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AGBIZ PROGRAM

FISCAL YEAR 2009 WORK PLAN

OCTOBER 2008 – SEPTEMBER 2009

OCTOBER 2008

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MACEDONIA AGRIBUSINESS ACTIVITY (AGBIZ PROGRAM)

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DISCLAIMER

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ACRONYMS AND ABBREVIATIONS

| | |
|---------------|---|
| AgBiz Program | Macedonia Agribusiness Activity |
| AMIS | Agricultural Market Information System |
| ANUGA | Bi-annual Food Trade Fair in Cologne, Germany |
| ARD | Associates in Rural Development |
| B2B | Business-to-Business |
| BEA | Business Environment Activity (USAID funded) |
| BEO | Bureau Environmental Officer |
| BW | Bottled Wine |
| CINADCO | Centre for International Agricultural Development Corporation |
| CAP | Common Agricultural Policy |
| CIRKO | Mechanical Engineering Systems Center of Excellence |
| CoP | Chief of Party |
| CPA | Cleaner Production Assessment |
| CTO | Cognizant Technical Officer |
| DCoP | Deputy Chief of Party |
| DOC | Development Outreach and Communication |
| EDD | Environmental Due Diligence |
| EG | Economic Growth |
| EU | European Union |
| FP7 | Seventh Framework Program |
| FT | Fast Track |
| FTE | Full Time Equivalent |
| FV | Fresh Vegetables |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GlobalGAP | Global Good Agricultural Practice |
| GoM | Government of Macedonia |
| HACCP | Hazard Analyses and Critical Control Points |
| IPA | Instrument for Pre-Accession Assistance |
| IPARD | Instrument for Pre-Accession Assistance for Rural Development |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| LAMP | Linking Markets and Agricultural Producers |
| LoE | Level of Effort |
| LoP | Life of Program |
| M&E | Monitoring & Evaluation |
| MAFWE | Ministry of Agriculture, Forestry, and Water Economy |
| MAP | Macedonian Association of Processors |
| MASHAV | Ministry Of Agriculture and Rural Development (Israel) |
| MD | Mission Director |
| MEO | Mission Environmental Officer |
| MIS | Management Information System |
| MK | Macedonia |
| MLGA | Macedonia Local Government Activity |
| PC | Project Coordinator |
| PERSUAP | Pesticide Evaluation Report & Safer Use Action Plan |
| PPA | Pollution Prevention Assessment |
| PV | Processed Vegetables |

| | |
|--------|--|
| RCI | Regional Competitiveness Initiative |
| SAPARD | Special Accession Programme for Agricultural and Rural Development |
| STA/M | Senior Technical Advisor/Manager |
| STTA | Short-term Technical Assistance |
| SUAP | Safer Use Action Plan |
| TA | Technical Assistance |
| TCP | The Competitiveness Project |
| TG | Table Grapes |
| US | United States |
| USAID | United States Agency for International Development |
| VA | Value added |
| VC | Value Chain |
| WG | Wild Gathered |

I.0 EXECUTIVE SUMMARY

In Fiscal Year (FY) 2009, the Macedonia Agribusiness Activity (AgBiz Program) will 1) implement projects signed in FY08, 2) develop and implement high impact value chain competitiveness enhancement Activities, 3) help customers' access appropriate sources of finance, and 4) identify and prioritize policies that constrain the competitiveness of Macedonian exporters.

In FY09, we will be placing more emphasis on effective implementation of projects, especially as scheduled and with the agreed customer cost sharing. In FY08, we concentrated on selecting, developing, and signing agreements for these high impact export projects. We will be particularly concerned in FY09 with enforcing implementation in a way that follows all procurement, environmental, and indicator reporting requirements. These projects are designed to have a significant impact on the competitiveness of the supported firms and Macedonian exports, as well as to serve as models for other agribusinesses to emulate. Direct project expenditures in FY09 are anticipated to be more than \$395,000 and total project investments to be over \$4.5 million for an average AgBiz share of 9%.

We plan to identify, screen, implement, and follow-up on activities in a somewhat more formal way in FY09. This will involve developing brief proposals for each potential activity that focuses on the AgBiz objectives that will be achieved, the indicators to be derived and the total cost and cost share. Once an activity is internally approved by AgBiz, then by United States Agency for International Development (USAID), it will be developed and implemented and an assessment and indicator impact report will be completed. For activities that have a direct sales objective a three month and six month follow-up will be performed. We expect to implement 34 activities in FY09 with more than \$235,000 in AgBiz cost sharing and an average AgBiz contribution of 50%.

Other significant AgBiz plans for FY09 include:

- Proposing to USAID modifications in the indicators we will be reporting;
- An Outreach Program that will produce 12 Success Stories and stimulate 12 media exposures;
- Finalizing and implementing an Environment Mitigations monitoring program for signed Projects.
- Assessing the support for/likely benefits from an agribusiness development coordination conference;
- Reviewing our 50% cost sharing policy for Activities, especially when international Short-term Technical Assistance (STTA) is involved;
- Enhanced communication between producers and processors/marketers via coordination meetings;
- Assess how to stimulate the development of a viable trade association in one of our value chains;
- Continued support to help our customers access appropriate sources and types of financing;
- A more formalized policy and institutional reform needs an identification and prioritization process, and closer links with Business Environment Activity (BEA) on devising potential actions to address the constraints;
- Communications with USAID regarding the need for an increased FY09 funding obligation, and a justified increase in total Program funding;
- Promotion of a consolidated regional market information product via the Regional Competitiveness Initiative (RCI);
- Development and implementation of an efficient system for supporting local consultant STTA;
- Likely expansion of the Table Grapes (TG) Value Chain to include Fresh Fruits;
- A specific policy on the extent to which we support Instrument for Pre-Accession Assistance (IPA)-related activities; and
- A projected Program budget of \$1.7 million.

Results that will be achieved in FY09 are projected to be:

- Increased exports of \$7.5 million and increased purchases from small producers of \$3.9 million;

- Orders received from trade fairs/ Business-to-Business (B2B) meetings of €1.3 million from more than 40 new customers;
- More than 1,380 households provided additional income;
- 167 agribusinesses supported; 56 new/improved technologies made available; 360 individuals trained;
- \$1.5 million in customer financing identified for 15 customers; and
- 10 policy and institutional constraints identified and prioritized.

2.0 ARD AND AGBIZ VALUES

The values a firm and its employees have represent the guide to how they operate. Therefore, an important precursor to and context for a plan is a restatement of these values. Following are the key values for the AgBiz prime contractor and the values of the AgBiz team. These values underlay all that we do.

2.1 ASSOCIATES IN RURAL DEVELOPMENT (ARD) VALUES

1. Provide quality services and intellectual leadership to our clients;
2. Mutual respect and collegiality at all levels within the firm;
3. Innovative, multidisciplinary approaches to technical challenges;
4. Teamwork and integrity in all our relations; and
5. Individual and collective contributions to successful business generation.

2.2 AGBIZ VALUES

1. Sustainable improved lifestyle (income) of participants in Macedonian agriculture and agribusiness;
2. All work focused on achieving Program objectives;
3. Efficient and effective use of Program resources;
4. No favoritism of customers, suppliers, or employees;
5. Open, full, and honest communication;
6. Good internal and external personal relationships;
7. Staff receives no financial or material personal gain from work other than AgBiz compensation;
8. High professional and ethical standards in our daily work;
9. Confidentiality of customers' information;
10. Utilize Macedonian assets when available and effective;
11. Full compliance with ARD, USAID and local societal values;
12. Full compliance with the Code of Conduct; and
13. Use simplified approaches and methodologies where ever possible.

3.0 AGBIZ GOAL AND OBJECTIVES

Clarity of goals and objectives is essential for Program success in FY09. The following contains the AgBiz overarching Goal, our Primary Objective, our Sub-objectives, our basic Components and the Value Chains we currently support. These have been formally agreed to by USAID.

3.1 GOAL

The goal of AgBiz is increased Macedonian economic growth through the expanded, competitive, and sustainable production and export sales of agriculture-based products. By supporting growth in the agriculture-related Macedonia economy, AgBiz will: 1) Better enable agribusinesses to identify, understand, and sustainably enter export markets for value added food products; 2) Enhance market linkages between producers, processors, and traders; 3) Improve business management and operations throughout agribusiness value chains; and 4) Produce greater incomes for agricultural producers and processors, and create new employment opportunities.

3.2 PRIMARY OBJECTIVE

The primary objective of AgBiz is the sustainability and significantly increased competitiveness of agribusiness producers, processors, and traders working individually or in groups; and participating in value chains that have good potential in export markets, especially for value added products; and where there is an opportunity for a broad-based positive impact; accomplished in an efficient manner and in conformity with relevant regulations.

3.3 SUB-OBJECTIVES

Table One (1) presents the AgBiz Sub-objectives in the order of their perceived importance by AgBiz staff. The most important sub-objectives are categorized as A Priority, Important Sub-objectives as B Priority, and Significant but comparatively less important sub-objectives as C priority. However, even C Priority sub-objectives are quite important to AgBiz.

