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MACEDONIA

THE AGBIZ PROGRAM (MACEDONIA AGRIBUSINESS ACTIVITY)

FY 2008 ANNUAL WORK PLAN

SEPTEMBER 2007

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CONTENTS

AGBIZ DEFINITIONS	v
INTRODUCTION.....	vii
I LIFE OF PROGRAM	
1.0 BASIC OBJECTIVES	1
1.1 QUALITATIVE	1
1.2 RELATIONSHIP TO USAID SO AND IRS.....	1
1.3 QUANTITATIVE OBJECTIVES	1
2.0 APPROACH AND METHODOLOGY	3
2.1 APPROACH AND PRINCIPLES.....	3
2.1.1 APPROACH	3
2.1.2 PRINCIPLES	3
2.2 OVERALL PROGRAM IMPLEMENTATION METHODOLOGY	5
2.2.1 VALUE CHAIN COMPETITIVENESS ENHANCEMENT OPPORTUNITY AND CONSTRAINTS IDENTIFICATION.....	5
2.2.2 SUPPORT PROGRAM DEVELOPMENT AND IMPLEMENTATION	6
2.2.3 POLICY AND INSTITUTIONAL REFORMS	6
2.2.4 SECURING FINANCING FOR CUSTOMERS	6
2.2.5 TYPES OF AGBIZ SUPPORT	6
II FY' 08 PLANS	
3.0 BASIC OBJECTIVES	13
4.0 PROPOSAL DEVELOPMENT AND PROJECT IMPLEMENTATION.....	15
4.1 BASIC METHODOLOGY	15
4.2 PROPOSAL SOLICITATION.....	19
4.2.1 PUBLISHING AN APS/RBP	19
4.2.2 STAFF SPADE WORK	19
4.2.3 COMPENSATING AND USING CONSULTANTS	19
4.2.4 FOLLOW-ON OR COMMERCIAL POSSIBILITIES FROM OTHER DONOR PROJECTS.....	19
4.2.5 USE OF RELEVANT ASSOCIATIONS	19
4.2.6 VALUE CHAIN MEETINGS.....	20
4.2.7 SELECTIVELY WORK WITH LOCAL GOVERNMENTS IN KEY AGRICULTURAL AREAS..	20
4.2.8 BASIC PROPOSAL SOLICITATION PRINCIPLE	20
4.3 PROPOSAL SCREENING CRITERIA	20
4.4 PROJECT IMPLEMENTATION.....	23
4.5 TYPES OF AGBIZ PROJECT SUPPORT AVAILABLE.....	23
4.6 ROLE OF GRANTS.....	23

4.7	PROJECT SUPPORT PRINCIPLES	23
4.8	HUMAN RESOURCE USE IN SUPPLYING TECHNICAL ASSISTANCE	24
5.0	ORGANIZATIONAL STRUCTURE	25
5.1	STRUCTURE	25
5.2	RATIONALE	25
5.3	STAFFING	26
5.4	STAFF RESPONSIBILITIES	26
6.0	COMPETITIVENESS ENHANCEMENT PROJECTS AND ACTIVITIES	31
6.1	FAST TRACK PROJECTS AND ACTIVITIES.....	31
6.2	WORKSHOPS AND TRAINING	31
6.3	PRODUCER ORGANIZATION AND ASSOCIATION SUPPORT	32
6.3.1	PRODUCER ORGANIZATIONS.....	32
6.3.2	TRADE ASSOCIATIONS	33
6.3.3	IMPLEMENTATION	33
6.4	FINANCING AND INVESTMENT STIMULATION.....	34
6.5	POLICY AND INSTITUTIONAL REFORMS.....	34
6.6	OTHER FY '08 ACTIVITIES	35
6.6.1	DATA BASE OF POTENTIAL CUSTOMERS	35
6.6.2	ADVISORY BOARD AND VALUE CHAIN COMPETITIVENESS ENHANCEMENT TASK FORCES.....	35
6.6.3	ATTENDANCE AT IMPORTANT EXPORT-RELATED EVENTS	36
6.6.4	LINKAGES WITH EU ACCESSION ACTIVITIES	36
6.6.5	USING STTA	36
6.6.6	POSSIBLE VALUE CHAIN ASSESSMENTS.....	37
7.0	CROSS CUTTING ACTIVITIES.....	39
7.1	COORDINATION AND SYNERGIES	39
7.1.1	WITH RELATED USAID PROJECTS.....	39
7.1.2	WITH RELATED DONOR PROJECTS.....	39
7.1.3	WITH GOVERNMENT OF MACEDONIA RELATED ACTIVITIES.....	39
7.1.4	MACEDONIA LEVEL AGRIBUSINESS DEVELOPMENT COORDINATION.....	40
7.1.5	REGIONAL AGRIBUSINESS COMPETITIVENESS ENHANCEMENT WORKSHOP.....	40
7.2	PUBLIC-PRIVATE ALLIANCES	40
7.2.1	LEVERAGING	40
7.2.2	DCA.....	40
7.3	MANAGEMENT INFORMATION AND BRANDING AND MARKING PLANS.....	41
7.3.1	MIS SYSTEMS	41
7.3.2	BRANDING	41
7.3.3	MARKING.....	41
7.3.4	STAKEHOLDERS MEETINGS	41
7.3.5	BRANDING AND OUTREACH PROGRAM SUPPORT	41
7.3.6	WEBSITE COMPLETION AND UTILIZATION	41

7.4	ENVIRONMENTAL PROGRAM	42
7.4.1	ENVIRONMENTAL CONSIDERATIONS.....	42
7.4.2	CLEAN PRODUCTION.....	42
7.5	PERFORMANCE MANAGEMENT PLAN.....	42
7.6	MACEDONIAIZATION AND LEGACY INSTITUTIONS/ORGANIZATIONS.....	42
8.0	EXPECTED RESULTS.....	45
8.1	TIMING.....	45
8.2	INDICATORS	49

AGBIZ DEFINITIONS

The following definitions are used by the AgBiz team to achieve a common language when communicating among ourselves as well with USAID, the ARD Home Office and to a lesser extent with our customers.

Activity – events in support of AgBiz or USAID objectives that do not involve an approved business expansion project, e.g., training, workshops and multi-customer events

AWP – Annual Work Plan; a reasonably detailed description of what AgBiz plans to accomplish and how they will accomplish it in a given FY

Beneficiary – the person or persons that directly gain from a project or activity

Branding Strategy – the description of how AgBiz will make sure as many Macedonians as possible know that the AgBiz program and all AgBiz benefits are “From the American people” and USAID; the objective is to raise the awareness and profile of US government support in Macedonia

BSP – Business Services Provider; a consulting firm or other company that specializes in providing business services to companies; examples include business consultants, business trainers, accountants, lawyers, and certification organizations

The Budget – the legal document attached to The Contract that specifies the total funding available to AgBiz and how it should be utilized by year and LoP; the budget includes both a total amount (\$5.5 million) and a committed amount (\$1.5 million in FY '07 and \$1.5 million in FY '08); additional commitments from USAID are not assured

Client – only USAID

Compliance – operating consistent with the rules and regulations established by USAID, ARD and AgBiz; an important requirement

The Contract – the legal agreement between ARD and USAID that spells out what AgBiz must accomplish, the budget it has to accomplish its objectives and the regulatory parameters it must operate within

Customer – a legal, private sector entity that AgBiz is supporting to sustainably expand its business, or a PO or association being supported to enhance their capacity to expand their members' businesses

FY – Fiscal Year; the USAID planning and budgeting year; 1 October through 31 September

GoM – Government of Macedonia

Grant – a donation to a customer to partially support a well detailed and approved project

Grants Manual – the guidebook for selecting projects and customers who qualify for grants and how a grant, once awarded, must be monitored and reported on; the grants manual must be strictly adhered to.

Indicator – a measurement of an expected program accomplishment or result

LoE – Level of Effort; the number of person days available or required to complete a task

LoP – Life of Program: for AgBiz 19 March 2007 until 18 March 2011

Marking Plan – a description of how AgBiz will make sure all program assets and output are clearly identified as being provided by and/or owned by USAID

MAFWE – Macedonian Ministry of Agriculture, Forestry and Water Economy

ODCs – Other Direct Costs; local professional services (outside accountant and lawyer), copying, courier and postage, bank fees, communications (telephones and internet), office supplies, office rent and utilities, and equipment purchases, maintenance and repairs

PC - Proposal/Project Coordinator; the specific AgBiz staff person responsible for screening and developing a proposal or monitoring the successful implementation of a project

PM – Project Manager: the Burlington-based person responsible for AgBiz administration at the HO level, including USAID communications regarding contract issues, international consultant recruiting, financial reporting and directing non-technical enquiries to the most appropriate HO specialist/manager

PMP – Performance Management Plan; a description of the indicators AgBiz will achieve, how the information will be collected and the quantitative objective for each indicator

PO – Produce Organization; a legal entity that has the primary objective of serving its members commercial interests; it often buys inputs in bulk for members, helps them produce to customers’ standards, and consolidates members output prior to sale

Process Indicator – an event that represents an intermediate including cost, step toward achieving a result; e.g., individuals trained, associations supported and trade shows attended

Program – the total work of AgBiz; AgBiz is a program, not a project to avoid confusion with our customer support activities

Project – an set of business initiation or expansion activities that includes a package of approved AgBiz support to a customer that will make a significant contribution to the AgBiz indicators and represents an acceptable return on AgBiz resources; it may include several phases spread out over up to three years; support to each phase is dependant on the results of the previous phase; AgBiz support to the project must be less than 50% of the total project cost

Project Description – A reasonably detailed explanation of all important aspects of a set of actions designed to expand a customer’s business

Reimbursement – in the USAID context does not require the customer to pay first; AgBiz customer “reimbursement” can take place after an item or activity in an approved grant budget has been delivered, approved by the customer, a correct (consistent with the approved award budget) invoice is received from the supplier and a copy is forwarded to AgBiz

Results Indicator – a customer or beneficiary positive impact that is an expected AgBiz result; e.g., exports increased, additional employment or new hectares planted

SoW – Scope of Work; a detailed description of what is to be accomplished by a consulting activity, including Tasks to be completed and Deliverables to be supplied

Stakeholders – those parties interested in the success of AgBiz and who have similar objectives

STA/M – Senior Technical Advisor/Manager; the Burlington-based person responsible for providing technical support to AgBiz, including assisting in international consultant recruiting, advising on key technical aspects of Program implementation and assuring that AgBiz meets its technical objectives

STTA – Short term technical assistance

Sub-contract - legal agreements issued by ARD to other entities to accomplish some specified portion of AgBiz work or provide AgBiz with supplies or services

US Sub-contractors – firms that ARD agreed, during the proposal development process, will play a significant role in program implementation; after contract award, ARD signed a sub-contract with these firms; AIRD (policy reform) and Crimson (finance) are AgBiz US Sub-contractors

USAID CO – Contract Officer; the senior legal representative of USAID responsible for contractual and budgetary compliance

USAID CTO – Cognizant Technical Officer; the senior person at USAID responsible for managing AgBiz’s technical procedures and results

INTRODUCTION

This Annual Work Plan is for Fiscal Year 2008, i.e., from 1 October 2007 to 30 September 2008. The plan is divided into two sections, the first is an overview of the Life of Project (LoP) plan and the second includes FY '08 specific plans. Section I, LoP plans, presents an overview of AgBiz basic objectives, approach and methodology. In Section II the FY '08 Annual Work Plan (AWP) is presented, focused on the proposal development, project implementation and value chain competitiveness enhancement activities AgBiz will implement in FY '08 as related to our competitiveness enhancement and export focused sustainable sales development objectives. Normally, an AWP would have a section on accomplishments to date, but this information is included in the Quarterly Report for the Fourth Quarter of FY '07, presented to USAID at almost the same time as this AWP, so is not repeated herein.

While the contract specified name of the program is the Macedonia Agribusiness Activity (MAA), the operating name is the USAID's AgBiz Program to more effectively communicate with our target audiences. AgBiz is used as the name of the program hereafter in this AWP.

For clarity AgBiz is called a "program" not a project. This is to differentiate it from what AgBiz is helping a customer develop and implement called a "project." A project is a set of actions that a customer, defined as a private sector firm or formal grouping of producers, processors and/or traders, wants to implement which will lead to sustainably increased sales and earnings by enhancing the customer's competitiveness. Customers' projects must contribute to and be consistent with AgBiz's objectives and parameters. AgBiz will only provide a predetermined portion of the total cost of implementing a customer's project. Responsibility for successful implementation of the project will be that of the customer. AgBiz's financial and/or technical contributions to the project will be clearly defined in a Project Description, including a budget, which is approved prior to project initiation.

Other USAID and Other Donor activities are called projects herein. AgBiz is the exception for the above noted reason.

