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EXECUTIVE SUMMARY

STRATEGIC OVERVIEW

USAID's Small Business Expansion Project (SBEP) catalyzes MSME growth as a source of job creation and improved incomes in Macedonia. SBEP identifies opportunities and facilitates MSME linkages to promising market opportunities, financing, and technology, with a particular focus on import substitution instead of the more traditional emphasis on exports. The SBEP approach to stimulating MSME growth in the near and medium term is to identify opportunities where local producers in outlying regions can meet specific sourcing needs of lead firms operating in the country. This focus on inward-oriented supply chain enhancement capitalizes upon existing systems and resources, strengthening or creating new linkages throughout value chains in the agriculture, food, construction, and light manufacturing industries, among others.

In order to achieve widespread results, SBEP fosters critical public-private dialogue and partnerships at the regional and local levels as means of supporting MSMEs and regional economic growth. Through these efforts, SBEP is developing a replicable model for sustainable regional economic development, starting in the Project target regions of Polog and Pelagonija, and adding a third region (Northeastern Region - Kumanovo) starting in 2014.¹

The key issue SBEP addresses is poorly integrated supply chains, a reflection of weak or non-existent linkages among MSME suppliers, aggregators, and end-buyers. These linkages were well-established in the former Yugoslavia, but the void left behind in Macedonia has led to informality, massive inefficiencies, and declining competitiveness across sectors. A related issue is the extremely limited public-private dialogue and coordination among stakeholders to structure and implement strategic funding proposals and programs. SBEP comes at the problem from both ends, by fostering dialogue among disparate stakeholders, and by working directly with lead firms and MSMEs to identify needs, facilitate market linkages, implement proof-of-concept initiatives, and take these initiatives to scale.

SBEP prioritizes two mutually-reinforcing categories of local economic development initiatives:

- **Supply Chain (SC)** integration and strengthening to benefit MSMEs and link them to markets, financing, technology, and support services, and
- **Public-Private Dialogue (PPD)** leading to strategic priorities, funding proposals, partnerships, and implementable economic programs

In its first year, SBEP has proactively engaged with firms, municipal governments, and existing programs at the regional and local levels to identify opportunities and test approaches. To date, SBEP has worked with over 100 MSMEs and facilitated linkages with lead firms in distinct value chains. Over the four year life of the project, SBEP expects to leverage a minimum of \$25 million in lead firm purchasing power redirected toward local firms. The resulting MSME growth is expected to create at least 5,000 new jobs, and sustain or improve many times more.

The Project quickly recognized that one of the most promising opportunities for MSME growth lies in the food and agriculture industry, which comprises some 16% of GDP and employs over 20% of the national population.² SBEP recognizes massive growth opportunity in this sector, and has largely focused its efforts on its development. The *Grow More Corn* campaign and similar initiatives in various value chains present a model of wide-ranging transformational impact based on the introduction of new technologies and enhanced market linkages as part of an inward-focused supply chain methodology.

¹ A fourth region (Southeastern Region – Gevgelija) is also a possibility, depending on new bilateral funding opportunities in 2014.

² Macedonia State Statistical Office, 2007

Project activities are implemented through local Business Service Organizations (BSOs) – here SBEP includes public-sector partners such as the Regional Development Centers (RDCs), the National Agricultural Extension Agency (NEA), the Public Enterprise *Makedonski Shumi*, and the National Park Mavrovo, as well as civil society organizations, private firms and consultants with specific technical expertise and a proven track record of providing solutions for MSMEs (e.g. PointPro, ProBio, Magan-Mak, ALRD, and MKonsalting). By executing Project initiatives through local firms and public-sector bodies, SBEP validates their expertise, enhances and adds to their experience, and thus builds up their capacity and strengthens their credibility. This adds to a stronger local knowledge base in areas like supply chain enhancement and access to finance, further developing the local economy. Ultimately, local institutionalization of SBEP approaches is the key to long-term sustainability.

New opportunities are vetted through an iterative process involving public and private stakeholders. All the initiatives supported by SBEP are the result of extensive conversations with local actors including mayors, Local Economic Development offices (LED), RDCs, Chambers of Commerce, business owners, and civil society organizations. This organic approach to local economic development has proven to be much more effective than a “top-down” strategy.

The flexibility of USAID/Macedonia has allowed SBEP to test a variety of approaches and adapt initiatives to the specific needs and conditions of different municipalities. The critical element of this process is economic viability; an initiative must show potential to create value at multiple levels in order to bring about the public and private buy-in necessary for sustainable success. “Value” in this sense is not limited to financial value, but refers to progress on all outcomes that the SBEP seeks to develop, especially those resulting from MSME growth, job creation, and improved livelihoods.

Critically, USAID investment in SBEP initiatives is relatively small compared to the purchasing power and potential investment leveraged through private sector partners. This reflects a truly sustainable market-driven approach; initial USAID support – including everything from subsidies for pilot drip irrigation schemes, to success fee-based contracts with BSOs for matchmaking initiatives, to sponsorship of certification courses for wild product gatherers – will quickly give way to sustained private investment. After demonstrating positive initial results, both lead firms and MSMEs themselves will invest in the new technologies and/or methodologies that have been shown to create value multiple levels.

QUARTER OVERVIEW

During the final quarter of Fiscal Year 2013, a number of SBEP initiatives have shown concrete results.

In the **Supply Chain** component:

- Initial results have come in from the *Grow More Corn* campaign's 2013 season, and as predicted, yields have increased dramatically with potential for large-scale effects in the corn and dairy industries.
- The first batches of blueberries and juniper were purchased by the newly established Collection Center for Wild Herbs and Mushrooms in Bogovinje, demonstrating potential for major impact on rural job creation and income improvement.
- The first deals were struck as a result of the matchmaking service for lead companies and local suppliers in the light manufacturing sector.

In the **Public-Private Dialogue** component:

- A study tour to Croatia was organized for Pelagonija mayors in order to share experiences and learn from the Croatian experience with LEADER/LAG.
- The Women's Entrepreneurship initiative has concretized around the formation of an Advisory Board of women business leaders, and SBEP continues to work with local partners to support women micro-entrepreneurs in Polog.
- A Regional Action Group for Diaspora investment was formed in Polog, and two events were organized to engage the Polog business Diaspora.
- A pre-feasibility study for a large-scale irrigation system in the Municipality of Novaci was finalized.
- Preparatory talks have begun for activities in the area of Rural Tourism.

SBEP staff has dedicated substantial effort in monitoring of the activities and gathering data from the field. All the corn farmers were visited, and their experiences and expectations from growing the crop with the new technology were collected; not only the figures regarding their inputs and yields (quantitative data), but also qualitative and anecdotal evidence. Similar surveys and interviews were conducted with the tomato growers, a number of the collectors who have signed contracts with the Collection Center, and women micro-entrepreneurs supported by SBEP in Polog.

SUPPLY CHAIN COMPONENT

Within its Supply Chain component SBEP identifies and supports business opportunities that show potential to create value at multiple levels, the critical element being economic viability. SBEP focuses on identifying and facilitating opportunities for import substitution supply chain enhancement, targeting lead firms operating in Macedonia that have a procurement need which could be met by local providers. Identified opportunities are assessed through communication with relevant stakeholders, and they are supported if they bring progress on outcomes that the Project seeks to develop, especially those resulting in and from MSME growth.

