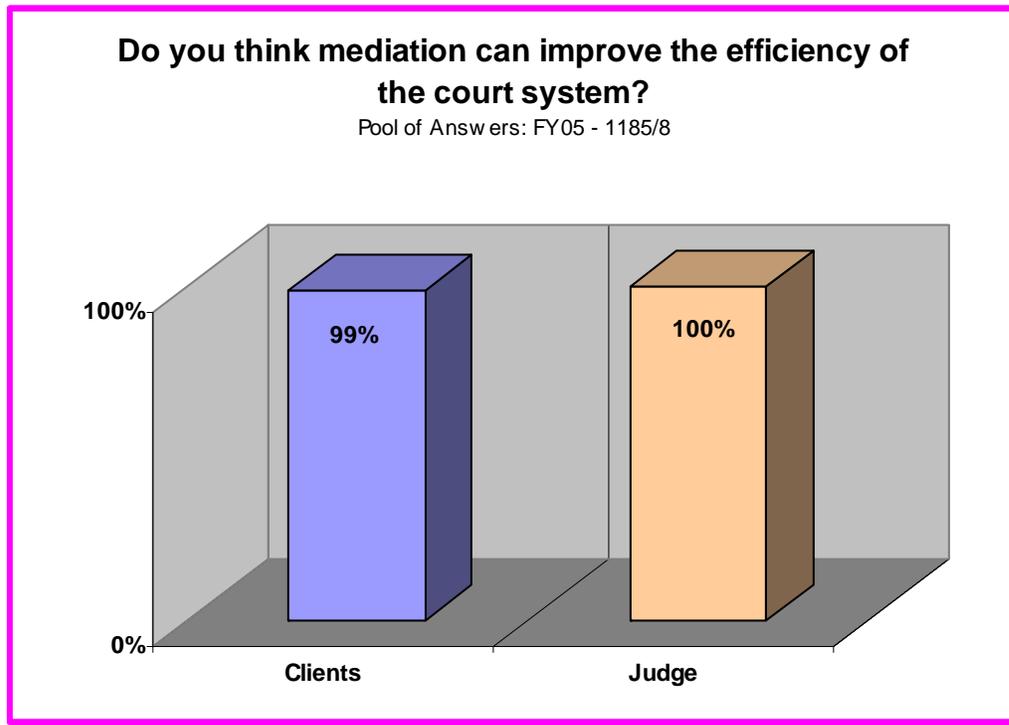
The most frequent reasons (cited by clients who utilized mediation) for not fulfilling the agreement which clients mentioned are the following:

- The company agreed to pay its debt to the employees but hasn't had funds yet.
- Defendant is not liquid and that is why can not pay the liabilities.
- We are waiting for privatization.
- On the end of privatization and restructuring procedures will be fulfilled.
- The liabilities will be fulfilled at the end of privatization and restructuring procedures.
- We are waiting for building the apartment which is compensation for debt according to agreement reached in mediation.

**Figure 60: As you see it, what is the biggest obstacle to an efficient mediation procedure?**

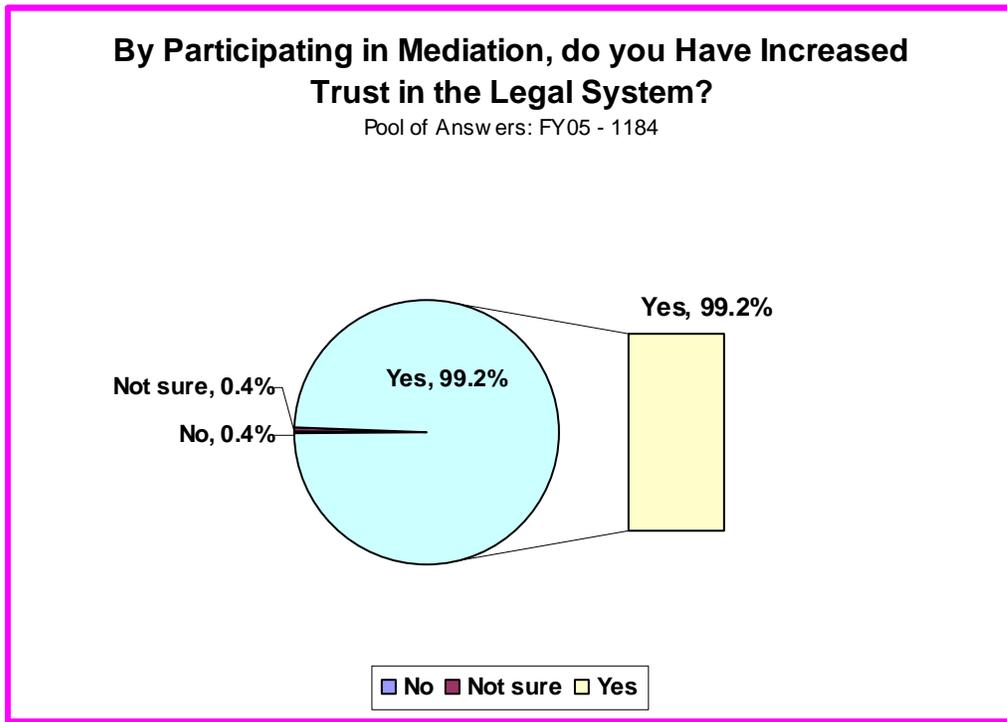


**Figure 61: Can Mediation Improve Efficiency of the Court System?**



Virtually all of the litigants (99.2%) felt that their trust in the legal system as a whole had increased after participating in mediation. Unlike their counterparts in Bosnia and Herzegovina, the major obstacle to the expansion of mediation in the minds of litigants at the Belgrade court was the execution of judgments. This will have to be examined in the future to determine if their fears are well founded.

**Figure 62: Trust in Legal System**

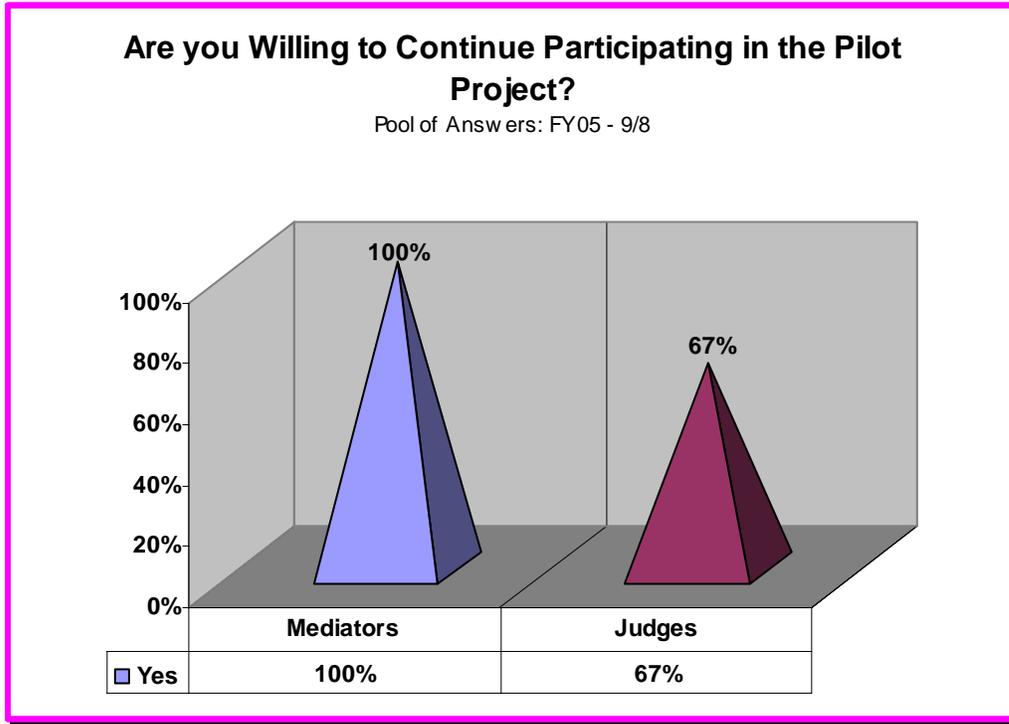


*11.3.2. Judges / Mediators*

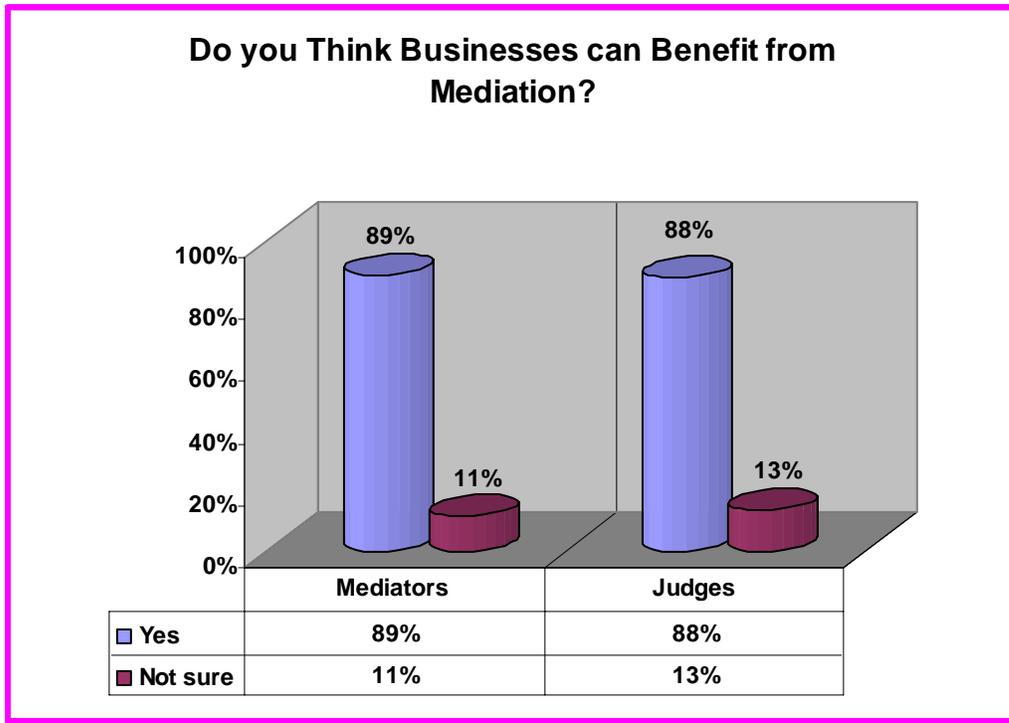
As of yet, there has not been a comprehensive survey of the judges involved in the Belgrade Court, who also serve as mediators. Anecdotally, they are extremely pleased to be involved in the mediation pilot project and look forward to educating their colleagues about their progress. More work will need to be done about this in the future.

All mediators and 67% of surveyed judges are willing to continue participating in the pilot project.

**Figure 63: Willing to participate in the pilot project in the future**



**Figure 64: Can Business benefit from Mediation?**



The vast majority of mediators and judges think that business can benefit from mediation.

## *Conclusions*

In general, the Belgrade pilot of court-centered mediation has worked extremely well. Litigants are happy to be part of mediation and the success rate of the mediation is phenomenally high, compared to mediation success rates in Western Europe or North America. Enforcement of judgments remains an area of concern, and this concern must be addressed for this model of mediation to expand.

## **Recommendations**

Both Banja Luka Pilot Project and Belgrade Second Municipal Court Pilot Project gained success although they were conceptually different. Belgrade Pilot project was strongly connected with Second Municipal Court, while Banja Luka pilot project was independent. From IFC PEP SE point of view commercial cases are more important since these cases release funds for companies in dispute.

## **12. Assessing the Impact of SEED's Business Enabling Environment Work**

### *12.1. Introduction*

Measuring the performance of Business Enabling Environment (BEE) projects is a complex and difficult endeavor. BEE projects by their nature are long-term, affect a wide pool of end-recipients, and seek broad impact not easily attributable to one cause. This makes it difficult to determine impact without broad surveys and/or detailed economic indicators unavailable from official sources in many target countries. The costs of acquiring that information, particularly in countries like Albania, Bosnia and Herzegovina, Macedonia, and Serbia and Montenegro, where economic data is often unreliable and difficult to obtain, are significant.

There has been a great deal of discussion about what exactly BEE is. For the purposes of this report, BEE refers to “projects designed to improve institutional legal and regulatory conditions under which businesses operate, including changes to government policies, laws, regulatory frameworks and administrative practices by public sector entities.” The range of issues encompassed in this definition is wide, and the issues that must be considered when attempting to measure the effectiveness of BEE interventions is correspondingly complex.

To date, SEED has worked in a number of key business enabling environment areas essential for the long-term development of the private sector in southeast Europe. For example, in the financial markets, SEED has worked to develop leasing laws and regulations, establish factoring as an official and regulated form of finance, and worked with credit bureaus and collateral registry systems. SEED has worked at the municipal and national levels to streamline administrative systems, reduce business registration costs, and introduce business-friendly legislation. IFC has made efforts to improve contract enforcement and introduce alternative dispute resolution into the judicial system.

To improve the general business market, IFC has helped countries reform their trade policies, customs administrations, inspection regimes, and procurement policies. Working directly with local, regional, and national governments, IFC has empowered them to improve their transparency, accountability, and overall effectiveness.

A large percentage of SEED's BEE work took place within the context of a broader programme, and as such has been addressed in other parts of this report. For example, SEED's work to reform the procurement process of the Albanian state was part of SEED's BMO work with the Albanian construction association. SEED's efforts to improve the legal framework for mediation is part of its larger mediation programme, and need to be assessed in that context. As such, these programmes will be addressed only cursorily here.

SEED's BEE work basically splits into several categories: government capacity-building, financial sector development, BMO advocacy work, and sectoral studies. More detailed project descriptions are available, by category and country in the annex to this report.

## ***12.2. Government Capacity-Building***

SEED's government capacity-building work was multi-faceted and multi-leveled. On the municipal level, SEED focused on improving the interface between government and businesses. Following on SEED's proven Business One-Stop Shop methodology, SEED worked with FIAS to assess the administrative barriers to businesses within the Gradiska municipality. As part of the follow-up to that report, SEED helped the municipality to implement a one-stop shop for businesses services, drastically reducing the time required for businesses to obtain needed licensure. SEED's FY04 report on Business One Stop Shops is available on its website ([www.ifc.org/seed](http://www.ifc.org/seed))

At the national level, SEED worked with several government agencies related to SMEs to help build their capacities. In Albania, SEED worked with the Export Promotion Agency and the Business Advisory Council to improve their knowledge of the sector, and increase the resources available to them in their advocacy mission on behalf of SMEs. In Bosnia and Herzegovina, SEED worked with the SME Strategic Working Group to develop a plan for the state-level SME development institutions. In Macedonia, SEED worked with the SME Agency to improve their capacities. SEED was also instrumental in the establishment of a HACCP accreditation body. In Serbia and Montenegro, SEED worked with the government to simplify the business registration process and reduce the number of steps a business would have to complete in order to be legally registered.