I LIFE OF PROGRAM

1.0 BASIC OBJECTIVES

1.1 QUALITATIVE

The goal of AgBiz is to increase economic growth in Macedonia through expanded, environmentally sustainable production and sales of value-added agricultural products by enhancing producers and processors' ability to compete regionally and globally. This will produce greater incomes for agricultural processors and producers, and ultimately higher revenues for government. By developing effective support systems for producers and by strengthening the linkages among producers, processors and their markets, AgBiz is enabling agribusiness to locate and meet market demand. The better market linkages AgBiz is supporting will reduce transaction costs and increase producers' and processors' capacity to understand and meet the demands of their customers. AgBiz is supporting growth in the Macedonian economy by:

- Enabling agribusinesses to understand, identify and enter new export food and beverage markets;
- Increasing producers' and processors' capacity to understand and meet market demand for value added food products;
- Enhancing market linkages between producers, processors, and traders;
- Improving business management and operations in the selected agribusiness value chains; and
- Raising incomes for agricultural producers and processors.

The potential accession of Macedonia to the EU in 2011 creates the need to help Macedonian agribusinesses become more competitive to both successfully compete in regional and local markets in an era of more open borders, and to capitalize on the enhanced access to EU markets brought about by membership in the EU. AgBiz's work will therefore also focus on EU accession related competitiveness enhancement.

Since AgBiz is likely USAID's last agriculture-related program in Macedonia, AgBiz will place emphasis on creating legacy institutions that can carry on agribusiness growth stimulation activities post-AgBiz.

1.2 RELATIONSHIP TO USAID SO AND OPERATIONAL PLAN

AgBiz will support Mission S.O. 1.3 - Accelerated Development and Growth of the Private Sector, under the Program Title: Economic Growth, Program Area: 4.5 Agriculture and Program Element: 4.5.2 Agriculture Productivity. Recent relevant past S.O. 1.3 programs were Improve Private Sector Competitiveness and Increase Agricultural Sector Productivity.

An important objective of AgBiz is to draw upon this prior USAID work in private sector competitiveness and agricultural sector productivity enhancement by utilizing the lessons learned from these activities, and to continue and expand those activities that are consistent with AgBiz's objectives, and need continuing assistance to be come sustainable and/or can be replicated.

1.3 QUANTITATIVE OBJECTIVES

The agreed AgBiz indicators follow, as does an indication of the source of each indicator, i.e., if the indicator will be achieved by project work and/or via activities.

Projects will contribute increases in supported customers':

1. Value of exports to EU and regional markets;

2. Sales of Macedonian-origin agriculture-based products that replace similar imported products;
3. Value of raw material purchases from small-scale producers; and
4. Agriculture-related jobs.

Activities, and some projects, will contribute to:

5. The number of rural households receiving direct benefits (Projects);
6. The number of Producer Organizations (Projects and Activities*) and Business and Trade Associations (Activities*) receiving support ;
7. The number of Agribusinesses, i.e., traders/buyers, processors, distributors or wholesalers/retailers, receiving assistance (Projects and Activities*);
8. The number of new/improved technologies or management practices made available for transfer to agriculture-related producers, processors and marketers (Projects and Activities*);
9. The number of hectares of land that utilize new technologies or improved management practices as a result of customer support or program activities (Projects only?);
10. The number of individuals who receive short- and long-term agriculture or agribusiness productivity enhancement training (Activities);
11. The value of new sources of customer debt or equity financing identified (Projects); and
12. The value of domestic and international investment stimulated (Projects).

* For example training seminars and workshop

LoP indicators are shown in Table 7 in Part II, Section 8.0

2.0 APPROACH AND METHODOLOGY

2.1 APPROACH AND PRINCIPLES

2.1.1 Approach

The basic approach AgBiz is using is called “Broad-based, Increased Agribusiness Sales and Earnings via the Enhanced and Sustainable Competitiveness of Selected Value Chains.” This approach emphasizes selecting and implementing activities that will: 1) have a positive impact on a large number of beneficiaries, 2) significantly increase the sales and earnings of Macedonian producers and agribusinesses; 3) achieve this increased sales and earnings via enhancing the competitiveness of agriculture-based individual firms and value chains; 4) optimize the return on USAID resources by concentrating efforts on a limited number of value chains and agribusinesses with the best potential to be competitive, and 5) make sure supported projects have good potential to become sustainable from managerial, social, economical and environmental perspectives.

2.1.2 Principles

In pursuing the above outlined approach AgBiz will utilize the following basic principles.

- **Value Chain-based Technical Approach and Organizational Structure**

Value chains encompass all of the activities that take place from production agriculture product and service inputs to food and beverage retailing. The value chain can be conceptually divided into two major segments: pre-farm gate and post-farm gate. While it is essential that the value chain is viewed as a market-led whole, there are different skills involved at the pre-farm gate and post farm gate levels. Therefore, the initial organization structure for AgBiz will involve pre-farm gate team and a post farm gate teams, intimately linked and coordinated by the CoP. The starting point of AgBiz value chain competitiveness enhancement is viable markets. But to capitalize on market opportunities there must be reasonable production availability and post-farm gate capacity to meet market demand, including, but not limited to market dictated product specifications, timing and cost. Therefore, the AgBiz organization structure consists of the above mentioned and closely coordinated two teams.

- **Targeted Resources Allocation**

The four basic AgBiz components are Production Agriculture Development, Post-farm Gate Development, Policy and Institutional Reform and Improved Access to Finance. It is difficult to project the specific LoP allocation of AgBiz resources into the four subcomponents. However, based on preliminary information, and with the objective of optimal use of our limited resources, we anticipate that about 80% of resources will be utilized for proposal development and project implementation, the primary objective of the Production Agriculture and Post-farm gate Teams, and around 15% for enhanced access to finance, and a maximum of 5% for policy and institutional reform.

- **Leveraging**

Making optimal use of AgBiz/USAID resources is of paramount importance. We have limited resources and aggressive objectives, so every dollar expenditure must be related to an expected result. AgBiz will be leveraging its technical expertise by concentrating on a limited number of value chains and agribusinesses and making sure all training, technical assistance and other support is complementary to and not duplicative of technical assistance being provided by other USAID projects, other donors or the GoM. Resources leveraging will be achieved by requiring a high level of cost sharing from all customers, especially post-farm gate entities, and the use of external consultants versus staff wherever possible. We will also be aggressively seeking alternative sources of financing for our customers rather than providing them a high percentage of total project or activity financial support ourselves.

- **Firm-level Support**

The basic objective of AgBiz is to stimulate a significantly increased number and average value of private sector transactions that utilize Macedonian agricultural raw materials and labor. It is preferred that significant value added be done to these raw materials to utilize Macedonian labor and thereby retain a large portion of the value of the finished product in-country. Therefore, AgBiz is clearly a private sector economic growth program. Our customers will be legally registered, private producers, processors and marketers participating in the selected value chains. AgBiz is not a government or association support program, except to the extent that producer or trade associations can be instrumental in achieving priority policy and institutional reforms that constrain the competitiveness of the value chains AgBiz will be enhancing.

- **Sustainability**

AgBiz-supported projects' achieving long-term benefits is of great importance, and will be a key screening criterion, and the focus of all AgBiz support. There are at least four sustainability characteristics of concern. Commercial sustainability, i.e., profit margins sufficient to enable the supported entity to sustain ongoing operations is of great importance. This means AgBiz support will be focused on risk reducing support for one-time activities and/or costs and not on subsidizing ongoing operations. It also means that financial sustainability will be a key screening criterion when assessing potential projects. Social sustainability is also important in that the potentially impacted community at large must support the activity AgBiz is stimulating. Environmental sustainability is a prerequisite of USAID support and a necessity. Managerial sustainability, i.e., the ability of managers in the supported company to continue to successfully operate the supported entity post-AgBiz support, and enable it to grow and adjust to changing market conditions, is of considerable importance.

- **Regional Coordination**

The Balkans is a relatively small area, and a reasonable degree of cooperation is needed between the former Yugoslavian countries to optimize their success in the more developed EU markets. Sustainable agribusiness development Lessons Learned from other projects in the region will be adopted and applied to AgBiz. Regional USAID and other donor and government activities will be utilized and cooperated with by AgBiz. Regional markets will be a special focus of AgBiz supported activities, especially the more developed markets of Croatia, Serbia and Romania. Close cooperation will be maintained with the Regional Competitiveness Project. In addition AgBiz will work with regional market information and other coordinating activities that bring together members of private sector agribusiness associations from the region and/or coordinate regional agribusiness development activities. Coordination of regional market and product information is a key factor in successful entry and market share expansion into EU markets.

- **Extensive Local Collaboration**

Local collaboration is very important to AgBiz's success and utilizing and building local competitiveness enhancement capacity is of great importance to the program. Macedonian firms (Business Service Providers

– BSPs) will be used as the primary source of technical assistance and training, and will be the beneficiaries of nearly all AgBiz grants, i.e., AgBiz customers will use Macedonian BSPs to supply their competitiveness enhancement needs. Working with AgBiz technical staff, Macedonian consultants will be the main suppliers of technical assistance. When it is clear and agreed by the team that a required skill set is not available in Macedonia, a skill specific expatriate consultant will be utilized to train local consultants in this skill. International consultant will always be paired with Macedonian consultants or an AgBiz team local member, therefore developing Macedonian capacity in that area. Thereby, a legacy of quality local consultants would be available to Macedonia agribusiness firms into the future.

- **Intensive Linkages**

Linkages and cooperation with other relevant projects will be extensive. Other USAID projects such as Land O'Lakes may provide possible follow-on activities. We will work closely with banks utilizing the DCA facility to enhance its use by agribusinesses. Other donors such as SIDA (S-FARM and MAASP), IFAD, GTZ and SIPPO are supporting activities related to AgBiz. We understand other project's objectives and methodologies and will work with them in a highly complimentary manner. Several of the other projects have downsized and therefore represent opportunities to work together on complimentary and non-duplicative activities that are consistent with AgBiz objectives. GoM objectives specifically related to private sector development are also be a source of coordination, but AgBiz will not provide direct support to the GoM unless instructed to do so by USAID

- **Development of Legacy Institutions**

USAID may graduate Macedonia by FY 2011; therefore there is considerable interest in leaving behind entities and institutions that can carry on value chain competitiveness enhancement work after USAID has departed the country. Ongoing value chain competitiveness enhancement is the primary focus of AgBiz, and is being achieved by building the capacity of local service providers and consultants through learning by doing, i.e., receiving AgBiz support to increase their capacity to provide effective competitiveness enhancement services through working with the AgBiz team. The AgBiz team will help Macedonian service providers develop effective proposals for competitiveness enhancement services and properly implement the work. Macedonian service providers will both help AgBiz develop proposals and supply services to/for customers during project implementation. Local services providers will also be used for AgBiz training and conference activities.

- **Effective Outreach**

It is an important USAID and USG objective that the people of Macedonia are aware of and have a positive impression of the support USAID and the USG are providing to Macedonia. Therefore, AgBiz will utilize special techniques to make sure beneficiaries and other stakeholders are well aware that AgBiz support is "From the American People" and is viewed very positively. The AgBiz Branding Strategy should be approved by USAID in the near future and will form the basis for our outreach activities.

2.2 OVERALL PROGRAM IMPLEMENTATION METHODOLOGY

2.2.1 Value Chain Competitiveness Enhancement Opportunity and Constraints Identification

The Tier One and Tier Two value chains AgBiz will initially focus our competitiveness enhancement work have been selected. However, as the program matures additional value chains may likely to be selected. Therefore, both in FY '08 and in the future, significant participants in the middle (e.g., processors) and next to the end links (e.g., marketers) of the selected value chains will be contacted to determine their level of interest in participating in AgBiz value chain competitiveness enhancement activities. The major focus of this work will be to a) determine what these value chain participants believe are the most significant opportunities for expanding the number and average value of transactions in their value chain, and b) what

they see as the most significant constraints to improving the competitiveness of their value chain. Identification of the most viable target markets will be achieved in close cooperation with participants in the later links in the selected value chains, and via market-based research when needed.

2.2.2 Support Program Development and Implementation

When the priority opportunities and constraints in each of the selected value chains have been identified, AgBiz works with participants in these chains to develop specific projects for helping individual firms, or groupings of firms or producers, to develop a business expansion to project capitalize on the identified opportunities and overcome the constraints. The AgBiz portion of support to the project, which must be less than 50% of the total cost of the project, will be structured as a package of services needed by a firm, or grouping of firms or producers (AgBiz customer) which AgBiz will provide or cost reimburse the customer for. This package is referred to as a customer's project. AgBiz will preferably share, i.e., reimburse the cost of implementing the project with the customer, but on occasion may provide direct technical support to customers of approved projects.

2.2.3 Policy and Institutional Reforms

Reforms needed in the enabling environment, based on their impacts on the selected value chains, will be identified via our transactions development and implementation experience. Advocacy to reform the priority constraints will be implemented by the most relevant Macedonian associations, not directly by AgBiz.

AgBiz, working with its partner AIRD, will implement policy work collaboratively with associations and members of the targeted value chains to identify and prioritize, via actual competitiveness enhancement experience, the underlying regulations and/or government linked institutions that inhibit the targeted value chains' successful completion and sustainability of transactions and sales contracts. Once high priority policy and/or institutional constraints have been identified, AgBiz will stimulate reform dialogue with the Government of Macedonia through business associations and USAID. We will strengthen the capacity of local associations to lobby effectively with government officials, and advocate for an enabling environment that supports competitive and sustainable legitimate transactions. AgBiz will coordinate with USAID's Business Environment Activity on our policy and institutional reform activities.

