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**THE
COMPETITIVENESS
PROJECT**

USAID'S COMPETITIVENESS PROJECT

QUARTERLY REPORT

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Abbreviations and Acronyms

| | |
|-------|---|
| ACM | Automotive Cluster of Macedonia |
| B2B | Business to business |
| C&O | Communications and Outreach |
| CBI | Centre for the Promotion of Imports from developing countries (Dutch Donor) |
| CEFE | Competency based Economies through Formation of Enterprise |
| CIRKO | Center for Advanced Engineering Technologies |
| CMC | Certified Management Consultant |
| CMT | Cut make trim |
| CPD | International Trade Fair for Womenswear & Accessories |
| EAC | European Automotive Components |
| EDA | Economic Development Agent |
| FDI | Foreign Direct Investment |
| GCDF | Global Career Development Facilitators |
| GTZ | German Technical Cooperation |
| ICT | Information Communication Technology |
| KIMES | Kosovo Integrated Market Entry System |
| M&A | Merger and Acquisition |
| MCP | Macedonian Competitiveness Project |
| MGI | Macedonian Garment Industry |
| MOU | Memorandum of Understanding |
| NIJP | National Internship and Job Placement Program |
| OEM | Original Equipment Manufacturer |
| P&L | Profit and Loss |
| PMP | Performance Monitoring Plan |
| RFQ | Request for Quotes |
| SIPPO | Swiss Import Promotion Programme |
| SMEs | Small and Medium-Sized Enterprises |
| TTA | Textile Trade Association |

MCP HIGHLIGHTS BY COMPONENT

| <p>Total January – March 2011</p> | <p>Financing: \$7.05 million Investment: \$12.19 million Exports: \$8.87million Jobs created: 228</p> | |
|--|--|--|
| <p>Component</p> | <p>Key Activities</p> | <p>Outcomes</p> |
| <p>Light Manufacturing</p> | <ul style="list-style-type: none"> • Preparation for Hannover Messe 2011 • Preparation for EAC Expo 2011 • Participation of Demastil at Nurnberg Toy Fair 2011 • Planning and Preparation for Supply Chain Management program to be implemented in Ruen IT and opened for other companies • Ongoing work with ACM to support the Cluster In its activities | <ul style="list-style-type: none"> • New export in the amount of \$340,000 • First Supply Chain Management program to be implemented in a Macedonian manufacturer • New successful participation of Demastil at the German fair |
| <p>Apparel</p> | <ul style="list-style-type: none"> • Buyers week organized with in October with CBI, GTZ, SIPPO, Invest Macedonia and TTA. • Support for February 2011 CPD show. • Supporting sampling and introductions (outside of buyer’s week planning). | <ul style="list-style-type: none"> • \$750,000in new exports • 10 buyers participating in March 2011 Buyers Week, some who are looking at repeat visits and possible orders. Three more buyers expected in April • At least 3 additional companies showing interest in sampling and considering orders from Macedonia. • Orders delivered resulting from March 2010 Buyers Week • Macedonian companies continue to receive orders from CPD show in February. |
| <p>ICT</p> | <ul style="list-style-type: none"> • 45 professionals trained in Project Management Professional (PMP) program, out of which 25 IT specialists | <ul style="list-style-type: none"> • \$300,000 in exports via fx3x • 7 new internships in ICT companies • 4 new jobs in ICT companies |
| <p>Access to Finance</p> | <ul style="list-style-type: none"> • Assisting 17 companies through process of packaging and submitting investment proposals. • Ongoing awareness building of financial services available to meet different financing needs. • Support Macedonian Bank for Development Promotion to introduce a new innovative financial product i.e. factoring • Expansion of the Pool of Financial Facilitators | <ul style="list-style-type: none"> • 9 companies receiving \$ 7,051,220.9 in new financing, resulting in \$ 11,893,395 in total investment, 117 jobs, \$ 6 million in exports • Last regional matchmaking event held in Kumanovo with over 35 companies attending • Developed MoU with MBDP & Started Procurement Process for the factoring software for MBDP • 4 new financial facilitators join the FP • Financial Platform Celebration Event delivered |
| <p>Workforce Development</p> | <ul style="list-style-type: none"> • Regional promotion of My Career activities in Tetovo and Stip • Trainings on writing and communication skills and mentorship trainings in Skopje, Prilep, Zito Luks Procredit bank | <ul style="list-style-type: none"> • Total of 663 students, and 13 new companies registered on www.MyCareer.com.mk • Total of 106 internship placements and 105 permanent jobs facilitated through My Career |

| | | |
|--|---|---|
| | <p>and American College</p> <ul style="list-style-type: none"> • GCDF ToT workshop and certified GCDF Trainers | <ul style="list-style-type: none"> • My Career NGO sold 34 packages worth \$5,153 • Collected \$830 from selling individual services • 12 GCDF Trainers Certified |
| <p>Foreign Investment Support</p> | <ul style="list-style-type: none"> • Continued mobilization of EDA network following up on existing FDI leads and generate new export leads. • Continued collaboration with Invest Macedonia and Minister of Foreign Investment to attract and support investment. • Continued support for pending logistics and agribusiness investment | <ul style="list-style-type: none"> • EDA finalization of \$1,4mil of full package shoes export. New contract under negotiations. • Indian pharmaceutical investment moving per schedule and expected to be realized in 2011. JV with local partner registered and final visit planned for April. • Progress under joint venture with investment in integrated organic agriculture. • Logistics investment expected to be realized in 2011 |
| <p>Innovation</p> | <ul style="list-style-type: none"> • Attracting pipeline of Macedonia innovation projects • Developing the eco-system • Collaboration in the creation of Innovation Development Fund. • Actively supporting the W2E project • Actively supporting 4th mobile operator in Macedonia • Start activities for Establishing the first MKBAN (i2BAN) • Creating the pool of IAs | <ul style="list-style-type: none"> • 15 more innovation projects • Dutch telecom company opened one more office and hired 11 people so far and in this quarter invested \$300K • Implementing the project plan Terranova (W2E) • Defined Contracts that reflects clearly defined IC processes • Developed Business Plan for the BAN • 18 new Innovation Advisors signed contracts |

I. OBJECTIVES AND APPROACH

Objectives and Approach

The USAID-funded Macedonia Competitiveness Project (MCP) is a five-year project, implemented by CARANA Corporation, designed to support USAID/Macedonia's **Strategic Objective 1.3 Accelerated Development and Growth of the Private Sector**. Under this, USAID's efforts are directed towards improving the business environment, making private firms more competitive, and addressing unemployment and underemployment. Specifically, MCP activities fall under *Intermediate Result 1.3.2 Private Sector Firms More Competitive* with key outcomes including:

- **Market linkages** with international companies resulting in new export deals and strategic partnerships involving joint business ventures, investment and knowledge/technology transfer.
- **New foreign investment**—green field, brown field or joint venture—resulting in export-oriented job creation and the strengthening of supply chains and industries within Macedonia.
- **Financing**—debt or equity—for Macedonian companies aiming to improve profitability, competitiveness and market positioning through investments in capacity expansion, productivity upgrades and product development.
- **Adoption of modern technologies and practices** and compliance with certifications required to perform and be seen as credible partners.
- **Investments in students and employees**, resulting in a workforce with upgraded skills and flexibility.
- **Support for innovative entrepreneurs**, resulting in new jobs, exports and investment.

Ultimately, these outcomes lead to new or enhanced employment, and Macedonian companies and sectors better able to respond to the ever-changing demands of the global economy. *See Figure 1: Results Framework for more information on how project activities and components contribute to SO 1.3 and IR 1.3.2.*

MCP's Integrated Approach

The Competitiveness Project implements cost-effective, high-impact and market-oriented activities within an integrated approach that considers issues related to specific sectors as well as factors that affect Macedonia's ability to achieve export-driven growth across sectors. These activities generally take one of two forms:

1. **Vertical** component activities focusing on target sectors—fashion and design, light manufacturing and ICT—that build on market linkages, creating new business and investment and enabling Macedonian companies and supply chains to better compete within a given industry or market.
2. **Horizontal** or cross-cutting component activities benefitting multiple sectors and making Macedonia a more competitive place to do business. Horizontal components include access to finance, workforce development, and facilitation of foreign investment.

Figure 1: MCP's Integrated Market-led Approach

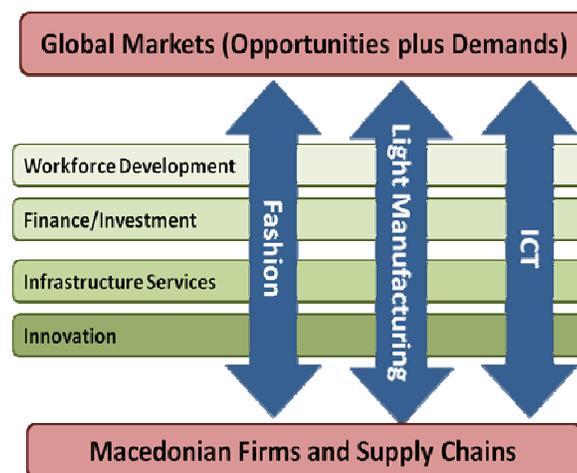
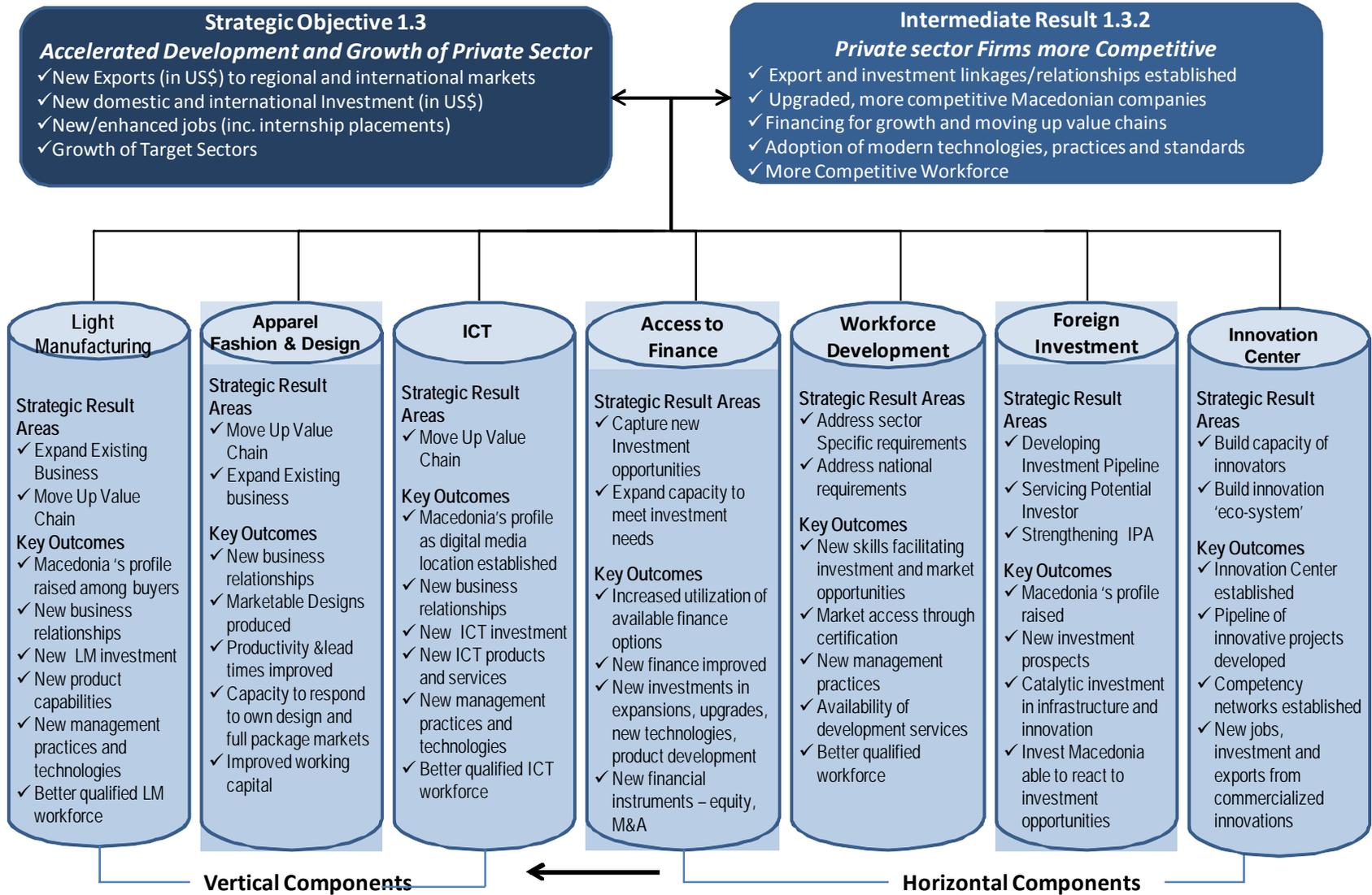


Figure 2: MCP Strategic Results Framework



These vertical and horizontal components are often intertwined. In many cases, growth in the target sectors depends on companies' ability to access:

- potential customers and partners;
- a flexible and skilled workforce;
- financing for upgrades, expansion or product development;
- certification services; and
- fundamental infrastructure.

