

ASSESSMENT
OF THE
MACEDONIA BUSINESS RESOURCE CENTER (MBRC)
PROGRAM
Skopje, Macedonia
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A. SUMMARY FINDINGS

The current task order for the MBRC covers the period October 1, 1997 to September 30 1998. This assessment is intended to: (a) review what progress MBRC has made in building upon lessons learned during the first two years of the project; (b) provide recommendation for possible Program extension; and, (c) present general observations about MBRC's conduct and performance.

Now in its third year of operation, the MBRC program continues to target the accelerated development and growth of private enterprise, measured by intermediate results in improving: (a) management practices; (b) financial soundness; and, (c) sales and marketing. The MBRC has focused most of their attention on financial management issues and the preparation of business plans, at the same time, recognizing the future importance of marketing and sales. The program has reached a significant level of maturity due in part to its acceptance by Government and business community alike. This maturity extends to the professionalism of MBRC's local consultants, the support provided by executive volunteers, and good client relations.

The program has now removed the previous distinction between enterprises and agribusinesses as recipients of restructuring assistance. Separate benchmarks are no longer required for the two sectors, and MBRC has successfully targeted 20-25% of restructuring assistance to agribusinesses, as required. Overall, MBRC's technical assistance to privatized companies with 51% private ownership and 25 to 500 employee level, remains workable.

The Center has received high marks for their professional assistance to SMEs. These services are largely unavailable and/or unaffordable in the local marketplace, and there is justification to continue subsidized donor-funded services for some time to come. However, it is unlikely that the MBRC in its present form can become a sustainable organization, beyond the time when USAID funding ends. Explicit attention needs to be given, as to how, over time, part or all of the organization can transition to functioning in a for-profit, business consulting marketplace.

The Task Order requires an emphasis on building local professional capacity. In this regard, there has been a 30% increase in the hiring of local Macedonians since September 1997, and responsibility for client contact and consulting activities is now primarily with local professionals. Overall, relationships between project management and employees of the Center have been enormously strengthened by empowering Macedonian staff.

The number of client training events held since September 1997 well exceeds program targets. A strong in-house training program now exists, and this year will offer U.S. internships for six

Macedonian consultants. MBRC also propose inviting a representative from the USAID-funded Business Service Center in Slovakia to hold a seminar for MBRC consultants on the SBBC experience in training consultants for private business practice.

MBRC has established good relations with other donor organizations, principally by giving them access to MBRC resources and advisory services. There have been some expressions of support for the Center from other aid organizations but, nothing concrete has yet resulted. Considering the high profile of the MBRC in the business community, ongoing relationship with these donor organizations should attract more interest in providing access to client loans, financial support and cost-sharing programs to increase ongoing sustainability of the MBRC .

The current management structure, and the role of the Advisory Board is in need of immediate attention, together with a need for the new MBRC management team to present their own new business plan to USAID. In particular, the plan should address the development of independent consultants, and a strategy for the MBRC to make the transition to a self-sustaining organization.

Recommendations for Program Future:

From interviews held with a cross-section of current MBRC clients, it is evident that these businesses benefit greatly from the training they receive, and, as they get more information, they are increasing dependent on the program to make important decisions effecting the future of their enterprises.

Specifically:

1. The MBRC program should be extended beyond the current project completion date, however, lower levels of funding would seem to be inevitable considering other USAID priorities. A 20 -25% budget cut could be absorbed by MBRC through cost cutting and other measures. A 50% cut in funding would necessitate producing a new scope of work which would be focused on: (i)reducing the present MBRC organization size; (ii) limiting the number of new clients, and finalizing all existing client training programs; and, (iii) providing additional training and resources for Macedonian consultants to prepare them for entering private practice. It is not recommended that the program be re-bid however, MBRC should be advised as early as possible concerning USAID's intentions regarding any extension of their program.

