

tir

Textile Innovative Restructuring



T.I.R.

TEXTILE INNOVATIVE RESTRUCTURING

PROJECT VS/2007/0517

FINANCED BY THE EU COMMISSION

DG EMPLOYMENT, SOCIAL AFFAIRS AND EQUAL OPPORTUNITIES

PROGRESS PROGRAMME



EUROPEAN COMMISSION
Employment, Social Affairs and Equal Opportunities
Social Dialogue, Social Rights, Working Conditions,
Adaptation to Change
Working Conditions, Adaptation to Change





“PREVENTING AND MANAGING THE CRISIS”

Benchmarking research



EUROPEAN COMMISSION
Employment, Social Affairs and Equal Opportunities
Social Dialogue, Social Rights, Working Conditions, Adaptation to Change
Working Conditions, Adaptation to Ch'ange



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Confartigianato Lombardia, always attentive to the problems of industrial and sectorial crisis, through T.I.R project, intends to offer to the associated enterprises an instrument able to sustain and help them in the management of innovative and restructuring processes. After the positive experience realized with SECTOR project, finalized to the implementation of innovative measures of the management of change in which Confartigianato participated as social part and through its training organisation ELFI, it was important to continue with the experiences realized.

The scenarios in Europe are continuing in evolution and the two aspects restructuring and reconversion have to be considered and analyzed together. The purpose of TIR project, managed by Confartigianato pursued with international cooperation and sharing of best practices, is to disseminate the anticipatory S.E.C.T.O.R. model became an example of best practices. This model was built in the SECTOR project, also financed by the European Commission.

T.I.R. project, build up with the active collaboration of entrepreneurs and social parts of different European territories, represents an opportunity for local communities, institutions, socio-economic systems for the prevention of critical situations and for promotion of competitiveness and innovation.

Therefore the need to pursue further projects which lead to create constructive dialogue with other European countries in order to encourage best practices exchange for increasing the attractiveness of territories as recommended in the last Agenda of the European Commission.

I warmly thank the partnership for its precious contribution in carrying out TIR project.

*Giorgio Merletti
President
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Province of Bergamo, during the last years promoted and developed different interventions and services addressed to the management of industrial crisis, pointing specially to prevent and where necessary to activate a network of actions in order to sustain workers in difficulties and their reinsertion in the labour market.

In this context the Province managed the project SECTOR “Shared Enhancement for Cooperation to transform and Restructure”, financed by European Commission, DG Employment, Social Affairs and Equal Opportunities, Article 6 Innovative Measures.

The project faces the problem of management of change with a variety of actions for the reinforcement of the territories and involved partners’ capacity in the process of adaptation to new economic scenarios caused by market globalisation and by delocalisation of productions. The European Commission, thanks the great success of SECTOR, financed through the Progress Programme the project T.I.R., “Textile Innovative Restructuring”.

The purpose of the project T.I.R., pursued with international cooperation and sharing of best practices, is to disseminate S.E.C.T.O.R., a model to anticipate and prevent the industrial crisis based on instruments of social responsibility, corporate governance and management of change.

The T.I.R. project, build up with the active collaboration of entrepreneurs and social parts of different European territories, represents an opportunity for local communities, institutions, socio-economic systems for the prevention of critical situations and for promotion of competitiveness and innovation.

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1. Introduction

The starting point of this project is a shared need which arose during the implementation of the previous project S.E.C.T.O.R - Shared Enhancement for Cooperation to Transform and Restructure, financed by the European Commission under the call VP2003/021. That project aimed to solve the problem of inter-sectoral crisis (metallurgic, textile, mechanic-textile) with the use of experimented instruments such as Corporate Governance, Change Management, Corporate Social Responsibility through the use of innovative methodologies and the creation of a network of Labour market actors. The project partnership concentrated its resources in increasing the capacity of a territory to adapt to the new economic scenarios caused by the globalisation of the markets and the delocalisation of the production, as recommended in Lisbon (March 2002). Some of the partners pointed out the need to improve further their expertise, exchange of information and capability to play an active role in the restructuring process involving all players like enterprises, trade unions, industrial associations, public authorities and development agencies. This project is the realization of that need.

The partnership of the project Textile Innovative Restructuring is well integrated and well balances public and private competences not only from the textile sector, but also from a wider perspective through the inclusion of partners from new EU member States.

When we try to understand the consequences of restructuring on the labour market, we have to keep in mind that two are the main purposes in the field of research or policy-makers. The first is the nature and extent of restructuring, i.e. how many jobs are going to be lost and created in different sectors and regions and why that happened. The second are the consequences of restructuring, for example, determining whether or not the redundant workers moved on to a new job, and what impact the job loss had on subsequent earnings. In the latter case, much of the focus of recent EU policy has been placed on the labour market outcome for the affected employees.

From a legal point of view either the employee or the employer can terminate an employment contract. Contract termination by the employer falls into two broad categories: termination due to the performance or behaviour of the employee, or due to 'other reasons'. The term 'other reasons', which is the category of interest in relation to restructuring, may appear unnecessarily vague. In some Member States, the corresponding term is, for example, 'economic reasons' or 'lack of work';

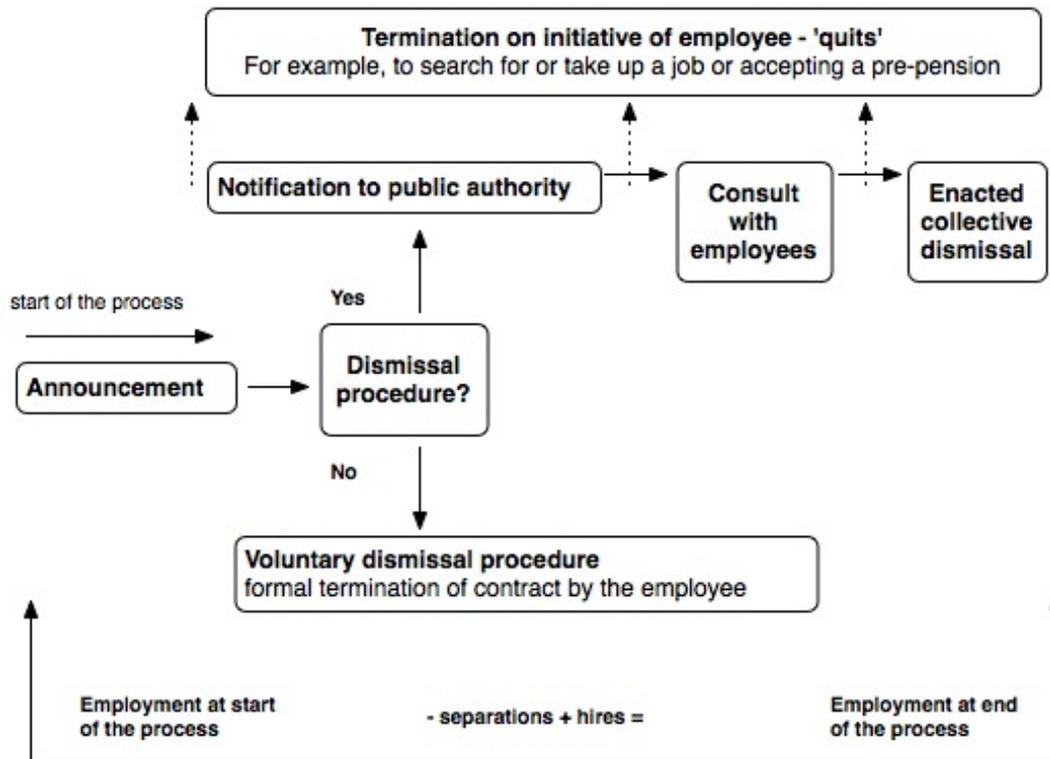
however, such terms usually lack literal meaning and seldom does the employer have to prove economic hardship or document a lack of work to motivate such dismissals. Such vague terminology as regards motivation for dismissals is reflected in the catch-all definition in European legislation of ‘for one or more reasons not related to the individual workers concerned’.

Taking into account the legal definition means having clear the circumstances under which information has to be provided to employee representatives and public authorities. Furthermore just considering law enforcement is not enough, as some of the ensuing job loss may be enacted through formal termination of the employment contract on the initiative of the employee, thus not legally forming part of a collective dismissal.

The issues relating to appropriate measures of job loss due to restructuring are best illustrated by examining a typical restructuring process. Figure 1 provides a stylised outline of the job loss process at restructuring.

To the outside observer, the first indication that the company is to reduce its workforce is the initial announcement. Following the formal dismissal procedure the next step is notification to the relevant authorities, followed by some form of negotiation or consultation, and finally the enactment stage whereby the employer terminates the employment contract. Determining which of these three states – announcement, notification or enactment of the collective dismissal – is the ‘best’ measure of job loss following restructuring may vary from case to case; however, some general observations can be made.

The number of enacted collective dismissals is unlikely to provide a good measure of the number of jobs lost due to restructuring. In many cases, the major discrepancy between the dismissals enacted by the employer and an initial tally of projected dismissals is due to employees issuing their notice of termination of the employment contract (‘quits’). Employees who are aware of the impending dismissals and who believe that they might be targeted may search and find jobs elsewhere. Moreover, workers with some form of work disability or older workers may be entitled to avail of some publicly and/or enterprise funded pension scheme (see Figure 1). It is important to emphasise that, even if these individuals are not formally dismissed, their pre-emptive decision to terminate the employment contract is still a consequence of the restructuring and should be counted as such. Thus, measuring job loss due to restructuring through ‘enacted collective dismissals’ is totally inappropriate. Moreover, it is difficult to conceive of any administrative source that would provide statistics on the number of enacted collective dismissals.



What then about the number of dismissals notified to the public authorities? As this occurs quite early on in the process, it is likely that considerably fewer employees will have left the workplace in anticipation of the dismissals.

Moreover, for other reasons, the notification data may exaggerate actual job loss. The employer may subsequently withdraw some of the intended dismissals due to an unexpected upturn in the business cycle; the lengthier the dismissal process, the more likely this may occur. However, the most obvious shortcoming of the number of notified dismissals is that they precede the negotiation or consultation stage, which may lead to a reduction in the number of intended dismissals. Indeed, in light of the forthcoming consultations with the employee representatives, the employer may have tactical reasons for notifying more employees than are in fact intended. Nevertheless, in most cases, it is reasonable to believe that the notification data will be more accurate than the number of enacted collective dismissals. Also, in practical terms, the notification data are more interesting than the number of enacted dismissals, as the European directive on collective redundancies requires that notification figures be reported to the appropriate public authorities, thus possibly providing the basis for statistics.

Even if the 'quits' are pre-emptive responses to the announcement of impending job loss, they have been viewed as unilateral actions by the employees. However, in

many cases, the employer may actively induce quits and may even circumvent the formal dismissal process entirely (see Figure 1).

It should be emphasised that there is nothing necessarily improper about such behaviour. Indeed, as the employer may provide economic compensation to train employees for a new job, or grant lump sum payments to induce quits or funds to complement an early pension, this may be an attractive option for many employees.

Public authorities usually can plan interventions to help workers facing the dismissal, but more often nowadays, plan and projects are made to be able to anticipate the stage of crisis. This means not only helping the workforce with appropriate training resources for example, but also helping firms to maintain competitiveness in their market being able therefore to face globalisation.

In fact, the European Restructuring Monitor has prospected¹ a change in the globalisation paradigm. They highlight the fact that the nature of trade has shifted significantly. Originally, trade was largely between countries with quite different productive capacities, often based on their different natural resources, but by the 1960s, it was increasingly between developed nations, exchanging quite similar types of products.

Around the 1980s, the key trend was the emergence of various (Asian) Tiger economies, which delivered intermediate products with increasingly high-skill content to the developed world at low cost. Foreign direct investment played a key role in the development of these economies which became an integral part of international production networks led primarily by US, and Japanese multinational companies. International production networks have subsequently increased in importance and are increasingly utilised by European companies.

Subsequent developments in information and communication technology (ICT) have permitted a more efficient coordination of global supply chains and enabled trade in services that can be codified and transmitted digitally. This has radically opened up the potential for an even finer degree of specialisation in the supply chain and thus international trade, not in final products, but in functions or tasks within firms. Were this potential to be fully realised, it would have massive implications for the scale and nature of structural change and accompanying labour market adjustment. Firstly, while services make up roughly 70% of employment in Europe, they have previously largely been exempted from international trade. The potential labour market adjustment would therefore be unprecedented.

¹ "Restructuring and employment in the EU: The impact of globalisation" ERM Report 2007.

Secondly, it implies that adjustment would occur not as previously between different firms and sectors, but within firms across a broad range of sectors. This has consequences for policy which in many policy fields is currently sector based. In addition, the lack of a clear sector profile makes future structural adjustment more unpredictable than previously was the case.

However, it is exceptionally difficult to find concrete empirical evidence of a radically new globalisation paradigm. Offshoring – the shift of identifiable jobs in Europe to other locations – is one indicator of a new globalisation phase, but there is little evidence of a significant increase in this phenomenon. Manufacturing jobs from the EU15 are mainly offshored to the NMS10, while service jobs are predominantly moved to Asia. However, it is underlined that offshoring is probably an inappropriately narrow empirical focus, as the location of new investment (and jobs) is not captured by the concept of offshoring. Moreover, the main negative impact of globalisation is almost certainly not that jobs are offshored, but that they are simply destroyed.

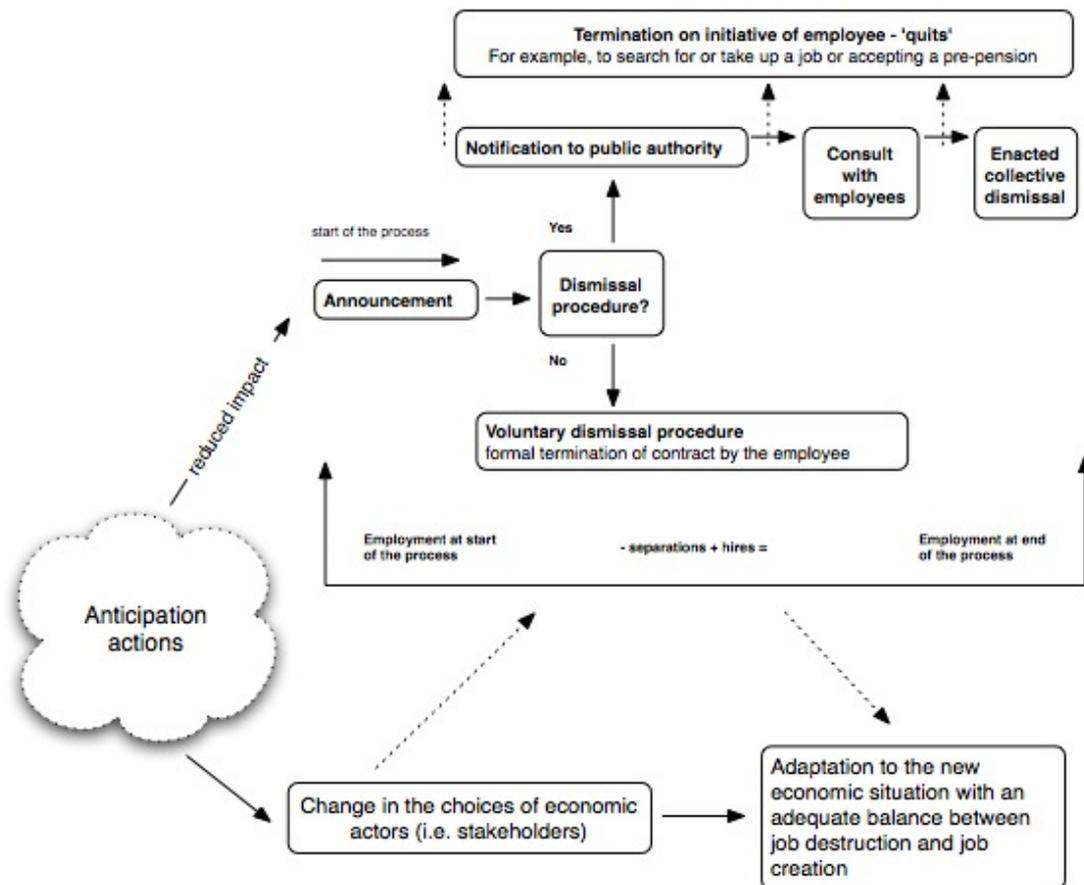
The possibility of an imminent new globalisation paradigm is further enhanced by the other main recent characteristic of trade, namely the increasing participation of China, India and the ex-Soviet countries in the global market economy. The economic performance of China and India has been highly impressive and both have increased their market share of EU imports. It is not just the size of these economies that has led to their success in European markets. Chinese manufacturing and the provision of services from India has exhibited high growth in total factor productivity and there is no narrow economic reason to suppose that they will not continue to do so. The report does, however, point out that there are some indications that both political and environmental factors may prevent GDP and export growth from continuing at the current high rates.

While the growth of China and India is viewed with concern from some quarters, practically all economists agree that trade liberalisation increases overall economic welfare in a country. There are, of course, winners and losers within countries, at least in the short term, as labour is reallocated from the sectors that lost out from trade liberalisation to those that benefited from it.

However, it must be emphasised that while economists do believe that trade liberalisation does enhance economic welfare, an increase in productivity in, for example, China in goods where Europe has a comparative advantage (high-tech activities) can induce a permanent loss of per capita real income in Europe.

So anticipation is not only a way to avoid the crisis, but actually should become a behaviour all the subjects involved, the so-called stakeholder, should adopt.

As shown in figure 2, introducing the element of “anticipation” means try to uncover that grey area, specifying a sequence of actions (the application of the SECTOR model) that induce to adapt to the changed environment without the need to start a dismissal procedure.



In the next section the socio-economic situation of the project partners is presented. It will follow the benchmarking chapter, where all the relevant experiences in term of anticipation, reconversion or restructuring are gathered and confronted. Evidently, the approach cannot be a contingent one, but needs to be a systemic approach which is also adaptive to different situations, result to which the SECTOR project has come with its model and which is going to be presented in section 5. Section 6 will conclude the work.

2. The socio-economic situation (2004-2007)

The probability of an impending recession in the United States continues to increase. On balance, most observers rate the chance of a recession to be slightly more than 50%, while others – such as Goldman Sachs' chief U.S. economist, Jan Hatzius – are more categorical, stating on 8 January 2008 that 'recession has now arrived, or will very shortly'. Many indicators, including consumer and business confidence, unemployment and investment, are pointing sharply downwards.

For many years, recessionary tendencies in both the European and US economies have been primarily addressed by lowering interest rates. This was considered to be compatible with price stability, as inflation rates remained unusually low throughout the world for almost two decades. This is no longer the case. The Organisation for Economic Cooperation and Development (OECD) reported that the annual rate of consumer price inflation in the OECD area rose by 3.3% up to November 2007, compared with 2.8% in the year to October 2007. Significantly, much of the overall inflation was due to high rates of commodity price increases. Consumer prices for energy increased by 13.3% year-on year in November, compared with an 8.5% rise in October, while prices for food were up by 4.6% on an annual basis up to November, compared with 4.1% in October. Thus, given the central priority of price stability to central banks, it is much less likely that lower interest rates will be used to boost sagging consumer and investment demand.

It appears that the negative developments in the US have had less of an impact on most European countries than previously has been the case, even if the prospects for some countries, such as the UK, appear to be worse than others in the euro area. According to the Economic Outlook from 9 January 2008, for the euro area, real GDP growth recovered in the third quarter after the disappointing performance in the previous quarter. However, growth prospects have deteriorated due to the turbulence in the financial markets and increased inflation. Real GDP is expected to expand at lower rates (0.5% in the fourth quarter of 2007 and 0.4% in both the first and second quarter of 2008).

Turning now to harmonised unemployment data, Figure 1 shows that, on average, unemployment continued to fall in the EU27 (by 0.1 percentage points) in the third quarter of 2007 compared to the previous quarter. The two most recent Member States to join the Union show very divergent developments, with Bulgaria exhibiting the largest decrease and Romania the largest increase. The decline of unemployment in Germany continues to be very impressive.

The national figures, issued by the Federal Labour Agency, show that unemployment fell by 78,000 to 3.4 million. Recent Eurostat data shows a rate of unemployment of just under 8%, which is the lowest rate since 2001.

2.1 Italy - Province of Bergamo

Population and territory

The province of Bergamo, situated in the center of Lombardy region, consists mainly of mountains and hills. As a result, its production is the textile, mining and metal processing industries developing to different sectors including clothing, mechanical, cement, etc. A deep industrialization process has allowed the expansion of manufacturing companies in the valleys as well as in the central area including the city of Bergamo. In addition to this, the closeness of a large metropolitan city such as Milan has allowed a steady population growth along the main highways resulting in less agricultural land.

Population growth has been steady both for natural and for migration purposes. The demographic increase in the region, however, has not been homogeneous: in general, the increase is greater in the valleys of Scalve, Cavallina, Imagna, Monte Bronzone, whereas the city of Bergamo has shown a slow decline.

The city of Bergamo is still considered one of the youngest in the region due to a positive age balance between old and young people, although ageing process has increased dramatically in the last twenty years. Lombardy Region forecasts by the year 2021 indicate a further strengthening of this trend resulting in labour force participation older rate.

During the next twenty years, the trend of the resident population as labour force will show:

- o a 10% decrease in number of working force people aged 15 to 65, in line with the target of increasing the activity rate especially among women;
- o a significant change towards older age groups: a decrease in the number of people aged 15 to 40 (32%) and an increase in the number of over 40 (14%), making it necessary to shift the focus on the adult and life-long learning educational projects.

Table 2.1.1- The resident population

Territories	Population	Density per square km
Province	1.021.710	358
Capital town	118.426	

Source: ISTAT and www.provincia.bergamo.it/ and www.provincia.brescia.it/

Table 2.1.2 - Demographic indicators

Rates and Indexes*	Bergamo	Lombardy	Italy
Old age rate	16,7	19,1	19,5
Old age index	103,9	131,9	129,3
Total dependence index	46,18	48,42	50,57
Senile dependence index	24,4	28,4	29,3

Source: ISTAT

The labour market

With a labour market of almost 480,000 units and an unemployment rate of 3%, Bergamo is one of the richest and most dynamic provinces in the country. ISTAT survey on labour market in 2005 confirms these data. Unemployment rate in the province in 2005 was 3.2%, with man recording one of the lowest in the country (1.8%). Employment rate among age 15 to 64 is 65.5% reflecting the average of Lombardy region and 8 points higher than the national average rate. Women employment rate in Bergamo is 51.4%, higher than the average national rate. It is, however, far lower when compared to the rest of Lombardy of 55.1% and the 2010 target of 60% suggested at the 2000 Lisbona European Summit or the 57% target proposed at the Stockholm summit a year later. It is obvious that if Bergamo wants to reduce the gap to the European employment rate set at 70% by the year 2010, it must increase women occupation, since man employment rate is already quite high. The problem in our province is not among 15 and 24 years old women, whose employment rate is almost 8 points higher than the rest in the region; rather it is in the 25-34 age group that women employment rate is 5.5 points lower than the regional level. Also, it is 38.1% of the overall work force, making it one of the lowest in the region and one the lowest in the province of central and northern Italy. Statistical records indicate that women working force in Bergamo province is the youngest in the region, therefore with a lower educational record. Nonetheless, they

have hard time maintaining their job, especially during the critical time of creating a family.

Although data is subject to different interpretations, the overall labour force growth in Bergamo between 2004 and 2005 is attributed to men – from 270,000 to 284,000, whereas women are at 175,000 units. Employment rate among women in Bergamo is slightly lower than the year 2004.

Table 2.1.3 - Labour market indicators in 2005 (values in thousands and %)

Territories	Work force			Participation activity rate age 15-64		
	Men	Women	Total	Men	Women	Total
Bergamo	290	184	474	80,3	54,3	67,7
Lombardy	2545	1828	4373	78,1	58,3	68,3
Italy	14640	9811	24451	74,4	50,4	62,4
	Employed			Employment rate age 15-64		
	Men	Women	Total	Men	Women	Total
Bergamo	284	175	459	78,9	51,4	65,5
Lombardy	2465	1729	4194	75,6	55,1	65,5
Italy	13738	8825	22563	69,7	45,3	57,5
	Unemployed			Unemployment rate		
	Men	Women	Total	Men	Women	Total
Bergamo	5	10	15	1,8	5,3	3,2
Lombardy	80	99	179	3,1	5,4	4,1
Italy	902	986	1888	6,2	10,1	7,7

Source: Istat LFS average 2005

The production units

According to the Chamber of Commerce in Bergamo there are 91,051 businesses as of 2005, of which 82,681 are active. Artisan businesses registered in Bergamo at the end of 2005 are 33,521 (40.4% of all businesses). The effects of immigration on the demographic composition of the population of our province have resulted in an increase of small businesses owned by immigrants: at the end of February 2006 there are 3,000 businesses compared to 952 three years earlier.

Table 4 (source Istat- ASIA) shows that in 2004 there were almost 91,000 local units for a total of 381,000 workers. Most local units have one staff member (54.6%), the remaining 38.4% has from 2 to 9 staff and less than 1% has over 50 staff members.

Table 2.1.4 – Number of local units and workers by size in 2004 (absolute values and % compositions)

		Bergamo		Lombardy		Italy	
		v.a.	%	v.a.	%	v.a.	%
1 worker/staff per unit	Local units	49657	54,6	494329	57,1	2737570	58,4
	Workers	49149	12,9	488592	13,9	2715512	16,5
2-9 worker/staff	Local units	34933	38,4	317022	36,6	1706218	36,4
	Workers	119812	31,5	1076062	30,7	5669722	34,4
10-19 worker/staff	Local units	3854	4,2	32403	3,7	150363	3,2
	Workers	50899	13,4	427313	12,2	1974660	12,0
20-49 worker/staff	Local units	1667	1,8	14645	1,7	64072	1,4
	Workers	49988	13,1	437645	12,5	1895566	11,5
50 and over workers/staff	Local units	861	0,9	7724	0,9	29914	0,6
	Workers	111041	29,2	1076536	30,7	4206306	25,6
TOTAL	Local units	90972	100,0	866123	100,0	4688137	100,0
	Workers	380889	100,0	3506148	100,0	16461766	100,0

Source: Istat Registro Statistico delle Unità Locali (ASIA) 2004

According to ISTAT, employment in our province has shifted towards industrial sector. 47% or 219,000 workers within the industry, compared to the 37% at regional and 30% at national level.

As result, Bergamo province shows only 51.7% of the workers in the service sectors, which is a far lower percentage if compared to regional (61.3%) and national (65.6%) levels.

Local Employment dynamics is positive and higher than the regional and national. Between 2004 and 2006, employment rate in the province has grown 4.7% (compared to 2.6% regional and national levels). Employment rate is stable in the agricultural sector, but shows a decline in the industrial sector (-1.4%). Service sector is where the growth is more evident, although lower than the regional and national levels.

Table 2.1.5 – Employment by sectors in 2005 (values in thousands and %)

	Absolute values in 2006				Percentage composition in 2006			
	Agriculture	Industry	Services	Total	Agriculture	Industry	Services	Total
Lombardy	70	1583	2620	4273	1,6	37,0	61,3	100,0
Bergamo	6	219	241	466	1,3	47,0	51,7	100,0
Italy	981	6926	15080	22987	4,3	30,1	65,6	100,0
Variation between 2004 and 2006 (%)								
	Agriculture	Industry	Services	Total				
Lombardy	-4,1	-1,6	5,3	2,5				
Bergamo	0,0	-1,4	11,1	4,7				
Italy	-0,9	0,8	3,7	2,6				

Fonte: Istat, Rilevazione continua delle Forze di Lavoro.

Economic dynamics

Within a stagnant national economy and a strong growth on the global markets, Bergamo's economy has recorded an overall positive performance in 2005. Such a performance, better than the one recorded at national and regional levels, is the result of a stronger demand from the international market and a recovering economy in Germany, with which Bergamo has a strong tie. On the other hand, cost of raw materials such as energy, oil and metal prices, is increasing dramatically, due to a stronger demand by new emerging country economies.

Crisis in specific sectors, such as textile, have not affected the overall industrial sector, nor the unemployment rate, which remains one of the lowest ever recorded.

Earnings in Bergamo remain high: in 2004, Bergamo is at the tenth place with an average earnings of almost € 25,000, advancing by 8 positions from 2003 and bypassing the Italian average earning of 20.4%. Industry, including building construction, is 40.3% compared to a regional average of 33.5% and a national average of 26.6%. Also, manufacturing companies in the province hold a strong position compared to other European countries.

Such a positive outlook, however, does not consider the economic gap from area to area in the province with consequences on the local community development process.

Table 2.1.6 – Pro-capita GDP in 2005 and changes (% values of the total)

Territories	Year 2005		2005-2003 Variation	
	National level position	Pro-capita GDP	Variation	Variation % GDP
Bergamo	17	28.100	7	7,1
Brescia	10	29.245	13	10,4
Milano	2	35.776	-1	0,6
Lombardy (Region)	3	30.430	-1	3,1
Italy	-	24.152	-	4,2

Table 2.1.7 – Income indicators: Added value by sector in 2005 (current prices; milion €)*

	Agriculture	Industry	Services	Total
Bergamo	268 (1%)	11.222 (42,5%)	14.926 (56,5%)	26.417 (100%)
Brescia	680	10.754	20.130	31.563
Milano	233	38.028	85.015	123.276
Lombardy (Region)	2.942	88.155	168.632	259.728
Italy	28.60 (2,3%)	341.805 (26,9)	902.196 (70,9)	1.272.761 (100%)

* (%) percentage composition

Source: Unioncamere-Tagliacarne

2.2 Spain - Fundecyt

Population and territory

Extremadura is a region situated in the South-West of Spain and on the border of Portugal. It is located in a strategic triangle, Madrid-Seville-Lisbon and is divided into 2 provinces: Cáceres and Badajoz. The resident population of Extremadura is about 1million persons (at 1st of January 2006, INE), representing the 2,7% of the national population. The population density is relatively low compared to the national one.

Badajoz is the more populated province of Extremadura with 673.474 inhabitants and a population density of about 31 persons for square kilometre. Moreover, Badajoz is the largest Province of Spain (21.766 km²).

Table 1. - The resident population

Territories	Population	Density per square km
Province	673.474	30,94
Capital town	143.748	93

Source: INE (National Statistical Institute)

Table 2. - Demographic indicators

Rates and Indexes*	Provinces	Region	Nation
Old age rate	0,18 (18%)	0,19 (19%)	0,17 (17%)
Old age index	1,15	1,30	1,17
Total dependence index	0,51	0,52	0,45
Senile dependence index	0,27	0,29	0,24

Notes: * old age rate= pop.>65/ total pop.

Old age index = pop.>65/ pop. 0-14

Total dependence index = pop. 0-14 + pop.>65/ pop. 15-64

Senile dependence index = pop.>65/ pop. 15-64

Source: INE (National Statistical Institute)

The labour market

The employment rate in Extremadura is, in 2006, around 42%, lower than the national one (51%); whereas the unemployment rate is relative high reaching, in the same period, the 13% of the active population. As can be seen from the table below, the unemployment rate tends to be higher for women (19%) and for the youngsters (20%).

Nevertheless employment has been growing in all sectors, and especially in the service sector.

Table 3. - Labour market indicators

Rates and Indexes	Province	Region	Nation
Employment rate	51,6%	42,33%	50,75%
Unemployment rate	10,42%	13,4%	8,5%
Youth unemployment		20,3%	18,8%
Female unemployment		19%	11,3%
Employee growth (annual % rate)		2,27%	4,89%
Employment growth (% distribution) by sectors			
Industry *		10,5%	17%
Services *		61,3%	65,2%
Agriculture *		13,6%	5,2%
Construction *		14,6%	12,5%

* Sectorial distribution (in percentage points) of observed employment growth (annual rate).

Source: INE (National Statistical Institute)

The production units

The biggest part within Extremadura economy corresponds to the service sector. Building industry and small and middle-size business are the base of an economy that develops an incipient trade with the neighbouring land of Portugal and keeps a high rate of tertiary activities due to the boom that environmental and cultural tourism is producing in rural areas, traditionally devoted to agriculture, of its territory.

Extremadura enjoys still now a higher economic growth than the Spanish average, yet starting from an economic backwardness in history, but discovering and developing new trade possibilities mainly in the tourist, trade and agriculture and food sectors.

In Extremadura most of firms are small and medium-size business. The main sub-sectors are energy, agriculture industry, cork, ornamental stone, machinery and textiles.

As for energy, the development of dams and water springs has given way to a stable exploitation of the hydroelectric recourses and to a higher energy production that the region needs for consumption. New approaches, such as biomass exploitation, wind and sun power have been developed and produced the first results, while keeping respect for the environment and its visual impact.

Table 4. – Number of local units *

Territories	Industry	Commerce	Other services	Construction*	Total
Region	4.129	16.900	21.117	5.619	47.765
Nation	157.111	809.082	1.187.233	539.131	2.692.457

*We do not have individual data for “institutions”; we have used data for construction sector which is very relevant at the current Spanish economy.

Source: CES (Extremadura Social & Economic Council), INE (National Statistical Institute)

Table 5. - Structure of the workers*

Territories	Industry	Commerce	Other services	Construction	Total
Region	31.547	19.398	100.200	57.600	208.745
Nation	2.634.755	3.249.455	4.971.219	2.455.722	13.311.151

*We do not have individual data for “institutions”; we have used data for construction sector which is very relevant at the current Spanish economy.

Source: CES (Extremadura Social & Economic Council), INE (National Statistical Institute)

Table 6. - Dynamics of workers (occupational structure: % workers by sector)

Territories	Industry	Agriculture	Services	Construction	Total
Region	11,1%	12,2%	62,1%	14,6%	100%
Nation	16,3%	4,8%	65,6%	12,8%	99,8%

Source: CES (Extremadura Social & Economic Council), INE (National Statistical Institute)

Economic dynamics

As for the whole nation, in Extremadura the service sector has also the principal role in the domestic production: it represents almost the 64% of the total GDP. However, and in contrast to the national average, still a relative consistent part of the GDP is coming from the agricultural sector (10,5% against 3,8% of the national average).

Table 7. - The structure of the GDP (% values of the total)

Territories	Agriculture	Industry	Services	Energy	Construction
Province	9,4%	6,1%	57,2%		
Region	10,5%	6,8%	63,8%	3,1%	15,7%
Nation	3,8%	16,7%	65,8%	2,8%	10,8%

Source: CES (Extremadura Social & Economic Council), INE (National Statistical Institute)

Table 8. - Income indicators (Family Income)*

Territories	Added value pro-capita	% change
Region	13.420 €	36,70 %
Nation	14.572 €	21,40%

* The income indicators are regarding the family income

Source: CES (Extremadura Social & Economic Council), INE (National Statistical Institute)

Infrastructure and quality of life indicators

Table 9. - Affluence indicators

REGIONS	EXTREMADURA	FIRST ANDALUCIA	LAST LA RIOJA
CRIMINALITY			
Score (per 1000 crimes)	61,33	111,51	44,14
POPULATION			
Score (total population)	1.086.373	7.975.672	306.377
PUBLIC HEALTH			
% of citizens that consider good functioning of public health	82%		

Source: CES (Extremadura Social & Economic Council), INE (National Statistical Institute)

Social hardship indicators

Table 10. - Social hardship indicators

Territories	Minors arrested per 10,000 inhabitants between 14 and 17 years of age	Foreigners arrested per 100 arrested**	Suicides per 100,000 inhabitants	Suicide attempts per 100,000 inhabitants	Mortality rate – cancer
Province			56		1,211
Region			89	29	2,332
Nation	-5,2%*		1,909	251	187,674

* In 2004: 23.257 minors were arrested, in 2005: 22.039

** Additional Data: the 9,27% of total population in Spain are foreigners.

Source: INE (National Statistical Institute)

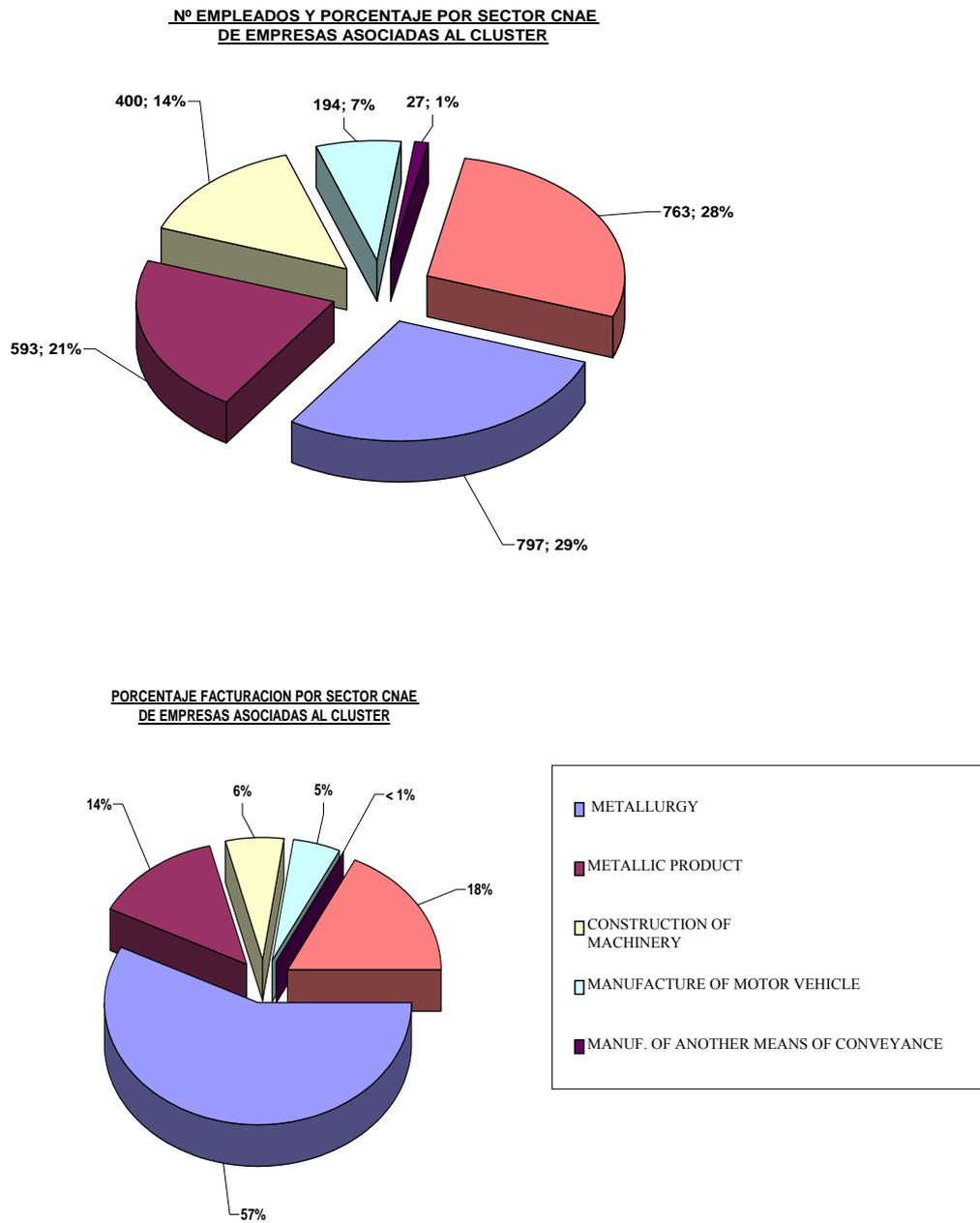
Additional information on the Metal-Mechanical² cluster in Extremadura: Key indicators

The Metal Sector in Extremadura has a global invoicing of 827 millions €, with 4.339 employees involved and distributed in 343 companies. The Metal-mechanical Cluster (ACLUMEX) represents the 74% of total invoicing coming from the Metal Sector in Extremadura. It has also represents the 46% of total workers coming from the Metal Sector in Extremadura (2.011 employees).

² Following the CNAE-93 classification, all companies related to any of the following activities would be included into the metalmeccanic cluster:

- Metallurgy
- Metallic product manufacture except machinery and equipment
- Industry of the construction of machinery and mechanical equipment
- Manufacture of motor vehicles, tows and semi trailers
- Manufacture of another means of conveyance

Figure 1. - Extremadura Metal-mechanical Cluster: invoicing regarding activities and number of employees



2.3 France - ESCI de l'Ain

Department de l'Ain - Rhône-Alpes

A natural crossroads for international relations and France's leading region following Ile-de-France (Paris basin), the Rhône-Alpes region ranks 10th amongst the great regions of Europe. With a surface area of 43.700 sq. km., it compares with countries the size of Belgium, the Netherlands or Switzerland. Its population of 5,5 million is equal to those of Denmark and Finland.

The department of Ain is at the crossroad of major European communication axes and is very diverse in terms of economy and geography. An attractive department, it has had a large demographic increase. Its population is young and its labour market dynamic with the lowest unemployment rate in the Rhône-Alpes region. (source: Chamber of Commerce and Industry of Ain, Key figures for Ain-2006-2007 EDITION)

Population and territory

Table 11. - The resident population

Territories	Population	Density per square km	% change 2000-2005
Province	546.949	95	+ 6%
Capital town	41.300		+ 1,6%

Source: Population census 2004 and Insee 2004 - estimates

Table 12. - Demographic indicators

Rates and Indexes*	Provinces	Region	Nation
Old age rate	0,19	0,20	0,21
Old age index	1,42	1,26	1,18
Total dependence index	0,84	0,83	0,84
Senile dependence index	0,35	0,36	0,39

Notes: *old age rate= pop.>60/ total pop.

Old age index = pop.>60/ pop. 0-19

Total dependence index = pop. 0-19 + pop.>60/ pop. 20-59

Senile dependence index = pop.>60/ pop. 20-59

Source: Population census 1999 – last data available

The labour market

The unemployment rate in Rhône-Alpes (7,8%), and in particular in the department of Ain (5,7%), is lower than the national average (9%). As far as concerns the employment, in the department of Ain the highest percentage of workers are blue collars (33,6%), a higher rate than the regional and national figure. However, the observed employment growth is attributable to the increase of occupation in the service sector, rather than in industry, which, on the contrary has seen an employment contraction.

Table 13 - Labour market indicators

Rates and Indexes		Province	Region	Nation
Employment by social category	Farmers			
	Company	3%	2,1%	2,7%
	Managers	7,7%	7,5%	6,7%
	Top management	8,9%	12,1%	13,1%
	Middle	21,7%	24,2%	23,1%
	Management	25,1%	27,3%	28,9%
	White collars	33,6%	26,8%	25,4%
	Blue collars			
Unemployment rate		5,7%	7,8%	9 %
Youth unemployment (- 25 years old)		16,8%	15,8%	16,9%
Social burden (*)		49%	47,8%	53,2%
Employee growth (annual % rate)		1,3%	0,6%	0,7%
Employee growth in industry (annual % rate)		-1,4%	-2,4%	-2,4%
Employee growth in services (annual % rate)		+ 2,65%	+ 1%	+ 1%

(*) The social burden is calculated as the ratio between the non-workforce population over 60 years of age and the employed. Source: processing of ISTAT and Region data

Source: Insee 1999 and 2004- DRTEFP au 30 / 06 /2006 – ANPE February 2007 - UNEDIC 31/12/2004 au 31/12:2005.

