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Macedonia Competitiveness Activity Final Project Report

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EXECUTIVE SUMMARY

USAID completed the project design for the Macedonia Competitiveness Activity (MCA) in 2001-2002 during a period of poor economic performance and political and social instability. At this time, the small and medium-sized business community in Macedonia was largely unfamiliar with competitiveness and had very limited experience working together to advance the interests of their firms, industry sectors and the private sector as a whole. USAID through MCA set out to change this. MCA's mission was to build the competitiveness of Macedonian enterprises in domestic, regional and global markets.

In 2002, Booz Allen Hamilton was awarded the prime contract to implement MCA together with a consortium of international firms that included: Mendez England & Associates (ME&A); International Executive Service Corps (IESC); Devtech Systems; Associates in Rural Development (ARD); and OTF Group. Valued at US\$11.6 million, the Macedonia Competitiveness Activity (MCA) was USAID/Macedonia's largest economic growth program at the time. From 2002 to 2006, MCA worked on six project components, achieving significant results (described herein) in each area. Working with over 180 companies in five industry *clusters*, USAID/MCA played a direct role in creating \$15.4 million in export revenues through the FY2006, much of these in new product and geographical markets where Macedonian companies had never before competed. In addition, the companies that USAID/MCA assisted co-invested at least \$12.5M in improving their production capacity, sales and marketing and product quality.

A. National Competitiveness Council

When MCA started there were multiple fragmented organizations and associations with many different purposes, but no strong, national-level body with strong public and private sector representation and a clear action-oriented economic agenda. Macedonia did not have a tradition of private-public sector dialogue about economic, business and competitiveness issues, and advocacy generally involved a single business person requesting a single exemption or concession from a single government official. The concept of a "national council" was completely new, and its formation was a formidable task.

Today, the National Entrepreneurship and Competitiveness Council is approaching organizational and financial sustainability. The NECC has a committed, multi-sector membership roster and has survived, and become stronger, through three major changes in government (which affect the public sector representation on the Council). The most recent Government of Macedonia wants major Government decisions, plans and proposals to be filtered through the NECC for comments and revision before Government action takes place. This is an expansion of the decision by the previous Government. The NECC functions as the apex organization for gathering public comment, and its recommendations and findings are regularly taken into account by the Macedonian Government as part of the deliberative process.

Multiple issues first raised in the NECC have led to significant policy successes for the Macedonian business community. These include abolition of tourist visas for important inbound tourism markets such as Israel, the removal of import duties on raw materials for the textiles industry, establishment of a credit rating for Macedonian government debt, and reform of the education system for textiles engineering staff. The NECC also serves as the official counterpart organization for the World Economic Forum's Global Competitiveness Report which included Macedonia for the first time in 2003, partially as a result of the Council's work.

B. Consensus Building, Public Education, and National Dialogue

Part of MCA's mission was to broadly introduce competitiveness concepts in Macedonia. MCA's Public Education Department coordinated and led efforts to educate the public and raise the level of national dialogue on competitiveness through a four-year campaign around the need to "Choose Prosperity." The approach was action-oriented and intended to change both awareness/understanding and behavior.

The media provided ample coverage of USAID/MCA and competitiveness-related topics, events and leaders throughout the 2002 to 2006 period. Media-relations efforts resulted in broad-based, positive and informed coverage of project activities, competitiveness goals and most importantly, business results achieved by participating Macedonian firms and organizations.

MCA survey research showed that over 90% of business respondents had changed at least one aspect of their behavior as a result of something that they had learned about competitiveness in 2003, 2004 and 2005.

An annual Competitiveness Summit and accompanying "Street Festival" showcasing Macedonian products, services, cultural exports such as music and art and other entertainment reinforced the message that competitiveness is for everyone (families, students, children), not only the business and political elite.

C. Demand-driven Selection of Clusters

Five industry clusters were chosen through a competitive "self-selection" process based on sector analysis and three evaluation criteria:

- Leadership, entrepreneurship and commitment
- Strategic potential
- Impact in Macedonia

A formal application process was used in three distinct rounds of cluster selection that allowed for a staggered start/launch of cluster activities and increasing involvement and leadership of the National Entrepreneurship and Competitiveness Council in the process. The **Lamb & Cheese** and **Tourism** cluster were selected in the first quarter of 2003. **Information Technology** and **Wine** were selected in the fall of 2003. The **Apparel** cluster was selected in the spring of 2004. MCA work with **digital media** industry group and artists began in conjunction with the Information Technology cluster activities and became more independent of IT cluster activities over time.

Once the clusters were chosen, MCA took a demand-driven approach to working with the sectors that included firm- and sector-level initiatives, association capacity building, co-marketing consortia, production and product enhancement and business environment. This market integration approach helped broaden the focus beyond clusters to include sector-wide capacity and business relationships between firms and the market including external customers and suppliers, rather than mainly between firms in a particular cluster. Activities were designed to make best use of the natural market incentives that propel companies to take risks to upgrade products and enter new markets.

For the most part, the functions of the cluster organizations have been carried forward in associations that are either new, or have significantly improved the breadth and quality of

services to members. These include MASIT and MADE in information technology, Association of Travel Agencies (ATAM) and Hotel Association of Macedonia (HOTAM) in tourism, MAKVINO in Wine, Textile Trade Association and Association of Designers in Apparel, and The Western Macedonia Shepherders Association and Eastern Macedonia Shepherders Association in the Lamb and Dairy markets.

D. Cluster Support and Sub-Projects

MCA worked with each cluster group to understand their current positioning, strengths, weaknesses, challenges and market opportunities. Strategies were jointly developed to overcome challenges and pursue opportunities. The specific sub-projects for each cluster were designed by cluster members and MCA advisors, and proposed initiatives and budgets were approved by USAID. In each cluster, new companies exported for the first time, conducted market research, identified new target markets, pursued joint projects and specific business opportunities, penetrated new markets, and collectively improved business results.

Illustrative Lamb & Cheese Cluster Impact and Results

- Cluster member cheese-makers increased exports from zero on record in 2002 to over US\$1 million and sold for the first time to regional and Western European buyers in Albania, Australia, Serbia, Western Europe including the UK, and the United States.
- Four dairies obtained third country export licenses, bringing the total to five. Another was in the process as MCA concluded. Before MCA, only the largest dairy in Macedonia and a former state-owned enterprise had obtained a European Union export license.
- Four dairies formed a new export consortium based on an MCA IT Cluster model. After completing significant market research in the US to identify its market (restaurants and catering in the southeast) and customer taste preferences, trials were begun and a test shipment valued at \$22,000 was sent to the US. One of the partner dairies is investing more than \$2.3 million in a new facility to meet the highest EU standards.
- An MCA-organized study tour to Albania led to a successful demonstration that Macedonian white sheep cheese was of higher quality than the Greek cheese available in Tirana at the time. One cluster firm placed more than 10 tons of its white sheep cheese in Tirana markets and opened a distribution center in Tirana and is cooperating extensively with wholesalers and retailers in Albania.
- Lamb exports have exceeded targets each year. Most recently, almost \$15,680,000 of lamb was exported, a 50 percent above the baseline and 20 percent over the 2005 target.
- Representatives of the Eastern and Western Sheepbreeders' Associations came together for the first time to pursue Easter Lamb export opportunities in Greece and crossed deep-rooted and long-standing ethnic dividing lines in the process.
- With cooperatives formed by members of the Western and Eastern Sheep Herders Association, MCA and its partners USAID/LOL and the Swedish SFARM have helped establish a joint marketing entity that is branded, "LTM —Lamb to Market." The LTM cooperatives have hired a Greek agent to represent them in Greece. Two attractive markets are local meat retailers for sale to consumers and the catering industry that serves cruise lines.

Illustrative Tourism Cluster Impact and Results

- Foreign tourist arrivals in 2005 surpassed 197,000 which equates to more than a 75 percent increase over the 2002 arrival figure of 112,300.¹
- The number of nights spent by Dutch tourists rose by over 400 percent, from under 5,000 in 2002 to about 20,000 in 2005.² Charter flights between the Netherlands and Ohrid were resumed in summer 2005.
- In spring and fall 2004, 15 tour operators from the US, UK, continental Europe and Turkey sampled Macedonia's warm hospitality and experienced the best it has to offer in culture and nature/adventure tourism.³
- Six renowned international operators including Explore!, Old Country Tours and Regent Holidays (all UK based), included Macedonia in their catalog and tour offering to clients for 2005, 2006 and 2007.⁴
- In 2005 Macedonian travel agents continued to negotiate with foreign tour operators at a significantly higher level than pre-USAID/MCA.⁵ These negotiations serve as a leading indicator for additional international exposure for Macedonia's tourism offering and continued increase in international arrivals.
- Associations that were defunct prior to MCA have now taken a leadership role in Macedonia's tourism industry by organizing familiarization tours (FAM tours) and producing promotional materials on Macedonia on behalf of their members. They have also added new members, improved operations and solidified their finances.

Illustrative Information Technology Cluster Impact and Results

- Software and information technology service exports Increased by over 58 percent since 2002
- Software and information technology sector revenue increased by 26 percent since 2002
- The leading IT association, the Macedonia Association of Information Technology, received technical assistance resulting in a stronger, more sustainable and financially healthier organization.
- IT companies formed the first Macedonian export-oriented consortia (2 groups of up to nine company participants) arrangements to pursue deals in the region and Western Europe

Illustrative Digital Media Industry Group Impact and Results

- Created a new, "new economy" industry capable of long-term positive economic impact and a viable alternative to "brain drain."
- Macedonian digital animators secured their first foreign contracts including for digital spots that appeared in Martin Scorsese's Oscar-nominated blockbuster film "The Aviator."
- Completed outsource contracts have grown to approximately \$200,000.⁶

¹ Based on State Statistical Office report

² State Statistical Office

³ Initiative reports

⁴ Ibid

⁵ Reports from cluster members

⁶ Cluster company

- The industry has committed contracts in 2006 of about \$2 million and firm pipeline of an additional \$2-3 million.⁷
- Official employment has grown from 20 to at least 200.
- Fourteen companies made an initial cash investment, plus more than \$1 million in equipment to form the Creative Media Group (CMG), a private enterprise that will provide full services to the entertainment industry.⁸
- The Macedonian Association of Digital Entertainment was awarded a Global Development Alliance (GDA) grant to further advance the industry.⁹

Illustrative Wine Cluster Impact and Results

- The average price of bottled wine has increased 40 percent since 2003, the base year for MCA's work with the Wine Cluster.¹⁰
- Macedonian wineries have invested \$9 million in new facilities and equipment since 2003, an annual increase of 350 percent.¹¹
- Cluster members reported 2005 bottled wine exports of \$8.7 million, a 20 percent increase over the 2003 base year export figure.¹²
- MAKVINO, The Macedonian Association of Quality Wine Makers was developed to promote the country's image as a quality wine maker to increase exports and increase competitiveness in the industry.

Illustrative Apparel Cluster Impact and Results

- Five cluster companies reported signing contracts totaling almost \$5.4 million in 2005 as a direct result of participation in trade fairs supported by MCA. Among their demanding new clients are top European brands, such as H&M, Zara, Moschino, Valentino, Columbia and Carrefour.
- The value of 2005 apparel exports (excluding Germany) of active cluster members was almost three times that of non-active members – \$34.6 million vs. \$11.8 million.¹³
- Cluster companies have either made in 2005 or plan to make in 2006 investments in new factories and equipment valued at almost \$3 million.¹⁴
- Textile Trade Association (TTA) was formed by various segments of the textile industry as a result of being turned down in the first two cluster selection cycles. With MCA assistance the association has a strong and cohesive vision for the apparel industry and through increase exports and competitiveness is now completely self funding.

E. Synergy with USAID and Other Donor Activities

MCA cooperated and sponsored joint activities with numerous USAID projects and initiatives funded by other donors and embassies.

⁷ Ibid

⁸ CMG

⁹ USAID/Macedonia

¹⁰ State Statistical Office reports

¹¹ Ibid

¹² Ibid

¹³ State Statistical Office reports

¹⁴ Cluster companies

USAID and US Embassy	Other Donor Projects and Embassies
Community Self Help Initiative	British Embassy
Corporate Governance Program	Austrian Development Agency
E-Biz	Dutch Chamber of Commerce
Economic Office – US Embassy	MASHAV – Israeli Center for International Cooperation
E-Gov	GTZ – German Technical Cooperation
E-Schools	SEED/IFC – South-East Europe Enterprise Development
Land O'Lakes	SFARM /SIDA – Swedish International Development Agency
Local Government Reform Program	IFAD – International Fund for Agriculture Development
MK Connects	EAR –European Agency for Reconstruction (various agriculture and human resource development projects)
Peace Corps	SIPPO – Swiss Import Promotion Agency
Prisma	CBI – Dutch Import Promotion Agency
Regional Competitiveness Initiative (RCI)	International Finance Corporation (IFC)
USAID Albania Competitiveness Program (EDEM)	Norwegian Embassy
USAID Montenegro Competitiveness Program (MCP)	Embassy of Belgium
USAID Serbia Enterprise Development Program (SEDP)	Embassy of Israel
World Learning's Participant Training Program/Human and Institutional Capacity Development (PTP/HICD)	ICE – Italian Institute for International Trade
WTO Compliance Project	UNDP – United Nations Development Program

F. Gender

MCA adopted the Gender and Development (GAD) approach in mainstreaming gender into all phases of project activities: design, implementation, monitoring and evaluation. GAD provides an opportunity to look at a broader context and analyze gender roles in the society, ways gender norms are defined by the society and ways men and women are affected by development. This approach leads to empowerment and mainstreaming womens' and mens' concerns in programs and policies.

A Gender Assessment was completed in April 2003. As a result, the project began to gain greater understanding of the impact of gender in the activities of MCA project in order to ensure the highest level of effectiveness and sustainability. Information from the assessment was brought to enhance the goals of MCA.

Gender awareness and integration training was delivered for project staff to increase gender awareness on the personal, interpersonal and project levels, as well as identify strategies and develop action plans, timelines and indicators for mainstreaming gender into project areas.

Women and men were broadly represented in all MCA activities. Disaggregated participation data shows variance by industry cluster and specific activities but in all cases women and men benefited from USAID's investment.

Special Note

The MCA project team worked in close partnership with USAID and local actors from every sector (public, private and civil society) and multiple industries throughout the project. We are very grateful for the active support and cooperation of Cognizant Technical Officers Ms. Elizabeth Markovic, Ms. Tanja Markovska and Ms. Meri Cuculoska as well as to the entire USAID Mission leadership and staff whose vision and commitment made MCA possible. All indicators suggest that the results and benefits of USAID/MCA will continue to be felt far into the future.

INTRODUCTION

The Macedonia Competitiveness Activity (MCA) project was designed by USAID/Macedonia in 2000-2001 and was awarded via a “full and open” competitive tender process in 2002 to Booz Allen Hamilton (prime contractor). At that time, the MCA project was the largest USAID “competitiveness” program worldwide.¹⁵ Within Macedonia, MCA became USAID’s largest and flagship economic growth program with a period of performance from October 2002 through September 2006.

Project design envisioned six project components:

- National Competitiveness Council
- Consensus Building, Public Education, and National Dialogue
- Demand-driven Selection of Clusters
- Cluster Support and Sub-Projects
- Synergy with USAID and Other Donor Activities
- Gender.

Booz Allen Hamilton implemented MCA in close cooperation with USAID, the Government of Macedonia, business associations, business service providers, hundreds of private enterprises and thousands of citizens. The project implementation team included international subcontractors Mendez England & Associates (ME&A), International Executive Service Corps (IESC), Devtech Systems, Associates in Rural Development (ARD), and OTF Group.

Goals and Objectives

The MCA project was conceived during a time when ethnic tension in Macedonia was high and major segments of the economy were stagnant. As just one example, foreign tourist arrivals plummeted by 50 percent between 2000 and 2002 as a result of armed conflict in the Tetovo region and a perception in neighboring countries and globally of instability and danger in Macedonia. Investment plummeted and GDP growth averaged an unimpressive 1.66 percent in real terms between 1997 and 2002. To address the challenges of economic stagnation and prepare for globalization, USAID – through the MCA program – sought to build the competitiveness of Macedonian enterprises in domestic, regional and global markets as its primary objective.

The MCA project had many specific goals (e.g., create a National Competitiveness Council for public-private dialogue; achieve measurable business results in three to five industry clusters ; develop the capacity of business associations, for-profit consultants and business service providers), and Macedonians had correspondingly high expectations of what USAID/MCA would achieve. USAID’s approach to MCA encouraged creativity and afforded considerable flexibility to the implementation team with regard to how the goals and objectives would be reached. This Final Report outlines the goals pursued, approaches used, and results achieved.

Methodology

MCA’s design was initially heavily influenced by the cluster-based approach to increasing firm competitiveness. As a result, implementation during the first two years focused heavily on clusters. However, the latter two years saw a conscious transition to a more flexible ‘market integration’ approach. The program moved more toward interventions at the firm, cluster, and sector levels, and greater emphasis on target market demand pull and specific industry

¹⁵ USAID’s investment in Macedonia through MCA was US\$11.6 million.

expertise to drive business results. Both methodologies are described briefly in this section. MCA believes that both phases were critical and their combined effects led to the project's success.

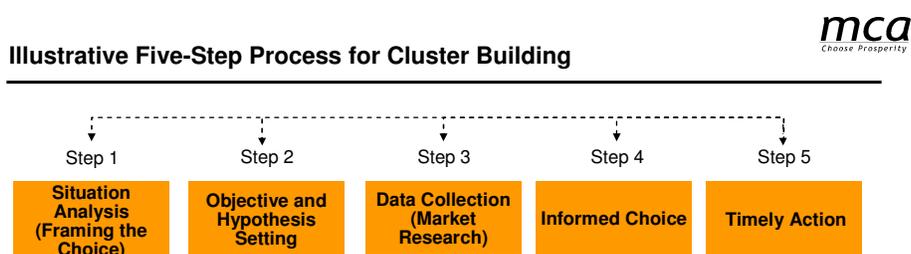
Cluster-Based Approach to Building Competitiveness

The cluster-based approach focuses on creating and strengthening industry clusters. These are commonly defined as geographically proximate groups of multiple stakeholders that collectively both benefit from and contribute to the performance of a given industry. Clusters would normally include businesses, their suppliers and buyers, academic institutions, associations, research and training institutions, business service providers (e.g., lawyers, bankers, consultants, freight forwarders, brokers, etc.) and government. Current academic literature debates whether entities in a cluster should be physically close to one another (e.g., geographic proximity) or not. For purposes of the MCA project, clusters were comprised of Macedonian entities that had joined together to advance the interests of a particular Macedonian industry. Increasing sales and exports were viewed as logical by-products of cluster activities, but not an “end” in and of itself.

Clusters in developed and developing countries around the world have normally coalesced naturally and informally over time as a result of common activities (usually over periods of 20 years or longer according to Porter and others). Successful clusters have led to increased competitiveness through intense competition, common and highly efficient and technologically adept suppliers, the development of a mass of highly qualified professionals, the development of associations working for common interests, and knowledge “spillovers” from different firms’ innovations. Among the most renowned clusters are Italian shoes, Northern California wines, Irish software and IT, Southern California defense and aerospace (in the 1980s), and Michigan, USA automotive. These examples resonated with Macedonian managers and business owners. They agreed that emulating certain aspects of the behavior of successful firms and industries in other nations could bring benefits to Macedonia’s economy. Public education and outreach activities sought to diffuse information and encourage new thinking about Macedonia’s competitiveness, and Macedonian enterprises. Through MCA’s slogan, outreach efforts and other activities, firms were encouraged to “Choose Prosperity.”

The OTF Group led cluster development in the early stages and based efforts on a five-step approach illustrated below.

Exhibit 1. Cluster Building Process



The cluster based approach focused almost exclusively on cluster groups and discouraged opportunistic investments of time or money in firm-level projects. Market research was strongly encouraged and consensus around a strategy was a precursor to moving forward. Over time, MCA needed to act more flexibly to maximize results, and diversified its focus to include firm and sector level activities.

Market Integration Approach for Delivering Business Results

The initial consensus building and publicity surrounding the cluster approach were necessary to raise awareness and embed certain concepts and perceptions of change in companies and managers. In the next phase, MCA moved to a more market and sales-oriented set of methods and activities, and what Booz Allen deems the “market integration” approach. The market integration approach broadens the focus beyond clusters to include sector-wide capacities and dynamics between firms and the market, rather than mainly between firms in a particular cluster. With USAID’s concurrence, MCA became more flexible and entrepreneurial, seeking out opportunities and using feedback from the market to fine tune the program and give the companies what they needed to succeed – either one by one, or in small or large groups the readiness of firms and the market opportunity.

Market integration has the potential to transition whole sectors into new and higher value markets. These markets may be local, regional or global, depending on firm-level capacity and where the best opportunities lie. Often, firms started in competitive local markets, especially where strong importers were taking market share. When ready and if appropriate, firms then moved to larger and gradually more distant and competitive markets. MCA support through the cluster initiatives focused on helping Macedonian firms capture and keep more of the product and service value chain, as seen particularly in the IT, digital media, wine and apparel sectors.

Activities were designed to make best use of the natural market incentives that propel companies to take risks and increase sales. In designing and approving cluster initiatives, MCA and USAID together looked at the gaps between where companies were, and where they needed to be to succeed in a particular market. The formation of several IT consortia to pursue specific deals, training in “cold calling” and sales techniques, production rationalization in the apparel industry and quality improvements in high-end wines are several of many examples, each discussed in more detail in the following sections.

COMPONENT A – NATIONAL COMPETITIVENESS COUNCIL

Under terms of the contract, MCA was to form a national economic competitiveness council whose members are forward-thinking private sector leaders and reform-minded government officials who are capable of advocating and leading the implementation of policy changes critical to the development of selected clusters. Five specific Tasks were laid out in the contract.

Task 1. Facilitate the formation of a Macedonian National Competitiveness Council

At a time when virtually no dialogue existed across the public, private and civil sectors, MCA initiated Macedonia's first national organization with a mission of establishing and formalizing that dialogue and cooperation across those sectors. The inaugural meeting of the National Entrepreneurship & Competitiveness Council (NECC) on 12 June 2003 included 23 representatives of the public, private and civil sectors. The membership represented Macedonia as a whole with a cross-section of business sectors and NGOs, including an ethnic and gender mix. Five members were government ministers, identified by official decision of the Government of Macedonia under then-Prime Minister Branko Crvenkovski. The Ministry of Economy's Program for Support of Entrepreneurship stated that the Ministers of Economy, Agriculture, Finance, Labor & Social Policy and Transport & Communications would represent the Government of Macedonia on the NECC. The original list of NECC members is included in Annex 1.

It is important to note that NECC members were volunteers; they were not paid for the time they dedicated to the Council and over the NECC's three-year history, a core group sacrificed many hours to the Council's development and agenda.

When the project was established, MCA identified local staff and assigned a budget to NECC similar to a cluster initiative budget. Support was also provided by MCA's Public Education Department, with external communication and publicity, annual meetings/retreats and the annual Competitiveness Summit.

Significant organizational development support was provided by an Organizational Development consultant, who completed five assignments with the Council and its Advisory Group (staff), including but not limited to helping them develop charters to guide operations, management structure and job descriptions; coaching them to improve their communications and the effectiveness of their work, training NECC advisers/staff and members. (The charter developed for the NECC became a model used by the cluster leadership councils in developing their own charters.)

An initial retreat of the NECC members was held on 30 July 2003 with MCA advisers leading the hands-on session. The purpose of the retreat was to define action priorities based on observations on Macedonian competitiveness compared to the region, which were provided by MCA. Through a survey, the Council members chose priority issues and worked on action plans that would address them. The members agreed to focus its first year of operation on three priority areas: attracting investments, promoting exports and improving management skills.

The NECC has grown and matured through several changes of government. Throughout its three-year existence, the NECC has maintained a core of dedicated, forward-thinking, reform-minded men and women committed to the success of this new and important Macedonian institution. As Macedonia changed government's for the third time since the NECC's formation,

a new Deputy Prime Minister for Economic Affairs acknowledged the important role of the NECC in one of his first media interviews.

Just a few short months after the NECC's formation, changes in the Government resulted in changes in NECC membership in November 2003. Additional changes took place in 2004 as NECC leadership voted to remove inactive members from the Council, in accordance with membership rules defined in the NECC Charter adopted in March of that year. Two other changes took place as two key association members (Association of Banking and Insurance and Federation of Macedonian Farmers) had leadership changes.

The end of 2004 saw yet another Government re-shuffle with changes in the Ministers of Economy, Agriculture and Transport & Communications. At this time the Deputy Prime Minister for Economic Affairs Minco Jordanov voluntarily joined the NECC to lead the public sector representation. He was voted President of the Management Board of the Council, taking an active role in leading its evolution and development. (In the beginning, the Council had co-chairs, one from the private sector and one from the public sector.) In January of 2005, the NECC was registered as a legal entity with an organizational structure consisting of an Assembly, Management and Supervisory Boards. Aimed at raising efficiency, the Management Board originally consisting of eight members, took over responsibility for all operations as per the Statute of the NECC. The year 2005 started with additional membership changes. The newly formed Apparel Cluster elected a new representative to the NECC, and the Tourism Cluster proposed a cluster representative.

To broaden and deepen its membership, at the end of 2005 the Council publicly presented a platform to include anyone interested in furthering Macedonia's economic growth by working with the NECC and representing a relevant constituency. As a result, in May 2006, the presidents of the Economic Chamber of Macedonia, European Business Association and the Economic Chamber of North West Macedonia became NECC members. At the same time, a prominent business woman (Gzime Fezji, a dairy owner in Western Macedonia) was voted as a member. In June 2006 the NECC invited the President of the League of Municipalities (ZELS) for better coordination between the central government and local strategies for economic development as Macedonia decentralized many governmental functions. The July 2006 National elections resulted in yet another change in public sector members; all five minister-members are new and have pledged their support to the NECC.

Task 2. Create a clearinghouse of all assessments and studies on the Macedonian economy and relevant sectors

The NECC has collected scores of assessments, studies, reference books and reports in hard copy and electronically. These have been disseminated to members and others on request for informational purposes. This process began under MCA, and all documents and files have been transferred to the NECC. However, MCA, in consultation with USAID, made a strategic decision not to focus significant energies on this task in favor of more assistance to the organizational development of the NECC and to addressing the frequent membership changes due to Government changes. Those were deemed more valuable uses of the limited resources available to NECC for its long-term sustainability. That change of priority helped position the NECC for its new role as defined by the current Government, a role that is more valuable to its long term goal of helping set and influence the national economic agenda.

Task 3. Assist in setting an agenda and strategy to advocate and enact policy and legal/regulatory changes needed to increase competitiveness

As MCA closed, the NECC was in its strongest position to assist in setting the national economic agenda and strategies as well as advocate for policy, legal and regulatory changes. The Council developed from an “infant” grappling with membership changes toward more maturity, and its role and influence have consistently expanded. As noted previously, the most recent Government has shown an early and active interest in the Council and has identified a key advisory role for the NECC in the process of the development of Government plans. In addition, Macedonia now has an annual competitiveness report, produced by the NECC and providing a factual description of the state of the country’s competitiveness and concrete proposals for change.

From the beginning, MCA helped the NECC become an active partner in setting the national agenda for the economy by working with the USAID/WTO project in identifying impediments to businesses, especially in exporting, and participating in WTO conferences/fora. The NECC recommended a change in the customs duty on imported apparel inputs, and cluster members were active participants in a pilot of those changes. It was at a Council meeting that a member expressed a strong need for a country credit rating, and the Minister of Finance shortly thereafter applied for one. At the request of the Tourism Cluster through the NECC, visas for Israelis tourists were removed.

NECC’s cooperation with the World Economic Forum (WEF) was initiated and financed by MCA. The WEF Global Competitiveness Report is an invaluable and essential tool when it comes to “rating”, “grading” or benchmarking competitiveness. This tool is now being used by the NECC to identify weaknesses and raise awareness for the need for changes in policy. The Council, through MCA, became the WEF’s local contact point and supports the annual local survey of business people for the WEF.

In October 2005, the NECC produced the first-ever Macedonia National Competitiveness Report, which provides a factual statement of Macedonia’s competitive position and gives concrete recommendations substantiated by those facts. The report, which will be produced annually, is meant to serve relevant national and international economic and political analysts and decision makers in their economic analyses, evaluations and suggestions towards defining the principles of the future economic development in the Republic of Macedonia. As MCA closed, the second annual Macedonia National Competitiveness Report was being drafted, published and publicized.