2.2.4 Securing Financing for Customers

AgBiz, working in concert with our partner Crimson Capital, will help customers in the selected value chains secure cost and terms effective financing for their projects, i.e., competitiveness enhancement activities, business expansion projects and sales contracts. In addition to assisting with developing business plans and credit applications, AgBiz will establish a collaborative relationship with a range of alternative sources of financing to understand their requirements for financing AgBiz customers, and the comparative advantages and disadvantages of these alternative sources. This will enable AgBiz to influence banks and other financing providers regarding the technical merit and repayment ability of AgBiz customers seeking financing. In addition to bank financing, we will explore and promote trade financing, leasing, equity and other financial products, and loan guarantee programs such as USAID's Development Credit Authority, and innovative public-private partnerships as related to USAID's Global Development Alliance. We will place greatest emphasis on sources that offer the sustainable financing mechanisms needed by the selected value chain, but we will not reject shorter term solutions to financing constraints.

2.2.5 Types of AgBiz Support

AgBiz has a range of types of support it can provide to customers to help them enhance their competitiveness in their target markets. They include:

- **Technical Assistance** – either cost shared with customers from approved sources and at an agreed unit cost, or supplied directly by AgBiz staff or consultants.

- **Training** – when several customers, or a group of employees of one customer, need and agree to skills enhancement, AgBiz can supply training on competitiveness enhancement subjects, with the trainers being either local or international experts, depending on the type of training needed. Again, local trainers will be used to the extent possible, and training will be cost shared with customers.
- **Marketing Activities** – AgBiz will help customers develop marketing skills or materials that improve the competitiveness of the firm or grouping. This will most often be achieved via a combination of staff assistance and cost sharing to acquire local business services from BSPs. An example of this type of service would be designing new labels or developing more effective marketing materials in preparation for attending a relevant trade fair.
- **Workshops and Conferences** – when a need is identified to bring together current or potential AgBiz customers to discuss and or learn about a competitiveness enhancement subject, or discuss an opportunity or constraint to a selected value chain, AgBiz will organize a workshop on the subject. We will place special emphasis on one of the end products of the workshop being an action plan for capitalizing on the opportunity or resolving the constraint.
- **Policy and/or Institutional Reforms** – as outlined above, AgBiz will work with customers, through relevant associations, to reform policies or institutions that constrain the competitiveness of participants in the selected value chains.
- **Improved Access to Financing** - AgBiz will help customers in the selected value chains secure cost and terms effective financing for their projects, including debt, trade credit, leasing and, if needed, equity

It will often be the case that AgBiz support to a customer will involve more than one of the above services as part of a custom designed package of competitiveness enhancement activities (a “project”).

II FY '08 PLANS

3.0 BASIC OBJECTIVES

The basic objectives AgBiz will be pursuing in FY '08 are as follows:

- a. Identify, Screen, Develop and Gain Approval for Competitiveness Improvement/Business Expansion Projects in the Selected Value Chains that will make a Significant Contribution to AgBiz Indicators
- b. Monitor the Successful Implementation of Approved Projects and Adjust Them as Needed to Achieve Objectives
- c. Develop and Implement a Limited Number of Activities (versus projects) that Enhance the Competitiveness of the Tier One Value Chains and Make a Significant Contribution to AgBiz Indicators and/or Respond to USAID Requests
- d. Expand Sustainable, Value Added Export Businesses and Selected Value Chains Which Become Examples or Models that will be Emulated by Others
- e. Make Effective, Efficient and Well Leveraged Use of AgBiz Human and Financial Resources While Utilizing at Least \$2.4 Million in Total Expenditures
- f. Effectively Coordinate with Related USAID Projects, Relevant Other Donor's Projects and Ministry of Agriculture, Forestry and Water Economy Activities
- g. Operate in Full Compliance with Relevant USG, USAID and ARD Rules, Regulations and Procedures

4.0 PROPOSAL DEVELOPMENT AND PROJECT IMPLEMENTATION

4.1 BASIC METHODOLOGY

Since the major work of AgBiz in FY '08 will be the solicitation, screening and development of proposals from private sector participants in the selected value chains, and monitoring the implementation of approved projects, an outline of that process will describe the largest portion, estimated at 80%, of planned FY '08 LoE and resources expenditures.

Figure 1 illustrates the proposal development and project implementation process and Figure 2 explains the process steps in sequence. A more detailed listing of the steps in the process is included in Appendix 2.

The primary responsibilities of all technical staff are a) the solicitation/identification, assessment, development and gaining approval for project proposals (being a Proposal Coordinator) and 2) the monitoring approved projects during the period of AgBiz support to help assure they are implemented as planned and/or make adjustments to the project so it will achieve its objectives (being a Project Coordinator). It is important to note that project management is the responsibility of the project sponsor/our customer, not AgBiz, so the Project Coordinator is primarily reviewing project progress, evaluating the progress of the project versus plan, verifying reported results (indicators), and advising the customer how to successfully implement the project as per plan and, as needed, advising what adjustments need to be made for project success.

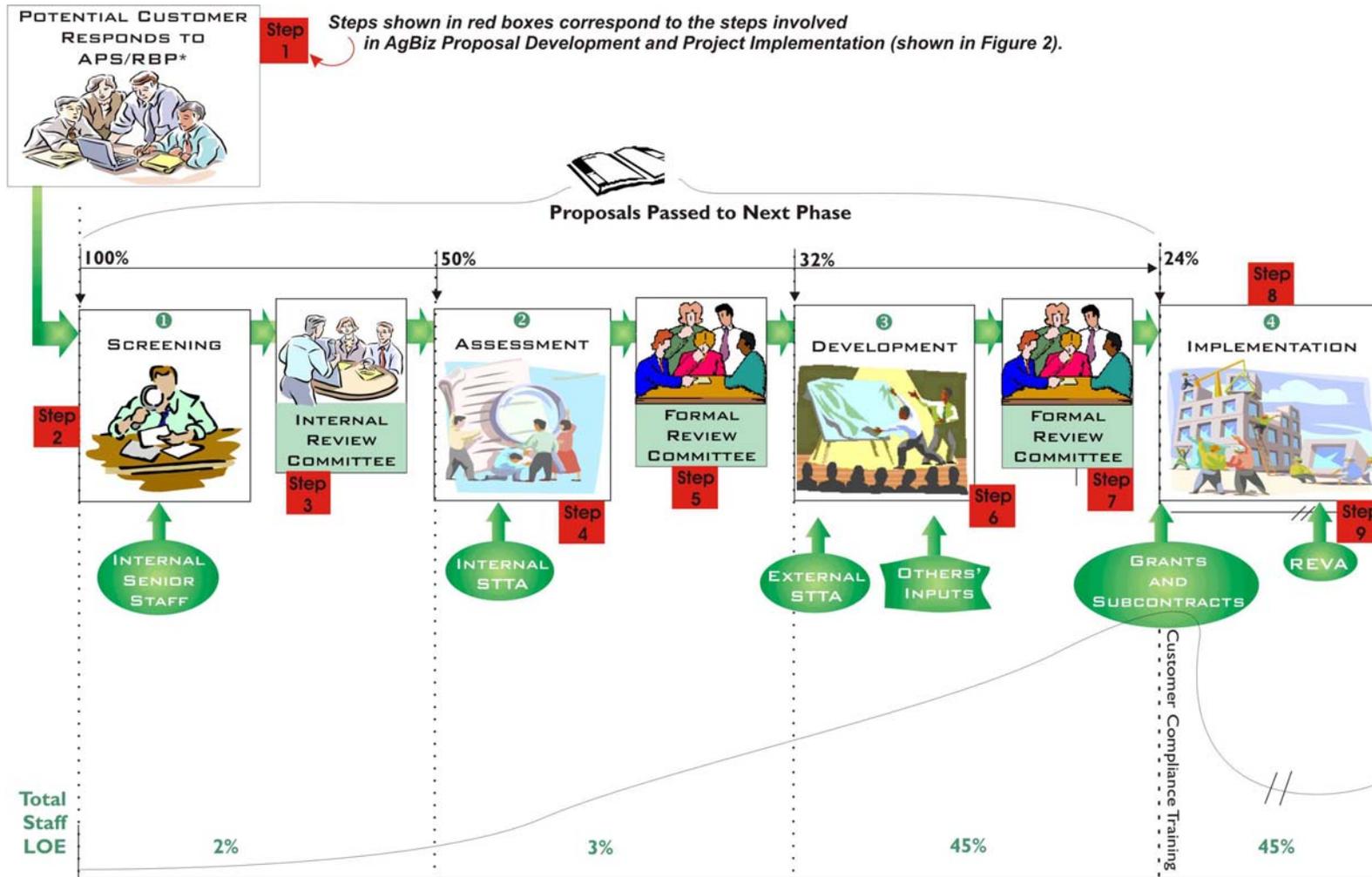
All technical staff will function as both Proposal and Project Coordinators, i.e., all proposals that pass the internal screening stage will be assigned to a Proposal Coordinator who will guide their development through to approval or rejection. All approved projects will be assigned a Project Coordinator who will be responsible for reviewing, evaluating, verifying and advising proponents regarding the successful implementation of their projects. Therefore, AgBiz technical staff will function in a matrix-like organization with each person having technical (e.g., production agriculture, finance, and marketing) as well as coordinator responsibilities.

The specific methodology AgBiz is utilizing to select the target value chains and enhance the competitiveness of the value chains selected is illustrated in Figure 3. We have completed the first half of this process and are launching into the second part which will dominate our work for the remainder of the Program.

As noted in above, soliciting, assessing, developing and gaining approval for business expansion proposals from private sector firms in the selected value chains will be the dominate AgBiz work for at least the first half of FY '08.

An important objective of AgBiz project development and implementation activities is to not only stimulate exports and the other indicators from these projects, but also to develop examples of value added exports/success that will be emulated by other Agribusinesses.

FIGURE 1. AGBIZ PROCESS FOR PROPOSAL DEVELOPMENT AND PROJECT IMPLEMENTATION



*APS/RBP = Annual Program Statement/Request for Business Plans
 Others: Proponent, Banks, TA Providers, etc.

