



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

An EU-funded project managed by the European Agency for Reconstruction

Republic of Macedonia

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

(EuropeAid / 05MAC01 / 10 / 001 – EAR)

Mid-Term Evaluation of



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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



EXECUTIVE SUMMARY

Concept and Definition

The Voucher Consultancy Scheme (VCS in the following) of APPRM is an example of 'international best practice' for SME development and entrepreneurship promotion. APPRM's VCS is modelled closely after the Slovenian VCS, which is a high profile and well established programme in this country.

The VCS aims to encourage established small enterprises to take up consulting services to strengthen their operations and competitiveness; and to provide aspiring entrepreneurs from among the ranks of the unemployed with counselling, training and information services to facilitate their transition into self-employment.

On the supply side, the VCS aims to provide an incentive to qualified persons to enter the consulting arena and to established consultants to expand their services; and to engage business support organisations to become a regional partner of the APPRM.

Self-employment assistance is provided at no cost to the unemployed while SME support is a matching grant, covering 50 % of the cost of the services.

Pilot Phase

The pilot phase of the voucher system was implemented by the APPRM in cooperation with two Regional Enterprise Support Centres in Skopje and Strumica from Nov05 to Jan06 to test the beneficiaries' demand for the programme as well as the implementation approach. The basic delivery system for the VCS was established during the pilot phase and entailed the preparation of initial documentation, selection of implementing partners (RESCs), design of IT support, recruitment of consultants-counsellors, and promotion of the VCS to the target group.

Implementation Phase 1

The VCS was further strengthened last year through technical inputs from the SMEDP project which included: restructuring the BDS portfolio; streamlining the delivery process/procedures; producing a manual and associated tools; preparing project documents for planning and solicitation; engaging additional BSOs as implementing partners; expanding the local business consultants database; training managers, implementers and deliverers of the scheme in system modifications; and re-designing the Agency's IT-based management information system to better monitor activities and results.

Study Purpose

The main aim of this report is to establish how well the VCS was performing against its purpose and result areas (i.e. overall progress) during the period following the pilot phase, i.e., May to December 2006.



The objectives of the assignment were:

- Assessing whether the rationale, objectives and implementation strategy of the VCS are still relevant ;
- Assessment whether the regional partners are implementing the required deliverables according to schedule and established procedures;
- Identifying issues pertaining to resources, objectives, performance and management, and suggesting solutions and recommendations for strengthening the VCS.

Bearing in mind the limited resources available during the period in question and the resulting minimal reach and impact of the VCS operations, it was decided to carry out a 'quick scan' or rapid assessment of the scheme rather than a time-consuming and costly in-depth evaluation.

Methodology

In order to achieve the above objectives, the following activities were undertaken: a review of documents relating to the design and delivery of the VCS; a survey of BSOs, beneficiaries and consultants carried out by the RESCs/ESAs; interviews with the responsible managers at APPRM; discussions with implementing partners on the regional level; ad hoc meetings with donor representatives and project managers.

The draft report was presented to and discussed with the SMEDP and APPRM. The cooperation and support of APPRM, especially M. Stojcev and L. Nikolovski, during this assignment is greatly appreciated.

Findings and Analysis

From May to December 2006 a total of Euro 42,622 was expended for VCS operations; out of this amount, slightly more money was committed toward the SME matching grant than to the self-employment assistance scheme [SEA].

In SEA, 61 clients were accepted from 80 applications resulting in 118 vouchers being issued; 8 of these vouchers expired or were cancelled. Average consulting hours per client were 23 with a value of Euro 373 or 193 per voucher. The BSO administration fee was 17% of the subvention value or Euro 3,868. The number of counsellor-trainers in the APPRM database doubled to 50.

In SME matching grants, Euro 21,480 was expended May-Dec07 on 55 SME clients that were accepted from 60 applications resulting in 77 vouchers being issued. Of these, 46 were completed and 22 are ongoing, and 9 either lapsed or were cancelled. The average value of a project was almost Euro 630 [with subvention being one-half of this amount] comprising approx. 42 hours of consulting for each project [Euro15 paid as consulting fee hourly]. The BSO administration fee was 17% of the subvention value or Euro 4,139. During the first implementation phase, an additional 70 local



business consultants were recruited into the APPRM database bringing the total to 160 although only a quarter of them were 'active'.

For 2007 APPRM is expecting only Euro 70,000 to implement the VCS. At this time [early March] VCS activity is 'frozen' pending final approval of funds for vouchers and this has interrupted programme delivery.

A general observation from the study period is as follows:

- Positively speaking, it can be stated that the scheme is designed appropriately for SME development in this country, a solid foundation has been laid for the VCS to operate efficiently and effectively, and the scheme has achieved positive albeit modest results since its inception;
- On the downside, the scheme's outreach, scale and impact is fairly negligible due to the fact that the initiative has been grossly under-resourced and there are still shortcomings in organisation, governance and competencies.

A key question is why the scheme was not adequately funded by the State Government, after it was successfully piloted and strengthened via donor assistance, and considering that one of the new Government's priorities is supporting SME development to create employment. Furthermore, although various donors have expressed an interest in financially supporting the VCS, without evidence of strong government endorsement and/or significant financial contribution from the State budget, donors have opted instead to support other initiatives.

Additional technical assistance can be provided to the VCS through the ongoing SMEDP project (and presumably through its successor project due to start in Sep07) to further improve the management and implementation of the scheme. However, without an adequate budget, the VCS will never 'take off'. In other words, without meaningful funding the VCS will not achieve demonstrable results, and the scheme runs the risk of being dismissed as irrelevant or regarded with disdain, at least in some quarters.

Conclusions and Recommendations

Arising from the findings and analyses carried out during this mid-term assessment, specific conclusions and recommendations can be made as follows:

Relevance

The interest shown in the VCS from SMEs and from individuals, and the uptake of the vouchers offered so far, demonstrate a strong need for such assistance. The design of the delivery system was successfully adapted to the conditions in the country during the pilot phase, and is therefore a solid basis for future replication. It can be concluded that the design and intervention strategy is relevant for the conditions encountered in the country at present.

It is therefore recommended:



- to proceed with this approach to assisting SME start-up and growth;
- to 'promote' the VCS from a project to a National Programme of the Agency.

Reach and Scope

The organisational set-up, whereby the scheme is supervised by a Programme Council, managed centrally by APPRM, implemented through regional partners or BSOs, and services delivery outsourced to local business consultants and counsellors-trainers, is working fairly efficiently.

However, the VCS is not reaching out to all regions and businesses in the country, and it is only loosely connected to other related initiatives and activities of the Government and donors. It is also not actively or widely promoted with its target groups (SMEs and potential self-employed people), and with the business community in general. Therefore it is recommended:

- to continue with the present organisational structure [for VCS delivery system] with clearly assigned and differentiated roles and responsibilities among the four levels;
- to engage more BSOs to achieve greater national coverage;
- to build a national network of BSOs under the auspices of a National BSO Association;
- to strengthen the Management Boards of the BSOs at the local level;
- to activate the National Voucher Programme Council;
- to establish strong, formal linkages with related projects and activities, and to explore pro-actively all co-funding opportunities;
- to develop a communication strategy/plan for the scheme including promotional materials and activities.

Efficiency

BDS efficiency is usually examined in terms of costs, operations and synergy. In both the pilot and implementation phases, APPRM has maintained implementation overheads at 17% of subvention. These costs cover administration fees paid to the BSOs for recruitment, assessment and selection of service providers, for issuing of vouchers/contracts, and for monitoring service delivery.

