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Micro and Small Enterprises Project



USAID Micro and Small Enterprises Project

Quarterly Narrative Report April - June 2015

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About the Implementer

Foundation CEED Macedonia is part of the Center for Entrepreneurship and Executive Development (CEED) Global, a network of managerial and entrepreneurial centers established by the U.S investment firm SEAF to accelerate SME growth as well as to promote an entrepreneurial culture throughout Southeastern Europe. With on-the-ground centers in Bulgaria, Romania, Slovenia, Montenegro, Macedonia, Serbia, and Kosovo, a new center in Armenia (2012) and with outreach activities in 2011/2012 to Poland and Turkey, CEED promotes private sector development, assists the growth of SMEs, helps create jobs, and contributes to economic stability. CEED provides entrepreneurs the three key drivers of business growth: capacity building training, access to finance, and access to new markets. Importantly, CEED provides these benefits within a community of connected entrepreneurs, thus building a holistic entrepreneur ecosystem in which interpersonal trust can be built and where the national, ethnic and geographic fragmentation of the Balkans can, for the purposes of mutual business development, be marginalized. CEED is a legacy activity for USAID and SEAF, with funding tracing to reflows from USAID grant investments in SEAF funds.

Foundation CEED Macedonia established operations in September 2007 as the fifth center in the network of entrepreneurial and managerial centers. The implementations of the CEED Grow Programs (formerly known as Top Class Programs) has been our core activity since our establishment and were attended by over 250 Macedonian entrepreneurs and managers ready to pay market prices for such innovative learning experience. CEED Macedonia has managed to position itself on the Macedonian market as a unique and innovative local business support service provider that designs and delivers management, leadership and personal development CEED Grow learning programs and business consulting services.

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I. Executive Summary

This Quarterly Narrative Report covers the period **April - June 2015**, which is a period in which we started with activities in the Northeast, East, Polog and Southwest region, and planned the starting of activities in Vardar, Southeast and Pelagonija region.

During the reporting period, as part of the activities under Component 1, the recruitment process in the above mentioned regions was conducted, as well as implementation of ten experience exchange events, five networking learning events and PR & Media activities published at the business portal Biznis Info (bi.mk) and in the Kapital newsweekly.

In the reporting period we organized Introductory Market Events and B2B meetings with companies from Kosovo and Albania. Part of MSEP's project beneficiaries participated in the local business conference "Challenges of the transition of family businesses" held in June in Skopje. In May 2015, the Business Angels Co-Investment Fund made co-investment in the start-up company CBC Collective (CoffeeBreakCourses), an online learning community for learning and teaching practical and useful skills through short video-based courses.

The investment team under Component 3 continued regular coordination and support activities for the investees, worked on pipeline development, and development of investment opportunities. In this quarter, the second loan tranche was disbursed to Certiadria.

On May 07, 2015 we received the official modification of the cooperation agreement, with modified program and project budget.

On June 01, 02 and 03, 2015 RFMO team conducted another post-award survey to check if the recommendations given during the last visit are being implemented in practice.

II. Sector Developments

According to the prognosis of the EBRD announced in May 2015, the Macedonian economy will have 3,5% growth in 2015 and 3,7% growth in the next 2016. The Report for regional economic perspectives states that this year Macedonia will have the highest rate of GDP in the West Balkan Region. The National Bank of the Republic of Macedonia noted that the country has stabile macroeconomic conditions, but warns about some internal risks, by this referring to the actual political crisis. Similar messages were sent by the government, creditors, foreign representatives as well as by the representatives of the business sector, all warning that the encouraging trends for growth of the domestic economy may be disturbed by the political turbulences.

According to business sector representatives, the analysis of the microeconomic indicators of the country in the reporting period shows obvious influence of the political instability resulting in minor stagnation of the economy. The business sector alerts that there are some risk factors detected by the commercial banks that may result in increased restriction in their loan policies and increase of the bank interest rates. The instability is directly influencing the business, especially the companies that have planned investments and development

activities. The companies are reserved in their projections and cautious with the next business moves.

In June 2016, the Fund for Innovation and Technical Development announced the first 16 projects of Macedonian start-up and spin-off companies that were selected for co-financing within the first Call for the Instrument Co-financing grants for start-ups, spin-offs and innovations. This instrument is aimed for financing newly established companies, as well as micro end SMEs existing maximum 6 years. The objective of the financial instrument is to support the innovation and implementation of innovative solutions among the Macedonian companies. The Fund provided over 450,000 EUR co-financing for 16 projects, out of which 7 are in the IT sector, 3 in electronics, 1 in education, 1 in food industry, 1 in video gaming industry and 3 projects are in the machine manufacturing business.