FIGURE 2. AGBIZ PROPOSAL DEVELOPMENT AND PROJECT IMPLEMENTATION APPROACH

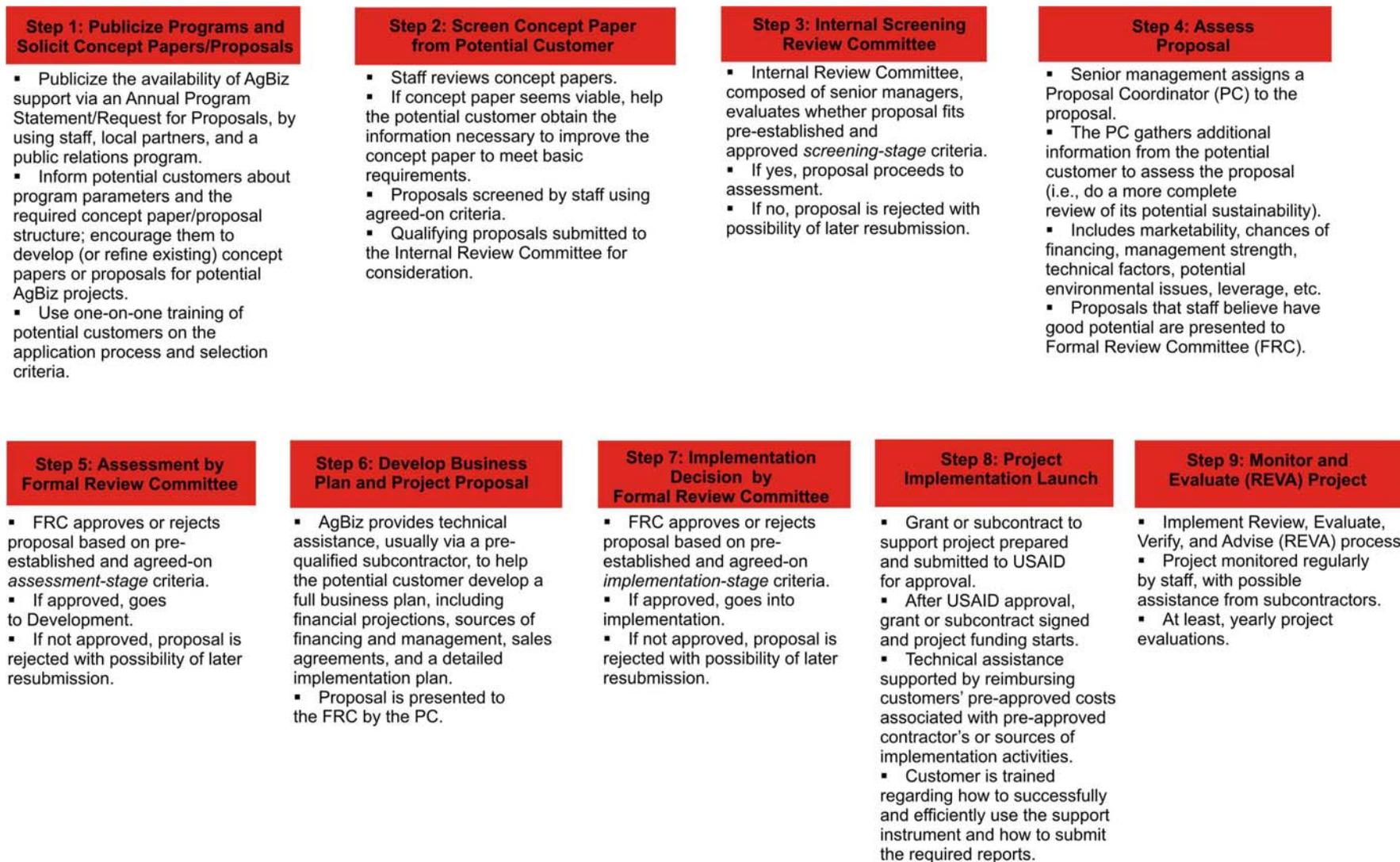


FIGURE 3 METHODOLOGY FOR THE IDENTIFICATION AND SUPPORT OF AGBIZ VALUE CHAINS AND PROJECTS

- 1) 12 Sub-sectors (and example crops/enterprises) provided to consulting company ->
- 2) All crops/enterprises prioritized within each sub-sector by specialized consultants using AgBiz selection criteria, consultants' knowledge/experience and secondary Data; deliverable is completed standard matrix for each crop/enterprise ->
- 3) 8 – 10 crops/enterprises selected by AgBiz and consultants using AgBiz selection criteria at an internal workshop ->
- 4) Field work completed by specialized consultants on the 8 – 10 selected crops/enterprises via additional data collection and interviews with crop/enterprise participants; more detailed matrix completed; deliverable is prioritized value chains within assigned crop/enterprise ->
- 5) Workshop selects 4 – 6 value chains using completed matrices and AgBiz selection criteria ->

----- Completed at the end of FY '07 -----

- 6) APS issued requesting project proposals from selected value chains ->
- 7) Meetings held with key participants in the each of the selected value chains to identify market and product opportunities and competitiveness enhancement needs and constraints ->
- 8) Project proposals submitted, and competitiveness enhancement activities identified, screened, developed, prioritized, and approved by the AgBiz team and USAID ->
- 9) Approved projects and activities launched ->
- 10) Projects and activities monitored and adjusted as needed ->
- 11) Indicator Results and Success Stories reported ->
- 12) Program adjusted as needed; value chains added when possible.

4.2 PROPOSAL SOLICITATION

The more quality concept papers/proposals AgBiz is able to stimulate from private sector firms in the selected value chains the better opportunity we have to make the best of them into good projects. Therefore, the stimulation of a large number of proposals is important. To achieve this we will use the following methodology.

4.2.1 Publishing an APS/RBP

AgBiz will develop, seek USAID approval for and publish an Annual Program Statement (APS)/Request for Business Plans (RBP) that will advertise the fact that AgBiz is in business, is seeking proposals for projects that are 1) consistent with our stated objectives, 2) from the selected value chains and 3) that meet the criteria outlined in the APS. This should qualify as having competed the AgBiz support process. It is anticipated the first APS/RBP will be issued in late October. The APS will have a three month closing date. Detailed instructions for submitting concept statements and proposals as well as the requested format for submitting a proposal will be posted on the AgBiz website. A new APS/RBP may be issued in late in the second calendar quarter of 2008, depending on the response to the first APS/RBP.

4.2.2 Staff Spade Work

Each technical staff member will be assigned to one of the five selected value chains. In the first fiscal quarter they will be responsible for contacting firms in that value chain to determine their interest in developing a concept paper or proposal. If the potential customer expresses interest, the staff member will explain the AgBiz proposal selection criteria. If the potential customer believes and the staff analysis of the concept the customer is considering would make a good proposal, the staff member will work with the potential customer to develop a basic proposal for internal screening. The planned potential customer data base described in 4.6.1 below will help staff identify potential customers, and at the same time staff can contribute to its development and information expansion and confirmation.

4.2.3 Compensating and Using Consultants

A meeting will be held with Macedonian consultants where their potential role in proposal identification and development will be explained. Consultants will be compensated for each proposal (not basic concept paper) they identify that is eventually approved by the Review Committee. Consultants will likely also be contracted to help a potential customer detail a concept statement that AgBiz believes appears to have good potential into a proposal.

4.2.4 Follow-on or Commercial Possibilities from Other Donor Projects

Examples of activities of other projects that are being evaluated for potential follow-on projects are Seal of Quality and S-FARM. Specifically AgBiz will investigate supporting the First Grape Producers' Cooperative (Prva Lozarska Kooperativa) in Negotino and the First Sheep Breeders' Cooperative IZGREV in Berovo.

4.2.5 Use of Relevant Associations

Associations already existing in the five selected value chains will be contacted, given a presentation on AgBiz, and asked for their assistance to identify members that may have an interest in submitting a concept paper/proposal to AgBiz. These presentations will include information on the types of concept statements/proposals we are seeking, the process we will use to develop and select proposals, the types of support we have to offer, and the term of our support. AgBiz staff will follow-up on suggestions received from the associations.

4.2.6 Value Chain Meetings

There is apparently considerable disinterest on the part of most participants in a given value chain to holding meetings to identify and discuss the key opportunities and constraints in their value chain. This has to do with a concern for sharing potentially valuable information with competitors, divulging company weaknesses and a general distrust of such meetings based on past experience. However, during our meetings with relevant associations we will discuss the possibility of a meeting with key value chain participants to discuss how AgBiz can be of most assistance to help participants improve the competitiveness of their companies and the value chains. This somewhat different positioning of the meeting may help to overcome potential customers' hesitation to participate in such meetings. We will organize such value chain meetings if it is determined they will be successful.

4.2.7 Selectively Work with Local Governments in Key Agricultural Areas

Local governments are very interested in economic development since this has the potential to increase employment and tax revenues. Therefore, AgBiz will select local governments in predominately agricultural areas such as Strumica and Bitola and make presentations to officials there regarding the program and our interest in supporting qualified agribusinesses in their jurisdiction. We will provide them multiple copies of the APS/RBP, including the forms needed to apply for AgBiz support. We will coordinate with the new Local Government project recently won by ARD on this activity.

4.2.8 Basic Proposal Solicitation Principle

A basic consideration regarding proposal solicitation and development is that AgBiz will provide technical, financial and linkages help to customers to implement business expansion projects they want to do. We are not telling them what kind of projects they should be implementing; we can suggest but not coerce. It is the customer's business, most of the investment is theirs and they will be responsible for sustaining the project after AgBiz support is complete.

4.3 PROPOSAL SCREENING CRITERIA

The criteria we will be using to move proposals through the proposal development process, illustrated by the score sheet used by each Review Committee member, is shown in Table 3. This clearly shows both the criteria and their comparative importance. This score sheet, which is part of the USAID-approved Grants Manual, will be used at the end of both the Assessment and Development stages of proposal development and review.

The two very key, interrelated and primary considerations for selecting proposals and developing them into projects include contribution to indicators and return on AgBiz resources. All projects must make a contribution to at least one of the AgBiz indicators that can only be achieved from projects. These include increased value of exports to EU and regional markets, increased sales of Macedonian-origin agriculture-based products that replace similar imported products, the increased value of raw material purchases from small-scale producers, and additional agriculture-related jobs. Return on AgBiz resources is assessed based on AgBiz cost per additional sales dollar, dollar value of increased raw material purchases, household benefited, hectare impacted and job created. Staff time required to develop a proposal will also be a consideration given our scarce staff resources.

TABLE 3 AGBIZ PROPOSAL SELECTION CRITERIA

PROPOSAL REVIEW AND EVALUATION FORM

Customer: _____ Project Title: _____

Qualifying Criteria	(Y/N)	Comments if any
1. Involves one of the selected value chains;		
2. Is consistent with GoM objectives and EU integration;		
3. Is consistent with AgBiz/USAID investment parameters (preferences and restrictions);		
4. Overlap with other USAID/other donor projects (geographic or sub-sector replication);		
5. Is based on the existing legislative environment;		
6. Is implemented within the term of AgBiz Program;		
7. Is very unlikely to have a negative environmental impact.		
Strategic Fit (40 points)	Score	Comments if any
1. Proponents proportion of the total cost of the activity. (8 points)		
2. Increased exports or substituted imports, i.e., increase the Macedonian-origin market share (local or export) of agriculture-based products; (8 points)		
3. Anticipated return on AgBiz/USAID investment (i.e., cost vs. value of new sales & employment); (8 points)		
4. Increased employment, especially in rural areas, and improved utilization of the Macedonian labor force; (6 points)		
5. Potential number of participating producers and SMEs, i.e., broad-based impact; (5 points)		
6. Increased number of units of production; (5 points)		
Technical Approach (32 points)	Score	Comments if any
1. Characteristics for sustainability (managerial, economic, environmental, & social); (8 points)		
2. Achievable comparative and/or competitive advantage in an identified market; (6 points)		
3. Proponents understanding of and the availability of a viable and growing market; (7 points)		
4. Shift from lower to higher value added products; (4 points)		
5. Width of market window, i.e., a length of selling season; (4 points)		
6. Utilization of existing technology; i.e., new and unproven technology not required; (3 points)		
Organizational Capabilities (24 points)	Score	Comments if any
1. Proponents have a good track record in this business and/or market; (8 points)		
2. Proponents have the managerial capacity potential to develop and implement the activity; (8 points)		
3. Proponents are providing a significant proportion of the total cost of the activity; (8 points)		
Gender Considerations (4 points)		

Qualifying Criteria	(Y/N)	Comments if any
1. Has a positive Gender Impact (4 pts)		
Cost Effectiveness	(Y/N)	Comments if any
1. Are cost reasonable, allowable, and allocable?		
2. Is the proposal cost effective?		
3. Does the proposal have an acceptable percentage of cost share/leveraging?		

Total Score _____

Are all eligibility criteria present? Yes/No _____

Does the organization have legal status? Yes/No _____

USAID/Government banned organization: Yes/No _____

Application recommended for further review: Yes/No _____

If no, should the applicant be encouraged to resubmit: Yes/No _____

Proceed in Cycle _____

Decline Funding _____

By affixing my signature below, I hereby certify that I have no real or apparent conflict of interest concerning this concept paper, the applicant organization, or any other consultant of business that may be involved in the referenced project.

Evaluators Name:

Signature:

Date:

4.4 PROJECT IMPLEMENTATION

The primary means of assuring the success of approved and signed AgBiz projects is our monitoring system.

The Review, Evaluate, Verify, and Advise (REVA) system provides a standard framework for monitoring all projects and reporting progress. The purpose of REVA is to measure progress in achieving the key indicators (e.g., export sales, producer purchases, and families benefited) of supported projects, to identify key issues to be resolved, and the actions required to keep the project on schedule. The REVA process requires Project Coordinators to present the projects under his/her responsibility for review at a weekly meeting. By rotating Project Coordinator presentations, all projects are reviewed at least once per month.

Information from the customer and the PC is brought together in preparation for the review. This involves a concerted effort to work directly with customers to gather information on projects in a standardized format that is conducive to effective review. Input for the presentation is derived from signed reports from customers, field visits (monthly) undertaken by the PC, each project's projected and actual progress, and information on key M&E indicators collected. A short written summary is prepared by the PC outlining the critical points pertaining to the progress of the project, the issues to be resolved and the corrective actions to be undertaken.

The REVA process is the primary project monitoring tool that evaluates progress on project implementation and recommends specific needed actions, facilitates the effective processing of invoices from or related to projects, and supports achievement of a project's performance as related to both financial disbursements and other financial indicators such as loans drawn down and utilization of financing.

4.5 TYPES OF AGBIZ PROJECT SUPPORT AVAILABLE

The types and value of resources available for project and activity support on a LoP basis are 1) Expatriate and Local STTA - \$261,000, Workshops and Training - \$234,400, US Sub-contractors - \$367,800 and Grants - \$261,000. AgBiz will utilize all four of these types of support during FY '08. It is likely however, that as FY '08 progresses, e.g., in mid fiscal year, ARD will propose a Budget Modification that suggests reallocating funds among these basic and other budget categories. It is likely for example that ARD will proposal moving some of the Workshops and Training funds to Grants. However, in FY '08 it is unlikely that cash flow expenditures in any of the budget categories will utilize the full LoP budget for that category.

4.6 ROLE OF GRANTS

Grants will be used by AgBiz in tandem with other types of support. Grants will be offered to offset part of the cost of a package of services, i.e., a project, designed to enhance the competitiveness of an AgBiz customer and increase their sustainable sales and earning. Grant funds will be used to provide partial support for a range of activities, and primarily for one-time costs, not to subsidize ongoing operations.