The production units

The department of Ain is characterised by an economy supported by a dense network of small to medium companies and industries particularly active on the international market and harmoniously spread across the area. According to the Assedic data, the number of local production units is more than 13thousand at

provincial level, of which around 16% are located in the capital town of the province. Here, more than half of the production units are part of the service sector (commerce and other service sectors), which absorbs around 55% of the provincial employment. The pro-capita added value in the department of Ain added value amounts, in 2004, to more than 16 thousand euros, manifesting a significant increase (+9%) with respect to 2001 figures.

Table 14. - Local units and workers

Territories	Industry		Commerce		Other services		Public Institutions		Building sector		Total	
	Local units	Workers	Local units	Workers	Local units	Workers	Local units	Workers	Local units	Workers	Local units	Workers
Capital Town	107	3.405	437	3.937	1.024	13.604	110	1.275	110	1.275	1.687	23.277
Province	2.240	48.888	2.899	22.973	6.155	54.952	1.910	12.853	1.910	12.853	13.227	140.822
% Capital Town	4,7%	6,9%	15,07%	17,14%	16,64%	24,76%	5,6%	9,92%	5,6%	9,92%	12,75%	16,53%
Region	20.721	443.447	37.834	297.065	89.944	819.760	19.615	140.338	19.615	140.338	168.389	1.719.171
Nation	156.487	3.482.107	362.498	2.991.045	751.156	3.417.689	182.757	1.334.322	182.757	1.334.322	1.456.240	11.431.680

Source: Assedic 2005

Table 15. - Structure of the workers

Territories	Industry	Commerce	Other services	Institutions	Building Sector	Total
Capital Town	14.62%	16.91%	58.44%	4.5%	5.5%	100%
Province	34.72%	16.31%	39.02%	0.82%	9.12%	100%
Region	25.79%	17.28%	47.68%	1.08%	8.16%	100%
Nation	30.46%	26.16%	29.90%	1.80%	11.67%	100%

Source: Assedic 2005

Table 16. - Income indicators

Territories	Added value pro-capita (2004)	% change (ref : 2001)
Province (AIN)	16.661€	+ 8,9%
Region	16.390€	+ 8,2%
Nation	15.849€	+ 8,2%

Source: Direction générale des impôts 2004

Infrastructure and quality of life indicators

Table 17 - Affluence indicators

	PROVINCE(N)	FIRST	LAST
TOTAL INDEX Score	70e / 90	Haute-Garonne	Aisne
AFFLUENCE (tourist)	77e / 96	Paris	Val-de-Marne
Score	274.528	53.322.678	41.246
STANDARD OF LIVING	14e / 96	Yvelines	Haute Corse
Score	15.798	20.847	12.059
BUSINESS AND OCCUPATIONAL Dynamics	18e/96	Vendée	Haute Marne
Score	114	29	455
ENVIRONMENT	58e / 96e	Lozère	Paris
Score			
CRIMINALITY (security)	36e / 96	Creuse	Paris
Score : tax de délinquance pour 1000 habitants	43,4	22,4	119,6
POPULATION	45e / 96	Nord	Lozère
LEISURE TIME (culture)	64e / 96	Paris	Haute-Marne
Score	491	8	738

Source: 11 May 2006 - Express newspaper

Table 18 - Social hardship indicators

Territories	Minors arrested per 10.000 inhabitants under 18 years of age	Foreigners arrested per 100 arrested	Suicides per 100.000 inhabitants	perMortality rate –Cancer 2002
Province			89 (2,1)	1.134 (26,85%)
Region			919 (19,7)	13.328 (28,59%)
Nation	18,15 % (2005)	20,6 %	10.605 (19,9)	152.311 (28,58%)

Source: INSERM Ministry of Police

2.4 Bulgaria - NASMB

Bulgaria general description

The population in 2007 is of 7.8m. The overall unemployment about 11.5% and the number of employees in the clothing industry is of 155,000. The proportion of national industrial production is 7.5% and the proportion of Bulgaria's total export volume 23.4%. Bulgaria's total import volume is 12.4% and the total number of textile businesses is about 710, with a total number of clothing firms of around 910.

The following analysis provides a competitiveness analysis of the apparel and textile industry in Bulgaria. It gives an overview of the country's economic history and performance before turning to an examination of its competitiveness; focuses on the apparel cluster in Bulgaria, analyzing its success to date and identifying the challenges it faces going forward; presents recommendations to improve the competitiveness of the Bulgarian textile and apparel cluster in particular. Bulgaria was slow to implement reforms post-Communism, and thus its economy lags behind its Central and Eastern European EU neighbours (CEEC-8). Bulgaria's convergence with EU living standards should create a strong tailwind for GDP per capita growth. Capital stock and TFP growth will be the key drivers. Bulgaria's weak BCI scores indicate businesses are not seeing the benefits of the EU regulatory regime on the ground; the focus should be on implementation. Key economic risks include a potentially overheating economy, e.g. large current account deficit, and the sustainability of the currency board.

History and summary of recent performance

Bulgaria, along with its northern neighbour Romania, is the newest member of the European Union, acceding in January 2007. Located on the western shore of the Black Sea and the eastern edge of the EU, Bulgaria is a relatively small country with 7.6 million inhabitants (~1.5% of the EU-27 population), and a surface area roughly equal to Benelux or Tennessee. Bulgaria's economy has PPP-adjusted GDP of \$77 billion, or 0.6% of the EU-27, and its per capita GDP of \$10,000 is 35% of the EU-27 average.

Financial crisis. By 1996, the State controlled 60% of the banking sector and directed loans to unprofitable state-owned enterprises (SOEs), resulting in a 70% non-performing loan rate (IMF, 2002). The central bank attempted to bail out the

banking sector via liquidity infusions and emergency loans; the result was hyperinflation, exchange rate devaluation and another deep recession, with GDP declining by 15% and unemployment reaching 14.3% (EIU, 2007). One of the lasting negative impacts of the crisis was a significant outward migration of skilled labour in search of better opportunities. It is estimated that roughly one million Bulgarians, or 13% of the population, currently live and work abroad.

1997-2007: Reform, growth and EU accession. The crisis marked a turning point for Bulgaria. The government resigned and was replaced by a pro-western government that acted quickly to restore stability. Key actions included creating an independent central bank, pegging the Bulgarian lev to the euro (ECU at the time) through a currency board, and privatizing the banking sector.

Uniting the country behind the goal of EU membership, successive governments pushed through significant structural reforms that stabilized and improved the economy. PPP-adjusted GDP per capita grew at a 7.8% CAGR, nearly twice the rate of EU-15, from 1997-2007. Bulgaria joined NATO in 2004 and the EU in 2007.

Bulgaria's Export Portfolio. Bulgaria's export cluster portfolio is fairly diverse given the size of its economy, and most clusters compete based on natural endowments. The three largest export clusters are Metal Mining and Manufacturing (\$2,473 million), Hospitality and Tourism (\$2,422 million), and Apparel (\$1,740 billion) (Institute for Strategy and Competitiveness, 2005) (Figure 5). Both the metal mining and apparel clusters have Communist era legacies, and contributed to Bulgaria's important role in the COMECON economic area. While metal mining has stagnated since, apparel has grown at the fastest rate among all export clusters. The apparel cluster is supported by the Transport and Logistics, Textiles and Information Technology clusters. The tourism cluster has prospered in the last decade, helped by its location on the Black Sea and a number of ski resorts which increasingly make Bulgaria a popular year-round tourist destination.

Growth Accounting Framework. As the growth accounting framework illustrates in Figure 6, Bulgaria's GDP per capita growth has been driven by capital stock growth and total factor productivity (TFP) growth; labour has played a secondary role.

Capital stock. Capital stock growth has been strong over the past decade, and should continue to be a medium-term growth driver. Investment is a growing component of Bulgaria's economy, increasing at a CAGR of 19% from 1997 – 2006, and from 11% of GDP in 1997 to 24% of GDP in 2006 (Figure 7). This in turn has been driven by phenomenal growth in FDI, which accounts for 45% of investment, per Figure 8 below. Bulgaria has attracted FDI through its stable macroeconomic conditions since the 1997 reforms and its expected economic convergence with the

rest of Europe. Unfortunately, a sizable portion (25%) of FDI went into real estate investments rather than factories or infrastructure, which would better increase Bulgaria's growth potential.

Total factor productivity. Strong TFP growth has been driven by dismantling inefficiencies of Soviet central planning system and applying modern management techniques (World Bank, 2007). The CEEC-8 had similar experiences in the late 1990s. Future TFP growth will be more difficult, as it must derive from a higher skilled workforce and better use of technology. This will require investment in education and R&D (see recommendations section).

Bulgaria's Textile and Apparel Cluster: Microeconomics of Competitiveness

Labour participation. Bulgaria's labour participation rate of 45.2% is lower than that of the EU-15 (48.2%) and CEEC-8 (47.5%). Similarly, Bulgaria's working hours per capita are low and stable relative to the CEEC-8 (1,703 vs. 1,873). At 9.6%, the unemployment rate is high but improving, down from a peak of 18.6% in 2000. Low labour force participation, caused by an aging population and net emigration, is a key challenge to medium-term growth.

The analysis of the national diamond confirms the mixed picture emerging from the previous section. While Bulgaria has made significant progress in all four areas, challenges remain.

Demand Conditions: weak but improving. Historically, Bulgaria's population has been poor and demand was largely price driven, creating weak demand conditions. Bulgaria's recent economic growth has created a large and growing middle class, predominantly in urban centers, that is driving demand for higher quality products. Demand is further encouraged by the easy availability of consumer credit, while consumers often prefer local over imported products.

Availability of quality local products drives them towards imports. Since EU membership, strict product quality and safety regulations have been introduced but implementation of these rules remains spotty; this is another potential area of improvement.

Related and Supporting Industries: weak but improving.

Related and Supporting Industries in Bulgaria

Progress

- EU member: free movement of labour and capital, with minimal tariffs

- Domestic rivalry has increased in some industries e.g. textiles, mining, agriculture
- Regulatory framework protects foreign investors
- Streamlined regulations for business incorporation

Challenges

- Corruption continues to distort competition
- IP protection not fully enforced
- Soviet legacy of focus on agriculture and heavy industry, no tradition in value-added services

Progress

- Quantity and quality of local suppliers has increased significantly as a result of FDI

Challenges

- Home base of suppliers is mostly foreign, especially for high-tech equipment
- Even where there are concentrations of companies, they do not operate as clusters

The quality and quantity of local suppliers has increased significantly as a result of the large FDI inflows. However, the home base of most suppliers remains foreign, especially for high-tech equipment. Even when there are concentrations of companies, they do not tend to operate as clusters. Traditionally, there was a lack of industry organizations and little understanding of the mutual benefits that cooperation can provide. In the last 3 to 5 years, many Institutions for Collaboration (IFCs) have formed, and the situation is improving. There are 2 to 5 new associations in each of the apparel, IT, tourism, logistics, distribution, retail, banking and mining clusters.

Factor Conditions: strong and improving. Factor conditions have improved substantially in Bulgaria over the past five years, driven by the EU accession process. According to Standard & Poor's, which upgraded Bulgaria's sovereign credit rating to investment grade in 2005, Bulgaria continues "to work on aligning [its] legal, institutional, and economic structures with EU requirements." The EU is scheduled to provide aid to Bulgaria of at least 2.5% of GDP per year for the next 3 years, or €7 billion in total. Roughly 40% of this is structural aid—funds mainly for specific transport and environmental projects, and a further 30% are earmarked for institution building (IMF 2006; EU Commission 2007). This will further enhance the improvements in Bulgaria's infrastructure and institutions started during the EU accession process.

The Soviet legacy has left Bulgaria with a comparatively developed and accessible education system at all levels, with a 99% adult literacy rate and 88% net primary and secondary education completion rate (UNICEF and UNDP, 2006). Net emigration of skilled workers has been a continuous challenge, particularly after the 1997 financial crisis. Recently, though, there have been signs of progress. According to Emilia Maslarova, Bulgarian Minister of Labour, “migrant Bulgarians of young and middle age tended to return to Bulgaria in increasing numbers. Desire to seek employment abroad had doubly diminished” (Press Conference, 2006). Anecdotally, this trend can be observed at HBS, as 8 out of the 12 MBA 2007 graduates are returning to work in Bulgaria.

Context for Firm Strategy and Rivalry: strong, but room for improvement. EU accession has driven improvements in CSR conditions, including free movement of labour and capital throughout the EU and a strong regulatory framework that protects foreign investors. Furthermore, the government has paid special attention to easing regulations on businesses. This has allowed Bulgaria to move from 59th³ place in 2005 to 54th place in 2006 in the World Bank’s “Doing Business” 2006 survey. Domestic rivalry has increased in some industries, such as tourism and mining, due to the entry of foreign companies and increased local entrepreneurial activity. Bulgaria needs to further develop its services industry, which is relatively immature. In addition, corruption and organized crime, which distort competition, remain a serious problem; this almost delayed EU accession (EU Commission, 2006). Finally, intellectual property rights are not strictly enforced.

COMPETITIVENESS INDICATORS

The mixed picture evident in Bulgaria’s national diamond is also reflected in its relatively low Business Competitiveness Indicators (BCI).

Bulgaria ranks 65th out of 74 countries in overall BCI, relative to a PPP-adjusted GDP per capita ranking of 46th. Furthermore, Bulgaria’s BCI ranking has declined by two places in the last five years and has been overtaken by Romania and Vietnam. Bulgaria’s low overall ranking is driven by weakness in both the National Business Environment rank (63rd of 74) and Company Operations & Strategy rank (70th of 74).

Given that Bulgaria has adopted the EU regulatory regime, one would expect it to have a higher BCI ranking. For example, the EU-15 are ranked 18th,⁴ and the CEEC-8 35th, out of countries, roughly corresponding to their GDP per capita rankings. Clearly, as the BCI data relies partially on surveys, Bulgarian businesses are not actually seeing improvements on the ground. Bulgaria’s weak performance,

similar to Romania's, is likely driven partly by delay or inaction between adoption and implementation of new EU laws. As stated in the OECD's performance assessment of Bulgaria's enterprise policy, businesses felt "a theoretical [rather than a concrete] SME policy approach is practiced at ministerial level. Everything is based on documents...which often have no basis in reality." Additionally, there are specific areas where Bulgaria needs to further improve, as discussed in the recommendations section.

POLICY DEVELOPMENTS

Galvanized by the severe financial crisis in 1997, Bulgaria has implemented a successful set of policies over the past decade, culminating with its accession to the European Union this year.

The key areas of policy developments are (Based on the arithmetic average of all 15 countries):

- Tax: corporate taxes reduced from 24% to 10%, VAT established at 20%.
- Zero tax rate in high unemployment regions.
- Full elimination of capital controls.
- Labour market reform allowing for easier firing of people, and hiring on temporary basis.
- Privatized most state-owned monopolies: utilities, transportation, telecom, manufacturing Full liberalization of prices (no caps) including on utilities.
- Unrestricted foreign ownership of Bulgarian companies.
- Imposing EU regulatory requirements on agricultural products, manufacturing of foods, and aviation.
- Fixed exchange rate to the Euro through currency board in 1998.
- Converted foreign debt into domestic debt.
- Elimination of all trade barriers with EU in 2002.
- Consistent government budget surpluses between 2003 and 2006.
- Pension reform from pay-as-you-go to partially funded system.
- Macroeconomic Political / Social
- Joined WTO in 1996.
- Joined NATO in 2004.
- Joined EU in 2007.
- Eliminated mandatory military service.
- Legislative reform: adapted to *acquis communautaire* (31 chapters).
- Reduced levels of corruption and organized crime.

- Business Environment.

APPAREL IN BULGARIA - ANALYSIS

The apparel cluster has a long tradition of high quality output. It is the largest and fastest growing cluster in Bulgaria, comprising 3,000 core apparel companies, accounting for roughly 15% of exports and having doubled in size over the past 5 years.

The cluster is positioned in the right market (high-end products, rapid delivery), but in the wrong activities (low value-add activities such as Cut-and-Made). Thus, it participates in only 10% of the value chain. The challenge is to shift into design (20%) and marketing & sales (50%).

Cluster strengths include a trained workforce, good supporting clusters, and close and free access to the EU market; weaknesses include the low level of branding and marketing. There is significant entrepreneurial activity in the small but fast-growing branded sector, but moving the whole cluster in this direction will require higher levels of coordination between educational institutions, firms and government.

GLOBAL APPAREL MARKET

Bulgaria's apparel cluster competes in the \$800 billion global apparel market. The apparel market has grown at a 6.3% CAGR since 2001. Western Europe represents the largest sub-market with 34% value share, followed by North America (27%) and Asia Pacific (20%) (Figure 13). With 3% share, Eastern Europe is small but is the fastest growing market globally. Western Europe imports slightly over half of its apparel imports from Asia, and one quarter each from North Africa and Eastern Europe (Figure 14).

Within the Western European market, higher-end apparel designers with time-sensitive orders have naturally gravitated to Eastern Europe for sourcing. The average transportation time to Western Europe is 4 days from Eastern Europe, versus 2-3 weeks from Northern Africa and 4+ weeks from Asia. In contrast, price sensitive apparel designers tend to source from Asian or North African producers, as their labour rates are only 37% of Eastern Europe's. The global apparel market historically has been subject to heavy trade restrictions, due to efforts by developed economies—mainly the U.S. and Europe—to protect their domestic apparel industries. Remaining restrictions are set to expire by 2008 (The data for this section was sourced from the Global Market Information Database of Euromonitor International).

BULGARIA APPAREL CLUSTER PERFORMANCE

Bulgaria's apparel cluster has performed extremely well over the past five years, exhibiting strong growth and a focus on high value-added products. Because Bulgaria exports 85% of its total apparel production, of which over 90% goes to Europe, it is very dependent on the growth of European apparel consumption. Moreover, the combination of Western Europe's strong growth, and the continued shift of production out of Western Europe, has enabled Bulgaria to double apparel production between 2000 and 2005 (CAGR 15.6%—highest in Europe), while EU-25 countries shrunk by 30% during the same period (BAATPE, 2007).

At \$2.7 billion, apparel accounts for 15% of national exports, and is thus a critical component of Bulgaria's economy. In addition, the cluster is focused on high-end products, such as women's knitted blouses and jackets, and men's jackets and suits. Source: Institute for Strategy and Competitiveness, Team Analysis

There are over 3,000 apparel manufacturers at the core, covering all major product categories. However, the highest value-added components, including equipment suppliers, designers and retailers, are largely missing.

The apparel manufacturers receive inputs from the textile cluster, which is smaller but also active in Bulgaria, and from other material suppliers for trims, buttons, and other accessories.

While the emerging IT cluster enables supply chain management and local financial institutions provide credit, sophisticated equipment necessary for production is mostly imported from Germany and Italy. Supporting these manufacturers are a number of exporting and logistics companies, and other supporting infrastructure such as transportation, electricity and utility firms. A number of IFCs exist in Bulgaria, in the form of industry associations, universities, and vocational schools in design and production. However, since most of the production is designed by foreign retailers, and over 85% of output is exported, there is a limited presence of Bulgarian designers and retailers today. Because of that, the cluster has little involvement in media and advertising, including fashion shows. This has a significant, negative impact the cluster's ability to migrate to higher value-added activities.

Bulgaria is a EU newcomer with textile skills. The 17 post-communist years in Bulgaria have been characterised by the creation of numerous small and medium-sized companies in the clothing industry. Most of them were founded by the managers of the former combines, others by international investors. The context has changed again with Bulgaria's membership of the European Union.

The clothing and textile industry is one of Bulgaria's growth sectors and it contributes greatly to the country's export income. Between 1999 and 2004 this sector grew by 20.4%. 31% of the industrial workforce was employed in it in 2004. They created 7.6% of total industrial production. In the first half year of 2006, textile and clothing exports accounted for 15.5% of total exports and 27.6% of Bulgaria's exports to the EU. At the same time the domestic market grew by 10% compared with the previous year.

After the fall of the communist bloc, many specialists of the middle management level in Bulgaria too were forced to become entrepreneurs without having had any marketing or company management training whatsoever up to that point.

Numerous firms are still suffering as a result of this today, keeping themselves afloat with second or third-hand subcontract work, in other words as suppliers to other, larger subcontract manufacturers. Others, however - often coming from different sectors and with trading experience or those who were already supplying major West European customers before the fall of communism - have succeeded in establishing their own brands, at least in the domestic market, frequently with their own shops or franchise concepts. Examples are Kolev & Kolev with children's shoes, Daks with handbags, Battibaleno, Capasca, Etere, Max Danieli, Nia&Dorado, Toni and Markam with ladies' or men's fashion.

But these concepts only work in the larger cities with tourism such as Sofia, Varna and Plovdiv. These cities draw people with their attractive town centres and shopping centres are being created there. So these companies are beginning to export to Romania, Hungary and Russia. The mentality of the consumers in the former "brother states" is familiar and links have been maintained. On the other hand it is still difficult today to export Bulgarian brands to the EU. However, with joint stands at fashion exhibitions e.g. at CPD, Dusseldorf (D), CIFF, Copenhagen (DK), Ispo, Munich (D), and CPM, Moscow (RUS), they are beginning to record growing success, explains Valia Dankova, the Managing Director of BAATPE (Bulgarian Association of Apparel and Textile Producers and Exporters), Sofia. And presence at the annual BGate exhibition in Sofia, which as a sector cross-section exhibition presents everything from clothing via fabrics to garment manufacturing machines, is seen as a door-opener for exports.

Whereas ambitious brand manufacturers, which often also offer subcontract manufacture as a basic business, show at the exhibitions, the pure subcontract producers refrain from taking part in exhibitions. Valia Dankova explains why these firms are not represented either at Global Fashion, Dusseldorf, or at Fatex, Paris (F), or at BGate either: "For one thing they must not promote the products that are

produced by subcontract, and for another they get their orders via a different route." The different routes referred to are recommendations and contacts through associations or sewing machine, accessory and fabric sellers.

Many of the clothing companies are also currently faced with the problem that employees are leaving the country to take better-paid jobs in Western Europe. The result of this is that they have to switch from two-shift operation to a single shift. So capacity is drastically cut and large volumes of items for West European customers including those who want to move their production back from China to Europe cannot be produced.

Despite the economic support programme, which is being implemented until 2007 by the Bulgarian state and the Gesellschaft für Technische Zusammenarbeit (GTZ, Association for Technical Cooperation), Eschborn (D), SIPPO (CH) and other organisations, programmes of economic support are still needed even after entry into the EU. Valia Dankova and her colleague Todor Bozveliev from LFFHI (Association of Leatherworking Industries), Sofia, agree that many company bosses have still not recognised the urgent need for their own training in the areas of marketing, operational organisation and technology. And the former training centres have mostly disappeared and the remaining ones teach in an outdated fashion, lacking modern equipment. So the sector associations are now attempting both to create new professional training and education centres mainly funded by private enterprise and to build a textile institute to remedy this lack. The fact that they are hoping for support from the EU and international support, which has been available to date, is not difficult to understand. No programme of support for the textile, clothing and shoe industry is likely to be provided by the Bulgarian government in the foreseeable future. However there are general support programmes for small and medium-sized enterprises (SMEs), for exhibition participation abroad and for investment in IT systems.

Recommendations for business in Bulgaria are of course a tried and tested method of making contacts where subcontract orders are concerned. But there are other resources in the capital Sofia: the sector associations BAATPE (Bulgarian Association of Apparel and Textile Producers and Exporters) and BATEC (Bulgarian Association of Textile and Clothing), the Ministry of Light Industry, the German-Bulgarian Chamber of Commerce and also the Fashion Floor International (see p. 14). For shoes and leather goods LFFHI (the sector association for leather, fur, footwear and haberdashery industries in Bulgaria) is the right address.

The textile industry in Bulgaria in 2007 has high quality products, labour capacity and attractive prices - these are the main competitive advantages that characterise the

Bulgarian market as an attractive destination for investments in the textile industry. Below you will find an overview of the opportunities that the Bulgarian market could offer Danish companies, operating in the field of textile and apparel sector.

Textile production in Bulgaria has been growing over the recent years despite the removal of the world trade barriers and the following expansion of the Asian textile industry. The production of clothing in Bulgaria has more than doubled the last five years mainly due to the fact that Bulgaria is delivering high quality products at competitive prices. In the same period the overall production of clothing in the EU-25 countries declined by nearly 30 percent. The continuous growth in the Bulgarian production illustrates the competitiveness of the Bulgarian apparel and textile industry.

2.5 Poland - FUNDPEP

Short description of the socio-economic situation of Mazovia (Mazowsze) region in Poland

Population and territory

Mazovia is a biggest region of Poland, situated in the Center of Country. The resident population of Mazovia is about 5 million persons (at 1st of January 2006, GUS).

In Mazovia region:

- registered unemployed persons (April 2008) - 205,1 thous;
- unemployment rate (April 2008) – 8,5%;
- average monthly employment in enterprise sector (April 2008) - 1296,9 thous;
- average monthly gross wage and salary in enterprise sector (April 2008) - 3933,94 zł;
- completed dwellings (January-April 2008) – 10895;
- entities of the national economy (April 2008) - 634,1 thous;
- production of basic cereals and cereal mixed (2007) - 2576,5 thous (2nd place between 16 voivodships);
- potatoes production (2007) - 1656,1 thous. t (1st place between 16 voivodships);
- cattle (as of December 2007) - 945,5 thous. pcs (1st place between 16 voivodships);

- pigs (as of end of March 2008) - 1693,7 thous. pcs (3rd place between 16 voivodships).

Table 1. - The resident population

Territories	Population	Density per square km
Region	5171702	145
Capital town - Warsaw	1697596	3284

Source: GUS (Central Statistical Office)

Table 2. - The population of working age in 2004.

Rates and Indexes*	Warsaw	Mazovia	Poland
0-17	288536	1049135	8219385
18-59	844891	3233230	24140533
60 and more	198911	857180	5820331
Total	1332338	5139545	38180249

Source: GUS (Central Statistical Office)

The labour market - Population active professionally.

In the fourth quarter of 2006, economically active (employed and unemployed) was 645 000 persons and compared to the fourth quarter of 2005, increased by 1.7%. On the change of the number of active working population affected mainly the increase in the number of employed workers. Of the total population aged 15 years and more, actively working were 55.4%. This was slightly higher than a year before (54.5%). The increase of this factor was due to the overall increase in the level of professional activity, both women (0.7 points) and men (1.3 points), as well as the urban population (2.8 points). Only the professional activity of the rural population was decreased (0.6 points). These changes caused decrease of the relation between working and unemployed people. For each 1000 employed people there are 1137 unemployed and passive. Compared to the fourth quarter of 2005 this factor was decreased by 132 persons. The largest economically active group was 25 to 34 years of age, while the lowest - the youngest person (aged 15-24 years) and oldest (aged 55 and over). Quarterly analysis of the results points to seasonal changes of

activity. As in previous years, the largest professional activity occurred in the summer months (ie. in the second and third quarter), resulting in greater employment of the rural population. On entire year men have higher professional activity. More active are citizens of towns, too.

Table 3 - Labour market indicators in IV quarter 2006 (values in thousands and %)

Territories	Work force			Participation activity rate age 15-64		
	Men	Women	Total	Men	Women	Total
Mazovia	1364	1206	2570	65,2	52,7	58,7
Poland	9308	7679	16987	62,3	46,7	54,1
	Employed			Employment rate age 15-64		
	Men	Women	Total	Men	Women	Total
Mazovia	1266	1107	2373	60,5	48,3	54,2
Poland	8288	6624	14911	55,5	40,3	47,5
	Unemployed			Unemployment rate		
	Men	Women	Total	Men	Women	Total
Mazovia	98	98	196	7,2	8,1	7,6
Poland	1021	1055	2076			14,9

Source: GUS (Central Statistical Office)

The production units and economic dynamics

Mazovia was and still is the leader of economic transformation in Poland. No other region of the country has been so fast and so successful in transformation. Companies operating here have been privatised soon. On the Mazovia region, now operates nearly half a million companies. The region produces more than 20 percent. national GDP. The main sectors are trade, telecommunications, financial services, insurance, IT, automotive and petrochemical industries. Warsaw is established 43 enterprises in the first hundred of the largest Polish companies. Almost 30 percent of the foreign investors chose Mazovia at the headquarters of their companies. Among the companies that have invested in the region over 1 billion dollars are France Telecom, Citigroup, Gazprom, Vivendi, the European Bank for Reconstruction and Development, UniCredito Italiano and Nestle.

Table 4 – Economic entities, sold production and employed persons in industry by ownership sectors in 2006

SPECIFICATION	Entities conducting economic activity	Sold production (current prices in mln zł)	Employed persons in thous.
T O T A L	204202	784721,1	2954,8
Public sector	1908	128738,5	481,4
Private sector	202294	655982,6	2473,4

Source: GUS (Central Statistical Office)

The investment in the Mazovia region, above all, encourages the size of the market in the region and in the entire country and the strategic position for production and service activities. An important reason is also good infrastructure and communication. Mazovia has good communication with the rest of the country and the biggest in all Poland international airports, as well as well-educated workforce.

Mazovia Province has the highest among all the Polish provinces, income per capita, which is about 18 thousand EURO, which is comparable to the income in Greece and which represents 74% of the average income in the European Union. Warsaw is considered to be the financial capital of Poland. In the region lives many people with higher education and qualifications. The average salary exceeds by more than 30 percent the national average.

Table 5 – Statistical Yearbook of work 2006

	Absolute values in 2006				Percentage composition in 2006			
	Agriculture	Industry	Services	Total	Agriculture	Industry	Services	Total
Mazovia	2458,82	2648,67	3005,03	8112,52	30,3	32,64	37,04	100,0
Poland	2112,58	2229,25	2301,82	6643,65	31,79	33,55	34,64	100,0

Source: GUS (Central Statistical Office)

Outside Warsaw, a region is dominated by agriculture. Utilities agricultural occupy approximately 67 percent the surface of the administrative region (13 percent of Polish agricultural land). Mazovia is the main region for horticulture and fruit growing. The development of agriculture promotes closeness of Warsaw - disorders market.

Production of agricultural infrastructure in the region is for the food processing industry.

Table 6 – Income indicators: Added value by sector in 2004

	Agriculture	Industry and construction	Services	Total
Poland	41426(5,04%))	248947(30,28) %)	531292(64,66%))	821665(100%)
Mazowia	6875(4,08%)	37442(22,21%)	124154(73,69%))	168472(100%)
Warsaw	43(0,041%)	16400(15,88%)	86786(84,07%)	103229(100%)

Source: GUS (Central Statistical Office)

It is important to the economy of this region the fact that this is the most visited region in Poland by foreign tourists (about 5 million people annually, almost 30 percent the total number of foreigners visiting Poland). Tourism promotes good network of connections with European cities, a high level of hotel services, communications, telecommunications and finance - as well as easy access to many attractions of Mazovia.

2.6 Portugal - ACTO

Off-shoring and deindustrialization hit Portugal badly. Not a day without hearing about the closure of a textile factory or an automobile one. And people receive that information in a relatively passive way, and the dramatic impact on households is often quickly hidden.

According to one sociologist, "The Portuguese society still has many characteristics of peasant societies. The Portuguese households affected by unemployment develop collective strategies to combat economic difficulties. These strategies help compensate the low wages and the low amounts of social benefits."

Portugal suffers from the following weaknesses:

- A very low level of qualifications of its workforce;
- The weakness of financial markets to fund projects;

- Insufficient spending on research and development;
- An inadequate international specialization;
- Inadequate flexibility of the labour market;
- The weight of the bureaucracy and the virtual absence of a national strategy, apart from the one imposed by the need to have a framework for the “manna” from Brussels;
- The aging of the population and the emigration movements, especially by the youngest.

To replace unskilled labour by skilled labour is still a major problem for Portugal, because the unskilled unemployment remains high.

In Portugal, it is pertinent to stress the prospect that the Portuguese society is constituted as a semi-peripheral society. The semi-periphery of Portugal is justified, on one hand, by the fact that this country presents socio-economic characteristics that reveal its peripheral position in relation to patterns of production and consumption of other countries in central Europe; on the other hand, by the fact that, with the integration in then EEC, Portugal has been having a new central role to play on their former colonies in Africa.

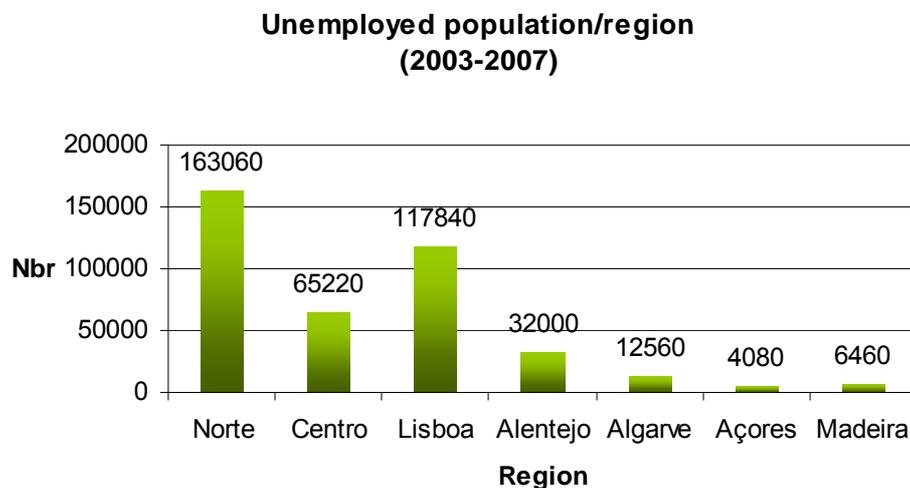
The condition of semi-peripheral Portuguese society also reflects on the level of provision of social welfare, meaning a society that only later developed a model of Providence State, which did not confirm as a strong welfare state. At the same time, it is a reality that the persistent civil society has never ceased to be and it is full of vitality in the maintenance of informal systems of support, a characteristic linked to the maintenance of a social organization with a rural character, based on relations of proximity and inter-knowledge and on an urban network of small or very small dimension.

In the current context, it is difficult to dissociate, in Portugal, the competitive effect of the gradual opening of European and international markets and borders, from the consequences of the structural problems existing in the national economy. Thus, in Portugal, we can verify the existence of a delicate situation, in a joint result of the effects of globalization on the industrial sectors and territories and the pre-existence of a number of factors that negatively affect the national socio-economic reality.

Today, Portugal holds no positive positions in European and world rankings of training and qualification of its population and its workmanship. According to Eurostat, concerning the percentage of the population of 22 years with the last round

of full secondary education, in 2005, Portugal lies in the last position among the countries of the enlarged European Union (EU-25).

Sectors, such as textile and clothing show alarming signs of the low quality of its human resources. According to data from the Technological Center of Industries of Textiles and Clothing (CITEVE, 2006) on the level of education of the textile unemployed in the textile region of Vale do Ave, 8% are illiterate, not having any level of schooling, and only 1% has university education. The majority of the population, that is 80%, has very low levels of qualification, corresponding to 4 or 6 years of school, which means a very difficult conversion or capacity for rehabilitation of this population in the work market.



As shown in the above graphic, approximately 76.4% of the unemployed people live in the North Region and Lisbon, concentrating more than $\frac{3}{4}$ of all the unemployment on the Continent.

Like the other EU countries, Portugal holds values of negative population growth. A trend that could cause a lack of workmanship at the national level, especially if the current economic system does not reverse in a meaningful way, facing too strongly to the very intensive forms of production.

The negative demographic balance is exacerbated by the appeal to the constant migration of a significant slice of the national population. There is, between 1976 and 2003, a growth of 38% of flows to outside (SOPEMI, 2006).

The Portuguese emigration, mainly the temporary emigration, is making, in recent years, a significant change in qualitative terms. According to SOPEMI, in 2002, 52% of the 27,000 Portuguese temporary emigrants had educational level corresponding to secondary and higher education. In the case of permanent migration, the levels of qualification shall remain low (2006).

According to the report "International Migration, Remittances and the Brain Drain" of the World Bank, one in five Portuguese with higher qualifications (university or technical), is living abroad, occupying Portugal the 21st position with regard the phenomenon of "brain drain" among the nations of the world with more than five million inhabitants. (2006).

Regarding the economy, the "Competitiveness Project 2005" report of the Portuguese Ministry of Economy, shows the evolution of twenty-one sectors that constitute the bulk of national exports, giving a total value of exports of 74.8%. Of these sectors, only five concentrated 40.3% of exports: cars with airbag (13.6%), clothing and clothing accessories (9.6%), machinery and electrical equipment and components (7.3%), yarn, fabrics and articles made with textile fibres (5.2%) and footwear (4.6%).

The price of the national workmanship, traditionally one of the main strengths of the Portuguese industrial development, has been exceeded by the inclusion of the Portuguese economy in the global market.

Even with continuing low pay levels and basing its development in important restrictions, the cost of labour, the lowest in the EU-15, is high in the context of an enlarged Europe, or the EU-25.

Portugal occupies one of the last positions at the level of EU-25 with regard to expenditures made by companies on R&D. According to Eurostat data for 2003 (The expenditures R&D in Europe), only Malta, the Czech Republic, Latvia, Lithuania, Poland and Greece are lower.

According to the national Observatory for Science and Higher Education (OCES, "Evolution of business innovation in Portugal, 2006, 4th Community Innovation Survey"), in the period between 2002 and 2004, there has been a strong concentration of investment (86%) in activities related to the purchase of machinery, equipment and software, representing 2.1% of the turnover of companies. There was also a drop of investment in R&D in the industrial sector, which fell from 3.1% in 2000 to 2.1% in 2002.

The entrepreneurial spirit underpins a culture of innovation and investment that many claim to be residual in Portugal. Indeed, it has not yet been a strong bet, within the educational system, to young people in school, in terms of actions for promoting entrepreneurial awareness, as happens in other countries. Similarly, support for creation of new businesses is still minor and the monitoring of the post-creation stage is almost nonexistent.

With regard to initiatives such as venture capital, it appears that programmes of investment capital are mostly implemented by the state (as a way to support Structural Funds investment), and not by private initiatives.

2.7 Belgium - VOKA

Short description of the socio-economic situation (2004-2007)

Fashion Industry in Flanders

The fashion industry is a sector that has moved over the last decennia into a genuine global industry.

There has been a global re-assessment of the value chain in this industry, whereby each part of the chain is realised in that location somewhere in the world that offers the best conditions for its' realisation.

Also the Flemish fashion industry took part in this globalising evolution... Competition is no longer based on efficiency factors but is increasingly determined by specialisation, creativity and innovation.

The value chain of the fashion industry goes from the fashion designer to the fashion customer. Throughout the productive process the creative input of the designer is turned into wearable clothing collections with a symbolic added value.

Designer

At the beginning (head) of the fashion value chain there is the designer. He/she designs clothing, shoes, and accessories for women, men and children. He/she notes ideas, sketches indications, chooses colours and fibres, drapes chosen tissues on human models and gives indication for the practical realisation of the design.

In Flanders there are two types of designers: 1. those designing "anonymous" collections and 2. Those designing under own label. Some designers may also combine both types as they have their own label but produce also for third parties.

In Flanders a designer can have different statues: he/she can be self-employed, employee for others, or owner of a proper company. The scale designers use to work in and the entrepreneurial structure can vary significantly. Sometimes a company or

designer works in a business-to-business scheme, sometimes they own the total value chain in a business-to-consumer scheme.

The exact number of Belgian designers is not known as Belgium does not have official employment statistics at the level of individual professions. But it is generally assumed that only a minority of the designers is working as self-employed. The majority is operating within a structured company. Almost 3 out of 4 Flemish designers working under own label is active in the clothing design. Within this group nearly 73% designs exclusively women's wear.

As to future developments we identify a few obstacles that need to be tackled on short term: creativity is not always compatible with economic laws. It seems to be a difficult balance in all parts of the creative industry. There is a lack of entrepreneurial and managerial skills among the designers, the niche has a complex financial structure, there is a lack of skilled staff and the local market is rather narrow.

Pattern drawers

To transfer the creative input of the designer into real marketable products, these need to be transformed during the production process. Pattern drawers translate the creative input into suitable models for industrial production. IN Flanders at present there is a structural lack of qualified pattern drawers.

Producers of fashion articles

On the basis of the input given by the designer (shoes or accessories) or by the pattern drawer (clothing), the industrial production of fashion articles can start.

In 2005 circa 1.850 entrepreneurs in Flanders were active in the production of fashion articles. The overall majority among them does not employ staff (71%). But also among the group of companies with staff the smaller businesses prevail. So one can conclude that the production of fashion articles in Flanders has a strong SME character.

Between 1995 and 2005 nearly 13.000 jobs (65%) of the total employment in the sector were lost, while in the same period added value increased only by 2%. In 2005 only 9.000 people were employed in the sector with an added value of circa 510 mio Euro. The employment evolution in 1995-2005 is largely the consequence of a modified strategy.

The main causes for the negative evolution in the sector for Flanders are the fierce competition coming from low cost countries and from the liberalisation of trade.

Flemish entrepreneurs have developed several strategies to tackle the problems they faced with this changing trend. They decide for strategic delocalisation, specialised niche strategies or an increase in the (logistic) service delivery (flexibility and improved time-to-market).

Obstacles that might hamper the further development of the sector in Flanders are a lack of skilled workforce, the separation between creation and production in Flanders and the unfair competition from China.

Production and supply of tissues

Within the fashion industry tissues are the main motors for trends and developments. In 2005 in Flanders 1835 companies were active in the production and supply of tissues for technical, interior design, and clothing applications. Circa 6000 companies produce and supply specifically to the fashion industry. Some 70 among them are in production the others are in wholesale.

In 2005 nearly 11.3000 people were active in the production and the supply of technical, interior design, and clothing tissues. Nearly 3.700 people were working for de fashion industry.

The turnover realised by production and supply companies in this sector is estimated to be circa 950mio euro, and the added value is estimated on 180 mio euro.

In the last ten years also here fierce competition was felt from low cost countries, but during the most recent years also other factors play a role: increasing energy and environment costs have a considerable impact on the Flemish producers of fibres and tissues.

To cope with these problems the Flemish entrepreneurs focussed more on the production of technical fibres and on the development of niche specialisation in clothing textile (special tissues, top quality).

Future obstacles might be in Flanders the bad image of the sector, the lack of skilled workforce, the relations between fashion industry and textile industry and unfair competition.

Wholesale in fashion articles

In 2005 nearly 3750 companies were active in trade mediation and wholesale activities. Together they employ circa 6.500 people.

The volume in trade mediation and wholesale rose by 27% between 1996 and 2005 (2,3 billion euro). IN the same period added value doubled from 291 mio euro to 582 mio euro.

Then main evolutions in the wholesale are the globalisation of the value chain, the direct versus indirect purchase and the modified rhythm of the fashion industry.

Retail

In retail clothing, accessories and other fashion articles are sold to final consumers. More and more the retail is overcoming its pure functional role of distributing articles to the end consumer. More and more retail gives added value to the sector because of the creation of symbolic added value and its therefore is moving into a more core creative industry.