Table One (1) also presents an internal assessment of the comparative amount of progress AgBiz has made to date in achieving each objective. A Progress Rating of less than three (average) on an A or B Priority objective would indicate an objective that needs additional attention – as highlighted in light blue in Table 1. Therefore, development of own brand products (with the possible exception of participants in the Processed Vegetables value chain), effective use of Instrument for Pre-Accession Assistance for Rural Development (IPARD) facilities when they become available, and improved producer linkages with processor/marketer that result in the availability of highly competitive raw materials are sub-objectives that will receive additional emphasis in FY09. An implication of this prioritization and progress rating is that we may be overemphasizing enhanced access to finance and outreach activities – as highlighted in dark gray in Table 1.

| Table 1. SUB-OBJECTIVES PRIORITIZATION AND PROGRESS RATING | | |
|--|---|-----------------|
| PRIORITY | SUB-OBJECTIVE | PROGRESS RATING |
| A | Increased competitiveness of private sector, agriculture-related firms in value chains that have good potential in export markets, and where there is an opportunity for a broad-based positive impact (Project Development and Implementation) | 4.0 |
| A | Increased firm involvement in own brand production of retail packs versus private label and bulk/industrial production, i.e., more value added products | 3.3 |
| A | Compliance with ARD, Government of Macedonia (GoM), and USAID regulations | 5.0 |
| A | Enhanced competitiveness, and therefore an increased and sustainable growth rate of the selected value chains (Activity Development and Implementation) | 4.1 |
| A | Properly leveraged, efficient and effective use of USAID resources | 4.9 |
| A | Effective customer use of IPARD facilities when they become available | 1.8 |
| B | Increased demand for Macedonian agricultural raw materials and products focused on export markets, and an increased supply of producers who are willing and able to supply the demanded raw materials and products | 3.2 |
| B | Significantly improved linkages/relationships between producers and processors/marketers leading to reliable contracts for the competitive production of the products and raw materials required by export markets, but not necessarily in demand on domestic markets | 2.6 |
| B | Increased agribusiness processor/marketer interest in (due to reduced perceived risk) availability and use of finance | 4.5 |
| B | Effectively coordinate with related USAID projects, relevant Other Donor's projects and Ministry of Agriculture, Forestry, and Water Economy; and Ministry of Economy activities | 3.5 |
| B | Effective promotion of USAID and the American people as the source of AgBiz assistance | 4.4 |
| C | Trade associations and producer organizations participating in the selected value chains that are themselves sustainable by helping their members become, and stay, highly competitive | 2.2 |
| C | Increased competitiveness and therefore market share of agriculture-based products that can be produced in Macedonia but are currently imported | 2.4 |
| C | An enabling environment that fosters and supports highly competitive agribusinesses | 2.7 |
| C | Staff expertise development | |
| C | Establish a model for future Agribusiness & Economic Growth projects | |

3.4 COMPONENTS

Table Two (2) lists the AgBiz components, the comparative emphasis we are placing on each component (as expressed by Level of Effort (LoE) and Budget allocation), and a basic description each component.

| Table 2. AGBIZ COMPONENTS | | |
|-----------------------------|----------------|---|
| TITLE | LOE ALLOCATION | DESCRIPTION |
| Value Chain Activities | 50% | Multi-company value chain competitiveness enhancement events such as trade fairs, study tours, TA, and training |
| Business Expansion Projects | 40% | Firm level, export-focused expansion project development and implementation via financial support and technology transfer, e.g., market entry and share expansion and facilities upgrading or expansion |
| Enhanced Access to Finance | 7% | Introducing customers to and assisting them in securing advantageous sources of financing |
| Policy Reform | 3% | Identification and prioritization of competitiveness constraining policies |

We do not treat the above as true, independent components, but rather utilize a value chain competitiveness enhancement approach that integrates all four of these areas into a single strategy. However, we do organize our reporting on the basis of these semi-components.

3.5 VALUE CHAINS

The value chains AgBiz currently supports are: Table Grapes (TG), Wild Gathered (WG) Products, Bottled Wine (BW), Fresh Vegetables (FV), and Processed Vegetables (PV). As noted in section 4.7.1.5 below, in FY09 AgBiz will evaluate adding fresh fruit to the table grapes value chain to increase our potential impact. Fresh fruits have much in common with table grapes, and also with fresh vegetables.

Table Three (3) shows the comparative importance of the current five value chains as indicated by the value and five-year growth of exports, the opportunities we see in each, and the important challenges they face.

| Table 3. AGBIZ VALUE CHAINS | | | |
|------------------------------------|------------------------------------|---|---|
| Value Chain | Export Value & Growth % | Opportunities | Issues |
| Table Grapes | \$15.4 mil. 35.4% | Increased use of drip irrigation; improved grading and packing facilities | New competitors in current markets; understanding EU markets |
| Bottled Wine | \$17.0 mil. 21.3% | Shift from bulk (72%V/90%Q) to bottled | Marketing expertise; minimal internal cooperation |
| Fresh Vegetables | \$51.9 mil. 24.5% | Improved cold storage, grading, and packing | Capital and marketing skills required to shift to Value Added (VA) products |
| Processed Vegetables | \$35.5 mil. 20.1% | Find new markets and expand existing shares | Facility standards and raw material supply |
| Wild Gathered Products | \$7.4 mil. 9.4% | Value adding to bulk sales | Competing with current customers |

4.0 FY09 PLANS

The following is a synopsis of the AgBiz FY09 Plan. The plans for FY09 are not significantly different than the FY08 Plan. We will implement projects signed in FY08, develop and implement high impact value chain competitiveness enhancement Activities, help customers' access appropriate sources of finance, and identify and prioritize policies that constrain the competitiveness of Macedonian exporters.

The specifics of how we will accomplish this in FY09 are outlined below. These sections outline our plans for Program Development, Value Chain Development, Activity Development and Implementation, Project Implementation, Enhancing Access to Finance, Policy Reform, and Issues to be Resolved; as well as the FY09 Budget and our FY09 and LoP Indicator Projections. The final section outlines our primary areas of focus for the First Quarter of FY09.

4.1 AGBIZ PROGRAM DEVELOPMENT

The following section outlines Program Development plans.

4.1.1 Organizational Structure and Staff Responsibilities

AgBiz staff responsibilities have evolved somewhat and new staff has been added, so it was time at the end of the Fiscal Year to review the organizational structure and staff responsibilities to make sure both are optimized and clear to all. Significant changes from FY08 include:

- Deputy Chief of Party (DCoP) Jeton Starova was made responsible for all Activities and was therefore relieved of his Wild Gathered Products Value Chain Coordinator responsibilities;
- Goran Angelovski was hired as the Wild Gathered Products Value Chain Coordinator;
- Martin West's contract was terminated;
- Zlatko Edelinski was given a consulting contract to be the Processed Vegetables Value Chain Coordinator; and
- Agron Halimi was given a six month consulting contract to support the Monitoring & Evaluation (M&E) and Environment areas during the time when the M&E Management Information System (MIS) system is being developed and installed; there is a surge in M&E work being implemented and there is a need for significant environmental-related work associated with proposals and projects.

The current AgBiz organization chart including titles is shown below. The responsibilities listing is shown below as Table Four (4).

