



USAID MACEDONIA SMALL BUSINESS EXPANSION PROJECT

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TABLE OF CONTENTS

Table of Contents	1
Strategic overview	2
Quarter overview	2
Value Chains	4
Grow More Corn Initiative (GMCI)	4
Wild-Gathered Products Initiative	7
Light Manufacturing	8
Macedonia Travel Adventure Initiative	9
Public-Private Dialogue Initiatives	14
LEADER / LAG	14
Irrigation Issues	16
Diaspora Investment	17
Workforce Development in Construction	18
Strategic Plan for Local Economic Development of Prilep Municipality	19
Women's Entrepreneurship	19
Monitoring and Evaluation	21
Admin update	21
Annexes	21
<i>Annex I: SBEP Performance Monitoring Plan table for current reporting period</i>	21
<i>Annex II: SBEP Activities and Events Calendar for current reporting period</i>	21
<i>Annex III: SBEP Partners 2014</i>	21
<i>Annex IV: List of farmers in the Grow More Corn initiative 2014 – Pelagonija Region</i>	21
<i>Annex V: List of farmers in the Grow More Corn initiative 2014 – Polog Region</i>	21
<i>Annex VI: List of farmers in the Grow More Corn initiative 2014 – Northeast Region</i>	21
<i>Annex VII: List of farmers in the Grow More Corn initiative 2014 – Vardar Region</i>	21

STRATEGIC OVERVIEW

In the last quarter of its Year 2 (FY2014), USAID's Small Business Expansion Project (SBEP) continued to build on the results achieved to date, both reinforcing and replicating successful activities in its current geographic regions and expanding to new areas.

SBEP invests in areas, programs and partners proven to be successful and contributes actively to creating value at multiple levels to generate sustainable economic growth and impact across industries in Macedonia.

SBEP works to stimulate MSME growth and enhance weak value chains through a focus on market-driven initiatives, aiming to substitute local production for imports and redirect purchasing power in-country. Involving local stakeholders in SBEP initiatives fosters cooperation, enhances public-private dialogue, and creates a framework for project sustainability.

SBEP's interventions are typically multifaceted, including a combination of support approaches: investment, workforce development, business service organization (BSO) enhancement, improved access to financing, and institutional capacity-building at regional and local levels.

In this phase, SBEP is intensifying operations in both the Northeast and the Vardar regions. In the latter, it has been doing preparatory work for implementing full-blown initiatives, given the additional Swiss government funding for the project, available as of next quarter.

SBEP's market-driven Grow More Corn and Adventure Travel initiatives are its most prominent, along with the LEADER/LAG activity, which promotes public-private dialogue and community stakeholder mobilization. SBEP will continue to develop these initiatives, while also pursuing new activities promising long-run positive development impacts.

In the course of its work, SBEP focuses on building local partnerships and strengthening both public and private sector stakeholder capacities, to best stimulate and promote innovative strategies for local economic growth. In turn, this encourages private sector partners to consider long-term investment, thus creating sustainable value chains and stimulating local economies.

An important component of SBEP's strategy is to ensure excellent media coverage of its activities and the subsequent results. The press-clippings gathered by SETTE Media Monitoring, commissioned by USAID Macedonia, validate this approach: part of SBEP's success lies with incorporating the media into its project strategy.

QUARTER OVERVIEW

During the last quarter of its second year of operations (FY2014), SBEP and its local partners continued to implement and support a number of activities related to developing local supply chains and/or advancing public-private dialogue. Some of this quarter's highlights include:

- **GROW MORE CORN INITIATIVE (GMCI)**
 - SBEP and PointPro finalized a policy paper on corn "White Paper" and shared it with governmental decision-makers.
 - Farmers growing corn for silage began their harvest; those growing it for grain will do so in October.
 - The pilot field of sunflower grown with drip irrigation has had remarkable results.
- **WILD-GATHERED PRODUCTS INITIATIVE**
 - Three trainings in sustainable collection of wild-gathered products took place in Polog and the Northeast region. Since the beginning of the initiative, a total of 1049 collectors have been trained.
 - The National Park Mavrovo has licensed three companies to purchase wild-gathered products on its territory, and opened one of three planned collection centers. SBEP is investigating opportunities for opening additional collection centers in the Northeast region.

- LIGHT MANUFACTURING
 - Consultants have identified a plastic producing company in Kriva Palanka likely to invest in equipment for IML packaging production.
 - Discussions are underway for an apple juice producer from Resen Jabolcello and BiMilk dairy from Bitola to enter the Ecolog supply chain.

- MACEDONIA ADVENTURE TRAVEL INITIATIVE
 - SBEP organized *Discover Krushevo* – a one-day event to promote the touristic offerings of Krushevo on July 27.
 - Equipment for paragliding sites in Krushevo and Treskavec was installed, which will improve safety in this sport.
 - The *AdventureWeek Western Balkans*, a specialized nine-day familiarization (FAM) for 15 buyers from North America and Western Europe and six members of the media, took place at the end of August and beginning of September.

- LEADER/LAG
 - In Pelagonija, the last of three LAGs – AGRO LIDER in Krivogashtani - was officially registered with the Central Register of Macedonia.
 - In the Northeast Region, the process of mobilizing the local population for the LEADER process has started with Info Days and the first round of trainings.
 - A meeting with the Council of Vardar Mayors was held about introducing the LEADER/LAG in Kavadarci.
 - Preparations for launch the LEADER in Polog began.

- IRRIGATION ISSUES
 - PointPro has completed the Pre-Feasibility Irrigation study for the municipality of Mogila. Now both Novaci and Mogila have studies that can be developed further and implemented.
 - PointPro has also completed the feasibility study on the possibilities for modernization and expansion of the irrigation systems in Pelagonija. It was presented before stakeholders in Pelagonija on September 24.

- STRATEGIC PLAN FOR LOCAL ECONOMIC DEVELOPMENT OF PRILEP MUNICIPALITY
 - Final draft of the Strategic Plan was prepared and put in the regular procedure of review and input by the Economic Council, the general public and finally the Municipal Council.
 - Final Municipal Council approval expected in October.

- DIASPORA INVESTMENT
 - The web-site intended to inform potential diaspora investors has been filled with content; the official launch will follow in October.
 - Preparations are underway for opening the diaspora offices in Tetovo and Skopje.