In general, it is impossible to do any sort of meaningful impact assessment of work at this level. SEED's M&E Team did follow-up with the major participants and found that SEED's work was generally well received. In many instances, government officials sought more involvement with SEED or asked for more follow-up. For a more detailed breakdown of SEED's FY05 government capacity building work, see the BEE annex.

### *11.3. Financial Sector Development*

SEED's financial sector work focused on developing the leasing and factoring markets in all four countries. While a great deal of the groundwork for establishing a factoring market has been completed, no actual factoring operations have officially commenced in the region. SEED organized round-tables and information sessions, as well as meetings between factoring experts and government officials. SEED helped legislators to write draft factoring laws, but as of yet, none of them have been passed by the parliament. With the success of SEED's leasing work and the increased pressure of banks and consumers now informed about the potential benefits of factoring, it is likely that factoring will come to the region in the near future. However, as of yet, there has been no measurable impact of SEED's factoring work.

In terms of leasing, leasing laws have been passed in Serbia and Montenegro, Albania, Macedonia, and, after much hesitation, in Bosnia and Herzegovina. Leasing operations are the most developed in Serbia and Montenegro, where the law was passed the earliest, but there are leasing markets now operational in all four countries. In 2004, the last year for which data is available, Serbia and Montenegro had over 200 million Euro in leasing transactions have taken place, and the projections for the next several years are even higher. In Serbia, recent changes to the regulations related to leasing have dampened enthusiasm for leasing, but the market is still strong. In Albania and Bosnia and Herzegovina, no data is yet available, as the leasing laws have just been passed, however several companies have begun leasing operations and are optimistic about the market.

In all four countries, more work remains to be done in terms of refining legislation, improving public awareness, and market development, but for the most part the market players are in a much better position to accomplish these things on their own.

### *12.4. Business Membership Organization Advocacy*

SEED's work with BMO advocacy has three components. First, SEED worked with BMOs to identify the issues of significance to their members and to help them articulate a plan for addressing those issues with the relevant government ministry. This work led directly to the tremendous surge in advocacy activity noted in the BMO section of this report. Second, SEED helped BMOs to develop the informational resources they need to advocate effectively. The ECRS and UPFBiH have both developed informational tools that give them great credibility in representing businesses to the media and the government. Finally, SEED helped BMOs to create specific tools/products for their industries. This includes licensing in heavy machinery for the Albanian Construction Association, market fairs for the Herbal industries in Serbia and Bosnia, and the translation of technical specifications for the Wood Industry in Bosnia.

In general, SEED's clients have indicated that these activities have been a very effective component of SEED's BMO work, although little has been done to measure their impact.

### *12.5. Sectoral Studies*

Several different types of projects fall into this category and often have multiple purposes. Some of this BEE work is related to specific projects, such as an environmental study attached to the Makstil linkages programme or research about Roma needs also associated with Makstil. Other projects serve a more general informational purpose, such as the SME Mapping exercises, or the EU Accession Assessments. These projects serve both as benchmarks for measuring the overall progress of SMEs in the region, and as potential catalysts for new business development.

SEED does not attempt to assess the impact of these projects independently. The projects attached to other programmes are assessed as part of those programmes.

### *Conclusions*

SEED's BEE portfolio generally reflects strong results where such results are available. Particularly in the financial sector where factoring and leasing work have begun to take hold, and in work focusing on improving the interaction between government and business such as business registration and inspections, SEED's projects have born fruit. In other areas, it is difficult to assess impact, and SEED does not make the attempt. In these cases, the best that can be offered is progress reports, attached as an annex to this report.

**Annex I:**

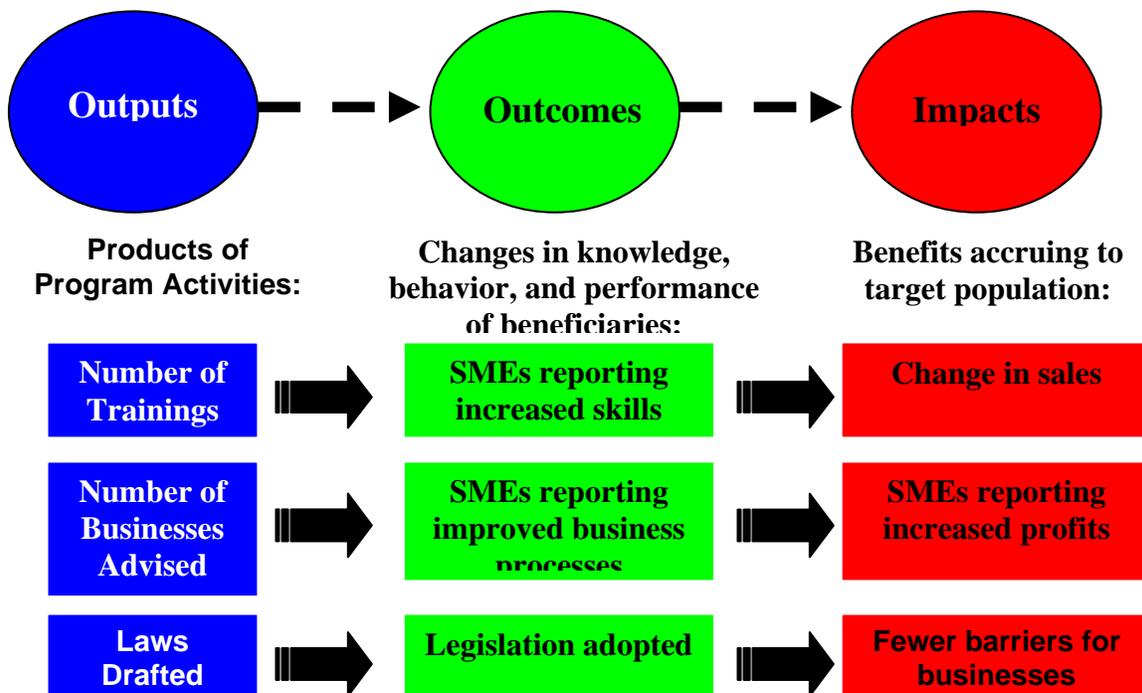
**Methodology of SEED's Monitoring and Evaluation Team**

## Methodology of SEED's Monitoring and Evaluation Team

The Metrics and Evaluation process is continually evolving. Questions and methodology are changed to reflect the realities of the local market, the changing nature of SEED's work, the priorities of the IFC, and the knowledge needs of SEED's staff, management, and partners.

The Metrics and Evaluation team first becomes involved with a project at its conception, by helping the project manager to articulate the intended outputs, outcomes, and impact of the project and develop those statements into a logical framework. Outputs are the activities undertaken by SEED directly, such as trainings, reports, workshops, draft laws, etc. Outcomes are the intended results of these activities, such as improved knowledge, improved business processes, and passage of a law, etc. Impacts are the eventual goals of SEED's work such as improved profitability, increased employment, greater access to finance, etc. Figure 1 below illustrates this relationship. The outputs, outcomes, and impacts articulated in the logical framework at project conception become the goals against which the success of the project is measured.

**Figure 1: Outputs, Outcomes, and Impact**



Once the project is approved, project managers are required to give updates on the status of the project quarterly. These reports primarily consist of project activities (outputs) successfully completed, and a written explanation of the project's progress, and budget/spending updates. When each activity is completed, the clients are asked to fill out a Customer Satisfaction Survey (CS), which is delivered to the M&E Team. An activity is defined as a single independent intervention. For example, a training is

defined as one activity, even if it lasts for several days. A training followed by a consulting intervention is defined as two activities, even if the client is the same. For trainings, the CS is done at the end of the training. For consulting interventions, the CS form is left with the client when the intervention is complete. For interventions that last more than six months, such as work with a Business Membership Organization or a Business Enabling Environment project, a CS is done every six months.

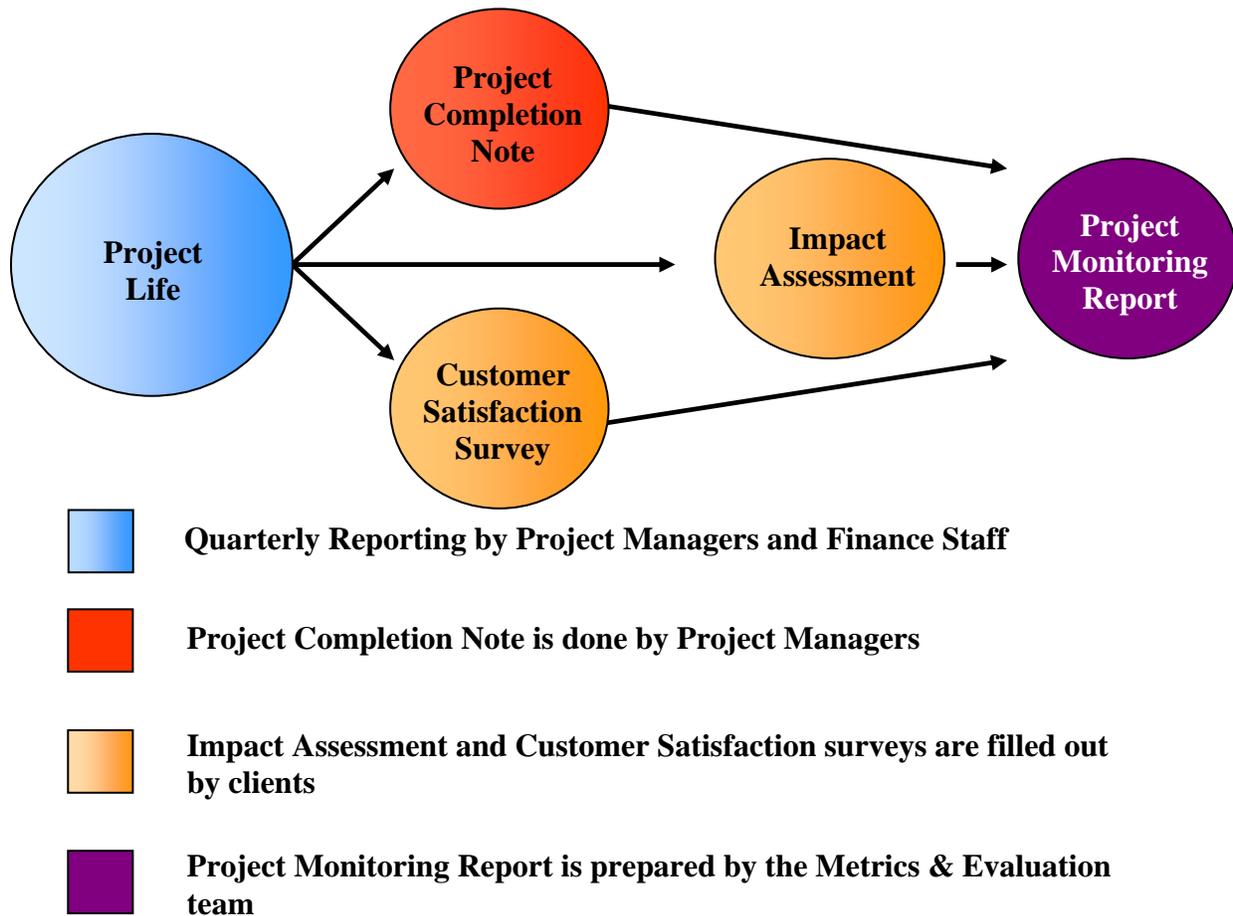
At project completion, each project manager is responsible for filling out a Project Completion Note (PCN). The PCN highlights the expected outcomes of the intervention, which are then targeted for impact assessment. The PCN also collects lessons learned, potential for follow-up, and any other information the project manager thinks is relevant to evaluating the project. The project manager's part in the M&E process ends with the PCN.

Approximately three months after a training intervention and six months after a consulting intervention is completed, impact assessment forms are sent to the client. Oftentimes this is coupled with a follow-up interview conducted by a member of the M&E Team. In fiscal year 2005, SEED began conducting focus groups with clients to understand the qualitative aspects of SEED's interventions in more depth. These results are compiled, along with information from the PCN and the CS, to become part of the Project Monitoring Report (PMR). This document gathers most of the pertinent information about a project into one place for easy examination.

The PMR provides a powerful management tool by which SEED can evaluate the quality of its deliverables, its overall impact on SMEs, and assess SME sector needs and demands. In addition, management is able to examine everything from individual consultants, program officers, and trainers up through entire product lines based on customer feedback and impact. This information enables managers to address specific client issues with individuals, make informed decisions when hiring consultants, as well as make broad decisions about future programming.

The components of this process are outlined in Figure 2 below.

**Figure 2: Impact Assessment Methodology**



The impact assessment process has been further tailored to fit other projects for which the above methodology would be either inappropriate or inadequate. For projects lasting longer than six months, such as work with business membership organizations, government ministries, or linkages clients, customer satisfaction surveys and impact data are collected every six months for the life of the project. For Business Enabling Environment (BEE) projects, which most often operate on a longer timeline and have less concrete target clients, the impact assessment process is designed for the individual project by the M&E Team and is updated every twelve months.

### *Evolving Process*

In fiscal year 2005, SEED introduced several changes to its Monitoring and Evaluation process. These changes were seen as ways to squeeze additional information out of the M&E process, but also as pilots for an improved M&E system to be used in SEED's successor organization, PEP-SE.

The first change was the introduction of an M&E process specifically targeting Business Membership Organizations (BMOs). SEED's work with BMO's was complicated

because it involved aspects of capacity building (traditionally evaluated using the Business Development Services process), trainings, consulting, and often business enabling environment work. BMOs were both the recipient of services, and the conduit through which services were offered on a retail level. In FY05 SEED's M&E Team introduced a specific process that encompassed all of these aspects and could be coherently aggregated on a regular basis to give a sense of the progress of work with an individual BMO as a whole.

SEED also introduced a specific M&E process for each of the different participant groups in the Alternative Dispute Resolution (ADR) programme. Each set of participants in the ADR programme (training recipients, judges, mediators, and clients) had specific needs and lessons to impart that were not captured using SEED's traditional M&E process.

In consultation with project staff, management, and participants, the M&E Team developed a specialized process for ADR that focused on the needs and experiences of each group. For training recipients, this involved only a slight tailoring of SEED's normal process for evaluating training. For judges and mediators, this involved a lengthy and specific set of questions that will be administered regularly as long as the clients are involved in the programme. As ADR is rolled out throughout the region, this process should enable analysis of individual mediation centers and provide timely information about potential problems to project staff. A new questionnaire was developed for mediation participants, that should enable SEED staff and management to quickly rate mediators, aggregate program results, and identify perceived problems in the process.

Finally, in fiscal year 2005 SEED began the introduction of focus groups for specific sets of clients. The results of these focus groups will be incorporated with the more quantitative results of SEED's M&E system to provide a richer source of information to staff, management, and external parties.

#### *Fiscal Year 2005 Responses*

Fiscal year 2005 saw the largest pool of client responses yet. The chart below breaks out the client response rate by product type and year.