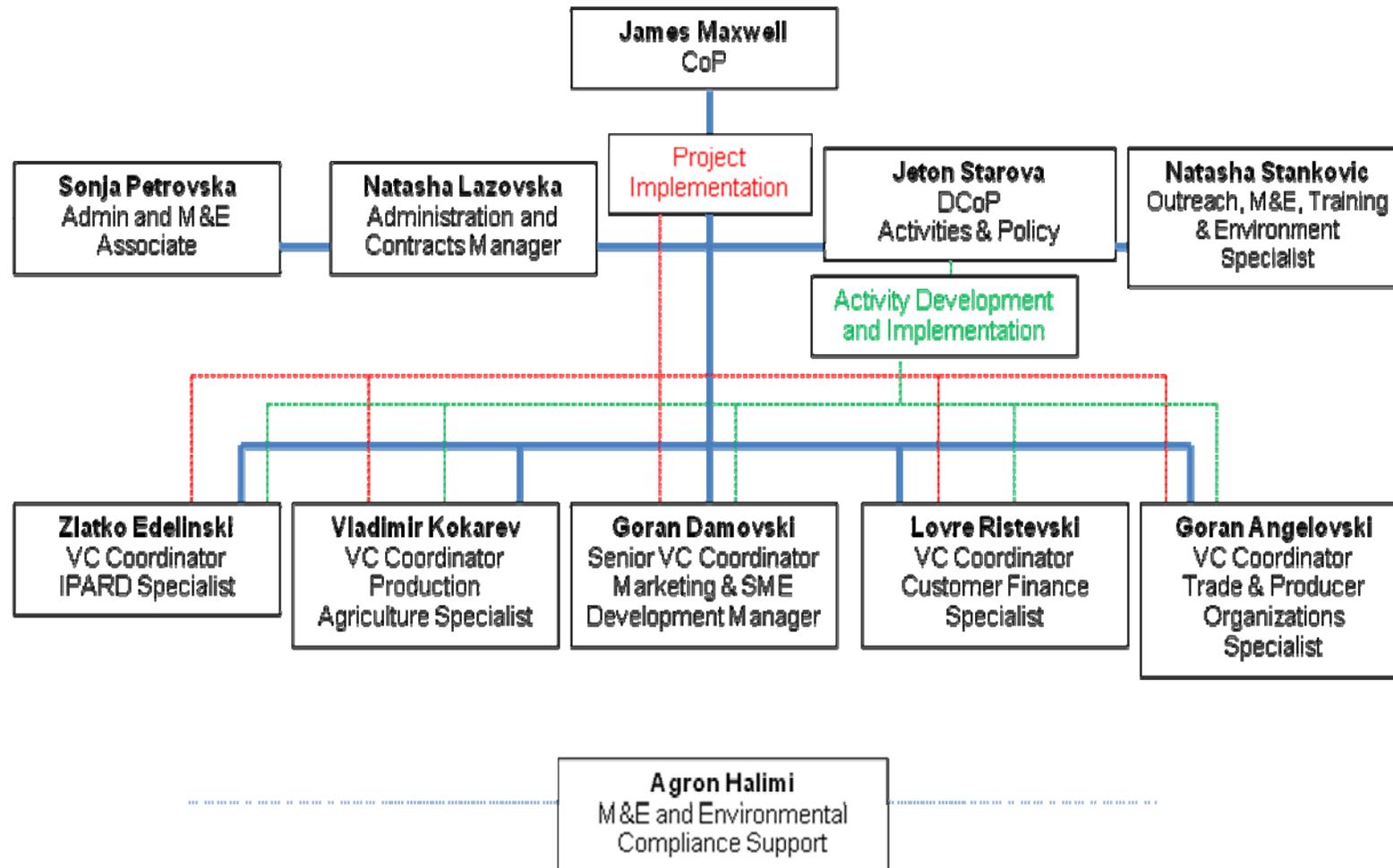


Table 4. AgBiz STAFF RESPONSIBILITIES ALLOCATION

| Key Responsibility | Primary Responsibility | Secondary Responsibility |
|---|---------------------------------------|---|
| Overall Strategy Development | Chief of Party (CoP) | Team |
| Work Plan Development, Approval, and Monitoring | CoP | Team and Senior Technical Advisor/Manager (STA/M) |
| Quarterly and Annual Reports | CoP | DCoP |
| Compliance | CoP | Administration & Contracts Manager |
| Client (USAID) Relations | CoP | DCoP |
| ARD Relations | CoP | STA/M |
| Internal Cooperation and Coordination | CoP | DCoP |
| Project Finalization and Implementation | CoP | DCoP |
| External Cooperation and Coordination | DCoP | DCoP |
| Government of Macedonia Relations | DCoP | CoP |
| Policy Reform Prioritization | DCoP | CoP |
| Activity Finalization and Implementation | DCoP | CoP |
| Office Management & Records | Administration & Contracts Manager | Administration and M&E Associate |
| Accounting & Budgets – ARD | Administration & Contracts Manager | Administration and M&E Associate |
| Accounting – Macedonian | Administration & Contracts Manager | Consultant |
| Human Resources | Administration & Contracts Manager | CoP |
| Grants & Sub-contracts | Administration & Contracts Manager | CoP |
| Inventory Control & Asset Management | Administration & Contracts Manager | Administration and M&E Associate |
| Procurement | Administration & Contracts Manager | CoP |
| IT Systems and M&E MIS | Administration and M&E Associate | Administration & Contracts Manager |
| Customer Sales & Marketing Support | Marketing & SME Development Manager | CoP |
| SME Operations Enhancement | Marketing & SME Development Manager | DCoP |
| Branding/Outreach | Cross-Cutting Services Specialist | CoP |
| Monitoring & Evaluation (except administration) | Cross-Cutting Services Specialist | Administration and M&E Associate |
| Environment | Cross-Cutting Services Specialist | CoP |
| Training | Cross-Cutting Services Specialist | DCoP |
| Gender | Cross-Cutting Services Specialist | Administration and M&E Associate |
| Sourcing Financing for Customers | Finance and Marketing Specialist | CoP |
| Customer Production Enhancement | Production Agriculture Specialist | DCoP |
| Certifications Implementation | Production Agriculture Specialist | DCoP |
| Trade and Producer Association Development | Trade/Producer Association Specialist | DCoP |
| IPARD and Public Finance | IPARD Specialist | DCoP |
| Wild Gathered Products Value Chain Coordination | Goran | CoP |
| Bottled Wine Value Chain Coordination | Damo | CoP |
| Fresh Vegetables Value Chain Coordination | Vlado | CoP |
| Table Grapes Value Chain Coordination | Lovre | CoP |
| Processed Vegetables Value Chain Coordination | Zlatko | CoP |

4.1.2 M&E

In the First Quarter of FY09, AgBiz will propose to USAID modifications in the indicators we will be reporting. The objective is to make the reported indicators more useful and less subject to ongoing redefinition. This will involve adding new indicators that are important measurements of AgBiz performance such as leveraging (percentage of the total cost of a Project or Activity paid by AgBiz), the value of local investment stimulated (not just third party investment as the current indicator), number of firms assisted in accessing financing, number of policy constraints identified and prioritized, number of success stories released, and number of Outreach articles published.

We will also propose redefining the “value of total domestic investment stimulated” to broaden it to include investment by project beneficiaries (grantees). We will request dropping the “Number of new/improved technologies or management practices made available for transfer;” “Number of (additional) hectares under new technologies or improved management practices;” “Number of male individuals who have received long-term agriculture or agribusiness productivity enhancement training;” and “Number of female individuals who have received long-term agriculture or agribusiness productivity enhancement training” indicators. The first two proposed drops are very difficult to measure and subject to ongoing redefinition, and we have no plans to support the last two.

The combination of the above adjustments will result in a much more useful M&E approach and significantly increase the likelihood of getting timely, more accurate and consistent indicator information from customers.

4.1.3 Outreach

As a result of the very successful table grapes media tour, AgBiz will continue to organize media tours for several of the other value chains in FY09. The second media tour will likely be linked to the “Oenology Training in Improvement of Oak Aging Technology for Macedonian Wines” scheduled for November 18-19, 2008. This two day training will be good place to start a Bottled Wine Media Tour. The content for each media tour will include a field trip to AgBiz customers along with interviews with managers/owners and with local and international experts. AgBiz technical staff will also provide an interview for the journalists during media tour implementation. The output of the media tour will be published articles in national newspapers and exposure in TV shows related to agribusiness. The impact will raise the overall awareness of USAID in the country.

In addition to the above mentioned activities, the Outreach office will develop innovative tools for implementing its branding strategy, such as:

- A bi-annual AgBiz Newsletter presenting achievements and results over the past period;
- A Value Chain Fact Sheet;
- Issuing at least one Success Story per month;
- Achieving at least one Media Exposure per month on TV, in newspapers or/and on radio;
- “Before and After” pictures telling the story of successful AgBiz projects;
- A Press Clippings Report for USAID/ Development Outreach and Communication (DOC) purposes; and
- Attending Information Officers monthly meetings; starting in November ‘08 these meetings will be organized in various USAID projects’ premises.

4.1.4 Environment

In September, AgBiz submitted a revised Final Pesticide Evaluation Report & Safer Use Action Plan (PERSUAP) to USAID for approval; approval is still pending. We hope to receive final approval for the PERSUAP early in the First Quarter of FY09. The PERSUAP and the Popova Kula Safer Use Action Plan (SUAP) model can then be used by any Macedonian company that needs to develop a SUAP.

Mechanical Engineering Systems Center of Excellence (CIRKO) is developing Cleaner Production Assessments (CPAs) for grantees that require one. The six CPAs will be completed in the First Quarter of FY09 and sent to customers for implementation, and to USAID for their information.

A Mitigation Measures Due Dates Plan has been developed that consists of all proposed Monitoring and Mitigation Recommendations in the Environmental Due Diligence (EDD)/ Pollution Prevention Assessment (PPA) Summaries, and thus in all Grant Agreements. The challenge for FY09 will be monitoring implementation of the measures by the grantees, and obtaining the associated reporting.

environmental mitigations monitoring mechanism will be developed to monitor how grantees are implementing their recommended Monitoring and Mitigation Measures. Site visits to the project by the M&E and Environmental Compliance Specialist and the responsible Project Coordinator will be organized, and reports on compliance with the Mitigations will be prepared. These will be summarized on a quarterly basis and sent to the USAID/ Cognizant Technical Officer (CTO) and /or Mission Environmental Officer (MEO).