III. Accomplishments and Activities by Components or by Results

1. Result 1/Component 1 – Microenterprises Programs:

1.1. Accomplishments

The recruitment process for participants in the Northeast, East, Southeast, Vardar, Southwest and Polog region, took place in this reporting period. During the whole process, there were activities in two phases: presales (for Northeast and Vardar region) and sales (for Northeast, Vardar, East, Southwest and Polog region). Regarding the implementation, several events for exchange of experience took place: one in the East region, two events in Southwest region and six events in Skopje region (Grow programs - generation 9 and 10), one in Northeast, as well as five networking learning events. PR and Media activities were also conducted in this reporting period. One success story for the company Ekstra Fungi, participant in USAID's Micro and Small Enterprises Project, in which Micro Investment Fund has invested, was shared on the business portal Biznis Info (bi.mk). Two more stories were published in Kapital newsweekly, as part of the media tour, which was organized to present the Micro Investment Fund as an alternative source for financing the small businesses in Macedonia.

1.2. Activities

RECRUITMENT

During the reporting period, the recruitment of entrepreneurs for participation in the Entrepreneurial Class was the main activity in Skopje, East, Northeast, Vardar, Southwest and Polog region. In this regard, sales meetings with entrepreneurs from micro and small companies from the above regions, potential participants, were held.

Basic program – CEED Grow & Entrepreneurs Class

Presales:

Northeast region: Presales in the Northeast region continued, and for this purpose, a new tool was used- *Golden Book* data base with entrepreneurs who own micro and small companies in this region. That action helped MSEP to widen the prospects and close sales.

Vardar region: In the Vardar region MSEP has broadcast the commercial for recruitment purposes for one month at the local TV station *Zdravkin*. The commercial had a purpose to raise the awareness for the Project among companies in Vardar region and to provide info for participation in the Project.

Sales:

Northeast region: In the Northeast region, as a result of the sales activities 20 participants were recruited. Participants' contacts were provided as recommendations from previous clients and a new pipeline was also created. Participants represent the following industries: disinfection, fumigation and pest control, PVC and aluminum carpentry, shoes manufacturing, laminate flooring, printing services, sanitation equipment, construction, cooling chambers, geodetics engineering and air conditioning.

Vardar region: So far all the prospects from previous years have been contacted and resulted with one application and several interests expressed.

East region: During the reporting period, a group of 16 participants was formed in the East region. The companies are coming from different cities from the East region: Strumica, Radovis, Probistip, Stip, Kratovo and Kocani, representing the following industries: food production, transport, construction engineering, sewage and water supply production.

Southwest region: In this reporting period 86 meetings with entrepreneurs from southwest region - potential participants in Entrepreneurs Class program were held. At those meetings, the benefits of the MSEP Project were presented. Some of the owners and managers in the companies recognized those benefits and decided to join the Project. At the end of the recruitment process there were 20 participants recruited in the Southwest region, who filled the application form and signed contracts for participation in the MSEP project.

Polog region: In the reporting period meetings with entrepreneurs – potential participants in fourth generation of Entrepreneurs Class program in Polog region were in full swing. In this period almost 60 meetings were held. 10 entrepreneurs from Polog region decided to participate in the Entrepreneurs Class program - fourth generation.

Also, in this period meetings were held with participants who participated in the Polog region in the past years. At these meeting MSEP programs were evaluated and advanced programs were presented to the participants. For that purpose, meetings were held with all previous participants from Polog region from the three previous generations and 7 of them decided to join three different advanced programs (Finance, Sales and export, and Marketing).

Regions:	Man			Women		
	Macedonian	Albanian	Other	Macedonian	Albanian	Other
Northeast	10	4	1	4	/	/
Polog	7	3	/	1	/	/

Vardar	/	/	/	/	/	/
East	9	/	/	7	/	/
Southeast	/	/	/	/	/	/
Total	26	7	1	12	/	/

IMPLEMENTATION:

Regarding the implementation, during this reporting period, the following activities took place:



East region: The first event, from the Entrepreneurial Class on the topic “Entrepreneurial Leadership” was held on 31 March 2015 in hotel "Oaza", Stip. Guest speakers of the event were: Mr. Filip Arsovski - Synaps Group Skopje and Mr. Vasko Temelkoski - Euromak Kontrol Skopje. The average grade of the event was 5 out of 5.

Southwest region: In this reporting period two experience exchange events were organized from Entrepreneurs Class program on topics “Business planning and budgeting” and “Finance for entrepreneurs”.