**Figure 3: Client Response Rate FY03-FY05**

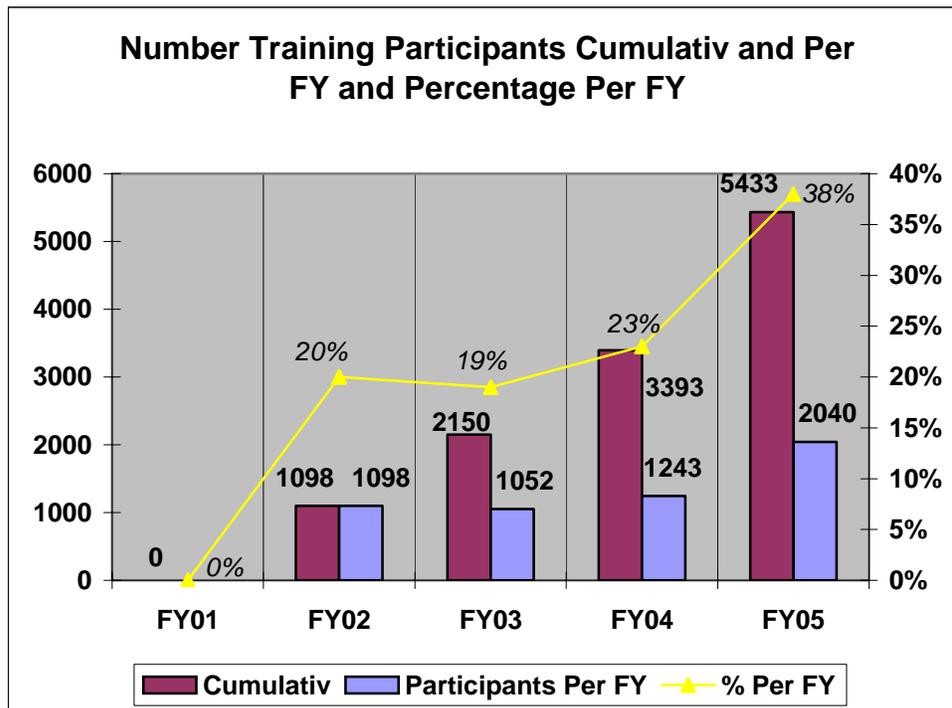
	FY03		FY04		FY05	
	Customer Satisfaction	Impact Assessment	Customer Satisfaction	Impact Assessment	Customer Satisfaction	Impact Assessment
<b>Retail Consulting</b>	40	10	58	23	84	73
<b>Retail training</b>	273	148	1366	431	2814	1327
<b>Wholesale Training BDS</b>	193	145	605	157	1165	228
<b>Wholesale Training FI</b>	85	17	122	24	308	260
<b>BMO</b>					42	33
<b>ADR – Trg</b>					51	75

ADR – Judges						9
ADR – Mediators						6
ADR - Clients					13	99
BEE				8		8
Total inputs	591	320	2151	643	4477	2118
Response rate	FY03	35%	FY04	54%	FY05	67%

In general, the Metrics and Evaluation Team is satisfied that this level of response is sufficient to be indicative of client feelings and offer some insight into the effectiveness of SEED’s programming.

**Figure 4: Aggregate Client responses by year**

*(Can Braco do a chart similar to this one with inputs into PTMRS rather than clients? I think that would be informative and interesting. The % would be the response rate.)*



### *Limitations of This Methodology*

1) Selection Bias- Of course there are limitations to a methodology which relies on client responses. First, there is an inherent bias towards those with strong feelings about SEED's work. Those who feel SEED has nothing further to offer them, are unhappy with SEED's work, or are neutral are less likely to respond. The M&E Team has worked to mitigate this risk by actively pursuing all clients, by stressing the anonymity of individual responses, and the neutrality of the questioner.

2) Client Information- Second, client understanding of the questions or ability to answer limits some responses. For example, reviews of consultants relative to SEED staff assumes that clients know which is which. Clients may not fully understand some of the terminology, particularly in translation. Clients may also not have information such as the size of a bank's SME portfolio or the profitability of a company at a given moment. The M&E Team has worked to mitigate this by going through the questions with clients and by removing or altering terminology which has proven confusing in the past.

3) Client Willingness to Disclose- Third, results are limited by the willingness of clients to disclose information to the questioner. In the region, fears that information about employment and profitability will be reported to tax authorities make specific numerical answers difficult to obtain. The M&E Team has worked to address this fear by making questions more general and by assuring clients that their answers will remain anonymous. Nonetheless this continues to be an issue.

4) Assessment Timing- Any assessment that seeks to assess impact is limited by time. The impact of a changed business process, increased learning, or an improved administrative process takes time to develop, even under the best of circumstances. However, a client's willingness to attribute changes in businesses processes or even acknowledge learning reduces as the time between the intervention and the assessment lengthens. This tension forces assessors to choose between response rate and understanding the actual impact of SEED's work in the long-term. The M&E Team has worked to mitigate this by varying the timing of assessments depending on intervention type, and by combining timely client interviews with longer-term methods such as focus groups and third-party evaluations.

5) Attribution- SEED's work does not exist in a vacuum. A wide variety of factors influence the performance of businesses, governments, civil society organizations, and financial institutions. SEED's intervention will only ever be, at best, one among a variety of factors. SEED seeks to address the issue of attribution by asking clients for their opinions about whether SEED's work has contributed to changes in their operations, and by seeking several measures of intermediate outcomes which might reasonably be associated with the desired impact. However it is clear that the attribution of impact to SEED's interventions, as with most technical assistance work, will always be somewhat unclear.

**Annex II:**

***Summary form the Meta-evaluation of the Monitoring and Evaluation System of SEED***

# From the Meta-evaluation of the Monitoring and Evaluation System of SEED

by Marco Lorenzoni

## 0.1.1 General findings about the M&E system

The culture of monitoring and evaluation was deeply embedded in SEED. Their M&E function, which considerably evolved over time, was a complex structure, which made use of a plurality of monitoring and evaluative tools, and made complementary use of external evaluations. This allowed the exploitation of complementary skills and competences of internal staff and independent evaluators. Hierarchically, the function was autonomous from project activities; this guaranteed its independence inside of SEED.

The ICT<sup>1</sup> M&E application (operational since the beginning of the year 2003) was placed very soon at the core of the widest SEED management information system. SEED managed the M&E findings in an open and transparent way. Internal and external M&E reports were sent to all interested parties; moreover, those reports that could have been of interest to a wider audience were published on the SEED website.

From the comparative analysis with M&E systems of other bilateral or multilateral donors, the M&E system of SEED shows an elevated level of evolution and sophistication.

After this first period of full deployment, its full effectiveness can be reached with the implementation of the suggestions and recommendations issued in this report.

## 0.1.2 M&E and its main stakeholders

**SEED clients** participated to M&E initiatives in a large majority, and their response rate to IA surveys increased over time. There are signs confirming that an excessively high frequency of contacts could however turn into a negative factor, thus affecting their overall satisfaction. Suggestions issued on CS and IA surveys aim to prevent this problem.

In general, **Donors and IFC** appreciate the M&E activities of SEED, and acknowledge management commitment to M&E. Room for improvement was underlined in data analysis, comparison *vis-à-vis* plans, and analysis with synergies with other Donors.

**SEED Project Officers** have a large sense of ownership of M&E, and initial resistance has now been overcome. They use the M&E findings for their planning purposes, and expect the continuation of the M&E activities under PEP-SE. Some recommendations for improvement were issued; they mainly refer to a more structured project planning, a more accurate analysis of achievements *vis-à-vis* plans, the elimination of duplications, and a close collaboration with M&E.

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<sup>1</sup> ICT= Information Communication Technology

### 0.1.3 Accuracy of information collected for evaluation purposes

During its internal activities M&E gathered a plurality of evaluative elements from Clients of the services. The report analyses these elements in order to reach a conclusion on their accuracy and usefulness for evaluative purposes.

*In the context of the present evaluation, the following definitions of the five evaluative criteria are adopted:*

- **Relevance** - *The appropriateness of the project objectives to the problems that it is supposed to address, and to the physical and policy environment within which it operates.*
- **Effectiveness** - *An assessment of the contribution made by results to the achievement of the project purposes.*
- **Efficiency** - *The ability of the project to achieve its results at a reasonable cost.*
- **Impact** - *The effects of the project on its wider environment, and its contributions to wider policy or sector objectives. Impact evaluations look beyond the immediate results of projects to identify their long-term as well as unintended effects.*
- **Sustainability** - *An assessment of the likelihood that benefits produced by the project will continue to flow after the end of the intervention. Particular reference is made to ownership by beneficiaries, policy support, economic and financial factors, socio-cultural aspects, gender equality, environmental respect, etc.*

#### **Box 1 – Definitions: the five evaluative criteria**

In synthesis the following conclusions are drawn:

- **Elements allowing a conclusion on relevance**  
In order to reach a conclusion on relevance of the activities managed by SEED, the elements gathered by the M&E function need to be integrated with clear project objectives, to be formulated during the planning stage. The adoption of a Logical Framework Approach (LFA) and the integration into the project design of a Logical Framework Analysis will provide a substantial help in addressing this issue.
- **Elements allowing concluding on effectiveness**  
In general, the elements and indicators collected by the M&E function allow gauging with accuracy the level of effectiveness of the activities managed by SEED. The adoption of a LFA will further strengthen the efficacy of the M&E system.
- **Elements allowing concluding on efficiency**  
The financial and budget elements allowing an analysis of the cost structure of the services delivered by SEED, and its changes over the years were properly collected by M&E; this analysis is an indispensable prerequisite for the evaluation of the internal efficiency of SEED. Further elements needed to reach a conclusion on internal efficiency are to be gathered from an assessment of effectiveness. A comparative analysis of the efficiency of SEED in relation with the efficiency of further IFC facilities seems feasible by resorting to external, experimented evaluators; the analysis of the internal efficiency of SEED will be an indispensable prerequisite

to this exercise.

The evaluation of the internal efficiency of SEED is also an indispensable prerequisite for a comparative assessment of SEED in relation with the efficiency of other donors. This assessment seems anyhow hardly feasible in relation to the difficulty to access evaluative data from third-party organisations.

- **Elements allowing to reach a conclusion on impact**

By definition, a proper programme impact assessment can only be carried out some years after the end of the programme activities. It is a truly complex exercise, which requires to be implemented by external, independent and experienced evaluators. On a timeline base, the impact evaluation of SEED should ideally be carried out two-three years from the end of its activities. It should take into consideration several elements that could not be gathered by the M&E function, like long-term effects on clients of the services, long-term effects on the wider environment, the respective contribution of SEED and other donors to the reaching of common long-term objectives, or the competitive advantage of SEED in some market niches where the turbulence due to the co-existent presence of further donors is lower. In case of interest, this study should be commissioned by entities such as IFC or the Donors' community, which will survive after the end of the lifetime of SEED. This exercise – if carried out – will greatly benefit from the evaluative evidence collected by M&E during its institutional activities, and in particular by the indicators of early impact gathered during the IA surveys. The adoption of a LFA will have positive consequences on the possibility to assess impact.

- **Elements allowing to reach a conclusion on sustainability**

Some of the clusters of projects managed by SEED are suitable to be assessed for sustainability. In general, M&E did not gather elements allowing the formulation of a conclusion on sustainability. The only exception to this rule was made for the cluster of projects “Business Membership Organisations”, where elements allowing a conclusion on financial viability (which is one of the elements of sustainability) were gathered. The assessment of sustainability could be easily integrated among the objectives of M&E under PEP-SE, for selected groups of projects. The hiring of external experienced evaluators for the carrying out of this analysis is recommended.

## **0.2 Recommendations**

Eight recommendations are formulated for the further strengthening of the system under PEP-SE.

- |     |  |
|-----|--|
| R01 | The hierarchical reporting of the M&E function inside SEED proved to be optimal because M&E was made independent from the operational structure of SEED. It is recommended to confirm this hierarchical reporting also under PEP-SE. |
| R02 | The organisation of the M&E Unit with a central coordinator and local antennas proved to be very effective; it is recommended to confirm this organisation also under PEP-SE. In consideration of the tasks to be covered by         |

M&E, and of the anticipated increase in workload under PEP-SE, a slightly different staff attribution and time allocation seems more adequate, summing up to a total of 1,040 working days per year (4.72 FTEs) instead of the present 4.11 FTEs, to be shared among 6 people.

- R03 The integration of the internal activities of M&E with specific tasks assigned to external evaluators proved to be effective because it allowed the exploitation of complementing competences and skills. It is recommended to identify under PEP-SE specific activities that ought to be externalised to independent experts, such as evaluation of relevance, efficiency, impact, and sustainability, while keeping in-house activities such as monitoring and assessment of effectiveness.
- R04 It is strongly recommended to adopt a Logical Framework Approach as from the planning stages of PEP-SE; to produce a LogFrame for each of the projects / cluster of projects to be carried out; to adapt LogFrames during the whole lifetime of projects whenever needed; and to exploit all the potentialities of this instrument in project management, *ex-ante* and *ex-post* evaluation, and monitoring. The adoption by PEP-SE of a simplified program logic model is seen as a first step towards this objective.
- R05 It is recommended to implement all the suggestions issued for the amelioration of the structure and layout of the CS and IA forms.
- R06 It is recommended to carry out future IA surveys (to be more properly defined as “Outcome Assessment surveys”) by clusters of projects instead of by single projects, taking into account the whole of the services provided to single, selected clients; and to limit to two the number of reminders to non respondents.
- R07 It is recommended to continue to use Focus Groups for future end-of-the-year assessments, and to implement the related suggestions given in the main text.
- R08 The adoption of the IFC’s document called “TAAS - Supervision” requires the personnel of PEP-SE to embrace an innovative approach to monitoring. In order to properly exploit the new potentialities of this approach it is recommended to adequately train and motivate PEP-SE staff.