The actual expenditure of the VCS is well below the acceptable benchmark internationally. However, the costs of APPRM management are not accounted for nor are these expenses readily identifiable. As mentioned in the first evaluation report on the VCS, APPRM does not operate a cost-centre approach for its individual programmes. To accurately measure efficiency, the full costs of the programme need to be taken into account.

The operational efficiency of the VCS was generally good as no serious delays were reported in voucher delivery; however, some delays were



reported in the payments to the regional partners and consultants. It must be noted that at the moment a delay in APPRM receiving official notification of its annual budget hampers the ongoing implementation of the VCS.

As for synergy with other programmes and/or organisations, APPRM staff have an extensive network of contacts in the local donor and economic development community, as well as in other countries in the SEE region such as Slovenia. In addition, the Agency is currently attempting to partner with UNDP and the Employment Agency of the Ministry of Labour on a national initiative to assist 500 unemployed persons annually to become self-employed. The Agency is also in contact with targeted representatives from within the donor community in order to identify sources of possible funds for the Agency. In this regard the following recommendations can be made:

- APPRM should establish a cost-centre accounting system for its individual programmes, in order to measure overhead costs accurately;
- Payments to BSOs and Service Providers should be expedited;
- Links and partnerships with related projects and organisations (both from the public and the private sector) and with the donor community should be intensified.

Effectiveness

The VCS has been operating in an effective fashion in terms of producing deliverables. Unfortunately, activity and resulting outputs have been severely restricted due to a lack of financial resources. Furthermore, reporting has been somewhat confusing as the two different target groups – self-employed and established SMEs – have not been clearly differentiated.

Bearing in mind the need for continuous improvement, the variable quality and level of professionalism of the implementation partners, and the expectations of an enlarged programme requiring greater capacity, it is recommended:

- to further streamline the delivery system and fine-tune procedures;
- to provide professional development opportunities to those involved with system management and implementation;
- to improve the number and quality of the available business consultants and counsellor-trainers in the country¹;

¹ This requires offering larger BDS projects, increased daily fee rates, substantial skill upgrading in all service areas as well as topics related to operating a consultancy firm, better qualifications i.e. professional accreditation, a modified APPRM database, and strengthening capacity of the national representation organisations.



- to assign more Agency staff to the monitoring, control and reporting of the expanded activities and results;
- to acquire and/or develop suitable tools and techniques to enhance service delivery;
- to establish clear indicators and a performance management system that differentiates between the two target groups;
- to compensate the BSOs adequately for their implementation efforts [recruitment, assessment, matching, selection, monitoring and troubleshooting];
- to increase the maximum number of hours permitted in a BDS assignment i.e. enlarge the scope of a project.

It will be particularly important that APPRM monitors progress of the implementation closely by reviewing and analysing data generated by the MIS, and by following-up with BSOs, to ensure that all information is correctly entered into the IT system.

Impact

Clients typically benefit from BDS in a number of ways such as improvements to product and process, quality, management systems and cost structures. As a result, the client's business is positively affected in terms of higher sales and profits, larger workforce, greater investment and new or additional export activity. Unfortunately, the meagre budget for the VCS severely restricted the scope of interventions and associated impacts.

To improve on impacts, it is recommended :

- to mobilise significantly greater resources so that project size can increase, allowing for meaningful consulting support and measurable impact on the clients' businesses;
- to obtain from all prospect clients the necessary baseline data, identify all required interventions and forecast likely benefits for their business; this provides then the basis for an assessment of the impact the received services may have had on the performance of the business.

Sustainability

Sustainability must be considered in terms of managerial, organisational technical and financial aspects.

The VCS is fairly well managed, monitored and administered with good skills and systems, and consultants and counsellors are for the most part suitably qualified and experienced. From an institutional perspective, the organisational structure is appropriate and well established.

Government funding for the pilot phase as well as for the May-Dec06 period, supplemented by capacity building from EAR projects, enabled the concept to be tried and tested and the groundwork to be laid. However, the modest budget for VCS operations in 2006 and 2007 results in a limited



outreach and negligible outputs/outcomes of the VCS so far. That undermines the credibility of APPRM and also puts the long-term sustainability of BSOs in jeopardy. It is therefore recommended:

- to carry out intensive and targeted fundraising to ‘scale up’ the scheme;
- that the Government provides ‘core’ funding for BSOs in recognition of the public interest role that they play;
- that APPRM and BSOs prepare to access IPAs and other EU structural funds that will become available soon.



1. BACKGROUND

1.1 Introduction

GFA engaged Denis Dunn (further referred to as 'ISTE' or 'the consultant') to undertake a mid-term review of the National Voucher Consultancy Scheme (VCS in the following) during calendar 2006 following the pilot phase i.e. from May to December 2006.

This evaluation was carried out as part mission 5 of the ISTE's work programme for support to VCS management and implementation. The evaluation report incorporates survey data gathered/analysed by the BSOs during the month of Feb07 and was completed in mid-March 2007.

1.2 Purpose and Objectives of the Assignment

The main aim of this assignment is to establish how well the VCS is performing against purpose and result areas i.e. progress, as well as test the relevance of the implementation approach during the period following the pilot phase until to date i.e. May to Dec06.

The objectives of the assignment are:

- To assess whether the rationale, objectives and implementation strategy of the national VCS are still relevant to address the stated needs of the target population;
- To identify issues (in terms of resource availability, goals, performance and management) that affect the efficiency and impact of the VCS, and to recommend how they can be resolved;
- To assess whether regional partners are implementing the VCS according to schedule and producing the required deliverables;
- To determine whether policies and procedures are being followed;
- To make recommendations for strengthening the national VCS management, implementation and delivery.

1.3 Methodology

In order to achieve the above objectives, bearing in mind the modest resources available for the VCS during the period in question, the following activities were undertaken:

- Review of documents relating to the design and delivery of the VCS [see Annex F];



- Survey of 6 BSOs, 70 beneficiaries (existing enterprises and start-up entrepreneurs) and 36 consultants, with BSOs contracted by SMEDP to field the questionnaires and report on findings regarding beneficiaries and consultants;
- Interviews with the responsible managers at APPRM;
- Discussions with implementing partners at the regional level, i.e. the six Business Support Organisations contracted for VCS implementation;
- Ad-hoc meetings with donor representatives and managers of projects in related areas;
- Presentation and discussion of draft results to the SMEDP and APPRM.

The effective cooperation and support of APPRM staff members, particularly Mr. Marijan Stojcev and Mr. Ljubisa Nikolovski, during this assignment is gratefully acknowledged.

1.4 Description of the VCS

The VCS has two aims:

on the demand-side:

- encourage established SMEs to take up consulting services to help build and strengthen operations, enhance competitiveness and create employment;
- encourage aspiring entrepreneurs from among the ranks of the unemployed to take up business counselling, training and information services, in order to support them in their pursuit of self-employment as a career option, thereby reducing unemployment with the possibility that as the business expands additional jobs are created.

on the supply-side

- encourage qualified persons to offer consulting services and motivate established consultants to expand their service offer, i.e. help build the domestic marketplace for business development services;
- encourage local business support organisations to become an intermediary or implementing agency for the VCS and thereby build a national network of regional partners under APPRM umbrella.

The support to the unemployed is provided at no cost to the beneficiaries while the support to SMEs is a matching grant, i.e. co-funding of the requested services [see Annex A for an outline of the subvention].