Each initiative is evaluated for criteria including market potential, transformational impact on the supply chain, and scalability and replicability. In addition, public-private dialogue facilitates leveraging of public and private investment in the process, thus stimulating local ownership and ensuring sustainable success of the initiatives. Gender, youth and environmental considerations are an intrinsic parts of the opportunity assessment process, as well as the mobilization of local BSOs, which contributes to their own capacity building.

SBEP's approach allows the MSMEs involved to harness the investment and know-how of larger firms in developing local supply chains to meet market requirements. This enhances the economic viability of the small firms, which gain access to new technologies and technical assistance, as well as the security of purchasing agreements with buyers. As these firms grow and demonstrate their capacities to meet the pricing, volume, and quality needs of buyers, they become viable alternatives to importing inputs at the lead firm level.

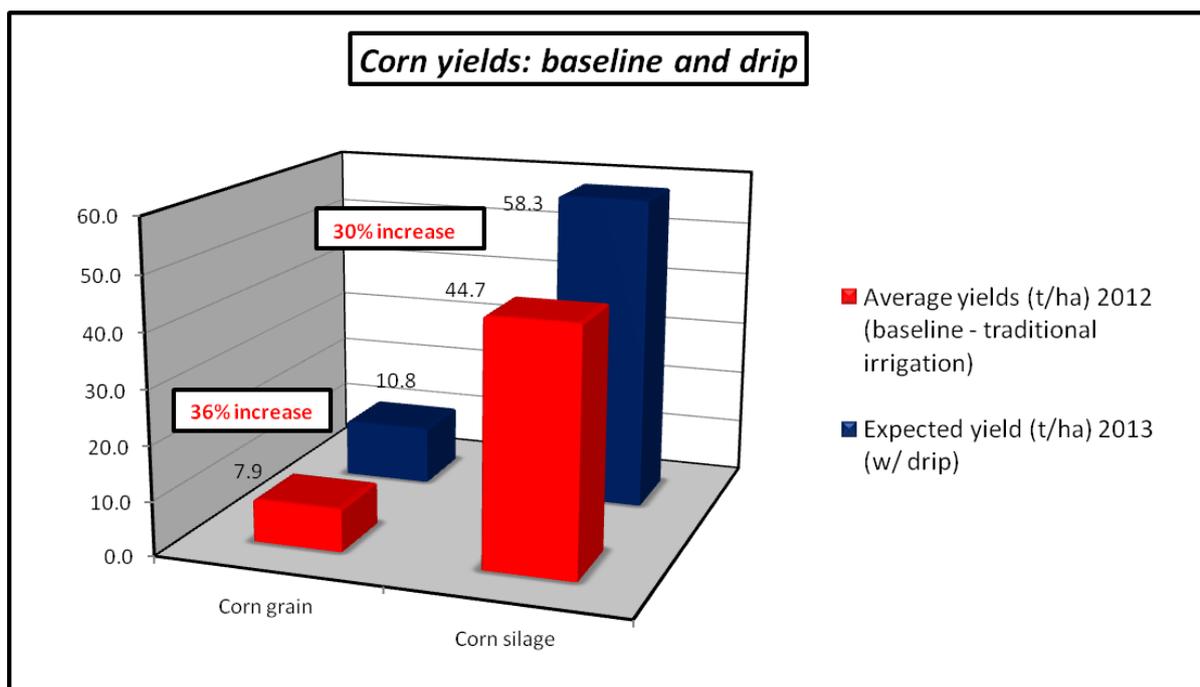
Following are the developments from the final quarter of SBEP's first full year within the various supply chain initiatives supported by the Project.

GROW MORE CORN CAMPAIGN

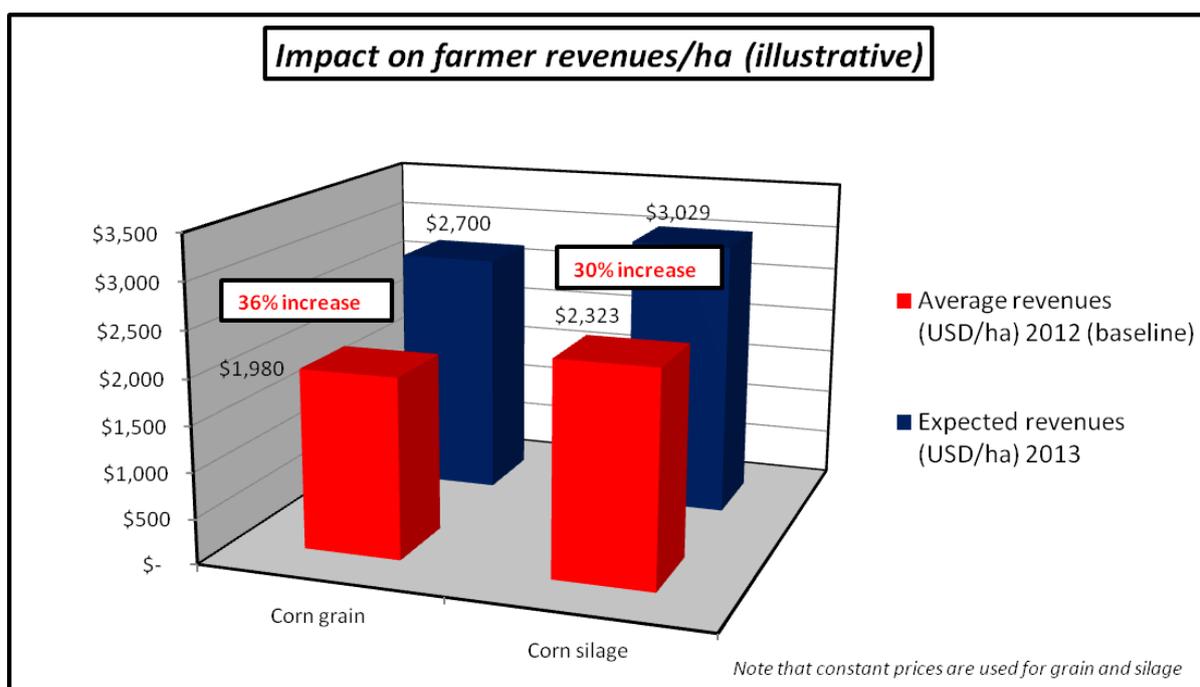
During the last quarter of FY 2013, SBEP's flagship *Grow More Corn* initiative has yielded the first results: the corn planted in the spring has reached harvest time. Depending on the sowing date, the variety of the corn, and whether the farmer has grown it for grain or silage, the harvest started in mid-September, but will continue throughout October. The projections made at the beginning of the season - that the farmers within SBEP program using drip irrigation and modern protocols will have significantly increased yields – have materialized.

The preliminary results gathered from the 45 farmers in this pilot group show a 36% increase in yields of corn grain, from an average of 7.9 tons/hectare to 10.8 t/ha, and 30% increase in the yields of silage, from an average of 44.7 t/ha to 58.3 t/ha. The graphs below illustrate this monumental change, and its illustrative effect on farmer incomes.