### Repeat Consulting Clients

<b>Albania</b>	2	3	4	5
Edil		1		
Birra Malto	1			
Olim		1		
NCB			1	
ACA		1		
<b>Albania</b>	1	2	1	0

<b>Bosnia and Herzegovina</b>	2	3	4	5
Vispak			1	
Grafopak	1			
Fratello AD Banja Luka			1	
Prehrana Promet - Tuzla	1			
KLAS Retail Division		1		
Plantaze	1			
CMA	1			
ECRS	1			
Association of mediators	1			
Prevent	1			
<b>Bosnia and Herzegovina</b>	6	1	2	0

<b>FYR Macedonia</b>	2	3	4	5
Makstil		1		
Inet	1			
Plasteks Skopje Macedonia	1			
Tikves		1		
<b>FYR Macedonia</b>	2	2	0	0

<b>Serbia and Montenegro</b>	2	3	4	5
Tigar				1
Impaz	1			
Caravela	1			
Maxi	1			
Sunce	1			
<b>Serbia and Montenegro</b>	4	0	0	1

## Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
7	BBM Amfibolit-Vares	Attracting Strategic Partner	1	10-Mar-05	11-Mar-05	SME	Bosnia
	BBM Amfibolit-Vares	Corporate Governance	1	14-Apr-05	15-Apr-05	SME	Bosnia
	BBM Amfibolit-Vares	Management Contracts & Compensation #3	1	22-Mar-05	22-Mar-05	SME	Bosnia
	BBM Amfibolit-Vares	QMS Training for LSP	1	23-May-05	27-May-05	SME	Bosnia
	BBM Amfibolit-Vares	Training Internal Auditors/with exam	11	08-Dec-04	10-Dec-04	SME	Bosnia
	BBM Amfibolit-Vares	Transparency and Disclosure of Business Information	2	11-May-05	11-May-05	SME	Bosnia
	D.O.O. BBM-Sarajevo	Tendering and Contract Management According to FIDIC 2	1	27-Jan-05	28-Jan-05	SME	Bosnia
7	GP "Put" - Sarajevo	Construction Technical Training	2	13-Apr-04	16-Apr-04	SME	Bosnia
	GP "Put" - Sarajevo	FIDIC Contracts for Construction	2	17-Feb-03	18-Feb-03	SME	Bosnia
	GP "Put" - Sarajevo	ISTUD Training	1	06-Jul-04	09-Jul-04	SME	Bosnia
	GP "Put" - Sarajevo	Strategic Planning	1	17-Mar-05	18-Mar-05	SME	Bosnia
	GP "Put" - Sarajevo	Tendering and Contract Management According to FIDIC 1	1	18-Jan-05	19-Jan-05	SME	Bosnia
	GP "Put" - Sarajevo	Tendering and Contract Management According to FIDIC 2	1	27-Jan-05	28-Jan-05	SME	Bosnia
	GP "Put" - Sarajevo	Tendering Procedure and Procurmenet of International Contracts for Infrastructure	2	10-Feb-04	12-Feb-04	SME	Bosnia
7	GK Sirbegovic	EFD-P II	1	13-Jun-02	15-Jun-02	SME	Bosnia
	Sirbegovic	EMDP	1	01-Dec-01	01-Jan-02	SME	Bosnia
	Sirbegovic	FIDIC Contracts for Construction	3	17-Feb-03	18-Feb-03	SME	Bosnia
	Sirbegovic	How to Prepare Winning Bids	2	11-Feb-02	13-Feb-02	SME	Bosnia
	Sirbegovic	HR Management Training	1	17-Jun-02	21-Jun-02	SME	Bosnia
	Sirbegovic	In Company "Sirbegovic Company" part IV	32	06-Mar-03	07-Mar-03	SME	Bosnia
	Sirbegovic	Leading Radical Transformation	1	13-Mar-02	13-Mar-02	SME	Bosnia
7	Super Premix	Conversion to the Euro	1	10-Sep-01	10-Sep-01	SME	Bosnia
	Super Premix	Employers Confederation RS SME Training 2	1	17-Feb-04	18-Feb-04	SME	Bosnia
	Super Premix	HACCP for Food Production - SME - ECRS	1	22-Dec-04	22-Dec-04	SME	Bosnia
	Super Premix	Impact of VAT on Doing Business	2	10-Mar-05	10-Mar-05	SME	Bosnia
	Super Premix	Leasing Training 2	1	16-Nov-04	16-Nov-04	SME	Bosnia
	Super Premix	Marketing Training	1	17-Dec-03	18-Dec-03	SME	Bosnia
	Super Premix	Sales Management	1	07-Apr-04	08-Apr-04	SME	Bosnia

## Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
8	Bonel d.o.o. - Biro "Rames"	Accounting for Non-Accountants	1	21-Feb-03	22-Feb-03	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	Business Report Writing Skills	2	10-Jun-04	11-Jun-04	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	Impact of VAT on Doing Business	3	10-Mar-05	10-Mar-05	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	Management Contracts & Compensation #2	2	24-Mar-05	24-Mar-05	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	Sales Management	2	07-Apr-04	08-Apr-04	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	Strategic Planning	2	17-Jun-03	18-Jun-03	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	WEI - VIDRA	1	25-Nov-02	07-Dec-02	BDS	Bosnia
	Bonel d.o.o. - Biro "Rames"	What will a lender want to know	2	15-May-03	17-May-03	BDS	Bosnia
8	IPSA Institute LTD	Environment, Health and Work Safety	2	01-Dec-04	02-Dec-04	GOV	Bosnia
	IPSA Institute LTD	FIDIC Contracts for Construction	1	17-Feb-03	18-Feb-03	GOV	Bosnia
	IPSA Institute LTD	Information Tehnology in Modern Business	2	18-Jan-05	18-Jan-05	GOV	Bosnia
	IPSA Institute LTD	Leasing Training	1	27-May-04	27-May-04	GOV	Bosnia
	IPSA Institute LTD	Management Contracts & Compensation #1	1	01-Apr-05	01-Apr-05	GOV	Bosnia
	IPSA Institute LTD	Tendering Procedure and Procurmenet of International Contracts for Infrastructure	1	10-Feb-04	12-Feb-04	GOV	Bosnia
	IPSA Institute LTD	Train The Trainer Seminar on Presentation Techniques	1	17-Jan-05	18-Jan-05	GOV	Bosnia
	IPSA Institute LTD	Transparency and Disclosure of Business Information	1	11-May-05	11-May-05	GOV	Bosnia
8	RAIFFEISEN BANK	Competitive Business Advantage Workshop	1	07-Feb-05	11-Feb-05	FI	Bosnia
	RAIFFEISEN BANK	Credit Guarantee Scheme	2	08-Mar-02	08-Mar-02	FI	Bosnia
	RAIFFEISEN BANK	Factoring Training	1	04-May-05	04-May-05	FI	Bosnia
	RAIFFEISEN BANK	Leading Radical Transformation	2	13-Mar-02	13-Mar-02	FI	Bosnia
	RAIFFEISEN BANK	Leasing Training	2	27-May-04	27-May-04	FI	Bosnia
	RAIFFEISEN BANK	Tendering and Contract Management According to FIDIC 2	1	27-Jan-05	28-Jan-05	FI	Bosnia
	Raiffeisen leasing	Leasing Training	1	27-May-04	27-May-04	FI	Bosnia
	RAIFFEISEN OSIGURANJE	Leading Radical Transformation	1	13-Mar-02	13-Mar-02	FI	Bosnia
10	AD Betonski Proizvodi	Impact of VAT on Doing Business	1	10-Mar-05	10-Mar-05	SME	Bosnia
	AD Betonski Proizvodi	Leasing Training 2	2	16-Nov-04	16-Nov-04	SME	Bosnia
	AD Betonski Proizvodi	What would an int.Strategic Investor Want to Know About My Company	1	18-Oct-04	19-Oct-04	SME	Bosnia
	Betonski proizvodji	Analiza tacke pokrica - Betonski proizvodji	7	30-Aug-04	30-Aug-04	SME	Bosnia
	BETONSKI Proizvodi	ECRS Training 4 - HR Management	1	04-Jun-04	05-Jun-04	SME	Bosnia
	BETONSKI Proizvodi	Employers Confederation RS SME Training 2	1	17-Feb-04	18-Feb-04	SME	Bosnia
	BETONSKI Proizvodi	Leading Radical Transformation	1	13-Mar-02	13-Mar-02	SME	Bosnia
	BETONSKI Proizvodi	Marketing Training	1	17-Dec-03	18-Dec-03	SME	Bosnia
	BETONSKI Proizvodi	Sales Management	1	07-Apr-04	08-Apr-04	SME	Bosnia

## Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
	BETONSKI Proizvodi	Tendering Procedure and Procurmenet of International Contracts for Infrastructure	1	31-Mar-04	02-Apr-04	SME	Bosnia
10	Klas DOO	CB Industry Models in Retil-BP	15	04-Mar-05	05-Mar-05	SME	Bosnia
	Klas DOO	Conversion to the Euro	1	06-Sep-01	06-Sep-01	SME	Bosnia
	Klas DOO	Management Contracts & Compensation #3	1	22-Mar-05	22-Mar-05	SME	Bosnia
	Klas DOO	Strategic Planning	1	17-Mar-05	18-Mar-05	SME	Bosnia
	KLAS Sarajevo	CB Industry Models in Retil-BP	22	25-Feb-05	26-Feb-05	SME	Bosnia
	KLAS Sarajevo	Information Tehnology in Modern Business	2	18-Jan-05	18-Jan-05	SME	Bosnia
	KLAS Sarajevo	Klas GMT - Logistics, MIS	20	06-May-05	31-May-05	SME	Bosnia
	KLAS Sarajevo	Klas Retail Division - Financial Management	7	21-May-05	22-May-05	SME	Bosnia
	KLAS Sarajevo	Leading Radical Transformation	2	13-Mar-02	13-Mar-02	SME	Bosnia
	KLAS Sarajevo	Transparency and Disclosure of Business Information	1	11-May-05	11-May-05	SME	Bosnia
13	TIGAR	General Management Development Program	5	27-Jun-02	22-Nov-02	SME	SM
	TIGAR	How to Prepare Winning Bids	1	18-Feb-02	20-Feb-02	SME	SM
	TIGAR	HR Management Training	2	07-Apr-03	10-Apr-03	SME	SM
	TIGAR	Linkages: Buy Module	8	08-Jul-03	09-Jul-03	SME	SM
	TIGAR	Linkages: Filfill Module	11	25-Jul-03	26-Jul-03	SME	SM
	TIGAR	Linkages: Marketing	9	18-Jun-03	19-Jun-03	SME	SM
	TIGAR	Linkages: Strategic Planning Wokshop	14	24-Mar-03	28-Mar-03	SME	SM
	TIGAR	Linkages: Supply Chain Overview Workshop	14	10-Mar-03	14-Mar-03	SME	SM
	TIGAR	Sales & Customer Service	22	11-Aug-03	12-Aug-03	SME	SM
	TIGAR	Sales & Customer Service	12	07-Aug-03	08-Aug-03	SME	SM
	TIGAR	Sales & Customer Service	13	04-Aug-03	05-Aug-03	SME	SM
	TIGAR	Sales & Customer Service	19	24-Jul-03	25-Jul-03	SME	SM

## Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
7	RDA / ARZH Regional Devel	CB ISTUD	2	20-Jul-04	23-Jul-04	SME	AL
	RDA / ARZH Regional Devel	CBBDS-AL-IG-CB Trainings	1	26-May-04	27-May-04	SME	AL
	RDA / ARZH Regional Devel	Development of Consulting as Business	2			SME	AL
	RDA / ARZH Regional Devel	HR Management Training	2	22-Apr-03	25-Apr-03	SME	AL
	RDA / ARZH Regional Devel	Marketing skills for consultants	3			SME	AL
	RDA / ARZH Regional Devel	Marketing Training	1	13-May-03	15-May-03	SME	AL
	RDA / ARZH Regional Devel	Strategic Planning	2	29-Apr-03	01-May-03	SME	AL
7	IFDC	Accounting for Non-Accountants	5	18-Jun-03	19-Jun-03	SME	AL
	IFDC	Development of Consulting as Business	3			SME	AL
	IFDC	HR Management Training	2	22-Apr-03	25-Apr-03	SME	AL
	IFDC	Marketing skills for consultants	5			SME	AL
	IFDC	Marketing Training	3	24-Jun-02	26-Jun-02	SME	AL
	IFDC	Marketing Training	3	13-May-03	15-May-03	SME	AL
	IFDC	Strategic Planning	4	29-Apr-03	01-May-03	SME	AL
8	Edil AL - IT	ACA Training	1	07-May-04		SME	AL
	Edil AL - IT	CBBDS-AL-IG-CB Trainings	1	26-May-04	27-May-04	SME	AL
	Edil AL - IT	CBBDS-AL-IG-CB Trainings	2	18-May-05	19-May-05	SME	AL
	Edil AL - IT	CBSME-AI-FC-LTRG	2	11-Mar-05	11-Mar-05	SME	AL
	Edil AL - IT	FIDIC Contracts for Construction	1	13-Feb-03	14-Feb-03	SME	AL
	Edil AL - IT	HR Management Training	2	22-Apr-03	25-Apr-03	SME	AL
	Edil AL - IT	What will a lender want to know	2	10-Oct-02	12-Oct-02	SME	AL
	Edil AL - IT	What will a lender want to know	2	05-Oct-02	07-Dec-02	SME	AL
8	Agricultural University of Tira	All you need to know-FS	1	19-Mar-03	21-Mar-03	GOV	AL
	Agricultural University of Tira	CB Intern AI (2)	3	08-Nov-04	10-Nov-04	GOV	AL
	Agricultural University of Tira	CB ISTUD	1	20-Jul-04	23-Jul-04	GOV	AL
	Agricultural University of Tira	CBBDS-AL-IG-CB Trainings	2	15-Apr-04	16-Apr-04	GOV	AL
	Agricultural University of Tira	CBBDS-AL-IG-CB Trainings	2	20-Apr-04	21-Apr-04	GOV	AL
	Agricultural University of Tira	CBBDS-AL-IG-CB Trainings	2	10-May-05	11-May-05	GOV	AL
	Agriculture University	Accounting for Non-Accountants	1	18-Jun-03	19-Jun-03	GOV	AL
	Agriculture University	HR Management Training	1	22-Apr-03	25-Apr-03	GOV	AL

### Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
9	Tirana Beer (Malto Beer)	CB Intern AI	6	27-Oct-04	29-Oct-04	SME	AL
	Tirana Beer (Malto Beer)	CB ISTUD	2	20-Jul-04	23-Jul-04	SME	AL
	Tirana Beer (Malto Beer)	CBBDS-AL-IG-CB Trainings	1	10-Jun-04	11-Jun-04	SME	AL
	Tirana Beer (Malto Beer)	CBBDS-AL-IG-CB Trainings	1	18-May-05	19-May-05	SME	AL
	Tirana Beer (Malto Beer)	CBSME-AL-KG-Birra Malto DT	11	21-Feb-05	23-Feb-05	SME	AL
	Tirana Beer (Malto Beer)	CBSME-AL-KG-Birra Malto DT	14	24-Feb-05	25-Feb-05	SME	AL
	Tirana Beer (Malto Beer)	CBSME-AL-KG-Birra Malto DT	10	09-Apr-05	21-Apr-05	SME	AL
	Tirana Beer (Malto Beer)	IS-AL-FC-BM & HACCP	7	24-Mar-05	24-Mar-05	SME	AL
	Tirana Beer (Malto Beer)	IS-AL-FC-BM & HACCP	8	03-Mar-05	03-Mar-05	SME	AL
10	University of Tirane, Faculty	CB Intern AI	10	27-Oct-04	29-Oct-04	GOV	AL
	University of Tirane, Faculty	CB Intern AI (2)	10	08-Nov-04	10-Nov-04	GOV	AL
	University of Tirane, Faculty	CB ISTUD	1	20-Jul-04	23-Jul-04	GOV	AL
	University of Tirane, Faculty	CBBDS-AL-IG-CB Trainings	4	15-Apr-04	16-Apr-04	GOV	AL
	University of Tirane, Faculty	CBBDS-AL-IG-CB Trainings	4	20-Apr-04	21-Apr-04	GOV	AL
	University of Tirane, Faculty	CBBDS-AL-IG-CB Trainings	5	26-May-04	27-May-04	GOV	AL
	University of Tirane, Faculty	CBBDS-AL-IG-CB Trainings	6	10-Jun-04	11-Jun-04	GOV	AL
	University of Tirane, Faculty	CBBDS-AL-IG-CB Trainings	3	18-May-05	19-May-05	GOV	AL
	University of Tirane, Faculty	CBBDS-AL-IG-CB Trainings	3	10-May-05	11-May-05	GOV	AL
	University of Tirane, Faculty	Strategic Planning	1	29-Apr-03	01-May-03	GOV	AL
10	Land O Lakes	CB Intern AI	1	27-Oct-04	29-Oct-04	SME	AL
	Land O Lakes	CBBDS-AL-IG-CB Trainings	1	15-Apr-04	16-Apr-04	SME	AL
	Land O Lakes	CBBDS-AL-IG-CB Trainings	1	26-May-04	27-May-04	SME	AL
	Land O Lakes	CBBDS-AL-IG-CB Trainings	1	18-May-05	19-May-05	SME	AL
	Land O Lakes	CBBDS-AL-IG-CB Trainings	1	10-May-05	11-May-05	SME	AL
	Land O Lakes	Development of Consulting as Business	2			SME	AL
	Land O Lakes	HR Management Training	3	22-Apr-03	25-Apr-03	SME	AL
	Land O Lakes	Marketing skills for consultants	2			SME	AL
	Land O Lakes	Marketing Training	2	24-Jun-02	26-Jun-02	SME	AL
	Land O Lakes	Marketing Training	3	13-May-03	15-May-03	SME	AL

### Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
12	National Commercial Bank	BEE-AI-KG-Factoring TFIA	2	28-Apr-05	29-Apr-05	FI	AL
	National Commercial Bank	CBBDS-AL-FC-BDS-LTRG	3	18-May-05	18-May-05	FI	AL
	National Commercial Bank	CBBDS-AI-SB-BDS EnvCon FisAL	3	20-Apr-05	22-Apr-05	FI	AL
	National Commercial Bank	CBSME-AI-LT-NCB TRG 05	23	29-Mar-05	31-Mar-05	FI	AL
	National Commercial Bank	CBSME-AI-LT-NCB TRG 05	16	04-Apr-05	06-Apr-05	FI	AL
	National Commercial Bank	CBSME-AL-LT-NCB-Trainings	23	05-Apr-04	07-Apr-04	FI	AL
	National Commercial Bank	CBSME-AL-LT-NCB-Trainings	17	24-May-05	26-May-05	FI	AL
	National Commercial Bank	CBSME-AL-LT-NCB-Trainings	18	20-May-04	22-May-04	FI	AL
	National Commercial Bank	CBSME-AL-LT-NCB-Trainings	14	04-May-04	06-May-04	FI	AL
	National Commercial Bank	Lending Officer/Analyst Training	19	03-Dec-02	05-Dec-02	FI	AL
	National Commercial Bank	Pledge Registry Training -Albania	2	02-Dec-02	04-Dec-02	FI	AL
	National Commercial Bank	What will a lender want to know	1	05-Oct-02	07-Dec-02	FI	AL
16	AM Group	All you need to know-FS	1	19-Mar-03	21-Mar-03	SME	AL
	AM Group	CB Intern AI (2)	1	08-Nov-04	10-Nov-04	SME	AL
	AM Group	CB ISTUD	3	20-Jul-04	23-Jul-04	SME	AL
	AM Group	CB Olim Training	22	22-Jan-05	29-Jan-05	SME	AL
	AM Group	CB Olim Training	17	05-Feb-05	19-Feb-05	SME	AL
	AM Group	CB Olim Training	18	12-Mar-05	19-Mar-05	SME	AL
	AM Group	CBBDS-AL-IG-CB Trainings	6	20-Apr-04	21-Apr-04	SME	AL
	AM Group	CBBDS-AL-IG-CB Trainings	4	10-Jun-04	11-Jun-04	SME	AL
	AM Group	CBBDS-AL-IG-CB Trainings	2	18-May-05	19-May-05	SME	AL
	AM Group	CBBDS-AI-IG-CB-EU Standar AL	3	23-Mar-05	24-Mar-05	SME	AL
	AM Group	CBBDS-AI-IG-CB-EU Standar AL	3	06-Apr-05	07-Apr-05	SME	AL
	AM Group	HR Management Training	1	22-Apr-03	25-Apr-03	SME	AL
	AM Group	IS-AI-FC-Olim HACCP	17	23-Feb-05	24-Feb-05	SME	AL
	AM Group	IS-AI-KG-DA Olim	22	14-May-05	14-May-05	SME	AL
	AM Group	Marketing Training	2	24-Jun-02	26-Jun-02	SME	AL
	AM Group	Marketing Training	2	13-May-03	15-May-03	SME	AL

### Repeat Training Clients

# of repeat	Client Name	Traning Name	# of participants	Start Date	End Date	Client Type	Country
7	Login System	Business reports writing (for consultants)	1	15-Jan-04	16-Jan-04	SME	MK
	Login System	CFO	3	01-May-02	01-Feb-03	SME	MK
	Login System	Financial Management	1	11-Feb-05	13-Feb-05	SME	MK
	Login System	Financial Markets	1	26-May-04	28-May-04	SME	MK
	Login System	How to Prepare Winning Bids	1	22-Feb-02	25-Feb-02	SME	MK
	Login System	Marketing Training	1	23-Mar-04	24-Mar-04	SME	MK
	Login System	Team building	1	23-Mar-04	24-Mar-04	SME	MK
7	SEMOS	CFO	2	01-May-02	01-Feb-03	SME	MK
	SEMOS	Customer Service	2	05-Feb-03	06-Feb-03	SME	MK
	SEMOS	EMDP	1	26-Feb-03	28-Feb-03	SME	MK
	SEMOS	Financial Management	1	11-Feb-05	13-Feb-05	SME	MK
	SEMOS	Financial Markets	1	26-May-04	28-May-04	SME	MK
	SEMOS	How to Prepare Winning Bids	2	22-Feb-02	25-Feb-02	SME	MK
	SEMOS	HR Management Training	1	14-Apr-03	17-Apr-03	SME	MK
9	Fonko Int Doo	Business reports writing (for consultants)	1	15-Jan-04	16-Jan-04	SME	MK
	Fonko Int Doo	CFO	2	01-May-02	01-Feb-03	SME	MK
	Fonko Int Doo	Customer Service	3	05-Feb-03	06-Feb-03	SME	MK
	Fonko Int Doo	Development of Consulting as Business	1	13-May-02	15-May-02	SME	MK
	Fonko Int Doo	FIDIC Contracts for Construction	1	10-Feb-03	11-Feb-03	SME	MK
	Fonko Int Doo	Financial Management	2	11-Feb-05	13-Feb-05	SME	MK
	Fonko Int Doo	How to Prepare Winning Bids	2	22-Feb-02	25-Feb-02	SME	MK
	Fonko Int Doo	Leasing as Financial Product	2	21-Nov-02	22-Nov-02	SME	MK
	Fonko Int Doo	Marketing Training	1	23-Mar-04	24-Mar-04	SME	MK

## **Annex IV:**

### **Summary Results from Focus Groups Discussion for the following projects:**

- 1. Alternative Dispute Resolution – Pilot Project in Banja Luka, Bosnia and Herzegovina**
- 2. Financial Leasing Project in Albania**
- 3. Union of Chamber of Commerce in FYR Macedonia**
- 4. Financial Leasing in Serbia and Montenegro**
- 5. Swisslion HACCP FYR Macedonia**
- 6. Tigar Linkages, Serbia and Montenegro**
- 7. Corporate Governance Bosnia and Herzegovina**

## Banja Luka Pilot Project on Alternative Dispute Resolution Focus Group Summary

### **Project Background and Objectives**

Two focus groups (FGs) on a mediation pilot project in the First Instance Court of Banja Luka were conducted with 16 participants. This project is part of the Alternative Dispute Resolution Program (ADR) managed by the former Southeast Europe Enterprise Development (SEED) facility of the International Finance Corporation (IFC).

The FG discussions were held in the native language and then summaries were translated into English. An external moderator facilitated the discussions.

The first FG consisted of SME clients who previously used services provided by the Mediation Center in Banja Luka, which was funded by SEED. The second FG was conducted with independent mediators and judges of the First Instance Court of Banja Luka, who selected cases for mediation.

The primary objectives were:

- To determine the impact and reach of the ADR program and
- To explore recommendations on how to improve future ADR projects in PEP-SE.

The focus group discussions were held on September 13<sup>th</sup>, 2005 in Banja Luka, Bosnia-Herzegovina. The first focus group consisted of eight SME clients (5 male and 3 female), with the following job titles:

- 2 company managers
- 2 attorneys in private practice and
- 4 company attorneys (authorized agents for the companies)

Eight participants participated in the second focus group discussion (3 males and 5 females), of which there were:

- 3 mediators
- 4 judges
- President of the First Instance Court

### **Summary of Findings**

Participants of both group FGs view mediation very positively and would likely use it again. They were satisfied with the process of mediation and with the cooperation of judges who recommend cases for mediation. Moreover, they were pleased with the trainings organized by SEED and cited the creation of the Association of Mediators (AOM) and the Center for Mediation as a critical outcome of SEED's work in the legal sector.

Overall, four primary themes emerged from the FG discussions:

1. Satisfaction with and benefits of the mediation process
2. A strong need to build greater public-awareness of mediation
3. Additional training is needed for all parties involved in mediation
4. Recommendations for improving mediation

### 1. Satisfaction and Benefits of Mediation

FG participants were in agreement on four positive aspects of mediation:

- Reduced time (quick resolution) and reduced costs (savings)
- Ability to quickly release funds from dispute to reinvest into their companies
- Positive sentiments and improved professional/business relationships after mediation
- Reduced number of court cases, some of which linger for many years

a. The most positive aspects of mediation mentioned by the participants were savings of both cost and time. In comparison to traditional court cases, mediation cases resolved disputes more quickly, incurred fewer expenses and the proceeds were agreed upon in a timelier manner.

One participant stated that he resolved four disputes in just 180 minutes, releasing nearly 3 million KM (approximately \$1.88 million):

*“That is a cost of 16 543, 81 KM per minute. My personal opinion is that it is better to have 50 000 KM today than 100 000 KM in a year because you can invest this in equipment and production materials today and earn even more money than 100 000 KM.”*

#### b. Use of Proceeds from Mediation Used to Reinvest in Company

Small businesses typically have critical money constraints. If a dispute is resolved quickly, the mediation proceeds can be wisely reinvested in the company. Participants said that they usually earmark released funds for salaries, equipment and working capital, which are critical for survival of the business.

#### c. Improving business and professional relationships

Participants stated that there are often little to no animosity between parties once a dispute is resolved by mediation. In fact, two participants who sat together in one FG were the disputed parties in a mediation session. Before mediation, they disagreed on many business issues. After mediation, they renewed their business and professional relationship. One emphasized that:

*“The fact that both of us are sitting here together today is a very important thing. We made an agreement and we continue to run our business”.*

d. Meditation can help not only judges by reducing of disputes on the Court but it can also “help to the whole community” and the court system as a whole. The participants

agreed that mediation has a future and can help the Court and judges to resolve a large number of disputes. One judge stated that:

*“It can help a lot, because it reduces the number of disputes. With fast dispute resolution and a reduction in the number of cases, the Court system is improved.”*

One mediator explained about a husband and wife who requested a divorce. When they came to mediation, they could not look at each and often turned their backs. One of them left several times during mediation. In the end, they quickly and mutually agreed on a settlement. One judge stated that such a dispute can often last from 10 to 15 years.

## 2. Public-Awareness Raising

The companies participating in the first focus group were extremely interested in raising public-awareness for mediation. They believed that the process of mediation can be much simpler once the public increases its knowledge of the topic. The judges and lawyers from the second FG cautioned that this needs to be done carefully done, since:

*“We can’t say that everything will be solved by mediation, since it is not a magic stick. People will then think that you can do everything in mediation what the Court can’t do.”*

The media would be one powerful means of increasing public-awareness of mediation. Participants suggested creating a public forum television or radio show on the topic of mediation by inviting judges, attorneys and mediators to discuss and debate issues on the topic. According to one participant, this type of media discussion could further spread knowledge on mediation beyond those involved in the process:

*“It is wonderful that lawyers and judges are informed about mediation, but citizens do not know enough about this.”*

## 3. Additional Training

The success of the round tables and seminars on mediation organized by SEED and the AOM increased the participants’ desire for additional training. One participant indicated that continued education on mediation is very important, not only for lawyers but even for businessmen and new judges:

*“There is a need for additional training for judges and in particular for new judges who are not trained in mediation.”*

Both judges and mediators indicated that an exchange of experiences with colleagues in mediation centers and courts in different countries would be very useful.

## 4. Recommendations for Improvements

Five recommendations were made for improvement of the mediation process, as PEP-SE plans future ADR projects:

- Eliminate the need to return to court to verify the outcome of the dispute once it is resolved in mediation
- Address and resolve the issue that some parties misuse mediation to stall the dispute process
- Costs of mediation should be appropriate to the monetary amount in dispute as well as the number of disputes per client
- An analysis of the type of cases resolved in mediation in order to guide judges in their selection of future cases
- A list of qualified mediators supplied by the AOM

a. A central issue mentioned by all participants in the FGs was the fact that after the dispute is resolved they must return to the court to verify this decision. This incurs additional costs of time and money which are a burden on both the court and the parties in mediation. Additionally, it may take several days or more to find a judge to verify the decision.

New mediation by-laws need to be drafted and adopted to address this critical issue.

b. Participants also cautioned that some clients try to misuse mediation for their own purposes as a way to delay the process. It was recommended that the mediation process should have a time limitation imposed for resolving the dispute. One participant stated that:

*“I agree with the fact that sometimes mediation is misused in disputes, but what encourages me is that judges today explain this to both parties before the mediation process begins.”*

c. Total costs for mediation are a large problem since clients have to pay both mediation costs and a court tax. The examples of other countries could be followed in this matter, according to one participant:

*“It would be good if we released clients from the Court tax if they make an agreement by mediation. For example, this is the case in some other countries like Germany.”*

A reduction of court costs is urgently needed. It was recommended that the costs of mediation should be commensurate with the size of the settlement, since smaller cases in dispute have proportionally higher expenses than larger cases.

d. One way to reduce the extreme back log of cases in the court system would be to undertake an analysis of the cases resolved in mediation. This would permit judges to make more informed decisions of the number and types of future cases that could be recommended for mediation. Criteria for selecting appropriate cases for mediation would greatly help to reduce the backlog of court cases.

e. The AOM should produce a list of qualified mediators who have good training and experience. This would be a critical resource provided by the Mediation Center for all parties who are interested in mediation, since judges are often not willing to make these recommendations.

### **Conclusions**

The demand for mediation in Bosnia-Herzegovina continues to grow. As SEED metamorphoses in the Private Enterprise Partnership for Southeast Europe (PEP SE), its active role in mediation will help to meet this demand. The findings from the FGs conducted for the ADR pilot project in Banja Luka indicate that PEP SE has a unique opportunity for continued strengthening of this sector through its technical assistance and advisory services work.