The first event in Southwest region was held on 19th of February 2015, in hotel “Drim”, Struga, on the topic “Business planning and budgeting”. This event was good opportunity for participants from this region to get to know each other. Guest speakers at this event were Mr. Salajdin Idrizi and Mr. Nebi Jusufi, both of them from ESA – Tetovo (Entrepreneurs Support Agency). The event was attended by 14 participants and the average grade was 5 out of 5.

The second experience exchange event was held on 19th of March, on the very attractive topic for all entrepreneurs “Finance for Entrepreneurs”. Guest speakers at this event were Mr. Dusko Apostolovski, owner and reviser in Bend revizija i konsalting, and Mr. Azbi Mahmudi, branch manager in TTK Bank. The event was evaluated with average grade 5 out of 5.

Northeast region: The first event for experience exchange for the Northeast region was held on 8th of April 2015 in hotel “Satelit”, Kumanovo.

CEED Grow – G9, Skopje region: During the reporting period three events for exchange of experience took place:

- The sixth event for exchange of experience on topic **“Effective and repeatable sales and export”** was held on 29th of January 2015. Guest speakers at the event were Mr. Petar Lazarov, co-owner of Macedonia Export, Mr. Trajan Angeloski, deputy director of Ariljemetal and Mr. Vladimir Vecovski, managing director of R3 Infomedia. Nine participants attended the event and the average grade was 4,88 out of 5.



- The seventh event for exchange of experience on the topic **“Effective use of marketing”** was held on 19th of February 2015. Guest speakers at the event were Mrs. Irena Jakimova, marketing expert and consultant, Mr. Petar Naumovski, marketing director at Mlekara Zdravje Radovo and Mihajlo Pavlov, owner of Creative House. Eleven participants attended the event and the average grade was 4,8 out of 5.

- The last session for exchange of experience in this generation was held on 12th of March 2015. The topic of the event was **“Growth through mergers, acquisitions and strategic partnerships”** and the guest speaker of the event was Mrs. Dance Cakarovska Grozdanovska, owner/lawyer at Law Office Cakarovska. Ten entrepreneurs attended the event and the average grade was 4,8 out of 5.



CEED Grow – G10, Skopje region:

In the reporting period three experience exchange events took place:



- The first event was held on 21st of January 2015. Guest speakers for the topic **“Leadership and key questions that every entrepreneur needs to answer”** were Mr. Mihajlo Kostovski, owner of Energo Sistem and Mr. Mirce Cekredzi, owner of Arcuss Design. Fifteen participants attended the event and the average grade was 4,5 out of 5.
- **“Preparing the company for growth and development”** where Mr. Robin Zimbakov, co-owner of Soloprom and Mr. Muarem Murtezani, owner of Alma-M were guest speakers, was the second event with this generation. Sixteen entrepreneurs attended the event. The average grade was 4,6 out of 5.
- The third event on topic **„Human Resources“**, was held on 18th of March, 2015. Guest speakers of the even were Ms. Anita Hristova, co-owner of ther construction company „Hristovi engineering“ and Ms. Danica Licanin Blazeska, owner of „Reptil Marketi“. The average grade of the event was 4,7 out of 5. Fourteen participants attended the meeting.

CEED Club activities - Networking and Learning Events:

During this reporting period, several networking learning events were held:

- On 27th of January 2015 the first networking learning event took place. The topic of the event was **“Law for electronic and electrical waste”**. The guest speakers of the event were Mrs. Daniela Nelepa Dameska and Marjanco Dameski, executive director at “Nula otpad”, the only registered collective handlers in Macedonia. Seven participants attended the event and the average grade was 5 out of 5.
- On 9th of February 2015 the event for announcement of the new global activities **“Starting the CEED Global Club”** was held. The event was facilitated by Anne Park, Director for Strategy and Development with SEAF. Eleven participants attended the event and the average grade was 4,9 out of 5.
- **“Which are the right bank loans for your business”** with the guest speaker Martin Dimitrievski, advisor for business clients in ProCredit Bank, was the next networking event, held on 10th of February 2015. Thirteen participants attended the event and the average grade was 4,8 out of 5.



- On 25th of February 2015, 36 participants attended the networking event on topic **“Law on administrative record keeping”**. Guest speakers of the event were Dr.

Ivan Aleksov, manager of sector in State Archive of the Republic of Macedonia, Mr. Darko Dimovski, general manager at Inbox Data Center and Mr. Ljupco Farmakoski. Average grade of the event was 4,7 out of 5.

- On the 5th of March 2015, **CEED Business Angels Club** in collaboration with SWT Alumni and NewMan's Business Accelerator organized a competition (pitching) at which business ideas were presented. At the competition, 21 start-up companies and young entrepreneurs presented their ideas, represented by the partners of CEED Macedonia, CEED Club members and individuals with business ideas who applied independently. Seven members of CEED Business Angels Club attended the event.