Task 4. Monitor cluster and economy-wide changes resulting from cluster initiatives, analyzing economic and social impacts

Through its staff (either MCA advisers or later the Advisory Group) the NECC monitored cluster and economy-wide changes. For example, staff provided research support on issues of interest to the Council, identified speakers knowledgeable on specific topics for Council meetings and alerted the NECC to information and insights from other national councils, published reports, international news media and more.

The World Economic Forum (WEF) reports were important sources of information on Macedonia’s relative competitiveness in the region and the world, in addition to being a source of critical analysis concerning the progress of other countries. The reports were made available to Council members and highlights distributed.

Publication of the Macedonia National Competitiveness Report provides an important opportunity for monitoring and reporting on the economy. The WEF reports are an important base offering a comprehensive picture of the existing level of the Macedonian economy's competitiveness. They also help to define strategies for further improvement of domestic firms' competitiveness. But the report is more than a re-hash of the WEF reports. Analyses, consultations, information exchanges among members and with outside experts as well as proposals are integral to the process of preparing the report.

The first competitiveness report was published in Macedonian, Albanian and English and distributed in hard copy and electronically in addition to being posted on the NECC's web site. It was unveiled at the NECC's Third Annual Summit on Competitiveness in October 2005 and received broad coverage in the news media. This kind of broad publication/distribution is planned for the second report that is to be published in October.

As cluster leadership councils were formalized, they elected Council representatives who either replaced original members or were added to the membership. The Council's Management Board formalized this structure for support and exchange of information with the clusters at its December 2004 meeting. The board believed this arrangement was the most practical. In addition, some trade and industry associations from cluster industries have council representation, which changes as the presidency of the organization changes.

Task 5. Publish, disseminate results through media

With the assistance of MCA's Public Education Department (PED), the NECC successfully used the news media to publish results, disseminate information on the Council itself as well as on Macedonian competitiveness and generally helped to increase public awareness of the Council and its intended role. The natural reticence of high government officials, business people and civil society leaders to speak to the news media was exacerbated by the strong tendency of the Macedonian print and broadcast media to "go for the jugular" and to seek the sensational, rather than report factually and objectively. The media also considered any "success story" to be advertising that should be paid for, rather than newsworthy and interesting to the general public and thus part of their news coverage. In 2004 PED organized a series of media briefings to help reporters better understand the work of the NECC and the clusters. (The events were intended as educational and not as news conferences.) NECC co-chair Minister of Economy, a civil society member and a private sector member presented the NECC to about 20 reporters and photographers. After the briefing, the media cornered the co-chair/minister about a topic unrelated to the briefing. A similar situation later took place with the private sector co-chair. These incidents increased NECC members' lack of interest to participate in interviews. As a result, MCA's PED staff spent much time educating the NECC staff, Council members (especially the chairs) and the news media. The long-term result of PED's educational efforts was a greater interest and understanding on the part of the news media in the Council's activities and more willingness on the part of NECC members to participate in interviews. In March of 2006 the Management Board met with the chief editors of relevant news media and agreed on a constructive relationship that would focus media coverage on the NECC when NECC activities are in question and would minimize abuse. These meetings are to continue on a regular basis, particularly before each NECC event.

The NECC successfully used publicity to publicize inaugural events such as the first annual Competitiveness Summit and Street Festival were held in October 2003. To publicize these inaugural events on behalf of the NECC, PED produced advertising on radio, billboards, posters and leaflets, news releases and invitations and conducted a news conference after the Summit. As a result, the Summit was attended by 21 representatives of print and broadcast news media

resulting in 16 electronic and 19 print reports. PED provided similar support to the 2004 and 2005 Summits and Street Festivals with similar excellent results. The portion of this report dedicated to identifying the results of the public education component will provide more details.

“Kapital,” Macedonia’s only business magazine for some years, showed the most interest and least sensational coverage of the Council and business in general. Through PED, the Council cultivated a strong relationship with the editor as well as key reporters. At MCA’s suggestion, the editor was invited as an observer on the April 2005 study tour of Ireland. His participation resulted in an in-depth series of articles on the Council, Ireland and competitiveness. Two others who attended (a council member and the chief of staff for the Deputy Prime Minister and NECC co-chair) wrote lengthy columns on the trip that ran in local newspapers.

PED also helped the NECC publicize the results of the clusters on a regular basis. This is discussed in more detail in the PED and cluster portions of this report. NECC support, cluster representatives were encouraged to disseminate news releases about cluster successes and events.

Results

Three specific results were defined by the contract.

Result 1. Fully functioning, sustainable, politically committed Council, representing national level interest of government and private sector, and acting as independently as possible from any political affiliation

From the outset, MCA worked diligently to help NECC become a fully functioning, independent, sustainable body recognized as “Macedonian,” and not “American” because of its establishment under a US Government-funded project. With USAID agreement, MCA made a concerted effort beginning in mid-2004 to change this perception and by late 2005, NECC was generally seen in to be “Macedonian” by the Government, donors, diplomats, the business community and others.

MCA’s staff provided all administrative and professional support to the Council from its inception in 2003 until June 2005 when MCA assisted the NECC in hiring its first executive director. MCA continued to support NECC financially as outlined in the MCA work plan and budget. MCA provided office space to the Council until June 2006 and donated furniture and provided a small grant for administrative expenses when the NECC moved its offices from MCA to the Chamber of Commerce building.

Each year the NECC held an annual retreat to define priorities for the coming year. In addition, the Council hosted an annual Competitiveness Summit attended by key leaders in Macedonia (government, business, and civil society) as well as donors and diplomats and others interested in Macedonia’s economic growth. The Council’s regular meetings included important speakers on topics of interest, from competitiveness experts from the US, to the developer of a successful business park in Romania, to successful Macedonian business leaders.

Since inception, the NECC has made great strides toward becoming a fully functioning, sustainable Macedonian institution. It has also proved to be resilient. Three changes in Government created significant membership changes and an NECC leadership change from co-chairs to one chair (the President of the Management Board) have not impeded the work of the NECC. It has a core of dedicated, forward-thinking, reform-minded men and women committed to its goals and success. It has overcome the initial identification as an “American institution” (because of its founding under a USG funded project) and become recognized as a Macedonian

organization with a key role in setting its economic agenda. As Macedonia changed governments once more in mid-2006, a new Deputy Prime Minister for Economic Affairs Zoran Stavreski acknowledged the important role of the NECC in one of his first media interviews and agreed to become president of the NECC Management Board. His predecessor, under whom the NECC made the most progress toward “institutionalization,” is back in the private sector but has committed to remaining an active member of the NECC and providing financial support.

Since the beginning, NECC staff has participated in MCA annual operational planning including producing plans and budgets for each year and reporting results in a timely and appropriate manner. Both the executive director and senior staff member are fully capable of managing the NECC independent of MCA and have been doing so since early 2006.

To prepare for the closing of MCA, NECC staff and MCA leadership began discussing the NECC’s sustainability in early 2004. Actions were taken to ensure management capacity at the NECC and discussion of financial sustainability begun. MCA helped the NECC hire its first executive director in June 2005 and financed several consultancies to strengthen the organizational capacity of the Council, its members and staff, and the Advisory Group. The Advisory Group is the professional staff organization that was created to support the Council’s activities, including facilitation of decision making, production of the National Competitiveness Report, networking and cooperation with donors, potential members and others, organizing events and administration. The Advisory Group was formally established in January 2005 and began taking over the functions and roles provided to the NECC by MCA. By February 2006, the Advisory Group was managing the NECC with limited MCA oversight primarily related to finance and publicity.

Proposed budgets and staff for the Advisory Group under various scenarios were prepared as well as background material on the Council. Because of the issue of “influence” if private sector monies were solicited, MCA counseled the NECC to hold off soliciting financial support from the private sector until commitments had been made by the donor community and Government. Additionally, the NECC had to address the challenge of meeting different and possibly competing interests or requirements of multiple donors. Hence, the Management Board has decided that financial assistance needs to be balanced between international donors, Government and private sector, with focus to the international donors as most neutral. A multi-year plan for how to address the financial side was discussed.

Many meetings and other communications were conducted with embassies, such as the Swiss, Italian, Dutch, and US, the Ministry of Economy and others to identify potential financial support. Despite many hours of effort over two-plus years, no concrete financial assistance was identified. The Minister of Economy agreed in 2005 in writing to provide office space and later reneged. Office space was later provided by a new member, the Chamber of Commerce. MCA, with USAID agreement, made a small grant to the NECC to help cover administrative costs for the summer of 2006. The NECC Management Board has also put together a “sponsorship package” that has been distributed to potential corporate sponsors.

It is important to note that both the Government and private sector have financially supported the NECC under MCA. These were largely in-kind contributions and admittedly insufficient to support the Council fully. For example, the Government provided meeting space for NECC meetings, and NECC business and association members sponsored portions of the annual Summits and Street Festivals. The drive for financial sustainability is ongoing.

The NECC Advisory Group has two full-time staff members, an executive director and a senior adviser and equipped offices in the Chamber of Commerce in central Skopje.

Result 2. Production and presentation of annual national competitiveness performance reports

A useful, informative, fact-based report on Macedonia's competitiveness is an important tool for the NECC, Government, donors and others interested in advancing Macedonia economically. Early in the project, MCA worked to have Macedonia included in the World Economic Forum's (WEF) Global Competitiveness Report, an important resource, to show Macedonia's relative position in the world economy. Macedonia was first included in the WEF reports published in October 2003. Since the country had been in no previous reports, the NECC decided to assess the significance of the WEF findings and accumulate historical information to better track changes before producing a national competitiveness report.

The first Macedonia National Competitiveness Report was unveiled at the October 2005 Summit of the NECC and heavily promoted through December. The previous years the NECC prepared annual reports of its activities and results from the previous year. These were accepted as substitutes for the 2003 and 2004 annual competitiveness reports because the Council was not in a position to prepare more comprehensive and analytical reports for those years.

This delay allowed for a more informed and useful report that provides an important opportunity for monitoring and reporting on the economy. The WEF reports are an important base of the report, which gives a comprehensive picture of the existing level of the Macedonian economy's competitiveness and help to define strategies for further improvement of domestic firms' competitiveness. But the report is more than a re-hash of the WEF reports. Analyses, consultations, information exchanges among members and outside experts are an integral part of the process.

As MCA was closing, NECC was completing the second annual Macedonia National Competitiveness Report and preparing to publicize the report. The Council is committed to maintaining its relationship with the WEF contact for Macedonia and to preparing an annual competitiveness report.

Result 3. Permanent steering mechanism for public-private dialogue on policy issues which impact the competitiveness of the Macedonian economy, and will provide consistent effort through changes in the Macedonian economy

The current operational structure of the NECC fully supports a vigorous ongoing public dialogue on the critical issues that impact Macedonian competitiveness. The NECC's Management Board, which currently consists of 11 members, guides and directs the work of the Council. It is organized under Macedonian law and has an official Statute recognized legally as its charter as well as a more Western-style charter developed and adopted by the members. The Council has six standing committees, each with identified goals, objectives and annual plans: Clustering, Education, Competitiveness, Technological Readiness, Budget and Regulatory Reform.

The Management Board has established the Advisory Group to support the NECC professionally and administratively. It has employed an executive director and one additional professional staff member, has an outside accountant, legal counsel and has established offices in the Chamber of Commerce Building in downtown Skopje.

Under the past two governments, several issues first raised in the NECC have led to significant policy successes for the Macedonian business community. These include abolition of tourist visas for important inbound tourism markets such as Israel, abolition of import duties on raw materials for the textiles industry, establishment of a credit rating for Macedonian government debt, and reform of the education system for textiles engineering staff. The most recent Government of Macedonia has proposed that major Government decisions, plans and proposals be filtered through the NECC for comments and revision before Government action takes place. This is an expansion of the decision by the previous Government. The NECC functions as the apex organization for gathering public comment and their recommendations and findings are regularly made available to the national assembly as part of the deliberative process.

Chronology of Key Events

- June 2003 – Inaugural meeting of the NECC
- July 2003 – NECC defines priorities for action
 - Promote and increase exports
 - Increase and improve management capabilities
 - Increase foreign direct investment
- August 2003 – Negotiations begin for developing 2 hotels in Macedonia.
- October 2003 – Created charter to govern operations of the Council, adopted in March 2004.
- October 2003 – Council hosts first National Summit on Competitiveness and Street Fair, chaired by US Ambassador Lawrence Butler and Macedonia Deputy Prime Minister Radmila Sekerinska; more than 350 attend event designed to increase awareness of competitiveness by government, civil society and business managers; extensive media coverage.
- October 2003 – First Street Festival organized by MCA for NECC to showcase the best of Macedonian products and services and to increase awareness of competitiveness concept by public and by business owners; estimated 8000 attend.
- November 2003 – Three Government members changed, including public sector co-chair, due to a Government reshuffle.
- February 2004 – Council working group launches new pilot of specialized management training for managers. Successful program results in private sector training companies offering similar programs making second phase unnecessary.
- February 2004 – Request for support for the removal of tariffs and duties on imported raw materials used in apparel production. Ministers of Economy and Finance begin negotiations. (Later Apparel Cluster members take part in pilot of proposed changes.)
- April 2004 – Council members request a country credit rating to support increased flow of direct foreign investments.
- May 2004 – NECC working group meets with tourism representatives. Minister of Economy commits \$30,000 for promotion. Action agreed for low cost carriers and improving visa regime.
- July 2004 – Annual NECC retreat reviews progress of year to date and begins planning for the next 12 months.
- August 2004 – First Credit Country rating announced (BB+).
- September 2004 – Second Annual National Competitiveness Summit attended by more than 500 government, business, civic, diplomatic and other leaders.
- October 2004 – Second Annual Street Festival features Macedonian products, services, culture.
- December 2004 – First meetings of Supervisory and Management Boards and Statute adopted. Mirjana Apostolova elected president.

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- January 2005 Registered the NECC as a legal entity with organizational structure consisting of the Assembly (all NECC members), Management and Supervisory Boards elected by the Assembly. Monthly meeting schedule of Management Board and Advisory Group set. Minister of Economy pledges office space.
 - April 2005 – Study tour to Irish Competitiveness Council provides NECC members with first-hand view of how the “Celtic Tiger” was created. Minister of Economy was among attendees.
 - May 2005 – First of four UK tours arrives as result of April 2004 Tourist Cluster Fam tour.
 - May-June 2005 – 11 travel writers covering UK, Western European and regional media attended two familiarization tours of Macedonia, conducted to promote publicity about Macedonian tourism offers in key markets where tour operators are already “selling” Macedonia, many as a result of their Fam tours.
 - June 2005 – Employed an executive director.
 - October 2005 – NECC prepares Macedonia’s first ever National Competitiveness Report and revised its priorities to include:
 - Promote and assist exports
 - Align education system with private sector needs
 - Produce, implement policy on technological readiness
 - Measure, monitor, report on progress of Macedonian economy’s competitiveness
 - Ensure compatibility of legal framework for doing business in Macedonia with equivalent framework in the European Union
 - October 2005 – Third annual National Competitiveness Summit introduces by the Macedonia National Competitiveness Report to an audience of key Government, business, donor, diplomatic, civil and other leaders.
 - October 2005 – Third annual Street Festival that showcases the best of what Macedonia has to offer held in Municipality of Karpos, which has agreed to continue the annual festival begun by the NECC in 2003.
 - September 2005 – Macedonia’s credit rating upgraded to (BBB-) placing Macedonia in the group of country’s “safe for investment”.
 - December 2005 – Active promotion of Competitiveness Report by NECC leaders and members.
 - January 2006 – “Make room for Macedonia” – headline of article on London “Times On Line,” one of many positive articles on Macedonian tourism resulting from travel writers’ FAM tour.
 - February 2006 – Took over MCA functions and added second staff member
 - June 2006 – Recognized as forum for dialogue and partnership between public and private sectors by Government.
 - July 2006 – Moved to new office space at Chamber of Commerce.
 - July 2006 – Government elections result in six new NECC members, five ministers and the Deputy Prime Minister for Economic Affairs, who agrees to chair the NECC, speaks early on NECC importance and identifies expanded role for NECC in Government processes.

COMPONENT B - CONSENSUS-BUILDING, PUBLIC EDUCATION, AND NATIONAL DIALOGUE

USAID/MCA's Public Education Department (PED) played an active role in supporting the Clusters, NECC, and the MCA project's competitiveness concept through extensive outreach, public education, media and public relations, and special events. USAID/MCA and the competitiveness agenda consistently garnered significant media coverage in both print and broadcast media throughout the project. By the end of the project, significant, measurable changes in attitudes, awareness and behavior were registered through survey research, and competitiveness had become a household word, recognizable not only in the business community but also relevant to the public-at-large. Media interest in a record number of events contributed significantly to advancing the overall economic competitiveness goals of Macedonia (published articles were delivered to USAID on an ongoing basis and are not included in this report due to the volume).

Task 1. Develop a public education/consensus building campaign

PED used a variety of approaches to gain an understanding of the public's perception of competitiveness and economic issues in Macedonia. After developing a "Mental Models Survey," PED hired a local Business Service Provider (BSP) to administer the survey to a randomly selected number of individuals throughout the business community and ordinary Macedonian citizens. The survey was administered five times over the course of the project to measure attitude, behavioral change, awareness, understanding, and trust in the Macedonian business community and among the public-at-large.

MCA used the results of the survey to gain an understanding of the public's initial and evolving perceptions and to determine how to actively reach out to the public at large regarding the project and its desired results. The "MCA Message" was developed and the following themes and topics were repeated for the general public, public sector and private sector:

- Definition of competitiveness and prosperity
- Benefits of competitiveness for Macedonia and its citizens
- Understanding the difference between competition and competitiveness
- Capital sources and their utilization
- How Macedonia's small size can be an advantage
- Private companies of any size can improve competitiveness and participate in the global economy, provided that competitive, higher value products or services are offered
- The competitiveness agenda and goals are designed to bring higher incomes to a larger number of people in Macedonia
- Leadership counts
- Innovation is a critical driver
- Macedonia needs to "change the mindset" and build broader-based prosperity
- The public and the private sectors have key roles to play in increasing competitiveness and should work together to improve the competitiveness of firms.

The MCA Communications Plan, in line with USAID's branding and protocols, began with numerous kick off events and workshops.

Task 2. Develop a nation-wide media campaign in support of the competitiveness initiative

The Public Education Campaign included six Kick-off Events, 12 Cluster Mobilization workshops, 11 Road Shows in larger towns around Macedonia, three Annual Conferences on

Competitiveness as well as over 40 presentations at governmental, business and educational conferences such as MASIT Open Days, VIP Conference 2003, and CEE 2004 conference in Budapest, have significantly raised competitiveness awareness among government, academic and business community leaders. The wide range of presentations resulted in mobilizing cluster members from various ethnic and gender backgrounds and from different parts of the country.

Results: Increased public support and understanding of necessary initiatives for increased competitiveness in the Macedonian economy.

“Competitiveness” and “cluster” have become part of the Macedonian lexicon since MCA opened its doors in October of 2002. As a result the majority of the business people responding to MCA’s 2005 Mental Models Survey were familiar with the concept of competitiveness. As a direct result of this campaign and MCA activities, there is a clear change in the survey results from 2003 to 2005 such as an increase in the number of business respondents who believe the private sector should take the lead on deciding on how and where Macedonian business should compete. An outstanding example of this greater degree of trust is also discussed in the Lamb & Cheese Cluster Results section.

	2003	2005
Behavior change among business respondents	91.5% reported at least one instance of behavior change during the previous year	92.3% reported at least one instance of behavior change during the previous year
Researched new export opportunity	27%	42.7%
Invested in training (personal or for employee)	18%	68.2%
Participated in additional training (self or employee)	12.6%	71.2%
Hired a business service provider	7%	47.2%
Joined a cluster	10%	50.6%
Researched export market quality standards	16%	72.8%
Developed a new product	15%	65.6%
Modified an existing product	5%	67.9%
Invested in market research	30.9%	70.8%

Results: Active engagement and participation of all relevant segments of Macedonian society.

PED succeeded in establishing and maintaining a close relationship with several media outlets in Macedonia. MCA was able to share its media list of more than 120 media outlets throughout Macedonia with USAID/Macedonia and is now a principal media communication tool for other USAID projects in Macedonia.

MCA launched its informational website to promote the project and its activities in May of 2003. The website has served as an outlet to notify the public of the cluster mobilization process, the Annual Competitiveness conferences and much more. The website also serves as a library for

over 100 articles on MCA activities and will remain live until August 2008. The MCA website is also linked to several Diaspora web pages such as the Macedonian-Canadian Diaspora website: <http://www.tugjinojabano.com>.

Exhibit 2. MCA Webpage



Workshops For Editors and Economic Journalists: MCA held several specialized workshops for editors and economic journalists aimed at familiarizing journalists with MCA and the competitiveness agenda. The workshops also helped provide media coverage for the MCA project and its goals.

Task 3. Assist the National Competitiveness Council

PED has been the PR arm for the NECC from its inception to the close of the project providing support from organized PR campaigns for the NECC Inaugural Ceremony, annual retreats, Street Events, and conferences to the promotion of the first Macedonian National Competitiveness Report. In 2005 MCA PED succeeded in moving the organization of the Street Event to the Municipality of Karpos; the event was attended by several thousand people, proof that the Municipality was successfully able to attract sponsors and plan a major event.

PED also worked closely with all MCA clusters to strengthen their PR capacities and contribute assistance towards conferences and promotional tours such as the 2nd MASIT Open Days conference, the 3rd SEEITA conference, Global Plus, MADE Launch, Axis-Avid/Softimage Certified Training Center opening and numerous other activities centered around foreign exhibitions and promotions such as the SIAL Paris exhibit which was a joint venture between the Lamb and Cheese and Wine Clusters. PED also designed several marketing workshops for

each cluster and helped establish the Official Wine Industry Portal for the Republic of Macedonia.

Task 4. Identify means to encourage cooperative efforts among ethnic groups where possible

PED worked closely with the rest of MCA to stimulate fair ethnic and gender representation in all of its activities with the council and clusters. Additional information regarding these activities can be found in Component C. Macedonian, Albanian, Roma, and Turkish media outlets were included in MCA's PR communications strategy.

Task 5. Contract with and assist local Macedonian public education and media professionals/firms

MCA contracted with several PR and Event Planning Firms for MCA and NECC events. Along with guidance and feedback to BSPs working on MCA events, PED provided PR and event planning, and media capacity building for non PR and Event Planning BSPs, counterparts, and cluster companies.

Results: Increased capacity of Macedonian professionals and firms to carry out public education campaigns in support of economic reform and public-private dialogues.

Along with building PR and event planning capacities within BSPs working with MCA, PED assisted the several cluster companies in managing PR campaigns, such as the Macedonian Association of Information Technology (MASIT) when it joined the World Information Technology Association (WITSA). PED also supported the Ministry of Economy's IT Initiative to garner international publicity for Macedonia's IT industry including cold call and interview training. Additional examples of PR assistance for the clusters can be found in Component C.

COMPONENT C – DEMAND-DRIVEN CLUSTER SELECTION

MCA's design envisioned a "demand-driven, self selection" process that would identify and select clusters to work with based on commitment, organization, initiative and vision. Specific evaluation criteria and methodology for applying the criteria were to be developed together with the National Competitiveness Council which would ultimately select the clusters to receive assistance in consultation with USAID and the MCA project leadership team.

Clusters were not to be formed all at once. The project design envisioned a "rolling plan" or a staggered start whereby clusters would come on line a few at a time to allow for more focused interventions, a demonstration effect whereby successes at the firm or cluster level could be catalysts for risk-taking by other firms and clusters, and lessons learned that could be applied by USAID and the MCA Team to the subsequent cluster. The MCA contract established a specific timetable for selection of clusters as follows:

- At least two clusters selected within the first six months of the contract, e.g., by March 2003;
- Up to three total clusters selected by the end of the first year of the contract, e.g., by October 2003;
- Up to two additional clusters may be added to the program in the second year, e.g., by October 2004 (bringing the total number of assisted clusters to up to five and no fewer than three);

Cluster selection took place in three separate "rounds" as envisioned in the original design. Each round applied the same general criteria with slight modifications to the process resulting from a) lessons learned; and b) increasing capacity of the National Entrepreneurship & Competitiveness Council (NECC) to participate in and eventually lead the process.

Step 1: Outreach

Before clusters could be selected, the MCA team had to identify potential industry clusters, reach out to potential cluster members, and listen to potential needs and obstacles to conducting business. In parallel, the MCA team shared information about the project scope, goals, expected benefits, steps for participating in the project (in general), and the cluster selection process (specifically). Because the MCA program was new and largely unfamiliar to Macedonians in 2002, MCA undertook a large outreach effort using media, a series of large kick-off meetings for different industry groups (held primarily in Skopje), "road show" presentations in more than 10 "second cities," and meetings with government and industry groups. MCA project interests were well served by broad support from USAID and selective participation by USAID officials in the early outreach and kick-off activities.

Step 2: Announcement of the application process, timeline and assistance to groups preparing applications

The MCA project team designed the cluster application and allocated staff resources to assist potential MCA cluster groups to prepare their cluster applications. In most cases, Macedonian business service providers participated in strategy sessions with candidate industry clusters. Small groups dedicated numerous sessions to discussion strengths and weaknesses of various Macedonian industries and individual companies, and identifying and assessing potential opportunities. At the most basic level, cluster groups were asked to develop proposed priorities and action plans, and to answer simple but important questions including:

- What do you sell and to whom?
- Why will your customers buy from you rather than competitors?

- Why is it difficult for your competitors to imitate your business and take away your best customers?

Step 3: Receipt and evaluation of cluster applications

Cluster applications were received and evaluated according to three criteria, each of which is further explained in the figures below:

- Leadership, entrepreneurship and commitment
- Strategic potential
- Impact in Macedonia

Exhibit 2. Leadership, Entrepreneurship, and Commitment Criterion

Criterion: <i>Leadership, Entrepreneurship, and Commitment</i>
<p>Key underlying questions:</p> <ul style="list-style-type: none"> ▪ Does the leadership exist in the cluster to drive forward cluster and firm initiatives and is the leadership dedicated to working together? ▪ Do the proposed members of the cluster possess a shared vision about how to strengthen the competitiveness of the cluster and increase prosperity? ▪ Does the cluster have a track record of working together to accomplish group goals? ▪ Is there a clear demonstration of cluster commitment of time and resources? ▪ Does the present cluster leadership council have appropriate representation from key components of the cluster?
<p>Leadership, Entrepreneurship, and Commitment Evaluation:</p> <p><i>10 points</i>) A demonstrated interest by individuals but no leadership group exists with which to develop the cluster.</p> <p><i>20 points</i>) A fragmented leadership group exists.</p> <p><i>30 points</i>) A leadership group exists through which to develop the cluster.</p> <p><i>40 points</i>) A leadership group exists through which to develop the cluster. The group has developed a shared vision for improving the future competitiveness of the cluster. The group is representative of the cluster and has experience working together on joint initiatives.</p> <p><i>50 points</i>) As in number 4 with additional demonstrations of commitment and entrepreneurship.</p>
<p>Data points:</p> <ul style="list-style-type: none"> ▪ Cluster application process

Exhibit 3. Strategic Potential Criterion

Criterion: <i>Strategic Potential</i>
<p>Key underlying questions:</p> <ul style="list-style-type: none"> ▪ Do the product and service offerings of the cluster have the potential to be globally competitive? ▪ Can product and service offerings of the cluster be differentiated and not easily imitated? ▪ What does the structure of the industry suggest in terms of how much profit the cluster is able to create and capture? ▪ To what extent does the cluster possess the required human capital and technical know-how? ▪ How much must the cluster invest to sustain or improve its competitive advantage? ▪ Are there clear near-term initiatives that the cluster can pursue to improve their product offerings and competitive positioning? ▪ Can the MCA effectively support the cluster in a way that will improve the competitiveness of the firms within it?
<p>Strategic Potential Evaluation:</p> <p><i>10 points</i>) The cluster does not have a clearly defined strategic potential.</p> <p><i>20 points</i>) The cluster has generated fragmented ideas regarding options for strategic development.</p> <p><i>30 points</i>) The cluster has identified competitive product offerings and one or more paths for strategic cluster development.</p> <p><i>40 points</i>) The cluster has identified competitive product offerings and a path for strategic cluster development. There is a clear capacity within the cluster to pursue the defined strategic objectives and address obstacles. The MCA can effectively support the strategy of the cluster. The strategy of the cluster creates short term easily observable results.</p> <p><i>50 points</i>) As in number 4 with increased demonstration that the cluster can implement the cluster strategies.</p>
<p>Data points:</p> <ul style="list-style-type: none"> ▪ Cluster application process

Exhibit 4: Impact in Macedonia Criterion



Evaluation Criteria: Impact in Macedonia

Criterion: <i>Impact in Macedonia</i>
<p>Key underlying questions:</p> <ul style="list-style-type: none"> ▪ Will the cluster create high and rising income opportunities for the members of the cluster? ▪ Can immediate successes of the cluster yield benefits for other developing clusters? ▪ How will the cluster impact the economic development of the country? ▪ How does/can the cluster contribute to capital stocks, exports, quantity of quality employment, and positive branding for the country?
<p>Impact in Macedonia Evaluation:</p> <p><i>10 points</i>) The cluster will not create significant high and rising income opportunities for Macedonian citizens and/or the cluster unsustainably degrades the capital stocks of the country.</p> <p><i>20 points</i>) The development of the cluster would have positive impact on the country.</p> <p><i>30 points</i>) Improved cluster competitiveness will generate high and rising incomes for Macedonian citizens and add to the capital stocks of the country.</p> <p><i>40 points</i>) Improved cluster competitiveness will generate high and rising incomes for Macedonian citizens and add to the capital stocks of the country. The potential impact of the cluster in both the short and long term is significant relative to clusters in other sectors of the economy. The cluster will generate both quality and quantity of employment. Cluster development will encourage competitiveness in other sectors.</p> <p><i>50 points</i>) As in number 4 with additional data demonstrating large relative size of industry.</p>
<p>Data points:</p> <ul style="list-style-type: none"> ▪ Cluster application process ▪ Basic industry statistics

The MCA project leadership team led the evaluation in the first round and supported evaluation with recommendations in the second and third rounds.