Supply Chain Component	Activities this quarter
<p><i>Grow More Corn Campaign</i></p>	<ul style="list-style-type: none"> • Ongoing monitoring of 45 demo corn plots with drip irrigation; harvesting begun for both corn grain and silage • Second visit by Israeli expert Eli Matan of Netafim to Macedonia, including technical assistance to a number of farmers from the pilot group • Consultations with dairies continued for supporting and expanding the initiative next season – Sutash and Ideal Shipka have agreed to co-invest in drip irrigation systems • Introductory trainings conducted with farmers in the Sutash supply chain – 11 farmers from the Northeast region and 4 from Pelagonija took part; and with 7 farmers in the Ekosharr supply chain



Since the beginning of the season, SBEP staff has been in continuous contact with the farmers, following the development of the crop and their experiences with using the new technology and modern farming protocols. Throughout July and August, there was intensive growth of the corn, and it was especially visible on the fields irrigated with drip irrigation. Farmers noted how the precise supply of water and nutrients has allowed plants develop evenly throughout their fields, and were thrilled to see the results. They recognize the benefits: less labor-intensive work, more time to devote to other income-generating farm activities, and most importantly, better yields. Dragi Nechevski from the village of Lera near Bitola is one of the farmers who is satisfied with the new technology. He said: *“By using this system, we are rested, we have more time and also bigger yields,”* adding: *“It’s not that I’m just being nice, but with the system I’m at ease and I have saved my corn. Given the water problems in the village, without the drip I wouldn’t have been able to irrigate the corn.”*



The majority of the farmers followed the advice and guidelines of SBEP BSO partners Magan-Mak and the National Extension Agency, but a few of them had to make adjustments to the prescribed protocols because of circumstances, such as issues with regular access to water. Even farmers with less than ideal situations have found the use of a drip irrigation system to be a significant boost to their corn production: *“Given the quality of my soil, I couldn’t even imagine getting yields of more than 8 tons of grain per hectare. This year, with the drip irrigation system and with the same amount of fertilizer, I expect to get more than 10 tons of grain per hectare,”* said farmer Peco Simjanovski, from the village of Kravari.

On August 19-20, the Israeli expert Eli Matan from Netafim – the pioneer firm in drip irrigation - visited Macedonia for the second time in partnership with SBEP, and surveyed a few of the demo plots in Polog and Pelagonija. He discussed the farmers’ experiences so far and advised them and SBEP staff on what could be done to ensure even better yields next season. He suggested installation of water meters, in order to precisely measure the volume of water used – this will be useful for advancing institutional partnerships, such as that with the Strezevo water company – as part of the SBEP expansion plan. Mr. Matan also advised against companion planting (as farmers in Polog do, sowing beans alongside corn), as the practice can negatively impact corn yields. SBEP will continue to evaluate options for improving and quantity and quality of yields, both with corn and other traditional crops.



Israeli expert Eli Matan with Ivan Postolovski from Magan-Mak and SBEP's Dimce Damjanovski near a drip irrigated corn field



Collecting the drip irrigation hoses from the field

“The biggest advantage of this system – and I have used different irrigation systems – is that you can irrigate any time, in any weather conditions, without going into the field, which really makes the job easier,” said Goranche Mrmachovski, a corn farmer from Mogila.

Pleased with the results from the pilot phase, **farmers from the pilot group have reported that they plan to invest in additional drip irrigation equipment for an estimated combined 78.2 hectares on their own.** This is exactly the sustainable “momentum” effect that SBEP seeks; with each season, existing drip farmers will invest in additional technology, and additional farmers will join the program.

In addition to the existing 45 hectares under drip irrigation and at least as many in the coming year, this will mean a significant impact to the production of corn in Macedonia, changing the dynamic of multiple supply chains.

As the majority of corn producers also have dairy cows and contribute to the supply chains of local dairies,

SBEP's outreach and promotional activities, so that interested farmers from throughout Macedonia can learn about new, innovative practices from their colleagues in Polog and Pelagonija.

This quarter, the articles were about: the progress of the corn irrigated with a drip irrigation system on one of SBEP's pilot plots in Polog, including details about the protocols used (July); the experience with growing industrial tomatoes with a drip irrigation system used on three demo plots in Pelagonija (August); and the first Wild Herb Collection Center opened with SBEP's assistance in Polog and its first experiences purchasing blueberries (September). All articles were prepared by SBEP staff.

This agricultural magazine has a circulation of around 2,000 copies a month, and by contributing materials, SBEP is spreading information about its work beyond the target regions. This way, SBEP is fostering knowledge-sharing among farmers, agro-processors, municipalities, and other stakeholders.

INDUSTRIAL TOMATOES INITIATIVE

The beauty of drip irrigation is that the technology is widely replicable; it can be used to improve yields on a variety of crops. In addition to the corn demo plots, SBEP is testing drip for sunflower, aronia, and tomatoes. The sunflower and aronia pilots are still in the early stages, but SBEP has initial results from the three industrial tomato farmers who tested SBEP's "package" of drip irrigation combined with improved farming protocols this year. All three are suppliers to the Bitola tomato paste company Konzervna (Kompanija Zivko Radevski). The company provided the tomato seedlings at the beginning of the season in May, and committed to purchasing the resulting increased supply.

Supply Chain Component	Activities this quarter
Industrial Tomatoes Initiative	<ul style="list-style-type: none"> • SBEP and partners provided continuous monitoring and support to farmers for growing industrial tomatoes with drip irrigation • Harvest completed: two demo plots with 75 t/ha yields; one with 50 t/ha

Using traditional irrigation methods, the farmers' yields were 20t/ha on average, which is less than half the global standard; with the SBEP package one of them produced 50t/ha, and the other two 75t/ha. All are very satisfied with the yields, which they believe would have been even better if not for some unexpected weather conditions. They are also satisfied with the quality of the crop, which is as important as the yield with industrial tomatoes, because it dictates their selling price. Mr. Borche Vrdzovski, one of the farmers in the initiative, explained: *"If we look at the issues that we faced this season, floods in early spring, and early frost at the end of the season in September, I am satisfied with the results that we achieved. If it wasn't for these conditions, we could have gotten an additional 10 tons per hectare out of the field."* The results that were achieved despite the bad weather show the potential gains of implementing the system on a larger scale.

SBEP partners Magan-Mak and NEA were involved in the process, providing the farmers with guidelines and advice about the fertigation protocols for the tomatoes. As with the *Grow More Corn* and *Wheat* initiatives, NEA advisors will continue their advisory role with other farmers wishing to produce industrial tomatoes in the future.



One of SBEP's demo plots of industrial tomatoes grown with drip irrigation being filmed by a TV crew from the Macedonian National Television

WHEAT INITIATIVE

Poor quality and low volumes characterize current wheat production in Macedonia. As in corn and other agricultural value chains, this is due mainly to inappropriate inputs and outdated cultivating practices. SBEP is introducing tailored technical assistance based on soil analyses to affect industry-wide improvements.

After the conference organized in Bitola during the past quarter and meetings with wheat farmers, the main activity that took place this quarter was the identification of a group of 40 farmers who will participate in a pilot activity with SBEP. MKonsalting, the partner BSO spearheading the wheat initiative, proposed participant farmers, as did individual municipalities. Some of the farmers have participated in the *Grow More Corn* pilot, and having experienced improved production in corn, are willing to try advanced approaches on wheat.

Supply Chain Component	Activities this quarter
Wheat Initiative	<ul style="list-style-type: none"> • 40 farmers identified for the pilot group to receive tailored technical assistance for improving wheat production • Training on soil sampling in Novaci on September 18, 2013 • Soil samples taken from 40 demo plots and sent for analysis



Taking soil samples for analysis in Pelagonija

As a first step, the pilot group gathered in Novaci on September 18, 2013, to attend a training on taking soil samples for analysis. This is the key pre-seeding intervention, as it fundamentally affects the recommendations on protocols – including fertilizer use - throughout the season. Subsequently, the soil samples were taken by SBEP staff, NEA advisors, and RDC Pelagonija staff, who will take a more active role in the coming period in this initiative.

