

Sida Supported Advantage Projects in the Baltic States

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**Department for Central and
Eastern Europe**

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Sida Evaluation 99/15

**Department for Central and
Eastern Europe**

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Table of contents

1. Introduction.....	1
1.1 Background.....	1
1.2 Purpose of the evaluation	1
1.3 Methodology	2
1.4 Issues of reliability and validity.....	3
1.5 Structure of the report	3
2. The projects	4
2.1 Advantage Estonia.....	4
2.2 Advantage Balticum – the first phase	4
2.2.1 Project design	4
2.2.2 Objectives	5
2.2.3 Implementation	5
2.3 Advantage Balticum – the second phase	6
2.3.1 Project design	6
2.3.2 Objectives	7
2.3.3 Implementation	7
2.4 Advantage East	9
2.4.1 Implementation	9
3. The environment for the <i>Advantage</i> projects	11
3.1 The textile sector in the Baltic states	11
3.1.1 Estonia	11
3.1.2 Latvia	11
3.1.3 Lithuania	12
3.2 Other trade promoting projects in the Baltic States	13
4. Results and effects	15
4.1 The Garment and Textile Sector	15
4.1.1 Perception of the project	15
4.1.2 Establishing business contacts	16
4.1.3 Enhanced exports.....	17
4.1.4 Long-term export capacity	18
4.1.5 Swedish – Baltic trade	19
4.1.6 Facilitating the transformation of the exports	20
4.1.7 Strengthening of counterpart organisations	21
4.1.8 Differences between the countries	22
4.2 The Furniture and Woodworking Sector	23
4.2.1 Perception of the project	23
4.2.2 Enhanced exports.....	24
4.2.3 Swedish – Baltic trade	25
4.2.4 Strengthening of counterpart organisations	26

5. Assessing the effectiveness of the <i>Advantage</i> projects	27
5.1 Achieving the objectives	27
5.1.1 Sustainable Swedish – Baltic commercial co-operation	27
5.1.2 Know how transfer to enterprises and business organisations:	28
5.1.3 Enhanced exports.....	29
5.2 Sustainability of results	29
5.3 Relevance	30
5.4 Cost- effectiveness and efficiency	32
5.4.1 Effectiveness	32
5.4.2 Efficiency	32
5.5 Cause and effect analysis	34
5.6 Assessing the concept as such	34
6. Conclusions, lessons learned and recommendations	36
6.1 Overall conclusions.....	36
6.2 Lessons learned.....	37
6.2.1 Factors for success.....	37
6.2.2 Justifications for similar projects	38
6.2.3 Using transaction costs as an indicator	38
6.3 Recommendations.....	39

Annex 1: Terms of Reference

Annex 2. Persons and organisations interviewed

Annex 3. Details of project activities under the *Advantage* projects

Acronyms

CIS	Commonwealth of Independent States
CMT	Cutting, Manufacturing, Trimming
DEM	German Mark
ECTA	Estonian Clothing and Textile Association
EEA	Estonian Export Agency
EFTA	European Free Trade Agreement
ETC	Estonian Trade Council
EU	European Union
EWf	Estonian Woodworking Federation
FDI	Foreign Direct Investments
ITC	International Trade Centre
JETRO	Japanese External Trade Organisation
LAA	Latvian Development Agency
LAWEE	Latvian Association of Woodworking Entrepreneurs and Enterprises
LCCI	Latvian Chamber of Commerce and Industry
LDA	Lithuanian Development Agency
LFA	Logical Framework Analysis
LPIA	Association of Light Industry Enterprises of Lithuania
LVL	Latvian currency, Lats
PM	Project Management of the Advantage projects
Sida	Swedish International Development Co-operation Agency
SMI	Svenska Möbelindustri Förbundet
SEK	Swedish kronor
T.o.R	Terms of Reference
USD	US Dollar

Executive summary

Background

This report concerns an evaluation of the *Advantage Estonia, Balticum and East* projects. They were carried out from 1993 by SwedeCorp, and after 1995 by Sida. The last phase of the projects is expected to end in 1999. The projects are in the form of technical assistance support directly at the enterprise level, linking Swedish importers with Baltic producers with trade fairs as the key means. Local business organisations were included in the projects as counterparts. The projects have involved four product groups: textile and garments, furniture and furniture components, gift items and mechanical engineering products. The *Advantage* projects have led to several follow up projects, most notably *Textilica*. The total budget for the *Advantage* projects 1993 – 1999 has been SEK 9,3 million, of which SEK 7,9 million for the Baltic states. The total cost of the project, according to Sida, is SEK 4,0 million for the Baltic states. While *Advantage East* covers more countries in Central and Eastern Europe, the evaluation concerns Estonia, Latvia and Lithuania only. The main activities have taken place firstly in the textile and garment sector, secondly in furniture. The other two sectors never took off, and no follow up has been undertaken on the results in these sectors.

The purpose and method of the evaluation

The purpose of the evaluation is twofold: 1) to assess effects, sustainability, relevance, effectiveness and efficiency of the projects, and 2) to discuss the concept and methodology from a policy point of view of possible replications to other countries and other industrial sectors. The study has been carried out through interviews of participating Swedish and Baltic enterprises, the counterpart organisations in the Baltic states, implementing consultants and Sida desk officers, and a review of relevant documents and of trade statistics.

Results

In all, 29 Baltic textile and garment enterprises participated in the project activities between 1994 and 1998. Out of these 24 are still in business today. Of the existing firms, some have undergone considerable changes since their participation in the project through joint-ventures, changes of management and restructuring. With no exception, the participating garment & textile industries expressed quite positive views of the project activities they were involved in. Even in cases where the trade fairs did not result in any concrete business, the enterprises considered the participation quite useful as a learning exercise.

The *Advantage* projects clearly lead to a number of business contacts between the Baltic firms and Swedish importers in the textile & garments sector. The *Advantage* projects provided a well structured entrance to a largely new market for the Baltic companies, requiring little efforts and resources by the companies themselves. From the Swedish point of view, the projects facilitated for many Swedish importers to look at the Baltic countries as new potential suppliers. A notable feature of the business contact established by the *Advantage* projects was that some of the Swedish importers actively started to invest in a new source, providing the Baltic enterprises with technical assistance and machinery.

It can be estimated that one third of the participating textile companies in the *Advantage* projects today are exporting to Sweden. For a few of them, the Swedish market has developed into the largest export market.

In total 27 furniture companies participated in the two activities in Estonia and Latvia under the *Advantage* projects, and out of these 20 are still in operation. During the evaluation, six of the latter have been interviewed. All the interviewed companies appreciated the *Advantage* project. Apart from the direct training, the chance to meet other manufacturers and to be exposed to competitors products at the trade fair, was considered important. Several of the companies claim that the participation in *Advantage Balticum* speeded up the transition of the industries. Today all of the interviewed companies are export oriented with the shares of export of total production ranging from 75% to 99%. None of the interviewed companies has Sweden as its largest market, but four of them export to Sweden.

Conclusions

The *Advantage* projects is an example of a practical, hands-on approach to private sector development. It is a concept which have evolved over time through learning by Sida. The projects have been dynamic in the sense that they have expanded to an increasing number of countries, and resulted in several spin-off projects. In terms of sectoral coverage, the projects have gone in the opposite direction, from several product groups to only garments and textiles. This reflects partly the trial and error process, but it is also a reflection of a capacity problem in Sida. There is no inherent feature of the approach which limits it to textiles and garments, although there are sectors which are more or less conducive to development assistance of the *Advantage* nature.

The *Advantage* projects have contributed to the broad objectives established for them, i.e. enhancing exports, promoting trade between Sweden and the Baltic states, and transferring of know how to participating industries and counterpart business organisations, possibly with a reservation concerning the last objective. The effects of the projects can not be determined in quantitative terms as a number of other factors were at play in the same direction. Quantification of business contacts and export orders after the project activities - as provided in the reporting - were, in our assessment, more an indication of expectations than reality. They reflected the sense of a keen business interest from both the Swedish and the Baltic partners.

In macro terms, it is hard to prove that the projects have contributed to changed trends in the current trade between Sweden and the Baltic states in the targeted sectors. Such trade was already on-going and growing rapidly at the time the project started. The exception might be Lithuania in the textile & garment sector as a) the projects seem more successful in Lithuania than in the two other states, and b) the existing trade was small and not rapidly increasing when the project started. Given the small volume of exports of furniture from Latvia and Estonia to Sweden prior to the projects, the *Advantage* projects might also have contributed to a certain trend change in this sector.

The most important effect of the projects has been in transfer of export marketing know how to the enterprises. Due to the timing and the method applied, such transfer has clearly taken place. This know how transfer is essential for the companies' export competence not only for the Swedish market, but in general.

The weakest element of the projects have been strengthening and capacity building of the co-operating business organisations. In some of the sectors, the chosen organisation did not perform as expected and the co-operation was aborted. The best co-operation, and the greatest potential impact has been in Latvia (The Latvian chamber of commerce) and in Lithuania (industrial association).

In the judgement of the Evaluation, the *Advantage* projects have been cost-effective as means for private sector development. With an estimated cost of SEK 4 million a considerable number of activities have been carried out, efficiently and professionally performed, and most of them have

contributed to the defined objectives. Assessment of cost-effectiveness is based on impressions rather than hard facts, as no quantification of effects can be given. An added value of the projects is that Sida has profiled itself as a pragmatic, businesslike organisation in view of the Swedish business sector.

Lessons learned

One of the determining factors for the success of the *Advantage* projects was the use of professional consultants with sector specific know-how and extensive networks in their respective sectors. This gave the projects credibility amongst Swedish businesses and allowed direct contact with major importers. Another determining success factor was a committed project management over an extended time. Such staff intensive projects are an anomaly in an organisation like Sida with its large aid budget, limited staff and problems of administrative capacity. A third contributing factor for success was the design of the projects in the sense that they a) used a process style allowing considerable flexibility, trial and error; b) mixed practical commercial events with training and company upgrading; c) made relevant selection of sectors for which the Baltic states have a current comparative advantage and which play important roles in their economies, and d) had an accurate timing when the learning curve in enterprises in the Baltic states was steep and the eagerness to understand Western markets great.

Recommendations

In terms of replicability, the *Advantage* project approach makes sense in some situations, but not in other. There are cases when development assistance is not justified as the market forces are strong enough on their own, requiring no aid catalyst to emerge. In such cases external assistance such as the *Advantage* project would be superfluous. This, would for example be the case of the Baltic states today, or in other more advanced Central and Eastern countries such as Poland. There are, on the other hand, cases when efforts to bring buyers and sellers together through a fair based project would lead to no additional business in the foreseeable future as the commercial conditions are too unfavourable, the quality standards too poor, etc.. Trade development such as the *Advantage* projects must fall between these extremes to be effective aid.

The *Advantage* project concept is sufficiently interesting to be explored in other countries, and in other sectors where these conditions are fulfilled. The *Advantage* concept could also be an instrument in a more comprehensive approach to private sector development: the concept could be used as a means of diagnosing the constraints and opportunities in an industrial sector. Such a diagnosis might be followed by an aid financed programme of upgrading the sector, in which importers participate as partners. Major Swedish importers already invest in upgrading new sources. Sida could be a partner in such industrial upgrading on a cost-sharing basis, thereby promoting an interest in countries for which the current commercial interest is less.

1. Introduction

1.1 Background

This report concerns an evaluation of the *Advantage Estonia, Balticum and East* projects carried out from 1993 by SwedeCorp, and after 1995 by Sida. While *Advantage East* covers more countries, the evaluation concerns Estonia, Latvia and Lithuania only. The projects are in the form of technical assistance support directly at the enterprise level. They are based on the concept of linking Swedish importers with Baltic producers with trade fairs as the key means. Local business organisations were included in the projects as counterparts with the idea of building competence in these to enhance their services to member companies. The projects have involved four product groups: textile and garments, furniture and furniture components, gift items and mechanical engineering products. It is the first category of products which have been subject for most activities, secondly furniture.

The *Advantage* projects have evolved through a learning process. They have been reformulated several times, with some activities aborted and other added. They started in 1993 under the name *Advantage Estonia* and expanded in 1994 to all the Baltic states under the name *Advantage Balticum*. In 1997 other Central and Eastern European countries were also included under new name *Advantage East*. The *Advantage* projects have led to several follow up projects, most notably *Textilica*, further described below, and an institution building project in Lithuania in co-operation with *Svensk Handel*. The total budget for the *Advantage* projects 1993–1999 has been SEK 9,3 million, of which SEK 7,9 million for the Baltic states. *Advantage East* is now in its final stage: it has ended in the Baltic states, and the current phase concerning Ukraine, Russia and Macedonia is expected to end in 1999. The total cost of the project, according to Sida, is SEK 4,0 million for the Baltic states.

1.2 Purpose of the evaluation

The purpose of the evaluation is, according to its terms of reference, firstly to assess effects, sustainability, relevance, effectiveness and efficiency of the activities carried out in the Baltic states, and secondly to discuss the concept and methodology from a policy point of view in respect of possible replications to other countries and other industrial sectors.

The specific questions and issues to be addressed by the evaluation are the following, according to its terms of reference:

- Is the method efficient as compared to alternative means to reach the same objectives?
- Has there been a difference between the countries in the implementation?
- Is there a potential to use the same concept for other sectors than textiles and garments?
- Has the *Advantage* projects helped Swedish buyers in their business attempts on the East European market?
- Is the *Advantage* projects a condition for the enterprises' participation in *Textilica* or does *Textilica* stand alone without the activities of the *Advantage* projects?

The terms of reference request assessment of a series of parameters, and suggest various indicators

¹ What in this report has been called the *Advantage* projects are in the ToR named Advantage East.

to assess the performance and results in respect to these parameters, as outlined in table 1 below.

Table 1. The specific requests of the terms of references

Parameters	Indicators
<i>The effect on the target group</i> (enterprises and participating private sector organisations)	<ul style="list-style-type: none"> ▪ Own export promotion by the enterprises ▪ Export revenues ▪ Private sector organisations' capacity to provide assistance to enterprises ▪ Increase in members of the organisations
<i>Sustainability of results</i>	<ul style="list-style-type: none"> ▪ Maintained export capacity ▪ Maintained business relations (follow-up orders and business contacts) ▪ Maintained service capacity by private sector organisations and increased professionalism
<i>Relevance of the concept</i>	<ul style="list-style-type: none"> ▪ Concept relevant to enhance export and export capacity of Baltic enterprises ▪ The demand from enterprises of the services provided ▪ Relevant for country strategies for development
<i>Additionality</i>	<ul style="list-style-type: none"> ▪ Value added of the project to enterprises' export activities ▪ Similar activities by others ▪ Difference in approach between <i>Advantage East</i> and other programmes
<i>Effectiveness</i>	<ul style="list-style-type: none"> ▪ Choice of enterprises ▪ Choice of private sector organisations
<i>Developmental effects</i>	<ul style="list-style-type: none"> ▪ Feasibility of model to address export capacity of countries ▪ Interest in Swedish business community for the target countries ▪ Interest in Baltic business community for Sweden as export market
<i>Achievement of objectives</i>	<ul style="list-style-type: none"> ▪ Degree of achievement of objectives and timing
<i>Cost effectiveness</i>	<ul style="list-style-type: none"> ▪ Disbursements ▪ Personal resources used ▪ Value for money
<i>Efficiency</i>	<ul style="list-style-type: none"> ▪ Used resources ▪ Use of external consultants in relation to Sida personnel
<i>Cause and effect analysis</i>	<ul style="list-style-type: none"> ▪ The degree to which project contributed to outcome; ▪ Influence of other factors ▪ Determining factors for results of project
<i>Long-term impact</i>	<ul style="list-style-type: none"> ▪ Exports from Baltic states to Sweden
<i>Cross-cutting issues</i>	<ul style="list-style-type: none"> ▪ Spin off effects

The detailed terms of reference are given in annex 1.

