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**Small and medium-size Enterprise
Development – Government and
Private Sector**

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*Evaluation of the Pilot
Phase of the Voucher
Counselling System (VCS)*

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Abbreviations

APPRM	Agency for Promotion of Entrepreneurship
BA	Business Association
BDS	Business Development Services
BSO	Business Support Organisations
CC	Chamber of Commerce
EA	Employment Agency
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
ESA	Enterprise Support Agency
IA	Impact Assessment
ISTE	International Short-term Expert
KE	Key Expert (International Long-term Expert)
LEDO	Local Economic Development Offices
ISTE	International Short-term Expert
LLTE	Local Long-term Expert
LSTE	Local Short-term Expert
M+E	Monitoring and Evaluation
MoE	Ministry of Economy
MoES	Ministry of Education and Science
MSME	Micro, Small and Medium-size Enterprises
NGO	Non Government Organisation
RESC	Regional Enterprise Support Centre
SME	Small and Medium-size Enterprise
STE	Short-term Expert
TA	Technical Assistance
TAM-BAS	Turnaround Management & Business Advisory Services
VCS	Voucher Counselling System



1. BACKGROUND

1.1 Objective of the Mission

GFA has commissioned Inke Hase (ISTE) and Blagoja Nanevski (LSTE) (further referred to as 'the consultants') to undertake a review of the pilot phase of the Voucher Counselling System (VCS) in March 2006. This report represents the findings of this mission in the Former Yugoslav Republic of Macedonia conducted during the period from 1st until 24th March 2006. The objectives of the mission were to:

- Evaluate the implementation of the VCS at the end of the pilot phase against the criteria: outreach and market coverage; effects on market development; cost-effectiveness and sustainability;
- Draft recommendations for changes and modifications in the future implementation of the VCS in the Former Yugoslav Republic of Macedonia;
- Define future assistance requirements of the VCS;
- Plan support measures of the project for the implementation of the VCS.

In order to achieve the above objectives, the following activities were undertaken:

- Study of the documents on the design of the VCS;
- Interviews with the 29 beneficiaries (existing enterprises and start-up entrepreneurs) in Skopje and in Strumica, interviews with 14 consultants under the in Skopje and in Strumica;
- Interviews with the responsible implementers at APPRM;
- Interviews with the implementing organisations at regional level, the Business Support Centres in Skopje and Strumica;
- Interviews with the EBRD-BAS programme in Skopje;
- Presentation of results to the APPRM responsible programme managers and director.

Special thanks go to the APPRM staff members Mr. Marijan Stojev, Mr. Ljubisa Nikolovski as well as the director of APPRM Mr. Vladimir Sarac who have been a great support during the organisation and implementation of this mission.



1.2 Methodology and Proceeding

In order to assess the results and activities under the Voucher Counselling Programme of Macedonia implemented in the pilot phase from November 2005 to January 2006, the consultants first assessed the underlying documents as prepared by APPRM under the previous EU project in 2005. Consequently, questionnaires for the beneficiaries (active companies and start-up entrepreneurs) as well as for the participating consultants and programme implementers (Business Support Organisations in Skopje and Strumica) were drafted. Interviews were organised partly by APPRM staff as well as by the implementing agencies (BSOs) in Skopje and Strumica.

1.3 Description of the Voucher Counselling System

The voucher-counselling programme offers support to existing enterprises and unemployed persons (individuals), who are about to register their own business. It is an instrument intended to improve the operation of small businesses with subsidised consultant services, which, along with other measures/ programmes of the active employment policy, shall facilitate and stimulate the process of employment creation.

The pilot phase (November 2005 to January 2006) of the voucher system was implemented by the Agency for Promotion of Entrepreneurship (APPRM) under the supervision of the Ministry of Economy (MoE) in cooperation with two regional centres (Regional Enterprise Support Centres – in Skopje and Strumica). During the pilot phase two regions, namely Skopje and Strumica were covered. The pilot phase was necessary to test the beneficiaries' demand for the programme as well as the administration procedures.

The objectives of the programme as laid out in the programming documents are defined as follows:

- A larger number of potential entrepreneurs to start implementing their business (registration, starting a business);
- Creation of employment opportunities;
- Larger number of new companies to be able to survive during the first critical years of their existence;
- Larger number of companies to be able to realize higher development rates; and
- Encouraging the local consulting market.

The voucher system supports the provision of consultancy and business development services (BDS) to the above mentioned beneficiaries in the form of redeemable vouchers. The vouchers allow users to select

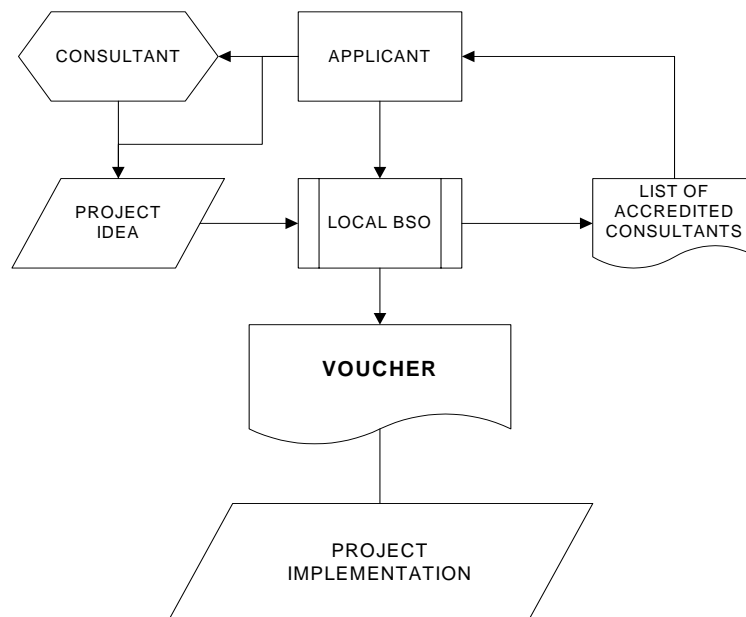


accredited consultants, under a monitoring and certification methodology by APPRM.¹

The activities for the VCS in 2005 and during the pilot phase were as follows:

1. Preparation of the entire documentation by APPRM;
2. Assessment and selection of programme implementers (Regional Business Support Centres);
3. Designing a software solution for computer support of the counselling system (APPRM and local experts);
4. Forming a group of experts responsible for selection of counsellors;
5. Promotion of the voucher system;
6. Pilot Project – implementation in two regions (Skopje and Strumica);
7. Fund raising by APPRM.

The **steps of the counselling process** under the Voucher programme are carried out as follows²:



¹ It should be noted that Voucher Counselling System is more alike a 'matching grant scheme' than a voucher programme. In the international context voucher schemes are mostly used in the context of training programme subsidies whereas matching grant schemes support the development of the consulting sector by co-funding consultancy services to the enterprises.

² The overall set-up of the subvention scheme as well as the organisational structure is presented in Annex 2 and 3.



The criteria for selecting **eligible companies** are (i) company size: from 0 to 50 employees and gross annual turnover less or equal to 1,5 million € (or total balance less or equal to 1,1 million €); (ii) year of operation: less or equal to 5 years in operation (proof of activity will be required); (iii) activity: all but agricultural sector; (4) ownership: at least 51% privately owned.