4.1.5 External Cooperation

Depending on if and when Ministry of Agriculture, Forestry, and Water Economy (MAFWE) organizes a donor coordination conference and the results achieved by that conference, AgBiz may organize a coordination conference of our own including all projects and Government of Macedonia (GoM) entities supporting agribusiness. The issue with the MAFWE conference is its focus on producers only, and AgBiz deals with entire value chains, so we need to coordinate with a broader group. We will assess the anticipated results of the MAFWE coordination workshop, and in the second fiscal quarter will very likely develop a multi donor-led forum with public sector support entities to identify agribusiness-related (versus just production agriculture) opportunities for improved communication and cooperation. Being that in many instances, initiatives for AgBiz collaboration with GoM entities are funneled through USAID, we will respond to such initiatives in close coordination with USAID.

We believe there is an opportunity to enhance the contributions research institutions make to AgBiz work. We are already doing some work with the Wine Institute and CIRKO, but there are other institutions and university resources that we are not communicating with. In FY09 we will make a special effort to identify and communicate with a broad range of research and educational institutions, to inform them of what we are doing, and hopefully identify how we can work together more closely for mutual benefit. This enhanced communication, and our involvement with other Balkan agribusiness projects via RCI, could also result in the development of an IPA Seventh Framework Program (FP7) multi-country research project of benefit to AgBiz customers.

We have had numerous communications with the Israeli Ambassador and Ministry Of Agriculture and Rural Development (Israel)(MASHAV) regarding the possibility of MASHAV providing technical assistance and or training to customers on technical subjects of interest. These many conversations have not resulted in any specific cooperation between MASHAV and AgBiz, although serious potential exists, as demonstrated by cooperation between MASHAV and the Linking Markets and Agricultural Producers (LAMP) project in Bosnia. We hope to convince MASHAV representatives to travel to Macedonia early in the first fiscal quarter of FY09 to hold technical cooperation discussions and develop follow-up actions.

USAID projects BEA and The Competitiveness Project (TCP) both do work related to that of AgBiz. While we have maintained contact with both projects in the past, in FY09 we plan to formalize those contacts and focus them on specific issues of mutual interest. Examples include Public Private Partnerships, including Macedonia Local Government Activity (MLGA), and stimulating Foreign Direct Investment. We have suggested to the Economic Growth (EG) Director that task forces of relevant EG projects be formed on such issues. If USAID does not have an opportunity to lead this effort, AgBiz will attempt to do so.

4.1.6 Internal Policies

To date we have experienced difficulty in getting customers to commit to and jointly fund Activities, even though they say the subject matter is of great interest to them. This is especially true of Activities involving international STTA, Activities that are similar to or are related to other donor projects not requiring significant cost sharing, and to apparent uncertainty on the part of potential participants as to the quality of the international consultant and their potential impact on their business. We will therefore review our 50:50 cost-sharing guidelines, especially when international STTA is involved.

We will also consider a sliding scale based on previous support, i.e., the same company participating in a similar event the second or third time must pay a larger percentage of the total cost, with the objective of moving the Activity toward self-sustainability.

4.1.7 Horizontal and Vertical Linkages

Linkages between producers and processors/marketers need to be strengthened so that processors and marketers can get a reliable supply of raw material that meet their specifications or those of their export market customers. Some of our customers have reasonably good backward linkages, but they require a lot of maintenance and need to be expanded. The national and regional meetings organized by AgBiz and the Macedonian Association of Processors (MAP) in FY08 made a significant contribution to improved communications between those parties. In FY09 each AgBiz Value Chain Coordinator will assess the prospects for organizing a similar type of meeting or meetings for their customers. Where that assessment indicates an interest on the part of both processor/marketers and producers to meet and discuss more significant linkages, AgBiz will help develop and support such workshops.

Trade associations have a significant role to play in helping to increase the competitiveness of members, especially as related to advocacy with the GoM. There is currently only one trade association (MAP) in the five value chains AgBiz supports. We are much more able to efficiently communicate with and support the Processed Vegetables Value Chain versus the other four because we can work through MAP. In FY09, each of the other Value Chain Coordinators will work with their customers to assess and stimulate their interest in forming, or in the case of Bottled Wine, revitalizing, a trade association. If participants in one of the AgBiz value chains have a “commitment” to form a highly participatory trade association, AgBiz will reallocate Activity budget resources to support an Executive Secretary for that association.

4.2 VALUE CHAIN DEVELOPMENT

Following are the key FY09 plans for each of the AgBiz value chains.

4.2.1 Bottled Wine

1. Improve the marketing of branded, high-quality Macedonian wines on export markets. This will include increasing the awareness of quality Macedonian wines via supporting an international panel to judge wines at Vino-Skop, support for wineries to participate on ProWein 2009 in Dusseldorf, support for them to promote their wines at a regional trade fair in Split, and the development of a multi-brand UK market entry program.
2. Shift a significant amount of what is currently bulk wine into bottled wine by implementing projects that support such a shift, e.g., Valandovo (and possibly Ohrid) wineries, and enhance the quality of bulk wine production in preparation for marketing it as bottled.
3. Achieve consistently high quality bottled wine for export markets via improved technology, for example by supporting international STTA for enhancing the quality of Macedonian oak aged wines.
4. Improve horizontal coordination between wineries and encourage the formation of a functional wine association to work on activities for the benefit of members of the association, as well as to work

together to prioritize the activities that are most achievable and will show the quickest results for the benefit of the whole value chain.

4.2.2 Table Grapes

1. Improve participants' pre-harvest preparation of grapes and their post-harvest cold storage and packing techniques and facilities. This will be accomplished by successfully implementing signed projects, especially those that involve drip irrigation and improved post-harvest handling, and a study tour of table grape producers/marketers to either Italy or the United States (US). We will assess customers' commitment to participate in, and if that is sufficient, will implement an international STTA assignment involving enhancing post-harvest handling of fresh produce, including table grapes.
2. Solidify the position of value chain participants in their very important existing Balkan markets and successfully enter new markets. The B2B Meetings and Study Tour to Poland and support for trial shipments to Moscow for international market development are some of the ways this new markets entry objective will be supported in FY09.
3. Improve the marketing skills of value chain participants in both their current Balkan and new European Union (EU) markets so they are able to properly upgrade their product presentations and effectively compete with grapes from more advanced countries such as Italy, Greece, and Spain. A study tour to either Italy or the US will enable value chain participants to improve their table grape marketing skills.
4. To achieve higher quality table grapes, we will link company representatives and individual producers with relevant professors from the Faculty of Agricultural. The professors will help them implement new and modern techniques for table grape production and harvesting. That will help meet the quality expectations of EU markets.

4.2.3 Fresh Vegetables

1. Introduce improved post-harvest handling practices such as proper cooling and refrigeration and modern pack houses. This will be accomplished by successfully implementing signed projects, especially those that involve the construction of pre-cooling or cold storage facilities, and the possibility of a study tour or international STTA specifically on post-harvest handling, cooling, and pack house operations. We will assess customers' commitment to participate in an activity involving post harvest handling, and if that is sufficient, will implement an international STTA assignment involving enhancing post-harvest handling of fresh produce, including fresh vegetables, as related to cooling, cold storage, and pack house operations.
2. Establish linkages with new export markets, especially those outside the Balkans. The development of ongoing market linkages will be supported by the Polish Study Tour and B2B Meetings, support for value chain customers to be exhibited at Fruitlogistica, follow-up on FY08 market research and test shipments to Moscow, and, the possibility of market research on selected EU fresh produce wholesale markets.
3. Encourage and support the implementation of internationally accepted quality control and management standards. This objective will be supported by the development of a mechanism for cost sharing local consultants to implement Global Good Agricultural Practice (GlobalGAP), Hazard Analyses and Critical Control Points (HACCP), and International Organizations for Standardization (ISOs) systems.
4. Promote vertical integration and establish good linkages and communication between producers' organizations, traders, and processors to gain a better understanding of the amount, type, and specifications of raw materials required; thus minimizing big fluctuations in prices and a lack of appropriate raw materials during the season due to supply/demand imbalances.

4.2.4 Processed Vegetables

1. Enhance value chain participants' capacity to develop and implement sustainable export marketing strategies, especially for non-Balkan markets. This objective will be supported by helping value chain participants' exhibits at the Bi-annual Food Trade Fair in Cologne, Germany (ANUGA) and to organize and participate in a study tour and B2B Meetings in Sweden.
2. Increase participants operating efficiency by introducing new technologies, developing value-added products, and reducing operating costs. The main focus here will be on value chain participants' lack of modern equipment and the level of technical knowledge they have about new processing techniques. Accomplishing this objective will be supported by providing training and technical assistance for technical personnel in the selection and use of new technologies, standardization of processing procedures, and packaging and labeling of branded products. This will help processors expand their product range as well as develop and introduce new value-added products in response to the latest EU and other developed market requirements.
3. Enhance supply chain management for an improved raw materials supply. To accomplish this objective it will be necessary for value chain participants to better understand the mutually dependant relationships between producer and processor participants in the value chain. The need is to create a business friendly environment by strengthening the cooperation between the Value Chain (VC) processors and the producers. An understanding needs to be reached that processors must rely on producers to deliver the raw material they need to be competitive in export markets and to expand their export sales so that in the future they can buy more raw materials from producers. Specific activities include identifying and addressing obstacles and difficulties in primary production, constant collecting and sharing information related to expected quantities and quality requirements for different crops, varieties needed, and purchasing and payment dynamics. Improved supply chain management will be supported by organizing a producers and processors supply and demand workshop. This workshop will require processors to achieve a clear understanding of their product quality and quality requirements.
4. Help value chain participants successfully access all available business expansion funding. This objective will be supported by the VC Coordinator staying current on IPARD and other sources of funding, and helping customers access same when they become available; and the Finance Specialist helping participants access appropriate financing when requested.