1.3 Methodology

This evaluation has been carried out by Claes Lindahl and Petra Stark, MPI. The evaluation was undertaken through a review of available documents, interviews with various stakeholders such as Sida desk officers, the consultants responsible for implementation of the various elements of the projects, representatives of the counterpart organisations in the Baltic states, a large number of enterprises which participated in the project activities, donor agencies and other institutions of relevance. The assessment was initiated in January 1999. The consultants met several of the participating enterprises and the private sector organisations at the Sida sponsored textile and garment fair, *Textilica* in Stockholm in February; personal and telephone interviews were made with project consultants and Swedish importers during February, and the field work in the Baltic states was

undertaken March 15 – March 25. Report writing and follow up work were conducted in April 1999. A first draft was circulated to Sida in May and comments received. These have been taken into account in the finalisation of the report.

Altogether 22 Baltic participating manufacturers from the Baltic states were interviewed during the evaluation, of which 16 in the textile and garment sector, and 6 in the furniture sector. Some of the enterprises that had participated could not be met as the companies had gone bankrupt. The terms of reference request only an evaluation of the activities in the textile and garment sector. However, to give a full picture of the projects, and especially to study the potential differences between product sectors, interviews were held with selected manufacturers of furniture and furniture components. An indirect assessment of the performance of the participating enterprises was made through the relevant business organisations.

The companies and persons met are listed in annex 2.

1.4 Issues of reliability and validity

The project documents and the background proposals are short and contain little information as to the expected results, except in general terms. As such they provide limited guidelines and benchmarks of the status pre-project, the expected results, the logical links between inputs, outputs and results. As far as we have been able to identify, there is, for example, no LFA prepared for any of the *Advantage* projects. Decision memoranda are very brief, sometimes not including the objectives with the support. In view of this, the evaluation must rely on general observations, more focus on basic issues than precise impact assessments. It must also be stressed at the outset that the projects under review took place at a time of great change in the Baltic states. The project could realistically at most contribute on the margin to a change process in which many other factors stimulating change were at hand. This makes assessments of cause and effect difficult.

This evaluation is to a large extent based on interviews. It concerns business information that can be considered sensitive and confidential by the participating companies. While many of the companies interviewed were quite forthcoming, and provided us with data on aspects such as exports, turn-over, we have no ability to verify such information. Other companies did not want to disclose such information, and some enterprises refused altogether to be interviewed. The latter was the case, for example, with one of the most important garment importers in Sweden. The accuracy of the information provided can in some cases be questioned as the person interviewed did not personally participate in the events of the *Advantage* projects.

1.5 Structure of the report

This report is structured in the following manner:

Chapter 2 presents the *Advantage* projects and their design, objectives and implementation procedures. Chapter 3 gives the environmental setting for the *Advantage East* presenting the textile sectors in the Baltic countries and a sample of similar trade promoting projects. In Chapter 4 the results and effects of the different *Advantage* projects are presented for both the textile and garment sector and the furniture sector. Chapter 5 makes a broader assessment of the *Advantage* projects. Chapter 6 given the overall conclusions, lessons learned and recommendations.

2. The projects

2.1 Advantage Estonia

The background of the *Advantage* projects was twin city co-operation (*vänortssamarbete*) in which several Swedish municipalities invited Baltic firms to participate in local trade fairs. The Baltic enterprises generally paid their own costs for such participation. The result had limited impact, but it spurred the idea of a more formal project arrangement.

SwedeCorp initiated a pilot project, called *Advantage Estonia*, in 1993. This project focused on enterprises involved in the production of gift items and sub-contracting in the mechanical engineering field. It included two trade fairs in Sweden: FORMEX (gift items) and the Technical Fair in 1993 (mechanical engineering). Simultaneously SwedeCorp was implementing the project *Africa Next* with a concept of linking African manufacturers with Swedish importers through direct market contacts and trade fair participation.

The experience of *Advantage Estonia* was mixed and the results less than expected. In the gift item industry it turned out to be difficult to match importers and exporters since the importers and producers were made up of too many small enterprises. Also in the mechanical engineering field the results were less than expected as the technology used by the Estonian firms generally was too old for the Swedish market, making it difficult to find successful matches between Swedish and Estonian companies without considerable investments in technology in the Estonian enterprises.

Although the selected 'industrial sectors' were rather unsuccessful, the overall concept of the project was interesting enough for SwedeCorp as the basis for a new project. This project called *Advantage Balticum*, included besides Estonia, also Latvia and Lithuania.

2.2 Advantage Balticum – the first phase

2.2.1 Project design

The concept of the project, according to the project proposal, was that 15-20 companies from each of Estonia, Latvia and Lithuania would be involved in well orchestrated market activities in Sweden in a few selected product groups. The companies would be selected by Swedish consultants with direct sector know how, who, together with local business organisations, would identify enterprises which had a sufficient production and product quality to be attractive to the Swedish market.

Thereafter the companies and the business organisations would be provided with hands-on training in marketing and invited to participate in selected trade fairs in Sweden. The project would develop special training material, presentation materials of the companies for the fairs, and also actively support the companies during the trade fairs. After the fairs the results would be analysed jointly by the project consultants, the companies and the Baltic business organisations, and lessons for further development drawn. About half a year later, another assessment of the results would take place. The project was seen as a learning process, i.e. the initial experiences would determine whether there was sufficient commercial interest for an expansion.

Twelve different fairs were envisaged in the project document, covering furniture, garments and textiles and mechanical engineering. The building sector was also seen as a potential industry.

SwedeCorp approved a project for 1994-95 with an initial allocation of SEK 2,1 million. A continuation was foreseen, should the first phase lead to the expected results. A tentative budget of SEK 2,5 million was indicated for an additional year (1995/96).

2.2.2 Objectives

In SwedeCorp's Decision Memorandum for the *Advantage Balticum* project, dated January 1994, the overall objective of the project is stated as:

improve the communication and business opportunities between Swedish importers and Baltic exporters through practical activities combined with training. The task of SwedeCorp and the local partner organisations is to, inter alia, secure that the outcome is based on sufficient commercial interests to ensure that the initial trade fair activities will lead to sustainable trade relations.

In a Decision Memorandum of April 1994 for one of the trade fairs, the objective is elaborated further as:

improve the communication and cultural understanding between Swedish and Baltic enterprises, and in the extension of this, also develop the Baltic business organisations.

In other contexts, the stated objectives also include competence building in the form of:

transfer of know how to Baltic enterprises and business organisations in the Baltic states in respect of how enterprises function in a market economy (SwedeCorp 1994).

No quantitative targets were established, nor any indicators to judge performance.

2.2.3 Implementation

Although different industrial sectors were included in *Advantage Balticum*, the method applied has basically been the same. These principles were:

- Involvement of a relevant local business organisation. These organisations were, for example, industrial associations in the textile and furniture sectors, trade councils and Chambers of Commerce.
- A careful pre-selection of enterprises that were judged motivated and qualified enough to participate.
- After a first selection of possible participating enterprises a "qualification – seminar". After this seminar the final selection of enterprises was made with the goal to find 15-20 enterprises for each activity.
- The Baltic enterprises had to pay a certain fee for the participation which varied in the countries. The purpose of the fee was not so much covering costs, but to prevent less serious companies to participate. The local business organisation would receive these fees to cover their expenses.

Apart from the local organisations a Swedish implementing consultant, who was well acquainted with the sector and the companies in it, was also involved. The consultants chosen to implement the project was *Advantage Consulting*, (Per Hagman) which, in its turn, used sub-contractors in the different sectors. In the furniture sector the Swedish Furniture industry Association (*Svenska Möbelindustriförbundet, SMI*) was used (Bengt Bergman) and in textiles Pekka Lindberg.

The first activity to take place in *Advantage Balticum* was in the furniture sector in Estonia. In May 1994 Estonian firms participated in the Furniture Fair in Stockholm. The evaluation of the event by the consultants showed a very positive response from the participants in the form of 57 new potential customers, written orders of SEK 20 million.

The second event involved 17 Estonian and Latvian firms which participated at the Fashion Fair in Stockholm August 1994. The consultant's evaluation of the outcome showed that during the fair, 78 business contacts were made, and the companies had established contacts with 40 potential customers. The estimated order value was SEK 20 million at the fair, and the additional order value within the first year was estimated to SEK 37 million.

The third activity under the project was an effort of subcontracting Baltic companies in the mechanical engineering sector to Swedish firms. To identify suitable sub-sectors, a business organisation from each of the three countries visited the *Elmia* subcontracting Fair in November 1994 in Sweden. Their task was to assess the industrial sectors in their respective country in order to identify which sectors that should participate at the *Elmia* fair the following year. In connection to the visit in Sweden by these organisations, a seminar concerning quality issues in general and ISO 9000 was held by a consultant.

In 1994 the possibilities for the Swedish Furniture Industry Association (SMI) to assist its Estonian equivalent, the Estonia Woodworking Federation, EWF, in its future activities were explored. The purpose was to increase EWF's market orientation and to assist them in setting up an information centre for the benefit of its members. SMI made several proposals, but nothing was implemented. The reason, according to SwedeCorp's project manager, was that EWF was still at an early stage of adjusting to the new economic environment and that its leadership showed limited interest in such a reform process.

In February 1995 10 Latvian furniture firms participated in the Furniture Fair in Stockholm. The concept and the design of the activity was the same as the previous year. The consultant's evaluation showed 47 potential customers to the Latvian enterprises as a result of the fair, an approximate order value of SEK 18 million, and an additional expected first-year order value of SEK 40 million.

The next activity was participation of Lithuanian companies in the Borås Fashion Fair April 1995. Prior to fair, a three-day seminar for the firms covering marketing issues was held. 12 firms participated at the fair. A follow-up seminar in Lithuania indicated 112 new business contacts and 56 potential customers. The order value at the fair was estimated to SEK 40 million, and the additional first-year estimated to SEK 82 million.

At the end of the project period only about half of the anticipated twelve trade fair activities had taken place. The results of the project was, nevertheless, encouraging and in line with SwedeCorp's initial decision, a continuation was agreed, but with a considerably expanded budget.

2.3 Advantage Balticum – the second phase

2.3.1 Project design

In November 1995 a decision to continue *Advantage Balticum* was made by SwedeCorp for an additional year (1995/96), with a total budget of SEK 4,75 million. The second phase was based on the previous *Advantage Balticum* concept. However, apart from continued activities within the textile, furniture and mechanical engineering industries, support to the local partner organisations was

enhanced, including production of *import guides* for the textile and furniture sectors. Independent evaluations of the previous trade fair activities should also be undertaken according to the Decision Memorandum. The new phase included 18 specified activities including trade fair participation, evaluations and business organisation support. The budget was divided as outlined below in table 2:

Table 2. Budget of Advantage Balticum second phase (SEK 1000)

Sectors	Estonia	Latvia	Lithuania	Total
Furniture and furniture components	500	500	1,200	2,200
Textiles & garments	500	500	350	1,350
Mechanical engineering	300	300	300	900
Project preparations				300
Total	1,300	1,300	1,850	4,750

As noted in the budget, and also indicated in the first phase, the furniture & furniture component sector was given most attention during the *Advantage Balticum*. The early evaluations by the consultants had also indicated immediate results, and, overall, the wood industry was considered a sector in which the Baltic states had a comparative advantage on the international market.

2.3.2 Objectives

In the Decision Memorandum for the extended Advantage Balticum project, dated November 1995, the overall objective of the project is stated as:

to obtain long term co-operation and trade.

The objective for the tool making sector was specifically *to develop the exports of tools for the benefit of the industrial development in the receiving countries*, and the support to the local business organisations: *to strengthen the organisations to provide the services demanded by its members.*

These objectives are elaborated in other sources of official information material about the *Advantage Balticum* project, for example *support the growth of commerce in Estonia, Latvia and Lithuania as well as export from these countries* (Sida: Create Business Contacts and Exports to Sweden).

2.3.3 Implementation

Mechanical engineering

The feasibility studies undertaken by the Baltic business organisations in respect of which sub-sector of mechanical engineering which would have the best potential, indicated tool-making. A market study of this sector in the Baltic countries was thereafter undertaken by the consultancy group HIFAB. The conclusion of the study, however, was negative, and recommendation was made that the project should not continue. The study showed that there were maximum ten companies in the Baltic countries which could be considered for a match making effort. In general, the study concluded there was a need for considerable investments in order to secure the quality of the tools delivered. Based on the study, SwedeCorp made a decision to drop the tool making industries from the project. Nevertheless, according to Sida, about five Swedish firms established contact with the firms identified in market study, and one of these placed an order in Latvia of SEK 0,2 million.

Furniture

Given the success of the previous furniture activities in Estonia and Latvia, the project began investigating the Lithuanian furniture and furniture components market in March 1995. The work included finding local organisations appropriate for co-operation and an analysis of the market. A concept to be tested was support of manufacturers of upholster furniture which would combine the furniture sector with the textile sector.

In mid 1996 an evaluation of *Advantage Balticum* furniture part was undertaken by the East Swedish Chambers of Commerce in co-operation with Nordiv AB. The evaluation concluded that the value of the orders resulting from the fairs as given by the implementing consultant had not been achieved, but the activities still had many positive features. The participants had received good training, and over time the quality of the products had been improved.

In spite of the fairly good assessment by the evaluation, the furniture component of *Advantage Balticum* was not continued. One of the reasons seems to have been a conflict of interest between the role as a Sida consultant and personal commercial interests in the furniture sector. Sida was not able to identify a new consultant to carry on the project.

Textiles and garments

In response to the positive reactions from the Swedish firms to the textile and garment fairs in 1994 and 1995, it was decided to strengthen the support to these firms. The task was to inform and give advice to the Swedish importing firms about the business possibilities in the Baltic countries. Apart from this; the implementing consultant should support both local and Swedish firms in their attempts to establish contact with each other when the Swedish firms visited the Baltic states. Thus, rather than short-term inputs, the support to the enterprises was extended for a longer period of time.

As a follow up to the Borås Textile Fair in 1995, the project arranged a visit by 10 major Swedish and one Norwegian garment importers to the *Baltic Textile & Leather Fair* in Vilnius September 1995. The Swedish firms, which included amongst others Elof Hansson, Ellos, Cellbes, Hennes & Mauritz, Indiska, KappAhl, Lindex, JC Jeans, and the Norwegian firm Oglænd, also held presentations where they specified their needs and demands. The trip by the Swedish importers was considered successful. The additional first-year order value was estimated by the consultant to be approximately SEK 60 million. A follow-up meeting was also held in November to discuss the preliminary outcome. Participants were Sida, the counterpart organisation, the Association of Light Industry Enterprises of Lithuania, LPIA, and about 25 Lithuanian textile manufacturers. During the meeting a proposal of future co-operation between Sida and LPIA was presented.

A first result of the proposal by LPIA was a pilot study at the end of 1996 in co-operation with *Svensk Handel* and the *Swedish Trade Council*. The umbrella organisation *Swedish Lithuanian Chamber of Commerce* was used to gather Swedish industry- and organisational competence to assist Lithuanian business organisations in their development work. As a result of the pilot study a proposal of a three-year project was presented to Sida with a budget of SEK 5,2 million. The idea was combining training with sharing of experience through, for example, "internships" at the associations. The support should be rendered at the company level and the association level. The co-operation between the private and public sector in Sweden was considered to be of great importance in the learning process. This project is now being implemented as a separate project not part of *Advantage East*.

