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BUILDING COMPETITIVE INDUSTRIES IN MOLDOVA

Moldova CEED Final Report

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CEED's assistance enabled Asconi vineyards to improve its winemaking techniques in the 2008 and 2009 harvest seasons. Asconi sold wines from these vintages to a major Czech retail chain and a distributor in Poland.

CEED

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FRONT COVER: An Intercentre Lux seamstress uses methods she learned from a CEED consultant. In just three months, after participating in CEED's productivity enhancement program, the company saved 24,800 person-hours (the equivalent of 13 full-time employees), greatly improving efficiency.

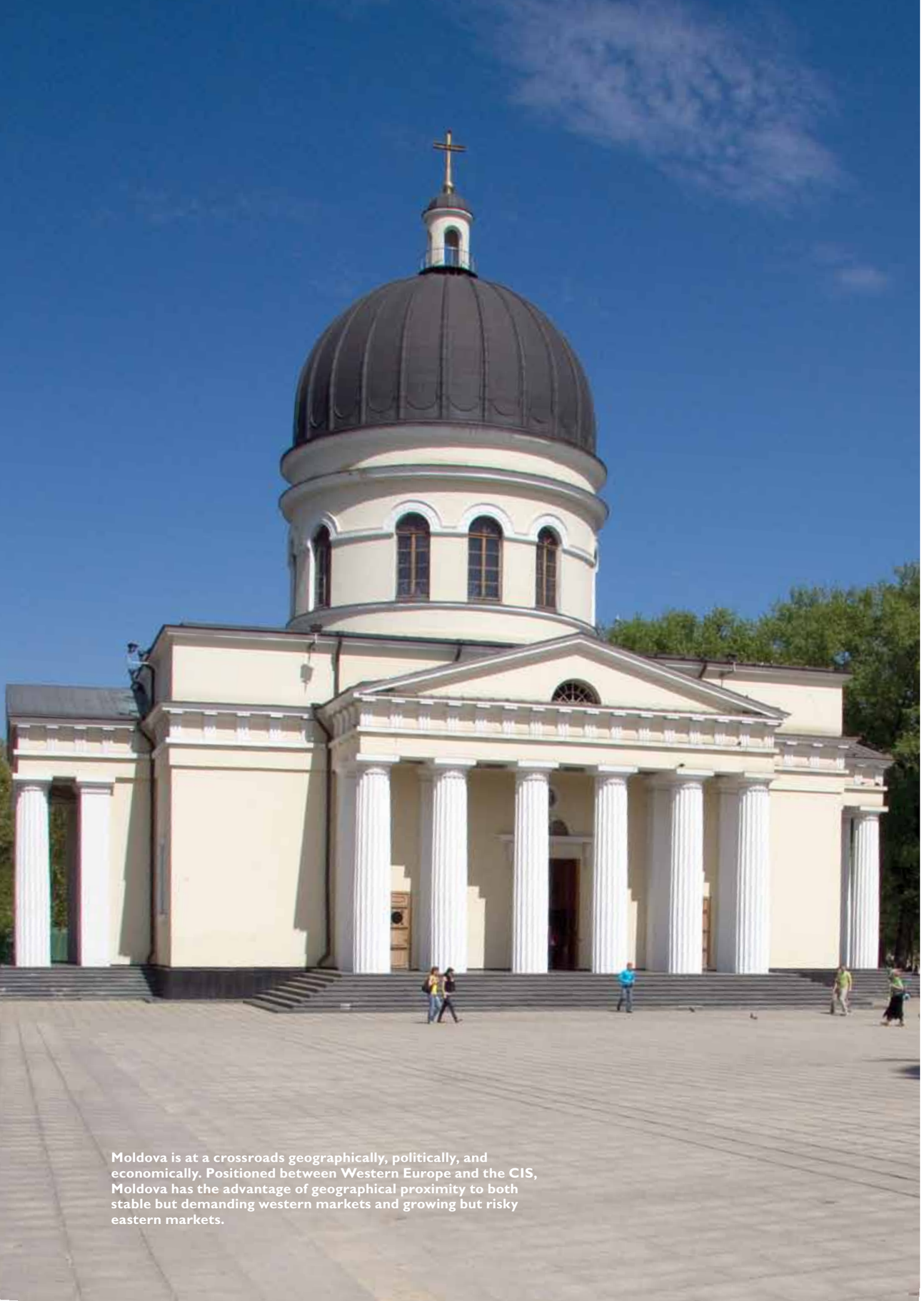
CEED

INSIDE FRONT COVER: In May, even before grapes appear on the vines, there is much to be done at Et Cetera winery. Et Cetera is one of a handful of wineries that joined to form the CEED-supported Moldovan Small Wine Producers Association. The association aims to improve the business environment for small-scale winemakers.

CEED / ANGELA POTTER

BACK COVER: CEED's support enabled Lion Gri winery to increase production of premium wines and differentiate its markets. As a result of improved quality, exports of dry wines increased from 15 to 20 percent of total production. The winery won several medals at the 2008 ExpoVin Moldova competition.

CEED / ANGELA POTTER



Moldova is at a crossroads geographically, politically, and economically. Positioned between Western Europe and the CIS, Moldova has the advantage of geographical proximity to both stable but demanding western markets and growing but risky eastern markets.

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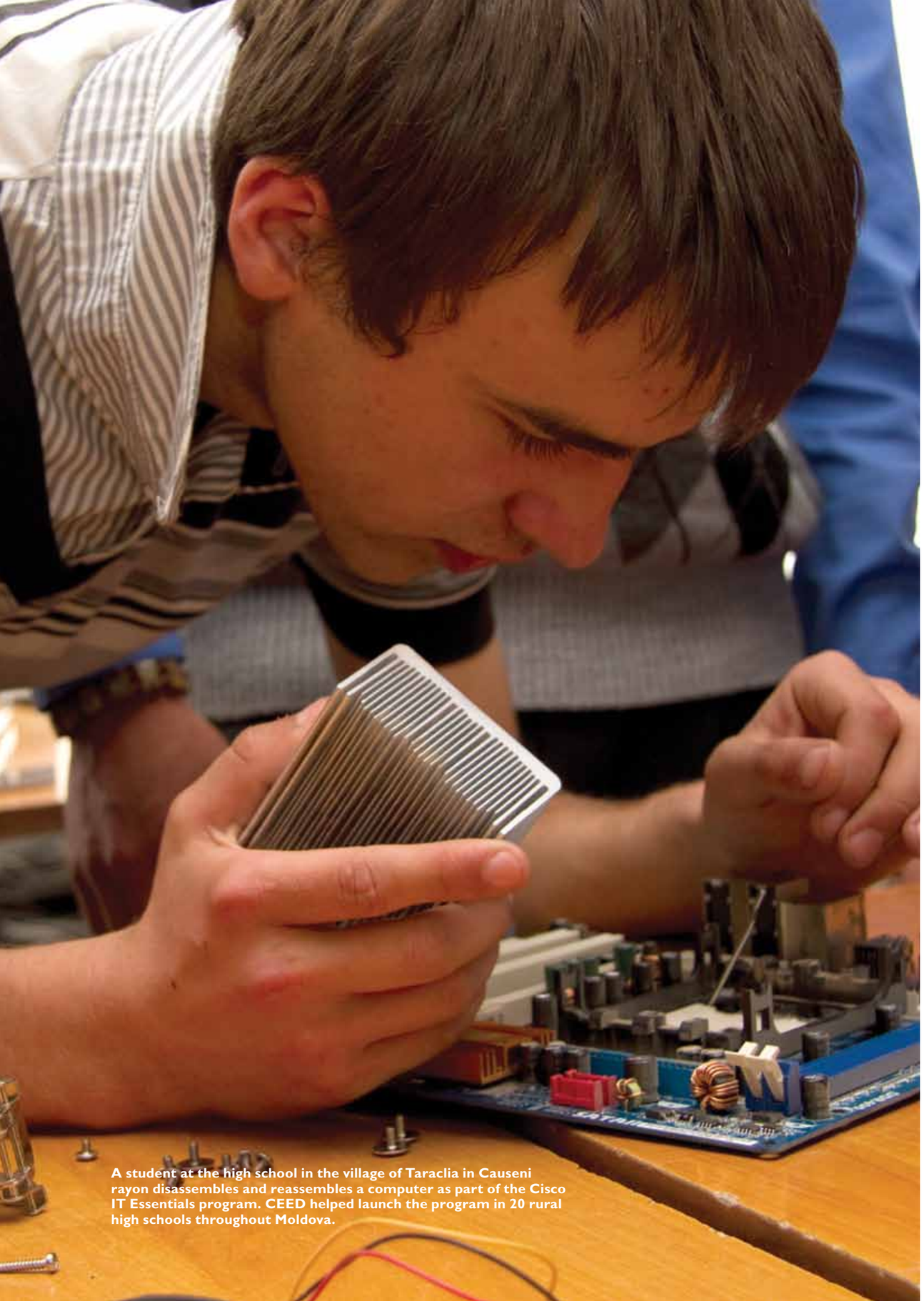
OVERVIEW

Nearly 20 years after the Soviet Union, Moldova's wine, textile and apparel, and information communication and technology (ICT) sectors had gained stability and market share that readied them for growth. The United States Agency for International Development (USAID) sought to foster further growth by launching the Competitiveness Enhancement and Enterprise Development (CEED) project in 2005. CEED's goal was to prompt new investment and generate employment by forming competitive clusters With a budget of nearly $8 million and a five-year life span, CEED aimed to build capacities within these priority industries at the firm level while assisting policy and regulatory reforms to promote investment and bolster Moldova's burgeoning economy.

To tell the story of how CEED enhanced the overall competitiveness of the country's three target sectors, this final report details results through the lens of four themes that emerged from project activities: the people, the products, the connections, and the money. The report illustrates how CEED helped developed a strong and capable information technology (IT) workforce; how it enhanced efficiency and branding to produce better products and increase sales and jobs; how its support for making connections through trade shows and association-building proved essential to growth; and how it helped free up working capital for businesses.While no single formula exists to make an economy more competitive, these sometimes small but important infusions of technical assistance lifted businesses over an economic hurdle that, in aggregate, comprised an impressive gain. In numerous cases, CEED's assistance enabled people working in these industries to experience, or at least forecast, growth they never had imagined. In total, CEED assisted 115 companies that recorded growth of 3,500 full-time equivalent jobs and $84 million in sales. Managed by Chemonics and its partners, Crimson Capital Corporation and Dexis Consulting Group, CEED's design followed the private sector competitiveness program area and the private sector productivity program element of the Foreign Assistance Framework. The project's complementary business development and business environment components ensured that industry competitiveness would be advanced at the policy and firm levels. Each component carried several key result areas around which the project grouped activities. The results are summarized in this report and detailed around this framework in the quarterly and annual reports.



A student at the high school in the village of Taraclia in Causeni rayon disassembles and reassembles a computer as part of the Cisco IT Essentials program. CEED helped launch the program in 20 rural high schools throughout Moldova.

CEED / ANGELA POTTER

CHAPTER ONE

THE PEOPLE:
BUILDING A SKILLED WORKFORCE

Developing a skilled workforce, particularly in the ICT and textile sectors, proved an important driver for economic growth during CEED's assistance. Acquiring new skills allowed workers in these industries to take advantage of technologies that make businesses faster, more efficient, and, ultimately, more competitive.

ICT

As one of the fastest-growing sectors in Moldova, the ICT industry demands more skilled labor than the country can supply. From 2003 to 2008, ICT exports jumped from $24 million to $114 million. IT services alone increased from $1.2 million to $26.3 million. High salaries and the relatively short time (three to five years) needed to enter the workforce makes ICT an attractive sector for young people. However, educational programs are not up to the needs of the market, limiting job opportunities and sector growth.

Turning to successful models in neighboring countries, including Romania, CEED helped fill the education gap in Moldova by introducing three major, vendor-based curricula in colleges and high schools: Cisco Certified Networking Associate (CCNA) training for universities, the Microsoft IT Academy, and the Cisco IT Essentials (ITE) curriculum for high schools. More than 500 students have enrolled in these programs, which offer a way to gain practical ICT skills before entering the work force.

Cisco Certified Networking Associate Program Readies University Grads for IT Jobs

A study commissioned by CEED found IT networking skills in short supply in Moldova. Nearly 70 percent of managers interviewed for the study indicated that networking skills were essential for ICT companies, and 50 percent believed that educational

institutions needed to improve their curricula in this area.

In response, CEED helped Cisco expand its Cisco Networking Academy (NetAcad) so students could obtain CCNA certification from three Chisinau universities and gain a competitive edge in the labor market. The project started by sponsoring a training-of-trainers program in partnership with Cisco's Regional Academy in Moldova, DNT Association. The association trained nine new CCNA instructors from the three partner universities. The College of Finance and Banking opened its academy in 2008; the Free International University of Moldova and the Technical University of Moldova opened academies in 2009. To date, eight instructors have been trained and 119 students have enrolled in CCNA certification programs.

To raise public awareness of Cisco networking courses, motivate students, and ensure continuation of the course offerings beyond the project's life span, CEED built a sustainable framework, including organizing periodic NetAcad meetings, developing a NetAcad Web site, and participating in Cisco's annual networking skills competition, NetRiders. CEED also purchased basic laboratory equipment for partner institutions as they began teaching Cisco courses.

The curriculum, which is the first level of Cisco networking technologies training, teaches students to install, configure, operate, and troubleshoot medium-sized networks, mitigate security threats, and understand wireless networking concepts and terminology. Students who complete the course may take an exam in English to obtain the internationally recognized CCNA certificate. They may also enroll in advanced Cisco training through DNT Association.

To date, 51 instructors have been trained to lead Cisco CCNA and ITE classes and 360 students (including 107 women) from 14 academic institutions supported by CEED have enrolled. These Moldovan students have joined 100,000 students in more than 130 countries taking Cisco courses through 8,000 academies. Cisco Systems reported double- and triple-digit growth in Moldova's NetAcad program between 2008 and 2009, which it credits to CEED support.

Microsoft IT Academies Take Off with CEED's Assistance

Microsoft technologies serve as the platform for doing business worldwide, but there were few certified Microsoft professionals in Moldova until recently. In January 2008, to respond to this need, CEED began working with Academy of Economic Studies of Moldova (ASEM), a bustling Chisinau university of more than 15,000 students, to lay the foundation for the country's first Microsoft IT Academy.

After participating in a CEED-sponsored trip to a successful Microsoft IT Academy in Romania in July 2008, ASEM Associate Professor Sergiu Tutunaru championed the effort to open an academy at ASEM. Taking the lead on planning and handling logistics, Mr. Tutunaru determined that the university had everything it needed to launch an academy except one major requirement: Microsoft-certified instructors. Certification is an expensive and lengthy process. Although Mr. Tutunaru identified several professors interested in pursuing certification, a faster solution was required so he could open an academy during the 2008-2009 school year. With CEED's assistance, he turned to the private sector for instructors who would serve for a few years while faculty studied to obtain certifications.

Mr. Tutunaru and CEED staff prepared a draft curriculum and determined an appropriate tuition that would allow the academy to operate sustainably. To prepare for a fall launch, CEED accelerated the process of applying to Microsoft for academy status by agreeing to cover the first annual fee of $1,000. CEED also helped the university begin building a library of course materials and create promotional materials to help attract students.