In terms of governance, the Programme Council comprises representatives of the main stakeholders, including the Ministry of Economy, and supervises the scheme. APPRM manages the scheme while the BSOs implement it and the consultants deliver the services. The end user or client [business owner or self-employed] is the beneficiary. Annex B shows the organisational structure of the scheme.

The pilot phase (November 2005 to January 2006) of the VCS was implemented by the Agency for Promotion of Entrepreneurship (APPRM) under the supervision of the Programme Council in cooperation with two regional centres (Regional Enterprise Support Centres – in Skopje and Strumica). The pilot phase was necessary to test the beneficiaries' demand for the programme as well as the delivery system and management procedures.

The VCS supports the provision of business consulting, counselling and training [business development services or BDS] to the above mentioned beneficiaries in the form of redeemable vouchers. The vouchers allow users to select accredited consultants and counsellor-trainers from a database of such persons certified by APPRM.

The foundation for the VCS was established during 2005 as follows:

- Preparation of initial documentation ;
- Selection of VCS implementers (RESCs);
- Designing IT support for the voucher counselling system;
- Forming a group of experts responsible for selection of consultants-counsellors;
- Promotion of the pilot project;

In 2006 the VCS was further strengthened through the following capacity-building measures introduced through SMEDP:

- Restructuring the portfolio of business development services to better reflect the needs of target group[s];
- Streamlining the processes and procedures for a more efficient delivery system;
- Producing a manual of procedures and associated tools to guide the management and implementation of the scheme;
- Preparing project documents for planning and solicitation purposes;
- Recruiting more local business consultants in a database for service delivery;
- training managers, implementers and deliverers of the scheme to improve performance;
- Re-designing the IT-based system to better monitor activities and results.



The delivery system under the VCS is shown in Annex C for SME matching grant and Annex D for SEA VCS. These Annexes also outline the responsibilities of the various players in the scheme.

The eligibility criteria for the VCS are as follows;

SMEs:

- 0 to 50 employees and gross annual turnover up to € 1.5m;
- at least 5 years in operation;
- all sectors except agriculture;
- at least 51% privately owned.

Potential entrepreneurs:

- registered officially as unemployed with the Agency of Employment;
- a strong desire to set up their own business;
- commitment to start operation within 6 months of signing the Entry Agreement.

Each beneficiary of the VCS is entitled to use several vouchers, each voucher corresponding to one 'project'. The upper limit of the programme subvention for active companies in one calendar year amounts to 45.000 MKD [approx. 737 €] and to 37,000 MKD [ca. 600 €] for unemployed persons (VAT included).

The vouchers are valid for a period of 3 months. In practice, if the company has planned different projects it may use more than one voucher, up to the total consulting value of 90.000 MDK, receiving a 50% refund from APPRM. The price for the consulting services is defined as an hourly rate. It was initially set at 900 MKD excl. VAT (15 Euros) for generalists and at 1.200 MKD (20 Euros) excl. VAT for specialists. This distinction is no longer valid.

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 Entry Agreement 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, reporting to 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 management by:

- Assessing the functioning of the programme, in order to detect weaknesses/needs for improvement, and resolving these;



- Monitoring the overall implementation and success of the programme on an annual basis;
- Evaluating and reporting;
- Re-designing the programme as necessary;
- Coordination with related projects.

As for tracking and reporting on results, APPRM has established indicators on different aspects of the counselling, the procedure, payment, quality and timing of the services provided.

Cases of fraud have not been detected thus far. If potential for corruption is anticipated during initial interviews, those applicants are excluded from the scheme by BSOs.



2. FINDINGS AND ANALYSIS

2.1 Results

2.1.1 Pilot Phase Results

Though this mid-term review is focussed on the period May-Dec06, it is useful to re-visit the achievements of the pilot phase. The table below shows the results achieved during the pilot period. Note that in the pilot and implementation phases, the breakdown of interventions into hours [for SEA] and service areas [for SME] was initially not captured but is now being monitored and will be reflected in future reporting. Likewise, impact data [in yellow] will be captured in the future through subsequent evaluations as a procedure for determining baseline data on clients is now established.

Almost 24,000 € was expended from Nov05 to Jan06 on the VCS. Slightly more funds were allocated to Self-Employment Assistance [SEA] than to SME matching grant. During the pilot phase, there were 29 clients accepted for SEA from 35 applications resulting in 69 vouchers being issued; 2 vouchers were not utilized, as they either expired or were cancelled. Average consulting hours per client was 31 with a value of 475 € or 200 € per voucher. The BSO administration fee was 17% of the subvention value or 2,342 €. An initial 25 counsellor-trainers were recruited into the APPRM database.

On SME subventions, 10,520 € was expended from Nov05 to Jan06. There were 27 clients accepted from 30 applications resulting in 42 vouchers being issued, with 34 being completed i.e. 8 either lapsed or were cancelled. There are no outstanding projects/vouchers from the pilot phase. The average value of a project was almost 620 € [with subvention being one-half] comprising approx. 40 hours of consulting for each project or voucher. The BSO administration fee was 17% of the subvention value or Euro 2,023 €. During the pilot phase, 90 local business consultants were recruited into the APPRM database.



Key Performance Indicators				
National Voucher Scheme				
applications	no.	35	80	115
new SEA clients [EA or BDPs signed]	no.	29	61	90
value of BDP/EA committed	Euro	475	373	424
number vouchers issued	no.	69	118	187
average consulting hours per SEA client	hrs.	31	23	27
ave. consulting hours per voucher	hrs.	13	12	12.5
average value of voucher	Euro	200	193	197
ave. value per client	Euro	475	373	424
Value of voucher (net)	Euro	13,370	21,142	17256
Number of projects (net)	no.	67	110	177
Number of projects (completed)	no	67	92	159
total value of clients subvention	Euro	13,775	22,753	36,528
Admin Fee paid to BSO as % of counselor fees	%	17	17	17
Admin Fee paid to BSO	Euro	2,342	3,868	6,210
number of SEA 'counselors-trainers' [database]	%	25	50	75
	%			
	no.			
	no.			
	no.			
	Euro			
Counseling hours	%			
	no.			
applications	no.	30	60	90
new SME clients [BDPs signed]	no	27	55	82
projects committed in BDP	no	42	77	119
value of projects [subvention]	Euro	11,902	24,347	36,249
value of projects [net]	Euro	10,520	21,480	32,000
Number of projects (net)	no	34	68	102
vouchers issued [projects contracted]	no.	42	77	119
completed projects	no.	34	46	80
consultants in database	no	90	70	160
number of active SME consultants	%	25	18	43
Admin Fee paid to BSO as % of consulting fees	%	17	17	17
Admin Fee paid to BSO	Euro	2,023	4,139	6,162
	%			
	no			
	Euro			
	%			
Marketing and XD	No.			
Quality	No.			
IT/MIS	No.			
Total	No.			
subject to periodic evaluation [impact assessment]				



2.1.2 May-Dec06 Results

During the first implementation phase from May to December 2006, 42,622 € was expended with slightly more being committed toward the SME matching grant. (Cf. the table above.)

In SEA, there were 61 clients accepted from 80 applications resulting in 118 vouchers being issued; 8 vouchers subsequently expired or were cancelled. Average consulting hours per client was 23 with a value of 373 € or 193 € per voucher. The BSO administration fee was 17% of the subvention value or Euro 3,868 €. The number of counsellor-trainers in the APPRM database of local experts doubled to 50.