In addition to working with the farmers, SBEP has met with representatives of Agrounija, a leading local producer and distributor of seeding material, fertilizers, plant protection, and other wheat inputs. Agrounija is interested in participating in the program, and discussions are underway with SBEP.

WILD-GATHERED PRODUCTS INITIATIVE

SBEP's Wild-Gathered Products initiative saw major developments this quarter: the first Collection Center with SBEP support was opened in the village of Pirok in rural Polog; more than 200 collectors have been trained on sustainable and organic collection of wild herbs and mushrooms; and the National Park Mavrovo has developed and adopted regulations about the collection of these products on its territory.

The abundance of wild herbs and mushrooms in the mountains of Western Macedonia provides great economic opportunity for the local population, which up to now has engaged in this type of activity only informally and sporadically. Also, the sector went largely unregulated until the spring of this year, when the Public Enterprise *Makedonski Shumi*, the national body responsible for managing Macedonia's forests, issued rulebooks and guidelines about sustainable and organic collection. In addition, formal supply chain linkages with export-oriented buyers were practically non-existent. SBEP has recognized the huge potential that this sector offers in for job creation and income improvement, and has directed its efforts in developing and organizing this economic opportunity in Polog. SBEP projects that there may be potential \$20M annual industry to be developed in Polog alone.

Supply Chain Component	Activities this quarter
Wild-Gathered Products Initiative	<ul style="list-style-type: none"> • First Collection Center in the Polog region - in the village of Pirok in Bogovinje municipality - officially opened on July 3, 2013 • 9 trainings for collectors of wild herbs and mushrooms conducted in the municipalities of Bogovinje, Vrapchishte, Tearce and Mavrovo and Rostushe, resulting in 202 newly trained collectors • Regulation for sustainable, organic collection adopted by the National Park Mavrovo



Rangers from the Mavrovo National Park during training

SBEP's approach to this initiative is an excellent example of intertwining the supply chain and public-private dialogue components, which are the Project's main axes of operation. Public entities such as local municipalities, the Mavrovo National Park, and the Public Enterprise *Makedonski Shumi*, are working directly with private sector actors like the local firm Flores in developing the economic activity, which is of benefit to all. In addition, the regulation of the sector provides for the (re)establishment of supply chain linkages, from the collectors through

the Collection Centers to the export-oriented companies, ensuring traceability of the collected products – a precondition for export to EU markets.

During this quarter *Mebi Prima*, the first Collection Center established with SBEP's support, was officially opened in the village of Pirok, in the rural municipality of Bogovinje in Polog. The opening ceremony was attended by a group of the first twenty collectors who received their certificates of training, and by officials such as Mr. Hazbi Idrizi, Mayor of the municipality of Bogovinje, one of SBEP's key local partners; Mr. Joseph Lessard, Director of USAID's Economic Growth Office; Mr. Menderes Kuqi, President of the Economic Chamber of Northwest Macedonia; and Mr. Pance Nikolov, Assistant Director of the Public Enterprise *Makedonski Shumi*.

The Collection Center is a purchasing and storage center, but also acts as a hub through which new collectors are recruited and trained on organic and sustainable collection. The trainees receive a certificate issued by SBEP's partner BSO ProBio, a registered certifying body, on the basis of which they are eligible for a permit issued by the Public Enterprise and can sign a contract with a Collection Center. The trainings and certification ensure environmentally-sustainable collection practices in the forests; the partnerships with local institutions guarantee the long-term viability of the initiative.



Mebi Prima's owner invested in a van for collection and transportation of the collected goods

Trainings on organic and sustainable collection this quarter

Place	Date	Number of participants
Mavrovo	July 20	36
Rostusha	July 21	33
Mavrovo	July 27	13
Rostusha	July 28	31
Bogovinje	August 14	22
Tearce	August 15	12
Vrapchishte	August 20	20
Tearce	August 21	24
Rostusha	September 29	11

A total of 202 collectors were trained this quarter (July-September 2013).

Since the beginning of the initiative, the total number of trained collectors in both sub-regions has reached 366, of whom 242 are in Bogovinje, Vrapchishte, Tearce and Tetovo, and 124 in Mavrovo and Rostushe.

Since its opening, *Mebi Prima* has signed contracts with some 190 trained collectors, and the Center made the first purchases of blueberries in August. The month-long blueberry season yielded purchases of over ten tons of fruit. Collector incomes per month from this short season saw a drastic improvement of up to 115% - from 8.935 MKD (approximately \$186 USD) - to - 19.252 MKD (approximately \$428 USD) on average - extremely promising results. Now into wild apples and juniper season, the Center has already purchased over 500 tons of juniper berries. SBEP research and experience to date shows that collectors can work 8-10 months during the year and earn a regular income of up to \$950 USD per month, more than twice the average Macedonian salary. *Mebi Prima* expects to acquire organic certification in mid-October, which will allow the Center to sell its products at a higher premium, meaning an even better price for current collectors, and an added incentive for other potential collectors to join the initiative. As the majority of the population in these rural areas is unemployed, this is an unprecedented opportunity to secure a stable livelihood.

SBEP is driving a parallel process in the National Park Mavrovo, with the purpose of organizing and developing the same economic opportunity there. SBEP has provided technical assistance to the Park administration to develop and adopt regulation similar to the one of the Public Enterprise *Makedonski Shumi*, as the Park is mandated to manage the natural resources on its territory. The first group which was trained on sustainable collection and the specifics of the new regulation were the Park's rangers. Since the adoption of the regulation, a total of 124 locals from the Park, but also from neighboring regions such as Kichevo and Debar, have been trained. At the end of September, there was a small awarding ceremony for them, where the Director of the National Park, Mr. Oner Jakuposki, encouraged the collectors to inform relatives and neighbors of this opportunity, as residents from the Park are given priority training and certification. The interest for collecting is high among visitors of the Park as well, who reside elsewhere, but collect wild products both for personal and for commercial use.

The Park currently lacks a mechanism for tracking the quantities of wild-gathered products collected in the National Park, who collects it, or who the final buyers are. For that reason, further analysis is needed to identify the business model that would work best for the National Park in terms of the wild herb collection activity. The Park administration fully realizes the economic opportunity that lies underutilized, and its commitment to organize this sector is strong. The estimate is that in the Park alone, up to 1,000 people can earn their living by collecting and selling products from the forests.



Mavrovo National Park Director, Mr. Oner Jakuposki awarding the Certificate to one of the Collectors from Mavrovo

The next step for SBEP includes hiring local BSO PointPro to identify and formulate the best approach and business model for establishing a sustainable revenue base from regulated collection of wild forest mushrooms, plants and herbs within the area of the National Park Mavrovo. This activity will take place during next quarter, and by the end of 2013 the strategy, including a business plan and implementation policies should provide the direction in which this activity will develop.

LIGHT MANUFACTURING INITIATIVE

This quarter has seen the continuation of SBEP's initiative to restore broken supply chain linkages in the light manufacturing industry in Macedonia. After the three-month long pilot phase showed that companies, both lead firms and suppliers, are interested in this type of service, SBEP has extended the activity. Mr. Dejan Janevski and Mr. Goce Peshev will continue to provide "matchmaking" between companies: identifying local MSMEs that can meet procurement needs of anchor firms and facilitating communication and dealmaking.