Potential entrepreneurs – registered as unemployed with the Agency of Employment with a concrete idea of setting up their own business. By concluding the contract with the APPRM, the unemployed person is obliged to register his or her business and start operation within 6 months of signing the contract.

Each beneficiary of the voucher system is entitled to use several vouchers, each voucher corresponding to one counselling project. The upper limit of the programme subvention for active companies amounts to 45.000 MKD. The volume for unemployed persons (100% subvention) or start-ups is 37.000 MKD incl. VAT. The vouchers are valid for a period of 3 months. In practice, if the company has planned different counselling projects it may use more than 1 voucher, up to the total consulting value of 90.000 MDK, receiving a 50% refund from APPRM. The price for the consulting hours is defined for generalists – maximum 900 MKD excl. VAT (15 Euros) and for specialists 1.200 MKD (20 Euros) excl. VAT.

The **remuneration for the BSOs' services** under the programme are specified as follows: (i) for the first contact with the potential voucher user, the initial diagnostic interview, filling in data on the user and concluding the contract the BSO is paid 2,5 hours; (ii) for issuing vouchers for a counselling service the remuneration is granted for another 0,5 hours; (iii) for monitoring and supervising the counselling projects, informing APPRM, filing of documents related to the voucher the remuneration is 10% of the consulting hours realised. One hour is valued at 650 MKD net, or 11 Euros.

The Agency acts as 'guardian' of the programme on a national level, and provides strategic by:

- Monitoring and assessing the functioning of the voucher programme, in order to detect weaknesses, the needs for improvement, and resolving these;
- Monitoring the programme implementation and success in the pilot programme phase;
- Monitoring the overall implementation and success of the programme on an annual level;
- Evaluating and reporting;
- Redesigning the programme (decide upon the redesigning need and propose changes; approve new design),
- Monitoring the activities and projects related to entrepreneurship development and avoiding overlapping,



For the monitoring of the VCP some indicators have been set by the APPRM in the documents concerning the reports of clients, consultants and BSOs. Reports refer to the different aspects of the counselling, the procedure, payment, quality and time of the services provided.

In January 2006 APPRM and representatives of the Ministry of Economy undertook a short monitoring in the Skopje region. Some companies were visited on their premises and questioned about the counselling provided about the payment and other relevant aspects of the VCP.

Cases of fraud and corruption during the pilot phase were not detected. When cases of potential fraud and corruption were diagnosed during personal interviews (1 in Skopje, 4 in Strumica) those applicants were not included in the programme.

The **following results** were realised during the pilot phase:

TABLE 1: RESULTS PILOT PHASE

	Skopje	Strumica Region	Total
Number of Vouchers issued	37	72	109
Number of clients	24	32	56
Active Companies	19	8	27
Start-ups	5	24	29
Number of Consulting hours	1.055	1.184	2.239
Total amount disbursed (EURO)	10.180	16.268	26.448
General Counselling	68%	86%	80%
Specialist Counselling	32%	14%	20%
Number of consultants engaged	17	17	25



The above results show that a greater number of vouchers were issued in the Strumica region. This is partly explained by the larger number of unemployed persons in need of support from the voucher system, but may also be related to more effective promotional activities in the Strumica region. With regard to the consultants involved, a total of 28, out of 111 consultants registered under the programme has been active in both regions.

The demand for consulting services in the generalist and specialist areas has been distributed to the following fields:

CHART 1: GENERALIST CONSULTING SERVICES PROVIDED IN SKOPJE

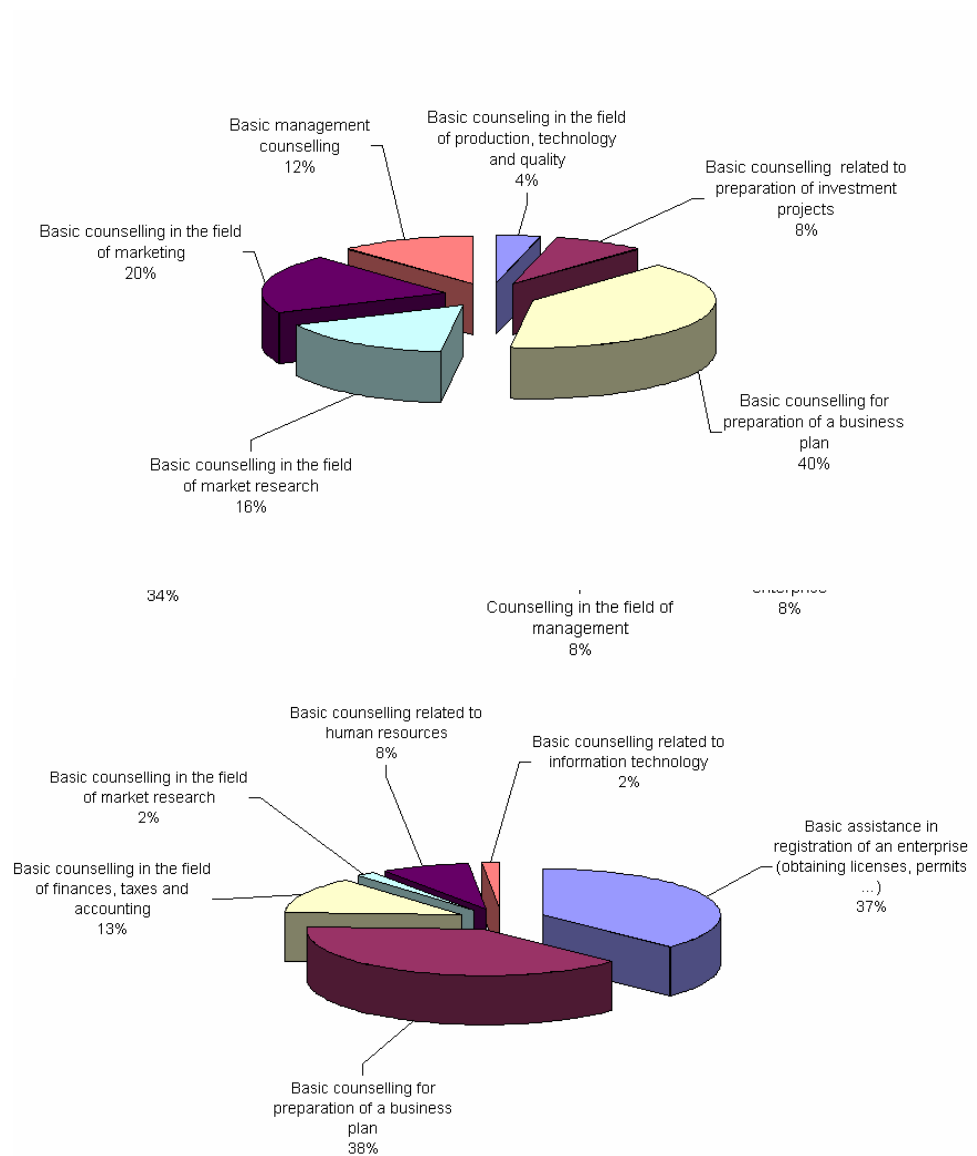




CHART 3: GENERALIST CONSULTING SERVICES PROVIDED IN STRUMICA REGION

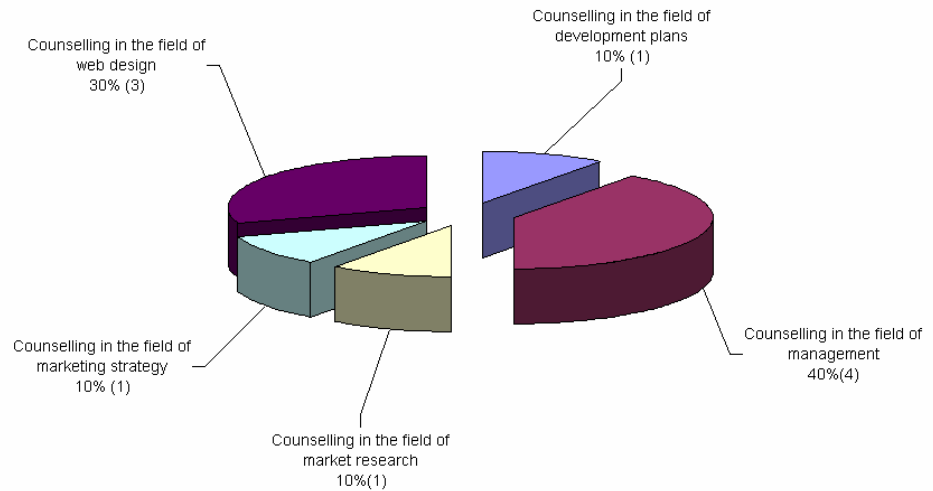
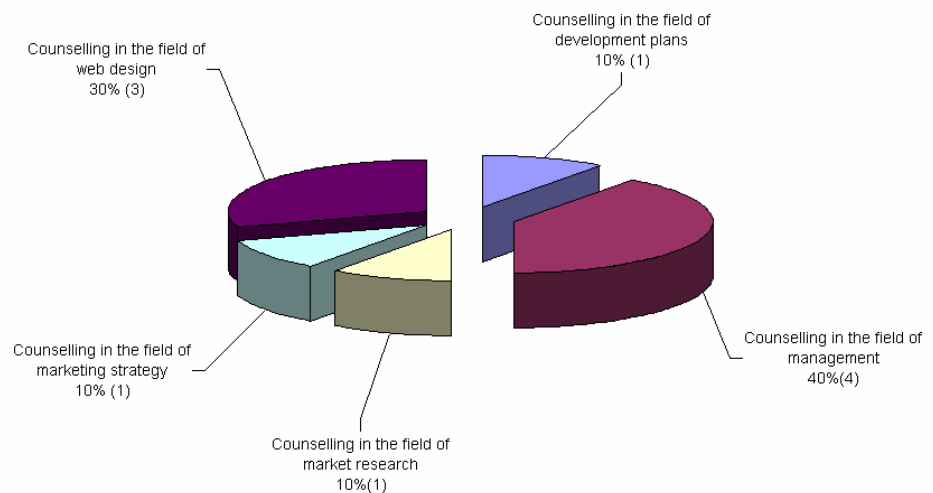


CHART 4: SPECIALIST CONSULTING SERVICES PROVIDED IN STRUMICA REGION



It can be concluded that the active companies in Skopje have a higher demand for specialist services, namely in the fields of IT support and the protection of intellectual property rights. The active companies in Strumica region on the other hand also used the vouchers for generalist services, mainly in the field of management and marketing consulting in general. However, it is too early to reach general conclusions with respect to more



targeted interventions of the VCP since the data base for active companies is still too small.

It should be noted that the above budget does not reflect the personnel costs for the APPRM staff involved, both during preparation as well as implementation of the pilot phase. It is assumed that at least one full-time-position is needed to carry out the monitoring, assistance to the BSOs as well as the administration of funds and handling of payments during the implementation phase of the VCS.



TABLE 2: TOTAL BUDGET PILOT PHASE

Category	EUR
Travel/Training expenses related to the VCS	
3 days travel to Slovenia (training) of staff of APPRM and BSOs Skopje and Strumica	1.350
3 days training of BSO staff in Slovenia	1.300
Subtotal	2.650
Announcement for Consultants in Daily Newspapers	
October 2005	2.250
November 2005	2.250
December 2005	1.400
Subtotal	5.900
Promotion of the Voucher Programme	
Presentation in Skopje (financed by previous EU-project)	2.500
Presentation in Skopje (financed by APPRM)	800
Presentation in Strumica (financed by previous EU-project)	2.500
Presentation in Strumica (financed by APPRM)	600
Subtotal	6.400
Total Preparation and Promotion	14.950
Remuneration for BSOs' services incl. 10% incentive payments ³	4.611
Total Administration VCS	19.504
Total amount of vouchers issues	25.901
Total amount spent without promotion	30.512
Total amount spent including promotion	45.462
Percentage spent on administration and promotion (out of	43%

³ It should be noted that the total remuneration for BSO's services could increase since at this time not all counselling projects have yet been finalised.



2. EVALUATION FINDINGS

2.1 Analysis of Programme Design

Prior to the field visits the consultants spent time studying all relevant project documents. Further, they discussed the project preparation and design with the APPRM staff and BSO Skopje in particular. The consultants were under the general impression that the project was well prepared and overall well designed.

2.2 Observations from Field Research

In order to assess the overall programming and the results of the voucher counselling programme during its pilot phase the consultants interviewed beneficiaries, consultants, the business support organisations as well as APPRM. Interviews were held in both target regions, Skopje and Strumica. The companies and start-ups, as well as the participating consultants were selected by the two BSOs, respectively by APPRM. In a number of cases beneficiaries, as well as their contracted consultants were visited. This had the effect that the added value of information gathered was rather limited. In Strumica, in most cases consultants accompanied the consultants to the company visits or the interviews were held on their premises. The confidentiality of the comments regarding the programme could therefore not be ensured in all aspects. However, the consultants feel the number of interviews has been sufficient to reach conclusions and develop recommendations for the future implementation of the programme.

The consultants' overall impression was that both beneficiaries, as well as the consultants and the implementing agencies, were generally highly satisfied with the programme's results. Several times companies mentioned their surprise over the fact that for the first time the government 'is doing something for enterprises'. The same applies to the procedure of obtaining the vouchers; most were highly satisfied in comparison to other bureaucratic procedures. The consultants would like to emphasize that the cooperation with both the BSOs as well as the APPRM were perceived as very supportive and professional.



2.2.1 Enterprises

The following table provides an overview of the relevant answers of the interviewed companies. Altogether 10 active companies were interviewed, 6 in Skopje and 4 in the Strumica region.