In 2005 there were 9075 companies active in retail of fashion articles. Two thirds of these are clothing shops. Between 1995 and 2005 the total amount of employees has risen from 21.000 to 26.000, i.e. an increase of almost 24%. The turnover was smaller than this of the wholesale but there was still an increase by 11% between 1996 and 2005 (2 billion euro). Added value of retail in this sector was 644 mio euros in 2005, an increase by 35% compared to 1996.

The main evolution in retail is clearly the rising importance of symbolic added value. Retail can be considered as a core creative part of the fashion industry.

Obstacles in further development lie mainly in the field of product driven strategy still ruling in the sector. Retailers should more evolve to market-driven strategies.

Consumers

At the end of the value chain is the consumer. IN 2005 an average Belgian family spent circa 1570 euro on fashion articles. This is nearly 5% of the total household budget. The part of fashion articles in the budget has been decreasing steadily since 1996.

Innovation in the fashion industry

Innovation plays an important role in the fashion industry. It is an ongoing process to make creativity concrete and marketable. In the last years there has been an increased effort for innovative creativity. In Flanders because the fashion rhythm rises steadily Flemish entrepreneurs know that they have to cope with globalisation and are taking innovative actions to remain in the market. There has been a re-positioning of the total textile industry in Flanders over the last ten years focussing not only exclusively on fashion but also on other textile applications. Now there is emerging again a trend that fashion industry is growing again and characterised by innovative trends.

2.8 North Ireland - NWRC

Short description of the socio-economic situation (2004-2007)

The global market for textiles and clothing is changing rapidly. At the end of the 1970's, the UK industry employed over 800,000 people. It is estimated that less than 110,000 jobs in the industry remains this number is quickly dwindling. (Clothing and Footwear Industry Market Report, Key Note, 2004)

Since the later 1990's there has been a shift towards production in other countries, where the costs of production, most notably labour, are low and where valued-added is also minimal. This deindustrialisation in textiles is an inevitable consequence of natural shifts in competitive advantage. It is commonly held that in order to survive, British textile producers should be looking to increase investment and shift output towards higher quality and higher priced textile production. UK companies specialising in technical textiles are already constantly innovating and remain a moving target for low wage countries.

In 2000, the British government proposed an aid package of up to £15m for in the UK's textile and clothing industry which was aimed at halting job losses. This was part of a 12-point action plan for industry.

This plan was intended to help companies to become more competitive, diversify into higher value and growth areas, embrace innovation and the new technologies, and strengthen their position in world markets. It was designed to provide skills and training for workers in the industry and help textile and clothing workers who have lost their jobs to get new skills and new jobs.

However, the 12-Point Plan did not stop the tide from turning, and the Global Market shifted to those countries where labour costs were minimum, with maximum investment in capital with a projected high output.

However, other factors affected the Textile Manufacturing sector at the same time.

Factors behind the collapse in production leading to the crisis process

Several factors have caused a sharp decline in the market demand for finished textiles in the UK

1. Double-edged impact of exchange rate – Imported textile products are cheaper when priced in sterling so import penetration in UK markets has

increased; the high value of sterling has led to a fall off in the textile exports from the UK. This loss of overseas market share has been hastened by the economic downturn in Asia has accelerated this loss of overseas market share.

2. Long term loss of comparative advantage in textiles - The UK textile sector's competitive advantage has been eroded. While the main competition is from other industrial market economies producing high volume clothing, the expansion of low wage competition from economically less developed/Third World countries is increasingly relevant - although the UK is not unique in this regard.
3. Growing market for specialised home textiles – Home Textiles manufacturing the newest and one of the most profitable textile manufacturing sectors in the Western world. Since 2002 the home textiles sector in the UK has increased substantially. It continues to grow and many textile manufacturers have switched production to cater for this growing market. Developing countries with machine capacity and the availability of a semi-skilled labour force can cater for specialised home textile production where there is less of a requirement for both design and expertise. The UK home textiles market cannot afford to compete on price alone and to survive and thrive in this increasingly competitive market, the UK should focus on design skills and workmanship.
4. Out-sourcing of clothing manufacturing by UK retailers - traditionally, UK clothing manufacturers have relied on orders from leading UK clothing retailers to sustain their production levels. Increasingly UK retailers are out-sourcing their clothing supplies from outside the UK. Competition from other European clothing retailers is having a negative impact on demand for goods produced in the UK and compounding the problem.
5. Introduction of and increase to National Minimum Wage – some of the larger UK textile firms pay above National Minimum Wage, reducing the competitiveness of UK products. (The downturn in Asian and US economies has been more influential than National Minimum Wage).
6. Inefficiencies in production – poor communication, lack of trust, under investment in new capital machinery, inadequate research, lack of product development etc are all contributing to inefficiencies in production
7. Lack of skills – the UK textile industry is finding it hard to overcome lack of skills in the use of technology, marketing and exporting.

8. Multi-Fibre Arrangement (MFA), At the end of 2002 there was an agreement that, the MFA – which existed to assist the employment of import quotas by major importing countries, would be phased out. Many countries on the Pacific Rim were already thinking about and seeking information about developing new products with the technology.

Clothing Textiles

The most buoyant of the clothing textile market remains women's clothes. The menswear and childrenswear sectors are also expanding due to celebrity promotion. This is also partially due to the development of Niche clothing, such clubwear and surfwear, is also likely to go on expanding. Sportswear is also going through a boom period, not just via globalised manufacturers such as Nike and Adidas, but also amongst UK retailers, where three companies (JJB Sports, JD Sports and Black's Leisure) own over 1,200 outlets. There also seems to be some interest in 'eco friendly' clothing.

Technical Textiles

Developments in sportswear, outdoor and leisure clothing have meant that manufacturers will continue to invest in the growth of 'technical textiles'. These use scientific advances to create different fabrics, performance, quality and durability. Even today the major regions for clothing companies are the East Midlands, the North West, London and Central Scotland. However, the major regions for textiles are the East Midlands, the North West, Central Scotland, Yorkshire and Northern Ireland. London has relatively few textile companies.

2.9 Hungary - Camera di Commercio italiana di Budapest

Summary of 2004-2007

Due to the upswing in the global economy, and to the somewhat more moderate upward trend in the West European economy, Hungarian economy growth rose to 4% in 2004 (and reached 4.1% on average in the first three quarters). Although the sluggishness in economic activity in Western Europe in the second half of the year could also be observed in the Hungarian trends, the domestic economic growth in 2004 turned out significantly more favourable than in the previous three years, both in terms of growth rate and structure.

Accelerating growth was reinforced by a positive structure, driven firstly by a marked, double-digit expansion of investment – with an increase in investment in the manufacturing well in excess of 20% and with dynamic growth in previous years, decreased, its growth proving significantly inferior to the GDP.

In respect of contributions to, traditional branches of the national economy gained ground in 2004. Based on the annual 8.3% industrial expansion, we could state that the sector completed a year which was far more productive than previous ones, although the weakening demands from Western European in the second half of the year affected this particular sector the most.

In industry, productivity growth (11,46% in the first eleven months) exceeded the increase in wages and so unit labour costs declined – which affected Hungary's market position quite positively. Despite economic growth approaching 4% the 2003 upward trend on the labour market seemed to have come to a halt. Nevertheless, the unemployment rate of around 6% is remarkably low on an international as well as on a regional scale. It is further promising that, in parallel to downsizing in the public sector, the number of employees in the private sector rose by 1.5% in the first eleven months of the year. The increase in average gross wages slightly exceeded the increase in inflation according to the figures for the first eleven months, but net real wages fell by 0.45% owing to changes in tax and contribution regulations.

In 2005 the Hungarian economy continued to be characterized by the dynamic, export and investment-driven growth seen in 2004. Growth structure remains favourable, with exports and investments the primary drivers of the expanding economy.

The dynamic of industrial production had been consistently high reaching 9% in the third quarter. Growth continued to be driven by exports, although domestic sales growth continues to gain momentum. Industrial productivity continued to improve in the third quarter of last year, and the real performance of the economy also showed positive developments.

Due to the slight strengthening of the forint, euro-based unit wage costs grew by around 2%, but remained well below similar indicators of competing countries in the region. The positive effects of dynamic economic growth had yet to be felt on the labour market. Although rising unemployment had slowed, the 7.3% unemployment rate recorded in the third quarter is more than one percentage point higher than a year earlier. The increase in the number of unemployed was due exclusively to new entrants for returnees to the labour market from the inactive workforce. As a result, the extremely low activity rate grew by one percentage point in a year.

Gross wage growth in the competitiveness sector has stabilized somewhere above 7%, while wages in the public sector grew at a similar rate. Real wages on the national level increased by 6.8% in the first nine months of 2005.

The Hungarian economy totalled growth of 3.9% in 2006, which despite the favourable European upturn means a slow-down compared to the previous year. Following prominent first quarter growth (4.9%) – for a large part attributable to one-off factors – the rate of growth showed a gradual slackening and slowed to 3.2%. The year-end loss of momentum – in contrast with the European upturn – was primarily linked to the internal demand restraining effect of austerity measures implemented during the year. At the same time, the decline in manufacturing investments occurred unexpectedly. Consumer dynamic proved to be restrained for the whole year, reaching an annual average of 0.4% in total, already turning to a decline in the last quarter. The industrial upturn which began in the second half of 2005 continued unabated in 2006: the sector's gross production grew at a rate of over 10%, and the growth rate moved in the double figures for the larger part of the year. Industrial GDP showed acceleration, and with an increase of 8.6% was clearly the motor of economic growth. Industrial growth was also driven by dynamic export sales growth, the yearly average being 14.6%, but domestic sales also grew by 4%.

The productivity of the industry calculated on the basis of gross added value rose last year by 10.1%, which exceeds the industrial gross nominal income growth of 8.5%. Also taking into account the weakening of the forint by some 7%, appropriate for international comparison, unit industry labour costs, expressed in euros, fell by 8.2% in Hungary, while from among the neighbouring competitor countries it stagnated in the Czech Republic, in Slovakia it fell slightly, while in Poland ULC rose by a similar rate. Besides the fall in unit labour-costs, the position of industrial exports was improved in the short term similarly by last year's further continuation of the depreciation of the real exchange rates in the Visegrad countries showed smaller depreciation or appreciation.

The rise in unemployment slowed down but continued in 2006: the rate of unemployment grew to an annual average of 7.5%. Concurrently, the number of employed also showed a noticeable increase (more than 40 000), thus the labour-force participation rate rose by another half-points in 2006, reaching 55% (as a proportion of 15-74 age population).

In 2007 continues further the slowing down of the economic growth which is not exclusively due to the unfolding of the fiscal adjustment measures introduced during last year, but the drastic downturn of the performance of agriculture also played a determinant role. Consumption continued to show a massive reduction also in the

third quarter and within this the volume of final consumption of government and social transfers in kind decreased more intensely, while the reduction in the volume of households' consumption expenditures was less intense. Despite the very favourable processes in foreign trade balance of goods, the contribution of net exports to the GDP growth continued to decrease, since the gap between the dynamics of exports and imports (of goods and services) according to the national accounts had been closed almost completely.

Economic growth – measured from the production side – was clearly driven by industry, since the gross added value of the sector increased by 7.4%, and its output increased by 9.1% during the third quarter. Thus the growth in service, being hardly above 1% was more than offset by the downturn of 18% of agriculture (being stricken also by natural disasters) and the downturn of 15.3% of the construction industry (being at its lowest point in four years). This means that industry proved to be not only the primary driving force of the growth, but its also shows that without this sector the national economy would only have a performance near stagnation.

Productivity calculated on the basis of the gross added value of the industry increased by 7.8% during the first nine months, being slightly less than the increase of 8.7% in the average wages of full-time employees working in the sector. Considering that the forint has strengthened by more than 5% compared to the same period of 2006 as regards EUR, the unit labour cost calculated in EUR (suitable for international comparison) was 6.9% higher than that of last year.

During the past months it had become clear that parallel with the slowdown of real economic growth – obviously being connected with this phenomenon – the improving of labour market indices had been characteristic over the past two years had now stopped. The growth of labour market participation showing a significant improvement in 2005 and 2006 came to a halt and although the level of employment shows some increase in an annual comparison, the extent of changes remained within the statistical margin of error. At the same time, the number of employees started to decrease, since the private sector – also starting to show a decrease in employee number beginning from the third quarter – could not offset the significant reductions in the public sector. As regards the enterprises the increase of gross wages seem to grow steady at a relatively high level around 10% (“whitening” of part of the remunerations is also playing a role in this increase), but the high level of inflation and the net position deteriorating as a result of changes in the taxation system could not be offset by this increase, thus net real wages has decreased by 4.4% within the sector. In the public sector – where the increase of 5.2% in the wages during the first nine months was primarily due to the continuing effect of the

central salary raise of last April and to the partial early payment of the salary for the 13th month – net real wages has decreased by 7.7%.

Convergence programme 2004-2008

The Hungarian government approved Hungary's up-dated convergence programme for the period 2004-2008 and submitted it to the European Commission in December 2004. Such a programme needed to be drafted annually by all member states of the European Union. The Hungarian convergence programme, besides creating the conditions necessary for the introduction of the euro in 2010 in Hungary, was critical to the modernisation and 'catch-up' process in relation to the more highly developed Western European countries as the long-term goals of economic policy.

Although the economic processes of 2004 indicated a significant improvement (economic growth accelerated and the growth surplus increased, in comparison with the EU average), further major efforts were necessary in economic policy to maintain and accelerate these positive developments. Accordingly, the convergence programme outlines the following principle courses of action: the expansion of employment, the enhancement of competitiveness and of the capacity to attract capital and an improvement in the financial balance.

Employment policy aimed not only at increasing the number of jobs in the next 4-5 years, but also at improving the willingness of the population to seek work. A further goal was to harmonise the qualification structure of the work-force with the labour demands of the economy. As a first step, income tax burdens and employers' contribution rates for certain prioritised employee groups had been eased from the 1st of January 2005.

The enhancement of competitiveness and of the capital attraction capacity would be best served by the introduction of a much-simplified administration system (the 'one-shop-stop' concept) the refinement of the tax system and the realisation of some essential investment in the infrastructure – e.g., in the highway network. In the next period, the volume of foreign direct investments was again likely to rise, and, in consequence, investment in the private sector may expand by some 10% in the medium-term.

The simultaneous and continuous reduction in both the size of the public sector and in the deficit was vitally important in relation to competitiveness and to the financial balance. Specifically, this could reduce centralisation and income redistribution. In addition to expanding the scope of activity of the private sector, this was one of the main tools for enhancing the competitiveness of Hungary as well as for achieving

further goals. Accordingly, the convergence programme outlines a tight fiscal path until 2008, based upon a simultaneous cutback of the budget deficit and upon budgetary redistribution. The budget deficit which amounted to 5.5% of GDP in 2002 (taking into account the deficit correction necessitated by the pension scheme reform) will approach the 3% Maastricht criterion by 2006 and would sink below 2% by 2008. Therefore, by 2008, the GDP deficit would be below 3% even without the correction relating to pension reform, although this requires a significant annual cut in the deficit of between 0.6 and 0.7 percentage points. In parallel, the GDP-related total deficit (already below the 60% Maastricht limit) would decrease by 8 percentage point. Following the temporary acceleration of 2004, inflation would also be on a steadily diminishing course and would reach the 3% level which was needed for the introduction of the euro by 2008.

As a result of strict income and corrective fiscal policies, and in addition to investments, growth should continue to be export-driven in the near future. Provided that economic policy tools were used correctly and that the convergence programme is implemented consistently, Hungary could make serious progress in attaining its strategic goals of modernisation and catching-up over the forthcoming period.

2.10 Romania - Camera de Comerț, Industrie și Agricultură Vaslui

Romanian's NE region, economic and social situation

The region covers the North-East part of Romania and according to the tradition it is a part of the old historical region of Moldavia.

North-East Region is the largest region of Romania, with a surface of 36,850 sqkm (15.46% of the total surface of the country). The region has 6 counties: Bacău, Botoșani, Neamț, Iași, Suceava and Vaslui as territorial administrative units that correspond to NUTS 3 territorial statistics units.

With a population of 3,734,546 inhabitants (17.2% of the Romania population) and a density of 101.3 inhabitants/sqkm, North-East Region has the second place in terms of population after Bucharest-Ilfov. The population is located mostly in rural areas (56.6%).

Administrative organisation

The North-East Region consists of six counties (Bacau, Botosani, Iasi, Neamt, Suceava and Vaslui) and has a total population of 3,734,546 inhabitants, being situated from this point of view on the first place among the eight regions of the country (17.27% of the total Romania's population).

Administrative organisation of North East Region in 2005

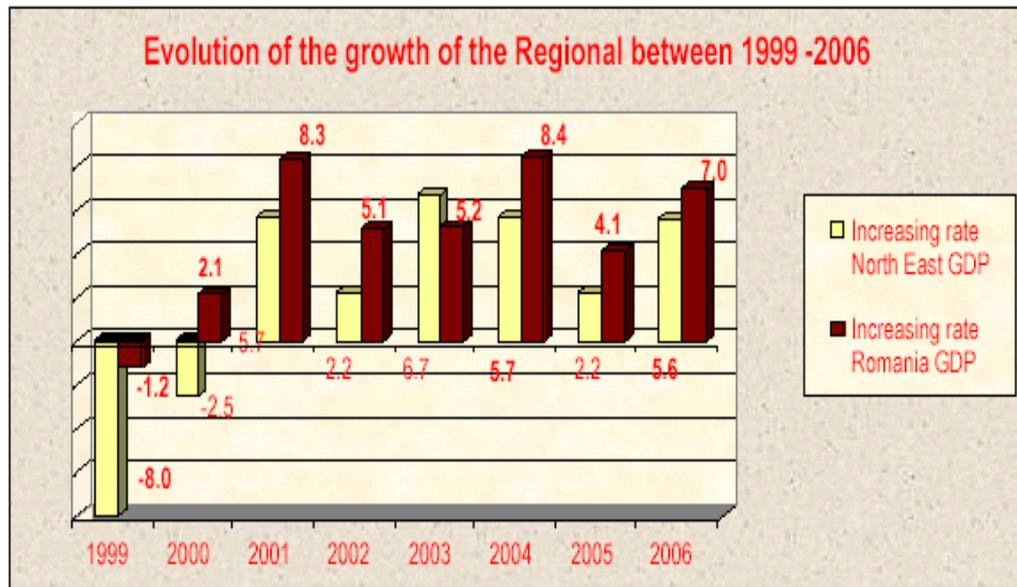
Territorial unit	Total surface (square km)	Number of inhabitants (on 1.07.2005)	Number of municipalities	Number of cities	Number of communes	Number of villages
Bacau	6,621	723,518	3	5	85	491
Botosani	4,986	459,900	2	5	71	330
Iasi	5,476	813,943	2	2	93	418
Neamt	5,896	570,682	2	3	78	344
Suceava	8,553	705,752	5	11	93	379
Vaslui	5,318	460,751	3	2	81	449
Total	36,850	3,734,546	17	28	505	2,411

Source: Romania's Statistics Yearbook 2006

Iasi County is located in the Central-Eastern part of Moldavia, in the middle basins of the Prut and Siret Rivers. The city of Iasi, also known as the capital of historical Moldavia, is the largest city in the region (307,377 inhabitants) being an important academic centre with its seven higher education institutions. Iasi is also the location of an important research-development nucleus for the industrial sector, represented by most of its branches.

Regional economic context

The geographical and historical conditions have determined a serious social and economic gap in the North-East Region. The economic feature of the '60s was agriculture prevalence, the living standard being very low. During 1965-1985 the region was subject to a forced industrialization, aimed at restoring the existing economic condition by purchasing modern producing capacities, fact that determined the establishment of an industrial culture, labour force qualification and training of a large number of specialists. Nevertheless, the industrial development was planned to be too diversified and didn't take into consideration the natural, energetic and environmental resources available in the region.



Source: National Commission of Prognosis – Regional disparities at the horizon of the 2008 (processed data)

The presented graphic shows the evolution of the economic growth during the period of 1999-2006 in the North East Region, by comparison to the situation recorded at the national level:

- In 1999 the decreasing of the regional economy was 50% higher than the one recorded at the national level (-8% vs.- 1.2%);
- In 2001 the region registered the first economic growth of 8.32%, superior to the national one, as a result of both monetary and fiscal policy promoted at national level and of development funds the North-East Region took the benefit of starting with 1999;
- In 2003, the economic growth of 8.3% was superior to the value recorded at the national is of 5.2%, but in 2004 the economic growth of North East Region was 5.7% lower than the national level of 8.4%;
- After a modest economic growth in 2005, especially due to the diminishing of the agricultural production caused by the floods that affected all the Romanian regions, in 2006 the economic growth recorded a more substantial increase of the Regional GDP of 5.6%, but still inferior to the value recorded at the national level (7%).

One of the indicators that offer relevant information regarding the economic situation of the region is the regional Gross Domestic Product per inhabitant (GDP/inhabitant). The following table presents the GDP/inhabitant during 2000-2004 by comparison to the other region and the national GDP, but also the EU average.

By analysing the data it can be noticed that the GDP/inhabitant in North East Region has the lowest level comparatively to the other regions from Romania, representing 69.3% of national GDP/inhabitant in 2004, but it is, at the same time, the region with the lowest GDP/inhabitant of the EU average among the regions of the EU (23.6% of the EU average in 2004).

	Year	National	Nord-Est	Sud-Est	Sud	Sud-Vest	Vest	Nord-Vest	Centru	Bucuresti
GDP / inhabitant (RON)	2000	3582.6	2506.7	3185.2	2920.7	3000.9	3676.7	3331.3	3838.6	7408.2
GDP/inhabitant from the national level (%)		100	70	88.9	81.5	83.8	102.6	93	107.1	206.8
GDP/ inhabitant from EU 27 average (%)			18.2	23.2	21.5	22.1	26.9	24.3	27.9	54
GDP / inhabitant (RON)	2001	5211.0	3737.4	4490.0	4138.0	4378.1	5521.2	4811.1	5465.0	11028.6
GDP/inhabitant from the national level (%)		100	71.72	86.16	79.4	84.01	105.95	92.32	104.87	211.64
GDP/ inhabitant from EU 27 average (%)			19.7	23.6	21.8	23.2	29.3	25.5	28.8	58
GDP / inhabitant (RON)	2002	6950.0	4970.9	5966.7	5562.6	5553.0	7527.4	6538.1	7505.3	14466.9
GDP/inhabitant from the national level (%)		100	71.52	85.85	80.03	79.89	108.3	94.04	107.98	208.15
GDP/ inhabitant from EU 27 average (%)			21.1	25.2	23.6	23.6	32	27.8	31.8	61
GDP / inhabitant (RON)	2003	9090.3	6575.9	7788.1	7377.3	7698.0	10265.1	8783.7	9747.7	17638.9
GDP/inhabitant from the national level (%)		100	72.33	85.67	81.15	84.69	112.92	96.62	107.23	194.04
GDP/ inhabitant from EU 27 average (%)			22.6	26.7	25.4	26.6	35.4	30.3	33.6	60.3
GDP / inhabitant (RON)	2004	11372.0	7868.6	10319.2	9488.1	9476.3	13042.9	11053.6	11852.9	21778.2
GDP/inhabitant from the national level (%)		100	69.2	90.7	83.4	83.3	114.7	97.2	104.2	191.5
GDP/ inhabitant from EU 27 average (%)			23.6	30.7	28.4	28.8	39	33	35.5	64.5

Source: Romania's Statistics Yearbook 2002-2006

Vest Centru Bucuresti

Therefore, key issues in the general social-economic development are

- The historical and geographical conditions have determined a serious delay from the socio-economic point of view of the North East Region;
- North East Region has the lowest GDP per inhabitant from Romania and EU;
- The economic growth recorded by the North East Region in 2005 was only 2.2%, but the situation was improving in 2006 when the Regional GDP had increased with 5.6%, value still inferior to the national one (7%).

BUSINESS ENVIRONMENT

The companies have a higher flexibility, being more receptive to the market needs, more innovative in responding to the customer needs, improving the competition level, increasing the organisational culture and creating the premises for a social stability.

By comparing the definition of SMEs in Romania to the one recommended by the EU, it can be noticed that it was realised a harmonization of the classification of the micro enterprises and SMEs. So, by micro enterprise it is understood a company that has a maximum number of 9 employees and a turnover of maximum 2 millions euro, a small enterprise may have a maximum number of 49 employees, the turnover being of maximum 10 millions Euro and a medium enterprise it is considered the company that has a maximum number of 249 employees, and a turnover of maximum 250 millions Euro.

Since 2000, when the economy showed a significant boost, an increase of SMEs number has been reported in North East Region from 36,688 units reaching the level of 49,325 units in 2005. In this context, North East Regions recorded a percentage of 11.13% of the total SMES activating in Romania.

At the level of 2005, the highest share was represented by micro -enterprises with 87.22%, followed by SMEs (12.27%). This trend is according to the situation reported at the national level.

During 2000–2005, the number of SMEs/thousand inhabitants was the lowest comparing with the other regions, being recorded still an important increase (12.18 SMEs/thousand inhabitants in 2000 vs 13.1 SMEs /thousand inhabitants in 2005).

The period of 2001-2005 is characterized by the increasing number of the employees at the level of micro enterprises and SMEs, and important decreasing of this indicator within the large enterprises. Small and medium enterprises are an important segment of the regional economy, absorbing at the level of 2005 a great part of the total number of employees working in firms (46.18%), level increased compared to the one recorded in 2000 (37.27). If taking into consideration also the employees working in micro-enterprises it results a total share of 67.70%. Although they represent 0.50% of the total number of the firms existing in the region, the large enterprises have a contribution of 31.38% to the total turnover and employ 32.30% from the total employees.

Distribution of local working units on activity sectors in 2005

Activities (CAEN sections)	Total	units			%		
		0-9	10-249	>250	0-9	10-249	>250
Total North East Region	49325	43021	6057	247	87.22	12.28	0.5
Mining and quarrying	89	49	32	8	55.06	35.96	8.99
Processing Industry	7577	5378	2054	145	70.98	27.11	1.91
Electric and thermal energy, gas and water	72	11	31	30	15.28	43.06	41.67
Constructions	2834	2146	669	19	75.72	23.61	0.67
Trade, car services and goods	25338	23104	2225	9	91.18	8.78	0.04
Hotels and restaurants	2237	1987	250	-	88.82	11.18	-
Transport, storage and communications	3362	3032	303	27	90.18	9.01	0.8
Real estate transactions, rentings and service activities	5813	5464	343	6	94	5.9	0.1
Education	152	136	16	-	89.47	10.53	-
Health and social assistance	782	753	29	-	96.29	3.71	-
Community, social and personal services	1069	961	105	3	89.9	9.82	0.28

Source: Romania's Statistics Yearbook 2006

The distribution of SMEs per activity sectors of economy respects the national distribution from the point of view of the owned shares:

- The micro enterprises own the majority of the total active units within processing industry and the field of services. 91.18% of the total active units are involved in the trade sector, 88.82% of them are hotels and restaurants, 90.18% operate in transport and 75.72% in construction sector;
- As regarding the structure of SMEs per activity sectors, they are highly represented in the extractive industry (43.06%), power and heat production (35.96%) and processing industry (27.11%);
- Most of the large enterprises operate in the field of electricity and heat production representing 41.67% of the total active units.

Turnover of the local active units on activities and classes in 2005

Activities (CAEN sections)	Total	millions RON current prices			%		
		0-9	10-249	>250	0-9	10-249	>250
Total North East Region	42795	8665	20701	13429	20.25	48.37	31.38
Mining and quarrying	450	14	124	312	3.11	27.56	69.33
Processing Industry	13821	878	5157	7786	6.35	37.31	56.33
Electric and thermal energy, gas and water	2487	3	110	2374	0.12	4.42	95.46
Constructions	3330	307	2384	639	9.22	71.59	19.19
Trade, car services and goods	18507	6151	10962	1394	33.24	59.23	7.53
Hotels and restaurants	468	179	289	-	38.25	61.75	-
Transport, storage and communications	2311	484	1003	824	20.94	43.40	35.66
Real estate transactions, rentings and service activities	974	518	436	20	53.18	44.76	2.05
Education	16	10	6	-	62.50	37.50	-
Health and social assistance	78	52	26	-	66.67	33.33	-
Community, social and personal services	353	69	204	80	19.55	57.79	22.66

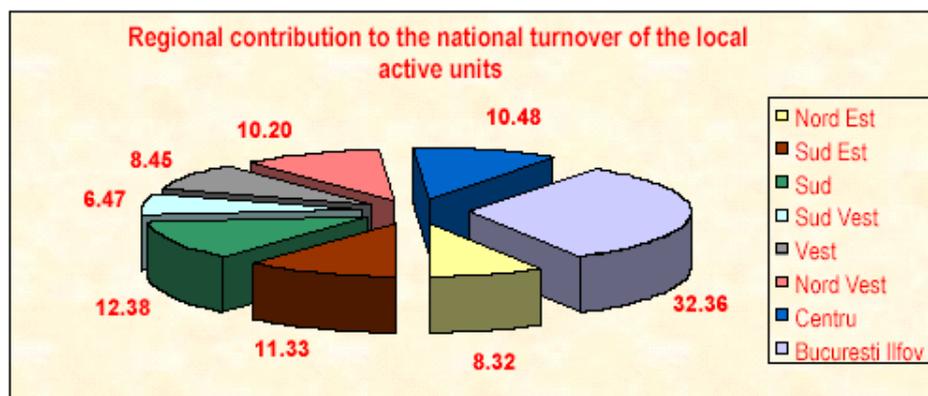
Source: Romania's Statistics Yearbook 2006

Relevant information can be obtained by analysing the contribution of the local active units to the turnover and on activity sector, divided on size classes.

It can be noticed that the highest share to the regional turnover is due to the SMEs (48.37%), following the large enterprises with 31.38 and in a lower proportion the micro enterprises with 20.25%. The SMEs have the highest contribution to the total regional turnover in the sector of constructions with 71.59%, hotels and restaurants (61.75%) and trade (59.23%).

The micro-enterprises bring the greatest contribution in the trade sector with 33.24%, real estate transactions (53.18%), hotels and restaurants (38.25%).

The large enterprises contribute to the regional turnover of each activity sector (except the hotels sector, health and education), having the major contribution in sectors such as the extractive industry (69.33%), processing industry (56.33%) and power sector (95.46%).



Source: Romania's Statistics Yearbook 2006

By comparing the contributions of the local active units in North East Region to the national turnover, it can be noticed that it contributes in a low percentage of 8.32%, but still superior to the South West Region.

Foreign Investments

Despite the attractiveness of the labour force low cost, as a main competitive advantage, Romania records one of the lowest level of foreign direct investments (FDI) per inhabitant, and the North East Region is the least attractive destination for the foreign investors.

The majority of FDI realised during the last years have been done by massive privatisations and not by green field investment. Usually, the multinational companies

that activates in Romania do not subcontract local companies, due to the deficiencies related to the management, quality of technology and products.

Consequently, many multinational companies import the largest part of the utilised components, a very small percentage of them contracting local suppliers. This situation diminishes the advantages that could be generated by the presence of foreign investors in the national and regional economy.

Structure of foreign direct investments 2005

North East	Foreign investment sold Millions euro	% total
South East	18	0.1
South Muntenia	1752	11.6
South West	1273	8.5
West	405	2.7
North West	1093	7.3
Center	1035	6.9
Bucuresti Ilfov	1038	6.9
Romania	8426	56
North East	15040	100

Source: Statistic bulletin NSI INS 2006

The North East Region capacity to attract FDI is negatively influenced by the low accessibility to the rest of the Europe, the rural character of the region, insufficiently quality of the transport infrastructure and also the perception of the corruption and a difficult business environment.

Stimulating the foreign investment will have a positive effect on the labour market through the constant increasing of the demand for the qualification of the labour force and through the development of services. The existence of high-qualified labour force is an important factor for the investments localisation, because while the transfer of productive and creative activities is intensified, the demand for high qualified labour force will increase. The last economic information show that the regions that succeeded in attracting an important volume of investments have already been confronted to the difficulties of finding on the local labour market high qualified labour force, especially in the technical and administrative fields.

Exterior Trade

Consequence of the low level of innovation is the fact that the Romanian exports are limited to the sectors where the added value and the cost are low. In order to develop the Romanian economy, it must be stimulated the development of companies into the international markets.

As regarding the dynamic of the exterior trade, in 2005 the exports increased with 19.46%, value superior to the national value, while the imports recorded an increase of 16.32%, much lower the national value of 23.93%. In this context, the sold of the commercial balance, the North East Region recorded a diminishing of the deficit in 2005 with 41.77, while at the national level it is recorded an increased level with 40.40%.

The structure of exports of the processing industry continues to reflect the dominancy of the traditional industrial sectors that use the labour force with a diminished degree of training and relative absence of high tech sectors. The textile products and clothes continue to hold the first place on the exports volume, more important shares belonging to the wood and chemical industry.

The import is realised in majority by the processing industry and it is due mainly to the import of equipments and machinery, necessary for modernisation and improving the level of technologies.

Key issues of the business environment

- . Regional distribution of SMEs on economic activity sector respects the national distribution;
- . The basic infrastructure for supporting businesses has lately developed, but it is still insufficiently valorised;
- . Counselling services specialised for the business development is still insufficiently developed and used by the companies;
- . Low share of foreign investments in North East Region, representing only 0.1% from the national FDI in 2005.

Economic sector structure

Regional evolutions of the last years have been influenced by the diminishing of the agricultural production, especially in the area with a strong agricultural profile, but also to the steady evolution of the constructions works, taking into account that the areas affected by floods necessitated important works of infrastructure reconstruction (roads, bridges etc), and also reconstruction of the locative spaces.

Industry

In 2006, the gross added value in industry at the level of the North -East Region recorded an increase of 2% by comparison with the situation of 2005, but the value recorded at the national level was much higher (6.4%.)

	Percentage modification comparing to the previous year								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP									
North-East	-2.5	8.3	5.2	6.7	5.7	2.2	5.6	6.6	6.3
Total economy	2.1	5.7	5.1	5.2	8.4	4.1	7.0	6.6	6.4
From which gross added value in:									
INDUSTRY									
North-East	4.7	13.5	-5.2	7.2	3.0	-1.4	2	4.5	5.2
Total economy	5.9	4.4	5.1	4.4	6.5	2.5	6.4	4.8	5.7

Source: National Commission of Prognosis – Regional disparities at the horizon of the 2008 (processed data)

Within the North East Region it can be mentioned the evolution of the industrial production in Neamt county, with an estimated growth of 5%, but also the continuous decline of industrial production in Suceava county-10%, county that contributes with 18% at the gross added value of the region and that acknowledges drastic diminishing of the industrial production for 2 consecutive years. As regarding the growth rate of industry in North East Region, this one will increase every year and in 2007 it is forecasted to be equal 4.5% and in 2008 will reach the level of 5.2%.

In 2004, the share of industry contribution to the regional GDP was 23.05%, diminished value comparatively to the recorded values from the past years, but the same situation is reported also at the national level.

The index of regional specialisation in the industrial sector in 2004 shows the following particularities: the textile industry owns an important share from the total industrial activities in North East Region (23.3% from the total processing units from the region). The wood industry is also specific to the North East Region (20.9%) due to the existing national resources.

Key issues in the industry

- The evolution of industrial production is characterised by interregional disparities, thus the Suceava county recorded a massive decline of industrial production of -20.2% in 2005 and -10% in 2006;
- In 2006, the gross added value in industry recorded an increase of 2% against the situation recorded in 2005, but much lower than the national value of 6.4%;

- The share of industry in regional GDP decreased within the period of 2001 - 2004 (28.55% in 2000 vs 23.05% in 2004).

Agriculture and silviculture

In 2006 it was recorded a level almost equal to the one from 2005, in the conditions of an agricultural production seriously affected by the climacteric conditions specific to the respective two years. Especially 2005 was characterized by the diminishing of the agricultural production as a result of the disastrous effects of floods in connection to the agricultural cultures, the gross added value in agriculture being diminished with more than 10% in all the regions. In North East Region the diminishing of the gross added value of the agriculture was -15%.

The prognosis for the agriculture sector shows that the growth at the level of North East region is situated around the national average, forecast realized taking into account normal climatic conditions.

Contribution of agriculture to the GDP

	2000	2001	2002	2003	2004	% sector/ GDP 2000	% sector/ GDP 2001	% sector/ GDP 2002	% sector/ GDP 2003	% GDP 2004
North-East (mil. RON in current prices)	1647.6	2682	3497.7	4099.1	4650	17.10	18.70	18.80	16.64	15.81
North-East (mil. euro)	825	1030	1119.29	1091.65	1148.14					
Romania (mil. RON in current prices)	8901.5	15617.9	17307.6	22849.2	30579.6	11.07	13.37	11.43	11.56	12.41
Romania (mil. euro)	4460	6000	5538.44	6085.03	7550.5					

Source: Romania's Statistics Yearbooks 2003 - 2006

In 2004, the contribution of agriculture to regional GDP was of 15.81%, value superior to the national level (12.41%), meaning that the regional economy is still highly dependent on agriculture, although it was recorded between 2001-2004 a descending trend from 18.70% to 15.81%.

In 2004, the North East Region contributed with 15.2% at the national agricultural production, being for the first time that North East Region was over passed from this point of view by the regions of South Muntenia (18.54%) and South East (16.93%).

Services

In 2005, in North East Region was recorded an increase of the gross added value of services of 9%, superior to the national value of 8.1%. The ascendant evolution is

reported also in 2006, the growth of the services sector being of 6.5%, value close to the national level of 6.8%.

In this sector the valorisation of the tourist potential plays an important role. Thus, the North East Region benefits of areas with lots of historical monuments and landmarks and has the advantage of extremely beautiful landscapes, which create premises for a future development of this field. Also, the North East Region has competitive advantages in the field of communication, information society and related activities.

	Percentage modification comparing to the previous year								
	2009	2001	2002	2003	2004	2005	2006	2007	2008
GDP									
North-East	-2.5	8.3	5.2	6.7	5.7	2.2	5.6	6.6	6.3
Total economy	2.1	5.7	5.1	5.2	8.4	4.1	7.0	6.6	6.4
From which gross added value in:									
SERVICES									
North-East	-3.7	3.1	10.5	9.5	6.0	9.0	6.5	7.0	6.5
Total economy	5.5	3.6	7.1	5.5	6.8	8.1	6.8	6.7	6.5

Source: National Commission of Prognosis – Regional disparities at the horizon of the 2008 (processed data)

In 2003, services sector contribute to the regional GDP with 48.1%, being noticed a steady growth during the period of 2001-2003 from 43.5% to 48.1%. It can be noticed also that the ascendant evolution is higher than the one recorded at the national level.

The sector is characterised by:

- Existence of a strong concentration in developed centres of the region, Iasi and Bacau, in the rest of the territory the share being lower;
- It is concentrated on activities of commerce and food, the direct services for the population being insufficient and of low quality;
- The health and social assistance services are under the necessary quality standards;
- Transport activities of goods and persons have orientated on two directions:
- Railway transport remained within the state sector and suffered a reorganisation on regional level aiming to the modernisation of the existing infrastructure;
- The auto transport acknowledged a strong development, especially in the private sector, being set up transport companies of goods and persons, organised modern and efficiently.

In constructions, commerce and transports the region contributes close to the national average. In public services from education, contribution to the national total

is superior to the average and insures the highest share. There is lower contribution from the following sub sectors: financial and banking activities, real estate.

Tourism

Due to its favourable conditions, the North-East Region owns a high tourism potential which can be compared with other tourism areas in the country or abroad.

Although the modernisation of the accommodation capacity passed into the private ownership-90% realised, the valorisation of the area with high touristic potential and of treatment bases through an adequate promotional activity and also the services provided to the tourists have been of a low level, situation that determined the existence both of a average staying inferior to other regions and also a low operational accommodation capacity use index.

In this context, it can be noticed that in the North East Region the index of operational accommodation capacity use had sinusoidal trend from 31.7% in 2000 till 28.9% % in 2006.

Also, it is recorded the fact that during 2000 -2005 there was a decrease of the overnight staying from 1468 thousand persons in 2000 to 1435 thousand persons in 2005, but 2006 is characterised by an import ant growth of 11.42 of overnight staying.

Structure of tourism accommodation units in 2000-2005

	Territorial unit	Total	Hotels/ moteles	Vilas	Boarding houses	Agro-tourism boarding houses	Other types of structures
2000	North-East	250	81	38	46	28	57
	Total	3121	943	1066	361	240	511
2005	North-East	402	90	47	68	134	63
	Total	4226	1154	1021	597	956	498

Source: Romania's Statistics Yearbook 2001-2006

Tourism key issues:

- . Low index of operational accommodation capacity use (27.20%) comparing with other regions and national level (33.40%) – in 2005;
- . Low average staying of tourists of all regions (2.31 nights/tourist), inferior to national level (3.16 nights/tourist).
- . Tourism services that are not capitalized at the level of the existing potential;

- Important increase of the number of touristic accommodation capacity in North East Region;
- Low index of operational accommodation capacity use (28.90%) comparatively to the other regions and national level (33.6%) –2006;
- Low average staying of tourists of 2.36 nights/tourist, inferior to national level (3.05 nights/tourist) –2006.

Population and the labour force

At 1 July 2005, total population of North East region was of 3,734,546 inhabitants, representing 17.27% out of total country population. Population of region is concentrated in 45 urban centres, 505 communes and 2,411 villages.

Comparative situation regarding urban and rural population balance 2001 -2005

Region	Romania	NE	SE	S	SV	V	NV	Centru	Bucuresti-Ilfov
2001									
Urban(%)	54.6	43.5	56.8	41.6	45.3	62.2	52.6	60.3	88.8
Rural (%)	45.4	56.5	43.2	58.4	54.7	37.8	47.4	39.7	11.2
2002									
Urban(%)	53.26	40.77	55.26	40.64	44.72	61.71	51.14	58.85	88.86
Rural (%)	46.74	59.23	44.74	59.36	55.28	38.29	48.86	41.15	11.14
2003									
Urban(%)	53.37	40.77	55.19	40.71	45.33	61.67	51.17	59.23	88.80
Rural (%)	46.63	59.23	44.81	59.29	54.67	38.33	48.83	40.77	11.20
2004									
Urban(%)	54.9	43.6	55.5	41.4	47.2	63.7	52.8	60	90.6
Rural (%)	45.1	56.4	44.5	58.6	52.8	36.3	47.2	40	9.4
2005									
Urban(%)	54.9	43.4	55.5	41.7	47.5	63.6	53.1	59.8	90.5
Rural (%)	45.1	56.6	44.5	58.3	52.5	36.4	46.9	40.2	9.5

Source: Romania's Statistics Yearbook 2002 -2006

Besides South and South West Regions, the North East Region has a majority population living in rural. In 2005, the region has a medium density of 101.3 inhabitants/ km², being placed over the national medium level (90.7 inhabitants/ km²). The country with the highest density it is Iasi with 148.6 inhabitants/ km² and the lowest density it is in Suceava with 82.5 inhabitants/ km².

The Romania's population is a continuously decline being affected also by the ageing phenomenon, situation that it is recorded in the majority of EU states. Starting to 1990 the population segment up to 14 years is declining and in the same time the

population over 65 years is extending. Also, it must be underlined that the number of births is a continuously decline.