Step 4: Cluster selection and public announcement

The MCA team summarized the content of the applications and the scores against the criteria in presentation format for discussion with USAID and the NECC. After discussion (sometimes heated), cluster selection was finalized and announced. The first round of cluster selection produced a consensus result. The second round was characterized by strong debate of the relative merits and weaknesses of the two highest-scoring applications (Information Technology and Wine). By the final round, the apparel industry had distinguished itself by submitting an extremely detailed and compelling vision for cluster development that was judged to be superior to other applications received in that final round. Clusters that were not selected in the first two rounds were encouraged to reapply in future rounds, and in several cases, were given assistance during the interim period as directed by USAID (e.g., a senior construction industry business development expert was engaged through Booz Allen partner IESC to support market intelligence gathering and strategy development for Macedonia's large and medium-sized construction enterprises). MCA emphasized that clusters could form and pursue joint activities regardless of whether they were formally selected to participate in the MCA project.

Round 1 Participation and Results (February – March 2003)

The first round of cluster selection was the most oversubscribed with 10 industry groups submitting 18 separate applications for USAID/MCA consideration. 183 individuals signed on to the various cluster applications that were received from the apparel, construction, honey, IT, lamb and sheep cheese, metal processing, pork, processed food, tourism and wine industries. Following an evaluation process that took place with USAID participation, MCA recommended that the lamb and cheese and the tourism industry clusters be selected as the first two groups to receive technical assistance under the MCA program. Because the National Entrepreneurship and Competitiveness Council was not yet in place, MCA and USAID met jointly with the NECC co-chairs who accepted the recommendation to select lamb and cheese and tourism as the first two clusters.

Round 2 Participation and Results (September – October 2003)

USAID/MCA received applications from ten industry groups (apparel, design & construction, honey, information technology, medicinal herbs, metal processing, artisan packaging, processed food, shoes and wine) signed by 129 individuals in the second round of cluster selection. The IT sector was ranked highest based on the criteria and was recommended for selection. A strong case was made for simultaneously selecting the wine cluster. MCA and USAID agreed to select both clusters in round 2 but to defer launching the wine cluster activities until early 2004 after the IT cluster activities would be successfully launched and USAID/Macedonia could submit waiver documentation (known as "Bumpers Amendment") to secure permission to work with the wine sector.

Round 3 Participation and Results (September – October 2004)

USAID/MCA received four cluster applications in the final round from representatives of digital media, processed food, organic food and apparel. 55 individuals were signatories to the applications received. Three candidate cluster groups (apparel, processed food and digital media) gave presentations to the NECC, and the NECC selected the apparel cluster as the final official MCA cluster.

COMPONENT D – CLUSTER SUPPORT AND SUB-PROJECTS

Lamb and Cheese Cluster

Challenges

Some 50,000 people in Macedonia make their livelihood from sheep, mostly from the sale of lamb and cheese, yet before MCA, Macedonians connected with the industry were missing out on significant opportunities to increase their incomes by exporting cheese and by eliminating the “middleman” in the sale of their lamb.

Standards of living for the thousands of people who make their living from raising sheep are threatened by uncertainty in their primary export markets for lamb (Italy and Greece) and limited opportunities in the general economy. MCA saw real opportunities to increase the incomes from both segments of the industry (cheese and lamb). Sheep breeders and dairy companies could increase their sales of cheese by exporting, although historically, Macedonian dairies and sheep farmers did not export their cheese. MCA also saw an opportunity to increase sheep breeder income from lamb sales by improving market information and selling directly to export markets. A substantial majority of lambs were sold “opportunistically” at the farm gate, live to traders with selling sheep breeders having little if any information about market prices for lamb carcasses and often feeling “cheated” and resentful when they saw consumer prices for their products. In general, the value chain linkages from farm gate through trader, slaughterhouse, export agent, wholesaler to final buyer were weak.

Additionally, the “lamb and cheese industry” represented the challenges of Macedonia as a whole. Industry players (sheep breeders, slaughterhouses, dairies) knew little about potential export markets, their needs and the requirements for exporting, let alone the benefits. The dairies did not know which foreign market segments were most attractive since they did not have contacts with distributors in foreign markets. Most seriously, perhaps, the dairies believed the potential for exporting cheese to be so limited that only one dairy even had an export license. Infrastructure was also a challenge insofar as few of the country’s slaughterhouses were functioning and those that did would not meet any export or international safety standard. Additionally, sheep breeders and others in the industry in the western part of the country are largely ethnic Albanians while those in the east are ethnic Macedonians. While they had formed associations, those associations and their members had virtually no interaction with each other. Additionally, important industry participants (both sheep breeders and dairies) didn’t participate in industry organizations, and industry participants continued to be strongly reliant on government intervention and guidance.

In summary, MCA’s key challenges can be divided into three overarching categories:

- Overcoming industry attitudes regarding what was possible and the role government should play,
- Establishing communications and cooperation across the industry,
- Overcoming technical difficulties such as upgrading inadequate and outmoded facilities and implementing safety and other standards, and
- Educating industry participants on consumer needs and preferences, export potential and requirements.

MCA made significant strides in helping the cluster and industry meet and overcome those challenges. For example:

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- The “we can’t export cheese” attitude was overcome when one dairy sent a test shipment to the US in December 2003. During the project, cluster members reported more than \$1 million in cheese exports regionally and to the US and Australia as a result of MCA assistance.
 - Western and Eastern Sheep Breeders with different ethnic membership bases established two cooperatives and undertook a joint effort to export lamb carcasses directly to Greece. They had developed a level of trust that allowed them to flip a coin in order to elect one cooperative manager to represent them in negotiations.
 - The cluster identified pro-active ways to work with Government. To support its initiative to sell lamb carcasses directly to Greece, the cluster requested cooperation from the Veterinary Institute on traceability requirements.
 - Four dairies have export licenses, and at least two slaughterhouses are working diligently toward HACCP certification.
 - A newly formed dairy consortium conducted market research in the US to identify its target market (restaurant and catering industry in the southeast) and taste preferences within that market (a lower salt product), produced and sent test shipments in mid-2005.

Cluster Formation

A strong application by cluster members, the potential impact on the Macedonian economy and the chance to build on a base of extensive sector development undertaken previously by USAID, Land O’ Lakes, the German GTZ and the World Bank resulted in the Lamb & Cheese Cluster being one of two original clusters selected for MCA support by MCA and USAID Economic Growth Unit. More than 40 meetings were attended by 250-plus people (15 associations represented) as the cluster was mobilized in May 2003. Much positive media coverage followed the meetings. The first full cluster meeting, attended by about 60 people, took place in June.

Cluster members included dairies and sheep breeders associations (regional as well as local), university faculties (Veterinary and Agriculture), agriculture and veterinary research institutes, donors and donor projects (including USAID, GTZ, the Dutch embassy, SIPPO, and IFAD2), the Ministry of Agriculture and Veterinary Inspection Unit. When the National Entrepreneurship & Competitiveness Council (NECC) was formed, the cluster was represented by dairy owner (Spiro Momirceski of Ideal Sipka) and the president of the Federation of Macedonian Farmers (Petko Slatev). While membership changed somewhat over the course of the project, a core of members remained dedicated to the cluster’s development and success throughout the project. These included representatives of a handful of dairies ready to export and leaders of the two regional and some local sheep breeders associations.

With assistance of MCA senior and local advisers, the cluster developed a strategy, identified initiatives that were approved by USAID and quickly moved on to implementation. The cluster received significant in-kind support from members as well as financial support for product and export promotion from the Ministry of Economy.

Strategy

Before MCA, the strategy of cluster members appeared to be to produce as many lamb and cheese products as possible and to sell them to any customer that presented itself (opportunistic trading). Additionally, the members had little or no relationship with any part of the supply chain.

Under the leadership of senior a competitiveness adviser, the cluster identified a three-prong strategy:

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- To become producers of specialty (higher value) food products meeting the requirements of demanding customers,
 - To commercialize through integrated branding, marketing and selling, and
 - To have world class representation at international trade fairs, such as SIAL and ANUGA.

Underlying the strategy was MCA's objective of assuring ethnic and gender inclusion and diversity of the leadership in the cluster.

An initial 11 initiatives to support the strategy were submitted to USAID's Economic Growth Office for approval with additional initiatives approved in subsequent years as the strategy was refined.

Initiatives undertaken in 2003 and early 2004 were largely educational and informational—US, European Union and regional market research, lamb and cheese culinary education, evaluation of dairy export readiness, cost structure analysis, requirements for geographic origin and organic certification. These were valuable building blocks for future decisions about lamb and cheese exports. However, they provided cluster members with few tangible results. The first test shipment to the US opened the potential for cheese export sales but had a very low value (\$5000). Sheep breeders valued the advice of the culinary experts, especially a cheese monger, but understood they were far from export readiness due to the high cost of implementing export food safety requirements. None of the early initiatives had increased revenues or profits of cluster members, and that was a prime motivator for participation in the cluster, particularly among sheep breeders. As a result, some initiatives were cancelled or postponed (cheese study tour, Welsh lamb study tour, brand development).

When one of MCA's team agribusiness consultants joined the Lamb & Cheese Cluster team in late February 2004, the strategy was changed to narrow its focus within the broader strategy of producing higher value export products for demanding customers. The change in focus aimed at addressing income concerns expressed by sheep herders and to bring cluster members closer to consumers for information on preferences and needs. The team identified three key activities to support this strategic focus:

- Development of a potentially sustainable festival at which cluster members can sell directly to consumers and learn first hand from them (Ohrid Wine & Cheese Festival) in summer 2004;
- Branding of Macedonia at a major international food trade fair (SIAL in fall 2004);
- Implementation of a pilot to sell fresh lamb carcasses directly to Greek supermarkets in cooperation with another USAID project and a Swedish agriculture project (Greek test market) at Orthodox Easter 2006.

Because cheese is naturally coupled with wine, MCA opened participation in the festival and trade show initiatives to members of the Wine Cluster. Significant market research and training supported each of the activities, and the Ohrid festival and SIAL activities went ahead as originally planned. However, the strategy for the Greek test market was changed in early 2006 after a follow up trip to Greece led by an agri-business volunteer consultant. The supermarket chain that had previously expressed strong interest in the pilot recommended the cluster hire a Greek agent to represent its interests to meat markets, which still sell a majority of meat in the country. The vigilance of Greek government inspectors was seriously disrupting the sale of imported lamb during the critical selling days before Orthodox Easter.

The results of the narrower Lamb & Cheese strategy were impressive.

- The first Ohrid festival in July-August 2004 exceeded both sales and volume targets while introducing sheep breeders to the concept of selling directly to consumers and to new customers (individuals, restaurants and shops). The Western Sheep Herders Association was so pleased that it agreed to continue the festival as an annual event and has held two more with minimal support from MCA, USAID Land O'Lakes and others. While the festival's sustainability is not certain, interest and enthusiasm to continue it remains high.
- Macedonia's first cheese exports to Australia came from a SIAL 2004 contact and continue. In all, the "Macedonian Wine and Cheese – Full of Surprises" branded booth attracted more than 200 potential importers for follow up.
- The cluster identified an appropriate role for the Government and sought and received Ministry of Economy cost-sharing support for the festival, SIAL and the Greek test market activities.
- Interest and participation in cluster activities by members improved, particularly after the first festival. Contact between and among the ethnically different sheep breeders (regional and local) improved and increased. This, as well as a series of training workshops, helped ensure sheep herder involvement in the Greek test market. Two dairies located in the same city "talked business" for the first time at SIAL..
- Two sheep breeder-owned cooperatives were formed to implement the Greek test market and hired general managers who also functioned as "commercial managers." While this dual role is not viable long term, it has supported commercialization of lamb sales.
- Sheep breeder cooperatives responded quickly and positively to the need to change their strategy as a result of disruptions in the Greek lamb import market. They also worked closely with MCA to develop the "LTM – Lamb to Market" brand and marketing entity.

Results and Achievements

The most significant achievement of MCA's support of the Lamb and Cheese Cluster is the change in mindset of cluster members. At the time of the cluster's formation, all members generally exhibited a general lack of confidence, trust and vision. By the close of MCA, cluster members demonstrated their new attitudes. For example:

- Instead of protesting that exporting is beyond their capabilities, dairy owners accepted the challenge of the first one who dared to try and was successful – and they too succeeded in exporting to demanding markets.
- Regional sheep herder associations with different ethnic bases and who had virtually no contact before MCA took active part together in Greek test market activities. While they formed separate cooperatives, they determined which coop manager would represent them in negotiations with the flip of a coin. The "winner" was an ethnic Albanian.
- Members of one export cooperative embraced the vision of the Greek test market and enthusiastically described it to the US ambassador as their own when she visited them in the spring of 2006.

Additionally, three female owners of dairies (Ideal Sipka, Budzen Kozjak, and Fezji) were active participants in cluster activities. They led their companies into new markets, including exports, by upgrading and expanding facilities, obtaining required certifications and licenses, developing new products, and improving branding. Gzime Fezji, an ethnic Albanian, was invited to join the National Entrepreneurship & Competitiveness Council.

MCA's strong support of inter-organization cooperation is evident in the level and degree of cooperation among MCA, USAID/Land O' Lakes (LOL) and the Swedish project SFARM2 on the Greek test market. LOL provided technical and other assistance to the selected slaughterhouse to obtain its HACCP certification and with sheep herders to ensure traceability and quality of lambs. SFARM helped farmers develop and manage their cooperatives while MCA was responsible for marketing. Due to unusual circumstances in the Greek lamb market during Orthodox Easter 2006, a sale wasn't able to be completed. However, that hasn't deterred the sheep herder cooperatives or the cluster. In August 2006, the cooperatives impressed their Greek agent with their capabilities and operations when they hosted his visit to Macedonia. SFARM continues to support the development of the cooperatives, which should ensure sustainability. With financial support from exporting dairies and MCA, the cluster opened an "export office" in downtown Skopje to handle export opportunities for both lamb and cheese.

While MCA did not track capital investment resulting from the cluster's strategy, significant capital improvements have been made.

Cheese Results

- Cheese exports reported by cluster members over the life of MCA totaled more than \$1 million, from a base of zero in 2002¹⁶. Importers were primarily in Australia, the US, Albania and other regional markets.
- Four dairies (Ideal Sipka, Nasto, Budzen Kozjak, and Laktis) obtained third country export licenses, bringing the total to five. Fezji was in the process as MCA closed. Pre-MCA, only IMB Bitola (the largest dairy in Macedonia and a former state-owned enterprise) had obtained a European Union export license.
- IMB Bitola made a multi-million investment in new facilities in 2004 and increased the value of their exports 250 percent.
- An Albanian couple with a dairy in Italy returned to Macedonia and invested in a new dairy in their home village near Gostivar. Fezji Dairy produced traditional Italian cheeses that quickly found a market in the Skopje expatriate market as well as locally. Sales doubled between 2003 and 2005. In 2005, Fezji opened a retail shop in Skopje to be closer to its customers.
- Four dairies formed a new export consortium based on an MCA IT Cluster model. After completing significant market research in the US and identify its market (restaurants and catering in the southeast) and customer taste preferences, trials were begun and a test shipment valued at \$22,000 was sent to the US. A second shipment was stopped when quality tests didn't meet the established taste standards. One of the partner dairies is investing more than \$2.3 million in a new facility to meet the highest EU standards.
- An MCA-organized study tour to Albanian led to a successful demonstration that Macedonian white sheep cheese was of higher quality than the Greek cheese available in Tirana at the time. Ideal Sipka placed more than 10 tons of its white sheep cheese in Tirana markets. The Albanian opportunity was so attractive that Ideal opened a distribution center in Tirana and is cooperating extensively with wholesalers and retailers in Albania.
- In less than three years of cooperation with MCA, Budzen Kozjak, small 20+ year old family owned dairy, increased sales by 26 percent, employment by 25 percent, made

¹⁶ All cheese exporters are cluster members. MCA is using cluster reported results, rather than the figures from the State Statistical Office because the SSO relies on sampling rather than actual data collected from Customs. The SSO cheese export figure for 2005 is about \$240,000.

significant capital investments, received an export license and diversified and re-branded its products.

Lamb Results

- Lamb exports have exceeded targets each year. Most recently, almost \$15,680,000 of lamb was exported, 50+ percent above the baseline and 20+ percent over the 2005 target.
- With cooperatives formed by members of the Western and Eastern Sheep Herders Association, MCA and its partners LOL and SFARM have helped establish a joint marketing entity that is branded, “LTM —Lamb to Market.” The LTM cooperatives have hired a Greek agent to represent them in Greece. Two attractive markets are local meat retailers for sale to consumers and the catering industry that serves cruise lines.

Tourism Cluster

Challenges

The number of foreign tourists in Macedonia has been in steady decline from 672,000 in 1987, to less than 100,000 in 2001.¹⁷ In addition to the regional conflicts following the break up of Yugoslavia, several other factors influenced the reduction of the number of tourists:

- Lack of organized promotion of Macedonian tourism in foreign countries,
- Absence of coordinated effort among industry members to present the best of Macedonia, and
- Global tourism changed and tourists who once were seeking simple leisure activities were now seeking an “experience.”¹⁸ Macedonia tourism firms had not invested in developing such experiences and relied on the country’s natural resources to attract foreign tourists.

Cluster formation

A group of leaders within the tourism industry applied for MCA support in the spring of 2003. Their application focused on a desire to work together and deliver value added services. The group was divided, however, regarding the proper target market for Macedonian tourism. Some people wanted to continue to focus on mass tourism, while a small coterie was convinced of the potential for niche culture / adventure tourism. During a series of meetings, using market research with foreigners living in Macedonia and foreign tour operators, the cluster members began to develop a strategy for inbound tourists. They described the strategy as follows: “*The Macedonian tourism cluster intends to attract healthy, wealthy, experienced tourists to ‘off-the-beaten-track’ experiences by integrating basic assets (mountains, lakes, culture, history) into a unique story lived by the visitor.*”

The cluster initially included a wide range of industry players to ensure and expedite the change process. These included travel agencies, hotels, restaurants, airline, mountain and tour guide associations, trade groups, Ministry of Economy tourism section head and others.

Next, the cluster formed task forces and a Cluster Leadership Council. The role of the council was to coordinate the task force activity and to ensure that the task forces remained on the strategic course mapped out by the cluster. The leadership council reported on specific progress or obstacles that require the immediate attention of the NECC, the Ministry of Finance

¹⁷ Macedonia State Statistics Office, “Tourism in the Republic of Macedonia 1999-2003; 8.4.4.03;

¹⁸ World Tourism Website

and the Ministry of Environment and Physical Planning. Originally, there were nine members comprising the Tourism Cluster Leadership Council representing various sectors within the industry (travel agencies, hotels, nature/adventure associations, academia, and restaurants). With time the CLC expanded to add Mirce Dimitrovski, a representative of the national air carrier and the presidents of the two important tourism industry associations, Donco Tanevski, president of HOTAM (Hotel Association of R Macedonia) and Mile Spirovski, president of ATAM (Association of Travel Agencies of R Macedonia).

The task force activity was segmented into three groups. The first group focused on creating experiences, contacting, then organizing a trip of foreign tour operators – and later journalists. The second group focused on training and the third group developed and executed an anti-litter campaign in collaboration with the Ministry of Environment and Physical Planning.

Exhibit 2. Improving cooperation and public and civic connections allow the cluster to improve competitiveness

Macedonia Active Cluster Members	
Firms and Partners	<ul style="list-style-type: none"> • Aurora Tours • Interkont • Travel Club • Atlantik Travel • Atlantis Travel • Kompas Tours • Hotel Bistra • Hotel Montana • Hotel Panorama • Hotel Shumsk • Hotel Epinal • Aviotours • Biser Travel • Eurotravel • Hotel Mramor • Isador Turs • Kompas Skopje • Hotel Makpetrol • Hotel Mimoza • Hotel Tino • Best Western • MAT • Holiday Inn • Arka Hotel • Fersped • Lira Restaurant • Park Hotel • Kozuf Ski Center • Oreov Lad • Nehar Tours • Papillon • Turist TA, Bitola • Holiday Company • Pivara • Avio Impex • Eurotravel • Hotel Mramor • Isador Turs • Kompas Skopj • Frama TA • Hajbatur • Hotel Drim • Hunters Goce • Internacional - Veles
Civic Association	<ul style="list-style-type: none"> • Mountaineering Association • Dutch Chamber of Commerce • Pelister Conservation Project • Ferijalen Centar Kumanovo • Oxygen Bike Club • Museum of Macedonia • Speleological society • Tourist assoc. of Ohrid Biljana • ATAM /partial • GTZ • EBiz/I-Lead
Universities Training	<ul style="list-style-type: none"> • Ohrid Faculty of Tourism • Service Providers - WEB • Tourism High school • AIESEC
Finance Institutions	<ul style="list-style-type: none"> • Agro bank • Exim Bank • Diaspora (Angel Investors)? • SME Fund • Pro Credit Bank • Other commercial banks
Government	<ul style="list-style-type: none"> • National Competitiveness Council • Ministry of Environment and Physical Planning • Ministry of Economy • Ministry of Culture

Strategy

When the project began working with the tourism cluster in spring of 2003, MCA helped the cluster complete two market research studies. The first surveyed foreigners living in Macedonia and the second examined the interests and needs of foreign tour operators. The market research confirmed that foreigners living in Macedonia were looking for deeper, more meaningful tourism experiences that customer service needed improving, and that litter was a problem. The research with foreign tour operators indicated that the most important considerations in offering destinations to their clients were: (1) the quality of the local attractions; (2) the relationships with local tour operators; and (3) cleanliness of the surroundings.

MCA structured the tourism cluster work to address these issues and attract foreign tourists through partnering with foreign tour operators. Cluster members implemented a work plan that had three components, *Promotion and Marketing, Training, and Clean-up*, centering on hosting and satisfying new foreign tourists as rapidly as possible.¹⁹ The marketing strategy included

¹⁹ According to MCA research, it typically requires 12 to 18 months for tour operators to develop trips after visiting a destination

trade fair attendance, developing new promotional materials, hosting fam tours²⁰ for international tour operators and travel writers, providing hospitality training and addressing Macedonia's litter problem. Tourist nights in mountain lodges more than doubled in the period, parallel with the offer of nature /adventure tours as a strategic direction of the cluster.²¹

To re-focus cluster members on inbound tourism and the needs of demanding customers, MCA worked with them to develop tour itineraries; evaluate hotels, restaurants and "experiences" (existing and proposed tourist sites such as museums, churches and mosques, old markets, archeological ruins) using a scorecard system to capture customer feedback; establish a more customer-centered service mentality; and clean up Macedonia's littered environment. Cooperation between MCA, the German development program GTZ and the cluster resulted in a glossy four-color brochure featuring tours tailored for the hiker/biker or cultural tourist. In English and German, the brochure was presented at the Hanover Alternative Tourism Fair in Germany in early 2004 where cluster members made connections with tour operators who later attended their fam tour.

In addition to the fam tour organized for thirteen foreign tour operators, the cluster promoted Macedonia in 2005 by hosting two fam tours for international travel writers in cooperation with a USAID project in Albania. Ten journalists and a photographer representing media outlets in the UK, US, Italy and Germany as well as the region took part in the May and July tours. The July tour attended a Jose Carreras concert that opened the Ohrid Summer Festival.

- The journalists concluded – and wrote – that the traveling public should "Make Time for Macedonia" as the *Times of London* online version headlined on 28 January 2006.

Results and Achievements

Macedonia re-established inbound tourism in the 2002 to 2005 period, thereby reversing a plummet of tourist arrivals that occurred after the conflict.

- Foreign tourist arrivals in 2005 surpassed 197,000 which equates to more than a 75% increase over the 2002 arrival figure of 112,300; 2002 was the baseline year for MCA's work with the sector.²²

The Dutch, once a significant source of foreign tourists in Macedonia, have begun to re-discover the country. MCA, the cluster and the Dutch Chamber of Commerce in Macedonia joined in a campaign to re-introduce Macedonia to the Dutch. Cluster members exhibited at a tourism fair in Utrecht and met with Dutch counterparts in Maastricht in 2004 and after the ITB Berlin tourism fair in 2005. Following a model established by MCA for the cluster, an Ohrid-based travel agency hosted a mini-fam tour for Dutch tour operators, tourism faculty and journalists in April 2005.

- The number of nights spent by Dutch tourists rose 400+ percent, from under 5,000 in 2002 to about 20,000 in 2005.²³ Charter flights between the Netherlands and Ohrid were resumed in summer 2005.

²⁰ Fam tours, short for familiarization tours, are in-country tours designed to familiarize travel agents and others with what a country has to offer tourists.

²¹ Ibid.

²² Based on State Statistical Office report

²³ State Statistical Office

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- “Macedonia, the Hidden Paradise/Sleeping in the Style of Alexander the Great” was what *De Telegraf* told its 1.8 million readers in January 2005. A reporter for this Dutch newspaper had previously met with cluster members in Maastricht at the behest of the Dutch Chamber of Commerce.

Local travel agents and hotels reconnected “lost linkages” with regional counterparts. Cluster members ATAM (travel agents’ association) and HOTAM (hotel association) exchanged fam tours with counterparts from neighboring countries. The highest increases in foreign tourist arrivals are from Albania, Serbia and Montenegro, and Bosnia and Herzegovina. ²⁴

Cluster members reached beyond their borders to connect with foreign operators and travel writers, resulting in first-time offerings of Macedonia by the several top international tour operators and publicity in major publications.

- In spring and fall 2004, 15 tour operators from the US, UK, continental Europe and Turkey sampled Macedonia’s warm hospitality and experienced the best it has to offer in culture and nature/adventure tourism. ²⁵
- Although long lead times are typical in the tourism industry, six renowned international operators including Explore!, Old Country Tours and Regent Holidays (all UK based) included Macedonia in their catalog and tour offering to clients the following season. Others included Macedonia in their itineraries for 2006 and 2007. ²⁶
- In 2005 Macedonian travel agents continued to negotiate with foreign tour operators at a significantly higher level than pre-USAID/MCA.²⁷ These negotiations serve as a leading indicator for additional international exposure for Macedonia’s tourism offering and continued increase in international arrivals.

Others were touting Macedonia as a must-see tourist destination, including *CNN Traveler* magazine, UK’s *Motoring and Leisure*, and *International Travel & Tourism News*. *Elle-Italia* fashion magazine will carry a six-page spread on Macedonia in summer 2006. Most recently, MCA assisted a German reporter who arrived in Macedonia preparing for a series to inform *Die Zeit* magazine readers about the countries of the former Yugoslavia. A flattering piece on Macedonia appeared in early May 2006.

Cluster activities taught members new ways to market and energized them to expand their horizons and focus more on inbound tourism. Negotiations between a Skopje travel agency and a major tour operator from the UK began after the UK agency representative attended the cluster’s first fam tour in April 2004. The first tours of Macedonia in 2005 were so successful that the UK firm immediately signed a contract for more tours in 2006. And the firm has already signed a contract with its Macedonian partner for 2007 tours.