4.2.5 Wild Gathered Food Products

1. Assist customers to implement HACCP to satisfy GoM legal and buyer requirements. This will be accomplished by projects that include HACCP implementation support, and via the use of the STTA cost sharing mechanism we will develop to support HACCP implementation and certification. However, we will not support any HACCP implementation or certification activities that are also receiving support from the GoM.
2. Increase the number of customers' value-added products through various certifications such as Organic, FairWild, and Fair Trade. This will be supported by helping customers participate in the Biofach 2009 Trade Fair, B2B meetings in Germany and Macedonia, and a study tour to Italy.
3. Develop a sustainable wild gathered products trade association. As a step in the process of bringing value chain participants together, AgBiz plans to organize and support a value chain workshop with the GoM that includes discussion of the government's new wild gathered and organic regulations.
4. Help value chain participants better understand the entire value chain and the trends taking place therein. AgBiz will support this objective by developing a Wild Gathered Products Value Chain Profile, and sponsoring a workshop to review and discuss the Profile after it is completed.
5. Raise public awareness about value-added products through organic certification, and encourage the producer and trade associations dealing with organic products to support the implementation of the annual Day of the Organic Production in Macedonia organized by MAFWE and the Macedonian Federation of Organic Producers.

4.3 VALUE CHAIN COMPETITIVENESS ENHANCEMENT ACTIVITIES

Section 4.2 above provides an overview of the AgBiz approach for enhancing the competitiveness of the AgBiz supported value chains in FY09. AgBiz interventions defined as Value Chain Competitiveness Enhancement Activities (Activities) contribute towards the overall development of the value chains.

In FY09 AgBiz will finish the development and implementation of an enhanced system for the identification, evaluation, and prioritization of Activities. This will include the needs identification, drafting, and presentation at staff meetings, development of Activity Concept Papers that include projected budgets and indicators, and timely Go/No Go decision making. A Final Report and Indicators Achieved report will also be prepared on all significant Activities.

The Activities planned for FY09 are shown in Table Five (5). However, since many activities are in response to customers' requests and/or require clear commitment from the customers for them to be implemented, this plan will change as the year progresses, especially for the more distant months. Many of these Activities were also mentioned in the Value Chain Development section 4.2 above since they are specifically designed to enhance the competitiveness of the AgBiz value chains.

Table 5. ACTIVITIES PLANNED FOR FY09

| Activity | Value Chain | Expected Start | Expected Cost to AgBiz |
|---|-------------|----------------|------------------------|
| Profiles and Assessments | | | |
| Profile of the Wild Gathered (WG) VC | WG | October 15 | \$5,000 |
| Presentation of the Table Grapes (TG) Profile | TG | October 25 | \$700 |
| Assessment of the Relative Importance of Ag/Agbiz in the Macedonia (MK) Economy | All | October 15 | \$2,000 |
| Country Market Profiles for Croatia and Serbia | All | November 15 | \$8,000 |
| Trade Fairs | | | |
| ProWein 2009 | BW | March 25 | \$18,000 |
| Novi Sad 2009 | PV | May 13 | \$5,000 |
| Fruitlogistica 2009 | FV,TG,WG | February 15 | \$20,000 |
| Trade Fair in Croatia / Split | BW | September 25 | \$10,000 |
| Biofach 2009 | WG | February 28 | \$7,000 |
| VinoSkop | BW | October 15 | \$2,436 |
| Study Tours + B2B | | | |
| Wild Crafted to Italy | WG | April 1 | \$7,000 |
| Processed Vegetables (PV) to Sweden | PV | November 1 | \$7,000 |
| Table Grapes to Italy | TG | November 1 | \$15,000 |
| Farmers to Novi Sad | FV | May 13 | \$4,000 |
| Poland B2B Meeting | TG,FV | October 8 | \$7,600 |
| Macedonia B2B for Wild Crafted Foods | WG | May 15 | \$2,000 |
| Biofach B2B 2009 | WG | February 28 | \$0 |
| Collaboration with MASHAV (post harvest, storage) | TG,FV | TBD | \$10,000 |
| Training | | | |
| TBD | All | TBD | \$5,000 |
| Round Table Workshop Wild Crafted VC | WG | June 1 | \$1,000 |
| Wild Gathered Organic Certification | WG | Mar 1 | \$3,000 |
| Oenology Training in Wine Oak Aging | BW | Nov 20 | \$14,500 |
| Local Consultants/Technical Assistance TA | | | |
| Cleaner Production Assessments | All | October 15 | \$2,300 |
| Asbestos H&S Lars and Vipro | PV | October 3 | \$3,000 |
| Support to the WG Association | WG | November | \$1,500 |
| Support to the Wine Association | BW | March | \$4,000 |
| HACCP Implementation for WG | WG | April | \$6,000 |
| HACCP Implementation in Packing Centers for FV | FV | April 1 | \$6,000 |
| TA Fresh Vegetables | FV | TBD | \$16,000 |
| TA Table Grapes | TG | TBD | \$16,000 |
| TA Bottled Wine (BW) | BW | TBD | \$4,000 |
| TA Processed Vegetable | PV | TBD | \$4,000 |
| TA Wild Crafted | WG | TBD | \$4,000 |
| To be allocated | | TBD | \$14,331 |
| TOTAL | | | \$235,367 |

4.4 PROJECT IMPLEMENTATION

The AgBiz basic plan is to implement projects: 1) as scheduled, 2) with the agreed level of grantee cost sharing, 3) in compliance with regulations and grant terms, including environmental mitigations, and 4) to achieve projected indicators.

In the first fiscal quarter we will decide if the one unsigned project, Ohrid Winery, should proceed, i.e., if they agree to implement their bottled wine proposal. If not, we will identify another quality project from previously screened proposals or reallocate the \$20,000 designated for the Ohrid Winery project to an Activity, most likely for the Bottled Wine (BW) Value Chain. Most of the AgBiz contributions to projects will be made in FY09, but the grant agreements signed with grantees require the submission of indicator information until January 2011. Substantial emphasis will be placed on monitoring and enforcing proper procurement procedures and timely and proper cost sharing of project implementation.

4.5 ACCESS TO FINANCE

We will continue to support customers' requests for accessing appropriate financing. This will require ongoing contact with local, and to a lesser extent international, sources of finance and many one-on-one meetings with managers of agribusinesses seeking financing.

To the extent possible, the AgBiz Finance Specialist will provide initial support to groups, especially to explaining the advantages and disadvantages of the various alternatives, how banks evaluate applications and how to enhance the chances of a bank approving an application for financing. Since companies are not willing to discuss their financial details in a group, individual consulting will be necessary when specifics are discussed.

Given the very positive reception to and extensive use of the Alternative Sources of Finance Manual, we will update it in mid-FY09, and likely hold another Workshop to reintroduce the Manual and update interested company representatives on new sources and changes in terms and conditions. If and when the international financial crisis reaches Macedonia, we will determine what few sources of financing are still available to customers.

4.6 POLICY REFORM

In FY09 we will implement an enhanced and more formal export competitiveness constraining policy enhancement identification and prioritization methodology. Up to now, policy reform identification has been somewhat informal and customer demand driven. We will, at least once per quarter, hold an internal meeting to identify and prioritize policy and institutional constraints. We will also establish a more formal and ongoing relationship with BEA regarding developing an action plan to address the highest priority export competitiveness constraining policy issues. AgBiz will make all efforts to utilize the newly created Department for International Cooperation in MAFWE to raise the awareness of priority policy reform needs identified.

In FY09 the objectives of the GoM will remain closely linked with the policy and regulatory reform associated with European Union (EU) approximation. Adopting laws and regulations based on EU regulations and directives will be the main focus of all Ministries. To be able to participate in the Common Agricultural Policy (CAP) of the EU, Macedonia will have to continue enacting and implementing regulations, and continue strengthening institutions compatibility with the EU.

The competitiveness of AgBiz supported value chains is in many instances dependant on regulations and governmental and state institutional capacity. Many of the policy and institutional constraints identified by either value chain participants or AgBiz are quite specialized and specific in nature. For example, there are several regulatory issues related to how producer organizations that want to do commercial transactions can be registered. Resolving these issues requires a coordinated approach involving several government entities including MAFWE, Ministry of Finance, and the Public Revenue Office.

4.7 ISSUES TO BE RESOLVED

4.7.1 Internal to AgBiz

Resolution of the issues outlined in this section is important to the success of AgBiz, and are to a great extent under the control of AgBiz and/or United States Agency for International Development (USAID).