2. Immediate attention should be given to announcing the MBRC change in leadership. This should include media press releases, letters to Government officials, announcements to clients and staff of MBRC. Every effort should be made to immediately resolve the personnel issue involving Mr. Pat Haala, preferably

before the end of February. In addition, Crimson Capital should undertake to assure USAID that the newly appointed Chief of Party, Dr. Michael Peden, remains with MBRC to steer the organization until the end of the program. Once the management problems of MBRC have been resolved, senior USAID officials should demonstrate a more active involvement with the program by endorsing the new management, applauding accomplishments, and assuring support for the continued success of the program.

3. MBRC should commence a review of their staff and to upgrade their personnel resources in order to conduct an effective training program for implementing International Accounting Standards (IAS). MBRC's program should be well-coordinated with the USAID IAS training Program.

4. The following logistical issues should be addressed as soon as possible: (i) obtaining a contract waiver to allow spouses to accompany volunteers on long-term assignments; (ii) approving a no-cost extension of program to December 31, 1998; (iii) following up on status of the employee registration issue.

Conclusion:

The MBRC offers important business development services which are unavailable and/or unaffordable in the marketplace. Interviews with MBRC clients individually, in group meetings and seminars, in Skopje and the field, confirms the value of the Program. MBRC are a maturing organization offering a high degree of professionalism, enthusiasm and program focus which is evident at every level. In addition the Center has attained high levels of efficiency in a variety of administrative areas such as on-the-job training, translation services, and the production of printed materials. There can be no doubt that the MBRC have made a significant contribution to accelerating the development and growth of private enterprise in Macedonian albeit, a contribution limited by time, and the constraints of economic and judicial reforms. The MBRC program should be extended beyond the current (extended) project completion date, to December 1999.

B. BACKGROUND

The Macedonian Business Resource Center (MBRC), is operated by Crimson Capital Inc., a New York City-based banking consulting firm which was awarded a Work Order by USAID/Washington under the Omnibus II Contract # EPE-I-01-00062-00, Task Order #1, Modification #4 to provide technical business services and to establish the MBRC. Crimson Capital administers the MBRC from Prague, Czech Republic, and has an accounting office in Atlanta, Georgia which tracks financial records. MBRC provides technical assistance to privatized Macedonian-owned enterprises to improve financial stabilization and profitability, operational and managerial improvements, long-term restructuring and

recapitalization, and to enhance the ability of companies to raise capital and attract joint venture partners. The project has a high utilization of Volunteer Executives.

Crimson Capital's track record with field management of the MBRC has not been good. Prior to appointing the present Chief of Party, four other managers were terminated from the position. In spite of this, the project has met performance expectations, and has successfully established a valuable service for the business community.

The MBRC commenced Phase I (initial feasibility assessment) activities on September 9, 1995, followed by Phase II (pilot project) activities on November 25, 1995, and Phase III (full program roll-out) on May 6, 1996. The program ends on September 30, 1998, but a no-cost extension to December 31, 1998 has been requested. A final tranche of \$1,986,310 has been approved, bringing total authorized funding to \$7,986,310. The decision to extend the MBRC project past the current end date will be a USAID country strategy decision.

MBRC occupies 670 square meters of space in an attractive, modern building in central Skopje. Their current lease expires in July 1998, and continues thereafter on a month-to-month basis. Current staff levels are 34 Macedonians, five expatriates and eight volunteers. MBRC own no automobiles however, the program does own computers and other office equipment. An inventory of equipment has not been maintained by MBRC however, one is expected to be completed by the end of February 1998.

C. MBRC'S ROLE IN DEVELOPMENT OF THE PRIVATE SECTOR

(i) Findings:

- The MBRC represents a major part of USAID's country strategy for the FYRM. MBRC in turn, plays a unique role in the development of a private sector that can expand both inside and outside Macedonia. Recent events concerning MBRC personnel have complicated the relationship with USAID however, once these issues are resolved, better communications between the two organizations will lead to more involvement by the Mission in the Center's activities.