- WORKFORCE DEVELOPMENT IN CONSTRUCTION
 - All major stakeholders have signed Letters of Support for the initiative.
 - Search for additional potential donors continues.

- WOMEN'S ENTREPRENEURSHIP
 - The Women's Advisory Board met to review eight new initiatives, three of which were approved.
 - SBEP prepared a success story on the initiative which will appear in this year's issue of the TOP 100 Catalogue of best companies, published by the Economic Chamber of Northwest Macedonia, to inspire additional companies to join the Fund and support women/youth owned businesses in Polog.

Following are details about each of these activities.

VALUE CHAINS

Grow More Corn Initiative (GMCI)

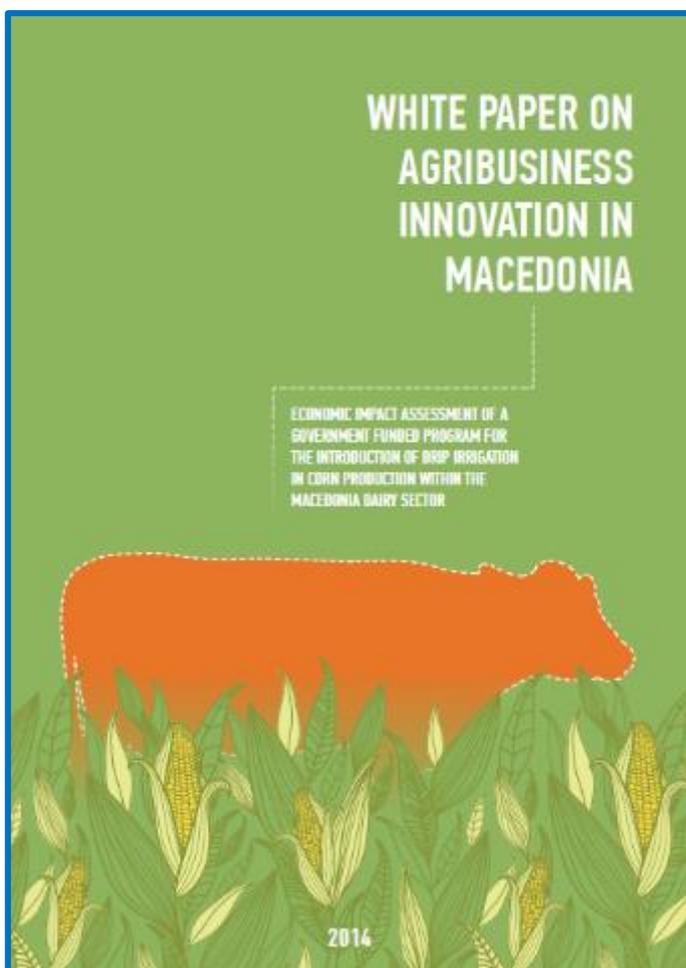
This quarter, in addition to the regular visits to the Grow More Corn drip-irrigated fields, much of SBEP's work consisted of fine-tuning the White Paper on corn with the consulting company PointPro and sharing the final product with governmental decision-makers.