21,480 € was expended from Nov05 to Jan06 on the SME subvention. In SME, there were 55 clients accepted from 60 applications resulting in 77 vouchers being issued with 46 completed and 22 ongoing; thus 9 vouchers either lapsed or were cancelled. The average value of a project was almost 630 € [with subvention being one-half of this amount] comprising approx. 42 hours of consulting for each project [on the basis of a 15 € hourly consulting fee]. The BSO administration fee was 17% of the subvention value or 4,139 €. During the first implementation phase, an additional 70 local business consultants were recruited into the APPRM database bringing the total to 160 although only a quarter of them are regarded as 'active'.

2.2 BSO Findings and Analysis

In order to assess the delivery system and results of the VCS during 2006 i.e. May to December 2006, the six Business Support Organisations or BSOs were engaged to assist with gathering and analysing information. Ideally external parties should have been contracted to do this but BSOs are in close contact with both clients and consultants and therefore well suited to carry out the task though impartiality could be questioned.

Questionnaires were designed for BSOs, clients and consultants. The BSOs completed six for themselves, and assisted 70 clients [half SME and half SEA] as well as 36 business consultants complete their survey forms. The number of completed survey forms is sufficient to reach conclusions and develop recommendations for the future implementation of the scheme.

The BSOs then summarised their results and met as a group to discuss and interpret the data. Two of the BSOs were contracted further to prepare a report with their findings and conclusions/recommendations. Most questionnaires were completed in face-to-face interviews. Clients and consultants interviewed were selected by the BSOs.

The overall impression was that both types of beneficiaries, as well as the consultants and the implementing regional partners, were generally highly



satisfied with the delivery and results of the scheme. The following information is derived from the BSO data gathering exercise.

2.2.1 Interviews

Those that participated in the survey included implementers [BSOs], deliverers [consultants] and beneficiaries [SEAs and SMEs]. The number of people interviewed are presented in the table below:

BSOs	Clients (SMEs and SEAs)	Consultants	BSOs	Total
RESC Skopje	18	12	1	31
RESC Strumica	20	8	1	29
RESC Bitola	9	6	1	16
RESC Kumanovo	18	2	1	21
ESA Tetovo	2	2	1	5
ESA Ohrid	3	6	1	10
Total	70	36	6	112

2.2.2 Number of Clients

The number of clients [SEAs and SMEs] is presented in the table below:

BSOs	SEAs	SME	Total
RESC Skopje	9	21	30
RESC Strumica	29	10	39
RESC Bitola	10	4	14
RESC Kumanovo	12	6	18
ESA Tetovo	1	1	2
ESA Ohrid	0	6	6
Total	61	48²	109

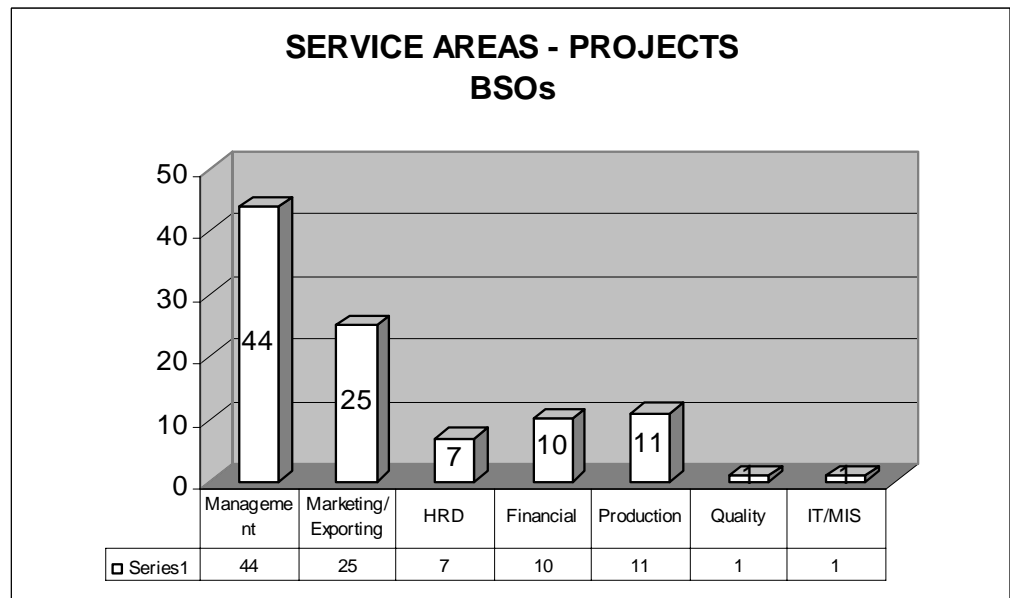
² this is net clients i.e. number of clients less those whose projects lapsed or cancelled



2.2.3 Services Areas by Projects

The projects initiated during the implementation phase are categorised into the seven service areas below [note: most of management is actually SEA]:

Category	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Management	22	6	10	2	2	2	44
Marketing/Exporting	20	3	0	1	0	1	25
HRD	2	0	4	1	0	0	7
Financial	4	0	0	2	0	4	10
Production	7	1	0	0	0	3	11
Quality	1	0	0	0	0	0	1
IT/MIS	0	0	0	0	0	1	1
Total	56	10	14	6	2	11	99





2.2.4 Specific Services

Specific services implemented under the scheme by BSOs were as follows:

RESC Strumica

- SEA (Business plan and registration of business)
- Web pages preparation
- Introduction of new products
- Counselling in field of management
- Preparation of plans for development
- Marketing strategy

RESC Skopje

- Business plans and investment projects
- Counseling in field of management
- Marketing plan and market research
- Training need assessment and competition system for improving
- Saving the industrial and intellectual property
- Preparation and design of web pages

RESC Kumanovo

- General counselling in business plan preparation
- General counselling in field of market research
- General counselling in structural organization of the business

RESC Bitola

- General counselling for registration of the business
- Counselling in developing the business idea
- Counselling for application in domestic and international tenders
- Counselling in field of plans for development
- Counseling in field of management

ESA Tetovo

- General counselling in business plan preparation
- Counselling in field of plans for development

ESA Ohrid

- Counselling in field of finance, taxes and accounting
- Counselling in field of supporting the process of production
- Counselling in international marketing
- Counseling in field of tourism
- Counselling in field of e-commerce



2.2.5 Interaction with APPRM

The BSOs had face-to-face contact with APPRM as well as email and telephone. The SEA and SME clients did not deal with the Agency only with BSOs and consultants and/or counsellors.

