

**REPORT
MID-TERM EVALUATION
March 2004**

The Former Yugoslavian Republic of Macedonia

**Introduction of Improved Agriculture, Mechanization,
Irrigation and Marketing Skills to Assist Economic Recovery
of Conflict and Drought Affected Areas (IAMIMS)**

GCP/MCD/001/NOR

Consultant: Pascal Bernardoni

Executive Summary

In 2001, the conflict between ethnic Macedonian and Albanian in the northern regions of the country severely impacted agricultural production and jeopardized the key economic activity and source of food in these regions. The situation resulting from the crisis has been aggravated by hostile climatic conditions. A prolonged drought combined with lack of irrigation water impacted crop production seriously. The combination of these events has negatively affected Macedonian agriculture. Joint efforts of the international community and government resulted in an improvement of the security situation, due to combined security, political, administrative and emergency support measures. Since year 2002, in order to consolidate obtained results and to pursue the support to peace and confidence building, FAO continued to focus on conflict and drought affected areas with measures aiming at economic and social development (section II A)

The Project "Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS), GCP/MCD/001/NOR", (hereinafter referred to as "the Project") intended to contribute to this goal by supporting and strengthening production and marketing of key high added value crops produced by farmers groups in selected geographic areas. (section II A)

The Mid-term evaluation Mission found the Project addresses relevant issues, namely the peace and inter-ethnic confidence building through decentralised economic development. The overall goal is in line with both Government and international aid policy. The two immediate objectives are clearly defined but somehow the relation between the overall goal and these two objectives does not appear to be straightforward.

By the end of the 2004 season, the Project will have supported with inputs, equipment, market linkages and training 744 farmers organised in more or less consolidated commodity groups. Compared with the Project Document, the envisaged figure corresponds to the 50% of the planned final number of beneficiaries. The Project management justifies this approach by the priority given to the Support Fund because of its instrumental role to tide farmers with processors and traders (section IV B).

The average yields obtained by Project beneficiaries (23 t/ha) are considerably higher than the average country pepper production (15 t/ha). The total gross margin of all farmers supported by the Project at Mio US\$1,2. Considering the figures of 444 and 633 farmers for the two years, the additional income per farmer and per year can be estimated at US\$ 1,100 (section V A).

The enhanced quality of the supplied agricultural inputs, especially seeds, has been attested by farmers and certainly played a role in increased products quality and yields. The provided training sessions were organised taking into account crop calendar and covered the main agricultural operations. The follow-up of the crops by the area managers ensured the prevention of extensive pest damages. Overall the technical assistance to farmers can be considered as adequate, even if some improvements are possible in term of plant protection to further decrease pest impacts. (section V A).

It is recommended that the training programme for the second cropping season gives more space to integrated pest management. Also, the PIU and the area managers should identify beneficiaries who show some sign of interest to keep records and improve their management. Area managers should then on a weekly basis help them to update the bookkeeping documents. At the end of the season, the PIU staff could organise "comparative gross margin analysis" workshop, for farmers to understand the way to use these data. Eventually, the PIU might want to explore ways to include women in the Project activities (section VI B).

The emergence of producer groups is one of the expected impacts of the Project. So far, only the Kocani producer group has shown the capacity to strengthen its organisation and define its priority activities. Those are joint input procurement, negotiation with other stakeholders and provision of training and information to members (section V A).

To facilitate the consolidation of the other emerging groups, the Project should organise study tours bringing together members of groups with different level of organisation and maturity (section VI B).

The Revolving Fund or Support Fund, as it is called in the Project, establishment has mobilised a large amount of time and energy of the Project staff. It also links to and influences other Project outputs as group formation and contract farming. The Fund has become the cement of the Project. Referring to the "Group Support Fund", the Project Document also evokes the instrumental nature of the Fund. At the same time, the same document states:

"Thus, the eventual establishment of the group Development Fund and its mode of operations cannot be considered as one of the project's objectives but only as a possible (positive) side-effect, contributing to the sustainability of project results."

It is unrealistic to think that a Fund can be a side-effect, because it requires as in this Project a range of prerequisites and mechanisms, which are usually not in place before a Project starts. This implies that the Project management can either deliberately ignore the Support Fund or invest a lot of efforts to secure the creation of such a Fund and its efficient mechanisms to guarantee its sustainability. Of course in this case, the Fund becomes an objective, this might require more means and time (Section VI B).

The Support Fund might disappear in a short or long term or could further developed in a sustainable institution. However, in order not to rely only on the Support Fund for the financing of vegetable crops, the PIU should start to tie relationships with banking institutions providing agricultural credits. These relations are also of relevance in the perspective of the possible "privatisation" of the Project structure (sections V D and V E).

Contract farming has been identified by the Project and the key-stakeholders as an adequate option to improve the performance of the Macedonian vegetable sub-sector.

In that respect, the significance of the Project on the national scene and the gained interest of a large number of farmers and companies indicate the relevance of this model. At the same time, non-honoured contract, exclusion of companies and farmers show that the process is painful and required further assistance. Key-stakeholders underscored that the Project is succeeding to promote this model in a very difficult environment characterised by poor professionalism on both producers and processors sides, low level of companies solvability and inefficient legal and judiciary system (section V A).

The competitions of other crops or alternative market outlets are factors that the Project management might take into account for further development. In traditional grape production regions, vineyards mobilise most of land and labour forces. In Skopje and Kumanovo regions, because of fresh market outlet better prices, the contract-farming model has been less successful than in the regions remote from the urban centres (section V E)

To make the contract-farming model successful and pursued after the Project phase-out, the Project would focus on the most adapted regions, as well as serious farmers and processors (section VI B)

In relation to the propose model, it is importance how grassroots level activities have demonstrate to have impacts on policy and to revel legislative and institutional bottlenecks. In the case of the Project, the contract framing also highlights the needs for the Government to quickly define an institutional framework enabling the processors to comply with HACCP and other standards. In addition, the integration of the commodity chains would allow to implement those standards and to address quality control and traceability (section VII A).

How Project results are contributing to the overall peace building process between minority Albanian and the other ethnic groups is difficult to say. Certainly the attention paid to Albanians by the international community through this type of project has come in support to the political agreement reached between the different ethnic groups. The assumption that parallel

economic development and growth is sufficient to favour peaceful inter-ethnic relation is open to discussion (section V A).

In order to strengthen the inter-ethnic confidence building, common activities ethnic majority and minorities should be organised by the Project. Joint training workshops or study tours for instance can help to overcome some barriers that are partly due to reciprocal ignorance between population groups. If the second year confirms the economic performances of the Albanian farmers in Kumanovo and Skopje regions, information sessions for the minority group farmers on comparative results between Macedonian and Albanian farmers should be organised to challenge Balkan mythologies (section VI B).

So far the Project has been properly monitored and documented. A comprehensive database has been developed and updated. An internal mid-term evaluation was carried in December 2003. The Data collected during this evaluation enriched the Project Database and were sum up in a report made available to the Mission (section IV D).

The dissemination to the Government and the Project Management of Project Document bearing different start and end of Project dates has caused some confusion and misunderstanding within FAO between HQ and the field. At the time of the evaluation, un-discussed aspects related to this issue were still affecting activity planning (section III C).

A budget revision has been request and its approval was still pending at the time of the evaluation. Two important modifications in their nature and magnitude were proposed. These are the decrease of non-expendable equipment by US\$ 93,947 and the increase of General Operation Expenses by US\$ 66,582. The Mission thinks the Project Management and REU should develop a solid argumentation to be presented to the Donor. The increased importance and instrumental role of the fund compared to the Project Document, requiring on one hand more management inputs but making available US\$ 425,000 for the funding of agriculture inputs and equipments, on the other, can be considered as a consistent and strong argumentation (section IV A).

Beside training, technology transfer and in-kind capital, the Project and more specifically the PIU has played a mediation role in the negotiation of contracts between farmers and buyers, and managed the Support Fund jointly with the MAFWE. The impacts of these services on farmers' capacities and economic results are significant. However, in the current set-up the end of the Project would result not only in the interruption of the support provided by the Project, but also of services between producers and buyers. The main reason being that these services are interlinked. As a consequence, the loss of certain elements of this system would threat the other (section V A).

Therefore in order to secure the sustainability, the by its end the Project has to: (i) to further foster producer groups, (ii) to transfer service support role and the management of the Support Fund to a structure gathering one or more national entities; and (iii) to set-up cost-efficient mechanisms ensuring delivery of services to farmers beyond the life of the Project (section VI B).

In regard to the possible Project expansion, FAO and the donor might look at it taking into consideration the various exit strategies and their implications in terms of cost and impacts. At different degree, the three scenarios confer elements of sustainability (section VI B).