The UK tour operator’s most successful tours have been Ancient Macedonia, which includes Macedonia, Greece and Bulgaria. Its groups consist of people from the UK, US, Canada and Australia. In 2006, the Macedonian travel agency is also working with a Slovenian partner to bring in 22 groups from Japan and Taiwan, also for a regional tour that includes Albania and Macedonia.

²⁴ Ibid.

²⁵ Initiative reports

²⁶ Ibid

²⁷ Reports from cluster members

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- The Macedonian agency reports that it has gone from no incoming tourism to incoming tourism making up as much as 80 percent of its business.
 - Kompas estimates it will handle as many as three times the number of incoming foreign tourists in 2006 than in 2005.
 - It has also booked several itineraries each for one or two individuals who found the agency through the Exploring Macedonia tourism web portal supported by several USAID projects including MCA in 2004. These tourists have come from as far away as Argentina and Brazil. ²⁸

First-rate hotel accommodations outside Skopje and Ohrid can be difficult to find. One travel agency seized that opportunity and is making a significant investment in a new hotel in one of the most beautiful areas of Eastern Macedonia.

- Cluster member Aurora travel agency, Skopje, is building a “club hotel” near Berovo. ²⁹

Situated on 30 hectares, the hotel features a botanical garden, restaurant and snack bar, conference facilities, outdoor pool, health club with gym and spa, tennis courts, miniature golf and children’s club. The hotel will accommodate up to 100 guests in standard rooms, suites, and apartments in residential villas and is expected to open in 2007.

Vibrant, active associations are important to the long-term success and sustainability of cluster activities, yet when the Tourism Cluster was formed, Macedonia’s travel industry associations were largely inactive and had limited credibility. USAID/MCA’s initial frustration with the lethargy of these associations changed in early 2005 when the MCA cluster staff met with the new leaders of ATAM (travel agents association) and HOTAM (hotel association). With MCA encouragement, the leadership of these organizations worked to revitalize their associations in 2005 by providing value to members and slowly re-building their membership bases. The two organizations cooperated with regional counterparts and the Ministry of Economy to host or attend fam tours that helped re-connect and re-familiarize each other with their country’s offerings. They also attended regional and international tourism fairs. They became active cluster members; the HOTAM president joined the cluster leadership council.

ATAM kicked off its new agenda at a 10th anniversary celebration in November 2004 and undertook a series of practical workshops for its members during 2005.

- ATAM added 50 new members in 2005 (from 47 in 2004 to 99 in 2005).³⁰

HOTAM, with an MCA grant, developed a catalogue of Ohrid area hotels for distribution to regional and international travel agencies and tour operators. The president was instrumental in the formation of a regional hotel association, and its first meeting was held in Ohrid in September 2005. And in early 2006, the association was given the services of a Peace Corps volunteer for two years to support its ongoing development into a vibrant sustainable association.

²⁸ All info from cluster member

²⁹ Cluster member

³⁰ Report from ATAM

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- HOTAM's paid membership increased by more than 20 percent in 2005, to 61 members from around the country. Its board approved a 2006 budget of nearly 160,000 euros for activities ranging from marketing to an anti-litter campaign that will build on USAID/MCA's original idea and earlier activities.³¹

HOTAM also helped establish the Balkan Alliance of Hotel Associations (BAHA) in fall 2005. The presidents of hotel associations in Macedonia, Albania, Serbia, Montenegro, Romania, Bulgaria and Bosnia and Herzegovina took part in the formation of BAHA, which is headquartered in Ohrid. Its first annual meeting will be held in Sofia in June 2006 and the president of Bulgaria is expected to open the event at which Greece, Croatia and Ukraine are expected to become members of BAHA. BAHA was created to provide a synergistic regional approach to tourism promotion and development.

ATAM and HOTAM also worked toward a new Law on Tourism. With support from the Faculty of Tourism and Hospitality, ATAM and HOTAM, they proposed new legislation that included laws on inspections, tourist fees, tourism, hospitality and tourism associations and financing of tourism associations. The proposed legislation would replace the existing law and decentralize authority. They are working toward adoption in 2006.

Information Technology Cluster

Challenges

In 2003, Macedonia already had the foundation for a successful IT industry. An important industry association, MASIT, had been formed and more than 60 IT firms were in operation in the country. Faculties at three universities were training students in computer science and electrical engineering. Because of the isolation caused by years of embargo against Serbia and border closure with Greece, the industry had become remarkably self-reliant with Macedonian IT firms leading virtually all important projects in the country in telecoms, banking and government. English language proficiency in the industry was very high.

Despite this, there were clear challenges to address. The market was very focused on the low-end "box moving" segment of the market with very little focus on software development and high-value services. Exports were very low, estimated at \$5,000,000, and again dominated by hardware re-export within the region, primarily to Kosovo and Southern Serbia. Less than \$100,000 in exports were in value-added segments like software and services exports. There were almost no companies serving customers outside of ex-Yugoslavia and, therefore, limited knowledge of the quality, customer service and sales requirements for more advanced markets was very low. Telecommunications costs were high and the key pieces of the security infrastructure were missing. Macedonian government procurement accounted for almost 60% of the market and award determinations were not perceived to be merit-based.

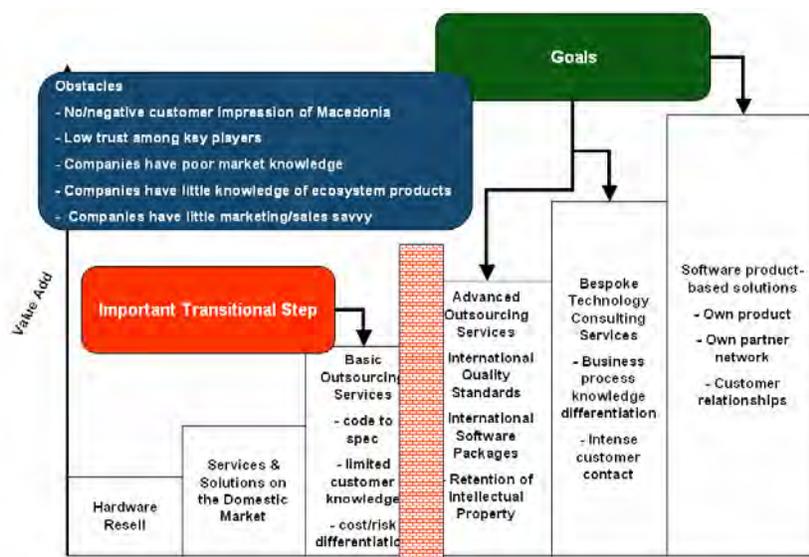
Most of all, Macedonia was handicapped by the small size of the market and the small size of firms focused primarily on serving this market. This key area and those cited above needed to be addressed.

³¹ Report from HOTAM

Cluster Formation and Strategy

The IT sector, led by MASIT, submitted an application for support from MCA on September 19, 2003, and was accepted by the NECC. MCA first met formally with the IT Cluster on November 23, 2003. The initial strategy included Market Research, Export Product Development and Effectiveness of the Cluster. With initial success in the initiatives, the Cluster developed a second plan in December, 2004, that focused on skills development in Project Management and Sales, Business development through co-marketing consortia, and technical support for Individual Firms working with specific opportunities in high-end outsourcing or product development. At its core, the purpose of the plan was to help companies move from lower value-add to higher value-add segments of the market.

Exhibit 3. Obstacles



This plan also recognized the role of MASIT as a pillar organization within the Cluster and designated resources to enhancing its capacity to provide services to members.

Results and Achievements

Consortia

An analysis by an MCA IT consultant in 2004 identified the relatively small size of Macedonian IT companies as a critical deterrent to gaining lucrative contracts from major European clients. None had sufficient analysts and programmers individually to undertake a large project. However, if they formed consortia that were capable of presenting themselves as if they were one company, size would no longer be an issue. Collectively a consortium of companies could provide adequate staffing, a competitive range of expertise and solid language skills.

The establishment of two consortia – MacedoniaIT and ITSM Group – was an important milestone in the cluster's work. Within this framework, more than 100 people were trained in business-to-business telemarketing skills and more than 80 meetings with prospective clients in Vienna, Zurich and London were held. While MCA success is clearly not measured in terms of meetings, the ability to directly and credibly approach internationally known clients from key Western European cities as a consortium was unprecedented in Macedonia where businesses were not accustomed to industry collaboration.

Eight cluster members formed MacedoniaIT to focus on software for the services sector, such as banking. Following in their footsteps, ITSM Group was formed around document management applications with five members.

With MCA assistance, the consortia established policies for joint marketing, decision making and sharing contracts and eventually hired sales representatives. They received “cold call” training and learned how to do more effective follow up with potential clients.

The consortia presented “one face” to top European prospects such as the Vienna Stock Exchange, Deutsche Bank, T-Systems, Erste Bank, IBM and the British European Center for Offshore Development (eCode).

- ITSM completed a small initial contract in 2005 for business analysis and database design related to commodity exchange application for one of the top 10 European banks through a UK firm. The consortium is awaiting final confirmation of a follow-on contract for software development that is valued at \$100,000 and is expected to create 10 new jobs. A third phase, expected to be valued at more than \$100,000, is anticipated to follow as the software is rolled out to other countries.³²
- ITSM is also under consideration for a joint venture with a UK-based company that would give members a share in incremental product revenues. That deal could be worth up to \$1 million.³³

MCA has been providing sector and firm-level assistance to IT companies since 2003, resulting in increased sales and cost savings to the companies in 2005.

Individual Company Results

Part of the cluster strategy was to provide technical assistance, training and grants to individual companies that had the potential to significantly expand exports and or employment or to make the transition from lower- to higher value-added services. Companies were chosen based on their willingness to invest and to serve as a model to other companies in the cluster. While MCA worked with more than 10 companies, all of which achieved some measurable improvement in growth, employment or profitability metrics, below are some representative examples:

C++ (Embedded Software)

Embedded software is one of the most important aspects of today’s software development. A Macedonia company is developing embedded automotive software for a leading US company, Johnson Controls (JCI). MCA began working with this firm to provide technical assistance on pricing and contract negotiations.

For this company to secure a contract with JCI, the company needed additional C++ programmers who could meet JCI’s tough standards. Learning of this need, MCA sought support from the Education unit at USAID. As a result, this leading Macedonian company, the Johnson Controls Institute and USAID’s human capacity building project organized a phased C++ training program in 2005. Fourteen of 24 students who completed the training were employed by this leading Macedonian firm and are now doing additional on-the-job training at the company. Others are employed elsewhere or continuing their education. (In all, the leading

³² Cluster company

³³ Ibid.

Macedonian firm hired 22 programmers in 2005 for the JCI contract and an additional 15-20 in 2006.)

The leading IT company's 2005 performance resulted in a 'new improved contract' for 2006-2007. The contract lists numerous projects that the company will be responsible for rather than a single stated project and value.

- The value of this company's first quarter 2006 work for JCI has already exceeded the total value of contracts in 2005, suggesting a strong growth trajectory.

The C++ training had added side benefits. For example, three professors from the Institute for Informatics who taught the courses have adapted the teaching techniques used in their academic classes and are incorporating what they learned from the Johnson Controls Institute, which developed the training. Moreover, in 2005, Johnson Controls provided 22 scholarships, a computer lab and training to students of electro-technics, mathematics and engineering.³⁴

E-Banking

MCA provided significant technical assistance to a Macedonian company working on e-banking strategies both through IESC VEs and long-term project consulting staff. Assignments included marketing strategies for e-banking and analysis software products and organizational development to help the company put in a management structure to support growth. MCA also supported the company with a "New Banking Vision" customer conference with a grant and with speakers. Based on this support, the company directly attributes the closing of two product deals with export customers and significant higher growth in the organization as a whole.

Project Management Tools

MCA provided technical assistance to a company on channel marketing and telesales for their Callisto ePBX product and their Project Viewer project management product. This technical assistance included several sessions with the company's managers to review marketing materials. The company attributes a high six figure sales increase to this assistance.

Foreign Direct Investment

In 2005, MCA assisted Paul Houthuijzen of the Dutch ERP company, Kooijman, with an evaluation of the Macedonian market as part of a multi-country outsourcing assessment. In part based on the data provided by MCA, Mr. Houthuijzen convinced Kooijman management to award two software development outsourcing contracts to two individual cluster companies. In the summer of 2006, Mr. Houthuijzen, took the decision to found his own company in Macedonia to provide software development services to companies in the Netherlands. With 10 employees already, this company is expected to grow rapidly over the next several years.

Capacity building of industry association

With MCA support, the MASIT Association has increased its capacity to serve members and represent the industry. With MCA support, MASIT chaired a roundtable with universities and conducted a workforce survey and signed MOUs with the universities to increase technical capacity, joined the World IT Services Associate (WITSA), completed a market study with IDC which will place Macedonia in the European IT Observatory's yearly review of European IT capacity and engaged legal counsel to begin alerting members to important legislation. In 2006, MASIT formed a Competitiveness Experts Committee to discuss issues that will improve the competitiveness of the country and to elaborate position papers. Already, two tax-related proposals, one relating to VAT and another related to import duties on software, have been

³⁴ Cluster company

brought before the NECC and the government. MASIT is also becoming increasingly active in providing business development services to members. It organized a business development trip to Israel in July, 2006, and his plans for more such matchmaking events in the future.

Overall Industry Results

Since 2003, the industry overall has experienced remarkable growth and made a remarkable shift toward higher employment of engineers and higher value-added segments such as software and IT services. This has been accompanied by an increase in exports especially to markets outside of ex-Yugoslavia. As evidenced above, this shift has been led by active cluster members.

Software & IT Services	2003	2004	2005	Period Change (%)
Employment	1426	1666	1831	28%
Revenue (\$ million)	\$55.11	\$62.07	\$64.59	26%
Value Add (\$ million)	\$22.36	\$26.91	\$30.49	36%
Exports (\$ million)*	\$6.40	\$8.73	\$10.09	58%
Software Revenue (\$ million)	\$8.70	\$14.47	\$18.31	111%

Source: MASIT/IDC

* 2005 Exports extrapolated from previous year and the IT products revenue growth rate.

Culture of Internet Security Initiative

In Summer 2004, Unet and several other of the Internet Service Providers (ISPs) and web design firms in the Cluster, began to notice that they were having a hard time connecting to many US-based transactional sites on the Internet. Often, attempts to connect would be met by a message that simply said "**Service not provided in Macedonia, FYRO.**" Macedonia had been blacklisted and many important services on the Internet closed to business and individuals within the country.

The effect was significant to Cluster members because the web designers could not consistently register .com web sites for their customers and, once they had, were often cut off from making changes in them putting them in a difficult business position. In addition, subscribers of the ISPs could not use paid Internet services from hundreds of International sites including Skype, PayPal, eBay and many software download services. The ISPs lost business and more importantly, Macedonians lost access to important services on the Global Internet.

Using Internet Web Logs (blogs), MCA assisted the Cluster in raising this issue to the attention of the Internet security community and in searching for the root cause of the problem. This conversation involved the Computer Emergency Response Team (CERT) at Carnegie-Mellon University and the Berkman Center for Internet & Society at Harvard Law School, where experts helped cluster members look for the cause and the solution. This search pointed to the conclusions that the decisions of web sites to block traffic from Macedonia were based on the perception that the country was a "hotbed" for e-fraud and that these decisions were largely decisions of individual security managers rather than a single industry-wide or nation-wide policy. Legal solutions were not available. It was important for Macedonian companies to show these security managers that Macedonia could be both an attractive market and a safe one and to convince them to change their minds.

In 2005, MCA arranged for Verisign to visit Macedonia and make a study of the actual Internet fraud situation. Verisign is one of the most important Internet fraud analysts and had written a report in 2004 naming Macedonia as the country with "the most fraudulent transactions as a percentage of traffic - virtually 100%". Verisign found that there was actually relatively little fraud originating in Macedonia, most of the suspect traffic originated in surrounding countries and was only relayed through Macedonia on captured "bot" servers. However, they did find weaknesses in the anti-fraud policies of the major ISPs. They also noted that the low level of traffic made Macedonia's image vulnerable because security managers had little incentive to open up to a market with so few potential customers. A problem of chicken and egg.

With MCA support, the Cluster began to organize a response. All of the major ISPs in Macedonia agreed to take joint action by issuing a joint declaration to the global Internet Security community saying that they believed their Internet environment was safe and that they were committed to make it safer. They then went about implementing a common set of policies for data privacy and incident response, consistent with the Verisign recommendations, and published these on their web sites. News of the declaration and the common policy initiative was publicized through a press release and through Verisign back channels to security managers. Although de-blacklisting is a gradual process, by Summer of 2006 significant successes had been achieved. According to two Macedonian ISPs, access to most domain registrars was been open and access restrictions to Macedonia had been dropped by PayPal, the world's biggest Internet payment processor.

In addition to these measures, MCA helped organize a pilot of secure authorization tokens with a leading bank and ISP provider in Macedonia.. These tokens offer simple secure access to the bank's e-banking application and can also be used to register users on over 40 International transactional sites such as eBay, Skype, Yahoo! and international banks and brokerage sites, giving them access regardless of location. As part of MCA's support, information about the pilot has been shared with all of the major ISPs and with two additional banks. By September, the pilot had been completed successfully and the conversation had begun between the banks and ISPs about ways to increase consumer usage of e-finance and e-commerce applications, both inside Macedonia and abroad. Conversations were also underway to continue the policy monitoring begun under the "Culture of Internet Security" as an ISP working group within MASIT.

Digital Animation Industry Group

Challenges

Digital Media emerged substantially as a new industry in Macedonia based on work with MCA and synergies with the IT cluster. In 2003, a small number of companies existed creating advertising for local television programming including the USAID-funded *Nase Maalo*, creating videos, and doing web and print design work. Macedonia also had a small domestic film industry and had achieved some international fame through the success of favorite son, director Milco Mancevski. One international project, "The Peacemaker" starring George Clooney and Nicole Kidman, had been shot on site in Macedonia. Several sole proprietors and small companies existed to service this market and to work with larger productions in Serbia and Croatia.

Still, the industry was essentially local and very small. Exports were close to zero. There were no companies with the scale or skills to provide services for international productions and there were key skills gaps in project management and creative roles. Despite this, there was a

tradition of pen-and-ink drawing in Macedonia and there were a few entrepreneurs with a dream of breaking into the industry and a vision for how digital media could become a significant source of jobs and exports for Macedonia.

Cluster Formation

Digital Media emerged as a “sixth cluster” organically out of work with a small number of lead firms and discussions within the IT cluster. Work with digital media began informally around January 2004 with support for one lead company, fx3x, in development of the 3D@eSchools training program and development of exports to the US film and animation market. In later 2004, MCA organized meetings with a group of about 20 companies in broadcast, web design, advertisement and design, and the group of interested companies first met as a “focus group” within the IT Cluster in September 2004.

Strategy

In Digital Media, MCA began work by supporting a lead firm, fx3x, through training and technical assistance, through direct sales support and through development of a large number of trained animators through the 3D@eSchools program.

With the founding of the “focus group” in 2004, and support for Digital Media as a full cluster, MCA and the digital media companies developed a more explicit plan that including:

- Business development and marketing through a co-marketing consortium;
- Development of certified for-profit training centers in Macedonia;
- Association development and capacity building.

Results and Achievements

MCA helped create a new, identifiable, high tech, international industry – digital media – in Macedonia. With a potential to service global industries ranging from entertainment to health care to manufacturing, the digital media industry leverages Macedonia’s creative talent and educated workforce while offering hope to young people to reduce the “brain drain” so common in developing countries.

- Completed outsource contracts have grown to approximately \$200,000.³⁵
- The industry has committed contracts in 2006 of about \$2 million and firm pipeline of an additional \$2-3 million.³⁶
- Official employment has grown from 20 to at least 200.

Initially focused on digital animation and special effects for the entertainment industry, the Digital Media Focus Group of the IT Cluster included 10 production and post-production companies in June 2004. It later expanded to include companies offering pre-production, production and post-production services. With MCA assistance, a new industry association, the Macedonia Association of Digital Entertainment (MADE) was formed in early 2005.

- MADE soon grew from 17 initial members to more than 35 who voluntarily paid membership fees in early 2006.³⁷
- The May 2005 launch of MADE showcased the talent and services that members have to offer potential international clients. It was attended by prominent government officials, donor representatives, clients, potential clients and a host of news media.

³⁵ Cluster company

³⁶ Ibid

³⁷ MADE

In 2005, MADE went through a strategic planning process, identifying three goals: increased exports, improved management capabilities and attracting foreign investment. MADE's board established priorities and approved a plan to achieve its goals.

USAID/MCA's work with digital media began with one company called, at the time, 3X. This was a deviation from MCA's cluster approach to competitiveness to use a "lead company" model, the theory being that the success of a motivated lead company would inspire others in a sector. Already an IT Cluster member, 3X had attended a US trade show in mid-2003 and was anxious to get started. In early 2004 MCA began working with the company to define, promote and brand the industry while simultaneously providing firm-level assistance, including Hollywood-based industry expert advice.

MCA helped 3X to restructure into three companies, each with employee shareholders, and a separate Digital Media NGO was formed. Fx3x became the lead company for MCA's work in digital media. With assistance from MCA and World Learning, company leaders received technical and management training in the US and attended SIGGRAPH 2004, one of the world's largest digital media trade shows.

- The result was a handful of small "test" contracts from the US market, including special effects work on Martin Scorsese's Oscar-nominated film "Aviator," completed in 2004.³⁸

As identified early by an MCA digital media industry consultant, the quality of fx3x's work met international standards. Soon other, larger contracts were in negotiation and/or contracts completed.

- Work on an animated children's feature, started with a small test contract for the pilot, then the Christmas 2005 special. That led to a contract to produce a year of this animated series. To complete the work, the company expected to hire six to 10 new animators.³⁹
- In early 2006, the estimated pipeline of projects was valued at several million dollars.⁴⁰

Local successes were promoted heavily and increased interest in the focus group. MADE membership included more than 25 companies at the end of 2005.⁴¹ At the end of 2005, MADE and the City of Skopje established a Digital Sister City relationship with the City of San Francisco. A videoconference among the mayors of Skopje, San Francisco, Dublin, Toronto and Singapore promoted Macedonia as a global destination for the digital entertainment industry.

MADE has spawned an export consortium and two efforts to build "one-stop shops" for those seeking digital media services. Eight companies formed MADE Export Consortium and presented themselves jointly at three major US and European trade shows in 2005.

³⁸ Cluster company

³⁹ Ibid

⁴⁰ Ibid

⁴¹ MADE

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- Four members of the consortium completed a seven-minute video presentation valued at \$28,000 for a major European client in 2005. The client's US owner was favorably impressed with the quality and price of the work and may seek additional contracts.⁴²

An MCA consultant's report on the digital media industry in Macedonia identified the opportunity to consolidate industry offerings in digital media parks. Fx3x's Digital Media NGO is developing its Digital Media Park in Skopje. The NGO has already acquired a building from the government and anticipates moving to the new facility in 2006. A second "digital media/film city" is being planned for a site outside Skopje by a newly formed commercial company, Collaborative Media Group Ltd. (CMG). CMG originated in the MADE Export Consortium.

- Fourteen companies made an initial cash investment, plus more than \$1 million in equipment to form CMG.⁴³

CMG will offer a wide range of services to the entertainment industry, from location scouting to post production. It will also offer digital media services to other industries, such as health care, manufacturing and architecture. The company has identified an acting CEO and finalized its business plan. It has already formed a partnership with Canadian Film Centre's New Habitat Lab and begun discussions with FujiFilm and others regarding investment in Macedonia.

With MCA assistance, MADE applied for a grant from USAID's Global Development Alliance to provide management and technical support to the new venture.

- MADE was notified in early 2006 that it had been awarded a grant from GDA and implementation began in September.⁴⁴

With assistance from MCA, CMG completed a demo reel including both animation and special effects, has contracted with a sales agent and a visual effects coordinator and presented at the SIGGRAPH event in Boston. Through SIGGRAPH, CMG provided tests for two productions including the feature-length "Rainmaker" and is pursuing five other leads.

3D@E-Schools

After working with what is now called fx3x, an MCA digital media industry consultant from the US noted that the quality of fx3x's services met Hollywood standards, but the company had woefully inadequate staffing to take on large international contracts. He estimated 100 animators are necessary to properly service a major production. At the time, most Macedonian digital media companies, including fx3x, had fewer than a dozen animators.

With support of MCA and three other USAID projects (E-Schools.mk; PRISMA; and Community Self Help Initiative), fx3x formed Digital Media NGO in 2004 to provide professional animation training based on Maya, a widely used animation software. School computer labs equipped by the Chinese government were used for the basic animation course. Digital Media NGO provided "train the trainer" courses first to interested high school IT teachers in Skopje for the pilot, then to those in 30 high schools in greater Macedonia. After the pilot, the basic training program was turned over to the high schools who offered it after school for a small fee. Top students from the basic program are selected to take part in advanced training. This was taught in an fx3x lab outfitted in part by a grant from MCA. Fx3x staff taught the advanced courses.

⁴² MADE Export Consortium

⁴³ CMG

⁴⁴ USAID/Macedonia

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- More than 1,000 mostly high school students received basic animation training in 2004 and 2005. About 70 of those completed advanced training, and approximately half were hired by the local industry, many part-time while they finish their education.⁴⁵
 - One basic training course graduate's talent resulted in an immediate job offer from fx3x where she worked prior to receiving a Fulbright Scholarship to study in the US.⁴⁶

Softimage Authorized Training Center, Skopje

In January 2005, a delegation representing MCA and USAID's Europe and Eurasia unit went to Toronto where the major software developers of digital media applications are located. They met with software developers, educational institutions, the Canadian Film Centre and others to learn from Toronto's experience. Several of the software companies were familiar with the Macedonian digital media firms who were using their products. Among those was Softimage, which had under consideration the development of an animation and visual effects training center in the region. The company agreed to support development of an authorized training center in Macedonia to be operated by Axis Production, a local company using Softimage and Avid software. Softimage provided the software, trainer education and trainer certification at no cost.

Axis joined with the Mechanical Engineering Faculty' Center of Excellence to form a sustainable partnership. The Softimage Authorized Training Center for visual effects and animation and Axis' own facilities joined the Center of Excellence in a new building at the Faculty in Skopje. In June 2005 the center was opened with much fanfare as the president of Macedonia attended and announced five scholarships for female students.

- Twenty-two students, including all five presidential scholars, completed the training. All were either employed or went on to complete their education.⁴⁷

Wine Cluster

Challenges

Macedonia has a long winemaking history that dates back to ancient times. Coupled with the excellent grape growing conditions and winemakers' expertise Macedonian wineries have an opportunity to increase sales of more expensive premium wines in regional and international markets. In the days of Yugoslavia, Macedonia was renowned for producing two-thirds of the federation's wine.

Despite these advantages most of Macedonia's wine exports (80%) consisted of inexpensive bulk wine. The cluster faced several challenges that needed to be addressed in order to move from bulk wine production and export to sales of premium bottled wine. First was the inconsistent quality of Macedonian wines due to use of traditional viticulture practices. Second, lack of market information and recent industry trends. As a result wineries were exporting opportunistically to markets without a developed and consistent market entry strategy. Third, the sector had little experience in collaborating on production or marketing, making it difficult to compete with wine sectors in other countries that have greater resources at their disposal. Finally, the Macedonian wine cluster had to compete against high quality "New World" wineries from the U.S., South America, South Africa and Australia that are using economies of scale,

⁴⁵ Cluster company reports

⁴⁶ Cluster company & US Embassy

⁴⁷ Cluster company

forward integration, and considerable financial resources to drive a highly successful worldwide expansion and execute expensive promotional campaigns.

It is within this context that Macedonia wine companies started developing a strategy to promote a unique niche in the world market that focuses on the Vranec varietal.⁴⁸ The strategy is a long-term proposition of improvements and market entry required for regional and international markets. Therefore, cluster priorities were focused on two areas: 1) continuous quality improvement and 2) improving marketing and sales capability.

Cluster Formation

The wine cluster began its application for the support of the Macedonian Competitiveness Activity (MCA) during the 2nd quarter of 2003. The group was selected by the National Entrepreneurship and Competitiveness Council (NECC) in September 2003, but working with the cluster was delayed until we received a waiver from USAID/Washington to work with the Wine Industry in February 2004. The Cluster started its work quickly when cluster members, with MCA support, participated in a wine taste-off at the Hyatt Hotel in Belgrade, Serbia. The first initiative allowed the Cluster members to gain some experience working together and offered the group an opportunity for joint promotion in Macedonia's largest export market (for bottled wines). The participating companies received feedback from French tasting experts on the quality of their wines. MCA then began the effort to encourage participation from a cross-section of all relevant companies in the cluster. This included wineries as well as growers, institutions to help finance equipment and marketing, and university and research institutes that would help develop new varieties and flavors.