In response to the question, are your dealings with APPRM satisfactory, the respondents replied as follows:

1. Clients (i.e., SEAs/ SMEs)

	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	16	20	9	4	1	3	53
Very good	2	0	0	1	0	0	3
Sufficient	0	0	0	1	1	0	2
Poor / insufficient	0	0	0	0	0	0	0

2. Consultants

	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	12	8	4	2	1	6	33
Very good	0	0	2	0	0	0	2
Sufficient	0	0	0	0	1	0	1
Poor / insufficient	0	0	0	0	0	0	0

3. BSOs

	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	1	1	1	1	1	1	6
Very good	0	0	0	0	0	0	0
Sufficient	0	0	0	0	0	0	0
Poor / insufficient	0	0	0	0	0	0	0



2.2.6 Interaction with Consultants/Counsellors

Interaction between BSO and consultants and clients was primarily through email and 'phone. The survey results show that the cooperation between BSOs and clients and consultants was rated highly - see the tables below:

SEAs & SMEs-BSO

	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	18	20	9	18	2	3	70
Very good	0	0	0	0	0	0	0
Sufficient	0	0	0	0	0	0	0
Poor / insufficient	0	0	0	0	0	0	0

Consultants-BSO

	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	12	8	6	2	2	6	36
Very good	0	0	0	0	0	0	0
Sufficient	0	0	0	0	0	0	0
Poor / insufficient	0	0	0	0	0	0	0

BSOs - Consultants

	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	1	1	1	1	1	1	6
Very good	0	0	0	0	0	0	0
Sufficient	0	0	0	0	0	0	0
Poor / insufficient	0	0	0	0	0	0	0



2.2.7 Cooperation with Consultants/Counsellors

In response to the question “How do you rate the overall cooperation / interaction / performance?”, the response was as follows:

Client & Consultant							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	16	19	9	18	1	3	66
Very good	2	1	0	0	0	0	3
Sufficient	0	0	0	0	1	0	1
Poor / insufficient	0	0	0	0	0	0	0

Consultant versus Client							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	8	7	4	1	2	6	28
Very good	4	1	2	1	0	0	8
Sufficient	0	0	0	0	1	0	1
Poor / insufficient	0	0	0	0	0	0	0

BSOs versus Client							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	1	0	1	1	1	1	5
Very good	0	1	0	0	0	0	1
Sufficient	0	0	0	0	0	0	0
poor / insufficient	0	0	0	0	0	0	0



2.2.8 Financial Incentives

BSOs, consultants and clients mostly found the financial incentive provided under the VCS satisfactory.

SEAs & SMEs							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
YES	18	16	9	18	2	3	66
NO	0	4	0	0	0	0	4

Consultants							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
YES	10	7	6	2	2	6	33
NO	2	1	0	0	0	0	3

BSOs							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
YES	0	0	0	1	0	0	1
NO	1	1	1	0	1	1	5

The respondents were asked to comment on this question and their responses are listed below:

- Consultants and clients are asking for a bigger budget for VCS with more hours per voucher and high consultant rate per hour – they are dissatisfied with payment delay.
- BSOs are generally dissatisfied the remuneration (650 denars hourly) as they regard the work associated with vouchers is demanding and requiring high skill levels.
- Do not limit the number of subvention hours.
- BSOs: To increase the quota with an opportunity to have more clients and continuity in the voucher.
- Consultants are satisfied with their hourly fee rates.



2.2.9 Benefit to Client

The BSOs, consultants and clients were all asked to rate the benefit they believe was derived by the client from the intervention:

For you and your business							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	13	20	7	14	1	3	58
Very good	5	0	2	4	0	0	11
Sufficient	0	0	0	0	1	0	1
Poor / insufficient	0	0	0	0	0	0	0

Consultant for the client/ enterprise							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	10	8	6	2	2	6	34
Very good	2	0	0	0	0	0	2
Sufficient	0	0	0	0	0	0	0
Poor / insufficient	0	0	0	0	0	0	0

BSOs for the client /enterprise							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
Excellent	0	1	1	1	1	1	5
Very good	1	0	0	0	0	0	1
Sufficient	0	0	0	0	0	0	0
Poor / insufficient	0	0	0	0	0	0	0



2.2.10 Difficulties

The respondents were asked to describe the difficulties they had experienced with the scheme, e.g. procedures, documents, price, difficult clients, under-performing consultants, payments etc.

- BSOs feel there is sufficient paperwork associated with the scheme;
- A few consultants felt there was too much paperwork
- Suggestions of more consultant hours for unemployed;
- Clients stated they have no difficulties with the VCS;
- Too much administration and documents.

2.2.11 Proposed Modifications

Respondents were asked for their suggestions as to how to improve the scheme:

- Bigger budget
- Larger subvention/project size
- More promotion
- Less paper work
- No interruption of the programme
- 'Seed' capital/grants for SEA clients
- Link credit lines to voucher clients, maybe at preferential conditions and rates
- More BSOs in the countryside, e.g. in smaller towns
- More credit lines with preferable interest rate
- Simplify procedures more

2.2.12 Repeat Business

99 % (69) interviewed clients intend to use the consulting/counselling again if possible



2.2.13 Promote BDS Market

It was a unanimous opinion that the VCS helped promote the market for business consulting and counselling in the country.

Consultants							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
YES	12	8	6	2	2	6	36
NO	0	0	0	0	0	0	0

BSOs							
	RESC SK	RESC STR	RESC BIT	RESC KUM	ESA TE	ESA OH	Total
YES	1	1	1	1	1	1	6
NO	0	0	0	0	0	0	0

2.2.14 General Observations

From the BSO Report

“BSOs, clients and consultants involved in this survey were of the opinion that the voucher system was functioning very well in all parts of the country....the voucher system should continue also in the future without any delay because for the moment it is not functional (for almost two month and is not expected to start very soon).”.

The summarized recommendations from all six regional partners are presented below:

- Continuity of the project in the future
- The project to be planned for longer period, e.g., 3 or 5 years
- Better promotion campaign on the National and regional level
- A more significant budget
- To increase remuneration for BSOs to ensure their motivation
- Improve the procedures of the system
- Unification and standardization of the services



- Increase the number of BSOs, and consultants especially in the urban regions
- Introduction a credit line as a part of the VCS with preferable interest rate for those that showing good results

2.3 Future Funding and Planning

The planned budget for the VCS in the whole country in 2007 is expected to be 70,000 € (equivalent to 4.3 m MKD). At the time of writing APPRM had not received official notification of its budget and therefore implementation of the VCS, or at least recruitment of new clients and issuing new vouchers, was halted.

In conjunction with UNDP, APPRM has been in discussions and negotiation with the Agency for Employment at the Ministry of Labour to launch a Euro 1m national Self-Employment Assistance [SEA] programme using the MoL budget. It is hoped that under this initiative, the partners will have clear and differentiated roles and responsibilities – MoL/Employment Agency to promote the new national SA programme and recruit and screen applicants; UNDP to train candidates in self-employment and business planning, APPRM to provide business counsellors to help clients prepare their Business Plans and launch their new businesses. Those with acceptable or approved Business Plans will receive a cash award of approx. Euro 1,200 as 'seed' capital to assist with their start-up expenses.

The APPRM forecast for 2007 activities and outputs is found in Annex G. The table shows a forecast for APPRM budget for SME and SEA. In addition, the form shows a column requiring a separate forecast for funds from MoL for the national SEA Programme. This will allow APPRM to compare actual to planned achievements.



3 CONCLUSIONS AND RECOMMENDATIONS

3.1 Conclusions

The evaluation is based on a study of all relevant project documents and on discussions of project design, planning and management with the APPRM staff, and of VCS implementation with BSO representatives and business consultants. On the basis of these data and information, the conclusion of the evaluation is that the general premise for the VCS is a valid and has been effectively adapted to the unique conditions in this country.

3.1.1 Relevance

The strong interest in the VCS and the uptake of the offered vouchers demonstrates a clear need for such assistance. The estimated 44,000 SMEs in the country encounter a paucity of SME support programmes meaning that only a small fraction of their number has access to BDS and other interventions. For example, the successful 'high end' BAS programme has only served 50 clients in 3 years. The design of the voucher delivery system was successfully adapted to the conditions in the country during the pilot phase.

3.1.2 Reach and Scale

The organisational set-up, whereby the scheme is supervised by the Programme Council comprised of major stakeholder representatives, managed centrally by APPRM, implemented through a number network of regional partners or Business Support Organisations, and services delivery outsourced to local business consultants and counsellors-trainers, is working fairly efficiently.