On August 26, 2008, the university launched the program with three certification tracks: systems engineer, web developer, and Windows developer. To date, over 90 students enrolled in Microsoft-courses and two in-house instructors were trained. Participating students may now choose courses

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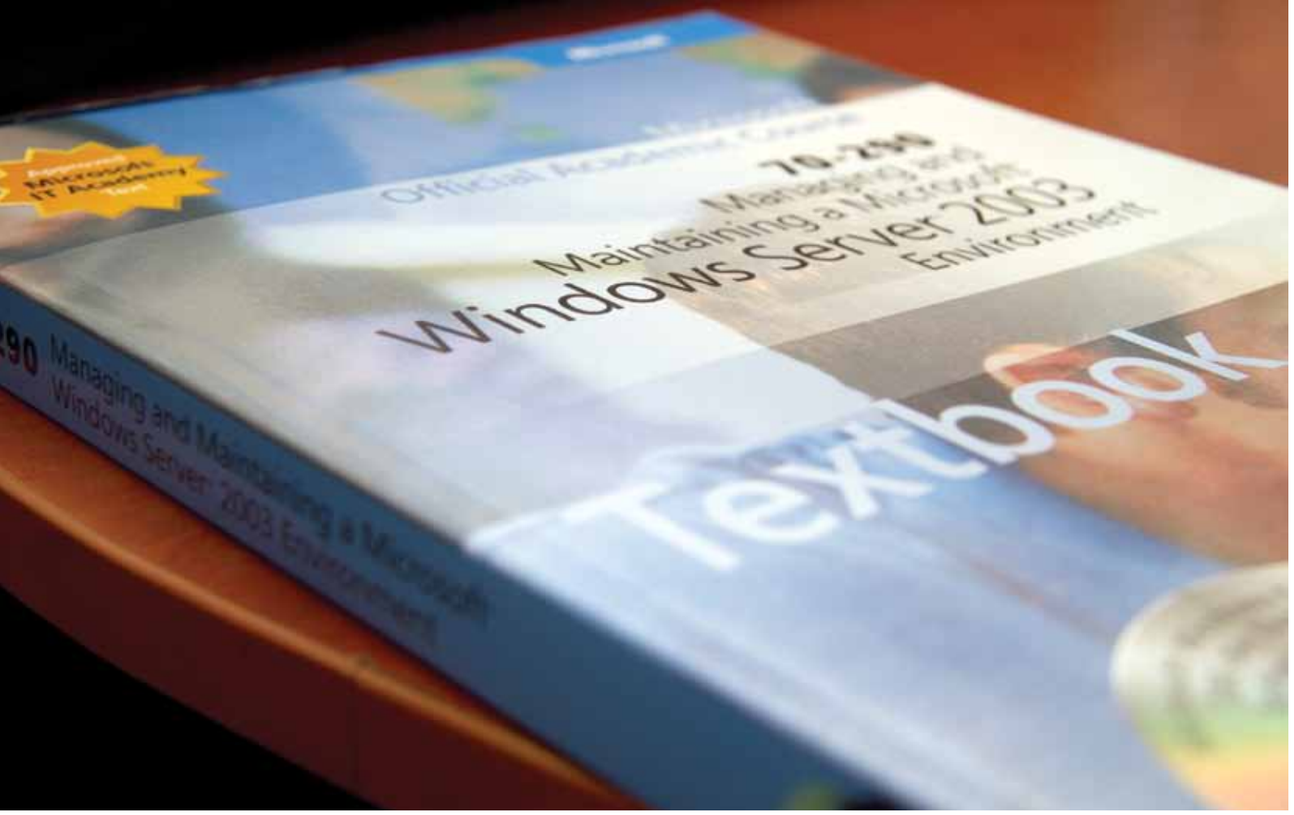
Andrei Ghergelas, who earned his Cisco CCNA certificate, studies with a classmate at the Cisco Academy in Chisinau. He applied the skills and knowledge he gained from the certificate program to his job as an engineer with a local telecommunications firm. The academy is fully equipped with materials, hardware, and software, providing students the hands-on experience needed to make them marketable.



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More than 100 students at Moldova's first Microsoft IT Academy used new textbooks provided with CEED support. The IT Academy is hosted by the Academy of Economic Studies of Moldova (ASEM) in Chisinau.

ranging from business essentials (Excel, Word, and PowerPoint) to advanced systems engineering (planning, implementing, and maintaining a Microsoft Windows server). All of these skills are in high demand in Moldova and worldwide.

In addition, CEED introduced a voucher to cover the cost of certification exams for students who successfully completed Cisco and Microsoft courses. The exams, given in English by the vendors, cost between $70 and $250, and students' confidence in taking them is typically low. To date, 11 students have taken advantage of the voucher program. Their comparatively high pass rate (64 percent) demonstrates the effectiveness of training provided by the local academies.

Cisco IT Essentials Program Introduces Technology Skills to Rural Communities

Moldova's rural communities have historically lacked access to technological training and advancements. In fact, many still lack access to the Internet or basic computing. To bridge the urban-rural divide, CEED helped launch Cisco's ITE program in 20 rural high schools throughout Moldova.

CEED assisted participating schools and the Cisco Academy at the College of Finance and Banking, which houses the program, by developing a sustainable support model and a financial mechanism for the ITE program. The program, which started at six pilot schools in September 2008, introduces essential computer hardware and software skills that entry-level ICT professionals need. The curriculum covers the fundamentals of PC technology, networking, and security. During the course, students identify and describe computer components, assemble a computer system, install an operating system, and use system tools and diagnostic software to troubleshoot issues.

IT Essentials teacher and technology champion Pelaghia Traci understands the demand for such skills in rural areas. Until recently, she was a one-woman resource for all computer issues for the village of Taraclia in Causeni rayon, where she teaches the IT Essentials program at the local high school. Ms. Traci also helped set up Taraclia's first Internet café, funded by the Soros Foundation, a few years ago. Through her work, she has brought much-needed ICT skills to her village and inspired the community to embrace new technologies and learn valuable skills. "It's hard sometimes when people ask me to connect two computers between houses. I don't have time. Now I can ask my students to do this. It's very beneficial for the whole community because now the students can help people solve computer problems."

Much like the Cisco Certified Networking Associate program that CEED helped introduce at the university level, the ITE program also required certified teachers. Over the course of two years, CEED enlisted 25 teachers from 14 high schools (10 located outside of Chisinau) and two colleges, Microelectronics and Informatics. The teachers participated in a two-month distance and classroom training led by the DNT Association. All 25 graduated.

The College of Finance and Banking's Grigore Vasilache, who serves as the initiative's master instructor and coordinator, said he's noticed much progress since the program launched in 2008. "Students can already help their friends and neighbors with computer skills." As of July 2010, 43 ITE instructors had been trained and 241 students had participated in newly implemented optional ITE courses at the institutions that joined the Cisco NetAcad.

APPAREL AND TEXTILES

Training Builds Skills and Business Savvy of Own-label Manufacturers and Retailers

CEED recognized that it would not be able to reach everyone in the textile and apparel industry and that merchandising and business development can be challenging throughout the industry. As a result, it sponsored seminars including a four-day training focused on moving companies toward selling products with high added value, a three-day seminar on fashion merchandising, a one-day seminar on color forecasting for winter 2010 and another for summer 2011, and a three-day seminar on industrial merchan-

dising and retail management during the economic downturn. Participants applied what they had learned in a number of ways. A total of 145 participants attended and reported strong results, including:

- After the June 2008 fashion merchandising course, the Olga Ceban retail store in the Jumbo Commercial Center in Chisinau was reorganized to improve traffic flow. The store also rearranged products and used color blocking to improve the look of the store. These techniques and investments in promotion helped to increase sales more than 50 percent over the summer of 2007.

- Following the fashion merchandising course, Vistline employees reorganized product layout, organization, and lighting in the company's retail outlets. Along with improved product and pricing policy, these changes resulted in summer sales nearly tripling from 2007 to 2008.

- Infinity, Intercentre Lux, Mobile SRL, Noustil, Olympus, Rumfelsia, Saltoianca, Steaua Reds, Tricon, Vestra, and Vistline employees attended the seminar on selling products with high added value. Their new collections were showcased at the February and September 2009 and February 2010 Federal Trade Fair for Apparel and Textile (Textillegprom) exhibitions in Russia. CEED supported their participation.

- Artizana, Iuvas, Mobile SRL, Odema, Olga Ceban, Portavita, and Saltoianca applied the design principles they learned to prepare collections for the October 2009 Interselection exhibition in Paris. CEED supported their participation.

Intensive Training Prepares Sewing Operators to Work with Computer-assisted Design Software

During the September 2009 Textillegprom apparel exhibition in Moscow, Russian design software firm CADRUS noticed that Moldovan own-label companies were still executing pattern design manually. Because these companies must create large product lines, manual pattern design slows the process significantly.

CADRUS, a partner to the German computer-assisted design (CAD)-based software GRAFIS, organized a one-day promotional training in Chisinau for Moldovan apparel companies a month after Textillegprom to demonstrate the benefits of GRAFIS. The well-received workshop pointed out the value of using this software to increase speed and efficiency.

Following up on this show of interest, CEED worked with CADRUS to organize more intensive, specialized training on the use of CAD software for pattern design. The training for 12 interested companies and higher education instructors took place in May 2010. CEED and the participating companies split the cost of the 15-day course, which focused on developing practical skills for using the software. After the training, three apparel companies (Iristil, Vestra, and Vistline) purchased CAD software and invested $30,400 in implementing it. Each received assistance in installing the software, which is expected to reduce by two-thirds the time required to create patterns.

Training Boosts Financial Management Skills of Apparel Personnel

Information gathered from CEED client firms reveals that, when financial needs arise, apparel companies tend to reinvest profits rather than obtaining bank loans or other third-party financing. Historically, this practice has limited company growth.

CEED decided to help four apparel companies — Codru, Olga Ceban, Portavita, and Tricon — improve their financial management skills by teaching employees how to make debt (third-party financing) work in their favor.

CEED selected a short-term consultant with practical experience in financial management to lead the training. An initial group training included lessons on cash flow management, financial leveraging, and financial ratios. CEED then provided on-site support to each company to establish and implement financial management practices, with special focus on debt management. As part of this program, basic financial management software was installed in each company.

Participating companies now have the proper systems in place, and their trained personnel have the skills to conduct financial analyses. In addition, CEED conducted a comprehensive analysis of each company's current financial situation and recommended further improvements. The on-site consultancies also helped these companies select several key indicators of financial performance in addition to those that are common for all companies, such as sales, investments, and third-party financing.

WINE

Breaking into new markets requires knowledge of the market and marketing skills. CEED organized a series of trainings to help Moldovan winemakers acquire this knowledge. To assist winemakers in entering the German market, CEED sponsored a seminar conducted by Herman Recknagel of BEVCON consulting in January 2008. The seminar focused on the market, products, prices, distribution, and marketing and included a visit to Moldova Wine Guild member wineries to help employees prepare for the ProWein trade fair in Düsseldorf. Mr. Recknagel also evaluated the wineries' marketing materials and price lists. As a follow-up, guild member wineries presented their wines at an exclusive press event, *Meet the Press – Wines of the World & German Cuisine.*

Using the same format, CEED invited U.S. wine expert Lou Capitao and a British Master of Wine, Caroline Gilby, to conduct a two-day seminar on U.S. and UK markets for guild members the following month. The seminar focused on sales and marketing. About 25 people from seven wineries attended. According to the participants, the topic and the materials presented were highly relevant.

Lion Gri's winemaker, Tatiana Climco, demonstrates how oak planks fit together inside steel barrels, eliminating the need for expensive oak barrels. She learned the technique from CEED-supported winemaker Luca Zavarize.

CEED / ANGELA POTTER

CHAPTER TWO

THE PRODUCT:
IMPROVING THE QUALITY, MANUFACTURING, AND MARKETING OF GOODS

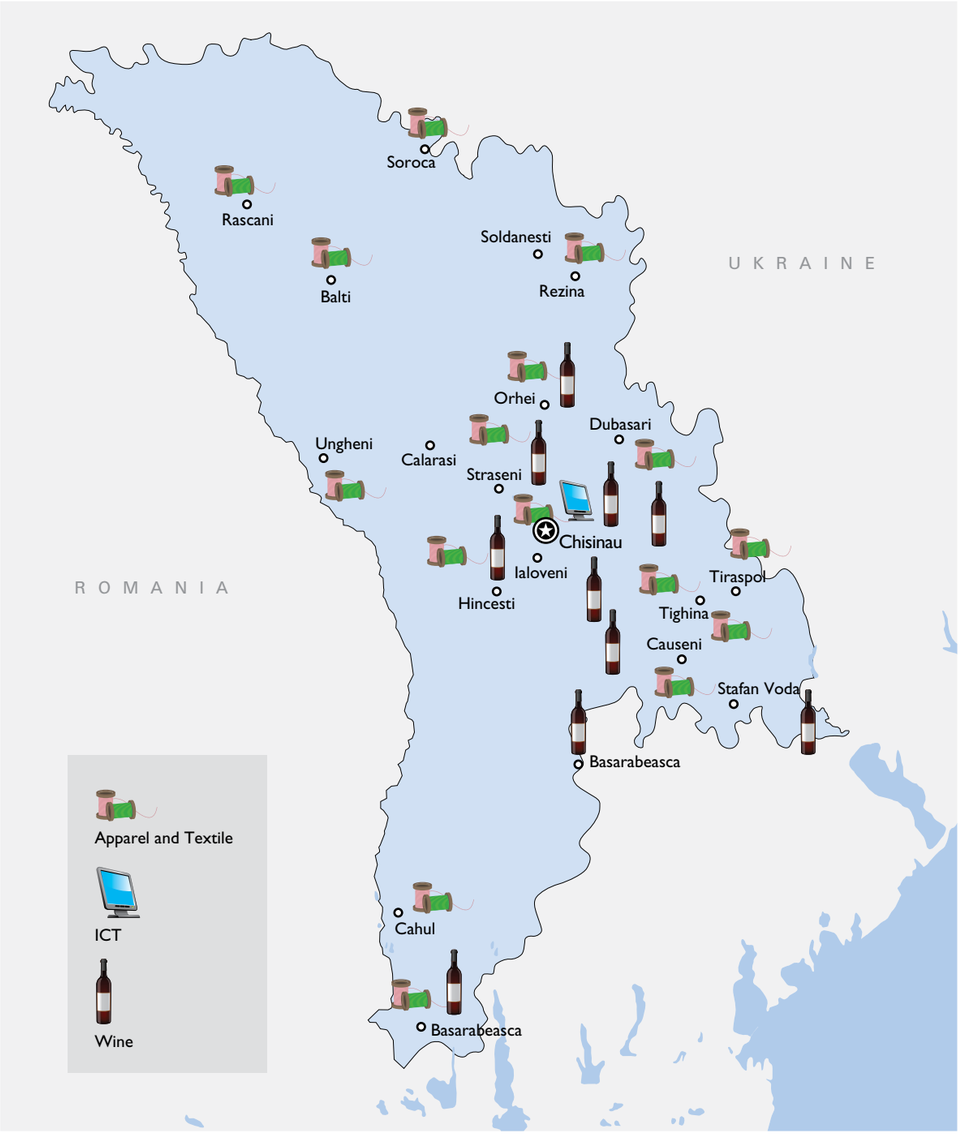
In 1991, independence from the Soviet Union spurred Moldova's transition toward a free market economy. For industries long shaped by the Soviet era's model of mass production and a command economy, the transition signaled a shift toward innovation, flexibility, and competitiveness. However, during the first decade of independence, many industries still produced products geared toward the Soviet market. Moreover, the government lacked promotion plans for its industries and maintained policies and regulations that hampered the business environment. As a result, Moldova's industries — and therefore its products — were slow to enter the competitive global market. CEED's approach to increasing sales and expanding markets focused first on enhancing product quality and then on creating brands that would gain the attention of new markets.