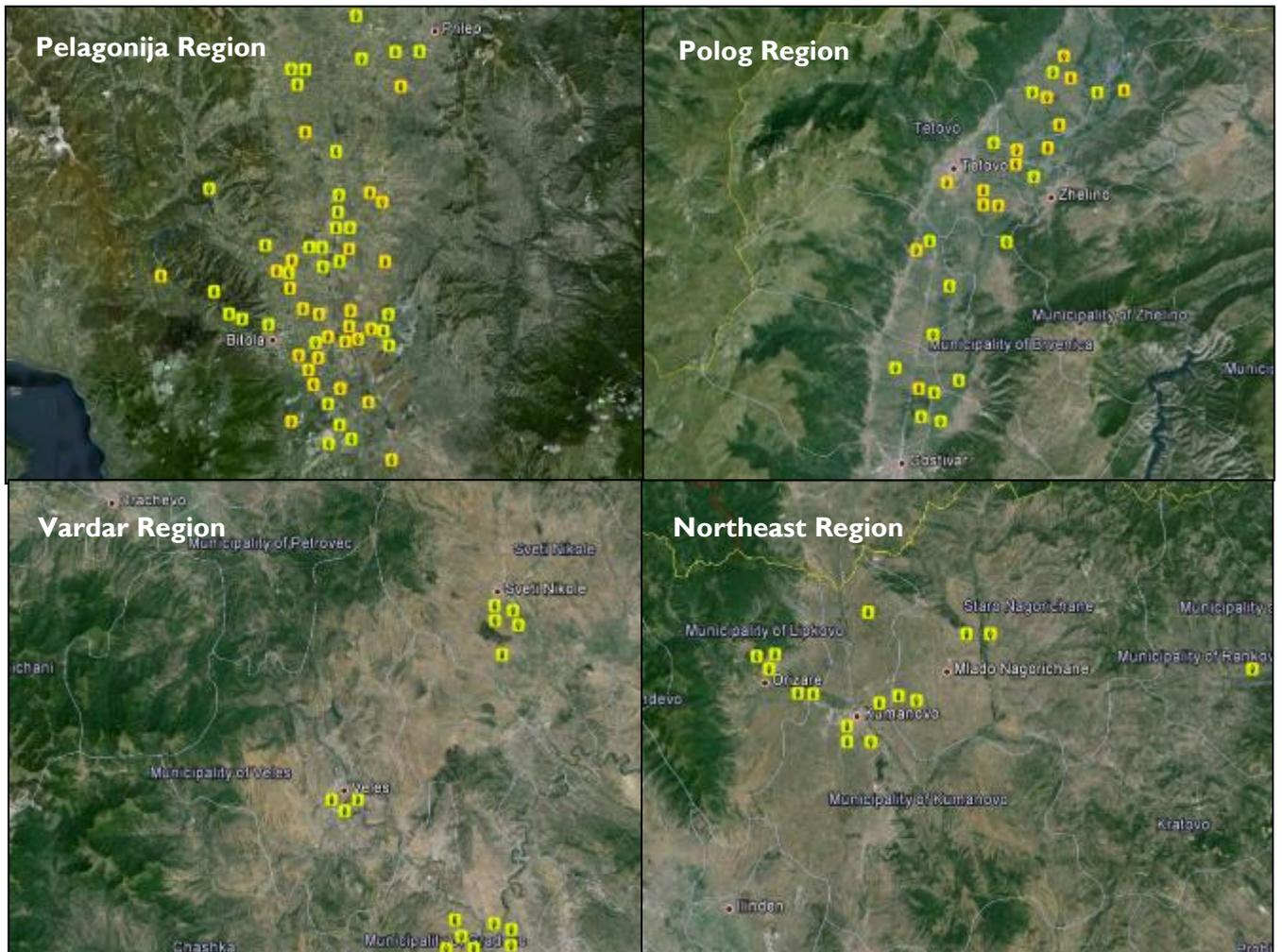
The White Paper finalized

SBEP has developed a White Paper on corn: a policy paper on Agribusiness Innovation in Macedonia focused on a cost-benefit analysis for a Government Financial Support program introducing drip irrigation for corn production nationwide. During the past month, SBEP was actively engaged in sharing the detailed analysis, conclusions, and recommendations regarding the benefits of drip irrigation with a number of decision-makers within the Ministry of Agriculture and other governmental bodies. The newly appointed Minister of Agriculture, Mihail Cvetkov, recognized the importance of the Grow More Corn initiative and understands the potential wide-ranging impact this initiative can have with additional support from the Government. The activity is in line with the Ministry's plans to stimulate and promote agricultural production. SBEP's activities in terms of developing infrastructure feasibility studies also correspond with the Ministry's priorities of investing in the improvement of hydro-irrigation systems. In the coming period, SBEP is planning a series of meetings with government officials, to disseminate the results of the Grow More Corn initiative and its potential impact with governmental support to as large an audience as possible.

The cover page of the White Paper on Agribusiness Innovation of Macedonia

Value Chain	Activities this quarter
Grow More Corn	<ul style="list-style-type: none"> • SBEP and PointPro finalized a policy paper on corn "White Paper" and shared it with governmental decision-makers. • Farmers growing corn for silage began their harvest; those growing it for grain will do so in October. • The pilot field of sunflower grown with drip irrigation has had remarkable results.





This year, SBEP's Grow More Corn initiative is implemented in four regions across Macedonia, covering a total of 78 plots (for detailed lists, please see Annexes IV, V, VI and VII)

Farmers started harvesting

Meanwhile, farmers growing corn for silage began to harvest in September. Those growing the grain varieties will do so in October. Preliminary estimates show that the results this year will continue last year's trend of significantly increased yields.

Farmers new to the initiative this year already report a remarkable increase in yields compared to previous seasons. In the Northeast region, farmer Goran Dimkovski from the village of Režanovce, near Kumanovo, harvested more than double what he used to: 84 tons of silage per hectare, compared to last year's 30 tons. In the Vardar region, farmer Medo Jemna from the village of Gorno Orizari, near Veles, had stopped producing silage because of low yields. Whereas before he could only reap 20 tons per hectare, this year he succeeded in producing 60 tons of silage per hectare.

Goran Pavlovski from the village of Karamani near Bitola, who with 112 tons of silage is last year's record-holder among SBEP's farmers – and in the whole of Macedonia – this year will likely break his own record. He expects 120 tons of silage from one hectare of drip irrigated fields. His records speak for themselves and for his satisfaction of using this technology. Now he feels challenged to try and achieve higher yields in producing corn for grain, saying that "next year, I'll break the world record in growing corn for grain!"

Mr. Pavlovski also recounts other benefits he has reaped since he began using drip irrigation to grow his corn in 2013: "Last year [2013] I saved 35,000 euros on silage production due to the drip irrigation system. I used that money to buy a new tractor and cow milking machinery."



Minister Cvetkov (second from left) talking to farmers in Pelagonija

SBEP organized a trip to Mr. Pavlovski's corn field for Minister Cvetkov to show him the results of the Grow More Corn initiative first hand. The Minister used the opportunity to talk to a few local farmers about the state of agriculture in Pelagonija and what the Ministry can do to resolve some of their challenges, including the increased drip irrigation subsidies the Ministry plans to offer farmers in 2015.

Other farmers who joined the program last year also have very positive experiences. With the drip irrigation system, farmer Zlatko Gjorgievski from the village of Dedebalci in Pelagonija was able to reduce the production cost of a ton of silage by half. He plans to increase the number of cattle he raises: "I currently have a herd of 180 cows, but now I have enough feed for 300, so I'm planning to expand." Mr. Gjorgievski explains other advantages of the system, especially related to water usage: "I only have access to limited amounts of water through my well, so when I irrigated with sprinklers I could only irrigate up to 3 hectares. With the drip irrigation system I can irrigate up to 10 hectares with the same amount of water."

Since the initiative's kickoff last year and expansion into the Northeast and the Vardar regions, more and more people are learning about this new technology and its benefits. Some 120 farmers have benefited from joining SBEP's Grow More Corn to date, while the spill-over effect in terms of knowledge sharing among farmers outside the program and in other regions is increasing.

Sunflower as a rotation crop with corn

This season, SBEP supported farmer Ferhan Biberovikj from the village of Gorno Orizari near Veles to grow sunflower with drip irrigation. Sunflower can be used in crop rotation with corn from one year to the next, as they both can be irrigated with drip irrigation technology. Crop rotation helps to manage soil fertility and avoid or reduce soilborne diseases. Mr. Biberovikj has had remarkable results: he previously reaped approximately 1 ton of sunflower seeds per hectare, this year, he is expecting to reap 4 tons per one hectare, of high quality seeds.



Demo plots with different varieties of sunflower shown at the Open Day in Novi Sad

In the context of supporting the use of drip irrigation for growing sunflowers, SBEP in cooperation with the Pelagonija RDC organized a visit to the Novi Sad Institute for Agriculture in Vojvodina, Serbia. Project and RDC staff, along with three farmers from Pelagonija, had the chance to discuss with Institute experts the possibility of introducing new sunflower varieties and technologies of sunflower farming, with the view of introducing drip irrigated sunflower in Macedonia. The trip was also used to visit other pilot plots with corn and

establish communication with experts regarding seeds and cultivation of wild herbs, something that the Pelagonija RDC is considering supporting in their region.

SBEP will continue to advocate the findings from the White Paper to decision-makers and share practical information with farmers. Preparations for next year's season will also be high on the agenda.