4.7.1.1 Program Obligation Shortfall for FY09

As of the end of FY08, AgBiz had used \$2,661,164 in funds and had a total obligation of \$3,773,000, so it has \$1,111,836 of obligations remaining. With a FY09 budget of \$1,725,797 there will be a shortfall of \$614,000 in FY09. Therefore, unless we receive an additional obligation in FY09 to fund signed Projects and implement planned Activities we will need to curtail operations. The Activity program for FY09 is already less comprehensive than for FY08, and the investments made in FY08, especially in study tours and trade fairs, need to be followed-up with additional Activities to convert preliminary lessons learned and market understanding into sustainable sales. Since AgBiz expenditures are greater in the first nine months of a fiscal year, this issue needs resolved no later than the second fiscal quarter.

4.7.1.2 Efficient and Expedient Support for Local STTA

The requirements for issuing a grant are very burdensome and time consuming. AgBiz has many opportunities to quickly develop small (less than \$4,000) technical assistance activities that can be accomplished by local consultants on an at least 50% cost sharing basis with an AgBiz customer. We will therefore develop a simplified and effective mechanism for supporting STTA delivery, similar to a voucher system. Examples of this type of TA activity include Global Gap implementation and/or certification, HACCP implementation and/or certification, various types of International Organizations for Standardization (ISOs), business and marketing plans, TA in new product development, and adopting new technologies, etc. We have studied developing a voucher system for this purpose, and will finalize some type of program to easily support such small TA activities early in FY09.

There are several donor funded support programs at this time in Macedonia that offer assistance in adopting international quality and food safety standards. These programs are usually not focused on increasing the competitiveness of participants in the agribusiness value chains we support. In addition, both the Ministry of Economy and MAFWE have programs supporting implementation of standards. AgBiz will coordinate with all providers of such support when developing our program to avoid duplication.

4.7.1.3 Regional Market Information

Useful marketing information is sorely lacking in Macedonia. As a result, there are weak linkages between production (supply) and markets (demand). Regional markets account for around 75% of Macedonian agribusiness exports. There are several regional market information sources, specifically in Albania, Serbia, Montenegro, and Croatia. There are also several EU sources of market information. One of the requirements for EU accession is for a country to have a functioning Agricultural Market Information System (AMIS). Unfortunately, the substantial investment required to develop and implement an AMIS is almost solely for the benefit of EU Headquarters in Brussels.

AgBiz is working with the RCI to determine if other USAID-supported agribusiness projects in the region are interested in cooperating on some type of regional market information system that would at least identify available regional market information and locate it on one website. Ideally this would somehow be combined with regional countries' AMIS output. If the effort to get RCI to coordinate the regional development of such a system is not successful, AgBiz will assess the viability to doing something similar on our own.

We are also investigating developing receiving/importing market profiles for Serbian and Croatian markets for products from the AgBiz supported value chains. These would profile target markets as a counterpart to the value chain profiles already completed on three of the AgBiz value chains. In early FY09 we will finalize a decision on these key importing market profiles. If they are successful, we will investigate developing similar profiles for key developed markets of interest to our customers.

4.7.1.4 Total Program Funding

AgBiz is a comparatively small project, yet must have the staff needed to meet all of the requirements of a USAID project, e.g., outreach, training, M&E, environment, grants management, technical coordination, and accounting, etc. This means a “fixed” cost for minimal operations, and remaining funds are allocated to Projects and Activities to achieve Program results. AgBiz has established a very good performance record and can achieve even greater results with a modest amount of additional funding. The return on resources for this additional investment by USAID would be very good since the current budget is sufficient to cover basic operating (“fixed”) costs. The additional funding could be used to implement a greater number of Activities such as study tours, trade fairs, and highly pragmatic training; as well as add new value chains and expand STTA cost sharing activities such as GlobalGap, HACCP, ISOs, business plans used to apply for financing, and export marketing plans. With additional funding we could also add new value chains and therefore have a greater positive impact on the competitiveness of Macedonian agribusinesses as they prepare for EU accession.

Agribusiness accounts for at least 13% of Macedonian Gross Domestic Product (GDP) (compared to 13.8% for all other manufacturing), nearly 14% of registered employment, and more than 12% of exports. Therefore, agribusiness is a very important contributor to Macedonian economic growth, and is important to successful EU accession, so it deserves adequate USAID funding.

If we add fresh fruits to the Table Grapes Value Chain, and do not include tobacco in agricultural exports, AgBiz would be supporting value chains that account for more than 52% of total Macedonian agriculture-based exports. The remaining portions are accounted for by many smaller value chains.

Also, in the near term environment of a weak global economy, AgBiz will have a much shorter term positive impact than efforts to attract foreign investment and develop the workforce. Short to intermediate term economic support will be very important to the stability of Macedonia over the next year or so. Because so many Macedonians are directly or indirectly involved in agribusiness, additional financial support from USAID for the work AgBiz does would have a significant shorter term, broad-based benefit.

During the second half of FY09, AgBiz will develop and present to USAID a proposal for increasing program funding.

4.7.1.5 Expanded Value Chain

The characteristics, needs, and potential of the Fresh Fruits Value Chain are very similar to those of the Table Grapes Value Chain. We would like to merge the Table Grapes Value Chain with fresh fruits to form a Fresh Fruits Value Chain. Fresh fruits are handled very similar to table grapes and fresh vegetables, account for more than \$23.5 million in exports (mostly fresh apples), and face some of the same issues as table grapes, such as the need for greater use of cold storage and improved pack house operations. Providing support to the large and important fresh fruits sub-sector would add around 3,000 producers and some 4,000 workers to the AgBiz support base. Adding fresh fruit to the Table Grapes Value Chain and renaming the chain Fresh Fruits would add 18.5% to the value of exports being served by AgBiz. The fact that apples account for such a large portion of fresh fruit exports would make serving the value chain quite efficient, i.e., we could target our competitiveness enhancement efforts primarily on just one crop.

However, with the resources we currently have available we would not be able to provide significant support to fresh fruit customers other than to include them in events organized for either table grape or

fresh vegetables customers. Examples of such events include Fruitlogistica, Moscow Market Research, and the Poland Study tour. Therefore, our plan for FY09 is to identify potential fresh fruit customers and invite them to Activities organized for table grape and/or fresh vegetables customers, but unless additional funding beyond the current \$5.5 million budget is made available we will not be able to develop specific Activities for fresh fruits customers.

4.7.1.6 AgBiz Role in IPARD

IPARD will at some time make €19 million available to Macedonian agribusinesses to help prepare them for EU accession. Since these funds must be matched with 50% of the project cost from the recipient, most likely via a loan, the total implied investment is €38 million, or more than \$52 million. Unfortunately, the timing of IPARD availability is not clear, so the amount of emphasis AgBiz should place on informing customers about IPARD funds and helping them to apply for IPARD support is difficult to determine. Our current position is mostly “watch and wait,” and stay informed, until more is known about availability timing and the specifics of an IPARD application for funding. However, if other donors do not provide significant support for training consultants to help agribusiness customers apply for IPARD support, we will develop and support IPARD training for consultants. Also, we will assess the level of consultant and customer interest in a study tour to Bulgaria and Romania to evaluate their experience with the Special Accession Programme for Agricultural and Rural Development (SAPARD) (very similar to IPARD) and learn how to avoid the mistakes they made and utilize what practices they found to be most effective. Our access to finance assistance will be important as related to IPARD, since the recipient must first get a loan for the entire value of their project, then later receive the 50% IPARD (75% from the EU and 25% from the GoM) support.

4.7.2 External Influences on AgBiz Program Implementation

The following issues have a significant impact on the competitiveness of Macedonian agribusiness exports, but there are limited actions that AgBiz can take in the near future that will have a significant shorter term, wide, and positive impact on these issues.

4.7.2.1 Holding Current Positions in ex-Yugoslavia Markets while Entering New, Developed Markets

As previously noted, Macedonian companies in the fresh vegetables and table grapes value chains sell the vast majority of their output to Balkan markets, especially Serbia and Croatia. Competitors from more developed countries are marketing better quality products with better packaging to these markets and putting Macedonian exporters under pressure. Macedonian exporters are also not well prepared and therefore not well represented in the major retail chains and tend to sell to wholesale markets rather than directly to supermarket chains. A similar situation exists with bottled wine value chain participants, and in this case Balkan produced wines are important competitors.

The challenge for Macedonian exporters of table grapes, fresh vegetables, and bottled wines is how to keep their current business in Balkan markets by fighting off new competitors through product and packaging improvements; and at the same time develop competitive presentations for the more developed markets.

AgBiz assistance is helping firms improve their post-harvest cooling and packaging facilities; and Activities that support trade shows, study tours, and training are helping our customers better understand and start to sell in the more developed markets. However, many Macedonian agribusinesses need to aggressively enhance their competitiveness to be able to increase their exports in the current environment.