TABLE 3: EVALUATION OF FINDINGS - ENTERPRISES

1.	Products/ Services	Services 60%	Production 40%	
2.	Use of the Voucher	Specialist 60%	Generalist 40%	
3.	Would you have also used the services without the VCS?	Yes 70%	No 20%	Not sure 10%
4.	Did you use counselling/ consulting before the VCP?	Yes 60%	No 40%	
5.	If no, why not?	Not useful, not relevant		
6.	How did you learn about the VCP?	Word by mouth 30%	From a consultant 50%	From public advertisements 20%
7.	Satisfaction with the consultants?	100%		
8.	How do you assess the procedure for obtaining a voucher?	Clearly structured/ easy to follow 70%	Time consuming 20%	No opinion/ consultant helped 10%
9.	How do you assess the cooperation with the BSO?	Excellent 80%	No contact 10%	Fair 10%
10.	Settlement of payments by APPRM	Highly satisfied 100%		

From the data presented above it can be concluded that the demand for consulting services was higher with companies active in the service sector than in the production sector. This might be related to their own proximity to services or it could be related to their consultants involved in making contacts. When asked whether they would have also used the services without the VCP the majority (70%) responded yes. In view of the consultants those were also the very competitive companies. This is a critical issue to be further observed. It raises the question whether there is really a need for Government subsidies for competitive enterprises – and at the same time – the probability for non-competitive enterprises to catch up with the market by using consulting services under the VCP.



With regard to the effectiveness of the promotion the data shows, that only 20% learned of the Voucher programme by media and a significant number (50%) was contacted by their later consultants to make use of the funds. Generally, the interviewed companies expressed their appreciation for receiving Government funds and all of them were highly satisfied with the handling of finances by the APPRM. The cooperation with the BSOs was also assessed to be excellent by 80% of the respondents. One company criticised the time and efforts necessary to receive several vouchers. Another company never even needed to get in touch with the BSO, everything been handled by their consultant (this is clearly not in line with the regulations!).

2.2.2 Start-ups

During the consultants' evaluation mission a total of 19 unemployed persons or start-up entrepreneurs was interviewed; 2 in Skopje, 17 in Strumica. The interviews were partly conducted in groups.

The terminology 'unemployed persons' as a target group is misleading in this context. The consultants got the impression that the interviewed persons were registered with the Agency for Employment but not 'unemployed' in a way that they did not work. Some of them were working with companies without an employment contract. Hence, the term 'unemployed' is rather a formal one, leaving more room for the selection of prospective business ideas, than, for instance, in Western European countries.

When questioning the start-up entrepreneurs about their business-related professional experience the majority stated they had been working in the same field for at least several years. This positive impression is supported by the fact that in Strumica 20 out of 24 clients have already registered their business and some have started operation. This leads to the conclusion that the BSOs have thoroughly screened the business ideas, thus contributing the vouchers to promising new business start-ups.

Regarding the effectiveness of the promotion, better results have been observed in the Strumica region. Here, the respondents were aware of the TV spots and the ads in the public newspapers. However, the mission of the spots and the general eligibility criteria sometimes remained unclear to them. Surprisingly, one beneficiary learned of the VCS by accessing the APPRM web page.



TABLE 4: EVALUATION OF FINDINGS – START-UP ENTERPRISES

1.	Products/ Services	Services/ Trade 79%	Production 21%	
2.	Use of the Voucher	Specialist 0%	Generalist 100% (business plan, registration)	
3.	Would you have also used the services with the VCS?	Yes 0%	No 100%	
4.	Did you use training/ counselling before the VSC?	Yes 0%	No 100%	
5.	If no, why not?	Not available, too expensive		
6.	Relevant professional experience related to the business	Yes 89%	No 11%	
7.	How did you learn about the VCP?	Word by mouth 63%	From a consultant 21%	From public advertisement/ APPRM web page 16%
8.	Satisfaction with the consultants	Excellent 100%		
9.	How do you assess the procedure for obtaining a voucher?	Clearly structured/ easy to follow 100%		
10.	How do you assess the cooperation with the BSO?	Excellent 100%		

2.2.3 Consultants

During the pilot phase evaluation, 14 consultants were interviewed from Skopje, Strumica, Radovis and Kavadarci. Some of the interviewed consultants were owners of private consulting firms, some were independent consultants. The services offered during the pilot phase were consulting or counselling, information provision, and some forms of training for the unemployed. Most of the interviewed consultants were specialist (80%) and only 20% generalists. From the list of 111 certified consultants 25 were involved in the pilot phase who acted as full-time consultants. All



interviewed persons were already active in the market before getting involved in the voucher programme. Hence, it can be assumed that the selection of consultants has been properly executed and cases of fraud and corruption at this end can be excluded.

When asked for the reasons for getting involved in the voucher programme most consultants claimed financial reasons as main motivators. Another reason was cross-selling other services to the clients, which in some cases worked out.

The consultants were asked how they were contacted by their clients. Word by mouth was the most important source of information (60%). Active self-promotion contributed 20% to the contacts with clients, and another 20% of contacts were arranged by APPRM and the BSOs. First contacts with clients were personal (80%) and ultimately by phone (20%). Consultants received feed-back from clients on regarding the performed consulting work (100%), and the work performed was assessed as excellent (100%).

Support and cooperation with APPRM and the two BSOs was ranked very high (excellent 100%). The consultants were also perfectly content (100%) with the timely handling of payment by APPRM. Some consultants came up with suggestions for improving the procedure during the implementation phase. The delivery of vouchers was considered too time consuming. Especially for those companies in need for more than one voucher for one consulting assignment the procedure could be simplified. The level of detail in information required was also questioned to be relevant for the purpose.

The consultants were more critical on the promotional activities in general and the assessment of the application/ registration for the VCP for consultants. 60% believe it is good, 30% fair and only 10% excellent. Several of the interviewed consultants undertook their own promotional activities, such as TV spots on local TV, personal contacts etc. According to their opinion, for the next phase promotion should be improved in general (CD for VCP to be developed and delivered; Presentations; Special presentation for different target groups - e.g. unemployed; catalogue; training for the BSOs - procedure, documents, assessment of business idea, customer relationship).

The consultants are 100% positive about the usefulness of VCP for SMEs and entrepreneurs. The VCP will initiate new projects/ start-ups and will promote the consulting as a profession. All interviewed consultants assess the voucher programme as important for the development of the consulting sector. All interviewed consultants expressed their willingness to participate in the implementation phase of VCP.



2.2.4 Business Support Organisations

For the pilot phase the RESC of Skopje and Strumica were included.

The RESC from Skopje is the foundation for SME support and was legally registered in 1999, founded by the City of Skopje and the Association of handicrafts – Skopje. The Regional Centre Strumica was legally registered in 1998 and founded by the municipality of Strumica, Geras Cunev-Textile factory and APPRM (instead of previously NEPA). When visiting the two centres, the consultants had the impression that both were not very active in direct customer relations, the premises not very well suited to receive outside clients. In Skopje this might be related to the recent move of the centre to other premises with renovation work still ongoing.

Within the two centres only one person was trained and further responsible for the implementation of the VCP. This limited capacity already had negative impacts for the BSO Skopje, since the responsible programme officer left the centre to work on another project. Both BSOs rely on project funding from the Government as well as international donors. Their general services offered were consulting/ counselling (80%), training (10%) and information (10%). The voucher programme for both centres was considered an important source of funds. The IT infrastructure in both centres is outdated.

When asked how the clients contacted the BSOs within the voucher programme, they responded that more contacts were personal (60%) than by phone (40%). The assessment of the eligibility of the potential voucher users was done by personal interview in the BSO and by review of the financial data. The number of approached and interviewed clients was more than the actual number of voucher users. A smaller number (exact figures could not be provided) of applications had to be rejected because their business idea was not convincing or they refused to present their financial data. Other potential clients - unemployed persons, mostly in Radovis and Strumica, did not use the voucher due to perceived high costs for registration of the business.