Decentralised delivery means that being close to the client, services should be demand-driven and responsive to client needs, and thus the intervention is likely to have greater and lasting impact upon the client. This premise is based on the assumption that there is a good relationship with the client, and his/her situation is properly assessed and matched with appropriate BDS providers. The BSOs are also better able to acquire market intelligence, promote the programme at the local level and recruit clients.

However, the very limited funding available to the VCS constrains its operations in several significant ways. The VCS at the moment cannot reach out to all regions and businesses in the country, and is only loosely connected to other related government initiatives, donor activities and to the business community. The VCS is also not actively promoted, as more promotion would lead to unrealistic expectations from the target groups that



cannot be fulfilled due to the meagre resources that are available. The constrained budget for the VCS also makes it more difficult to solicit funding and cooperation from donors.

3.1.3 Efficiency

Efficiency of delivery of BDS is usually examined in terms of costs, operations and synergy.

In both the pilot and implementation phases, APPRM has maintained implementation overhead at 17% of subvention i.e. administration fees paid to the BSOs for recruitment, assessment, selection of service provider, issuing vouchers/contracts and monitoring projects. This is well below the acceptable benchmark internationally. However, the management costs of APPRM are not included in this figure, as they are not readily identifiable. As mentioned in the first evaluation report on the VCS, APPRM does not operate a cost-centre approach for its individual programmes. To accurately measure efficiency, the full costs of the programme need to be considered.

The operational efficiency of the VCS was generally good as no serious delays were reported in delivery, only in payment to regional partners and consultants.

As for synergy with other programmes and/or organisations, APPRM staff have an extensive network of contacts in the donor and economic development community locally, and in other SEE countries such as Slovenia. In addition, the Agency is attempting to partner with UNDP and the Employment Agency of the Ministry of Labour on a national initiative to transform 500 unemployed persons annually into self-employed. The Agency is also in contact with several donor agencies in order to identify sources of possible funds for the Agency.

3.1.4 Effectiveness

The VCS is operating in an effective fashion at this time in terms of producing its planned outputs.

Unfortunately, activity and resulting outputs have been severely restricted due to a lack of financial resources. Furthermore, reporting has been somewhat confusing as two different target groups [self-employed and SMEs] have not been properly differentiated. To enhance effectiveness, the variable quality and level of professionalism, and expectations of an enlarged programming requiring greater capacity should be addressed. If the National SEA Programme with UNDP and Employment Agency goes ahead, APPRM will have to administer a budget of around Euro 280,000. In such a case, the VCS budget from the government [Euro 75k] should be used primarily for the SME matching grant scheme.



3.1.5 Impact

Clients typically benefit from BDS in a number of ways such as improvements to product and process [production of manufactured goods or delivery of services] quality, enhancements to management systems and cost structures. The resulting impact on the business can be seen in higher sales and profits, larger workforce, greater investment and additional export activity.

Unfortunately, the limited budget for the VCS has severely restricted the scope of interventions thereby making any impact negligible and hard if not impossible to measure.

3.1.6 Sustainability

The funding for the pilot phase as well as for the May-Dec06 period enabled the concept to be tried and tested but the modest budget has resulted in limited outreach and negligible outputs/outcomes [typically, the budget approval is not received by APPRM until 2 or 3 months into the fiscal year; this affects implementation adversely.] as well as jeopardising the sustainability of intermediary organisations [BSOs]. RESC's and ESA's were originally set up by donors but alternate sources of income generation were either not available or did not materialise leaving the BSOs in financial 'dire straits' as donor support was withdrawn.



3.2 Recommendations

3.2.1 Relevance

As regards relevance, it is recommended:

- To proceed with this approach to assisting SME start-up and growth i.e. the design and intervention strategy is still relevant and is a solid basis for future replication or enlargement
- To elevate this type of intervention to a National Programme of the APPRM, i.e. expand the VCS in scope with corresponding expansion of objectives and targets.

3.2.2 Reach and Scale

To increase outreach and scope, it is recommended:

- To continue with the present organisational structure [for VCS delivery system] with clearly assigned and differentiated roles and responsibilities among four levels;
- Engage more BSOs to facilitate greater national coverage;
- Build a national network of Business Support Organisations to support individual BSOs, promote their interests, support their professional development, fundraising, lobby on their behalf for resources etc.;
- Strengthen Management Boards of BSOs at local level;
- Activate the National Voucher Programme Council to liaise with other government departments and donor community, to be a 'champion' for SME interests, and lobby for greater resources;
- Establish stronger formal external linkages with related projects and activities and explore co-funding opportunities, especially to realise synergies in training, lending etc – for example, APPRM has recently joined forces with UNDP to persuade the Employment Agency [Ministry of Labour] to partner on a new National SEA Programme for unemployed persons using Euro 1m of MoL budget whereby MoL recruits candidates, UNDP provides initial training and screening, APPRM provides counselling for Business Planning and start-up, and MoL provides cash grant as 'seed' capital to successful 'graduates'
- Develop a communication strategy/plan for the scheme including promotional materials such as brochures, case studies and/or videos of successful stories, catalogues of business consultants and counsellor-trainers, presentations to selected audiences, awareness



workshops for prospective clients, presentations, media interviews and stories, and video dissemination.

3.2.3 Efficiency

To enhance efficiency, it is recommended:

- APPRM should establish in its accounting system a cost-centre approach for its individual programmes to accurately measure the full overhead costs;
- Expedite payments to BSOs and Service providers that otherwise may experience cash flow difficulties;
- Seek to link up and partner with related projects and donors and organisations.

3.2.4 Effectiveness

To improve effectiveness, it is recommended

- To further streamline the delivery system and fine-tune procedures as necessary and appropriate, and reflect any changes in workflow process and associated documentation in the manual of policies and procedures;
- To provide professional development opportunities to those involved with system management and implementation training and study tours to enhance their know-how, with international specialists providing expert advice, mentoring/coaching;
- To improve quality and quantity of business consultants and counsellor-trainers in the country by offering larger BDS projects, increasing the ceiling on the number of hours permitted to perhaps 200 for SME consulting and 100 for SEA, possibly with increased daily fee rates, substantial skill upgrading in all service areas and topics related to operating a consultancy firm³, better qualifications i.e. professional accreditation, a modified APPRM database, and strengthening capacity of national representation organisations.
- To hire more Agency staff to adequately monitor, control and report on expanded activities and results; in similar-sized Slovenia the SME agency has 40+ employees;
- To acquire and/or to develop suitable tools and techniques to develop new services in response to the growing and/or evolving needs of customers;

³ Production Planning, Control, Methods and Processes; Quality and Environment Control and management; General management; Strategic Marketing; Financial Control and management; HRD and personnel management; and MIS-IT.



- To modify indicators in the performance management system as necessary to clearly differentiate the two target groups, and ensure that the APPRM IT system has capabilities to capture all necessary data according to indicators;
- APPRM closely to monitor progress by reviewing and analysing data generated by the MIS, and following-up with BSOs to ensure all information is correctly inputted in the APPRM IT system;
- To adequately compensate the BSOs for their implementation services [recruitment, assessment, matching, selection, monitoring and troubleshooting], primarily through larger projects that, on the basis of the 17% administration fee, would permit the BSOs to properly assess client needs and better match specific services/interventions;
- To increase the maximum number of hours permitted in a BDS assignment i.e. enlarge the scope of a project .