4.7.2.2 Optimal Legal Structure for Producer Organizations

There is currently some confusion regarding the optimal legal structure for a producer organization. EU support for producers is best acquired by producer organizations. In FY09 AgBiz will be cooperating with other donors and GoM entities to clarify the legal standing of a producer organization. Once this is accomplished, AgBiz will evaluate the possibility of helping to form a new or enhance an existing producer organization in one of our value chains. This would be done in close coordination with other donors and utilizing the lessons learned from past, similar efforts. While sustainable producer organization development has not been very successful in the past, the new law may create an environment where producer organizations can form and become sustainable. AgBiz will approach this activity with caution, given past experience. But a viable producer organization would be a great model for stimulating additional interest in producer organizations.

4.7.2.3 Delivering Sufficient Quantities and Quality Products to Developed Export Markets

When exporters are successful at attracting the interest of buyers in developed markets, it is common for the potential buyer to want to order more product than the Macedonian exporter can supply. It is very unusual for processors or marketers to consolidate their output to be able to fulfill a large order. This has to do with quality control, pricing, liability, sharing market information, etc. This is a very difficult issue to overcome, and will continue to limit Macedonian agriculture-based exports. AgBiz efforts to expose customers to foreign buyers as a group and our work to link sellers into associations that can more effectively cooperate will help to begin to resolve this issue, but progress will be slow.

4.7.2.4 Quality of Available Planting Material

The starting point for good finished raw materials is high quality and healthy seedlings. Currently too many producers grow their own seedlings using seeds of low genetic quality; they also do not start them properly. A significant need in order to improve the quality of agricultural raw materials and the yields of production agriculture is high quality seedlings/planting material; this requires modern technology, facilities, and know how. The issue here is who will take the lead to develop a commercial greenhouse business that produces planting seedlings. Both processors and marketers need better quality raw materials, but see planting material greenhouses as a different business and no one of them require enough seedlings to make such a business viable. Current greenhouse owners are using their houses to grow early season vegetables, so do not want to convert them to seedling production. Producers are not sufficiently organized, nor do they have the technical or management skills to work together to develop such greenhouses. Soli from Israel is said to be developing such an operation, and a government-owned entity does some seedling production. However, these facilities will not be able to serve a broad range of fresh vegetable growers and their marketers. AgBiz will continue to look for potential investors in seedling greenhouses, including foreign firms. We will discuss this possibility with TCP, and cooperate with them if and when a potential investor can be identified.

4.7.2.5 MAFWE and Ministry of Economy Cooperation

There is currently minimal coordination, cooperation, or even communication between MAFWE and the Ministry of Economy on overarching issues that pertain to the functioning and enhancement of the competitiveness of the AgBiz supported value chains. It is quite difficult for AgBiz to take a value chain approach when our processor/marketer customers are under the Ministry of Economy, their raw material suppliers are under MAFWE; and there is very minimal coordination between the two Ministries. Also, these Ministries have very few operational strategies for agribusiness-related export development. Addressing the competitiveness enhancement needs of food processing establishments such as wineries

and vegetable processors in a harmonized way is very difficult. In addition, an improvement in coordination is needed with other ministries within Macedonian Government, such as the Ministry of Finance and the Public Revenue Office, Ministry of Health and the Food Directorate, and Ministry of Environment.

4.7.2.6 Average Size Land Holding and Plot

The biggest constraint to the rapid growth and enhanced competitiveness of the Macedonian agriculture/agribusiness sector is the average size of a producers holding and the number of plots that holding is broken up into. Small plots result in inefficient production, and small holdings mean that it is almost impossible for a producer to earn a decent living off of his small quantity of land. This forces him into a low input/low output and risk aversion/crop diversification mode. Inheritance practices cause further reductions in land holding and plot size. There is very little that AgBiz can do to address this issue since any solution would need to be developed and implemented over the long term, and the earliest impact would be felt well beyond the term of the Program. AgBiz partially addresses this issue by supporting processors and marketers that have backward linkages with larger producers by providing them with inputs, private extension services, and market information. The success of producers working with the customers we support will serve as a model to encourage other producers to increase the scale of their operations via leasing or other means.

4.7.2.7 Avoiding a Major Impact from the Global Economic Downturn

World financial markets are in a longer term slump, and this will cause consumers to become more value conscience. This may also put pressure on organic and other types of more expensive food products. The impact on Macedonian agribusiness exports of this increased consumer focus on value could be either positive or negative: negative due to lowered total spending in developed EU markets, but positive if Macedonian exporters can determine a way to produce and market their products very economically. Fancy packaging and long haul supply lines that use a lot of expensive energy will result in expensive products on grocers' shelves. Macedonian firms need to evaluate how they can increase the competitiveness of their products without significant increases in costs. This will likely mean close attention to product quality preservation/loss reduction, simple but effective packaging, and volume shipping to nearby markets. Assuming the current decline in economic activity continues into the near future, AgBiz will look closely at helping our customers market good value, good quality products, and minimize emphasis on value added presentations that become increasingly less acceptable to consumers.

5.0 FY09 BUDGET

Table Six (6) shows the projected FY09 AgBiz budget, assuming an additional obligation of at least \$615,000 is received from USAID before the end of the second fiscal quarter. As can be seen in this table, budget expenditures in FY09 are projected to be very similar to FY08. What the table does not show is that more funds will go toward direct Activity and Projects expenditures versus Program support work related to environmental requirements (\$150,000) in FY09.

Also, it is important to note that by the end of FY09 the program term as currently contracted will be 63.5% complete, but more than 73% of the budget will have been expended. Therefore, unless the total budget is increased, activities will need to be significantly curtailed in the last 17 months of the Program.

| Table 6. FY09 AgBiz BUDGET | | | | | |
|-----------------------------------|--------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Percent Time Spent | 100% | 13.5% | 25% | 25% | 36.5% |
| Percent Budget Spent | | 10% | 32% | 31% | 27% |
| Average Monthly Burn Rate | \$114,582 | \$99,718 | \$145,001 | \$143,816 | \$80,308 |
| | Contract | FY07 | FY08 | FY09 | Remaining |
| Category | Budget | 3/19/07 - 9/30/07 | 10/1/07 - 9/30/08 | 10/1/08 - 9/30/09 | 10/1/09 - 3/18/11 |
| LABOR | \$1,443,571 | \$161,852 | \$381,859 | \$368,218 | \$531,641 |
| FRINGE | \$570,495 | \$59,389 | \$140,633 | \$174,106 | \$196,366 |
| OVERHEAD | \$416,332 | \$58,239 | \$92,382 | \$115,474 | \$150,237 |
| TRAVEL & PER DIEM | \$173,028 | \$34,436 | \$52,207 | \$17,400 | \$68,986 |
| ALLOWANCES | \$312,743 | \$68,515 | \$121,857 | \$65,275 | \$57,096 |
| EQUIPMENT | \$51,089 | \$18,327 | \$8,421 | \$6,000 | \$18,341 |
| OTHER DIRECT COSTS | \$265,763 | \$42,297 | \$115,048 | \$59,863 | \$48,555 |
| ACTIVITY COSTS | \$726,205 | \$4,316 | \$364,968 | \$235,367 | \$121,554 |
| SUBCONTRACTS | \$302,322 | \$30,009 | \$122,255 | \$83,805 | \$66,253 |
| GRANTS | \$500,000 | \$ - | \$104,513 | \$395,487 | \$ 0 |
| INDIRECT COSTS | \$512,810 | \$56,657 | \$164,612 | \$140,056 | \$151,485 |
| SUB-TOTAL | \$5,274,358 | \$534,037 | \$1,668,755 | \$1,661,051 | \$1,410,514 |
| FEE | \$225,601 | \$14,411 | \$71,256 | \$64,745 | \$75,189 |
| TOTAL | \$5,499,959 | \$548,448 | \$1,740,011 | \$1,725,797 | \$1,485,703 |

6.0 FY09 AND LOP INDICATORS PROJECTION

Table Seven (7) below shows the indicator projections for FY09 and Life of Program (LoP).

When baseline and FY09 projections are received for the 10 projects signed at the very end of the Fourth Quarter FY08, we may adjust the FY09 indicators as well as the LoP indicators.