MCP activities can be *transactional* and/or *transformational* in nature and impact. Transactional activities often focus on helping a company or supply chain realize a short- to medium-term objective, most often related to pursuing a specific market opportunity, whereas transformational activities have a longer-term impact horizon. Transformational activities can take many forms, including:

- using a market opportunity to drive change and upgrades within a company or sector;
- providing sustainable solutions to a critical market failure; or
- supporting investments and strategic partnerships that raise companies and supply chains to a new level of market engagement.

While transformational activities often require longer implementation, they have significant impact on future export growth and competitiveness. In some cases, an outcome can be both transaction and transformational. For example, a joint venture deal may be considered an investment transaction, although the impact on the company could be long lasting.

Whenever possible, MCP strives to improve coordination with donors operating within similar mandates. Without this collaboration, limited donor resources are wasted and opportunities lost through duplication. The project has worked closely with GTZ (German Donor), CBI (Dutch Donor), and SIPPO (Swiss Donor) on a series of market linkage initiatives, ADA (Austrian donor) in innovation and finance initiatives.

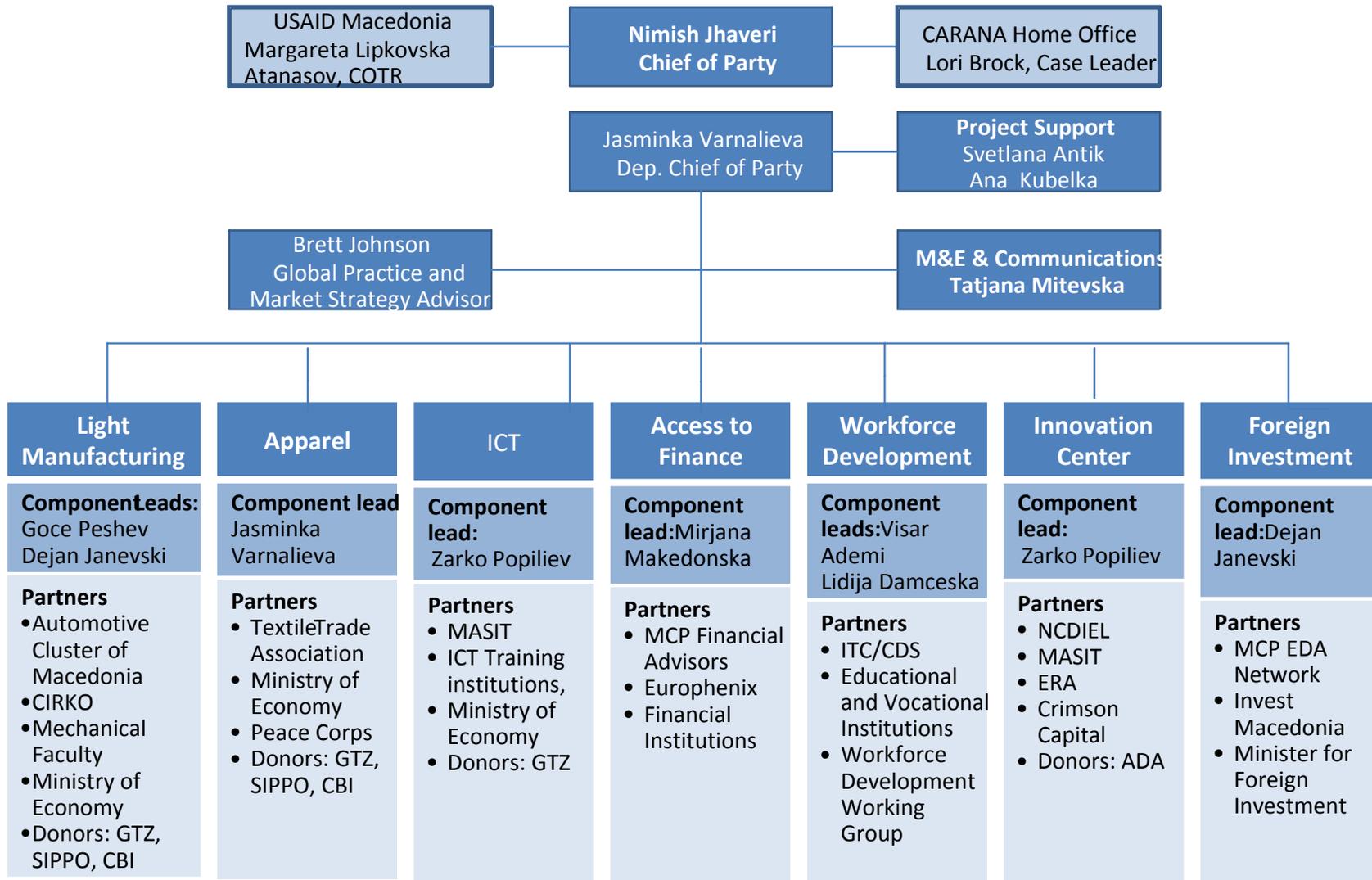
Project structure

The Project's management structure is organized to facilitate effective planning and implementation across the vertical and horizontal components. While activities are managed by specific component teams, significant cross-fertilization increases cost-effectiveness and overall impact through inter-component synergies, so that one beneficiary can benefit from both vertical (e.g. participation in trade shows) and horizontal (e.g. finance, training, and certification) activities.

In the interest of *sustainability and leveraging resources to maximize impact*, MCP's activities involve intensive collaboration with private-sector associations, government, financial, and academic partners (who often offer in-kind services), as well as project beneficiaries. When working in the target sectors, MCP prefers to engage business associations or a cluster of companies as implementing partners. Cost-sharing is a critical element to not only stretch use of available funds, but increase the likelihood of success and sustainability, as beneficiaries have a greater stake and ownership in the process. In most verticals, and to some extent the horizontal components, MCP collaborates with other international donors (e.g. GTZ, CBI, SIPPO) to optimize the use and impact of resources. Whenever appropriate, activities involving local partners include a 'sustainability plan' to ensure continuity after USAID support, or even a legacy with specific spin-off organizations that will operate after the Project ends.

MCP's organizational structure, including key staff and implementing partners is presented in Figure 3, below.

Figure 3
MCP Organizational Structure and Project Partners



II. MARKET LINKAGES AND CAPACITY BUILDING IN TARGETED SECTORS

Activities under MCP “Vertical” Components, January – March 2011

The Competitiveness Project continued to provide support to companies within its target sectors, namely light manufacturing, fashion and design, and information and communications technologies (ICT). MCP market linkage and capacity building activities maintained a focus on two primary strategic result areas:

1. **Expanding existing business**—Enable companies to build the capacity and/or customer base to expand and/or better compete within their existing lines of business. Initiatives include market linkage support to identify and engage new clients within an existing product or service segment, taking steps to improve performance against important buyer criteria (e.g. improving productivity to reduce costs, or investing in expanded production capabilities).
2. **Repositioning firms and clusters to penetrate higher value market segments**—Help companies capture new market opportunities and greater value with enhanced products, services and capabilities (e.g. design, supply chain management, offering a full package of services). The objective is to enable Macedonian companies and clusters to compete on the basis of differentiated services and responsiveness to market requirements. In most cases, activities in this result area are long-term in nature, and will often require larger investments by companies, MCP and other partners.

In some cases, MCP has worked with client companies in target sectors to achieve both objectives simultaneously. Expanding existing business is essential to ensure the survival of the company and to provide the cash flow and capacity for longer-term investments in developing differentiated and higher-value products and services.

The section below presents an overview of ongoing market linkage and capacity building activities in the target sectors.

Light Manufacturing

Light manufacturing has always been an important source of GDP, exports and employment in Macedonia, with activities including automotive components, furniture, metal-processing, rubber and plastics production, tool and mould making, as well as product assembly for domestic and international customers. In many cases, companies were part of larger supply chains within the former Yugoslavia. Since the break-up of Yugoslavia, the sector has struggled to establish linkages with European customers. A number of companies are taking steps to modernize and develop capacities to better match market demands, but there is an ongoing need to invest in upgraded technologies, product development, productivity, and supply

| Key Activities | Key Outcomes |
|---|--|
| <ul style="list-style-type: none"> • Preparation for Hannover Messe 2011 • Preparation for EAC Expo 2011 • Participation of Demastil at Nurnberg Toy Fair 2011 • Planning and Preparation for Supply Chain Management program to be implemented in Ruen IT and opened for other companies • Ongoing work with ACM to support the Cluster In its activities | <ul style="list-style-type: none"> • New export in the amount of \$340,000 • First Supply Chain Management program to be implemented in a Macedonian manufacturer • New successful participation of Demastil at the German fair |

chain management practices to be competitive in a sector where cost, quality and lead time are crucial to starting business with a new customer.

Indeed, the economic crisis hurt Macedonia's manufacturers and effects are being felt to date. Nevertheless, MCP has seen a number of companies rebuild their customer base and start hiring or re-hiring staff. Furthermore, MCP views the subsequent shake-up of global supply chains as an opportunity to position Macedonia as a low-cost, competitive sourcing and investment location in close proximity to Europe's major markets.

MCP Q2 2011 activities in light manufacturing continued to focus on helping companies access and engage new customers, both in existing and new market segments, while putting more effort into enabling the company to meet new demand. Efforts targeted both end-products and sourcing (or subcontracting) exports in Balkan, Western European (primarily Germany) and Eastern European markets. Specifically, activities included preparation for trade shows in 2011 and support for companies aiming to achieve certifications critical to attracting or maintaining customers. Due to the fact that from the beginning of the year 2011, the IPA Invest Macedonia has been officially given the authority to promote exports, the MCP has been also coordinating their involvement in the planned market linkage activities, a coordination which also includes the Automotive Cluster as a stakeholder.

Details on Q2 2011 light manufacturing activities, achievements and expected outcomes can be found below.

Planning for Hannover Messe 2011

Once again, MCP is collaborating with SIPPO to organize a Macedonian Pavilion at Hannover Messe 2011 (April 4-8). Building on the successful 2010 exhibition, MCP will facilitate participation of three companies and organizations alongside leading companies from all over the world. HANNOVER MESSE 2011 has global importance as a showcase for tomorrow's technologies and ideas, representing an opportunity for Macedonian participants to not only market their capacities, but also learn about latest developments in the industry.

In this quarter, MCP worked with SIPPO to agree on cost-sharing agreements and identify interested companies through its own network and chambers of commerce.

Two companies will be presented at the fair: Laminati from Prilep and Te-Te Plast from Skopje. Laminati from Prilep is the only producer of composite materials in the Balkans and this is their first cooperation with MCP, as well as their first participation at the Hannover Messe. Te-Te Plast will participate in the fair for the third time in a row. InvestMacedonia will also be present through through its Country Economic Promoter in Germany. As InvestMacedonia is taking over the export promotion role in Macedonia, it is important that they start initial conversation with SIPPO to support the Macedonian Pavilion in Hannover in future. InvestMacedonia recognizes the importance and the weight of the Hannover Messe, and would like to continue the exhibition of the Macedonian industry at this important fair.

MCP supported the exhibiting companies with market research and potential buyer identification, preparing them to schedule meetings in advance.

In addition, MCP will financially support participation of a client company Rade Koncar- Kontaktori i Relei at the fair. This company has exhibited in its own booth at Hannover Messe the past eight years. Due to its specific products and sub-sector (electro industry), it could not be presented at the Macedonian Pavilion, but



Macedonia exhibit booth at Hannover Messe 2010

in the section appropriate for its sector. MCP's support to Rade Koncar – Kontaktori i Relei emphasizes the need to assist market leader companies who are making efforts to meet new customers and increase their export.

Planning for the European Automotive Components Show in Stuttgart 2011

For the third year in a row, MCP is collaborating with the German GIZ to organize the Macedonian Automotive Pavilion at the EAC Show in Stuttgart (May 17-19, 2011). This exhibition is a part of a strategy to raise awareness of the Macedonian automotive industry and keep Macedonian producers abreast of new industry trends. As one of the lead European shows that covers components, vehicle dynamics, powertrains and interiors, this exhibition has generated a substantial number of leads/companies that have, as a result of contacts at the show, visited Macedonia to inspect the capacities offered (including last quarter's visits from BMW and MAGNA).

This year the Macedonian pavilion will include four companies (Te-Te Plast, Ein Sof, SIPO and Velmaks which are both new and are not yet members of the ACM), representatives of InvestMacedonia and the ACM. One of the goals of the participation of InvestMacedonia is to familiarize the IPA representatives and the German based CEP with the specifics of the automotive industry in Macedonia, so that support given to the ACM and its members can transition to the IPA in the future. Additionally, this year MCP will be facilitating a B2B event organized by WRS/CARS (the Automotive Cluster of Stuttgart) planned during the EAC show. In this quarter MCP was engaged with the preparation for the show, specifically booth design.

Participation of Demastil at Toy Fair

Continuing last year's successful cooperation between MCP and Demastil for their participation at Nurnberg Toy Fair, this quarter MCP supported this company again to take part at this significant trade fair. Demastil, located in Kriva Palanka, is the only producer of children's toy balls and professional balls in the region. Their main production is children's balls made of PVC, which they export globally. In February, MCP cost-shared their participation at the Spielwarenmesse International Toy Fair in Nurnberg, Germany. The show is one of the world's largest of its kind, with more than 3,000 exhibitors from 67 countries (68% international) and 79,000 visitors from 107 countries (54% international). MCP shared the cost of the booth, and carried out market research for the company to identify potential clients, with a special focus on EU, Russia and the U.S. as target markets.