Supply Chain Component	Activities this quarter
Light Manufacturing Initiative	<ul style="list-style-type: none"> • First successful matchmaking: Comfy Angel has placed an order in the amount of approximately \$14,400 with local supplier Jovanovski Holding, with the possibility of a long-term partnership worth \$130,000 annually • SBEP consultants developing over a dozen additional leads

The light manufacturing sector in Macedonia, like agriculture, food processing or textiles, faces broken supply chains, with local MSME suppliers often unable to meet the requirements of larger firms in terms of quality, price, or quantity. Even when opportunities may exist, the larger companies, lacking the time or resources to identify them, find it easier to import inputs.



One of the machines at the Polog based factory Mak Toys producing plastic eggs

However, the discussions that SBEP's supply agents had with the lead companies showed that they are willing to substitute imports with local supplies, provided that their requirements are satisfied. This presents a significant growth opportunity for local subcontractors, as well as a constant and steady supply of potential inputs for lead firms, often at cheaper prices. The key role of the supply chain agents is not only to establish the initial contacts between the companies, but also to help nurture the relationship into a long-term partnership.

The agents' work with the first two lead companies in the pilot phase has brought results: the British-Macedonian joint venture Comfy Angel has decided to start direct procurement with local supplier Jovanovski Holding by purchasing PE and PP bags. Comfy Angel were very satisfied with the trial batch of 1,500 pieces, and have placed an order for 6,500 pieces. If it goes well, Comfy Angel is expected to make an order for up to \$130,000 USD per year. To satisfy additional orders, which could entail creation of more jobs, Jovanovski Holding is considering buying a new machine, depending on the financing options available.

The supply chain agents continued their matchmaking activities in August, with a special focus on light manufacturing companies in Prilep, but also in the wider Pelagonija region. During the initial meetings with some of the food processing companies, like ice cream and frozen foods producer Cermat from Bitola, and the confectionary company Swisslion LLC from Skopje with a factory in Resen, the agents came to an understanding that the use of IML (in-mold labeling) plastic packaging is increasing, as is the use of multi-layer foil in full color, also for packaging. Currently, these products are being imported from Serbia, Bulgaria or Greece, but there is a major opportunity for local producers to respond to this growing demand on the market.

In September, the agents revisited and followed up on established leads with Johnson Controls; Cermat; Milina from Prilep, producing ice cream and frozen foods; Mlekara Miki, a dairy from Prilep; and Ideal Shipka and BiMilk, both dairies from Bitola. Jovanovski Holding is a potential match for some of these firms; for others, further discussion is needed.

The agents also met with Mikrontech from Prilep, which develops a wide range of high quality electric AC motors for EU and worldwide customers; Pro Vista from Prilep, a printing house with the possibilities to print HD full color on different types of materials; Kromberg and Schubert, a German FDI recently opened in Bitola, in the business of cable and wiring for the automotive industry; and Pip Orion from Prilep, a small, fast-growing tool shop, also producing agro-mechanical spare parts.

The objectives are to build partnerships between domestic companies, but also increase cooperation between FDIs in the country and local suppliers. This will help build local companies increase their own capacity, position themselves better in their supply chains, which will in turn enable import substitution and entail job creation.

Activities will continue in the coming period, as the agents follow up on leads and identify new ones. The agents will particularly focus groups of lead firms with similar needs. This way, they can search for a common input for production, which can create the economies of scale needed for suppliers to be competitive.

RURAL TOURISM INITIATIVE

Rural tourism is another area offering potential for economic growth in Macedonia; SBEP is working with industry stakeholders to further develop the country's niche market of "adventure" tourism. The adventure travel sector is recognized as being composed of consumers that place a high importance on responsible and social development when planning their trips. By focusing on environmental and cultural impact, they are helping to create sustainable economic opportunities in rural communities in many countries. Macedonia's most popular tourism products are ideally suited for the rapidly growing adventure travel market: hiking (both self-guided and guided trips), horseback riding, mountain and road biking, caving, mountaineering, paragliding, kayaking, freshwater scuba diving, trekking, skiing and snowboarding, cultural experiences, and exploring rural villages, archaeological sites and small wineries. SBEP believes that improving and building Macedonia's adventure travel market is the best way of developing a sustainable tourism industry that will have minimum impact on Macedonia's environment and traditional culture while significantly contributing to the local economy and helping small businesses to grow and succeed.

To assist in expanding Macedonia's adventure travel market, SBEP has established a partnership with the Adventure Travel Trade Association (ATTA) – a global membership organization which is "driven to help adventure tourism businesses and destinations succeed." The partnership with SBEP will allow ATTA to become involved in a graduated process of

"ATTA sees incredible potential in Southeastern Europe and Western Balkan countries, including Macedonia. We have a great interest in helping the Balkans reassert itself in tourism...the ATTA is increasing its presence in the region," says Chris Doyle, ATTA's Executive Director for Europe.

engagement with Macedonia. Activities in the next quarter will focus on developing the industry by focusing on connecting Macedonian tourism enterprises with global and regional clientele. SBEP sees this as a supply chain challenge, much like its other industries of focus.

CHALLENGES: SUPPLY CHAIN COMPONENT

SBEP's aggressive pilot strategy has yielded some key lessons. One is the importance of presenting potential partners with concrete, actionable proposals. For example, an initial opportunity with Vitaminka remained undeveloped because of a lack of identified products and producers that could be integrated into its supply chain. Going forward, SBEP will take care to approach firms with real proposals in-hand. The matchmaking consultants are key to this process.

A second lesson, which applies to the Vitaminka case as well as the Wild-Gathered Products initiative, is that local BSOs – despite demonstrating initial enthusiasm – do not always have the capacity or experience to work successfully within the SBEP model. For this reason SBEP hires firms and consultants through fixed-price contracts with clear deliverables – and evaluates their effectiveness against those goals. SBEP has had to part ways with ineffective partners during this quarter, making sure to do so in a professional and amicable manner.

More broadly, SBEP has noted that despite impressive yields with drip irrigation, most pilot farmers did not fully follow the improved protocols as instructed. Farmers are notoriously conservative in trying new approaches; SBEP and its partners must remain cognizant of this when planning agricultural initiatives. This reinforces the critical role of institutional ownership of SBEP methods. Farmers and other MSMEs will not always respond immediately, but having a local partner who can carry on the initiative will allow for widespread impact.

PUBLIC-PRIVATE DIALOGUE COMPONENT

Public-Private Dialogue (PPD) comprises the second main component of the SBEP strategy. SBEP facilitates dialogue between public institutions, businesses and civil society with the purpose of identifying and responding to solid opportunities for economic growth. By contributing to the dialogue, stakeholders take ownership of the activity, and mobilize additional support, drawing on resources and knowledge at many levels and within varying contexts. This structure also provides for the sustainability of both the process and the initiatives supported; the Supply Chain and PPD components operate as mutually-reinforcing mechanisms for the design and implementation of SBEP initiatives.

In Polog, SBEP is working with and through the municipal LED offices, the Regional Development Center, the Chamber of Commerce of Northwest Macedonia, GIZ and other groups, as well as with a number of large and small businesses, including farmers. The initiatives that saw the most developments this quarter have been focused on Diaspora Investment and Women in Business initiatives.

In Pelagonija, the main partner for mobilizing all societal actors for dialogue and cooperation is the Regional Development Center, as well as the municipal mayors from the rural municipalities.

