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# IMPLEMENTATION FIDELITY MONITORING REPORT

## IMPACT EVALUATION OF MACEDONIA SMALL BUSINESS EXPANSION PROJECT

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This publication was produced for review by the United States Agency for International Development. It was prepared by Molly Hageboeck and Rozalija Vasilevska of Management Systems International.

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Performance Evaluation of YES Network and Impact Evaluation of Small Business Expansion and Civil Society Projects in Macedonia

### **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## PURPOSE OF THIS REPORT

USAID/Macedonia's Small Business Expansion Project (SBEP), initiated in 2012 and scheduled for completion in 2016, is the focus of an impact evaluation that was commissioned by USAID/Macedonia and is being carried out by Management Systems International (MSI) under Task Order AID-165-M-13-00001. This evaluation, which was initiated in May 2014, was designed to examine the effect of SBEP's assistance to agricultural producers through specific initiatives focused on several distinct crops by comparing their experiences and results to those of other producers who did not receive these services. In addition to a rigorous design for this aspect of evaluation, the impact evaluation also includes a more qualitative component that is examining the results of assistance SBEP provided to municipalities and regional development centers (RDCs) in target regions.

The purpose of this implementation fidelity monitoring report, completed midway through the evaluation period, is to determine whether there were significant changes in the context in which the project is being carried out, or in the design, implementation plan, or execution or other SBEP practices. This information is important because it might alter the project's predicted outcome paths and/or suggest changes in the endline data collection or analysis plans for the evaluation. Of particular interest are any unanticipated findings from this mid-evaluation review.

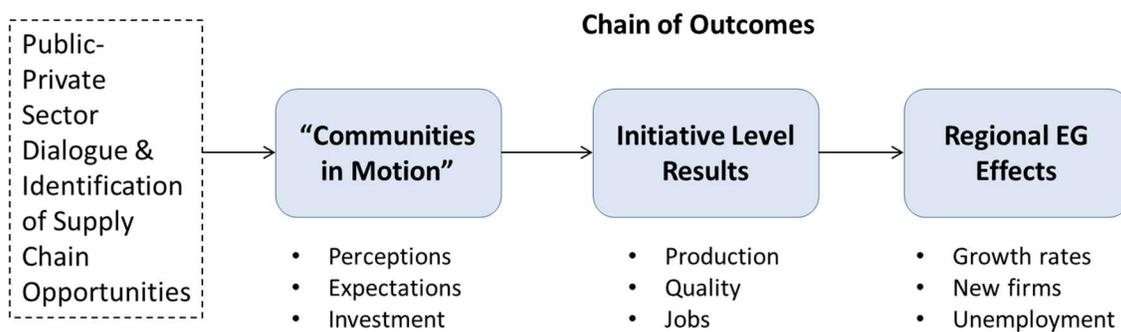
## PROJECT OVERVIEW

For USAID, SBEP provided an opportunity for continuing the work it had begun in support of Macedonia's competitiveness in the immediate region as well as the broader Western European economic arenas, with steps that would help balance economic development internally with fostering the country's bid for European Union (EU) accession. In this sense, it followed on from USAID's 2007-2012 Macedonia Competitiveness Project (MCP), which helped Macedonian companies and sectors respond to global market opportunities.

At the time of SBEP's development, the Republic of Macedonia was also engaged in an intensified effort to stimulate regional development in each of the country's eight regions (including Skopje), which were created prior to 2000. The priority accorded to regional development in more recent years responds to both economic and political domestic imperatives, as well as to EU developments in this regard, in light of Macedonia's application for membership in this community. The country's mandate for intensified regional development was strengthened by the 2007 law on Balanced Regional Development. This law provided the Bureau for Regional Development and associated RDCs with an enlarged role in regional development planning (in collaboration with municipalities), and the documentation of regional planning aims and progress. These developments served as the basis for the country's 2009-2019 Strategy for Regional Development as well as two subsequent three-year action plans for implementing these initiatives, under which the Ministry of Local Government can provide support to initiatives proposed by regions. In parallel to these developments, local action for rural development has been introduced in some regions and municipalities by applying

“LEADER-LAG” approaches for strengthening regional development, for which EU funds could become available in Macedonia if it makes progress towards EU accession.

In line with these driving forces, SBEP’s development hypothesis (as characterized by MSI its design for the impact evaluation of SBEP) was that regional impact can grow out of changes and improvements at the farm and business levels. SBEP viewed this proposition as being particularly likely when municipal governments and public-private partnerships – and the RDCs that support their efforts – recognized the potential for economic growth in their regions, and also understood what they could do to support and foster vertical collaboration and the merits of strengthening the enabling environment in which small producers and businesses operate. SBEP spans this continuum, with specific types of outcomes of interest at each stage, as the figure below suggests.



Operationally, SBEP intended to engage along this continuum with both producers and buyers within the regions in which it works, as well as with external markets. Simultaneously, it planned to work with municipalities and RDCs on broader planning and market support initiatives, consistent with ongoing efforts in Macedonia to implement EU regional development activities.