The Mission would recommend excluding anyway the present NTE, since the no-cost extension provides some additional guarantee of sustainability at the same cost. In regard to the expansion of the Project, the comparative analysis of the input/output ratio with the no-cost extension scenario might incite FAO and donor to approve the expansion. This report tries to give the elements for decision-making in that regard (section VI B).

Grassroots level activities demonstrate they can have impacts on policy and to reveal legislative and institutional bottlenecks. In the case of the Project, the contract framing also highlights the needs for the Government to quickly define an institutional framework enabling the processors to comply with HACCP and other standards. In addition, the integration of the commodity chains would allow to implement those standards and to address quality control and traceability (section VII A).

Acknowledgement

I would like to express my sincere gratitude to all the FAO staff in Skopje, for the great deal of time and effort she put into supporting this mission. Special thanks go to Zupan Martinovski for his constant support, to Biljana Kostovska for arranging all the meetings and providing detailed information on the overall programme of FAO Macedonia, to Goran Stavrik for all the provided data, to Dragan Angelovski and to Aleksandar Nikolovski for sharing their knowledge about the Project and Macedonian agriculture.

Finally, I would like to thank Mr. Bernhard Schelhas for the overall support to the mission and for sharing his enthusiasm for the development of people and institutions.

In counterpart, I hope that the Project Staff and the Coordinator will find some useful comments and advices in this report to be applied for the remaining Project period, bearing in mind that this is an external contribution to people who have a better acquaintance with Macedonian reality.

List of Acronyms and Abbreviations

AGSM	Agriculture Management, Marketing and Finance Service of FAO
CECI	Canadian Centre for International Cooperation
CIHEAM	Centre International de Hautes Etudes Agronomiques Méditerranéennes
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ha	Hectare
HQ	Headquarters
IAM – B	Instituto Agronomico Mediterraneo Bari
IAMIMS	“Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas
IFAD	International Fund for Agricultural Development
kg	Kilogram
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MAP	Macedonian Agro Processor Association
MCA	Macedonia Competitiveness Activity
MoU	Memorandum of Understanding
MT	Metric Ton
PIU	Project Implementation Unit
PIU	Project Implementation Unit
REUA	Agricultural Department Group of the Regional Office for Europe of FAO
REUD	Regional Representative for Europe
SFRY	Socialist Federative Republic of Yugoslavia
TOR	Terms Of Reference
US	United States of America

US\$	U.S. American Dollars
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WB	World Bank
WTO	World Trade Organisation

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I. Introduction

The mission comprised one expert. It intended to assess the Project "Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS), GCP/MCD/001/NOR", (hereinafter referred to as "the Project") at its mid-point, and make recommendation for the remaining period. The TOR outline the following scopes: Project relevance, clarity and realism of objectives, economic impacts, confidence building between ethnic groups, sustainability and replicability of the model, efficiency and adequacy of the implementation and the Project results (see TOR, Annex 1).

The mission arrived in FYROM Tuesday 9 March and left 19 March 2004. During the first part of the evaluation, the mission assessed the four Project areas. Meetings were organised with farmer beneficiaries and area managers. The second part of the mission was mainly dedicated to meetings with Project partners and national key-stakeholders (annex 3).

II. Background and Context

A. Project background

In 2001, the conflict between ethnic Macedonian and Albanian in the northern regions of the country severely impacted agricultural production and jeopardized the key economic activity and source of food in these regions. Due to the lack of security, the risk of hidden explosive devices or the scarcity of remaining labour in the villages, farmers were unable to harvest their crops and hay needed to feed animals during the winter. A large number of the farmers caught in the fighting fled the area, leaving crops unattended for several months, while the decimated yields were not enough to restart production and cover living expenses for the returning refugees. FAO Emergency Programmes and the donor community reacted with massive distribution of agricultural inputs during the 2001 autumn and 2002 spring planting seasons, with total financial aid of over \$5.0 million. The share of all FAO operations was \$4.0 million (annex 22).

The situation resulting from the crisis has been aggravated by hostile climatic conditions. A prolonged drought combined with lack of irrigation water impacted crop production seriously. Total annual precipitation has decreased to an average of 55% compared to the long-term average. The droughts in 2000 and 2001 have left the irrigation reservoirs empty. The inefficiency and deterioration of irrigation schemes on which large parts of the crop production depend, became ineffective in the process of transition, and new effective water management structures are still in the process of implementation.

The combination of these events has negatively affected Macedonian agriculture and the investment climate, thus profoundly damaging economic performance in general.

Joint efforts of the international community and government resulted in an improvement of the security situation, due to combined security, political, administrative and emergency support measures. As a result of the improved security situation, the government and donor community have been focusing, since year 2002, on reconstruction/rehabilitation and development measures.

In order to consolidate obtained results and to pursue the support to peace and confidence building, FAO continued to focus on conflict and drought affected areas with measures aiming at economic and social development. The Project intended to contribute to this goal by supporting and strengthening production and marketing of key crops produced by farmers groups in selected geographic areas.

B. Agriculture sector

Agriculture and the food processing industry in Former Yugoslav Republic of Macedonia have an important share in the overall economy of the country. Currently with € 400 Mio added value, agriculture, accounts for more than 10% of GDP¹. Combined with the agro-processing industry, agriculture's share of the economy reaches about 18% of GDP.² However, these figures understate the importance of agriculture, as 45% of the population lives in rural areas with agriculture contributing significantly to their livelihood. With high unemployment in the industrial sector, agriculture provides an important source for employment in the rural areas.

The farming system is characterized by two contrasting structures. On the one hand, there are approximately 180,000 private farms, with an average size of less than 3 ha in fragmented plots. The second type consists of former state farms (agro-kombinats), which used to be involved in both primary production and food processing activities. The food processing activities have been privatised and the land has been given on a rent-free basis for five years to companies that took over the buildings and other assets. These companies are also involved in agro-processing and agricultural production.

The rural areas in FYROM are severely affected by rural poverty. In the country, two groups of farmers can be distinguished. The first group is composed of part-time farmers affected by the rural poverty, which is not necessarily caused by problems in agriculture, but by loss of jobs outside agriculture. Many of these workers fell back on subsistence farming on farms that are too small to create enough income within agriculture or related up and downstream sectors.

The second group is composed of traditional farms using only family labour and which are too small to generate sufficient income. Both groups are affected by the collapse of the old agro-kombinats system. Farmers who in the past delivered their products for processing and

¹ MAFWE, Agriculture Report 2003, Skopje

² World Bank, FYR Macedonia, Agriculture Sector Review

commercialisation to agro-kombinats, or purchased inputs from them cannot do it anymore following the collapse of the system. Consequently the rural population has often opted for migration. The depopulation process affects mostly the south, central and northwest regions of the country, threatening balanced economic development with a particularly negative impact on the agricultural sector.

The break-up of the former Yugoslavia and ten years of regional turmoil have meant the loss of traditional market outlets and fragmentation of the former marketing system. The traditional markets for Macedonian produce such as Slovenia, Croatia and Serbia have found alternative sources of supply during this interim period. It is only now that these markets are starting to open up again but still the whole marketing system remains completely disorganized and poorly structured. For farmers who have traditionally grown up in a system with guaranteed markets and who have very little marketing knowledge or experience this has been disastrous.

Former Yugoslav Republic of Macedonia is at present negotiating accession to the WTO. Currently, the agricultural sector is protected by a mixture of *ad valorem* and specific tariffs plus, on a number of tariff lines, a variable import levy, which brings the import price up to the 'protected' price level. Signing the Stabilization and Association Agreement with the European Union requires urgent action in the agricultural sector, bearing in mind the potential consequences of import penetration from the removal of tariff barriers of 10% annually. After a period of ten years there will be no customs tax for all products coming from the European Union including agricultural products. Current exports to the EU comprise mainly products such as tobacco, lamb meat, wine and fruit pulp. The lack of an effective structure to specifically control the quality of primary agricultural production will essentially impose non-tariff barriers on exports, both to the EU and to other Balkan states. In addition, the opening of the domestic market to EU imports will have negative trade impacts and will reduce the market for producers, who are effectively limited to supplying the domestic market or neighbouring markets. This will be particularly true for higher value-added products.

C. Vegetable Crops

According to official data, the farms mainly oriented on vegetable production (more than 2/3 of the production) represent 25% of the Macedonian farms. The average size of vegetable growing farms is about one hectare. Vegetables are produced on 50,000 hectares (potato excluded). The area planted has remained remarkably constant over the last five years; more recently, the move has been to produce early crops particularly of tomatoes and cucumbers to catch the high market prices available during April to May. With the proximity of the FYR Macedonia to the Yugoslav, Bulgarian and EU markets, together with well-developed local markets, there is potential to further exploit the early season characteristic of the region and expand protected cropping of selected vegetables.