COLLECTION:

The activities for collection of receivables had resulted with improved collection ratio. As a result the current collection ratio of different programs is as following:

Regions:	Entrepreneurs Class Generation 1, 2 & 3	Entrepreneurs Finance Class Generation 1 & 2	Entrepreneurs Marketing Class Generation 1	Sales and Export Program Generation 1
Skopje	93,46%	100%	86,13%	/
Polog	54,51%	100%	33,33%	/
Vardar	82,73%	97,08%	18,34%	/
East/Southeast	94,86%	/	66,71%	/
Total	81,39 %	99,02%	51,12%	0,0%

PR & MEDIA:

During the period the success story of Extra Fungi, company from Kochani was published at the business portal Business Info (www.bi.mk).

Ekstra Fungi is participant in USAID's Micro and Small Enterprises Project, and is also an investee of the Micro Investment Fund.

Two more stories were published in Kapital newsweekly, as part of the media tour, organized to present the Micro Investment Fund as an alternative source for financing the small businesses in Macedonia. Ms. Tatjana Markovska (AOR), Jovan Madjovski (Chief of Party, MSEP), Viktor Meshkov (MIF, MSEP), Aneta Damjanovska (Swiss Embassy) and Elena Jovanovska (IO, MSEP) attended the media tour, together with the journalists.

There are no online links to the published articles.

During the enrollment phase of new participants in the USAID's Micro and Small Enterprises

Quarterly Narrative Report, April – June 2015

Екстра Фунги, компанија чиј квалитет е препознатлив на европскиот пазар



Сашко Антошев, директор на Екстра Фунги

Екстра Фунги, компанија од Кочани, започна со работа во 1988 година како фамилијарен бизнис и се занимава со опкул. преработка и извоз на високо квалитетни шумски печурки и овошје. Во 2007 година фирмата се проширува, се гради нов



Во тек се уписите на претприемачи од Источен, Североисточен, Југоисточен, Југозападен, Вардарски и Полошки регион во Проектот на USAID за микро и мали претпријатија, кој има за цел да го поттикне развојот на претприемачите и нивните претпријатија преку размена на искуства, советувања, поддршка при извоз, промоција и инвестиции

Мојност за учество во Проектот имаат сопствениците/менаџерите на микро и мали претпријатија, кои вработуваат до 50 вработени, имаат потенцијал за раст, извоз и

Project, with expansion into four new regions co-financed by the Government of Switzerland, two articles were published on Business Info and the website of the Project, www.msep.mk:

[Article 1](#)

[Article 2](#)

The screenshot shows a news article on the MSEP website. The article title is "Уписи на претприемачи од Источен, Североисточен, Југоисточен, Југозападен, Вардарски и Полошки регион". The article text discusses the project's goal to support micro and small enterprises through experience exchange, training, and networking. It lists activities such as joining a business club, exchanging experiences, attending networking events, and expanding into regional and international markets. The sidebar on the right contains navigation buttons: "АПЛИЦИРАЈТЕ веднаш" (Apply now), "СВЕДОШТВА" (Testimonials), and "Новости" (News). Below these are two news snippets about events in the North-East and East regions.

Update of the MSEP web site (www.msep.mk) is in process.

1.3. Upcoming activities

The following activities will take place during the next quarter:

- It's expected that the first event of the 4th generation of Entrepreneurs Class for the Vardar region will take place in May 2015
- In the upcoming period, the 4th generation of participants in Entrepreneurial class in Polog region will start with implementation of the experience exchange events.
- In the following quarter, all experience exchange events that are part of the Entrepreneurial Class in Southeast region will be completed.
- Also, two of international B2B networking events are scheduled for the next quarter - B2B with companies from Kosovo and B2B with companies from Albania.
- From the local networking events, the joint networking event among the participants from all the regions within the Project will take place on 8th of May 2015. Also, the remaining two thematic networking events in the Southeast region will take place during the next quarter.
- The recruitment process for the Southeast region will continue according to the schedule.

- The start of the new Grow program, generation 11, is scheduled for 12th of May 2015. Activities from Grow generation 10 will continue in the subsequent quarter.

2. Result 2/Component 2: Business Support Services

2.1. Accomplishments

As of the start of the project in July 2011, total of 148 project beneficiaries used or expressed interest to use offered Business Support services such as: technical assistance from local consultants, technical assistance from international consultants, support for accessing the neighboring markets and support for accessing regional markets, analysis of the economic health indicator of the company etc.