The Wine Cluster had its official kick off meeting in March 2004. The key problems identified at the meeting were grouped in three major areas around which task forces were formed to propose specific activities to address them. These specific areas were: quality improvement, sales and marketing and HR development. The primary activities included researching and partnering in foreign markets, and attending trade shows such as the SIAL show in Paris, to promote Macedonian wine and to learn about industry trends.

Five months after the initial broad cluster meeting the Wine Cluster Leadership Council was formed with a role to develop priorities and strategies to resolve issues hindering competitiveness, to coordinate the work of the different task forces and connect the cluster with the National Entrepreneurship and Competitiveness Cluster. The CLC was established using criteria to nominate representatives that would enable representation of small and large companies, different industry segments, gender and geographic location. An important criterion was the willingness of the individuals nominated as members of the CLC to actively contribute to the work of the cluster. The CLC was elected in July 2004 and the group developed the charter by the end of the year and also collectively participated in the creation of the 2005 action plan.

Strategy

Quality wine begins in the vineyards where sunshine and terroir (Soil and climate Conditions) combine to produce grapes with the right chemical composition. MCA has fostered greater cooperation between growers and wineries to improve grape quality. While many of the smaller wineries have their own vineyards, others rely heavily on independent growers who are used to being paid on weight, not quality. With assistance from a US wine grower/consultant, a model purchasing contract based on quality standards was developed, distributed and discussed with

⁴⁸ Montenegro is considered to be the birthplace of Vranec but this variety has been widely grown in Macedonia and established as a variety that produces wines of high quality

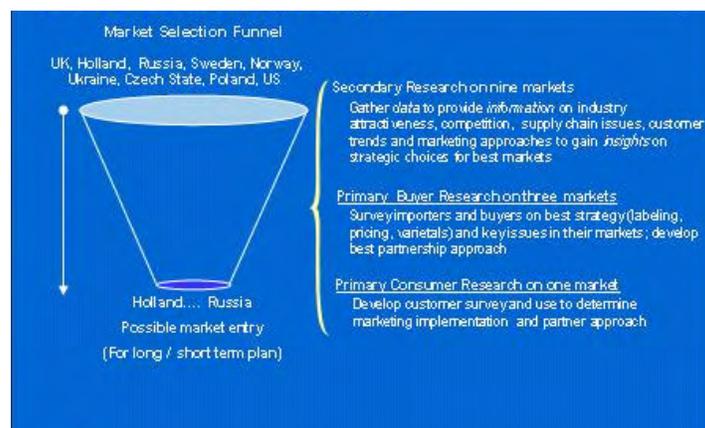
wineries and growers in 2004. The biggest winery in Macedonia used the contract with modest success in 2004.⁴⁹ In 2005, the winery signed more than 1700 quality-based contracts with growers.⁵⁰ Other wineries have followed suit. This was an important first step towards building long-term cooperation between growers and wineries and will have a significant positive influence on wine quality in the long term.

In the last two years five wineries assisted by MCA have received HACCP and ISO certification, and two others are in the process of implementing international quality and management standards.

Exhibit 4. Addressing quality issues in production through training, subtle changes, and equipment upgrades

Cause	Effect	# of Firms
Grapes Harvested Too Soon	Thin, low alcohol, low acid	Two to Three
White wine fermented too hot	Lack of fruit flavor	Four to Five
Red wine fermented too cool	Bitter phenolic aftertaste from stalks – stalk absorption of flavor by stalks	Seven to Eight
Grapes crushed together with stalks	Bitter phenolic aftertaste from crushed grape seeds	Four to Five
Crusher rollers set too close	Light color, thin body	Two to Three
Incomplete M-L fermentation (red wines)	High Acid, lacks complexity Unstable in bottle	Two to Three
Must/Wine contact with inappropriate surfaces	Off flavors, aromas, iron cases	Three to Four
Oxidation	Lack of fruit flavor and aroma	Three to Four
Inadequate Sanitation	Off flavors and aromas, microbial spoilage, including volatility	Seven to Eight

Exhibit 5. The marketing task force completes research to assist in market entry strategies



⁴⁹ Cluster company

⁵⁰ Ibid

Quality improvements mean a strong focus on training and education. MCA used US and foreign experts in grape growing, wine making, marketing and promotion, production and management to assist wine owners and wine makers to better understand the international marketplace. Workshops and seminars were interspersed with intensive one-on-one sessions to address the needs of Macedonia and tailor recommendations to individual wineries. Training in basic sensory evaluation and wine descriptions in mid-2005 gave wine makers and marketing managers a better grasp of basic wine terminology used internationally. Eight sales and marketing managers attended a marketing course at the University of California-Davis, one of the world's best institutions for wine industry education.

- Many of the eight managers who attended the UC-Davis marketing course represent the “next generation” in family-owned wineries.
- After starting a marketing campaign in the domestic and regional markets, Skovin more than doubled its exports of bottled wine in 2005 compared with 2004.⁵¹ Skovin's head of the marketing and sales department attended the three-week wine marketing course at UC-Davis.

The three-week course held in July 2005 covered a broad range of subjects, from the economics of production to the establishment and marketing of brands. The class visited retail outlets as well as wineries and vineyards in California's famous wine region. The group also met with consultants who had come to Macedonia.

In early 2005 an “export readiness assessment” was conducted to identify which wines were most exportable. With the aid of market research, the Wine Cluster selected the UK market as the first in which to test its export capabilities. The UK wine market is of sufficient size and diversity to allow for positioning of Macedonian wines at competitive but lucrative prices. UK consumers are open to taste wines of distinction from relatively unknown wine-making regions. In addition, the distribution structure provides appropriate preconditions for Macedonian wines entering the market to choose a niche market and work with specialized wine shops and independents to promote the wines and sell them directly to consumers. A country positioning statement was developed as were materials to improve the image of Macedonian wines.

Macedonian Fine Wines Export Group formed

Six small and medium-sized wineries that face similar business problems formed the Macedonian Fine Wines Export Group (MFWEG) in 2005 to test the UK market. With assistance from MCA, they developed an integrated marketing strategy to ensure their “new wave” wines are not perceived as “cheap.” A strong brand identity, glossy marketing materials, targeted promotions and common pricing were all integral to the approach to the potentially lucrative UK market. A database of UK wine buyers (distributors, wholesalers and importers) was built along with one of wine writers. MFWEG conducted a “non-dry run” at the home of the UK ambassador to Macedonia. The ambassador invited diplomats and UK business people to taste the “best of Macedonian wine.”

MFWEG's joint presentation in early September 2005 promoted Macedonia as a country with a long wine-making tradition for “quality, flavor, and consistency.” The Ministry of Economy supported the three-day event held at a hotel in the St. James section of London.

- More than 30 potential clients averaged 90 minutes each of tasting and talking over the 17-hour event.

⁵¹ Cluster company

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- Seven prestigious wine writers attended a special tasting where one won a drawing for a seven-day trip to Macedonia.
 - A VIP reception co-hosted by the Macedonian ambassador to the UK was attended by approximately 100 business people and dignitaries, including 15 diplomats.⁵²

Many buyers and writers were intrigued by Vranec, Macedonia's indigenous red wine. Both provided MFWEG members with first hand feedback on their wines and their chance of success in the UK. MFWEG members learned about what buyers are looking for in wines, how wines are promoted, priced, and the role of publicity in wine publications.

Returning to Macedonia, the group started on its "next steps." Members formed MAKVINO, the Macedonian Association of Quality Wine Makers, to promote the country's image as a quality wine maker, increase exports and increase competitiveness in the industry. Membership has been opened to all Macedonian wineries. In 2006 a tasting committee is being organized and the group already established the criteria for use of the association's quality mark.

With support from MCA, the first official industry portal www.winemk.com was launched and promoted locally and internationally. The industry website will increase awareness of foreign buyers and consumers about Macedonian wine and about Macedonia as a source of high quality bottled wines. Lack of knowledge and information about Macedonian wine represents a major impediment for individual wineries to enter new markets and win consumers.

Wine tourism initiative to be launched

Wine and tourism are a winning economic development combination in other wine producing countries, and the Tourism Cluster and wine-makers are exploring the opportunities for Macedonia. Feasibility studies and business planning are underway to develop a "wine road" connecting wineries and overnight accommodations in two key wine regions of the country. A Wine Road Foundation was established in early 2006 to manage the project. Membership consists of local business people, relevant institutions and five municipalities in the Tikves region. The first step is to assess the region's potential and identify key participants. A US tourism consultant who has worked with the Bulgarian wine region assisted the foundation from May to June of 2006. A study tour to the successful Bulgarian wine region was held in early June. MCA's goal is to help the foundation take the initial steps necessary to begin developing wine tourism in the region. Wine tours are the fastest growing specialty tours in the world. Not only does the development of wine tourism help build strong communities by providing jobs while valuing local culture, history and customs but it also helps promote the wines of the region and the country as a wine producer.

Results and Achievements

In keeping with the overarching goal to move up the value chain by selling higher value-added products to more demanding customers, USAID/MCA support to Macedonia's wineries has focused on quality and marketing improvements to facilitate increased sales of the country's high-end specialty wines in Europe. New varieties have been launched and are better able to compete with other regional and international wines. The evident improvement in quality is verified by the increasing number of awards at international wine competitions in France, Germany and UK.

- The average price of bottled wine has increased 40 percent since 2003, the base year for MCA's work with the Wine Cluster.⁵³

⁵² All info from initiative report

⁵³ State Statistical Office reports

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- Macedonian wineries have invested \$9 million in new facilities and equipment since 2003, an annual increase of 350 percent.⁵⁴
 - Cluster members reported 2005 bottled wine exports of \$8.7 million, a 20 percent increase over the 2003 base year export figure.⁵⁵

⁵⁴ Ibid

⁵⁵ Ibid

Apparel Cluster

Challenges

The textile industry accounts for nearly one-third of all of Macedonian exports, employing 30,000 people. For several decades, more than 90 percent of the garment exports were cut-make (CM). That is, customers sent patterns, fabric, trim etc. to Macedonia where the garment was cut and sewn. This process leaves Macedonian companies vulnerable to price competition because labor is the most significant cost driver. The industry is also threatened by the end of the quotas associated with the World Trade Organization's multi-fiber agreement. With no limits on imports from China, Macedonian textile companies will no longer be able to sell products that compete only on low prices to the United States and Europe.

To gain prosperity, Macedonian apparel manufacturers needed to move up the value chain to more value-added processes: cut-make-trim (CMT), full package services (FPS where client provided patterns and producer the rest) and ultimately own design (design and production of their own labels).

When MCA started working with the Apparel Cluster, few apparel companies had ever visited a trade fair, let alone exhibited. Less than 10 percent had any promotional materials. Only one had developed a collection for an export market based on proprietary designs.

Another challenge was the "we-they" attitude within the industry. The rivalry between Stip in the eastern part of Macedonia and Skopje, both important apparel/textile centers, was intense. Trust and cooperation within the cluster could have been critical issues to resolve if the industry participants were to work together for mutual benefit.

Cluster Formation

Apparel was selected in October 2004 as the final cluster to receive MCA support. Having been turned down previously, several companies from various segments of the cluster began working together and formed the Textile Trade Association (TTA). As a result of having worked together prior to becoming an official MCA-assisted cluster, they presented a strong, cohesive vision for the apparel industry. The cluster has seen good participation from the Ministry of Economy (MoE) as well as the university faculty and in June opened leadership council membership to include a representative from the MoE and university as well as a newly formed Association of Designers. The decision was based on the CLC's recognition that its membership needed to be more diversified as to both gender and portions of the industry value chain.

The first cluster meeting took place in Stip in October 2005. It was attended by about 90 manufacturers, agents, university faculty, government officials and others. Cluster leaders were later elected in an open cluster meeting. The first CLC meeting saw an outbreak of tension between Stip and Skopje over the "presidency." However, through open dialogue and diligent work by both the cluster advisers and CLC members, cluster leaders and members learned to work together constructively, cooperatively and successfully.

The Apparel Cluster Leadership Council (CLC) made the first step toward cluster sustainability with the merger of the Textile Trade Association and the Apparel Cluster. Discussion of the cluster's sustainability began at the CLC's instigation, not MCA's. At a December 2005 meeting, some 120 industry representatives attended a meeting at which the Apparel CLC announced the merger and presented a 2006 work plan. The new organization aims to establish itself as a self-sustainable and professional trade association for the industry, thus introducing annual membership fees (100 euros per year per member). By the end of 2005, more than 40

companies had paid a preliminary membership fee and were willing to pay more in order to reach the targeted annual budget of 15,000 euros for opening an office and hiring staff that will support their activities.⁵⁶

Strategy

By emphasizing the idea that Macedonian textile companies can choose their own customers, helping companies develop new, targeted promotional materials and organizing participation in trade fairs, USAID's competitiveness activity (MCA) has helped Macedonian textile companies open new markets and clarify what their competitive advantages can be.

In order to move up the value chain and get away from CM/CMT production to providing full package services and own labels Macedonian apparel companies needed to win new customers in European markets by offering flexibility and design. To do so they had to:

- Increase the strength of Macedonian brands
- Improve production flexibility
- Enable more innovative Macedonian design
- Attract investment in fabric mills
- Explore options for joint retailing project

To help accomplish that, USAID/MCA supported cluster companies' participation at major trade fairs in Copenhagen, Milan and Madrid. Perhaps the most challenging aspect of trade fair preparation was helping companies develop their first proprietary collections. MCA identified a Macedonian-speaking product manager with 15 years experience in the Milan fashion market to advise cluster companies on their collections. With this assistance, the exhibition impressed Italian visitors and helped Macedonian companies position themselves in the Italian market. An MCA consultant and industry expert on marketing communications and promotion worked with cluster members and local BSP Indigo to prepare a list of specific customers to target and produce promotional materials.

While USAID/MCA took the lead in preparing cluster members for Copenhagen and Milan, the members took the lead on SIMM in Madrid. Six companies took part in the joint exhibition. At all three trade fairs, MCA arranged for Macedonia's fashion portal, www.fashionmk.com, (operated by IT Cluster member) to participate with the apparel companies.

With assistance from an USAID/MCA, cluster members began to reassess their marketing and promotional materials. Many used grants from MCA to support development and printing of new promotional brochures and to participate in industry events such as London and Paris Fashion Weeks. The results was orders from boutiques in Japan, London, Paris and New York (\$42,500) and significant media exposure for the firm and Macedonia in renowned magazines such as *Vogue UK*, *Elle UK*, *Cosmopolitan*, *Glamour*.

Cluster members worked together to create an electronic "Textile Map of the Republic of Macedonia." By clicking on a city, potential clients or investors can see the companies in that area, their capabilities, interests and capacities. The map is an important marketing tool for the industry as well as an investment promotion tool that may have broader appeal for Macedonia at the national level.

⁵⁶ TTA-AC

As part of the cluster sustainability strategy, MCA connected the cluster with CBI, the Dutch agency for promotion of imports from developing countries. CBI met initially with the cluster in July 2005 to begin assessing technical assistance needs and discuss mutually beneficial long-term cooperation. In fall CBI held a workshop to familiarize cluster members with its proposed five-year export development program for Macedonia, and more than 30 members applied to take part. Selection of up to 25 participants started in spring 2006.

MCA helped cluster companies to increase their productivity by replacing their outdated production system with the Progressive Bundle System (PBS). This more efficient system was introduced to cluster members, two of which took part in a pilot in 2005 under direction of an MCA apparel production consultant. The companies were able to increase productivity as much as 30 percent without any capital investment. Deltatex reported in March 2006 that the company's shirt-making facility had been completely transformed to the new system. A second pilot using blazers was implemented in May 2006 at MILANO. Preliminary analysis showed that a modular production system was most appropriate. This is a more sophisticated system than PBS, and preliminary analyses showed production increase of 10%.

Through the National Entrepreneurship & Competitiveness Council, the cluster successfully lobbied to have a customs law changed that taxed imported inputs that are used for exported finished goods. Cluster members took part in seminars to learn how the new law would affect them and worked with Customs officials on a pilot to test the new system that would be in place in 2006.

Results and Achievements

As a result of USAID/MCA supported participation at major trade fairs in Copenhagen, Milan and Madrid:

- Five cluster companies reported signing contracts totaling almost \$5.4 million in 2005 as a result of participation in trade fairs supported by MCA. Among their demanding new clients are top European brands, such as H&M, Zara, Moschino, Valentino, Columbia and Carrefour. Total reported contracts to date in 2006 already exceed \$330,000.⁵⁷
- The value of 2005 apparel exports (excluding Germany) of active cluster members was almost three times that of non-active members – \$34.6 million vs. \$11.8 million.⁵⁸
- Cluster companies have either made in 2005 or plan to make in 2006 investments in new factories and equipment valued at almost \$3 million.⁵⁹
- Apparel export in 2005 (excluding Germany – traditional market for CM/CMT services) was almost \$9 million on a target of \$7.1 million.

The Ready to Show fair in Milan was the first joint trade fair exhibition by Macedonian apparel companies. The executive director of the Italian Association of Small and Medium Companies said, "The way that the Macedonian companies present themselves tells us Italians that Macedonia cares about quality and style. This sets them apart from Chinese and Indian exhibitors who convey a message of cheap prices. It makes us Italians more interested in partnering with the Macedonians."

⁵⁷ Cluster companies

⁵⁸ State Statistical Office reports

⁵⁹ Cluster companies

Ten Macedonian designers formed the first designers association in July 2005, in part as a result of their participation in cluster activities as well as the annual Street Festival. The association has set up a Fashion Center with offices and work rooms in Skopje.

A feasibility study prepared for the cluster by a local BSP identified an opportunity for investment in a textile manufacturer. As MCA was preparing to close, a consortium of Macedonian apparel firms were bidding on a facility with the intent of manufacturing textiles.

Productivity increased by more than 40 percent without any new investments in equipment at two cluster companies that participated in a production improvement pilot. With the assistance of apparel production consultant, the makers of women's blouses and shirts redesigned the layout of their operations to use the Progressive Bundle System. Some 70 cluster members attended two workshops on this system and its benefits.

The cluster has had a strong focus on education from individual members as well as the cluster as a whole.

- Cluster input to the Ministry of Education on textile industry curricula resulted in changes that will provide more specialized subject matter.⁶⁰
- Cluster member Birkhart Globistics donated 11 software packages for CAD systems to the textile high school in Stip and provided professional training through an expert from the company that produces the system.⁶¹
- Twelve companies applied to participate in training offered by the EAR's Fund for HR Development.⁶²
- Academia Italiana, well known design school headquartered in Florence, Italy established an affiliate school in Skopje as a result of Apparel Cluster efforts to increase design capability within the country and in line with selected cluster strategy. The school, to open in fall 2006 with 350 students, will offer courses in fashion, interior and production design as well as graphic design and communications.⁶³

Since the cluster's formation, the industry has seen significant new investment, including completion of a second logistics center, construction beginning on a green field apparel factory, and announcement of another green field factory to be built, and an increase in employment among cluster companies.

New investments, new employment

Cluster companies have either made in 2005 or plan to make in 2006 investments in new factories and equipment valued at almost \$3 million.

The opening of **Global Plus Logistics Centre** in June 2005 outside Skopje increases the competitive advantage of Macedonia. The center can provide full package services to demanding customers. That is, the company can purchase and store all raw materials, sub-contract to a network of 50 Macedonian ready-to-wear and knitted goods manufacturers, produce patterns and cut materials using the latest CAD/CAM equipment, monitor quality and deliver the finished garments to clients in Europe in 90 to 120 days.

⁶⁰ Cluster company

⁶¹ Cluster company

⁶² Cluster companies

⁶³ Cluster company

Established in 1990, Global Plus is a market leader in apparel exports in Macedonia and Southeast Europe. The company employs 65 professionals, many in high tech positions at well above minimum wage. ⁶⁴

Arlen, a Polish company specializing in uniforms, corporate wear, work wear and protective clothing for the food and medical industries, broke ground in 2005 on a new factory in Delcevo. Expected to open in mid-2006, the factory will employ about 100 workers. Arlen anticipates using the facility to produce its new line of hospital surgical apparel that meets the latest EU standards and uses the latest fabric technology. ⁶⁵

In early 2006, **Maxima** began negotiations on a joint venture to establish a state-of-the-art factory to produce classic men's trousers. Maxima's foreign partner is from Germany; production is expected to move from Poland. The factory is expected to create 70 to 80 new jobs. ⁶⁶

Domestic investment has been strong. In 2006, **Amor-ko** said it had invested in a new production facility with 30 new sewing machines. The plant is expected to employ an additional 30 people. ⁶⁷ Shirt-maker **Paltex** said that it would purchase a new automated cutting machine, ⁶⁸ which will improve its competitive position for producing high volumes, providing faster delivery and offering higher quality products. **VIT** said it has invested to establish a new jeans factory in Stip with monthly production of 7,000 pairs of jeans. ⁶⁹ And **Albatros** is opening a new factory in the ASTIBO complex in Stip with an additional 150 new employees. ⁷⁰

In May, MCA learned that three cluster members are partnering to bid on a building in Stip that would become a fabric mill. Their decision was based in part on a feasibility study on the potential for a fabric mill in Macedonia. The study was prepared in mid-2005 by a Macedonian consultant BASME for the Apparel Cluster and concluded that such a facility could be profitable. ⁷¹

Danitex and Maxima are among the cluster companies who have already increased their employment as a result of new business opportunities. The two firms said they have hired 50 new employees to meet foreign demand. ⁷²

Business Associations

Strategy

MCA worked closely with industry associations to support cluster development and strengthen the role of associations. The self selection cluster selection framework enabled the associations to actively reach out and become part of the cluster application process without much prompting from MCA.

⁶⁴ Cluster company

⁶⁵ Arlen SA

⁶⁶ Cluster company

⁶⁷ Cluster company

⁶⁸ Ibid

⁶⁹ Ibid

⁷⁰ Ibid

⁷¹ USAID

⁷² Cluster companies

Industry associations became MCA cluster members and participated on leadership councils and played a key role on identifying key cluster initiatives with MCA cluster advisors. Associations were tightly linked with the work MCA did with industry clusters as defined in the relevant cluster component. A great deal of focus and attention was also spent on capacity building within the association through training, seminars and workshops. With MCA support, the Macedonian Association of Information Technology (MASIT) increased its capacity to serve members and represent the industry. MASIT was able to conduct a workforce survey and work with local universities to increase technical capacity of its member's workforce. MASIT also used part of a grant awarded to them by the MCA project to join the Worldwide IT Association (WITSA).

Results and Achievements

MCA assisted the Management Consulting Association (MCA 2000) in obtaining probationary membership in The International Council of Management Consulting Institutes (ICMCI) and is currently awaiting acceptance as a full member. MCA2000 established a self regulatory body for management consulting in 2003 for the CMC certification and should receive full member ICMICI status shortly. MCA worked closely with 12 different associations throughout the six industry clusters formed by the project.

Cluster	Association
Lamb and Cheese	Western Macedonia Shepherders Association
	Eastern Macedonia Shepherders Association
Tourism	Hotel Association of Macedonia (HOTAM)
	Association of Travel Agencies (ATAM)
	Association of Mountaineering Guides
Information Technology	Association of Tour Guides
	Macedonian Association of Information Technology (MASIT)
Digital Media	Macedonian Association for Digital Media (MADE)
Wine	MAKVINO
	Grape Growers Association
Apparel	Textile Trade Association
	Association of Designers

Many of the associations were organized prior to MCA involvement however, several were non functional, such as HOTAM, which has now begun to take a leadership roll in Macedonia's Tourism industry by organizing familiarization tours (FAM tours) and producing promotional materials on Macedonia on behalf of their members.

MCA as part of its work with the Digital Media industry group helped form the Macedonian Association of Digital Media (MADE) in early 2005. MADE grew from the initial 17 members to more than 35 members who voluntarily paid membership fees in early 2006. In 2005 MADE also went through a strategic planning process, identifying three goals: increased exports, improved management capabilities and attracting foreign investment. MADE with MCA assistance was also able to create an export consortium, a "one-stop shop" for companies seeking digital medial services.

As part of MCA's work with the Wine industry of Macedonia, the Macedonian Fine Wines Export Group (MFWEG) was created by six small to medium sized wineries to test the UK market. With MCA assistance the group was able to develop an integrated marketing strategy, a strong brand identity, glossy marketing materials, targeted promotions and common pricing to approach the potentially lucrative UK market. After a three day event in London promoting Macedonian wine the export group decided to form MAKVINO, the Macedonian Association of Quality Wine Makers to promote the country's image as a quality wine maker to increase exports and increase competitiveness in the industry.

The Apparel Cluster was the final cluster to be selected to receive MCA support in October of 2004 after being turned down in previous cluster selection cycles. As a result of being turned down, several companies from various segments of the industry began working together and formed the Textile Trade Association (TTA). A result of having worked together prior to becoming an official MCA-assisted cluster, they presented a strong and cohesive vision for the apparel industry. As MCA's closing neared, the Apparel Cluster and TTA discussed the sustainability of what had been accomplished and established a joint organization to continue to increase the prosperity of those in the industry through increased exports and competitiveness.

Business Support Providers

Strategy

MCA's BSP component was launched in early 2003 with a public announcement and solicitation for Macedonian BSPs to submit expressions of interest to become MCA implementation partners. More than 50 individuals and organizations responded.

With a series of analytical processes and screenings, the project reduced the list to 32 "pre-qualified" BSPs.

The 32 "pre-qualified" BSPs have capacity in the following principal areas:

- General business consulting and business strategies
- Surveys and market information
- Advertising and public relations
- Information technology, including management systems and website development
- Business skills training.

The MCA project also developed a database to identify BSP qualifications by principal practice areas, consistent with internationally accepted categories. The database contains pertinent information about each BSP including resources, partners, experience, references, turnover, and employee size.

The MCA project began a plan to provide support to BSP's and a three stage participation plan was developed:

Stage 1: BSPs were to provide support services to MCA, both for the benefit of project administration and to support cluster activities. All aspects of defining the scope of work, soliciting and selecting BSPs, contracting, and performance monitoring were carried out by MCA staff.

Stage 2: A core group of BSPs interacted regularly with cluster members, exchanging ideas and possibilities for cluster activities. Responsibility for developing scopes of work, planning and

implementing activities were shared between cluster leadership and MCA staff. Payment for services was on cost-share basis, with contracts directly between BSPs and cluster members.

Stage 3: BSPs were also considered part of the cluster framework. Initiatives are developed and “sold” to cluster members by BSPs. Cluster members were fully responsible for funding the initiatives, either on their own or through third-party payments that they and the BSPs would arrange.

MCA strengthened local BSP capacity by providing periodic training sessions conducted by IESC Volunteers and MCA consultants. Examples of some of these training sessions include:

- “Assessing Customer Needs”
- “Negotiating Skills”
- “Sales and Marketing”
- “Analytical Frameworks for Strategic Positioning.”

As MCA continued to engage BSPs throughout their cluster activities several round tables were held to provide:

- An opportunity for MCA staff to become more familiar with BSP personnel and to also learn the process about the needs of the BSPs.
- Forum for announcing new RFPs as a way to make the RFP process more transparent and engage the BSPs on how to properly respond to RFP requests.
- Encouraged BSPs to become active cluster members to gain a better understanding of their target market.

MCA also structured BSP engagements to provide additional support to the clusters and the NECC that gave BSP consultants an opportunity to strengthen their ability to meet the needs of potential future customers.

As of June of 2006, MCA worked with 17 BSPs for 50 subcontracts totaling \$516,058.

One component within MCA’s scope was to establish a self-regulating organization (SRO) for BSPs. MCA supported representatives of MCA 2000 (professional association of management consultants) to attend an international conference on SROs in 2004. That resulted in MCA 2000 affiliating with an international certification program, thus becoming self-regulating. MCA staff including the Senior BSP advisor determined that a new SRO would not be effective at the moment since the Macedonian consulting industry was generally too diverse for one single set of professional credentials and recommend to set industry specific professional standards as is the case in advanced market economies.

Small Grants Program

Strategy

The MCA Small Grants program was designed to provide funding to MCA cluster members who sought to increase their competitiveness in global markets. Once the Program Objectives, Eligibility, and Evaluation Criteria were established the Small Grants manager attended cluster meetings to discuss the Small Grants Program in detail with cluster members.

The Small Grants Program provided grant funding between \$5,000 and \$25,000 to cluster members whose activities would directly relate to increasing export sales, attracting foreign direct investment, and improving the performance of their firm or the industry as a whole.