In 1996 there was no participation of Baltic companies at the Fashion Fair but a seminar called "*Baltikum – det nya Borås?*" was organised in Sweden for Swedish importers. There was no participation by Baltic enterprises in this event.

A new element of the project was the concept of producing an *Importers' Guide to Estonia* for the textile and garment sector. The content of the guide should be general information about Estonia and its macro environment, facts about the textile industry and a list of Estonian textile firms. Only firms with real export possibilities were to be included. The target groups for the guide were importers and international trade organisations in the EU, especially those importing from outside the EU- or EFTA countries. The aim of the guide, apart from marketing Baltic firms, was to present and promote the local business association, Estonian Clothing and Textile Association, ECTA, both internationally and towards local firms in order to attract new members. The guide was to be produced in co-operation between the local- and Swedish business organisations. A condition put forward by Sida to support the guide was that ECTA would commit itself to produce forthcoming guides.

2.4 Advantage East

In 97/98 the *Advantage Balticum* project was extended to also include Ukraine, Russia, and Macedonia under the new name Advantage East. In total, SEK 2,5 million was allocated, of which SEK 1,05 million for the Baltic States. (Sida Decision Memorandum dated May 1998.)

The activities planned for the Baltic states under *Advantage East* were:

- participation in the first trade fair under *Textilica* in February 1999 for companies from the three countries.
- Production of *Importers' Guide* in Latvia and Lithuania
- Preparation for a new export promotion project in Lithuania.

No new specific objectives for *Advantage East* were formalised.

2.4.1 Implementation

Textilica

Marketplace Textilica is a project concept which had been developed by the Sida project manager for the *Advantage* projects, the consultant in the textile and garment sector, the Swedish Federation of Trade, and other representatives for Swedish textile importers. The project is to a large extent based on the experience from the *Advantage* projects. It is an ambitious project, planned for a longer period and involving more countries. The base concept is however the same: linking major Swedish (and other EU importers) to producers from 'new' suppliers in Sida co-operating countries through specialised trade fairs, sandwiched with training activities prior and during the fair, and follow-up evaluations for learning. Active involvement of local business organisations is also a part of the concept.

The first *Textilica* fair was held in February 1999. In total, 84 enterprises from 10 countries participated, of which 26 industries from the Baltic states. Of the Baltic enterprises, only six had participated in the *Advantage* projects. The reason for this low percentage of *Advantage* companies in *Textilica* was – according the Baltic business organisations – an interest to expose a wider group of enterprises to these type of activities.

Importers' Guide

In 1998 the Estonian Importers' Guide was placed on the Internet due to the project's involvement and financing. The same year the production of a similar guide for Latvia was initiated. Both Guides have been produced in printed form, and are now available on the Internet. The Latvian Guide is a 15 page document providing general information about the country, the economy, general information for travellers, and a list of 20 garment manufacturers. For the latter the guide provides basic data such as address, contact details, type of products, size and current exports. It is noteworthy, that of the listed 20 companies, only 2 participated in the Advantage projects.

3. The environment for the *Advantage* projects

3.1 The textile sector in the Baltic states

3.1.1 Estonia

The textile and clothing sector form the second largest industrial sector in Estonia with a total production value of USD 277 million in 1997, of which the clothing part makes up 32%.

In terms of exports has the sector constituted the major share of total exports during the major part of the 1990s. In 1998 the sector was no longer number one but the production still made up 11,5% of total exports. The value of exports increased from 1997 to 1998 with 13% to USD 365 million. The averaging growth rate within the clothing sector has been 27% since 1993. Of all textile and clothing exports in 1996 39% was subcontracting and outward processing with the major share going to Finland and Sweden. Other export markets are Germany and Austria and in eastern Europe countries like Ukraine and Russia.

The total number of companies in the sector has remained stable over the last three years with the share of companies employing less than 20 people remaining about 30%. In total the number of employees has decreased slightly since 1996 and whole sector employed. 23 000 in 1998, of which 14 000 in the clothing industry. Almost 60% of the Estonian clothing and textile sector's total turnover is accounted for by the eight largest companies. The turnover in these firms are increasing and the tendency among these companies is to move away from CMT work, i.e. the Baltic enterprises are responsible only for the sewing, while the foreign partner provide the material, the design, and sometimes even machinery, and to increase the share of their own designs and collections.

3.1.2 Latvia

The textile sector is the oldest branch of the Latvian industry with the first factories set up at the end of the 18th century. During independence 1918 to 1940 the textile sector was one of the leading sectors of the Latvian industry. During the Soviet time there was a great increase in quantitative growth and Latvia supplied the whole Soviet Union with textile and textile articles. Most of the garment enterprises were founded during this time and they were mainly large firms located in the Riga region.

At the outset of the transition the industrial output trend was negative and the whole industry went through a period of restructuring and downsizing. The former government owned firms were privatised and newly established firms also appeared. At the end of 1997 the textile sector employed approximately 30,000 people in some 190 enterprises, with 40% employing less than six people. Today most of the textile industry is still located in the Riga region while the clothing sector is also found outside the region. During the first years of independence the main part of exports continued to go to CIS, but the deteriorated economic situation in these countries forced the enterprises to find new markets.

The textile sector remains an important sector with an output of USD 280 million in 1997, 11% of the total industry production. Out of the total exports to the EU, textile and clothing constitute 20% with the most important countries being Germany and Sweden. Almost all of the production is subcontracting and CMT work. The initial obstacles for entry to Western markets have been more or less overcome. In 1994 the weight of textile exports to EU out of all textile exports of Latvia

was 41% which had increased to 59% in 1997. In terms of absolute numbers was the export of textile products to Western Europe USD 50 million in 1994 and USD 150 million in 1997. The decrease of exports is to CIS while the exports to Lithuania and Estonia and the remaining countries have remained stable since 1994. The sharp reduction of sales to CIS countries has not yet been outweighed by increased sales on the Western markets thus the quantities produced are still much smaller than in 1990.

As for the sub-sectors, sewing and work clothing is the largest one with one third of total sales of the textile industry in 1997. The second largest sub-sector is man-made filaments with 24% of the total textile industry output in 1997. Wool, cotton and synthetic fibre each produce about 10% of the output while the smallest sub-sector is industrial textiles with 6%.

According to a SWOT (Strengths, weaknesses, opportunities, treats) analysis done by the Latvian Development Agency, LAA, the strengths of the Latvian textile industry are a skilled and flexible workforce, experienced engineering and design staff, devoted management, high quality production and design equipment and substantial experience of working both on the Eastern market and with customers and partners from Western Europe. The weaknesses are considered to be the lack of marketing, logistics, packaging design and quality, old production premises, the lack of long-term thinking and insufficient working capital.

Today the main competitive advantage is the low labour costs for most textile firms but as the wages are increasing they will have to change strategy. Two choices are to either make substantial investments to ensure a higher productivity growth than wage increase, or to invest in developing brand names.

3.1.3 Lithuania

The textile sector has a long-standing tradition in Lithuania. In 1997, the production volume accounted for 7% of the total industrial output, making it the fourth largest industrial sector after food processing, refined petroleum products and chemicals.

At the end of 1997 there were some 960 textile enterprises in Lithuania employing a total of 30,000. Approximately 80% of these are small firms with the number of employees of less than 15. Approximately 20% of the textile firms are newly established and out of these 10% have foreign direct investments. At the beginning of 1998 the total amount of investments accounted for approximately USD 50 million, or 4.5% of all FDI invested into the country. Since the raw materials are not available most of the Lithuanian textile firms import the materials needed for their production, with wool and cotton constituting 90%.

In 1998 the sector made up 17% of the total exports of Lithuania with a value of the exports were USD 628 million in 1997. Of the total production 75% is exported and 66% out of the exports goes to the EU. The largest export markets are Germany with 25% of total exports, Denmark, Sweden and the UK with 10% each. Russia used to receive 10-15% before the crisis in September 1998. The garment sector is the most promising of the industry and the sector which has most successfully re-oriented to the Western markets and the EU. Thus the effects of the crisis in Russia in 1998 will have a limited effect on the sector.

Today the largest competitive advantage of the industry is the low labour costs. However, the wages are increasing and in the long run the wages are expected to converge to Western levels. This implies that the industry has to find other means to compete such as increased productivity and quality. Already today the quality of the products and the assortment have improved which is being

recognised at the international market. The future strategy of the garment sector is expanding the exports of own brands. Currently about 15% of the exports are ready-made production and the remaining 85% CMT work.

The tendency within the sector is output growth, which is mainly due to increased competitiveness and new markets. The increased competitiveness in turn is due to the influx of new technologies, the rapid modernisation of the production base and an increased productivity. This tendency began already in 1993-1994.

3.2 Other trade promoting projects in the Baltic States

There are many projects in the Baltic states sponsored by different donors which aim at promoting trade and developing the Baltic enterprises. Most Western countries have trade promoting or investment promoting projects with various kinds of match making efforts between Baltic enterprises and companies from the country in question. Such projects have, for example been carried out by bilateral projects from Germany, Britain, Denmark, Finland, Holland, USA, Japan and Canada. Below a sample of these projects in sectors relevant for the *Advantage* projects are presented.

- A German sponsored project to a trade fair, including payment for the actual exhibition area at a home textile fair in Germany for a group of Baltic firms from Latvia;
- a pilot project sponsored by the Japanese External Trade Organisation, JETRO. The concept is to display goods from the Baltic countries at an exhibition that will move around Japan for three years.
- an Irish sponsored programme in which a representative for Latvian firms visited foreign firm of their choice for a week, similar to an internship. The programme included, inter alia, furniture.
- A Danish sponsored project within the woodworking and furniture sector which included training and internship at Danish companies.
- a Danish programme sponsored by the Danish Agency for Trade and Industry. The concept is training of Estonian consultants in export skills who thereafter will work with Estonian enterprises.
- A project within the furniture sector sponsored by a Latvian organisation in Canada. The project co-operated with the Latvian Woodworking Association. The project included a selected number of Latvian companies which spent two weeks in Canada where they visited companies, factories and shops.

These projects are limited in scope as compared to the *Advantage* projects. Example of a more considerable project is the Export Development Programme in Estonia sponsored by EU Phare.

The Estonian Export Agency, EEA, is currently running a two year programme sponsored by Phare with the overall objective of increase exports, as key element in internationalisation and improved competitiveness of Estonian economy, in preparation for EU accession.

The components to the programme are institutional development, a cost-sharing grant scheme, national promotion, training and sectoral development. The four sector on which EEA are focusing are the food industry, the wood and furniture industry, the clothing industry (including textile, but focus is on clothing), and the electronics industry. These four sectors were chosen since Estonia is seen as having a comparative advantage in them either due to raw material availability or high skills. The programme includes activities such as seminars, trade fair participation and identification of new customers. EEA co-operates with each sector's business association.

Within the clothing sector the export markets in focus are Sweden and the Czech Republic on the request of the Estonian companies. It can also be mentioned that EEA does not focus on the markets to which the Estonian firms already export to a large extent, such as Finland, or very large markets such as Germany and USA. So far the project has sponsored participation in the Fashion Fair in Stockholm in February 1999. A CD-Rom was also produced introducing the Estonian companies and their products. According to ECTA there were no results after the fashion fair in February in terms of new business. The programme consultant for *Textilica* believes that the EEA project is *nothing more than a beautiful fashion show and will not generate any business since it cannot attract the important buyers with its current methods.*

4. Results and effects

The *Advantage* projects have focused on different product groups and, related to these, different counterpart business organisations. Some of these product groups were aborted at an early stage, i.e. gift items and mechanical engineering, while furniture was aborted after 2 years of activities.

It is in the textile and garment product group which most activities have taken place, the sector in which all three Baltic States have been involved, and which has led to the follow up project *Textilica*. The reason for aborting gift items and mechanical engineering (tool making and sub-contracting) was technical. In neither sector, the matching concept of the project appeared feasible, in the latter case due to the technical and quality requirements of the industries, in the first sector due to the structure of the importing and exporting companies. The discussion in this chapter focuses on the textile & garment sector, but is also reviewing the results in the furniture & furniture component sector.

4.1 The Garment and Textile Sector

In all, 29 Baltic textile and garment enterprises participated in the project activities of the *Advantage* projects between 1994 and 98. Out of these 24 are still in business today, while five Estonian firms have gone bankrupt. Of the existing firms, some have undergone considerable changes since their participation in the project through joint-ventures, changes of management and restructuring. Table 3 below indicates the number of companies involved, the companies still in operation, and the number of companies interviewed during this evaluation.

Table 3. *Textile and Garment Enterprises*

	Estonia	Latvia	Lithuania
No. of companies participating	11	6	12
No. of companies still in operation	6	6	12
Companies interviewed	5	6	5

4.1.1 Perception of the project

With few, or any exception, the participating garment & textile industries expressed positive views of the project activities they were involved in. Even in cases where the trade fairs did not result in any concrete business, the enterprises considered the participation quite useful. Common expressions by the companies during the interviews were:

- It was a useful introduction to the Swedish market. We learned how the market functions, trends and so on.
- The seminars around the trade fair were very useful, and professionally conducted; they had a good balance between theory and practise.
- We learned about the customers, their demand, how the Swedish market operates;
- The fair gave us a chance to see what other companies are doing. You get new ideas this way;
- The designers passed on new ideas, materials, etc;
- We learned how to participate in a trade fair, how to prepare for it;
- The fair gave a chance to meet almost all major Swedish importers...

The *Advantage* projects took place at a time when almost all textile & garment enterprises in the Baltic states were forced to shift their marketing activities from passive supplying goods on command, to either supply customers in the former Soviet Union or to establish new Western markets. While the former clients in Russia continued to be important markets, the liberation of the republics led to an instant inflow of Western businesses looking for opportunities in the East, both in the form of trade and investment. A large number of Baltic textile enterprises established their first export business with the West in this way, often in the form of CMT. These initial market contacts have often evolved, and continue today. For some years the marketing behaviour of many Baltic firms was passive, waiting for the customers to find the supplier, sometimes accompanied with sales offer through letters, faxes, etc. The *Advantage* projects, especially during the first phase, took place at an opportune time when the marketing skills and the know how of the Baltic enterprises was still in its infancy.

During the interviews no expression of dissatisfaction with the *Advantage* projects was given, rather, there was a tendency of comparing the *Advantage* projects favourably to other, similar trade promotion activities.

4.1.2 Establishing business contacts

The *Advantage* projects clearly lead to a number of business contacts between the Baltic firms and Swedish importers in the textile & garments. The evaluations directly after the trade fair events, and the follow up half a year later, points to some specific quantitative data in terms of business contacts as a result of the fairs. We are not in a position to verify if these stated contacts are correct, partly due to interviewing only a sample of enterprises, partly as the recollection by the enterprises of such quantification is poor. Hence, only qualitative judgements can be made, and those indicate that the events indeed established quite a number of, often new, contacts. In this context the trade mission to Lithuania by 10 major Swedish and one Norwegian importer must be highlighted as a unique event.

While Sweden is an important and natural export market for the Baltic states, especially for Estonia due to historical reasons, the key markets for textiles and garments are in other countries, notably Germany and for Estonia Finland. Thus, the tendency amongst many firms would be penetration of these markets as a priority. Hence, the concerned effort by the projects might have contributed to some extent to a certain re-orientation. However, it must be stressed that the Baltic industries basically has a passive marketing strategy, i.e. wait for the market to come to them, rather than actively pursue the market. In this respect, the *Advantage* projects fitted in with their behaviour: it provided a well structured entrance to a largely new market, requiring little efforts and resources by the companies themselves.