WINE
CEED Helps Lift Wine Industry Over Economic Hurdle One Bottle at a Time

With its moderate climate and fertile soil, Moldova is one of a handful of European wine-producing countries able to produce a wide range of wine styles, especially popular white varietals such as Chardonnay. In the growing areas, rolling hills and winds from the Black Sea basin protect vines from deep frost in the winter.

Despite the ideal climate, the country's wine industry has not always flourished since the Dacian people discovered how to turn grapes into wine 4,000 years ago. The Greeks and Romans loved wines from this region and championed the tradition for centuries. The Muslim Ottoman Empire, forbade wine, however, and the region's industry suffered for centuries more. The mid-

GEOGRAPHIC DISTRIBUTION OF CEED ACTIVITIES THROUGHOUT MOLDOVA



1980s brought Mikhail Gorbachev's anti-alcohol campaign, which devastated the industry again.

The most recent blow came in 2006, when Moldova's top market, Russia, banned Moldovan wines — ostensibly because of quality issues. The ban served as a wake-up call for the industry as winemakers realized they could no longer rely on Russia as their main client and that they must start selling to new markets.

The industry also suffered from the 2008 global economic crisis and strengthening of the Moldovan lei, which made Moldovan wines less competitive in export markets and reduced profit margins. Production dropped significantly from 2005 levels during the 2006-2009 period, when interest rates on loans rose, further eroding the wine industry's profit margins.

Recognizing the challenges in the industry, CEED targeted its assistance in three areas to improve the quality and branding of Moldovan wines, with the ultimate goal of helping the industry diversify to broader markets:

- Training and building capacity in effective winemaking skills, practices, and technology
- Technical assistance in marketing and building the image of high-quality wineries
- Development of a new, competitive vision and strategy for the Moldovan wine sector

Technical Support for Improving Winemaking Skills

When the CEED project began in 2005, many Moldovan wines differed from the styles in demand in Western markets. Wine producers were unaware of how to control grape-growing to deliver the best product for the money and effort. When Russia's 2006 wine ban prompted producers to look for commercial opportunities elsewhere, it was clear that they must re-evaluate product quality. USAID's Pre-Strategy Assessment of the Moldovan Wine Sector noted, "while there may be many sales and marketing challenges ahead for Moldovan wineries to overcome, there is none greater than to adapt its thinking to a market that views success as the ability to offer the best quality product for the money in a consumer-driven wine style."

International wine experts noted that the quality of Moldovan wine severely hampered the industry's ability to compete globally. Impediments included lack of knowledge about and access to modern winemaking tools and practices; improper wine production, storage, handling, and quality control procedures and; deficiencies in canopy management and harvesting.

CEED's hands-on work with winemakers to improve quality spanned all five years and had a significant impact on the assisted wineries as seen through increased sales, higher quality wines, and expanded export markets (see table, page 14).

The project launched its quality enhancement efforts in 2006 at Salcuta and Lion Gri wineries, which had recently updated their equipment and were eager to improve the quality and styles of their wines in line with Western consumers' preferences. CEED tapped Italian winemakers Luca Zavarize and Pier Giorgio Berta to help the wineries set up equipment for collecting and crushing grapes properly and to select high-quality yeast and other inputs for the 2006 harvest. Mr. Zavarize and Mr. Berta also oversaw the

CEED TECHNICAL SUPPORT TO WINERIES

Winery	Technical Assistance Provided
Asconi **CEED assistance provided: 2008–2009 (two harvest seasons)** The advanced winemaking technology implemented by CEED consultant Luca Zavarize created new opportunities for Asconi. Sales to the Czech Republic increased to almost two million bottles by the end of September 2008 — a 30 percent increase over the previous year. Wines produced under Mr. Zavarize's guidance were selected by a major Czech retail chain, and the winery began a relationship with a distributor in Poland with an initial shipment of 45,000 bottles in November 2008.	• Monitoring grape maturation • Monitoring quantity and quality of yields • Planning for harvest • Guidance on crushing and fermentation • Storage and bottling procedures • Selection and use of equipment • Winery layout
Basavin **CEED assistance provided: 2007–2009 (three harvest seasons)** On the recommendation of CEED consultant Pier Giorgio Berta, Basavin invested €80,000 in four tanks for producing red wine, two for grape processing, and 12 for storage. It also relocated existing refrigeration units to make them more accessible. Basavin increased its portfolio and expanded sales to new markets in the United States and Western Europe, selling about 30 percent of its production (150,000 liters) of high-quality wines produced under the supervision of CEED's winemaking consultants. About 20 percent of the production is aging in oak barrels.	• Guidance on crushing and fermentation • Storage and bottling procedures • Selection and use of equipment • Winery layout
Bostavan Holding (Bostavan and Purcari) **CEED assistance provided: 2007 (one harvest season)** Following the recommendations of Mathias Pellissard, a French winemaker hired by CEED, Bostavan Holding invested €1 million in updated equipment (refrigeration units, vacuum presses, crushers, and laboratory equipment). With the use of the new equipment, processing capacity increased to 1,000 tons for Purcari (up from 700 tons) and 15,000 tons for Bostavan (up from 12,000 tons). Bostavan launched a new premium brand, DAOS.	• Monitoring grape maturation • Irrigation of vineyards • Monitoring quantity and quality of yields • Planning for harvest • Guidance on crushing and fermentation • Use of additives • Use of racking equipment • Equipment inspection and maintenance • Winery and staff management
Lion Gri **CEED assistance provided: 2006–2007 (two harvest seasons)** CEED support, including technical advice from Pier Giorgio Berta, enabled Lion Gri to increase production of premium wines and differentiate its markets. As a result of improved quality, exports of dry wines increased from 15 to 20 percent of total production. The winery won several medals at the 2008 ExpoVin Moldova competition.	• Pest management • Recommendations for new varietals • Guidance on crushing and fermentation • Use of oak for aging • Cleaning, sanitation, processing, and storage
Salcuta **CEED assistance provided: 2006–2007 (two harvest seasons)** Salcuta emulated internationally recognized styles to produce younger, fruitier wines similar to those made in Australia, California, and Chile. Immediate results led to new investments, better wines, and higher sales. The winery invested €130,000 in a new refrigeration unit, which will enable processing of 2,000 metric tons of grapes — up from 370 tons. Salcuta launched a high-quality brand NOI, in Poland and the Czech Republic, where sales totaled €100,000. The winery's 2007 Sauvignon Blanc 2007 took a gold medal at the 2008 ExpoVin Moldova competition.	• Pest management • Recommendations for new varietals • Guidance on crushing and fermentation • Cleaning, sanitation, processing, and storage
Vitis Hincesti **CEED assistance provided: 2008 (one harvest season)** Following the winemaking assistance provided by Luca Zavarize, Vitis Hincesti won a tender organized by the Real supermarket chain in Romania for 60,000 1.5-liter bottles per year. Bottled under Real's private label, the wines began shipping in February 2009. The winery anticipates that the contract will be extended to Germany, Poland, and other countries where Real operates.	• Monitoring grape maturation • Monitoring quantity and quality of yields • Planning for harvest • Guidance on crushing and fermentation • Storage and bottling procedures • Winery layout • Equipment inspection, maintenance, and cleaning

fermentation process, introducing a number of important changes to winemaking practice to yield the new wine styles.

In 2007 and 2008, the project began providing technical assistance to six additional wineries: Asconi, Basarabia Lwin-Invest, Doina Vin, Bostavan and Purcari (owned by Bostavan Holding, which bottles the production of both wineries), and Vitis Hincesti. As with Lion Gri and Salcuta, the international winemakers worked with local counterparts on every step from monitoring the ripening grapes through planning for harvest and overseeing the grape crushing and fermentation to storage, treatment, and bottling.

As a result of the technical assistance provided by the CEED consultants, most participating wineries improved their management of winemaking and storage processes; learned about new winemaking technologies and techniques (such as setting correct fermentation temperature parameters and using adequate yeast and enzymes); improved their use of storage and bottling equipment; and enhanced techniques for blending and producing new wines. Even more important, they acquired a new, integrated and international vision of winemaking.

CEED Raises Profiles Through Brand-building and Management

The Moldovan wine industry's narrow focus on Russia as its main customer limited fundamental knowledge about Western preferences and trade practices, including an emphasis on heavy glass, uncluttered design, simple language, and brand names that are easy to read and understand.

Acorex Wine Holding undertook an intensive effort to understand these preferences and rebrand its wine accordingly. A large company consisting of several wineries, Acorex was one of two Moldovan wine companies that had successfully penetrated the UK market. Through a direct mail catalog, Acorex garnered a modest but stable $600,000 each year from its UK sales, which supplemented its largely Russian export portfolio.

The company, which employed 420 people, tapped UK wine distributor PLB to assist in launching additional sales in the UK. However, PLB said a marketing effort would require a new umbrella brand for the wines. With assistance from CEED, Acorex secured the services of a specialty wine brand design firm, Amphora Designs. Amphora, with Acorex management and PLB, developed several options for a brand identity, from which the final choice, "Taking Root," was selected.

To ensure the new brand was backed by strong operations, CEED hired a wine specialist to evaluate Acorex's winery and recommend facilities improvements based on practices that wine buyers from the UK would expect from a supplier.

The brand was nominated for the prestigious Drinks Business Design and Packaging Award in 2007 and was launched at the ProWein exhibition in Germany in March 2007 and the London

Wine Fair in May 2007. While a change in account manager resulted in PLB losing interest in expanding UK sales, Acorex continued to promote Taking Root in several countries, including Sweden, where it now sells 100,000 bottles per year, the United States (10,000 bottles per year), and Belgium (5,000 to 6,000 bottles per year).

ICT

ICT Companies Get Efficient with Software Process Improvement Program

The IT industry is one of the highest-paying and fastest-growing in Moldova. Over the last 10 years, scores of technology and software development companies have emerged and now offer innovative products and services domestically and regionally. Bustling with ideas and innovation but lacking knowledge of international best practices, many of these companies work hard, think competitively, and stand ready for growth.

Recognizing their potential, CEED set out to help these businesses expand internationally through the adoption and certification of best practices. To that end, the project had three goals:

- To help a core group of software companies increase their global competitiveness and enhance their software development practices by introducing them Capability Maturity Model Integration (CMMI), an internationally recognized software process improvement model, and IT Mark, which aims to certify the quality and maturity of the processes of small and medium technology companies
- To put Moldova on the worldwide software process improvement map
- To stimulate the development of a software enterprise "cluster" in Moldova

Industry experts worldwide consider CMMI, developed by Carnegie Mellon University's Software Engineering Institute, a leading certification. However, many IT businesses view CMMI as difficult to obtain and expensive to implement.

The European Software Institute (ESI) developed the more accessible IT Mark certification targeted to IT companies. The certification covers three main categories: software process improvement, business processes, and information security. Within those areas, IT Mark strengthens planning and development capabilities, improves communication and interaction with clients, and reduces development errors and delivery times. It also allows interested small and medium-sized enterprises to continue on the path toward CMMI once a culture of software process improvement has taken root.

To bring IT Mark and CMMI certification to Moldovan software development companies, CEED teamed with the USAID Regional Competitiveness Initiative (RCI), a funding partner that encourages cooperation among USAID missions and projects throughout the European and Eurasian region, and with subcontractor ESI Center Bulgaria, which delivers IT Mark and CMMI courses in the region.

CEED launched the program for local businesses with a workshop in February 2007, bringing in ESI Center Bulgaria to introduce CMMI and IT Mark to more than 20 software engineers from 14 companies. ESI Center Bulgaria senior staff introduced the concept of process improvement, highlighting the effective use of CMMI and IT Mark by software companies in southeastern Europe — particularly Bulgaria, Romania, and Serbia — whose experiences are relevant to Moldovan software developers.

VENDOR-BASED IT EDUCATION PROGRAMS SUPPORTED BY CEED

Course	Inception	Schools offering program	Students enrolled to date	Students graduated to date	Instructors trained to date
Microsoft IT Academy	2008	1	93	93	2
Cisco CCNA training	2007	3	119	53	8
Cisco ITE	2009	11	241	167	43

CEED

Andrey Aidov, director of Q-Systems, reviews new software with a colleague. Q-Systems is one of three companies that earned IT Mark certification with CEED support. The certification strengthens planning and development capabilities and improves communication and interaction with clients.

After the workshop, CEED and ESI Center Bulgaria offered program and financial support; RCI provided additional financial assistance. Three companies — QSystems, Alfa Soft, and Deeplace — committed to the IT Mark certification program and its three-part process:

1. *IT Mark awareness and training.* Companies participated in an introductory IT Mark workshop conducted by ESI Center Bulgaria. Following the workshop, the center made one-day visits to each company to evaluate the status of existing processes and draft an action plan for improvement.

2. *IT Mark consultancy.* As follow-ups to the initial visits, the companies received assessment reports and assistance in designing individual improvement plans to prepare for final appraisals. If needed, the center provided remote consulting on processes and documentation.

3. *IT Mark appraisal and certification.* ESI appraised the companies' readiness for certification.

The project supported the three companies throughout the IT Mark certification process. RCI and CEED covered about two-thirds of the costs; the companies contributed the rest, signing contracts directly with IT Mark certifier ESI Center Bulgaria.

All three companies earned IT Mark certification, which they reported has helped improve business processes and workflows and increase efficiency. QSystems improved its predictability indicator (which measures the reliability of its projections of the time and resources a given job will require) from 25 to 70 percent. The company hired a quality manager to increase staff skills and said it has greater confidence in its ability to compete in new markets.

Building on this success, CEED and ESI Center Bulgaria conducted another round of CMMI and IT Mark seminars in 2008. Of the 10 Moldovan software companies that participated, three — NetInfo, F-Line Technologies, and Endava — joined the IT Mark program.

Oleg Macari, director at F-Line Technologies, was skeptical at first: "CEED invited us to hear about IT Mark Certification and … I thought, 'Oh, we are so busy. How can we find energy to do this'? But pride kept me from refusing. We found time to participate," Macari said. "We felt it was that breath of air that we needed so much. Our employees began to realize they were not doing things in a proper way."

F-Line Technologies, NetInfo, and Endava all earned IT Mark certification. Like their predecessors, all reported increased transparency and efficiency, which reduced work hours, brought in more contracts, and improved morale. "Now we have a clear vision of the project at every stage of development," said Victoria Scodorova, a senior analyst and project manager. "Every employee can see what he or she did with what clients. It allows us transparency. We can now close the project faster."

As a result of improved efficiency, F-Line Technologies' business increased quickly. "We expanded our company almost two times," Macari said. "The volume of our contracts grew."

F-Line Technologies and Alfa Soft found the program so successful that they pursued IT Mark Premium, the next level of certification. F-Line Technologies received IT Mark Premium certification in June 2010.

To spread the word to other ICT companies and their customers about the benefits of IT Mark, CEED collaborated with the six certified companies to design and conduct an awareness campaign and publish an article, "Methodology of Success", in *Profit* magazine to educate local of IT service customers on the benefits of CMMI and IT Mark certification.

Finally, CEED worked with the ICT Association, the Ministry of Information and Communication Technology, and ESI Bulgaria on the July 2010 launch of an excellence center in Moldova — called the European Software Institute Eastern Europe Quality Lab — to support individuals and companies working in ICT to achieve global standards for quality and productivity. Although at an early stage, the center is seen as a self-sustaining legacy institution that will accelerate innovation and position Moldova as a leading center for ICT training, certification, and knowledge transfer.

APPAREL AND TEXTILES

Apparel Industry Gains Ground with CEED's Productivity Enhancement Program

While the process of stitching has remained unchanged for decades, new technologies and methodologies have advanced the global apparel industry considerably. New procedures differentiate successful apparel industries by lowering costs, raising quality, and speeding production.