The consultants were selected by personal recommendation (80%), selection from the official list (10%) and by preference of clients (10%). The follow-up of the counselling services was by assessment of documents – mostly consulting reports (80%) and discussion with the clients (20%). The payment procedure was assessed as appropriate (100%).

Both BSOs estimated the preparations for the pilot phase fair, and their own capacity (manpower) to implement the VCP satisfactory. It was mentioned that the financial benefit for the execution of the programme did not cover the manpower in all cases. However, they had no unforeseen expenditures (materials, financial funds) caused by the voucher system. The excess time spent on the voucher programme was mainly related to information provision for clients not yet sure on the benefits of the programme.



The timely reimbursement for the services performed by the two BSOs was considered excellent (100%). However, the BSO Skopje mentioned that they were not always informed on time when the 10% incentive payment could be invoiced to APPRM. The support and cooperation with the APPRM in general was regarded as excellent by both centres. This applies for both the procedure in general and the preparation of manuals and documents. According to the BSOs' experience the documents are well prepared, clearly structured and ready for implementation. There is no need for further adaptation. BSO's were engaged in the monitoring process during the implementation of the pilot phase and there were no potential disputes. The BSOs assess the value of vouchers according to the needs of the enterprises / entrepreneurs as good (80%) and excellent (20%).

The list of consultants fully satisfies the expectations of the BSOs. The assessment of the quality of the consulting work is as follows: General professionalism/ experience – excellent 100%; price – excellent 50% and good 50%; timeline – excellent 100%; cooperation – excellent 100%; methodology– excellent 100%; demand-oriented with the client – excellent 100%; quality of documents prepared - excellent 100%. Clients will very likely (100%) benefit from the consultancies in terms of economic / financial results.

Promotional activities were assessed as good (80%) and fair (20%). Both BSOs were engaged in promotional activities for the pilot phase, but Strumica BSO was more engaged in promotion. Suggestions for improvement of the promotion are about different target groups (unemployed persons, companies, regions).

The interviewed BSOs expressed their willingness to participate in the implementation phase of the VCP. The interest for participation is mainly financially motivated by affected by the hope of getting new clients for their own establishment of consultancy services.

Suggestions towards the improvement of the VCP in the implementation phase are: connecting the voucher programme with different forms of funding for the support of start-ups (credit lines, low interest rates, subvention for working capital etc.).



2.3 Future Funding and Planning

The planned budget for the implementation of the voucher scheme in the whole country in 2006, is 48.988 EURO (equivalent to 3.000.000 MKD) for the implementation of the Voucher system in the whole country (Official gazette No.23 /24.II.2006). Activities are planned as follows:

- Organisation of four one-day seminars for the presentation of the VCS to the SMEs and partner institutions;
- Support of 150 clients;
- Maintenance of the web site for counsellors.

The targets to be achieved are:

- Supporting the improvement of the competitiveness of existing SMEs;
- Further implementation of the VCS as an instrument for strengthening the SME sector;
- Better access and quality of counselling services.

For the implementation phase some additional activities have to be realized, such as: presentations, training of the BSO staff, promotional activities and expenses connected to the IT support. Table No 5 presents the most important activities and expenses that have to be realized for the implementation phase. The planned amount of 48.988 EURO for the voucher scheme for 2006 will not be sufficient to cover the whole country as mentioned in the official gazette. Based on the assumption that this limited budget could only cover three regions the consultants estimate that the following administrative costs will arise for the implementation phase:

It is evident that the overall budget of 48.988 EURO is hardly sufficient for realising the above mentioned objectives. It remained unclear to the consultants whether additional funds could be raised to finance the voucher grants or whether this should be also covered by this sum. There are obviously some positions in the budget which could be cut down especially regarding the IT support or the training where some parts could be covered out of the ongoing EU-SME-project. However, it should be clear that for a smooth implementation of the programme and consequent monitoring and evaluation the above budget is a modest solution. It is advised to search for other low-cost solutions especially in the IT-part of the implementation.



TABLE 5: FUTURE PLANNING AND BUDGET 2006 (in EURO)

**Expenses for the implementation phase (voucher
subventions not included)**

1.	Training for BSO staff	
-	12 persons à 5 days (50 EURO/person/day)	3.000
-	International trainer for enterprise diagnostics and customer relations	3.500
2.	Promotion	
-	Announcement for consultants	1.400
-	CD (1.500 EURO), brochure (1.000 EURO, Website (1.000 EURO)	3.500
-	Local presentations (3 x 900 EURO)	2.700
3.	BSOs administrative services (incl. 10% incentive payment) - for 3 BSOs	8.000
4.	IT-Support	
-	Dedicated Internet Line (costs p.a.)	13.000
-	SQL Server	4.000
-	Improving performance of the existing server	1.500
-	PCs and printers for 3 BSOs	3.600
	Total	44.200



3. CONCLUSIONS

After evaluation of the pilot phase programme the consultants came to the conclusion that the programme was overall well managed. This applies to both the APPRM as the implementing agency as well as to their regional offices (BSOs) in Skopje and Strumica. This assessment has been also confirmed by the voucher recipients interviewed. Hence, this is a good starting point for future implementation and also for the acquisition of additional funds. Further, the consultants came to the conclusion that the business ideas of the start-up entrepreneurs, as well as the existing companies, have been thoroughly screened by the BSOs.

Indicators such as impact, outreach, effectiveness, efficiency and sustainability can hardly be measured after the short period of pilot implementation from November 2005 to January 2006. However, first assumptions derive from the observed results.

3.1 Relevance and Effects of the Voucher Programme to Date

The relevance of the programme must be measured against the objectives of the programme:

- Larger number of potential entrepreneurs to start implementing their business (registration, starting their business)
- Opening new jobs
- Larger number of new companies to be able to survive during the first critical years of their existence
- Larger number of companies to be able to realize higher development rates and
- Encouraging the local counselling market.

After three months of implementation it can be concluded that the market demand for vouchers is considerably high and likely to grow with the ongoing implementation. This shows that this micro level intervention obviously is in accordance with the enterprises' and the start-ups' needs. However, with regard to the limited Government budget indicated for the implementation phase (see 2.3) it remains uncertain whether any of the above mentioned goals ('larger') will ever be reached. The measurement of the programme's effects will only make sense if the outreach can be significantly enhanced in the near future.

The effects of the VCP will include the number of newly created companies, the increase of return on investment of existing and new companies, the increase of sales, direct private investments, number of new products/processes introduced, increasing the overall productivity in the



supported companies after two years, new self-employments (for unemployed persons), the survival rate of existing and newly created companies, their sustainability, newly created jobs in the existing companies, their added value and the effects on the market development.

To date the observable effects are rather limited. The outreach of the programme has been limited to two regions with 56 clients supported (active companies 27, unemployed persons 29). It is assumed that the above mentioned economic effects on the micro and macro level can only be measured after a period of 12-18 months. For the pilot phase (November 2005 – January 2006), only a limited number of indicators of success seems to be relevant. This applies to the registration of 24 new companies. Only one company has created 4 additional jobs. The other remaining ones started with self-employment, indicating that depending upon the market success they would create additional jobs in the near future. However, very few of the visited start-ups seem likely to create significant additional employment since they are mainly active in the small service or trade sector.