## Financial Leasing in Albania Summary of Focus Group Discussion

### **Project Background and Objectives**

A focus group (FG) was held in Tirana on Leasing Projects managed by the former Southeast Europe Enterprise Development (SEED) facility of the International Finance Corporation (IFC).

The FG discussions were held in Albanian language and an external moderator facilitated the discussions.

The FG consisted of representatives from leasing companies, business associations, tax & law consulting firms, banks and Albanian ministries. The representatives, 7 participants present and another not in attendance, who sent comments in writing, are responsible in the following positions in their organisations:

- 4 managers (law firm, leasing company and banks)
- SME Expert, ministry
- Finance officer, leasing company
- President of Women Business Association
- Tax Adviser, consulting company

The primary objectives of this FG were:

- To determine the impact and reach of the Leasing Projects in Albania, and
- To explore recommendations on how to improve future leasing projects in PEP-SE.

### **Summary of Findings**

(i) Participants of FG view the TA extended from SEED on leasing as very effective and consider it as an important contributor in the establishment and development of leasing market in Albania, which has remarkably increased access to finance for SME-es (in less than one year 3 leasing companies already established and leasing contracts on going).

(ii) Moreover, they were pleased with the trainings organized by SEED and cited these trainings to be very useful, given the unfamiliar complexity of leasing and almost non-existing sources of capacity building on the subject.

(iii) While, apparently, medium to big sized companies already started benefiting from leasing, SEED initiative has strongly increased the awareness of micro-small businesses, which consider leasing as the most accessible financing alternative.

(iv) While appreciating the significant SEED contribution so far, further involvement of PEP-SE is very much required by all participants, emphasizing the facilitation of state-business relationship on leasing.

Overall, four primary themes emerged from the FG discussions:

1. Benefits and satisfaction with the leasing TA provided by SEED
2. Strong need for greater public awareness on leasing
3. Additional training is crucial
4. Recommendations to further successful leasing law implementation

### **1. Benefits and satisfaction with the leasing TA provided by SEED**

FG participants were in agreement on four positive aspects of leasing TA:

- a) the adopted leasing law provides a clear reference and reduces barriers
  - b) developed the leasing market
  - c) increased productivity by investing in up to date technology
  - d) grown interest and awareness on leasing benefits.
- a) In comparison to traditional ambiguous legal reference on leasing (Civil Code, Law on Security Charge, Law on Banks) the Leasing Law comprehensively includes all aspects of leasing relations and provides for a more flexible legal framework than before as far as the creation of leasing companies is concerned. One participant, a legal adviser, stated that:

*“Due to SEED continuous commitment, the legal disputes in law drafting process were competently settled, leading to the law approval. The impact was immediate. Surprisingly, the first leasing company was established prior to the law approval by the Parliament, 2 others were founded after approval and another is in the constitution process.”*

In addition, another participant, from Central Bank, the former licensing authority for leasing companies, said:

*“The Leasing Law provides much more favourable conditions than before; it stimulates non-bank companies to start a leasing business as well. Just think about the previous capital barrier requirements: 200,000,000 Albanian Leks, unaffordable for Albanian leasing companies....”*

- b) Leasing market developed
- Participants emphasized that the impact was evident in both sides, in supply and demand for lease financing. While the leasing companies started to build their operational system and identify potential clients, on the other side the number of clients has been increased rapidly. A representative from leasing company stated that:

*“After less than one year operation, we really can’t cope with the increasing demand. We receive much more requests than before (from new clients), as well as frequent phone calls. We were unprepared to some extent, and despite the increasing demand we carefully analysed the risk of each transaction.”*

Another admitted that:

*“I consider the participation in SEED leasing training as a good source of client acquisition; I have met 2 clients in trainings”*

c) Increased productivity by investing in up to date technology

As it came out from interviews, after leasing law adoption it is a shown tendency from the Albanian businesses to purchase up to date machinery and vehicles, in order to increase their productivity, as well as their profits by releasing more funds for working capital uses. One participant stated that:

*“Most lease contracts include the lease of transport and distribution vehicles, as well as personal cars. The demand for lease of machinery is also high, but because of present unclear leasing fiscal treatment, only a few agreements have been signed.”*

Another participant added:

*“I’m in the process of assisting a large company in concluding a leasing contract for the purchase of a modern production line”.*

d) Grown interest and awareness on leasing benefits

Almost all participants stated that due to the awareness campaign launched by SEED before and after law approval and trainings delivered, the interest of various stakeholders has been increased and businesses are much more aware of the leasing benefits. A participant, representing a women association with 20,000 female members interestingly expressed:

*“We had no clue about leasing. We realised leasing benefits only after SEED trainings and our visit in Serbia. Since that time we have mobilised the required capital through members and will establish a leasing company to serve the needs of micro to small business, whose access to finance is almost impossible and typically they have critical money constraints for growth. To this regard, SEED assistance would be appreciated.”.*

## 2. Strong need for greater Public-Awareness

The participants in the FG were extremely interested in raising public-awareness for leasing. They believed that the leasing market can be further developed once the public increases its knowledge of the topic. The state and business representatives mentioned that an awareness campaign should address micro to small businesses, since:

*“Medium to large size companies have their own expertise and information resources, whereas small businesses barely are able to use the internet.”*

The media would be one powerful means of increasing public-awareness of leasing. Participants suggested creating a special rubric with successful stories in the written media or television discussions. The establishment of a widely spread regional info network would contribute for that and the state representative stated:

*“We believe that PEP-SE will assist us in the future in rising awareness on leasing”*

A ministry representative said that:

*“More and more people want us to explain about leasing and we count on further SEED assistance on rising awareness about leasing”.*

### 3. Additional Training

The success of the round tables and trainings on leasing organized by SEED so far increased the participants’ desire for additional training. One participant indicated that continued education on leasing is very important, not only for the business but even for the judges and tax officers:

*“There is an immediate need to train the judges on leasing law implementation and leasing itself as a financing instrument”*

One participant indicated that an exchange of experiences with companies in other countries in the region would be very useful, since:

*“Hearing about real experiences helps more than ex-cathedra lectures”*

The proposal from one participant on organising tailor –made training for various groups of interest had the agreement of the rest of the group, considering that:

*“A training tailored for micro businesses may require a different terminology than that for bankers or car dealers”*

Taking into account that the delivered trainings were too short and theoretically oriented, trainings involving group work, case studies and more practical instructions would be more effective. Related to that, a participant stated that:

*“One day training on leasing seems to me not enough to address all complexities related to the topic.”*

#### 4. Recommendations for Improvements

Four recommendations were made for improvement on leasing law implementation:

- a) urgent need to speed up with the draft and approval of further regulations
- b) address and resolve the issue of leasing fiscal implications
- c) establishment of Leasing Association
- d) future TA on leasing should include more intensively local expertise

a) A central issue mentioned by all participants in the FG was the fact that after the law approval, the responsible ministries didn't proceed with the draft of regulations foreseen by the law. As most of participants stated:

*“The delay will create serious problems to leasing business in Albania, because of the fiscal unclear situation regarding VAT and deductible expenses .If the regulations will not be approved together with the fiscal package, usually by the end of year, the leasing demand will be adversely affected ”*

A representative from ministry reiterated the need for TA for the above, stating:

*“We hope that PEP-SE will provide the required assistance in completing the law with respective regulations”*

b) Participants also cautioned that the leasing fiscal policy in Albania must foresee tax incentives in order to provide for a competitive financing market and contribute to the reduction of informality; reportedly, the informality rate is estimated at 40%. One participant said that:

*“If leasing will be treated as normal transaction, the application of VAT on the interest will make it uninteresting for our clients, who in turn would better prefer a loan, which moreover doesn't imply strict rules for use of funds transparency”*

One of participants complained that:

*“Presently, we can't advise our clients on favourable leasing tax implication, because we are ourselves confused on that”*

c) The establishment of a Leasing Association, as was agreed by participants, would assist leasing stakeholders in upgrading their know how through international expertise as well as by lobbying to the government. A participant emphasized:

*“If we organise ourselves and send our request to the government we can avoid delays and misinterpretations by tax authorities. SEED could contribute in founding of this association and could initiate working groups or round tables by interfacing between state and businesses”*

d) As it came across in discussions, the local expertise hired by SEED during the law drafting and adoption as well as during trainings has proved to be very helpful. Partly due to SEED contribution, the local service providers are offering higher service quality and have widened their clientele bases. In this regard one participant stated:

*“I would continue to provide further services to leasing projects and contribute to smoothly adapt models from the region to the Albanian business environment. But, PEP-SE should revise former fees and update information on local market. I have worked for other World Bank projects in Albania and the treatment was better”*

### **Conclusions**

The demand for leasing financing in Albania continues to grow rapidly. The findings from the FG conducted for the leasing project in Albania indicate that PEP SE has a great opportunity to play an active role for strengthening of this sector, and improve access to finance to all businesses through its technical assistance and advisory services work.

## **Union of Chambers of Commerce (UCC), Skopje, FYR Macedonia Summary of Focus Group Discussion**

### **Project Background and Objectives**

The Union of Chambers of Commerce (UCC) in Macedonia is comprised of the Industrial Chamber of Commerce, Trade Chamber of Commerce, Services Chamber of Commerce and Agriculture Chamber of Commerce. The UCC is a non-government business association formed to create a suitable environment for the development of small and medium enterprises in the country. It is believed that the UCC is on its way to become the strongest legitimate representative of the private sector in Macedonia. Officially established in September 2004 with more than 300 member SMEs, it currently has over 1000 members. Technical assistance and training were provided to the UCC by the former Southeast Europe Enterprise Development (SEED) facility of the International Finance Corporation (IFC).

The Focus Group discussion was held on September 20, 2005 in Skopje, Macedonia. Participants were 6 Members of the UCC, each who had participated in the technical assistance provided by SEED:

- The president of the UCC
- The secretary of the UCC
- The president of the Industrial Chamber of Commerce
- The president of the Trade Chamber of Commerce
- Two entrepreneurs

An external moderator facilitated the discussions in the native language and an interpreter provided simultaneous translation. Summaries were then translated into English.

The primary objectives of the Focus Group were:

- To determine the short term impact of the SEED's intervention
- To explore recommendations on how to improve future projects.

### **Summary of Findings**

The participants in the discussion were active members of the UCC, and are also owners or managers of small and medium enterprises. They have utilized the services of the UCC and each of them attended trainings that were organized by SEED. Many of the participants were particularly satisfied with the technical assistance received, which helped them to begin conversations with the government. But they also stated that the level of collaboration changed with the new government that is now in place, requiring more determination and additional skills and training. Each offered their gratitude to SEED and to the support that SEED has provided to them in order to make their work more successful.

In general, five primary themes emerged from the FG discussions:

1. Satisfaction and benefits of support of SEED
2. Building networks and strategies for promotion of the UCC
3. Public-Awareness Raising
4. Additional training needed
5. Recommendations for improvement

1. Satisfaction and benefits of support of SEED

- a. The technical support provided by SEED encouraged the members of UCC to make this new business association the strongest legitimate representative of the private sector in Macedonia. According to some of the participants:

*“The fact that the SEED stood behind all of our activities was critical. The IFC logo was used everywhere by the UCC to show the support received and was appreciated by many of our counterparts. This made a big difference and had a great influence on our work” – President of the UCC.*

*“SEED encouraged us to be persistent in our work and objectives for the UCC. That helped us to realize our mutual goals and interests and helped to influence the government to change certain legislative regulations and to create favorable conditions for small and medium enterprises.” – President of the Trade Chamber of Commerce.*

- b. Knowledge and skills obtained throughout the trainings on the project.

- Practical implementation and the applicability of the training.

*“During one brain storming training organized by SEED, I got several concrete ideas for solving problems in my own business which I used.” – An entrepreneur*

- Preparing the budget

*“The budget training and planning helped me to manage the assets, resulting in a larger profit for the company.” – An entrepreneur.*

- Promotion of the UCC outside the Chambers in order to increase the membership and organize promotional round tables

*“Business people that participated in UCC activities immediately recognized our potential and goals, which resulted in increasing membership”- President of the Trade Chamber of Commerce.*

- Lobbying instruments and means of communication with the government

*“SEED showed us that we have the power to tell a specific minister that if he does not want to hear our needs and influence changes in the law regulations, we will then wait for him to leave his post, and when the new minister comes to the same post – we will try again.” – An entrepreneur*

It should also be noted that one participant stated that lobbying the government with this type of approach would never work in Macedonia.

## 2. Building networks and strategies for promotion of the UCC

The participants pointed out the need for building networks and strategies for promoting the UCC. They also mentioned the need for attracting new members and establishing formal methods of communication with current and potential members

*“We also need help in retaining members and also showing them that as a member of the Chamber they have a lot more benefits for managing their own businesses. After all, our motto is ‘The voice of more people is heard.’ ” – President of the Trade Chamber of Commerce.*

## 3. Public-Awareness Raising

There is a strong need to build greater public-awareness about the benefits of membership in a non-governmental business association for SMEs. In Macedonia the business community perceives that if they are active in an organization closer to the Government, their business activities will be more successful and in some way privileged.

*“There is fear of being a member of non-governmental association due to its different treatment by the governmental “– An entrepreneur.*

The participants of FG agreed that SEED can help to raise public awareness and also help them to spread the process of public awareness. They suggested several items for that process to continue such as: marketing campaigns, organizing round tables and workshops where they will have open discussions to address key issues.

## 4. Additional training needed

The need for additional training was frequently mentioned. Additional knowledge and skills will help UCC members improve their self-confidence and increase the activities inside the Chamber. By doing so, the UCC will be stronger, more organized and more secure in presenting its concerns to the governmental institutions.

*“SEED helped us to build an excellent roof and facade on the institution where the activities of the UCC take place, and created an environment for the small and medium enterprises to function. But we need support in order to fill in the inside and to strengthen our position. This will help to increase membership”- Secretary of the UCC.*

5. Recommendations for improvements:

- Creating a body which will be a mediator between the activities of the government and the UCC. One participant stated that:

*“We need one independent body that will help us to better communicate with the government institutions, in order to improve the whole working environment”- President of the UCC.”*

- Researching the political interests of Narodna Banka
- Forming a regulatory board
- Enabling experts to make changes, additions and implementations in the laws
- Implementing systems of standardization

The overall view of the participants was summarized by one individual:

*“SEED’s help was enormous, but if we stop right here it may happen that all our activities will stop. I do not have to stress it more, but your help would be of great importance to us” – President of the UCC.*

A priority for UCC’s future work with SEED/PEP-SE will be further support of UCC’s activities. This will help UCC to become more self-sustainable, have an efficient managerial body and improve communications with the government. SEED/PEP-SE can also help to build capacity and advocacy through annual business surveys and organized public-private dialogue sessions.

## **Conclusions**

During the discussions of the Focus Group, participants clearly showed that SEED’s technical assistance and support for establishing the UCC was of great help for its members. The knowledge that participants acquired through the seminars and courses which SEED organized could be easily applied to the activities of the UCC. The participants’ skills were improved and they were encouraged to work on their own independent activities and to discuss their own business concerns with the government. The demand for this type of training in Macedonia continues to grow and PEP-SE can clearly play a central role in helping UCC achieve their goals.