- MBRC have reached an important threshold in their acceptance by the business community and the Government. When the MBRC was established in 1995, there was initial skepticism, because business consultants had come and gone, and the services they provided were not comprehensive (mainly preparation of business plans). The major impediments to SME development and growth are: (a) training in modern business methods; (b) the lack of available finance, particularly in the \$20,00 to \$200,000 range; and, (c) the need to advance judicial reform. MBRC is principally

engaged in assisting SMEs with financial management, business plans and loan applications (four loans are currently under consideration). There is limited involvement in addressing the legal and regulatory issues which are impediments to SME growth and development.

- What has worked so far for the MBRC has been their degree of acceptance by the Macedonian business community, and the Government. Much of this success can be attributed to the comprehensive advisory services and to the professionalism of local Macedonian consultants. Now, with an ever-increasing flow of applicants for business services, MBRC is able to require more specific client commitment in the form of management and staff resources. Prospecting efforts are now concentrated on businesses which have the greatest potential for success. The emphasis is finding new projects with existing clients rather than finding new clients. Regular monitoring of all current and graduated clients is being improved through a website page. Information gathering for the webpage will encourage MBRC consultants to keep current with client activities.

- What has not worked for the MBRC has been allowing their clients to independently follow up on business and trade leads, particularly those contacts outside Macedonia. There remains a lack of expertise in "putting a deal together", such as understanding a cost structure, writing letters of introduction and offerings, and structuring a contract. In the majority of cases, clients have little or no professional business training or knowledge of free-market enterprise. Historically, schooling in the FYRM has not placed any emphasis on entrepreneurship and the workings of a demand-driven economy.

- A market for paid business consultants in Macedonia is likely to become a reality within the next five years. Already, an extensive directory of local business consultants is published, and includes the MBRC. However, only a handful of these consultants firms could offer anything like the range of services provided by MBRC. The "Big Six" international accounting and consulting firms are represented in FYRM. They work primarily with the banks in an auditing capacity, and are not presently engaged in consulting services.

(ii) Recommendations:

- USAID/Skopje could give a strong boost to the MBRC program by taking a more active and supportive role by providing coordination with other USAID program activities, and progress updates on policy reforms of importance to the business community.

- MBRC needs to more fully leverage their relationships with other donor organizations to provide access for client business

loans, and to expand regionally by sharing resources outside Skopje. There does not appear to be sufficient reason or resources for the MBRC to establish their own business offices in outlying regions.

- MBRC should prepare a comprehensive review of business consulting services in Macedonia in order to determine the size of the market, the qualifications of firms listed as "consultants", and the potential opportunities for MBRC consultants in private practice.

D. CURRENT MANAGEMENT SITUATION

(i) Findings:

- MBRC is an efficient, well-structured organization which has reached an mature status in providing information and expertise to the business community and Government. The Center has recently delegated responsibility for business advisory services to seven, account management teams, each responsible for a geographic area of the country. Each team is headed by a senior Macedonian consultant, with an expatriate consultant or volunteer acting as an advisor, and a junior Macedonian consultant in training. Executive volunteers and expats provide specialized support functions in areas of accounting/finance, marketing/sales, business operations, and human resources. The new MBRC organizational structure is detailed in "Attachment A". MBRC find it increasingly difficult to engage long-term, executive volunteers without the ability to offer spouse travel benefits. The current level of eight volunteers will soon be increased by two, with plans to engage additional volunteers once the contract allows payment of spouse travel expenses.