Last year, Demastil returned from the fair with export orders worth US\$ 1 million. This year Demastil expects even bigger orders, as they managed to purchase licenses from different children cartoons characters, indicated as a demand from the last year trade fair.

Certification Platform

MCP is continuing to support companies pursuing various industry certifications that will enable them to establish or expand export business with international customers. This quarter, MCP is finishing the work with one manufacturer to support certification efforts that will take place beginning of Q3 2011. MCP will cost-share certification for Ozon from Skopje. Ozon aims to receive a certificate for quality for "heating energy-saving solutions" they recently started to produce. The company has a known buyer from Poland that will import from Macedonia once they receive the proper quality certificate from an accredited EU testing laboratory.

Industry led education

As reported in the previous quarter, in December the MCP Workforce Development team met with the HR representative from automotive firms LTH and Ruen IT to discuss cooperation in leveraging the industry-led education and internship platforms to support their workforce needs. MCP produced an offer of services and proposals for cooperation and received feedback for implementation in 2011. As a result, a pilot project in aligning curricula to industry needs was selected. All stakeholders were contacted and all demonstrated buy-in to the project which entails defining the concrete study program for a new curricula being prepared for introduction in vocational schools from the next school year. The goal of the project is to provide concrete industry input into the process of developing new curricula and to define and trace the process so that it can be scaled and replicated for other specific vocational programs. The lead from the industry will be taken by the company Ruen IT which, with the assistance of the MCP staff will coordinate the automotive industry feedback through the ACM. The MCP intends to replicate this process with other industries.

Implementation of Supply Chain Management Program in Ruen IT

After a series of meetings with the management of the automotive parts manufacturer Ruen IT and MCP, cooperation was agreed in the area of Supply Chain Management. Ruen IT is one of the companies that has been cooperating with MCP on different levels and using the different services that MCP is offering. It wants to implement a supply chain program in the company that will increase their effectiveness, especially now when they start to supply directly to OEMs, in addition to the aftermarket business they have at the moment.

This supply-chain program was agreed with Ruen IT, as they showed willingness and desire to change the mentality and the regular way of working of the company and become a real leader in the industry and competitor to the “biggest players in the game”.

MCP created an eight modules program that will be implemented in the period April to May 2011. The program will be delivered in the facilities of Ruen IT in Kocani to the top and middle management of the company. In addition, MCP will open the program to other companies from the automotive sector who would like to attend and learn new ways of working and dealing with the increased competition in the sector. MCP also intends to have a number of individual consultants who will participate at the training and will be able later on to carry the program and make interventions of this kind in other companies in Macedonia.

Activities Planned for next Quarter

- Finalization of the certification process for one manufacturer from the LM sector, Ozon Skopje
- Implementation of the European Automotive Component Show 2011 in Stuttgart.
- Execution of the training for Supply Chain Management and intervention with Ruen IT and other potential clients from the automotive sector.
- Finalizing the industry input on the pilot project basis and defining the process for scaling to other industries.
- Implementation of the Hannover Messe 2011 in Hannover

Fashion and Design—Apparel

Macedonia has a long tradition in apparel manufacture, having supplied the former Yugoslavia as well as many major brands and retailers throughout Europe. The industry is an important source of employment for Macedonia with more than 40,000 employed in this sector. It is also a significant exporter with average annual exports exceeding \$500 million. For the last decade, the industry has suffered a slow decline in both exports and employment, exacerbated recently as a result of economic recession in key export markets. Macedonia struggles to compete in its main type of production—cut make trim (CMT)—when compared to other production locations (e.g. Asia), except in market segments where quality and lead time are as essential as price. Many companies in the Macedonian apparel industry are looking to move upstream, into full package, private label or own design/brand manufacturing where companies can add more value to customers and/or capture higher margins by taking on new roles in the design and production process.

| Key Activities | Key Outcomes |
|---|--|
| <ul style="list-style-type: none"> • Buyers week organized with in October with CBI, GIZ, SIPPO, Invest Macedonia and TTA. • Support for February 2011 CPD show. • Supporting sampling and introductions (outside of buyer's week planning). | <ul style="list-style-type: none"> • \$750,000 in new exports • 10 buyers participating in March 2011 Buyers Week, some who are looking at repeat visits and possible orders. Three more buyers expected in April • At least 3 additional companies showing interest in sampling and considering orders from Macedonia. • Orders delivered resulting from March 2010 Buyers Week • Macedonian companies continue to receive orders from CPD show in February. |

During Q2 2011, MCP continued collaboration with the Textile Trade Association (TTA), CBI, SIPPO and GIZ to support leading apparel manufacturers in efforts to expand and diversify manufacturers' export customer base—vital for the survival of the industry—within Europe through market linkage and capacity building activities. Highlights include the March Buyers' weeks with visits from ten (10) EU buyers (with three more planned in April) and support for the participation of Macedonia own design companies at the Fall/Winter 2012 CP show in Dusseldorf.

Details on the FY 2011 Q2 apparel activities, achievements and expected outcomes can be found below.

Support Own Design presentation at CPD, Dusseldorf

MCP continued to support companies engaged in developing their own design and full package services. Four Macedonian companies (Modena, Astibo Beas, Monica Jeans and Vivendi) presented Fall/Winter 2012 collections during the February CPD fashion fair in Dusseldorf. MCP supported these companies in creating their promotional materials, catalogues, posters, etc, while GIZ funded the booth. This was the fourth presentation of Macedonian collections in a row, following two summer and one winter collection presentations so far.

Two German buyers who visited the Macedonian booth liked what they saw and decided to visit Macedonia as part of the March 2011 Buyers Weeks and are expected to make orders from collections from both Modena and Astibo Beas.

As a result of previous B2B events, Milano managed to find a buyer interested in buying Milano's own collection. So, Milano is now selling their own collection to Tendenza, a Dutch buyer that first purchased a quantity of 3,000 pieces of garments, and is now selling 20,000 pieces per year to the same buyer.

CMT and full package support

Since it will realistically take a number of years before apparel manufacturers will be able to replace CMT as their core business with other production models, it is also important to help companies *expand existing business*. Within this context, MCP implements market linkage activities targeting potential CMT, full package and private label customers, with the aim of organizing similar events for other countries.

Buyers Weeks in March 2011

As a follow-up to the successful March 2010 business to business (B2B) event, MCP collaborated with the TTA and its donor partners to carry out a “Buyers Week” event over the month of March. Ten buyers from the UK, Spain, Germany and Norway visited Macedonia to visit selected manufacturers who matched their specific sourcing requirements.

Buyers included:

- **Karpelle** – A UK-based supplier looking for a wide range of product capacity for CM and CMT production. The Buyer has sourced from Macedonia using an agent and contacted MCP to help identifying companies able to work direct and offer a variety of services, including patternmaking.
- **Suzanne Martin** – A UK based supplier of women’s jackets and coats (mostly for the Jane Norman brand) interested in CM producers able to compete with Romanian manufacturers. Mid price level.
- **Ted Baker** – High End UK High Street Brand looking for trousers, jackets, coats, blouses and dresses for women on a CMT and full factored basis.
- **El Corte Ingles** – Very large Spanish retailer looking for a wide range of woven garments for CMT and full package production.
- **Cortefiel** – Large Spanish clothing group with multiple brands, including Springfield, looking for full package suppliers for a wide range of products.
- **Bik-Bok** – Norwegian fast fashion brand looking for full factored and full package manufacturers of a wide range of products.
- **Amatør** - New Dutch brand backed up by investors, specializing in blazers only for office ladies.
- **Mazzelaars** - New Dutch brand by marketing professionals willing to fill up the gap in men's trousers between casual jeans and a formal suit.
- **CIP Textilehandels** – German buyer from CPD show looking for a range of women’s products, including collections from own design companies.
- **Helmut Kress** – German buyer from CPD show looking for a range of men’s and women’s garments on full package or CMT basis.



Apparel workers at MGI



A representative from Saitis Fashion and James Jackson from Ted Baker at the Apparel Buyers visit in Bitola

MCP and its partners arranged factory visits based on matches from the buyers' sourcing requirements and individual Macedonian manufacturers capabilities. Over the period of three weeks, over 90 factory visits were arranged with over 25 different manufacturers.

MCP is also in discussion with three additional companies for April visits:

- **Jaeger and Aquascutum** – High end UK women's fashion brand who has sampled and is planning to visit Macedonia April 5 – 8 in order to follow-up with sampling and possibly place orders.
- **Amanda Marshall** – UK supplier for a range of high end brands looking to manufacture a range of women's products. The buyer was supposed to travel in the week of March 15, but urgent matters required a delay in their visit.
- **EuroTrousers** – Dubai-based supplier for UK high street brands looking to set up production in Europe for a range of products.

MCP will send evaluations to the visiting buyer in early April to gather information on their impressions of Macedonia and whether they wish to take steps forward.

Follow-up on March 2010 B2B Event and other Apparel leads

MCP has continued facilitating business leads from the March 2010 B2B event.

- Outsider Fashion placed orders at Milano and AFG which were delivered in late March. These are trial orders, but if successful, should result in long term collaboration.
- MCP had hoped that French Connection would place orders in Macedonia based on a very positive impression in October, however to date the buyer has not taken solid steps to establish a sourcing base here. MCP is in ongoing discussions to encourage trial orders.
- Alison Hayes sampled with one manufacturer for a potential large volume order. Unfortunately, the quality of the samples were not adequate and the prices were too high to be attractive to them.
- Vural sampled both jacket and shirt samples with Macedonian companies. MCP is awaiting feedback.
- Erstlingwerk, a small German brand that visited in October has placed small orders with AFG.
- FinOslo, a Norwegian firm has said that they will return to Macedonia in the summer of 2011.

MCP's Market Linkage Advisor visited London offices of UK fashion retailer Jaeger in January to present samples from Okitex, Delta, and Linea. Jaeger chose to send sample packs to Okitex, and was happy with the outcome. Two representatives from Jaeger are expected to travel to Macedonia in early April to meet with Okitex and other companies with the aim of setting up some trial orders as large as 5,000 units for the next season.

MCP is also working with its Economic Development Agent (EDA) from Holland to facilitate orders for a denim collection for Alexander McQueen, men's trousers for a German mail order company, and a small Dutch brand. INT, a company in Kocani, sent salesman samples worth nearly \$40,000 to Alexander McQueen. Assuming that the collection achieves expected sales, INT could export an additional \$900,000 for Alexander McQueen next season.

Additional buyer recruiting

MCP and its UK consultants have continued facilitating new relationships with UK buyers outside of those that visited in March. This includes Warehouse, Burberry, Mulberry, Sticky Fingers, Zara, M&S and Tesco. Warehouse, Mulberry and Sticky Fingers are considering sampling. After considerable information sharing, ZARA, M&S and Tesco have decided not to move forward with sampling or visits to Macedonia.

Activities Planned for next Quarter

- Support any buyer follow-up as necessary.

- Recruit additional UK buyers for samplings and buyer trips.

Information and Communications Technologies (ICT)

Macedonia’s ICT industry plays an increasingly important role in the economy. It is Macedonia’s fastest growing sector, with some segments—software and IT services—achieving growth rates as high as 35% a year. Employment in the sector continues to expand at an average annual rate of 13%. That said, much of the sector’s growth is focused on the domestic market, and the sophistication of domestic services is generally low. While a few companies stand out as export-ready—targeting opportunities in areas like business process outsourcing (BPO), software development and animation/entertainment content—many do not offer globally competitive services, or operate in segments that are well-developed and saturated with competitors. Further growth of Macedonia’s export-oriented ICT market will require a significant increase in the availability of skilled ICT professionals, the development of new competencies, services and products, and in many cases a change in mindset amongst the sector to welcome strategic partnerships, new investment and new management practices.

| Key Activities | Key Outcomes |
|--|--|
| <ul style="list-style-type: none"> • 45 professionals trained in Project Management Professional (PMP) program, out of which 25 IT specialists. | <ul style="list-style-type: none"> • \$300,000 in exports via fx3x • 7 new internships in ICT companies • 4 new jobs in ICT companies |

MCP’s ICT component primarily focuses assistance to forward-thinking Macedonian ICT firms interested in investing in the professional and skills development of their workforce, with the hope of establishing a sector better prepared to compete in tight global competition.

MCP ICT activities this quarter focused on project management training for ICT project managers, a skill set that many employers say is missing.

Project Management for Professionals Certification Program

Employers in the ICT and other knowledge-based sectors within Macedonia have remarked on the need for professional project managers, a gap which impacts their ability to compete globally. Project management skills play an important role in managing multi-task projects and critical to responding to the complex needs of ICT export markets. They also have an impact on the quality of consulting services and other professional services provided to companies in Macedonia.

Via the Workforce Development Component, MCP collaborated with GIZ and the ICT Chamber MASIT to deliver a training program on Project Management for Professionals (PMP), which is regarded as one of the most effective certification programs applied internationally for project management. Forty-five trainees from the ICT sector took part in the training out of which twenty five from the ICT sector. Thirty three professionals have taken the exam and 16 got PMP certification in January.