Commercial vegetable production is concentrated around the market town of Strumica where a combination of good soils, very favourable climatic conditions and good roads allow high quality production for local and export markets. Crops include field-grown cabbage, beans, watermelons, potatoes, onions, garlic, salad crops, tomato, pepper and cucumber grown under plastic structures or glasshouses. These plastic houses vary from basic wooden-framed, plastic covered structures to modern imported buildings that have computer controlled heating, irrigation and environmental controls.

There is considerable scope to improve the quality and yields of the crops through the introduction of use of modern irrigation, use of seed quality and improved plant disease control.

D. Agro-processing industry

According to MAP, there are about 35-40 fruit and vegetable processing companies, not counting wine firms. This figure undoubtedly misses hundreds of cottage-industry-scale processors. Consequently, good data do not exist on production. What data do exist indicate that exports of *finished* products (canned or bottled) are estimated to be 21,500 tons per year out of 25,000 tons of product from the recognized processors. These include Balkan specialties like roasted red pepper, gherkin, ajvar (a canned pasta of roasted sweet pepper and garlic) and pindjur (typical Macedonian, similar to ajvar but with tomato), which are exported to ordinary retailers in CEE and SEE and ethnic retailers and recently supermarket chains in the EU and North America. The Macedonian variants compete in export markets with Hungarian and Turkish varieties, whose agro-processors offer stable quality, good prices, dependable delivery and annual shipment plans.

The transitional state of the industry is indicated by the low annual exports of semi-finished (frozen and dried) products, estimated at less 3,500 tons per year. In FYR Macedonia, most of the semi-finished products (except frozen sour cherries) are available only in modest quantities, allowing only ad-hoc purchasing. Partners in Germany, which have been demanding more than can be supplied by Macedonian processors, are interested in commitments on the basis of annual plans.

The reasons for the non-responsiveness to existing demand undoubtedly reflect the same ills exhibited by the ex-AK processors in the milk and meat industries: inadequate management, dysfunctional ownership structure, lack of working capital, antiquated equipment, out-of-date processing technology, high cost, low volume of marketable products, poor packaging, uneven quality raw material, non-compliance with export standards, etc. Recognizing the difficulty in getting near-term solutions to these problems, some traders have recently started their own production operations to assure raw material supply and control quality. Some are able to pre-finance growers by providing seeds, fruit tree seedlings, fertiliser and technical assistance. Others have gone directly into raw material production by acquiring greenhouses for production of early vegetables, for instance.

At present, there are significant problems in achieving quality and quantity from small producers. Common practice now is for traders to collect produce from small farmers to make up full loads for export (annex 19). Crops are picked and packed in the evenings and loaded at night to keep them cool. The product is cooled in the refrigerated truck, but is unsorted and un-graded, and only in the early season do traders find export sales without difficulty. During the flush season they may tour numerous markets to sell their loads. There have been some efforts to improve quality from small producers with the development of farmer associations. In addition, processors themselves face difficulties to achieve growing quality standards. EU has agreed to postpone the requirement of HACCP certification deadline from January 2004 to January 2005. At present, according to the MAP Secretary General, no processor meets HACCP criteria and the chances to have the established companies certified are very limited. Financial means to invest in modern equipment, technical and management skills, and the absence of certifying body in the country are as many factors that could prevent any processed vegetables and fruits export to EU market in 2005.

The young Macedonian Association of Agro-processors (MAP) gathers 23 fruit and vegetable processors. With the support of GTZ, the association defined an ambitious strategic plan for the coming three years aiming to lobby public and banking institutions and to upgrade members' capacity in relation to HACCP and EU standards. However, the MAP Secretary did not hide that for the time-being agro-processors have difficulties to voice their needs and wishes on the national scene. About MAP and other minor association, the WB Sector Review Report states: "The associations [of agro-processors] are in their infancy and need long term support and guidance, and their bilateral and multilateral assistance programs are nearing completion."

III. Assessment of Project Objectives and Design

A. Justification

Foreword

The period of this evaluation coincided with the recent events, which affected the nearby province of Kosovo and particularly the Serbian population. The murders of both communities' members and displacement of 3,000 Serbs within the province in two days prompted many observers to speak again of ethnic cleansing. If needed, these incidents show that inter-ethnic conflicts cannot be considered solved within short-time periods. Continuous attention and sound policy must follow-up emergency phases.

After the emergency aid related to the conflict in 2001, the United Nations together with other members of the international community, have defined decentralised economic development as the first priority for the Macedonia to prevent further social instability and ethnic tensions.

The Project Objectives and proposed activities are in line with Government policies mostly driven by the objective of EU accession and to UN priorities formalised in the UNDAF document. The Project contributes on the one-hand to consolidate the vegetable production and processing recognised as one of the competitive sub-sectors on the regional and EU markets; and on the other, to promote social stability through decentralised economic development and job creations. In that respect, the MAFWE recognised the pertinence of the Project, especially of the proposed innovative mechanisms and impacts on farmers' agricultural activities and livelihood.³

The Project aims primarily at increasing agricultural income of targeted beneficiaries in given areas through the support to high added-value products. For farmers with limited land and capital, high added-value products means labour intensive crops, such as fruits and vegetables.

The preliminary assessment undertaken by FAO identified in the four-targeted areas (annex 15) the following main issues:

- **Absence of sustainable market linkages** between primary producers (farmers and farmers associations) and buyers (processing companies and exporters), largely as a result of past negative experiences and a breakdown in confidence/trust;
- **Inappropriate cultivation practices** resulting in an inability to produce the required quantities and qualities of high-value crops for domestic and external markets (in the neighbouring countries).
- **Lack of improved and reliable agricultural inputs**, such as certified seeds and seedlings for marketable high value crops (vegetables, fruits), fertiliser and plant protection.
- **Lack of appropriate agricultural equipment** and machines, including equipment for small irrigation as well as materials for greenhouses.

Consequently the Project was designed to strengthen within identified areas a carefully selected and defined number of farmers or producer groups, which had good potential for improved production and marketing of high value vegetables, fruits and/or forage crops. The Project planned activities were:

- Establishing and reinforcing of **market linkages and encouraging group marketing and contract farming**;
- Providing training and demonstration of **improved cultivation practices**;
- Providing improved agricultural **inputs and farm equipment**.

³ Meeting with MAFWE representative, Ms Nadica Dzerkovska Head of the Unit for European Integration and Cooperation

Overall the assessment pinpointed the main issues that farmers are faced with and proposed straightforward actions coherent with the situation analysis. Nonetheless, in few cases, farmers of certain regions, especially Skopje and Kumanovo have demonstrated to have strong linkages with market outlets, especially with traders exporting fresh vegetables to Kosovo. This links might have been underestimated in the assessment phase, but re-emerged during the Project implementation (see sections V A and V E, and Annex 14).

The Project intended to focus on specific crops, having a good market potential and thus providing additional income to the farm household. Crop selection were specific and adapted to each region or village and were supposed to be appropriate not only to the agro-ecological conditions, but would also follow the quality requirements and specifications of the respective market outlets. The Project has concentrated on three types of crops: peppers, industrial tomato and tomato for fresh market. Limiting the types of crops allowed first to reduce the complexity of the Project implementation and second to reach significant volumes compared with the national production. The types of crops were identified in consultation with agro-processors and traders. This approach was considered – and therefore justified – as market-driven. However, as the majority of the processed vegetables is exported and as the processors have short-term agenda or limited market knowledge, it might have been pertinent to get information on the international market and advise both processors and farmers. Processed tomato products, such as ketchup or tomato puree, are particularly in stake (see section V D).

Projects with strong emphasis on marketing aspects have been implemented in other countries in the region, especially in Serbia and Montenegro, including Kosovo. The initial concept was indeed imported from AMIM project.⁴ The overall approach has proved to be adapted to the needs of agriculture in these countries, as farmers of the territory of once SFRY face the same difficulties. Those are mainly, collapse of market chains and institutional framework, poor marketing skills and undersized farm structures, as well as limited and obsolete assets. In addition, agriculture techniques are rudimentary due to the absence of extension providers and farmers dilettantism, as for most of them agriculture was in the past only a secondary activity. The Project in that respect goes beyond just the enhancement of agriculture practices and the provision of training in marketing. It also provides brokerage services between farmers and buyers, and becomes therefore part of the negotiation and funding mechanisms. This decision entails a certain level of risk, as all parties

⁴ AMIM (Introduction of improved Agriculture Mechanisation, Irrigation and Marketing skills to assist economic recovery in southern Serbia). Similar principles were applied later on in FRACS (Strengthening of Fruit Production to Assist Economic Revitalisation in Central Serbia and Sandzak) and RITA (Support to Refugee Integration through Agriculture Activity) Projects.

perceive FAO as the guarantor of the agreed contractual arrangements and therefore part of the commodity-chain.

The Project aims at contributing at the modernisation and efficiency of the vegetable production and processing. In addition to the improvement of agriculture practices, it proposes to set up mechanisms, which will ensure a higher stability of the raw material quantities and qualities; as well as an enhanced capacity of the processors to reorient their production through stronger linkages with farmers. Hence, it addresses issues, which are identified as main obstacles for the improvement of Macedonian companies competitiveness on the international market (see section II, D).