- In another management change, the agreement worked out between USAID and Crimson Capital for changing to a new Chief of Party have not worked out as planned. The new, MBRC Chief of Party, Dr. Michael Peden, is in a difficult situation of having the former Chief of Party, Mr. Pat Haala on the premises each day, representing himself as the general manager of the organization. Mr. Haala who was terminated effective 2/28/98, (Advisory Board notified 1/20/98), continues to have full access to MBRC offices and records, and to hold meetings with important clients, in some cases withholding information of importance to MBRC management. The appointment of Dr. Peden, effective 2/28/98, has improved organization morale and accelerated the transfer of skills and management responsibilities to local Macedonians. This has resulted in increased capacity for MBRC to provide services however, publicity for the new management changes has been inadequate.

- The question of whether to register employees in the Government social programs remains an unresolved issue for the MBRC.

Currently, MBRC employees are not registered, and therefore not covered for Government social benefits such as medical insurance, unemployment, maternity leave and paid vacation time. However, salary levels for Macedonian staff do include the cost of these benefits and employees can contribute directly to the program. The dilemma facing MBRC (and other USAID contractor) is whether to proceed with registration. In a limited time program, this could result in complications with costly benefits such as severance packages, terminations, and long-term maternity leave.

(ii) Recommendations:

- Immediately sever relations with Mr. Haala and initiate a publicity program announcing the appointment of Dr. Peden as MBRC's new Chief of Party. Distribute this information through advertisements, and public announcements, to all concerned.
- Initiate a request to USAID contracts office to provide a waiver to allow travel costs for executive volunteer spouse under the terms of the MBRC contract. Similar terms exist for long-term volunteers under USAID grants and cooperative agreements.
- Modify the current MBRC task order to provide for a no-cost, three month extension of the program. MBRC have requested extending the end date of the current Task Order to 12/31/98.
- Delay any decision with regard to employee registration, until the US Embassy's study for a modified, standardized agreement covering all USG contracts in Macedonia has been studied.

E. TRAINING

(i) Findings:

- MBRC has appointed Mr Glenn Stennes, a competent manager to be in charge of their training division, which provides training for clients and staff, and includes the supervision of volunteers.
- The current Task Order requires that MBRC provide 30 training opportunities for at least 50 businesses, 25% of which should be located outside Skopje. Since September 1997, 40 training events have been held, involving 81 businesses (32% outside Skopje), and this has exceeded the program target by 60%. On average, sixteen individuals attend each training seminar held at the MBRC. More emphasis is now being directed to holding these seminars outside the Skopje area. For the period February to September 1998, 22 training events are planned at MBRC, plus an undetermined number to be held on client premises, and outside the Skopje area. MBRC makes extensive use of "toolkits" in their training sessions. Training materials are well-presented, in both Macedonian and English. Toolkits are widely utilized in the training program and presented in the form of training manuals.

- MBRC conducts formal, and on-the-job training of staff on a regular basis, in-house. Senior account managers have all completed Level One training (basics) and are currently undertaking Level Two (designing individual business plans). Associate consultants participate in Level One training sessions. Administration staff are also involved in ongoing, on the job training such as learning english. More training will be necessary to prepare local consultants for entry into the private sector as independent operators. The Task Order provides funds for travel and per diem, (up to \$6,000 per person) for six, 30-day internships in the United States. Training will be provided in July and August 1998, for senior Macedonian consultants in two groups, representing both enterprise and agribusiness sectors. Locations for the internships have not been determined however, initial inquiries for assistance are being made by MBRC to World-Wide Learning, and Volunteers in Cooperative Assistance (VOCA).

(ii) Recommendations:

- Proceed with the 30-day internship program in the United States as soon as possible - July and August vacation months would be an ideal time. Eligibility for senior consultants should be based on their professional maturity, english language capabilities, and completion of training qualifications.

- Establish more in-house training for account managers who plan future consulting careers outside of the MBRC. Consultants interviewed were interested in more motivation through performance-based, paid commissions, bonuses, special training seminars, and internships in the United States.