Since the current AgBiz budget is quite small (\$261,000) versus anticipated need, in FY '08 we will be looking for opportunities for reallocation of the overall AgBiz budget to free up more funds for grants. We will carefully track both the commitment and cash flow aspects of grants to make sure we do not over obligate grant funds. However, for FY '08 we do not anticipate that grants-related cash flow will exceed the current grants budget. We will monitor obligations and will inform USAID when/if we are nearing obligation of 75% of the current grants budget.

4.7 PROJECT SUPPORT PRINCIPLES

The usage priority of the various types of AgBiz support to a project is:

#1 – Reimbursement of approved customer one time costs via a grant. This is preferred due to reduced AgBiz liability for results, the customer being responsible for the quality and effectiveness of purchases/services, and the customer learning how to utilize and manage purchasing and/or business services. All approved costs for reimbursement will be included in the Grant Award Budget and all suppliers, number of units and unit cost must be approved by AgBiz;

#2 – Direct AgBiz payment of customer approved TA or other one time costs;

#3 – Direct payment for multi-customer events such as trade shows, training, etc.; and

4, And preferably very limited use – Reimbursement or direct payment of customer variable costs (subsidization) since this creates a false sense of actual variable costs.

There are significant problems with purchase or reimbursement of fixed assets including 1) source and origin requirements - US or Macedonian only without a USAID Mission Director waiver, 2) multiple bids are needed and 3) transfer of ownership from USAID to the customer is required. Supporting early leasing costs for capital equipment may be a viable alternative to supporting capital equipment purchases.

Most projects are likely to involve a “package” (grant, direct payment, etc) of supported goods and services.

Longer term projects are more likely to achieve greater indicators.

4.8 HUMAN RESOURCE USE IN SUPPLYING TECHNICAL ASSISTANCE

As noted above, the major work of AgBiz in FY '08 will be the identification, screening, development and approval of proposals potentially sustainable projects and their associated support document/instruments, and monitoring the implementation of approved projects. Achieving the optimal balance between the use of technical staff versus external consultants for technical work is important to AgBiz's success.

Technical staff is keenly aware of the need for high productivity, i.e., the results they achieve from the use of their time. Fully burdened technical staff costs are equal to around four times their take home pay, so staff time is expensive and staff must achieve very effective and efficient use of the scarce AgBiz (and USAID Macedonian agribusiness development) Labor budget. Consultant's time is +/- 37% the total cost of staff time. Therefore, staff will leverage and get the greatest return from their time via the effective selection, direction and management of consultants to do technical work to the extent possible. Staff will primarily rely on consultants for late stage proposal development technical work, and for providing TA to projects, i.e., staff will rarely be direct providers of TA. By late FY '08 technical staff will each be responsible for several proposals at various stages of development and for monitoring the successful implementation of more than one project.

Also, careful utilization of expensive international consultants is essential. International consultants will only rarely be used to supply technical assistance to a single company, when qualified local expertise is not available. International consultants will be utilized when their work is of benefit to the entire Program and entire value chain or to multiple customers. International consultants will be twinned with local consultants whenever possible to lower the total cost of a SoW, for better and quicker local grounding of the international consultant and for a faster international consultant learning curve.

AgBiz plans for moving proposals and projects through the various stages of development and implementation are shown in Table 6 in Section 8.0, Part II

5.0 ORGANIZATIONAL STRUCTURE

5.1 STRUCTURE

Figure 4 illustrates the AgBiz organization structure. This structure is consistent with how AgBiz is approaching the development of the selected agribusiness value chains. The organization is divided into three departments – Administration and Finance, Pre-farm Gate and Post-farm Gate.

5.2 RATIONALE

The rationale for this structure is as follows.

AgBiz has a strong focus on value chain competitiveness and sustainable sales volume enhancement; therefore it is logical that the organizational structure parallels this approach. We believe it is most effective and efficient to allocate team responsibility to the two major portions of the value chain, i.e., one team, and therefore major program component, with a focus on production related enhancements, and the other team and major component focused on post-farm gate aspects of competitiveness enhancement, with a special focus on marketing.

The post-farm gate team is focused on identifying viable markets and developing communications backward through the selected value chains that will enable all value chain participants to meet market requirements in a highly competitive and sustainable manner. This includes responsibility for viable market identification, determining the specific requirements of those markets, and helping post-farm gate participants involved in the links of the value chain closest to final customers, especially SMEs who are processors, traders and distributors, enhance their competitiveness.

Enhanced access to finance is the responsibility of the post-farm gate component, since much of the finance would be for post-harvest activities, but the Finance and Marketing Specialist will also help producer focused SMEs and producer groups assess financing when they are participants in a project.

The production development-related, pre-farm gate team will receive market opportunity and specifications messages from the marketing team, and translate those into activities that will enable producers and producer groups supplying inputs to AgBiz customers to meet the specifications, and sustainably capitalize on the identified market opportunities.

Producer organization, and production input products and services supplier development is the responsibility of the production-related team because they support producers. Since policy reform work is likely to be more closely related to production, policy reform activities would also be part of the production-focused team. When association development is need in post-farm gate segments, e.g., trade associations, they would also be supported by the Production Agriculture team.

Coordination of the two teams, especially as related to working toward the common objective of enhancing the competitiveness of the selected value chains, is essential, and therefore the responsibility of the CoP.

The pre-farm gate department will be managed by the Production Agriculture and Policy Manager, and the Post-farm Gate Development and Finance Manager (formerly called the SMS) would be responsible for the post-farm gate component.

5.3 STAFFING

Jeton Starova, the DCoP, Production Agriculture Development and Policy Manager joins AgBiz on 1 October. Jeton, along with Martin West, the Post-harvest Development and Finance Manager and Jim Maxwell the CoP will be members of the Internal Technical Committee that will approve which proposals received by AgBiz will be passed out of Screening and into the Assessment stage. The Technical Committee will also assign proposals to a specific staff Proposal Coordinator and projects, once approved, to a staff Project Coordinator.

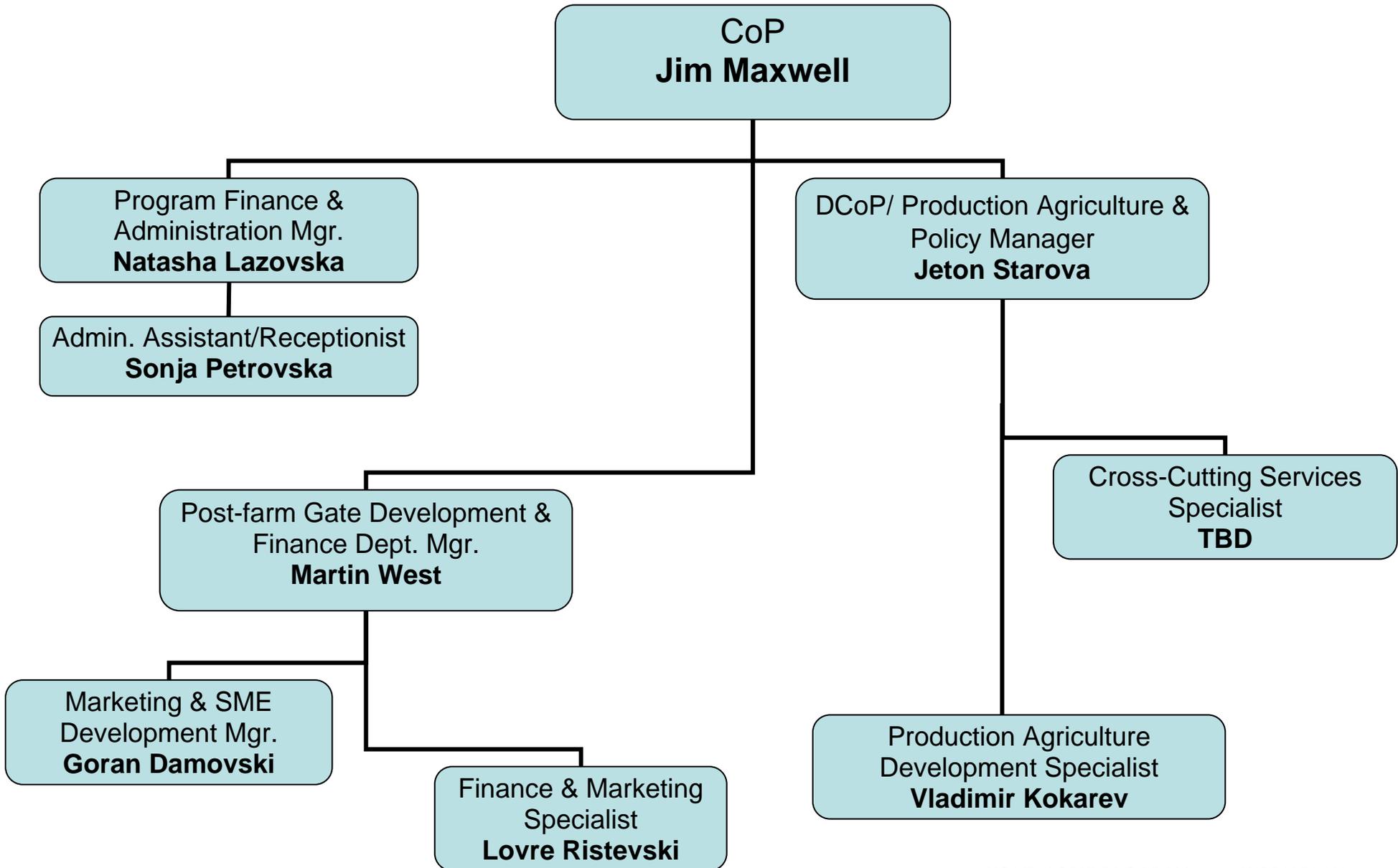
One AgBiz long term position will be filled early in FY '08. This position is currently in the Production Agriculture and Policy Department was designated as a Producer Organization (PO) Development Specialist. The results of the recent PO Assessment indicated that AgBiz should be very selective in its support to POs and support limited to POs already established in the value chains whose competitiveness we will be enhancing. This is a much more restricted role in PO development than previously envisioned. Therefore, the need for a full time PO development specialist is diminished.

AgBiz is now finalizing what skill set is most needed for the remaining position, i.e., will best contribute toward achieving our objectives. We have evaluated 1) a financial analyst that can help customers do product costing, P&Ls/Balance Sheets and other financial forecasting as well as be responsible for proposal/project Award Budget development, 2) a PO and Association Development Specialist, and 3) a combination MIS/M&E/Branding/Training and Workshops/Environment Specialist. This Cross-Cutting Specialist will adapt the LAMP MIS system to AgBiz, design and implement the field aspects of our M&E system including performance information collection, coordinate Branding Program implementation, advise on environmental aspects of proposals and projects, and provide technical support to our training and workshop activities.

5.4 STAFF RESPONSIBILITIES

The primary and secondary responsibilities of AgBiz staff are shown in Table 4. The responsibilities shown in Table 4 assume the remaining long-term position will be filled by the Cross-Cutting Issues Specialist.

FIGURE 4 AGBIZ ORGANIZATION STRUCTURE



The specific department and individual responsible for each of the key program areas are shown in Table 4 below.

TABLE 4 RESPONSIBILITIES ALLOCATION		
KEY FUNCTION	PRIMARY RESPONSIBILITY	SECONDARY RESPONSIBILITY
Overall Strategy Development	CoP	DCoP, STA/M and Team
Work Plan Development, Approval & Monitoring	CoP	DCoP, STA/M & PM
Compliance	CoP	Finance & Administration Mgr., PM &
Client (USAID) Relations	CoP	DCoP, PM, STA/M & Team
ARD Relations	CoP	STA/M, PM & DCoP
Post- with Pre-Farm Gate Department Coordination	CoP	Post-harvest Development & Finance Mgr. + Production & Policy Agriculture Mgr.
Coordination with Related USAID and Other Donor Projects and the GoM	CoP	DCoP/Production & Policy Agriculture Mgr. + Marketing & SME Dev. Mgr.
Proposal Development and Project Implementation	CoP	Post-harvest Development & Finance Mgr. + Production Agriculture & Policy Mgr.
Government of Macedonia Relations	DCoP	CoP
Customer Sales & Marketing Support	Post-harvest Development & Finance Mgr.	Marketing Specialist
Sourcing Financing for Customers & Investment Stimulation	Finance & Marketing Specialist	Production Agriculture Specialist
AgBiz SME Operations Enhancement	Marketing & SME Development Mgr.	Production Agriculture & Policy Mgr.
Customer Production Enhancement	Production Agriculture & Policy Mgr.	Production Agriculture Specialist
Experience-based Policy Reform Prioritization	Production Agriculture & Policy Mgr.	CoP
Producer Organization & Trade Association Development	Production Agriculture & Policy Mgr.	Marketing Specialist
Office Management & Records	Finance & Administration Mgr.	Administrative Assistant
Accounting – ARD & Macedonian	Finance & Administration Mgr.	Administrative Assistant
Local Budget Development & Control	Finance & Administration Mgr.	CoP
Human Resources	Finance & Administration Mgr.	CoP
Grants & Sub-contracts	Finance & Administration Mgr.	CoP & DCoP
Purchasing	Finance & Administration Mgr.	Administrative Assistant
Gender	Finance & Administration Mgr.	Administrative Assistant
Monitoring & Evaluation/PMP	Cross-Cutting Services Specialist	DCoP; Technical Team for Data Collection
Management Information Systems	Cross-Cutting Services Specialist	DCoP; Administrative Assistant
Environment Compliance	Cross-Cutting Services Specialist	DCoP + Post-harvest Development & Finance Mgr.
Training and Workshops	Cross-Cutting Services Specialist	DCoP; Finance & Administration Mgr.
Branding/Outreach	Cross-Cutting Services Specialist	CoP

6.0 COMPETITIVENESS ENHANCEMENT PROJECTS AND ACTIVITIES

6.1 FAST TRACK PROJECTS AND ACTIVITIES

Fast Track projects and activities signed or nearly ready to be signed in FY '07 as described above in Section II will be implemented in FY '08. Starting 1 October 2007 only proposals from firms in value chains in Tier One and Two will be solicited and screened. However, signed agreements with customers in other value chains will be fully implemented.