Wild-Gathered Products Initiative

Training and certification in sustainable collection of wild herbs and mushrooms continued this quarter in the National Park Mavrovo and the municipality of Bogovinje, with the number of trained and certified collectors now reaching over one thousand. The demand for training is still high in all of the regions, and there are several in the pipeline for the municipality of Staro Nagorichane in the Northeast region. In addition, SBEP is investigating the possibilities for supporting additional collection centers in areas of the Northeast region where there currently are none, so that collectors do not have to travel long distances to sell what they gather.



Value Chain	Activities this quarter
Wild-Gathered Products	<ul style="list-style-type: none"> • Three trainings in sustainable collection of wild-gathered products took place in Polog and the Northeast region. Since the beginning of the initiative, a total of 1049 collectors have been trained. • The National Park Mavrovo has licensed three companies to purchase wild-gathered products on its territory, and opened one of three planned collection centers. SBEP is investigating opportunities for opening additional collection centers in the Northeast region.

Consultant Ivan Stojanov delivering another training on sustainable collection of wild herbs and mushrooms

Meanwhile, the National Park Mavrovo (NPM) is implementing the proposed business model developed by PointPro with SBEP support. PointPro has been working with the Park's administration to develop a viable business model for the sustainable collection and sale of organic non-wood forest products from the Park. The purpose was to create a framework to create sustainable economic income in local households in Mavrovo - Rostushe, enhance the competitiveness and volume of exports of Macedonian organic wild forest produce, and establish a long-term revenue base within the Park.

The Park has now defined the number and location of the collection centers on its territory and is will create the necessary infrastructure for these centers' establishment. The Park will also serve as a process controller, regulating and monitoring the purchasing activities within the centers. Any interested purchasers of Park forest products will be able to apply for a purchase contract with the NPM.

This quarter, three companies applied for licenses to purchase wild products and have signed agreements with the Park. Only one has actually begun to purchase mushrooms, while the other two still need to provide additional documentation before beginning operations.

Of the three locations the Park identified for collection centers, currently only the one in the village of Vrben is fully operational. A representative from the local population is responsible for organizing the purchase activities, with the support of NPM and the company with the purchasing contract. The company has been helping to recruit a manager for the Vrben purchasing center, and will provide both on-the-job training as well as partial compensation for purchasing activities. Establishment of these collection centers will improve working conditions for local collectors through fair prices, ease of access due to a shorter commute, and a nurtured long-term business relationship. SBEP will continue to support the collection centers and collectors once they begin operations.

Light Manufacturing

The SBEP supply chain consultants continue their work to identify matching opportunities between buyers and suppliers, develop the local supply chains, and identify and facilitate projects that would replace imports with local production.

This quarter, they continued communication with representatives of Ecolog, (one of the biggest companies in the region, also with an international presence) to discuss the potential of including local producers in their supply chain. Ecolog is open for suggestions as long as the products are certified and competitive in the markets where they operate.

The consultants developed a list of potential supplier companies and products and currently await feedback from the company. Potential local suppliers for Ecolog include BiMilk, the dairy from Bitola, and Jabolcello, an apple juice producer from Resen. The consultants are working on facilitating discussions between the companies.

During this quarter, the consultants completed the IML¹ business case proposal, estimating the IML food packaging business in the country, its current usage and future trends. It is an important tool for the companies that would like to proceed with the IML business, and includes other possible usages of the IML packaging in different industries besides the food industry. The document also contains recommendations for future steps, both for local producers and for SBEP support.

Value Chain	Activities this quarter
Light Manufacturing	<ul style="list-style-type: none"> • Consultants have identified a plastic producing company in Kriva Palanka likely to invest in equipment for IML packaging production. • Discussions are underway for an apple juice producer from Resen Jabolcello and BiMilk dairy from Bitola to enter the Ecolog supply chain.

¹ IML stands for **In-mold labelling** where the paper or plastic label is inserted into the plastic container during its manufacturing, as opposed to gluing the label afterwards.

Plamteks, a Skopje-based company, continues to develop tools for IML packaging for the dairy industry, as well as upgrading current machines to fit the required IML standards. They are also considering purchasing new machines to increase their regional competitiveness.

The consultants identified another company considering entering the IML business: Demastil from Kriva Palanka. They are a well-known children's toys producer – their main current product is PVC balls for beach and fun – and 98% of their production is exported. They have already purchased technology and started developing the necessary tools for IML toy products, but are also thinking of doing IML for food packaging. While they were looking at the possibilities for ordering them from China due to price competitiveness, the consultants suggested that Demastil procure tools locally and are now helping them to identify local tool producers and build a high-quality, cost-competitive local supply chain. They have facilitated a few meetings between Demastil and local tool producing companies; negotiations for potential cooperation are underway.



Demastil from Kriva Palanka produce licensed balls for Warner Brothers and FC Barcelona

The consultants also continue their work related to the Tetovo Technological Industrial Development Zone (TIDZ), identifying local supply chain opportunities for a company in an investment agreement with the TIDZ. Two of these opportunities also included a potential investment; the consultants are facilitating meetings between the relevant parties to discuss their respective needs.

Macedonia Travel Adventure Initiative

A number of activities took place this quarter within SBEP's Macedonia Adventure Travel Initiative: the one-day *Discover Krushevo* event aimed at promoting what Krushevo has to offer to tourists, a number of infrastructure improvements to paragliding sites, and the *AdventureWeek Western Balkans* to acquaint international buyers and media about the adventure travel potential of Macedonia. The purpose of all of these endeavors was to boost adventure travel in Macedonia, as the country has considerable potential to develop further this particular touristic niche.

Value Chain	Activities this quarter
Rural Tourism	<ul style="list-style-type: none"> • SBEP organized <i>Discover Krushevo</i> – a one-day event to promote the touristic offerings of Krushevo on July 27. • Equipment for paragliding sites in Krushevo and Treskavec was installed, which will improve safety in this sport. • The <i>AdventureWeek Western Balkans</i>, a specialized nine-day familiarization (FAM) for 15 buyers from North America and Western Europe and six members of the media, took place at the end of August and beginning of September.