It is worth reiterating that all of the PPD initiatives are inherently tied to SBEP’s supply chain activities in that strategies and models from the market-driven component both inform and draw upon discussions and programs under the PPD component. The enhancement of supply chains and import substitution as a strategy for local development is being recognized by local public officials as a viable avenue for economic growth.

LEADER/LAG INITIATIVE

The first phase of the project *Introducing and Implementing the EU LEADER Approach in Pelagonija Region*, implemented by SBEP partner, the Pelagonija RDC, was completed during this quarter. This process, begun in late 2012, aims at training local stakeholders on this EU pre-accession method for achieving rural development. The project covers some 100,000 citizens altogether in three micro-regions in Pelagonija:

- Micro-region 1: Municipalities of Bitola, Novaci, Mogila, and Demir Hisar
- Micro-region 2: the municipalities of Prilep, Dolneni, and Krivogastani and Krusevo
- Micro-region 3: Resen

The process centers on identifying and training community leaders to form Local Action Group (LAG), which are the operational units eligible to apply for LEADER funds when they become available in Macedonia – projected for 2016. Activities in the first year have included a series “info days,” workshops, and trainings through which the principles of the EU LEADER approach were presented, along with the process of establishing LAGs and preparing regional strategies. What remains to be completed from the activities envisaged in Year I is the actual registration of the three LAGs, which should be finalized in October. Even though not yet formalized, these groups have already had some successes.

In essence, this type of regional entities can apply and receive funds from other development funds available as well.

PPD Component	Activities this quarter
LEADER/ LAG Initiative	<ul style="list-style-type: none"> • Study tour to Croatia for mayors of municipalities in the Pelagonija region: <i>September 9-12, 2013 Zadar and Zadar County</i> • <i>LAGs in all three microregions to be officially established next quarter</i> • Letter of Collaboration between USAID SBEP and the RDC Pelagonija for Year 2 signed: <i>September 6, 2013</i>

LEADER/LAG activities in Year 1

- Meetings with stakeholders representing the public, private, and civil sector in the region
- 3 info days in each of the micro- regions for presenting the principles and characteristics of the EU LEADER approach.
- 3 workshops in each of the micro-regions for implementation of the EU LEADER approach in the Pelagonija region.
- 4 trainings in each of the micro regions for presenting the process of establishing LAGs and preparing strategies by the EU LEADER principles.
- 3 meetings in each of the micro regions for preparing documents for LAG registration

To date, two LAG-generated ideas have been transformed into project proposals by the RDC and have received funding for implementation. **The Bitola LAG proposed a rural tourism development project and applied through the RDC for funds from the Macedonian Bureau for Regional Development. The application was successful and they received a grant of 30,000 EUR for capacity building regarding standards for rural hospitality, and also infrastructural interventions for improving/upgrading tourism services.** This is the first example of a Local Action Group developed with SBEP's assistance to receive funding, and it will motivate other LAGs to develop creative project ideas meeting a local need.

The RDC has also put forth another proposal generated through a LAG. Inadequate disposal of bio-waste from farms in the villages in Pelagonija, presents an environmental and human health risk. As there is no plant in the region for processing or using the biomass, the

RDC developed a project to provide basic information to the local population on the possibilities for biomass use. The RDC submitted the project to the Ministry of Environment and Physical Planning and received a grant of 4,850 EUR. The project aims to inform the local population about basic rules for using biomass as renewable source of energy, raise their awareness on the impact of renewable energy from biomass for environmental protection, and understand the possibility of using biomass for energy, and thus reduce energy costs.

The success of the LEADER program in Pelagonija has been validated by the national Government. Funds have been made available for regions expressing interest in developing the same initiative; the Program for Financial Support of Rural Development for 2013, envisages six million MKD (approximately \$130,000 USD)



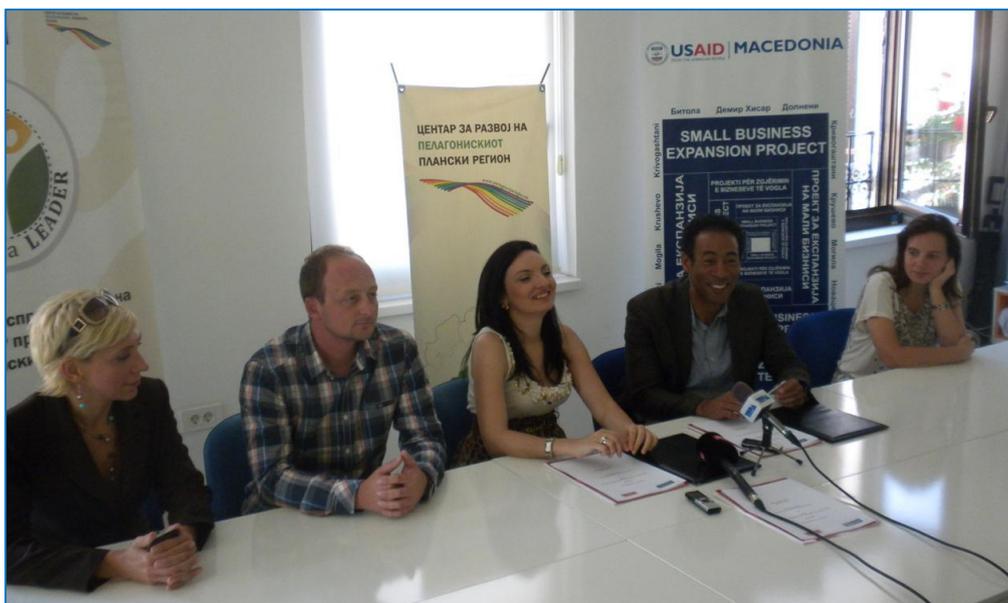
Pelagonija mayors meeting with the Mayor of Zadar, Mr. Bozidar Kalmeta and his team

for acquiring knowledge and skills for developing strategies for local rural development and for their implementation. The program has also provoked interest from abroad. For example, a regional development agency from Greece has contacted the RDC for a joint LEADER/LAG project in tourism, representing an excellent opportunity for developing capacities and accessing funds through Cross-Border Cooperation projects. These recent developments show that the approach is resonating, and reinforces the important role of SBEP institutional partnerships. In this case, the RDC “owns” the entire process – a truly sustainable approach.

Another major activity that took place during this quarter was a study trip to Croatia for Mayors from the Pelagonija region. The trip took place from September 9-12, and six of the nine Mayors participated, along with SBEP and RDC representatives. The purpose of the trip was to learn about the Croatian experience in implementing the EU LEADER approach and establishing LAGs. The mayors’ support is of critical importance for the success of the LEADER/LAG initiative in Pelagonija, and their exposure to the Croatian experience has enabled them to gain insight into the types of activities that can be funded through this EU funding mechanism for rural development. They visited the city of Zadar and the Zadar County, meeting with municipal and county officials, as well as with successful companies from the region.

The Mayors were warmly welcomed by the Mayor of Zadar, Mr. Bozidar Kalmeta, and the Prefect of the County of Zadar, Mr. Stipe Zrilic. Both sides presented their regions and development possibilities, discussing initiatives in the private sector, supported by the local self-government and Chambers of Commerce. In order to gain insights about positive experiences from entrepreneurs, several field trips were organized to local small and medium enterprises which have received funds from the IPARD program, such as the company “Maraska,” a producer of cherry liqueur and beverages; the agricultural cooperative “Masvin” growing olives, wine and figs; the agricultural project “Bastica” using a drip irrigation system for orchards; and the “Mary Komerc” fish processing company.