## IMPACT EVALUATION BACKGROUND

In the spring and summer of 2014, MSI designed an impact evaluation with the intention of measuring the effects of specific SBEP interventions. Early stages of the impact evaluation design involved a review of the range of SBEP activities and plans to identify which initiatives could be suited to rigorous examination using an experimental or quasi-experimental design that would lend itself to comparisons between units (e.g., farms, businesses, and municipalities) that received a specific intervention and those that did not. Through initial consultations with USAID/Macedonia and SBEP staff, the MSI team narrowed the focus of the impact evaluation to SBEP’s Grow More Corn Initiative, largely because of the numbers involved and the specificity and apparent consistency of the intervention. Supplementing the most rigorous aspects of this evaluation, MSI included a pre-post plan for the evaluation to examine the effects of SBEP’s work with municipal and regional public-private sector development efforts. The evaluation team also determined that it could, in a more limited way, look at the effects of other aspects of SBEP, largely from a performance evaluation perspective, as it completed this evaluation.

These decisions were reached in a period when SBEP’s activities had been known but it was uncertain how the project’s sub-sector interventions would evolve. SBEP’s signature was its

processes for identifying opportunities on which it could work to link producers and buyers, even when that involved providing hands-on assistance to producers. Given this aspect of its project, the evaluation team did not have a set of predetermined sub-sectors on which to focus, other than in agriculture. Accordingly, data on the farm side were collected from farmers in seven Macedonian regions on products with which SBEP was already working, and information was also captured on other crops. In principle, the data gathered would allow the evaluation team to make comparisons over time on such variables as production and sales by returning to the same farmers two years hence.

On the small business, or light industry, side of SBEP, the eventual dimensions of the project's business assistance portfolio were less well known in 2014 than was the case for its assistance to farmers. In May-June of 2014, SBEP was working with consultants across a range of industries in Polog and Pelagonia to identify opportunities. Across this range, a number of opportunities appeared to exist that fell into the agribusiness sub-sector, while others being developed included construction and tourism (neither of which were selected for examination in the impact evaluation). The evaluation team elected to survey agribusinesses, given the likelihood that SBEP would also work with these types of firms. What this survey left out were small businesses of other types, such as housewares, and other fabric and plastic products that fall into non-agribusiness clusters in the Macedonian economy. By 2015, it had become clear from SBEP's reporting that of the non-farm business support options, SBEP's work with construction and tourism had matured significantly, while its light industry support was highly heterogeneous rather than being concentrated in any subsector, let alone agribusiness. Accordingly, the evaluation's non-farm business baseline data do not fully cover the range of SBEP non-farm assistance to producers, small to large. In parallel, information that the evaluation baseline captured on women-owned businesses was concentrated on agribusinesses, and thus does not fully cover the range of women's businesses that SBEP has supported.

This implementation fidelity monitoring report is being prepared prior to planned endline data collection for the evaluation in 2016, and is intended to serve two primary purposes. First, it allows the evaluation team to accurately report on the impact evaluation focus intervention (corn) "as delivered", so as to report correctly what was driving results measured in 2016 for the corn initiative's treatment group, versus a control set of farms. This monitoring report is also intended to identify other factors that may have impacted SBEP results with respect to corn or other products and services the project provided. These factors include but are not limited to economic and political conditions in Macedonia, but also other ongoing programs with shared aims, including those of the government and other donors.

## **IMPLEMENTATION FIDELITY STATUS**

The remainder of this report focuses on changes detected through the evaluation team's implementation fidelity monitoring process covering a range of context and project factors. Each subsection reviews the status of SBEP interventions and assumptions, noting where they remain as originally envisioned and where and how they may have changed.

## Changes in Economic and Political Context

Macedonia's economic and particularly political situations remain somewhat volatile, with disruptions and structural weaknesses that limit its forward movement. At the level that SBEP operates, however, the evaluation team's review suggests that these forces are not likely to have made a significant difference in anticipated project outcomes, nor (barring unexpected developments) will they over the remaining project period and the time allotted for completion of this evaluation.

On the **economic growth** side, Macedonia benefits from a stable macroeconomic environment, supported by sound monetary policy, favorable conditions for market entry, and a sound legal system. There was some backsliding in public financial management when medium-term fiscal targets were relaxed, and the composition of public spending remains tilted towards transfers and subsidies. Overall public debt, as well as its transparency, remains a concern. Nevertheless, GDP growth since 2000 has been sporadic, with dips in 2009 and 2012 followed by recovery in each instance. Further, the International Monetary Fund (IMF) expects that real economic growth will be above 3 percent over the next few years. Despite these positive trends in the growth rate, GDP per capita in Macedonia remains below average for the region. The country continues to press for action on its application to accession to the EU, but this situation remains at an impasse over the Greek position on the country's name.