6.2 WORKSHOPS AND TRAINING

It is generally the case that Macedonian agribusiness managers have build up considerable resistance to basic management training. This is due to less than pragmatic previous training and the tendency for managers to be very busy and resistant to expose their lack of knowledge to fellow managers. Therefore, AgBiz training and workshop activities will be limited to those for which there is significant support from agribusiness managers. There are several sources of this type of information.

In the process of identifying and developing proposals and implementing projects AgBiz staff will become aware of key human resource limitations. These opportunities for human capacity building will be considered for training activities.

Managerial training needs are being identified by organizations doing professional training such as CEED and CIRKO – Center for Excellence. We will work closely with these organizations to identify opportunities for AgBiz to jointly sponsor training implemented by these organizations and involving training AgBiz current and potential customers have identified as being beneficial and of considerable interest.

If USAID approves the proposal we have submitted regarding World Learning funded training, we will contract a professional training organization to do a formal training needs assessment among participants in our three Tier One value chains. The results of this training needs assessment will be used to develop highly pragmatic training and/or workshops on topics of primary interest to participants in these value chains. We will also review World Learning's training data base for highly relevant training opportunities.

In the process of proposal development and project implementation we may discover new technologies in which several current or potential customers need more information, for example IQF freezing systems, post harvest preservation systems or modern grading and sorting equipment. When and if we identify these common, technical knowledge enhancement needs we will develop a workshop or training on that subject.

Once we determine which POs and associations we will be working with in the selected value chains it is very likely there will be a need to develop training programs for these entities. Likely subjects are related to managing a PO/association, the role of the Board of Directors, members' responsibilities, how to become sustainable, advocacy, and supplying members' effective and efficient services. We will also work with associations in the value chains we are enhancing to get their input on the types of training, study tours and workshops their members need and want.

One of the workshops already planned is how to make effective use of the Finance Manual. It is possible that another seminar on the role of credit in growing your business will be needed as a follow on to the Manual seminar. We will also investigate the need and interest in a workshop on developing the leasing business in Macedonia, and depending on the expressed need and interest, work with Crimson to develop and present such a workshop.

Study tours to export markets are an excellent way to expose customers to what is required to take business away from whoever currently has it. When we have a good understanding of the target markets of our actual and potential customers, we will investigate developing a study tour to potential participants' target markets, and based on potential participants' interest develop a highly focused study tour. These tours need to be carefully arranged and escorted by AgBiz staff, but can be very beneficial to the participants.

EU accession is a topic of major interest, and agribusinesses and producers desire to access IPARD pre-accession funds is the focus of that interest. Therefore, AgBiz will investigate who will be offering training or workshops on accessing IPARD funds. If no one is offering specific training for agribusinesses or producers, we will develop and offer such a workshop(s).

Developing and successfully implementing a significant training and workshops program is staff time consuming and expensive. A rough estimate of the out-of-pocket costs for such a basic program is shown below.

1. 4 Trade Fairs per year X 10 companies with two participants each = 80 participants at a cost of \$60,000
2. Three study tours very specifically focused on potential customers needs to see new processing and marketing developments; 20 participants each, times three value chains at a total cost of \$50,000
3. EU accession funds/access: engage an expert for consultancy on IPARD utilization who presents a seminar to 10 companies for a total cost of \$18,000
4. Growing your Business Training = 8 companies with one-on-one training for a total cost of \$80,000 utilizing World Learning funds.
5. Other workshops and seminars TBD: 4 @ \$5,000 each = \$20,000.
6. A workshop on Using the AgBiz Alternative Sources of Finance Manual – included in Manual sub-contract.

Total variable cost for this relatively modest workshops and training program is at least \$150,000 and the Contract Budget for such activities is around \$120,000 through the end of FY '08. Also, AgBiz believes at least part of that money would be more effectively utilized for a larger grants budget.

The key issue related to workshops and training is staff time and responsibility for developing and implementing these activities. The most important and primary function of technical staff is proposal solicitation, screening and development and monitoring signed projects. Administrative staff can handle the logistics of training and workshops. But we do not have current staff with either the time or experience to develop and implement the technical aspects of training and workshops activities. Therefore, we will investigate utilizing an outside sub-contractor to work with the envisioned Cross-Cutting Issues Specialist to develop and implement a training and workshops program, but this will increase the above noted cost of implementation.

6.3 PRODUCER ORGANIZATION AND ASSOCIATION SUPPORT

6.3.1 Producer Organizations

Based on the results of the PO Assessment recently completed the AgBiz approach to PO development is to only work with established, registered commercial POs in our Tier One and Tier Two value chains. To the best of our current knowledge there are only three or four POs, e.g. Agros and the Negatino Wine Grape

Growers Coop that meet, or could in the near future meet, those qualifications. However, given the challenges of achieving sustainability those three or four POs will require a substantial staff time and financial investment. AgBiz will carefully evaluate the return on resources, as measured by value chain competitiveness positive impact, of helping current producer associations in the target value chains become registered coops or doos. We will investigate working with other projects, e.g., S-FARM, on PO development activities, but believe they are in a phase-out process.

PO support will be identified, developed and managed very similar to other proposal and project development work as described above. We may be more flexible on the percentage of total project cost contributed by the PO, but in the early period of support only, i.e. they must show clear progress toward self-sustainability.

There will be considerable pressure in the next 12 – 18 months for producer groups to formally register, form commercial Producer Marketing Organizations (PMO), and meet the qualifications for IPARD funding, including at least three members and EU100,000 in annual turnover. When an a group of producers or an association in one of the selected value chains wants to form a PMO and seems to have the characteristics, including good management, for becoming a sustainable commercial entity AgBiz, will consider supporting them, but will be very careful to avoid supporting PMOs formed solely to access IPARD funds.

The basic steps AgBiz will use to determine which POs we will support include 1) establishing criteria for PO screening and selection - to the extent these criteria are different from other types of potential customers, 2) carefully assessing the potential of and time needed for the PO to become self-sustaining, 3) identifying, assessing and costing the specific AgBiz support needed, and 4) based on the needs assessment propose a support project, including the POs contributions. While a PO development project may include support for needed equipment such as a grading and sorting machine, field chillers or harvest equipment, it must also include management, board, and member development as these are the key weaknesses of nearly all POs.

6.3.2 Trade Associations

AgBiz will provide very selective support to trade associations. Only trade associations in Tier One and Two will be considered. The types of potential AgBiz support include:

- 1) Enhancing association member participation in export oriented trade shows;
- 2) Management or member training related to AgBiz objectives;
- 3) Help to advocate with the MAFWE and legislators for reform of policies and institutions that inhibit members' competitiveness;
- 4) Study tours of association management and/or members consistent with AgBiz objectives; and
- 5) Other activities clearly linked to AgBiz objectives.

Associations we will consider for support must have a clear charter and annual work plan, including a plan for achieving or maintaining financial and managerial sustainability, and a clear plan for determining and effectively and efficiently serving members commercial needs.

Trade associations in Tier One value chains will be one of the main sources of opportunity and constraints identification for their value chain. Therefore, routine meetings will be arranged with associations operating in the Tier One value chains to discuss opportunities and constraints, and develop selected actions to capitalize on the opportunities and overcome the constraints.

6.3.3 Implementation

As is the case with training and seminars, the key issue related to PO and association development is available staff time, and responsibility for developing and implementing these activities, especially PO development and sustainability. As noted above, the most important and primary function of technical staff

is proposal solicitation, screening and development and monitoring signed projects. We do not have staff with either the time or experience to develop and implement the technical aspects of a significant PO development and sustainability program. Current technical staff will identify and screen PO development potential projects in their assigned value chains at the same time they are identifying and screening potential projects for firms in their value chain. However, we will likely need to utilize an international consultant twinned with a local consultant to help us develop and implement the non-commercial, i.e., management, Board and member development and training, aspects of PO development, with the local consultant focusing on implementation.

6.4 FINANCING AND INVESTMENT STIMULATION

AgBiz finance-related activities will be focused on serving customers needs, at either the pre-farm gate or post farm gate levels, rather than on generally improved access to finance activities. The AgBiz Financing Specialist will work with AgBiz customers to assess and propose the optimal sources and terms and conditions for financing they may require for their projects.

Therefore, Lovre Ristevski will work with potential customers to assess their specific financing needs and likely ability to secure financing, help them to identify the best source(s) of the type of financing they need (including use of the Alternative Sources of Agribusiness Finance Manual), help the customer prepare the needed information and applications to secure the financing, accompany the customer to the source(s) to help explain their need and payback plans, then support any follow up required to get a decision regarding the financing.

With the support of Crimson Capital, AgBiz will complete in early FY '08 the development of a manual titled Alternative Sources of Agribusiness Finance. The manual will delineate the range of alternative sources of finance available to AgBiz pre-farm gate and post-farm gate customers, the comparative advantaged and disadvantages of these sources, their cost and terms, and how to most effectively apply and obtain approval for the recommended sources. This manual will be used by AgBiz staff, especially the Finance and Marketing Specialist, as a guide to help customers improve their access to the financing needed for AgBiz supported projects. The manual can also be used by other projects and programs to improve agribusinesses access to viable sources of financing. The Manual will be completed before the end of November 2007.

AgBiz investment stimulation activities will be implemented in coordination with the new MacComp21 (AIM) project, MAFWE as related to the new agribusiness investors, and SEAF (200,000EUs+ equity and a 20 to 49% share) and SIF (50,000 – 200,000 equity and a 20 – 49% share) as equity/venture capital sources.

6.5 POLICY AND INSTITUTIONAL REFORMS

In FY '08 AgBiz policy and institutional reform activities will focus on identifying the important enabling environment constraints to enhanced competitiveness in the selected value chains. Every AgBiz employee and consultant will be responsible for identifying and suggesting the comparative importance of policy and institutional constraints to the competitiveness of the value chains and customers AgBiz is supporting, as discovered while developing and implementing their proposals/projects and other activities. In our work with associations and other USAID projects we will seek information on policy and institutional constraints that limit competitiveness.

On an at least quarterly basis AgBiz staff will meet to discuss and prioritize key policy and/or institutional reform needs. We will then identify the most likely organization or entity to advocate for the modification of the highest priority constraints. We will consult with Business Environment Activity management to get their advice on how to best pursue reform of these constraints, and will then identify the actions and partnerships needed to reform the highest priority needs. If outside technical assistance is required we will contract with our partner AIRD to provide same. Coordination of AgBiz policy and institutional reform activities will be the responsibility of the Production Agriculture and Policy Manager.

Associations operating in the selected value chains will be an important source of policy and institutional reform needs and priorities, as well as advocacy to reform same. Associations will also be used to help develop and support forums in key policy and institutional reform issues when needed.

In Macedonia changes in laws and policy are initiated by the Ministries and it is very rare from parliamentarians to initiate change. Therefore, developing and maintaining a close working relationship with the Ministries responsible for reforming the policies and institutions we have prioritized is very important, especially the Ministry of Agriculture. An example of a policy that preliminary indications suggest needs reformed is those related to geothermal energy access and usage.

Early in the first quarter of FY '08 we will investigate an activity to assess the implications of EU accession on AgBiz LoP activities. This will include considerations related to IPARD, most likely timing, and changes in export and domestic market access and costs/duties.

We will work closely with the Business Environment Activity and other policy reform projects to identify and enhance the enabling environment for growing and sustainable agribusinesses.

6.6 OTHER FY '08 ACTIVITIES

Other planned FY '08 activities that will be pursued by AgBiz include:

6.6.1 Data Base of Potential Customers

It is important for efficiency purposes to have a good understanding of the number and basic operations of potential AgBiz customers, i.e., registered firms in the five value chains with more than EU200,000 in annual sales. Therefore, AgBiz will sub-contract with a consulting company to develop such a data base. Information obtained from this activity will be entered into the LAMP customer tracking data base and will be used to guide the proposal solicitation and product and market development work of AgBiz staff. This should not be a time consuming or costly activity since there are several sources of the needed information, including associations, other projects and donors, and MAFWE. Very preliminary indications are that there are less than 100 potential AgBiz customers, i.e., registered legal entities with more than 200,000EUs in annual sales in the Tier One and Two value chains.