3.2.5 Impact

To improve upon impacts, it is recommended :

- That a significant large budget be provided so that project size can increase allowing for meaningful consulting activities and measurable impact on the client business (in Slovenia, the subvention ceiling allows for Euro 5,000 projects);
- All prospect clients should provide necessary baseline data, identify all required interventions and forecast likely benefits for their business with a clearly specified timeline; the Entry Agreement [or Business Development Path] requires this information so that during evaluation the full impact of the provided assistance can be measured in terms of return-on-investment on the individual enterprise level as well as on the programme level for all SME clients served.

3.2.6 Sustainability

To enhance sustainability, it is recommended:

- To carry out intensive and targeted fundraising to 'scale up' the scheme and thereby achieve meaningful reach and impact (in Slovenia the VCS is well embedded and currently has an annual budget of almost Euro 3m);
- To lobby the government for 'core' funding for BSOs, as the role that BSOs play in promoting the public interest should be recognised and financially rewarded;



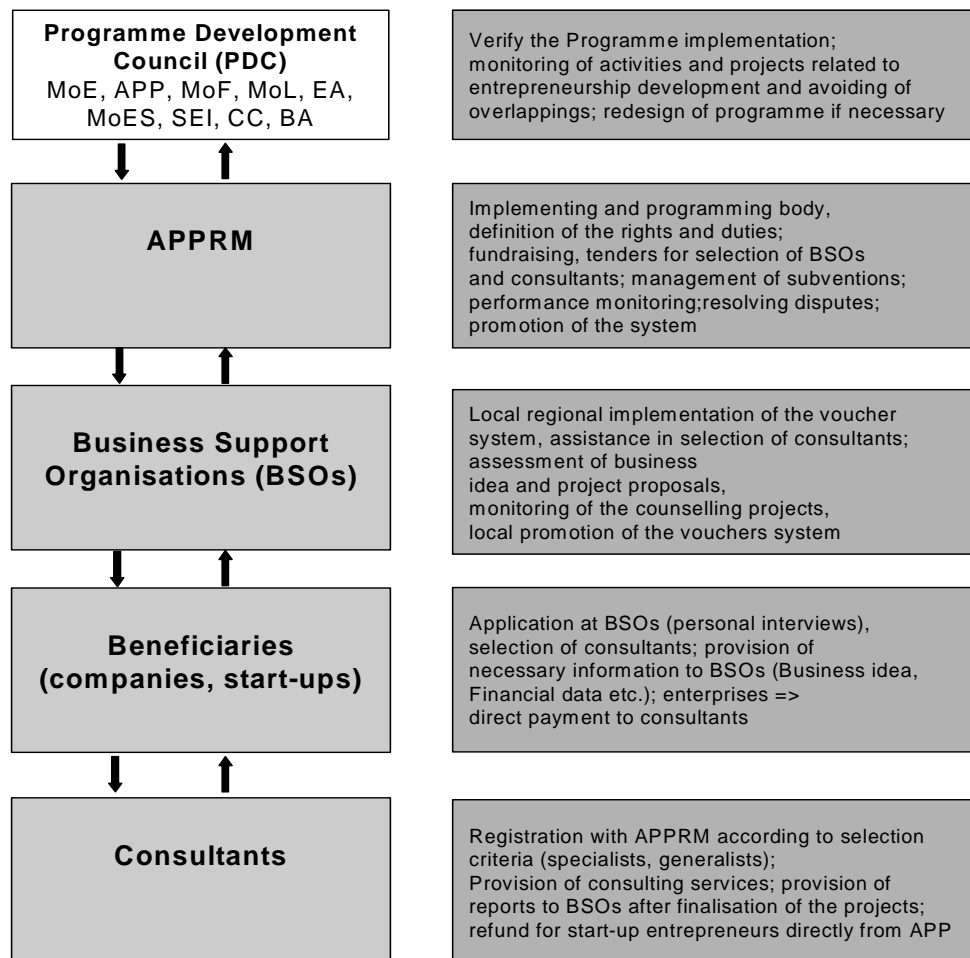
- To access future EU funding for VCS via Instruments for Pre-Accession; as the VCS is matching grant scheme for SMEs and has a built-in mechanism to meet co-funding requirement, every effort should be made to secure IPA funds for VCS;
- APPRM and BSOs should learn how to access IPAs and later on structural funds etc by determining IPA requirements, get training on how to access IPA funds, and prepare and submit proposals via suitable channels and in appropriate formats.