III. CROSS-CUTTING ACTIVITIES

Activities under MCP “Horizontal” Components, January – March 2011

The Competitiveness Project continued to see progress and results through its cross-cutting or horizontal components—which are geared towards addressing issues affecting multiple MCP target sectors or the growth potential of Macedonia’s wider economy. Activities carried out under horizontal components cover:

- **Access to Finance**—Helping companies obtain the financing needed to expand or upgrade, while improving internal financial management and business planning. These investments result in *new exports, jobs, and more competitive companies* able to weather difficult economic periods and thrive in a recovery market as a result of improved practices and new technologies.
- **Workforce Development**—Building a workforce better able to meet the needs of the Macedonian economy, addressing specific skills needs and achieving the standards and certifications that impact companies’ ability to capture new market opportunities and compete globally. These activities support job creation and enhancement, new exports and investment, and more competitive companies.
- **Foreign Investment Promotion**—Attracting and supporting international investors with the potential to *catalyze transformation within sectors and accelerate job and export growth*.
- **Innovation (New component introduced in FY 2011)** —Supporting Macedonian innovators through the steps needed to take an innovation from concept to commercialization, while building links to create a wider innovation ecosystem within Macedonia. These investments result in *new investment, exports, and jobs*.

Whenever possible, MCP horizontal activities support activities and outcomes within targeted MCP vertical components. The sections below present details of specific approaches, activities and achievements under each of the MCP Horizontal Components during Q2 FY2011.

Access to Finance

Finance is a critical element for the growth and development for any company. Export-oriented companies often require finance for investments in upgraded machinery or facilities or product development, as well as working capital to source inputs and engage export customers where a 90-day gap between delivery and payment is standard. Nevertheless, a World Bank study found that only 9% of companies in Macedonia approach banks to finance investments (compared with 16.75% within the Balkan region) and only 13% requested working capital (compared with 26% in the region). This is largely due to perceived unfavorable conditions (e.g. loan terms, appraisal procedures, collateral requirements, etc). Banks, on the other hand, note the dearth of bankable financial proposals for consideration.

| Key Activities | Key Outcomes |
|--|--|
| <ul style="list-style-type: none"> • Assisting 17 companies through process of packaging and submitting investment proposals. • Ongoing awareness building of financial services available to meet different financing needs. • Support Macedonian Bank for Development Promotion to introduce a new innovative financial product i.e. factoring • Expansion of the Pool of Financial Facilitators | <ul style="list-style-type: none"> • 9 companies receiving \$ 7,051,221 in new financing, resulting in \$ 11,893,395 in total investment, 117 jobs, \$ 6 million in exports • Last regional matchmaking event held in Kumanovo with over 35 companies attending • Developed MoU with MBDP & Started Procurement Process for the factoring software for MBDP • 4 new financial facilitators join the FP • Financial Platform Celebration Event delivered |

At the same time, non-banking finance, such as equity or quasi-equity finance is relatively unknown, or rejected as a possible avenue of accessing finance. As a result, local businesses often finance upgrading and expansion projects from their internally generated cash or from FFF

(friends, family and fools), rather than approaching a bank or considering equity financing. Ultimately, these companies miss opportunities to grow, penetrate markets or improve profitability.

The Competitiveness Project believes that accessing finance is often a matter of companies a) being aware of various financing options i.e. the different financial products available on the financial market; b) improving financial management and planning (e.g. corporate finance); and c) developing sound business expansion plans and bankable financial proposals. In many cases, it entails carefully thought out financial engineering and finding the financial institution or equity partner that best fits a company's needs. MCP's access to finance program works with companies through this process so they can reach their goals.

This MCP component continues to deliver impressive results in the form of new financing, investment, jobs and exports. An overview of access to finance activities and accomplishments during Q2 2011 is presented below.

Financial platform

The Financial Platform is the core of MCP's access to finance component, mitigating a challenge that so often impedes companies' growth. Conceptualized and piloted in FY 2008 in response to a clear need to address the asymmetry of available financial products and the quality of financing proposals submitted to banks, the Platform was scaled out in FY 2009. In FY 2010, it reached full maturity with accelerating results. The Platform involves a variety of activities:

Support for investment proposals

The Financial Platform uses a pool of 27 pre-qualified professional local financial advisors who collaborate with companies to clearly formulate business growth strategies, finding the financial solution that best fits those strategies, developing investment plans and producing bankable financial proposals that are submitted to banks or other sources of funding. In nearly all cases, local or regional financial advisors are used on a cost-sharing and success-fee basis, making the program sustainable and scalable. The Platform has proven itself an effective means to support new investments, leveraging between \$200 and \$450 in new investment for every USAID dollar spent in 2010.

This quarter, MCP facilitators have worked with 17 companies, of which 14 entered the pipeline this quarter. Out of the 17, nine companies have "graduated" from the platform and had their investment proposals approved by a bank or financier. The resulting \$7.05 million in fresh financing enabled these companies to invest a total on \$ 11.89 million in new products, facilities, equipment and technologies. These investments have subsequently facilitated the creation of 117 jobs and new exports of over \$ 6 million.

The results from this quarter contributed to the overall accomplishments of the Financial Platform which since its inception in 2008 has assisted 116 companies to access financing successfully in the amount of 43.78 million US\$ and invest a total of 75.85 million US\$ and create 1066 new jobs.

Expanding the Pool of Financial Facilitators

The Financial Platform started back in the summer of 2008 with a pilot phase conducted by a local consulting company. The findings of the pilot phase helped MCP design the Financial Platform and the activities under it, which very soon showed tangible results. In order to scale up the activity and boost capacity to reach out to more companies, in February 2009 the FP started working with a pool of 20 consultants helping companies access finance. In order to be able to reach out to an even larger number of companies, MCP constantly seeks to identify other consultants to join the FP pool of consultants and work with companies on packaging their

ideas into bankable projects. As a result of these efforts, this quarter four more financial facilitators joined the team of FP consultants bringing the total number to 27 consultants grouped in 6 consulting companies and 11 individuals.

Financial platform matchmaking events

As part of the promotional efforts of the Financial Platform, MCP organized a series of matchmaking and educational regional events. Such events bridge the asymmetric flow of information between financial service providers and companies, and enable companies to engage financial facilitators and financial institutions. Representatives from companies, financial institutions and consulting firms attend the events, which include presentations by participating financial institutions, MCP financial facilitators and companies that have gone through the financial platform process, and discuss how working with their advisor helped them. Often the events end with interactions between companies and the advisors, and thus, new clients.



Toni Masevski from Ohridska Banka presenting at the Matchmaking event in Kumanovo

In order to leverage funds, MCP initiated cooperation with the Austrian Development Cooperation to cost share the organization of the matchmaking events in 2010. The fifth and last such event was organized this quarter in Kumanovo in cooperation with the Kumanovo SME development Foundation. This educational and matchmaking event was aimed at companies from the Kumanovo region. Over 35 companies gathered at the event and had a unique opportunity to hear from four different financial institutions how to access finance. Among the presenters were the following:

- Macedonian Bank for Development Promotion explaining the benefit of export insurance and the credit lines with favorable interest rates;
- Ohridska banka Societe General which explained how the insurance policy of MBDP can be further used as a pledge against working capital loans;
- NLB Leasing explained how leasing and lease-back works particularly when companies lack collateral and are hence rejected by the commercial banks, and
- The Crimson Capital Foundation that presented their work and more specifically the financing they provide to companies on the basis of the contracts that they have with their buyers (purchase order financing).

The results of these events are immediate and visible on the spot. Banks are linked to companies that need their services but were unaware of some of the more innovative products that they offer. Companies approach MCP for assistance both for direct advice and for further in-depth cooperation with MCP FP facilitators. Financial institutions become more and more aware that they need to make more efforts to promote their services in front of the companies, especially the more innovative ones in order to ensure their usage.

Financial Platform Celebration event



Group photo of Ambassador Reeker with recipients of awards

As a tribute to the impressive results achieved by MCP’s Financial Platform in its two-year existence, on March 30, 2011 a USAID MCP Financial Platform Celebration event was organized. The US Ambassador Phillip Reeker awarded certificates of appreciation to the best performing FP partners that made these amazing results possible. Among the awardees were three of the best performing financial facilitators, Macedonian Development Bank representatives and managers of three companies that have shown dedication in their work with MCP and have demonstrated unique determination and passion in investing in their business, investing in new technologies, improving their management practices and thus their competitiveness on the global market. Among the 150 present in the audience were MCP Project partners, managers of companies that are current and future MCP beneficiaries, other USAID projects, financial institutions, consultants and representatives of the donor community in Macedonia.

“I congratulate the forward-thinking entrepreneurs who have shown clear decisive determination for growth and expansion, and have seen the global crisis as an opportunity rather than a challenge. The U.S. government shares the same goals with Macedonia citizens: We want to see Macedonia companies compete and win in global marketplace, to contribute to growing employment and exports, and contribute to a higher standard of living in Macedonia.”

Philip T. Reeker
US Ambassador to Macedonia

Building relations with financial institutions

MCP is committed to establishing close and long-lasting relationships with all financial institutions in the country. One of its closest partners is MBDP. Over the last year, MCP and MBDP have been developing the idea of introducing factoring as an innovative financial instrument for Macedonian export oriented companies. This important product helps companies improve liquidity, increase activity and hence profitability. The failure of the financial market to offer such a product to the Macedonian export-oriented companies has made regular operations more difficult and has forced slowdown of the companies’ activity. This is especially important for apparel companies and fresh fruit and vegetable exporters where the terms of payment of their clients often exceed 120 days and sometimes go up to 180 days. In order to correct the market deficiency and make a systematic improvement, MCP together with MBDP have made a concerted effort to introduce factoring. MCP assists MBDP by purchasing the software necessary for administering this financial product; furthermore, once the factoring product is operational, MCP commits to support MBDP in the marketing of the product by

helping them design a brochure and more importantly by co-organizing with MBDP an educational event for companies that could benefit from such a product.

Activities Planned for next Quarter

- Factoring software for MBDP purchased and installed;
- Support MBDP in the development of the marketing plan for factoring;
- Support MBDP in the implementation of the marketing plan: develop factoring brochure and start planning educational events for companies;
- Facilitators continue working with companies helping them access finance successfully
- Initial talks and planning activities for a potential round table for pool of facilitators, EBRD and Ohridska Banka on the energy efficiency credit line.

Figure 4: Q2 FY11 Approved Financing

| Sector | Reason for Financing/ Investment | Approved Financing in US\$ | Total Investment in US\$ | New Exports in US\$ | jobs |
|--|---|-----------------------------------|---------------------------------|----------------------------|-------------|
| Light Manufacturing | new facility plus equipment | \$110.200,00 | \$1.270.200,00 | \$555.556 | 25 |
| | new facility | \$290.000,00 | \$1.160.000,00 | - | 2 |
| | working capital | \$130.500,00 | \$217.500,00 | \$66.667 | 2 |
| | equipment and land for new facility | \$362.500,00 | \$507.500,00 | \$1.111.111 | 10 |
| | new facility | \$464.000,00 | \$2.001.000,00 | \$466.667 | 10 |
| Sub-total | | \$1.357.200,00 | \$5.156.200,00 | \$2.200.001,00 | 49 |
| Agriculture and food processing | new equipment | \$246.500,00 | \$290.000,00 | \$1.333.333,00 | 9 |
| | expansion of premises | \$5.075.000,00 | \$5.800.000,00 | \$1.070.638,00 | 45 |
| | cooling chamber | \$290.000,00 | \$435.000,00 | \$1.333.333,00 | 9 |
| | new production line | \$82.521,00 | \$212.195,00 | \$133.333,00 | 5 |
| Sub-total | | \$5.694.021,00 | \$6.737.195,00 | \$3.870.637,00 | 68 |
| Total | | \$7.051.221,00 | \$11.893.395,00 | \$6.070.638,00 | 117 |

Workforce Development

Although Macedonia suffers from an unemployment rate as high as 36%, companies (and investors) often complain about a permanent shortage of talented employees and candidates. This disconnect between supply and demand of workers is a serious impediment to companies' ability to compete in a global economy, to the point that skills shortages are widely acknowledged as the most critical issue facing the growth of Macedonia's economy. The shortages are particularly acute in highly skilled, knowledge-based, innovative and technological areas crucial to growth-oriented industries such as ICT, but also hinder competitiveness in traditional sectors like light manufacturing and apparel.

| Key Activities | Key Outcomes |
|---|---|
| <ul style="list-style-type: none"> Regional promotion of My Career activities in Tetovo and Stip Trainings on writing and communication skills and mentorship trainings in Skopje, Prilep, Zito Luks Procredit bank and American College GCDF ToT workshop and certified GCDF Trainers | <ul style="list-style-type: none"> Total of 663 students, and 13 new companies registered on www.MyCareer.com.mk Total of 106 internship placements and 105 permanent jobs facilitated through My Career My Career NGO sold 34 packages worth \$5,153 Collected \$830 from selling individual services 12 GCDF Trainers Certified |

Skills shortages also undermine efforts to attract investment. While tax incentives and low production costs can help attract international companies to Macedonia, the availability and trainability of its workforce often play a large role in the final decision process. If a company considering Macedonia as an investment location feels it must use significant resources to train employees to meet its skills requirements, it may choose to locate where a workforce with the required skills already exists.