6.6.2 Advisory Board and Value Chain Competitiveness Enhancement Task Forces

AgBiz will study and discuss with USAID the possibility of forming an Advisory Board to review and comment on AgBiz activities on a quarterly basis. The Board would be composed of representatives of key stakeholders such as USAID, other relevant donors, the MAFWE, and important participants from various levels of the Tier One and Two value chains. The Board would not provide direction to AgBiz but would rather advise AgBiz management regarding how to best accomplish its objectives and overcome its constraints. It would also function in an outreach capacity to inform key stakeholders about AgBiz activities and encourage their participation when appropriate.

The key to the success of the Advisory Board is having the right people on it. The comparative lack of success of the National Competitiveness Council must be taken into consideration when assessing the advisability of this concept.

This is an idea to be assessed and only developed if found feasible. Based on communications with potential customers, we are aware of the hesitancy of key participants in the value chains to get involved in joint value chain competitiveness enhancement activities, but see the potential for mutual benefit. We will therefore first build credibility with key participants in the Tier One value chains, identify the common opportunities and constraints, then try to get the participants together to address these two subjects. Hopefully, this issue specific approach will enable the development of an ongoing forum for discussing value chain competitiveness enhancement activities.

Even though we are concerned that it may be very difficult to get the best people to participate, we will also investigate forming an ongoing Competitiveness Enhancement Task Force for each of the Tier One value chains. These Task Forces would be used to advise us on how to best enhance the competitiveness of their value chain. We are well aware of the challenges of a cluster-type approach.

6.6.3 Attendance at Important Export-related Events

A key AgBiz staff member will accompany customers to attend important regional and international trade shows as a means of staying current with marketing trends in agricultural-related products, and to identify potential buyers for products produced by AgBiz customers. A listing of potential trade shows AgBiz may support customers to attend is included in the Appendix Three.

6.6.4 Linkages with EU Accession Activities

AgBiz will place special emphasis on supporting Macedonian agriculture and agribusiness firms' participation in EU accession-related activities. During FY '08 we will assess the specific opportunities for providing this type of support to potential customers. However, it is likely that most IPARD support will not be available until late FY '08 or early FY '09, so most FY '08 AgBiz work will be related to identifying and preparing for support to be provided in the second half of FY '08 and in FY '09. Examples of support that may be provided to AgBiz customers are how to apply for and most effectively utilize IPARD funds, training BSPs to help firms apply for IPARD funds, help for customers to achieve HAASP and ISO22000 certification, and helping companies that have implemented ISO upgrade their standards.

We will discuss possible AgBiz support to agribusinesses as related to EU accession with Deputy Minister of Agriculture Pero Dimshoski who is responsible for agriculture-related aspects of EU accession, including IPARD. We will also determine if there are any specific EU accession-related projects on agriculture being implemented by the European Agency for Reconstruction and the Structural and Legal Reform (SRL) project.

The AgBiz formats for Project Descriptions and Business Plans will take into consideration the IPARD Business Plan format.

6.6.5 Using STTA

International STTA

AgBiz has a small STTA budget, currently limited to US origin, so we need to make very effective use of international STTA. We believe we will only have a clear idea of how to best utilize international STTA after we have significant experience identifying and developing business expansion proposals and helping customers implement projects. This real world experience will enable us to more accurately identify the market expansion opportunities and competitiveness enhancement constraints in the three Tier One value chains. We will develop a formal procedure for identifying, reporting and prioritizing key opportunities and constraints discovered during proposal development and project implementation. Then we will develop STTA activities directed at the very specific opportunities and constraints actually impacting value chain participants.

Examples of possible value chain wide international STTA work include Optimizing Raw Material Supply Systems (contracting, own production, private extension), Cost Accounting Systems and Full Cost Projections, Opportunities for Joint Selling, and Mechanisms for Extending the Processing Season.

However, one activity involving international STTA will be initiated in the first quarter of FY '08. Based on the experience of companies attending ANUGA we will work with the attendees to identify a specific product line, e.g. glass packed specialty pepper products and specific markets to be assessed by an international consultant(s). The objective of this assessment is to determine the Basis of Competition for the identified product line(s), the strengths of competitors and their market shares, the Macedonian market share, prevailing prices and markups, and to make recommendations on how Macedonian producers of the

selected product line(s) can successfully and sustainably enter the market and achieve a reasonable market share. We believe this information can be used to start a multiple potential customer dialogue on how AgBiz can help interested companies enter the surveyed markets or expand their market share. This may then lead to consideration of how companies can cooperate to meet market requirements, especially for volume, specifications and consistency of supply, and how they must enhance their raw material supply activities.

Local STTA

In the first quarter of FY '08 AgBiz staff will hold a meeting with agriculture and agribusiness related consultants to inform them that we are interested in supporting their work with potential AgBiz customers in agriculture and agribusiness. We will ask the consultants help us identify potential customers, assess their consulting services needs and develop a proposal for helping a potential AgBiz client improve their competitiveness. AgBiz will cost share with a customer the services of the consultant for approved projects and provide, if needed, support for complimentary activities to the work to be done by the local consultant. This mechanism will enable AgBiz to have a large "sales" force promoting its work, and at the same time will enhance the experience-based capacity of the consultants.

If it is determined that local consultants need training to improve their effectiveness and the value of their services, we will develop and implement a training program. Short consultant training may be required on AgBiz proposal identification and development.

Since consultants will be extensively involved in helping customers apply for IPARD funds, AgBiz will develop such training specifically for agribusinesses if no one else is doing so.

An early FY '08 local consultant activity will be the identification of POs and associations in the three Tier One value chains and surveying them to achieve a detailed understanding of the export opportunities and competitiveness enhancement constraints in their value chain, and what they see as opportunities for AgBiz to enhance the competitiveness and export sales of their members.

Local consultants will be extensively utilized in proposal development via contacts with AgBiz and in project implementation by customers and/or AgBiz.

Therefore, we will be using four types of local STTA 1) helping a customer develop a basic proposal into a Project Description/Business Plan, 2) providing approved services to a customer during project implementation, 3) being twinned with an international consultant for nearly all international consultant work, and 4) for program support work such as trade fairs and assessments. We anticipate that the LoE utilized for local STTA will be significantly greater than for international STTA.

6.6.6 Possible Value Chain Assessments

If by the second half of FY '08 we are not comfortable with the level of understanding we have of the export opportunities and competitiveness constraints in the Tier One value chains we will develop SoWs for and seek USAID approval of reasonably comprehensive assessments of the three Tier One value chains. One assessment team will be formed for each of the three value chains, with one member of each team specialized in marketing, one in trading and processing and one in production. Some members of the team will be international consultants, but at least one member of each team will be Macedonian. The deliverables for each team will be recommendations to AgBiz regarding competitiveness enhancement activities, potential projects, and especially multi-customer project or activity suggestions. Specifically each team will be responsible for identifying for their value chain 1) key opportunities to significantly expand export sales, 2) key constraints to enhancing export competitiveness, 3) specific suggestions for AgBiz value chain competitiveness enhancement activities, and 4) project possibilities discovered during the assessment. The difference between this activity and AgBiz's proposal solicitation and development work is that the consultants will be looking at full value chain competitiveness enhancement (not including retail) versus individual firm competitiveness enhancement.

The Annotated Bibliography and all information collected during the value chain prioritization process will be made available to each of the teams to accelerate their learning curve and optimize the efficiency and effectiveness of their work. MAFWE support programs and priorities as well as IPARD considerations will be included in the assessments.

Usually this type of value chain competitiveness enhancement work would be done via participant workshops or cluster development. But AgBiz believes, based on past experience and preliminary investigation that very few firms in Macedonia would be willing to participate in or make significant contributions to either of these approaches. We do believe that agribusiness owners and managers will be willing to talk with international experts on their value chain about the most significant activities AgBiz can implement to improve the competitiveness of their value chain and firm. This is somewhat of a “back door” approach to value chains competitiveness enhancement. We expect each of the assessments to involve three weeks in Macedonia, a Top Line Report prior to departure from the country, and a final report within four weeks from the start of the assignment.

7.0 CROSS CUTTING ACTIVITIES

7.1 COORDINATION AND SYNERGIES

7.1.1 With Related USAID Projects

In FY '08 AgBiz staff will hold at least quarterly meetings with other USAID supported projects, including MacComp 21 (AIM) and the Business Environment Activity. These meetings will help AgBiz staff understand the activities of these projects and will include discussion of how AgBiz can cooperate with them. The objective is to synergize efforts and avoid overlap during implementation.

In late FY '07 we held a Lessons Learned and possible follow-on activities meeting with the Seal of Quality and Agribusiness Assistance Program in Macedonia, and are investigating opportunities to continue or replicate successful activities they have initiated. For the Business Environment Activity project we will investigate ways we can work together on policy and institutional reform. With MacComp21 we will develop ways of cooperating with them as related to attracting FDI to agribusiness and increasing interest in international firms acquiring Macedonian produced agriculture-based products.

We have suggested that the new Director of the USAID Economic Growth Office arrange quarterly partners meetings with the CoPs of EG projects, and she responded positively.

7.1.2 With Related Donor Projects

Several other donors, e.g., IFAD, SIDA and SIPPO, are implementing projects related to AgBiz. Similar to the meetings with USAID-supported projects, program staff will hold routine meetings with the management of related projects supported by other donors. These meetings will focus on discussions regarding specifically how AgBiz will cooperate with these other donors' related projects. With SIPPO we will cooperate closely regarding the development of the Wild, Gathered Food Products value chain where they are active. We will develop opportunities to cooperate with SIDA and IFAD related agribusiness projects, including with SIDA's S-FARM project, and IFAD's Agricultural Investment Center and Facility for Farmer's Access to Markets Program activities.

7.1.3 With Government of Macedonia Related Activities

While AgBiz is not able to directly support Ministry of Agriculture, Forestry and Water Economy (MAFWE) activities, we will coordinate with the Ministry to make sure our activities are not inconsistent with Ministry objectives, and are supportive of Ministry programs that are consistent with AgBiz objectives. Examples of this type of activities are those related to EU accession, especially IPARD, and the Ministry's Commodity Exchange plans. We will continue to develop a relationship with the State Secretary Delev, Ministry of Agriculture, including holding at least quarterly coordination meetings with him, especially regarding new agribusiness investors and their backward linkages with producers, FDI and Agroberza activities.

7.1.4 Macedonia Level Agribusiness Development Coordination

In FY '08 AgBiz will pursue the development of a ½ day workshop with all of projects and GoM entities working on agribusiness development in Macedonia. Each relevant project will do a brief presentation on their objectives, activities, challenges and perspective on opportunities for sustainable growth in the agribusiness sector. This workshop will be an opportunity to not only increase the knowledge of each others' related projects, but also to identify areas of cooperation/coordination, and how to avoid overlap.

In September of 2006 an agricultural sector donor coordinating workshop was held with extensive involvement of the Ministry of Agriculture. AgBiz will promote, and if successful participate in, an updating of that workshop late in FY '08 as one of the main activities for achieving Macedonia-level agribusiness development coordination.

7.1.5 Regional Agribusiness Competitiveness Enhancement Workshop

We have contacted the Regional Competitiveness Project and offered to work with them to arrange and support a regional competitiveness-related projects coordination workshop in Skopje. They have responded positively and we will continue discussions with them to investigate developing such a workshop.

7.2 PUBLIC-PRIVATE ALLIANCES

Public-private alliances will be extensively utilized by AgBiz in at least two important forms. Public (USAID) – Private (Macedonian private sector entities) alliances for project identification, development and implementation is the core business of AgBiz, and one of the main mechanisms to help AgBiz achieve its leveraging objectives. Public (USAID/DCA) – Private (firms and associations borrowing from DCA supported banks) alliances to improve our customers' access to viable financing will be another important alliance utilized by AgBiz.

7.2.1 Leveraging

An essential aspect of the AgBiz approach is leveraging scarce USAID resources. An important mechanism for achieving this leveraging is significant cost sharing of AgBiz activities and projects by our private sector customers. All AgBiz supported projects will require significant cost sharing by the customer, with the proportion of cost sharing being significantly higher for larger firms than for producer organizations. Cost sharing may not be purely financial in that producer organizations, for example, may contribute "sweat equity" to projects.

Other Donor cost sharing on selected activities, e.g., the cost of booths at trade fairs, will also be pursued.

7.2.2 DCA

The DCA facility, accessible to AgBiz clients via UniBanka and NLB Leasing, will help AgBiz customers to access financing for AgBiz supported projects. The AgBiz Marketing and Finance Specialist will help customers utilize this facility when it is the most appropriate source of financing for their needs. AgBiz will develop a relationship with UniBanka and NLB Leasing, to promote customers use of promote the use of DCA backed loans, as required. The Alternative Sources of Financing for Agribusinesses manual will help customers better understand the benefits of DCA financing.