### Real GDP Growth in Macedonia

2011	2012	2013	2014	2015 (projected)
2.8%	-0.4%	2.9%	3.4%	3.6%

Source: Global Finance, based on IMF and WEO data

Exports rose over the period, but again with a dip in 2009 followed by a strong comeback. Exports contribute positively to GDP growth, but at a smaller percentage rate than in neighboring countries. A recent analysis by the IMF country report (15-243) indicates that Macedonia's tradeable products are more competitive within its immediate region than in EU countries. Foreign direct investment has also risen in Macedonia since 2000, but again less so than in other countries in the region. Unemployment, while still high, has declined from a peak of 37.30 percent in 2005 to 25.48 percent in 2015, with much of this improvement emerging since 2013. At the same time, the development of a competitive private sector remains hampered by weak contract enforcement and a large informal economy.

On the political front, underlying conflicts between ethnic Macedonian and Albanian elements of the population, which came to the fore at the start of the millennium and were addressed in the 2001 Ohrid Agreement, held for over a decade through both municipal and presidential elections but flared in 2014 when a political scandal marred Presidential elections. This breakdown of political dialogue and difficulties in arriving at consensus on issues again highlighted the divisive political culture in the country. Based on an agreement facilitated by the European Commissioner with the help of three members of the European Parliament, in June-July of 2015 members of parliament of the main opposition party returned to parliament in September 2015 after having boycotted it for more than a year. The boycott seriously affected

the oversight function of the institution over the executive branch. Work has also begun on other aspects of the implementation of the political agreement brokered by the EU.

## Changes in Direct Assistance to Farmers

SBEP anticipated providing direct assistance to farmers in connection with opportunities along vertical supply chains in the target regions where it works. Conceptually, this would involve situations where inputs were potentially needed by agribusinesses or other commercial establishments in target regions, or Macedonia more broadly, but were not currently being supplied by local producers in those regions. Where buyers and sellers in a target region could be linked for such purposes, both would benefit, as would the region. When it began, SBEP did not have predetermined ideas about where potential farm-to-firm linkages would emerge, but instead it started with a search for supply needs that could potentially be fulfilled and worked with farmers to supply those products at the quality and volume required. Through this process, the project identified several agricultural products that it has supported. In 2014, when work on this impact evaluation began, the only one of these products that appeared likely to reach a scale sufficient to support an impact evaluation was corn. As noted in the discussion below, this remains the case. Other products for which SBEP provided production assistance include tomatoes, wheat, and sunflowers, the current status of which are also reviewed briefly below.

### Corn

SBEP's Grow More Corn Initiative was initially a hands-on localized assistance effort with selected farmers in Polog and Pelagonia. The initiative, which initially had considerable publicity, also took on some characteristics of a national initiative almost since its launch in May 2013. The initiative provides farmers with modern planting protocols. Some farmers also receive a drip irrigation system covering one hectare of their land, as a demonstration of this method to participants and other farmers.

In 2014, when the evaluation team conducted a national sample of corn farmers, data were collected from 40 farmers who had received both protocols and drip irrigation systems from SBEP and belong to the two target regions (Polog and Pelagonia), as well as from 78 corn farmers who had received both protocols and drip irrigation systems from SBEP and were from four target regions (Polog and Pelagonija as well as Northeast and Vardar). Data were also collected at that time from additional farmers that SBEP was just beginning to assist, adding to the treatment numbers. Power calculations at the time showed that, based on the initial 78 treatment corn farmers alone, the impact evaluation would be able to detect an effect size of .56 increase in corn yield from these farmers' irrigated plots, which falls within the range normally considered to be acceptable for detecting changes (between .20 and .80). In this baseline, the evaluation team also calculated the effect size that the evaluation would be able to detect if 20 percent of the non-treatment farmers independently adopted drip irrigation based on what they learned about the effects of this corn farming improvement. Based on this "spread effect" assumption, the minimum detectable effect size for the evaluation would be .50.

By 2015, a USAID press release reported that one treatment farmer's "drip-irrigated hectare produced nearly twice as much corn as his best hectare without the system, and the dramatic

results were clearly visible. [According to that farmer,] “My neighbors would slow their tractors and crane their necks when they drove past. It was really something to see!” This press coverage appears to confirm the evaluation assumptions based on 2013 interviews with SBEP staff and others that the increase in corn production from the project’s drip irrigation systems would be detectable, and would stimulate adoption among the control group population.

Furthermore, the implementation fidelity monitoring of this initiative to date has shown that:

- Implementation of the initiative has been “as planned” since the start, with some farmers receiving both irrigation and protocols and others receive protocols only. The intervention was not substantively changed during implementation.
- Cumulatively, 278 corn farmers (including 2013, 2014, and 2015 groups) have received a combination of drip irrigation and production protocols from SBEP.
- There have been “cross-overs” into the initiative, i.e., farmers who show up and work their way into the initiative, at least partially. Some have attended trainings or been given the project’s planting protocols. They are mainly neighbors of farmers, and SBEP has considered them no-cost additions to the project’s beneficiary group. The evaluation team does not currently know the precise number for this group.
- The initiative has had other multiplier effects. First, treatment farmers have expanded drip irrigation beyond the one hectare financed by SBEP by purchasing drip irrigation equipment and installing it on further hectares. The evaluation team does not currently have precise numbers for this group, but this has been reported on USAID’s website as well as by project staff. In addition, there have been “spillovers” or, more appropriately for this case, a “spread effect.” This occurs when exposure to what the treatment group is receiving and doing sparks sufficient interest among other farmers that they spontaneously adopt what they see being done (either just the protocols, or the protocols and drip irrigation, which they invest in themselves). With respect to this type of adoption of the initiative, project staff have indicated that as of November 2015, drip irrigation has been installed on nearly 700 ha since the initiative began. Of these, only 281 ha were funded by SBEP. Another 276 ha are own investment and 114 ha are co-funded, bringing the total using both drip irrigation and protocols to over 300 farmers for 2013 to 2015, with additional adopters anticipated in 2016.
- Drop-outs from the initiative have not been counted by project staff as such, but the SBEP team estimates that the figure for this type of change may run around 10 percent for all 300 farmers it counts as using drip irrigation as a function of project efforts, whether direct or indirect. If this drop-out rate is applied to the number of farmers for which there are baseline data, the minimum detectable effect size would likely rise, which could adversely affect the evaluation’s ability to detect project results. Additional information on drop-outs will thus be a priority for the 2016 endline study.

Co-funding for drip irrigation, as mentioned above, is a new phenomenon that was not necessarily anticipated by USAID and SBEP staff. It has resulted from farmers demanding the drip irrigation systems based on changing governmental policies on agriculture subsidies, which include a 50/50 measure of co-funding for drip irrigation systems. Although this looks like a spontaneous spread or “scaling up” of the project, it is actually the result of numerous meetings

and negotiations among Macedonian government representatives (e.g., Ministry of Agriculture and SBEP management). As a result, to date 39 farmers that SBEP assisted have applied for subsidies for growing corn and sunflower with drip irrigation under the so-called 50/50 measure, and 28 have succeeded in obtaining these subsidies. A total of 104 hectares have drip irrigation as a result of this type of co-funding, which amounts to a total investment of 9,224,951 MKD (US\$163,273). In addition, USAID's Development Credit Authority has helped farmers access funding through commercial banks (Komeracijalna, ProCredit, and Stopanska), where 50 percent of the loan will be guaranteed.

Beyond what farmers described in terms of using drip irrigation for corn, SBEP estimates that an additional 629 ha have absorption capacity for drip irrigation systems, whether for corn or other products. The project's estimate is based on parameters for available land, and absorption capacity of corn in dairy industry.

### **Tomatoes**

At the start of the project, SBEP engaged in an industrial tomatoes initiative with the intention of filling a niche in the country's supply chain for ketchup and similar products that could be locally produced, but for which tomatoes were currently being imported. The industrial tomatoes initiative supplied three farmers with drip irrigation systems to test whether their current yields could be augmented and the efficiency increased to the point where the domestic processor prices could match the prices of imported tomato paste. SBEP-assisted farmers reportedly more than doubled their yields with the drip irrigation (i.e., from 30 tons per hectare to 80 tons per hectare). SBEP further reported that as a secondary result of the initiative, one additional farmer outside of the project invested in 15 hectares of drip irrigation. This increase in production was sufficient to supply the needs of the tomato paste company Bitola Konzervna, which has increased its production capacities. The catalytic effect of this initiative was that SBEP brought more hectares under drip irrigation for industrial tomatoes. While the results of the industrial tomato initiative showed that tomato paste imports could be substituted with domestically grown tomatoes, other crops appear to be more profitable for Macedonian producers. For that reason, while the use of drip irrigation for the growing of industrial tomatoes is certainly feasible, SBEP decided not to continue pursuing this import substitution opportunity.

### **Wheat**

The Wheat Supply Chain initiative included 34 farmers, and sought to educate them on good agricultural practices for producing wheat, so that they could increase yields by at least 20 percent. At the end of the season, those farmers participating in the survey indicated an increase in yields of more than 47 percent. However, SBEP decided not to continue this initiative, due to external factors outside of the project's sphere of influence. Anecdotal evidence indicates that major players in the wheat supply chain turn to monopolistic practices, to the detriment of the economic well-being of wheat farmers.

## Sunflowers

The evaluation team also learned that drip irrigation systems were introduced by SBEP for the first time in 2015 for farmers' sunflower crops. Reportedly, while previously sunflowers gave 1.2T/ha, with drip irrigation the harvest has doubled to 2.4T/ha. SBEP currently has 44 ha of sunflowers planted on demonstration sites.

## Changes in Assistance with Forest Products

Early in the project, SBEP saw an opportunity on the export side for helping small foragers generate a larger supply of saleable forest products, as some types of products from the kinds of forests found in Macedonia are in high demand in the EU. While this initiative was not selected as a focus for the impact evaluation, recent SBEP reports indicate that this effort has expanded since the evaluation baseline (by which time it had trained roughly 900 individuals as foragers) to “a total of 1,629 collectors in 67 training sessions...in all of the regions where SBEP operates.” In addition, SBEP reported in 2015 that “two new collection centers were opened in the National Park Mavrovo, and three companies signed two-year agreements with the National Park Mavrovo, in the Polog region, to purchase wild-gathered products from its territory.” These data indicate that, like the corn initiative, this initiative has grown over the project period, while remaining quite consistent in its approach.