- The issue of employee incentives should be tied to the graduation of consultants from the MBRC program into private business. In this regard, a suggested training program has been proposed for MBRC consulting staff. In April/May 1998, a representative of the USAID-funded Slovakia Business Resource Center (SBBRC) will be invited to the MBRC to make a presentation on their program to develop local business consultants. The SBBRC recently shifted their program focus from helping businesses to helping consultants.

- Continue to expand MBRC training programs outside the Skopje area. Of particular interest would be the planned regional seminars to promote available sources for business loans. MBRC should provide more direction to their account management teams for engaging new clients, based upon participation in, and understanding of MBRC's basic training seminars. Consider adapting training manuals for use in CD-ROM type "toolkits" which could be produced and sold by the MBRC at some future time.

F. ADVISORY COUNCIL AND OUTREACH ACTIVITIES

(i) Findings:

- Initially, the MBRC had separate Advisory Boards, for enterprises, and agribusiness (later eliminated). Under the terms of the original contract, a ten-member Advisory Board of Macedonian business and Government leaders was required to provide oversight of the MBRC. Current Board strength is seven, which does not include a representative from the agriculture sector as required when the agricultural board was eliminated. Also, the participation of more financial sector board members has not been achieved, as required in the current Task Order.

List of current seven Board Members:

- * Zoran Kostovski - General Director, Motiva
- * Risto Ivanov - General Director, Noel
- * Marija Zarezankova-Potevska - Assistant to Minister, Small Business Development, Ministry of Economy
- * Tome Talevski, General Manager, Skopje Fair
- * Aleksander Atanasovski, Secretary for Development and Finance - Economic Chamber of Skopje
- * Aleksander Tomov, PhD., Owner - Opel Autotrade
- * Zoran Nikolovski, Director - Head Office for Denar Solvency, Stopanska Bank

- Responsibilities of the Advisory Board are principally, to:(a) stage one public forum during each Task Order period (an international investment conference was planned in 1997 by the Board, but MBRC could not handle the logistics or high costs of such an undertaking);(b) hold regular meetings; and, (c)engage more participation from the financial and agribusiness sectors.

- According to the Chief of Party, the Board has not maintained any records or minutes of board meetings. (Minutes of all future board meetings will be maintained.) The Board has not held meetings on a regular basis nor have they encouraged new participation from the financial and agribusiness sectors. Additionally, there is no record of the Board undertaking any public forums or programs for increasing public awareness about MBRC.

- In outreach efforts, MBRC have been asked by the Economic Ministry, Small Business Division, to establish business advisory centers outside Skopje. At the present time, there are not sufficient reasons or resources to do this. In addition, MBRC does not appear to have attempted linking with other donor organizations which plan to, or already are providing limited business advisory services outside Skopje.

- The database of client records has not been kept up to date at

the Center. New management is working on bringing these records up to date for use in a trade and export contacts promotion. MBRC has also developed a very useful resource library for their professional staff and clients.

- The Government are directly providing MBRC with client "leads", primarily from the Bank Re-Habilitation Agency in order to facilitate the conversion of "Chapter 7" type situations into Chapter 11" type situations. Due to expanded requests, the MBRC are now being more selective in signing on new clients.

(ii) Recommendations:

- Initiate a revised program and establish a regular schedule for the Advisory Board so they can fulfill their oversight obligations. Also, support the use of the MBRC client database to increase activities with trade opportunities. The current database has not been regularly monitored however, it is estimated at 700 business firms are presently on file and MBRC staff are checking the validity of companies listed.

- Encourage MBRC account management teams to provide services in areas outside Skopje, through short motel stays (3 days) on location. Also to provide closer cooperation with business resource centers being established, outside Skopje by Donors such as EU-Phare and Moznosti.

- Consider combining the current MBRC library with the NICCL, Commercial Law Project in order to consolidate their resources and efforts. The combined library should be located at the MBRC.