For the farmers involved in the Project, these mechanisms provide first of all products outlets, very often a key-issue for perishable products such as the ones promoted by the Project. In addition, linkages with processors are not reduced to the selling of their product at harvest time. A steady relationship presents learning dimension in terms of quality control, management and information on trends and markets. Indeed processors are able to indicate at the beginning of the season the varieties they need on the basis of the market demand. In addition, some of the processors are employing agronomists responsible for the crop follow-up and basic advices.

Eventually, the Project might provide a model for market-oriented production, which, at a later stage could become a programme for rehabilitation of the agricultural sector that can be replicated for different crops and farming systems in the FYROM and in other countries of the region. In particular, contract farming has been tested in the Project areas with heterogeneous level of success (see section V E).

B. Objectives

As stated in the Project Document, "the Project's overall goal is to contribute to the consolidation of peace and confidence building within and between the various ethnic groups and to mitigate against further outbreaks of ethnic conflict and unrest through economic development."

To achieve this goal, the Project adopted the following objective: "To promote improved agricultural production and the marketing of high-value crops in order to increase self-reliance among the targeted population in conflict and drought affected areas of the FYROM." This main objective was deconstructed in two immediate objectives, which have not been reviewed to date:

- Improvement of cultivation practices and productivity of small-scale farmers in conflict and drought affected areas; and
- Mainstream agricultural marketing of high value crops in 24 groups/villages of conflict and drought affected areas.

The bridge between the Project overall goal and the objectives is vague as objectives somehow miss the inter-ethnic confidence-building dimension. The original formulation implies that parallel economic development and income growth is sufficient to achieve inter-ethnic confidence. It could be envisaged that the ethnic majority and minorities would meet in different occasions, have common activities and attend to joint training workshops or study tours. This kind of approach might be allow to overcome some barriers partly due to reciprocal ignorance between groups of population.

The main impacts expected from the Project within the timeframe of 24 months are:

1. Increased production of high-value crops matched to market demand;
2. Employment creation by raising levels of farming professionalism, demands for services and additional trading activities;
3. Increased awareness of market channels, and production of quality produce in line with the needs of the market;
4. Confidence building between various ethnic communities through working together for mutual benefit;
5. Farmers linked with a network of reliable service providers (for agronomic and marketing support);
6. Emergence of farmers' organisations (groups) by commodity clusters.

The above-formulated impacts are clear and in-line with the needs analysis and immediate objectives. Of course, impact 4 is very much influenced by the overall political situation, governmental measures and the situation in neighbouring countries. It is therefore very difficult to measure how far the current fragile stability might be attributed to the Project.

C. Project Design

As already mentioned above, the Project focused on the conflict and drought affected areas to consolidate results of the emergency phase in terms of economic development and confidence building. The need to bridge emergency operations with rehabilitation and development activities has been one of the lessons learned of the recent years, by donors and agencies, including FAO. The Bosnia experience, one of the first comprehensive emergency operations, showed that emergency activities, only, cannot re-establish economic development and confidence, if not followed-up by development programmes.

The geographical area inherited from the FAO emergency programme constituted a challenging prerequisite for the Project design (see map in Annex 15). Indeed, some of the areas involved in the Project did not belong to traditional vegetable growing areas or have well-established

channels for marketing fresh vegetables. This suggests that the Project had to develop specific mechanisms for each of the targeted areas.

The selection of primary beneficiaries was concentrated on the identification of the farmers with the biggest chance for success. Selected beneficiaries were medium scale farmers, with advanced practices in the horticulture production. The selection criteria developed encompassed the following:

- Medium scale farmers with minimum 1.5- 3 ha cultivated land
- Access to irrigation water on minimum 0.5 ha of land
- Previous experience in horticulture production
- Agriculture is a main source of income
- Eagerness for innovation
- Reactivity to the Project in terms of absorption capacity
- Readiness to establish contractual arrangements with potential buyers
- Preference given to younger people interested working in agriculture
- Households with more than one family member

Beneficiaries have been organized in informal commodity producer groups comprising of 20-30 primary beneficiaries. Each group has a group leader appointed. Originally, the Project intended to assist 480 primary beneficiaries organized in 24 commodity producer groups.

The Project was widely advertised and farmers invited to submit their application to the FAO office. The final selection was made by the consultation and close cooperation with the potential buyers that gravitate to the respective region.

As the Project overall goal is to contribute to the consolidation of peace and confidence building, the ethnic composition of the Project beneficiaries had to be taken into account. Out of 480 primary beneficiaries selected, 330 would be ethnic Macedonians, 130 ethnic Albanians and 20 from other nationalities.

According to the Project Document, approximately 1,000 secondary beneficiaries would be included during the second year of the Project. Whereas the secondary beneficiaries selection criteria were not developed in the Project Document, it was indicated they would be smaller-scale farmers having experience in horticulture. In the second year, the secondary beneficiaries, who participated on training and cooperated with the potential buyers, would be supported by the distribution of seeds and other agriculture inputs.

Despite, no logical framework has formally been developed in any of the Project documents, the way activities are supposed to produce outputs and reach immediate objectives is clear and logical.

In the first draft of the Project Document activities are planned from November 2002 until November 2004. Some confusion and miscommunication between FAO HQ and the FAO Skopje Project Office appeared when the official Project proposal was sent to the Government of FYROM. The copy that the MAFWE received indicates May 2003 and April 2005 as Project starting and ending dates. These discrepancies have been clarified beginning 2004 between FAO HQ and the field, when REUD sent the information that the actual timeframe was December 2002 to November 2004. In the same correspondence, FAO HQ mentioned that the Project NTE had been extended to January 2005. However, the "Trust Fund Budget Revision Routing Slip" sent by REUDD requesting a budget revision and a change of ending of Project dates shows 31 December as new NTE date. So far the Government officials have not been officially informed that the document they received displayed incorrect dates.

Said this, the original starting date seems the most appropriate as it allows to prepare the floor for the spring agricultural season. In reality, the FAO Project Office in FYROM started the preparation work in October 2002 (see Pre-inception Report).

In the light of the issues addressed by the Project, such as improved agriculture techniques of complex crops like pepper and tomato, marketing and formation of producer groups, the two year-duration seems the least to reach consolidated results. In that respect, the inclusion of additional 1,000 beneficiaries in the second year only seems maybe a bit too late for these farmers to benefit fully of the Project support. The Project might pay special attention at the selection and include only farmers already skilled in vegetable production.

The Project Document anticipated that the Project would explore mechanisms to promote the establishment of a group Support Fund. The management and the institutional mechanisms to make the revolving fund operational and sustainable is a challenging task. The present environment in Macedonia is characterised by, on the one hand mismanagement and lack of trust, and on the other the agriculture sector poorly structured that does not offer solid partners to host and handle the fund. Consequently, the options are either to keep the management of the fund under international management, to hand it over the MAFWE or to promote the emergence of and strength farmer structures able to handle the fund in partnership with maybe other stakeholders. However, the last option certainly requires more than two years (see section V and VI, and annexes 16 and 18).

The Project Implementing Unit (PIU) consists of one international Team Leader, one National Agronomist General Manager, one National Marketing Assistant, two Project Assistant and support staff, based in Skopje. In addition to those staff, four Area Managers / Agronomists provide proximity support at farm level (annexes 6 and 7).

A Steering Committee sets up basic policy guidelines, clears critical issues and can play a role in promoting the replication of tested model (annex 6).

IV. Assessment of Project Implementation, Efficiency and Management

A. Project Budget and Expenditure

The donor contribution was timely made available to FAO in one instalment.

A budget revision has been requested the 2 March 2004 (annex 5). Its approval is still pending. Aside from minor administrative changes (as shifting money from "Salaries Professional" to "Salaries General Service" budget lines), two main modifications are proposed. These are the decrease of non-expendable equipment by US\$ 93,947 and the increase of General Operation Expenses by US\$ 66,582.

The mission does not have a strong stance on these changes, but thinks the Project Management and REU should develop a solid argumentation to be presented to the Donor. It is true that the increased role of the Support Fund in the Project mechanisms augment the chances this fund generates additional resources for the financing of agriculture equipment. For the three covered seasons, the Project will have made available US\$ 425,000 for the funding of agriculture inputs and equipment (annex 17). This means that the resources made available to the farmers to finance their activities could be higher than the initial US\$ 355,000. Of course, the central role of the Fund requires more resources for its management. This justifies increased resources allocated to support the PIU to negotiate contracts between producers and buyers, to mobilise and coordinate the steering committee activities, and eventually to chase the bad payers before the new season starts again.

B. Activities and Outputs

So far, most of the Project activities were overall implemented as planned in the Project document (see table below).