## Changes in Assistance to Small Businesses

As previously indicated, the nature of the portfolio of small businesses and light industry that SBEP would eventually serve was not clear at the time of the evaluation baseline. Given both SBEP and MSI expectations at the time, the MSI team collected sample data for the regions on agribusinesses, anticipating that some of SBEP's work might focus on or affect this subsector. In practice, SBEP's industry and small business coverage – including women-owned businesses – has been spread more broadly across economic sectors. SBEP reports note that it had assisted 477 non-farm businesses by the time of this report. Construction and tourism, which were two strong areas for SBEP that were initiated in the baseline period, were not included in the evaluation baseline, nor were forest products. In the remaining performance evaluation aspects of this evaluation, MSI can review SBEP's efforts on this component. However, the merits of simply repeating the original agribusiness survey are being re-examined by the evaluation team, as it may not tell USAID as much about SBEP's impact as would alternative types of data collection on the small business and light industry side.

## Changes in Assistance to Public-Private Sector Municipal and Regional Economic Development Planning and Related Activities

From the start, SBEP was intended to provide assistance to municipal and regional development support entities, including public-private sector initiatives such as the LEADER-LAG work that was already underway in Macedonia with support from the EU through the Rural Development Network of Macedonia, the EU's designated partner in the country. While not directly a focus of the impact evaluation, developments in this arena and SBEP's role were expected to be an important factor for understanding the results of more rigorous aspects of the evaluation. Accordingly, the evaluation team carried out initial interviews with all of the RDCs as well as

parallel municipal-level interviews in selected locations. The evaluation team plans to repeat this series of interviews as part of endline data collection and as an aid to the impact evaluation analysis. To this end, the evaluation team has continued to monitor this aspect of SBEP's work. Annex B provides a synopsis of SBEP actions on the municipal economic development side, and Annex C does the equivalent for the regional level.

# ANNEX A: IMPLEMENTATION FIDELITY MONITORING SYNOPSIS OF SBEP ASSISTANCE TO SMALL BUSINESS AND LIGHT INDUSTRY

**2013** was the first fiscal year of implementation of SBEP activities, and the project dedicated a substantial level of effort on **two** mutually-reinforcing categories of local economic development initiatives.

**Target Regions:** SBEP started working in Polog and Pelagonia, and added a third region (Northeastern Region – Kumanovo) at the beginning of 2014.

**Business Sectors in 2013:** SBEP quickly recognized that one of the most promising opportunities for MSME growth lies in the **food and agriculture industry**, which comprises around 16 percent of GDP and employs over 20 percent of the national population. Transformational impact would be based on the introduction of new technologies and enhanced market linkages as part of an inward-focused supply chain methodology. The project's support was focused in:

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

**Results:** A yearly overview of SBEP documented that **106 MSMEs received business development services through the project.**

**Value Added:** SBEP identified opportunities and facilitated MSME linkages to promising market opportunities, financing, and technology, with a particular focus on import substitution instead of the more traditional emphasis on exports. Project activities were implemented through local Business Service Organizations (BSOs), 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 validated their expertise, enhanced and added to their experience, and thus strengthened their capacity and credibility. **This could be considered as value added that the project was supporting in the consulting business sector as well.**

**2014** was the project's second fiscal year, and it worked 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. SBEP's market-driven Grow More Corn and Adventure Travel initiatives were among its most prominent.

**Target Regions:** In this phase, SBEP intensified operations in both the Northeast and Vardar regions and continued to work in Polog and Pelagonia.

**Business Sectors in 2014:** SBEP's interventions in its second year were typically multifaceted, including a combination of support approaches: investment, workforce development, BSO enhancement, improved access to financing, and institutional capacity building at the regional and local levels. In terms of small business support, the project worked in the agro and **food sector, construction, light manufacturing, and indirectly in tourism.**

The project diversified its efforts in the small business sector in the following areas:

- **Light manufacturing** – support for a plastic producing company in Kriva Palanka for investments in equipment, an apple juice producer from Resen, and the BiMilk dairy company in Bitola to expand its business
- **Workforce development in construction** – mainly training and skills-building activities
- **Macedonia adventure travel initiative** – some indirect impact on tourism-sector companies
- **Women's entrepreneurship** – some grassroots initiatives were in a very early stage and considered for further support

**Results:** A yearly overview of SBEP documented that an additional **142 MSMEs received business development services through the project.** This makes a total of 248 MSMEs that benefited from project assistance.

**Value Added:** While the project continued to work via BSOs identified in 2013, the project's value-added effect still remained in 2014.