On July 27, together with the National Tourism Agency, the Regional Development Center for the Pelagonija planning region, and the Municipality of Krushevo, SBEP organized *Discover Krushevo*. This one-day event was held to showcase all that Krushevo has to offer to the adventure traveler. *Nature • Culture • Adventure* was the tagline of the event, illustrating the range of the town's tourist offerings. A variety of cultural, culinary, musical, and sports events in and around Krushevo took place



Promotional material for the Discover Krushevo event

throughout the day, attracting a crowd of some 2000 domestic guests. Visitors could go hiking or biking along the trails recently marked with SBEP's support, go horse-back riding, or try out tandem paragliding. All the restaurants served traditional local dishes and the local artisans made their handicrafts – embroidery, barrels – in front of the visitors. During the day, Ljubojna and Superhiks, two well-known Macedonian bands, had concerts in the famous Krushevo landmark Mechkin Kamen. Over 60 local MSMEs, including artisans, restaurants, hotels, stores, and transport companies participated in the event, offering their goods and services. The event was advertised with a media campaign: a radio commercial, TV appearances, a press conference, printed materials, and a Facebook page.



The event received positive feedback from both visitors and the local businesses and organizations who participated. The difficulties and pitfalls were analyzed to improve the organization for next year.

Mavrovo is a similarly attractive destination for the adventure traveler, so SBEP is considering putting together a similar *Discover Mavrovo* event,

SBEP has also been working on improving the infrastructure for paragliding - an adventure sport for which mountainous Macedonia offers ample opportunity. Krushevo has been recognized as one of the best sites for paragliding, and was therefore the first to receive a





solar-powered weather station, windsocks, a frame for checking the paragliding gear, and info-boards, which will enhance the safety of this adventure sport. The second site to receive this equipment was Treskavec. In addition to this, a repeater system for amplifying radio-waves for facilitating communication among paragliders at greater distances was installed on the mountain Seleshka near Prilep.

All SBEP's adventure travel initiative activities are geared towards developing and upgrading the offerings attractive to the adventure traveler, i.e. putting Macedonia on the international map of adventure travel. In pursuit of this goal, SBEP organized the *AdventureWeek Western Balkans*, a specialized nine-day familiarization (FAM) trip in conjunction with the ATTA (Adventure Travel and Trade Association) and the National Tourism Agency.

The *AdventureWeek Western Balkans* was an event mobilizing multiple stakeholders from the local tourism industry and involving a few months of intensive preparation. It featured Kosovo, Albania, and Macedonia and was announced through all of ATTA's communication channels to attract tour operators. Some 70 tour operators from North America and Europe demonstrated interest; 15 made the final group, accompanied by six travel media professionals from outlets such as Yahoo Travel, National Geographic Traveler, and Lonely Planet. The FAM trip took place from 25 August to 4 September, and successfully introduced these emerging tourism destinations to the elite group.



The participants of AdventureWeek arrived in St. Naum by bikes

The agenda for the trip was tightly packed. Macedonia was last on the list; during the four days spent here, the participants engaged in hiking and biking, horse-back riding, rock-climbing, and tandem-paragliding. They had the opportunity to explore the natural beauties and cultural heritage of Ohrid and Prespa, Bitola, Prilep, Krushevo, and the Mavrovo National Park, before completing the tour in Skopje. Throughout the trip they tasted Macedonian wines, enjoyed local gastronomic specialties, and participated in the preparation of some traditional dishes. In Skopje, they met with local tour operators to discuss potential partnerships.

Although the formal post-trip feedback from the participants is still being processed, general comments have been quite positive. A number of participants knew very little about the region before the trip, and were excited to explore it. As one of them said, there was a “*surprise around every corner, chance to begin unraveling very foreign cultures*”. Asked whether the time invested in the trip was valuable and would pay off, one of the participants of the *AdventureWeek Western Balkans* said: “*Definitely. It's introduced me to an area of the world that I'm certain has potential in the adventure travel realm and I envision adding it to our portfolio in the near future. I'd need to return for another exploratory trip to ensure that I'd find a local operator whom would meet my standards on safety, good equipment, reliability and customer service.*”

This sentiment was shared by the entire group. In the words of another participant: “*It was a "fast & furious" FAM trip, but worth it every minute. You brought together at one place some of the great suppliers for this region, which would take a lot of research if one had to do by himself.*”

Based on their experiences during the *AdventureWeek*, several of the tour operators have already committed to offering tours in the region starting in 2015 or 2016. Some of them will prepare tours covering only Macedonia, while others will combine two or all three countries.

According to Chris Doyle, ATTA's Executive Director for Europe, “*a high percentage of our 21 guests expressed very specific interest in some sort of investment in time, energy and resources to pursue business and/or stories in the Western Balkans.*”



Horse-back riding in Galicnik



Hiking near Treskavec monastery

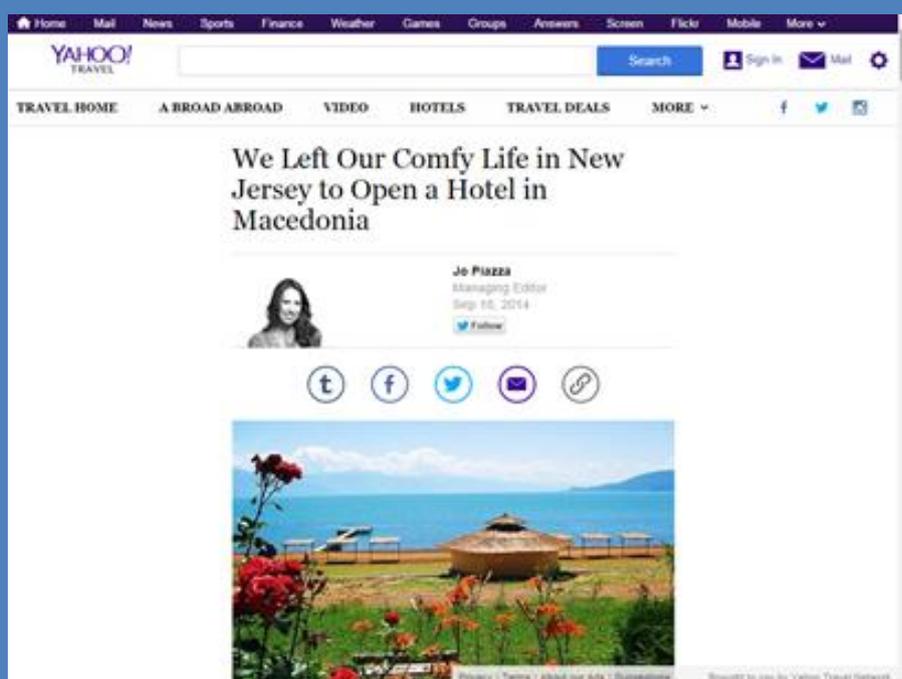
The media representatives have already started publishing articles on the trip. It is estimated that the media value of any resulting coverage will be high (for example, a one-page color advert in National Geographic Traveler is US\$84,000), but the real value will come from the interest the coverage will generate amongst potential travelers and outbound tour operators seeking to meet new tourism demand in the three countries.