From the Swedish point of view, the projects facilitated for Swedish importers to look at the Baltic market as new supplier. As so much of the ground work was done by the project, the 'cost and efforts' for the importer was reduced to a minimum. Thus, the consultant had undertaken an initial screening and selected enterprises with the best opportunities; had brought them to Sweden, prepared them for the new market, and in the case of the Swedish importers' visit to Lithuania, arranged this visit. At least for some of the Swedish textile and garments importers, the Baltic states was a new potential source. We believe that the project had a discernible effect in exposing the Swedish importers to this market. A notable feature of the business contact established by the *Advantage* projects was that some of the Swedish importers actively started to invest in a new source, by providing the Baltic enterprises with technical assistance and machinery. While this is not a unique feature of sourcing, the project most likely acted as a catalyst in such a process.

Obviously, a project of *Advantage Balticum's* nature cannot create business where the ground conditions are not right. What it might do is facilitate a process, perhaps speed it up to some extent, and possibly also redirect business relations on the margin. Thus, a well prepared project might stimulate a Swedish garment importer to develop a source in Latvia instead of, say Rumania. However, this should not be exaggerated. Swedish business firms are constantly looking for new sources, and the Baltic states are easily accessible, and also attractive due the their nearness, free access into EU, etc. At the time when the *Advantage* projects initiated work in the textile and garment sector, Sweden was already importing garments of an annual value of over SEK 0,5 billion from the Baltic states. While this is a small share of Sweden's total garment imports, there was steep on-going increase in imports at the time when the project started as indicated in figure 3 below.

4.1.3 Enhanced exports

In table 4 below, the assessment by the project consultants after the trade fair events in terms of orders received by the Baltic companies at the trade fair event, and estimated first year follow up orders are given. These assessments have been used by the project management to show the effects of the various activities under the projects:

Table 4. Assessment of immediate results following the trade fairs in the textile sector

Event	Year	Number of participants	Countries	Direct orders (7EK million)	First year follow up orders (7EK million)
Stockholm Fashion fair	1994	17	Estonia, Latvia	20	37
Borås Fashion fair	1995	12	Lithuania	40	82
Baltic Textile & Leather fair, Vilnius	1995	11 Swedish	Lithuania	10	50/

The accuracy of these figures cannot be verified by the evaluation as a 100% follow up of the enterprises could not be undertaken, and as the interviewed participating enterprises had not a complete recollection of these data. Overall, based on the interviews, we believe these figures more reflected intentions than reality, and that at least in some cases, expected orders were not carried out, either as the buyers were not satisfied with the delivery, or the Baltic companies were not able to meet their obligations.

It is also important to bear in mind that the garment and textile trade between Sweden and the Baltic states already was established when the *Advantage* projects started, and that some of the Baltic companies already were exporting to Sweden. Hence, orders established at the fair or thereafter might not have been a result of the fair per se, but would have been placed anyway, and the fair participation was used as a convenient forum. Nevertheless, the interviews during this evaluation indicate that, while a few of the firms exported to Sweden prior to the project, almost all participating companies established some business contacts with Swedish importers as a result of the project activities.

In our estimate, based on the sample interviews, is that a third of the participating companies in the *Advantage* projects are today exporting to Sweden. For a few of them, the Swedish market has developed into the largest export market for the companies. These companies have become regular suppliers to major Swedish importers such as H&M, Kapp Ahl, and Cellbes.

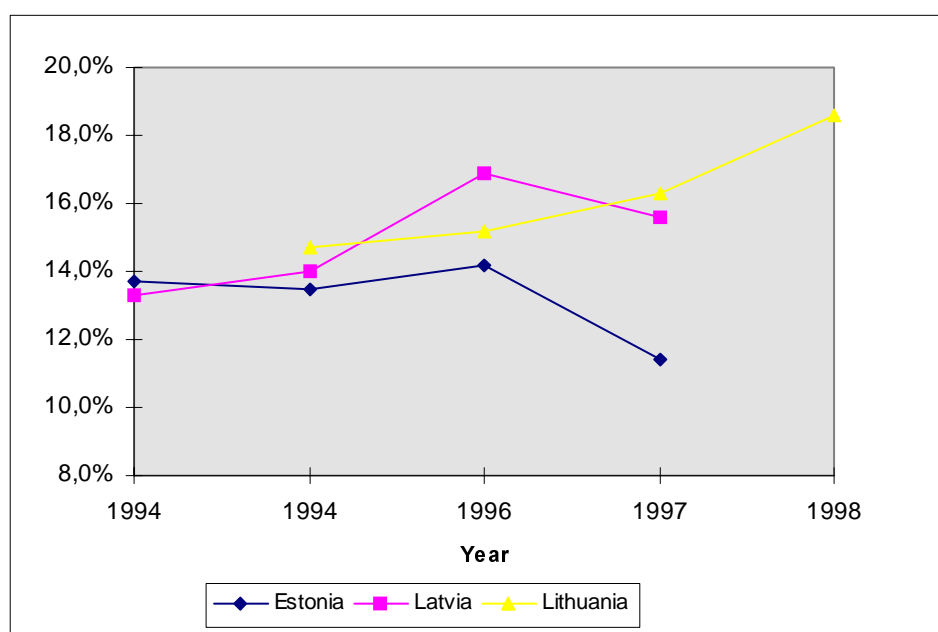
There has been a tendency to focus the reporting from the *Advantage* projects in terms of direct order volumes after the trade fairs as a measure of success. However, such reporting is, in our views, in

many ways misleading as an indication of the results of the projects. First, the reliability of such reporting can be questioned. Companies and project consultants might have a reason to over report. Second, if the project resulted in fact leads to considerable immediate direct (sustained) orders, the justification of the project could be questioned. It leads to the question why aid money should be provided for an event which obviously had a direct commercial value.

4.1.4 Long-term export capacity

Textiles and garments is an important industrial sector in all the Baltic countries, and the textile and garment exports have shown a positive development with growth per annum in the order of 20-25% in recent years. In Lithuania, the sector has expanded quite rapidly, increasing its share of total exports from 15% to nearly 20% recent years, while the sector has lost its share in Estonia, as reflected in figure 2 below:

Figure 1. Textile exports' share of total exports in the Baltic states



Source Estonia: Estonia Statistics Office information on the Internet: www.stat.ee

Latvia: Statistical yearbook of Latvia 1996 & 1997. Monthly Bulletin of Latvian Statistics 1/1998.

Latvian Statistics Office information on the Internet; www.csb.lv

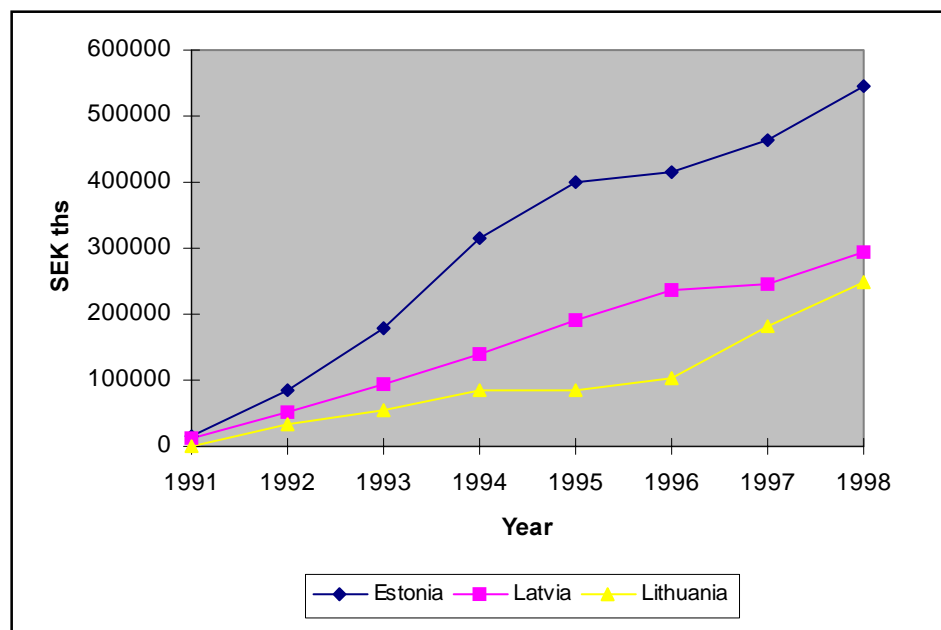
Lithuania: Lithuania Statistics Office info on the Internet; www.std.lt.

There are many factors explaining this development: the established production capacity at the time of the break up of the Soviet Union, trained manpower, low wages relative to Western Europe, free access to EU's inner market and geographical closeness to European markets. The latter is the key consideration as the garment industry is becoming increasingly specialised, lead time and delivery is added in importance. The *Advantage* projects have contributed on the margin to this positive development, but it must be stressed that it was just one of many factors. Nevertheless, the projects have focused on an industrial sector which is both essential for the Baltic states' exports, and also which has shown good growth potential.

4.1.5 Swedish – Baltic trade

At the time *Advantage* projects began work in the textile & garment sector, Sweden already had a substantial import of garments from the Baltic states, especially from Estonia. In total, the Swedish imports of garments was SEK 540 million in 1994 from the Baltic states, accounting for 3.3 per-cent of total Swedish garment imports.

Figure 2. *The Baltic Countries' Garment Exports to Sweden*

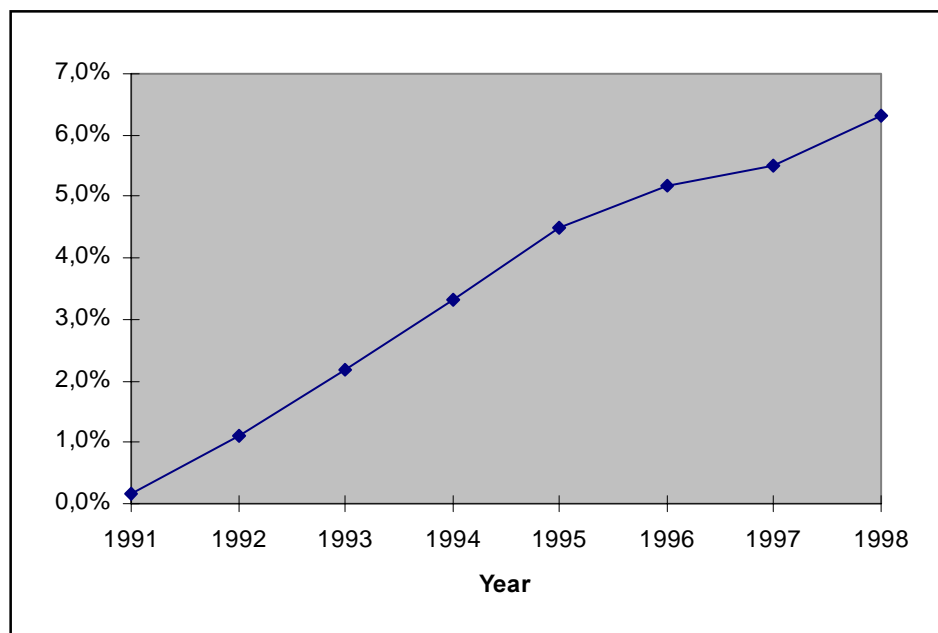


Source: Swedish Statistics Office: SDB UH062, UH064, UH216.

As noted in figure 3 above, coincidentally, the steepest growth took place prior to the Advantage projects, and has somewhat declined after 1994, with the exception of Lithuania, which shows an uptake from 1996 onwards.

The Swedish imports of garments from the Baltic states as percentage of all imports has also grown quite rapidly from the liberation of the republics, and accounts currently (1998) for 6% of all garment imports, or SEK 1089 million.

Figure 3. The Baltic Countries' Share of Sweden's Total Garment Imports



Source: Swedish Statistics Office: SDB UH062, UH064, UH216

In a macro industry perspective, how much can the *Advantage* projects have influenced the pattern of growth in garment exports to Sweden? Possibly only on the margin, especially in Estonia and Latvia. The business was already well underway, growth patterns before and during the projects are not different. Even if the claimed figures of the outcome of the trade events are correct, i.e. annual new business orders at a level of SEK 40-60 million, the incremental value of this is less than 10% of the annual imports of garments from the Baltic states at the time. Thus, in terms of assisting the Baltic enterprises to export to Sweden, it could be argued that at best, such efforts were marginal to what already was on-going through commercial market forces. While such an increment in itself has a value, for example by speeding up growth in exports in the Baltic states, a more important issue is whether the project added value in what type of exports the Baltic enterprises were involved in. It should also be stressed that the pattern is different in Lithuania as further discussed below.

4.1.6 Facilitating the transformation of the exports

The textile & garment industry in all the Baltic is undergoing a dynamic transformation not only from a former command economy to a market economy, but also within the latter. The Baltic companies started their export efforts to other markets than the former Soviet Union mainly by providing subcontracting in the form of sewing and cutting, while the Western customers provided material inputs and designs, and sometimes even machinery. The companies are not actively searching markets, but waiting for clients to find them. This type of exports is common in developing countries, and the value added is only in the form of wages. Its competitiveness is to a large extent based on low wages. The next stage in development of such industries is that the enterprise is taking care of the full production, including procurement of materials and other inputs for the manufacturing, but still based on designs provided by the customer. More advanced forms of exports include that the manufacturer is providing their own design, and sell products which might be marketed under the customers' brand name to the final stage of manufacturing under own internationally known brand name. From a business perspective, profitability is associated with higher degrees of value added. The ability to compete with low wage producers, especially after

2004 when the Multi Fibre Agreement is abolished, and low cost producers such as China have full access to Western markets, depends also on the ability of the Baltic industries to take care of a larger share of the manufacturing process.

In the Baltic States the textiles and garment industries are in a process of transforming from CMT to full sub-contracting for exports. Many firms make their own collections, and in a few exceptional cases, the industries are trying to establish brand names for Western exports. The industries will increasingly depend on marketing skills, the ability to find niche products and niche markets, rapid response to customers changing demands, ability to read and predict fashion trends, as the wage level in the Baltic increases and the trade restrictions to affluent markets are dismantled. The comparative advantage for the Baltic countries are logistics, first in terms of transportation to Europe, but also in terms of the capability to change production quickly. This means that the customers do not have to place orders in such advance as is necessary in Asia.

The *Advantage* projects focused on this transformation, indirectly as the Swedish garment importers to a lesser extent than, for example German companies, demand CMT work. The effort to take the producers to the markets, expose them to what other producers do, train them in marketing, added to the efforts of transformation. Thus, the value of the *Advantage* projects in our view lies in these efforts of transfer of know how. Obviously, the best means for such transfer is through the commercial links directly, but the project had a formula for guidance of such transfer.

4.1.7 Strengthening of counterpart organisations

Estonia

In Estonia, the project worked initially with The Estonian Trade Council, but shifted in 1997 to the Estonian Clothing and Textile Association, ECTA. The project's experience with the trade council was less than satisfactory. ECTA, or formally, the Estonian Clothing Manufacturers Association, was founded in 1993 by 18 enterprises within the sector, and at the time of the *Advantage Balticum's* first activities not well established enough to be considered as the counterpart organisation. ECTA has presently 67 members, representing 70% of the total Estonian textile production. The association is financed mainly by the member fees and currently there are two people working at the association.

ECTA's involvement in the project has been limited, mainly in the production of the *Clothing and Textile Importers' Guide* and in placing the guide on the Internet. It would be difficult to argue that any significant capacity building of ECTA has taken place in the project due to these limited involvement. However, the co-operation has continued as ECTA was used in the first *Textilica* project in 1999.