ANNEX A: VCS SUBVENTION DIAGRAM

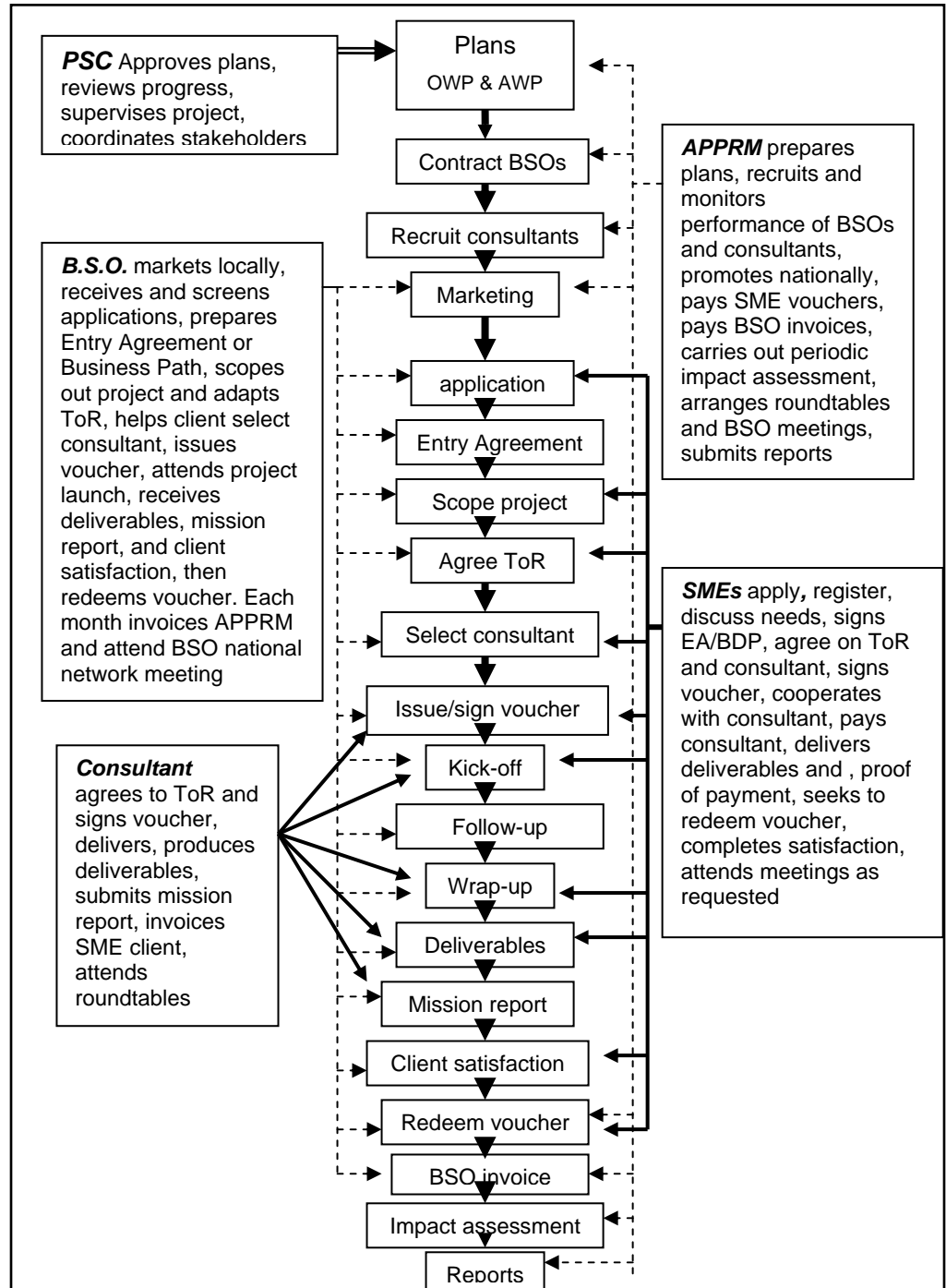


ANNEX B: VCS DELIVERY SYSTEM STRUCTURE



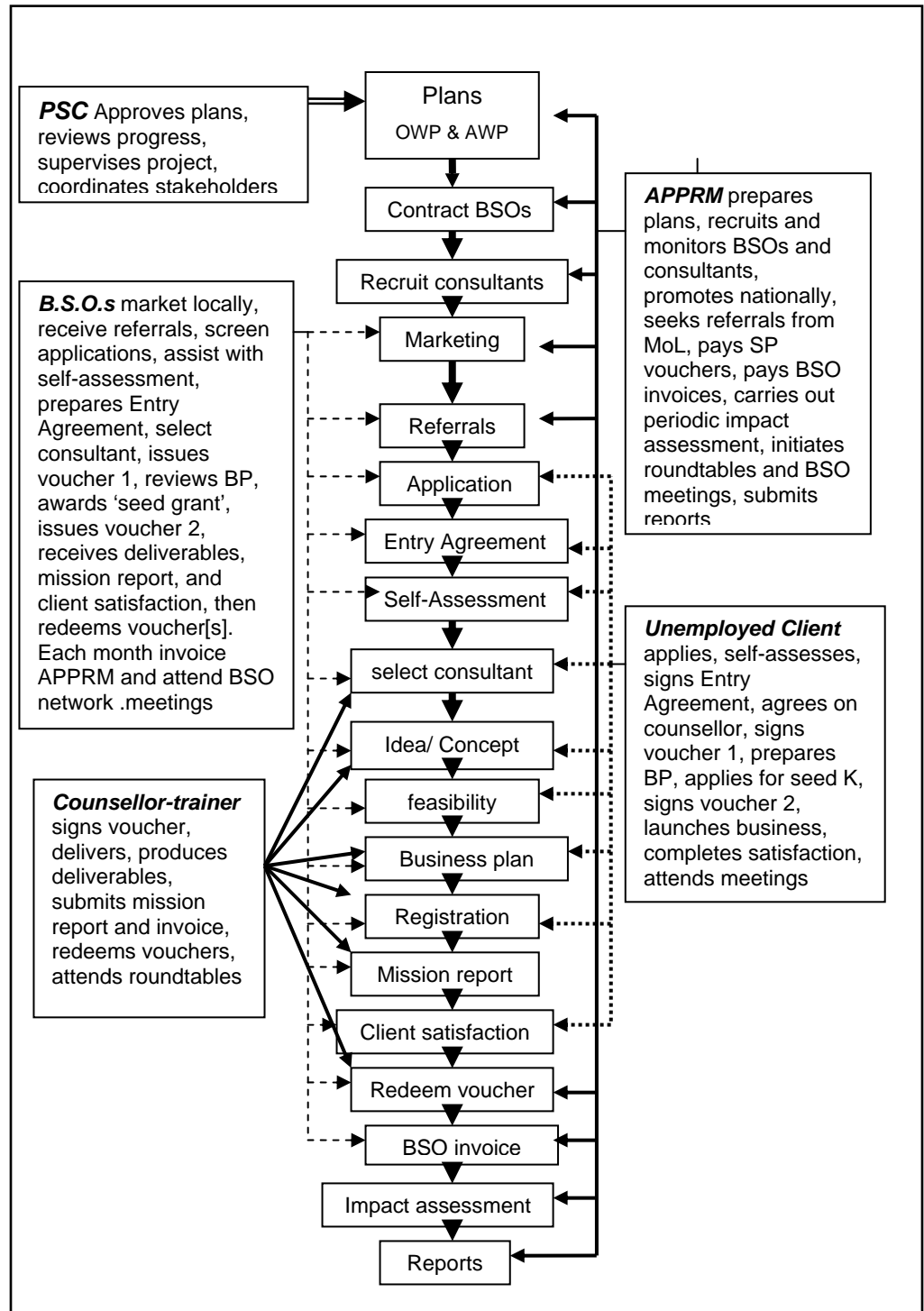


ANNEX C: BDS DELIVERY PROCESS FOR SME





ANNEX D: BDS DELIVERY PROCESS FOR SEA





ANNEX E: DOCUMENTS REFERENCED

The following documents were referenced by the ISTE during the course of this assignment:

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ANNEX F: VCS FORECAST 2007

Key Performance Indicators National Voucher Scheme

Key Performance Indicators		Nov05-Jan06	May-Dec06	ACTUAL	Forecast	
					2007	2007
					PILOT	IMPL
Self-Employment Assistance						
applications	no.	35	80	115		70
new SEA clients [EA or BDPs signed]	no.	29	61	90		54
value of BDP/EA committed (client)	Euro	475	373	424		373
number vouchers issued	no.	69	118	187		104
average consulting hours per SEA client	hrs.	31	23	27		20
ave. consulting hours per voucher	hrs.	13	12	12.5		12
average value of voucher	Euro	200	193	197		193
ave. value per client	Euro	475	373	424		373
Value of voucher (net)	Euro	13,370	21,142	34,512		18584
Number of projects (net)	no.	67	110	177		97
Number of projects (completed)	no	67	92	159		97
total value of clients subvention	Euro	13,775	22,753	36,528		20000
Admin Fee paid to BSO as % of counselor fees	%	17	17	17		17
Admin Fee paid to BSO	Euro	2342	3868	6210		3400
number of SEA 'counselors-trainers' [database]	%	25	50	75		90
client satisfaction [end assignment]	%					
new enterprises started	no.					
new enterprises surviving one year	no.					
number of jobs created	no.					
investment made	Euro					
SEA Interventions By Service Type						
Training hours	%					
Counseling hours	%					
Information hours	%					
SME						
applications	no.	30	60	90		99
new SME clients [BDPs signed]	no	27	55	82		90
projects committed in BDP	no	42	77	119		131
value of projects [subvention]	Euro	11902	24347	36249		40000
Aver project or voucher	Euro	283	316	305		305
value of projects [net]	Euro	10520	21480	32000		35200
Number of projects (net)	no	34	68	102		80
vouchers issued [projects contracted]	no.	42	77	119		131
completed projects	no.	34	46	80		121
consultants in database	no	90	70	160		200
number of active SME consultants	%	25	18	43		60
Admin Fee paid to BSO as % of consulting fees	%	17	17	17		17
Admin Fee paid to BSO	Euro	2023	4139	6162		6800
client satisfaction [end assignment]	%					
Increase jobs	no					
increase investment	Euro					
increase exports [as % sales]	%					
SME Interventions By Service Areas						
Management	No.					40
Marketing and XD	No.					25
Production	No.					14
Quality	No.					18
Financial	No.					12
IT/MIS	No.					12
HR/Training	No.					10
Total	No.					131

subject to periodic evaluation [impact assessment]