

AID-FOR-TRADE CASE STORY: EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

EBRD BUSINESS ADVISORY SERVICES PROGRAMME

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INTRODUCTION

Participation by private businesses in international trade requires not only supportive trade policies and institutions and good infrastructure provided by the government but also capacity and know-how at the enterprise level. Enterprises would first need to know about the opportunities in international markets for their products and services. If there are opportunities, they need to know how to market. Most critically, they need to meet the standards of their potential international clients. For enterprises in developing countries, especially for micro, small and medium-sized enterprises (MSMEs), not having the basic knowledge and capacity to engage in international trade is a major challenge.

The European Bank for Reconstruction and Development (EBRD) has been providing technical assistance to help MSMEs in the EBRD region build their knowledge and capacity to operate successfully under the Business Advisory Services (BAS) Programme since 1993. At the end of 2010, the BAS programme has supported more than 10,000 MSMEs in EBRD countries of operations with over €100m of funding raised from multiple donors. The programme provides grants to subsidise consultancy services to MSMEs to improve their performance and at the same time supports the development of local consultancy services industry. The services provided under the programme include improving market performance, management effectiveness, cost reduction, quality management and environmental management. Almost three quarters of assisted MSMEs have less than 50 employees and over two thirds are located outside of main cities. More than a quarter of these enterprises go on to secure external financing to continue their growth. Two case stories below highlight how BAS facilitates exports of MSMEs, and in turn, growth and employment in countries of operation.

Case Story 1: MARAN LTD. – improving marketing

One of the objectives pursued through the BAS programme is improving market performance of companies. This can also include increases in exports. Since 2008, out of 995 companies subject to projects which targeted improvements in market performance, 195 (approximately 20%) reported improvements in exports after BAS intervention. For example, partner search projects may help to find suitable suppliers for higher quality production or clients abroad to expand a company's customer base which can lead to increasing exports. Also, development planning may include new marketing strategies that improve a company's visibility abroad. This was the case for Maran Ltd.

Maran Ltd. is a regional winery located in Vayots Dzor, a province rich in grape varieties in Armenia. The BAS project provided support to strengthen its marketing strategies from February 2008 until July 2008. Since its establishment in 1991, the company expanded rapidly planting 20 hectares of vineyards. In 2007, the company produced 30,000 bottles of red (grape) wine and 2,000 bottles of pomegranate wine. It had an assortment of 15 types of dry, semi-dry and dessert wines marketed under registered trademarks such as Noravank, Malishka, Marani and Yegeghnadzor. It has also been exporting 40 per cent of its sales to Russia and France. Primarily driven by increased competition in the domestic market, the company requested BAS assistance.

The BAS project primarily consisted of developing a corporate identity and brand that reflected the company's high-price and high-quality market segment. It developed a full brand-book according to a new corporate style which could be used in marketing materials such as business cards, envelopes, posters. New packaging and promotional materials were designed. It has developed a corporate website <http://www.maran.am/>. All of the materials were tested in a focus group.

The company's new image, corporate identity as well as promotional materials and the website developed with BAS assistance were utilised as effective marketing tools leading to improved customer awareness and loyalty mainly in the domestic market, but it has also helped to expand its marketing of exports. After the completion of the project, the company had the opportunity to present its new catalogues and other promotional materials during several major trade events and exhibitions locally and abroad (e.g. ArmProdExpo held in Armenia in November 2008 and Armenian Food & Beverages Trade Show held in Syria in December 2008). A number of new sales contracts were signed, including a sales agreement to a new export market - Syria. The website has also contributed to improving the company's image in local and export markets. The company's management is regularly analysing website visitor information for marketing planning purposes. Export sales have increased by 27 per cent a year after the BAS project completion compared to the level at project approval.

Case Story 2: RH-LM d.o.o. – improving standards

Another objective pursued through the BAS programme is the introduction of quality management and certification. One key incentive to introducing higher quality standards and obtaining international certification is the resulting ability to export products to foreign markets, notably the European Union. Not having the necessary certification can be an important obstacle to further growth of a company, as the example of RH-LM d.o.o. shows.

BAS provided support for the implementation of an Integrated Management System (IMS) to RH-LM d.o.o., a small company in Bosnia and Herzegovina (BiH) engaged in the production, assembly and welding of metal pipelines in various industrial facilities from November 2008 until October 2009. Established in 1998 by a private entrepreneur, the company grew rapidly from just having 5 employees to 160 employees at the time BAS support was provided. Although the company had some success in exporting their services to Germany, Finland, Norway and Holland prior to BAS support, it became clear to the management that future growth of the company depended on the expansion of exports of its services directly rather than sub-contracting. This could only be achieved with the implementation of relevant international standards and obtaining certifications concerning the company's quality of welding and occupational health and safety management (ISO 9001:2008, EN ISO 3834 and SCC).

Obtaining certification required RH-LM d.o.o. to review its procedures and organisation, identify steps for improvement and implement a system where the quality of its output and environment, health and safety procedures could be continuously implemented and monitored. These measures were considered to be very complex and challenging for a small company in BiH. The support provided by BAS helped the company achieve these complex tasks.

After the BAS project, the company successfully obtained required certifications: ISO 9001:2008 in January 2010; SCC in March 2010 and EN ISO 3834 in June 2010. Exports by RH-LM d.o.o. have also increased from €1.2 million in 2007 to €5 million in 2009 and maintained exports at around €4 million in 2010 in a difficult

global environment. The company is of the view that without its efforts to improve its procedures and obtain international certifications supported by BAS, it would not have been able to grow so rapidly and remain competitive.