In 2003, the Project supported 444 primary beneficiaries. In 2004, 300 additional beneficiaries were added and 253 of the 2003 beneficiaries (self-) excluded. By the end of the 2004 season, the Project will have supported with inputs, equipment, market linkages and training 744 farmers organised in more or less consolidated commodity groups (annex 9). Compared with the Project Document, this figure corresponds to the 50% of the planned final number of beneficiaries.

The Project management justifies this approach by the priority given to the Support Fund because of its instrumental role to tide farmers with

processors and traders. The progressive increment of the credit fraction compared with the total value of the provided inputs (33% the first year, 66% the second and 100% the third) and equipments (60% the first year, 100% for the second and the third) incites to release a limited amount of money the first year in order to get a more substantial final Support Fund. In the case all funds available for inputs and equipments were used since the first year, the Support Fund gathered after two seasons would be nearly three times lesser than the one obtained through the adopted approach (annex 17).

A high number of beneficiaries who have been assisted the first year will not receive further support. Out of the 444 beneficiaries involved during the first year of the Project, 253 are not involved in the year 2004 (see table). In some cases farmers were excluded by the PIU, on the base of lack of cohesion and cooperation with the Project. In some cases, farmers practically excluded themselves by showing a general lack of interest in the Project or because of the increase of the credit portion in the second year.

	Number of beneficiaries in 2003	Proportion of beneficiaries (self-) excluded in 2004
Kavadarci	120	72%
Skopje-Kisela Voda	68	32%
Kocani	55	45%
Kumanovo	140	61%
Negotino	60	57%
Total	444	57%

As a result of these arrangements, the majority of involved farmers receive assistance only during one-year period. This might diminish Project impacts in terms of improvement of agriculture, marketing and management practices.

Through the process of direct interviewing, the PIU has identified a number of potential buyers (processors, wholesalers and exporters) that are interested to initiate cooperation with the farmers in the respective regions on a contractual basis (See for detailed information on the selected buyers in annexes 11 to 13).

The buyers involved in the Project were selected upon the following criteria comprehending *inter alia*: willingness to cooperate with the farmers; ability to absorb significant raw material volumes; sufficient working capital to pay promptly the bought out quantities of the farmers products; and market driven entrepreneurs; readiness to enter into a contractual arrangement; export oriented products, and ability to handle all needed logistic supports of the Project.

Overall the proposed approach to identify Project beneficiaries/partners was transparent and susceptible to ensure good results. Especially, the decision to secure the Project objectives by the involvement of farmers demonstrating experience and interest was judicious. Indeed, given that the Project aimed through innovative mechanisms to link producers with processors, successful production of raw material in terms of quantity and quality is crucial. For similar reasons, it was wise to involve the processors

and traders in the farmers' identification that entailed a shared responsibility between these buyers and FAO.

Implemented activities compared with work plan

WORKPLAN	EXECUTION
Designation by Government of a National Project Coordinator	✓
Marketing investigation to form the basis for the introduction of new crops and new varieties of existing vegetables	✓
Collection of relevant agricultural statistic of the target area	✓
Define with accuracy the targeted area in collaboration with Ministry of Agriculture, Forestry and Water Economy. Definition of the targeted villages taking into account social and agro-ecological factors and identification of specific farm equipment and inputs required for beneficiary groups	✓
Identification of partner NGO(s) for implementation of specific Project activities	No NGO involved in the Project
Partner NGO will identify and select local suppliers of farm equipment	Idem
Guidelines will be distributed to partner NGO on the criteria for targeting beneficiaries and the formats for presenting reports	Idem
Recruitment of national experts and local staff	✓
Begin the market survey	✓
Prepare a detailed work plan to cover the period of the Project	✓
Information throughout the targeted area about the purpose of the Project and identification, through self-selection, of innovative farmers who wish to crop new vegetables	✓
Determine the exact number and technical characteristics of water lifting devices needed for small-scale irrigation in the selected areas	✓
Identify local competencies to dig bore-holes	✓
Identify and select primary and secondary beneficiaries	✓
Recommend appropriate irrigation techniques that will be used in each area	✓
Launch the local tender for seeds and planting material	✓
Market survey feedback and pre-production workshops and ad hoc advice; on the basis of the quick market survey and the farmers interest, identify the new crops which will be included in the production plan of innovative farmers	✓
Distribution of agricultural equipment to the beneficiaries	✓

WORKPLAN	EXECUTION
Distribution of starter vegetable kits for planting season together with leaflets indicating (water needs, pests and diseases, etc.)	✓
Extension material will be prepared by the FAO team in collaboration with the partner NGO, Extension Services of the Ministry of Agriculture, Forestry and Water Economy for wider dissemination of economic advantages to be gained from the use of irrigation to counteract drought and to extend growing seasons of high value cash crops	✓
Field demonstrations promoting mechanical weeding and enhanced land preparation, targeting farmers, local machinery dealers, private service providers and extension officers of the Ministry of Agriculture, Forestry and Water Economy	✓
FAO will monitor distribution through random selection of beneficiaries from the signed lists	✓
Participatory farmer training on marketing and post-production issues through workshops on: harvest timing and marketing options, crop maturity, packaging, storage and transport	✓ See Annex 20 and 21
Participatory farmer training in marketing, negotiation and selling through workshops: grouped production, collection centres, farmers marketing associations, contractual agriculture	✓ See Annex 20 and 21
Throughout the whole season, intensive training and field demonstrations will be provided to farmers in co-operation with Ministry of Agriculture, Forestry and Water Economy and the partner NGO, including demonstrations of mechanical, irrigation and agronomic techniques, workshops, farmers' field days, field demonstrations related to the production of high value crops;	✓
During this period routine field visits will be carried out by FAO Project staff in order to verify the proper use of the inputs and monitor the progress of activities	✓
Mid-term evaluation assessing the intermediary results of the Project	✓

Between March and November 2003, 10 thematic trainings have been developed and sessions have been organised in the field. These courses and workshops addressed improved cultivation and crop protection practices, new vegetable varieties and marketing and post-harvest handling. FAO staff, in co-operation with MAFWE has undertaken the training. Additionally, the Agricultural Faculty in Skopje, supplier companies and relevant experts support training activities. The training sessions addressed direct beneficiaries and other interested farmers and covered the following issues: marketing and contract farming, production analyses, open-field cultivation practices, diseases and pest control and improved irrigation practices. The training consisted of field-training visits in the afternoon and workshops in the evening. The workshops addressed general production and marketing issues as well as specific problems identified during the field visits (annex 20).

Six booklets and manuals on cultivation practices and disease/pest control were disseminated to the Project beneficiaries. Existing material previously prepared by MAFWE and GTZ was reprinted (with FAO Logo attached respecting the copyrights subject of the MOU signed with GTZ) and distributed. FAO staff, MAFWE, as well as other experts prepared 5 guidelines leaflets (annex 21).

A video cassette/CD is being prepared. National and local television have broadcasted some of the training activities and interviews were given to explain Project objectives and activities.

In addition to the disseminated material and the training session provided, farmers have benefited from the proximity of the area managers, who follow-up their crop during the whole growing season (annex 21).

Generally speaking beneficiaries, interviewed by the Mission have expressed a high level of satisfaction regarding the quality of seeds distributed by FAO. Farmers highlighted that seeds bought on the local retail market rarely correspond to the mentioned specifications and limit dates are often expired. Inputs were provided and distributed through the participating companies closely monitored by the Area Managers and Project Assistants.

Regarding seed control the Project engaged the Institute for Southern Crops (Strumica) and the Agricultural Institute in Skopje to undertake seasonal testing. This is being done in co-operation with MAFWE. Prior to the procurement of agricultural equipment (pumps and pipes), irrigation experts in consultation with the farmers determined the needs and recommended adequate equipment and quality standards.

After a first phase of identification of processors and traders, workshops gathering buyers and farmers were organised to discuss the interest for both parties of contract-farming. These workshops were organised in January 2003 and resulted in negotiated prices between producers and farmers. This first contact was then followed-up by FAO who drafted and circulated the contracts for signature. For the year 2003, contracts have been signed between 385 farmers and 7 companies (annex 12). Compared to the 3,080 MT contracted, 1,417 have been realised (annex 13). For the year 2004, 4 companies have contracted 430 farmers for the supply of 2,793 MT of peppers and tomato (annex 12). Only one company involved in 2003 has renewed its commitment and 3 new companies have been selected. Additional companies will sign a MoU with FAO committing to buy extra quantities at market price.

Commodity cluster groups have been established in the four regions for the sake of the Project. Some of these groups are envisaging consolidating their basis and developing their activities and scope. However, so far, only the producer group in Kocani, registered in association, developed an clear action plan and shows clear signs of sustainability (see section V A).