MCP's Workforce Development Component uses systematic and market-led solutions to "fix the broken links" between what businesses need and the workforce can offer. It uses engagement with the market, employers, and training/education institutions to identify skills gaps and design programs that either provide individuals with the training and experience needed to be more productive members of the workforce, or help improve the quality, availability, delivery and market orientation of training and education services. These activities can be geared towards improving the overall competitiveness of Macedonia's labor pool, or address issues related to an area of market growth or a specific investment opportunity.

This quarter, activities in workforce development continued its focus on implementing the sustainability plan for the MyCareer internship and job placement initiative, specifically by selling services to earn revenue, certification training in project management, and introducing the first generation of Macedonian trainers in career counseling.

An overview of activities and accomplishments during second quarter of FY 2011 is presented below.

National Internship and Job Placement Program (NIJPP) new business model

Throughout FY 2010, the MCP Workforce Development team worked to develop a sustainable business model for MyCareer. After conducting interviews with key stakeholders such as companies, universities, chambers of commerce, associations and government ministries, MCP decided to spin-off MyCareer into an NGO that would charge companies, universities and possibly intern/job applicants for its services. The MyCareer team developed a variety of service packages to be offered to employers and started sales efforts to gain initial customers and created a variety of other revenue sources. In addition to internship placements; Global Career Development Facilitator certification program, HR recruitment services and organization development services will be part of the portfolio to be offered as new services to users. The first services will be offered as training in large groups or as one-to-one consultancy/counseling about the client. As for the HR recruitment service,

the companies are given the possibility to outsource the entire recruitment process to MyCareer experts starting from reviewing the CVs to writing job description, as well as evaluation of the internship experience.

To achieve this, the new MyCareer organization has built sales and customer service departments. On the sales side, Macedonia has been divided in three regions with MyCareer employing regional sales managers for each of the Western, Central and Eastern regions of Macedonia. In addition, a senior Business Development Manager was hired to sell packages in the Skopje region and to train and mentor the salespeople in the field.

The customer service department includes the following positions: project assistant, training coordinator, and an intern responsible for processing the internship contracts.

Recruitment of additional staff

Throughout FY 2010, the MCP Workforce Development team worked to develop a sustainable business model for MyCareer. After conducting interviews with key stakeholders such as companies, universities, chambers of commerce, associations and government ministries, MCP decided to spin-off MyCareer into an NGO that would charge companies, universities and possibly intern/job applicants for its services.

To achieve this My Career promoted a national concept, dividing Macedonia in three regions, Western, Central and Eastern region of Macedonia.

In addition to the present staff, two Regional Managers for Western (Lumturije Mehemedi) and Eastern part (Igor Delov) of Macedonia have been selected and employed. The main responsibilities of the regional managers are to sell the subscriptions to clients (companies, educational institutions and other interested subjects) and to provide customer care by monitoring the delivery of contractual services with clients. Business Development Manager (Biljana Velevska) was hired as well to sell subscriptions in the Skopje region and to train and mentor the regional managers.

My Career Strategic Planning Workshop

The workshop was organized from January 31 through February 1, 2011. The objective of the workshop was to develop a strategic plan of where the organization should focus its resources in the up-coming year as well as to develop a detailed plan of activities that need to be implemented in this quarter.

The entire My Career team took active participation in the group discussions for My Career services, target groups, their needs and our products. There was a discussion on the organization structure, roles & responsibilities, contracts, reports and internal communication. The second part of the workshop included development of rough strategic framework to develop sales process and sales skills of My Career team.

The main conclusions from the workshop were the following:

- My Career should act as a national program with local presence;
- There is a need to add new services to our core business concept (internships) , such as consultancy and training on related topics ;
- Focus on the real contact (off-line) while educating users to switch to more modern concepts (on-line);

Income

As of September 30, 2010, when the MyCareer NGO had been established and registered, total of 55 packages worth \$10,967 and \$2,581 in individual services were sold to employers. In early 2011, MCP plans to further expand its sales force and build a pipeline of MyCareer clients.

Promotion of My Career activities in collaboration with the Municipality of Tetovo



Promotion of My Career services in Tetovo

On March 16, 2011, My Career, in collaboration with the Municipality of Tetovo, Local Economic Development Unit, organized a promotional event in Tetovo, presenting the activities of My Career regarding internship and job placement. The aim of the event was to inform local companies about the possibility to use our services as a tool for selection and test of their potential employees, saving time and money.

The chief of cabinet of the Mayor of Tetovo delivered welcome speech and Mr. Nimish Jhaveri, MCP Chief of Party explained the benefits of the program. In addition there was a presentation of all activities and short presentation of the portal. There were more than 30 companies present at the event that expressed high interest for My Career products.

Collaboration with the Municipality of Stip

Following the successful model of collaboration with the Municipality of Tetovo, on March 29, 2011, My Career, organized a promotional event in collaboration with the Municipality of Stip. The speaker of the Municipality, Ms. Milena Ristova – Mihajlovska and MCP Deputy Chief, Ms. Jasminka Varnalievva welcomed the audience. More than 20 companies and several vocational schools were present at the event and they were informed about My Career activities and benefits of the program, if they become beneficiaries of the services. In addition, the Regional Manager for the region was introduced to them as My Career contact person.



Biljana Velevska of My Career and MCP DCOP Jasminka Varnalievva at the promotion event in Stip

Collaboration with YES INCUBATOR

My Career held a presentation of its activities on March 11, 2011 at Yes Foundation at the Entrepreneurship training organized by the Foundation. The benefits for companies from using My Career services were explained and the features of My Career portal available for companies were presented.

Collaboration with educational institutions

Collaboration with Vocational High Schools

As part of promotional activities, on March 3rd, 2011, My Career organized presentations on the Program in the vocational schools in Tetovo, the Economic High School “8mi Septemvri” and the Chemical-Textile High School “Goce Stojceski”. Seven presentations were held for over 200 students, explaining the benefits of My Career for students and explaining the portal features available for students.

Trainings in University American College

The outcome of the meetings with representatives from University American College-Skopje, was the agreement that My Career staff will deliver trainings on writing CV and motivation letter for the students at first year of study and training on communication skills and job searching strategies for the students at second and third years of study, in total for approximately 400 students. The trainings have been delivered in March and will continue in April. So far, the feedback received from the students is very positive; they find these trainings very useful. The trainings are interactive and students are actively involved in the discussions, providing comments and asking questions.

Trainings for interns and companies

My Career has started with intensive implementation of post-sales activities for the clients, including trainings on communication skills for interns, training on Internship Methodology for mentors from the companies and trainings on soft skills for employees from companies. Besides for companies in Skopje, two trainings were organized for interns and mentors from companies in Prilep (Fashion Link, Laminati com, Rojtem DOOEL, Preda Plus, Kuli) as well as one day training on communication skills was organized for the interns in Zito Luks and one day training on soft skills for employees in ProCredit Bank. In addition, companies that participated in the trainings were Winner Viena, Eos Matrix, Croatia Insurance, etc.

Law on Internship

On March 1, 2011, the Ministry of Labor and Social Policy in collaboration with MCP organized a presentation of the comparative analysis before all stakeholders, including the representatives of the Ministry of Education and Science, National Employment Agency, Federation of Employers, Chamber of Commerce etc. After the discussion, it was decided to translate the comparative analysis and send it to all subjects for a review and additional recommendations. The final product should be a separate Law on Internship, on the basis of the recommendations provided, that is expected to be drafted by the end of this year.

GCDF Certified Trainers

According to the criteria provided by the CCE (Center for Credentialing and Education), MCP has selected 12 GCDF Trainers out of the 28 certified GCDF consultants and on February, 28, 2011, organized a one-day workshop on the GCDF Training of Trainers Manual as part of their training certification. In addition, all technical procedures that should be followed when delivering GCDF trainings were discussed at the workshop as well as the use of logo and GCDF intranet as an internal communication tool. The next step is to fill out the data base for GCDF Trainers and send it to CCE and EBCC (European Board of Certified Counselors) for preparation of GCDF Trainers certificates and signing contracts for collaboration with the GCDF Trainers.

EBCC and GCDF annual conference in Lisbon

From March 3-6, Visar Ademi and Lidija Damceska attended the EBCC (European Board of Certified Counselors) Partners conference organized in Lisbon, Portugal.

The objective of the conference was to reunite the NBCC (National Board of Certified Counselors) national offices and to share experiences with countries that have already implemented GCDF program (Global Career Development Facilitator) in their respective countries. Besides EBCC partners from Bulgaria, Romania, Germany, Greece, Italy, Turkey, Portugal and Taiwan, representatives from CCE (Center for Credentialing and Education) and NBCC (National Board of Certified Counselors) from the U.S. participated.

Besides the individual meetings with Dr. Andreea Szilagyi, EBCC Associate Vice President, and discussions about the GCDF process and progress in each country, there were many useful presentations:

- Design Thinking Workshop for participating in new ways of thinking and working to identify opportunities and create holistic solutions;
- Possibilities of accessing European funds and develop common European projects;
- BeMis (the Behavioral Management Information System) implementation process and procedures, as a new career matchmaking tool for identifying relevant character and personality attributes;
- Portability for GCDF certificate
- Facebook, Twitter, Blog&Co—The role of virtual social networks for recruitment
- Implications of the Polarization of the Labor Market—the demand and the supply side of the problem

In addition a new GCDF logo and new CCE web site were introduced, as well as new certificate in coaching.

Industry Led-Education Partnership Program

Light Manufacturing

The Competitiveness project has worked with the Auto-Moto cluster to identify essential courses to be inserted in the curricula of some of the vocational schools for cluster members to the workforce they need. For this reason, the project has worked closely with some companies such as RUEN and TC Learnica to identify the skills and know-how they would like included in the formal academic programs of these schools. Secondly, the project has approached the VET Centre to partner with us so we have the institutionalization of the proposed curricula.

On March 24, 2011 the Project organized a multilateral meeting in the business offices of Ruen, Kocani, including representatives of municipalities of Kocani, Vinica and Stip, who gave their full support for revision of the curricula in the vocational schools of their cities. It was agreed that a MoU between the project, the Automotive cluster and these Municipalities should be signed in order to formalize the process. Meanwhile, the VET centre has agreed that outcomes from the meetings of the experts of the working groups will be stamped by the institution and the Ministry of Education if needed.

Activities Planned for next Quarter

- Organization of the fourth e-Career Fair in April, 2011.
- Continued trainings on employment portfolio and job search strategies for students at University American College.
- Continued active regional promotion in targeted municipalities (Bitola, etc), high schools and faculties to present the benefits of the program.

Foreign Investment Promotion

Foreign investment enables a country like Macedonia to quickly generate new jobs and exports, while benefitting from transformational global market linkages, technology and knowledge transfer, domestic supply chain development and upgraded skills base.

Macedonia should be well-positioned to attract new foreign investment. Not only has the Government enacted a favorable legal and incentive regime, but the recent economic crisis has caused global companies to investigate new investor-friendly and lower-cost locations to make their supply chains more competitive. Furthermore, Southeastern Europe, including Macedonia, is an emerging investment destination considered by many investors in Europe, and further east as Asian companies look to gain proximity and duty-free advantages to penetrate the EU market.

| Key Activities | Key Outcomes |
|---|---|
| <ul style="list-style-type: none"> Continued mobilization of EDA network following up on existing FDI leads and generate new export leads. Continued collaboration with Invest Macedonia and Minister of Foreign Investment to attract and support investment. Continued support for pending logistics and agribusiness investment | <ul style="list-style-type: none"> EDA finalization of \$1,4mil of full package shoes export. New contract under negotiations. Indian pharmaceutical investment moving per schedule and expected to be realized in 2011. JV with local partner registered and final visit planned for April. Progress under joint venture with investment in integrated organic agriculture. Logistics investment expected to be realized in 2011 |

Despite these opportunities, Macedonia remains off the map for many, and little-known by others. With the right pitch and support, these investors could make Macedonia their home. The Competitiveness Project's Foreign Investment program has supported Macedonian efforts to attract investments likely to significantly increase employment and export growth or have a transformative effect on the Macedonian economy. MCP's efforts go beyond the green field investments targeted by Invest Macedonia and include joint venture and strategic partnerships in local companies. The Project has focused on developing a pipeline of potential investments via a network of economic development agents (EDAs), servicing potential investors and collaborating with the Government of Macedonia's investment promotion efforts when opportunities arise.

This quarter involved maintenance of a series of FDI leads generated over the past months and year, including a pharmaceutical investment, agribusiness investment and ongoing lead generation via the MCP EDA network and collaboration with Invest Macedonia and the Minister of Foreign Investment. Even though a project decision has been made to stop further work on new investment opportunities, the MCP staff has noticed increased interest generated through the agent network specifically for JV opportunities and is carefully evaluating the same. Apart from the follow up on existing investment leads, the project has been focused on utilizing the network for export opportunities.

An overview of foreign investment promotion and export activities and accomplishments during Q2 2011 is presented below.