To become and remain competitive in the global marketplace, USAID determined that Moldovan apparel companies needed workflow improvements and new technologies to increase productivity. In response, CEED launched a productivity enhancement program to improve firm-level productivity with the goal of lowering unit costs by implementing more efficient workflow methods and stimulating technology investments.

Most of the cut-and-make enterprises that the project assisted directly over five years showed remarkable results, increasing productivity by an average of 12 to 15 percent. Many dramatically improved workflow methods and management and quality control processes. These improvements, coupled with investments the companies made in new technologies and, in some cases, further assistance from CEED on the marketing side, resulted in new contracts in international markets, larger profits, higher pay, and improved employee morale.

CEED

Tricon's high-fashion My Revival *line and two new shops launched in 2008 more than tripled sales that year.*

SUCCESS STORY
New Product Line Fills Production Gap

Tricon, an apparel company in Cahul, southern Moldova, used the cut, make, and trim production method for European clients, who provided the patterns, fabric, and other raw materials necessary to produce finished garments. Tricon's clients are high-end companies such as Max Mara and Basler. The orders are large, but the margins are small. According to commercial director, Irina Rodenco, Tricon had a successful cut, make, and trim operation , the company had unused production capacity which it felt could be used to produce clothing with higher added value for the Moldovan market.

In 2008, Tricon decided the time was right to launch a new women's clothing line for the local market, but it needed help to develop the brand concept. With support from USAID's Competitiveness Enhancement and Enterprise Development (CEED) project, Tricon developed a brand image and a marketing and promotion plan for its target customers. Tricon launched its *My Revival* line in spring 2008 by opening its first store in Chisinau.

However, Tricon still lacked important skills required to support the new brand and drive sales. Fortunately, CEED organized a three-day seminar focused on marketing and merchandizing for apparel retailers. Tricon and 20 other apparel companies learned the importance of sales and marketing techniques, such as visual merchandising, store planning, and color matching. Tricon embraced these new concepts and also began routinely updating its promotion plan and advertising to increase the brand's visibility. Tricon hopes to sell the *My Revival* line in neighboring countries as well as Moldova. CEED supported Tricon participated at Textillegprom apparel exhibition in Moscow in 2008 and 2009.

Following the opening of the first shop, Tricon opened *My Revival* shops in Balti and Cahul in 2008. Sales rose steadily throughout the year; the new line's share of total domestic sales rose from 7 percent in the first quarter of the year to roughly 65 percent by year end. As a result, 10 percent of Tricon's production capacity is now devoted to the *My Revival* line. The company plans to expand its store network in Moldova in the next two years, and hopes to begin exporting. Contacts made at Textillegprom resulted in trial orders for Russia.

APPAREL INDUSTRY DEFINITIONS

Cut-and-make. The manufacturer sells cutting and manufacturing services to foreign clients. The customer owns all materials imported for processing and the ready-made goods to be exported.

Cut, make, and trim. The process is the same as cut-and-make, but the manufacturer provides some necessities such as thread or buttons.

Full package. The manufacturer purchases all materials needed to meet the customer's specifications and invoices the full value of the product on delivery.

Private label. The manufacturer designs collections independently or jointly with the customer. The full-value products are delivered under the customer's label.

Own label. The manufacturer designs collections and sells them under its own brand.

Each year, CEED selected three or four companies that displayed the willingness and ability to pursue productivity increases. While each firm's needs — and the subsequent intensive assistance it received — proved unique, the program generally followed these three stages:

- *Company audit and assessment.* This stage included a brief audit of the firm's productivity, including current status, key bottlenecks, and needed improvements. The project developed a work program for each firm, defining activities and time frames for improving productivity through workflow streamlining methods or technology improvements.
- *Workflow optimization program.* This stage targeted short-term productivity enhancements by optimizing workflows — for example, using existing facilities and not requiring any additional investments. The project worked with each firm at its site to improve workflow distribution methods.
- *Stimulating investments in technology.* CEED's international consultant, John Haycock, worked with firms to link equipment improvements to increased productivity, sales, and profitability.

CEED's approach optimized work at the sewing operator level, introducing proper sewing methods; at the line supervisor level, introducing control, measurement, and product launch techniques; and at the upper management level, introducing proper planning, organization of production, and communication.

The work, led by Mr. Haycock, focused on advising company management organizing production more effectively through improved workflow planning and line balancing techniques; collecting, analyzing, and using production data to make management decisions; evaluating sewing operators' performance and offering on-the-job training as needed; and reducing garment defects through improved quality control methods. Taken together over time, these tactics increased productivity; reduced order fulfillment times; and enhanced client satisfaction, overall factory production capacity, and profitability.

Given the labor force deficit caused by migration, increased productivity is critically important in Moldovan apparel companies. The 21 companies that CEED assisted with productivity enhancement employ about 30 percent of the apparel sector workforce. In just three months in 2010, the productivity increase generated a saving of thousands of person-days. For example:

- Brio Impex saved 13,800 person-hours, the equivalent of seven full-time employees
- Intercentre Lux Ltd. saved 24,800 person-hours, the equivalent of 13 full-time employees
- Listex Ltd. saved 20,866 person-hours, the equivalent of 11 full-time employees

CEED / ANGELA POTTER

Artizana applied design principles it learned through CEED-sponsored training to prepare collections for the October 2009 Interselection exhibition in Paris, which CEED also supported.

- Vestra JSC saved 126,000 person-hours, the equivalent of 66 full-time employees

Mobile SRL Turns Needed Intervention into Big Business

After CEED supported her attendance at the Ready to Show exhibition in Milan in 2006, Georgeta Yeahia Mir, a graduate of the London College of Fashion, launched Mobile SRL, a Chisinau-based cut-and-make company. But the former designer of one-off formal wear had a big challenge: limited experience with cut-and-make production. The Milan show had brought in a large order, and she needed to execute it fast. To set up production systems properly, she turned to USAID for assistance. CEED had already hired John Haycock to provide technical assistance in apparel production to Gabiny, Artizana, and Eurotextile. He agreed to add Mobile SRL to his scope of work and provided several days of training in production planning and organization, methods to evaluate operator performance, and performance monitoring using key indicators. As a result, Mobile SRL completed and delivered its first order for 5,000 pieces on time.

Following this initial success, Ms. Yeahia Mir opened a second production site in Rezina. The new factory enlarged Mobile SRL's production capacity, making it more attractive to clients and decreasing costs due to lower salaries and prices of other inputs. Mr. Haycock continued to provide assistance, ensuring adoption of modern and internationally recognized production management practices that would permit Mobile SRL to operate successfully while managing its rapid growth.

Supported by further assistance from Mr. Haycock, the enterprise doubled its sales volume. After the initial on-time delivery, the Italian customer placed a second order for approximately 6,500 pieces. Since then, Ms. Yeahia Mir has secured two new clients and produced nearly 2,000 articles for them — about 22 percent of her finished production.

QUALITY CONTROL SYSTEM CATCHES DEFECTS EARLIER

For most apparel companies in Moldova, quality control is viewed as an end-of-the-line process, even though catching errors and defects early improves efficiency.

As a result, John Haycock introduced the 7 – Zero system of operator quality monitoring in Mobile SRL's Chisinau and Rezina factories. The statistically based system is designed to bring quality checks as close to the needle as possible. It helps to identify the most effective use of time by staff involved in quality assurance and provides data that helps to determine actions to be taken.

Mobile maintained the organizational and quality control methods it implemented with CEED's assistance, reducing person-days from 45 to 10. Defects decreased from 30 to 7 percent , and output increased by 5 percent in summer 2008.

Branding and Marketing Efforts Give Apparel Companies New Life

Historically, Moldova's apparel industry has been dominated by cut-and-make companies. The cut-and-make, or stitching, part of the process constitutes only 20 percent of the value of a product but requires the majority of the labor. Increasing competitiveness — and profitability — relies on diversifying the industry toward development of local apparel companies making products under their own labels. The work of own-label companies runs the gamut from developing the concept and design of clothing to manufacturing and marketing, adding value at all levels.

When CEED began assisting apparel companies, few enterprises produced garments under their own labels. Those that did so sold the goods locally through their own sales networks. Foreign-made items and well-known labels stiffened competition in the local market, making it difficult to increase market share.

CEED's goals were twofold: To assist current own-label companies to gain greater market share through branding and marketing efforts and to help existing cut-and-make companies expand into private- or own-label production.

Most Moldovan apparel companies have been providing cut-and-make services for customers from Germany, Belgium, France, and Italy; therefore, they have the necessary skills to launch their own labels and clothing lines. Some also have well-trained, talented designers who could create high-fashion clothing for local and foreign markets.

Over the life of the project, CEED helped 15 own-label companies boost sales by developing coherent marketing approaches that included identifying target clients, redesigning products to correspond to fashion trends, and developing modern brands to compete against imported garments.

CEED's four-phase program forced companies to take ownership of the branding and marketing process. The first phase included trademark development, the second included brand and brand book development, the third included trademark registration, and the fourth launched the trademark. CEED financed the first two phases and the compa-

nies covered the costs of the third and fourth. CEED also assisted all companies in developing promotion strategies tailored to their investment capacity and marketing budgets.

CEED support for developing new brands or revamping existing brands led to systemic improvements in marketing in all apparel companies, including brands designed to appeal to the chosen target market segment, corporate styles that reflect the new trademark image, and simple but effective marketing strategies. Moreover, each company's managerial team learned that business success depends significantly on developing and implementing a marketing mix including product, price, placement policy, and a promotional plan to help create demand.

CEED's work with own-label companies led to significant results. For example:

- After Intercentre Lux began selling its products in the Transnistria market under a new brand, sales for the first quarter of 2010 increased by 79.8 percent, from $68,000 to $122,000, over the same quarter in the previous year

- Tricon's My Revival brand competes well against foreign brands in the local market, selling $114,000 per quarter — 150 percent more than when the brand was first launched

- After introducing its new Nikkas brand at the Textilleg-prom exhibitions in Russia in February and September 2009, Olympus increased its clients tenfold — from two to 22

Strengthening Carpet Value Chain Saves Jobs and Money

For years, Filatura Ungheni supplied yarn to a single client, carpet manufacturer Moldabela. Recently, however, Moldabela's clients complained about uneven color, staining, and unraveling. Moldabela put Filatura Ungheni on notice: Fix the problems or risk losing its business.

With 300 employees, mostly women, Filatura Ungheni couldn't risk losing Moldabela's business and potentially hundreds of jobs, so it turned to USAID for help. The CEED project tapped a spinning consultant, Kevin Lordan, to work with Filatura Ungheni technical staff to make minor changes to spinning machinery and make modest investments in critical ancillary equipment. The consultant calibrated the spinning equipment and trained Filatura Ungheni staff to perform these adjustments themselves in the future.

As a result, Filatura Ungheni's yarn quality improved significantly, helping to eliminate the defects Moldabela in its rugs and securing hundreds of at-risk jobs. Moreover, through process changes in the spinning line, Filatura Ungheni's general director estimates that CEED helped save the company another €1 million.

By solving these problems, Filatura Ungheni gained the confidence to look for new clients to minimize the risk of selling to a single customer. However, it needed to find a way to educate new customers about its higher-quality yarn. According to Mr. Lordan, the company also needed a laboratory that could perform quality tests to guarantee that products would meet customers' exact specifications. It purchased the right equipment at a good price from a Romanian company looking to liquidate, and, with the help of Mr. Lordan, successfully installed and learned how to maintain it. Chapter Three provides further information about the increased sales that Filatura Ungheni and Moldabela experienced as a result of CEED technical assistance and trade show participation.

CEED

Kevin Lordan, a CEED yarn spinning consultant, calibrates equipment at the Filatura Ungheni factory. CEED's support helped the company to dramatically improve the quality of its yarns and maintain market share.

Et Cetera winery owner Alex Luchianov a member of the Moldovan Small Wine Producers Association, uses a modern tractor to cultivate his vineyards. With CEED support, association members learned vineyard management and winemaking techniques that raised the quality of their wines.

CEED / ANGELA POTTER

Romanian sommelier Lucia Pirvu leads a tasting of Chateau Vartely wines for buyers from the Romanian hotel, restaurant, and café industry.

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CHAPTER THREE

THE CONNECTIONS:
BUILDING STRONG ASSOCIATIONS AND NETWORKING REGIONALLY AND ABROAD

Throughout the life of the project, CEED focused on building strong alliances, internationally and domestically, to contribute to a new vision, resource and knowledge sharing, and the ability to present a united image and message to buyers and stakeholders in targeted industries. The approach modernized isolated, outdated marketing efforts that defined the past into an industry-wide push for greater visibility.

Public-Private Dialogue Opens the Door for Better Business

In the past, frustrations ran high as Moldovans were forced to navigate excessive government restrictions to do business. For example, the government demanded that IT companies obtain licenses before providing software development services and that wineries own all their equipment before they could be licensed to start operations. Business owners pleaded unsuccessfully with the government to relax these restrictions.

Change came with the 2004 passage of the Guillotine II law, which set up a regulatory reform framework to remove ineffective business regulations. For Moldovan businesses, that created an opportunity to engage government in reform policies. However, the government and businesses communities had limited capacity to initiate discussions.

As a result, CEED organized three roundtables in November 2006 that brought public and private stakeholders together to discuss the key business environment issues in its target sectors. More than 150 people participated in the three days of discussions. Participants, including representatives from the Ministries of Economy and Trade, Informational Development, and Industry and Infrastructure; Moldova Vin, a

government agency that promotes and regulates Moldovan wines; USAID; and private enterprises discussed the legal, regulatory, and administrative impediments facing IT, textile and apparel, and winemaking businesses.

As an outcome of the roundtables, Moldova's parliament approved 37 legislative initiatives and modified 11 laws and normative acts governing entrepreneurship. As a result of these changes, software development no longer requires licensing, saving companies time and money, and winemakers can obtain licenses even if they lease rather than purchase equipment, reducing capital barriers to entering this industry. The government also created public-private task forces to serve as the driving force behind improvements in the business environment in CEED's three target industries. By creating a forum for constructive dialogue, CEED enabled the private sector to have a stronger, more effective voice in improving Moldova's business environment.

WINE

Creation of and Assistance to the Moldova Wine Guild

Historically, Moldovan wineries branded and marketed themselves with little attention to the industry at large. Russia's ban on Moldovan wines and the worldwide economic downturn highlighted the need to promote Moldovan wines jointly to a broader audience. Looking to countries with successful national wine marketing efforts, including Australia, France, and Chile, a small group of progressive Moldovan wine producers representing 35 percent of Moldovan wine exports to EU markets joined forces in 2006 to create a unified message and brand.

The seven participating wineries — Acorex Wine Holding, Bostavan, Chateau Vartely, Dionysos-Mereni, DK Intertrade, Lion Gri, and Purcari — held a series of meetings to discuss raising their visibility by establishing a unified brand for high-quality wines from Moldova. The winery owners agreed to form the Moldova Wine Guild, which would be responsible for raising Moldova's profile as a wine-producing country through public relations and marketing efforts, including joint presence at trade shows and tasting events in target markets.

During CEED's first year, the project focused on building an organizational structure and promoting wine through joint marketing. CEED identified marketing strategists Neil Gooch and Patrick Gooch of the RGS Group to speak to guild leadership about building and managing a common brand for the organization. They also helped establish criteria for selecting members, discussed pros and cons of group marketing and wine branding, and detailed resources and timing for critical start-up activities.

In 2007, CEED invited a U.S. marketing advisor, Lou Capitao, to discuss strategic and operational planning with guild members. Mr. Capitao commented on the guild's mission and strategic goals and objectives, reviewed the tactics and timing for implementing the strategy, assisted with operational planning, and presented recommendations.