Newly employed persons as result of the VCP are officially registered in the Agency of Employment. Besides being self-employed they also contribute to the national economy by paying the tax office as well as the national social and pension scheme. They were previously employed in the non-official sector of the economy and some of them benefited from the support programmes of the Agency for Employment. The macro benefits of the government are the decreased number of unemployed persons, the reduction of the support by the Agency for Employment and the possibilities for tax collection.

3.2 Promotional Activities

Compared to the relatively high budget spent on promotional activities the results ('how did you learn about the programme') were rather limited. As mentioned earlier, the promotion was assessed much better in Strumica than in Skopje. However, also in this region the main means of promotion were word by mouth and personal contacts. In addition, especially the start-up entrepreneurs mentioned that from the public media the overall purpose of the programme was not made clear enough to them. They had to ask the BSOs for further explanations on the programme's eligible target groups and the process of application for a voucher. The conclusions are therefore twofold: on the one hand the selection of media was obviously not target-group oriented. On the other hand it should be considered that existing companies and start-up entrepreneurs are two completely different target groups which need different approaches and explanations.



3.3 Programming

Regarding the programming most of the beneficiaries were full of praise for the organisation and handling of the documents. However, the consultants would like to raise a few comments regarding the **consultants' selection**. The system of public appeals for the registration of the consultants under the voucher programme requires a lot of efforts both with regard to time as to funds. Taking into consideration that only 25 out of 111 registered consultants were contracted under the voucher programme, it has to be questioned whether this effort is really necessary. For instance, the comparable EBRD-BAS programme operates with the principle of 'free choice of consultants'. Only in the case a consultant is selected, the reference and documents of this person will be checked. Over the years the BSOs would know the qualified consultants and could also give recommendations to those companies not clear about their consultant's choice.

A second remark refers to the **price for generalists and specialists**. The interviewed consultants were mostly satisfied with the fixed remuneration per hour. However, the prices of the consulting market should be closely monitored in the future. It has to be taken into consideration that prices are not fixed in the market and could vary significantly according to the experience and demand for specific services of an individual consultant or a consulting firm. Further, it should be questioned that the **upper limit of 100 hours/ per month** for consultants is really reflecting market conditions. From APPRM's point of view it is understandable that an individual consultant with other obligations is under time limits when conducting a consulting assignment. On the other hand the consultants should be self-responsible and follow their professional code of conduct. There are definitely some consultants in the market who could easily work 200 hours/month if not busy with other assignments.

In general, the company can make its **own choice of consultants**. This is in accordance with the BDS market development principles. However, it has been found that in several cases the companies and start-up enterprises have been approached by consultants to make use of the Voucher Counselling Programme. Hence, the question arises whether the need for the consultancy service is seen by the company/start-up or whether it is just 'sold' by a consultant realising windfall profits. In consequence, the Business Support Organisations should encourage the companies to obtain a comparative offer by another consultant and they should clearly check the consulting needs/approach in these cases. It has been proven in other related projects that the close relationship between consultant and enterprise opens up the room for fraud and corruption. Projects of start-ups which are subject of a 100% subsidy should be scrutinized even closer with respect to the above issue.

The **inclusion of 'unemployed persons' as start-ups** in a programme targeted mainly to SMEs was discussed with the stakeholders during the evaluation mission. Although the general mission of the APPRM



concentrates on the promotion of SMEs the 'stimulation of the establishment of sustainable start up enterprises' as well as the support of 'individual entrepreneurs' is clearly indicated in the profile of the organization. However, it should be balanced between the two target groups since low survival rates of start-ups in many European countries entertained sincere doubts on the effectiveness of promotion programmes for entrepreneurship. In this context, it should also be questioned whether the standard 'preparation of a business plan' is really according to the needs of the entrepreneur or if some need different skills such as bookkeeping or a more thorough market research. The consultants recommend linking the VCP with other more general training programmes funded by other ministries or donors (refer to chapter 3.3 recommendations).

For active enterprises it could be worthwhile also granting vouchers for group trainings. It was mentioned by the enterprises that e.g. training in eco-labelling or ISO standards could easily include several enterprises at the same time having the additional benefit of networking among the participating companies.

Regarding the **monitoring and evaluation** of the programme it was mentioned above that the APPRM and MoE together undertook a short review of the programme in January 2006. Within APPRM the main data is collected: number of vouchers, consultants and areas of consulting. However, there is no clear indication within the programme documents how the programme shall be monitored against the set programme objectives. There is a need for clear quantitative and qualitative indicators to be monitored by an independent outside body since the APPRM is also involved in programme implementation thus having vested interests. It is planned that another monitoring mission will be funded out of the EU project but this is not a long-term solution beyond the project's duration (May 2007).

3.4 Efficiency

Efficiency of the VCP is to be assessed in terms of cost-efficiency, operational efficiency and synergy efficiency.

In the pilot phase the APPRM spent 19.504 EURO on the disbursement of 25.901 EURO worth of vouchers. This works out to a ratio of 43% which is considerably higher than that of comparable programmes recently evaluated by the World Bank. The benchmark of those programmes was clearly below 30%. It has to be taken into consideration that the preparation costs were not included in the overall administration expenses. However, in the Macedonian case these expenses will occur again since new BSOs will be selected and have to be trained accordingly. Also, it is not foreseen to decrease the expenses for the promotion. The consultants advise to clearly check the future funds and budget again before planning for the implementation phase. It should be mentioned here, that APPRM obviously



does not operate with a cost-centre approach for its individual programmes. To measure efficiency and exact costs of the programme this is of paramount importance.

The operational efficiency of the VCP was good. No delays occurred, even though the project covered the two distant regions Skopje and Strumica. The comments of recipients regarding the efficiency of staff and organisation were all in all very promising.

The efficiency of synergy with other programmes to date has been weak. Whether or not APPRM has put efforts in collaboration for instance with the Agency of Employment cannot be assessed from an outside point of view. Having in mind that this institution has got abundant funds, the efforts to seek co-funding should be definitely enforced. Strictly speaking, the VCP renders services to the actual target-group (unemployed persons) of the Employment Agency.



4. RECOMMENDATIONS

Based on the above described findings and conclusions it is recommended to continue with the implementation of the VCP. However, there are some limitations, which should be mentioned here.

With reference to the planned future budget (48.988 EURO) it is highly recommended to **limit the implementation phase to only 3 BSOs/ regions** rather than the anticipated 6. This will induce savings in terms of administrative expenses as well as safeguard the good reputation of the programme. If spread to too many regions not enough volume will be available and the positive effects of the programme, namely to market the governments initiative towards SMEs will be jeopardized.

With regard to the **training of future BSO** staff involved it is recommended to include more than one person/centre. This ensures the capacity building and sustainable implementation also during absence of one of the employees. Training should not only be limited to the procedures as such but also include enterprise diagnostics and customer relations. The engagement of an experienced international trainer could be funded out of the ongoing EU-SME project within the APPRM.