The media professionals who participated in the AdventureWeek Western Balkans have already started publishing articles online:

https://www.yahoo.com/travel/ohrid-europes-secret-gem-youve-never-heard-about-97734125172.html?soc_src=mags



<https://www.yahoo.com/travel/we-left-our-comfy-life-in-new-jersey-to-open-a-hotel-in-97653802987.html>



The 15 outbound tour operators together serve around 75,000 travelers a year. The publications represented by the media who participated in the tour reach an audience of around 15 million readers per month (print and online). Therefore, any new tour to the region and any published article, photo or video will reach a significant portion of the adventure travel industry.

Organizing and carrying out the *AdventureWeek* also meant establishing cross-border partnerships and cooperation in the region, between ATTA, the National Tourism Agencies, and local tourism stakeholders, supported by SBEP and the USAID REG Project. This unprecedented example has demonstrated the countries' readiness to work together in developing and promoting cross-border itineraries for the international market.

AdventureWeek enabled exposure of the local adventure travel stakeholders to the international buyer and ATTA's rich network, which will continue to provide opportunities for local businesses to establish international business relations. This October, several delegates from Macedonia will attend ATTA's annual Adventure Travel World Summit in Ireland, and continue to capitalize on the interest of this new adventure travel destination. The *AdventureWeek* was well documented and there are plenty of photos and footage, some of which has been used to make a short film. It will be shown at the Summit in Ireland to the 650 adventure travel professionals present.

The feedback from the tourism professionals participating in the tour is also important to guide what the region needs to do to meet international tourism industry standards. Some of the highlighted areas in need of improvement include guiding skills, group management skills, and safety and risk management preparedness.

The feedback and the lessons learned from the *AdventureWeek* will be used to shape further activities and long-term partnerships of local tourism stakeholders with the ATTA. More focus will be put on training workshops, creating additional market linkages, developing new regional tourism products, and improving how future FAM trips are planned, organized and implemented. These elements will be part of a groundbreaking responsible and sustainable adventure tourism model that can be replicated in other destinations around the world.

PUBLIC-PRIVATE DIALOGUE INITIATIVES

LEADER / LAG

This quarter, the third and final LAG in the Pelagonija region – AGRO LIDER, based in Krivogashtani – officially registered with the Central Register of Macedonia. Now, there are three full-fledged LAGs in that region eligible for funds and able to implement projects for regional development.

As part of the efforts to build LAG capacity, in July members of all three LAGs participated in a study tour to Croatia, where they met with Croatian LAG colleagues to exchange experiences and ideas and establish mutually beneficial relationships. In the coming period, RDC Pelagonija will organize a Project Cycle Management training for LAG members to improve their knowledge about the process from applying to implementing a project.

PPD	Activities this quarter
LEADER/ LAG	<ul style="list-style-type: none"> • In Pelagonija, the last of three LAGs – AGRO LIDER in Krivogashtani - was officially registered with the Central Register of Macedonia. • In the Northeast Region, the process of mobilizing the local population for the LEADER process has started with Info Days and the first round of trainings. • A meeting with the Council of Vardar Mayors was held about introducing the LEADER/LAG in Kavadarci. • Preparations for launch the LEADER in Polog began.

The LEADER process has started in the Northeast region. Consultant Zvonko Naumov has been hired to manage the process, in cooperation with colleagues from the Pelagonija RDC and supported by SBEP staff.

This quarter, a general survey was conducted among stakeholders (municipalities, civil society organizations, businesses, and individuals) to generate information needed for the baseline study and profile development of the rural areas. This information will also serve as background to establish the strategic framework and priorities within the two Local Action Groups to be created in this region. Two baseline studies for LAGs were created as a starting point for our future work in creating of final LAGs strategies.

A number of meetings were held with farmers, businesses, and other stakeholders to share more detailed information about the LEADER approach and its process, and to inspire locals to participate. The Northeast RDC staff continued reaching out to all potential participants in the project to motivate and confirm their interest in taking part in the process.

In the municipality of Staro Nagorichane, a significant portion of the locals engage in wild herb and mushroom collection as an economic activity, and there is interest in the sustainable collection trainings SBEP organizes. Lists of collectors have been prepared and the first trainings will take place in the coming period.

In September, the first workshops with each of the Local Action Groups took place. One of the two LAGs in the region consists of participants from the municipalities of Kriva Palanka, Kratovo and Rankovce. A total of 52 people, including a number of youth and women, attended the first workshop and showed great interest in the EU LEADER approach. During the open discussion, the participants already began to network and exchange ideas for future work.



The participants of the first LEADER workshop in the Northeast region



In Kumanovo, the workshop participants were interested to take part in the LEADER process

The second workshop was attended by 63 participants from the other Local Action Group covering the municipalities of Kumanovo, Staro Nagorichane, and Lipkovo. This group is quite strong and organized, as they have already participated in similar community organizing processes. A number of the participants mentioned project ideas they have already developed to a certain stage, now awaiting finalization and implementation.

In October, the second round of workshops will take place, focused on establishing partnerships within the LAGs and actually creating the LAGs.

Also this quarter, SBEP has started preparing to implement the LEADER process in the Polog and the Vardar regions. As a first step, SBEP staff presented the initiative before the Council of Mayors of the Vardar region at their regular working session in Kavadarci on September 1st. They all supported the initiative; similar activities in other regions (identifying, informing and organizing stakeholders) will take place in the coming period. SBEP is also preparing the introduction of the EU LEADER approach in Polog.

Irrigation Issues

In addition to developing feasibility studies on irrigation in the municipalities of Novaci and Mogila, SBEP engaged the consulting company PointPro to work with Strezevo, the regional water supply company in Pelagonija, to develop a long-term strategy for improving the regional irrigation system. The study was completed this quarter and on September 24, it was presented before the mayors of Novaci and Mogila municipalities and the recently appointed Minister of Agriculture, Mihail Cvetkov.