Once the approved activities were accomplished MCA provided seventy five percent of the funding costs for each activity and the grantee provided twenty five percent of their own funding. By requesting that grantees pay for the activities in advance and seek reimbursement after the activities were completed ensured MCA leadership that the grantees would take the grant seriously and ensure that all the activities proposed were successfully completed.

Results and Achievements

Since the start of the MCA Small Grant program in March of 2004, the project received more than 59 applications from more than 30 companies or associations representing all five clusters. Approximately \$300,000 was distributed in the last 2 ½ years.

Some of the results and outcomes directly attributable to USAID/MCA's grant program include:

- Studio SPIN a Textile Cluster member, developed new promotional materials to introduce this Macedonian design house to Europe. The firm sold its collections in Holland, Switzerland and Croatia.⁷³
- Axis Production received a grant to help promote its new Softimage Authorized Training Center, including the grand opening at which the president of Macedonia announced five scholarships for female students. Those five young women were among the program's first 22 graduates.⁷⁴
- Digital Media NGO received funds for 30 scholarships for students in its 3D@eSchools' advanced animation course. Thirty-six students graduated from the 2005 program.⁷⁵
- MASIT used part of its MCA grant to support joining the worldwide IT association WITSA, which accepted MASIT's membership in 2005. MASIT also completed the grant activities by organizing the 2005 Annual Awards Ceremony. Representatives from the winner's circle were part of the MASIT delegation at the WITSA annual conference.
- Liva Komerc, operator of the Stobi Visitors Center, increased the visibility of the site and center with billboards as well as promotional materials. Liva reported that visitors in the summer of 2005 and 2006 increased 70 percent after billboards were placed on the highway north and south of the center.⁷⁶
- Tiny apparel firm Gracija used its MCA grant to promote the firm at London Fashion Week and Zip Zone Exhibition in Paris and has already received small contracts in 2005 and 2006.⁷⁷
- Popov Winery launched a newly designed website www.popovwinery.com.mk, which contains information on the winery's recent success and awards, description of the wines produced, winemaking technology, and information about the region. The website is part of their export marketing plan and will contribute heavily to the winery's web promotion.
- Buchen Kozjak used their grant to complete the installment of equipment which will improve the dairy's efficiency, quality of production, as well as extend the shelf life of

⁷³ Grant report

⁷⁴ Ibid

⁷⁵ Ibid

⁷⁶ Ibid

⁷⁷ Grant report

their products. This equipment will also satisfy the requirements for exporting cheese to the US market.

COMPONENT E – SYNERGY WITH USAID AND OTHER DONORS

MCA was fortunate to be able to leverage project resources with available resources outside of the project in order to achieve greater impact and results coordinating with USAID and other donor projects. During the four years MCA worked with other projects on a number of joint initiatives and was able to bring all stakeholders and interested parties to maximize results and efforts, as well as share information and influence decisions about areas of assistance.

At the beginning of the project MCA commissioned a directory of Macedonian business providers, business associations and foreign and local providers of business support services and technical assistance to business. The directory served as resource for identifying and contacting all entities that can contribute to and benefit from MCA's activities. Coupled with our own database developed over the years MCA established contact with over 900 private sector companies, donor projects, and local and international public sector agencies and reached out to integrate them in the project activities.

MCA joined forces with USAID's agri-business project managed by Land O' Lakes and a Swedish project known as SFARM2 to ensure quality lambs and qualified slaughterhouse facilities and to train pilot cooperatives to provide the lambs, handle logistics and fulfill a contract for a Greek buyer.

E-Biz/I-Lead set up an E-biz center to promote Macedonian tourism as a result of cooperation with MCA supported Tourism Cluster. Macedonia's Tourism portal (www.exploringmacedonia.com) was developed as a joint activity between MCA, E-biz and cluster members in order to help local travel agencies and hotels devise information about tours in Macedonia and book accommodation online. This cooperation expanded with the design of the apparel industry portal (www.fashionmk.com).

MCA had extensive cooperation with USAID's PTP/HIDC project and was able to complement its assistance with trainings and study tours organized by PTP/HIDS. More specifically, these study tours were organized for the NECC, the Wine Cluster, the Lamb and Cheese Cluster, the Apparel Cluster and the MCA 2000 Association of management consultants in the areas of marketing, apparel design, public-private dialogue development and certification of management consultants (Detailed list of support provided by USAID PTP/HIDC attached).

In a joint project with Prisma, E-Schools and Community Self-Help Initiative (CSHI), MCA was able to assist the digital media industry create a pool of animators trained to use Maya, a widely used animation software, thus being able to take on large international projects. School computer labs equipped by the Chinese government were used for the basic animation course. Digital Media NGO provided "train the trainer" courses first to interested high school IT teachers in Skopje for the pilot, then to those in 30 high schools in greater Macedonia. After the pilot, the basic training program was turned over to the high schools who offered it after school for a small fee. Top students from the basic program are selected to take part in advanced training.

- More than 1,000 mostly high school students received basic animation training in 2004 and 2005. About 70 of those completed advanced training, and approximately half were hired by the local industry, many part-time while they finish their education.⁷⁸
- One basic training course graduate's talent resulted in an immediate job offer from fx3x where she worked prior to receiving a Fulbright Scholarship to study in the US.⁷⁹

⁷⁸ Cluster company reports

MCA also worked with USAID's MK Connects project to get Macedonia de-blacklisted from major Internet payment processing websites. As a result of the initiative four major Macedonian ISPs and MarNet, registrar of the .mk domain, improved their Internet security procedures and committed to demonstrate locally and internationally that information security standards are being implemented by Macedonian ISPs.

MCA expanded cooperation with USAID projects outside of Macedonia and also participated in several regional activities. Albania's EDEM project was a partner in a tourism cluster organized FAM trip for journalists visiting Macedonia and Albania. MCA took part in activities organized by the Regional Competitiveness Initiative (RCI) connecting to regional wine and IT companies. Joint initiatives were completed with USAID's WTO Compliance, Peace Corps projects as well as other donor projects to add other areas of expertise to the technical assistance and training already provided by MCA.

Below is a list of significant USAID projects, other donor organization projects, and international institutions with which MCA cooperated.

USAID and US Embassy	Other Donor Projects and Embassies
Community Self Help Initiative	British Embassy
Corporate Governance Program	Austrian Development Agency
E-Biz	Dutch Chamber of Commerce
Economic Office – US Embassy	MASHAV – Israeli Center for International Cooperation
E-Gov	GTZ – German Technical Cooperation
E-Schools	SEED/IFC – South-East Europe Enterprise Development
Land O'Lakes	SFARM /SIDA – Swedish International Development Agency
Local Government Reform Program	IFAD – International Fund for Agriculture Development
MK Connects	EAR –European Agency for Reconstruction (various agriculture and human resource development projects)
Peace Corps	SIPPO – Swiss Import Promotion Agency
Prisma	CBI – Dutch Import Promotion Agency
Regional Competitiveness Initiative (RCI)	International Finance Corporation (IFC)
USAID Albania Competitiveness Program (EDEM)	Norwegian Embassy
USAID Montenegro Competitiveness Program (MCP)	Embassy of Belgium
USAID Serbia Enterprise Development Program (SEDP)	Embassy of Israel
World Learning's Participant Training Program/Human and Institutional Capacity Development (PTP/HICD)	ICE – Italian Institute for International Trade
WTO Compliance Project	UNDP – United Nations Development Program

⁷⁹ Cluster company & US Embassy

COMPONENT F – GENDER

MCA adopted the Gender and Development (GAD) approach in mainstreaming gender into all phases of project activities: design, implementation, monitoring and evaluation. GAD provides an opportunity to look at a broader context and analyze gender roles in the society, ways gender norms are defined by the society and ways men and women are affected by development. This approach leads to empowerment and mainstreaming womens' and mens' concerns in programs and policies.

The challenges faced in gender mainstreaming of project activities were limited resources allocated to this component and low level of awareness and knowledge of project staff of gender differences and gender mainstreaming. In order to address these challenges two key initiatives were undertaken in the first year of project operations:

- Gender Assessment was completed in April 2003. As a result, the project began to gain greater understanding of the impact of gender in the activities of MCA project in order to ensure the highest level of effectiveness and sustainability. Information from the assessment was brought to enhance the goals of MCA.
- Gender awareness and integration training was delivered for project staff to increase gender awareness on the personal, interpersonal and project levels, as well as identify strategies and develop action plans, timelines and indicators for mainstreaming gender into project areas.

The gender assessment revealed that businesswomen and men share the same impediments to company growth and increased competitiveness identified in the financial, institutional, market and social sphere. However, businesswomen face additional difficulties and have differing needs that derive from the double burdens of employment inside and outside of the home. Another reason for the above-described position of women is the lack of government policies that would enable women to establish balance between their family life and career. Even though there are not any legal impediments to gender equality, the government and private companies rarely undertake specific measures or introduce programs that would stimulate women's participation in public life and decision-making processes. An important fact that contributes to this kind of position of women in Macedonia is the traditional society and the stereotypes that construct different roles for men and women. This reflects on women's choices for work and job positions, career advancement and political activity. Therefore women are mostly segregated in the traditionally "female" professions and industries.

Exhibit 6. Employment of Macedonian Women

Non-economic Activities	49,533
I. Education, Science, Culture and Information	18,094
II. Health Care and Social Security	22,988
III. Public Administration, Political Parties, Associations and Social Organizations	8,433
Economic Activities	72,260
I. Mining and Industry	43,908
Manufacturing of textile fibers and fabrics, finished textile goods, leather and fur, footwear and accessories	26,414
II. Agriculture and Fisheries	2,620
III. Forestry	425
IV. Water management	269
V. Construction	2,695
VI. Transport and Communications	3,823
VII. Trade	8,387
VIII. Tourism and Catering	2,736
IX. Personal Services, Crafts and Trades	958
X. Housing, Utilities and Public services, landscaping and maintenance	1,482
XI. Financial, Technical and Business Services	4,977

(Macedonian Statistical Yearbook 2002)

Other data that illustrates the position of women in Macedonia is the gender structure of the employed according to the economic status:

	Total %	Male %	Female %
Employee	100.0	59.8	40.2
Employer	100.0	76.7	23.3
Self-employed worker	100.0	79.1	20.9
Unpaid family worker	100.0	38.9	61.1

(Macedonian Statistical Yearbook 2002)

The cluster baseline studies done in 2004 and 2005 show that the representation of women in the different industry sectors varies:

- Tourism - Women account for half of the total number of employees and are represented with highest numbers of owners and managers of cluster companies as well as in decision making bodies of the cluster.
- Apparel - The majority of employees in the apparel industry are female and account for 82.5 % of the total number of employees. This high representation of women in this industry is not equally reflected in the different levels of decision making and management positions in individual companies as well as in cluster management and decision making bodies. Most of the women employed are workers while a smaller

number of them hold decision making positions such as heads of departments and are even less present in the top management.

- Agriculture (Wine and Lamb & Cheese sectors) – Women account for one third of the total number of employees in these industry sectors. In the wine industry women hold mostly technical, administrative and middle level management positions and most of the seasonal workers employed during harvest are female. Women also play an important role in cheese production both in dairies and on the farms and are poorly represented in different levels of management and decision making. Thus, the poor representation of women in cluster decision making bodies.
- IT - 30 % of the total number of employees in this industry sector are women. This situation is reflected in the efforts to integrate gender in the MCA activities in this industry sector and provide conditions for equal representation of both genders. Table 1 and 2 illustrate the representation of women in the different activities and organizational structures developed by MCA.

The differing needs of businesswomen in terms of obtaining loans due to lack of collateral and training to develop specific skills were tackled by establishing a Businesswomen Network comprised of female cluster members. The first meeting was held in July 2004 and the group met regularly at least once every two months. The purpose of the meetings was two fold:

- The first part of the meeting was a formal presentation delivered by a professional trainer or expert covering the topics of access to EU funds, presentation skills, self confidence building, advocacy and lobbying, credit access and guarantee funds.
- The second part of the meeting provided an opportunity for networking and sharing business related information.

In terms of the cluster selection and cluster development process, public education and consensus building efforts the MCA team undertook the following activities to ensure open participation of both men and women in all project activities:

- Encourage women to speak and solicit their opinions in venues organized by MCA.
- Involve industries or areas of the labor market or community that are likely to benefit women, such as tourism, apparel and IT.
- Collect and use sex-disaggregated data.
- Include gender as criterion for formation of cluster decision making bodies
- Provide higher visibility for women in the business environment and influence public perception of women managers by publishing interviews given by businesswomen active members in the clusters and the NECC.

The following tables illustrate the representation of women in the different activities and organizational structures developed by MCA (2004 and 2005 data).

Exhibit 7. Gender disaggregated data on project activities

Indicator	Tourism Cluster		L&C Cluster		IT Cluster		Wine Cluster		NECC		Grants		PED	
	#W	#M	#W	# M	#W	# M	#W	# M	#W	# M	#W	# M	#W	# M
Cluster Leadership Council members	5	4	4	10	2	5	3	5	n/a	n/a	n/a	n/a	n/a	n/a
Cluster/NECC members	31	55	9	30	7	28	10	40	5	18	n/a	n/a	n/a	n/a
Participants at cluster/NECC meetings	57	64	70	240	7	28	19	49	18	60	n/a	n/a	n/a	n/a
Participants at trainings	20	20	20	60	36	52	14	65	4	12	n/a	n/a	n/a	n/a
Participants at events	12	20	20	60	20	50	3	13	220	280	n/a	n/a	n/a	n/a
Participants at events designed for journalists	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70	73
Grantees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	4	n/a	n/a

Source: MCA attendance records and lists of officially selected representatives for decision making bodies.

Exhibit 8. Gender disaggregated data on project activities

Indicator	Tourism Cluster		L&C Cluster		IT Cluster		Wine Cluster		Apparel Cluster		NECC		Grants		PED	
	#W	#M	#W	# M	#W	# M	#W	# M	#W	# M	#W	# M	#W	# M	#W	# M
Cluster Leadership Council members	4	7	4	8	5	16	3	4	2	10	n/a	n/a	n/a	n/a	n/a	n/a
Cluster/NECC members	31	55	9	30	12	45	10	40	45	55	3	18	n/a	n/a	n/a	n/a
Participants at cluster/NECC meetings	18	20	30	80	12	45	14	35	17	20	12	49	n/a	n/a	n/a	n/a
Participants at trainings	n/a	n/a	15	50	36	96	19	48	34	45	1	12	n/a	n/a	n/a	n/a
Participants at events	n/a	n/a	15	60	34	52	4	8	0	5	80	120	n/a	n/a	n/a	n/a
Participants at events designed for journalists	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18	7
Grantees	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	20	n/a	n/a

Source: MCA attendance records and lists of officially selected representatives for decision making bodies

ANNEX 1: NECC MEMBERSHIP LIST

2003

Ministry of Economy	Ilija Filipovski
Ministry of Finance	Petar Gosev / Nikola Popovski
Ministry of Agriculture	Slavko Petrov
Ministry of Labor	Jovan Manasievski
Ministry of Transport & Communications	Miljaim Ajdini / Agron Budzaku
MCA 2000	Mirjana Apostolova, President
Federation of Macedonian Farmers	Petko Zlatev, President
MASIT	Mihail Petreski, President
Association of Banking & Insurance	Mirjana Pavlovska, Deputy Director / Dragoljub Arsovski, President
Association of transport & Communications	Krste Tanasovski, President
Federation of Trade Unions of Macedonia, Vanco Muratovski, President	Vanco Muratovski, President
Professor at Faculty of Law University St. Cyril and Methodius	Vanco Uzunov
National Bank (NBRM) Representative	Dusanka Hristova
PIVARA Skopje	Svetozar Janevski

KIMIKO	Georgi Miladinov
IDEAL Sipka	Spiro Momirceski
Cekorovi Wine Company	Divna Jordanovska
ADG Mavrovo	Vanco Popovski, General Manager
SEAF	Vladimir Pesevski
TT Plast	Gjorce Todorovski
Protect M & Remova	Edmond Krliu
Fatina	Durmis Zupani
Magnolija	Jasmina Miteva

2004

Ministry of Economy	Stevce Jakimovski / Minco Jordanov
Ministry of Finance	Nikola Popovski
Ministry of Agriculture	Slavko Petrov
Ministry of Labor	Jovan Manasievski
Ministry of Transport & Communications	Agron Budzaku
MCA 2000	Mirjana Apostolova, President
Federation of Macedonian Farmers	Eftim Saklev, President
MASIT	Mihail Petreski President
Association of Banking & Insurance	Dragoljub Arsovski, Acting Director
Federation of Trade Unions of Macedonia, Vanco Muratovski, President	Vanco Muratovski, President
Professor at Faculty of Law University St. Cyril and Methodius	Vanco Uzunov
National Bank (NBRM) Representative	Dusanka Hristova
PIVARA Skopje	Svetozar Janevski
KIMIKO	Georgi Miladinov
IDEAL Sipka	Spiro Momirceski

Cekorovi Wine Company	Divna Jordanovska
ADG Mavrovo	Vanco Popovski, General Manager
SEAF	Vladimir Pesevski
TT Plast	Gjorce Todorovski
Protect M & Remova	Edmond Krlju
TTA	Jasmina Miteva

2005

Deputy Prime Minister for Economic Affairs	Minco Jordanov
Ministry of Economy	Fatmir Besimi
Ministry of Finance	Nikola Popovski
Ministry of Agriculture	Sadula Duraki
Ministry of Labor	Stevce Jakimovski
Ministry of Transport & Communications	Xhemali Mehazi
MCA 2000	Mirjana Apostolova, President
Federation of Macedonian Farmers	Eftim Saklev, President
MASIT	Mihail Petreski President
Association of Banking & Insurance	Dragoljub Arsovski, Acting Director
Federation of Trade Unions of Macedonia, Vanco Muratovski, President	Vanco Muratovski, President
Professor at Faculty of Law University St. Cyril and Methodius	Vanco Uzunov
National Bank (NBRM) Representative	Dusanka Hristova
PIVARA Skopje	Svetozar Janevski
KIMIKO	Georgi Miladinov

IDEAL Sipka	Spiro Momirceski
Cekorovi Wine Company	Divna Jordanovska
ADG Mavrovo	Vanco Popovski, General Manager
SEAF	Vladimir Pesevski
TT Plast	Gjorce Todorovski
Protect M & Remova	Edmond Krlju
TTA	Jasmina Miteva

2006

Deputy Prime Minister	Zoran Stavrevski
Ministry of Economy	Vera Rafajlovska
Ministry of Finance	Trajko Slavevski
Ministry of Agriculture	Aco Spasenovski
Ministry of Labor	Ljupco Meskov
Ministry of Transport & Communications	Mile Janakievski
MCA 2000	Mirjana Apostolova, President
Federation of Macedonian Farmers	Saklev Eftim
MASIT	Toni Petreski
Federation of Trade Unions of Macedonia	Vanco Muratovski
Professor at Faculty of Law University St. Cyril and Methodius	Vanco Uzunov
National Bank (NBRM) Representative	Dusanka Hristova
M6	Svetozar Janevski
KIMI KO	Georgi Miladinov
IDEAL Sipka	Spiro Momirceski

Cekorovi Wine Company	Divna Jordanovska
SEAF	Vladimir Pesevski
Protect M & Remova	Edmond Krliu
Global Plus	Vladimir Icokaev
Kompas Skopje a.d	Janevski Arsenije
Economic Chamber of Macedonia	Branko Azeski
European Business Association	Aleksandar Tomov
Economic Chamber of North-West Macedonia	Xhemail Dauti
Fejzi Dairy	Gzime Fejzi
ZELS (league of municipalities)	Andrej Petrov
Makstil	Minco Jordanov

ANNEX 2: BUSINESS SERVICE PROVIDER CONTRACTS

BSP	Value USD	Purpose
BRIMA Gallup	\$ 1,412.38	Mental Models/Awareness Survey of Competitiveness Concept
Ein Sof d.o.o.e.l	\$ 3,215.35	MCA Website Creation and Maintenance
Reprint Design	\$ 2,350.00	MCA Newsletter graphic layout and printing.
Bi-Communication	\$ 3,363.00	Market Research and Survey Implementation for Tourism Cluster
MBRC Consulting	\$ 3,165.00	Macedonian Business Database
BRIMA Gallup	\$ 2,771.15	Survey for the NECC, World Economy Forum Survey/Global Competitiveness Report
BRIMA Gallup	\$ 2,771.15	Mental Models/Awareness Survey of Competitiveness Concept
MRDC-Ti, Net	\$ 12,124.50	Analysis of Macedonian Cheese producers export readiness
MRDC-Ti, Net	\$ 4,494.06	Modification to original contract to include; Transportation Costs
Enterprise Support Agency, Ohrid	\$ 29,955.00	Identification of market expansion capabilities for Macedonian Lamb. Culinary education campaign for Lamb Specialists.
Publicis	\$ 19,822.82	National Summit on Competitiveness
Publicis	\$ 47,195.28	National Summit on Competitiveness
Publicis	\$ 26,904.00	National Summit on Competitiveness
IDEA Plus	\$ 445.08	Event recording and video creation. Market Research Training – Holiday Inn.
Trajkovski & Partners, Management Consulting	\$ 18,585.00	Plan development for national Sheep Products (Cheese and Lamb) standards.
MBRC-Ti, Net	\$ 29,250.00	Plan development for national Sheep Products (Cheese and Lamb) standards to enforce origin and organic standards.
MBRC-Ti, Net	\$ 12,323.72	Technical assistance for the L&C cluster leadership to develop capacity building activities related to cluster development.
B2-Management Consulting	\$ 634.84	Tourism sales and Marketing Campaign. tourism experience in cooperation with MCA tourism cluster team

BSP	Value USD	Purpose
Bi-Communication	\$ 3,042.16	Survey to gauge the attitudes of potential investors in Macedonia including legal and economic obstacles.
ESA Ohrid	\$ 1,096.00	Support for MCA in the organization and execution of a Tourism Workshop in Ohrid.
B2-Management Consulting	\$ 13,372.13	Business plan development support for 5 tourism cluster companies looking to pursue specialized customer segments using new sales and marketing channels
B2-Management Consulting	\$ 2,808.22	Amendment - Additional level of effort (LOE) to support of the competition and application process of Tourism Cluster Member Business plan competition
BRIMA Gallup	\$ 1,627.22	Conduction of survey based market research in management capabilities of the IT Industry, Textile Industry, and Agriculture Sector/Food industry
CDS doo Skopje	\$ 1,190.00	Conduction of survey based market research of management capabilities for Tourism Industry, Wine Industry, Financial Sector and Construction
Reprint Design	\$ 10,000.00	MCA Newsletter graphic layout and printing.
BRIMA Gallup	\$ 2,869.76	Mental Models/Awareness Survey of Competitiveness Concept
BRIMA Gallup	\$ 3,794.88	Executive Market research survey
MDC-Ti, Net	\$ 1,300.00	Organizing of standard improvements presentation for MCA
CDS doo Skopje	\$ 14,998.24	Analysis and Collection of Statistical Data for years 2002 and 2003 for IT Sector
B2-Management Consulting	\$ 4,591.03	Developing a plan for the New Stobi Visitor's Center
MBRC Ti	\$ 17,534.80	Lamb and Cheese Sector survey and analysis
CDS doo Skopje	\$ 5,245.83	Feasibility study for an MBA program in Macedonia.
B2-Management Consulting	\$ 6,724.70	Analysis and collection of Statistical Data for Lamb and Cheese
Ein Sof d.o.o.e.l	\$ 1,200.00	Maintenance of the website for MCA
AMK Paneks Skopje	\$ 5,751.58	Ohrid Cheese and Wine Fair

BSP	Value USD	Purpose
BLT Agency Event	\$ 79,521.00	Plan and manage annual Summit on Competitiveness
SMMRI dooel Skopje	\$ 2,223.88	Airport Tourism Baseline Survey
Reprint Design	\$ 12,250.00	MCA Newsletter design and printing
SMMRI dooel Skopje	\$ 4,405.00	Mental Models/Awareness Survey of Competitiveness Concept
Center for Economic Analyses	\$ 3,330.00	Economic Indicators research for the NECC
BRIMA Gallup	\$ 3,388.00	Survey based opinion market research
Publicis	\$ 6,699.82	Design of creative Concept for Wine Cluster
BASME KT DOO	\$ 11,682.00	Analyzing the profitability and attractiveness of foreign direct investment in Macedonia
Ein Sof d.o.o.e.l	\$ 1,200.00	Maintenance of the website for MCA
SMMRI dooel Skopje	\$ 4,206.70	Mental Models/Awareness Survey of Competitiveness Concept
BRIMA Gallup	\$ 3,388.00	Market Research survey using World Bank World Development Indicators
Fi Consulting	\$ 7,680.00	Design of CMG Corporate systems.
Trajkovski & Partners, Management Consulting	\$ 6,150.00	Increasing the awareness of University management and fast implementation of basic information policy and procedures for Internet Service Providers security service
Ultra Net dooel Skopje	\$ 22,000.00	Implementation of Internet Security Initiative pilot project.
Total USD	\$ 538,058.07	

ANNEX 3: CLUSTER INITIATIVES

Lamb and Cheese

2003/2004

Initiative No.	Initiative Name	Description	Results
1	US Market Research	1) Research potential market demand for Macedonian dairy products in the US and Canada, including entry points into the US market through premium cheese distributors, ethnic market channels and top-end grocers. 2) Attend New York Fancy Food Fair – largest trade show for dairy products in US	<ul style="list-style-type: none"> • Great demand in Specialty cheese markets for Macedonian Sheep Cheese products • Need to find aggressive, small broker willing to place cheeses in niche retailers, while providing key customer/consumer feedback where available • Top competitors in artisan and ethnic sheep cheese categories are from Europe (primarily) • Labeling and packaging are key determinants in positioning with Ethnic markets • Need for visual merchandising techniques to keep market position in cheeses • October Seminar on NY Market
2	Regional market research-four cheese markets	Cluster members performed informal market research in Albania and Kosovo.	<p>MCA team and the cluster evaluated the opportunity for selling cheese in the Albania and Kosovo market.</p> <ul style="list-style-type: none"> • MCA team and the cluster members understood the Albanian and Kosovo market needs and opportunities for specialty food products • Cluster members successfully established business contacts with importers, distributors and retailers so they can make a clear choice on which customer segment to serve. • MCA and cluster members assessed the competitive environment, learned the cheese prices locally and surveyed the local consumer demand. • Cluster members assessed the requirements for production improvement based on the needs of the most attractive market segments.
3	Regional market research-lamb markets	Not Implemented	

2003/2004			
Initiative No.	Initiative Name	Description	Results
4	Scorecard system	Develop the scorecard system and scorecard	<ul style="list-style-type: none"> • Identified 15 – 20 Macedonian sheep cheese producers with potential for exporting high-end specialty cheese to foreign markets • Categorize cheese types based on differences such as processing systems (pasteurized, un pasteurized) or specific qualities (fat content, mixed raw material etc • Develop and implement scorecard system • Seminar (30.10.2003).
5	Culinary Education opinion-maker relationship	Understanding the key requirements of premium market buyers, developing the slaughtering techniques, developing the world class cheese masters.	<ul style="list-style-type: none"> -Owners of slaughterhouses and cheese makers will learn more about the demands of premium market buyers. -Members will use trainings results from the seminars and workshops for slaughtering techniques including cutting and packaging and distribution options -Cheese makers will develop their skills for making specialty cheese and learn how to be more competitive on the different markets -Practice new confectioning alternatives. -Produce different types of cheese.
6	Product Development & upgrades	Develop the products to be more export ready and fulfill the demands of export markets.	<ul style="list-style-type: none"> • Discover where to place product in foreign markets • Analyze the products in laboratories • Find out the product qualities for labeling • Need of visual merchandising techniques • Seminar (12.09.2003; 04.11.2004; 22.12.2003; 09&12.02.2004; 16.02.2004) <p>Cluster members learned the importance of taste tasting, lab analyzing and visual merchandising for fulfilling the demands of foreign markets.</p>

2003/2004			
Initiative No.	Initiative Name	Description	Results
7	Brand development	Not implemented	
8	Cost structure Analysis	Developing a detailed cost structure analyze for one major sheep herding operation and one large dairy plant.	<ul style="list-style-type: none"> - Cluster members will have concrete picture of cost structures for their sheep's herding or dairy plants. - Macedonian products will be positioned on the high level in export markets and at the same time will become more competitive - Cluster members will learn the importance of market research and how to use attained results - Farmers and owners of the pants will easily full fill consumer demands with market information. - Cluster members will work together to promote Macedonian Brand.
9	Organic Certification and geographic origin	Develop an internationally recognized registration procedure for branding and geographical origin of Macedonian Sheep products. Institutionalize local and international procedures for this registration.	<p>Improved cluster member trust and collective goals by defining their common interests</p> <ul style="list-style-type: none"> • Developed method to improve continuous quality of products • Defined a quality assurance system; and determine potential for quality seal • Determined the use of Macedonia's geographic origin to improve Macedonian product image and brand recognition • Delivered seminars (22.12.2003, 09&12.02.2004) • Reports and seminars influenced language in proposed legislation to protect geographic origin • Improved understanding of the importance of protecting and marketing geographic origin for value added products
10	World Learning –Artisan Cheese Maker & Niche Dairy US visits	Not Implemented	

2003/2004			
Initiative No.	Initiative Name	Description	Results
11	World Learning – Welsh Lamb Branding and Marketing Visit	Not Implemented	
12	Wine and Cheese festival Ohrid	Assist selected members of the Sheep Farmers Associations who produce and sell their cheeses at the farm gate. Establish a major, sustainable annual venue for cheese and wine producers to sell their products direct to residents and holiday tourists at a Cheese and Wine Market Fair within the Old Market Square in the City of Ohrid	Cheese & Wine “ Direct to Market” Fair represents a major annual domestic and tourists attraction event where participants will be able to sell an increasing volume of their products.
13	Commercial Manager	Create a marketing/sales oriented position, targeting entrepreneurial Cluster members to explore export opportunities in top markets and become more export-ready	<p>Develop aggressive sales position for Cluster members</p> <ul style="list-style-type: none"> • Commercial manager must be able to consolidate supply among Cluster members to meet export market demands • Legally binding contracts between slaughterhouses and breeders to sell product in sufficient quantities key • Self-funding position necessary for long-term stability • Export-readiness assessments of most entrepreneurial firms required to assure export quality and standards • Manager must arrange for several forms of short-term financing either through the buyer or local financial market. • Finding alternative markets willing to prepay for year-round lamb, through performance-backed contracts.