The anticipated costs for upgrading the **IT-hardware** should once again be scrutinized with respect to more cost-efficient solutions to establish a network between the APPRM and the BSOs. (it should be discussed whether a synchronised DSL line is also sufficient). The consultants had a look at the software to connect APPRM with the BSOs. It seems to be rather advanced and the responsible IT-manager within APPRM suggested to engage a local programming expert to finalise the tasks. This has been suggested to the team leader of the EU-SME-project.

It has been questioned whether the inclusion of start-up entrepreneurs or 'unemployed persons' is really according to the Agency's mandate. As elaborated above this **target group** is mentioned in the APPRM's mission. Against the backdrop of the limited funds it might be advisable to concentrate on only one target group in the near future, most likely existing enterprises. This will ease the procedure and reduce the administrative costs per project since the projects are significantly larger. APPRM could in turn offer its services to the Employment Agency to issue vouchers for counselling to unemployed persons. In any case it is highly recommended to concentrate on a stringent selection procedure to ensure that only a limited number of start-ups fail after registration. It has been discussed that the Employment Agency could offer more generalised entrepreneurship training and responsible trainers could recommend suitable beneficiaries to the VCP.

If the APPRM decides to continue with both target groups a fixed percentage for each region could help to balance the support. One selection criteria for 'unemployed persons' could also be the job creation impact of the project. In any case, the APPRM should by any means refrain



from the inclusion of an additional target group – the agricultural sector – as suggested by many of the interviewed persons. This sector is definitely not included in their target groups

The promotion for the implementation phase should be reconsidered. Based on the findings of enterprises and start-ups the promotional means did not result in the desired effects. In future, the two target groups should be addressed differently. The start-ups will need more down-to-earth promotion and explanation of the benefits for them whereas the existing entrepreneurs are probably more interested in the procedure of obtaining a voucher. The suggestion here is to combine low-cost promotional means such as brochures together with personal promotion by the involved agencies (APPRM, BSOs, EA) since word of mouth has proved to be the most effective communication channel.

The VCP lacks an **overall approach for monitoring and evaluation**. Neither the APPRM nor outside bodies have been entrusted with a clear mission on how to assess the programme's overall success. Monitoring is not only important as a means to prevent misuse of funds, but also as an opportunity to gather information on the BDS market. The monitoring function requires the establishment of a Management Information System (MIS), building on a comprehensive database for the operation of the VCP. The APPRM is expected to develop the MIS and will provide the BSOs with the necessary instruments for data collection and processing. This ensures the comparability of the instruments in different locations.

It is foreseen to have a mid-term evaluation of the programme after 9 months or later funded by the project but this does not release the APPRM staff from its obligation as a Government organisation to undertake their own evaluations. Clear indicators should be set against the programme's goals such as market, supply and demand indicators. It is envisaged to deploy an international M+E expert to the project who should together with APPRM staff develop suitable indicators for the future VCP.

The following tables provide some samples on possible indicators and the method of data collection.



Overall market development indicators measure the extent to which scale and depth are achieved by the VCP:

TABLE 6: CONSULTING MARKET DEVELOPMENT INDICATORS: TO WHAT EXTENT HAS THE VOUCHER PROGRAMME ACHIEVED SCALE AND DEPTH?

<i>Indicator</i>	<i>Method of Data Collection/ Calculation</i>
Number of consultants in the market	Market diagnostic or secondary sources in-country
Average price of one course hour	Interview with consultants, market survey
Repeat voucher users	Programme data
Percentage of target population using vouchers	Baseline market data to determine extent of target market; later, programme data on usage
Absolute numbers of vouchers used	Programme data
Actual versus projected voucher usage	Programme data – usage objectives prorated for length of programme; number of vouchers used during a particular period divided by number of vouchers projected to be used during that period
Change in consultants' prices over time	Information collected from providers each time they submit a project for approval
Number of consulting projects/ training courses	Interviews with providers
Total programme cost per voucher redeemed	Programme data; (total programme cost divided by the number of vouchers redeemed;; alternatively, a crude measure is to total programme budget divided by objective number of vouchers to be distributed



TABLE 7: SUPPLY INDICATORS: HOW DEPENDENT ARE SUPPLIERS ON THE SUBSIDY, AND WHAT ARE THE PROSPECTS FOR SUSTAINABILITY?

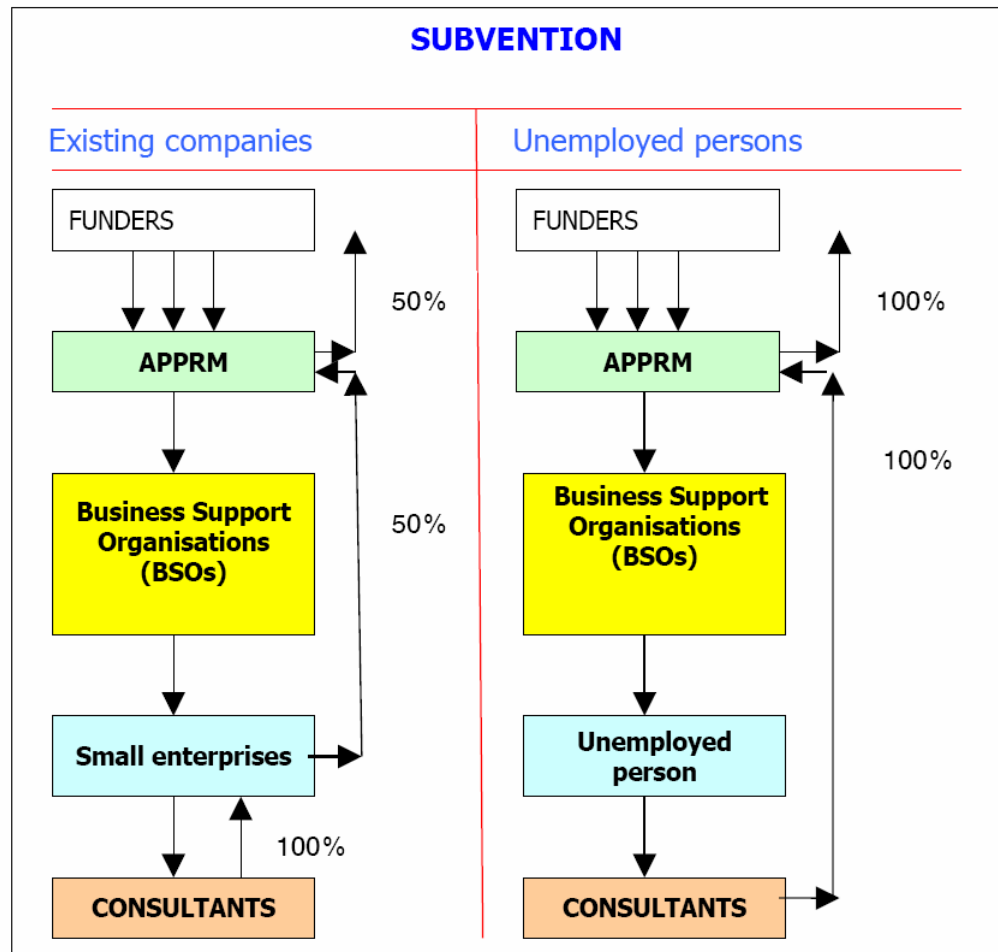
<i>Indicator</i>	<i>Method of Data Collection/ Calculation</i>
Percentage of registered consultants active	Number of active consultants divided by all registered providers
Product dependence on vouchers	Revenues from vouchers divided by revenues derived from voucher-eligible products
Consulting dependence on vouchers	Revenues from vouchers divided by revenues from consulting
Institutional dependence on vouchers	Revenues from vouchers divided by total institution revenues from all activities
Percentage of consultants who found the information from the implementing BSOs/APPRM helpful	Interviews at registration
Percentage of consultants who participated in further training to upgrade their knowledge	Interviews with consultants/ programme administrators

TABLE 8: DEMAND INDICATORS: WHAT EFFECT HAS THE PROGRAMME HAD ON STIMULATING THE DEMAND FOR CONSULTING?