2.2. Activities

In the reporting period we continued **with implementation of planned component activities. More specifically, the following activities took place:**

1. In-company interventions by local consultants, regional consultants and project staff:

- *Meet a professional service* - the restaurant and pizza place **Enjoy** from Gevgelija, participant in third generation of Entrepreneurship Class in South-East region expressed an interest for finding a professional chef who will teach the existing staff and newly employed assistant chef on how to prepare meat meals. The process of identifying a chef from one of the restaurants in Skopje was on-going in this quarter.
- *Services for transfer of knowledge from a foreign consultant* – the company Uniplast Struga, participant in the first generation of the Entrepreneurship Class in South-West region expressed an interest for usage of services from a foreign consultant related to introduction of new machine in their production process. It is expected that such services would be needed in September/October 2015, once the machine is fully operational.
- *Services from a local consultant for delivery of training for sustainable picking of berries/mushrooms* – in order to fulfill the Environmental Compliance requirements, we have received interest from the company **Extra Fungi** Kocani to organize a training for their employees and berries/mushrooms pickers, which due to the summer season will be organized in September/October 2015.
- *Services from a local company for a custom made software* – for the needs of our project participant **Denta Estetik** Skopje, we have organized competitive procedure for receiving proposals from qualified local companies. Unfortunately, we have received only one proposal and since the proposed price of services was very high, together with the client we have decided to annul the procedure and repeated in September 2015.
- *Services from local consultants* – we have received applications from **Vodoplast** Kocani, participant in the first generation of Entrepreneurs Class in East Region, for usage of services for certifications (ISO 9001 and ISO 140001), and application from **TV Kobra** Radovis, another participant in the first generation of Entrepreneurs Class in East Region, for engagement of company for a software for program broadcasting. Both applications will be processed in fall 2015.
- *Business Support Services for Definition of the Organizational Structure of Aronija Zdrava Hrana Skopje* – within the planned BSS/Technical assistance provided by project staff, in the reporting period Jovan Madjovski, Chief of Party of MSEP started working with the management team of Aronija on the definition of the organization structure, analysis of the needs of middle level managers, analysis of the current candidates in the company for management positions and analysis of the obligations

and responsibilities of the Top Managers that should be delegated to the middle level managers. Envisaged level of effort by the COP for this activity is 5 days.

2. Access to regional markets

- *Organization of Introductory Market Meeting and B2B meetings with companies from Kosovo held in Skopje on...*
- *Organization of Introductory Market Meeting in Tirana held on June 11, 2015 and B2B meetings with companies from Albania, Kosovo.....*

3. Participation in local business conference

Nine MSEP project beneficiaries participated in the first Macedonian Conference “Challenges of the transition of family businesses” held on June 24, 2015 in Skopje – part of MSEP project beneficiaries (5 females, 4 males) had a chance to participate in the local business conference that offered them unique opportunity to hear: how to avoid the traps that lead to failure of family businesses, which are the advantages and disadvantages of family businesses, how to prepare the family, company and partners for the transition of the company, how to evaluate your company, how to work with business partners etc.

4. Access to finance – Business Angels Co-Investment Fund (BACIF)

Being a member in CEED’s Business Angeles Club, MSEP participated in pitching of business ideas event held in November 2014 and together with other business angels (among which David Beatty Business Angel from New York, USA, vice-president of ProSeeder technologies LLC and director of Golden Seeds) selected for further evaluation the Business Plan of the start-up company CBC Kolektiv DOOEL.

Mr. Beatty worked with Petar Ninovski, the owner of CBC Kolektiv DOOEL to improve company’s Business Plan and helped him to prepare for the second round of presentations in front of CEED Business Angels. CBC Kolektiv / CoffeeBreakCourses is an educational company with a very carefully created strategy to take the e-learning education to the next level. The CoffeeBreakCourses is an online learning community for learning and teaching practical and useful skills through short video-based courses. Later on, in June 2015, this web platform was introduced under the name WeLrn (www.WeLrn.com).

Based on the presented business idea and evaluated potential in the e-courses business, MSEP Business Angles Co-Investment Committee in May 2015 has made Decision to invest EUR 5,350 or 15% of the total co-investment deal (total value EUR 35,000).

After this investment from the Business Angels and individual investment from the owner Petar Ninovski in amount of EUR 27,644, the shareholders structure of the newly established Company for internet education CBC Collective LLC Skopje is as follows:

Petar Ninovski from Skopje – 69,2%
Pece Angelovski from Bitola – 9,7%
Robin Zimbakov from Skopje – 8,7%
Dragan Dimitrov from Skopje – 6,2%
Foundation CEED Macedonia Skopje – 4,2%
Vukica Karanfilova from Skopje – 2%

2.3. Upcoming Activities

In the upcoming period we will continue with started activities for delivery of Business Support Services for the companies that have sent applications and expressed interest, as well as with organizing access to finance and access to foreign markets activities. In September 2015 we will organize Introductory Market Meeting in Serbia. During the summer period we will be working on the preparatory activities for finding and adapting co-working space in Skopje intended for entrepreneurs, early stage, micro and small businesses from throughout the country.