The purpose of the study was to investigate the possibilities for modernization, expansion, and construction of new irrigation systems in Pelagonija region municipalities through a comprehensive comparative water economy analysis. The analysis addressed urgent irrigation needs in all the municipalities in the region, and proposed a strategy to solve them.

After the presentation, the group discussed the necessary next steps in the implementation of the project to modernize and expand the Strezevo hydro-system. When the government of Macedonia approves Novaci's use of REK Bitola's unused water reservoir for their irrigation need, the first phase of the expansion will begin. This phase of the expansion will cost 10 million euros and will be financed by the Ministry of Agriculture.

Strezevo staff will assist the municipalities of Novaci and Mogila in the preparation of the technical documentation needed to move the implementation of the project into the next phase.

PPD	Activities this quarter
Irrigation issues	<ul style="list-style-type: none"> • PointPro has completed the Pre-Feasibility Irrigation study for the municipality of Mogila. Now both Novaci and Mogila have studies that can be developed further and implemented. • PointPro has also completed the feasibility study on the possibilities for modernization and expansion of the irrigation systems in Pelagonija. It was presented before stakeholders in Pelagonija on September 24.



The presentation was attended by Minister Cvetkov and mayors from the region

Diaspora Investment

Over the past period, SBEP has been working with the Polog municipalities, the Economic Chamber of Northwest Macedonia, and the Tetovo TIDZ to create a website providing information on investment opportunities and the administrative procedures necessary to start a business in the region. The website (http://oemvp.org/en/tetovo_industrial_zone.html) is almost complete, just awaiting some design improvements, and will be accessible in three languages: Albanian, Macedonian, and English. In the coming months, SBEP will make one or two short videos for the website, focused on reasons to invest in Polog and highlighting a few success stories.

Two diaspora offices, information hubs for diaspora members interested in investing in the region, will be opened: one in the Municipality of Tetovo and the other in Skopje, home of the Economic Chamber of Northwest Macedonia.

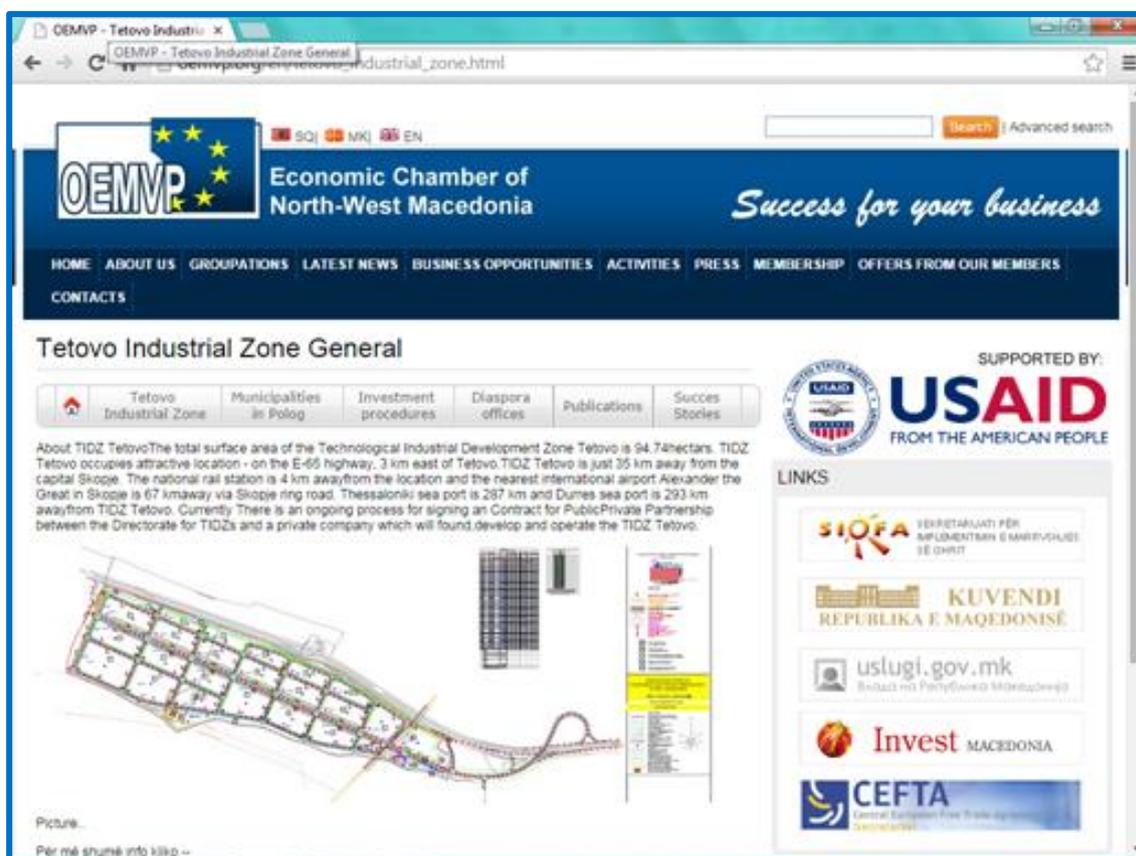
The official launch of both the website and the offices is expected in October.

PPD

Activities this quarter

Diaspora Investment

- The web-site intended to inform potential diaspora investors has been filled with content; the official launch will follow in October.
- Preparations are underway for opening the diaspora offices in Tetovo and Skopje.



The website provides information on the Tetovo Industrial Zone as a hub which will attract diaspora investment

Workforce Development in Construction

In an effort to support sustainable economic growth by linking vocational education and training (VET) to the labor market, SBEP has started an initiative to renovate part of the VET school in Tetovo and help establish a training center for the construction and building trades. The overall objective is to contribute to improved employability in the Polog region: increasing living standards and reducing unemployment. A skilled workforce will also help to address the needs of the regional construction industry.

Value Chain	Activities this quarter
Workforce development in construction	<ul style="list-style-type: none"> All major stakeholders have signed Letters of Support for the initiative. Search for additional potential donors continues.

This quarter, in continuation of the round table in Tetovo, SBEP met with multiple stakeholders to share the concept paper and seek formal support. To date, we have received signed Letters of Support from:

- The Renova Foundation
- The Economic Chamber of Northwest Macedonia
- The Municipality of Tetovo
- The VET School Mosha Pijade in Tetovo
- Normak – the Tetovo TIDZ

A final version of the project proposal will be prepared, enabling the search for other potential donors. Consultant Argjent Karai, in charge of preparing the project proposal, will approach the Norwegian Embassy for support. Since a Norwegian company – the NORMAK Investment Group - manages the Tetovo industrial park currently under development, the Embassy is expected to show interest in supporting an endeavor supplying the park with skilled labor.