Latvia

The Latvian Chamber of Commerce and Industry (LCCI) has been the counterpart organisation since the beginning of *Advantage* projects in Latvia. LCCI, originally established in 1934, but recreated as a voluntary chamber after the liberation, is today the sole chamber of commerce in Latvia with approximately 700 members and 30 employees. Some of its most influential members are textile manufacturers. LCCI's capacity building as a result of the *Advantage* projects is mainly a result of exposure to the projects and participation in the different activities. The chamber is considered one of the more professional private sector organisations in Latvia, and in general in the Baltic states. As trade fair participation, trade missions and export marketing are some of the chambers key services to its members, the competence development which has taken place in the *Advantage* project has been most relevant. The chamber is also the co-operation partner in *Textilica*.

There were other attempts during the *Advantage* projects to have more formalised institution development activity with LCCI, similar to what is taking place in Lithuania, as further described below. This effort never took off, according to Sida's project manager, because it might have interfered with other SwedeCorp's activities.

Lithuania

The Association of Light Industry Enterprises of Lithuania (LPIA), has been the counterpart organisation in the *Advantage* projects from the inception in the textile sector in Lithuania. The association was established in 1991 with the purpose to promote economic, technology and social development of light industry enterprises, consisting of textile, sewing, knitwear, footwear, fur, and leather enterprises. It has about 140 members. Similar to LCCI above, a main function for LPIA is to undertake trade fairs at home and abroad, and other export development activities and as such the *Advantage* projects are highly relevant experiences for the organisation. As mentioned earlier, there is co-operation between LPIA and the Federation of Swedish Commerce and Trade for institutional development with the support of Sida – a project which was a direct result of *Advantage Balticum*.

At the outset of the *Advantage projects* the private sector organisations were newly established. ECTA, LCCI and LPIA have increased their number of members since the outset of the project, and ECTA, as the smallest one, attributes the increase partly to their involvement with the *Advantage* projects. All the organisations have support from other donors, partly for institution building purposes, partly in a similar way as in the *Advantage* projects as the counterpart to specific trade development activities. For example, Sida is supporting LCCI through a chamber of commerce twinning project. It is quite difficult to isolate the effect of the *Advantage* projects from other sources of influence in capacity building, not least the efforts by the organisations themselves. While the *Advantage* projects have limited, if any direct institution building activities for the organisations, their participation in well managed and professionally conducted trade fair activities, might be as good, if not more useful assistance. A key issue for all private sector organisations is to create credibility for themselves in their industrial sectors and for their members. Such credibility is created by professionalism in services, and by the ability to provide attractive services to their members. In the *Advantage* projects they have been able to offer their members a quite valuable service, i.e. participation in the activities in the project.

4.1.8 Differences between the countries

Above the three Baltic countries have been discussed all together but there are differences both in terms of results of the *Advantage Balticum* project and in terms of the outlook for the future.

Estonia was the first of the three to be involved and on a general level the results are the weakest in comparison to the other two countries. Five of the companies are non-existent or have been restructured. One or two of the others are currently having serious difficulties. From our information three could be classified as doing well, all three continuing to export to Sweden. One of these has been bought by the largest garment producer in Estonia and is now a production unit within the large company. The other two both also participated in the *Textilica* fair in February 1999.

In Latvia the number of firms involved was much smaller, according to the Swedish consultant due to the smaller number of firms suitable. All six are still in business and all are exporting. It seems as if the crisis in Russia has affected the companies in Latvia overall to a larger extent than in the other two countries. One of them has serious difficulties and two others large companies are also struggling. The remaining three are very different from each other, with one having a small niche of

hand-made linen products, the second one is involved in industrial production of linen and the third one produces lingerie. The latter seems to have succeeded the best following *Advantage Balticum* and now exports 60% of its exports to a Swedish company.

The Lithuanian companies seem to be doing the best. From the information available to us, only one firm out of the 12 is not doing well. Some of the companies are quite successful, exporting the majority of their production to Western countries. At least three of the firms have Sweden as their largest market and they attribute this development to the participation in the *Advantage* projects.

What might explain this difference of success between the countries? First, there are differences how well the textile and garment sector is doing in terms of exports in the three countries. While textiles and garment is a growing export product in all the three countries, in Estonia other product groups are showing a more successful relative growth. In Lithuania, on the other hand, textiles and garments is taking an expanding share of Lithuania's overall exports, as indicated in figure 2 above. There are various factors that might explain such differences. For example, Lithuania had at the time of the break up of the Soviet Union, a fairly modern machine park in its textile and garment sector.

Are there factors of relative success which can be attributed to the projects? One such factor might be the selection of the companies. Estonia was first in the *Advantage* projects, and the experiences gained during implementation might have improved the chance for success through better selection of enterprises. Another potential factor is the visit by Swedish importers to Lithuania in 1996. This activity, which requires a more active role by the customers and also provides a full picture of the country as a whole as a source, is said to have been quite successful.

4.2 The Furniture and Woodworking Sector

In total 27 furniture companies participated in the two activities in Estonia and Latvia under the *Advantage* projects, and out of these 20 are still in operation. During the evaluation, six of the latter have been interviewed, of which half in each country.

Table 5. Furniture Enterprises

	Estonia	Latvia
No. of companies participating	13	14
No. of companies still in operation	9	11
Companies interviewed	3	3

4.2.1 Perception of the project

All the interviewed companies appreciated the *Advantage* project. The seminars were considered to be interesting and the section discussing marketing especially important. One firm states that the knowledge that was gained through the project was crucial for the firm. Prior to the participation they had no knowledge about the business conditions in Western markets and they had acted purely on intuition. One firm claimed that the value of *Advantage Balticum* was to assist the firms in deciding their future strategies; "to fix their ideas and to help to decide what the firms should do in the future." Apart from the direct training, the chance to meet with other manufacturers and to be exposed to competitors products at the trade fair was also considered important. One firm argued that the project made them realise the need to upgrade their production technology through investments, and that marketing without such upgrading would be fruitless, if not counterproductive.

Several of the companies claim that the participation in *Advantage Balticum* speeded up the transition of the industries, and that without the project, it would have taken longer and they would have made more mistakes. The companies would eventually have been able to reach the same results on their own but it would have been costly.

4.2.2 Enhanced exports

In table 6 below, the assessment by the project consultants after the trade fair events in terms of orders received by the Baltic companies at the trade fair event, and estimated first year follow up orders are given.

Table 6. Assessment of immediate results following the trade fairs in the furniture sector

Event	Year	Number of participants	Countries	Direct orders (SEK million)	First year follow up orders (SEK million)
Stockholm Furniture fair	1994	10	Estonia	20	55
Stockholm Furniture fair	1995	14	Latvia	18	40

The evaluation of the furniture component of the *Advantage* projects undertaken in 1996 and referred to above, concluded that the reported orders were exaggerated and not reflecting the reality. The evaluation argued that the reported export order rather reflected expected order if the specifications at the time of the trial order in terms of quality, delivery time were kept. These volumes were not achieved as, in the view of the evaluation, these conditions were often not fulfilled, and the first trial order was not followed up.

Out of the 6 enterprises interviewed, 5 existed prior to independence and all had some exports before the participation in *Advantage Balticum*. The countries to which they exported included Germany and Scandinavia. Today all of the interviewed companies are export oriented with the shares of export of total production ranging from 75% to 99%. None of the companies claim to have established many new contacts as a result of the participation in the fairs in Sweden. The reasons given are that the products were not good enough at the time, that the company was not ready to start production since investments were needed and that the company's products did not suit the furniture fair well. The main result of the project seems to be that the companies established contact with the Swedish consultant, who started to act as an agent for some of these companies. This is also a conclusion by the above mentioned 1996 evaluation:

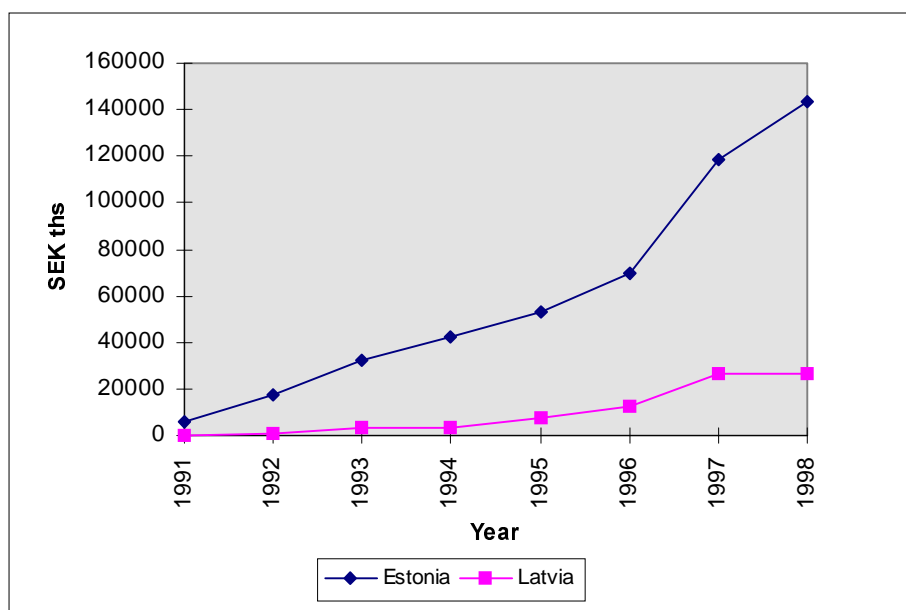
It is undoubtedly so that a number of Estonian and Latvian manufacturers through the project has established contact with a powerful export organisation, the trading company Contrapoint (which is owned and managed by the SwedeCorp consultant Bengt Bergman, added here), and through this have had opportunities to find customers in Western Europe and USA.

None of the interviewed companies has Sweden as its largest market today, but four of them export to Sweden. Some of them sell through their Swedish agent to countries all over the world. Germany is the largest market for the companies which one of the firms exports 97%. According to the Swedish consultant in *Advantage Balticum*, he assisted several companies to get business with Germany. This export was not a direct result of the trade fair under *Advantage Balticum*, but more a result of the consultant's contacts and efforts after the fair activities.

4.2.3 Swedish – Baltic trade

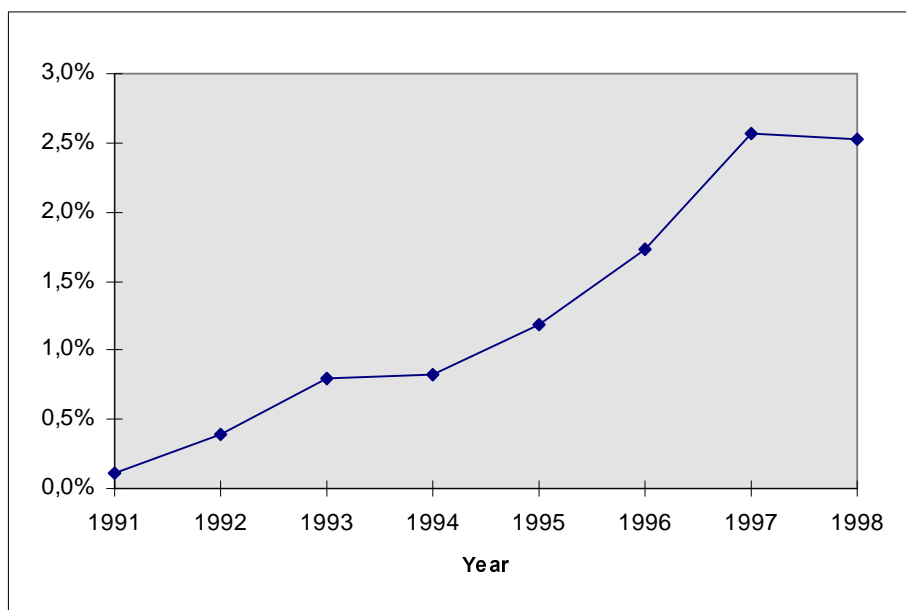
Furniture and furniture is an important export product group for the Baltic countries, and especially for Estonia. At the time when the *Advantage* projects began work in the furniture sector in 1994, the Estonian exports to Sweden was limited, or SEK 32 million (1993), while the exports from Latvia was negligible. At that time, the Baltic states accounted for a very small share of the Swedish total import of furniture, or less than 1%. Since 1993, the exports of furniture to Sweden by the Baltic states has grown rapidly, and by 1998 it was SEK 207 million. Estonia accounted for SEK 143 million of that volume, while Latvia for SEK 26 million. Estonia and Latvia had by then about 2.5% of the total imports of furniture to Sweden, as indicated in figure 6 below.

Figure 4. Estonia's and Latvia's Furniture Exports to Sweden



Source: Swedish Statistics Office: SDB UH062, UH064, UH216.

Figure 5. Estonia's and Latvia's share of Sweden's total furniture imports



Source: Swedish Statistics Office: SDB UH062, UH064, UH216.

The take off in exports to Sweden by the Baltic states began in 1994 with a rapid expansion 1994 to 1997, i.e. coincided with the period of the *Advantage* projects. The project consultants claimed export orders of the trade fair events in Sweden under the project in 1994 and 1995 in the order of SEK 40 – 55 million per annum. Should these figures be accurate, it would have meant that the whole export by Estonia to Sweden in 1994 was a result of *Advantage Balticum*, and in 1995, the export orders by Latvian enterprises far exceeded the imports from Latvia of furniture.

4.2.4 Strengthening of counterpart organisations

Estonia

Within the furniture sector the *Advantage* project co-operated with the Estonian Woodworking Federation, EWF. The organisation was founded in 1993 and at the time of the *Advantage* activities there were seven employees at the federation. EWF was involved in the whole process of the activity from selection of the companies to participation at the trade fair in Stockholm. Today there is one employee at EWF and the number of members are 30. Apart from the involvement in the trade fair a more withstanding co-operation between EWF and *Svensk Möbelindustri*, SMI, was planned. These plans were never realised as discussed earlier. According to Sida and a former employee of EWF since the management at EWF was not prepared to make any changes or even saw the need for it. Sida also states that they partly pulled out of the planned co-operation since the employee at EWF they had worked together with was leaving the organisation. The former employee states that the federation is functioning better today but that the resources are limited.

Latvia

In Latvia there was co-operation with both LCCI and the Latvian Association of Woodworking Entrepreneurs and Enterprises, LAWEE. At the time of the *Advantage* activity the association had 300 members but according to a former employee who was involved in *Advantage Balticum* the organisation functioned poorly without any strategy or clear objectives. The present situation of the federation is not known. The development of LCCI is described in section 4.1.8.

The counterpart organisations within the furniture sector have not had the same strong positive development as the ones within the textile sectors. In Estonia a probable explanation is the old management which prevented new methods to be tried. Today the development seems to be more positive, but slow given the scarce resources. In Latvia there are at least three different organisations in the wood and furniture sectors and this split up suggests that it might be difficult to undertake efficient activities for any of the organisations.

5. Assessing the effectiveness of the *Advantage* projects

The following assessment is based on the specific questioned raised in the terms of reference for this study. In some cases the results have already been discussed in chapter 4 in which case a reference is made. There is also certain overlapping between the questions in this chapter. We have chosen this format in order to provide as specific answers to the T.o.R as possible.