<i>Indicator</i>	<i>Method of Data Collection/ Calculation</i>
Number of vouchers used	Programme data
Repeat use	Programme data
Number of first-time consumers of consulting using vouchers	Programme data
Average amount of co-payment	Consultants records
Percentage of consumers who found the information from the implementing agency/BSOs helpful	Audits; questionnaires filled out at registration
Percentage of users who rate the quality of the consulting as satisfactory or better	Audit, questionnaire filled out at cash in of the vouchers

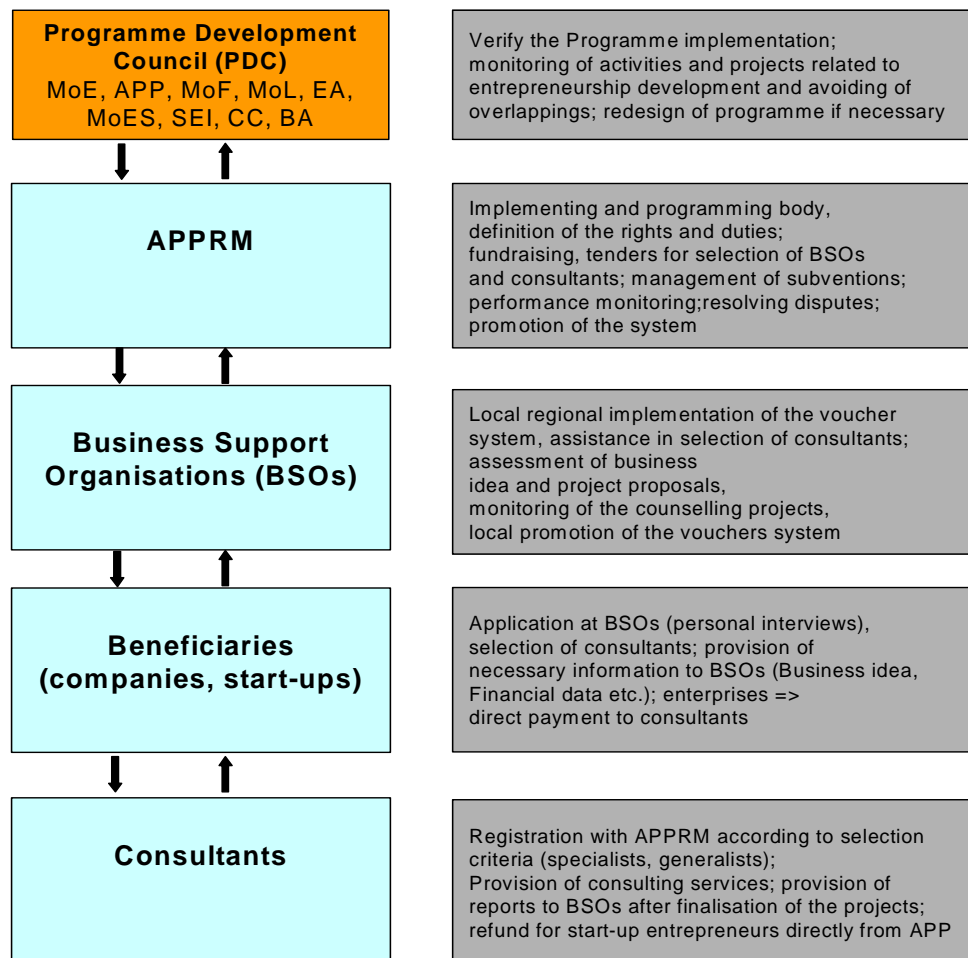


ANNEX 1: THE SUBVENTION PROCESS UNDER THE VCS





ANNEX 2: ORGANISATIONAL SET-UP OF THE VCS





ANNEX 3 LIST OF PERSONS MET

Regional Enterprise Support Centre Skopje (08/03/2006)

- Svetlana Kirevska, Director
- Katerina Spasovska, VCP Consultant-organiser

Regional Enterprise Support Centre Strumica (15/03/2006)

- Ilija Gastarski, Director
- Marija Taseva, VCP Consultant-organiser
- Marija Bonevska, Consultant

Consultants

Skopje

- Marin Gavrilovski; lawyer, Intellectual property rights (09/03/2006);
- Risto Ivanov – Marketing, Management (09/03/2006);
- Marija Rakojcevska – Agriculture Start ups, Business plan (09/03/2006);
- Sonja Cerepnalkovska – Marketing, Management, General (09/03/2006);
- Ljubomir Trajkovski - MIT (10/03/2006);
- Sonja Nakovska – Architectural services (13/03/2006);
- Ana Arsovska – Management, Marketing, General (13/03/2006);

Strumica

- Nikola Trendov, Incubator Strumica, Management, Business plan, General (15/03/2006);
- Meri Enimitova, Incubator Strumica, Management, Business plan, General (15/03/2006);
- Vanco Popov, Management, Business plan, Tourism (15/03/2006), consultant from Kavadarci;
- Goce Premetarov, MIT, Web design (15/03/2006);
- Vesna Andonova, Business plan, General (15/03/2006);

Radovis

- Janka Dimitrova, Management, Business plan, General (16/03/2006);
- Stojna Zdraveva, Business plan, General (16/03/2006);



Enterprises

Skopje

- CS Global
- Velident Trejd
- Dominus DOOEL
- Aniv DOOEL
- INET
- FINI Elektronika DOO

Strumica Region

- DTU Niprom
- T.D Vasilev Komerc DOOEL
- Delifo
- Ferteks

Start-up Entrepreneurs

Skopje

- Toni Cvetkovski
- Ramadan Sali

Strumica Region

- Chukarski Aleksandar "VEMKA" (trade);
- Atanasovska Dance "DIMITRI" (trade);
- Svetanovska Katerina "KASTELA" (Sewing, repair of sewing machines);
- Gosevska Vaska "VASILIJA" (taxi)
- Ivanov Ice "INKANTESIMO" (pizzeria)
- Banskoliev Orce "BONSONI" (greenhouse agricultural production)
- Eftimov Vanko "VRTESKA" (trade).
- Aleksandar Aleksov "Meridzein" (pizzeria)
- Eva Lukareva "Vita Eva" (cosmetics)
- Nojko Jovanov "Venda" (trade)
- Stojan Maliniv "Milk Men" (dairy)
- Ilija Cifliganec "Bignet" (IT)
- Nace Atanasov "Elit N" (trade)

BAS programme Skopje

- Maja Antevska, Programme officer