G. TECHNICAL APPROACH

(i) Findings:

- MBRC is satisfied with the program parameters which provide advisory services to SMEs including agribusinesses, which are 51% privately owned, demonstrate an operating profit, and employ between 25 to 500 people. Program emphasis continues to address: (i) finance; (ii) marketing; and, (iii) preparation of business plans. This basic training is essential before clients can proceed to address other important issues such as increasing sales and exports. Historically, businesses have been "production-oriented", and production was integral to a company's view of their assets. Even now, there is a reluctance to discount old inventory at a discount, and remove non-performing receivables, to produce a realistic balance sheet. The concept of marketing and sales also remains somewhat a foreign concept.

- With increased maturity has come a steady flow of potential clients to the MBRC. This has made it possible to secure a strong commitment from clients to fully cooperate throughout the

advisory process. At the initial interview with new clients, account management teams stress this need for their cooperation and involvement. A contract and confidentiality agreement is signed by all new clients. Senior consultants suggest that fee payments for services are not feasible for another 18 months.

- Existing Government policies are both support and hamper development of the private sector and SMEs. The Government is supporting businesses by suspending employer payments of social costs to encourage businesses to hire new employees. They are also hampering business, with issues such as the amended Trading Companies Law which requires all companies to re-register by 1/1/99. Another example involves and a new law effective 1/1/98 requiring implementation of International Accounting Standards (IAS) by all businesses.

- The MBRC plays an active role in preparing business plans and restructuring loans for their clients. The Center also publishes a "Finance Sources Report" every six months, to provide information on all available local lending sources. At the present time, loans for small and medium-sized enterprises and agribusinesses average six percent per month on the "low end", plus a "kick-back" of 10% on total loan value to the lending bank. MBRC are planning regional seminars to promote information on local sources for loan financing.

(ii) Recommendations:

- MBRC should continue to provide free advisory services provided there is a strong commitment from participating firms to provide management and staff resources. A consulting fee structure and other potential revenue generating ideas should be required to be included as part of each senior consultant's individual work plan, to advance planning for future independent work activities. At the present time, MBRC are not geared up to charge any consulting fees to their clients.

- Consider a gradual reduction in the number of new clients MBRC can accept. Place more emphasis on further developing existing clients, rather than prospecting new ones, and limit access to training programs to those most qualified. If demand for services continues to increase, a partial fee structure could be studied.

- MBRC should cooperate with EU-Phare, other donors and USAID-funded providers to seek solutions to policy-related impediments to SME growth. Also, to find effective ways to convey to their SME clients ways to apply the new commercial laws to their best advantage. Planned regional seminars on finance sources should include representation by local banks and donor organizations.

- MBRC should continue their emphasis on marketing and sales,

because that's where SME growth will occur. However, training in financial management techniques and the preparation of business plans, must be addressed first. MBRC will need to hire an experienced accounting specialist to provide support for the IBTCI/USAID international accounting standards program. (See ENI/PER, John Seong report dated December 17, 1997).

H. ACTIVITY REPORTS

(i) Findings:

- MBRC produces Activity Reports every two months which are lengthy, and incorporate general information issues which could be reported separately. The activities reported contain little if any negative information, nor do they discuss solutions to client problems encountered by the consultants in the account management teams. It can not be possible that all news is positive and that all MBRC client projects are running smoothly.

- The Activity Reports table the performance of current clients, and those which have graduated from the program. Performance monitoring is based upon fifteen strategic indicators which have been adopted by USAID and the MBRC as components of the Results Framework.

(ii) Recommendations:

- Consider changing reporting requirement from bi-monthly reports to quarterly if this would reduce work load. Activity Reports should cover only project activities performed in the current period. All previously reported projects completed should be reported cumulatively, by region and by industry, in a tabular format. A "lessons learned" section should be incorporated in each new activity report, and more emphasis placed upon the inclusion of negative results and problem-solving.

- Reduce the number of fifteen strategic indicators included in each Activity Report. The reduced number of indicators, should be coordinated with the USAID/Macedonia Intermediate Results.