Economic Development Agent (EDA) Network

To increase the flow of potential investor leads, MCP mobilized a network of professionals in Macedonia and abroad (e.g. presently in India, Israel, Netherlands, Slovenia and UK) tasked to identify contacts interested in investing in Macedonia (direct investment, strategic partnerships, joint ventures, or M&A). MCP has used a tiered incentive scheme where agents are compensated based on the quality of leads generated and the outcome of the actual leads. While compensation for a specific qualified lead is relatively small, the compensation for a lead that becomes an actual deal is much larger. Once leads are generated and qualified, MCP works with the EDAs to develop a plan and offer investors specific services, as appropriate.

These EDAs are also tasked with attracting exports—using a smaller compensation scheme than investment—as experience has shown that many potential investors start looking at a country through the lens of a buyer.

This quarter, further progress was made to facilitate a pharmaceutical investment. In FY2010, MCP organized a visit for three pharmaceutical companies from India interested in Macedonia as a launching point for regional and EU sales, and a possible location for investments in packaging and production. After the visit, the Indian companies identified a local company for sales and distribution and a potential green field site. This quarter the JV company “Indomak Ltd.” was established, allowing the partners to move forward with registering the initial batch of products to be sold in the region. In the next steps the MCP will help organize a visit by the three pharmaceutical companies to finalize registration of the company (final signing of documents) and products. During this visit the companies will also have strategy planning meetings with regional distributors on sales and marketing, as well as activities to move the investment process forward. It is envisioned that the investment will be in the FEZ Bunardzik.

This quarter was also the end of one activity facilitated by a MCP EDA based in the Netherlands. An agent for a multi-brand shoe buyer joined MCP to inspect Macedonian capacities and started collaboration with local supplier Rosse Rosse. As the order was for full package production, MCP also offered Financial Platform support to help the local company with their working capital needs. Spring/summer season production was finalized with 45,000 pairs of shoes delivered to the buyer, an export value of \$1.4 M of full package production. Supply for the next season (autumn/winter) is under negotiations.

Additionally, two more leads in agriculture have been identified by the Indian EDA. Both companies are linked (one is a producer, the other a processor) and have had initial meetings with the Macedonian Ambassador in India and the Indian-based CEP. The MCP plans to work closely with InvestMacedonia on this project as it is linked to supply of land for fruits and vegetables production and identification of a local partner for the processing of excess produce. Production will export to the EU, North and South America and the Middle East where the Indian companies have a ready market. The plan is to arrange a visit in May 2011.

The MCP also facilitated a matching process between an Indian movie production company and a potential local service supplier. The company is looking for an alternative country to shoot movies (they are currently in the UK) that would be financially suitable. The MCP helped the local company provide feedback and define a concrete offer for the Indian producer.

Monitoring of logistics park investment

The Project continued facilitating the ongoing logistics investment initiative involving a global real estate company.

Previously, the Government identified an alternative plot of land that would be suitable for the investor’s project. The investor drafted a site plan, and the Government now working on the detailed urban plan, a draft of which has been reviewed by the Investor.

The Investor’s team made two trips to Macedonia last quarter to learn the details of implementing the project. They met with Johnson Matthey and Johnson Controls to understand the problems experienced in the construction of their plants; met with several building contractors and established baseline costs for constructing facilities in Macedonia; engaged utility companies (EVN, Gamma, etc.) to understand the costs and timing of needed infrastructure; and had discussions with the Municipality near the project on development of other infrastructure (water, sewer, etc.). The Investor also engaged a local lawyer and established an office in Macedonia and engaged a local consulting firm to perform a site survey and provide a detailed breakdown of potential implementation costs for land preparation (grading, etc.), establishing basic utilities and independent sources of water and sewer.

Colliers/KMS visited Macedonia this quarter in February to make a final assessment of the construction requirements and understand the tender process. They met with the DPM's office, the Mayor of Petrovec, Johnson Matthey & Johnson Controls and various construction companies. During this quarter the urban plan for the site was developed and the process for its approval was completed.

Colliers' local financial partner experienced business uncertainties and as a result Colliers initiated discussions with several other parties for alternative sources of finance. USAID (Marga Lipkovska Atanasov, and Joseph Lessard) and the US Embassy (Darren Hulttman) met with one of these potential partners at the partner's request. The partner was assured of MCP's involvement and support for the project. However, the political uncertainties of the election for this investor proved too much of a barrier to making an investment decision in Colliers' favor.

The election slated for this June is likely to delay the tendering of the land till later in the year, since there is a moratorium on all government projects 60 days before the election and after the election, until the new Government is confirmed.

Activities Planned for next Quarter

- Continued support for pharmaceutical, organic agriculture and logistics parks investment.
- Follow-up on existing FDI leads.
- Facilitate exporter/investor visits.

Innovation Center

Macedonia has yet to harness the widespread benefits of innovation and has gaps in total R&D spending and within the private sector, when compared to other countries at similar levels of development. The private sector has limited capacity and know-how to develop, “package” and commercialize new innovations. Furthermore, Macedonia lacks an effective environment for supporting innovators and offering the services needed to move from concept to business.

In FY 2010, MCP launched the Innovation to Business (I2B) initiative, or Innovation Center, to help Macedonian innovators bring their ideas and new products to market. The Innovation Center links innovators and partners within Macedonia and abroad to access the knowledge, resources and relationships needed to take an innovation from concept to commercialization.

| Key Activities | Key Outcomes |
|---|--|
| <ul style="list-style-type: none"> • Attracting pipeline of Macedonia innovation projects • Developing the eco-system • Collaboration in the creation of Innovation Development Fund. • Actively supporting the W2E project • Actively supporting 4th mobile operator in Macedonia • Start activities for Establishing the first MKBAN (i2BAN) • Creating the pool of IAs | <ul style="list-style-type: none"> • 15 new innovation projects • Dutch telecom company opened one more office and hired 11 people so far and in this quarter invested \$300K • Implementing the project plan Terranova (W2E) • Defined Contracts that reflects clearly defined IC processes • Developed Business Plan for the BAN • 18 new Innovation Advisors signed contracts |

To date, MCP has focused on rapid roll-out of the innovation initiative, including initial staffing and development of systems and processes for managing the center and facilitation of high-potential innovations. FY 2010 efforts in this regard were very successful, as two innovation projects, worth millions of dollars in investment and/or royalty fees, were brought to advanced stages.

An overview of innovation center activities and accomplishments during Q1 2011 is presented below.

Develop contracts that reflects the defined process for serving clients

The Innovation Center (IC) has collaborated with a law office to develop contract templates to lay out a defined process and protects IC from innovators’ misbehavior. Templates include an umbrella contract for Innovation Advisors (IAs) and a contract to be signed by Innovators and the IC. The Center and the law office also prepared the General Terms and Conditions of the IC. These documents were all translated into Macedonian.

Supporting and overseeing the projects which come through the innovation center

Two innovation opportunities have reached the advanced stage:

- World Teleconnect International (WTI) has established operations in Macedonia and invested in the infrastructure needed to offer telecom services as part of a joint venture with a Macedonian firm. WTI has an expanded office in the new business center GRAWE and is negotiating with local telecom service providers to offer routing services. With help of the Innovation Center, WTI was able to obtain all the required licenses to start operations as well as establish partnerships with many Macedonian companies. Their investment this quarter amounted to \$300,000, and they hired six people bringing the total number of employees to 11. They are about to start providing VoIP services, and later, fixed telephony, mobile and Internet services.
- *Macedonian waste-to-energy (W2E) innovation.* The Innovation Center continued to support a Tetovo-based innovator who has developed a cavitations technology that converts urban waste into various by-products that can be used to create energy. After establishing a relationship with a UK-based renewable

energy investment company, MCP facilitated communications and negotiations between the investment company representative and the Macedonian innovator. Despite various challenges, both parties reached an agreement for a deal with multimillion-dollar potential where the Investor would license the technology and work with the Innovator to develop a full-scale prototype that, once mainstreamed, would be included in large global waste-to-energy projects. This quarter the investor and his team prepared the project plan for the first year (Project Terranova); the first few months are filled with project tasks to be done in UK through Falcon Power. They have constructed the team, provided the finances, and soon the project shall start in Macedonia. Some important issues—such as an escrow account and the actual sketches of the machine—are yet to be agreed upon, and the Innovation Center is facilitating this process. Both sides are anxious to start work, and the IC role is perceived as paramount from both parties.

Activities toward expanding network of Innovation Advisors

This quarter, the Center focused on expanding its pool of Innovation Advisors and its full-time staff. For this purpose, the IC published an ad in the daily newspaper Kapital, looking for consultants who have experience in the field of innovation commercialization. Of 40 applications, 30 were selected for a short introductory meeting, which was held on February 28, 2011. After the meeting, 18 people agreed to sign IA Umbrella Contracts. Most of them already have projects they would like to work upon. The Center is working on a commercialization curriculum for these professionals.

Activities towards for promotion of IC services aimed to identify new projects (innovations) in the pipeline

The Center published an ad on February 15, 2011 in the daily newspaper Dnevnik, garnering 15 potential projects and test results. All applicants were invited to an informational meeting on March 18, 2011. Their projects are in the following fields: Solar Energy, Telecom, Chemistry-Fire Suppression, Explosive Detection, Lighting, Pharmaceuticals-Skin Cancer, Aeronautics, W2E, Software Development and Agricultural Business. If they accept the IC terms and conditions, we will assign them an Innovation Advisor.

Starting the business angel network (i2BAN)

The creation of the first Macedonian Business Angel Network (BAN) is one of IC's activities to bridge the gap of non-existing risk capital in Macedonia. During this quarter, the IC established contact with the General manager (Blaz Kos) of the Business Angel Network of Slovenia, who has also been directly involved in the creation of the BAN in Croatia (2008) and the BAN of Serbia (2010). His experience as well as understanding the regional specifics were deciding factors for the IC to hire him as a consultant. He visited Macedonia in March to work with the IC on the business plan of the Macedonian BAN. The result was a 45-page plan, clearly listing resources, market research, action plan, roles and financial projections.

The intent is to create regional partnerships of the BANs, prepare internationally oriented companies, and present them to regional investors.

The IC team also offered the position of President of Business Angels Network in Macedonia to Ljupco Zikov, general manager and owner of Kapital Media Group, which targets business issues. He accepted the offer, making himself and his resources available to the Innovation Center.

The BAN Action Plan will focus on:

- Creation of BAN's corporate identity as well as marketing materials and marketing campaign targeting both entrepreneurs and business angels
- Establishing partnerships with incubators, business start up centers, chambers of commerce, etc
- Selection of best business plans and readiness courses for entrepreneurs so they will be prepared for investment
- Preparation of legal framework

- Organizing investment dinner
- First investment, expected within one year

Activities Planned for next Quarter

- Supporting development of WTI's investment in Macedonia
- Monitoring and supporting the project development for the waste-to-energy project in collaboration with Innovator and Investor
- Creation of a curriculum and establishment of regular trainings for innovators and innovation advisors
- Developing websites and online communication for our services
- Support establishment of the Innovation Fund
- Support other innovations in the pipeline
- Implementing the action plan for the business angels' network i2BAN.
- Constant development of our pipeline, projects from innovators and entrepreneurs
- Creating partnerships with many institutions, organizations and individuals (development of the ecosystem)

IV. KNOWLEDGE MANAGEMENT

Communication and Outreach

The Competitiveness Project carries out an ongoing Communications and Outreach (C&O) program to introduce new business models and export development concepts and raises public awareness of MCP approaches, activities and achievements. The C&O component uses a variety of communication and outreach tools, including holding public events and conferences, producing and disseminating information via promotional materials, newsletters, success stories, white papers, and the MCP project website. Press releases and press clippings about MCP's work are submitted to USAID on a monthly basis. In addition, MCP is providing regular contributions to USAID and RCI newsletters. Information on C&O outputs by specific outreach medium is provided below.

MCP Project website

The Project web site: www.mcp.org.mk is updated regularly, by posting relevant content in the news and events section for the Project activities. It offers a wide range of information about project events, project announcements, project success stories, presentations and press clippings.

Success stories

MCP publishes success stories to share information about specific accomplishments of the Project or companies and organizations it works with. Three success stories celebrating the successes of MCP Financial Platform were produced this quarter.

Two success stories were updated with current information on the latest developments of MCP pioneer companies participating in the financial platform that were awarded certificates of appreciation: Zavar and Te-Te Plast. The third success story entitled "Financial Platform builds market and local capacity for advisory services" focusing on the transformational effect MCP has on the Financial consulting services market.

MCP Newsletter

MCP printed the third issue of Macedonia Competes newsletter - “the Positioning Issue” in February 2011. This issue focuses on MCP market linkages activities; the recent successes achieved by our partner companies and portrayed some of our most successful partners, including digital animation company - fx3x, plastic balls maker - DemaStil, machine tools and plastic injection mold maker TE-TE Plast, and pellet stove maker – Evergreen Energy. The newsletter also has a sort of lessons learnt or “educational” piece advising Macedonian companies which mistakes to avoid in their market linkages efforts.

Thought Leadership Articles in Kapital

The long term cooperation with Kapital established in the early stages of the MCP was especially fruitful this quarter. An extensive article on MCP Financial platform achievements and results and announcement of the MCP Financial Platform celebration event was printed in Kapital business weekly on March 25. The article “USAID helps Macedonian companies think differently about the finances” told the story through the experience of Tehnokoop, Skopje based furniture maker, the 101 company that received finance with the help of USAID MCP Financial Platform consultants.