For the next two years, CEED worked with design agency Casa Imago and guild members to develop a 32-page catalog and a brand concept, including a logo; slogan, Celebrating the Grape; and Web site (www.moldovawineguild.md). In addition, CEED helped develop a slide show with facts, figures, and vivid images of the Moldovan wine industry.

The catalog discusses the history of winemaking in Moldova, wine regions, Moldovan cuisine, and profiles of member companies. It was completed in March 2009 just in time for the ProWein exhibition in Düsseldorf, Germany, where the guild distributed 300 copies. The slide show was also shown during the exhibition. The two marketing pieces will continue to be used at international wine press and trade events.

The Moldova Wine Guild participated in wine trade events such as Prodexpo in Moscow, ProWein in Düsseldorf, the London Wine Trade Fair, and Expovin in Hong Kong. As a result of CEED's assistance, the guild became more experienced in planning and implementing its exhibits at these events.

The Moldova Wine Guild continues to work on behalf of its members locally and internationally. With CEED's assistance, the organization chose the right operational model from the beginning and avoided common start-up pitfalls.

Assistance to the Small Wine Producers Assocation

For decades, large, state-owned wineries dominated the Moldovan wine industry. More recently, several small wineries have emerged, changing the economic landscape of the industry and introducing more innovative wines. However, the laws that regulate wineries have not changed to accommodate these newer, smaller wineries, which are held to the same fees and standards as for large wineries. As a result, several small winemakers joined to create the Moldovan Small Wine Producers Association in 2009.

"The first goal of the association is to make us heard," said Alex Luchianov, association member and co-owner of Et Cetera winery. Another is to ensure that regulations and fees are fair for producers of all sizes. "We have to pay 20,000 lei ($1,567) for the license per year, the same amount as big producers," said Ion Luca, chairman of the association. "A single winery can't change this, but together we can say to the ministry, 'Look guys, we are developing and we need new rules.' " With the help of CEED, he and eight other association members aim to change the regulations, which they believe are inefficient, unfair, and outdated. "Today we have over 40 laws for winemaking, and no one knows what they should do," Mr. Luca said.

CEED hired legal consultant Diana Lazar to review the regulatory obstacles and make recommendations for review by the Ministry of Agriculture. In May 2010, the

CEED ASSISTANCE TO WINEMAKERS' ASSOCIATIONS

Association	Year	Type of Assistance
Small Wine Producers Association	2009	• Hired legal consultant Diana Lazar to review regulatory obstacles and make recommendations for review by the Ministry of Agriculture • Supported design and production of a catalog introducing association member wineries and their wines to potential buyers and the media
Moldova Wine Guild	2007	• Provided resources for start-up activities • Advised on forming the guild and building membership • Supported group marketing and wine branding • Supported development of catalog and brand concept, including logo, slogan, and Web site • Co-funded participation in wine trade events, including Prodexpo (Russia), ProWein (Germany) London Wine Trade Fair (UK), and Expovin (Hong Kong)
Syndicate of Winemakers and Grape Growers Union of Winemakers	2010	Diana Lazar reviewed Moldovan wine legislation and suggested modifications that would benefit the industry.

association presented her report and recommendations, which included reforming licensing rules, abolishing minimum production requirements, eliminating trade barriers that restrict small producers, and proactively supporting these producers. The report concluded, "Moldova's wine sector will not grow a quality wine production chain, with its own identity, without consideration of small wine producers. The current regulatory framework needs to be changed to allow the possibility of a small manufacturer to produce its wine on equal terms with other actors in the sector."

The ministry reviewed the recommendations and agreed to create a working group, including association representatives and Ms. Lazar. The working group will review and draft modifications to current wine laws to present to the government.

In addition, CEED supported the design and production of a 12-page color catalog that introduces association member wineries and their wines to potential buyers and the media. "Wine is not just a product. Wine is a story. Wine is emotion," Mr. Luca said. "Through these catalogs, we can say more about our wines." Within six months of publication, the number of Chisinau restaurants carrying wines from member wineries skyrocketed from three to 30.

Expanding Wine Markets Westward

Recognizing the need for Moldovan wineries to diversify away from Russia, USAID focused much of its assistance on making connections, educating, and building relationships with buyers in Romania, Germany, Poland, the Czech Republic, the United States, and the United Kingdom.

Romania. Romania's interest in wine and the language and culture it shares with Moldova make it an ideal export destination. Due to underproduction in Romania's wine industry and the generally positive perception of Moldovan wines, sales have

CEED

Acorex Wine Holding uses a high-tech bottling process as part of its quality assurance system. CEED helped Acorex brand and promote its wines for the Western markets.

increased dramatically in recent years. Discussions with wine exporters revealed that the main challenge to selling more was a lack of awareness about the wines.

To provide the industry with information on how to expand into the Romanian market, CEED tapped the TNS-CSOP market research agency in 2006 to analyze the Romanian market. Led by Lou Capitao, agency representatives traveled to Romania; conducted interviews; and produced a report detailing Romanian consumer tastes and preferences, distribution networks, potential promotional opportunities, and effective advertising channels. Mr. Capitao presented the results to about 70 members of the wine community in cooperation with Moldova Vin. The research was made available on CDs during the presentation and later distributed by mail. Mr. Capitao also presented a case study of the successful launch of Australia's Yellow Tail brand in the United States. The local press publicized the event.

In addition, CEED helped Chateau Vartely, a young, progressive company that had exported wines to Romania for two years, to raise its profile and boost sales there. The project hired a branding expert with knowledge of the Romanian hotel and restaurant market to help design a promotional campaign. As a result of

CEED

Members of the Moldova Wine Guild show their wines at the London International Wine and Spirits Fair in 2007.

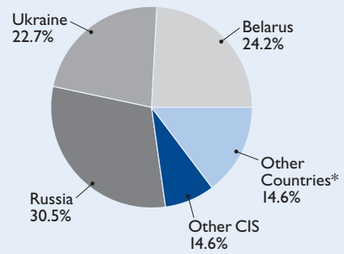
SUCCESS STORY
Group Marketing Maximizes Visibility

Moldova is a small country, little known in the West, but with a long winemaking history. Most wine exports went to Russia until early 2006, when difficult trading relations forced Moldovan producers to search aggressively for new markets. However, low awareness of Moldova and its winemaking potential hampered efforts and frustrated wineries, especially those producing modern wines in styles that are attractive in Western markets. Moreover, Moldova had never had an effective wine promotion program.

Responding to this challenge, USAID's Competitiveness Enhancement and Enterprise Development (CEED) project gathered representatives from several of Moldova's leading wineries to discuss ways to raise the visibility of local wine producers by creating a category of high-quality Moldovan wines. CEED recruited international experts, who recommended that the wineries unite to approach new markets; only as a group would they attract the attention of buyers, journalists, and others in the international wine community. Encouraged by CEED and confident in its desire to be a partner in their future development, seven Moldovan wine producers formed the Moldova Wine Guild to maximize members' marketing efforts for greater impact in international markets. The guild is the first of its kind in Moldova.

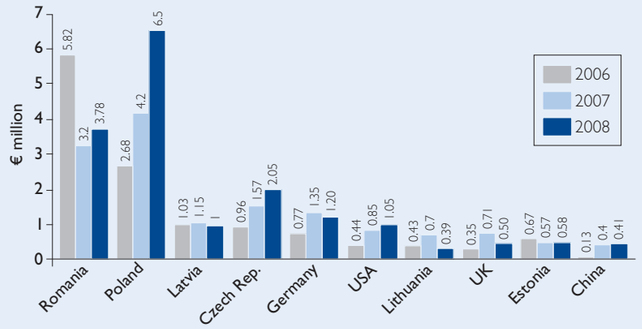
The Moldova Wine Guild moved quickly. With support from CEED, the guild exhibited at the ProWein trade show in Germany and the International Wine and Spirits Fair in London in 2007. As expected, the guild's unified approach attracted attention; several prominent journalists took notice and wrote stories that helped the industry to "discover" Moldova. The formation of the guild has also encouraged its members; one marketing manager commented after ProWein, "This was the first time that Moldova presented its wines on an equal level with our regional competitors. We felt proud of our participation." The success of the Moldova Wine Guild not only benefits its members but creates opportunities for all Moldovan producers.

WORLD MARKET FOR MOLDOVAN BOTTLED WINE IN 2008



*Other countries are shown in the bar chart at right.

BOTTLED WINE EXPORTS TO MAIN MARKETS, 2006-2008 (€ MILLION)



Source: Moldovan Investment and Export Promotion Organisation

this effort, recognition of Chateau Vartely among upscale Romanian consumers increased, and sales to Romania more than quadrupled.

The project also helped Dionysos-Mereni with a marketing and sales strategy tailored to help it enter Romania. The initiative resulted almost immediately in clearer and more effective positioning of the brand on the Romanian market, improved perception of competition, and more effective use of its advertising budget. Dionysos-Mereni quickly met its sales goal of 160,000 bottles in the last three quarters of 2006.

Germany. Germany ranks fourth worldwide in wine consumption. It is one of Moldova's most important Western commercial partners, with more than $100 million in trade between the countries each year. Germany's proximity makes it an ideal export destination for wine. Despite this, sales of Moldovan wine have been low in the past because small distributors sold only to regional markets. The wineries' main challenge in Germany was establishing relationships with large distributors that could cover larger portions of the country and educating consumers about Moldovan wines.

In response to this challenge, CEED selected four wineries — Acorex Wine Holding, Bostavan, Chateau Vartely, and DK Intertrade — for a joint activity to improve distribution channels and increase exports by networking with buyers and garnering positive media coverage.

CEED hired German consulting and design firm BEVCON to organize two trips to Moldova for German buyers and to introduce the wineries to the leading German wine trade journal, *Weinwirtschaft.* The first trip, in November 2008, included

representatives from three German wine distributors; the second, in July 2009, included representatives from five German distributors. The representatives toured wineries and vineyards and tasted the wines — and liked most of them. While the trip did not result immediate sales, it succeeded in educating an important wine-drinking sector about Moldovan wines, which could lead to future deals.

In addition, with CEED's assistance, the four wineries teamed to support German wine journalist Jörg Sievers' trip to Moldova to write a supplement for *Weinwirtschaft.* CEED and the wineries cost-shared international travel and lodging and the publishing fees. The supplement was included in the February 27, 2009 edition of *Weinwirtschaft.*

A few weeks later, with financial support from the Committee on Eastern European Economic Relations, the Moldova Wine Guild exhibited wines as a group at the ProWein exhibition in Düsseldorf. As part of the activity, BEVCON tapped into its network of German wine distributors, importers, and food retail chains, contacting more than 140 potential buyers by mail and phone. The mail campaign included information about the four wineries and described Moldova as an emerging, innovative wine-producing country offering excellent wines and good business opportunities. Through this activity, the wineries established new relationships with experienced German buyers and raised awareness of Moldovan wines. They also learned how to better organize future visits for foreign buyers.

Poland. The biggest problem that Moldovan wine producers face in Poland is lack of awareness of Moldovan wines. To address this, Bostavan Holding, which led 2008 exports to Poland at $2.4 million, organized a presentation to critics and buyers in Warsaw in May 2009, shortly after launching Purcari and its new premium brand, DAOS, which plays on the theme of Moldovan historic traditions. The wines, made under the guidance of Mathias Pellissard, included an affordable Chardonnay, Merlot, Cabernet Sauvignon, and Kahor, which were acclaimed in Moldova and abroad.

CEED selected Caroline Gilby, a British Master of Wine, to work with Bostavan Holding staff to lead tastings, create a slide show, and develop tasting notes for each wine. Bostavan Holding's importer and distributor, Domain Menada, one of the largest in Poland, helped to organize and finance the event. CEED assistance included covering the cost of the room and catering. Bostavan Holding paid for the creation of the co-branded publicity materials.

The 130 attendees included representatives of the media; wine import and distribution companies; major supermarket chains; specialized wine boutiques; and the hotel, restaurant, and café sector. The presentation generated media coverage, acquainted buyers with DAOS and Purcari wines, and provided information about Moldovan wines, production, and adoption of international viticulture and wine production standards. Winery representatives established direct contacts with buyers and the press. As a result,

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Workers at Purcari winery sort grapes during the 2006 harvest.

sales of DAOS wines to Poland rose from 3,000 to 5,000 bottles per month.

Czech Republic. Moldovan wines were not well known in the Czech Republic until recently. To expand sales in this market, Chateau Vartely selected a highly visible event, *Vinarsky Pul Maraton,* held every April in Pardubice, a small city near Prague.

Chateau Vartely obtained a commitment from its Czech distributor, Vartely CZ SRO, to design a marketing campaign aimed at increasing awareness of the wines before the 2009 event. CEED hired a local wine critic to present the wines to the public, paid for a room, and hired a sommelier. Chateau Vartely covered the remaining expenses associated with the event and co-branding all publicity materials with the USAID logo. The 120 attendees included representatives of the media; retailers; and the restaurant, hotel, and cafe sector. The presentation of premium wines, including ice wines, helped Chateau Vartely sell 50,000 bottles to Czech Republic buyers in 2009.

CEED also helped to organize a March 2010 tasting in the Czech Republic for Lion Gri that was co-hosted by a hotel sommelier and the winery's Czech distributor. The sommelier presented 11 still wines and a classical sparkling wine to 70 members of the wine press, buyers, and wine

lovers. Sales of 200 bottles to attendees and 250 bottles to the hotel totalled $1,900. The event's success prompted two additional tastings featuring Lion Gri wines.

United States. The U.S. wine market is one of world's largest. However, sales of Moldovan wines are limited because the winemakers have little experience working in the United States, lack knowledge of the distribution system, and have few connections with wine importers and distributors. The connections that exist are primarily in ethnic markets where sales are limited and standard commercial practices are not strictly observed.

The two primary ways to enter the U.S. wine market — through direct retail or a national importer — pose challenges. Direct retail limits volume and brand exposure, and a national importer could require significant capital from the winery — around $2,500 per month — for account management and marketing. However, the benefits of such a large market are clear, especially as the millennial generation, 70 million strong and considered unpretentious, begins to dominate the wine-drinking market.

In July 2006, CEED assisted six domestic companies — Acorex Wine Holding, Bostavan, Chateau Vartely, DK Intertrade Lion Gri, and Purcari — by providing information on the U.S. market and helping to make potential connections with buyers. CEED supported a visit by an American business linkage expert, who assessed the wineries' products and export capacities. As part of that initiative, five of the wineries shipped samples to Beverage Bistro, a U.S. importer/distributor. Beverage Bistro signed six-month letters of exclusivity with Acorex, Chateau Vartely, and Lion Gri, but was unable to find buyers for the wines.

In 2007, Lou Capitao coached representatives of several Moldovan wineries on strategies for entering the U.S. market. The brainstorming session gave winemakers an opportunity to express their ideas about how to enter the market, debate pros and cons, and plan for the future as anticipated higher profits result in additional marketing budgets. Mr. Capitao also spoke about how to enter the U.S. wine market at the 2007 International Wine Conference, held during the ExpoVin Moldova wine fair.

To help Moldovan wineries better understand the U.S. market, CEED invited John Beaudette, president of MHW, Ltd., to Moldova in December 2008. MHW is a leading U.S. importer and distributor of alcoholic beverages that also provides consulting, market research, regulatory compliance, and administrative services to foreign suppliers, other U.S. importers and wholesalers, and domestic wineries.

Mr. Beaudette made a presentation to representatives of Moldova Wine Guild member wineries and met with Acorex Wine Holding, Bostavan, Chateau Vartely, DK Intertrade, Lion Gri, and Purcari to discuss opportunities for establishing long-term relationships with U.S. wine importers and distributors. The meetings helped the wineries understand what was involved to break into the market (including first-year costs of about $30,000) and develop strategies for building successful sales.