The highest share of young population is recorded in North East Region, 18.35 % in 2005, being noticed a slight decline comparing to 2001.

From total, young population the percent between 15-34 years old is representative (32.12%), but can be also observed a high percent of elderly (14.38%) with 65 and over, this population segment share being increased from 2001 when it was recorded 12.98%.

It is noticed that both at national and regional level during 2001-2005, have been recorded a decrease of the population and also a diminishing of the urban population (excepting the year 2004, phenomenon explained by declaring a series of communes as towns).

The social composition shows a balanced distribution of population in North East Region, 49.48% from the total population being men and 50.52% women.

The diminishing of the population generally and the urban population have as main causes the decrease of the natural spore and the migration from the urban areas to rural areas.

Migratory flux on regions in 2005

	Number					
	Internal			International		
	Leaving	Arriving	Sold	Emigrants	Immigrants	Sold
North-East	47150	43430	-3720	1852	339	-1513
Sud-Est	35248	34408	-876	1180	233	-927
Sud Muntenia	40517	39333	-1184	453	143	-310
Sud-Vest	29848	29168	-680	488	113	-375
Vest	23849	25638	1789	1418	292	-1126
Nord Vest	28742	28426	-316	1595	278	-1317
Centru	27902	28093	191	2164	241	-1923
Bucuresti Ilfov	39312	44108	4796	1808	2065	257

Source: Romania's Statistics Yearbook 2006

It must be underlined, in the same time, the existence of the migration flux towards the rural area, specific to the population segment over 40 years old, affecting both North East Region and the other regions of Romania.

Generally, it is the case of the persons that, following state companies reorganisation, did not succeed finding another job, being forced to return to the rural area where usually are developing agricultural works of subsistence.

As regarding the official international migration, after 1990, Romania was confronted with a massive flux towards various destinations such as Italy, Spain, Canada. The official statistic data do not offer a real image of the phenomenon, because there are not included the temporary migration that it is quite an important situation. Also, the immigration in Romania has recorded an important trend, the immigrants being from countries like Republic of Moldova, Italy, Germany, having as motivation the realisation of activities in lucrative aims. The favourite destination of immigrants are Bucharest, Ilfov Region, followed by North East, North -West and Centre Regions.

Structural analysis of the labour market

Region North East has faced special problems regarding unemployment during the last decade of the XX century.

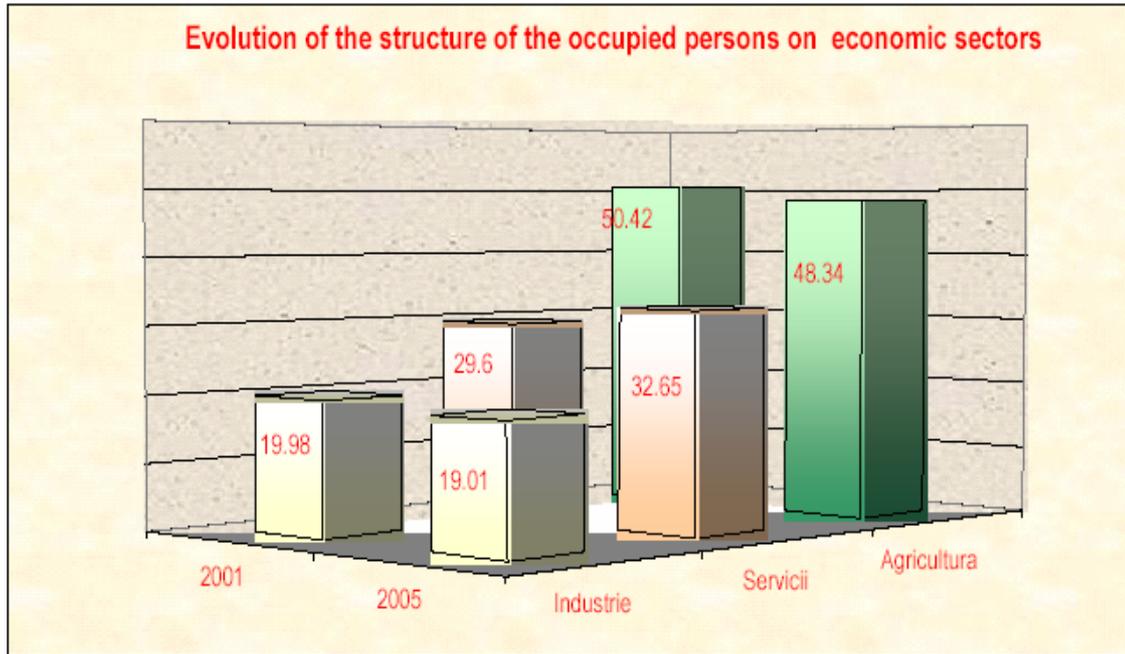
In the same time, in North East Region it was noticed the descending trend of the occupied population till 2004 as a consequence of the economic decline due to the reorganisation of many state enterprises with large numbers of employees.

But, starting with the year of 2005, it is noticed an increase of the number of occupied person, thus at the end of 2006, the civil occupied population of the region was 1,278,300 persons, representing 15.15 % from the total civil occupied persons of the country.

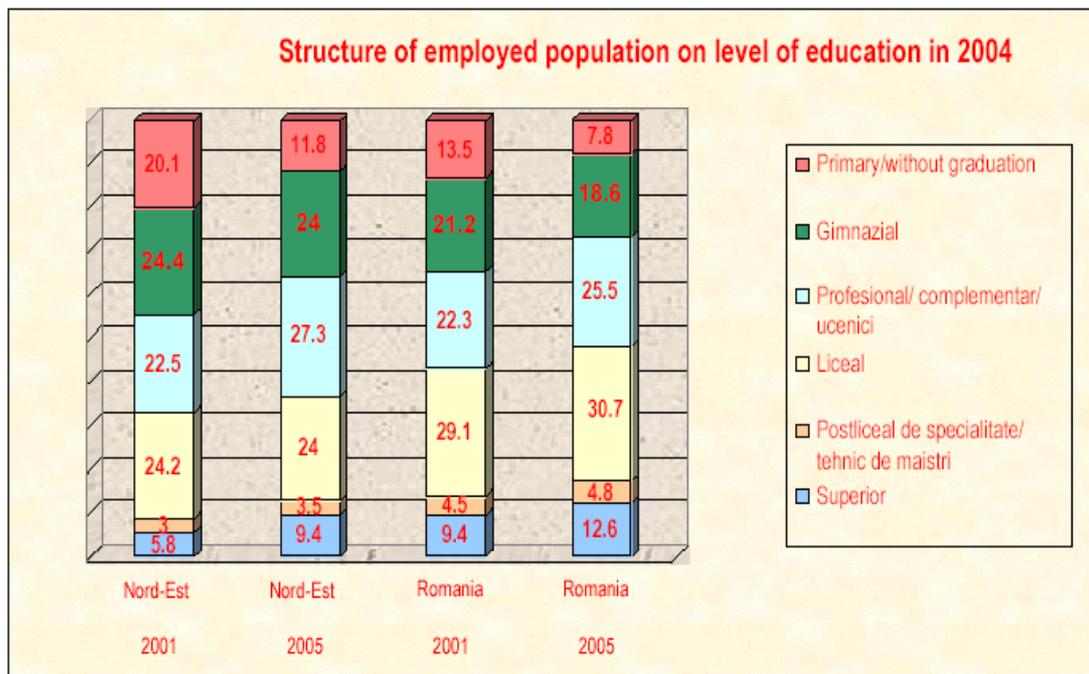
In 2005, from the total of employed population 48.34 % were employed in agriculture, 19.01% in industry and 32.65 % in services sector. It can be noticed the ascendant trend of the services between 2001 -2005, especially activating the commerce field.

The share of occupied persons in agriculture is at least ten times highest than other region from EU. In agriculture, from the total occupied population, 32% have ages between 45 -64 years old, and 8.3% over 65 years old, reflecting the phenomenon of aging of the occupied person in agriculture.

As regarding the qualification of occupied population, it is noticed that the highest share belong to the persons with high school and vocational qualifications (51.30 %), followed by the ones with gymnasium studies (24.%). Only 9.4 % have university graduation diplomas, but the percentage has recorded an important increase from the level of 5.8% in 2001.



Source: Romania's Statistics Yearbook 2002 and 2005 (processed data)



Source: Romania's Statistics Yearbook 2002 and 2005 (processed data)

The North East Region owns the share above the national average of occupied persons with only primary education or any graduation diplomas; situation explained

by the fact the region has a rural character. But it is important to notice that this share has diminished drastically from 20.1% in 2001 till 11.8% in 2005.

Key problems regarding labour market analysis:

- High percent of population concentrated in rural area.

Educational infrastructure

The essential factor in developing a national or a regional economy is highly represented by the human capital. Although it is difficult to quantify and represents a controversial concept, the human capital could include the human resources having a certain level of education.

The NE Region comprises all kind of education forms, the number of pupils enlisted in pre –university education in school year 2005-2006 being 771,342 pupils, 17.69% % of all region population, and as far as the academic education is concerned, in the three universities there were 78,970students.

In order to have a better image regarding the school population from the region, the below table present the situation recorded in school year 2005 -2006.

School population of all levels of education, during the school year 2005/2006

Territorial unit	Pre-school	Elementary			High school	Arts and sports schools	Post-high and foremen schools	University	Total
		Primary	Gymnasium	Special					
Bacau	24412	35194	35556	458	23033	10217	955	7872	137697
Botosani	16311	23830	23132	395	13267	8040	247	92	85314
Iasi	28140	41444	39291	988	27792	14166	2369	60686	214876
Neamt	16499	25580	26950	404	18671	8070	904	332	97410
Suceava	25945	37314	37224	840	23224	10642	920	9909	146018
Vaslui	17672	24863	23224	401	15201	8310	277	79	90027
Nord-Est	128979	188225	185377	3486	121188	59445	5672	78970	771342
ROMANIA	648338	931973	949273	19315	767439	284412	43617	716464	4360831
% Nord-Est	19.90	20.20	19.53	18.05	15.79	20.90	13.00	11.02	17.69

Source: Romania's Statistics Yearbook, 2006

Although the region has good staff experienced in human resources education and training as well as a good potential as concerning the number of enlisted persons in different educational forms, yet another problem that appears is the young people migration to more developed regions or to other countries, because the jobs demand in region is very low and in some other regions there is a better offer and payment level for the same activity fields. It must be noticed that the North East is the third

region as regarding the number of students 11.88% (Bucharest Ilfov 32.31% and North West 13.98%).

Key issues on educational infrastructure

- The North East Region benefits of a high number of graduates, representing 17.69% of the total graduates;
- The North East Region is the third region as number of students, 11.02% of the total number;
- Migration of the young graduates to more developed regions or to other countries.

Social services

The region registers the highest number of newborn children in the country (5.4% of the total national), but childcare facilities are not sufficiently developed. This situation does not stimulate the reintegration of parents on the labour market. Iasi and Suceava counties do not have any residential care institutions.

NORTH EAST REGION

Indicators to characterize the development level and the economic potential

- 2005-

INDICATORS	Region	Counties ¹						Romania
		BC	BT	IS	NT	SV	VS	
I. Population, employment, unemployment²								
I.1 Total population (absolute figures)	3,734,546	723,518	459,900	813,943	570,682	705,752	460,751	21,623,849
Urban population (%)	43.4	46.2	41.8	46.2	38.6	43.3	41.6	54.9
Rural population (%)	56.6	53.8	58.2	53.8	61.4	56.7	58.4	45.1
Migration sold	-4,783	-730	-576	-1128	-987	-484	-1328	-7,234

¹ BC (Bacău), BT (Botoşani), IS (Iaşi), NT (Neamţ), SV (Suceava), VS (Vaslui)

² The data value is recorded at 1st of July 2005

INDICATORS	Region	Counties						Romania
		BC	BT	IS	NT	SV	VS	
I. 2 Employment								
Active population in total population (%)	47.9							45.5
Employed population in total population (%)	33.8	31.1	33.3	36.4	35.2	34.5	31.9	38.8
Employed population by economic sectors:								
Agriculture (%)	42.7	32,6	52.9	34.6	45.1	48.1	51.2	32.0
Industry (%)	19.4	26.2	15.1	18.8	19.4	16.8	18.7	23.5
Services (%)	37.9	41.2	32.0	46.5	35.4	35.1	30.0	44.5
I.3 Unemployment								
Unemployment rate by December 31 st 2005(%)	6.8	6.3	6.2	7.2	5.6	6.0	10.1	5.9
Feminine unemployment rate by December 31 st 2005 (%)	5.2	4.9	4.3	5.4	4.6	5.2	7.1	5.2
Percentage of unemployed not benefiting from indemnities by 31 December 2005 (%)	63.3	55.6	65.3	72.5	62.3	60.7	59.2	58.8
II. Economic development								
II. 1. GDP / inhabitant (2004) – euro	2029.3	2441.1	1453.7	2307.3	1974.9	2027.1	1530.6	2932.8
II. 2. Labour productivity (2004) – euro	1811.9							6194.8

INDICATORS	Region	Counties						Romania
		BC	BT	IS	NT	SV	VS	
II. 3. FDI (mil. Euro)	292							21,885
II. 4. Business infrastructure (industrial, scientific and technological parks)	2		1		1			34
II. 5. SMEs								
SMEs / 1000 inhab (No.)	13.1							20.4
Total SMEs (absolute figures)	49,078							440,714
Out of which : Manufacturing (%)	15.1							13.2
Constructions (%)	5.7							7.0
Services (%)	78.9							79.5
SMEs structures by size:								
Micro (%)	87.7							88.3
Small (%)	10.9							9.4
Medium (%)	2.3							2.2
Attractivity rate ⁴	19.7							
III. Infrastructure								
III. 1 Transport								
Public roads density (km/100 sqkm)	36.3	37.1	42.5	43.0	30.6	29.0	40.8	33.5

⁴ Survey, Romanian Business Digest, 2005

INDICATORS	Region	Counties						Romania
		BC	BT	IS	NT	SV	VS	
Modernised public roads in total public roads (%)	25.1	25.8	16.4	17.6	25.3	37.0	26.8	26.5
III. 2 Public utilities								
Localities with water supply network in total number of localities (%)	54.8	72.0	64.1	48.9	54.2	38.9	55.8	61.0
Localities with sewerage network in total localities (%)	24.3	54.8	19.2	13.3	16.9	26.5	12.8	21.9
III. 3 Education								
Number of education units	1,664	392	271	362	231	240	168	11,865
III. 4 Health								
Number of hospitals* *)	66	10	11	20	7	11	7	433**)
III. 5 Social services								
Number of institutions providing social services	916	640	75	19	18	14	150	13,747
III. 6 Tourism								
Accommodation units (no.)	402	41	11	68	94	179	9	4,226
Existing accommodation capacity (places)	18,718	3,401	756	3,428	4,045	6,526	562	282,661
Functioning accommodation capacity (thou. places - days)	5,285	976	284	718	1,165	1,933	209	54,979

* *) Including the private sector

SWOT Analysis - North East Region

STRENGTHS	WEAKNESSES
The European road E 85 (crosses the region from North to South) the IX pan - european corridor, and three regional airports: Iași Suceava and Bacău;	The lowest value of the regional GDP/ inhabitant of all the Romanian regions (71.7% of the national average-2002);
The three university centres with basic infrastructure in the research, development and innovation field in Iași, Suceava and Bacău	Highest poverty rate compared with the regions - 40.7% in 2001 (calculated according to the CASPIS methodology, by taking into consideration the aggregate indicator of income and social benefits).
The cultural centres (Iași, Suceava), monasteries (Agapia, Văratec, Voroneț, Iași, Moldovița, Sucevița, etc), national and international (UNESCO heritage) historical monuments (Cetatea Neamțului, Cetatea de Scaun in Suceava, Hanul Domnesc in Suceava, University Central Library - Iași, Trei Ierarhi Church - Iași, etc.);	Highest infant mortality rate of all the regions (20.1 decease/1000 live-births – Vaslui county - 23.5 decease /1000 live-births; superior to the national average 16.7 decease/ 1000 live-births);
Bucovina: area traditionally more developed (services sector) influencing the adjacent areas	Labour productivity lower than the national level;
Diversified tourism offer, with eco and agro tourism specific	The lowest number of SMEs out of all the country' regions;
The telecommunication infrastructure well developed and with high level of coverage	Weak productivity in agriculture (only 21% of the regional GDP);
High number of small and medium SME's (especially in Bucovina due to the capital infusion);	Low standard of modernized road infrastructure and difficult air connections;
Specific handicraft (wood, pottery, textile) and gastronomy	Low usage rate of available accommodation compared with the existing tourism potential;
The resources of soil (forests, fertile soils), subsoil (salt, hydrocarbons) and hydro-energetic	Low level of the small and medium towns attractiveness, without a relevant economic profile (the lowest FDI percent, low rate of tourism accommodation);
The labour force qualified in chemical, petrochemical, metallurgy, textile industry, wood processing	Low level of population employed in service industry, including constructions;
	High percentage of population concentrated in rural areas (59.23%);
	High unemployment rate in the region (12.3% in Vaslui County);
	Many enterprises less viable with low technologic and managerial capacity

STRENGTHS	WEAKNESSES
	Natural disasters (floods, massive earth slides) caused by insufficient civil protection works and massive forests chopping
	Difficult transport connection through Western Europe, especially in the winter (Carpathian passing frequently blocked: Tihuta and Bicaz gorges)
	Structural population vulnerability because of the massive migration abroad of active men, aggravated by the limited job offer for women (forecast crisis of the consumer goods industry)
	Limited subsoil resources (hydrocarbons) and massive forests chopping
OPPORTUNITIES	THREATS
The development of trade relations due to the regional location on the future eastern border of the EU: logistic concentration areas of products for East Europe trade;	The lack of cohesion for the socio-economic development measures in the context of increased public distrust in the country economic recovery;
The encouragement of new tourism types and the valorisation of historical, cultural, spiritual and traditional heritage;	The weak competitiveness of the regional specialized enterprises compared to those in the Member States, after Romania's accession to EU
The potential development of business environment as a result of building industrial, scientific parks and business incubators	The continuation of 'brain drain' process and generally of the labour force migration to other country's regions and to other countries;
The raw materials: construction materials and wood, attractive for foreign investors;	The continuous increase of the regional population's poverty rate;
Modernizing the region's airports enables them to support the regional businesses and to become starting points for regional tourism routes	The extension of areas with a high risk of natural disasters (earth slides, floods, etc);
Professional expertise and capital infusion of people working abroad	Increasing disparity between Bucovina, more developed, and the rest of the region

Main sources: Regional Operational Program, NE Regional Development Agency

3. Benchmarking of the best practices

As we have seen in the previous chapters the characterisation of the countries taking part in the project is very heterogeneous as are the initiatives taken to face an occupational crisis. In this chapter we will compare the initiatives undertaken by the partners in order to evaluate whether it is possible to define a general model of intervention in order to prevent and manage a crisis.

We have used the term 'practice', which denotes a set of socially defined ways of doing things in the specific domain of labour market. It is a set of common approaches and shared standards that create a basis for action, communication, problem solving, performance and accountability. These communal resources include a variety of knowledge types like cases and stories, theories, rules, frameworks, models, tools etc. Practices are therefore all those actions taken to prevent or manage social discomfort for employees or employers when they have to face a business downturn.

We will use a benchmarking approach as it allows a systematic comparison of processes and performance to create new standards or to improve processes itself. In fact, continuous improvement entails determining where a process stands and planning how to make it better. Therefore, benchmarking is a process of continual improvement. Through analysis and action, benchmarking provides a systematic approach to improving efficiency and profitability.

We will conduct a functional benchmarking defining the following elements:

1. determination of the characteristics to be observed;
2. collection of the data;
3. analysis of the discrepancies and presentation of the results;
4. definition of an improvement plan.

3.1 Determination of the characteristics

The characteristics relevant for this section are the following:

- Subject owner of the action; it is the institution or more generally the subject that has planned and realised the intervention;
- Type of intervention; short description of the intervention
- Other subjects involved in the intervention;
- Impact of the intervention; results attained in terms of new entrepreneurial activities, impact on employment, new cooperation among institutions, territorial extension of the intervention.

3.2 The best practices

In this section are gathered all the relevant practices from the project partners.

3.2.1 Italy - Province of Bergamo

All over the province, information has been gathered from different entities regarding their best practice in order to prevent and to manage a company crisis within the textile industry. Such information has been provided by the provinces, corporate owners association and union organizations.

Best practice process has been extended to the Lombardy Region through the regional educational agency ARIFL.

Practices were taken as follows:

- 1- actions taken by Provincia di Bergamo;
- 2- Bain & Company: research sponsored by Bergamo Industry Association;
- 3- Zaninoni Foundation Bergamo: a publication on the developments of the textile industry in Bergamo;
- 4- Anticipation action at the Texital srl in cooperation with local unions;
- 5- Cotonificio Honegger: sample of social communication;
- 6- Experiences by Regione Lombardia;

Best Practice 1: Actions undertaken by Province of Bergamo

Province of Bergamo has shown to be one of most active members in handling crisis situations in the textile sector.

With the Social Partners and the Employment Active Policy Committee, the Province has developed a series of initiatives towards active labour market policies, including the creation of a Monitoring Body with the specific purpose to prevent a company's crisis or to help re-shaping skills and abilities of workers and employees who are in the process of losing their job.

In this context, the Provincia di Bergamo Board of Directors has approved on December 28, 2006 the guidelines for the analysis and recommendations for the development of the local industrial system. The Committee is composed by representatives of the Chamber of Commerce of Bergamo, the University of Bergamo, Servitec of Dalmine – a service provider for innovation and technology, as well as other local research institutes.

Focus of the guidelines are the crisis management and the need for local companies to grow in order to become more competitive. Following the recommendations of

Regione Lombardia, the province has created an Agency for the active labour market policy whose focus is to implement specific actions within the local labour market.

The Province of Bergamo has been one of leader in Italy to implement the program of the so called social shock absorbers, therefore without any previous reference and/or experience. The Agency will allow for a smoother and faster dialogue with regional authorities in dealing with the problems affecting the textile industry, which is so important for the economy of province. Particularly, workers of certain categories – women, over 40, and for small businesses with less than 15 workers- have been affected by the negative trend. As series of programs was implemented between 2004 and 2006:

- o Spring 2004: in cooperation with Social Parties, public institutions analyze the social and economic situation and possible interventions within the textile industry. By June of the same year, an agreement was reached with all parties – including Province of Bergamo, Chamber of Commerce and the Regional Employment Agency, the Regional Labour Council. A grant of €5,980,000 was approved to extend the benefits of Wages Guarantee Fund (Redundancy Payment) a measure which helps cushion the effects of job losses and restructuring - to workers of the local textile/clothing/fashion companies with less than 15 staff. Right after this, our province created a Textile Monitoring Body with the purpose to coordinate such activities.
- o 2005: Textile Monitoring Body signed another agreement with a grant of €15 million for the implementation of:
 - Wages Guarantee Fund to workers of the local companies with less or more than 15 staff that, so far, were not eligible for the funds;
 - Mobility for workers who have been laid off in companies with less than 15 workers (L. 236/1993);
 - Mobility for workers of companies with more than 15 staff when mobility allowance established by L. 223/1991 was due between May and December 31, 2005.
- o 2006: an agreement with the Ministry of Labour, we extended to the entire manufacturing sector the Social Shock Absorbers policy; hence the name change to Province Monitoring Body for Social Shock Absorbers. Part of the approved grant – 5 million euros – will be used to implement program for the reinstatement of the workers including:

- a reinstatement program for 150 workers of the textile industry under Wages Guarantee Fund;
- an orientation program and an health care assistant program followed by an outplacement plan for 45 workers;
- re-shape and support work entry for 60 workers under Wages Guarantee Fund;
- an health care assistant program for 20 women of Valle Seriana who lost their job in textile companies;
- a Promoting program for mobility workers throughout PromoLavoro.

Within the provincial plan of 2005/2006 Employment Orientation Program, we started several programs for people who lost or are losing their job in the area of Valle Seriana.

- o During the same year, an agreement was made among Province of Bergamo, Industrial association and the three major Unions of Italian Workers (CGL; CISL; UIL) to prevent further unemployment among women in the region. Such agreement focused on three main objectives:
 - Job reinstatement based on the worker's skills competencies needed;
 - Financial benefits to those companies who hire people of the so-called disadvantaged categories;
 - Incentives to promote job and family needs, such as– part-time, flexible hours, etc.

On November 28, 2006 the I-CAST program was published in cooperation with the Ministry of Economy and Finance, the Council Ministry, the department for the Technological Innovation and the National Software Center for the Governmental agencies, the Lombardy Region, Chambers of Commerce of Bergamo and Como, the Province of Bergamo, and the Technical Institute of Milan.

I-CAST objective is to identify companies from the textile sector in the region of Como, Bergamo and Milan, to start a pilot program for a better and more efficient process supplier-retailer. By integrating the Information Communications Technology (ICT) to the textile sector it will make the production more efficient and, therefore, more competitive on the international market.

Best Practice 2: Bain & Company - a research project sponsored by the Industrial Association of Bergamo

Industrial association of Bergamo in 2005 has sponsored through Bain & Company consulting firm a series of projects aimed to new marketing strategies and market development within the textile and fashion sectors in three main stages: research, implementation and feedback.

- o Research stage has focused on the identification of the areas of intervention by collecting information and samples of several businesses in the sectors.
- o Stage number two is concerned with meetings and action plans for the company.
- o Stage number three is about feedback and future plans.

Three are the product typologies (or sub sectors) analysed:

Sector	Target Products	Themes
Fashion - clothes	<ul style="list-style-type: none"> • External • Underwear • Accessories 	Evaluation of principals evolution (and their consequences on industry) on: <ul style="list-style-type: none"> • Consumption models • Distributive strategies • Brand, big distribution and retailers
Textiles - Net	<ul style="list-style-type: none"> • Yarn • Ennobling • Textiles • Accessories 	Evaluation of principals evolution (and their consequences on industry) on: <ul style="list-style-type: none"> • Demand • Competition from developing countries • Product and distribution cycle
Home	<ul style="list-style-type: none"> • Home linen • Linen for sector contract 	Evaluation of principals evolution (and their consequences on industry) on: <ul style="list-style-type: none"> • Consumption models • Demand • Distributive channel

Best Practice 3: Zaninoni Foundation of Bergamo - Development textile industry in Bergamo

Zaninoni Foundation of Bergamo was created in memory of Angelo Zaninoni, a textile business owner and among other works, it is worth mentioning the publication “**Textile: Past, present and future**”, a collection of documents regarding February 2006 meeting with the participation of Vera Zamagni, Philippe Cuisson and other company owner of the local industries.

Particularly, Vera Zamagni has illustrated the development of the textile industry in our province and the know-how that in the past three centuries has been passed from generation to generation. From the wool to the silk introduced by Chinese, local people were among the first one to understand the need to change. Cotton material brought a further process of transformation when one thinks that Bergamo became the first one with number of cotton process machines.

Recently, the sectors experienced a decline resulting in a higher unemployment rate, from 45,000 in 1971 to 26,000. Pia Locatelli - Euro Parliamentary Deputy - believes that the study investigated on the causes as well as on the solution of the problems. In conclusion, innovation means changing image, logistical and marketing processes.

Best Practice 4: Prevention Program at the Texital srl with Apindustria, Trade Unions and Province of Bergamo

Prevention program at Texital is a very good example of how the Development Labour Program target a specific group. Five job losses were prevented by training and offering continuing education to staff members between 2003 and 2004. Texital is a small company with 26 workers experiencing the problem of global market. However, it is necessary a restructuring plan for some of his workers – 4 to 5, representing 25% of the total workforce. The first solution is to reduce the number of staff. In order to stay competitive, and to maintain a high quality and technological standard, Texital begun a process of renovation of its own machinery since 2002. It is during one the several meeting and confrontation between unions and company that emerges the proposal of a “**A Challenge to Innovation**” by **reshaping the skills and abilities of each worker, they will in turn become highly professional and able to face multitasks responsibilities**. The worker is now able to cover different duties and responsibilities, beside his/her own specific job. The next phase is concerned with continuing education.

By doing this, the worker was able to keep his job and to learn and work on multiple task, resulting also in a better wage due to a new contract and a final bonus related to the final production and performance. In conclusion, this action has transformed a negative situation into a growth opportunity for both the workers and the company.

Best Practice 5: Cotonificio Honegger and Social communication

Zambaiti Group in 1992 purchases Honegger Cotton industry, affected by a deep economic crisis. After investing greatly in human resources and technological means, it becomes one of the first industrial textile giants. After increasing its manpower of 33%, it broadens its horizon internationally.

Cotonificio Honegger is part of Hi Tex Campus: an industrial innovative project with the aim to create a highly technological textile group at a competitive price for the fashion industry. The plan is expected to have 700 workers within 5 years and to improve as well the social and economic situation in Valle Seriana.

Best Practice 6: Lombardy Region Experiences

Lombardy Region has developed some programs in cooperation with ARIFL (Agency for Labour and Vocational Training) and the provinces included in its region. Following is a summary of the publications concerned with these programs.

CRISIS MANAGEMENT: Proposals to handle the unemployment crisis (2005 year).

The Regional Labour Agency has developed a series of actions to prevent social and economic impact and at the same time use at its best any opportunity given by social protection tools within the following topics:

- job occupation and its crisis in Lombardy: definition and analysis of the problem; implementation and dynamic analysis in Europe; actions taken to curb the unemployment in Lombardy Region;
- Interventions to handle the unemployment crisis following similar experiences in the region: the proposal is a methodological approach to tackle the situation by the implementation of programs aimed to reshape the skills and abilities of the workers, as well as the other forms to support work entry and reinstatement of the workers during the Wages Guarantee Fund period;

- job opportunities for unemployed workers in Lombardy – in cooperation with the Region, Labour Employment Regional Agency, Provinces, Social Partners and the Development Labour Employment Program

EMPLOYMENT OPPORTUNITIES for specific categories of workers in four different provinces of Lombardy region (year 2005)

November 2004 marks the beginning of a project “From Exclusion to Inclusion”. It describes the action, the measure and the programs at both regional and provincial levels, to undertake in order to fight social exclusion and to promote social inclusion of those citizens who are the most likely to be exposed to such risks. Grants are from different sources: Province, Region and European Community Funds. Province of Bergamo has created a fund for unemployed workers from the textile and fashion industry, particularly women over 35, men over 40, protected categories and those coming from companies with less than 15 workers, for a total of 150 people. Another project concerned with reshaping and reinstatement of the workers has involved 45 people during Wages Guarantee Fund program. Funds have been provided by a specific chapter of the regional budget (cap. 908).

Here is a summary of the program:

- o Evaluation and orientation programs;
- o Career opportunity program;
- o Vocational training;
- o Work entry and support.

Also, the project **New Opportunities to be Competitive** was promoted by the Industrial Association of Bergamo and sponsored by Credito Bergamo, the Chamber of Commerce, the Province and Banca Popolare of Bergamo. The main objective was to support those companies involved by new marketing strategies to launch the fashion industry and therefore, by becoming more competitive and increase the local economy within the textile and clothing sectors.

From exclusion to inclusion (2006)

“**Dall’esclusione all’inclusione**” has the objective to create services which promote the social integration of the people who, in the provinces of Bergamo, Brescia, Como and Cremona, are the most exposed to the unemployment.

The three main targets are:

- o Monitoring situation of social exclusion;
- o social awareness;
- o to promote local services which may help social integration.

3.2.2 Spain - Fundecyt

This section aims to highlight the following elements:

- Description of the crisis situation
- Subjects involved in the crisis process
- What kind of intervention has been developed
- Impact of the intervention on terms of new entrepreneurial activities, impact on employment, role played by institutions, degree of involvement of stakeholders

Best Practice 1: Creating the knowledge cluster

The creation of a Knowledge Cluster⁵ can be divided into the following phases:

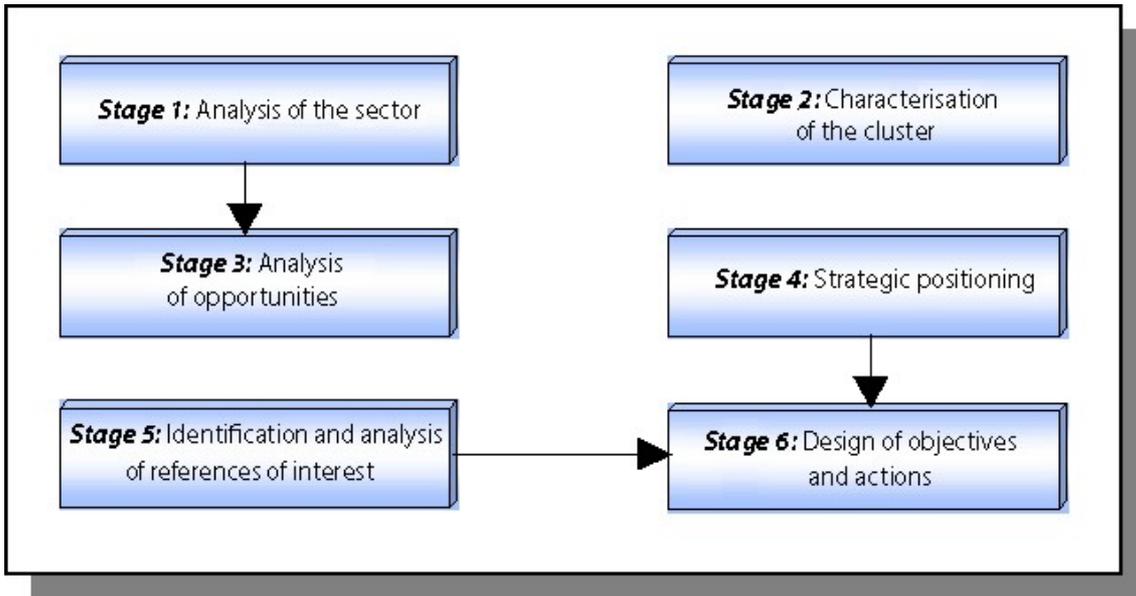
- o Phase 1: Study of the Business Chains.
- o Phase 2. Joint Plans for Improving Competitiveness.
- o Phase 3: Implementation

Phase 1: Study of Business Chains

It aims to obtain a complete view of the characteristics, activities, agents and relationship schemes within the framework of each of the business chains to be studied, as well as knowing their strategic and potential positioning for development in view of other references of interest.

⁵ A "cluster" can be defined as a set or group of companies belonging to different sectors, mutually interrelated in the vertical, horizontal and collateral senses around markets, technologies and productive capitals that are cores of the industrial sector and comprise an interactive system in which they can improve their competitiveness.

Figure 1. - Study of Business Chains (procedural scheme)



Study of the sector

A Knowledge Cluster is a horizontal business chain whose components can offer their services to any existing vertical sector. In this case, the group of suppliers related to the generation, transmission and application of business knowledge is mainly composed of companies and organisations in the following sectors of activity:

- o Companies and organisations related to Information Technology and Communication.
- o Consultant and Engineering companies.
- o Companies and organisations related to R&D.
- o Companies generating contents.
- o Companies and organisations related to training.

The knowledge cluster of Extremadura is composed of at least 152 potential members (Companies, institutions, associations...). Of all the companies, more than 70% are located in the province of Badajoz, 62% of the companies in this Cluster being concentrated in the municipal districts of Badajoz and Mérida. Next in order of importance would be the municipality of Cáceres with 14% of the total number of companies, followed by Plasencia with 5%, amounting to almost three quarters of the companies located in the province of Cáceres. Moreover, the greatest concentration of Knowledge companies in the region is in towns on the banks of the River Guadiana, an area where there are 103 companies representing 68% of the entire

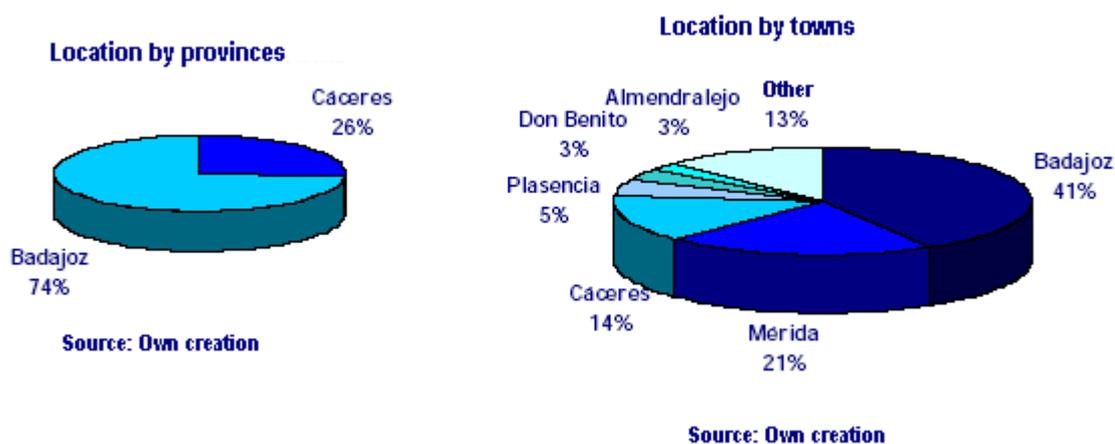
cluster. Another especially important area is along the “Ruta de la Plata” on which 71 companies are located, amounting to 47% of the 152 that comprise the cluster. These two zones contain 142 companies (93% of the total).

Figure 2. – Main indicators of the Knowledge Cluster in Extremadura

Main indicators of the Knowledge Cluster in Extremadura		
No. of Companies	Turnover (Thousands of euros)	Employment
152	39,215	593

Source: Own creation, Ardan 2002 database and the Mercantile Register

Figure 3.– Location of the Knowledge companies by provinces and towns (% values)

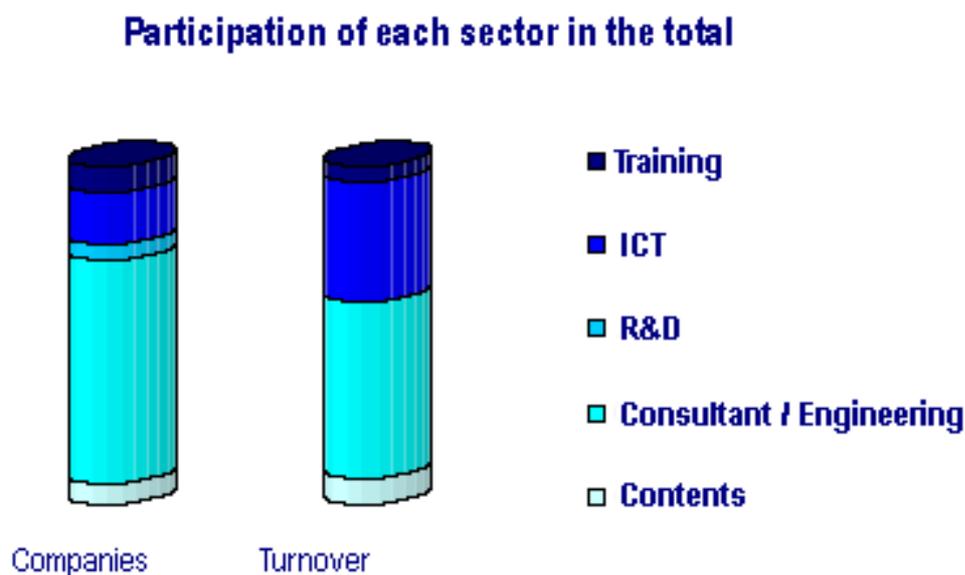


With regard to their size, they are predominantly micro and small companies, i.e., with less than 50 employees, amounting to 98% of the total. Only two of the companies studied employ more than 50 people, and none can be classified as Large Companies (more that 250 employees).

The corporate form preferred by the companies in the cluster is the Private Limited Company, a form used by more than two thirds of the total. At some distance behind we can find the Public Limited Company (17% of companies). The rest of corporate forms are found in insignificant proportions, most being merely anecdotal.

The graph below shows that with reference to participation of each sector in the total, the most numerous group of companies are those belonging to the Consultancy and Engineering sectors, these are also the companies with the largest volume of turnover contributed to the total. However, these same companies have the lowest average turnover, below the average of the cluster and much less than the ICT's.

Figure 4. – Participation of each sector in the total



Source: Own creation using data from the Mercantile Register and Ardan

Following the same line as used for business volume, again the Engineering and Consultant companies are those that contribute more employees to the Cluster, although they are also the companies with fewer employees per company. Companies related to Information and Communication Technologies are the second largest regarding number of employees and the first in the average with about nine employees per company.

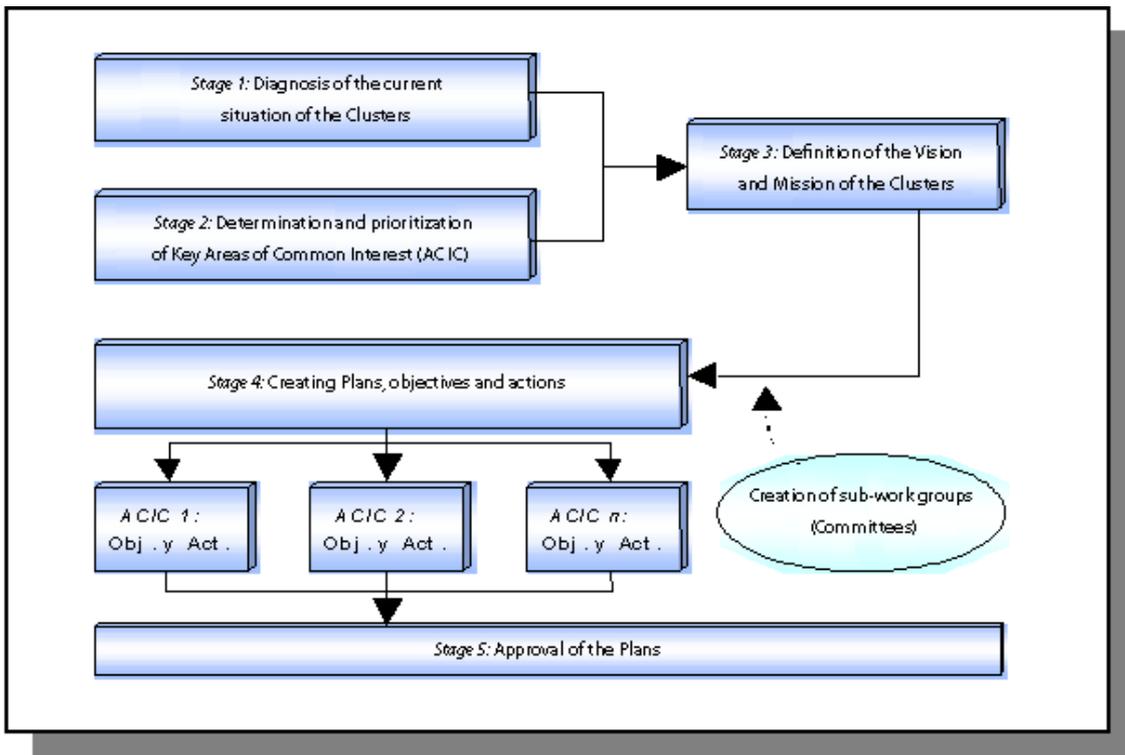
The heterogeneous nature of the companies in the knowledge cluster in Extremadura does not permit a direct comparison with another sector or sub-sector on the national or Extremadura community level.