2005			
Initiative No.	Initiative Name	Description	Results
1	Lamb Greek Test Market	Macedonian chilled lamb carcasses to be sold direct to 1 or 2 major supermarket chains in Greece	<ul style="list-style-type: none"> - Cooperatives formed - Mutual sales representative prepare to consummate a 'sales contract' involving Spring Lamb and determine if they want to seek additional short term sales opportunities.
2	Regional Market Research activity plan	Four-day market research visit in Greece was MCA's second attempt at gaining a broader overview of the marketing trends of lamb market sector in Greece during the Easter season.	<ul style="list-style-type: none"> Observe lamb sales in Greece prior to Easter peak season, - Conduct assessment of price of lambs sold in major supermarket groups and meat wholesale markets in Greece, - Meet with various lamb buyers and distributors and analyze position of Macedonian lamb sold in the Greek market segments
2006			
Initiative No.	Initiative Name	Description	Results
1	Support to LTM and cluster organization	Conducting a training/workshop session with SBC managers and leaders relative to marketing 'processed' Carcass Lamb versus 'farm gate' Live Lamb. Develop relative market statistics and sales strategies.	<ul style="list-style-type: none"> SBC members are being encouraged to look ahead. -The greatest accomplishment of this project to date has been the trusting and considerate relationship that has evolved between Sheep Breeders from the East and the West who have joined together via the SBC, putting away historical animosities.

**Tourism Cluster
2003**

Initiative No.	Initiative Name	Description	Results
1	Consumer Market Research	Survey foreigners temporarily living in Macedonia to understand their internal tourism habits as an inexpensive way to profile the interests of foreign tourists	<ul style="list-style-type: none"> • Foreigners living in Macedonia travel extensively in the country • Generally, they do not stay overnight in a locale; the principal reason is that there is nothing worth staying for • They spend on average \$69 per day when they travel inside Macedonia, \$109 per day when they travel outside of Macedonia • Over 60% indicate that they would like to spend more if there were something to spend their money on • Safety is not a principal concern • Trash is one of the most important elements that detracts from the tourists' experience • Lack of information also keeps foreigners from traveling more extensively in Macedonia • Among local destinations, only Ohrid has been visited more than once by over half of the respondents <p>Cluster members learned of the importance of consumer research</p>
2	Tour Operator Market research	To profile international sales and marketing channels for selling and marketing unique Macedonian tourism experiences in cooperation with the MCA tourism cluster team	<ul style="list-style-type: none"> • Demand for specialty/adventure tourism in off-the-beaten track destinations is strong. • Adventure/specialty tour operators seek accommodations ranging from camping in pristine locations to mountain lodges to small luxury hotels in unique settings. • Adventure/specialty tour operators may bring 5 - 500 visitors to a region spending \$50 to 300+ per day. The average trip length of the specialty operators was 7 days. • It takes 6 –18 months from conceiving of a new trip idea to actually bringing customers to a new destination. The cluster must organize promotional tours in the region for targeted overseas partners. • Interviewed tour operators that demonstrated interest in Macedonia although, in general knew very little about the country. <p>Cluster members learned of the importance of market research and practiced it.</p>

2003/2004

Initiative No.	Initiative Name	Description	Results
3	Balkan Cultural Tourism Seminar	International Seminar for Cultural Tourism in the Balkan Countries	<ul style="list-style-type: none"> • Cultural tourism is one of the major growth areas in global tourism in recent years • Cultural tourists are highly educated; are professionals or managers and have relatively high income levels • They want to learn something during their visit, particularly about the unique character of the place they are visiting • The daily expenditure of cultural tourists is higher than beach tourists and average total spent in cultural tourist is over 400 Euro • The current growth of cultural tourism is from new market niches, such as architecture tourism, gastronomic tourism, and literary tourism. • There is a need for local, national and regional cooperation on the level of public, private and civic sectors to build experiences for the Balkan region and market them as an attractive tourist destination
4	Business plan competition	Competition: 5 cluster members or groups of cluster members won free consulting support to improve business plans	<ul style="list-style-type: none"> • Travel Agency Euro Travel d.o.o. will trace the ancient legends of Macedonia, spotlighting the country's cultural, spiritual and natural wealth. • Hotel Mramor will develop "Home Away From Home" cultural tourism experience in Kuckovo and Volkovo. • Travel Agency Aurora Tours will build ecotourism hiking and biking experiences in the Berovo region. • Travel Agency Inter-Kont will market village tourism highlighting ancient rock drawings in Eastern Macedonia and create tours following in the footsteps of Krali (King) Marko, a 14th century hero. • Travel Agency Kompas Skopje A. D. seeks to turn the Mavrovo National Park - now primarily a ski resort - into a 12-month nature playground, utilizing mountain biking, fishing, hunting, village and monastery tourism. • A.D. Montana will blend horseback riding, hiking, and visiting religious sites in Krushevo to overcome seasonality of its current winter sports activities. Cluster members learned of the importance of the business plan and practiced its development.
5	Tour operators visit	Completed in 2004	

2003/2004			
Initiative No.	Initiative Name	Description	Results
6	Alternative tourism study tour (mountain biking-Wales)	Not Implemented	
7	Alternative tourism study tour (Romania)	Not Implemented	
8	Alternative tourism study tour (New Zeland)	Not Implemented	
9	Marketing promotion improvement	Not Implemented	
10	Service hospitality training	Completed in 2006	
2004			
Initiative No.	Initiative Name	Description	Results
1	Consumer market research (COMPLETED)	Implemented in 2003	
2	Tour operator market research (COMPLETED)	Implemented in 2003	
3	Balkan cultural tourism seminar participation (COMPLETED)	Implemented in 2003	
4	Implement business plan competition to develop 5 experiences	Implemented in 2003	
5	Tour operator "familiarization" trip(s) to re-engage former markets	Visit of 13 international specialty tour operators to expose them to Macedonian niche tourism experiences and begin negotiations to bring new foreign tourists to Macedonia;	11 of 13 expressed some interest in Macedonia: <ul style="list-style-type: none"> • Explore Worldwide UK will list Macedonia in this summer's catalogue for almost 150,000 customers; is interested in bringing UK journalists in September and expressed interest in developing Macedonian archaeological tourism – customers spend \$500 per trip; planning a snowshoe trip in Mavrovo in December • Experience Plus, USA volunteered to lead a bike journalist fam trip in September and started negotiating to bring bike tourists to Mavrovo and Ohrid twice per year

2004			
Initiative No.	Initiative Name	Description	Results
5 (cont')	Tour operator "familiarization" trip(s) to re-engage former markets (cont')	This included 4 months of testing hotels; restaurants; guides; local operators and experiences; using scorecards – prior to the trip; creating promotional material and hosting the operators with approximately 25 cluster members	<ul style="list-style-type: none"> - customers spend average of \$2000 per trip • New Business Travel Service, Italy is interested in initiating Ohrid and Wine Tourism (Wine Auction) for their clients • Two German tour operators (contacted at Hanover Fair) are interested in nature and village tourism: “I’ve already decided to offer Macedonia as a destination in 2005” • Old Country Tours, UK stated “our intention is to send clients to Macedonia – and not other similar destinations” with interests in military sites, churches/mosques and archeological sites – customers spend average of \$2000 per trip • Hike And Sail, Turkey interested in selling Mavrovo skiing; Nature tours; Mosque and Historical tours; and will promote Macedonia to network of 1,000 Turkish Operators • High Places, UK showed interest in beginning with one annual trip to Macedonia for a mid-size group Learning experience for the tourism cluster members: • Areas that would need improvement are cleanliness, service standards and transportation comfort.
6	Alternative tourism study w/WL (ON HOLD)	Not Implemented	
7	Marketing/promotion improvements technical assistance (IESC)	Not Implemented	
8	Service/hospitality training [Customer Service Improvements]	Not Implemented	
9	Hanover Fair participation and marketing materials development	Travel Fair in Alternative Forms of Tourism – Niche Markets250 exhibitors from 35 countries - tour operators, holiday destinations, institutions and NGO. Macedonia had own presentation, booth and marketing brochure.	Introduce tourism cluster to a niche market fair. Introduce alternative types of tourism available in MK to German tour operators Establish partnerships with tour-operators worldwide. Expand current and penetrate new markets. Gain insight into German market and applicable learning and experience. Have high quality marketing brochure for travel experiences at booth – created just before the trip to the fair

2004			
Initiative No.	Initiative Name	Description	Results
10	Develop web portal to showcase MK tourism	Support E-Biz in creating an official national tourism portal of the Republic of Macedonia, produced and realized as a contemporary B2B and B2C e-commerce solution, aimed to present complete tourism potential of Macedonia, as well as offer on-line services to the visitors.	<ul style="list-style-type: none"> • Generated cluster members' interest in such a contemporary way of promoting the entire country by presenting what a web-portal is and the benefits it can offer; • Generated cluster members' feedback in creating the final layout of the Portal through participation in focus groups; • Generated foreign tour operators' feedback in finalizing the layout and functionality of the Portal; • Around 70 members of the Portal so far; • Around 5,000 visitors monthly; • Around 15 e-mail inquiries weekly (part of them end up as business deals and bookings); • Trade fair participation at ITF Belgrade
11	Anti-litter program	Campaign encompasses clean-up activities; PR awareness and education campaign with school visits, contests, targeted media use and advertising. Law regulations and enforcement for impact sustainability.	Clean-up activity was very well received and supported by various groups and cluster members. Three locations were targeted: Matka, Old Bazaar and the surrounding area around in the center of Skopje. In cooperation with the municipality of Karpos, 5 garbage containers and benches were placed along the main street of the Bazaar in an effort to help keep this historical/cultural site more clean in the future.
12	DCC Maastricht presentation	A presentation on the tourism potential of MK in cooperation with the Dutch Chamber of Commerce, to a group of Dutch tour operators, regional tourism info office representatives and other specialized travel organizations.	<p>Two Dutch tour operators interested in visiting MK in the Fall to see what MK offers and start creating itineraries & building partnerships with MK tour operators;</p> <p>The Daily Telegraph is intending to visit Macedonia to do an article on Macedonia's tourism reopening and the tourist potential – excellent promotion and PR for MK tourism through journalism;</p> <p>The major Dutch television news team is developing a trip to Macedonia (with the DCC) to do an expose on Macedonian tourism and its importance to Holland</p> <p>Presented MK as an attractive tourist destination;</p> <p>Established contacts between local MK TA's and Dutch tour operators as well as educational institutions;</p>

2004			
Initiative No.	Initiative Name	Description	Results
12 (cont')	DCC Maastricht presentation (cont')		Possibility of co-op or joint educational training programs between Holland and MK through Business Euro Balkan and Maastricht university (latter is NECC specific – Pivara established contact).
13	FAM trips - Foreign tour operators(nature-hiking & biking)	Visit of 2 UK renowned specialty tour operators in order to expose them to Macedonian niche tourism experiences and begin negotiations to bring new foreign tourists to Macedonia.	Begin negotiations to bring in new foreign tourists – as part of 2004 Target: Macedonia to host 150,000 foreign tourists (+22% from previous year) Introduce Macedonian niche tourism experiences to those that cancel it; Concrete business contacts / deals; test interest in the cluster's existing and planned value propositions; Increased knowledge about Macedonia; presence on the global market; Use this opportunity to provide on the spot training to cluster members – “hands on”; Allow cluster members to implement lessons learned in organizing a tour operator visit and a tourist tour; Cluster takes the lead – cluster members need to work together in cross teams in order to meet objectives and deliver experience. Continue to work with Regent Holidays to be their exclusive partner in MK and design tours for their catalogue; Consider complimenting this mini tour with the rest TO's that showed interest in a FAM trip to MK and offering that to them for Spring 2005.;
2005			
Initiative No.	Initiative Name	Description	Results
1	Journalist trip (UK & Germany)-Promotion campaign	Visit of 9 foreign journalists to introduce Macedonia as a tourist destination for outdoor and cultural tourism. Through their articles raise awareness about MK and its potential and provide support to foreign TO's already selling Macedonia in 2005/07.	Each journalist has been commissioned by their local media. Articles already in the works for Wonderlust magazine; Motoring & Leisure; The Times; Guardian; TTG Italia, CNN Traveler, La Stampa and others. (Will be reported once we have results). Article has already appeared in Readington Eagle USA as well as travel guide info on Macedonia in Northstar Travel Media Company.

2005			
Initiative No.	Initiative Name	Description	Results
2	Anti-litter program	Campaign encompasses clean-up activities; PR awareness and education campaign with school visits, targeted media use and advertising.	The tourism cluster cooperated with Radio Ravel to implement the educational component of the overall Anti-Litter Campaign focusing on "Raising Environment Awareness" at 12 chosen primary schools in Tetovo, Struga, Ohrid, Bitola and Skopje. The campaign involved more than 1800 pupils from the first and second grade, as well as preschool children at all of the participating schools. The main goal of this campaign was to promote the "ecological culture" among the young generation and the importance of being environmentally aware.
3	Tourism management training	The training for the travel agencies in cooperation with CBI (agency of The Netherlands Government)	Seventeen cluster members attended a workshop, "Effective Trade Fair Participation," conducted by the Dutch import agency CBI in cooperation with MCA. Participants received a certificate of completion of the course that was awarded by a representative of the Embassy of the Kingdom of the Netherlands from Skopje. After completing the training, CBI extended an invitation for participation in their trade fair program to 8 Macedonian Travel agencies that qualified.
2006			
Initiative No.	Initiative Name	Description	Results
1	Hospitality training for hotel front desk and kitchen staff.	Provide technical assistance to cluster members to improve level of hospitality services. A series of trainings were delivered and individual manuals.	<ul style="list-style-type: none"> • 30 staff members from 9 hotels trained in hospitality and culinary arts; • Developed individual manuals for 9 hotels covering kitchen hygiene procedures, optimization of kitchen supplies, cost structure, recipes and menus. • Provided advice to hotel managers on HR development, staff motivation, professional conduct and customer orientation; • Developed inventory lists for 9 hotels in Macedonia on ways to improve the facility and provide warmer atmosphere for guests.

2006			
Initiative No.	Initiative Name	Description	Results
2	TA to wineries re UK market follow up	<p>Assist the representatives of the Tikves Wine Road Foundation in the evaluation of the region and provide clearly defined strategies and next steps in development of wine tourism.</p> <p>The activities were structured in two phases:</p> <ol style="list-style-type: none"> 1. Identification of the leadership potential in the Tikves region and evaluation of the capacity to accommodate tourists and provide attractions for building a tourism destination 2. Field trip to Bulgaria to draw on experiences of several Bulgarian wineries and communities that provide B&B accommodation 	<ul style="list-style-type: none"> • Clearly defined strategies and short term initiatives for the development of wine tourism in the Tikves region; • Developed manual for future growth of Tikves into an attractive tourism destination; • Generated interest and participation of local community in development of B&B accommodation and promoting wine tourism; • Generated interest and participation of municipalities to support and finance projects for wine tourism development; • Delivered workshops and transferred knowledge on initiating B&B accommodations, organizing wine tastings and promoting tourism.

Information Technology Cluster

2004

Initiative No.	Initiative Name	Description	Results
1	MASIT Open Days (COMPLETED)	Regional IT conference organized by IT Cluster member Macedonia Association of Information Technology (MASIT)	<ul style="list-style-type: none"> • Macedonian IT cluster, where MASIT is a leading component, demonstrated leadership in bringing together the IT sectors from many countries in the region (participation from Romania, Bulgaria, Serbia, Croatia, Greece, Turkey, among other countries) in helping to create a regional platform for IT competitiveness • Informally gauge Macedonia's relative positioning in the region by sharing experiences with other IT leaders from Southeastern Europe. This is an important part of the learning the cluster must do to make an informed decision regarding where they will focus their investments and energies • Cluster members learned the importance of being proactive regional leaders in development of ICT synergies
2	Upgrade data/build capacity MASIT	Collect statistical data for the years 2002 and 2003 for the following IT industry market segments: sale and maintenance of software; web design; multimedia; IT consulting; training and education.	<ul style="list-style-type: none"> § Find out whether the industry Associations (MASIT and other relevant organizations and institutions such as the Ministry of Economy, GTZ etc.) have accurate and reliable data collections § Increase Association's capacity in data collection and analysis through training § Conduct market research, while involving and guiding Associations in all phases of research development and execution § Analyze and classify collected data § Train Associations to independently carry out Baseline Statistics Survey for year 2004
3	Distance & Implement baseline data gathering / build capacity of MASIT	Not implemented	
4	Distance Learning (3X-Digital Media Project)	The MCA team member and participating NGO Digital Media from Macedonia exhibit at SIGGRAPH 2004, one of the world's largest international exhibition and conference on computer graphics and interactive	1. The representative of MCA Project, the IT Cluster Advisor and 3X@ MCA Project Manager participate and gain "Hands on" experience and knowledge from an International Marketing expert for general and industry specific International Marketing ideas.

2004			
Initiative No.	Initiative Name	Description	Results
4 (cont')	Distance Learning (3X-Digital Media Project) (cont')	techniques, actually work together with synergy in this issue.	<p>2. SIGGRAPH was an excellent opportunity for marketing platform for Macedonian IT development on computer graphics and web design beside 3-D animation and visual effects. The “Macedonian story” for (IT capabilities) This special event that focused on IT research in computer graphics, visual art, animation, games, interactivity and web graphics on the international arena. One of the tasks will also be strategic partnership development.</p> <p>3. More than 60 meetings held with most important studios/companies in industry (attached file is list of all meetings)</p> <p>4. Defined Competitive Advantages of this Industry in Macedonia:</p> <ul style="list-style-type: none"> • Competitive in labor cost and price of product in 3D animation • Some kind of “hand made” 3D computer animation
5	MCIT (consortium building to develop international partnership)	Consortium building is an IT cluster cornerstone initiative. It strengthens inter-firm linkages, sets up a base for joint business development, promotes Macedonia as a business destination, and increases awareness for FDI potential.	<ul style="list-style-type: none"> • The consortium created a common market strategy, web site, sales presentation and other sales tools • Macedonia IT conducted 2 market development trips to Germany and Austria. • These trips resulted in 20 face-to-face customers meetings and have yielded 7 qualified prospects, 3 of which have visited Skopje for follow-up meetings. These trips have also resulted in a large amount of detailed market learning that will help all companies focus efforts in future.
6	Market Learning (tailoring market research, surveys, etc)	Not implemented	
7	Upgrade Management Capacity (professional management training workshops)	Not implemented	
8	Outreach to other clusters (tourism, lamb and cheese, wine, and others)	Not implemented	

2004			
Initiative No.	Initiative Name	Description	Results
9	Human Resources Development (work on HR needs through targeted workshops on project management training, along with BSPs, IESC)	Not implemented	
10	Trade Fairs	Not implemented	
2005			
Initiative No.	Initiative Name	Description	Results
1	Implement sector PR	The IT Cluster implemented a PR program that publicized “good news” about the Macedonian IT industry in the international trade press to raise awareness of the sector. The objective for this initiative is to build the awareness of Macedonia as a center of technology excellence focusing specifically on IT and digital media outsourcing. Also, communicate the unique value proposition of Macedonian technology companies by demonstrating how they are different from other current offerings and how it can provide the end-user with more benefits than any competitive markets. The initiative should help create widespread awareness of and demand for Macedonian outsourcing and also build promotion capacity within local implementation partners: the Ministry of Economy, the Investment Promotion Agency, MASIT and MADE.	The PR activity was initially well received by the external participant parties. From period May – July we released three press releases for we managed to obtain approvals/support quotes from customers/partners : Sun Lab Opening MASIT/WITSA membership MADE export SIGGRAPH participation Outsource World London Macedonian participation (on place distribution) They were picked up by 15 information webs (working on the final landing report) One day media training was organized with the identified possible spokespersons on the Macedonian IT industry including presentation of the message platform, presented by the International IT PR expert.

2005			
Initiative No.	Initiative Name	Description	Results
2	Deepen Macedonia IT Develop Outsourcing Consortia	The initial consortia development initiative - Macedonia IT achieved significant success. Consortium members have prepared a common sales presentation and web site, have had a common discussion on staffing needs and pricing, and have conducted more than 20 face-to-face customer meetings in Germany and Austria. The planned Switzerland meetings were cancelled. These activities have created many active prospects, including 4 that have visited Skopje for follow-up with companies.	<ol style="list-style-type: none"> 1. The companies succeeded in making over 50 face-to-face meetings with demanding customers in the key EU markets. 2. Companies learned the basics of export marketing, and interactions key prospective buyers. 3. Over 4.000 professional grade business-to-business telemarketing impressions 4. Over 5. One of the more significant successes was the work done for a top 10 European bank, for the UK branch. 6. The inter-company linkages are much stronger, the companies know much more about each other, and the information-sharing process is much more transparent than before. The difference is especially noticeable between the consortia members and non-members. The companies are now working jointly on different projects, a clear indication of stronger inter-company linkages.
3	Organize Domestic IT Buys for IT Vendors Conference	<p>The Government of Macedonia, the education and legal systems, and the large non-IT enterprises in Macedonia buy ICT and IT products and services directly from foreign based technology vendors in the EU and new accession states, for the most part. These vendors typically do not maintain rep offices or partners in Macedonia, or anywhere in the Balkans.</p> <p>This arrangement has downsides for all domestic stakeholders: the mayor domestic customers are forced to spend large sums outside it's borders, because they have no local support and must either use fly-in consultants or use their own staff.</p>	

2005			
Initiative No.	Initiative Name	Description	Results
3 (cont')	Organize Domestic IT Buys for IT Vendors Conference (cont')	It also costs the local IT companies because the most sophisticated, high margin work on the local market bypasses them. They also miss an important skill for export. The foreign vendors are currently not incentivized enough to invest in Macedonia, use Macedonian skills in export markets, or purchase higher value added products or services.	
4A	Made Capacity Building	MADE Association was formed in March (milestone). Develop strategic plan and focused on workforce development, film town and marketing.	They have formed five working groups and will focus on workforce development, developing a "film town" and marketing. They also held a big promotional event to announce the formation of the Association. In cooperation with Pro Mark Media Association, MADE organized several introductory meetings with high level Macedonian and international government officials. The DMFC proposal received great support. The members will continue to work on the development of the idea.
4B	Digital Media Training Programs	Start the second round of 3D@e-Schools animation training. Develop other training possibilities.	A Cluster adviser met with Soft Image (animation software developer) during a January trip to Toronto and negotiated discounts on licenses and training for creation of a Soft Image Training Center in Skopje (milestone). The center will be run by Axis Studios. Soft Image has agreed to provide all software, education and trainer certification free of charge. The second round of 3D@e-Schools animation training began with more than 800 students in 50 schools expected to participate in the program.
4C	Made Export Consortium	Several digital media companies are forming an export consortium to work on joint outsourcing and co-production projects in the US, Canada and EU. Deliverables will include a joint web site, marketing brochure, demo reel and joint	<ol style="list-style-type: none"> 1. Common export marketing strategy 2. Common capacity - sales presentation 3. Common biting process/procedure 4. Assist sales and promotional meetings and follow up activities with possible clients 5. Marketing, advertising and specific branding material for MADE Consortium

2005			
Initiative No.	Initiative Name	Description	Results
4C (cont')	Made Export Consortium (cont')	possible festival projects at the Annecy in France (June), SIGGRAPH, in LA (August), and Cannes in France (October). There is an initial project planned. A consultant will be provided to work with the MADE Consortium and Association on market-development, bidding process and IF Rights negotiation issues.	<p>6. Participate important trade show CANNES, and undertake sales activity</p> <p>7. MK Digital entertainment branding on international conferences in Cannes</p>
5	Software Product Positioning Interventions (Firm-level)	<p>MCA worked with cluster members to provide marketing support for companies seeking to introduce or expand sales of software products into export markets. The program begun with an introduction of the initiative to interested companies, briefly after the 2005 IT cluster strategy was announced, with a one-day one-on-one seminar with interested firms to discuss specific examples of successful product positioning and marketing programs and to develop a research strategy for each firm. Companies themselves were responsible for working through the research and positioning process. MCA provided support for company level marketing programs, and assisted with its own efforts.</p> <p>For the companies going through the program, we provided the opportunity to apply for grants funding, which some companies used to supplement their research and marketing activities.</p>	<p>1. Not all companies went through the entire process. There was a lack of dedication on the part of most companies to execute the tasks ahead.</p> <p>2. During the product development stages, key driver for success is – management dedication and commitment to success. Evidence is Zone Online, a 5 person outfit working very hard to introduce their multimedia product to the German market.</p>

2005			
Initiative No.	Initiative Name	Description	Results
6	Training and Certifications	<p>MCA worked with the IT Cluster in conducting training for members. The high priority trainings identified includes</p> <ul style="list-style-type: none"> o Project Management – A choice must be made between CMM/I and PMI o Product Management & Marketing o Sales 	<ol style="list-style-type: none"> 1. Both trainings were top notch, delivered by subject matter experts. The training participant valued both trainings as very useful to what they are doing. 2. Over 40 participants visited the trainings
7	Exporting to the EU Guide	MCA did not meet the milestone to define scope for the guide by March 2005. The delay was related to elections and change of leadership in MASIT, the implementation partner for this initiative.	
8	Support MASIT Open Days	MCA provided financial and implementation support for MASIT Open Days. The MCA team assisted with logistical, organizational and public relations support to MASIT. MCA also provided one key speaker, and helped suggest several to MASIT.	<ol style="list-style-type: none"> 1. MASIT established the leadership in IT cooperation in the SEE region. 2. Over 200 key decision makers from the SEE region attended the meeting, with over 40 high level key speakers and panelists.
2006			
Initiative No.	Initiative Name	Description	Results
1	Fuji Film FDI in MADE Digital Media Film City	<p>Eleven digital media companies will form a (CMG Ltd.); Collaborative Media Group Ltd. to work on joint outsourcing and co-production projects in US, Canada and EU and develop Film City in Macedonia. . Deliverables will include:</p>	<p>With NTT we met w/ the three key decision makers. They agreed to directly further explore with the Greek and German telecom authorities the viability of interconnecting MK to their network. They are interested in the region, but their involvement could only be thru local CEE partners (Ote, Matav or Deutsche Telecom). The idea is for them to include in a Collaborative Media Studio Project in a global market and utilize their network.</p>

2006			
Initiative No.	Initiative Name	Description	Results
1 (cont')	Fuji Film FDI in MADE Digital Media Film City (cont')	- develop relationship, preparation and performance of a presentation and lobbying in front of Fuji Board members in Tokyo, as interested Foreign Direct Investor in Film City in Macedonia IASC consultant will be provided to work with the DMFC to work on "Collaborative Studio Concept Idea" and support the attraction of possible FDI from Fuji or Kodak. Help in FDI negotiation issues.	<p>Collaborative Media Group Ltd. delivered presentation and also Sandeep Cashi for Collaborative Studio Concept introducing Skopje Macedonia, Singapore and San Francisco as a three main Hubs that will do first test. With Fuji we met with two very sr. members of the Fuji Film board. One pro and one con (a film and chemistry guy) the concept. Next step will be that Fuji will ask their closest office, in Düsseldorf, GDR, to further investigate the viability of the project. Fuji delegation will come in Mk. for further negotiations in 2+ mounts.</p> <p>Singapore Film entity e had a conference call that was held with Singapore Film Government representative. They fully support the concept of Collaborative studio and involvements of Macedonia as a HUB in CEE. They are excellent example of Government Support for DM industry growing. They are looking forward to meeting w/ Peter et al in ~ six weeks in country. Also Government representative from Mk. is important to participate in order to learn the Singapore Model and implement part in Macedonia.</p> <p>Deliverables:</p> <ul style="list-style-type: none"> • Preparation and presentation in front of the Fuji Board members of CMG Ltd. - DMFC (attached 4 presentations) • Support the lobbying and negotiation from Mr. Sandeep Cashi for Collaborative Studio Concept in CEE • Individual meetings with Fuji Board members and presentations of Macedonia as an excellent C E. European country for Fuji investment in R&D • Facilitation the meetings that resulted in mutually productive relationships.