The Support Fund revolving mechanisms have been developed. The principles are the following. The fund is established in the MAFWE under supervision of a Steering Committee composed of FAO and MAFWE as joint signatories. The participating farmers contribute with repayments, which are collected by the buyers as a deduction from the sales and repay the loan to the support fund. The farmers marketing their products on the fresh market repay their loan directly to the Support Fund (annex 16). The planned recovery rate for production inputs is: Year 1, 33%, Year 2, 66% and Year 3, 100%. The rates applied for equipment are Year 1, 60%, Years 2 and 3, 100%. On an annual Project input funding level of around \$105-110,000, plus non-expendable equipment recovery, the fund is expected to stand at the first season at \$44,823, the second season at about \$128, 000 (annex 17).

The first payments were received at the end of August. For the first year, out of the expected US\$ 44,335, companies and farmers producing directly for green markets have repaid US\$ 23,566 (equivalent to 52% of the total loans). Respectively farmers have repaid 70% of the US\$ 22,000 total loans while companies just 36% of a similar sum (annex 14).

Whilst it was initially envisaged that the Revolving Support Fund could not be considered as a Project objective but only as possible side effect, the Support Fund became a central element of the Project. It actually represents the cement that links farmers among themselves and to agro-processors and service providers. In the present Project set-up, the revolving fund became instrumental to reach the Project Objectives (see below).

C. Government Support

The MAFWE has been involved since the beginning in the Project design and management. The State Secretary of the MAFWE chairs the steering committee of the Project that comprehends other experts of the Ministry, FAO and a representative of MAP. The MAFWE is also the Support Fund bank account holder located in the National Bank of the revolving fund (annex 6).

This institutional setting ensures that the Project direction is in line with the Government policy and that the Project receives the support of the Macedonian Institutions. It also contributes to a certain extent to the MAFWE capacity strengthening and could favour the replication and expansion of the model proposed by the Project.

D. Project Management

The PIU was set up with the required staff and other means. Equipment and the structure inherited from previous emergency projects have favoured Project cost-effectiveness (annex 22). The national staff have clear TOR and guidelines. The technical staff show a high degree of

autonomy and a good understanding of the Project stakes. Continuous consultation among national and international staff ensures, dynamism, transparency and a sound decision-making process. Overall, the team spirit is very positive and the project success relies to a large extent on staff motivation and commitment (annex 6 and 7).

The intention to hire an NGO was abandoned at the implementation-starting phase. One international and one national organisations have been approached and asked to make an offer to FAO. In both cases, offers were far above Project financial capacities. Consequently, the Project management decided the PIU would operate the "NGO component" and contract expert on an individual base.

Administration-wise, the Project is run a streamlined and economic fashion. The two administrative staff are also having non-administration duties. The accounting and finance clerk also provides, when required, driving services and the Administration Project Assistant has been involved in field surveys and on a regular basis in formulation of documents and reports (annex 7).

So far the Project has been properly monitored and documented. A comprehensive database has been developed and updated by one of the two Project Assistant who is also acting as Data Analyst (see database description in Annex 8). The target areas have been surveyed and data on farming systems, production costs, local and national markets have played a useful role in refining the Project approaches and activities. The present evaluation is the first external evaluation. Though, a comprehensive internal mid-term evaluation was carried in December 2003. The evaluation focused on the assessment of the production aspects, economic impact at beneficiary level and on the contractual arrangement between farmers and buyers. The Data collected during this evaluation enriched the Project Database and were sum up in a report made available and very useful to the present evaluation mission.

At different stages of the Project, the PIU has produced a number of detailed documents addressing operational and fundamental issues suggesting Project re-adjustments when suitable (annex 2).

E. Technical and Operational Backstopping

Ed.S. Seidler, Senior Officer (Marketing), AGSM travelled to Macedonia after his mission in Serbia. His presence coincided with the mission of Stefan Schlingloff, REUA and the formulation phase of the Project. Detailed discussions were held with the FAO Emergency Unit staff and Mr. Schlingloff on the refocusing of the draft Project document designed on the basis of the AMIM Serbian project without adequately reflecting the actual needs and conditions in FYROM.

In October 2003, the Project also benefited of the institutional support Nezdad Ajanovic (REUD) mission. Mr. Ajanovic met Government, UN and Donors representatives, who expressed their satisfaction with the present Project and the role played by FAO in FYROM. Eventually, it was agreed

that the approach developed through IAMIMS could and should be applied to other sub-sectors through new projects.

V. Assessment of Results and Effectiveness

A. Effects and Impact

The average yields (23 t/ha) obtained are considerably higher than the average country pepper production (15 t/ha). A total of 3,743 MT of pepper and tomato production was registered plus approximately 40 % unregistered/unreported production.

The PIU reported several problems, which marginally affected the production performances. Some beneficiaries experienced problems at the nursery-bed stage therefore transplanting was conducted successfully. Field production was generally of a good standard with crop protection being the major problem. A predictable range of viral, bacterial and fungal diseases was experienced, causing some complete crop loss, mainly yield/quality reduction, but in some cases serious loss and quality reduction.

The excessive temperatures resulted in some crop fruit damage and in some situations farmers had problems maintaining irrigation frequency. Hail and high wind caused localized crop damage in the Kumanovo region in late July with the result that the production from some villages could not be sold to the intended buyer.

A significant part of the production losses was on account of outbreaks of pests and disease. Fungal diseases (*Phitophtora*, *Verticillium*) and viruses are the main problems with which farmers are faced during the production process. This is because the farmers are not able to recognize the appearance of these diseases in order that they can be stopped on time from spreading and also a lack of knowledge on how and when to apply the necessary preventive measures.

The economic results of the Project and the impacts on the targeted farmers livelihood can be analysed through the below tables. These tables show the obtained gross margin by crop and by region. The figures regarding the costs, yields and prices for the respective regions are based on data that have been collected by the Project staff. Gross margins have been calculated for the three crops – peppers, industrial tomato and tomato for fresh market – and the average cropped surfaces supported by the Project. In reality, farmers who honoured contracts with agro-processors, sold part of their production on the fresh market. The actual income of beneficiary farmers correspond therefore to a combination of the gross margins obtained through the selling through both outlets. Taking the calculated gross margins and the data of Annex 10, it is possible to assess the total gross margin of all farmers supported by the Project at Mio US\$1,2. Considering the figures of 444 and 633 farmers for

the two years, the additional income per farmer and per year can be estimated at US\$ 1,100.

Gross margin analysis for pepper crop

Buyer	Regions	Gross Income per kg/price	Cost per kg	Gross margin/kg	Gross margin / 0.4 ha	Assumptions*
Medium Export	Kavadarci	\$0.19	\$0.09	\$0.11	\$1,067.88	Yield Ø = 25 MT/ha Costs Ø = 2138 \$/ha
Turan	Kavadarci	\$0.16	\$0.09	\$0.08	\$779.42	Yield Ø = 25 MT/ha Costs Ø = 2138 \$/ha
Univerzal Promet	Kocani	\$0.23	\$0.09	\$0.14	\$1,729.23	Yield Ø = 30 MT/ha Costs Ø = 2603 \$/ha
Bonum	Kumanovo / Skopje	\$0.19	\$0.08	\$0.11	\$1,330.49	Yield Ø = 30 MT/ha Costs Ø = 2443 \$/ha
Medium Export	Kocani	\$0.15	\$0.09	\$0.07	\$806.15	Yield Ø = 30 MT/ha Costs Ø = 2603 \$/ha
Wholesale/ retailing free sale	Negotino / Kavadarci	\$0.17	\$0.09**	\$0.09	\$875.57	Yield Ø = 25 MT/ha Costs Ø = 2138 \$/ha
Wholesale/ retailing fresh market	Kumanovo / Skopje	\$0.29	\$0.08**	\$0.21	\$2,484.34	Yield Ø = 30 MT/ha Costs Ø = 2443 \$/ha

* Based on data collected by the PIU through survey

** Does not include the transport / marketing costs

Gross margin analysis for tomato crop

Buyer	Region	Gross Income per kg / price	Cost per kg*	Gross margin/kg	Gross margin / 0.4 ha	Assumptions*
Makedonija	Negotino	\$0.07	\$0.04	\$0.03	\$736.98	Yield Ø = 60 MT/ha Costs Ø = 2196 \$/ha
Free sale	Negotino	\$0.15	\$0.04	\$0.12	\$2,813.91	Yield Ø = 60 MT/ha Costs Ø = 2196 \$/ha
					Gross margin / 0.1 ha	
Fresh market	Kumanovo	\$0.19	\$0.03**	\$0.16	\$1,290	Yield Ø = 82 MT/ha Costs Ø = 2860 \$/ha

* Based on data collected by the PIU through survey

** Does not include the transport / marketing costs

A more detail analysis gives some hints to understand some difficulties the Project has faced. For instance, looking at the price of peppers sold on the fresh market by Skopje and Kumanovo producers, it is clear that the Skopje fresh market (wholesale, traders, retailers) represents a very challenging competition for the processing-industry. It is therefore not surprising that, in these areas producers have tended not to honour the contract they had with the agro-processors.