Currently, the Knowledge Cluster comprises 44 different companies distributed all over the region.

Phase 2: Joint Plans for Improving Competitiveness

Their aim is to design a model for the development of the different business chains, in a participative and agreed manner, based on a collection of cooperative activities linked to the main areas of common interest to provide improved competitiveness in each company and each sector.

Figure 5. - Joint Plans for Improving Competitiveness (procedural scheme)



Diagnosis

The Knowledge Cluster of Extremadura is a sector association that brings together companies, foundations and other organisations related to continuous improvement in management and innovation in companies.

Its creation stems from the fact that the possibilities and capacity of companies in Extremadura is not currently known and organisations that need to cover certain deficiencies in their business management systems, often have to leave the region in search for solutions they cannot find inside the region, or that when they do it, it is probably too late.

The "Clusters of Extremadura" project intends to solve this situation thanks to the structuring of sectors, among which is Knowledge.

The diagnosis work carried out has enabled us to summarise the principal general negative aspects regarding the Knowledge "Cluster" of Extremadura, as well as a large list of:

- o Critical points or specific problems that were of great importance in the process of drawing up their "Joint Plan for Improving Competitiveness", as recommendations should stem from existing problems. Regarding this, and listed according to their importance as established by the Work Group

participating in the process of starting up the "Cluster", some of the critical points are described below:

- Short-term management models and an absence of coherent strategic plans.
 - Little business cooperation, the relationship between companies being basically competitive and with a certain degree of mistrust.
 - Dependence on subsidies in the local companies to take on consultancy projects.
 - Very little investment in R&D and Innovation.
 - Lack of interest in the knowledge sector on the part of financial institutions in Extremadura.
 - Lack of sources of finance for the sector as a whole.
 - Lack of stable organisational structures, mainly due to dependence on public programmes...
- o Key areas of Common Interest for the Knowledge Cluster of Extremadura. The heterogeneous nature of the critical aspects identified and the difficulty to work on them individually and in isolation, made it necessary to carry out a regrouping in great Key Areas of common interest, which in this case were configured as follows:
- Strategy and Business Management
 - Human Resources
 - Marketing and Market Access
 - Innovation
 - Finance
 - Regional infrastructures
 - Relations with the Administration

FUNDECYT (Foundation for the Development of Science and Technology in Extremadura) promoted in 2004 the "Digital Knowledge Ecosystem" project. With which they achieved the ambition of becoming a "business centre" where companies associated to the Knowledge Cluster can find attractive opportunities for their profitability, initially investing in promotion and then benefiting through participation in the management and/or execution of the projects designed. This is how the Digital

Ecosystem became a star project of the Cluster, with the aim of being a link for the business fabric of Extremadura.

In short, and as a definition, we could say that the Digital Ecosystem is a service for companies in the economy of Extremadura that work on a Technological Platform, encouraging:

- o A flow and exchange of information and knowledge.
- o Establishment of mechanisms for collaboration between companies in the region by creating a "depot of knowledge suppliers" in Extremadura.
- o Facilitating access to solutions for management problems for companies in any sector.

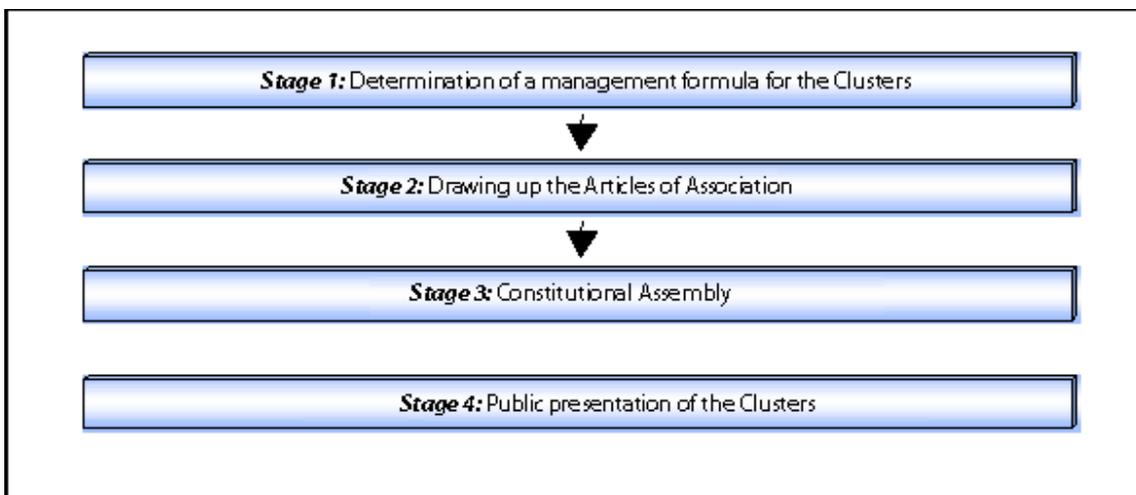
Its practical use is very easy, and it will enable:

- o The identification of who's who and what do they know how to do.
- o Guarantee of quality and ethical behaviour in companies.
- o To relate the demand of solutions with supply of services.
- o The use of a technological platform for companies to communicate with each other.

Phase 3: Implementation of competitiveness plan(s)

The intention is to collaborate with agents in each business chain to create management bodies that will ensure the creation of each Joint Plan for Improving Competitiveness or the actual implementation of these plans within the framework of existing cohesive bodies.

Figure 6. - Implementation of competitiveness plan (procedural scheme)



Strategy and Business Management

Taking into account the Key Areas of Common Interest, as well as a series of Critical Points, identified for the "Knowledge Cluster" of Extremadura, the corresponding objectives to improve these problems were obtained.

Then, starting with the critical points obtained from the diagnosis related to the area of "Strategy and Business Management", a collection of Improvement Objectives was formulated to solve problems detected or at least minimise them.

In view of the Improvement Objectives formulated with regard to the "Business Strategy and Management" area, they were grouped in three large "Action Guidelines" that concentrated the ideal combination of responses to the most important aspects. These Action Guidelines are the following:

- 1- Promotion of a business cooperation culture.
- 2- Improvement of the dynamics of the sector.
- 3- Improvement of management techniques.

Human Resources

Arising from the critical points obtained in the diagnosis of the "Human Resources" area, a series of Improvement Objectives were also formulated to offer solutions to problems detected or at least minimise them.

As a result of the Improvement Objectives formulated regarding the "Human Resources" area, two large "Action Guidelines" were designed that intended to properly group the solutions provided. These Action Guidelines are the following:

- 1- Strengthening training activities and HR development policies.
- 2- Improving recruitment techniques.

Marketing and Access to Markets

In this case, and also based on critical points that arose from the diagnosis of the "Marketing and Access to Markets" area. Improvement Objectives were established responding to the problems detected or at least trying to minimise their impact (see table below). Taking into account the Improvement Objectives formulated with relation to the "Marketing and Access to Markets" area, three large "Action Guidelines" were designed to group, in a structured manner, the solutions identified. Specifically, these three Action Guidelines are as follows:

- 1- Encouragement of commercial promotion.
- 2- Promotion of trademarks.
- 3- Development of joint commercial operations.

Innovation

With regard to this matter, and as a logical consequence of the critical points that arose in the diagnosis of the "Innovation" area (See table below), some Improvement Objectives were determined to respond to the problems detected.

Taking into account the Improvement Objectives formulated with relation to the "Innovation" area, three large "Action Guidelines" were designed to integrate the solutions identified in a structured manner. Specifically, these three Action Guidelines are the following:

- 1- Promote the R&D&I function in SMEs.
- 2- Improve the regional innovation system.
- 3- Improve University-Business relations.

Finance

Taking into account the critical points that arose in the diagnosis of the "Finance" area (See table below). Improvement Objectives were designed to offer an integral solution for the sector as a whole.

Based on each of the Improvement Objectives formulated with relation to the "Finance" area, a single "Action Guideline" is defined: "Creation of specific finance lines".

Infrastructures

Aware of the existence of a single route to achieve a certain degree of improvement in the different critical points arising from the diagnosis of the "Infrastructures" area, a series of Improvement Objectives were designed with the intention of achieving a certain degree of impact on the agents that, at the end of the day, are responsible for these areas.

In this case, the definitive denomination of the single Action Guideline that arose, in coherence with the planned objectives, was called Improvement of Support Infrastructures.

Relations with the Administration

Based on the critical points that arose from the diagnosis of the "Relations with the Administration" area (See table below), some Improvement Objectives were formulated that intend to improve the framework of public support of the Knowledge sector by the autonomic and central governments.

According to the specific orientation of each of the Improvement Objectives formulated regarding the "Relations with the Administration" area, three "Action

Guidelines" were established, which were defined to generate a permanent channel for dialogue between the Administration and the Sector to adapt the public support framework to specific needs. Specifically, these three Action Guidelines were proposed:

- 1- Improvement of the public support framework for the sector
- 2- Improvement of the framework for support of R&D&I
- 3- Improvement of administrative processes

If an analysis is made of the measures proposed grouped by Key Areas of Common Interest, the following information can be deduced:

- o The area that is most highly valued in general terms with relation to either of the two variables is that of "Relations with the Administration".
- o The worst valued area is that of "Finance", especially in the case of valuation of its capacity for implementation.
- o The areas with more measures in the intermediate zone are those of "Business Strategy and Management", "Human Resources" -although with a tendency to be below the Strategy Area-. and "Marketing and Access to Markets" –despite the fact that in this area are also some of the measures with best and worst classification of the proposals-
- o Those presenting greater dispersion regarding valuation of the measures are the Key Areas of "Innovation" and "Infrastructures", where very different evaluations can be observed according to the proposed recommendation.

Best Practice 2: Creating the Metal-Mechanical cluster

We can divide the creation of the Metal-mechanical Cluster into the following phases:

- o Phase 1: Study of the Business Chains.
- o Phase 2. Joint Plans to improve Competitiveness.
- o Phase 3: Implementation.

Phase 1: Study of the Business Chains

It aims to obtain a complete view of the characteristics, activities, agents and relation schemes in the framework of each of the business chains to be studied, as well as to know their strategic positioning and potential for development in view of other references of interest.

Study of the sector

The Metal-mechanical Cluster in Extremadura is an entity that intends to be an example for all the business people in the metal sector in Extremadura.

Following the CNAE-93 classification, we can include in the Metal-mechanical Cluster companies whose activities are comprised in one of the following groups:

- o Metallurgy
- o Manufacturing of metal products with the exception of machinery and equipment
- o Industry manufacturing, machinery and mechanical equipment
- o Manufacturing of motor vehicles, trailers and semi-trailers
- o Manufacturing of other transport material

Here are some figures from the Metal-mechanical sector within the business network of Extremadura. The metal sector in Extremadura has a turnover of 827 million €, with 4339 employees in 343 companies. We can highlight that this Sector has an average of 12 employees per company, greater than Agriculture and Food, which have an average of 8.7 employees per company,

Figure 14. – Percentage of turnover of the business network in Extremadura

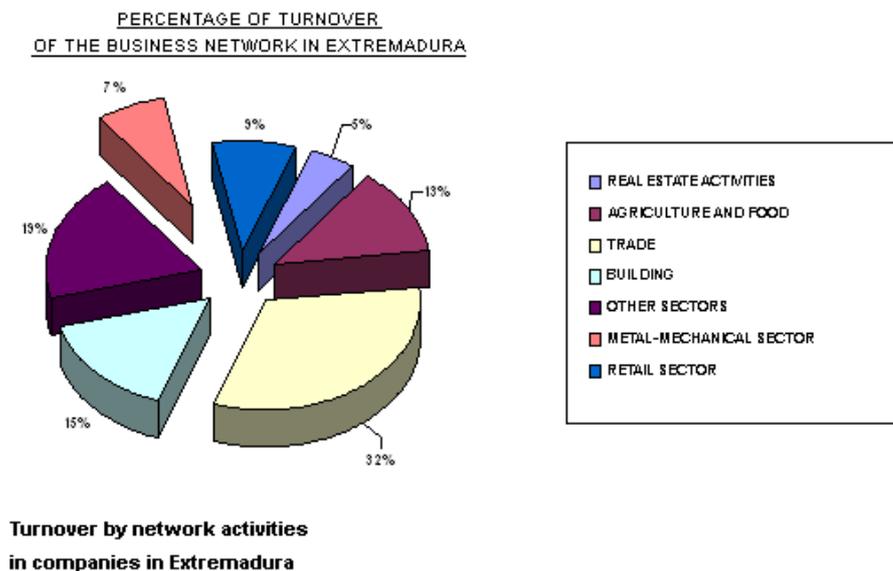


Figure 15.- Number of companies in the business network- Extremadura

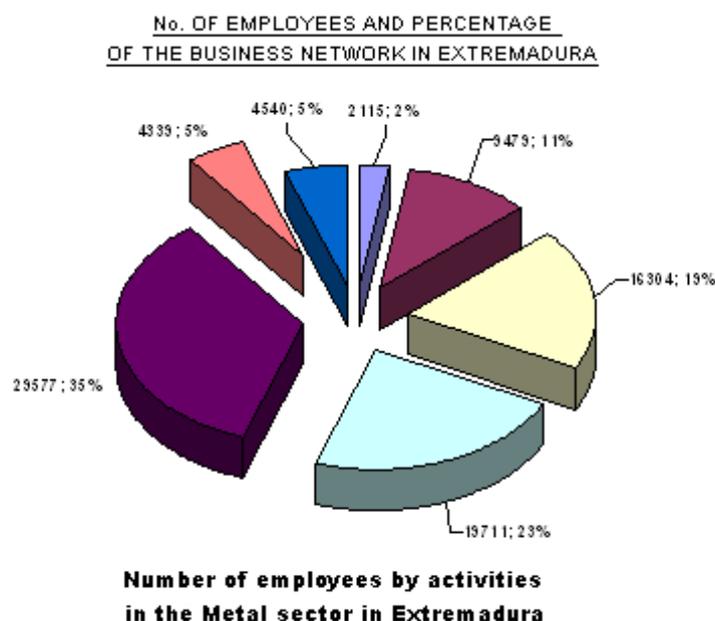
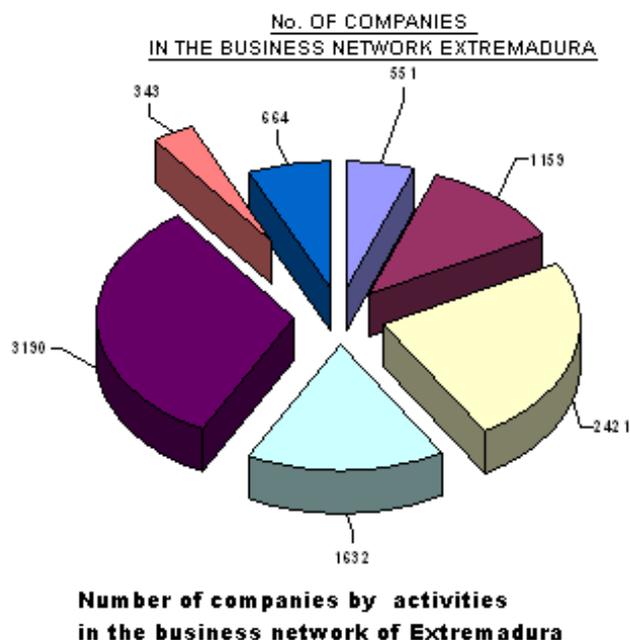


Figure 16 – Number of employees and % of the business network in Extremadura



Regarding a description of the state of the metal sector in Extremadura, the charts below show the distribution in percentages, according to number of employees, turnover and number of companies. As can be seen in charts below, Metallurgy Sector obtained greater performance regarding turnover with less employees and companies than other sector as Manufacture of metal products except machines.

Figure 17 – Percentage of turnover in the metal-mechanical sector in Extremadura by activity

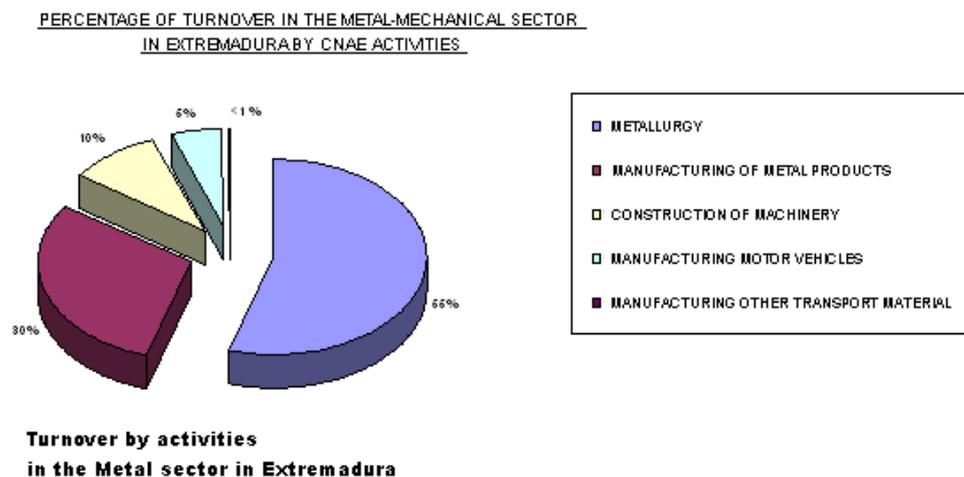
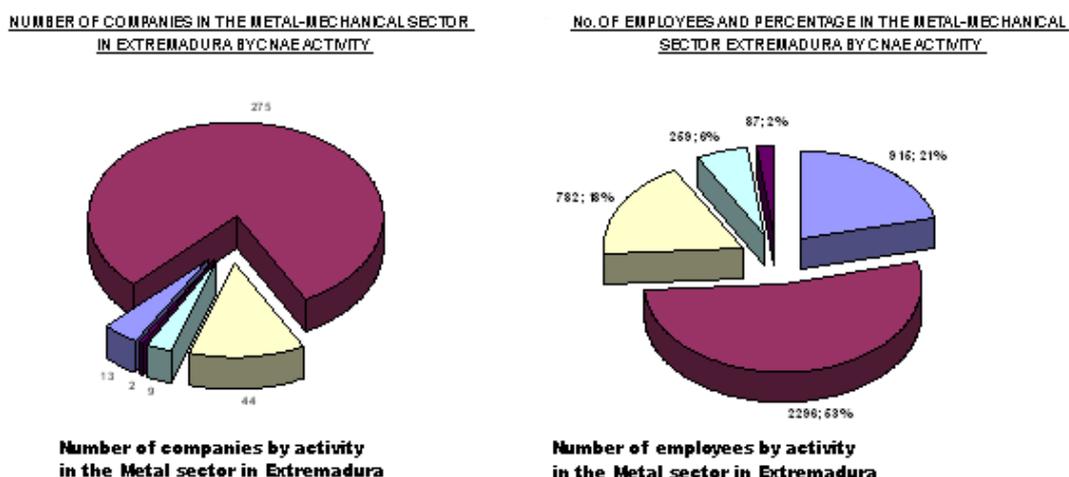
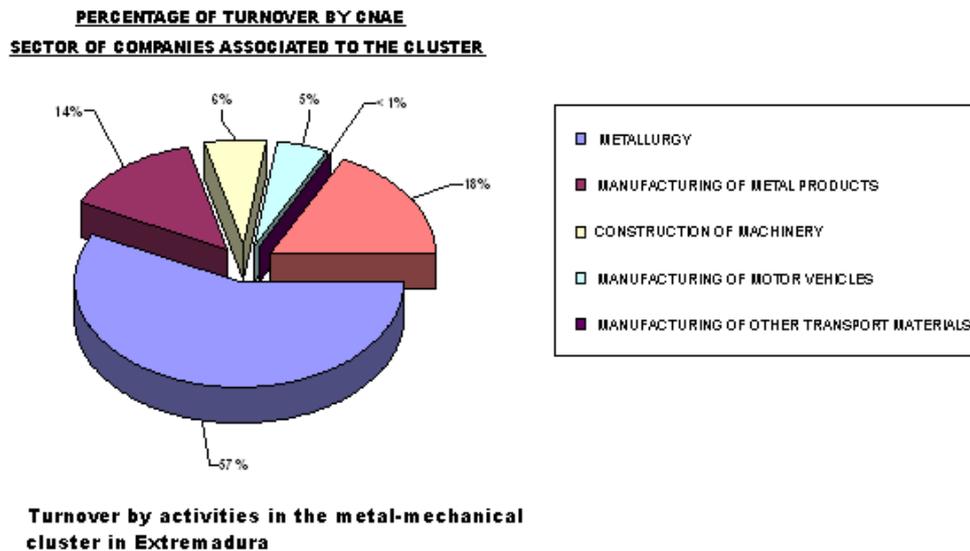


Figure 18.– Number of companies and number of employees in the metal-mechanical sector in Extremadura by activity



The association of the metal-mechanical cluster (ACLUMEX) represents the business network of Extremadura with 74% of the total turnover of the Metal sector. The number of workers is 2011 (46% of the total of the Metal sector) and they are distributed in activities as shown in the two charts below.

Figure 19. –Turnover by activities in the metal-mechanical cluster in Extremadura



If we focus on the search for new challenges for companies, it is not only dedicated to establishing actions within the region of Extremadura, but with the objective of increasing competitiveness. ACLUMEX (Association of the Metal-mechanical Cluster in Extremadura) also offers its resources to interregional and international projects. Proof of this are agreements with other regions, the establishment of actions together with technical development foundations and joint actions for the Promotion of the Exterior Market of Extremadura in search for international markets, as well as many actions, which together with the Office for Business and Industrial Promotion of the Autonomous Government of Extremadura will enable an increase in business profits for companies in the metal sector in Extremadura.

Phase 2: Joint plans to Improve Competitiveness

Their aim is to design a participative and agreed model, a development model for the different business chains, based on a collection of cooperative activities linked to their main areas of common interest that will provide greater competitiveness of each company and each sector.

Diagnosis

In the current market, a fundamental tool to increase competitiveness is business cooperation. With this aim in mind, the Metal-mechanical Cluster Association was

created, an entity that intends to be a reference point for all business people in the metal sector in Extremadura.

Two of its **principal objectives** are:

- 1- Development of actions included in the “Joint Plan to Improve Competitiveness of the Cluster” made within the framework of the Plan for the Consolidation and Competitiveness of SMEs in Extremadura of the Autonomous Government of Extremadura and the DGPYME of the Ministry of Economy and the Channelling of needs.
- 2- Stimulation of group actions. This intends to increase efficiency in management work, obtaining qualified labour within the metal-mechanical sector, manufacturing more competitive products and reducing costs in the metal-mechanical industry in Extremadura.

The **Key Areas** of Common Interest for the Metal-mechanical Cluster of Extremadura can be divided into two groups (general and specific):

General:

- o Development of actions included in the “Joint Plan to Improve Competitiveness of the Cluster” created within the framework of the Plan for the Consolidation and Competitiveness of SMEs in Extremadura of the Autonomous Government of Extremadura and the DGPYME of the Ministry of Economy.
- o Channelling needs and stimulation of group actions.

Specific:

- o Increase the efficiency of management work.
- o Obtain qualified workers in the metal-mechanical sector.
- o Manufacture more competitive products.
- o Reduce costs in the metal-mechanical industry.

The **General services** are:

- o Carrying out a diagnosis of the sector.
- o Creating an updated and detailed database to improve the business people's knowledge of the sector.
- o Offering technical-technological advice.
- o A body for business-autonomic administration contacts, management of subsidies, creation of a specialised recruitment pool, etc.

The “**NEOLA Technological Antenna**” is a service offering advice and intermediation to the Metal-mechanical Cluster Association of Extremadura (ACLUMEX) facilitating preferential access to a wide range of services to ensure quality and product or production line improvement for its members, as well as the definition and implementation of innovative technological projects, counting on the technical support of a selection of companies and organisms with a specialised offer for the metal-mechanical sector.

The “**ACLUMEX Technological Antenna**” intends to be a reference for companies in the metal-mechanical sector in Extremadura that need technical assistance to initiate actions that either offer greater added value and quality to their products or mean the implementation of solutions to technologically modernise the company, with the resulting increase of competitiveness and profits or which imply the generation of new business initiatives of an innovative character.

With this new service, ACLUMEX will actively contribute to:

- o Favouring access to a better offer of accredited test, calibration and analysis services, as well as consultancy and support for production, focused on the satisfaction of the main demands of the metal-mechanical sector in Extremadura.
- o Facilitate innovative action in metal-mechanical sector companies in Extremadura, supporting them in the acquisition of technology according to their needs, implementing new management models or carrying out R&D&I projects.
- o Stimulate tractor projects to promote integration of activities belonging to the chain of value of the metal-mechanical sector in Extremadura, with the participation of different types of agents.
- o Encourage R&D&I actions and projects of common interest to strengthen the competitive advantages of the metal-mechanical sector in Extremadura, both on the national and international levels.
- o Implement actions to disseminate knowledge and technologies of interest for companies in the metal-mechanical sector in Extremadura.

The **ACLUMEX Technological Antenna places the following services at the disposal of associated companies** that request it:

- o Technical advice for analysis of the possibilities for improvement and innovation, both in processes and products, helping to discover more cost-cutting options and increase productivity.

- o Guidance for the definition and implementation of new initiatives that will either deal with existing technical and management problems, or will take advantage of latent opportunities in the scientific-technical area and will therefore contribute to improving the competitive position of the company.
- o Identification of companies, technological centres and R&D bodies with an accredited capacity to design and execute technical solutions adequate for business demands in the sector, in the fields of quality, technological improvement and innovation.
- o Intermediation in the request for offers of technological and innovation services, striving to achieve better time and monetary conditions.
- o Learning about technological novelties and opportunities.
- o Continuous information about projects, news and events carried out by the Technological
- o Antenna, by the reception of informative notes.
- o Examining possible alternatives to public finance for the development of initiatives proposed by companies in the sector.

Phase 3: Implementation

The intention of this phase is to collaborate with agents in each business chain to create management bodies ensuring the implementation of each Joint Plan to Improve Competitiveness or the effective implementation of these plans within the framework of already existing cohesive bodies.

Implementation of competitiveness plan

If each company in a certain sector were an atom, then a "cluster" would be a business molecule created for cooperation in common causes. It is generally accepted today that competitiveness is a key factor for the survival of companies in a global market. This survival would seem very difficult if not impossible for a large number of small and medium- sized companies with insufficient bulk to operate on global markets. However, the results of certain studies and the success of some experiences have enabled SMEs to return to their privileged position among organisations able to successfully compete in a global market. In this manner, the maxim "cooperate for sharing" has become a basic approach for the success of these SMEs.

Diagnosis work (Questionnaire activities, group work meetings and individual interviews) of the Metal-mechanical Cluster has enabled us to summarise the main negative aspects or critical points that need a Joint Plan for Improving Competitiveness. In this manner, and listed according to the importance given by the work group that took part in the process to start up the Cluster, the critical points were so of a heterogeneous nature that were regrouped in **key areas of common interest**, which have been configured as follows.

Figure 22. – Key areas of common interest

KEY AREAS OF COMMON INTEREST
1. Control and Management
2. Human Resources
3. Access to Markets
4. Technology. Quality and the Environment
5. Supplies and Logistics
6. Infrastructures
7. Relations with the Administration

Taking into account Key Areas of Common Interest, as well as the list of Critical Points, the corresponding Improvement Objectives for those problems can be obtained. Below is a summary of the structure of the Joint Plan to Improve Competitiveness as a whole.

Figure 23. – Joint Plan to Improve Competitiveness: summary

Key Area	Priority Action Guideline	Recommendations
Control and Management	Promoting Business Cooperation	<p>Encourage a culture of cooperation through activities that promote inter-business knowledge.</p> <p>Promote the creation of a body to represent and defend the interests of the sector.</p> <p>Encourage industrial collaboration agreements for the creation of companies or the specialisation of productive units that can offer services to the large business groups</p>
	Professionalism and Improvement of Management	<p>Support companies in the incorporation of formal planning systems, through practical sessions training/information, workshops.</p> <p>Develop a plan for advice on economic-financial issues enabling more efficient management.</p> <p>Analyse, design and implement efficient business management systems in companies</p>
Human Resources	Adaptation of the training offer to the needs of the Sector	<p>Carry out an analysis of the sector's training needs through a structured system of professional qualifications</p> <p>Detect training needs regarding technology, criticism of the sector and design improvement actions (stay in other companies, exchanges ...)</p> <p>Develop agreements with universities, business schools and other centres specialised in offering courses focused on Business Management and Control</p> <p>Promote the adaptation of programmes in professional training centres and workshop-schools to the real needs of the sector</p>
	Improve Safety and Health in Companies	<p>Improve general awareness of work hazards</p>

Key Area	Priority Action Guideline	Recommendations
Access to Markets	Improve the amount of knowledge about the market and the same sector	<p>Create a database of companies in the sector enabling the knowledge and dissemination of the current combination of products/ markets</p> <p>Carry out market studies in geographical areas of common interest enabling the establishment of strategies to access the national market</p> <p>Carry out market surveys in geographical areas of common interest enabling the establishment of strategies to access the international market</p>
	Promotion of the product and the sector in the market	<p>Facilitate attendance to national and international fairs</p> <p>Promote the start of a national fair of the sector to be held in the region</p> <p>Design promotional campaigns to highlight the qualities of steel focused on consumer motivators and strategic clients</p>
Technology, Quality and the Environment	Improve the offer and technological services to the sector	<p>Identify the technological needs of the sector</p> <p>Identify possible solutions to cover technological demand involving key organisations (Universities, Colleges of Engineers, Technological Centres...)</p> <p>Promote the appearance of an agent to encourage activities in the field of supply and technological services to the metal- mechanical sector</p>
	Improve the Quality of the product and trademarks in the sector	<p>Carry out awareness sessions on the importance of quality in business management</p> <p>Encourage the implementation of systems to ensure quality through pilot experiences that can be taken as a model</p>
	Improve the Environmental Culture of companies	<p>Offer informative sessions on environmental legislation</p> <p>Carry out environmental audits of companies</p>

Key Area	Priority Action Guideline	Recommendations
Supplies and Logistics	Improve knowledge about the offer of suppliers	Create a database of companies in the metal-mechanical chain of value enabling users to know potential suppliers in the region
	Carry out joint purchasing	Analyse the feasibility of reducing supply costs through agreements between companies Promote the creation of a platform to improve the purchasing conditions of steel, reducing the penalization that the market in Extremadura suffers
Infrastructures	Improve the regional infrastructures	Promote dialogue with public authorities responsible for the field to improve regional infrastructures
Relations with the Administration	Improve the framework of public autonomic support	Favour the establishment of communication channels with the Autonomous Government so as to encourage participation of the sector in strategic projects and improve the efficiency of procedures

3.2.3 France - ESCI de l'Ain

This section aims to highlight the following elements:

- Description of the crisis situation
- Subjects involved in the crisis process
- What kind of intervention has been developed
- Impact of the intervention on terms of new entrepreneurial activities, impact on employment, role played by institutions, degree of involvement of stakeholders

Presentation of the MECA BOURG Association and Best Practices in 2006

State of play at the end of 2006

MECA BOURG was created in January 2002. 2003 saw the beginning of the implementation of the action plan. 2004 was the year of maturity for Mecabourg association with the number of members arising to 28. 2005 was a transition year because of a period pending between 2 financing procedures at the regional level.

During this period MECA BOURG activities mainly dealt with:

- o Elaboration of a strategy for the sector with a projection up to 2010
- o Negotiating with local authorities of a financial support for the next 5 years.

- o Recruitment of a “chargé de mission” from April on.

After the transitory period which continued until springtime, Mecabourg started a new action plan with a lot of new actions such as, for example:

Actions for building or improving HR Competencies:

Action C2- Training: English course (metallurgy sector); Seminar on strategy.

Action C3- Prospection: Regular activation of the Human Resource Group, in order to implement a thorough follow-up of quantitative and qualitative needs in workforce for the sector. Training of 8 unemployed people in the basic techniques developed in the sector with their recruitment after the training. Implementation of an approach with a view to optimise the integration of new workers in Mecabourg companies.

Action C4 - Mutualisation: beginning of a reflection for the creation of a Company Committee transversal to all Mecabourg member companies.

Actions for Mecabourg companies development :

Action D1-promotion: participation to POLLUTEC Exhibition.

Action D3-Watch: economic watch mission in Romania.

Actions for Mecabourg Excellence :

Action E1- Certification: 2 new companies and MECA BOURG Association started a certification ISO 9001.

Action E2 - Environment: Waste Management (collecting of special industrial waste in 12 companies). Energy (launching of an energy action plan with the support of the “Chamber of Commerce and Industry of Ain Province”).

At the end of 2006, MECA BOURG numbered 35 companies, which means 2 more members than at the beginning of the year.

MECABOURG best practices in 2006: Implementation of the action plan for a successful future

Mecabourg actions are part of a permanent process aiming at finding new ways of working together on a territory in order to prevent future crisis in the mechanic sector in the Bourg en Bresse area.

The collecting of these actions are all part of what is called “best practices” as they are focused on either the preparation of the future or on the management of changes in order to re-organise the companies for better results.

They are centred around 4 main priorities (see table 3.5.1):

- 1- Building or improving competencies
- 2- Development of Mecabourg companies
- 3- Excellence search
- 4- Network existence and development

After a short synthetic vision of all the actions, we will detail them according to the following methodology:

- o Objective of the action
- o Means implemented
- o Partnership involved
- o Concrete achievements

For each priority a synthetic table, at the end of the detailed actions, will show the “First identified and measurable outcomes, stressing the positive results along with the actions to be improved.

Table 1. -Synthetic view

BEST PRACTICES BUILDING OR IMPROVING HUMAN RESOURCE COMPETENCIES		
ACTIONS	34% OF GLOBAL COST IN EUROS	39% OF GLOBAL TIME SPENT BY MEMBER COMPANIES
C1 : Promotion		
C2 : Training		
C3 : Prospecting		
C4 : Mutualisation		
C5 : Proposing for “membership”		
Animation of HR Competencies activities		

BEST PRACTICES FOR MECABOURG COMPANIES DEVELOPMENT		
ACTIONS	45% OF GLOBAL COST IN EUROS	13% OF GLOBAL TIME SPENT BY MEMBER COMPANIES
D 1 : Promotion		
D 2 : Prospecting		
D 3 : Economic watch		

BEST PRACTICES FOR EXCELLENCE SEARCH		
ACTIONS	10% OF GLOBAL COST IN EUROS	13% OF GLOBAL TIME SPENT BY MEMBER COMPANIES
E 1 : Certification		
E 2 : Innovation		
E 3 : Environment		
Animation of Excellence activities		

BEST PRACTICES FOR NETWORK EXISTENCE AND DEVELOPMENT		
ACTIONS	11% OF GLOBAL COST IN EUROS	35% OF GLOBAL TIME SPENT BY MEMBER COMPANIES
R 1 : Network animation		
R 2 : Network life		

(1) This amounts to 80 man / days

Best Practice 1: Pole of Competencies

The objective is to develop the attractiveness of the sector (and of the territory) in direction of the people in order to find in a sustainable way the Human Resources the industrial sector will need in the future. This means a capacity to progressively generate a “natural” movement of workers affluence towards the sector (and the territory) by stressing the multi- possibilities of different routes due to the high diversity of companies and local training offers.

Competencies		Action C 1 : Promotion
Objective	To revalue the image of the sector for the general public.	
Resources implemented	Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 16.037 € Time value of member companies : 1.625 €	
Main Partners	Schools, employment agency, training centres	
Concrete achievements	<p>Reports on companies in local newspapers</p> <p>Presenting of the sector to 9 candidates in progressive insertion (sessions of 2h based on a PowerPoint presentation and company expression.</p> <p>Job forums</p> <p>Company managers assuring 7 ½ days of presence in the forum</p> <p>Discussions with young school goers (colleges and lycées) considering the possible orientation for their future professional life</p> <p>Presentation of company products</p> <p>“TRANSMUTATION. Company visit”: 120 visitors / 15 companies involved (102 School goers; 18 teacher)</p> <p>“TRANSMUTATION. Implementation of a Challenge”: 80 young people from 4 different schools</p> <p>Awareness action for parents of primary and “maternelle” school pupils 350 leaflets distributed to about 15 schools.</p>	

Competencies		Action C 2 : Training
Objective	Conception and implementation of tailor-made training sessions in order to make it possible for companies to have the required qualified human resources.	
Resources implemented	Companies involvement/ Leading of this activity by the Chargé de mission 1 meeting of competence commission Budget dedicated : 12.663 € Time value of member companies : 10.188 €	
Main partners	AFPMA (Training on Safety) Ecole Supérieure de Commerce et d'Industrie de l'Ain (English courses) KPMG (Strategic approach) RENAULT TRUCKS pour la “Fire prevention”	
Concrete achievements	<p>Training on “Safety and fire prevention”(61 workers)</p> <p>Sector specific English MECA BOURG (18 company managers and employees); 45h to 60h per person</p> <p>Seminar on « electro - shock strategy” (13 company managers)</p>	

Competencies		Action C 3 : Prospecting
Objective	Finding people in order to meet the sector needs in workforce	
Resources implemented	3 Human Resource Breakfast sessions Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 4.462 € Time value of member companies: 2.500 €	
Main Partners	Employment agency. Technical training centre	
Concrete achievements	<p>Job interviews simulation with Employment agency:</p> <p>73 unemployed people invited 25 unemployed people present 13 unemployed people presenting tests No unemployed people passed the tests</p> <p>Training on “Technical bases” for 9 unemployed people: pre-selection of about 20 unemployed people by Employment agency Evaluation interviews of candidates by the training centre Evaluation of 10 candidates on the job in 8 companies of MECA BOURG Implementation of a training session on technical bases 9 candidates (420 h per candidate) 8 among 9 candidates finished the training session and 7 have now a job.</p> <p>Job announcements in local papers « MECA BOURG a sector looking for workforce”: 20 announcements 220 candidacies received</p> <p>Workforce recruitment by companies looking for Human resources in conjunction with 4 temping agencies (MANPOWER. ADECCO. ADEQUAT. VEDIORBIS), together with the employment agency. the employer association (Medef) and a technical training centre:</p> <ul style="list-style-type: none"> - 07/04 : identification of 27 jobs for 11 companies - 15/09 : identification of 45 jobs for 18 companies - 15/12 : identification of 27 jobs for 17 companies <p>Between each meeting MECA BOURG organised a follow-up of the company needs (satisfied. non-satisfied. new...)</p> <p>Discussions within the HR group made it possible to define job profiles on the most common required profiles (machining operator. fitter. welder....)</p> <p>Achieving an in-company welcoming process for the integration of new workers. About 20 companies have been accompanied for the realisation of an integration book. They committed themselves through the signing of a specific MECA BOURG Integration Charter.</p>	

Competencies		Action C 4 : Mutualisation
Objective	Act in such a way that the « trained workforce” can stay with the « mechanic sector” in spite of each individual company activity variations.	
Resources implemented	1 meeting of Competencies Commission.. Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 0 € Time value of member companies : 1 250 €	
Concrete achievements	Starting of reflection on the possibility to create a workers’ committee transversal to Mecabourg company members. On 13th December 2006: meeting with a company manager who started a Transversal workers’ committee in « Deux Sèvres” for exchanging of ideas and experiences. This meeting gathered 23 MECA BOURG company managers and gave birth to the launching of a gallop on « wages and incentives” at the end of 2006.	

Competencies	First identified and measurable outcomes
<p>Positive results</p>	<p>The survey achieved in spring 2006 implied 27 company managers and clearly showed that 76% of those in search of a workforce could see the impact of MECABOURG actions aiming at satisfying their needs in this matter. In 2006, the numerous actions implemented made possible the direct recruitment of 15 workers by Mecabourg members (excluding indirect recruitments not identified by Mecabourg).</p> <p>The cumulated staff of the 35 company members increased by 3% between 2005 and 2006 (+ 8% if we exclude Lamberet and Renault Trucks companies.</p> <p>The training of unemployed people implemented with the Assedic, the Local Employment Agency and AFPMA (Metallurgy training centre) has been validated and will be extended in 2007 with the support of Rhône Alps Region for about 20 candidates at the minimum.</p> <p>The work which has been started within the “Human Resource Group” has made possible :</p> <p>The regular quantification of recruitment needs (permanent watch system)</p> <p>The thorough qualitative identification of the needs. This group has elaborated job descriptions for « NC operators”. « NC machining operators”. « Welder/ Mounter” corresponding to the most important demand from companies.</p> <p>The development of a better « mutual knowledge” among the companies and the actors implied in actions for the development of employment.</p> <p>The approach for a « better company integration” methodology made possible the achievement of 20 « integration books” for the companies which didn’t have one.</p> <p>The new actions implemented in 2006 (English for metallurgy sector. Strategy training have been validated and will be continued in 2007.</p>
<p>Actions to be improved</p>	<p>The student enrolment in « technical training colleges” (Technical Lycées. Professional training centres) are still very low.</p> <p>The number of “job candidacies” for Mecabourg companies (220 in 2006) is still too low for satisfying the company needs in a sustainable way.</p>

Best Practice 2: Pole for development

The objective is to develop the attractiveness of the sector in direction of “order principals” in order to develop business opportunities in a sustainable way. This means a capacity to progressively generate a “natural” movement of business opportunities, more numerous and more important in quantity, by showing and stressing the Know-How existing on the territory, the mastering of the value chain and the cooperation capacity among the Mecabourg Companies.

Development		Action D 1 : Promotion
Objective	To communicate in direction of “order principals” so that they are aware of the Know How proposed by the companies present on the territory in the field of Mechanic, Metallurgy and Industrial Body-work.	
Resources implemented	1 meeting of Competencies Commission 1 meeting of Development Commission Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 57.578 € NB: The expenses might appear as high but a deeper analysis can provide explanations. For instance, in what concerns Professional Exhibitions, Mecabourg settles all the expenses and then is reimbursed by the participating companies for some parts of the expenses. In this way, in 2006, MECA BOURG received 13 191 € as the reimbursement of the exhibition cost by the participating companies. Time value of member companies: 1.375 €	
Partnership	Chamber of Commerce and Industry of Ain province for MIDEST Chamber of Commerce and Industry of Drôme province for POLLUTEC	
Concrete achievements	Sub-contracting activities: STIM exhibition in Lyon Eurexpo from 17 to 19 may 2006. 1 participating company with financial support from MECA BOURG. Aeronautic Industry Exhibition – New technologies and Industrial environment (SIANE), in Toulouse from 10 to 12 October 2006. 1 participating company with financial support from MECA BOURG Sub- contracting activities: MIDEST exhibition in Paris from 7 to 10 November 2006. 4 participating companies + Mecabourg association as such POLLUTEC exhibition in Lyon Eurexpo from 28 November to 1er December 2006. - stand MECA BOURG - 7 member companies visited the exhibition and promoted the know-how developed by Mecabourg association.	