2006			
Initiative No.	Initiative Name	Description	Results
2	Macedonia Information Technology Industry Research Initiative	The International Data Corporation (IDC) is a premier global provider of market intelligence, advisory services and events for the IT, communications and consumer technology markets. IDC was contracted by MASIT to do the Macedonia IT industry research. The initiative has great strategic importance to the sector and will have multiple benefits.	
3	Market development trip to Israel organized by MASIT	This Initiative was initiated and undertaken entirely by cluster member MASIT. Israel is a potentially lucrative source of outsourcing and near-sourcing work for Macedonian IT companies. Five MASIT members traveled to Israel to meet with potential clients and others as a result of a series of meetings between Israeli Ambassador Irit Ben Abba and MASIT leaders, especially president Toni Petreski.	<ul style="list-style-type: none"> • Increased knowledge of IT industry in industry and identification of potential opportunities. • Increased knowledge of how Israeli government supports industry development, e.g. through incubators, role of chief scientist • Forged connections with key associations and government units in Israel, including Export & Cooperation Institute, Association of Electronics and Software Industries, Association of Software Houses, Industrial Center for R&D, Ministry of Industry & Trade. • Attended international info-security exhibition

**Wine Cluster
2004**

Initiative No.	Initiative Name	Description	Results
1	Market Learning Wine Comparison with France, Serbia	The 1st Gourmet Journey Wine Challenge Cup is a wine competition for producers in Serbia and Montenegro and Macedonia. With the presence of four renowned French wine judges, the competition ensures an international recognition, promotion and an opportunity for the winners to participate in Citadelle du vin, which is the most prestigious wine competition world wide and takes place every year in France.	<ul style="list-style-type: none"> • A Macedonian wine (Vranec from Cekorovi) won the first prize in the red wines category competing with 50 wines from the region and was announced an overall winner • Cluster members were able to gain knowledge about the competition in Serbia • Based on the feedback from the jury, wine cluster members were able to identify the necessary improvements they need to make in the future in order to become more competitive in the regional and global market • Cluster members made contacts and increased the interest about Macedonian wine among Serbian wine distributors and representatives of hotels and restaurants • Macedonia wine cluster members were able to get media exposure in Serbia and improve the knowledge of consumers and distributors about Macedonian wine • Expressed interest by the members of the Sommelier association of Serbia and Montenegro to cooperate with the wine cluster on several initiatives: <ul style="list-style-type: none"> - Organizing a training for sommeliers in hotels and restaurants in Macedonia to increase the wine culture - Creating a joint sommelier association - Organizing a wine auction in Macedonia (Sep-Oct 2004) - Bringing in Serbian journalists and wine writers in Macedonia
2	Wine cluster research	The market research was structured in two parts: 1. Secondary research - gathering general information about nine countries selected by the cluster as potential markets for Macedonian wine.	<ul style="list-style-type: none"> • Gained market knowledge - Information on the attractiveness of nine different markets for Macedonian wine, identified possibilities and obstacles of penetrating these markets • Created conditions to help cluster members become more focused • Increased understanding of the importance of market learning in the decision-making process

2004			
Initiative No.	Initiative Name	Description	Results
2 (cont')	Wine cluster research (cont')	<p>The market information was gathered by purchase of readymade reports to provide information for the cluster members to make an informed choice of three prospective markets. Most of the reports available were free of charge and provided valuable insight into these wine markets.</p> <p>2. Primary research - detailed market research of three markets by surveying wine importers/distributors. Instead of using local business service providers in the countries selected by the cluster members as originally planned, the cluster decided to continue with desk research and contact distributors in the selected markets. 70-100 distributors were contacted in each of these markets by sending the previously designed survey. Follow up phone calls were made to ensure higher response rate.</p>	<ul style="list-style-type: none"> • Gained better understanding of how to penetrate the three selected markets • Gathered information that will help cluster members develop a long-term strategy of individual development and the development the wine industry in Macedonia.
3	Promotion of Macedonian wine in the Austrian market	<p>The visit of three Austrian wine writers was an opportunity to increase the knowledge of consumers and potential buyers about Macedonian wine. These journalists write for magazines/newspapers that shape the opinion of consumers and decision makers in the gastronomy. The Austrian wine writers visited Macedonian wineries, vineyards and attended a wine tasting event where 11 Macedonian wineries presented their wines.</p>	<ul style="list-style-type: none"> • Articles about Macedonian wine were published in three Austrian magazines/newspapers • Cluster members received direct feedback on the quality of their wines and the necessary improvements • Macedonia wine cluster members were able to get media exposure in Austria and improve the knowledge of consumers and distributors about Macedonian wine • Expressed interest by the Austrian journalists to organize a seminar on wine tasting and description and presentation of wines • Potential visit to 5-6 Austrian wineries to share experiences on winemaking techniques

2004			
Initiative No.	Initiative Name	Description	Results
4	Quality improvement (winemaking workshop)	The two day wine making workshop provided the participants the opportunity to be exposed to techniques and styles appropriate to western markets by practical tasting of foreign wines appropriate for premium and mid-range consumer segments and compare them with wines produced in Macedonia. The workshop also included presentations and discussions about the problems of sanitation, oxidation, use of oak in winemaking and other issues of concern to Macedonian wine makers. The two-day workshop was followed by individual meetings and visits to seven wineries and vineyards in order to give practical advice to the wineries and grape growers.	<ul style="list-style-type: none"> • The scores from the tasting revealed that Macedonian wine makers prefer a style that provides fruitier taste of the wine without using too much oak. They need to make adjustments in the wine production in order to achieve this kind of taste first by securing ripe grapes with higher level of sugar and master the use of oak barrels. • The wine makers discussed the quality of the wines and techniques to achieve it • They gained knowledge about the use of oak barrels and the importance of using oak to satisfy consumer tastes and market demand • The participants were able to learn the winemaking style appropriate for premium and mid-range market segments and compare it with the ones existing in Macedonia • The participants had discussions about wine production technology, new trends and reasons for applying them in order to be able to enter more sophisticated markets
2005			
Initiative No.	Initiative Name	Description	Results
1	Test market exercise	<p>A Wine Industry Expert, did a follow up visit to work with the Wine Cluster. During his visit he performed the following tasks:</p> <ul style="list-style-type: none"> • Provided recommendations on quality improvement and consistency through individual visits and/or group workshops • Delivered workshops on Sensory Evaluation of Wine • Inspected the quality of the wines produced by the wineries comprising the Fine Wine Exporters Group and provided recommendations that influenced the final selection of wineries to participate in the export test marketing program 	<p>Wine quality – The wines presented by every producers visited from the 2004 harvest are almost universally of higher quality than the wines from the 2003 harvest.</p> <p>Grape maturity – All of the wineries visited (except Lozar Pelisterka) now actively seek more mature fruit, and the 2004 vintage wines show it. Although the use of grapes less ripe than world standards (>22% sugar MINIMUM) still occurs, it is increasingly far less frequent in the premium producers.</p> <p>Sophisticated worldview – Vintners in Macedonia are becoming increasingly aware that if they wish to export, their wines must fit into the market for “world wines”. The idea that the world will develop Balkan wine tastes is dying.</p>

2005			
Initiative No.	Initiative Name	Description	Results
1 (cont')	Test market exercise (cont')	<ul style="list-style-type: none"> • Wrote text for the brochure of the Macedonian Wine Exporters Group based on the input provided by the winemakers. The text outlines the uniqueness of the growing environment in Macedonia, the character of Macedonian wines and the technical aspects of wine production in order to back up the positioning statement: Discover the difference The outstanding wines of MACEDONIA Quality. Flavor. Consistency • Worked with the staff from the wineries comprising the Fine Wine Exporters Group to improve their wine presentation skills • Provided advice to the bigger wineries (Lozar) regarding priorities in equipment investment and alternative ways of transportation of grapes to the winery (Tikves) 	<p>However, the awareness by winery principals of existing world wine styles is still less advanced. Winery production, marketing and sales staffs still need to taste the “world wines” made in other parts of Europe and the New World.</p> <p>Use of oak barrels and oak alternatives for wine maturation – Although still far from the world standard for oak maturation for many types of wine, some Macedonian wineries are beginning to experiment or use small amounts of oak barrels or oak barrel alternatives. The experimental wines tasted on this trip that used oak appropriately were much improved over unoaked versions.</p>
2	Export readiness assessment	<p>The marketing strategy of the group was aiming to position Macedonian wines on the UK market at a competitive but not cheap price and was consisted of the following components:</p> <ul style="list-style-type: none"> A) Bottle logo sticker B) Brochure C) Neck crowner D) Poster E) Unified branding F) Web site – www.macedonianfinewines.mca.org.mk G) Target groups H) PR activities, advertising and mailing I) Promotional Event in a centrally located hotel in London 	<p>During the event there was a steady flow of visitors both from importers/distributors and journalists. Within 17 hours of presentation, more than 30 representatives attended the tasting with an average of 1:30h per visit. The event represented an excellent opportunity to meet directly with the distributors and journalists and to learn more on the quality of their wines, to receive feedback regarding the necessary changes which need to be done on the label, design of the bottle, quality level and the pricing segment in which the Macedonian wines deserve to be.</p> <p>Among the more important prospects were: Myliko, AdVintage, AC Wines, Direct Wines, Fortnum & Masson, The Wine Society, Adnams, Bell Inn, London Clubs Management, and Laithwaites.</p>

2005			
Initiative No.	Initiative Name	Description	Results
3	Wine marketing training	<p>The OIV Wine Marketing Course is organized by the Organization International de La Vigne et du Vin (OIV), UC Davis Extension and the Department of Viticulture and Enology at UC Davis. The training consisted of theoretical and practical sessions and on-site visits. All presentations and lectures were delivered by representatives from the California wine industry, people with broad experience in the wine business. The lecturers presented different areas of the wine business which included: winemakers, viticulturists, attorneys, accountants, wine marketers, distributors, and retailers, leaders of trade associations, regulators and educators from the University of California.</p> <p>This three-week program focused on economics of production, winery costs and profitability, as well as marketing and distribution, brand establishment and management (attached full course agenda). The participants at the course also visited several wineries and vineyards in two wine regions in California: Northern San Joaquin Valley and Napa Valley, as well as 5 retail outlets: The Nugget, Beverages and More, Trader Joe's, Cost Plus and Bell Air Store.</p>	<p>Increased knowledge in:</p> <ul style="list-style-type: none"> • Finding distributors and developing relationships with them • Promotion – individual wineries and specific wine regions • Market focus, choosing niches and targeting specific segments • Importance of consumer orientation • Quality/price categories, research competitors and positioning in the chosen category • Making wine for a specific quality/price category • Importance of brands – brand establishment and management
4	Quality Improvement	<p>In cooperation with MASHAV (Center for International Cooperation within the Ministry of Foreign Affairs of the State of Israel) an assessment of the water management issues in the Tikves wine growing region was undertaken.</p>	<p>The assessment identified gaps and problems in water management that:</p> <ul style="list-style-type: none"> • Helped the wine cluster to identify future initiatives to improve quality of grapes produced • Strengthened cooperation between USAID and MASHAV

2005			
Initiative No.	Initiative Name	Description	Results
4 (cont')	Quality Improvement (cont')	<p>The assessment included field visits and inspection of the existing water supply network and irrigation systems, as well as meetings with representatives of the local water management institutions and associations of water users.</p> <p>In addition, the assessment included visits of representative vineyards to inspect the terrain and the irrigation needs of grape growers. The assessment was done by Mr. Avi Shani, Agro economist and Irrigation Expert.</p>	<ul style="list-style-type: none"> • Increased grape grower's knowledge about the benefits of drip irrigation in cutting costs and increasing quality and productivity • Created links for future cooperation between Israeli irrigation experts and Macedonian wineries and grape growers
5	Viticulture training (pending)	Not Implemented	
6	Establish a wine laboratory (pending)	Not Implemented	
7	Promotional event in selected market	Not Implemented	
8	UK Wine Writers Taste Tasting Trip	<p>Stuart George, freelance wine writer, and Dawn Cran from Harper's Wine and Spirits Magazine attended a media trip organized by the members of the Macedonian Fine Wines Export Group. The two wine writers write for leading UK specialty wine magazines: Harper's Wine and Spirits, The World of Fine Wine, The Decanter.</p> <p>The promotional trip was part of the efforts of the MFWEG to enter the UK wine market and a follow up from the earlier organized tasting in London for wine trade and media. The purpose of the trip was to generate larger media coverage for Macedonian wine in UK wine magazines as well as increase awareness about Macedonia as a wine producing country.</p>	<ul style="list-style-type: none"> • Articles about Macedonia and Macedonian wine were published in the Circle of Wine Writers Newsletter and in Harpers Wine and Spirits Magazine • Cluster members received direct feedback on the quality of their wines and the necessary improvements • Raised awareness and knowledge of UK trade and media about Macedonian wine

2005			
Initiative No.	Initiative Name	Description	Results
8 (cont')	UK Wine Writers Taste Tasting Trip (cont')	During the six-day visit, the two wine writers visited the facilities and vineyards of six Macedonian wineries (Bovin, Cekorovi, Fonko, Pivka, Popov and Skovin) and tasted their wines.	
2006			
Initiative No.	Initiative Name	Description	Results
1	Wine Evolution Forum	<p>Sasho Velkov, general manager and Branka Slaveska, commercial manager with Tikves Winery attended the 2006 Wine Evolution Forum together with 300 key wine industry executives from around the world.</p> <p>The two-day event brought together renowned panelists and speakers to share experience and knowledge about market trends (Leading UK wine writers press debate: Robert Joseph – International Wine Magazine, Adam Lechmere – Decanter, David Williams, Chris Brook-Carter – Just Drinks), consolidation issues (Vic Motto – Global Wine Partners, Thierry Jacquillat, Pernod Ricard), as well as future challenges of the global wine industry (Christopher Carson, Constellation Europe).</p>	<ul style="list-style-type: none"> • Increased knowledge about latest global trends in the wine industry, prospective emerging markets (China, India), as well as consumer characteristics and preferences in established lucrative markets (UK, Germany, USA, Sweden, Canada) • Established contacts with leading wine writers in key markets • Formed bases for future cooperation with leading wine producers, wine buyers and distributors, as well as investors and market researchers from around the world. <p>Sasho Velkov, general manager: "This was the best gathering of wine industry professionals that I have attended so far. The contacts established are invaluable. Excellent opportunity to share experience with the leaders in the industry, as well as find out more on future trends in the prospective markets."</p> <p>Branka Slaveska, commercial manager: "We received excellent feedback on the wines presented. This was a tremendous opportunity for our winery's emergence in the quality wine segment. It influences greatly on perceptions of some of the top wine industry representatives worldwide."</p>

2006			
Initiative No.	Initiative Name	Description	Results
2	TA to wineries re UK market follow up	<p>During the one-week visit to Macedonia, a wine consultant from the UK, visited 9 Macedonian wineries and met separately with winery staff to provide feedback to the wines and share information on the UK consumers tastes relative to each of the wines tasted. In addition, the consultant held two presentations for the sales staff at the wineries covering the following topics:</p> <ul style="list-style-type: none"> • Structure of the UK wine market • Orientation to approaching UK wine buyers • Sales presentations and sample sending • Possible future strategies to entering the UK market • Consistent follow up and promotion of the wines she also provided the wineries with invaluable advice and information about specific buyers to be targeted in future promotion events (London Wine and Spirits Fair, individual tastings) and ways to reach them and increase their interest in Macedonian wine. 	<ul style="list-style-type: none"> • Identified distribution channels for MFWEG as well as Tikves. • Recommended future strategies for export of wine in the UK market • Increased understanding of the functioning and behavior of UK wine buyers • Established cooperation with a UK leading wine consultant and MW and received feedback on the wine produced in terms of market tastes and pricing strategies
3	Technical Assistance to Wineries	<p>Providing technical assistance to improve quality of Macedonian wine is one of the key factors to increasing competitiveness of wine companies. During the last two years David Stevens's work with the wine cluster has shown evident results in the quality of the wines produced.</p>	<ul style="list-style-type: none"> • Worked with the Wine Cluster members (especially new ones) providing recommendations on quality improvement and consistency through individual visits and/or group workshops. • Workshops delivered on wine presentation and description (advanced level) and communication with wine writers and winery visitors. • Advice provided for improving labels and promotional materials of the wineries, specifically providing feedback on description of the wines. • Worked with the staff from the wineries to improve their skills in organizing winery tours.

2006			
Initiative No.	Initiative Name	Description	Results
3 (cont')	Technical Assistance to Wineries (cont')	Cluster members have expressed great satisfaction from the assistance they have received and identified it as one the most useful and valuable initiatives that has initiated productive discussions and cooperation among wine makers in the efforts to improve the overall quality of Macedonian wines.	
4	Wine Business Development Distribution Channel consultancy	Not Implemented	
5	Wine Portal	Completed	
6	Winemakers Study Tour	Not Implemented	

**Apparel Cluster
2005**

Initiative No.	Initiative Name	Description	Results
1	Joint Exhibition at European Trade Show	This first time joint exhibition is an Apparel cluster cornerstone initiative. It strengthens inter-firm linkages, sets up a base for joint business development, promotes Macedonia to EU as an apparel business destination, and increases awareness for FDI potential. The initiative will increase the value of exports of Macedonian apparel exports, thereby improving Macedonia's textile trade balance.	Principal Learning's: <ul style="list-style-type: none"> • The six Macedonian companies created a common market strategy for entering the southern European market-Italy, improved their marketing and sales presentation and developed other sales tools • Shared their work-in-progress on proprietary designs and designed completely new collection for the Italian market • Macedonian companies participated at the Ready to Show fair in Milan, Italy. • This trip resulted in 100 face-to-face customers meetings and have yielded (20) qualified prospects. This trip also resulted in a large amount of detailed market learning that will help all companies focus efforts in future.
2	Assessing potential for production improvements	Analyze productivity improvements (cost and time savings) resulting from introducing progressive bundle system (PBS) production in apparel companies. The assessment was done by Marty McElwee, IESC Apparel Production Consultant, after visiting more than 15 companies in October and November 2004 in order to investigate current production techniques in Macedonia. On 9 December 2004 a workshop was delivered for over 50 cluster members to introduce the findings from the assessment and the benefits of the PBS production.	MCA showed how cluster members could cut production costs by 30% and output time by 40% by converting production from straight line to the progressive bundle system. Developed a six-month plan to significantly upgrade production capabilities in selected cluster members.
3	Improving Promotion	22 representatives from 16 Macedonian companies participated at the ClIFF fair in Copenhagen, Denmark. 3 out of 6 Macedonian companies developed appealing, effective marketing materials and effectively used them in a trade show environment.	<ul style="list-style-type: none"> • All 16 company representatives had at least 140 face-to-face customer meetings and have yielded (14) qualified prospects. • Visiting the trade show also helped cluster members become better prepared to organize their own exhibits later in 2005 and in 2006.

2005			
Initiative No.	Initiative Name	Description	Results
3 (cont')	Improving Promotion (con't)	<p>12 cluster members visited an EU trade fair for the first time and were trained how to have business meetings with potential customers.</p> <p>Cluster members met with the deputy director of the Danish textile association where a potential for closer collaboration was discussed and a visit by Danish textile delegation of customers to come and assess the Macedonian apparel capacity.</p>	<ul style="list-style-type: none"> • Indigo, the local BSP that MCA hired learned from the consultant's experience and guidance in helping to produce the promotional materials, including brochures, and websites. • The managers and owners of the Macedonian companies while contacting with Danish representatives have realized the need for having a skillful sales and marketing staff in their companies to actively to seek new customers. • Cluster members met with the Macedonian Chargé d'Affaires, who pledged his support to Macedonian companies trying to establish business relationships with Danish partners. • Cluster members committed themselves to open the sizable Danish textile market. At present, Macedonia exports no apparel to Denmark.
4	Improving Production	<p>Pilot Project for productivity improvements (cost and time savings) resulting from introducing progressive bundle system (PBS) production to apparel companies. 12 companies have applied to take part in a pilot for restructuring apparel production. The first phase of the pilot project entailed an assessment of the apparel companies that applied to take part in it.</p>	<p>Two cluster companies, Deltatex, Kocani and Sonitex, Kavadarci, were selected as implementation partners for the pilot project on productivity and quality control improvements in apparel production.</p> <p>Preliminary analysis of the pilot project on productivity improvements that took place at Deltatex showed that productivity was increased by more than 50% for women's blouses/shirts using the new layout of operations and without any new investments in equipment.</p> <p>In addition to providing technical assistance in installing the new system, operators and company engineers were trained by Zenoff to use the installed production system. Furthermore, two consultants delivered a workshop on productivity improvements. The workshop took place in Deltatex, Kocani and was attended by more than 70 cluster members. After the presentation and practical demonstration of the achieved results many of the attendees expressed interest to re-engineer their production process according to the presented Progressive Bundle System and increase their productivity by 40%.</p>

2005			
Initiative No.	Initiative Name	Description	Results
5	Attract foreign investment in fabric mills and trim production	Analyzing the profitability and attractiveness of foreign direct investment in production of fabric in Macedonia.	The business service provider BASME finalized the feasibility study for FDI in fabric production in Macedonia. A final presentation of the study that contains review of the industry, the investment potential, a guide and information on the model of the investment was presented to the Apparel Cluster Leadership Council on 13th October, 2005 in Stip. This is an important milestone for attracting foreign direct investment to contribute to future improvement of the competitiveness of the Macedonian apparel industry.
6	Encourage reform of government policies which undermine the competitiveness of Macedonian apparel (tariffs on raw materials; exclusion of textiles from Free Economic Zone)	Improving the legal and regulatory environment for apparel companies by lobbying the Government to do everything possible to help the private sector in using their powers of convocation and rule of law to foster productive cooperation among companies so they organize to compete successfully against foreign competitors.	Concerned with the impact that tariffs and taxes were having on the competitiveness of Macedonian apparel exports, the Cluster formed a government relations task force. Members of this task force, supported by MCA, asked Prime Minister Buckovski at a meeting of the NECC in January to remove tariffs and VAT on raw materials used in the textile industry. The Prime Minister promised to consider the request and in April announced that the government would indeed remove the prejudicial tariffs and taxes.
7	Textile human resource development	One of the critical elements required to make the Apparel cluster more competitive is to strengthen the design capabilities of the Macedonian textile companies. Without innovative designs, Macedonian companies can only compete based on their production capabilities. Jasmina Miteva, Apparel Cluster Leadership Council member, had initiated contacts with Academia Italiana Florence for opening a School for design in Strumica to educate students in the area of fashion, graphic, interior design and communications. The project represents a joint investment with Academia Italiana to address the needs for specialized education and training.	<ul style="list-style-type: none"> • Created professionals to provide quality design education for students from Macedonia and from the region • A design school to be open in Macedonia • Pool of professional designers to be created in order to contribute to the development of Macedonian apparel companies and the future growth of the industry <p>Furthermore, Cluster member in charge for Human Resources Development, took part in the coordinating body established by the Ministry of Education and Technology faculty at the university to provide cluster feedback and new suggestions on proposed curriculum changes for high school and university textile students.</p>

2005			
Initiative No.	Initiative Name	Description	Results
8	Visit of representatives of the Danish textile industry	Not implemented	
9	Trade fair visits round 2	Professional training for technicians and a presentation for managers by Siruba, a Taiwanese sewing machine manufacturer. The establishment of an official Siruba representative in MK improves the apparel industry's competitiveness by increasing competition among equipment suppliers, thereby lowering prices for equipment.	MCA assisted a representative of Siruba, a Taiwanese sewing machine manufacturer, to conduct a professional training for technicians and a presentation for managers for more than 20 cluster company representatives. As a result of the workshop SIRUBA, a Taiwanese equipment company, made its first sale of 50 new machines to cluster members. SIRUBA presented this improved production equipment to the cluster as a joint activity that included training of cluster members.
10	Pilor project for improvements in the formal education	<p>The initiative was completed in cooperation with the Macedonian customs authorities by organizing workshops on introduction of new customs law and regulations. Because more than 90 percent of Macedonia's textile production is exported, any changes in customs regulations are of great interest to cluster members in seizing opportunities for higher competitiveness in foreign markets.</p> <p>90 cluster members participated on the workshops organized in Skopje and Stip. The purpose was to familiarize cluster members with the new customs law that will be implemented 1 January 2006 and bring Macedonia into full compliance with European Union regulations.</p>	According to a plan formulated at the seminar, the Macedonian Customs Head Office will choose few textile companies to implement a pilot project at the beginning of August. Customs for imports of raw materials and foreign equipment for the textile industry have been abolished. The impetus for this change came from a discussion initiated at a National Entrepreneurship & Competitiveness Council meeting by a council member from the apparel industry in 2004. The pilot project with the Macedonian Customs Office started in August 2005 by sending the new customs regulations instruction manual to all cluster members for their feedback and suggestions. In the next phase ten cluster companies applied and were approved by the head Customs Office to implement the new customs procedures in their everyday operations. The new customs procedures require enchasing of the system for data administration in apparel companies.

2006

Initiative No.	Initiative Name	Description	Results
1	Productivity improvements in semi-heavy confections	The initiative is a follow-on on previous work on productivity improvements in apparel companies and technical assistance provided by an MCA consultant. The initiative was implemented in two phases after an apparel company was selected for installment of a prototype line. The selected company was Milano, Stip due to their problems in meeting increased customers' demand of blazers. In the first phase of this pilot project, the consultants did the preliminary analyses of the company's operations and outlined the production system appropriate. The second phase entailed restructuring of the production line by introducing a modular system of production.	Preliminary analysis of the pilot project on productivity improvements that took place at Milano showed that productivity was increased by 26% for production of blazers using the new layout of operations and without any new investments in equipment. In addition to providing technical assistance in installing the new system, operators and company engineers were trained by the consultant to use the installed production system.

ANNEX 4: GRANT RECIPIENTS

No	Company	Amount
1	Digital Media	\$ 40,000.00
2	Trajkovski & Partners	\$ 11,261.00
3	Cekorovi	\$ 10,500.00
4	Next Sense	\$ 6,087.26
5	Pexim	\$ 5,000.00
6	Spin Doo	\$ 6,906.71
7	HOTAM	\$ 5,000.00
8	MASIT	\$ 10,018.39
9	MADE Export Consortium	\$ 8,770.00
10	Axis	\$ 15,413.00
11	Liva Komerc	\$ 7,817.00
12	Zona	\$ 14,302.05
13	Digital Media	\$ 14,300.00
14	WesternSheep Assn	\$ 9,525.00
15	MADE Export Consortium	\$ 26,010.00
16	Global Plus	\$ 18,890.00
17	VIT	\$ 10,264.00
18	Linea	\$ 10,264.00
19	Milano	\$ 10,264.00
20	Dukat	\$ 1,500.00
21	Gord Sistemi	\$ 3,750.00
22	Stori Bord	\$ 7,500.00
23	Hotel Arka	\$ 5,000.00
24	Gracija	\$ 7,000.00
25	Bergamo	\$ 5,000.00
26	Inet	\$ 7,000.00
27	Radio Ravel	\$ 5,000.00
28	Serta	\$ 7,500.00
29	Interkont	\$ 1,000.00
30	Popov	\$ 2,250.00
31	Buchen Kozjak	\$ 7,500.00
32	Mramor	\$ 4,000.00
	Total	\$ 304,592.41