The participants of the study tour expressed their satisfaction with the organization and the hospitality of the hosts, emphasizing that it was a good opportunity to develop further cooperation between the regions.



Signing of the Letter for Collaboration between SBEP and RDC Pelagonija on September 6, 2013

On the administrative side, SBEP and the Pelagonija RDC signed a Letter of Collaboration on September 6, officially extending the cooperation for another year and continuing the LEADER/LAG project. In addition, the Pelagonija RDC will become more involved in parallel SBEP activities, such as the *Grow More Corn* and *Wheat* initiatives.

WOMEN'S ENTREPRENEURSHIP INITIATIVE

Building upon the success of the first Women's Entrepreneurship initiative – Ms. Rabije Sinani's cake workshop in Kamenjane – this quarter saw the fruition of two more initiatives that support women's entrepreneurship in the Polog region and another two that are in the pipeline. These initiatives are part of a long-term strategy for empowering women entrepreneurs in Polog, and which may be expanded into other regions.

Through this initiative, SBEP seeks to identify opportunities for building capacities and supporting the growth of women-owned or women-led businesses. SBEP's local partner, the Association for Local and Rural Development (ALRD), is continuously mapping out existing and potential businesses owned or managed by women demonstrating potential to grow and engage other women in economic activities. The main criterion for supporting an initiative is its market orientation; SBEP looks for opportunities that are linked into an established supply chain and have potential to ensure sustainability and growth.

PPD Component	Activities this quarter
Women's Entrepreneurship Initiative	<ul style="list-style-type: none"> • Women's Entrepreneurship Advisory Board established as informal working group • Two <i>Women in Business</i> opportunities implemented: an artisanal tailoring shop in Gostivar and a children's educational center in Tetovo • Two more opportunities identified and in the pipeline



Workers at the artisanal tailoring shop Princesha in Gostivar

oriented, women-owned small businesses. A meeting is planned for next quarter to determine next steps. In the meantime, SBEP and ALRD will continue identifying and supporting small women-owned or women-managed businesses in Polog, in an effort to boost the economic situation of the women there, and to build early momentum around this initiative.

During this quarter, one of the opportunities identified previously – the artisanal tailoring shop for wedding gowns and traditional dresses Princesha in Gostivar, owned by Ms. Mjaftime Fejzi – has been supported with two sewing machines and professional ironing equipment. In return, Ms. Fejzi has committed to provide “on the job training” for 15 women, 5 of whom will be engaged during high season – around New Year and in the summer. Even though the equipment has been delivered to Ms. Fejzi's tailoring shop only in July, she has already been able to notice a difference: her production has doubled. With the extra machinery and the additional workforce, they are able to produce sixteen dresses a day, while before, their daily count was eight. It also enables Ms. Fejzi to continue developing her own supply chain – women in rural communities operating as informal micro-businesses and supplying her with embroideries and other handicrafts used in the outfits produced in the shop. Currently, she cooperates with some 35 such women.

The program is built around the Women's Entrepreneurship Advisory Board, the group of twenty or so women business leaders which has gathered with the support of SBEP, GIZ, the Northwest Chamber of Commerce, and the Polog RDC. This group of leaders serve as an advocacy group and an oversight body for what is envisioned as a women's entrepreneurship program for growing women-owned micro and small enterprises. Such a program, which may take the form of a fund, would be based on contributions from leading businesses encouraged to reorient CSR funds towards real investments in growth-

The second initiative which has been identified is the Children’s Education Center *Rea* in Tetovo, owned and managed by Ms. Qanie Selimi. Faced with her own frustration of not having anywhere to leave her children while at work, Ms. Selimi has decided to develop a new business: an Educational Center for Children, aged 3-6. Together with her husband, she already manages an educational center for adults that mostly offers language classes, but she is now slowly redirecting her full attention to the business she has recently started. In her package she offers day care for the children and education specialized for each age group. The interest among working parents in Tetovo is high, as there are only a few state-owned day care centers in the city, which cannot accommodate all the interested clients. The business has huge potential for expansion as current customers are satisfied with the service, and are spreading the word. Ms. Selimi is already considering looking for an additional, bigger location.



Ms. Qanie Selimi (left) in discussion with Ms. Sanela Shkrijelj from ALRD

“I felt the need myself, I didn’t have anywhere to leave my kids while I was at work.” said Ms. Qanie Selimi, owner of the Children’s Education Center *Rea* in Tetovo.



One of *Rea*’s employees with a mother of one of the children attending the Educational Center

SBEP support will be in the form of additional equipment for the center: beds, chairs, tables, some educational toys, as well as outdoor toys and furniture. With the new equipment, Ms. Qanie will be able to accommodate more children, and also employ two additional workers.

The two additional opportunities which are currently being considered for support are another tailoring shop from Gostivar, which produces uniforms and draperies for a local bus company, and an event management company from

Tetovo wishing to expand services in a children’s playhouse and an atelier for wedding dresses. The details are being specified about what would SBEP’s support entail, and the final decision is expected next quarter.

These interventions highlight how a small investment can have a big impact, in terms of expanding a business and creating jobs. These are the type of initiatives that SBEP seeks to support in the Polog region within its Women Entrepreneurship program, and these examples will be used to show potential supporters – such as large companies or foundations – another method to allocate funds to give women entrepreneurs in the region a “hand up – not a hand-out.”

DIASPORA INVESTMENT INITIATIVE

Driven by its commitment to encourage long-term, sustainable economic growth in Macedonia, SBEP is stimulating an important public-private dialogue about leveraging investment from the Macedonian Diaspora. There are emigrants from Polog who operate businesses throughout Europe and carry significant investment potential, which SBEP in partnership with the Economic Chamber of Northwest Macedonia sees as an opportunity for local economic development. Current Diaspora investment is low, and the capital flow is mostly remittances to family members. There exists a critical information gap about investment opportunities, but government policies also offer few incentives to attract potential Diaspora investors. SBEP has mobilized a diverse group of stakeholders to form a Regional Action Group (RAG), consisting of representatives of the Economic Chamber of Northwest Macedonia, the Polog RDC, GIZ RED, Diaspora-owned businesses, and the Local Economic Development (LED) offices from the municipalities in the region. The RAG will work to outline the process of informing and engaging the Diaspora to invest, and also to advocate for policies conducive to investment.

PPD Component	Activities this quarter
Diaspora Investment Initiative	<ul style="list-style-type: none"> • RAG formed, initial coordination meetings held • Two Iftar dinners held, on July 18 in Tetovo and July 24 in Gostivar • Preparations for survey of Diaspora companies in Polog underway • Preparations for Kosovo study trip underway



Tetovo Mayor and President of the Council of Polog Municipalities, Ms. Teuta Arifi giving opening remarks at the Iftar Dinner for the diaspora in Gostivar

Diaspora and non-Diaspora) businesses from all the municipalities in the region. The Mayor of Tetovo, Ms. Teuta Arifi, who is also the President of the Council of Polog Municipalities, gave opening speeches at both events. Other speakers included Mr. Menderes Kuqi, President of the Economic Chamber of Northwest Macedonia, and in Gostivar, local Mayor Nevzat Bejta.

Both Mayors of these two biggest municipalities in the region encouraged Diaspora members to engage in their economic development by contributing experiences and resources gained abroad. They offered support and assistance to those interested to invest in a local business and announced opening liaison offices within the municipalities for that purpose. The events' agendas included presentations about the advantages and possibilities of investing in Polog, and also stories of successful businessmen who have returned from abroad and started a business at home. Their messages were inspiring, despite the obstacles they had encountered in the process of setting up operation.