Development		Action D 2 : Prospecting
Objective	Implementation of thorough targeted prospecting actions in direction of “order principals” depending on the possible business opportunities.	
Resources implemented	1 meeting of Development Commission Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 0 € Time value of member companies : 313 €	
Partners	RENAULT TRUCKS (member of MECA BOURG)	
Concrete achievements	Since the beginning of 2006. RENAULT TRUCKS started the assembling of trucks for the “building sector” – called KERAX - in the factory of Bourg en Bresse (They were manufactured in Spain before this date). These trucks are often equipped with tippers, hydraulic scoops, buckets, before being delivered to the clients in order to propose a “complete finished product” from Bourg en Bresse. RENAULT TRUCKS encouraged the manufacturers of such equipments to link partnerships with MECA BOURG companies so that the Bourg en Bresse local companies could take in charge the mounting of these equipments on KERAX. So far, several partnerships were started since the end of 2006.	

Development		Action D 3 : Watch
Objective	To build a common and shared tool for the anticipation of markets.	
Resources implemented	1 meeting of Development Commission Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 9.239 € NB: This budget was partly taken from CDRA funding, as it was financed for half of it by companies and for half of it through the “Rhône-Alps Region Automotive cluster.” Time value of member companies : 3.375 €	
Concrete achievements	Organisation of the monitoring of an economic watch in Romania (« Rally of Carpates”) in the field of Automotive Cluster of Rhône-Alps Region and with the operational support of PIROUX INDUSTRIE company : 7 MECA BOURG company managers participated Mission de 5 days in Romania (Bucarest-Pitesti-Sibiu) Visit of 12 mechanic and sheet metal manufactures, meeting with a bank and an association of industrial employers.	

Development		First identified and measurable outcomes.
Positive results	<p>The survey conducted in spring 2006 on 27 company managers, members of Mecabourg, showed that :</p> <ul style="list-style-type: none"> - 70% of member companies had developed new clients within MECA BOURG ; - 48% of member companies had developed new clients « outside” Mecabourg but thanks to Mecabourg actions. <p>The cumulated turn-over of 33 company members, excluding LAMBERET and RENAULT TRUCKS, increased by 20% between 2005 and 2006.</p>	
Actions to be improved	<p>In a context of high activity since more than 2 years, the sub-contractors tend to neglect somewhat the “commercial action” and to consider mainly the short-term demand (how can we satisfy the client orders in a context of workforce shortage?). This approach is not facilitating the organisation of a more structured approach and a more audacious promotion of “global offers” including services “relying on commercial and strategic partnerships.</p>	

Best Practice 3: Pole for Excellence

The objective is to accompany the development of the sector through the implementation of complementary actions destined to develop quality and security, take into account environment concerns and technological development.

Excellence		Action E 1 : Certification
Objective	<p>Have 50% of member companies being ISO 9001 certified by 2010. Accompany some companies for an ISO 14001 certification.</p>	
Resources implemented	<p>2 meetings of Excellence Commission Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 2.330 € Time value of member companies: : 1.625 €</p>	
Concrete achievements	<p>In 2006. 2 new companies (DEPLANCHE and METALLERIE CONCEPT) took a step towards ISO 9001 certification with the help of a consultant.</p> <p>MECA BOURG is also involved in a certification process since autumn 2006 (certification planned to take place during the first term of 2007).</p>	

Excellence		Action E 2 : Innovation/Technology
Objective	. To help the companies to access to technological innovations through a collective approach.	
Resources implemented	3 meetings of "Informatics / Computer Assisted Conception (CAC) club" Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : : 1.140 € Time value of member companies : : 2.250 €	
Concrete achievements	<p>Analysis of companies CAC practices (equipments, software, problems, and projects).</p> <p>By sharing this analysis, company representatives got together in order to better and more thoroughly analyse the problems some of them were facing individually and some of them had already solved and were mastering.</p> <p>to get advice before choosing a software when a company was planning to get one and when others had already experimented it...</p> <p>Visit of a SPL (Local Production system). "CAMDIB" in Béziers on 10/19/2006. MECA BOURG company representatives could concretely see the experience of a technological centre by "mutualising" High speed Machining CAMDIB centre.</p>	

Excellence		Action E 3 : Environment
Objective	<p>To improve the solutions implemented for the treatment of industrial waste.</p> <p>To bring the companies to integrate eco-conception approaches.</p> <p>Increase and improve the sector image through the taking into account of the environment problems.</p>	
Resources implemented	<p>3 meetings of Excellence Commission</p> <p>Companies involvement/ Leading of this activity by the Chargé de mission</p> <p>Budget dedicated : 0 €</p> <p>Time value of member companies: : 1.500 €</p>	
Concrete achievements	<p>Implementation of «agreement framework” for cardboard, wood and plastic films management in about 10 companies.</p> <p>Launching of an approach on « energy savings” (10/04/06)</p> <p>An awareness meeting was organised with the support of the Chamber of Commerce and Industry et of CETIAT in order to stress the energy costs increase context, the effects due to the opening of markets and on the necessity to take steps for energy savings.</p> <p>Organisation of a “lightning raid” for collecting special industrial waste at the end of 2006 :</p> <p>Waste analysis (type, volume...) on about 15companies</p> <p>Call for tenders launched to 15 possible service providers</p> <p>Selection of TRIADIS Services to achieve the “lightning raid” waste collecting</p> <p>Implementation of the waste collecting in December 2006 :</p> <ul style="list-style-type: none"> . 12 companies were collected on a 2 week period . More than 13 tons of collected waste 	

Excellence	First identified and measurable outcomes
Positive results	<p>ISO Certification for 2 new companies will strongly contribute to reach the objective aiming at: 50% certified companies by 2010.</p> <p>MECA BOURG ISO Certification made possible the implementation of an evaluation system for the Association actions.</p> <p>The “lightning raid “for special waste collecting was of a great and concrete help to Mecabourg companies for the de-stocking of dangerous products. It also made possible the “Mecabourg company awareness” on the necessity to implement a permanent system for the management of this sort of waste in order to prevent the re-creation of such stocks.</p> <p>The meeting on “energy saving’ entailed the organisation of 7 company “energy visits” by the Chamber of Commerce and Industry in order to analyse their situation in what concerns “energy consumption”. Several companies are already involved in complementary actions with the help of an expert.</p>

Best Practice 4: Pole for Networking

The objectives are to:

- o Identify on a permanent basis the needs/projects of member companies.
- o Propose actions.
- o Implement projects.
- o Develop and assure the “network life”.
- o Represent the network in its environment (institutional. economic....).
- o Report to financing bodies.
- o Prospecting to integrate new member companies.

Action R 1		Network animation
Objective	To pilot and manage the network.	
Resources implemented	9 Board of Directors meetings Mecabourg General Assembly on 29th march 2006 3 exceptional meetings Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 9.974€ Time value of member companies: 14.188 €	

Action R 2		Network life
Objective	To increase a mutual knowledge of the territory companies. To communicate on MECA BOURG initiatives and actions. To develop relationships with other associations, public bodies, institutions.	
Resources implemented	Companies involvement/ Leading of this activity by the Chargé de mission Budget dedicated : 10.427 € Time value of member companies: 0 €	
Service providers	CAP ON LINE (Internet site) FIDUCIAIRE ROSNOBLET (Accountancy)	
Concrete achievements	Participation to MEDEF meeting with Mrs Laurence PARISOT, National President of MEDEF, on 26 January 2006. Philippe PADET, MECA BOURG President, bore witness to "Networking for an industrial sector existing in a territory", at the round-table. Welcoming of a delegation from Moselle Chamber of Commerce and Industry on 21st March 2006, showing MECA BOURG experience with a view of creating a similar company network in Moselle. Participation to Summer University of SPL. Clusters and Competitiveness Poles in Bordeaux on 11th et 12th September 2006. Frederic LAROCHE. MECA BOURG General delegate bore witness to MECA BOURG experience in a workshop "Recruitment and attractiveness for Sme's". Organisation de 5 company visits : DEPLANCHE le 27 January 2006 : 8 participants RENAULT TRUCKS St Priest le 08/03/06 : 12 participants CIA METACO le 04/05/06 : 15 participants REYDELET DUMOULIN le 01/06/06 : 11 participants ELECTROLIUM le 05/10/06 : 9 participants	

Network	First identified and measurable outcomes
Positive results	MECA BOURG passed from 33 to 35 member companies in 2006.
Actions to be improved	MECA BOURG was aiming at 40 member companies at the end of 2006. The membership application rhythm slowed down especially since the “easy prospects” have now joined Mecabourg and also because the general delegate could spend less time for prospecting in 2006.

Continuation of MECA BOURG opening onto its environment

Steps taken towards non-member companies for their information and integration in Mecabourg.

- o 7 non-member companies were met
- o 3 companies became members: DMGI INDUSTRIE. RIGAUD MECANIQUE GENERALE. MECANIQUE GENERALE LAURENT;
- o 1 company stopped being MECA BOURG member: MONNET METALLISATION.

Operational partnerships in the territory were enlarged :

	Action C 1 Promotion	Action C2 Training	Action C3 Prospection	Action D1 Promotion	Action E3 Environment	Transversal Action Network	
Education Nationale (réseau dans son ensemble)	X						Training centres
Lycée Carriat	X						
Lycée Gabriel Voisin	X						
Lycée Ferdinand Fillod	X						
CFAI de l'AFPMA	X						
AFPI de l'AFPMA	X	X	X				
Ecole Supérieure de Commerce et d'Industrie		X					
ANPE	X		X				Job centres and Temping agencies
AG2I	X	X	X				
MANPOWER			X				
ADECCO			X				
ADEQUAT	X		X				
VEDIORBIS			X				
MEDEF de l'Ain			X				
Chambre de Commerce et d'Industrie				X	X		Public Bodies
Club des Districts Industriels Français						X	

Relationships with Institutions and Financing Bodies

- o Extension of relationships, reporting procedures to maintain and enlarge the public subsidies.

MECA BOURG actions and projects for 2007

Detailed MECA BOURG actions and projects for 2007

Action C1: Promotion

Objective	To give to young people, unemployed people and large audience a better image of the jobs existing in the Mechanical Sector.
Main activities forecast in 2007	<ul style="list-style-type: none">- "Advertorial" on Mecabourg companies in local Press ;- Participation to Ain Forum on "Job / Training" in March 2007 ;- New edition of "TRANSMUTATION Challenge" in autumn 2007 ;- Organisation of company visits on request all along the year;

Action C2: Training

Objective	To implement training sessions so that member companies can find the "qualified workforce" needed.
Main activities forecast in 2007	<ul style="list-style-type: none">- Regular implementation of training on "security" according to the needs;- Implementation of a 2nd training session for "English classes";- Conception of a short seminar on "Human Resource Management" for company managers and their top management.

Action C3: Prospecting

Objective	To find good candidates in order to satisfy the sector needs in work force.
Main activities forecast in 2007	<ul style="list-style-type: none">- Extend the specific training session for unemployed people to more than 20 candidates.- Organise 3 Human Resource Groups for a better follow-up of the needs in workforce.- Test an approach for recruiting workforce on territories facing economic difficulties and/or test a sort of partnership with temping agencies or recruiting agencies in order to find workforce on other territories.

Action C4: Mutualisation

Objective	To act in such a way that the “trained workforce” remains inside the Sector in spite of the variations in activities for each individual company.
Main activities forecast in 2007	- Experiment a collective system aiming at proposing incentives (in addition to wages) such as: Meal Tickets. Holiday Tickets....) for Sme’s workers.

Action D1: Promotion (KNOW-HOW)

Objective	To develop the attractiveness of the sector and to communicate in direction of national “order principals” on the global Know-how and technical competencies existing in our territory in matters of Mechanic. Metallurgy. Industrial Car-Body.
Main activities forecast in 2007	- MECA BOURG Participation to national professional exhibitions: RIST. SOLUTRANS. MIDEST. - Backing up for company participation on specific exhibitions (ex: SIANE...);

Action D3: Market Watch

Objective	To build a shared tool for anticipating the market evolution.
Main activities forecast in 2007	- Visit of an exhibition abroad

Action E1: Certification

Objective	To have 50% member companies taking steps to ISO 9001 certification by 2010. To accompany some companies for an environmental certification (ISO 14001)
Main activities forecast in 2007	- Start with new companies an ISO 9001 certification process ; - Ensure MECA BOURG certification;

Action E2: Innovation

Objective	To help Mechanical Sector Sme's to have access to technological innovations through a collective approach. (Innovation must be understood in a large meaning. It also covers existing high technology not being implemented in our territory.).
Main activities forecast in 2007	- Start a technological diagnosis of the sector (performance of machines, equipment complementarily, lack of technology, investment projects, mutualisation possibilities...);

Action E3: Environment

Objective	To improve the solutions for treating industrial waste. Incite companies to integrate eco-conception approaches. To improve the image of the sector by taking into accounts the environmental problems.
Main activities forecast in 2007	- Implement actions for Standard Industrial Waste and Special Industrial Waste started in 2006.

Action R 1 : Network animation

Objective	Manage the network.
Main activities forecast in 2007	- To find private financial contribution in addition to the only membership fees

Action R 2: Network life

Objective	. To improve mutual knowledge for the territory companies . Communicate on MECA BOURG initiatives . Develop relationships with other similar associations
Main activities forecast in 2007	Organisation of 8 to 10 inter company visits; Updating of Internet site www.mecabourg.com ;

3.2.4 Bulgaria - NASMB

This section aims to highlight the following elements:

- Description of the crisis situation
- Subjects involved in the crisis process
- What kind of intervention has been developed
- Impact of the intervention in terms of new entrepreneurial activities, impact on employment, role played by institutions, degree of involvement of stakeholders

SWOT-ANALYSIS: STATUS IN THE BULGARIAN TEXTILE INDUSTRY

STRENGTHS

- EU membership since 01.01.2007
- Competitive labour costs
- Favourable geographic position in terms of market access to the EU market compared to Asian competitors
- Over 95 percent of the firms within the industry are Small and Medium Sized Enterprises (SMEs), which have high flexibility to react to clients' demands for quick delivery and respond to new standards for quality and organization of production
- Well functioning sector associations, supporting the textile business
- Well educated and experienced work force
- Liberal international trade regime regarding production of textile goods, which have contributed to the improvement of the market access and the competitiveness of the sector

WEAKNESSES

- The majority of the companies are mostly dependent on very few major customers.
- Fashion products of high quality and established domestic brands on foreign markets are not well presented
- A relatively small share of the companies in the sector is marketing an own trade mark.
- Insufficient quality of the higher and middle management in terms of control, marketing, distribution, total quality management.
- Need for investments, improving safety and health conditions for labour

OPPORTUNITIES

- The predominantly EU export oriented textile companies, as well as the data for moderate growth of the annual turnover and the number of the employees implies the existence of resources which could be utilized with a view to the future strategic development of the producers from the sector;
- Intensified transfer of capital, know-how, technologies and design to Bulgaria in regard to the EU membership of the country;
- Increased market demand of apparel in small series;
- Higher quality and design expectations by the domestic consumers.

THREATS

- Possibility of considerable number of firm liquidations due to the cut of CMT orders
- Dumping imports from China and Asian countries
- Import of fake brands on the EU market on low price levels mainly from Asian producers.

MARKET TRENDS

The following main trends of the apparel and textile industry in Bulgaria could be outlined:

- Traditionally the apparel and textile production in Bulgaria is renowned for high quality and competitive prices.
- Bulgaria has an advantage over Asian countries owing to its proximity to EU countries, which are considered major markets. This allows local companies to provide shorter product delivery terms.
- The predominant part of the companies is export orientated. This has been a growing tendency during the past years.
- The main stock groups within the textile production, that are subject to export from Bulgaria are knitted or crocheted fabrics, impregnated textile fabrics, wool and woven fabric.

Best practice 1: Ropotamo J.S. Co.

Ropotamo J.S. Co. represents a best practice case in Bulgarian apparel production. Founded in 1981 as a state-owned enterprise, Ropotamo was privatized in 1997 and has since successfully transitioned to serve Western European markets. It currently produces one million pieces of clothing annually and has 850 employees.

Ropotamo has succeeded by continuously improving its technology and marketing functions. It has a fully integrated IT system, developed in collaboration with an IT software company, to process all data from production processing and monitoring. This has improved quality – it was the first Bulgarian apparel producer to be certified under the ISO9001 standard. The IT system has also allowed Ropotamo to reduce turnaround time to 3 weeks, and meet customers' rapid delivery needs. In addition, Ropotamo has shifted towards higher value-added activities. It not only provides Cutand- Made services but also owns private lines with its own design and finishing departments.

Finally, the CEO Petko Shishkov was the president of one of the largest industry organization, BAATPE, and is still an active member. Ropotamo nevertheless faces challenges to its continued growth and success. Shishko stated that while labour regulations have improved, the laws for hiring temporary workers do not allow him the flexibility to follow the demand cycle. Furthermore, he stated that finding qualified labour is becoming more difficult as the whole industry is booming, yet the labour pool is not increasing.

Finally, finding qualified management personnel is also a key issue in moving towards a more marketing driven strategy. Therefore, the specific lessons that the cluster can learn from the Ropotamo's best practice case are:

- Continuous focus on decreasing cycle time can reduce the order-delivery cycle to under 4 weeks while using Bulgarian logistics providers;
- Directly working with members of the IT cluster can bring tangible benefits not only by increasing production and delivery efficiencies, but also by providing higher value add services such as late stage design modification and electronic exchange of designs; and
- Working closely with the industry organization benefits both the individual firm and the overall cluster.

On the other hand, Ropotamo still needs to focus on increasing its profit margins by more aggressively introducing branded lines (something they have just recently started doing) as well as partnering with design schools to further facilitate the in-house designs that will underpin their branding strategy.

3.4.5 Poland - FUNDPEP

Best practice 1: Vistula & Wolczanka S.A. case

Vistula & Wolczanka S.A. was established on the 31st of August 2006 as a result of the merging of Vistula S.A. and Wólczanka S.A. The merger of the two companies

was done through transfer of the assets of Wólczanka S.A. onto Vistula S.A. in place of the shares, which Vistula S.A. has given to the shareholders of Wólczanka S.A.

Vistula & Wolczanka S.A. is an organization focused on the management of their own brands of male and female clothing as well as the distribution of other worldwide brands.

The company's distinction lies in design collections, characterised by high-quality, inimitable designs and stylistic integrity. The company offers products which are based on materials provided by the most distinguished European manufacturers. Moreover, it offers products which integrate actual trends and world fashion modes. In its portfolio, the company boasts of the following brands: Vistula – men's vogue with a separate classic Lantier collection, Luigi Vesari – suits collection, Lettfield – avant-garde male fashion, Wolczanka – a complete stylish range of formal shirts for men with a separate and exclusive Lambert line as well as an impressive Avangard line, Andre Renard – formal female fashion.

Vistula & Wolczanka S.A. focuses on the intensive expansion in retail market. At present, its own sales network has more than 170 showrooms, including 5 abroad. In the current year, Vistula & Wolczanka S.A. opened its first multi-brand showroom in a shopping centre Arkadia in Warsaw, which offers all the brands managed by the company. The selected collections of Vistula and Wolczanka are available in the company's outlets, as well as partner stores and independent stores.

Due to its change of strategy and consistency in realizing it, the company is more often using the services of independent producers, which are carefully selected. Coats, sweatshirts, footwear and other accessories are manufactured abroad, mainly in Italy. The company is also striving to cooperate with Asian markets.

Vistula & Wolczanka S.A., while focused on producing seamless stylistic collections and ensuring the highest quality products, is developing leading edge and up-to-date manufacturing support services. Constant modernization of production base ensures inimitable quality of suits, which call for the highest precision in production. In parallel with Vistula collections, its subsidiaries are also manufacturing products for international brands. The high-quality products of Vistula are confirmed with a Quality Ensurance System certificate by ISO 9001-2000 received in April 2000.

The company is in a stage of a dynamic transformation into a firm with a distinct marketing-trade profile. Its concentration on management of brands and chain of distribution led to a cooperation with international producers of clothes. Vistula & Wolczanka S.A. became the sole distributor of Italian brands: Murphy&Nye, which offers full assortment of ladies' and men's wear of city sport and active type, denim

brand Replay. The company also is the main distributor of the Austrian brand Wolford offering exclusive ladies wear.

Vistula - Most significant historical events

- On the 25th of July 2006 on the basis of Art. 506 para. 1, 2, 4 and 5 of the Code of Commercial Partnerships and Companies, the Ordinary General Meeting of Shareholders of the Vistula S.A. company with headquarters in Cracow, approved resolution no. 21 about merging with company Wólczanka S.A. with headquarters in Lodz, including the issuance of merger shares, on which the merging of the companies Vistula S.A. and Wolczanka S.A. is based, as stipulated in Art. 492 para. 1 pt. 1 of the Code of Commercial Partnerships and Companies.
- Vistula S.A. is one of the first firms which debuted on the Stock Exchange in Warsaw S.A.. The debut of the company took place on the 30th of September 1993. On the 30th of April 1991 (the date of registration at the District Court in Cracow, 5th Department of Commerce) the company was transformed into a sole-shareholder company of the state treasury.
- In 1967 as per regulation No. 34/0/67 issued by the Minister of Consumer Good Industry, KZPO (Cracow Factories of Clothes Industry) was renamed Zakłady Przemysłu Odzieżowego „Vistula” (Factory of Clothing Industry „Vistula”) effective on the 20th of September 1967.
- On the 12th of February 1945 on the previous location of the Hanisch firm at 12 Sławkowska St. the first production plant under the name Państwowa Fabryka Mundurow Wojskowych (National Factory of Military Uniforms) was activated and renamed Fabryka Konfekcji nr 1 (Ready made Clothes Factory no.1). After completing the production of the first orders from the army.
- In January 1945 after Cracow’s liberation by the Russian army, a group of Polish workers activated the production in the workshops of the German firms Hanisch (at 12 Sławkowska St.) and Madritsch (on 3 Rynek Podgórski). The German firms of Hanisch and Madritsch were set up during the occupation based on the properties of Państwowy Zakład Umundurowan (National Establishment of Uniforms) and the private firm Strassberg i Ska, which were operational during the Interwar period.

Wólczanka - Most significant historical events

- On the 29th of March 2006 a preliminary agreement concerning the merging between Vistula S.A. and Wolczanka S.A. was signed. A detailed plan of the merging of the companies will be made by the end of May 2006. On the 25th of July an Extraordinary General Meeting of Shareholders is planned in order to come up with a resolution about the merging.
- In 2004 Wolczanka was recognised as one of the most powerful polish brands and it received the title Superbrand Polska 2004.
- In a surveyed Ranking of Most Expensive Polish Brands 2004 prepared by Rzeczpospolita newspaper in cooperation with the firms Ernst & Young Corporate Finance and AC Nielsen Polska, Wolczanka won the first place under the category Powerful Brand (among non-alimentary products).
- In 1994 Wolczanka S.A. held its 2nd issuance of shares.
- On the 16th of July 1991 the first stock exchange quotation of Wolczanka shares in Warsaw took place (as the 6th company on the trading floor).
- On the 30th of November 1990 the company was transformed from a national enterprise ZZPO Wolczanka into a sole-shareholder company of the state treasury under the name Wolczanka Spolka Akcyjna (incorporated).
- On the 12th of October 1964 the firm started its functioning as Zjednoczone Zakłady Przemysłu Odzieżowego „Wolczanka” (Union of Establishments of Clothing Industry „Wolczanka”), which consisted of the plants in Lodz, Wieruszow, Lask and Poddebice (until 1968).
- The company was established on the 5th of April 1945 (under the decree of PKWN dated 22nd of July 1944). The precursor of today’s Wolczanka was Fabryka Trykotazy i Bielizny (Establishment of Knitted Goods and Linen) which was owned by Oscar Dietzel. At the moment of its establishment the firm was hiring around 100 employees.

3.2.6 Portugal - ACTO

Best practice 1: Megaccluster Galiza – North of Portugal (now being implemented)

The Textile / Clothing / Fashion is one of the structuring rows of the economy of the regions of Galiza and North of Portugal. The development of Textile and Clothing Industry and the progress of the North Region are strongly related, due to a common history and tradition, and this is the regional territory with greater concentration of

textile and clothing activities: 6.8 of every 10 domestic companies has its headquarters in territory; 7.9 out of 10 employees of textile develop their activity in the North Region, and 5.5€ of every 10 € are produced in the territory of this region. The northern region has about 170,000 workers (data 2004), concentrating 8.7% of all employment in Europe.

A cluster is a geographic concentration of public and private stakeholders, businesses and centres of associated expertise that share local resources, using associated technologies, establishing linkages and alliances, and cooperating in the relations.

The growing world economic integration, especially in Europe, means that, to excel, the territories have to organize themselves enhancing their resources and their potential. The row Textile / Clothing / Fashion is the reality for the territory Euroregion Galiza / Northern Portugal, a reality made of tradition, of activities and exchanges. For better positioning on the map of the row, increasingly extended and competitive, this territorial specialization must strengthen itself by creating synergies and by the demand for complementarities.

The sharing and looking for complementarities should significantly contribute to the revival of the economic growth and social development of the sector and of all this Euroregion.

In this new context, it is clear the imperative to implement a proactive intervention to support this cross-border cluster, boosting its institutional consolidation to achieve the objectives of growth such as set in the Lisbon Strategy.

This policy of *clusterization*, of demand for collective efficiency, has been applied in various forms, more or less proactive and / or spontaneous, in other countries and regions. In all its applications, the results are similar, encouraging innovation, activity and investment. For its territorial continuity and the tradition of cooperation between the business agents, the cross-border cluster of the row Textile / Clothing / Fashion draws a good practice in terms of capitalization of assets and collective efficiency.

The North of Portugal and Galicia are two European regions with greater representation. They configure an excellent example of two realities with a strong regional expertise and anchoring. They physically represent two geographical concentrations of businesses and centers of competence. In terms of experience of cooperation, these two realities, and more specifically, their businesses agents (companies, trade mediators), have come to know each other and develop important commercial and productive bonds. Therefore, the data provided by Eurostat, in terms of exports of Portuguese Textile and Clothing Industry, for markets of destination, are very significant, as it indicates a

significant growth in the Spanish market for Portuguese Textile and Clothing Industry, whose share of exports grew 39.4% between 2000 and 2006 (in 2006 the value of exports to Spain of Portuguese Textile and Clothing Industry was 1,004 million euros, representing 24.4% of exports from national Textile and Clothing Industry, and in 2000 the figure was 721 million Euros, which meant 14.6% of exports), with the value of exports at current prices in 2006 of 1,005 million euros.

The main objectives of this initiative are:

- The consolidation of a cross-border cluster at institutional level, and at the level of the sector associations and companies themselves;
- Building a network with the main entities of the technology and innovation system of the two border regions of Minho Litoral and Pontevedra;
- Spread, on a suitable way, the opportunities and resources for enterprises of the cross-border territory;
- Provide adapted services to the easy access of the cross-border companies to regional capital in terms of technology and innovation;
- Strengthening international opening of Textile and Clothing Industry of the Euroregion, from the implementation of joint initiatives of cooperative internationalization;
- Paving the necessary way to ensure the international and grouped representativeness of the row textile-clothing of the Euroregion;
- *In fine*, creating an image of excellence for the region, in one of its sectors of activity with higher international representativeness.

To do so, the beginning will be the implementation of a series of activities to promote the mutual understanding of different players in the row (companies, centers of expertise and institutions), while promoting the sharing of practices and experiences and the exploitation of complementarities, with the aim of putting into operation a plan to allow the deployment of the mechanisms and initiatives capable of strengthening the strategic positioning of the sector and its competitiveness.

The entities involved in this project are:

- Technological Centers,
- Training Centers,
- Universities,
- Business Parks,
- Financial institutions.

Best practice 2: Co-operate to undertake (Coopérer pour entreprendre)

The creation of an individual enterprise is a vehicle for job creation, seen as a possible response to unemployment (if you do not find a job then create your own job!).

Yet, the failure rate remains high (50% of companies disappear before reaching their 3rd anniversary).

New entrepreneurs must simultaneously learn to produce, to sell and to manage and often find themselves ill-equipped to face a complex task that requires more than just a bid response to a request.

Several innovative features, however, have been devised in recent years to address these problems, including that of the cooperative activities, an original concept.

These cooperatives are available for people who seek to create their professional activity, and will house them under the employee status (the cooperative bills for them and paid them a salary commensurate with the turnover), will accompany them in their commercial progress and will introduce them to the basic rules of management, as long as necessary to get their business plan and to consolidate their draft business.

The cooperative (or an organization under another status) provides a framework for safely test a proposed activity.

The Activities and Employment Cooperative offers aspiring entrepreneurs to test their project in a way that allows them to be both permanent employee, accompanied, trained and supported until they choose their final path.

This initiative has a slogan:

Create your activity and / or your job, take minimizing risks, develop your skills without wasting time on administrative tasks, find a framework conducting to learning of your job as an entrepreneur, to be free but able to share with other while being accompanied. And most importantly, be in a network of entrepreneurs.

A secure way to test the proposed activity if people wish to:

- Create an activity and / or job;
- Undertake minimizing risks;
- Develop the expertise without losing time with administrative duties;
- Find an environment conducting to learning the business of entrepreneur;
- To be free while being accompanied and sharing with others.

If people are looking for:

- A safe status;
- A framework to test the proposed activity;
- A personalized coaching;

The Activities and Employment Cooperative can offer:

- An existing legal framework with a VAT number and Trade Register;
- A status of employed entrepreneur;
- An administrative management of the business (billing, accounting, wages, ...) allowing people to concentrate on their job;
- An accompanying measure to assist them at the launch of the business (analysis of the evolution of the results, advice on strategy, marketing initiatives, etc.);
- Training in the use of management tools;
- The opportunity to undertake and exchange with other start-up entrepreneurs.

Entrepreneur employee, a great advantage:

- A legal existence to the status as an entrepreneur;
- A recognition from all the stakeholders: customers, landlords, and so on;
- Social protection due to all employees, including the right to the allowance of unemployment, in case of failure of the business approach.

The intelligence of undertaking together:

- An Activities and Employment Cooperative is a cooperative, that is to say a particular form of society, therefore:
- The employees involved are the majority at least 51% of the capital;
- The reserves remain in the company for sustaining;
- Decisions by the General Assembly following the principle of "1 person = 1 vote."

Although this initiative can not be set, *per se*, as a good practice for a productive sector, the aim is that it will reflect in the productive system, because it brings the undeniable advantages of an incentive to entrepreneurship. This was the main reason for us to have mentioned this initiative.

Best practice 3: The “Simplex” Initiative (Portuguese Government)

The Simplex program arises from the need to change processes and procedures already in the laws and regulations in force. This need of correction and simplification of the rigidity of the normative processes and procedures, and administrative practices associated with them, is the result of a negative evaluation of their impact and their relevance.

The effort to increase public confidence and promote the competitiveness of Portugal, reducing the cost of connection to the exercise of an economic activity is not a responsibility assigned to a ministry but a shared responsibility by all.

Therefore, the Simplex is the result of a work that involves the entire government and has an entity with the mission of promoting modernization in public services.

The European Commission laid the foundations of a "Programme of Action for Reducing Administrative Burdens." The 2007 European Spring Council endorsed the program and established a goal of 25% reduction of administrative burdens that onerate companies, to meet together by the European Union and the Member States by 2012.

Portugal responded to that challenge and undertook the task to monitor the program for reducing administrative burdens for businesses across the EU and to develop its own program.

The Simplex Program join measures of administrative and legislative simplification, conducted by the different sectors of the central government.

Some key measures:

- Single point of contact for supply and demand and employment:
On “Portal of the Citizen”, is was created a single point of contact for supply and demand of public and private employment and vocational training initiatives, providing quick and simple means of consultation, application and recruitment.
- “Enterprise in 1 hour”:
It is possible to form associations "at the time," through a service faster, easier and cheaper.
- Public deeds no longer compulsory in the life of companies:
The notarial deeds concerning acts of corporate life become optional in particular to constitute, change, transform, split or extinguish commercial companies. It is just needed the registration from the Conservatory.
- Simplification of the industrial firing process:

For industrial establishments of lesser danger, the obtaining of licence was replaced by a prior declaration of the industry. The verification of the conditions of installation and operation are carried out later.

Again, the Simplex Program is not a traditional good practice on any productive sector. However, it has helped to alleviate some bureaucratic constraints, namely in terms of creation of enterprises. Indeed, by expediting the creation of businesses, some obstacles to entrepreneurship are removed, which undoubtedly will reflect in the production system and in the economy of the country.

3.2.7 North Ireland - NWRC

Relevant key studies for the benchmarking

This section aims to highlight the following elements:

- Description of the crisis situation
- Subjects involved in the crisis process
- What kind of intervention has been developed
- Impact of the intervention on terms of new entrepreneurial activities, impact on employment, role played by institutions, degree of involvement of stakeholders

Best practice 1: Intervention Which Has Been Developed - New Approaches

One source of expertise for the Textile Sector is Biowise. BIO-WISE, a £13m Government Programme, provides a comprehensive database of information, expert advice on the use of biotechnology in the UK. The textiles sector is one of the BIO-WISE key sectors.

Biotechnology expertise plays an important part of assisting companies to make the most out of future potential new business in the textile industry:

- Guiding companies on what natural processes exist
- Allowing them to find new natural sources of textile fibres and materials
- Helping improve fibre production

- Manipulating fibres into products in fewer process steps through the use of innovative nonwoven technologies.
- Providing information on the advantages of processes in environmental applications.
- Technology innovations such as 3D knitting and weaving can be replicated through networks who are seeking information within the Textile sector.

Best practice 2: David Rigby Cluster Analysis

According to their website, the DRA (David Rigby Associates – International Consultants in Textile Strategy, Marketing and Technology) has been investigating local textile and clothing industries for Governments and Development Agencies in developed countries for over 20 years. These industries, which have historically generated high levels of both employment and added value, but are generally now in decline with production migrating to population centres of low cost.

The DRA have used the cluster analysis methods proposed by Michael Porter in "The Competitive Advantage of Nations" to answer it; this is rapidly becoming the world's standard approach. Such an approach provides recommendations for strengthening both the cluster as a whole and the companies within it.

DRA has carried out textile sector analyses and cluster studies in the UK, Ireland, France, Taiwan and Australia covering:

- carpets
- interior textiles
- fashion knitwear
- linen
- dyeing and finishing
- technical textiles and nonwovens
- performance outdoorwear
- knitted fabrics and garments
- woven garments
- apparel fabrics

Best practice 3: The North West Textiles Network (www.nwtexnet.co.uk)

The network is based in Bolton, UK and specialises in supporting technical textile companies. North West Textile Network (NWtexnet), is funded by the Northwest Regional Development Agency to promote and develop the technical textile (Advanced Flexible Materials) industry in the region.

Within their region are 420 technical textile companies, covering all aspects of the supply chain from aerospace, medical through to protective clothing. The support they offer is based in the following areas:

- 1- Informing companies of new market opportunities
- 2- Making companies aware of new product areas
- 3- Helping companies make the most of potential new business ideas
- 4- Linking together companies
- 5- Placing technical textiles into new supply chains

Best practice 4: Non-wovens Network (www.nonwovensnetwork.co.uk)

A good natured association of like-minded people with interests in the nonwovens and related industries.

A Club for all those who are associated with the Non-wovens Industry with the following aims:

- 1- To meet once a year at an annual dinner to exchange ideas and to outline a programme for the following year.
- 2- To keep members well informed of developments in the industry by the provision of newsletters, seminars and conferences.
- 3- To facilitate training for industry, through the Training Network.
- 4- To facilitate access to Consultancy services.
- 5- To facilitate sharing stands at exhibitions.
- 6- To promote the 'open house' policy of some companies.
- 7- To provide a companies file, with the main product areas listed, to promote inter-company co-operation.
- 8- To provide a signpost to member's own websites.
- 9- To provide a suggestion box.

Impact of the intervention of the new entrepreneurial activities

The flow of material through the UK

As part of the work described in this report, a clothing and textiles mass balance for the sector was calculated for the UK. 3.25 million tonnes of clothing and textiles flow through the UK each year –approximately 55kg per person. Of this, around half is imported as textile products, (Well dressed? The present and future sustainability of clothing and textiles in the United Kingdom - University of Cambridge Institute for Manufacturing Mill Lane, Cambridge CB2 1RX, UK ISBN 1-902546-52-0)

Of this, around half is imported as textile products, a quarter as 'intermediate products' (mainly fabric and yarn) and the rest as fibre (imported or produced in the UK). Approximately two thirds of the imports of fibres, yarns and fabrics to the UK are man-made. The UK exports 1.15 million tonnes of clothing and textiles each year, comprising fibres, fabric and some completed products – mainly clothing and carpets.

Consumers in the UK spend about £780 per head per year, purchasing around 2.15 million tonnes (35kg per person) of which one eighth is sent for re-use through charities and the rest is discarded. Innovations may include new production technologies to reduce the labour requirement of garment completion and development of novel 'smart' functions.

Pressure from consumers and legislation is likely to drive increasing demands for environmentally sensitive production. In the short term this is likely to focus on the use of chemicals but may extend to include re-use of materials and substitution of alternative materials.

Developing a More Sustainable Future

Current analysis includes prediction of the environmental, economic and social consequences of changes in production structure, consumer behaviour, material and process innovations and government influence.

The focus on a more sustainable future would be an improvement in the environmental performance of the sector which concentrates on materials, energy use and toxicity life cycle of the materials used.

For cotton products, the requirement for energy is driven by laundry, but the use of toxic chemicals is driven by agriculture. However for viscose, energy use is dominated by production and processes.

For products, where production and raw materials dominate, process efficiencies should be considered which extend the life of the product or allows for the re-using and recycling of the materials. This would include switching to organic cotton to eliminate the use of toxic treating materials which are expensive. A further consideration will be the energy requirements required for washing etc these products etc.

New treatments resistant to odours, fading or imbedded smells may be the way forward (for less washing etc.). There is also the concept of reducing the waste end of used clothing in landfill, and that the second-hand sector is increasing.

The UK's current behaviour of disposing used clothing and textiles to landfill is not sustainable as volumes are growing. Incineration is preferable to landfill, as it allows energy recovery and reduces final waste volumes.

Carbon Footprint Recycling Green

Change in the sector to reduce environmental impact and promote social equity will occur if driven by consumer choice. According to the analysis of the report, in order to create change, a consumer would advocate .

Ethical Textile Manufacturing

Ethical manufacture has been a recent political issue for the textile industry. Consumer groups and the media have highlighted concerns about pay and working conditions of a number of people employed in production roles in developing countries, especially where child labour is involved and where low wages (survival wages) are paid. Many of the largest UK companies have now developed employment standards that aim to prevent exploitation and publicly admonished companies which fail to recognise these issues in the countries involved.

Impact on employment, role played by institutions, degree of involvement by stakeholders

According to Skillfast-uk (the Skillfast-UK is the Sector Skills Council for fashion and textiles) an organisation which assists employers to compete in a global market, "by ensuring access to a skilled workforce, capable of delivering added-value products and services" will the textile market survive."

Skillfast-UK's task is to overcome these barriers, and help employers to improve their productivity through better skills.

To do this, Skillfast-UK aims to:

- 1- Develop and broker a "Sector Skills Agreement" - a "deal" which brings employers together with funding agencies and learning providers to break down the key barriers to improving skills and training;
- 2- Transform learning supply, by helping the mainstream education system to understand employers' needs, and by developing constructive relationships between employers and institutions;
- 3- Ensure qualifications are fit-for-purpose. If we are to use qualifications as basis for training, then qualifications should reflect the way the industry

works, and the skills employers need. We intend to revise qualifications that are not fit-for-purpose, develop new qualifications where they are needed, and "delist" qualifications that are no longer relevant to the industry's needs.

There are around 600 textile businesses based in the south east of the UK.

It is forecast that there will continue to be a decline in the total UK textile manufacturing employment between 2006 and 2014. This will be a result, chiefly, of the transfer of production activities overseas especially to India and China. However, it is projected that the textiles sector will need to recruit around 25,000 people over the same period of time to replace those leaving the industry.

There are opportunities in the textiles industry in the South East the greatest concentrations of textile activity are in West Yorkshire, Lancashire, Rochdale and Manchester.

Size of business and the demise of the "trickle-down" effect

According to Skillsfast UK, the sector as a whole (manufacturing, trading and servicing) is dominated by small and medium-sized employers. In fact, more than 80 per cent of establishments have 10 employees or fewer.

Large employers (establishments with 200+ employees) are very few in number, but vitally important, as they account for around one fifth of the people employed in the sector.

Traditionally, it has been the larger employers who have taken part in training and development activities. Smaller employers have relied on this investment "trickling down" as trained employees move on, bringing their experience and training to the wider market. However, as the number of larger employers contracts, and as training budgets are cut in response to tough market conditions, smaller employers can no longer rely on the trickle-down effect, and must look to develop skills within their own businesses.

New Employment/Entrepreneurial Opportunities

There is clear evidence to show that innovation can pay off. Companies can move up the value chain by adding value to their product and still remain competitive. For example, Ramon Holdings Limited, in Leicestershire, is a successful company making a very good living from manufacturing dusters. Their product is a high value-added hygiene product – a 'technical' textile, impregnated with specialised chemicals.

Another long-established company, J B Broadley, in Lancashire, is also very much at the sharp edge of technology in textile coating. It is one of the world's largest coaters

of airbag material used in the automotive industry. Its silicone coating is an ideal material because of its durability, excellent adhesion to the fabric and its ability to protect the airbag fabric over prolonged periods.

The Textiles and Clothing Strategy Group's (TCSG) second report 'Making it Happen' (July 2002) records actions taken by Government and industry to improve the productivity and competitiveness of the textile sector. It considers how the textiles sector has changed since the report was issued, considering the extent to which they affect the initial's report's recommendations and assesses, the challenges ahead.

Actions by Government featured in 'Making it Happen' include a programme of support to the industry which was designed to support textiles and clothing exporters, including a customised Designer Manufacturer Handbook and support for young UK designers to attend London Fashion Week. The package of assistance included:

- 1.5 million - half of the funding - for this £3.8m Textiles and Clothing Industry Forum.
- £2 million support to target retraining for the industry through the Strategic Training for Apparel Textiles programme.
- "Trailblazer" Status for Skillfast – the Sector Skills Council established to improve skill levels across the industry.
- £1.2 million Government support for TechniTex: a Faraday Partnership encouraging companies and higher education institutions to collaborate on technical textile orientated projects.
- The appointment of a technical textiles project co-ordinator and over £2 million of support since June 2000 for technical textile projects activities – with a further £1m of support in the pipeline.
- Further support for textiles and clothing companies attending overseas trade fairs with assistance from Trade Partners UK.
- 11 E-commerce assessment studies to help Government work with the industry to raise its competitiveness.
- Targeted e-commerce support for UK textiles and clothing companies under UK Online for Business.
- Help for designers through continued support to London Fashion Week and other projects aimed at retaining UK design talent in the UK and encouraging UK manufacturers to exploit the opportunities presented by design.
- A study looking at the impact of the designer fashion sector on the wider textile and clothing industry.

The UK government have also commissioned a benchmarking study for the clothing industry and we are supporting work aimed at helping UK companies compete for

public sector contracts. The government has invested over £80 million in the textile and clothing industry.