PARTICIPATION OF CEED-SUPPORTED WINERIES AT INTERNATIONAL WINE EXHIBITIONS

Wine Exhibition	Location	Year(s)	Wineries
ProWein	Düsseldorf, Germany	2007, 2008, 2010	Acorex Wine Holding, Bostavan, Chateau Vartely, DK Intertrade, Lion Gri, and Purcari in 2007, 2008, and 2010; Doina Vin and Folicain in 2010
London Wine Fair	London, UK	2007, 2008	Acorex Wine Holding, Bostavan, Chateau Vartely, DK Intertrade, Lion Gri, and Purcari
Enoexpo	Krakow, Poland	2009	Acorex Wine Holding, Basavin, Bostavan, Chateau Vartely, DK Intertrade, Esmalda, Lion Gri, and Purcari
Wine and Spirits Asia	Singapore	2010	Acorex Wine Holding, Bostavan, Chateau Vartely, DK Intertrade, Lion Gri, and Purcari

Increasing Sales Through Tastings and Networking

Educating, tasting, and networking are essential to expanding markets and increasing sales. Recognizing this, USAID supported the guild's attendance at four major wine trade shows as well as numerous other activities that introduced Moldovan wines to new markets. Presence at the shows and a unified brand and messaging raised the profile of Moldovan wines with international buyers.

ProWein fair, Düsseldorf, Germany. More than 3,300 exhibitors and 36,000 trade visitors from around the world attend this leading platform for the international wine and spirits sector. In an effort to penetrate new markets, Moldova Wine Guild member wineries attended the fair in March 2007 when they showed their wines for the first time at a common guild pavilion that communicated a shared message and brand. CEED booked the ProWein booth and designed and printed 1,000 copies of a marketing brochure in English and German that featured guild wineries. CEED also supported the guild's participation at ProWein in 2008 and 2010 by covering part of the cost of the space and specialized tastings to increase awareness of Moldovan wines.

London Wine Trade Fair. Drawing thousands of buyers from the UK, Europe, and the rest of the world, the London Wine Trade Fair can put wineries on the map. CEED assisted guild wineries in organizing a seminar and tasting at the May 2007 fair. The project hired London PR expert Barbara Scalera to make the presentation and covered some organizational costs. UK wine experts, including journalist Robert Joseph and Master of Wine Angela Muir, spoke about Moldovan wines to about 100 attendees. For the 2008 fair, CEED hired wine writers Caroline Gilby and Darrel Joseph to conduct a tutored tasting of indigenous and international wines produced in Moldova for about 30 people, mostly from the wine press.

Tests at the Lion Gri winery laboratory ensure high quality.

CEED / ANGELA POTTER

Enoexpo, Krakow, Poland. Enoexpo, attended by nearly 10,000 wine distributors and merchants, import agents, restaurant representatives, and members of the media, is the only professional wine-focused event of its kind in Poland. Events include training, industry seminars, and wine tastings. Since the Polish market has shown significant growth potential for Moldovan wine sales, CEED supported guild participation in the November 2009 fair. The project paid for space rental, helped develop a booth, and supported tastings at the booth and a nearby hotel. The tastings educated Polish wine and food journalists and buyers about Moldovan wines and the country's wine history.

Wine and Spirits Asia, Singapore. Moldovan winemakers increasingly look to Asia as a promising new market for their wines. In 2010, CEED supported participation at the Wine and Spirits Asia exhibition. Attended by more than 25,000 wine distributors and merchants, importing agents, restaurant representatives, and members of the press, Wine and Spirits Asia is a networking hub for the food and wine industry in Asia. CEED supported the attendance of Moldova Wine Guild wineries and shared exhibition costs.

Networking with Swedish importers. In July 2007, CEED invited a group of Swedish importers and a wine critic, led by Pekka Lindberg, the owner of Lindberg AG wine importing company, to tour and taste at Moldova Wine Guild member wineries Acorex Wine Holding, Bostavan, Chateau Vartely, Dionysos Mereni, DK Intertrade, and Lion Gri.

Visit of Polish and Czech wine journalists to Moldova. Sales to Poland and the Czech Republic have increased over the years, and they are among the top buyers of Moldovan wines. Still, the perception of Moldovan wines in the countries could be improved. To address this issue, CEED sponsored and organized a press trip to Moldova for three wine journalists from each country.

The September 2009 trip gave the journalists an opportunity to become familiar with Moldovan wine styles, wine consumption, culture, and folk heritage. The trip included visits to the Purcari, Cricova, and Chateau Vartely wineries and an event hosted by the Moldova Wine Guild at the Moldovan Village tourist site. As a result of the trip, articles on Moldova and its wines were published in the Polish magazine Rynki Alkoholowe, Gastro & Hotel magazine, The Prague Post, and on the www.vinisfera.pl Web site. The articles informed the Czech and Polish public and publicized Moldova as a winemaking country.

Press visit to Moldova's National Wine Festival. Many foreign wine experts and journalists, especially from Western and Central Europe, lack knowledge of Moldovan wines. The National Wine Festival, which takes place each October, offers an opportunity to introduce enthusiasts to Moldovan wines. The festival combines local cuisine with wine

CEED / ANGELA POTTER

Nicolae Gherganov, chief winemaker at Asconi winery, used the advanced winemaking technology recommended by CEED consultant Luca Zavarize to improve the quality of Asconi's wines. As a result, sales to the Czech Republic increased to almost two million bottles by the end of September 2008 — a 30 percent increase over the previous year.

tastings and folk music in a scenic countryside setting.

With support from CEED and the EU-funded Support to Moldova Export Promotion Organization (MEPO) and its inward investment attraction department (MIDA) project, the Moldova Wine Guild and Moldova Vin hosted a visit to the 2007 festival by wine critics and writers from the UK, Poland, the Czech Republic, and Romania. The festival offered a chance to become familiar with Moldovan wines, culture, and folk heritage and to tour and taste at Lion Gri, Dionysos Mereni, Purcari, and Acorex Wine Holding.

International Press Gives Face Lift to Moldovan Wine Industry

Collective marketing often yields more results than individual efforts, especially for promoting wine abroad. The project focused its group marketing efforts on wineries that planned to participate jointly in promotion and market development activities abroad.

One of those efforts was co-financing the publication of articles in the UK's *Harper's* and *Weinwirtschaft* magazines to raise awareness of Moldova as a wine-producing country and of Moldovan wine producers among British and German readers. The publications were used widely during exhibitions in London and Düsseldorf and helped create a country brand for the industry.

Creating a Wine Culture in Moldova

Despite the large quantity of bottled wine it produces, Moldova ranks relatively low in consumption of wine by the bottle. Many Moldovans prefer beer, brandy, and cocktails. Some winemakers speculate that these preferences are changing as young, foreign-educated Moldovans return home seeking better wines.

Still, Moldovan wineries lack information about consumer preferences, market segmentation, and market capacity, which has made it difficult to target local marketing efforts. As a result, CEED commissioned Magenta Consulting to conduct a domestic wine market study in August 2007. The research was intended to serve as a guide for wineries seeking to penetrate the domestic market and gain insight into Moldovan wine consumers and markets. To ensure their research needs were met, local wineries helped select topics for the study.

Magenta presented its findings and recommendations in December 2007. Its detailed report is online at http://www.vinifera.md/files/Studii/bottledWinemarkeEN.pdf. The 55 attendees included winery marketing representatives, Moldova Vin officials, trade representatives, members of the business press, and representatives of professional wine associations. The findings were discussed in an article about the local wine market published in the Logos Press.

Supporting the Syndicate of Winemakers and Grape Growers

The Syndicate of Winemakers and Grape Growers is a newly created group that works with the government on behalf of producers. It is funded by 40 Moldovan wineries representing a significant part of the industry. Given CEED's extensive experience in this area, the president of the syndicate's board of directors, Feodosie Bors, requested CEED's help in early 2010 to review Moldovan wine legislation and suggest modifications that would benefit the industry. In the context of CEED's ongoing support for private wine producers and with the goal of strengthening the syndicate, CEED agreed to support the request and hired legal consultant Diana Lazar, who supported the Small Wine Producers Association on a similar project (see pages 31-32). Ms. Lazar worked with the syndicate and Union of Winemakers to review legislation pertaining to syndicate members and propose improvements that would ensure a favorable regulatory environment for the wine producers.

As part of the effort, Ms. Lazar wrote a white book, *Rethink the Wine Industry,* which she presented in July 2010 to the Ministry of Agriculture and Food Processing and the Ministry of Economy and 50 industry representatives. The document recommends reforming the regulatory and legal environment by eliminating required licenses and creating a joint public-private Chamber of Wine and Viticulture to ensure participatory, transparent, and

fair administration of the industry. Ms. Lazar also recommended promoting "controlled origin" as a differentiating quality factor on domestic and international markets. The recommendations sparked dialogue between government and the private sector, resulting in the formation of a working group to determine how to make the recommendations a reality.

ICT

International Trade Shows and Regional Missions Put Moldovan IT Companies on the Map

Growth for Moldovan software development companies depends largely on finding new export markets. Therefore, CEED focused much of its assistance to the ITC sector on making connections with international buyers. To determine the most appropriate shows or trade events, CEED analyzed options, consulted with industry leaders, and decided to support the attendance of eight IT companies at two major exhibitions: Systems 2006 in Munich, Germany, and the Gartner Outsourcing and IT Services show in London in 2009. Gartner is a leading independent IT authority whose more than 650 analysts operate worldwide.

For the Munich show, CEED provided support to three leading Moldovan software developers — RIT Labs, Dekart, and Deeplace — to attend and display their innovative security software solutions to business users from Germany and other EU countries. CEED teamed with the Moldovan-German Business Partnership Project to provide co-financing of $6,500. In addition, CEED worked closely with the companies on logistics, marketing materials, negotiations, schedules, and other details.

RIT Labs exhibited a new, mobile version of its popular e-mail client solution, the Bat Voyager Pro, which it developed for travelers with high security requirements. Dekart presented a new version of its Private Disk, a hard disk encryption software developed to secure personal data, and a new SIM card reader that allows users to manage the content of their cards. Deeplace presented its secured e-banking solution and showcased its system integration services and experience. Participation allowed these companies to benchmark their products and services against others in a competitive environment and raise awareness of Moldovan IT products among European users.

For Gartner's 2009 Outsourcing and IT Services Summit in London, CEED teamed with the EC-funded SEPIA project and newly formed Moldovan Association of Private ICT Companies to support the attendance of five companies and co-sponsor their participation in several events. More than 45,000 senior IT and business strategists and industry actors from around the world converge at the summit to explore, debate, evaluate, and justify IT.

The companies chosen to attend were Allied Testing, a quality assurance and testing firm that serves the capital markets, trading, and finance industry; F-Line Technologies, which provides software solutions for banks and financial institutions; Global Phoning Group, a multilingual contact center offering telemarketing and software development services; NetInfo, which delivers high-quality Web-based solutions and financial software; and Pentalog, a leading outsourcing provider.

CEED covered a significant share of the participation fee. SEPIA contributed additional resources, including travel and accommodations for the association's executive director. In addition, SEPIA and CEED jointly supported publication of a promotional leaflet that was distributed to the 700 Gartner delegates. CEED also worked with company participants to design a companion Web site, www.ict.md, and the exhibition booth.

Participants networked with representatives of Russian and Canadian ICT associations and met with representatives of some of the world's largest IT firms. Although such firms are unlikely to deal directly with enterprises of only 50 to 500 people, Moldovan ICT firms received valuable exposure by participating in the summit and networking with foreign counterparts. This was the first time the Moldovan ICT sector was represented at a high-level international event of this kind.

Outward Trade Mission to The Netherlands

After identifying the Netherlands as a potential and lucrative market for IT products and outsourcing services, CEED, SEPIA, and the Moldova Association of Private ICT Companies organized and co-financed an outward trade mission in May 2010. The Netherlands Council for Trade Promotion and the Netherlands Chamber of Commerce hosted the two-day event, which was attended by five Moldovan companies: Allied Testing, NetInfo, Endava, F-Line Technologies, and Starnet.

Led by Deputy Minister of ICT, Dona Scola, with contributions by CEED and SEPIA representatives, the mission created matchmaking opportunities for companies to develop business linkages. Over the course of 19 meetings, Moldovan IT companies promoted themselves as reliable outsourcing partners for Dutch IT firms and established numerous relationships.

ICT participants talked with representatives of the Netherlands Ministry of Economic Affairs about the possibility of establishing a matchmaking program financed by the Ministry and aimed at helping Moldovan ICT companies find Dutch partners. They discussed the possibility of creating a grant program to cover 50 percent of joint venture investment project costs for the development of companies and projects through a Moldovan-Dutch partnership.

Inward Trade Missions from Romania and Bulgaria

Despite the language and culture that Moldova shares with Romania and the history it shares with nearby Bulgaria, few trade relationships with these countries

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The association board presents the members' vision and action plan for the ICT sector.

SUCCESS STORY
ICT Firms Earn Policymakers' Respect

Information communications technology (ICT) is one of the highest-paying and fastest-growing sectors in Moldova; yet it is still small and under performing. Contributing factors include limited dialogue between the government and the private sector; the lack of a well-defined state policy to stimulate the sector's growth and competitiveness; and an inadequate ICT education system. Further, many ICT firms underestimate the sector's potential, and local enterprises choose foreign vendors because theyoften think that Moldovan ICT firms are unable to deliver cutting-edge IT solutions. The absence of an industry association compounded these challenges because addressing them requires broad-based support from all industry stakeholders.

To address these problems, 25 firms formed the Moldovan Association of Private ICT Companies, the first sector-wide association of its kind, in 2009. USAID's Competitiveness Enhancement and Enterprise Development (CEED) program assisted by providing information about the experiences of successful associations in neighboring countries and hosting and participating in meetings. To focus members' attention on common challenges and help conceptualize and prioritize solutions, CEED aided the association in formulating an ICT policy white book that describes the private sector's vision for the industry and lays out strategic recommendations and concrete actions. Using the white book helped the association. It engaged the Ministry of Informational Development in fruitful dialogue concerning the country's draft national ICT strategy.

"We are very grateful that USAID introduced us to the white book concept, which was new to us. We were not aware that such an effective mechanism existed to engage in dialogue with the government," said the association's president, Veaceslav Cunev. The association found that the white book increased its credibility with the government. Officials who attended a presentation on the white book responded by inviting the association to cooperate in developing the national ICT strategy.

have existed until recently. To establish Moldovan IT companies as potential vendors for Romania and Bulgaria, CEED teamed with the MEPO/MIDA project to organize inward investment missions in November 2007.

One mission involved seven Romanian companies; the other, five Bulgarian companies. Both delegations included ICT business association representatives, who gave talks about their association management experience and the impact of their associations on the business climate and sector development. Representatives from 10 Moldovan companies participated in plenary sessions and face-to-face meetings during each mission.

CEED received positive feedback from all participants, and many reported increased awareness and understanding of the need for a strong sector association. Following the presentations by the Bulgarian and Romanian ICT associations, an informal working group of business leaders from the Moldovan ICT sector was organized. After working together for nearly a year, the group registered Moldova's first sector association in October 2008 (see below for a detailed description). Its members included enterprises from the hardware, software, and telecommunications subsectors.

IT Association Raises Awareness of Industry Needs

Although ICT is one of the highest-paying and fastest-growing industries in Moldova, the country lacks a ministry-level strategy to stimulate the sector's growth. Moreover, Moldovan businesses seeking IT solutions lack knowledge of Moldovan IT firms and often purchase solutions from foreign companies instead.