In July, two meetings were held in Polog with the purpose of generating enthusiasm among Diaspora members about investing in their home communities by providing information about the opportunities that exist in the region. The events were organized during the summer because the majority of the Diaspora members come home during that time of year, and they were Iftar dinners, as the period coincided with the Ramadan fast. The first event took place in Tetovo on July 18 and the second in Gostivar on July 24, together attracting a crowd of more than 300 participants (170 and 150, respectively). Guests included Diaspora members, but also local (both

The RAG has met subsequently to these gatherings, discussing future action steps for advancing the initiative – resulting in some concrete plans. One example is a survey of existing Diaspora-owned companies in Polog. The other is a study trip with local Mayors to Kosovo to visit the Department of Research and Investment Support of the Diaspora (DRISD) within the Kosovo Ministry of Diaspora.

The research of existing Diaspora companies in Polog will include around 60 companies, mainly working on production and light manufacturing. SBEP consultants will conduct the surveys in cooperation with the Northwest Chamber and the LED offices in each of the nine municipalities in the region. The goal is to gather data from the field in order to quantify Diaspora investment in Polog, and also to learn from the experiences and recommendations of these businesses. It is also expected to provide information about the reasons why these businessmen decided to invest, the main obstacles they face in doing so, and potential policy proposals to attract more investment from Diaspora. The results from the research will inform the planning of future activities under the Diaspora investment initiative. Research will start in October, and the results are expected by December 2013.

The study trip to Kosovo will be organized with the purpose of learning about the Kosovar experience in attracting Diaspora investment. The Government of the Republic of Kosovo established the Ministry of Diaspora in May 2011, with investment attraction a main objective. The DRISD within the Ministry has organized many activities with the Diaspora, including conferences, seminars and B2B meetings in order to raise the awareness about the investment potential in Kosovo. Additionally, almost all municipalities in Kosovo have established Diaspora Offices, which besides cultural events and administrative services offered to their citizens working and living abroad, offer support and information to the Diaspora about investment possibilities and legal procedures. During the trip, a meeting will be held with the Diaspora Office from the municipality of Suhareka, and with representatives from a UNDP/IOM project, Diaspora Engagement in Economic Development, which aims to increase the opportunities for Kosovars living abroad to participate in the economic development of Kosovo.

The trip will take place in October 24, with participation from SBEP and various RAG members.

PRE-FEASIBILITY STUDY FOR IRRIGATION SYSTEM IN NOVACI

One of SBEP's major partners in the Pelagonija region is the rural municipality of Novaci. Its main opportunity for economic growth lies in expanding agricultural production, but the lack of a proper irrigation system is a major obstacle. Therefore, SBEP has engaged to provide the municipality with technical expertise for preparing a pre-feasibility study for expanding the much needed irrigation system on its territory. An extra advantage of developing an irrigation system where there is none is that it creates a natural evolution towards new technologies among local farmers (eg, drip irrigation) which not only save water, but also directly increase yields.

PPD Component	Activities this quarter
Novaci Irrigation System Pre-Feasibility Study	<ul style="list-style-type: none"> • Survey with 50 farmers from Novaci conducted in the beginning of July • BSO PointPro finalized and presented the pre-feasibility study for irrigation system in Novaci on September 6, 2013 in Novaci

Local BSO PointPro was hired to conduct the study, which the municipality will be able to use to apply for funds for its implementation. As a first step in the development of the study, a survey was conducted with 50 local farmers in the beginning of July. The purpose was to identify more precisely what kind of crops they grow and how they rotate them depending on water availability. The survey showed that farmers in Novaci mostly grow wheat and tobacco, largely due to the scarce water resources. Another important question was whether they would be willing to pay an irrigation tariff, to which all of the interviewed farmers responded positively.

On the basis of the results of the survey, as well as additional research and interviews with stakeholders, PointPro completed the study during this last quarter. It features 8 different alternatives for feeding the new irrigation system, which were presented to the Mayor of Novaci and the Director of Pelagonija RDC, as well as representatives from REK Bitola, the Strezevo Water Company, and ZIK Pelagonija on September 6, 2013. The audience unanimously opted for one alternative above the others, on the basis of which PointPro will develop a full-blown feasibility study that will allow the municipality to approach potential sources of funding to finance the investment. The project includes covering an additional 1,700 hectares of fertile land with irrigation, and the investment amounting to \$8 million USD will be implemented in phases. The proposed first phase covering 400 hectares would be partially funded by REK Bitola as part of their CSR program.

Upcoming events: SBEP PPD Component

- *International Day of Rural Women to be observed on October 12, 2013 in the village of Shipkovic*
- *Diaspora Investment study tour to Kosovo on October 24, 2013*
- *Official registration of three LAGs within the LEADER / LAG initiative in Pelagonija*

OTHER PROJECT UPDATES

PROJECT ADMINISTRATION

During this quarter, temporary staff members Ms. Tatjana Stojkova and Mr. Atanas Dimitrov successfully completed their probationary period of three months in SBEP's Skopje office. As a result, and taking into consideration increasing staffing needs as the Project grows, they are now full employees, as Project Assistant and Communications & Outreach Assistant, respectively. An additional administrative staff member will soon be hired to assist Project Coordinator Mr. Vladimir Velickovski in his role embedded with the Pelagonija RDC. When SBEP expands into the Northeastern Region, a similar structure is envisioned, with SBEP staff embedded within a local institutional partner.

MONITORING AND EVALUATION

In the last quarter of FY 2013, the SBEP Monitoring and Evaluation Team worked intensively on collecting data to feed into the Performance Monitoring Plan (PMP). The data collection process comprised a range of activities: interviewing corn, tomato and wheat farmers, wild herb collectors and women entrepreneurs; meeting and corresponding via e-mail with our local partners Magan-Mak, PointPro, MKonsalting, ProBio, the Association for Local Rural Development (ALRD), and the light manufacturing supply chain associates Dejan Janevski and Goce Peshev, as well as extracting data from their reports and other documentation. In addition, SBEP staff makes sure that there are photo and video records of all SBEP field visits, activities and events.

All of this data, along with the memorandums of concurrence, subcontracts, memorandums of understanding, letters of collaboration, registration lists, contracts and purchasing agreements, and other documentation is used as evidence which informs the PMP indicators. Attached to this report is SBEP's PMP table containing data gathered during its first year of operation. Annex IV is the summarized PMP table, and Annex V is a detailed document containing the sources of the collected data for each indicator.

SBEP's custom relational database is continually updated with information about project partners, ongoing activities, and indicator data points. All SBEP activities have been entered and are supported by notes, documents and picture galleries, as well as actual PMP data. However, some minor adjustments to the database are still needed in order for it to produce precise and succinct reports. These adjustments are being examined by the consultant who developed the system.

ANNEXES:

ANNEX I: SBEP CALENDAR OF ACTIVITIES FOR CURRENT REPORTING PERIOD

ANNEX II: POLOG DRIP IRRIGATION DEMO PLOTS – 2013

ANNEX III: PELAGONIJA DRIP IRRIGATION DEMO PLOTS – 2013

ANNEX IV: SBEP PERFORMANCE MONITORING PLAN TABLE

ANNEX V: SBEP PMP – DETAILED FACT SHEETS BY INDICATOR