Improved communications to the sector have also been improved by:

- Establishing dedicated textiles and clothing contacts in our regional Government Offices;
- Developing a website detailing sources of help and support aimed at the sector within www.dti.gov.uk;
- Devising and delivering a series of "Unzipped" regional road shows to help companies find out about and access support available.

According to the Clothing and Industry M Report (Bharat Book Bureau) published in February 2008, the cost of textile products has decreased relative to the cost of products and earnings.

More than 90% of most apparel lines are now imported and are priced to satisfy customer demand. In 2007, the People's Republic of China and Hong Kong were the leading textile exporters to the UK, but UK imports textiles from a range of European and Asian countries such as Italy, Turkey, Vietnam and Bangladesh.

The UK manufacturing base has shrunk dramatically although exports of luxury and designer products have sustained the remaining industry. The demand for luxury brands is expected to continue to increase while producers of some of the inexpensive brands of products being imported from abroad are coming up against ethical issues of production.

It is anticipated that the textiles sector will become increasingly specialised (2008 – 2012) with production in the UK focusing on specialised high value products rather than the mass production era of the earlier part of this century.

3.2.9 Hungary - Camera di Commercio italiana di Budapest

This section aims to highlight the following elements:

- Description of the crisis situation
- Subjects involved in the crisis process
- What kind of intervention has been developed
- Impact of the intervention on terms of new entrepreneurial activities, impact on employment, role played by institutions, degree of involvement of stakeholders

Best practice 1: Transnational European Labour Market Integration Through Information Technologies (TELMI)

The recognition of the freedom of movement for workers and employees within the EU entails that the foundations for a better mobility of EU and non-EU citizens have to be laid, especially after the EU enlargement.

Some recent surveys point out how a lack of appropriate information can cause an uneven distribution of immigrants among EU countries. Therefore Public Employment Services (PES) have to work together with other actors responsible for territorial development to improve the quality of their services and to guarantee an optimized distribution of the labour force. New information technologies could play a decisive role in this process.

The project TELMI aims at tackling the problem of territorial disparities among old and new EU Member States, focusing on the labour market. It aims to set up PES which should provide job-matching measures with information and communication technologies (ICT). The project originates from the critical needs that the regions are facing highlighted by the participating institutions led by the Lombardy Region. PES are particularly important for regions where their social implications on sustainability, workforce mobility and equal opportunities play a strategic role. The project TELMI is based on the activities carried out by the Lead Partner who has implemented the PES Model BorsaLavoroLombardia. The project is intended to build up similar systems in the partner regions. In addition, an extension to a broader network of user categories is planned.

- Research activities and analysis of growth and employment trends, identification of areas for cooperation, transfer of experience with regard to the different local labour market situations;
- Benchmarking studies of best-practice at EU level concerning the integration of employment agencies;
- Presentation of the Lombardy model to decision makers in the partner regions, transfer of experiences at institutional level;
- Definition of a new model of integrated services targeted to each territory according to its specific aspects, feasibility studies and development of a technical project;
- Networking of employment agencies in partner regions, exchange of staff and awareness- raising activities;
- Definition and development of integrated services for the transnational network;

- Pilot and training activities to develop the competences of local actors.

The main activities of the project are Labour market analysis, benchmarking of job-matching best practices, networking of actors, transfer of the adapted BorsaLavoroLombardia model to the project countries, training of operators, interoperability between local systems and the Lombardy web-portal. The workers will be provided with job-matching services in their regions, connected to an interregional search tool. The project fosters the use of ICTs providing efficient services and gives people living far from urban centers an opportunity to access updated labour market information. Moreover, TELMI promotes the harmonization of labour and training systems, leading to EU and Non-EU countries integration in the CADSES area.

The project will not lead to the formal creation of new institutional structures but it will “add value” to existing structures. Activities implemented by project’s partners, chamber of commerce, universities, enterprises as pilot project, will enable local agencies for recruitment, both public and private, training centers, universities to provide the following services: - direct insertion of vacancies, profiles-research and vacancies, -data base of most wanted job profile-data bases of training centers/universities, at regional, transregional, or international level, providing training courses in order to match the standard requirements for the specific job profile-free training opportunities at regional, transregional, or international level. Moreover, the use of a common platform, will contribute to standardize models and tools concerning the services provided, creating both vertical and horizontal networks among national, regional and local authorities.

Objectives

The recognition of the right to free circulation of the workers entails the creation of requirements for a better mobility of UE and non UE citizens, especially after the UE enlargement; some recent surveys point out how the lack of an appropriate information can cause an uneven distribution of immigrants in the UE countries. In this framework, PES must work together with other subjects for the development of a territory, in order to improve the quality of the services provided, possibly through new information technologies. This project main objective is creating all the condition to satisfy this specific need, and, in order to make it, not only real, but positively possible, implementing new networks with all the potential subjects of developing of the territories involved, as local and regional public administrators, universities, chamber of commerce, associations of SMEs, training centers.

Results

UE partners test the effectiveness of the system implemented as BorsaLavoroLombardia in other countries, especially in regions with different level of development and access to ICT and job matching services. They have the opportunity to implement the services already provided with other tools, functionalities tested in portals created in other non UE countries, as content and data management, network creation and networking, workers mobility, lists of public and private subjects providing training and job placement services. It's plausible an expectation of 6/8 new functionalities/tools implemented in the several portals for job matching; creation of 20/25 new database as most wanted job profiles, lists of training centers, lists of training courses to match profile's requirements, lists of companies, in each country involved; implementation of 25/30 networks as PES, universities, public administrations, chamber of commerce, unions, companies, realization of ½ tools concerning worker's free circulation.

For non-EU-Member States the first result of the project will be a report on the regional labour market and identification of the areas for possible transfer of know-how. Then an exchange of experiences through exchange of regional officials and representatives of labour agencies will be made. A technical project for the interoperability of regional informative system will be developed and technologies implemented. The actors, involved with new services offer and functioning, will be trained. The result received will be evaluated and disseminated accordingly. The most important result will be the creation and functioning of a manageable labour market in a transparent and independent way, excluding corruption and other negative practices, toward which the society of the involved country is very sensitive. We expect a few public-private partnerships to be activated and to facilitate the realisation of the potential of the human resources of the region – insufficiently used in that country's economy.

Impacts

TELEMI project aims at improving workers mobility through the adoption of common standards as well as at promoting innovative employment strategies and policies, based on local and transnational knowledge, the use of ICT, networking. The activities experienced during project duration will be easily implementable and repeatable in other region/countries in other countries at the end of project's activities; the permanent relationships realized among public authorities will be used as good practice to reply with other authorities in other countries.

This project will generate positive effects in labour markets:

- Supporting job opportunities' information' flow,
- Helping workers mobility across UE and non UE countries,
- Giving local authorities providing employment services new operative ICT tools,
- Giving regional workers additional job opportunities in other regions/countries,
- Though the creation of new job opportunities for people working in training centers or private sector job placement/recruitment companies,
- Helping young people, students, women, elder people to access broader labour market via ICT tools,
- Increasing the economic and social welfare through the dissemination of information,
- Giving immigrants a better knowledge of foreign labour markets and therefore better opportunities,
- Giving public administrations better tools to control immigrants' flow.

The project is very positive in terms of equal opportunities; project activities indeed will guarantee real equal opportunities with reference to age, race, gender, handicap and nationality and for people living in sparse populated areas. Among project's main objectives we can list:

- To contribute to the inclusion in the labour force,
- Improving opportunities of professional training and education,
- Establishing of new partnerships and networks among countries of different cultural, social and economical background,
- Creating new virtual social infrastructures and tangible services,
- Avoiding social and economic segregation for potential workers living outside big urban centers,
- Guaranteeing real equal opportunities for men and women through ad suitable information's flow at multi regional/national level
- Promoting the access to a broader and more adequate variety of jobs, in several countries.

TELMi is an environment friendly project, indeed:

- All studies that will be elaborated in the frame of the project will include specific sections concerning relevant environmental aspects,
- The project also focuses on territories with intensive business activity, where its environmental impact is very strong and generates significant problems,
- A better access to labour market's information will reduce the wasting of time and the use of polluting individual transport,

- One of the project's aim will be the raising of the degree of public awareness on environmental issues, related with workers mobility.

Among innovative elements we can count:

- Creation of a portal on the web, whose main elements will in common in all participant countries,
- Implementation of job matching services,
- Integration of different systems as universities, public authorities, unions, companies, associations of enterprises, training centers in multi level networks at regional and transnational level,
- Creation of several data bases, as list of training courses, list of companies, lists of most wanted job descriptions,
- Generation of geographical mobility supporting innovative services.

In particular the TELMI project will develop an architecture and interoperability middleware as well as applicative plug-in services to allow existing data warehouse to be interoperable at pan-European level.

Among innovative methods and techniques we can count:

- Use of ICT in job placement and recruiting,
- Use of e-learning and mobile learning,
- Networking as a way of enhancing labour markets' potentials.

Improvement of the institutional setting

The participation of regional and local authorities as well as of chamber of commerce and universities offers extensive prospects for exploiting the project results in favour of such improvements. Moreover, the great majority of the partners is associated (even on a shareholders' basis) with national, regional and local authorities of the countries involved, which is a fact that is expected to additionally contribute towards the said direction. The project's outputs themselves introduce innovative, reliable and rational methods and tools concerning employment services, involving multi sectorial and multi level subjects; the different services provided and the outputs achieved will lead to an improvement of institutional and administrative settings. The setting of the innovative partnerships and networks above described, will add a broader transnational environment for activities to take place.

3.2.10 Romania - Camera de Comert, Industrie si Agricultura Vaslui

This section aims to highlight the following elements:

- Description of the crisis situation
- Subjects involved in the crisis process
- What kind of intervention has been developed

Impact of the intervention on terms of new entrepreneurial activities, impact on employment, role played by institutions, degree of involvement of stakeholders

Description of the crisis situation:

It could be ascertained that during 1998 -1999 there was a decline registered at both regional and national levels due to effects of liberalization of the foreign currency exchange rate against Romanian Lei and because of the loss resulted from the restructuring process initiated during 1997.

The faulty management, a direct result of the reticence in implementing the quality standard system for the production and products, lack of enterprise development strategy, undeveloped marketing rules in promoting the products, alongside the loss of sales markets and drop in the level of competitiveness of the products due to the lack of resources for maintaining the investment, have caused a sharp decrease in the industry since 1997, with serious implications on the development of NE Region as concerning all the economic sectors. The crisis affected the Region on long term. Besides, starting to 1995, North East Region lost the largest number of persons while the regions that attract the population due to the higher living standard and the opportunities provided were Bucuresti, Ilfov and West Romania. The persons willing to migrate are usually young people who were attracted by the possibility to acquire a better job and more attractive social life, more precisely the population segment of 20 – 39 years old. At the beginning of the 21st century (till middle of now decade), NE Romania had to face to the lowest value of the regional GDP/ inhabitant in Romania, to the lowest number of SMEs out of all the country' regions and to a high unemployment rate. At the level of 2005, a high percent of population was concentrated in rural area (56.6 % from total of region population) and 48.34% from the total of employed population were active in agriculture. The big enterprises (absorbing in past years the biggest part of labour force) had collapsed and the new SME sector was less developed and the new enterprises non-competitive.

Interventions

The interventions developed at regional and national level aimed to develop the infrastructure for business and to increase the number of new enterprises (in the field of industry, services, construction) in the first phase, then to contribute to the SMEs competitiveness growing encouraging the innovation, the technological transfer and the implement of the Quality Management System.

Best practice 1: Business infrastructure and support structures for the SMEs

The development of the business infrastructure and access possibilities, for improvement of the business environment, supply of information, services and technologies aiming the increase of the business competitiveness, was supported by financing programmes through pre-accession and governmental funds.

Within North-East Region operates an IRC (Iasi Innovation Relay Centre), 3 business incubators and 33 consultancy centres. The 3 existing business incubators provide services for 118 firms contributing to the creation of 230 new jobs. The 33 consultancy centres of the region provide training, information and consultancy services. The consultancy mainly aims to juridical and financial -accounting fields, business related consultancy being still insufficiently developed.

One of the main objectives of PHARE ESC programme – regional infrastructure component, is the development of business infrastructure as well as the possibility to access this infrastructure in order to improve the access to business environment, information, services and technologies. Under this component of the programme, the following business infrastructure projects have been approved for the North-East Region:

- The business infrastructure development park for SMEs and private entrepreneurs located in Bacau County (HIT Industrial Park of Hemeiusi) - PHARE ESC 2000;
- The academic innovation centre and business development park for SMEs and investors -Tehnopolis Park Iasi, PHARE ESC 2000:
 - SMEs business incubator of Botosani, PHARE ESC 2001
 - Bucovina Economic Center of Suceava, PHARE ESC 2001
 - Tutova-Barlad Business Center, Vaslui County, Phare ESC 2002
 - Resources Centre for businesses – Vaslui, PHARE ESC 2004-2006
 - Exhibition Centre Moldova Iasi, PHARE ESC 2004 -2006

Also, from the reserves list of projects within the call for proposal Phare 2004 -2006 will be developed and financed through the structural funds:

- Multifunctional Business Centre Trotus, Bacau County
- Centre for promotion and development of the business environment Neamt

The Romanian Government promoted the establishment of basic infrastructure necessary for the improvement of business environment from Romania through the Programme “Industrial Parks”, which aimed the stimulation of investments for improving regional economic infrastructure, respectively the establishment of industrial, scientific and technological parks, through which facilities are created for the implementation of one company’s activities.

The industrial parks from North East Region that received functioning licence are:

- Industrial Park Mecanica Ceahlau, Neamt County
- Industrial Park Botosani, set up through the association of SC Electromining SA, SC Electrocontact SA, SC Mecanica SA

Also, it must be underlined the establishment of the first recorded cluster in North East Region - “ASTRICO NORD-EST” (end of 2006). The cluster activates in the textile field, promoting the interests of firms with activity of production and selling textile clothes, having as support RIFIL S.A.

Financing programs for supporting the business environment

During the pre-accession period, the development of the business environment was supported by European and governmental programmes. Thus, the main financing programmes from which benefited the private companies from the North East Region are the following:

Pre-accession programmes

- PHARE ESC 98 Programme, first programme launched at the regional level through public call for proposal, having an allocated budget for the region of 4,550,600 euro and as main objective the tourism development, human resources and supporting SMEs initiatives ;
- PHARE ESC Programme 2000 “Financing programme for new enterprises, micro enterprises and SMEs newly set-up”, with contracted budget in the Region of 3,156,240 euro;
- PHARE ESC 2000 Programme – credit line for SME’s in total value of 8.1 million Euro for 4 regions, North-East Region being one of them, implemented through Romanian Commercial Bank;

- PHARE ESC 2000 Programme “Counselling an training scheme for SMEs”, budget allocated of 201,925.83 euro and having as main objective the increase of the performance level of the services provided for SMEs;
- PHARE ESC 2001 Programme “Assistance for SMEs”, budget allocated for the region of 3,650,972 euro;
- PHARE ESC 2000 Programme “Human resources development”, amount contracted 3,303,495 euro having as main objective the qualification and requalification of t he labour force aiming a better adjustment to the continuously developing needs of the labour market;
- PHARE ESC 2001 Programme “Human resources development”, amount contracted 3,334,628,55 euro;
- SAPARD Programme “Development and diversification of the economic activities within the rural environment”.

Governmental programmes:

- Business development (Governmental Decisions 520/2000), allocated budget of 11,067,349,110 ROL and having as main objective the business development within the disadvantaged areas;
- Support for investments (Governmental Decision 521/2000), allocated budget of 31,200,252,094 ROL having as main objective facilitation of the large investments development in disadvantaged areas;
- Development of North East Region, allocated budget 263 billions ROL and having as main objective the creation new work places;
- Sub-programme “Tourism investments”, contracted budget in North East Region 40 billions ROL;
- Sub-programme “Development of towns through the supporting of the SMEs activities”, having an allocated budget of 15,213,490,000 ROL;
- Sub-programme “Investments in tourism”, amount contracted in North -East Region 40 billions ROL;
- National multi annual programme 2002 – 2005 for the supporting of the micro enterprises and SMEs, implemented by NASMEC (the ex-National Agency for SMEs and Co-operatives).

Actors implicated in above programmes:

E.C., Romanian Government, County Councils, NE Regional Development Agency, Chambers of Commerce and Industry in NE region, the new established TOSMEC (Territorially Office for SMEs and Co-operatives), other new organisations

established assisted by above programmes, Local Councils, NGOs, large companies and SMEs. The final beneficiaries were the SMEs and the new employees.

As results:

- the number of private companies had an ascendant trend in North East Region from 36,688 units in 2000 to 49,325 units in 2005, representing 11.13% from the total companies at the national level;
- the number of SMEs/1000 inhabitants has increased from 12.18 SMEs/1000 inhabitants in 2000 to 13.1 SMEs/1000 inhabitants in 2005, but it is still the lowest comparing with the other regions in the same period;
- the activity of exterior trade in North East Region records increasing yearly, in 2005 being reported an increase of 19.46%, superior to the national increase of 17.53%;
- the number of the employees at the level of micro enterprises and SMEs increased.

Best practice 2: Discover NE Romania

The infrastructure of technological transfer and innovation, respectively institutions specialised in the transfer and capitalisation into economy the Research & Development (some of them mentioned before) is still insufficiently consolidated and valorised, due to the fact that the structures created did not have an important role into the national economy. In Romania there are 7 scientific and technological parks. Presently, only 3 of them are operational, one of which it is placed within the North East Region - TEHNOPOLIS Park Iasi.

Development and consolidating the infrastructure for innovation and technological transfer it is an important objective of the governmental policies from the RDI field, which may ensure a quite favourable environment for:

- Stimulating the partnership between companies and research units;
- Stimulating the demand and the own activities of RD of the companies, especially in the high tech fields;
- Increasing the number of innovative fields in advanced technological fields, by supporting their setting up and development.

The existence of a developed academic environment (with 3 centres of higher education, 16 universities with approx. 76.000 students) and highly qualified personnel in research and development organizations and a network of institutions which supports the development of the business environment, represents some

strong arguments in favour of initiating and developing a Regional Innovation Strategy.

Even with this important potential, the North-East Region has problems concerning the low level of foreign investment, the low number of companies per 1000 inhabitants, the high level of emigration and the high level of unemployment. The initiative to develop a Regional Innovation Strategy belongs to NE-Regional Development Agency and the reason to initiate this project is presented above.

The main objective of the project DISCOVER NE ROMANIA is to develop and implement a Regional Innovation Strategy in North-East Region Romania that will increase its economic potential, based on an innovation support system, in order to effect a significant change in the concept itself of innovation and development of innovative business through the promotion of competitiveness in all sectors.

One of the first results to be achieved with the elaboration of this strategy is the setting up of a regional partnership in the innovation sector, with the possibility of creating databases and achieving the common access to and usage of existing information.

Another objective is to set up effective relations/connections between the research, academic and business sectors, to identify their needs and resources and to make a link between them.

The partners involved in the implementation of project stage are:

NORTH-EAST Regional Development Agency (NERDA) – Romania as initiator of the project and coordinator, METRON SRL – Italy.

For project implementation, the following coordination and management structure were created:

- Management Unit (MU) consists of 7 of the RDA's staff and the International Process Consultant, with the objective of coordinating and implementing project activities, events organisation and producing intermediate and final reports.
- Steering Committee (SC) consists of the Director General North-East RDA and representatives of the most appropriate institutions at national and regional level. Its role is report approval, initial strategy proposals and, finally, the prioritised proposals for project financial allocations as identified at regional level
- Reference Panel (RP) consists of those with technical expertise from representative sectors at regional level and representatives of foreign partners. Its role is technical and will contribute to identifying objectives,

measures and the future recommendations that will be included in the Regional Innovation Strategy.

The project is a new approach of the innovation and TT sectors in the North -East Region. At the starting point there are no regional funding programs for innovation implemented, no regional networks/partnerships activated to support innovation . The links between academic, research and TT units with SMEs are not structured and organised. The innovation policy is coordinated at national level therefore no regional innovation strategy was previously developed. But, there is a good experience in the region on building regional socio-economic strategy, instrumented with valuable investment and infrastructure programs that demonstrated the region's capacity to absorb pre-accession funds and prepare sustainable projects (first region in Romania in terms of volume of funds absorbed and number of projects implemented).

Specifically, the stage 0 of the project (with a duration of 32 months) is focused on reaching the following specific objectives:

- To develop an organisational structure and regional institutional framework to coordinate, to animate and to promote innovation in North -East Region.
- To build regional consensus about the priorities for investment and funding the RDI.

The final result is the increasing of the competitiveness of the companies located in NE Region through adopting an innovative approach.

3.3 Analysis of the results

In the following table a synthesis of the practices applied by each project partner is presented. A distinction among all the different actions can be made keeping into account whether the practice can be characterised as spot/contingent or systemic (intervention which has an impact on the whole system).

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
Province of Bergamo	Practice 1	Province of Bergamo, Development Labour Program Committee	Creation of a Monitoring Body During the 2006 an agreement was made among Province of Bergamo, Industrial association and the three major Unions of Italian Workers (CGL; CISL; UIL) to prevent further unemployment among women in the region	The monitoring body has a committee composed by representatives of the Chamber of Commerce of Bergamo, the University of Bergamo, Servitec of Dalmine – a service provider for innovation and technology, as well as other local research institutes	The entire Province of Bergamo		The intervention has supported 275 workers in finding a new job, helped workers through the wage guarantee fund, given financial benefits for firms hiring workers,
	Practice 2	Industrial association of Bergamo	Series of projects aimed to new marketing strategies and market development within the textile and fashion sectors in three main stages: research, implementation and feedback		The entire Province of Bergamo	It has helped firms in the textile sector	

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
	Practice 3	Zaninoni Foundation of Bergamo	Financed studies and research to analyse possible evolution paths for the textile sector		The entire Province of Bergamo	Not a direct impact, but a knowledge creating support	Not a direct impact, but a knowledge creating support
	Practice 4	Textital srl	Job losses were prevented by training and offering continuing education to staff members	Apindustria, Trade Unions and Province of Bergamo	Local, just the firm Textital srl.	The impact is directly on the development of the firm	Helped workers not lose their job and enhancing their competences
	Practice 5	Cotonificio Honegger and Social	Create a High-Tex Campus: an industrial innovative project with the aim to create a highly technological textile group at a competitive price for the fashion industry	Zambaiti Group, Province of Bergamo	Local, Cotonificio Honegger	The impact is on the Zambaiti Group which has acquired the Cotonificio Honegger.	Indirect effect because of the creation of new jobs.

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
	Practice 6	Lombardy Region	Support from the regional governmental body to the management of crisis through various projects	Regional government and Provinces	Lombardy region		Generally almost all interventions are aimed to support workers
Fundecyt	Practice 1	Fundecyt	Creation of a knowledge cluster: the intervention consists of the Study of the business chains, definition of joint plans for improving competitiveness, and implementation	Sector association that brings together companies, foundations and other organisations related to continuous improvement in management and innovation in companies	The entire region of Extremadura	Direct impact on management of firms	Indirect impact on job creation or reduction of job destruction

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
	Practice 2	Fundecyt	Creation of a Metal-mechanical Cluster: the intervention consists of the Study of the business chains, definition of joint plans for improving competitiveness, and implementation	Sector association that brings together companies, foundations and other organisations related to metal-mechanical sector	The entire region of Extremadura	Direct impact on management of firms	Indirect impact on job creation or reduction of job destruction
ESCI de l'Ain	Practice 1	MECA BOURG association	Pole for competencies: it aims to develop the attractiveness of the sector (and of the territory) in direction of the people in order to find in a sustainable way the Human Resources the industrial sector will need in the future	Schools, employment agency, training centres	The department of l'Ain	Direct impact on the competitiveness of firm through promotion, training, prospecting and mutualisation	Direct impact on workers through job creation

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
	Practice 2	MECA BOURG association	Pole for development: it aims to develop the attractiveness of the sector in direction of “order principals” in order to develop business opportunities in a sustainable way	Chambers of Commerce and Industry, firms	The department of l’Ain	Direct impact on opportunities for development for firm through promotion, prospecting and monitoring	Direct impact on workers through job creation
	Practice 3	MECA BOURG association	Pole for excellence: it aims to accompany the development of the sector through the implementation of complementary actions destined to develop quality and security, take into account environment concerns and technological development	Firms, associations and organisations related to mechanical sector	The department of l’Ain	Direct impact on opportunities for development for firm through certification, innovation/technology and environment	Direct impact on workers through job creation

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
	Practice 4	MECA BOURG association	Pole for networking it aims to pursue the identification on a permanent basis of the needs/projects of member companies, proposition of actions, implementation of projects the development and consolidation of the "network life", Represent the network in its environment (institutional. economic....). Report to financing bodies. Prospecting to integrate new member companies	Firms, associations and organisations related to mechanical sector	The department of l'Ain	Direct impact on opportunities for development for firm through network animation and life	Direct impact on workers through job creation
NASMB	Practice 1	ROPOTAMO J.S. CO	Development of a project to improve production and sale processes to better satisfy its clients. The aim is achieved by developing joint projects with IT cluster and the Industrial Organisation.	Industry organization, BAATPE		Direct impact on the opportunities for development of the firm.	Indirect impact on job creation and reduction of job destruction.
FUNDPEP	Practice 1	Vistula & Wolczanka	Development of a project to help 2 firms in the textile sector to merge and develop its business.		Regional	Direct impact on the opportunities for	Indirect impact on job creation and reduction of job

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
						development of the firm.	destruction.
ACTO	Practice 1	Regions of Galizia and North-Portugal	<p>Megacluster Galizia-North of Portugal.</p> <p>The main objectives of this initiative are:</p> <p>The consolidation of the cluster at institutional level, and for sector associations and firms;</p> <p>Building a network with the main entities of technology and innovation system of the two regions;</p> <p>Spread the opportunities and resources for firms;</p> <p>Provide adapted services for easier access to regional fund sources for firms;</p> <p>Strengthening international presence implementing joint initiatives of international cooperation;</p> <p>Ensure the international and grouped representativeness of the row textile-clothing;</p> <p>Create an image of excellence for the</p>	Associations, workers unions, industrial organisations	Regions of Galizia and North of Portugal	Indirect impact on the opportunities for development of the firms.	Indirect impact on job creation and reduction of job destruction.

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
			region, in one of its sectors of activity with higher international representativeness.				
	Practice 2	Acto	Co-operate to undertake. These cooperatives are available for people who seek to create their professional activity, and will house them under the employee status (the cooperative bills for them and paid them a salary commensurate with the turnover), will accompany them in their commercial progress and will introduce them to the basic rules of management, as long as necessary to get their business plan and to consolidate their draft business.		North of Portugal region	Direct impact through support in the creation and sustainability of new firms	Indirect impact on job creation
	Practice 3	Portuguese government	Simplex Initiative. The Simplex Program joins measures of administrative and legislative simplification, conducted by the different sectors of the central government.	Public administration at all levels	Entire country	Indirect impact on the simplification of administrative procedures and creation of	Indirect impact on the simplification of administrative procedures..

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
						opportunities for development of firms.	
NWRC	Practice 1	BIO-WISE	BIO-WISE provides a comprehensive database of information, expert advice on the use of biotechnology in the UK of which the textiles sector is one of the key sectors.	Industrial association	Entire country	Direct impact in the Bio sector and the textile sector	Indirect impact on job creation and reduction of job destruction.
	Practice 2	DRA project	The DRA (David Rigby Associates – International Consultants in Textile Strategy, Marketing and Technology) has been investigating local textile and clothing industries for Governments and Development Agencies in developed countries for over 20 years	All stakeholder involved with the textile industry	Entire country	Indirect impact on firms of the sector through the diffusion of information and developments of the textile sector.	Indirect impact on job creation and reduction of job destruction.
	Practice 3	North West Textiles Network	The North West Textiles Network specialises in supporting technical textile companies. NWtexnet), is funded to	Development Agency	Regional (Bolton)	Direct impact on the advanced	Indirect impact on job creation and reduction

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
			promote and develop the technical textile (Advanced Flexible Materials) industry.			flexible materials industry	of job destruction
	Practice 4	Non-wovens Network	Non-wovens Network A good natured association of like-minded people with interests in the nonwovens and related industries. A Club for all those who are associated with the Non-wovens Industry.	All stakeholder involved with the textile industry	National	Direct impact on the development of the sector	Indirect impact on job creation and reduction of job destruction
Camera di Commercio Italiana a Budapest	Practice 1	Camera di Commercio Italiana a Budapest	Transnational European Labour Market Integration Through Information Technologies (TELMi). It aims at tackling the problem of territorial disparities among old and new EU Member States, focusing on the labour market. It aims to set up PES which should provide job-matching measures with information and communication technologies (ICT).	Public administration and public and private employment associations	Entire country	Indirect impact on the labour demand satisfaction for firms	Direct impact on workers through a more efficient job mobility
Camera de Comert, Industri si	Practice 1	Camera de Comert, Industri si	Business infrastructure and support structures for the SMEs. The development of the business infrastructure and access	Government, local councils, SME and large firms,	North-East Region	Direct impact on SME firms	Indirect impact on job creation and reduction

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
Agriculture Vaslui		Agriculture Vaslui	possibilities, for improvement of the business environment, supply of information, services and technologies aiming the increase of the business competitiveness, was supported by financing programmes through pre - accession and governmental funds.	industrial association			of job destruction.
	Practice 2	NORTH-EAST Regional Development Agency (NERDA) – Romania as initiator of the project and coordinator, METRON SRL – Italy	Discover NE Romania. It aims to develop and implement a Regional Innovation Strategy in North-East Region Romania that will increase its economic potential, based on an innovation support system, in order to effect a significant change in the concept itself of innovation and development of innovative business through the promotion of competitiveness in all sectors. It also aims to set up effective relations/connections between the research, academic and business sectors, to identify their needs and resources and to make a link between them	TEHNOPOLIS Park Iasi, local councils and associations	North-East Region	Direct impact on innovative firms	Indirect impact on job creation and reduction of job destruction.

Project partner	Practices	Subject owner	Type of intervention	Other subjects involved	Territorial extension	Impact Firms	Impact Employment
VOKA	Practice 1	Femish and federal government	SABENA Bankruptcy	3 regions (Flanders, Brussels, Wallonia) developed its own plan	Regional		Recovered work palces
	Practice 2		Renault Vilvoorde, definition of a social plan with financial support, renovil infrastructure and an employment cell		Local		Recovered work places, diffusion of a culture of replacement
	Practice 3		Legislation Flamish region/community - Replacement Fund-Landuyt Financial support for guiding unemployed towards work, Coordination: trustee for each bankruptcy and Support/Control: social partners		Regional		Improvement for unemployed workers

	Systemic	Spot
Prov. of Bergamo	1 systemic to help workers and firms (management of the crisis) 1 systemic concerning actions undertaken by the Region	4 spot to help firm during the crisis
Fundecyt	2 systemic to develop the cluster (knowledge of the cluster and study of action to help develop it)	
ESCI de l'Ain	4 systemic to better understand the sector in terms of competencies required, development, excellence support and networking	
NASMB		1 spot to help a firm develop and improve its competitiveness
FUNDPEP		1 spot to help two firms to merge and survive into the market
ACTO	3 systemic in different areas. 1 to help the cluster between North and Galizia. 1 to help the creation of new firms. 1 to improve public institutions functioning.	
NWRC	4 systemic interventions. 2 creation of networks and 2 to support cluster activity	
Cam. Com. Budapest	1 systemic helping workers and more generally PES through improved ICT network	
Cam. Com. Vaslui	2 systemic to help SME firms and 1 for the development of infrastructural services in technology and innovation	
VOKA	1 systemic, modification of the legislation to help cooperation among regions in the use of the replacement fund	2 spot to help two firms solve a restructuring problem

Italy, Belgium, France, Portugal, Spain and United Kingdom are subject to a high level of competition, especially traditional sectors. Textile, in particular, to be competitive needs to move towards high quality.

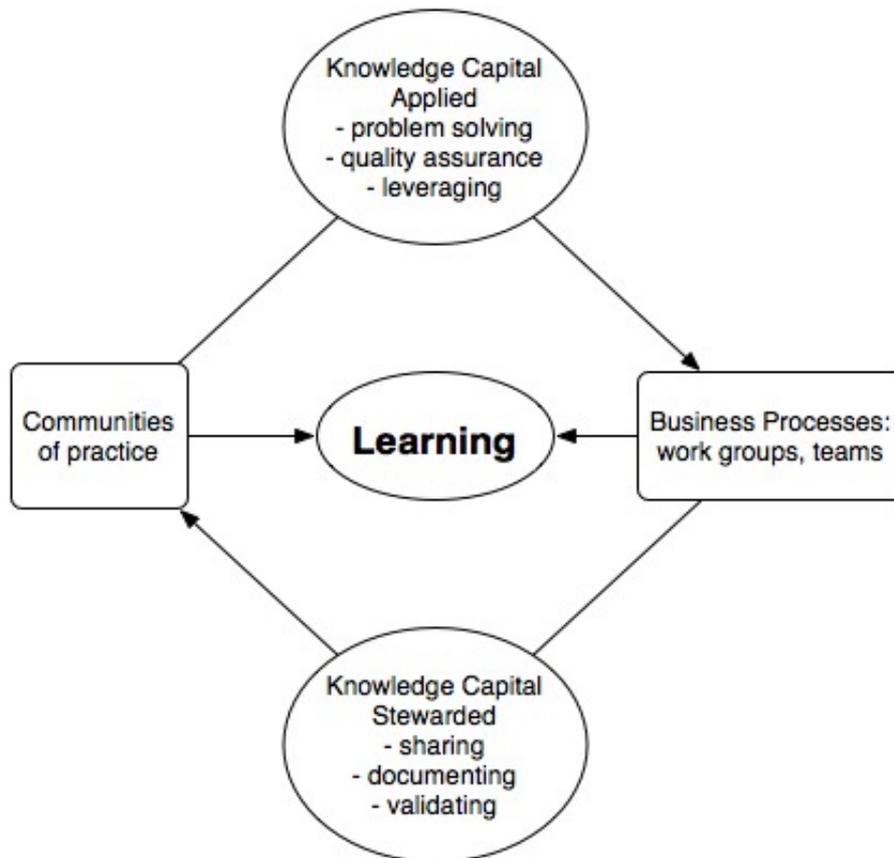
Bulgaria, Hungary, Poland and Romania more or less are well positioned, particularly, because of low labour costs.

Systemic: the system needs to more deeply insert in the economic structure of the territory. It needs to have a tighter connection/interconnection. It needs to become a knowledge creating system.

Spot: contingent

4. A systemic approach: the SECTOR model

Wenger et al. (2002) in their seminal work developed the idea of community of practice. For an organisation, to be able to learn from its own experiences and fully leverage its knowledge, it is necessary that the communities stewarding knowledge and the business processes (where knowledge is applied) must be tightly interwoven, creating what it is called “double knit organisation”. In our case we are not talking of firms, but of a system, the production system of a territory (region, province, department, country) and all what that involves (institutions, workers, associations, trade unions, etc.). Such a context is different from say a research centre, where researchers develop knowledge without being involved in the actual production. In this case, there is an actual multimembership⁶ that creates a learning loop.



As members of institutions or associations or even firms, are accountable for pursuing usual projects and activities. When they face familiar problems, they apply

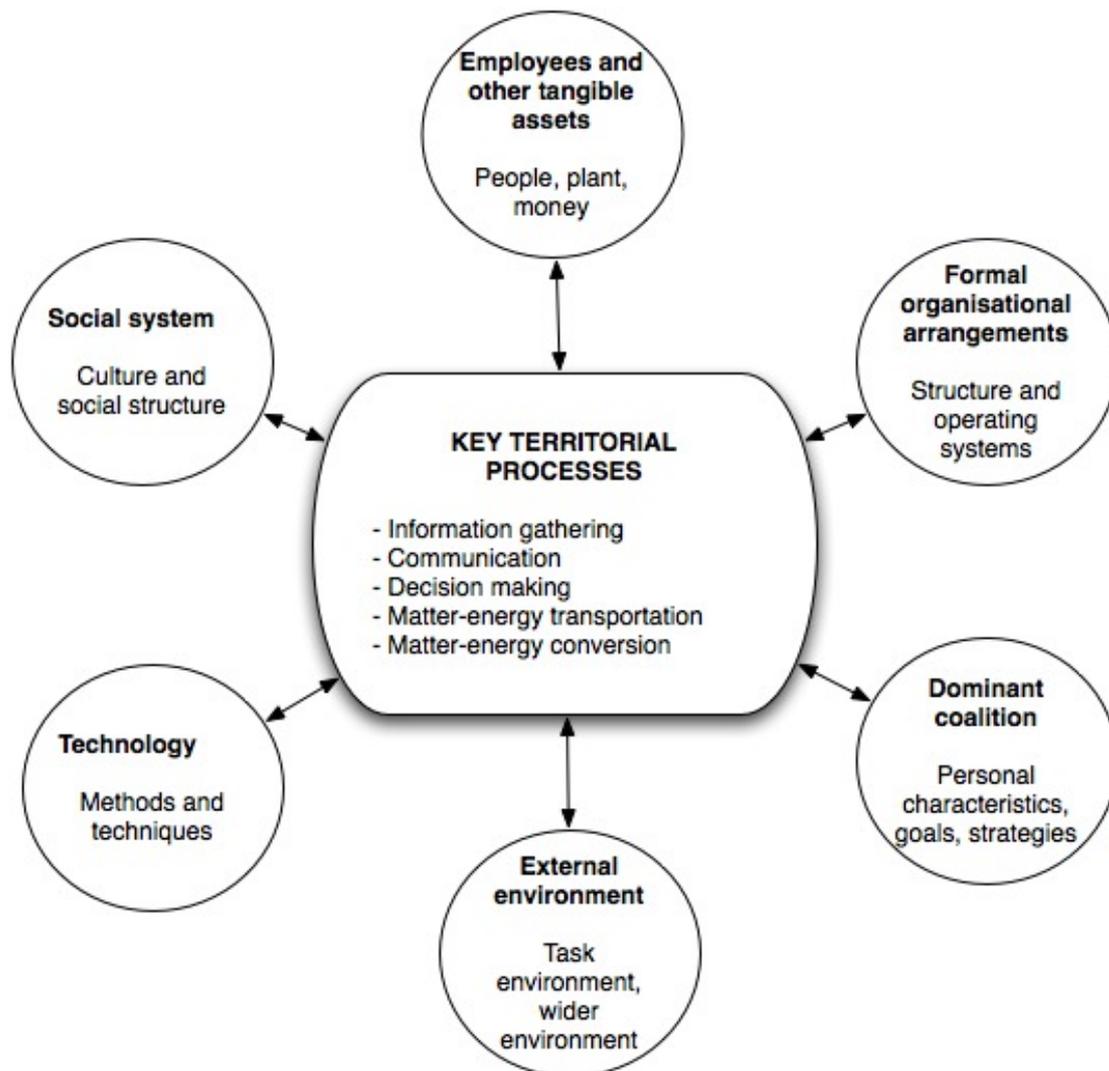
⁶ The term multimembership is taken from Wenger et al. (2002). They use it to indicate that a person, for example an engineer, wears two hats. He's main affiliation focuses on working with other engineers to optimise the design of a model and as a community of practice member coordinates standards and shares knowledge and lessons learned.

and refine their skills, but when they encounter new problems, they invent new solutions. But the same people share also their experiences, and therefore they are accountable for developing a practice. They bring their own experience to the community and receive help for their problems. They can discuss new solutions, generalise or document them and integrate them into the community. This means, being able to return to the usual activities with an extended capability, which can help in facing problems. Through this multimembership the learning cycle continues indefinitely.

The problem of a territory facing industrial and economic fluctuations can be faced adapting the integrative model of organisational dynamics developed by Kotter (1980). In this model, the key organisational processes are classified under two main headings, informational processes such as information gathering, communication and decision making, and processes that are concerned with the conversion or transportation of matter/energy (matter or energy can be read as effort or raw materials or goods).

The six structural elements in Kotter's model are:

- 1- External environment; including the immediate task-related environment and the wider environment (which includes public attitudes, the political system, etc).
- 2- Employees and other tangible assets; buildings, plants, inventories and cash.
- 3- Formal organisational arrangements; structure, relationship among stakeholders and operating system.
- 4- Social system; the territory's culture and social structure.
- 5- Technology; associated with the territory's production/services specialisation.
- 6- Dominant coalition; the objectives and strategies of those who control policy making.



Adapted from Kotter (1980:282)

In the short run the territorial effectiveness can be defined in terms of the nature of the cause-effect relationships that link all the elements of the system together. For example, if an activity sector begins to slump or experiences employment or economic troubles, the “dominant coalition”, say the regional government will recognise this and take corrective action. The government's response will be influenced by the effectiveness of its information gathering and decision making processes and by how quickly these processes can affect other elements in the system to adjust ‘matter/energy conversion’ and transportation processes in ways that will maintain their efficiency. Adjustments might involve other institutions or subjects, helping firms reinforce its competitive strength, financing restructuring or public intervention in particular sectors. Any delays in reacting to changes will result in a wasteful use of resources. In the short run, therefore, effective territorial

organisations are those that have key processes that are characterised by levels of decision making effectiveness and 'matter-energy efficiency' that help to ensure that resources are used effectively to re-establish equilibrium in the market.

Kotter argues that over the medium term (which he defines as a few months to a few years) the effective territorial government or stakeholders are those that are capable of maintaining its short-run effectiveness. He suggests that organisations do this by maintaining the key process elements in an efficient and effective state because it is this that enables them to ensure that the other (six) structural elements are aligned to each other. Sustained mis-alignment (sometimes referred to as 'poor fit') leads to levels of waste that will eventually threaten the survival of the organisation. He suggests that what constitutes a mis-aligned relationship between any two or more structural elements is often 'intuitively obvious'. He cites several examples to illustrate the point:

- If the goals and strategies championed by the territorial's government are based on inaccurate assumptions about the external environment, the government and the external environment are obviously mis-aligned;
- If the human capital of a territory or the territory's other tangible assets (natural resources, economic activities) are not sufficient to take advantage of the economies of scale given a certain development of the technology, the two elements are obviously mis-aligned;
- If the level of specialisation called for in the formal organisational arrangements are inconsistent with the skills of the work force, then again the two elements are mis-aligned.

The most common sources of non-alignment are changes in the external environment and growth. Kotter argues that organisational systems correct mis-alignments by taking the path of least resistance; they move towards the solution that requires the minimum use of energy. This usually involves realigning around the element or elements of the organisation that are most difficult and expensive to change (or emerge as the driving force over the longer term, see below). However, if the organisation can afford the waste associated with mis-alignment, minor examples of poor fit could go uncorrected for a considerable period of time. This argument suggests that, over the medium term, the focus needs to be ensuring that the elements of the territory are appropriately aligned.

Over the longer term (six-sixty years) Kotter predicts that it is the adaptability of the six structural elements that will be the underlying determinant of effectiveness. Over time one or more of the structural elements typically begins to exert more influence

on the key processes than the other elements. This element (or elements) emerges as the driving force that shapes the development of the territory. Because of the nature of the interdependence among all of the elements (and the equilibrium seeking disposition of systems), if one or two elements emerge as the driving force the natural tendency is for the others to follow. They adapt to the driving force in order to maintain alignment. However, this process may not always be as rapid or smooth as required to maintain a sufficient level of alignment, with inevitable consequences for effectiveness. Sustained mis-alignment will threaten the competitiveness of the territory.