In the same issue of Kapital on March 25, an article promoting the newly established MCP Innovation Center’s “Business angels Network” was published. The third article in Kapital this quarter featured an interview with Blas Kos, the Manager of Slovenian Business Angeles Network that MCP hired to introduce this new financing concept for innovative ideas in Macedonia.

MCP Public Events

The Project regularly organizes communication and outreach events to raise awareness or enhance effectiveness of specific initiatives. An overview of these events this quarter is provided below:

Presentation on accessing finance

Within MCP’s Financial Platform, another regional matchmaking event was organized in Kumanovo on February 11, for companies of the greater Kumanovo region. The event had good attendance of local companies. Presentations were made by financial institutions, who promoted their new and innovative products and services and financial facilitators, who described their role in facilitating access to finance for companies. This event received media coverage in all local media in Kumanovo.

Third Macedonia – EU Apparel Buyers week

During the three week Apparel Buyers Week in March more than 25 Macedonian apparel companies met to discuss possible export deals with six buyers from the United Kingdom, Norway, Spain, Holland and Germany. They are all interested in extending their supplier base to include Macedonian apparel producers. This third Macedonia - E.U. Apparel Buyers Week was organized by the USAID Macedonia Competiveness Project (MCP) as well as the Dutch Center for Promotion of Imports from Developing Countries (CBI), the German Technical Cooperation (GTZ), the Swiss Import Promotion Program (SIPPO) and the Macedonia Textile Trade Association. Press release summarizing the results and outcomes of this buyer’s week will be released in April.

Financial Platform Celebration Event

The US Ambassador to Macedonia, Philip T. Reeker joined USAID Competiveness Project, Macedonia business community, financial banking institutions and financial consultants, to acknowledge the champions facilitating new investments in Macedonia companies on March 30. The Ambassador handed certificates of appreciation to the best performing financial consultants and investment oriented companies. Tehnokoop, Zavar, Te-Te Plast was the companies acknowledged along with the best performing consultants: Simon Avramovski, Blagoja Milosevski and Goce Mojanoski. A special certificate of appreciation was awarded to the Macedonian Bank for Promotion of Development as a long standing partner to MCP. The event was well attended with over 150 participants, and extremely well covered in all national electronic and printed media. A total of 11 TV crews were present at the event, including six of the top seven national television networks: A1, Channel 5, MTV, Alfa TV, Alsat –M, Telma. Articles about the event were printed in all national newspapers, including: Dnevnik, Kapital, Nova Makedonija, Vest, Biznis, Vecer.



Toni Bozinovski of Tehnokoop giving statement to media

Media outreach

The Competitiveness Project regularly uses Macedonian national and local media as a tool to deliver messages to the public, and gain greater public awareness of the Project's activities, concepts, achievements and results. Over the course of the second quarter of FY11, MCP activities and achievements were featured in national television shows and newspapers. Public events, conferences, and presentations organized this year (outlined in the previous section) received extensive media coverage in major national printed media. This includes Kapital daily, Kapital weekly, Dnevnik daily, Utrinski Vesnik daily, Vecer daily, Biznis daily, Vreme daily. Also major national television networks covered MCP events, including Kanal 5, Sitel TV, Macedonian National Television (MTV), Telma TV, A1 TV, Alfa TV, Alsat M, Sky Net, 24 Hours News, AB Channel, and others. Two press releases announced the third apparel buyers week and MCP Financial Platform celebration event. Press clippings on MCP visibility in the media are compiled and submitted to USAID on monthly basis. They are also available for download from the MCP web site.

Specific examples of media interviews and major newspaper articles this quarter include:

- On February 11, Mirjana Makedonska, Access to Finance Manager gave an interview for all major local TVs, radios and newspapers in Kumanovo about the MCP Financial Platform financial services.
- On February 04, MCP Innovation Center Manager, Zarko Pop-Iliev gave a statement printed in Kapital business weekly on the topic of importance of commercialization of innovations.

- On March 11, an article promoting the work and latest successes of one of MCP's major partners in the Light Manufacturing component - TE-TE Plast, was printed in Kapital weekly.
- On March 25 an interview with USAID MCP hired consultant Blas Kos was published in Kapital business weekly. The interview focused on the Slovenian experience of Business Angels Network model.
- On March 25 an extensive article on USAID MCP's Innovation center Business Angeles Network was published in Kapital weekly, promoting this new concept in Macedonia as financing source for new innovative ideas.
- On March 25 promotional article celebrating the achievements of MCP Financial platform was published in Kapital weekly, as well as announcement for the Celebration event with the US Ambassador to Macedonia Philip Reeker.

“Macedonian Television has long lasting cooperation with USAID ever since the Mission was established in 1994. Being a public service we are always interested to present our audience with most accurate information about the support the U.S. and USAID is providing to Macedonia. We are especially happy with the collaboration we have with the USAID Competiveness Project. We appreciate the high level of professional approach MCP staff is deploying in organizing a great number of live interviews and live guest shows. When we deal with MCP we know that we always will have relevant topics and guests, well prepared interviewees, and a good story delivered to the public. “

**Eli Josifovska, Editor in Chief in
Macedonian Television**

Performance Monitoring Update

Overview

The Competitiveness Project monitors to measure overall impact and ensure it is focusing resources on the most cost-effective areas, and make appropriate, timely adjustments. The monitoring and evaluation system is a vital tool for measuring the impact of project activities on firms and supply chains in the targeted sectors, making it an important instrument, not only for project reporting, but equally so for project management. Project activities outlined in this work plan are organized around measurable project performance targets (see *PMP Table below*).

The monitoring and evaluation system incorporates different methods to measure the outputs, outcomes and impact of MCP activities, such as interviews, surveys, regular relationships with the client companies, updated company profiles, etc. The system tracks updates on all PMP indicators, such as sales, exports, number of employees, new capital invested, etc. Regular visits and good relationships with client companies are essential to get updated information on the results of project interventions. All companies and individuals benefitting from MCP activities are required to fill in simple questionnaires prior to and after the completion of the intervention providing data to be captured and tracked in the project PMP. This information serves as a feedback mechanism to guide project management and implementation, and monitor the popularity and use of specific activities and programs. The PMP indicator in FY11 chart has been updated to incorporate the recommendations from the evaluators performing the mid-term external project evaluation in March 2010. The new PMP table with the revised indicators and targets can be found below.

MCP FY11 Q2 progress against Performance Monitoring Plan (PMP) Targets

Although the economic crisis is still impacting Macedonian economy, MCP performance against its PMP indicators shows results across the board. A review of performance under each indicator is provided below.

- 1) ***Number of firms receiving USG assistance to access bank loans or equity***—14 companies have engaged MCP to work out business and investment plans necessary to access finance. Halfway through FY11, MCP is on the brink of achieving the target for the whole of FY11. While the financial crisis is impacting the overall provision of credit in the Macedonian economy, the crisis has not had a large impact on the MCP Financial Platform; in fact, banks have shown a preference for well-defined and professionally developed financial proposals from MCP clients.
- 2) ***Number of firms that successfully accessed bank loans or private equity as a result of USG assistance***— 9 companies accessed finance as a result of financial platform assistance, totaling \$7 million. This quarter the success rate of companies accessing finance remained very high at 64%. The results are very exciting, especially given the tight credit conditions within the market.
- 3) ***New capital invested in Macedonian firms, through project interventions***—MCP activities contributed to a total of \$12.19 million invested in Macedonian operations. This includes investment facilitated through the Financial Platform, foreign direct investment initiatives and other activities.
- 4) ***New capital invested in Macedonian firms by external agents, through project interventions***—MCP activities facilitated \$300,000 a new external (foreign) investment in a new telecommunication network operator this quarter. This is the second batch of the initial investment, whereas the total amount of the investment is \$4 million, and will be realized over the course of 2011. Bulgarian investment of \$1.16 million was utilized through a Financial Platform intervention in a new facility for production of briquettes in Krivolak. MCP is facilitating a \$10 million logistics park investment involving a U.S.-based real estate company that could be realized this year, pending successful negotiations between the Government of Macedonia and potential investors over the land tender.
- 5) ***Number of firms receiving USG assistance to improve their management practices***— 21 companies received technical assistance aimed at improving management practices. These companies were provided advice on improving business and financial management (often restructuring internal management

processes and systems as a result) as part of the Financial Platform. Also this indicator incorporates companies who received training in new HR management practices in mentorship.

- 6) **Number of firms receiving USG assistance to invest in improved technologies**— There were no investments in new technologies this quarter.
- 7) **Number of firms that have implemented new management practice or technology**—(This is a new indicator introduced post-project evaluation. The data for this indicator will be collected and reported on annual basis, through surveys conducted among the companies and reported under indicators 5 and 6.)
- 8) **Number of new jobs**—MCP activities helped create 228 new jobs, mainly as a result of business expansion projects supported with the Financial Platform, and as result of the internship transferred in jobs within My Career.
- 9) **Number of individuals trained**—Through the MCP Workforce Development activities, 164 individuals received training that will help them become more employable.
- 10) **Number of internship placements**—Through the My Career Platform, 106 internship placements were facilitated this quarter.
- 11) **Increase in total exports as a result of project intervention**—MCP activities resulted in \$8.87 million in new exports, in spite of the fact that the economic crisis is depressing new exports from Macedonia. Majority of new exports recorded this quarter (over \$6 million) are result of the business expansion projects supported through MCP Financial Platform. New shoes export deal in amount of \$1.4 million was facilitated through an EDA intervention.

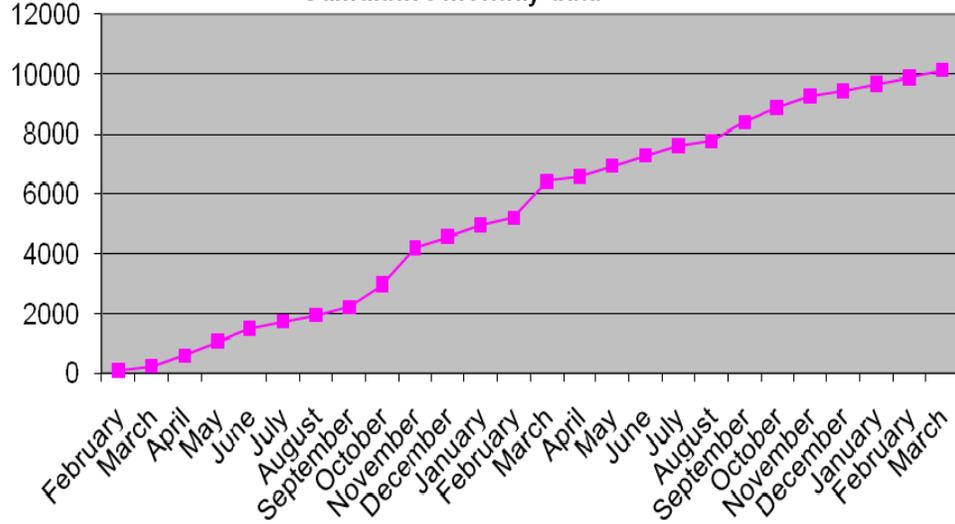
Figure 5 below provides details on MCP targets and performance to date.