**2015** was the third fiscal year of SBEP interventions and project interventions were somewhat more focused and intensified in certain areas. For example, construction sector support was dropped and more intensified support was added for tourism sector promotion, wild-fruit gatherers, and the purchasing sector. The project sought to focus on sectors seen as the most effective and efficient.

**Target Regions:** SBEP continued to support the same four regions.

#### **Business Sectors in 2015:**

- SBEP's **light manufacturing** consultants continue providing support to local companies by linking domestic suppliers with potential domestic as well as foreign buyers, providing consulting services regarding access to finance, etc. In one quarter, they worked with 15 local companies. The government institutions responsible for attracting foreign investment continued to approach the consultants with requests for information about local suppliers. An online software solution (a database of companies from the light manufacturing sector) is under preparation and is expected to feature automated company profile creation, an easy and fast search option, and an overview of the industry's supply chain.
- **Macedonia adventure travel initiative** – significant tourism promotion activities in adventure and mountain tourism took place and indirect impact was seen on the tourism-related business. However, this impact has not been monitored by the project.

- **Women's entrepreneurship** –small and rural municipalities in Polog (Bogovinje and Brvenica) established the Foundation for the Support of Women and Youth Entrepreneurship, with financial support from the private business initiative of a larger company.

**Results:** Based on annual Performance Monitoring Plan figures, it is evident that around 781 retained or opened new jobs, 272 of which (35 percent) are occupied by women. Most of these jobs were created or retained on the farmers' businesses. The significant amount of new revenues (US\$23,276,558) represents those of all SBEP-supported dairy businesses and suppliers. As a result of SBEP activities, new investments bloomed in agro business in drip irrigation equipment, farm modernization, and the purchase of new dairy cows (US\$6,842,789 in combined investments).

A yearly overview of SBEP documented that an additional **229 MSMEs received business development services through SBEP**. This results in a total of 477 MSMEs benefitting from the project.

**Value Added:** In its third fiscal year, the project remained working via BSOs identified since 2013, and the value-added effect remained in this sector in 2015.

## ANNEX B: IMPLEMENTATION FIDELITY MONITORING SYNOPSIS OF SBEP ASSISTANCE TO MUNICIPALITIES

**2013** The second main component of SBEP's strategy facilitates dialogue between public institutions, businesses, and civil society to identify and respond to opportunities for economic growth. In Polog, SBEP worked with and through the municipal Local Economic Development (LED) offices, the RDC, 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 at this time were focused on Diaspora Investment and Women in Business initiatives. In Pelagonia, the main partner for mobilizing all societal actors for dialogue and cooperation is the RDC, as well as municipal mayors from rural municipalities.

**Target regions:** Polog and Pelagonia.

### **Municipal-Related Activities in 2013:**

- **LEADER-LAG initiative** identifying and training community leaders to form Local Action Groups (LAGs), which are the operational units eligible to apply for LEADER funds when they become available
- **Custom-tailored support** for individual municipalities in the target regions, including a pre-feasibility study for an irrigation system in Pelagonia's Municipality Novaci, a Strategic Plan for the Prilep municipality of Pelagonia, a diaspora investment initiative with Tetovo and Gostivar municipalities to engage diaspora remittances in local businesses

**Results:** A yearly overview of SBEP documented that:

- **71 business leaders**, civil society representatives, and public officials participated in SBEP activities (including those taking part in SBEP strategic planning meetings, included in match-making opportunities within SBEP, and have signed memoranda of understanding with SBEP)
- **22 different** opportunity initiatives were developed and implemented in cooperation with municipalities and municipal leaders
- **3 micro-regions** prepared for registering LAGs
- **4 trainings** in each of the micro-regions for presenting the process of establishing LAGs and preparing strategies by the LEADER principles.

**2014** SBEP's LEADER/LAG activity promoted public-private dialogue and community stakeholder mobilization, focusing 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 encouraged private sector partners to consider long-term investment, thus creating sustainable value chains and stimulating local economies.

**Target Regions:** In this phase, SBEP intensified operations in both the Northeast and the Vardar regions and continued to work in Polog and Pelagonia.

#### **Municipal-Related Activities in 2014:**

- **LEADER/LAG** in Pelagonia, the last of three LAGs (AGRO LIDER in Krivogashtani) was officially registered with the Central Register of Macedonia, while in the Northeast Region the process of mobilizing the local population for the LEADER process began. In Vardar an initial meeting was held with the Council of Vardar Mayors to introduce introducing the LEADER/LAG in Kavadarci. Preparations for the launch of LEADER in Polog also began.
- **STRATEGIC PLAN FOR LOCAL ECONOMIC DEVELOPMENT OF PRILEP MUNICIPALITY** was finalized.
- **DIASPORA INVESTMENT** – the website intended to inform potential diaspora investors was filled with content and the official launch will follow in October. Preparations were underway for opening diaspora offices in Tetovo and Skopje.