After members of Romanian and Bulgarian IT associations discussed their successes with Moldovan IT companies during a CEED-sponsored trip in 2008, 20 loosely organized Moldovan firms joined to form the Moldovan Association of Private ICT Companies. The new association aimed to raise regional awareness of the industry's offerings and work with Moldova's Ministry of Informational Development to reduce regulatory barriers to growth. Since its inception, the association has formalized its structure, increased its membership from 20 to 26, levied an annual membership fee of $1,400, and hired an executive director.

The CEED project hosted regular working group meetings and organized the association's first general assembly. In addition, the project helped the association develop a brand and polished, professional organizational style. The association's brand, brand book, and Web site raise its profile domestically and help promote the sector abroad.

Perhaps most importantly, the project helped the association develop an ICT policy white book, which enumerated key challenges and opportunities, listed actions needed to grow the sector, and laid out strategic recommendations for public policies and legal and regulatory reforms

CEED

Moldovan Association of Private ICT Companies board members — Chairman Gherman Suprunov (Starnet), Veaceslav Kunev (Deeplace), Executive Director Ana Chirita, and Iuri Coroban (Alfa Soft) — discuss the annual work plan. With CEED support, 20 Moldovan firms formed the association in 2008. The association raises regional awareness of the industry's offerings and works with Moldova's Ministry of Information and Communication Technology to reduce regulatory barriers to growth.

that would improve the business environment. By using the white book as a guide to frame its messages, the association engaged the Ministry of Informational Development in fruitful dialogue and is now working with the ministry to develop a national ICT strategy.

With the Moldovan Association of Private ICT Companies officially formed, CEED supported several important initiatives critical to growth, including participation in the Gartner Outsourcing Summit in London (page 44) and the first Moldova ICT Summit, which brought together ICT organizations and potential clients to share knowledge, establish connections, and lay the groundwork for productive business relationships.

The association served as a main partner and organizer for the ICT Summit, helping to outline the offer and gauge the interest and participation of Moldova's ICT community. "The summit was exceptionally successful," said the association's chairman, Veaceslav Cunev. Commenting on attendance, he noted, "there was unprecedented participation from the government." Oleg Macari, a director at F-Line Technologies and member of the association, said the summit provided an opportunity for producers and clients to communicate. "We worked in this B2B [business-to-business] format. It was a win-win situation. Both the presenters and the audience were very satisfied. The summit itself became a catalyzer."

ICT Career Fairs Raise Awareness with Youth

Although the information, communication, and technology industry is one of the best-paying in Moldova, it still lags behind law and economics as popular college majors. To attract young people to the profession and bridge the gap between employers and job seekers, CEED supported three annual ICT Career Fairs, starting in 2008.

CEED and PoliProject Exhibitions, an event planning company, organized the fairs as part of the ComInfo ICT industry exposition. The goal was to enhance universities' capacity to develop and deliver market-driven ICT courses, raise awareness among students and other young job-seekers about how and where to gain critical ICT knowledge and skills, and provide an overview of effective management in the ICT context.

The career fairs brought together colleges and universities with ICT faculties; private ICT training providers; businesses hiring ICT professionals; university graduates looking for new or better jobs in ICT; and high school graduates exploring careers in the field. Through a mix of presentations by companies and educational/training providers, themed workshops, and career counseling, the fair helped bridge the gap between the demand for and supply of ICT professionals.

A communications campaign was an integral part of the initiative. CEED developed a brochure, *IT Career: Try and Succeed,* that emphasized the rapid professional growth possible in ICT, compared to other sectors. The brochure included several first-person success stories to promote ICT careers. The brochure was distributed in print and online (http://career.ict.md).

Building on the success of the 2008 fair, the 2009 and 2010 events made improvements to maximize efficiency, including more active participation by students and young professionals; a more comprehensive communications campaign; and more involvement by the private sector, including Cisco and Microsoft.

APPAREL AND TEXTILES

Apparel and Textile Shows Raise Profiles and Boost Sales

In the apparel and textile industries, showing off styles and fabrics and meeting buyers in person are essential to expanding into new markets and increasing sales. Recognizing this, CEED supported the attendance of 21 textile and apparel companies at seven major trade shows over the life of the project. Presence at the shows, coupled with branding and technical assistance (Chapter Two), raised the profile of Moldovan textile and apparel companies with international buyers considerably. All shows generated numerous contacts and positive results. Russia's large annual Textillegprom exhibition yielded exceptional results; two

participating apparel companies, Noustil and Olympus, generated so many new contacts that they opened offices in Moscow. The table on page 50 details the trade shows, locations, and apparel and textile companies that the program supported.

CEED-supported companies also experienced notable successes from those shows. For example:

- *Odema.* Hailova Raisa, director of the Odema apparel company in Transnistria, said her 2009 participation in Textillegprom in Moscow and Interselection in Paris had a significant effect on her business. "Without the help of the project, we would hardly be able to penetrate the market," she said. During its most productive period, before Moldovan independence, the former uniform maker for the Soviet Union boasted 7,000 employees and eight kindergartens. After the fall of the Soviet Union, however, the company laid off thousands and struggled to survive. It slowly grew to its current size of 650 employees, but Ms. Raisa was still unsure about how to grow the business and garner new clients.In preparation for the exhibitions, CEED hired a consultant who provided assistance to Odema in design, color management, creation of apparel lines, and increasing the efficiency and quality as part of CEED's productivity enhancement program (Chapter Two). CEED supported Odema's attendance at Textillegprom and Interselection to show its apparel lines to international buyers. As a result, Odema gained a major contract for school uniforms in Russia and another for a line of men's and women's clothing for the Frank Eden label in Belgium.

- *Filatura Ungheni.* In 2008, after CEED helped Filatura Ungheni improve the quality of its yarn (Chapter II), CEED design specialist AnnMaria Baldine helped the company prepare for the world's largest textile fair, Germany's Domotex exhibition, in January 2008. Ms. Baldine helped develop a concept to showcase Filatura Ungheni yarns at a booth it shared with Moldabela. Coupled with improved quality of its products, and as a result of its participation at Domotex, Filatura Ungheni signed contracts with rug manufacturers Dywilan in Poland and Sintelon Company in Serbia and continued to gain new clients. From October 2007 to September 2008, Filatura Ungheni exported 125 tons of wool yarn valued at $900,000 (more than 12 percent of Filatura's total annual revenue) to new clients, including 15 tons to Poland, 40 tons to Russia, and 70 tons to Romania. Since October 2007, Filatura Ungheni has invested $1.3 million in new equipment; won three new clients in Romania, Poland, and Russia; and gained more than $2 million in additional sales.

- *Moldabela.* In preparation for the Surfaces Expo in Las Vegas, Nevada, and the Domotex exhibition in Germany, both in 2008, CEED called on AnnMaria Baldine to advise Moldabela on rug styles and colors that would appeal to American and European buy-

PARTICIPATION OF CEED-SUPPORTED APPAREL AND TEXTILE COMPANIES IN TRADE SHOWS

Event	Location	Year	Companies Attending
Week of Republic of Moldova	Bucharest, Romania	2006	Dana, Flautex, Gabiny, Rada, Vasconi Textil
Ready to Show	Milan, Italy	2006	Mobile SRL
Domotex Exhibition	Hannover, Germany	2008	Filatura Ungheni, Moldabela
Surfaces Expo	Las Vegas, Nevada	2008	Moldabela
Textillegprom	Moscow, Russia	2008, 2009	Artizana, Infinity, Intercentre Lux, Ionel, Iuvas, Mobile SRL, Noustil, Odema, Olympus, Portavita, Rumfelsia, Saltoianca, Steaua Reds, Tricon, Vestra, Vistline
Interselection	Paris, France	2009	Artizana, Iuvas, Mobile SRL, Odema, Olga Ceban, Portavita, Saltoianca
CPM — Collection Premiere	Moscow, Russia	2010	Artizana, Mobile SRL, Saltoianca

CEED

Anatolii Dzernovich, president of Intercentre Lux, checks production launch documentation with a seamstress. Factory employees received training through the CEED-supported productivity enhancement program.

Artizana Assistant Director Angela Aldatova shows off the factory where the company makes clothing for the prestigious UK clothing company, Barbour. PDA Manufacturing brokered the deal with Barbour after seeing the quality of Artizana's work. In January 2010, PDA began ordering nearly 3,200 jackets per month from Artizana, representing $260,000 in sales for Artizana and 12 percent of PDA's business.

CEED / ANGELA POTTER

ers. Ms. Baldine accompanied the firm's team to Domotex to advise them on current design and color trends that could be incorporated into future products. She returned to Moldova in May 2008 to help the company develop collections and design a new catalog for use in Europe and the United States. As a result of its participation in the Domotex exhibition, Moldabela signed new contracts with existing clients valued at approximately $7.3 million. Customers commented positively on its new designs, and prospective clients from Europe and the United States inquired about its products.

Building Market Linkages with New Buyers Benefits Apparel Companies

Due to the global economic crisis, production in the Moldovan apparel sector dropped nearly 30 percent in 2008 from the previous year. To help cut-and-make companies recover from the loss, CEED actively made connections with new buyers in 2009. The project recommended Moldovan manufacturers to prospective clients, provided manufacturers' profiles, accompanied buyers during company visits, and provided logistical information on doing business in Moldova. CEED facilitated three successful linkages between foreign companies and Moldovan suppliers: PDA Manufacturing and Finlayson and Standa companies.

- *PDA Manufacturing (UK).* PDA Manufacturing brokers garment production for Barbour, a prestigious UK clothing company, and works with 40 factories in Bulgaria and one in Macedonia. PDA representatives visited Moldova twice to determine whether companies there could produce clothing to Barbour's high standards. CEED organized and took part in visits to four apparel companies: Saltoianca, Artizana, Codru, and Intercentre Lux (Dubasari). In January 2010, PDA began ordering nearly 3,200 jackets per month from Artizana, representing €200,000 in sales for Artizana and 12 percent of PDA's business. PDA plans to transfer half of its clothing manufacturing business to Moldova by 2011.

- *Standa (Finland).* CEED introduced Standa, which sells uniforms, to five local apparel companies with experience in uniform production — Brio Impex Fantezia, Listex, Prevent Moldova, and Saltoianca. Because Standa's volumes are limited, however, the company is still trying to determine an affordable way to ship from Moldova.

- *Finlayson (Finland).* CEED's assistance in facilitating a dialog between Finlayson and Tirotex in Tiraspol about producing bed linens led to a successful trial order. CEED helped Finlayson resolve problems transporting finished goods to Finland by making introductions to several local transportation companies and selecting one that could transport affordably.

A worker irons a garment at Intercentre Lux, whose collection was showcased at the February and September 2009 and February 2010 Federal Trade Fair for Apparel and Textile (Textillegprom) exhibitions in Russia. CEED supported Intercentre Lux's participation.

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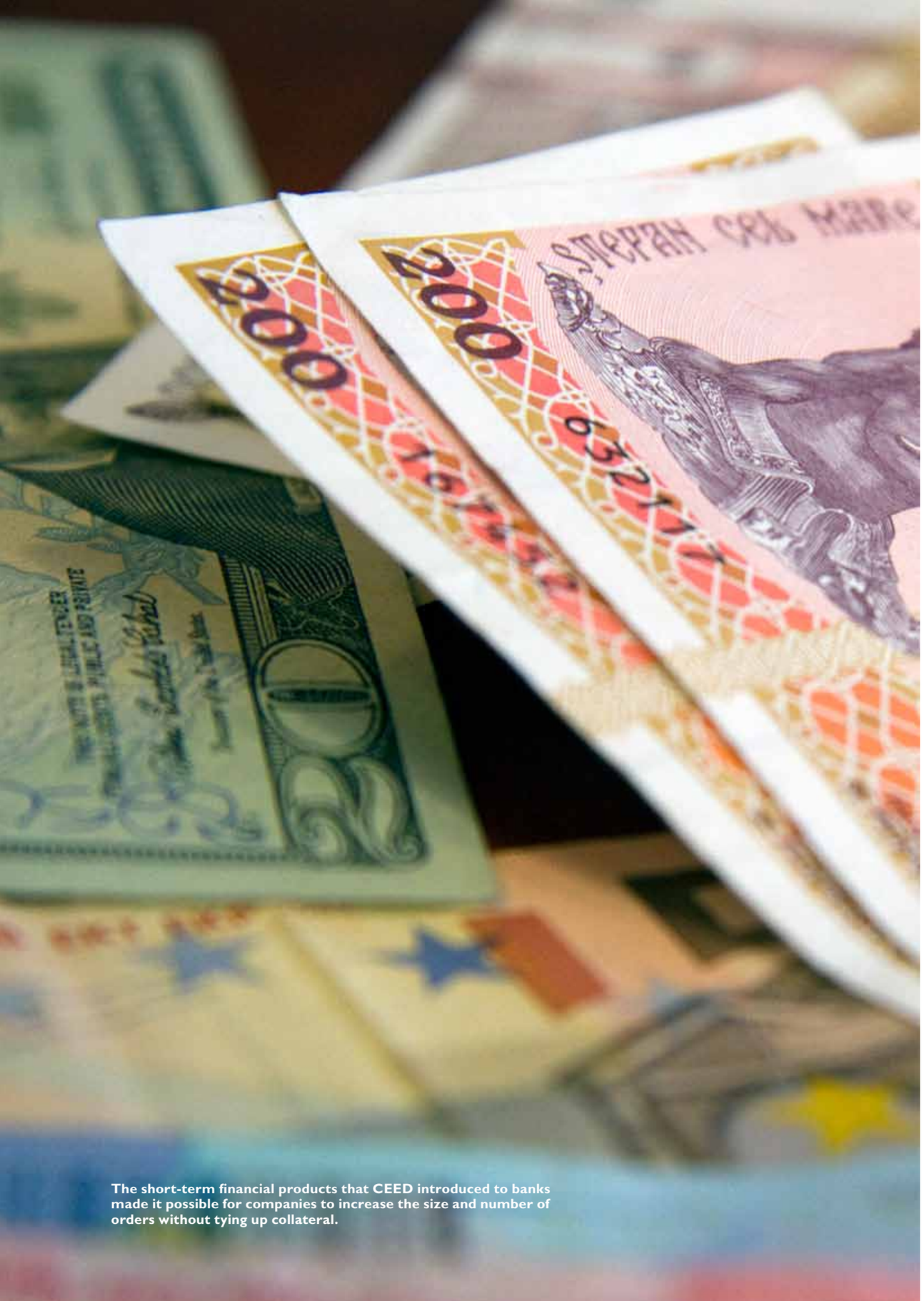


The short-term financial products that CEED introduced to banks made it possible for companies to increase the size and number of orders without tying up collateral.

CEED / ANGELA POTTER

CHAPTER FOUR

THE MONEY:
ACCESSING FINANCE TO GROW COMPANIES

All businesses need short-term financing of working capital to maintain and grow. Regular access to this capital through appropriate and adequate financial mechanisms can unlock export and trade development, enhancing competitiveness across all levels of the economy.

In the past, Moldovan banks mainly offered traditional loans, which required fixed assets as collateral and rigid payback schedules. This kept manufacturing businesses from purchasing additional inventory to produce goods even when they had lined up guaranteed buyers.

Recognizing this constraint, CEED introduced two new financial products, purchase order finance (POF) and accounts receivable finance (ARF). POF is a form of short-term financing that allows a company to purchase inventory or finished goods quickly. It enables enterprises to increase the size and frequency of orders — thereby increasing sales and profits — without tying up collateral. Banks get the benefit of gaining new and better credit-qualified clients and earning higher profits from POF transactions.