Figure 5: Performance Monitoring Plan

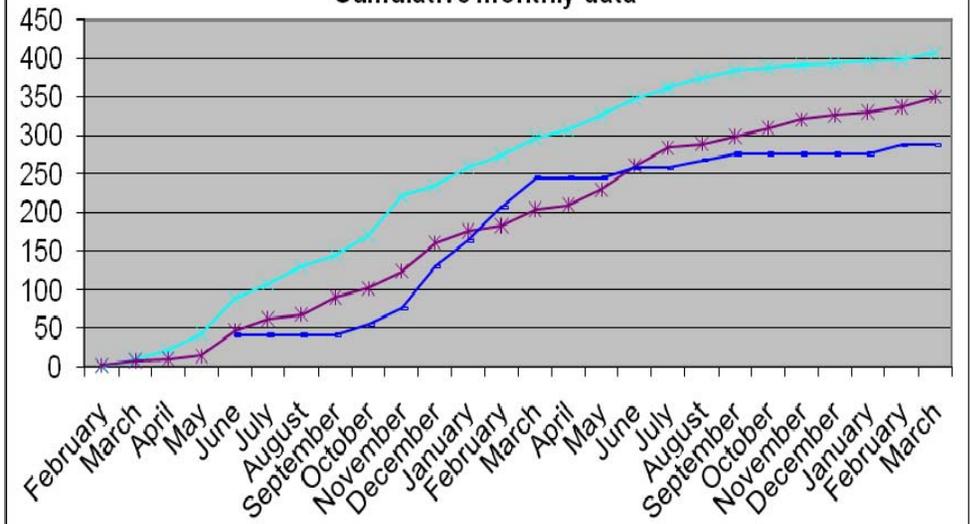
| | Performance Indicator and Unit of Measurement | Indicator definition | Baseline | Target FY2008 | Actual FY2008 | Target FY2009 | Actual FY2009 | Target FY2010 | Actual FY2010 | Target FY2011 | Q1 FY2011 | Q2 FY 2011 | Cumulative to date | Target LOP |
|----|---|---|----------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|------------|--------------------|------------|
| 1 | Number of firms receiving USG assistance to access bank loans or equity. | Firms assisted and referred to access bank loans or equity. | N/A | 20 | 23 | 30 | 62 | 40 | 75 | 50 | 34 | 14 | 208 | 200 |
| 2 | Number of firms that successfully accessed bank loans or private equity as a result of USG assistance. | Firms that have been assisted to access bank loans or private equity, and have acquired new capital to expand operations. | N/A | 4 | 0 | 15 | 22 | 25 | 65 | 26 | 23 | 9 | 119 | 100 |
| 3 | New capital invested in Macedonian firms, through project interventions. (million \$) | Total of new capital invested in firms, (includes foreign, domestic, joint ventures, recycling of profit, bank loans and equity financing.) | N/A | 6 | 1.8 | 20 | 16.24 | 35 | 38.35 | 44 | 23.14 | 12.19 | 91.72 | 80 |
| 4 | New capital invested in Macedonian firms by external agents, through project interventions (million \$) | Portion of the new capital invested in firms from foreign sources. | N/A | 4 | 1.2 | 15 | 5.8 | 26 | 8.7 | 30 | 0.3 | 1.46 | 17.46 | 40 |
| 5 | Number of firms receiving USG assistance to improve their management practices. | Firms receiving project assistance to improve their management practices | N/A | 10 | 84 | 20 | 98 | 45 | 310 | 45 | 23 | 21 | 524 | 150 |
| 6 | Number of firms receiving USG assistance to invest in improved technologies. | Firms receiving project assistance to invest in improved technologies or facilitate its access. | N/A | 5 | 82 | 10 | 24 | 10 | 53 | 10 | 10 | 0 | 169 | 45 |
| 7* | Number of firms that have implemented new Management Practice or Technology | Firms introduced with new management practices and technologies through Project assistance actively using those | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0 | 0 | N/A | |
| 8 | Number of New Jobs | New jobs created or filled in firms, including estimate of their supply chains as result of assistance provided. | N/A | | | | 693 | | 774 | | 209 | 228 | 1,902 | 2,500 |
| 9 | Number of Individuals Trained | Employable workforce developed to meet demand from employers. | N/A | | | | 849 | | 2,207 | | 313 | 164 | 3,533 | 4,000 |
| 10 | Number of Internship placements | Internship placements | N/A | | | | 318 | | 1,023 | | 185 | 106 | 1,764 | 2,000 |
| 11 | Increase in total exports as a result of project interventions. (million \$) | Increase in total exports as a result of project interventions. | N/A | 2 | 0 | 8 | 8.38 | 10 | 21.6 | 13 | 8.7 | 8.87 | 47.55 | 25 |

*This is new indicator introduced in FY2011, upon recommendation from the external project evaluation.

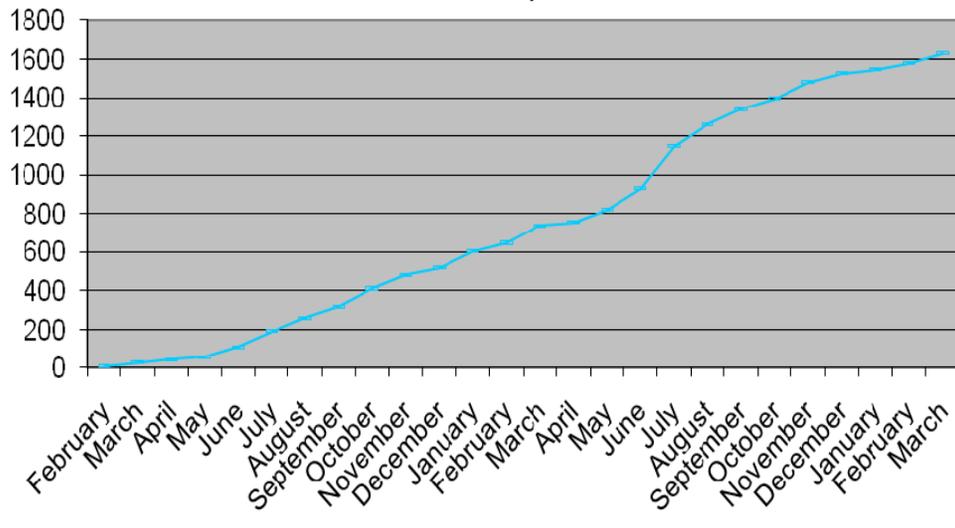
Student participation
Cumulative monthly data



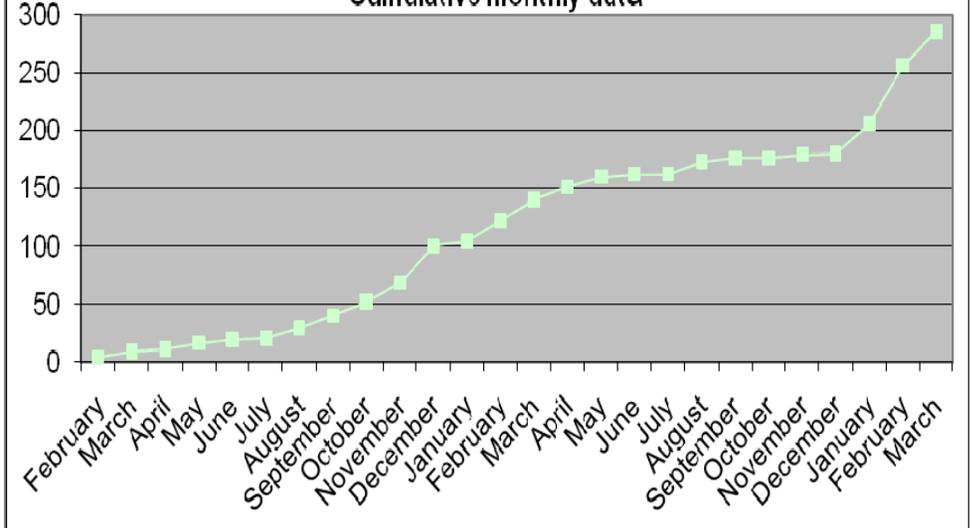
Employer participation
Cumulative monthly data



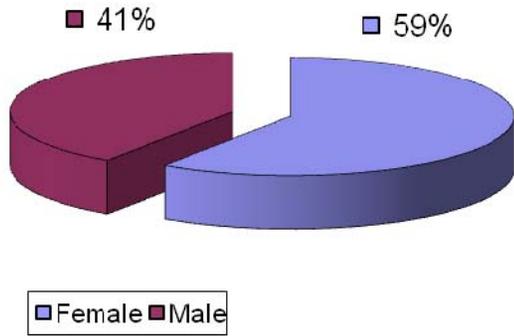
Internship Placements
Cumulative monthly data



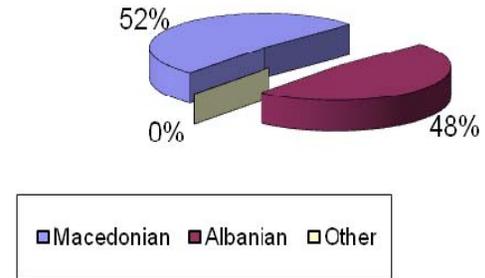
Jobs from internships
Cumulative monthly data



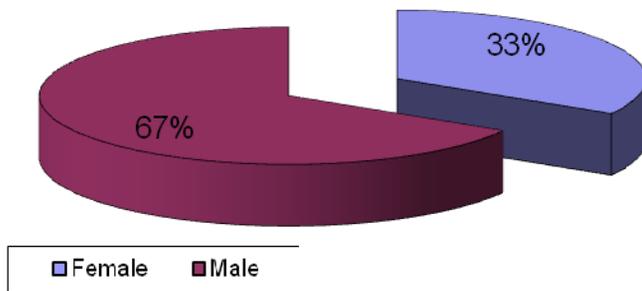
Interns Gender



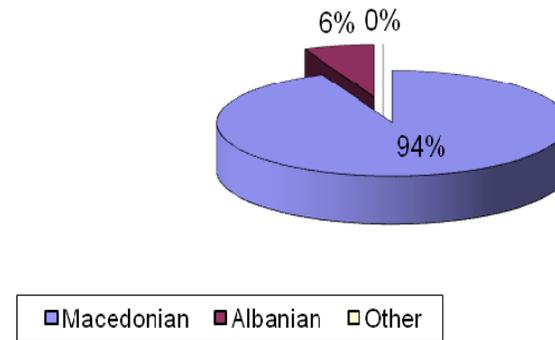
Interns Ethnicity



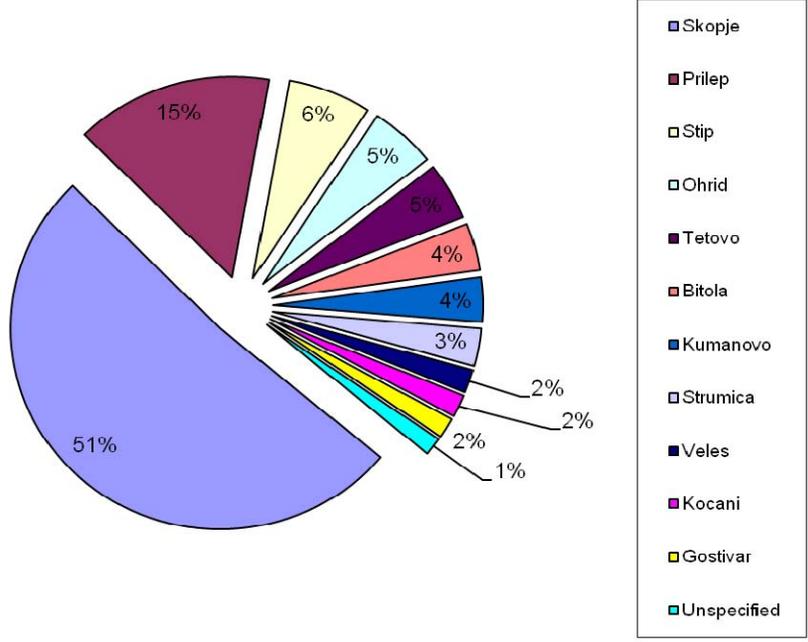
Jobs Gender



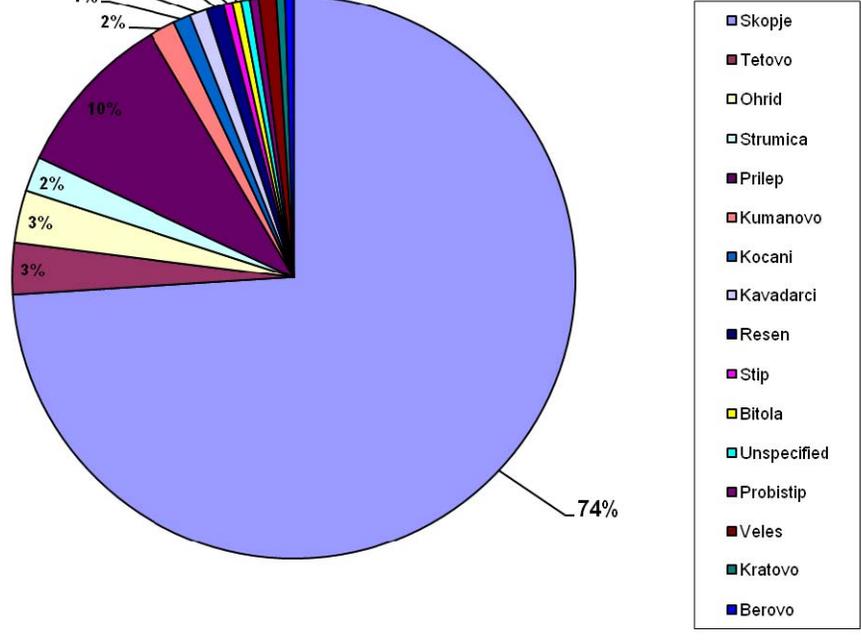
Jobs Ethnicity



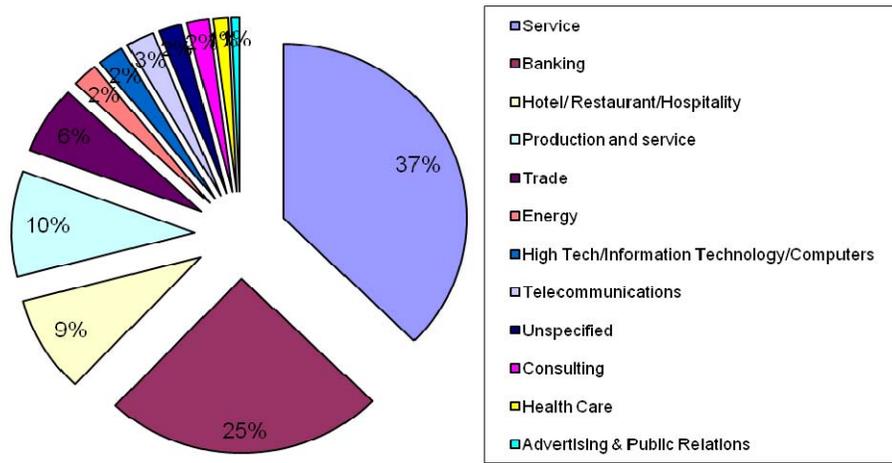
Interns per city



Jobs per City



Internships per industry



Jobs per Industry