5.1 Achieving the objectives

The following can, in our view, be extracted as the project objectives from the various documents:

Sustainable Swedish-Baltic commercial co-operation:

improve the communication, cultural understanding and business opportunities between Swedish importers and Baltic exporters

sustainable trade relations and commercial co-operation

Know how transfer to enterprises and business organisations:

transfer of know how to Baltic enterprises and to business organisations in the Baltic states in respect of how enterprises function in a market economy.

strengthen the local business organisations in their provision of services demanded by its member

Enhanced exports

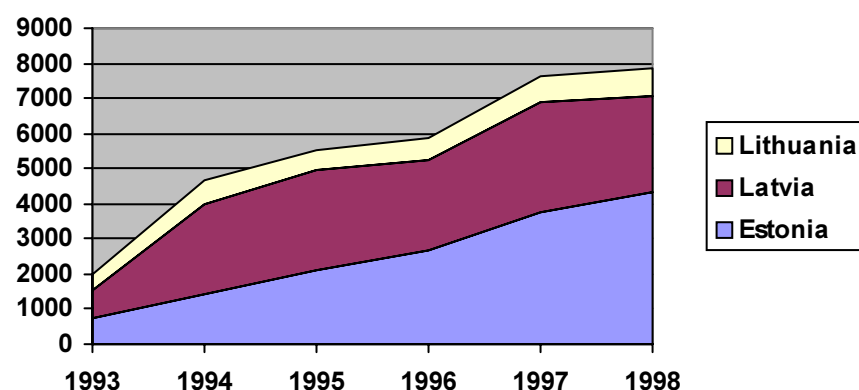
support the growth of commerce in Estonia, Latvia and Lithuania as well as export from these countries;

Below, the project is assessed in respect of these objectives.

5.1.1 Sustainable Swedish – Baltic commercial co-operation

Exports from the Baltic states to Sweden have grown rapidly since the independence of the Baltic republics. Estonia and Latvia account for the most important exports, while the export from Lithuania is still marginal as indicated in figure 7 below. In spite of this growth, the Baltic states account for still very small share of Swedish total imports, or 1,4% 1998.

Figure 6. Exports by the Baltic states to Sweden 1993 – 1998 (SEK million)



As mentioned in chapter 4 garments is an important product group in the Baltic exports to Sweden, accounting for about 11–13% of Estonia's and Latvia's total exports to Sweden (1998), and about a quarter of Lithuania's exports to Sweden (1998). Furniture is a much smaller product group with a total exports accounting for a few percent of the total Baltic exports.

The interviews with participating firms in the *Advantage* projects give strong evidence of business relations between Swedish importers and Baltic producers which were triggered by project activities, and which have been sustained and further developed. This seems evident both in the textile and garment industry, and in the furniture sector. In the first case, the projects had a longer duration, and our evidence are stronger. While the projects had an effect on the micro level, are these effects significant on the macro level, i.e. in the trade pattern between Sweden and the Baltic states in textiles and garments, and in furniture?

First, it must be stressed that, although the *Advantage* was a relatively early project after the break up of the Soviet Union, the trade had already started in these sectors and was expanding quite rapidly. This is particularly the case with Estonia. It is noteworthy, however, that in the textile and garment sector, the Lithuanian enterprises seem to performed the best under the project, both reflected in the interviews in this evaluation, and the expressed intentions in terms of order as reported by the project management after the trading events. At the same time, Lithuania has the lowest share of trade with Sweden in general, and also in the garment sector. *Advantage* projects could have had an impact sufficiently significant to be noticeable in macro data in the case of Lithuania.

5.1.2 Know how transfer to enterprises and business organisations:

Know how transfer to the enterprises

In our view, the *Advantage* projects played a distinct role in know how transfer in marketing and the function of the Swedish market to the participating enterprises, especially in the early phases. The projects were quite effective in this respect due to a combination of factors:

- Use of professional consultants with specific sector know how and wide contacts;
- A systematic approach in selection of enterprises, sandwiched training in relation to a concrete commercial activity;
- The right timing: the activities took place when the enterprises were in a steep learning curve in the sense that the demand on their adoption to new market conditions was very high, but the know how of these conditions still limited.

We believe that these effects are at hand both in the textile & garment industries and in the furniture industries. The furniture sector was aborted by the project in 1995, and the textile sector has been maintained and expanded. Hence, the opportunities to influence the Baltic enterprises in the later sector are considerably greater. Nevertheless, assessments by both interviewed enterprises in the furniture sector in Estonia and Latvia, and the assessment by the evaluation earlier cited, show that the training and know how transfer element of *Advantage Balticum* was of high quality, possibly as effective as in the garment sector.

Overall, the quality of the training and know how transfer mechanism of *Advantage* projects compare very well to most other trade development projects. The *Advantage* concept is an effective method in the particular setting the projects took place.

Know how transfer to the business organisations

As already mentioned it is difficult to ascertain the degree of transfer of know to the business organisations. Some of these organisations were involved in several other similar projects and competence building activities supported by bilateral organisations. A positive aspect of the *Advantage* projects was a quite systematic approach over an extended period of time. Another positive feature is that the co-operation has been sustained with the majority of the organisations in the textile & garment sector for a considerable time, taking the spin-off projects into account.

The business organisations are all highly dependent on generating revenues from services to members and non-members. Trade fair participation, and arrangements of trade delegations is an important such revenue. The practical training through the project should therefore be highly relevant for them.

5.1.3 Enhanced exports

As noted in chapter 4 the textile and garments sector is of great significance for all the Baltic states, while the furniture sector is of a less magnitude, except for Estonia. While the export orders indicated in the reporting from the various events under the *Advantage* projects indicated quite significant immediate export volumes from these trade fairs, we believe they with a considerable margin were over-estimates. Notwithstanding, the projects have clearly contributed to enhanced exports in both the sectors, and in all the countries in which the *Advantage* projects co-operated. Of more importance than the immediate effects on exports to Sweden the projects might have had, is the longer term impact on the capability of the participating enterprises to compete successfully on Western, and notably the EU market. We judge the projects to have a clear impact in this respect in the textile & garment sector, and in furniture. The *Advantage* projects provided essential know how transfer at a critical time for the Baltic enterprises, contributed to the companies' transformation from passive sub-contractors to more active players on the market, provided important know how on trends, quality issues, besides opened up new markets. The projects chose sectors for which the Baltic states have comparative *Advantages*, reflected in rapid growth in exports. For example, the textile & garment exports from all the Baltic countries grew by 25-30% per annum 1994 – 98.

5.2 Sustainability of results

Overall, the sustainability of the results of the *Advantage* projects is quite high explained by the design of the project. Thus, the projects have systematically worked with commercially driven processes, strongly demand driven by participating enterprises. There was, in almost all cases, a strong self interest by the participating enterprises to sustain and develop the skills and the contacts the projects contributed to. A similar process of self-interest is at hand in the participating business organisations. In a narrow perspective, it could be argued that the business orders established (or reported) from the trade fair events were not sustained, or rather not fully realised. However, in our view this more reflect expectations of results, than results in itself as discussed above.

The terms of reference for the evaluation ask a series of specific questions in respect of sustainability which are responded to below.

- Has the export capacity been maintained by the enterprises?

The capacity has developed over time and was not an instant result of the *Advantage* projects. In this respect the capacity is maintained. At the same time, the structure of the industry in the Baltic countries is rapidly changing, some enterprises are closing down or going bankrupt, others are

merging, joint ventures with foreign partners are created. All these changes impact, of course, on the export capacity. Poor ability to adjust to the new market conditions has been a major reason for failure by some of the enterprises. As neither the textile/garment sector, nor furniture sector have a domestic market of any significance, export performance is essential for business survival and growth. This is especially so after the Russian crisis in 1998. In spite of the strong efforts by the Baltic countries to reorient their economies to Western markets, and the EU specifically, the Russian market and markets in other parts of the former Soviet Union, continued to be essential for the foreign trade of all the Baltic states.

- Are the business relations established maintained, and follow-up orders and business contacts sustained?

In our estimate a third of the textile/garment manufacturers which participated in the *Advantage* projects have today exports to Sweden. In some of the cases, the business with Sweden has developed to a major export and in a few cases most important market. For a considerable number of the companies, initial business contact never developed to concrete orders, either due to lack of interest by the buyer or by the supplier. The assessment of the sustainability of the businesses in the furniture sector is more difficult to make due to limited information. First, the Swedish market link was not as pronounced during the project, but through the personal network and business contacts by the consultant a wider EU/USA markets were explored. Our impression is that there has been a continuous process in the furniture sector of expanding exports to a wide Western market by many of the participating companies. The personal business interest by the consultant is an essential factor for this.

- Can local business organisations maintain their services and increase their professionalism?

For the organisations which have developed over the last years, the competence can be sustained of their own efforts. However, there are financial problems for all the private business organisations which finance their operations mainly through service charges, and only to a smaller extent by membership fees. Donor support is essential, especially for any major activities.

- In what phase should the phasing out be most relevant?

The *Advantage* projects are basically phased out in the Baltic states. This timing seems realistic. There is a diminishing return on know how transfer projects of this nature as the Baltic enterprises are gaining knowledge of Western export markets and marketing techniques. The key constraints in the economic development in the Baltic states today seems not foremost to be at the enterprise level, but rather in the environment they are operating in. Hence, development assistance, to be effective, should shift from the micro level, to addressing structural issues.

5.3 Relevance

The *Advantage* projects build on a simple, hands-on concept for export development: bringing exporters in transition economies in touch with importers from a Western market, and thereafter rely on that commercial interests will develop and sustain direct trade. Initially a spin-off in this process, but increasingly an objective in itself is that local business organisations participating in this exchange would gain competence as service providers. The project concept is not new, but has been applied by many specialised trade development agencies such as *ITC*, *CBI*, *Protrade*, etc. for quite a number of years with varying results. The strength of the *Advantage* projects as compared to many such projects were:

- Treating the event as much as means for training and exposing the companies to new market conditions as stimulating direct trade; competence building was a clear objective;
- the use of a reverse process – bringing importers from a developed country to the source of supply

In general, the *Advantage* projects seem to have been one of the more successful such hands-on trade development projects, at least partly due to the window of opportunity that existed in the mid-1990s in Baltic states.

The terms of reference ask whether *the concept relevant for enhancing the exports and export capacities of enterprises in the Baltic states*. The *Advantage* projects must be considered clearly relevant for the export promoting objective at the time when they were conceptualised and implemented. They would still be relevant, but there is a diminishing return to this approach as argued above. This is well expressed by a Sida representative in the context of *Textilica*:

Most of the Baltic enterprises have graduated from this type of activity. We invited them for the sake of other countries. No major Swedish importer of garments would come to a trade fair with, for example, Ethiopian textile producers. The Baltic companies acted as promoters for others.

In respect of the recent addition to the project, i.e. the *Importers Guide*, it is questionable if this a relevant activity. These guides are exclusive for a smaller group of companies, while other, more comprehensive and more attractive guides exist and are being produced in most of the Baltic states. With the rapid development of Internet, the use of printed material in the rapidly changing fashion industry versus electronic media, is questioned. Some of the business organisations also had questions as to the Guides, and their layout. These activities were seen by these organisations as driven by the donor agency.

- Are the services provided by the concept demanded by the enterprises?

Export marketing is still one of the key weaknesses in many Baltic enterprises, yet a condition for survival. There is a considerable demand for export marketing capacity building, increasingly sophisticated. Sweden is an attractive market for the Baltic companies due to its nearness, a sense of 'cultural' similarity, and also that companies such as H&M are major European players. Interviewed textile & garment enterprises expressed an interest to participate in further, similar activities. Some of the more successful, however, saw limited needs for activities on the Swedish market, but requested support for the German market due to its size and potential importance. The expressed demand varied also dependent on the size of the company, with more demand from the smaller. A contributing factor is that there is still a tendency in the Baltic states to treat marketing activities not as investments, but as costs, leading to a reluctance by many enterprises to undertake major marketing activities on their own. For example, many enterprises avoid visiting trade fairs abroad due to the costs involved.

- Is the concept relevant for the development of the countries and for the strategies of the countries?

Yes, the Baltic states are highly dependent on exports to Western markets due to their small domestic markets, and the current crisis amongst the traditional trading partners in the former Soviet Union. The sectors chosen are also relevant, as they currently account for 15-25% of these states' current exports. The assistance at the micro level is probably of decreasing importance as a result of gained knowledge amongst the enterprises. However, government trade promoting agencies in all the Baltic states are active in similar concepts such as the *Advantage* projects.

- Is the focus of Advantage East today the same as in the beginning? If not, what is the reason for the change of focus?

The project concept has evolved over time, for example in selection of product groups, the attention paid to private sector organisations, incorporating the *Importers' guide*. However, the basic concept is much the same through the projects.

5.4 Cost-effectiveness and efficiency

5.4.1 Effectiveness

The total cost of all the *Advantage* projects in the Baltic countries is estimated by Sida to SEK 4 million. In addition to this, the companies have paid various costs in relation to the trade fair activities. In our judgement, as trade promotion projects a fairly large number of activities have been encompassed within this allocation, and a considerable number of enterprises have been involved. While discussions of cost-effectiveness – i.e. the costs compared to the achievements of the objectives – without any quantitative data on benefits, nor of the expected results, tend to be quite impressionistic, our impression is that Sida got 'a good value for money' as private sector development goes.

5.4.2 Efficiency

- Were the "right" enterprises selected?

The selection process of the enterprises for the participation was elaborate and conscious. There are nevertheless, some issues that could be discussed. Some of the Baltic enterprises were clearly not ready to start to export or even willing to do so at the time of the fair, and for others the fashion fair was not the right forum. Their products would have been better suited at some other type of fair, for example in home textiles.

It is noteworthy that out of 17 participating enterprises in the *Advantage* projects in the textile and garment sector in Estonia and Latvia, only 5 companies were included in the project's *Importers' Guide*.

- Were the "right" local business organisation selected?

The following table summarises the business organisations which were selected as counterparts for the textile & garments and furniture in the *Advantage* projects:

Table 7. Counterpart business organisations during the Advantage projects

Product group	Estonia	Latvia	Lithuania
Textiles & garments	Estonian Chamber of Commerce, Estonian Trade Council, ETC Estonian Clothing and Textile Association, ECTA, 1997-	Latvian Chamber of Commerce and Industry, LCCI	Association of Light Industry Enterprises of Lithuania, LPIA
Furniture	Estonian Trade Council, ETC Estonian Wood Working Federation, EWF	Latvian Chamber of Commerce and Industry, LCCI Latvian Association of Woodworking Entrepreneurs and Enterprises, LAWEE	No activities

In some cases, the project appears to have initially selected good counterpart organisations, for example the chamber of commerce in Latvia and LPIA in Lithuania. These organisations have been maintained through out the projects, and also used in *Textilica*. These organisations have today a good reputation and are used by other donors as well. In the case of Estonia, the project chose to shift from ETC and the chamber to ECTA in the textile & garment sector, partly as the former were not considered performing well, partly as ECTA had emerged as a industry specific organisation in the meantime. The views by interviewed observers indicate that EWF and LAWEE were not performing as expected during the short period when the project assisted the furniture sector.

The project had the option to chose from different organisations at the outset:

- government trade promoting agencies such as the Estonian Export Agency, EEA, Latvian Development Agency, LAA, Lithuanian Development Agency, LDA,
- general private sector organisations such as chambers of commerce,
- sector specific business organisations such as those mentioned above.

All these, were in an early stage of formation, or re-formation as in the case of the chambers, at the time of the beginning of the project. Many of other development projects opted for the government agencies, for example EU Phare which has had substantial support to all of these agencies.

In view both of the *Advantage* projects' focus on practical business activities, and the activities of other donors, we believe the project management had a good strategy to work with private sector business organisations, rather than government export development agencies. Generally, industry specific organisations seem stronger in service orientation than more general organisations such as chambers. However, this vary from country to country. In Latvia, LCCI is a very well performing organisation.

There is a tendency in all the Baltic states that different service organisations as those mentioned above tend to compete with one another in providing basically the same type of services to their members. In a longer perspective, there is a need for much more specialisation amongst these organisations to find a good division of labour. To some extent, the follow up to the *Advantage* projects, *Textilica* and especially the Institution development project in Lithuania, is focusing on this issue.

- Has the use of external consultants been in adequate relation to personnel resources of Sida?