With the project, part of the VET School in Tetovo, which is currently underutilized will be turned into a VET center for the construction and building trades

The implementation process will include the creation of a Managing Body with representatives from the Municipality, the VET school, the Chamber, and the participating companies.. The VET school in Tetovo will offer a part of their facilities for the VET Center and assist in its renovation. The regional construction companies will contribute materials for the renovation, as well as tools and materials for the actual workshops.

In the meantime, the Municipality of Tetovo is analyzing which legal form is best to register the new entity. The Municipality's support is of crucial importance: responsible for secondary education, one of its stated priorities is improving and strengthening secondary/VET education. This project also feeds into the municipality's strategy to developing the regional workforce and boost local economic development.

Strategic Plan for Local Economic Development of Prilep Municipality

This quarter, the work on the Strategic Plan for Local Economic Development consisted of consolidating the materials and the information gathered through working sessions with five different working groups. Consultant Gabriela Micevska put together a final draft of the document, which will now undergo review and feedback from the stakeholders and the Economic Council of the municipality, and be put for a public hearing to gather final comments and input from the citizens. It will then be put on the Council's agenda for approval. It is expected that the Municipal Council will approve the new Strategic Plan at the beginning of October.

PPD	Activities this quarter
Strategic Plan for Local Economic Development of Prilep Municipality	<ul style="list-style-type: none"> • Final draft of the new Strategic Plan was prepared and put in the regular procedure of review and input by the Economic Council, the general public and finally the Municipal Council. • Final Municipal Council approval expected in October.

Prilep's new Strategic Plan for Local Economic Development covers the period 2014-2020, and focuses on five major areas of development: infrastructure and investment, SME/supply chain, workforce, tourism, and agriculture. In the process, a number of experts gave guidance and input on developing each of the five areas, ensuring that the document provides a concrete framework for strategic local economic development.

Women's Entrepreneurship

This quarter, the Association for Local and Rural Development (ALRD) began to implement the SBEP-, Ecolog-, and Bogovinje Municipality-supported fund. On September 26, the Women's Advisory Board held its regular meeting, at which eight new initiatives were reviewed and evaluated. The Board members decided to support three of the initiatives: a young woman from Tetovo who makes wedding dresses, a dress and suit seamstress from the village of Kamenjane, and a female farmer and cheese-maker from Gostivar.

In the coming period, the Fund will provide these three businesses with equipment, enabling them to increase their production and hire more women. The Fund allocation criteria include whether the business is in an urban or a rural area (rural gets more points), as well as the potential to engage additional

PPD	Activities this quarter
Women's Entrepreneurship	<ul style="list-style-type: none"> • The Women's Advisory Board met to review eight new initiatives, three of which were approved • SBEP prepared a success story on the initiative which will appear in this year's issue of the TOP 100 Catalogue of best companies, published by the Economic Chamber of Northwest Macedonia, to inspire additional companies to join the Fund and support women/youth owned businesses in Polog.

womanpower. Each of the potential businesses are also reviewed in terms of whether they have a secured or potentially secured market to expand and grow their business.

In addition to implementing the support to the businesses, ALRD together with SBEP will approach other big companies from the region to invite them to join the Fund and increase support for small businesses owned or managed by women or youth in Polog. Another opportunity to inspire companies to join will be the Economic Chamber of Northwest Macedonia's annual event, where it promotes its catalogue of top-performing regional companies. In this year's catalogue, SBEP will publicize the success story of the Women's Initiative and the Fund in hopes of attracting additional support.

At their regular meeting which took place on September 26, 2014, the members of the Women Advisory Board recommended that the following three small businesses are supported:

- *Butik Trend Xh.Xh, a design and tailoring shop, owned by 45-year old Xhemile Xheladini from the village of Kamenjane*
- *A shop for sewing and sale of wedding dresses, owned by 18-year old Vlera Thaci from Tetovo*
- *Woman farmer and cheese-maker, 40-year old Akize Rizvance from Gostivar*



The members of the Women Advisory Board in Polog discussing which business to support through the Fund

MONITORING AND EVALUATION

SBEP staff ensures that the results from its activities are tracked in due time according to the indicators in its Performance Monitoring Plan (PMP). Baseline data is gathered for each new initiative/opportunity/beneficiary, and all field visits, activities and events are documented continuously.

This quarter, SBEP made amendments to the indicators used in the PMP to reflect the actual work that SBEP is doing on the ground. More specifically, three of the indicators were modified:

Indicator 1: In the description for the indicator, definitions of **direct** and **indirect** jobs were added. Also added was the definition for **induced** jobs, which will be count whenever it will be possible to justify the numbers.

Indicator 5: The original one has been deleted, and replaced with a new one. It relates to the impact of the project activities and it is linked to Indicator 4.

Indicator 12: The targets for this one have been lowered: from US\$75,000 for FY2014 and FY2015 to US\$40,000, and from US\$50,000 for FY2016 to US\$20,000. The reporting period has also been modified – from quarterly to annual.

The reporting will from now on be made according to this amended PMP. Attached are the summarized figures for this quarter (Annex I).

In terms of monitoring, it is worth noticing that SBEP has excellent media coverage, as confirmed by press-clippings gathered by SETTE Media Monitoring. SBEP's success lies in the fact that it incorporates the use of the media in its strategy to advance the project.

ADMIN UPDATE

The home office has hired a new full-time Project Specialist, Hannah Postel, to replace the outgoing Matt Inbusch.

SBEP has submitted a revised LCP to the Contracting Officer including new positions such as Database Coordinator; we are waiting for approval to submit various rate and credential approval requests.

ANNEXES

Annex I: SBEP Performance Monitoring Plan table for current reporting period

Annex II: SBEP Activities and Events Calendar for current reporting period

Annex III: SBEP Partners 2014

Annex IV: List of farmers in the *Grow More Corn* initiative 2014 – Pelagonija Region

Annex V: List of farmers in the *Grow More Corn* initiative 2014 – Polog Region

Annex VI: List of farmers in the *Grow More Corn* initiative 2014 – Northeast Region

Annex VII: List of farmers in the *Grow More Corn* initiative 2014 – Vardar Region