As mentioned above the gross margin calculations have used data collected through surveys carried out by the Project staff and using forms filled by farmers on their production costs and selling. However, beneficiaries do not hold proper bookkeeping. Very likely, in many cases post-harvest losses, marketing, transportation and labour costs are not taken into account or approximate. A simple but systematic bookkeeping might be useful to farmers to analyse for instance the pertinence of selling products to processors through contracts farming or free sale versus marketing them on local green markets. In addition, farmers keeping records would have more credibility in front of banks when applying for credits.

The emergence of producer groups is one of the expected impacts of the Project. The mission met commodity groups in the four Project areas. It is obvious that due to local environment, lack of interest in professional agriculture, other sectors opportunities and psycho-sociological aspects, these groups will evolve in stronger structures or will die once the Project ends. So far, only the Kocani producer group has shown the capacity to strengthen its organisation and define its priority activities. Those are joint input procurement, negotiation with other stakeholders and provision of training and information to members. Up to now, the obtained results are substantial savings on recent procurement of:

- plastic sheeting for tunnel greenhouse – 70 Denars per meter instead of 120 Denars ⁵
- potato seed – 40 Denars per kilogram instead of 75 Denars
- maize seed – 120 Denars per kilogram instead of 150 Denars

In addition, in 2004, the members of the association's executive board have held negotiations with processors; and the association is currently negotiating a long-term leasing contract to access 400 ha of the nearby agro-kombinat. The land leased by the association would be rented to the member farmers in order for them to increase their crop surface. Eventually, the association is also in discussion with the FAO area manager to explore ways to have this agronomist specialised in vegetable production and former director of the agro-kombinat to continue to provide training, information and advices to the members. Last but not least, this group benefit from enhanced support as one of the two Project Assistant is part of the executive board of the association.

Other groups are addressing, debating or challenging the idea of reinforcing their capacities and creating a formal Association. In other cases, it clearly appears that once the Project ends, individual farmers will certainly have gained in improved agriculture practices and knowledge, but will not have reached the critical threshold to develop group activities and organisation.

⁵ Exchange rate: 51 Denars = 1 US\$

As mentioned in the previous sections, contract farming has been identified by the Project and the key-stakeholders as an adequate option to improve the performance of the Macedonian vegetable sub-sector. The achievements of the Project can be measured through the following indicators:

1. Over the two seasons, out of 40 processors active on FYROM territory 10 have signed 1,077 contracts with farmers through the intermediation of the Project (annex 12);
2. The contracted quantities of peppers (1,860 MT in 2003 and 2,133 MT in 2004) compared with the quantities yearly exported by FYROM (between 4,000 and 5,000 MT during in the last five years) represent a considerable share of the production (annex 12);
3. The proportion of realised quantities compared to the contracted in year 2003 has been less than 50% (annex 13);
4. To date, i.e. at the time where cash is needed to finance the new campaign, companies have paid farmers but still ought 64% of portion due to the Support Fund (annex 14);
5. Farmers have reimbursed 70% of the "credit" to the fund (annex 14);
6. Six companies involved in year 2003, have not renewed contracts or were excluded by the Project because of their poor reliability (annex 12).

The above facts are reflecting the mix-feelings regarding the Project results to date in regard with contract farming. There is first the significance of the Project on the national scene and the interest demonstrated by a large number of farmers and companies. At the same time, quantities and quality of products delivered to the processors did not meet the expectations, since farmers supplied sometimes processors with products they were not able to sell on the fresh market. In some cases, this incited some processors, who target quality product niche markets, to reject the delivered goods. In addition, some processors were not able to honour the signed contract because they failed in identifying export markets. The combined effects of these decisions explain the discrepancies between the contracted and realised quantities.

In 2004, some companies were excluded and others withdraw from the Project scheme judging the new modalities as not fair for the processors and traders. In particular the reimbursement of the amount ought to the Support Fund by end of December is considered as an unbearable constraint for the processors. Indeed, it is argued that need of cash is very high between September and January for the procurement of raw material and the payment of labourers. One of the grievances made to the Project and expressed to the mission is that FAO only helps farmers and not processors. The latter show some irritation to see that Support Fund resources are left six months with farmers and only two and half with them. It is true that late payment to farmers is common practice in the whole Former Yugoslavia allowing solving recurrent liquidity difficulties.

Despite these difficulties, all involved players look at FAO initiative with interest as a learning process where trust must be built on joint partnership. Key-stakeholders of the agriculture and vegetable sub-sector including MAFWE, MAP and farmers recognise the contract farming model proposed by the Project as crucial for agriculture and agro-processing industry in FYROM. Producers and processors see of course such models serving their own interests. Nevertheless, there is a genuine common understanding that this evolution will also benefit to the development of the sub-sector as a whole. All people met were very positive on the FAO experience. They also underscored that the Project is succeeding to promote this model in a very difficult environment characterised by poor professionalism on both producers and processors sides, low level of companies solvability and inefficient legal and judiciary system.

How these results are contributing to the overall peace building process between minority Albanian and the other ethnic groups is difficult to say. Certainly the attention paid to Albanians by the international community through this type of project has come in support to the political agreement reached between ethnic groups to reduce tensions and prevent the development of the conflict.

As mentioned above, the assumption that parallel economic development and growth is sufficient to favour peaceful inter-ethnic relation is open to discussion. The Mission is of the opinion that social and civic development might also be required.

Ironically, the economic results of farmers in Kumanovo and Skopje regions, mainly Albanian population, inform pretty well on the economic situation of this group that recurrently claims to be economically marginalized. Parallel networks and a good sense for business and trade certainly explain how this group succeeds to optimised its profit. Information sessions to farmers on comparative economic results between Macedonian and Albanian farmers should be organised for the minority group in order to challenge Balkan mythologies.

The important questions to be asked are: "Has this group performed better than others because of the Project?" and if the answer is yes, "How come did the Project have a higher impact on this group?" The answers to these questions might be found in the following facts. The first is that the baseline survey shows that these farmers yield for pepper is with 82 MT per hectare much higher than in other regions. Second, Albanian farmers used their old marketing channels and tended to overlook the contractual arrangements with buyers, mediated by the Project.

The opinion of the FAO coordinator in FYROM is that the inter-ethnic confidence requires a multi-sector, long-term full-fledged programme, much more comprehensive than the current activities implemented in the affected regions.

B. Sustainability and Environmental Impact of Results

At the inception of the second cropping season, an important part of the manifold outputs of the Project have already been produced. Of course most of these results need to be consolidated through the second year activities. The Project has enabled these results through a large number of services that go far beyond the classical technical advisory role of FAO.

The enhanced quality of the supplied agricultural inputs, especially seeds, has been attested by farmers and certainly played a role in increased products quality and yields. The provided training sessions were organised taking into account crop calendars and covered the main agricultural operations. It can also be assumed that the follow-up of the crops by the area managers ensured the prevention of extensive pest damages. Overall the technical assistance to farmers can be considered as adequate, even if some improvements are possible in term of plant protection to further decrease pest impacts.

Beside training, technology transfer and in-kind capital, the Project and more specifically the PIU has:

- Played an mediation role in the negotiation of contracts between farmers and buyers;
- Managed the Support Fund jointly with the MAFWE;
- Staff who got involved in Associations organs.

The impacts of these services on farmers' capacities and economic results are significant. However, in the current set-up, the end of the Project would result in the interruption of most of the services provided by the Project or between stakeholders. In some cases, the absence of financing mechanisms of certain services could cause the cessation of other activities. In other cases, the FAO endorsement through its neutral authority and mediation guarantees the respect of the adopted rules by the different parties. Anyhow, the determinant factor is that the above-listed services are interlinked. As a consequence, the loss of certain elements of this system would threat all others.

Therefore in order to secure the sustainability, by its end the Project has to:

- Further foster producer groups to enhanced their capacity to negotiate and receive/purchase services;
- Transfer the service support role and the management of the Support Fund to a structure gathering one or more national entities;
- Set-up cost-efficient mechanisms ensuring delivery of services to farmers beyond the life of the Project.

In the Project expansion proposal that FAO Skopje has formulated, the proposed exit model relies on the following working assumptions:

- Consolidated the stronger producers groups;
- “Privatise” the PIU that could becoming a valid and professional service provider to farmer organisations (consortium);
- Have this new entity operating the Support Fund under the supervision of the MAFWE.

In the case the above mention issues are not addressed properly, the main output in term of organisation and policy of the agriculture sector, namely the contract farming model linking producers and buyers would be put at risk. Indeed, the Support Fund and the crops technical follow-up play a determinant cohesive function between two groups who still are suspicious of each other. Improved results of contracted volume realisation in the second year is therefore crucial to strengthen the relations between farmers and buyers. However, an adapted set-up to make the present mechanisms sustainable would foster improved production and marketing practices nation-wide. The contract-farming model could even be promoted in other sectors such as lamb production for export.