3. Result 3/Component 3: Equity, Quasi Equity and Angel Capital Funding

3.1. Accomplishments

Micro Investment Fund (MIF or the Fund) is a private equity fund with initial capital commitment of USD 800,000 registered in June 2012 in the Private Equity Funds Register within the Macedonian Security Exchange Commission in accordance with the Macedonian Law on Investment Funds. The fund is founded by a Foundation CEED Macedonia and represents a part of a "Micro and Small Enterprises Project" awarded by USAID, more exactly the third component of the aforementioned project. The fund is managed by a Fund Management Company - SPMG Capital Skopje, which was selected and approved by USAID as a sub-contractor for the third component of this project, in accordance with the Cooperative Agreement No. AID-165-A-11-00002.

3.2. Activities

Right after the MIF foundation, the investment team has started with the further stages of the investment process, more exactly with screening of the existing MSEP participants (I and II component) in order to identify some potential investees. After the delivery and receipt of the first and second questionnaires to all interested MSEP participants, several meetings were organized with the owners/managers of the companies that we consider prosperous for investment.

- After performing a due diligence procedure, presentation of the company to the IRC, and approval of both IRC and USAID observer, the MIF's first investment was made in Aronija Zdrava Hrana on June 06th, 2013.
- MIF's second and third investments were made in Geonet GPS and Extra Funghi on 18th and 22nd February 2014, respectively.
- MIF approved additional 50,000 USD debt financing for Aronija on May16th, 2014, related to launching the first gluten-free product line.
- The fourth investment of MIF in Eko Plast - Tehnika (engaged in plastic recycling of "PET" waste plastic bottles) was approved by MIF's IRC on June 13th, 2014.

- The fifth investment was made in Certiadria (engaged in providing professional educational and certification services in the IT industry in the Adriatic region) on September 9th, 2014.
- The sixth investment was made in Dals (engaged in spiral notebook & arch file manufacturing, and stationary trade) on March 11th, 2015.
- The second tranche of the loan in Eko Plast-Tehnika was disbursed on March 13th, 2015.
- The second tranche of the loan in Certiadria was disbursed on May 6th, 2015.

Further is presented a brief overview of the investees and some of the potential companies for investment.

- **Aronija Zdrava Hrana - Veles – (Healthy food production and trade)**

Stage: Investee

Company Overview. Aronija Zdrava Hrana is a company engaged in manufacturing and trade of natural and organic food. The company exists on the market for about 10 years and is located in Veles. The company is engaged in the light manufacturing of various types of health food, more exactly vegetarian and vegan food. The product range is extended with a lot of imported goods in order to complete the healthy food program and meet the customers' requirements. In September 2012, the company acquired the renowned retail store specialized for health food - "Biona", while at the end of March 2013 it launched one more retail store under the same brand name. The management team of the company consists of husband and wife (Mr. Nenad Staik and Ms. Aneta Staik) fully committed to the business with extensive working experience in the health food industry, mainly in the developed countries.

After performing a due diligence procedure, presentation of the company to the IRC, and approval of both IRC and USAID observer, the MIF's first investment was made in Aronija on June 06th, 2013. The required MIF's funds were partially used for adaptation of manufacturing facilities to comply with HACCP standards. Furthermore, the funds will be used for expansion of the production capacity & new equipment (used for the production of the existing and new products) and for the permanent working capital purposes. In addition, MIF investment team was working closely with the company to select a responsible person for development of the distribution capability of the company.

Since the beginning of 2013, the MIF's investment team actively participates in the company's ongoing re-organization process that started with implementation of the software for material accounting. Since September 2014, the material accounting software was completely replaced with an ERP software solution (tailored to small companies). This solution is to be useful for establishment of the sound accounting and internal control system, which should assist the company to further improve its internal business processes (effectiveness, efficiency and economy). Moreover, MIF investment team takes frequent discussions on the company's long-term strategy.

The successful track-record shortly after the initial investment, contributed MIF to approve an additional 50,000 USD debt financing for Aronija on May 16th, 2014, related to launching the first gluten-free product line.