- Annexes presenting information on subjects such as public administration reform, finance sources, business re-registration, foreign investment promotion, changes in company law, etc., should be published separately from the project activity reports. More recognition should be made of USAID funding of the MBRC program by including the USAID logo and credit line in larger type-face, on all reports produced by the MBRC.

I. SUPPORT FROM OTHER DONOR ORGANIZATIONS

(i) Findings:

- It does appear feasible that MBRC will attract sufficient financial support from other donor agencies to sustain their existing organization once USAID funding ends. However, reduction of overhead costs and some additional donor support could sustain a smaller organization. Current coordination between the MBRC and other donor organizations seems to be limited in scope.
- ACDI/VOCA is leveraging a \$100,000 loan program from the Open Society Institution (OSI), to provide a small business credit fund to serve private enterprise and agribusiness, and an \$8 million IFAD loan program fund for rural enterprise development.
- Opportunity International (OI) known locally as Moznosti will receive Pounds 45,000 in funding from EU-Phare and the British Know-How Fund for microenterprise lending through new regional business advisory centers. This resources of this project could be leveraged by the MBRC to provide business advisory services outside the Skopje area at less than the full "set-up" cost.
- EU-Phare is planning to cooperate with the National Enterprise Promotion Agency (NEPA), to provide SME loans of up to DM40,000 through commercial banks. NEPA would approve loan applications for forwarding to commercial lending banks.
- EBRD has received assistance from MBRC in the preparation of client loan applications and business plans. To date, no loans have been approved through EBRD however, one loan is under serious consideration. EBRD is not considered by MBRC to be an effective source for SME business loans.
- The World Bank is currently holding discussions with MBRC to ascertain the possibility of using their organization as a vehicle to make loans. MBRC would need to register as an NGO to meet World Bank (WB) requirements, because, Crimson Capital, the project's legal entity in Macedonia is a U.S. corporation and therefore exempt from WB funding. NGO registration is not considered a major obstacle or problem for the MBRC
- The Dutch AID Agency/Embassy is interested in having MBRC manage agricultural loans through rural input intermediaries. The Dutch funds would go to agricultural input firms which in turn would provide farmers with necessary funds to buy fertilizer, seed or other products. Dutch foreign aid organizations have also suggested providing funding for micro/small business lending to Moznosti and other NGOs.
- The British Know-How Fund and EU-Phare are now targeting SME development in eight new business advisory centers across the country in association with the National Enterprise Promotion Agency (NEPA).

- The British Know-How Fund is providing a training activity for ISO 9000 product standardization, in preparation for WTO accession.

- The Small Enterprise Assistance Fund (SEAF) which is funded by USAID, EBRD and possibly the IFC, will be providing \$8 million in equity capital for SME investments. The fund will make approximately 40 investments averaging \$200,000, through a combination of equity, quasi-equity and debt instruments.

- The World Council of Credit Unions (WOCCU) is planning to establish a rural credit program through the establishment of an NGO Savings House. Funding for this project is provided by USAID.

(ii) Recommendations

- MBRC should develop closer ties with all donor agencies operating in the FYRM, and to make more effort to leverage their advisory services in exchange for tangible assistance and collaboration on projects of mutual interest. One such area involves seeking solutions to policy-related impediments to SME growth and sharing the information received from MBRC clients on these issues, with other donors. However, management personnel issues at the MBRC must be straightened out before any long-term donor relationships can work. USAID support for the MBRC's deal with the Dutch agribusiness loan program will be important to clinching the deal.

- MBRC could reduce their operating costs by sub-letting space in their Center to other donor organizations such as CFED, MAMA, and SEAF, and work with the USAID Mission to consider combining these and other organizations into an American business resource center. Support from donors other than USAID, should be actively sought to help sustain all or part of the MBRC organization. MBRC report that expressions of interest have been received from other donor agencies.

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