The use of external consultants have been crucial for the success of the *Advantage* projects in the sense that the their knowledge of, and personal contacts in the sectors were a key in the process. The *Advantage* projects exposed an important issue in this respect, the personal commercial interests by consultants working in business related projects.

The strong commitment by the SwedeCorp/Sida officer who participated in the design of the project from its start, led it through its various phases, and is also actively involved in its follow up, *Textilica*, is not only a contributing factor for the achievements under the projects, but also for its evolution. It leads, however to another issue: such strong commitment requires considerable time. It is a quite labour intensive form of assistance as seen from Sida point of view. Thus, on a person year basis, this form of management allows handling of a portfolio of about SEK 1-2 million per annum, in contrast to other parts of the organisations in which the 'portfolio' per administrator might be hundred times larger.

5.5 Cause and effect analysis

- Have the results been an outcome of the project activities or an outcome of external factors?

It is not possible to give a definite answer to the above question. The outcome is a combination of different factors. Baltic companies doing business with Swedish companies where the contact was established during the *Advantage* project are obviously influenced by the project. The more overall development of the companies in increased exports, improved marketing and re-orientation to new markets et cetera is a longer and larger process than the scope of the *Advantage* projects, but of course in most cases, did the project influence the process positively.

- Do the local producers and business organisations involved need this type of projects or would they have carried out the activities anyway on their own? If so, what is the value-added of the *Advantage East*-projects?

The private sector organisations had not the capacity, nor the finance to undertake anything similar to the *Advantage* projects at the time when they were initiated, or even now. Thus, the projects were clearly additional from this point of view. Many other agencies have carried out, or are carrying out, trade promotion, not least EU Phare. There are similarities between these projects, although we believe, that the *Advantage* projects compared quite well to these activities, and had some clear innovative features. Obviously, the Baltic enterprises increasingly would have been active by themselves in marketing, for example participating in trade fairs. However, the *Advantage* projects had some unique features in exposing the Baltic enterprises to major Swedish buyers as a joint, organised effort under an official name.

- Are similar activities carried out by others? If so, what is the difference between *Advantage East*-projects and the other activities?

There has been a considerable number of trade promotion activities of a similar nature as the *Advantage* projects in the Baltic states after their liberation. Examples of such projects have been carried out by EU Phare, USA, Germany, Britain, Denmark, Canada, Ireland, Japan etc, often jointly with government trade promotion organisations, or private sector organisations. We are not in a position to judge the detailed differences between all these projects and the *Advantage* projects.

5.6 Assessing the concept as such

The terms of reference request an assessment of the *Advantage* projects from a methodological point of view. Below, the specific questions are given, and our assessment:

- Is the method efficient as compared to alternative means to reach the same objectives?

We conclude that the *Advantage* concept as applied in the Baltic states in both the textile & garment sector and in the furniture sector was effective. It was a practical, hands-on approach combined with lectures in modern marketing techniques and trade fair participation. Also the arranged trip by Swedish importers to Lithuania was an innovative means. *Advantage* was an improvement compared to many earlier trade promotion projects which focus on either the trade fairs/trade mission only, or the training element only. The *Advantage* concept compares favourable with many similar trade development projects.

- Is there a potential to use the same concept for other businesses than textiles and garments?

We conclude that also the furniture sector showed promising results before it was aborted, while the efforts in gift items and mechanical engineering were less successful. Without attempting a comprehensive analysis, there are some conditions that make the approach more feasible.

- The quality and direct business know how and networks of the consultants; in both the textile & garments and furniture SwedeCorp/Sida used consultants with an intimate know how of the sectors, wide business networks, and in the case of furniture, also a direct business interest. These consultants gave credibility to the activities towards the Swedish importers, and could make a good pre-selection of producers. The use of such brokers is critical in our view, and cannot be replaced by generalists without the business know how.

The supply potential of the target country – many trade development activities in developing countries have failed as the marketing has been premature: there is not a sufficient product quality, or interest, leading to orders that are not honoured, etc.

The format has to be adapted to how business is conducted in different sectors. Thus, the mechanical engineering requires a different model than, for example, garments. If trade fairs is the vehicle, as in *Advantage* projects, there are a number of sectors where such fairs are important means for conducting business, but there are, on the other hand, other sectors where such fairs are non-existent or unimportant.

If Sida would consider applying the *Advantage* concept in other contexts, both other countries or other sectors, no stereotyped model would be sufficient. Rather, each country and each sector would need its own design, albeit the *Advantage* concept might be used as the base model.

- Has there been a difference between the countries in the implementation?

Yes, in the sense that in Lithuania 11 important Swedish/Norwegian importers visited a Baltic fair and selected textile and garment manufacturers arranged by the project.

- Is *Advantage* East a condition for the enterprises' participation in Textilica or does Textilica stand alone without the activities of *Advantage* East?

No pre-condition for participation existed, as the majority of Baltic enterprises which participated in the first *Textilica* had not been involved in the *Advantage* projects. This was a deliberate policy by at least some of the business organisations to broaden the exposure to the Swedish market for their members. Thus, *Textilica* stands alone.

6. Conclusions, lessons learned and recommendations

6.1 Overall conclusions

The *Advantage* projects is an example of a practical, hands-on approach to private sector development. It is a concept which have evolved over time through learning by Sida in primarily the Baltic States. As such it is one of Sida more 'personified' projects with a strong commitment by a Sida staff from the conceptualisation, during implementation and into follow up projects. The projects have been dynamic in the sense that they have expanded to an increasing number of countries, and resulted in several spin-off projects, most notably the larger *Textilica*. In terms of sectoral coverage, the projects have gone in the opposite direction, from several product groups to only garments and textiles. This reflects partly the trial and error process, but it is also a reflection of a capacity problem: there is no inherent feature of the approach limiting it only to textiles and garments. On the other hand, in the transitional economies' initial stage, this is a sector in which they had a comparative advantage in terms of low wages and an existing industrial structure which with limited investments can be up-graded to fit new market requirements.

We conclude that the *Advantage* projects have contributed to the broad objectives established for them, i.e. enhancing exports, promoting trade between Sweden and the Baltic states, and transferring of know how to participating industries and counterpart business organisations, possibly with a reservation concerning the last objective. The effects of the projects can not be determined in quantitative terms as a number of other factors were at play in the same direction. Quantification of business contacts and export orders after the project activities – as provided in the reporting – were, in our assessment, more an indication of expectations than reality. They reflected the sense of a keen business interest from both the Swedish and the Baltic partners.

In macro terms, it is very hard to prove that the projects have contributed to changed trends in the current trade between Sweden and the Baltic states in the targeted sectors. Such trade was already on-going and growing rapidly at the time the project started. The exception might be Lithuania in the textile & garment sector as a) the projects seem more successful in Lithuania than in the two other states, and b) the existing trade was small and not rapidly increasing when the project started. Given the small volume of exports of furniture from Latvia and Estonia to Sweden prior to the projects, the *Advantage* projects might also have contributed to a certain trend change in this sector.

The most important effect of the projects has been in transfer of export marketing know how to the enterprises. Due to the timing, the method applied, and a professional approach, such transfer has clearly taken place as witnessed by the participating firms. This know how transfer is essential for their export competence not only for Sweden, but in general. It is a sustainable and self-generating process due to the enhanced linkage to buying companies.

The weakest element is probably in strengthening and capacity building of the co-operating business organisations. In some of the cases/sectors, the chosen organisations did not perform as expected and the co-operation was aborted. The best co-operation, and in the organisation with possible impact, over an extended period of time has been in Latvia (chamber of commerce) and in Lithuania (industrial association). An important result is also that the projects had a spin-off in terms of a more comprehensive institutional support in Lithuania.

The *Advantage* projects have in our view been cost-effective as means for private sector development. With an estimated cost of SEK 4 million a considerable number of activities have been carried out, efficiently and professionally performed, and most of them contributing to the objectives estab-

lished. Cost-effectiveness must in this context be based on impressionism, rather than hard facts as no quantification of effects can be given. However, comparing to some other projects in Central and Eastern Europe, Sida has got *good value for its money* In our view.

On a critical note, the Importers Guides produced by the projects seems not a cost-effective use of resources. These Guides were too specific for the participating enterprises, and should – if produced at all – have been more comprehensive for the sector, and more professionally designed. It is also questionable if development assistance resources should be used for such activities.

6.2 Lessons learned

6.2.1 Factors for success

The determining factors for the results of the projects are discussed below, which also provide lessons for future projects.

First, the use of professional consultants with sector specific know-how and extensive networks in their respective sectors was a determining factor to give the project credibility amongst Swedish clients, allowed direct contact with major importers, and also to provide screening of which companies should participate. Private sector projects applying a hands-on approach, are sensitive to commercial professionalism.

Second, a determining factor for success was a committed and continuous leadership from Sida, prepared to adjust the project as a result of learning and to follow the quite labour intensive projects through. The projects were unique in many sense in this respect. There is a dilemma in this: while the staff commitment to the project contributed to the achievements, such commitment is labour intensive, hence reduces the number of projects a Sida officer can manage. In an organisation managing a portfolio of SEK 7 billion per annum with about 500 employees, such staff intensive projects are an anomaly.

Third, a contributing factor for success was the design of the projects. The following are key aspects in this respect:

- It was a process style of project in which less successful attempts were stopped, and new added. There was flexibility in trying new, innovative means such as taking the buyers to the sources, rather than the reverse. The process style depended to a large extent on the commitment by the Sida staff, as discussed above.
- Mixing practical commercial events with training.
- Selection over time of sectors for which the Baltic states have a current comparative advantage and which play important roles in their economies.
- The timing of the projects given the situation in the Baltic countries a few years after the break up of the Soviet Union. The learning curve in the newly privatised enterprises was very steep and the eagerness to understand Western markets great.

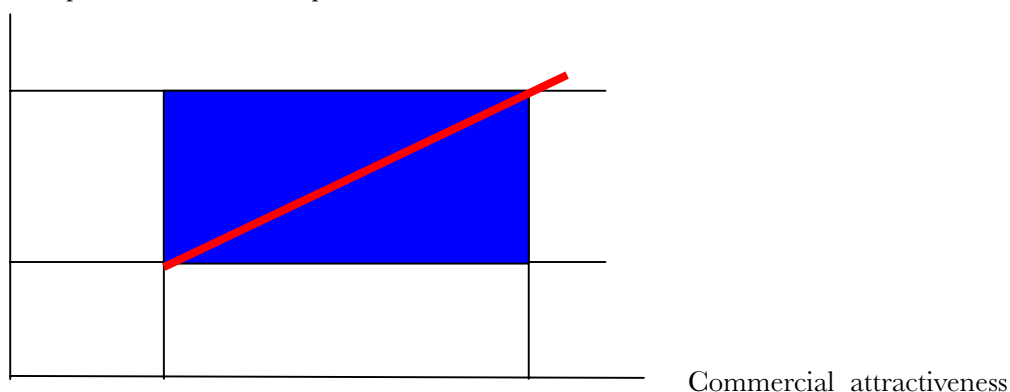
6.2.2 Justifications for similar projects

Are projects such as *Advantage* projects with their strong commercial dimensions justified as development projects, i.e. do they add anything which the market forces will not take care of themselves?

There are two aspects to this question. On the one hand, there are situations in which development assistance is not justified as the market forces are strong enough, the knowledge on both sides well developed, and external assistance superfluous, and a subsidy of commercial interest of no added value. There are, on the other hand, situations under which no effort to bring buyers and sellers together will lead to additional business transactions in the foreseeable future as the commercial base conditions are not good enough. Effective trade development projects such as the *Advantage* projects must fall within these parameters as schematically indicated in figure 9 below:

Figure 7: A model for when to apply a concept such as the *Advantage* projects

Competence at the enterprise level



The model above attempts to describe the optimal realm for a project such as the *Advantage*. There is a minimum required competence required at the enterprise level for them to absorb assistance, and a minimum required commercial attractiveness for the importers to be interested for a development project to be effective. There is on the other hand, a diminishing justification for development assistance the more advanced the enterprises are, and the more commercially attractive the conditions are to the importers. The objective of a project of the *Advantage* nature is assist in moving the level along the arrow.

6.2.3 Using transaction costs as an indicator

A means to determine where the *Advantage* concept, or similar trade development projects, is effective development assistance can be based on transaction cost analysis. Transaction costs has to do with imperfect information, uncertainty and other costs which might prevent a business transaction to take place, even if otherwise a conducive situation is at hand. In the Baltic states the transaction costs were high initially as importers know little of the capacity of the new markets, the rules of the game were not established, the ability of the manufacturers to supply unknown. From the Baltic's perspective, there was considerable lack of information and uncertainty of the Western market. Economic theory would stipulate that in a situation of high transaction cost, business will not materialise unless the chance of profitability is very high. From a development perspective reducing such transaction costs are not only justified, but also a potentially very effective means.

6.3 Recommendations

The *Advantage* projects have been phased out in the Baltic states. There is no strong justification for extending the projects in these countries. This study has not assessed the performance in the other countries/regions included under *Advantage East*, hence we cannot make any recommendation concerning them.

The *Advantage* project concept is sufficiently interesting to be explored in other countries, and in other sectors. It has been applied in a developing country context, in *Africa Next* in the textile and garments sector, but this project, as far as we know, is not evaluated.

The *Advantage* concept could also be an instrument in a more comprehensive approach to private sector development with an export focus: The innovative part of the *Advantage* concept is the combination of a hands-on commercial activity – linking importers and potential exporters at a trade fair or through a trade mission – to a more or less ambitious programme to enhance competence in the industry. In the *Advantage* projects the latter element was rather limited to a series of workshop, basically as the commercial potential was strong already at the outset. The *Advantage* concept could be used as a means of a diagnosis of an export-oriented industrial sector, followed by a programme of upgrading the sector, using importers from an advanced market economy as the instrument both for assessing the export potential, defining the needs for upgrading, and possibly also as partners in the upgrading. Major Swedish importers already invest in upgrading new sources from purely commercial motive. Sida could be a partner in such industrial upgrading on a cost-sharing basis, or in least developed countries, as a full grant. The advantage of such an approach, as the more conventional support to industrial sectors, is that the commercial element is brought in from the beginning.

Annex 1: Terms of Reference

1998-12-09

Diarinummer:

TERMS OF REFERENCE FOR THE EVALUATION OF ADVANTAGE EAST**1 BACKGROUND**

Sida, and earlier SwedeCorp, has supported a series of projects aiming at enhancing exports and export capacities of enterprises in the Baltic region, Ukraine and Macedonia. The overall objective has been to assist the industries in Eastern Europe to become market oriented in the process of privatisation of the industrial sectors. The projects have been given the umbrella name Advantage East. The first project started in Estonia 1993 and concerned the textile and clothing branch. About ten projects have been carried out in various countries, branches and at various levels so far.

Advantage East-projects is based on a concept of linking producers and exporters in the target countries to major Swedish importers. The concept includes upgrading of skills amongst the local enterprises through training. The projects aim at generating a self-going process based on commercial interests. The textile and clothing sector has been the key area of operation, but limited activities have also been carried out in the furniture sector. The concept includes the following activities:

- * Feasibility studies of the branches in the country in question contain identification of local producers and a local organisation as co-operating partner within the project. The study also included an identification of Swedish buyers and Swedish consultants with adequate competence for the implementing phase.

- * Implementing phase included training in export marketing and participation at a trade fair in Sweden where additional meetings with Swedish buyers had been arranged. The marketing and the organisation of the Advantage-project in the country concerned was held by a local business organisation. The participating enterprises had to pay a participating fee, including travel tickets to and stay in Sweden, to the local business organisation in charge. The trade fair participation was followed by a business trip organised by the Swedish consultant in charge of the project where Swedish buyers visited the local producers. The business trip was organised in order to visit the enterprises judged being of interest and with export potential estimated from the products presented at the trade fair.