The LoP indicators shown in Table 7 are an update of previously submitted LoP indicators. Early indicator projections were very rough estimates made without the knowledge of how many or which projects we would approve and sign. The LoP indicators shown below are an improvement over the original estimates, but will be adjusted again in the First Quarter FY09 Quarterly Report when we have more complete information on the 10 recently signed projects.

| Table 7. FY 2009 AND LOP PROJECTIONS | | |
|--|-----------------------------------|----------------------|
| INDICATORS | Fiscal year 2009 Projected | LoP Projected |
| 1. Increased Production and Marketing | | |
| 1.1. Increased value (in 000 Euros) of purchases of raw materials made from small holder producers by customers | 3,977.6 | 11,932.8 |
| 1.2 Percentage increase in the value of purchases of raw materials made from small holders producers | 25% | 25% |
| 1.3. Increased value (in 000 Euros) of sales into national market by customers | 1,421.8 | 3,402.1 |
| 1.4 Percentage increase of sales into national market | 15% | 10% |
| 1.5. Increased value (in 000 Euros) of intra-regional exports by customers | 1,876 | 8,203.6 |
| 1.6 Percentage increase of intra-regional exports by customers | 33% | 32% |
| 1.7. Increased value (in 000 Euros) of international exports | 5,628.9 | 19,141.8 |
| 1.8 Percentage increase of international exports by customers | 33% | 32% |
| 1.9 Value of new orders (in 000 Euros) from Trade Fairs, B2B, and Fast Track (FT) Projects | 1,000 | 3,000 |
| 1.9.1 Number of new customers from Trade Fairs, B2B, and FT Projects | 40 | 100 |
| 2. Increased Coverage of AgBiz Customers | | |
| 2.1. Number of Producer Organizations receiving assistance | 3 | 6 |
| 2.2. Number of Trade and Business Associations receiving assistance | 5 | 10 |
| 2.3. Number of rural households directly benefiting from interventions | 1,380 | 4,345 |
| 2.4. Number of Agriculture-related Firms receiving assistance (trader/buyer, processing, and distribution levels of the value-chain) | 167 | 241 |
| 3. Introduction and Adoption of New Technologies and Management Practices | | |
| 3.1. Number of new/improved technologies or management practices made available for transfer | 56 | 83 |
| 3.2. Number of (additional) hectares under new technologies or improved management practices | 789 | 2,530 |
| 4. Building Human Capacity | | |
| 4.1.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training | 324 | 475 |
| 4.1.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training | 36 | 53 |
| 4.2.1 Number of male individuals who have received long-term agriculture or agribusiness productivity enhancement training | - | 2 |

Table 7. FY 2009 AND LOP PROJECTIONS

| INDICATORS | Fiscal year 2009 Projected | LoP Projected |
|--|---------------------------------------|----------------------|
| 4.2.2 Number of female individuals who have received long-term agriculture or agribusiness productivity enhancement training | - | 1 |
| 5. Value of Investment Stimulated | | |
| 5.1 Value of total domestic investment stimulated (000 US \$) | \$3,102 | \$8,782.5 |
| 5.1.1 Value of customer investment stimulated (000 US\$) | \$3,102 | \$8,782.5 |
| 5.1.2 Value of third party domestic investment stimulated (000 US\$) | 0 | 0 |
| 5.1.3 Value of Foreign Direct Investment stimulated (000 US\$) | 0 | 0 |
| 5.2 Leveraging Achieved by AgBiz (%) | 11 | 16 |
| 6. Increased Access to Finance | | |
| 6.1. Value of customer financing identified (potential loans) (000 US\$) | \$1,476.02 | \$3,032.4 |
| 6.2. Number of customers provided access to finance assistance | 15 | 65 |
| 7. Increased Employment | | |
| 7.1 Number of equivalent male jobs created by supported customers | 116 | 226 |
| 7.2 Number of equivalent female jobs created by supported customers | 226 | 472 |
| 7.3 Percentage increase in full time equivalent (FTE) jobs by supported customers | | |
| 8. Policy and Institutional Reform | | |
| 8.1 Policy and Institutional Constraints Identified | 10 | 25 |
| 9. Outreach | | |
| 9.1 Number of produced success stories | 12 | 39 |
| 9.2 Number of media exposures (TV, Radio & Newspapers) | 12 | 53 |

7.0 PLANS FOR THE FIRST FISCAL QUARTER

The following are AgBiz key plans for the First Fiscal Quarter of 2009.

7.1 PROGRAM DEVELOPMENT ACTIVITIES

The following chart shows key Program Development activities planned for the First Quarter, the anticipated result and their planned completion date.

| Activity | Expected Result | Projected Completion Date |
|---|---|--------------------------------------|
| Staff Evaluations | Staff evaluations and salary adjustments due are completed | 31 December |
| Success Stories | Monthly stories developed and published | 31 October, 30 November, 31 December |
| CPAs | Sub-contract with provider completed | 15 October |
| Facilitate Mission Director (MD) visits to AgBiz projects | Demonstrate effectiveness of USAID assistance provided through the AgBiz Program | 15 December |
| M&E Data Input | All data input current, including history | 31 December |
| M&E Information Technology (IT) System | System fully functional | 30 October |
| Efficient local STTA providing system | Methodology, criteria, and procedures for supporting local STTA development and in implementation | 30 November |
| Budget Supplement Justification | Proposal for increased LoP funding provided to USAID | 25 October |
| November RCI Workshop in Belgrade | Regional Market Information System Successfully Promoted | 30 November |
| Additional Indicators | Additional indicators requested and approved by USAID | 31 October |
| Expanded Value Chain | Assessment completed and USAID concurrence received | 15 November |

7.2 VALUE CHAIN COMPETITIVENESS ENHANCEMENT ACTIVITIES

The following chart shows key Value Chain Competitiveness Enhancement activities planned for the First Quarter, the anticipated result and their planned completion date. Budget availability will play a significant role in determining which activities can be supported during the Quarter.

| Activity | Expected Result | Projected Completion Date |
|--|---|---------------------------|
| Formalize the Activities development and implementation process; Develop and start implementing Activities checklists to monitor the process | Streamlined VC competitiveness enhancement activities identification, prioritization, development, and implementation system in use | 31 October |
| Continue development, review, and decision making on value chains enhancement Activities as planned or close to plan | Effectively expedite the development, approval, and implementation of Activities | 31 December |
| Training on Oak Barrel Aging Techniques | Training and follow up STTA in oak barrel aging and alternative technologies completed | 15 December |
| Profile of the Wild Gathered Food Products Value Chain in Macedonia | Profile completed and Workshop for VC participants provided | 15 November |
| VinoSkop – Wine Festival for Macedonian wines | Assistance to evaluating and rating Macedonian wines provided | 20 October |
| Value chain enhancement joint activities with MASHAV/Centre for International Agricultural Development Corporation (CINADCO) (Post Harvest, Storage) | Strategy agreed on and budget determined | 30 November |
| FruitLogistica 2009 | Activity developed and commitments received | 31 December |
| Biofach 2009 | Activity developed and commitments received | 31 December |
| Enhancing Customer's Access to Finance | Customers assisted to identify and secure financing | 31 December |

| Activity | Expected Result | Projected Completion Date |
|--|--|---------------------------|
| Poland study tour and B2B | Study tour and B2B meetings in Poland successfully completed | 15 October |
| Table Grapes Value Chain Profile | Profile completed and participants workshop held | 15 November |
| Importance of Agribusiness to MK Economic Growth | Report completed | 15 October |
| Support to the WG Association | Workshop conducted | 15 November |
| AgBiz Role in IPARD and FP7 | Specific plan developed | 15 November |
| BEA, TCP, AgBiz Issues Task Force | Decision made and appropriate action taken | 15 November |
| Country Market Profiles for Croatia and Serbia | Decision made and appropriate action taken | 15 November |
| Study tour for Processed Vegetables VC to Sweden | Decision made and appropriate action taken | 31 October |
| Study tour - Table Grapes VC to Italy or the US | Decision made and appropriate action taken | 31 October |
| Training in Export Capacity Development | Decision made and appropriate action taken | 31 October |
| MLGA Coordination – wine route, etc. | Decision made and appropriate action taken | 31 November |
| Policy Issues Prioritization and Plan | Issues prioritized and actions planned with BEA | 31 October |
| Follow-up on the results from the World of Private Label Trade Fair Exhibition | Report on results achieved | 15 December |
| Follow-up on the results from the Chicago Fancy Foods Show and study tour | Report on results achieved | 15 December |
| Follow-up on the results from the Novi Sad Agricultural Trade Fair Exhibition | Report on results achieved | 15 December |
| Follow-up on the results from the Interfest Wine Festival in Novi Sad | Report on results achieved | 15 December |

7.3 PROJECT IMPLEMENTATION

The following chart shows key Project implementation work planned for the First Quarter, the anticipated result and their planned completion date.

| Project | Expected Result | Projected Completion Date |
|--|--|---------------------------|
| Grant-related Procurement Procedures | Staff and grantees properly utilizing checklists | 15 August |
| PERSUAP approval from USAID | Received PERSUAP approval from Bureau Environmental Officer (BEO) | 31 December |
| SUAPs | SUAPs developed by grantees requiring one | 31 December |
| Cleaner Production Assessments | Completed for all six projects requiring one | 31 October |
| Asbestos Health and Safety Plan | Completed for all projects requiring one and shared with the grantees | 31 October |
| Quarterly Reports from nine grantees in Batch 1 (signed July 3, 2008) | Quarterly report received and information entered in MIS/M&E system | 15 October |
| Baseline and FY09 projection information from 10 grantees in Batch 2 projects signed October 3 | Baselines received and information entered in MIS/M&E system | 31 October |
| EDD/PPA Mitigation Measures Compliance Monitoring | Mitigation measures implemented by grantees | 31 December |
| Vitalia Project | Decision on shifting market entry support from Ukraine to Bulgaria | 31 October |
| Ohrid Winery | Decision made on grant | 15 November |
| Grant Expenditures | Reimbursement and Direct Procurement are proceeding smoothly, in compliance and as projected | 31 December |
| Project Implementation Monitoring & Support | Project Coordinators (PCs) closely monitoring project implementation to help keep them on schedule and achieving projected results | 31 December |

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