ARF offers secured loans in which accounts receivable are pledged as collateral in exchange for cash. This method is most often used by businesses facing short-term cash flow problems.

Businesses most in need of these instruments tend to experience growth that outpaces available working capital or seasonal sales spikes that can strain cash flow. These circumstances are common in the wine and apparel industries.

USAID tapped Crimson Capital consultant Rick Currie to intro-

> “ POF is a flexible tool for reliable businesses, a key for development, and an impetus for new accomplishments. The uniqueness of this product is that it enables the borrowing company to generate sales that exceed its current financial possibilities, thus providing a basis for business growth. Together, we can achieve more! ”
>
> **SVETLANA POLISCIUC**
> **CHIEF OF CREDIT DIVISION, FINCOMBANK**

duce POF to three commercial banks — Fincombank, Mobiasbanca, Moldindconbank — in 2006 and 2007. His approach included:

- Providing the banks with draft POF procedures and related documentation
- Helping banks integrate POF into their existing documentation by reviewing and adjusting credit policies and procedures, loan and collateral agreements, and related processes and rules
- Training loan officers from pilot branches and assisting them in reviewing and processing initial POF loans

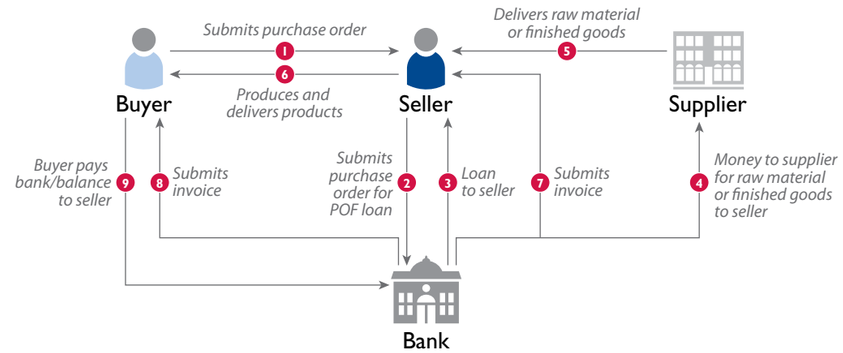
After introducing the program, it became clear that the banks were offering POF only to existing customers with good credit histories. The enterprises from CEED's target sectors were not clients of the three banks and so did not benefit from the product. To make POF accessible to target sector companies through their own banks, CEED began providing POF implementation assistance to three additional commercial banks — Moldova Agroindbank, Banca Sociala, and Eximbank. Mr. Currie used the same methodology to introduce the concept and train bank staff.

Fincombank became the most active in promoting and using POF, providing POF loans mainly to businesses in the CEED-supported wool sector. The bank also provided POF loans to Moldabela rug factory, Filatura Ungheni yarn factory, and several wool collectors in the Comrat region, which CEED referred to the bank. The successes of the other banks varied depending on their structures and commitments from bank management.

By the end of September 2009, client banks had issued 44 loans valued at an estimated $5.9 million. These loans have enabled more than $12.1 million in sales, as demonstrated in the chart, below.

Bank/Year	Number of Loans	Loan Value (USD)	Sales Value (USD)
Fincombank	13	$1,158,417	$2,670,012
Mobiasbanca	1	$201,261	$670,870
Year 2 Total	**14**	**$1,359,678**	**$3,340,882**
Fincombank	13	$2,464,474	$3,655,984
Moldindconbank	6	$1,433,154	$2,106,815
Moldova Agroindbank	2	$50,060	$792,173
Banca Sociala	3	$232,049	$410,586
Year 3 Total	**24**	**$4,179,737**	**$6,965,558**
Moldova Agroindbank	3	$266,887	$1,649,397
Banca Sociala	1	$44,321	$79,778
Eximbank	2	$60,157	$73,708
Year 4 Total	**6**	**$371,365**	**$1,802,883**
Grand Total	**44**	**$5,910,780**	**$12,109,322**

POF SCHEME



Accounts receivable financing. The success of Fincombank's POF program prompted CEED to propose to help it launch another trade finance tool, ARF — considered the next logical step for businesses after POF.

In March 2008, CEED and Fincombank's management began examining the issues involved with ARF, including legal issues related to accepting accounts receivable as collateral. These discussions involved the Ministry of Justice and USAID's Access to Credit Initiative Project. Because the review revealed complications that could not be immediately resolved, CEED and Fincombank decided to move forward with a preliminary version of ARF that did not rely fully on accounts receivable security but on liquid assets such as those used to secure POF loans.

By the end of September 2008, the bank had made three ARF loans valued at more than $200,000. Despite this, the bank's management expressed lingering concerns about collection procedures in the event of default. Therefore, no more ARF loans will be issued until the legal concerns surrounding this type of transaction are fully addressed.

Commercial Leasing Proves Valuable Finance Tool for CEED Sectors

Until recently, most people in Moldova saw leasing as a way to buy a car, not as a financial tool to expand a business. Similar to automobile leasing, commercial leasing requires only the leased item as collateral to secure the loan. Obtaining approval for commercial leasing takes less time than for standard loans. For the apparel and wine industries, which require specialized equipment to expand, commercial leasing is an attractive alternative to standard loans.

CEED's goal of increasing access to trade finance mechanisms aligned with the results of joint market research it conducted with

CEED

Maviprim-Com Director Constantin Manole and Iulia Baxan, director of Fincombank's Balti branch, discuss POF loan terms and conditions.

SUCCESS STORY
Innovative Financing Funds Growth

Constantin Manole, general director of the Maviprim-Com agribusiness trading company in Balti, northern Moldova, needed additional financing to expand his business. His suppliers had plenty of wheat, sunflower seeds, and other items to meet the flood of orders that Maviprim-Com received from cereal and sunflower processing companies. However, without sufficient short-term capital, there was no way for the company to increase purchases and sales.

A few years ago, Moldovan banks offered mainly traditional loans that required fixed assets as collateral and were not adjusted to the length of time a company might need the funds. This structure kept Mr. Manole from purchasing additional agricultural crops from Moldovan farmers even though he had lined up guaranteed buyers. As a client of Fincombank's Balti branch, he was interested in a new product, purchase order financing (POF), that the bank was launching with the assistance of USAID's Competitiveness Enhancement and Enterprise Development (CEED) project. POF is a trade finance product through which banks provide loans based on purchase orders and use liquid instruments as collateral. Mr. Manole believed that POF could solve his short-term financing needs.

In eight months, he took out seven POF loans totaling $1.35 million. Obtaining the first loan took just two days — and no fixed assets were required as collateral. The POF loans enabled Maviprim-Com to buy small quantities of grains from nearly 1,800 Moldovan farmers and fill orders for larger quantities from more than 300 local and foreign buyers, resulting in sales of $1.5 million.

Mr. Manole is now looking for new ways to expand his business, but he stresses that it is virtually impossible to do so without outside financing. "I am looking forward to seeing Moldovan banks provide more innovative loan products to meet companies' specific needs," he says. Manole. With CEED's support, Fincombank has approved 26 POF loans totaling $3.6 million.

the Agribusiness Development Project in April 2007. The study, based on nationwide research on commercial leasing opportunities and business preferences, found that the potential for commercial leasing within the following two years could reach $100 million in winemaking, $17 million in light industry, and $24 million in agro-processing. It also revealed high interest in access leasing within the private sector.

As a result, CEED met with three of the five active leasing companies on the market. IMC Leasing, backed by the U.S. investment fund NCH Capital, showed promise and requested support to build staff expertise and institutional capacity to introduce a commercial leasing program into its portfolio.

USAID tapped leasing expert Stewart Pirnie to tackle the issue. Mr. Pirnie worked with IMC Leasing to establish relationships with equipment vendors so they could provide leasing to their clients in the same way they cooperated with automobile dealers.

With Mr. Pirnie's help, IMC Leasing restructured the organization within six months to reflect new procedures and workflow to handle commercial leasing. The company signed cooperation agreements with four vendors: Agrotehcomert for combines; Autoprezent for construction equipment and trucks; Inducat for apparel; and Microcel for forklifts.

In parallel, CEED helped improve back-office operations, reducing delinquencies greater than thirty days from 21 to 7 percent in the span of a year. Because of this change and intensified business-level sales and marketing efforts led by CEED, IMC's commercial leasing operations grew quickly and substantially. By the end of September 2008, IMC had issued 68 leases with a total value of nearly $2.3 million — $1.9 million of which IMC financed itself.

Finally, due to CEED assistance in developing its business strategy, IMC (which was renamed Express Leasing at the end of 2009) received a $2.7 million credit line from the European Bank for Reconstruction and Development (EBRD). Negotiations with EBRD had begun prior to the assistance CEED provided; however, according to IMC management, CEED's involvement accelerated and enabled EBRD's positive decision on the credit line.

CEED representatives visited numerous target companies to discuss these new financing opportunities. In the textile and apparel sector, CEED presented POF and leasing options for companies participating in an apparel upgrading workshop in 2008. That same year, CEED organized a seminar within ComInfo for IT firms and commercial banks to address how to finance the sector for faster growth.

Igor Luchianov, co-owner of Et Cetera winery, walks in the vineyard with his daughter, who he calls "the next generation of Moldovan winemakers."

CEED / ANGELA POTTER

CHAPTER FIVE

BEST PRACTICES AND LESSONS LEARNED

CEED achieved significant success in enhancing the competitiveness of private Moldovan enterprises from three industries — information and communications technology, apparel and textiles, and wine — and strengthening industry clusters and improving the business environment for these industries.

During the five-year project, CEED's activities and interventions revealed several important best practices and lessons learned.

1. *Take an inclusive approach to industry competitiveness.* Enhancing competitiveness is a complex task that requires interventions at several levels. Focusing on one without considering the others can undermine the impact of any development project. Recognizing major gaps in the industries it assisted, CEED developed an inclusive approach to competitiveness that included enhancing product quality through improved production processes and technologies, establishing market linkages, building workforce capacity, and improving the business environment. Although CEED did not initially focus on workforce development, it quickly became apparent that project support was required in this area to stimulate industry growth, particularly in the ICT sector.

2. *Maintain flexibility in program design.* The ability to adapt and respond to change — both opportunities and constraints — in the global, country, and business environment is critical. To respond to the global crisis that affected Moldovan enterprises at the end of 2008, CEED tailored its intervention strategy by providing additional support in searching for

new markets and establishing business linkages.

Flexibility in project design can also allow for coordination of activities and interventions with other projects and donors to leverage resources and scale up activities to assist beneficiaries. Through cooperation with projects funded by USAID and other donors, CEED leveraged more than $200,000 for project activities and beneficiaries. For example, in cooperation with two EU-funded export promotion and investment attraction projects, CEED increased the participation at international trade shows for all three target sectors. In addition, by partnering with the USAID Regional Competitiveness Initiative, CEED piloted software process improvement technologies such as IT Mark and CMMI. Finally, by cooperating with the EBRD, several CEED-assisted apparel companies received additional support to complete their corporate rebranding efforts.

3. *Innovate, share and replicate.* CEED began by selecting as beneficiaries progressive enterprises with the commitment and capacity to absorb innovations in business processes, product quality and development, and marketing. Sharing implementation results with industry stakeholders allowed the project to build industry readiness gradually and expand initiatives to other enterprises in the following years. Early successes in brand-building initiatives with apparel companies aroused widespread interest and adoption of this activity. Pioneering IT companies' positive response to IT Mark led other firms to opt in to the program in later years, and the success of the Moldova Wine Guild became a model that accelerated the efforts of the Moldovan ICT industry to establish an association of its own. The development of strong, competitive enterprises motivated Moldovan industries to become more competitive.

4. Build buy-in through beneficiary cost-sharing. CEED not only required cost-sharing from beneficiaries but also allowed them to take part in planning. For instance, the top-focus wine markets in were determined after thorough consultation with leading wineries. Likewise, sector associations were an important counterpart and contributor to project's annual work plans. Beneficiaries that help to plan activities are more apt to share costs; and the combination of planning and cost-sharing leads to strong commitments.

One key objective of CEED was providing support to help industries enhance competitiveness in domestic and international markets through increased sales. Project experience revealed several important lessons about trade promotion:

- *Narrow the market focus.* When resources and capacity are limited, it is most effective to target a smaller number of the most promis-

Following CEED recommendations, Bostavan Holding invested €1 million in new equipment for its Purcari winery (shown in photo) and its sister winery, Bostavan. With the new equipment, processing capacity at Pucari increased from 700 tons to 1,000 tons.

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ing markets. It is important to use trade data and engage stakeholders to help define specific markets for export promotion. In the wine industry, a major goal for CEED was supporting market diversification away from Russia, which accounted for nearly 80 percent of exports. Although the European Union was defined as a focus, CEED went further and identified the five most attractive EU markets — Germany, the Czech Republic, Poland, Romania, and the United Kingdom. This allowed the project to take a more focused and inclusive approach to providing support that enabled wineries to pursue these markets.

- *Promote the right product for the right market.* Paying attention to product quality — and, most importantly, appropriateness for the intended market — is a prerequisite for successful trade promotion. CEED worked with beneficiary enterprises to adapt their products' quality, style, and packaging. Fifteen new apparel brands were launched in the Moldovan and Russian markets with CEED support. Likewise, the preferences of selected EU wine markets were matched with a program to improve the quality and style of beneficiary wineries' products, maximizing their chances for success.

- *Start export promotion and marketing activities early.* Deals can take time to develop, so market linkage activities should begin quickly. Successful medium- and long-term deals for such branded products as bottled wine or clothes are complex, involving many factors. It takes time for buyers and sellers to understand each other and build trust. A thorough understanding of the market and how business is conducted in a given sector is important, as is evaluating companies' readiness to invest their own money in long-term promotional market development activities.

- *Be persistent in promotion.* Although they are excellent avenue for promotion, exhibitions require continuous and repeated participation to be effective. CEED selected Textillegprom in Russia as a key exhibition for the apparel industry. After 11 Moldovan apparel companies participated at Textillegprom a second and third time, six of them started doing business with Russian clients.

- *Pay attention to country as well as individual promotion.* Country promotion and awareness is important, particularly for small countries like Moldova that are not well-known in the regional and international arenas. Effective country promotion is an essential complement to enterprise- and industry-level marketing and sales efforts. This is particularly true for the wine and ICT industries, where local companies compete more with companies from other countries than with Moldovan firms. However, promoting a country requires a focused strategy and commitment from both the private and public sectors. CEED provided best value when it focused on a particular region or specific markets and applied a broad approach to country promotion rather than a scattered and fragmented approach to a large number of markets. This enabled stakeholders to learn and apply effective promotion methods and to replicate them in other markets.

5. *Foster — don't lead — industry associations.* Strong industry associations are essential facilitators of competitive and mature industry as agents of trust, cooperation, knowledge, and innovation. CEED fostered the launch of two important and self-sustaining associations — the Moldova Wine Guild and the Moldova Association of Private ICT Companies. When supporting the development of associations, CEED learned:

    - Associations are best built from the bottom up by allowing industry stakeholders to lead the process. However, the project must be an active facilitator, champion, and coach.

    - The primary considerations for assisting an industry association are promoting sustainability and ensuring that the support does not distort the group's economic viability.

    - Demanding leadership, ownership, and significant cost-sharing from an association helps keep its priorities in line with those of its members.

    - Larger associations are more viable because they better represent the industry as a whole and are economically efficient; therefore associations should be encouraged to accept new members.

6. *Fortify public-private partnerships.* CEED worked with wine and ICT industry associations to develop policy white books defining the private sector's agenda for industry development and government support. Helping the private sector achieve a shared vision of industry development strategy and a clear agenda for public policy and legal and regulatory reform is a critical milestone for effective public-private dialogue.