**Results:** A yearly overview of SBEP documented that:

- **238 business leaders**, civil society representatives, and public officials participated in SBEP activities (including those taking part in SBEP strategic planning meetings, included in match-making opportunities within SBEP, and have signed memoranda of understanding with SBEP), for a total of 309 to date.
- **23 different** opportunity initiatives were developed and implemented in cooperation with municipalities and municipal leaders, for a total of 45 initiatives.

**2015** was the third fiscal year of SBEP interventions, which were focused and intensified in only one of the PPD area. For example, strategic planning and diaspora investment were dropped as activities, with more intensified support provided for LEADER/LAG capacity building. The project sought to focus on sectors seen as the most effective and efficient.

**Target Regions:** SBEP continued to support the same four regions.

#### **Municipal-Related Activities in 2015:**

- **LEADER/LAG** – in the Northeast region, two pre-LAGs were officially registered. Osogovski Lisec covers the municipalities of Kratovo, Kriva Palanka, and Rankovce, while Aber 2015 includes the municipalities of Kumanovo, Lipkovo, and Staro Nagorichane. In Vardar, the three pre-LAG groups started discussing the structure of each of their public-private partnerships, their respective statutes, and chose the name of the LAG. In Polog, workshops continued with representatives from the three pre-LAGs. In Pelagonia, the RDC was preparing an open competition for the pre-LAGs to apply with pilot projects, to build their capacities in preparing and implementing activities.

**Results:** A yearly overview of SBEP documented that:

- **340<sup>1</sup> business leaders (including 116 women)**, civil society representatives, and public officials participated in SBEP activities (including those taking part in SBEP strategic planning meetings, included in match-making opportunities within SBEP, and have signed memoranda of understanding with SBEP), for a total of 649 to date.
- **20 different** opportunity initiatives were developed and implemented in cooperation with municipalities and municipal leaders, for a total of 65 initiatives to date.

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<sup>1</sup> - 95 business leaders, public officials, and civil society representatives, of whom 10 were women, participated in the strategic development of the Grow More Corn Initiative: 33 mayors from all 4 regions where SBEP operates; 8 RDC and LER officials; 10 NEA representatives; 9 FFRM representatives; 11 pig farmers association representatives; 11 government representatives, including Ministry of Agriculture, Payment Agency and Ministry of Environment; 9 business sector representatives, including dairies, egg producers, sunflower oil producers and biodiesel producers; 4 bank officials regarding the DCA (Pro Credit Bank, Halkbank, Komercijalna Banka and Stopanska Banka – Bitola);

- 10 public officials and business community representatives, of whom 1 was a woman, participated in consultations and planning regarding the Wild-Gathered Products initiative: 1 representative from ProBio; 3 Collection Center representatives from NP Mavrovo; 5 NP Mavrovo officials; 1 representative from the NE region;

- 3 public officials and business leaders participated in consultations within the Light Manufacturing initiatives: 2 representatives from governmental institutions responsible for attracting foreign investment, 1 TIDZ official;

- 188 business leaders, civil society representatives and public officials, 97 of whom were women (52%), participated in the series of strategic workshops within the LEADER/LAG initiative: 63 (32M and 31F) in the North-East region; 82 (38M and 44F) in the Vardar region; 43 (31M and 12F) in the Polog region;

- 10 business leaders, public officials and civil society representatives, 6 of whom were women, participated in strategic meetings on the Women in Business initiative in Polog: 2 business sector representatives, 2 civil society representatives, 3 mayors and 3 municipal officials;

- 4 public officials and business community representatives participated in the Water Irrigation initiative;

- 30 public officials, business leaders and civil society representatives, 2 of whom were women, participated in consulting activities regarding the Adventure Travel initiative: 4 National Tourism Agency representatives, 11 municipal officials and 15 civil society and business sector representatives.

# ANNEX C: IMPLEMENTATION FIDELITY MONITORING SYNOPSIS OF SBEP ASSISTANCE TO REGIONAL DEVELOPMENT CENTERS AND REGIONAL PLANNING

It is important to consider that SBEP’s overall objective is “strengthened capacity of private sector to drive regional economic development and job creation in targeted regions”. Therefore, it is unavoidable that the RDCs would be a key project partner. In Macedonia since 2008 (when the Law on Regional Balanced Development was adopted), eight statistical regions have existed, mainly for statistical and planning purposes, including eight RDCs that were established as administrative bodies for these regions. Generally four to five people are employed in RDCs, as well as some additional project staff, and studies have suggested that the capacities of the RDCs are at a very low level. While the Macedonian Law on Regional Balanced Development required that 1 percent of GDP be allocated to regional development and channeled through RDCs, it is still far from that figure.

The map below<sup>2</sup> presents the 80 municipalities and 8 statistical regions of Macedonia. The special Regional Development Index, designed from the Bureau for Regional Development (Governmental Agency for Regional Development) shows that the most developed region is still Skopje, and the least developed is the Southeastern region.



<sup>2</sup> Source: [www.stat.gov.mk](http://www.stat.gov.mk)

SBEP focuses its main activities in four target regions: Polog, Pelagonia, Northeast, and Vardar, to contribute towards balanced regional development and to the overall project objective.