* Follow-up of the projects by questionnaires and interviews of the participating enterprises, both the Swedish buyers and the local producers.

The findings from the follow-up of the projects have so far pointed out the character of successful one-time business contacts and a lack of continued business contacts on a regular basis. The findings resulted in continued support to the local business organisation. The objective of the extension was to develop the ability of the local business organisation to offer support in exporting to their members. The extension of the first Estonian project has resulted in a mapping of local producers of textile and clothing branch judged being fit for export. The enterprises have been presented in a catalogue - Importer's guide to Estonia. The Estonian business support centre ECMA takes care of the marketing, delivery and up-dating of the catalogue. The other projects follow the same pattern, notably within the textile and clothing branch.

The enterprises in the textile and clothing branch involved in the Advantage East-projects have been invited to participate in the "Textilica 2004"-project, which will take place in February 1999. Textilica 2004 is designed for the textile and clothing branch and aims at creating and developing the export of textile and clothing from Sida's co-operating countries where this branch is of great importance.

Advantage East has been run by SwedeCorp/Sida in co-operation with local business organisations such as chambers of commerce and trade organisations in the recipient countries. Swedish consultants involved in the projects come from or have had good connections with the branch organisation considered in the project (i.e. Textilimportörerna).

The Advantage East is now in the process of ending. The first project in Estonia was finished one year ago by the delivery of the catalogue "Importer's Guide". The projects in the other countries are now aiming at a similar procedure. The project in Latvia will soon have its "Importer's Guide". The project in Lithuania has generated a separate project for the development of an export promotion organisation. The project in Ukraine is in the implementing phase of the export training.

Total expenditure for Sida 1994 - 1997 are estimated to SEK 4 000 000. The projects have occupied one person during part-time (approximately 75%) at Sida's department INEC.

2 PURPOSE AND SCOPE OF THE EVALUATION

The Advantage East-projects have been evaluated, but not the concept as such. The concept has developed over the time and there is a need to evaluate the methodology before a continuation and development of the concept.

Findings and recommendations will be used as a basis for policy and methodology development. Has the method used been efficient? Are there other ways or means to reach the same goal? Has there been a difference between the countries in the implementation of the concept and if so why? Are the activities carried out suitable for all the projects within the textile and clothing branch? Is there a potential to use the same concept for other businesses or is Advantage East only suitable for the textile and clothing business? Have the projects helped the Swedish buyers in their business attempts on the East European market? Is Advantage East a condition for the enterprises' participation in the Textilica 2004 or does Textilica 2004 stand alone without the activities of Advantage East?

The interested parties are local business organisations, local producers and exporters, Swedish importers, Swedish branch associations and Sida.

3 THE ASSIGNMENT (ISSUES TO BE COVERED IN THE EVALUATION)

The evaluation shall conclude the concept by evaluating the results of finished Advantage East-projects carried out so far within the textile and clothing sector in the Baltic countries.

The evaluation shall include a mapping of projects - disbursements, time and results (on enterprise level in terms of orders fulfilled and continuation of own export activities, and on organisation level in terms of change in number of members and own export activities carried out for their members).

The assignment shall cover the following issues;

*** Effects on target group**

What effects has the concept had on the enterprises and organisations involved? Is there a difference in gender?

- Do the enterprises involved in the projects carry out export promotion of their own? Have the enterprises increased their export revenues?

- Do the local business organisations have better capacity and know-how to provide assistance to the industries? Have the local business organisations increased their number of members?

*** Sustainability of results**

The assignment includes a discussion of the sustainability of the results. Has the export capacity been maintained by the enterprises? Are the business relations established maintained - follow-up orders and business contacts? Can the local business organisations maintain their services and increase their professionalism? In what phase should the phasing out be most relevant?

*** Relevance of the concept**

Is the concept relevant for enhancing the exports and export capacities of enterprises in the Baltic states? Are the services provided by the concept demanded by the enterprises? Is the concept relevant for the development of the countries and for the strategies of the countries? Is the focus of Advantage East today the same as in the beginning? If not, what is the reason for the change of focus?

*** Additionality**

Do the local producers and business organisations involved need this type of projects or would they have carried out the activities anyway on their own? If so, what is the value-added of the Advantage East-projects? Are similar activities carried out by others? If so, what is the difference between Advantage East-projects and the other activities?

*** Relevance of applied method in implementation**

Were the "right" enterprises selected? Were the "right" local business organisations selected?

*** Developmental effects**

Is the concept a good model to address the export capacity of the target countries? Has the project contributed to a greater interest in the Swedish business community for the target countries? Has the project contributed to a greater interest for the target countries for Sweden as an export market?

*** Achievement of objectives (effectiveness)**

Has the programme achieved its objectives and within scheduled time?

*** Cost-effectiveness.**

The assignment shall include a cost-effectiveness analysis on disbursements and personnel resources in relation to specific objectives achieved.

*** Efficiency**

Have the resources to the projects been enough for the achievement of the goals? Has the use of external consultants been in adequate relation to personnel resources of Sida?

*** Cause and effect analysis.**

The assignment shall include a cause and effect analysis. Have the results been an outcome of the project activities or an outcome of external factors? What have been the determining factors for the results of the projects?

*** Long term impact of the programme.**

Have the projects resulted in increased exports from the Baltic states to Sweden?

*** Cross-cutting issues**

Have the projects led to any spin-off effects?

All findings shall be analyzed and result in summarized conclusions for the concept regarding 1) the value for the money (effects and effectiveness of the projects in relation to inputs) and 2) the usefulness of the underlying concept in a wider context (other countries, other sectors).

4 METHODOLOGY, EVALUATION TEAM AND TIME SCHEDULE

The organisation of the evaluation includes the Consultant and Sida officials. Other parties in the evaluation are the implementing organisations in Sweden (Pekka Lindmark, Textilimportörerna, other branch-organisation) and Swedish importers, and in the recipient countries the co-operating business organisations and local producers. The role of Sida officials is to supply background material.

Methodology: Quantitative and qualitative analysis of the effects, and a conceptual analysis of the model as such.

- the quantitative and qualitative analysis consists of a survey with a representative selection of enterprises, both local exporters and Swedish importers, which have participated in the projects. The survey shall be based on a standardised questionnaire focusing on effects, usefulness of the projects, sustainability and longer term effects. The standardised questionnaire shall be sent by mail or fax with personnel follow-ups of a selected number of enterprises. The local business organisations involved shall also be interviewed.
- the conceptual analysis consists of in-depth interviews with industrial associations (both those involved in the projects and others), other donors and bodies as well as Swedish importers. The analysis shall focus on the replicability of the model as such and to what extent it has had any broader spin-off effects in the industrial sectors of the countries.

Study of relevant documentation available at Sida i.e:

- Sida and SwedeCorp decisions, project descriptions and reports, implementing manuals, follow-up reports of the Advantage East projects and project description of Textilica 2004.

Places to visit: Borås/Alingsås and the Baltic states.

Composition and competence of evaluation team shall include one, maximum two persons, knowledge in trade, business and industry, business knowledge, knowledge of Baltic states and experience of work in the Central and Eastern Europe.

Time schedule; 200 man hours including desk studies of back ground material, data collection with questionnaire, interviews in the Baltic states

and in Sweden and reporting. The evaluation will start 10 December 1998 and finish 1 March 1999 with the presentation of a final report.

5 REPORTING

Draft questionnaire: The Consultant shall present to Sida a draft questionnaire before mailing and interviewing the enterprises and organisations in the recipient countries. The Consultant shall also report in oral to Sida preliminary conclusions and main findings.

Final report: Four copies of the draft report shall be submitted to Sida no later than 14 February 1999. Within 2 weeks after receiving Sida's comments on the draft report, a final version in 5 copies and on diskette shall be submitted to Sida, no later than 1 March 1999.

The evaluation report shall be written in English and should not exceed 30 pages, excluding annexes. Format and outline of the report shall follow the guidelines in **Sida Evaluation Report - a Standardised Format** (see Annexe 1). Subject to decision by Sida, the report will be published and distributed as a publication within the Sida Evaluations series. The evaluation report shall be written in Word 6.0 for Windows (or in a compatible format) and should be presented in a way that enables publication without further editing.

The evaluation assignment includes the production of a Newsletter summary following the guidelines in **Sida Evaluations Newsletter – Guidelines for Evaluation Managers and Consultants** (Annexe 2) and also the completion of **Sida Evaluations Data Work Sheet** (Annexe 3). The separate summary and a completed Data Work Sheet shall be submitted to Sida along with the (final) draft report.

Annex 2. Persons and organisations interviewed

ANNEX 2 PERSONS INTERVIEWED

Sweden

Bengt Bergman, Contrapoint HB
Pekka Lindberg, Järfallahälsan
Ola Nilsmo, Sida
Nicklas Hellgren, Ellos AB
Dan Stenlund, Managing Director, Desam Fashion Group AB
Reine Hellgren, Elof Hansson AB
Bengt Nydén, Elof Hansson AB
Janna Lindberg, Cellbes Postorder AB
Tommy Bindefeldt, Indiska Magasinet
Per Hagman, Advantage Consulting

Estonia

Mr James Hayhow, Production Director, AS Baltika
Mr Sulev Laanpere, Managing Director, AS Savi/Ineta
Ms Aali Lilleorg, Project Manager, Estonian Export Agency
Mr Hans Moon, General Director, Wenestor
Mr Tiit Mölder, Marketing Manager, Viisnurk
Mrs Helle Nuut, Sales Manager, AS Pärnu Marat
Mr Vello Ojamaa, AS Savi
Mr Aare Paloots, Marketing Director, AS Tarmel
Mr Heino Põrk, Marketing Director, TVMK
Mr Tony Powl, Phare Adviser, Estonian Export Agency
Mrs Maie Vader, Managing Director, ECTA
Mrs Tiit Voik, Manager, Astra AS
Mrs Irina Luberg, Sales Manager, Wendre
Mrs Piret Peer, Sales assistant, AS Klementi
Mrs Mare-Ann Perkmann, Product Development Manager, AS Klementi

Latvia

Mr Ainars Audars, Director, SIA Kristbergs
Mrs Margarita Gundarina, Garment Sales Department Director, Lauma
Mr Stanislav Hoshenko, Latvian Chamber of Commerce and Industry
Mrs Rute Jankalte, LM
Mr Andris Jansons, President, Dailrade Koks
Mr Eglons Lasis, President, LM
Mrs Larisa Novica, Chief of production, AS Rita
Mrs Vija Rutkovska, Designer, Mara (formerly with Ogre)
Mrs Marika Stafecka, formerly with LAWEE
Mr Henriks Silenieks, Director, Latvian Chamber of Commerce and Industry
Mrs Lubova Suvorova, Export Manager, LareLini
Mr Yuri Velianinov, Managing Director, Dana
Mr Yuriy Tikhonov, President, Ljuvek

Lithuania

Mrs Daiva Eidukyniene, Assistant to Managing Director, Trikotazas
Mr Linas Lasiauskas, LPIA
Mr Nerijus Vilunas, Marketing Director, Utenos Trikotazas
Mr Jonas Zakaitis, Managing Director, Trikotazas
Mrs Veronika Stadulienė, General Director, Dainava?

Annex 3. Details of Project Activities under the *Advantage* Projects

ANNEX 3 DETAILS OF PROJECT ACTIVITIES UNDER THE ADVANTAGE PROJECTS

Activities under the <i>Advantage</i> projects	Date	Consultant
Formex Fair	1993	
Tekniska Mässan	1993	
Möbelmässan Estland	May 1994	Per Hagman (PH)/ Bengt Bergman (BB)
Fashion Fair Est & Lettland	August 1994	PH/ Pekka Lindberg (PL)
Elmia Fair	November 1994	
Market study Baltic tool-making sector	1995	hifab AB
Co-operation SMI & EWF	Never implemented	Håkan Axelsson, SMI
Möbelmässan 95	February 1995	PH/BB
Investigation of Lithuanian furniture market	March 1995	Axel Bohman, Fanérkompaniet
Borås Textile Fair	April 1995	PL
Support to Swedish textile firms	95/96	PL
Visit to Baltic Textile & Leather Fair	September 1995	PL
Seminar at Borås Fashion Fair	Autumn 1996	PL/Åke Weyler (ÅW) Textilimportörerna
Production of Importers' Guide for Estonia	1996	ÅW/PL
Evaluation of <i>Advantage Balticum</i> Furniture	1996	Östsvenska Handelskammaren & Nordiv
Pilot study of assistance to Lithuanian branch organisations	end of 1996	Svensk Litauiska Handelskammaren (umbrella organisation)
Plans for 1998/99 All textile related		
<i>Textilica</i> 2004 Fair	February 1999	PL
Support to ECMA in Estonia		
Production of Importers' Guide in Latvia		PL/ÅW
Support to branch organisation in Latvia (Textile)		
Production of Importers' Guide in Lithuania		
Preparations for export promotion project		

Recent Sida Evaluations

- 99/3 Paper, Prices and Politics. An evaluation of the Swedish support to the Bai Bang project in Vietnam. David Vincent, Nguyen Quoc, Ngo Minh Hang, Allan Jamieson, Nicholas Blower, Mandy Thomas, Pham Quang Hoan, Do Thi Binh, Adam McCarty, Hoang Van Hoa, David Pearce, Derek Quirke, Bob Warner.
Department for Evaluation and Internal Audit
- 99/4 A leap of Faith. A story of Swedish aid and paper production in Vietnam - the Bai Bang project, 1969-1996. Alf Morten Jerve, Irene Nörlund, Astri Suhrke, Nguyen Thanh Ha
Department for Evaluation and Internal Audit
- 99/5 Sida-Supported Programme within the African Energy Policy Research Network, AFREPREN. Frede Hvelplund, Ernst Worrell
Department for Research Cooperation, SAREC
- 99/6 Masters Programme in Land Management. Swedish support channelled through The Royal Institute of Technology (KTH) to participants in Central and Eastern Europe. Jim Widmark
Department for Central and Eastern Europe
- 99/7 Environmental Projects in Tunisia and Sengal. Ulf von Brömssen, Kajsa Sundberg
Department for Infrastructure and Economic Cooperation
- 99/8 The Collaboration between Sida and SAI, The Department of Social Anthropology (SAI), Development Studies Unit, Stockholm University. Ninna Nyberg Sörensen, Peter Gibbon
Department for Natural Resources and the Environment
- 99/9 Access to Justice in Rural Nicaragua. An independent evaluation of the impact of Local Court Houses. Elisabeth Lewin, Christian Åhlund, Regina Quintana
Department for Democracy and Social Development
- 99/10 Working with Nutrition. A comparative study of the Tanzania Food and Nutrition Centre and the National Nutrition Unit of Zimbabwe. Jerker Carlsson, Suraiya Ismail, Jessica Jitta, Estifanos Tekle
Department for Democracy and Social Development
- 99/11 Apoyo de Asdi al Sector Salud de Nicaragua. Prosilais 1992-1998. Marta Medina, Ulf Färnsveden, Roberto Belmar
Department for Democracy and Social Development
- 99/12 Nordic Support to SATCC-TU, Southern Africa Transport Communications Commission, Technical Unit. Björn Tore Carlsson, Leif Danielsson.
Department for Infrastructure and Economic Cooperation
- 99/13 Cooperation Between Sweden and Ukraine in the Field of Local Self-Government. Lars Rylander, Martin Schmidt
Department for Central and Eastern Europe
- 99/14 Research Cooperation between Sweden and Uruguay 1986-1995. An evaluation and some general considerations. Osvaldo Goscinski, Mikael Jondal, Claes Sandgren, Per Johan Svenningsson
Department for Evaluation and Internal Audit

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