7.3 MANAGEMENT INFORMATION AND BRANDING AND MARKING PLANS

7.3.1 MIS Systems

Developing the systems needed to track AgBiz projects and activities and the results we are achieving is essential to our success. During FY '08 we will be adapting the successful MIS system from the LAMP project in Bosnia to meet AgBiz's management information and M&E needs.

7.3.2 Branding

AgBiz has submitted its Branding Program to USAID and is waiting for approval. We are already adopting the branding requirements specified in the Branding Program and the most recent USAID branding guidelines. We will continue to work closely with the USAID department responsible for Branding during Program implementation.

An important part of our branding program is Success Stories. We anticipate producing at least one Success Story per month during FY '08.

7.3.3 Marking

AgBiz has submitted its Marking Plan to USAID and is waiting for approval. We have already adopted the marking requirements specified in the Marking Plan and the most recent USAID marking guidelines.

7.3.4 Stakeholders Meetings

We will discuss with key stakeholders and USAID the possibility of a semi-annual Stakeholders Meeting. The objective of this meeting to inform stakeholders of our progress, raise some of the issues they may be able to help us with, maintain contact with key stakeholders and raise awareness of USAID activities in Macedonia.

7.3.5 Branding and Outreach Program Support

Fully implementation of the activities outlined in the Branding Program would be very time consuming and expensive. Internal staff has neither the time nor skill sets required to implement the non-administrative aspects of an aggressive branding program, and will be very busy implementing the core work of AgBiz. Therefore an outside sub-contractor and a significant budget would be required if the full program were to be implemented. This would require either an increase in program funding or reallocation of the existing very modest budget. We have asked local public relations agencies for their thinking on how to best and most economically implement the Branding Program and when their responses are received will discuss branding program implementation and financing with USAID.

7.3.6 Website Completion and Utilization

A preliminary AgBiz website will be posted at the very beginning of FY '08. During FY '08 the website will be expanded with selected consultant's reports, links to other relevant websites, the Annotated Agribusiness Development Bibliography, AgBiz Success Stories, the procedures and forms needed to apply for AgBiz assistance, and other useful information.

7.4 ENVIRONMENTAL PROGRAM

7.4.1 Environmental Considerations

Environmental considerations are integrated into the AgBiz technical approach. We will employ Environmental Due Diligence (EDD) on potential projects with respect to USAID requirements and those of the GOM, as specified in the Law on Environment (June 2005), which was developed with EU assistance, to ensure EU compliance. We will develop a simple environmental impact checklist for use during proposal development to determine the environmental impact of a potential project. If the estimated costs associated with a potential project (1) conducting a full environmental assessment/impact assessment or (2) mitigating and monitoring and/or any site cleanup required for existing problems, exceed projected economic gains for the activity, we will not approve the potential project.

Where pesticides are proposed in a project, a PERSUAP is mandatory. A PERSUAP has two major components: evaluation of proposed pesticide(s) and a safe-use plan.

7.4.2 Clean Production

Clean production procedures emphasize the economic benefits and improved competitiveness of reduced resource use and the market benefits of clean products. AgBiz will integrate these aspects into our environmental consciousness capacity-building efforts for AgBiz customers as needed. Initial proposal assessments may result in excluding potential projects because of high existing pollution levels that cannot be mitigated in the short to medium term. For example, smelting of lead and zinc has polluted soils around Veles; similar heavy metal contamination is associated with several other geographic areas. Agrochemicals previously over-used in apple growing regions, including Ohrid and Resen, make exports to the EU from these locations unlikely prospects during the term of AgBiz.

7.5 PERFORMANCE MANAGEMENT PLAN

The USAID approved AgBiz PMP responds to the Mission's request to provide data and information pertinent to both the impact of AgBiz and verifiable and routine program implementation reports. To do so we are developing a performance monitoring system comprised of two types of indicators: **impact** and **process**.

The impact indicators, tightly linked to overall AgBiz objectives, enhance our ability to report on the achievement of results, and serve as the basis for investigating the relatively immediate impact of AgBiz, as well as several years into implementation.

The process indicators incorporated into the PMP will enable tracking of program implementation. Using these indicators, the AgBiz team will follow and compare planned versus actual delivery of inputs such as levels of TA, or coverage and intensity of training programs.

The CoP has supervisory oversight of the PMP and is responsible for any performance-related reporting to the Mission. The Post-farm Gate Development Manager coordinates with the AgBiz team on data collection duties, doing preliminary analysis of data, and overseeing periodic data quality assessments.

7.6 MACEDONIAIZATION AND LEGACY INSTITUTIONS/ORGANIZATIONS

During FY '08, special emphasis will be placed on identifying entities in the selected value chains and sub-sectors that have the potential to be developed to the point that will survive AgBiz, and continue to deliver the benefits stimulated by AgBiz. The prospect of a potential project contributing to the development of entities that will become USAID legacy institutions will be one of the screening criteria used for selecting projects.

Macedonization of AgBiz activities will be accomplished by utilizing Macedonian consultants and BSPs providers to the greatest extent possible, and developing Macedonian AgBiz employees to the point where they can effectively take over all program positions by the end of Year Three. The latter will be accomplished by developing the new DCoP, Jeton Starova, during years two and three to the point where he can become an effective CoP at the beginning of Year Four. Also, a specific program will be developed in FY '08 to enable the Marketing and SME Manager to become the Post-farm Gate Manager mid-Year Three. AgBiz will be totally Macedonianized starting in Year Four.

8.0 EXPECTED RESULTS

8.1 TIMING

Table 5 shows the anticipated timing for accomplishing FY '08 work. AgBiz will report on accomplishments versus objectives in its Quarterly Reports, referring to this table. The darker bars in Table four indicate primary AgBiz work.

Table 6 illustrates the anticipated development of proposals and project implementation. This chart will also be used to track and report in progress in Quarterly Report.

Program Activity	TABLE 5 - FY '08 ACTIVITY TIMING												
	Oct	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Fast Track Project Implementation													
ANUGA Fair Participation													
Alternative Sources for AgBiz Finance Manual													
Customer Data Base Development													
Success Story Production													
APS/RBP													
Other Donor Meetings re: Projects													
Formal Program Launch													
Local Consultants Meeting													
Macedonia Level Coordinative Meeting													
Web Site Completion													
EU Accession Assessment													
Meetings with Associations Regarding Proposals													
Fill Last Long Term Position													
Finance Manual Workshop													
Local Government Meetings													
Transfer and Installation of LAMP Data Base													
Proposal Screening													
ANUGA Fair Follow Up													
Staff Proposal Solicitation													
Regional Workshop													
Training Needs Assessment (if WV proposal approved)													
Proposal Development													
Project Implementation (non-Fast Track)													
Stakeholders Meetings													
USAID Projects Coordinative Meetings													
Other Donor Coordinative Meetings													
Internal Policy Reform Prioritization Meeting													
Market Assessment for Processed Vegetable Products													
Second APS/RBP (if needed)													
Market Study Tours													
Possible Tier One Value Chains Assessment													
Trade Fair Participation								2					

TABLE 6 - PROPOSAL DEVELOPMENT AND PROJECT IMPLEMENTATION CHART

Status		Fiscal Year '08				
		Sep-07	Q1	Q2	Q3	Q4
Concept Papers/Proposals Received (CPs)	Projected		16	8	5	4
	Result	6				
CPs/Proposals Being Screened	Projected		2	2	1	1
	Result	1				
CPs/Proposals not Passed	Projected		10	5	3	2
	Result	0				
Proposals Being Assessed	Projected		1	1	1	0
	Result	1				
Proposals in Development	Projected		1	1	1	1
	Result	1				
Proposals Passed into Implementation	Projected		3	1	1	1
	Cumulative		5	6	7	8
	Result	3				
Projects Signed	Projected		3	1	1	1
	Cumulative		6	7	8	9
	Result	3				
Projects Completed	Projected		0	1	1	1
	Cumulative		1	2	3	4
	Result	1				
Projects Being Implemented (Signed - Closed)	Projected		5	5	5	5
	Result	2				
Proposals & Projects in the System (Screening + Assessment + Development + Waiting + Signed - Closed)	Projection		9	9	8	7
	Result	5				

8.2 INDICATORS

Table 7 shows the FY '08 and LoP proposed AgBiz indicators. Year One indicator achievements were very modest given that we were in operation for only five months of FY '07, and much of that time was dedicated to start-up activities.

Reporting percentage change numbers is complex and can be misleading because of changes in the denominator due to the inclusion of new projects. In other words, if we enter baseline information for projects signed late in the year that have not had an opportunity to achieve significant results yet, the denominator used for a percent change calculation will be increased without any increase in the numerator, and thus a very low percentage increase. In fact, projects that were signed quite some time ago may have achieved very good percentage increases, but because of new projects being included in the denominator the total percent change is minimal. This will be especially true for FY '08 when we are starting with very few signed projects, most of which are rather small. To avoid this misrepresentation we will include in percentage change numbers projects that have been signed for at least one year or have been completed. (This is similar to the way retailers' sales are reported, i.e., sales growth from stores open for more than one year.)

TABLE 7 - FY '08 AND LOP QUANTITATIVE INDICATORS			
Indicators	Year One	Year Two	LoP
	Mar-Sept	Oct 07-Sept	
1. Increased Production and Marketing			
1.1. Increased value (in 000 Euros) of purchases of raw materials made from small holder producers by customers	0	150	4,000
1.2. Percentage increase in the value of purchases of raw materials made from small holders producers	0	8	20
1.3. Increased value (in 000 Euros) of sales into national market by customers	0	30	500
1.4. Percentage increase in of sales into national market	0	37	20
1.5. Increased value (in 000 Euros) of intra-regional exports by customers	0	400	1,500
1.6. Percentage increase of intra-regional exports	0	10	25
1.7. Increased value (in 000 Euros) of international exports	0	500	3,500
1.8. Percentage increase of international exports by customers	0	10	30
2. Increased Coverage of AgBiz Customers			
2.1. Number of Producer Organizations receiving assistance	0	3	6
2.2. Number of Trade and Business Associations receiving assistance	1	2	10
2.3. Number of rural households directly benefiting from interventions	0	1,200	6,000
2.4. Number of Agriculture-related Firms receiving assistance (trader/buyer, processing and distribution levels of the value-chain)	12	35	80
3. Introduction and Adoption of New Technologies and Management Practices			
3.1. Number of new/improved technologies or management practices made available for transfer	2	10	50
3.2. Number of (additional) hectares under new technologies or improved management practices	0	50	500
4. Building Human Capacity			

TABLE 7 - FY '08 AND LOP QUANTITATIVE INDICATORS			
Indicators	Year One	Year Two	LoP
	Mar-Sept	Oct 07-Sept	
4.1.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training	10	90	320
4.1.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training	1	30	120
4.2.1 Number of male individuals who have received long-term agriculture or agribusiness productivity enhancement training	0	1	2
4.2.2 Number of female individuals who have received long-term agriculture or agribusiness productivity enhancement training	0	0	1
5. Increased Access to Finance and Investment			
5.1. Value of customer financing identified (potential loans) (000US\$)	0	250	5,000
5.2. Value of domestic investment stimulated (000US\$)	0	250	5,000
5.3. Value of Foreign Direct Investment stimulated (000US\$)	0	0	1,000
6. Increased Employment			
6.1.1 Number of equivalent male jobs created by supported customers	0	10	300
6.1.2 Number of equivalent female jobs created by supported customers		12	200
6.2. Percentage increase in FTE jobs by supported customers	0	2	5

Comments on the Indicator Values

1.7 – This is a conservative number and will be increased after we have a better understanding of the likely success of ANUGA participation and the Vitalia project. We think it will take some time for the Fonko and Inter-Mak projects to realize their objectives.

5.1 – This is totally dependant on how much a customer is wants to borrow; most of our potential customers are risk adverse and are hesitant to use debt, except for limited amounts of short term working capital

5.2 – The assumption here is that many projects will involve a 50:50 split between AgBiz and customer investment and AgBiz direct investment in projects is anticipated to be around US\$250,000 in FY '08 or a \$42,000 average for the six projects to be implemented.

5.3 – None of the projects currently on our radar screen involved FDI, but we will look for some, in cooperation with the Competitiveness Project.

6.1 and 6.2 – Improving the competitiveness of customers will not always result in increased employment in the short term. Better, but not necessarily more, jobs. As economic growth takes placed, more jobs will be created, but not in production agriculture, and not extensively in agribusiness. Improved efficiency and conformity to export quality standards will often mean automation, both post-harvest in areas such as grading, sorting and packing, and at the farm level to offset labor shortages during the short harvest season. It is also the case that much of the labor utilized in agricultural production and agribusiness is seasonal, so it takes something like six additional seasonal workers to equal one FTE job. Also, labor underutilization is often an issue, so sales can be expanded without hiring additional people, especially before and after the harvest season. However, we emphasize and give preference to value added projects that will utilize more labor, such as Inter-Mak mushroom.

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