## Financial Leasing Serbia and Montenegro Summary of Focus Group Discussion

### Project Background and Objectives

A Focus Group was held on 16<sup>th</sup> September 2005 in Belgrade on Leasing in Serbia-Montenegro (S-M). Seven participants attended: The Deputy Minister for Economy, Finance and International Cooperation, two representatives of the Leasing Association (the former president and current secretary) and four representatives of leasing companies. There were two women and five men. Leasing projects were managed by the former Southeast Europe Enterprise Development (SEED) facility of the International Finance Corporation (IFC).

The FG discussions were held in the native language and then summaries were translated into English. An external moderator facilitated the discussions.

The primary objectives were:

- To explore the impact and reach of the Leasing program and
- To determine future needs for and the viability of the leasing market in Serbia-Montenegro

### OUTCOMES OF SEED INTERVENTIONS

Raising the general level of awareness and knowledge of leasing was mentioned as the primary result of SEED training in Serbia and Montenegro. Participants stated that new knowledge was acquired through these trainings by attendees from SMEs, including banks that later adopted leasing as a product. The leasing companies represented stated that they benefited from SEED's training through better promoting their businesses and in gaining access to potential clients.

*That training was more or less for people that had not previously had contact with leasing. (Leasing company)*

*In Serbia almost nobody even knew what leasing was when we were starting out...At a press conference held at the Media Center I recall that not a single journalist posed a question (because they did not have a clue what it was about). It was at a SEED training that we first became informed about leasing. That is where I obtained a certain level of knowledge that I later applied in the Association. (Leasing Association)*

We got one of our largest clients in the following way. He attended a SEED training and concluded that leasing would suit him. At the training they mentioned existing leasing companies and he made a list. The next day he started making calls ... In some places nobody answered the phone; in some cases they answered and gave basic information but did not have time for a detailed conversation ... That is how he called us and we got the contract – not because we were the cheapest, but because we answered the telephone, were courteous and helpful and were prepared to meet with him the following day. (Leasing company)

*... Those trainings were useful in relation to small and medium enterprises and the outcomes, at least in our case, could be seen gradually. Two or three days after the training people from the invited companies were already calling and making enquiries. (Leasing company)*

Other than the statistical data that participants said was only accessible at SEED training, leasing companies did not mention concrete benefits received from the training. Leasing companies had management staff that were familiar or experienced in the leasing experiences of neighboring countries so that internal education had already provided a general introduction to leasing for employees. For this reason, SEED training was evaluated as not well-tailored to their needs and reduced their future participation.

*... Companies that existed then had the good fortune that their directors mainly had experience in leasing from neighboring countries so that we were familiar with leasing. (Leasing company)*

*I attended the SEED training. It was not much more than leasing theory, security, regulations and accounting – we all practically had that prepared before we even went to the training. (Leasing company)*

As there were no trainings to develop specific knowledge and skills in leasing, the companies had to conduct this type of training themselves. At the startup of their activities they did not have the capacities (time and human resources) to do this effectively, and as a result only on-the-job training was conducted. The interest and need of companies to pay for training of new personnel was left unutilized. Further, FG participants stated that as the companies developed operations, new issues and problems arose, which could have been resolved more effectively with specific training opportunities.

A farmer bought from us a bulldozer and regularly made repayments, however, he did not pay for comprehensive insurance. That led us to ask, 'what is wrong with this picture?'. It turned out that he had sold the bulldozer and of course no longer cared about insurance! When we sought police intervention, they did not understand what wrong with this. (Leasing company)

A young woman took a car from us and went on a trip. When the police stopped her and saw that the owner of the car was a company, they asked for travel instructions from the company. She explained that she had leased the car, but that did not help to resolve the situation. (Leasing company)

*... At that time there were a lot of things that were unclear, that needed to be clarified in relation to treatment of expenses and other things that we were trying to get from various sides. That is what we need in the future—for the training to be in a number of phases, for it to be educative, and then to focus on specific needs. (Leasing company)*

Participants stated that the awareness raising campaign resulted in a significant increase in awareness of the general concept of leasing, but for specific institutions and their officials (e.g. police, Automotor Association, parliamentarians and politicians in general), it is still necessary to have additional information or training that will assist them in responding more appropriately to cases related to financial leasing.

For individual clients interested in vehicles, leasing company employees will explain things to them. But the problem really lies in those official institutions because we cannot train them. (Leasing company).

### ***IMPROVEMENT OF LEASING LEGISLATURE IN SERBIA AND MONTENEGRO***

The activities of SEED in the creation and adoption of the legislative base for financial leasing is evaluated by participants as the most significant support to leasing companies in Serbia and Montenegro. This is primarily due to the adoption of the Law on Financial Leasing that has established their work and created a favorable business environment.

*The passing of the Law on Financial Leasing was of great significance as the interpretation of the existing law on the territory of Serbia practically did not enable management of financial leasing. (Leasing company)*

*If it were not for the Law, I do not think that we would have started work, but rather would have simply tracked what was happening. It is a lot more secure after the Law. (Leasing company)*

The links that have been established between the Government and leasing companies was also mentioned as one of the best impacts of the SEED leasing project. However, participants consider that the potential of enterprises was not sufficiently explored in the work on development of financial leasing legislation. As a result, the Law is weaker.

*Perhaps much more significant than training are the contacts that SEED attempts to establish between leasing companies and the ministries. (Leasing company)*

*In my opinion there was too little involvement of enterprise in the creation of the Draft. (Leasing company)*

Participants also stressed that the Montenegro government saw more credibility in the opinions raised by leasing companies. As a result, in Montenegro, the Law on Financial Leasing managed to avoid/overcome most of the shortcomings of the Serbian law.

*SEED, together with the Central Bank made an initial proposal that went to public discussion. We then organized together several roundtable discussions. The outcome was the proposed draft legislation which was criticized by potential leasing companies. All interested parties considered that something needed to be changed, added, modified, etc. All interested parties came to support the roundtable and later there was*

*the opportunity for online discussion to comment on the draft legislation. I think that the first version of the law underwent numerous, significant and essential changes as a result of the comments of entrepreneurs and potential clients of these services. (Ministry of Finance of Montenegro)*

*... They had more understanding for industry than was the case here. (Leasing company)*

The final conclusion is that SEED's engagement in this field was ceased prematurely and that in Serbia new laws have been passed that represent a step backwards and a significant narrowing of the range of work of leasing companies. Participants consider that this perceived regression would not have occurred if SEED had continued with its involvement. The low level of familiarity and knowledge within political circles related to leasing greatly contributes to a misunderstanding of its role in the economic development of the country. Additionally, the Leasing Association and individual companies are not strong enough to lobby effectively.

*The Law has certainly sped up many things and clarified some things ... but at the same time new issues have arisen and there are more detailed issues that require further action and further work. (Leasing company)*

*I think that the problem is in that, as far as I know about Mr. Vinkic, is that he considers that we are stimulating spending. (Leasing company)*

*...The significance of leasing for the development of SMEs is still not understood here, particularly in countries that are in transition. (Leasing company)*

*SEED and IFC in essence have a (respected) name that enables them to establish better communication with the Government and National Bank than does the Association. (Leasing Association)*

## **SIGNIFICANCE OF THE ASSOCIATION OF LEASING COMPANIES**

Participants stressed that there had not been a sound base for the formation of the Leasing Association, but that after initial difficulties, there have been positive effects achieved as evidenced through the (quantitative and qualitative) strengthening of the sector. However, participants consider that after the withdrawal of SEED that this influence has significantly lessened. The undoubtable significance of the Association was illustrated through the example of the favorable terms of registration of leasing activities negotiated through the Association. It was also concluded that the poor communication within the Association has retarded its effectiveness and undermined (an already fairly shaky) credibility in government circles.

*Perhaps it was the right time for the forming of an Association, but leasing companies were probably not aware of how necessary that was and there were some difficulties in work at the start. ... We (leasing companies) did not even manage to get together to work out a plan and program for the functioning and work of the Association. We did not have enough time or people to do that. (Leasing company)*

*The Association could have ironed some things out. In that way, some things could have been avoided if contact with the government had been established on time ... That is where SEED can do more, in my opinion. (Leasing company)*

*... As an Association, without the support of institutions like the World Bank, we cannot have much of an influence on Government. (Leasing Association)*

*...It (Leasing Association) will strengthen in the future and will achieve that which is expected of it. That is essential, definite and something that we all agree is needed. (Leasing company)*

As the Agency was established after the Law on Financial Leasing we had a problem as we had to register existing contracts. We (the Association) then negotiated with the Government and managed to persuade them to give a 50% discount. This is evidence that we can act in a manner that benefits our members. (Leasing Company Association)

## ***FUTURE ACTIVITIES***

The general conclusion was that financial leasing in Serbia and Montenegro has developed very quickly and that performance figures indicate fast growth. However, there has not been time for the internal strengthening of the sector and its establishment within the country. For this reason, participants consider that they still need SEED (or a similar organization) to support them.

*My opinion is that SEED withdrew too early from all of this and we were left to our own devices, but that we were too young for this ... We do not have the strength that is needed. We do not have the contacts in order to be able to have an influence through lobbying. (Leasing company)*

## **CONCLUDING OBSERVATIONS**

It is recommend that any additional trainings be “longitudinally tailored” to be relevant and accessible not only at the start-up phase of leasing companies, but also during business development. Training should also be tailored to the specific needs of the target group.

Participants mentioned various goods that can be obtained thorough leasing. The leasing company representatives stressed that a smaller proportion of their business goes to automobiles and that a series of other activities are financed in this manner (construction machinery, printing industry, photography, cosmetic industry, food industry, agricultural equipment, medical equipment, etc.). Even automobiles obtained through leasing are often used for commercial purposes and these are mainly locally produced 'Zastava' automobiles, which suggested that domestic production is also being stimulated.

*... Automobiles are perhaps 30% of our complete activity – passenger vehicles. In relation to commercial vehicles, that serve the purpose of business activities, they certainly contribute to the development of businesses as vehicles are essential to some for transport. We have financed items from cars to airplanes and also production equipment. (Leasing company)*

*The Airport has bought cars for the Belgrade Airport through Raiffeisen Leasing. (Leasing Association)*

*The equipment in firms here in Serbia is very old. The time has come for change of equipment even in agriculture. For example, some farmers have a harvester 'Zmaj' which is thirty years old, and they lose five percent of their harvest. They now leased a new harvester and their production has greatly improved. (Leasing company)*

*We have a strong presence in the public sector and have even financed locomotives and medical equipment for the private and public sector. (Leasing company)*

## **Swisslion & HACCP, FYR Macedonia Summary of Focus Group Results**

### **Project Background and objective**

HACCP was a project managed by the former Southeast Europe Enterprise Development (SEED) with the goal to develop an environment where the Small and Medium Enterprises (SME) will have access to knowledgeable local consultants to assist them in HACCP implementation, increase the awareness of HACCP, increase number of companies that hold a HACCP certificate and as a result, increased and easier export of these companies into EU and USA.

Participants of Focus Group that was held on 20 September, 2005 at the Swisslion factory in Skopje, Macedonia were:

- The owner of Swisslion factory
- 2 members of HACCP team, employees in Swisslion
- 2 HACCP local consultants
- An external moderator facilitated the discussions
- A translator

All participants to the FG took part to the activities that SEED organised on HACCP in the Country, and those of them who work at Swisslion were directly involved in the adoption of HACCP by their company. Swisslion introduced HACCP, but is still waiting for certification.

The Focus Group discussion was held in the native language and then summaries were translated into English.

### **The primary objectives of the Focus Group were:**

- to determine the short-term impact of SEED project
- to explore recommendations how to improve the project in the future.

### **Summary of Findings**

Participants to the Focus Group expressed their satisfaction with the support given by SEED to the adoption of HACCP in Swisslion.

They also underlined a huge demand for adoption of new production standards in the food production sector in Macedonia. The adoption of these standards by further producers will increase safety on their production and will impact on their possibility to export to the EU and US markets.

Overall, primary themes *emerged* from the FG discussions were:

- Satisfaction and benefits of the introduction of HACCP
- Need for a public-awareness campaign about HACCP
- Need for additional training for all involved in HACCP
- Recommendations for further assistance

## 1. Satisfaction and benefits of the HACCP

a ) Setting up of excellent working relations with structures and professionals involved in HACCP implementation. (It is very important the creation of a climate where SMEs will have opportunities to acquire knowledge and skills for the adoption of new standards in their production cycle.)

- It was said by some participants that there is the need to exert political pressure on national government agencies as to create a National HACCP Accreditation body

*“After the activities that SEED helped us to carry out, HACCP became an object of discussion for accreditation; now steps need to be undertaken in this direction.”*

- Training of Auditors

*“SEED helped us to meet several experts in different domains of food quality and standards of production, which determined the need of implementing HACCP standards” – said the independent consultant.*

- Compiling of a dictionary

*“With the help of SEED a working group was setup, and prepared a dictionary of terms in food production, which will become the standard reference for the food domain” – also said the consultant.*

- Organising workshops and roundtables

*“For the first time in Macedonia, with SEED’s help, a successful meeting was held- with the participation of experts on food production and processing.”*

- Implementation of HACCP in factories for food production

*“The things that I learned during training and implementation of HACCP saved to my Company a lot of money, and gave me the opportunity to better organize my production, to expand it, and to make industrial investments. We also opened a new line of production” - said the owner of Swisslion.*

*“HACCP allows us to reorganize the work of our staff in order to improve the quality of our production” – said by the member of the HACCP team.*

## b) Concrete and applied knowledge and skills

*“The knowledge and skills gained thanks to the HACCP project made my company 70% export oriented and made our products known outside Macedonia.” – added the owner.*

*“During the implementation of HACCP, our weaknesses were identified; consequently, we took action to improve our production process. Since I made the necessary corrections, I feel more serene”- concluded the owner.*

*“SEED helped the internal HACCP team to decide without any influence from other departments; the team had the possibility to control the production process and made suggestions for changes; in other words the HACCP is independent in its decisions” – said a member of the HACCP team.*

### 2. A strong need to build greater public-awareness of HACCP

Besides the fact that HACCP is a regulative standard, still the large public ignores the importance of the adoption of these standards. That is why the participants in FG insisted on the need to organize public-awareness campaigns. They believed that public awareness can leverage the demand from even more companies to implement HACCP.

### 3. Need for additional training

The need for future additional training was underlined.

*“After meeting with the HACCP experts we came to the conclusion that our mutual goals are to improve the quality level of our production; in order to do that we need some supplementary training” – explained the owner of Swisslion.*

*“SEED with its experts encouraged the domestic experts to get involved and help to implement the HACCP” –the consultant of the Swisslion.*

*“There is an enormous need for additional training, but at the moment there is a limited offer in the local market” – said the independent consultant.*

### 4. Recommendations for improvement

The process of implementing HACCP in Macedonia has begun; in order to achieve its results, there is a further need of support, such as:

- Need for presenting HACCP to further food producers

*“ The trainings for food producers, for presenting and education of HACCP will improve the level of production, export and also the need always to look for repro materials that have HACCP,” – said the independent consultant.*

- Setting up of a regional training center for HACCP

*The independent consultant suggested the idea to setup a Balkan (regional) training center for HACCP.*

## **Conclusions**

In Macedonia it is felt the absence of an Accreditation body in charge with certification of HACCP consultants and with companies accreditation.