**2013** The project’s main focus was the Grow More Corn Initiative, and activities were implemented through local BSOs including public-sector partners such as **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. Considering the RDC as one of the key players in its bottom-up approach, SBEP designed new opportunities through an iterative process involving public and private stakeholders as local actors including mayors, LED offices, **RDCs**, Chambers of Commerce, business owners, and civil society organizations. However these activities were conducted with the RDC as a supporter and involved party, while in the LEADER/LAG activity in Pelagonia the **RDC took the leading role in implementation of the activities** and was the key partner in implementation. Due to an extremely high level of citizen participation, the project covers some 100,000 citizens altogether in three micro-regions in Pelagonia:

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

The RDCs also took leading role in the two LAG-generated ideas that have been transformed into project proposals and received funding for implementation. SBEP signed Letter of

Collaboration with the Pelagonia RDC to confirm the RDC's role in the process of the implementation of activities.

**Target Regions:** Polog and Pelagonia

### **RDC-Related Activities in 2013:**

- **LEADER/LAG initiative** – there were two proposals on rural tourism and bio-waste reuse, identifying and training community leaders to form LAGs
- **Women's entrepreneurship** – in cooperation with the Polog RDC, SBEP supported identifying opportunities for strengthening capacities and supporting the growth of women-owned or women-led businesses in Polog.

**Results:** A yearly overview of SBEP documented that:

- **3 micro-regions** prepared for registering LAGs
- **4 trainings** were held in each of the micro-regions for presenting the process of establishing LAGs and preparing strategies by the LEADER principles

**2014** To best stimulate and promote innovative strategies for local economic growth, the LEADER/LAG activity promoted public-private dialogue and community stakeholder mobilization, focusing on building local partnerships and strengthening both public and private sector stakeholder capacities. In the context of supporting the use of drip irrigation for growing sunflowers, SBEP – in cooperation with the Pelagonia **RDC** – organized a visit to the Novi Sad Institute for Agriculture in Vojvodina, Serbia for project and RDC staff, along with three farmers from Pelagonia. Also, the Pelagonia RDC organized a Project Cycle Management training for LAG members to improve their knowledge about the process from applying to implementing a project. In the process of LEADER-LAG, the Northeast RDC continued reaching out to all potential project participants to inspire locals to participate and articulate their interest in the process.

**Target Regions:** In this phase, SBEP intensified operations in the Northeast and Vardar regions and continued to work in Polog and Pelagonia.

### **RDC-Related Activities in 2014:**

- **LEADER-LAG** activities focused in Pelagonia, Polog, Vardar, and Northeast regions. The Pelagonia RDC supported three LAGs (AGRO LIDER in Krivogashtani – officially registered with the Central Register of Macedonia; in the Northeast Region, the process of mobilizing the local population for the LEADER process started; in Vardar, an initial meeting was held with the Council of Vardar Mayors about introducing LEADER-LAG in Kavadarci). Preparations for launching the LEADER in Polog also began.
- **GROWN MORE CORN INITIATIVE** was supported by the Pelagonia RDC,

**Results:** A yearly overview of SBEP documented that with municipal and RDC efforts:

- **238 business leaders**, civil society representatives, and public officials participated in SBEP activities (including those taking part in SBEP strategic planning meetings, included

in match-making opportunities within SBEP, and have signed memoranda of understanding with SBEP), for a total of 309.

- **23 different** opportunity initiatives were developed and implemented in cooperation with municipalities and municipal leaders, for a total of 45 initiatives.

**2015** The project's third fiscal year focused further and more intensive support on LEADER-LAG mobilization and women's entrepreneurship activities.

**Target Regions:** SBEP continued to support the same four regions.

#### **Municipal-Related Activities in 2015:**

- **LEADER-LAG** had more visible results in the **Northeast** region, where the two pre-LAGs were officially registered (Osogovski Lisec covers the municipalities of Kratovo, Kriva Palanka, and Rankovce, while Aber 2015 includes the municipalities of Kumanovo, Lipkovo, and Staro Nagorichane). In **Vardar**, the three pre-LAGs started discussing the structure of each of their public-private partnerships, their respective statutes, and chose the name of the LAG. In **Polog**, workshops continued with representatives from the three pre-LAGs. In **Pelagonia**, the RDC was preparing an open competition for the pre-LAGs to apply with pilot projects, to build their capacities in preparing and implementing activities. All the regional LEADER-LAG activities were coordinated and some (Pelagonia RDC) were led by the RDCs and their staff.
- **Macedonia Adventure Tourism** - In Prilep, a full implementing support was given by the Pelagonia RDC.

**Results:** A yearly overview of SBEP documented that:

- **340** business leaders, civil society representatives, and **public officials (including 116 women)** participated in SBEP activities (including those taking part in SBEP strategic planning meetings, included in match-making opportunities within SBEP, and have signed memoranda of understanding with SBEP), for a total of 649.
- **20 different** opportunity initiatives were developed and implemented in cooperation with municipalities and municipal leaders, for a total of 65.