As a result of its 10 year anniversary, the company rebrended all of its product lines under the name “Biocosmos”, having in mind the future growth possibility through selling franchise agreements to other health food stores. They already started informal cooperation with one health food company – Marvik, agreeing to rebrand its 5 stores under the trade mark ”Biocosmos”. Including the two stores in Skopje, one in Veles and one in Ohrid, Aronija launched its fifth store in Bitola, during the third quarter of 2014.

Furthermore, in order to support the strong growth path of the company, on September 12th, 2014, MIF’s IRC approved an additional investment of EUR 200,000 from the SEAF Macedonia II Fund by which SEAF was accepted as an additional partner/co-owner in the company. The investment was structured as a mezzanine type of deal, providing EUR 15,000 contribution in equity and EUR 185,000 loan (that should be disbursed in three tranches). The company is expected to employ more than 30 new people over the next 5-6 years.

During the second quarter of 2015, the company was in the process of preparing more commercial products like organic and gluten-free crunchy mueslie with various seeds and cornflakes. As part of the general marketing activities of the company, new packages were introduced for most of the products.

- **Geonet GPS – Skopje (GPS solution and IT)**

Stage: Investee

Company Overview. Geonet was founded by Mr. Tode Bucevski in 2003 as a limited liability company as the first company in the country engaged in implementation of advanced GPS solutions that enable follow up, monitoring and vehicle safety, and planning of their movements on very simple and sophisticated way. Continuously growing in the area of its core competencies, Geonet now represents the leading GPS fleet management service provider. The number of the company’s full time employees is 13, with a capacity of employing additional 5-7 employees in the next 4 to 5 years. The company is completely focused on meeting the client’s requirements & needs by offering them a tailor-made GPS solution and premium quality service, pre and after sales.

MIF’s investment team closed the investment deal on 18th February 2014. The company’s 2014 results did not exceed the MIF’s projected sales level, but MIF’s investment team was assured by the GM that MIF’s projected revenues will be accomplished in the upcoming period. The growth deceleration in 2014 was due to the slow immediate response of prospective clients for the new products launched by Geonet, postponing the initially projected growth.

As a result of the continuing efforts in R&D, Geonet has launched 2 new products ((1) protection from stealing / remote electronic blockage for motorcycles and (2) video surveillance linked with the gps devices) during the first quarter of 2015 and continued the negotiation with 2 large prospect clients in the second quarter of 2015.

- **Extra Funghi - Kocani (Mushroom & Wild Forest Fruit wholesaler)**

Stage: Investee

Company Overview. Extra Funghi was founded by Mr. Sashko Antovski in 2006 as a limited liability company that started with buyout and processing of wild forest mushrooms intended for export sales. In 2007 the company decided to build modern production and cooling facility in order to improve the conditions for export and to increase the production and storing capacity, further expanding the business in the area of fruits and vegetables. In 2012 the company constructed additional part to the facility. Currently, the cooling facility is comprised of nine freezers with total capacity of 4,420 m² (five are with capacity of 500 m³, two with capacity of 150 m³ and another two with capacity of 1400 m³ and 220 m³).

In 2008 the company expanded the product range with additional wild forest fruits, such as blueberries, blackberries, rose-hip, etc., while in 2012 they added fruits like plums, strawberries, melon and apples to the product range, further increasing the capacity utilization by shrinking the seasonality gaps in the business. The area of Kocani (120 km south-east from Skopje), where the company's operations take place, is well known by its agricultural production. Having a large number of sunny days, fertile soil and clean environment, Kocani is famous by its tasty and healthy fruits and vegetables.

Extra Funghi has a successful track record of increasing its sales revenue and profits - which have been reinvested to finance growth. The company is completely focused on the EU market, for which the market demand constantly increases. By having a good cooperation and solid business links with local farmers and forest fruits collectors from Osogovo Mountain, Extra Funghi creates a link to demanding markets for high quality mushrooms, fruits and vegetables. MIF's investment team closed the investment deal on 22nd February 2014.

Currently, the number of company employees is 25, which is increase of 17 (newly created jobs) since MIF's initial investment. 10-15 new employments are planned in Q2 2015. The company's sales revenue in 2014 increased by 53% reaching MKD 137 million (≈USD 2.491 million), exceeding MIF's projected sales level by 37%.

The company's sales revenue continues to grow in 2015. Extra Funghi is making best efforts to expand its customer base exporting on the Kosovo market in the second quarter of 2015. The possible succesfull bussiness arrangements will be known in the upcoming period.

- **Eko Plast-Tehnika - Kavadarci (plastic recycling of “PET” waste plastic bottles)**

Stage: Investee

Company Overview. Eko Plast – Tehnika was founded by a single owner - Mr. Riste Andov in January 2014, as a limited liability company engaged in plastic recycling of “PET” waste plastic bottles that are used in the production of pet flakes, which is the basic raw material for polyester fibers used for packaging of food & beverages, cosmetics, detergents and pharmaceutical products.