4.1 Can a territory learn?

In order to maintain the equilibrium among the key processes, the territory, or better its institutions, should be able to learn. The learning process involves enhancing the collective ability to act more effectively. The quality of collective/territorial learning is important because it affects both strategy formulation and strategy implementation. The collective nature of learning is especially important in complex and turbulent environments (turbulent sectors that specifically characterise a territory), because in such circumstances key stakeholders may not be the best-placed subjects to identify opportunities and threats. Territorial stakeholders, at all levels, who are involved in boundary spanning activities - such as firms, Chamber of Commerce, employees unions, associations - may have data that could provide a valuable input to strategy formulation. Furthermore, the quality of response to any threats or opportunities that are identified may require institutions and stakeholders located in different sectors to collaborate and learn from each other in order to design and produce high-quality solutions or services in ever-shorter time frames.

Swieringa and Wierdsma (1992) conceptualised organisations as a set of explicit and implicit rules that prescribe the way members behave. These rules are based on insights which represent what is known and understood.

They relate to everything that happens in the organisation. For example, there are rules about the structure of the organisation that prescribe how activities will be grouped and responsibilities allocated, and there are rules about how resources are procured and used and about how people are managed and rewarded. These rules reflect the mental models (subjective theories, shared meanings or beliefs) through which organisational members examine and make sense of their experience. The

shared mental model represents the basic assumptions that underpin the organisation's culture. Schein (1990: 111) defines culture as (a) the pattern of basic assumptions, (b) invented, discovered or developed by a group, (c) as it learns to cope with its problems of external adaptation and internal integration, (d) that have worked well enough in the past to be considered valid and, therefore, (e) are taught to new members as the (f) correct way to perceive, think, and feel in relation to these problems.

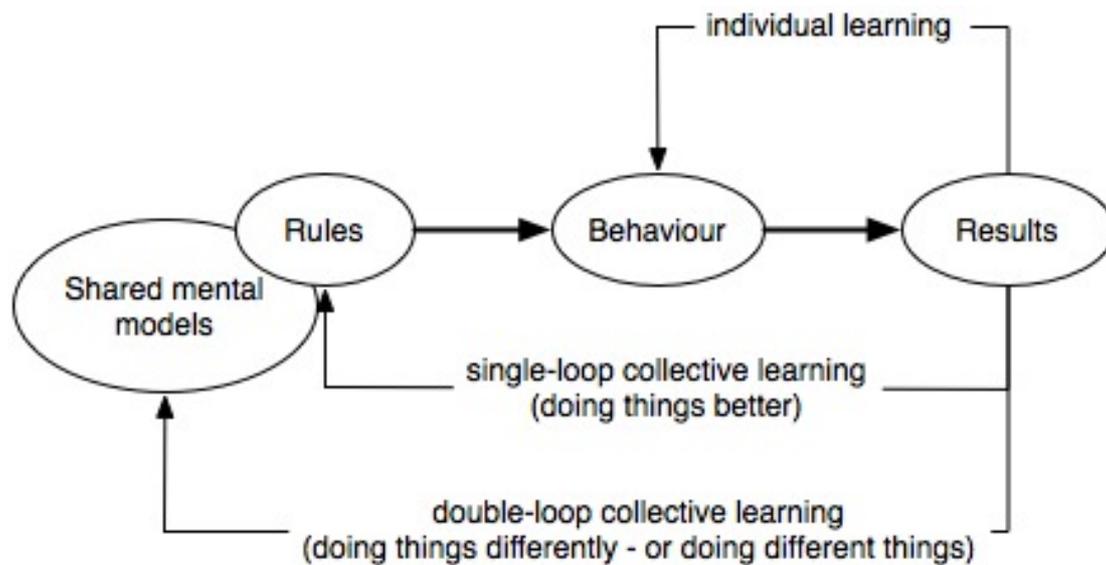
Similarly, rules of behaviour can be drawn for a territory, explicit and implicit rules which represent what is known and understood within a territory and help the learning process.

This kind of learning, however, may not always be sufficient to guarantee territorial success. In today's turbulent and complex environment old ways of behaving may fail to produce the required results. This is why for the territory there might be the need to change, to modify the rules and encourage new behaviours in order to ensure its continued competitiveness and survival.

Territorial (collective) learning occurs when a group recognises something that offers a more effective way of functioning. A territory will be more effective when its major components (such as structure, technology, systems and people) are congruent with each other and when there is a good 'fit' between the territory and the wider environment. Territorial learning involves achieving and maintaining this 'fit', or when confronted by discontinuities with the wider external environment, finding a new and more productive one. This, in turn, involves territorial stakeholders diagnosing the territory's predicament (including the consequences of their past behaviour), integrating this understanding into their shared mental models and using it as a basis for modifying, as required, the rules that guide decision making and action.

Argyris and Schon (1978) distinguish between two different kinds of (collective) learning:

- *Single-loop learning* entails the detection and correction of errors leading to a modification of the rules within the boundaries of current thinking. It involves members collectively refining their mental models about how the world operates in order to do things better. It does not offer any fundamental challenge to current thinking. The effect of single-loop learning is to promote an incremental approach to strategy formulation and change management.



Adapted from Swieringa and Wierdsma (1992)

- *Double-loop learning* is a more cognitive process; it occurs when the assumptions and principles that constitute the governing variables or shared mental model are examined and challenged. This kind of learning challenges accepted ways of thinking and can produce a new understanding of situations and events which, in turn, can lead to the development of new rules that require members to change their behaviour and do things differently, or even do different things.

While double-loop learning is often seen as a desirable goal, it can be difficult to attain in practice.

A way to trigger the double-loop learning could be to establish a good 'connection' within the territory, among stakeholders and the wider environment. In fact, when there is a good 'fit' within the territory, its stakeholders and the wider environment and when this leads to the achievement of desired levels of performance, there is a high chance that the prevailing shared mental model will be reinforced. The only collective learning in these circumstances will be the single-loop learning associated with the detection and correction of errors. This kind of learning is often associated with continuous improvement.

Double-loop collective learning is most likely to occur when desired performance levels are not achieved and when feedback signals a need to re-examine the relevance of the shared mental model. Leroy and Ramanantsoa (1997) refer to incongruous events that violate conceptual frameworks as triggers for this kind of learning, and Fiol and Lyles (1983) assert that some type of crisis is necessary to

trigger higher-level or double-loop learning. Triggers can be associated with discontinuities such as the appointment of a new government, or dramatically altered market conditions.

The approach presented here focuses on the development of supra-individual or shared mental models that provide a basis for effective action. These shared mental models furnish organisations of a territory with a conceptual framework for perceiving and interpreting new information and for determining how stored information can be related to any given situation. They persist over time, despite changes in territorial membership. This implies that a territory can have collective memories that are not wholly dependent on the knowledge stored in the minds of current members. It is assumed that knowledge can also be stored in files, reports, routines, traditions and conventions and that this collective memory enables past experience to be applied to current problems.

Shared mental models need to be fluid and open to modification if they are to provide an effective basis for assessing the environment and planning action. Unfortunately, once established, they may be resistant to change. Johnson and Scholes (1999) refer to the strategic drift that can occur when the need to modify the paradigm/shared mental model is not recognised and when institutions, blinkered by an outdated set of taken-for-granted beliefs and assumptions, fail to detect changes in the territory's competitive position. It may not be until this strategic drift manifests itself in an unacceptable poor level of performance that the need to modify the paradigm is eventually recognised.

Shared mental models are one of the main sources of inertia identified by Gersick (1991). Unless they are open to revision they can seriously limit a territorial's ability to adapt and change, and can promote an episodic rather than a continuous response to threats and opportunities.

4.2 The role of knowledge transfer in territorial learning

Territorial learning involves the acquisition of knowledge, the recognition of its potential and its application to improve territorial performance.

Knowledge may exist within a territory, but it may not be available to those who can make best use of it. Huber (1991) draws attention to the important of distributing information. As institutions gain access to new information they may be better able to create new knowledge by piecing together patterns that had not previously been apparent or they may be able to identify and apply superior practices that are being used elsewhere in the territory. But information does not always flow freely and

consequently valuable learning opportunities are missed. The link with what happens in firms is evident.

In many organisations innovative work practices that are a great success in one location often remain islands of innovation'. Walton (1975) notes that, the failure to diffuse innovation, often forces organisations to invest in costly duplication of efforts in order to reinvent similar practices in other locations. Zell (2001) reports that best practices often linger in isolated locations within organisations for years, unrecognised and unshared. Szulanski (1996) also observes that in many organisations there are surprising performance differences between different units, suggesting that knowledge is not being utilised as effectively as it could be. For example, IBM had only limited success transferring reengineering logistics and hardware design processes between business units and General Motors experienced problems trying to transfer manufacturing processes between divisions. Szulanski found that, contrary to conventional wisdom (that attributes internal stickiness to poor motivation), the major barriers to internal knowledge transfer are a lack of capacity to value, assimilate and apply new knowledge; ambiguity regarding the precise reasons for the success or failure in replicating a practice in a new setting and the quality of relationships.

The identification of territorial learning should focus not only on collective learning (including knowledge transfer) within a single institution, but also grow awareness of the importance of inter-institutional learning. Leseure et al. (2004) examine the use of superior knowledge and adoption of best or 'promising' practices from unrelated or competing institutions. They prefer to use the term 'promising' rather than 'best' practice because while a collection of ideas, values, procedures, techniques and tools may work well in some institutions, they may not be 'best practice' in all. Imported practices may not be aligned with the institution's culture, structure and other practices and, if they are to work at all, may need to be customised before they can offer any benefit.

Leseure et al. developed a model that posits that both *need pull* (associated with a performance gaps) and *institutional push* (normative pressures applied by institutions, firms and regulators) can trigger efforts to adopt promising practices. Based on earlier work by Szulanski (1996) and Bessant, Kaplinsky and Larming (2003) they suggest that the adoption process involves several steps:

- 1) **Initiation:** the process may start with the discovery of a need for performance improvement that prompts a search for superior knowledge (and promising practices). Szulanski (1996) also suggests the possibility that the discovery of

superior knowledge may cause stakeholders to reframe as unsatisfactory a situation that, hitherto, was regarded as satisfactory.

- 2) **Set up and adaptation:** following the decision to proceed, attention is focused on pre-empting implementation problems by exploring the feasibility of adapting the promising practice to suit the identified need. There are indications that this step in the process often receives insufficient attention.
- 3) **Implementation:** launching the change programme with attention to short-term actions, discussion inter-stakeholders, training, adapting structures, writing new co operational protocols.
- 4) **Ramp-up:** this begins when all the relevant stakeholders of a territory start to use the new tools/practices (set of relevant indicators for example).
- 5) **Integration:** this involves the embedding of superior knowledge and the routine of the new processes.

Furthermore, Bessant, Kaplinsky and Lamming (2003) discuss the importance of learning and development across networks of related institutions. These networks can take many forms - for example, strategic alliances, shared services development projects and creation of regional small-firm clusters. Bessant, Kaplinsky and Lamming focus their attention on supply chains and assert that 'the competitive performance of the value stream depends upon the learning and development of the whole system, not just the leading players' (2003:167). A common pattern is that, in these networks, learning is championed by a leading institution or by some representative institution such as a government department or a trade association. Inter-stakeholder learning is often facilitated by a sense of shared crisis or a shared perception of a common opportunity. Learning does not typically cascade throughout all the stakeholders, but it tends to be confined to lead institutions and those more closely linked to them.

The essence of collective learning is the joint construction of meaning. This occurs through sharing and dialogue. However, this process is rarely problem-free. Several sources of difficulty can be considered.

Poor appreciation of the systemic qualities of territorial organisations and wider systems: many individuals and groups have a parochial and limited view of their role, and this restricts their ability to contribute to collective learning. Often they focus all their attention on the immediate task and fail to appreciate how this relates to the overall purpose of the institution or network of related institutions. Egan (1988) discusses the need to promote 'business thinking' that relates to the systems overall mission and the importance of markets, competitors, customers and the products and services that satisfy customers' needs and wants. 'Organisation thinking' is more blinkered and is essentially inward-looking, concerned about the way a territory organises its structures and processes to engage in its development. This type of thinking is important but, sometimes, people become too preoccupied with the details of their bit of the system and ignore how what they do affects others, and how this impacts on the overall effectiveness of the business.

Lack of accessible channels for dialogue and the sharing of meaning: when learning is shared, the data on which it is based are open to challenge. Others can reassess the reasoning and logic that led to conclusions. In other words, meanings are not just exchanged.

Dixon (1997) argues that shared meaning is constructed in the dialogue between territorial members. She believes that in the process of articulating one's own meanings and comprehending the meanings others have constructed, people alter the meanings they hold. This joint construction of meaning is the essence of territorial learning. Unfortunately, the conditions that facilitate this process are often lacking. To help the process of learning, the active participation of others becomes a critical element in collective learning. Bessant, Kaplinsky and Lamming (2003) highlight the importance of feedback and the challenge and support that others can provide. They note that while Revans' (1980) concept of action learning was originally applied at the interpersonal level it can contribute to intra- and inter-stakeholder learning.

The context in which sharing and dialogue must occur: Brown and Eisenhardt (1997) illustrate the importance of context when describing the characteristics of stakeholders that are able to manage change as a continuous process. They refer, for example, to organisational structures (semi-structures) that facilitate improvisation and the modification of work practices through mutual adjustments. Szulanski (1996) also reports that formal structures and systems, sources of coordination and

expertise, and behaviour-framing attributes of the organisational context affect the quality of knowledge transfer.

The acquisition of knowledge, the recognition of its potential and its application to improve territorial performance often requires numerous institutional/stakeholder exchanges. Many communication channels exist, but the quality of relationships between territorial members can also affect the quality of territorial learning. Szulanski suggests that this is particularly important in those situations where knowledge has tacit components (see Nonaka, 1994) and where the reasons for the success or failure of knowledge transfers are ambiguous.

Attitudes towards mistakes and failures can have an important impact on the quality of learning. Husted and Michailova (2002) argue that they are often the result of exploring unknown territory and can be a vital source of new insights, but they are often buried and kept secret. This happens when territorial members are uncertain about how others will react, and especially, when they fear that they will be blamed for wasting resources. 'Blame cultures' limit information-sharing and increase the possibility of the Sauer mistake being made repeatedly. They also inhibit creativity and learning, because stakeholders are motivated to play safe and avoid experimentation.

Characteristics of the sources and recipients of knowledge: an important factor that can influence an organisation's ability to learn is the willingness of individual territorial stakeholders to share with others the meaning they have constructed for themselves as they encountered new experiences and ideas. Issues of confidentiality may prevent some sharing, but there are occasions where knowledge is withheld for what Dixon (1997) describes as political and logistical reasons. These include gaining a personal competitive advantage, or a perceived lack of interest, on the part of others, in what the individual might want to share. Trust is also an issue. Lines et al. (2005) argue that whether change agents and others gain access to the knowledge and creative thinking their need to solve problems depends largely on how much people trust them.

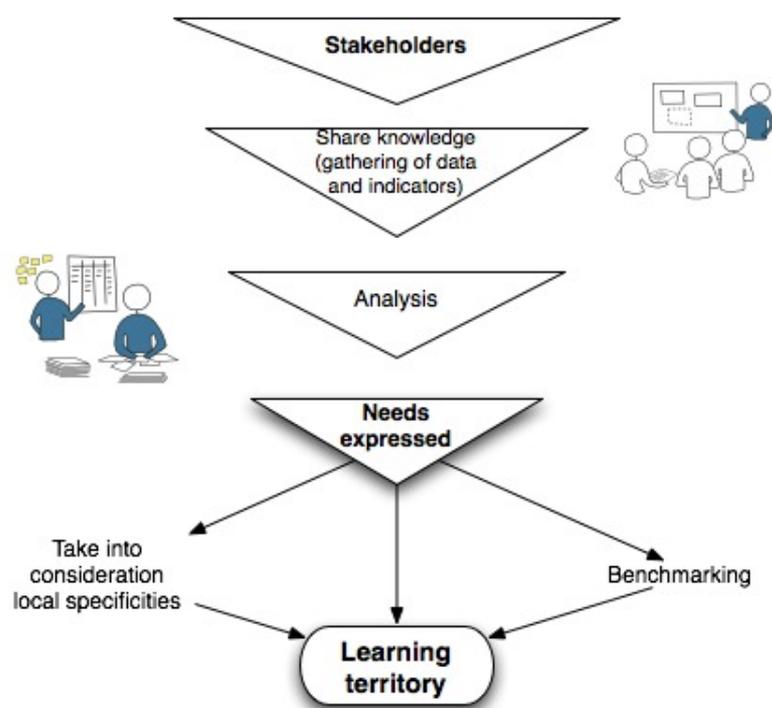
Husted and Michailova (2002) see stakeholders members' reluctance to spend time on knowledge-sharing as an impediment to territorial learning. This reluctance may arise because people are overwhelmed with other tasks or believe that their time can be invested more profitably elsewhere. They may also be reluctant to share information because they fear that this will encourage 'knowledge parasites' (who fail to invest much effort in acquiring their own knowledge) benefiting at their expense.

A related problem, referred to by Dixon, is that some organisational members may be reluctant to consider the relevance of knowledge that others are willing to share with them. Individuals and groups may prefer to develop their own ideas and knowledge and reject knowledge that is not invented-here'. They may also reject knowledge because they have reservations about the source's reliability or trustworthiness.

4.3 The anticipation/change management model

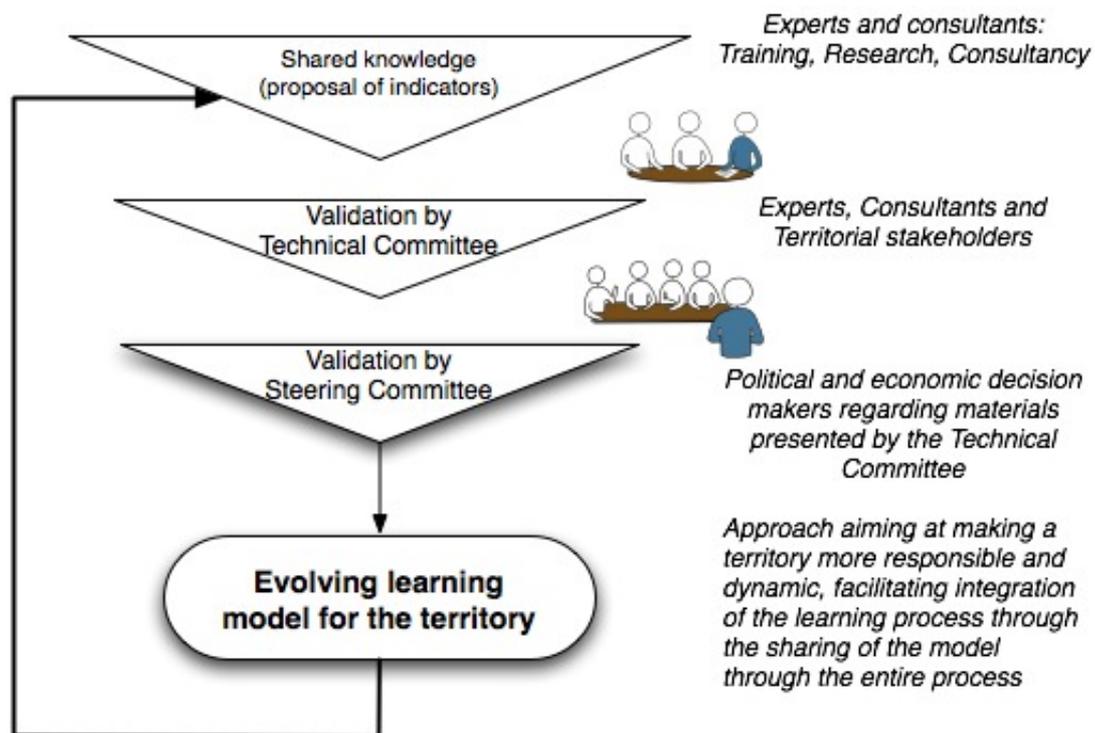
The start of the anticipation process involves translating the needs of the territory into a desire for change in order to keep high levels of competitiveness. This means deciding the parameters for the analysis and then who will manage the anticipation process.

The anticipation process starts with the analysis of the needs of the territory through the identification of the local specificities, which actions are to be taken to anticipate the economic and/or occupational crisis. As we said earlier the territory needs to become a learning territory, because only through a slow process of anticipation culture building it becomes possible to construct anticipation sensibility over time. So, anticipation may start with a formal announcement or it may be less explicit, but, at some point, it typically involves a review, feasibility study or project.



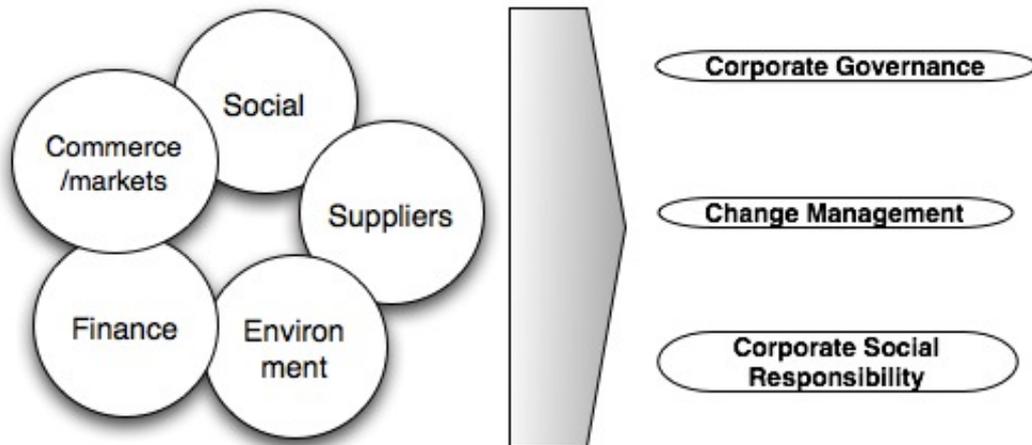
The basic data do exist, but they are not sufficient. Through the creation of a shared knowledge, simple information is enriched with the experience of every stakeholder to better understand the wider environment and act through anticipation.

And in order to apply what we said about a learning territory, all stakeholders need to be involved. This means involving firms managers, associations, local government, agencies for local development, trade unions, educational institutions, training and research institutions. It is also important to begin thinking about how to 'unfreeze' others, and gain acceptance that change is needed.

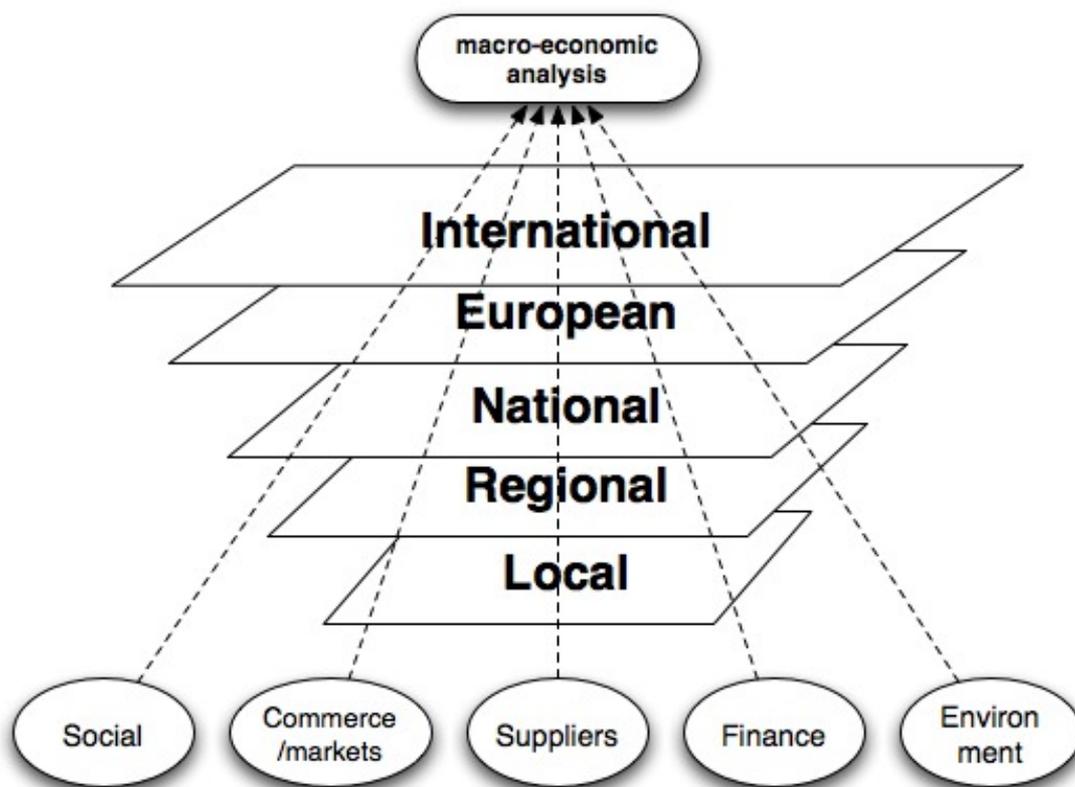


Although reviewing the present (using the shared indicators) and identifying the future state may seem at first sight to be separate and distinct activities, in practice they are often integrated. These two steps frequently go through several iterations, progressing from broad concepts towards something that is sufficiently concrete and detailed to be implemented (the work done by the Technical Committee and the Steering Committee).

There could be some debate about whether the process should start with looking at the present or the future. The argument for starting with the present could be to ensure that the change is not a 'utopian leap' to an unrealistic future which cannot be reached from the current situation. On the other hand, focusing too heavily on the present may limit horizons and lead to the goals of prevention being too cautious and constrained by current experience.



The learning model conducting to anticipation of competitiveness change or crisis should take into account some main economic field of action upon which gather knowledge. Observing all levels, from the micro (local) to the macro (international) should be possible to draw a macro-economic analysis.



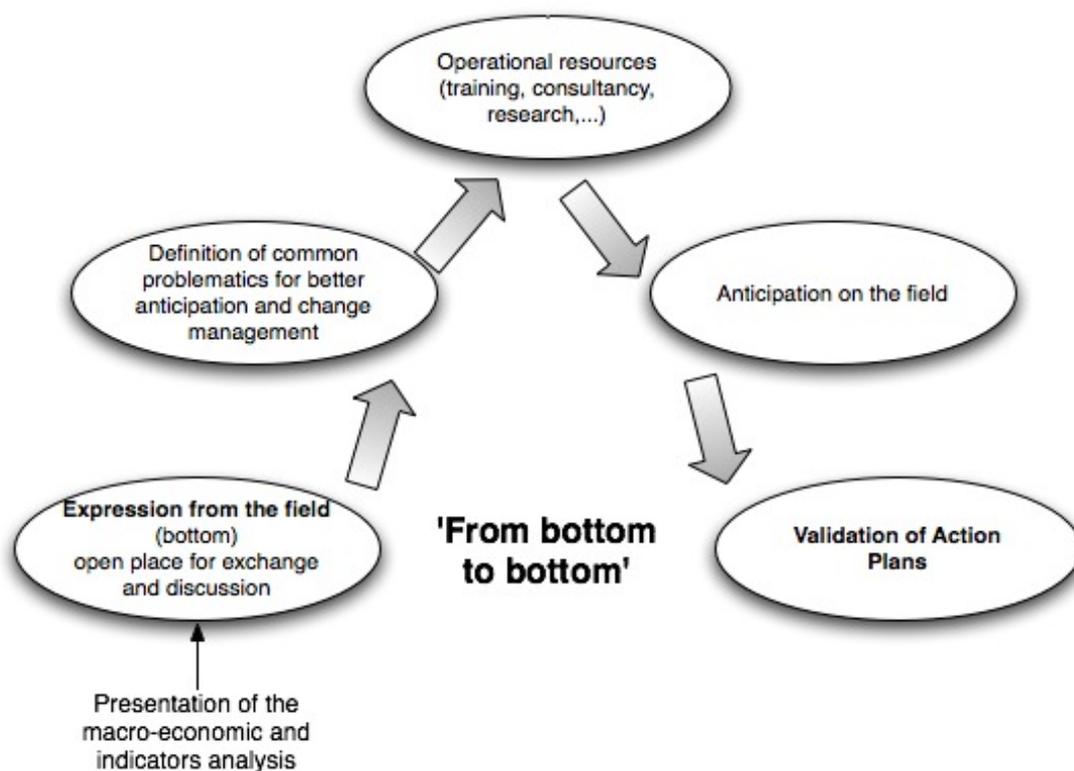
What is required when identifying the future state, depends on the kind of territorial change that is being observed, and on the role played by the stakeholders in the overall process. If the Steering Committee is responsible for initiating the change, its

task is likely to involve developing a view or 'vision' of what they (and the Technical Committee involved in the diagnostic process) think the territory ought to look like in the future. If, on the other hand, its role is to implement a change, that is being imposed from the wider environment (international level for example), its task may be more limited to thinking through and visioning the likely impact of the change.

The way the diagnostic stage is managed can affect the way that the need for change is (or is not) translated into a desire for change. Territorial stakeholders are more likely to be motivated to let go of the status quo and seek a more desirable state if:

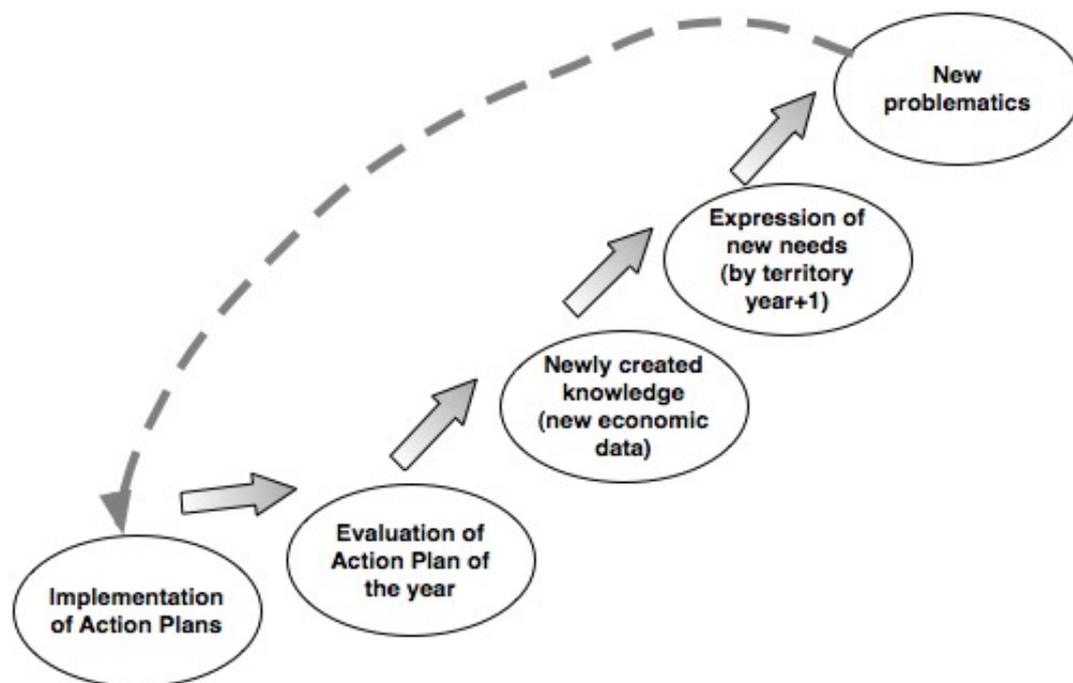
- the diagnostic process disconfirms their view that all is well with the existing state of competitiveness;
- this challenge produces a sufficient level of anxiety to motivate organisational managers to search for new possibilities;
- the vision of what might be, offers sufficient promise to make the effort of changing worthwhile.

The learning and anticipation model can be defined 'from bottom to bottom', because it starts from a shared basis and through the search for a shared solution produces an action plan for the survival and development of the territory.



Whatever has been planned now needs to be implemented and the focus shifts from planning to action. Attention also needs to be given to monitoring and control, to ensure that things happen as intended. Change needs then to be viewed as an open-ended and iterative process that emerges or evolves over time. Buchanan and Storey (1997) argue that this is not unusual and that change often unfolds in an iterative fashion and can involve much backtracking. Burke (2002) echoes this view and argues that the change process is often more like a series of loops than a straight line, reflecting the reality that things rarely progress as planned, and even when plans are implemented as intended there are often unanticipated consequences.

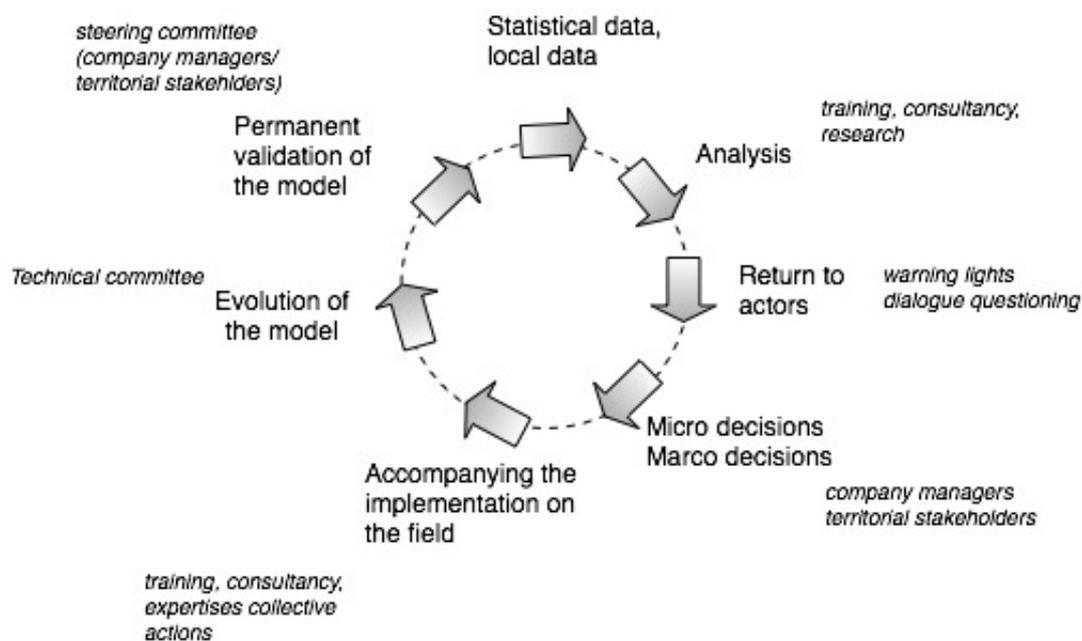
The model can be seen then under the perspective of an evolutionary approach where change or anticipation involves taking tentative incremental steps in, what it is hoped is, the right direction. After each step, the step itself and the direction of the change are reviewed to establish if the step worked and if the direction still holds good. As the process unfolds, it may be possible to define the end state a bit more precisely or to take future steps with more confidence.



This feedback loop is important because feedback from implementation can lead to the identification of new problems and possibilities. It may have implications for the planning of further activities to bring about change and may even affect the definition of a more desirable end state, thus leading to a revision of the 'learning model'. Sometimes the feedback may also alert committees to the possibility that what was

originally perceived as a original and univocal model might be more appropriately approached and managed as an evolutionary model.

Finally, monitoring and reviewing progress are on-going activities, as progress is measured against key milestones. Consolidation involves, among other things, ensuring that there are feedback mechanisms and reward systems in place that will monitor and reinforce desired new behaviours. However, rather than attempting to simply ossify the new state, it also involves building on and updating the change as required.



Most relevant of all other elements is thou the 'people issues' that are on-going throughout the process. Some of these are:

- Power, politics and stakeholder management
- Leadership
- Communication
- Training and development
- Motivating others to change
- Support for others to help them manage their personal transitions.

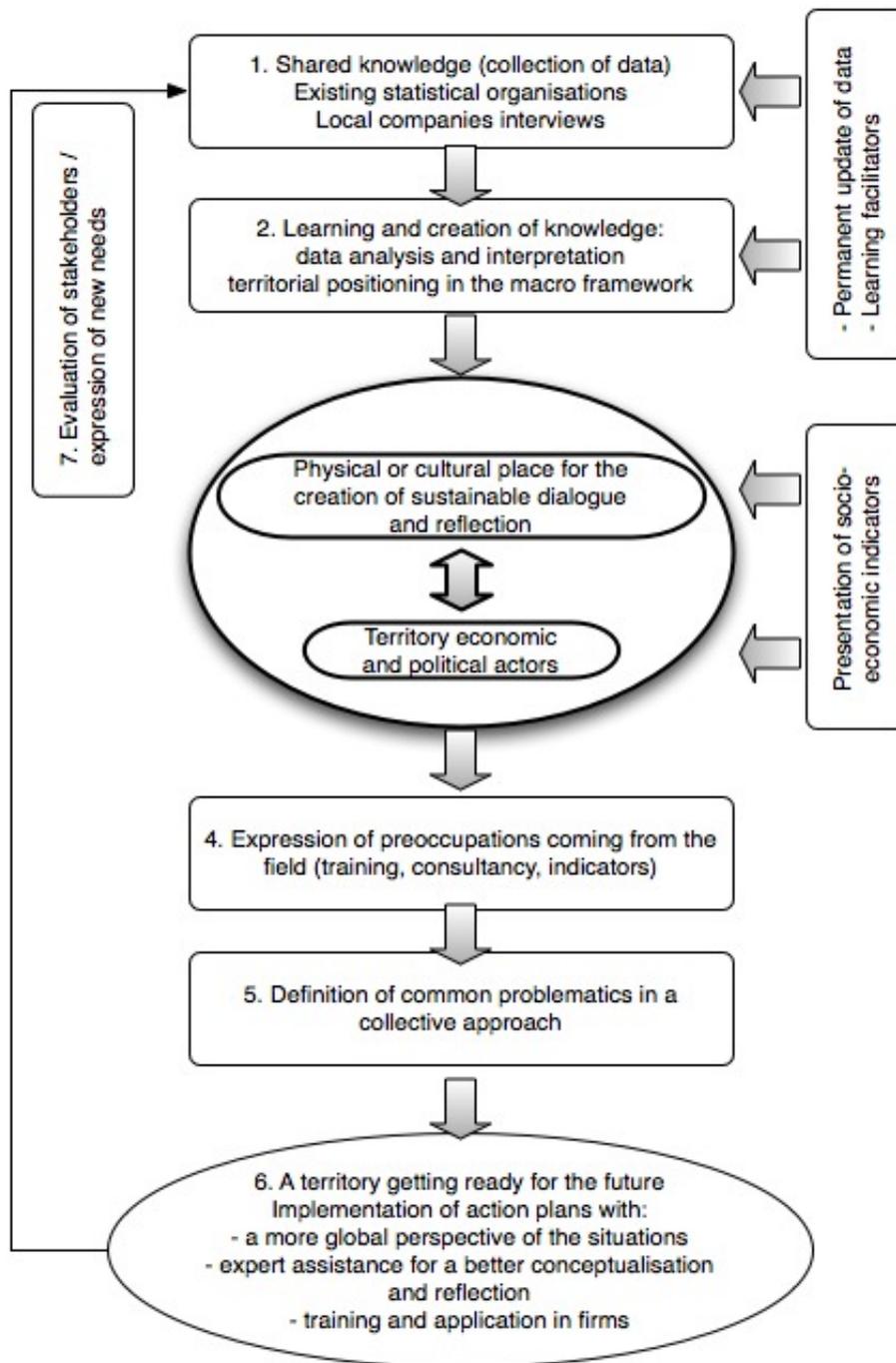
Learning process managers need to address these 'people issues' at all stages of the learning process and not just when designing a strategy for implementation. A common mistake is to treat the stages of reviewing the present state and designing the future state as purely technical activities. Consequently, little attention is given to the political and motivational issues associated with the plan for change. Diagnosing

what needs to be changed is often viewed as a precursor to the 'real business' of managing change. This is a dangerous attitude to adopt.

Diagnosing and visioning are not benign activities. Nadler (1987) refers to the importance of shaping the political dynamics of change and motivating constructive behaviour. Stakeholders may resist any attempt to even consider the possibility that change might be required.

In formulating the strategy it is essential a plan to make things happen. It needs to address all of the things that have to be done to bring about the change or prevent the crisis. When developing a strategy change managers need to attend to each step in the change process and to the way the overall process is to be managed. However, all of this needs to be regarded as something that is dynamic and evolving, and not a grand plan that can be 'set in stone' from the start.

Summing up, to foster a culture for anticipating the changing of the economic context with all its consequences, it means building a learning territory where all relevant and minor stakeholders, participate, sharing their knowledge of the 'outside world'.



5. Conclusions

Trying to understand the consequences of restructuring on the labour market means keeping in mind that policy maker has to comprehend the nature and extent of restructuring, i.e. how many jobs are going to be lost and created in different sectors and regions and why that happened. Furthermore, it has to remember as well what are the consequences of restructuring, for example, determining whether or not the redundant workers moved on to a new job, and what impact the job loss has on subsequent earnings.

The aim of this work is to concentrate on an earlier stage of the process, what has the policy maker to do to have preventing the crisis. Several projects and examples of interventions have been presented, to help a territorial system/economy (firms, associations, all those entities involved in a economic crisis and commonly called stakeholders) to anticipate the economic downturn or to keep high level of competitiveness. Many of the projects presented have a systemic origin in the sense that they are planned in order to involve several subjects for the success of the project. Others are more single subject oriented, but none of them is thought to create a system in the sense that a common practice is developed and adopted.

Developing a community of practices is rather what T.I.R project wants to stress: a community that is based on a model where knowledge, expressed by a territory, becomes the key point for a model of anticipation or restructuring. A territory should be able through its network of subjects (associations, public institutions, firms...generally speaking stakeholders) to acquire knowledge, recognise its potential and apply to improve its performance. Improving a territorial's performance means keeping it competitive facing what common knowledge calls globalisation.

Adopting the model proposed by the S.E.C.T.O.R. project, a territory can recover, but more important define, all the relevant information, transform it in knowledge⁷ and then take action to achieve its objectives. The partnership of the T.I.R project has integrated with researches the S.E.C.T.O.R model, disseminating it in their territories and now needs to be supported in enlarging the networks and verifying the congruence with the model adapting it to the new global economic scenerios.

⁷ Dretske (1982), as well as Nonaka (1994) and Nonaka and Taleuchi (1995) showed that there is a difference between information and knowledge: the former is an alphanumeric code while the latter is a belief produced (or supported) by information. Even though it is based on information input, the creation of knowledge entails more than just the processing of such information, as learning takes place through the cognitive algorithm (or software) of the individual, which includes also intuitions, perceptions, creativity, recombination abilities, and concepts, i.e. pre-existing knowledge. This process results in personal knowledge that, by interacting with other personal knowledge, can give rise to social knowledge. In addition, if we consider that information may be incomplete, the individual and collective knowledge produced must be necessarily multifaceted.

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