Moreover, it is considered that the duplication of responsibilities related to food production and HACCP among different Ministries is another negative factor.

As SEED metamorphoses in the Private Enterprise Partnership for Southeast Europe (PEP SE), its active role in HACCP implementation in Macedonian companies is very important.



**Tigar Linkages Project Serbia and Montenegro  
Summary of Group Discussion**

## **Project Background and Objectives**

The Private Enterprise Partnership for Southeast Europe (PEP-SE) of the International Finance Corporation (IFC), previously known as the Southeastern Europe Enterprise Development facility (SEED), organized a group interview with participants of SEED's cooperation program with "Tigar", a tire and rubber company based in Serbia-Montenegro.

The group interview was held in the native language and than summaries were translated into English. An external moderator facilitated the discussion.

The primary objectives were:

- To explore participant views of SEED's activity
- To explore possible role of PEP-SE in future help to company

The group interview was held on September 21, 2005 in Belgrade, Serbia and Montenegro. The group consisted of 4 participants (1 female and 3 male), with the following job titles:

- 1 company manager
- 1 shop foreman
- 1 independent consultant
- 1 affiliate store foreman

## 0 Summary of findings

The participants were very satisfied with the results accomplished during their work with SEED. They mostly pointed out the great progress that the company has made since the SEED training. They explained the different aspects in which, thanks to SEED, improvements have been accomplished. Also, they discussed their future needs.

The participant responses mainly fell into two categories:

1. Satisfaction with the visible improvements in various aspects of the company during their work with SEED
2. Further need for support in the development of the company

### Satisfaction with the visible improvements in the various aspects of the company during their work with SEED

The participants named three aspects in which visible improvements have been accomplished:

- Attitudes of employees have been more positive.
- Improved communication within the company
- Increased level of work and improvement in the organization of the company

a) A great benefit received through the work with SEED was the change in the thinking of the employees as well as the acceptance of changes among the employees. Those changes should enable a creation of new, positive business philosophy, orientated towards the market and towards gaining new skills needed for the success and growth of the company.

According to participants:

*“The trainings really helped us to choose the best candidates, those who are really for higher ranking positions and who will lead the company into the future.”*

*“I think that what was discussed here was mostly accepted. It is probably going to be even better. It takes time for ideas to start working. It takes time for us, the employees, to realize and accept that change. So, it depends on us.”*

*“It took time to change the way of thinking of the employees. That was the hardest job, and it took three years. Some of the employees are still trying to change their way of thinking. What we have learned from the SEED trainings we have really tried to apply, and 90% of what was recommended we have probably applied. We could not have learned these skills otherwise if we didn't have SEED to help us.”*

*“Everyone knew that something should be changed, but an independent consultant from outside came in and said: ‘This is the way it should be, this should be done this way’. The way of thinking was that the company could only be changed from external opinions. The problem was not among us, the young*

ones, but there are lots of older people who were afraid of any change, especially when it comes from the outside.”

- b) The importance of successful communication in different parts of the company, as well as with the clients, was strongly pointed out.

Comments of the participants included:

*“There was poor communication between the base, main office and store. This has significantly changed. We are working on improving it even more. This is what has changed and what I think SEED has played a large role in. That means everything has changed. All areas of communication have really improved, and I can say that SEED significantly changed that.”*

“Some would find this funny, but we practiced role-playing salespeople and customers. I think this is the base of selling. This was also worked on a lot. It was different before with the operations of the company. The training influenced a lot. Everyone knows each other now. The relationship between the stores has greatly improved. That means that you have to have a team, a real team...a real one can do a lot. If the team is happy, half the work is done.”

*“Even simple things like common courtesy were improved in the company.”*

- c) The improvement of running a business was accomplished with the cooperation of SEED in different fields. The “Tigar shop” accepted a new organizational structure, formed a regional network started opening new services; they established a system of merged stores; market research was done and the necessary appraisal of needed information technology was conducted. According to the participants' opinion, that was a very complicated process, but one in which SEED greatly helped:

*“SEED suggested a new organizational structure including the establishment of a regional network and a division of the market into 3 regions, which the "Tigar" store fully accepted. SEED also recommended opening up new services...at this moment, now, there are 65 "Tigar" stores, of which 5 are services and there are 3 more planned. This means, there were not any services at the start, just the 80 stores. With SEED's suggestion, a system of 'franchising' was made, which we later re-named as affiliated stores. This was the first time that "Tigar" did something that resembled market research. We set 3 goals involving tires, rubber footwear and sports equipment and received an entire study done by consultants trained by SEED, with which we were very satisfied. That basically means that with all SEED contributed to everything—starting with local consultant down to international consultant and the others who were included in the "Tigar" store. We can now start to see the results of all this work. From my point of view, I'm very impressed from an educational standpoint. Overall, I'm satisfied.”*

*"The training that we have had ranges from marketing to the development of business plans, to, in general, the organization of one department of a factory, as I can speak as a manager of a department where I am the manager. We have also benefited a lot by the software that has been introduced.»*

*"Some increase in turnover occurred, but not much. Before the SEED intervention Tigar did not even know how many sales they did in each store. Tigar Trade expected a 4% to 5% increase in sales for 2005 and based on data available. We expect a sales increase of 6% to 7% for 2006.*

### The Need for Further Support in the Development of Enterprises

On several occasions the participants stressed that they required further support in their work. Most frequently they mentioned the following two aspects:

- Additional training
- Assistance in obtaining credit

a) The participants expect continued support and ongoing, new activities.

As some remarked:

*"The greatest assistance is modernization, and the availability of information about global trends in our field."*

*"Further action, more training, and holding regular meetings from time to time... For something to be constantly going on, something positive, of course."*

*"For years there has been nothing here. All of us have been aware of this, with some more aware than others. But somehow we did not apply ourselves. That's how we are. We need some kind of action. Some support is always necessary."*

*"We always want to see that SEED is here."*

b) One of the most important ways of offering support is the availability of contact with various financial institutions which can assist in securing different forms of credit.

In the words of one participant:

*"The main link between Tigar commerce and the Tigar corporation and SEED should be towards financial institutions and some improvement of our image with financial institutions. And, at the end of the day, the link between us and IFC or other institutions is in obtaining credit. I know what the biggest problem is in our market. The other partners would love for us to offer them better conditions to buy machines to allow them to open their services. That was an earlier plan. We now no longer have anything left of those potential financiers. We are trying*

*something with domestic banks, but I think that the role of SEED would be critical between Tigar and financial institutions which are willing to invest.“*

**Conclusion**

SEED has played a very positive role in the reorganization and work of Tigar commerce. There exists a great need for the continued support which PEP-SE (Private Enterprise Partnership for Southeast Europe) is able to offer.

## **Corporate Governance, Bosnia and Herzegovina**

### **Summary of Group Discussion**

#### **Results from SEED's Intervention**

In the group discussion there were four participants (all men), one of whom was a SEED trainer and the other three had attended a SEED training seminar. The discussion was mainly based on the training experience and suggestions for future activities in the framework of the corporate governance project. Participants stressed that the primary benefit participants received from the training provided by SEED is mainly 'filling in' knowledge that they already had, given that they all had a number of years of work experience in corporate governance.

*I think that I was among those people that, because of a small gap in knowledge, listened to everything in order to try and complete that mosaic... Accordingly; I can say that I was satisfied. (Participant SEED training)*

A participant in the "Management of Contracts" training, who conducts training for staff in his company stressed that the training taught him about additional methods that he could utilize, which he did use in his work.

*I learned some from training from the Trainer... I really did try and use some, not all, of the things I heard. It was beneficial to my work. (Participant SEED training)*

However, this same participant did mention that the interest level of participants in the training was quite low. He considers that SEED organized the training very well but that the oversight may have been in the selection of participants (inappropriately selected or insufficiently prepared) and that this had a negative impact on overall effectiveness.

*On the side of SEED this was a good idea – well organized, good people brought in to conduct it, competent, skilled, but I do not know how much of an end effect it had. The main reason for this was the lack of interest and involvement of participants. (Participant SEED training)*

Participants that attended the "Using Corporate Governance to Attain Company Goals" training assessed that this training would have been more beneficial if the participants had had more prior knowledge about the topic. As was the case, there was a diverse profile among participants (students, private entrepreneurs, cantonal and municipal civil servants, and professional state institution personnel) and the content presented had to be adapted to the various participant categories. So participants benefited only from parts of the training (and meanwhile they sat and listened to already well known information or

were not able to follow the flow of the discussion, depending on their background). According to one participant:

*There were people in attendance that I do not believe I have anything new to tell on the subject, while for others everything said was new. ... Then the question arises of what level to go to with fundamental concepts on the one hand, and on the other how far to go with some narrow professional specialist situations? (Trainer in SEED training)*

The volume of topics that were treated in the course of the seminar, given the amount of time available, was considered to be very ambitious and participants consider that as a result not all topics were treated fully. This had a negative impact on the level of benefit derived by training participants.

*I think that two days is about right for one rounded topic...Perhaps there were somewhat too many questions, too many topics in the morning, two in the afternoon – a total of eight topics in two days. (Participant SEED training)*

Participants assessed that the Trainer did his job very well but that in the future it would be preferable for two trainers to lead. They consider that the two-day training with a very demanding schedule is too much of a burden for one person, and that it could be more interesting for participants.

*The trainer was qualified. Compliments to the organizers in terms of the selection of trainer. (Participant SEED training)*

*For the sake of seminar dynamics, people would like to see at least two or three faces. Also for the sake of bringing out of various opinions, comments, approaches to various issues.... (Participant SEED training)*

Direct intervention (consulting services) within companies was also stressed as a part of SEED activities that participants consider to have been successful. They view the advantage of this approach to be SEED activities being based on the specific conditions of operations in individual companies and direct assistance in acquiring and implementing knowledge and skills.

One participant gave an example of effective SEED intervention:  
*It was stock feed production where SEED brought in a foreign consultant that assisted in stock feed production methods. Other people from SEED together with us did an approximation of the financial effects of this – the market, etc. They received useful suggestions about where they may have problems, what are the risks in that business, where and for what reason they may encounter cash flow problems, how to forecast these things, etc.*

*It seems to me that this method of direct work with companies, direct insight into its problems ... has given good results as far as I know. (Participant SEED training)*

*I think that this is the greatest benefit from SEED. (Participant SEED training)*

## **Future Training**

Participants suggested three basic areas for future PEP-SE activities in the framework of the corporate governance project: direct consulting in companies (with company management as well as with supervisory boards and shareholders), trainings (management, supervisory board members, students), and public information services.

*It is necessary to work with shareholders, funds as shareholders, the state as a shareholder. (Trainer in SEED trainings)*

*I would like to stress that education, particularly of members of supervisory boards. That is certainly a top priority for us. (Participant SEED training)*

*That information service should simply be able to answer the question: ‘I have shares, what should I do with them?’ (Trainer in SEED trainings)*

Recommendations for future training are based upon overcoming the mentioned weaknesses in the SEED training attended by participants. They suggested that the market conditions need to be taken into account more closely in the planning of seminars – to first establish the needs in relation to corporate governance, then carefully select participants and topics to be treated. On the basis of their personal experience, participants stated that the general level of knowledge in Bosnia and Herzegovina in relation to corporate governance is very low. They consider that PEP-SE needs to start with this fact in the planning of future activities. (Topics proposed for which participants consider there is a need are: differences between shareholder and employee relations, legal profiling of corporate governance in individual companies, grey market and share theft, shareholder responsibilities, importance of transparency and publication of financial reports.)

*I would like for SEED to avoid possible mistakes. It is necessary to drop the level of the program, at least at the beginning, to a very, very low level. (Participant SEED training)*

*Ask colleagues in PIFs about the kind of problems they encountered of the kind that people want their certificates back. (Trainer in SEED trainings)*

The need for engaging in these three types of activity are illustrated by an example given by a participant:

*People were given certificates on which it is written that they own some shares, then the director of a very respectable firm, an awarded manager, says, ‘If you sell that, you don’t come to work on Monday. If you need the money, then sell to me at the price I set.’*

One participant gave a clear example of the lack of knowledge about the basic principles of corporate governance among people that should be practicing it:

*Recently I saw in the newspaper an interview with the president of the supervisory board of a very important B&H company that has been much in the focus of public interest lately. The journalist asked: ‘the half-yearly statement has been adopted. Can you tell us what the financial performance was and what are the plans of the company of which you are president of the supervisory board?’ This gentleman responded, ‘ Our Company has adopted a code about not sharing business secrets including performance results.’*

Participants consider that the trainings would be more effective if the selection of participants was conducted in two stages. The first could be an advertisement in the newspapers, as this provides a means for identifying interested and motivated students. Following this, based on the level of knowledge about the planned topic (which participants consider can be established through a brief questionnaire or focus group), candidates would be categorized and for each of these groups separate training would be conducted.

*It is necessary to have some sense of the level of knowledge of participants. (Participant SEED training)*

*Equalize it. (Trainer in SEED training)*

*Perhaps they should simply take a list of companies and make a random selection – close their eyes and choose 15-20 firms and invite the directors, board members, individual major shareholders – to a group discussion where there would not be a set topic at all but rather just talk about management. Then you would hear what people know and what they do not. (Participant SEED training)*

Participants stressed the need for continuous education and suggested the planning of a series of trainings targeted at certain categories that would provide them with complete appropriate knowledge about corporate governance.

*I think that it would be good to take a multilevel approach to educational training. To focus on certain groups and at the start provide the basic level of information and after that to gradually build on the knowledge offered. (Participant SEED training)*

Participants suggest that in certain trainings, it would be best to directly invite company representatives as a significant proportion of those that need to conduct corporate governance, since they do not have sufficient knowledge on the subject and it is not reasonable to expect their self-initiative in registering for training.

*I would go for direct invitations toward people in companies. Invite directors and managers in companies directly and provide them the opportunity to listen to this. (Participant SEED training)*

*Often those are not people that have a low level of knowledge, but rather have the wrong kind of knowledge. (Trainer in SEED training)*

Participants also stressed that given the complex nature of corporate governance, that careful selection of trainers needs to be made and that trainers of various profiles need to be provided.

*Corporate governance is not only something that lawyers should discuss but also economists (for explanation of the financial side and structure of corporate governance systems), and psychologists (to assist people in conceptualizing their non-material rights). (Trainer in SEED training)*

One participant described an example that illustrates how individual trainings should be conducted for future PEP-SE activities. This was presented as a positive experience on which to model future activities:

*SEED approached my company and said pretty much this: “You have some three or four thousand companies in Bosnia and Herzegovina in your data base – give us that data so that we can go directly to company representatives, to directors. You are experienced in that, so tell us what you think would be interesting for people.” On the basis of those suggestions a SEED program was developed and sent directly to directors and that seminar was conducted over the weekends for about a month. Attending there were representatives of large companies such as the General Director of ‘Elektroprivreda’, directors of telecom etc. (Participant SEED training)*