The owner has extensive experience in this business, holding the General Manager position at a similar company – “Di-Mir Group” for more than 3 years, which after some disagreements with the company owners he decided to terminate his employment, in order to establish and run his own company in the same industry. The company pursues triple bottom line objectives, more specifically, the commercial, social and environmental objectives. Currently, the number of company employees is 8, which is increase of 2 employees since the MIF’s initial investment. 7 new employees are expected to be employed in the upcoming quarter.

The company’s 2014 results exceeded MIF’s royalty fees threshold but did not reach the targets for disbursement of the second loan tranche. This was mainly due to procurement of an additional line of equipment for significantly lower price, but before the disbursement of the second loan tranche – innitially planned for the aforementioned investment (therefore decreasing the initially planned working capital of the company and decelerating the projected growth). Nevertheless, the second loan tranche was disbursed in March 2015, after modified disbursement proposal approved by IRC. It should enable exceeding the forecasted sales growth in the upcoming period.

- **Certiadria (Licencing & certification of IT professionals)**

Stage: Investee

Company Overview. Certiadria is regional education and certification company for the Adriatic region. Company was established in July 01, 2012, it is located in Skopje and cover territory of following nine countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Malta, Montenegro, Serbia and Slovenia.

Certiadria is committed on providing educational and certification services in Adriatic region for global professional impact and builds strong connections between academic and industry world.

What differentiates and gives unique value to Certiadria are the partnerships established with the world’s leaders in publishing and certification. Being leader in this field and offering world recognized education and certification solutions, we ensure companies, educational centers, academic and government institutions, that together we play a major role in society in a manner of creating and providing

professionals through their services. The idea for entering into this area was brought by the vision to bring Adriatic countries closer to the digital world of professionalism and to set world standards and values.

MIF invested in the company on September 9th, 2014. The company's sales revenue in 2014 increased for around 90% reaching approximately MKD 2,95 million (≈USD 56 thousands). The company's 2014 results exceeded the MIF's projected sales level for approximately 60% and the threshold level for the royalty fees. Currently the number of company employees is 3, which is increase of 2 newly created jobs (1 Albanian) since the MIF's initial investment. On May 6th, 2015 the second loan tranche was disbursed to Certiadria.

- **Dals (Stationary trader and producer)**

Stage: Investee

Company Overview. Dals is a stationary trading company that has recently entered in the production of spiral notebooks and arch files with various designs. All manufactured products are exported to Turkey, Bosnia, Bulgaria, and Montenegro, with plans for further expansion to the Kosovian, Hungarian, Croatian, Slovenian, and Greek market in the forthcoming period.

In 2014 the company export comprised around 1/3 of the total revenues, tending this proportion to significantly increase in favor of export. The company strategy is to continuously decrease the pure trading activities and to completely focus on production and export. This strategy will ultimately result in import substitution.

MIF completed the investment in Dals on March 11th, 2015. The funds will support the company's growth, financing the working capital needs, software implementation and purchase of new equipment. The company succeeded to buy the equipment during the first quarter of 2015 and has already started with implementation of the planned projects that should ensure the company growth. In the second quarter of 2015 the Company is focused on export of its products on Croatian market.

Pipeline of potential investments

- La Dama - First local producer of women stockings
- Digital Star (Creative house) - Company for digital marketing
- Uniplast - Van Hool supplier of plastic parts

3.1. Upcoming Activities

The investment team will continue with the pipeline development, and development of the investment opportunities. Especially will make best effort to include in its pipeline companies owned by persons from Albanian nationality. Moreover, investment professionals will be

further involved in the strategic issues of its six investees - Aronija, Extra Funghi, Geonet, Eko Plast-Tehnika, Certiadria and Dals. The prospect companies that fulfill the investment criteria will be presented to the IRC as soon as possible.

IV. Project Management Activities

During the reporting period regular activities related to administration, finance and management of the project have been undertaken.

On May 07, 2015 we received the official modification of the cooperation agreement, with modified program and project budget.

On June 01, 02 and 03, 2015 RFMO team conducted another post-award survey to check if the recommendations given during the last visit are being implemented in practice. In this occasion we had a joint meeting with the new Contracting Officer from RCO Kosovo and representatives from the audit company BDO to discuss the status of the audit reports for 2013 and 2014 and to discuss the future cost allocation and cost share considering the new modified project budget. We are waiting for the post-award visit report and based on the findings and recommendations provided in it we will take corrective actions if needed.