Intensive vegetable crop might have on the long-term negative impact on soils fertility and on the environment, especially water resources, negative effects can be expected in the regions specialised in this crop. To mitigate these negative externalities, measures are expected to be taken. Training in integrated pest management (IPM) and promotion of appropriate crop rotation should be part of the training provided to the farmers. So far it seems it has not been the case. In that respect it is unfortunate, that no linkage exist between the Project and the IAM – B / CIHEAM project, which is a traditional partner of FAO. A training course focusing on environmental friendly practices in vegetable production targets young extensionists or professionals in a position to transfer technology to farmers.

C. Gender Equity in Project Implementation and Results

In its first phase, the Project has not paid much attention to gender dimension, despite the fact that gender inequity constitutes one of the major social issues in FYROM. Without a doubt, female household members are involved in vegetable growing and processing. However, “official beneficiaries” are mainly men, with few exceptions such as a women group in a Serbian village.

D. Cost-Effectiveness

The Mission found the overall the present Project has been implemented so far in an adequate and cost-effective manner taking into account its objectives and environment. According to representatives of other agencies and governmental institutions, the project impacts on the

targeted population are far more tangible than other actions initiated since the crisis ended. The United Nations Resident Coordinator expressed its satisfaction to see “at least another UN agency supporting decentralised economic development”. The MAFWE representative stated that this “Project was one of the few having an impact on farmers activity and livelihood”.

In general, the overall impression is that projects of other agencies after trying to address sub-sectors in their whole, re-focused their activities on certain segments. In that sense, the integrated approach of the Project enabled to address all bottlenecks hampering the development of the vegetable sub-sector and to ensure a good ratio between project inputs and outputs.

This capacity to address all facets of the commodity-chain should incite the PIU to liaise more with the other agencies supporting the vegetable production and processing industry. The overall feeling is that the various organisations know little about the other agencies on-going activities, each of them focusing on one specific issue as production under shelter, HACCP, standards, label certification, food safety, integrated pest management, business opportunities or post-harvesting operations.

Based on meeting with farmers and processors, the Mission would also recommend the Project to consider analysing more in depth the pertinence to promote industrial tomato crop. Bearing in mind the Mission did not have the time and the capacity to analyse thoroughly this aspect, some facts seem to indicate that the potential of the processed tomato might not be very promising. Firstly, it seems that the most successful buyers are either trading fresh vegetable including tomato, or processing peppers and other vegetables except tomato. Somehow, the processed tomato seems to be the speciality of former big agro-kombinats that have not completed their conversion (annex 13). Secondly, the crop presents still some profitability because the best quality products are sold on the fresh market. The rest of the production is processed and exported as tomato paste or ketchup. Considering that these two commodities are generic products, without big differentiation potential, two interlinked issues might be raised:

- The competitiveness of Macedonian processed tomato products on the long-term on the world market;
- The economic profitability for the growers.

Of particular relevance is the increased competition on international market. Countries such as China and Israel are entering the market with extremely low prices. At the same time, recent changes in EU policies have caused reductions in the support price paid to growers from \$.07/kg to \$.02/kg. This development has contributed to farmers’ fears that their income from industrial tomatoes will be reduced. In Greece most processing tomato farmers are trying to increase their income by utilizing part of their land resources for crops other than tomatoes, such as cotton,

cucumber, onions, and corn. In the US, production costs for industrial tomato are US\$0.05 / kg and the price paid to growers US\$0.07 / kg.⁶ In the US, production costs for industrial tomato are US\$0.05 / kg and the price paid to growers US\$0.07 / kg.

Comparing these prices to the US\$0.07 paid to Macedonian farmers would suggest that competitiveness of Macedonian products is rather weak (see gross margin calculation). This disadvantage could also explain the comment made by the MAP Secretary who stated that foreign buyers are purchasing processed tomato products when they have some supply shortages. In addition of the high cost of the raw material, processing industry is characterized by rather limited capacity units. Eventually, the sub-sector will be facing a new challenge in the coming months, with the upgrading of facilities to HACCP standards. The involved additional costs will further shrink margins, which might just worsen the recurrent financial problems of vegetable processors.

Thanks to the low labour cost, FYROM prices to growers is somehow comparable with the highest prices paid in the EU and the US. However, the difficulty to increase their surface and to rationalize the production due to the lack of capital do not give many chances to Macedonian farmers to gain in productivity. Once, the tariff and no-tariff protection will be decreased domestic raw material might have to compete with imported tomato from neighbouring countries.

E. Major Factors Affecting the Project Results

So far the political situation had a positive influence on the overall objective of the Project aiming at consolidation of peace and confidence building between ethnic groups. Indeed the positive role played by the international community and the implementation of the Ohrid Agreement signed the 8 August 2001 has somehow stabilised the situation in FYROM. However, political analysts and observers continue to highlight how the current equilibrium is fragile and susceptible to be influenced by domestic and external events.

Economic results in the various areas are overall positive but heterogeneous. However, in the case of Negotino, the overall feeling is that farmers might not be re-conducting the crops over the years.

The competition of other crops and particularly of vineyards in Negotino region represents a factor, which the Project management might take into account for further development and identification of crops and areas. Indeed, after being warned by the FAO staff in Skopje, the Mission had the confirmation that vegetable is not perceived by farmers of this region as strategic crop susceptible to make a difference. Somehow, grape production mobilises most of land and labour forces.

⁶ USDA, Foreign Agriculture Service, Processed Tomato Products Situation and Outlook <http://www.fas.usda.gov/hcp/circular/2002/02-07/Proc%20Tom.htm>

The scarcity of land in villages in Nogotino was raised as a limiting factor for the development of the vegetable production and expansion of crops. Because of the proximity of the Makedonija Company, farmers of this region have oriented their activity on industrial tomato crops. The limited profitability of this crop per hectare might incites some of these producers to reconsider this decision.

In Skopje and Kumanovo regions, the contract-farming model has been less successful than in the regions remote from the urban centres. As already mentioned these producers understandingly tend to sell their vegetable for the fresh consumption to traders and retailers to catch better prices. The 12% of the contracted volumes realised in this region are significantly below the 66% achieved in the rest of the areas covered by the Project (annex 13). In order not to jeopardize the trust already difficult to build between farmers and buyers, it might be advisable to better analyse market situation and potential outlets.

As farmers showed a various level of commitment and understanding of what contract means, the same applies to the buyers. Unfortunately, the business ethic, the law enforcement, the practice consisting for all players to delay payments, the relatively high cost of credit and a weak position on the world market are few of the reasons which might explain unfair and illegal behaviour. The fact that some companies are in hands of new owners not always familiar with agro-business, but who had capital to invest in one of the few potentially profitable sectors does not facilitate sound and professional business development.

Quality inputs, irrigation, cultures under shelter and packaging are among other factors of horticulture profitability but involve considerable financing capacity. To a certain extent, the Project provides through the Support Fund a response to these financial needs. However, the Fund is by definition limited and could reach a level to finance the inputs of about 500 farmers cropping 200 ha. Still these farmers might or will have to expand their activities, without waiting ten years of saving. Plus, even assuming by the end of the Project that the fund management issue is solved, it will shrink in real term due to inflation. Therefore, it is suggested to try as much as possible to link the best farmers with banks and other credit institutions. The Project can usefully support them to identify their investment needs and submit sound credit applications.

Until recently, credits for small-scale agriculture were difficult to obtain. Though, the Mission met different banking institutions that are increasingly interested in financing profitable agriculture. Collateral can constitute a difficulty but alternatives to mortgages exist. ProCredit Bank for instance clearly stated that the project coherence prevails on material guarantee. The interest rates (between 16% and 18% per year) might actually represent the main obstacle for farmers. Some of these institutions are hiring and training staff who will be dealing only with agriculture. The PIU could partner in a valuable manner with those institutions in identifying potential customers, providing technical

expertise for the analysis of specific projects and disseminating information on credit mechanisms among farmers. Eventually, increased number of good farmers would create emulation by the differentiating professional from amateur farmers.

Beginning of March, a proposal for the Project expansion has been formulated and introduced by the Project management to FAO HQ. A copy has also been informally presented to the Norwegian Ambassador in Skopje.

This proposal consists in the expansion of the Project geographical area, the increment of the number of farmers, higher level of sustainability and the increase of the budget by about US\$600,000.

The additional expected outputs of this expansion are:

- Additional 25 Commodity Groups of small-scale farmers in five regions established;
- Additional 500 Contracts for production of high value crops signed annually;
- Additional 5 000 tons of pre-sold high value vegetables produced annually;
- Average national yields for targeted crops increased by 30%;
- Stabilise and increase existing revolving and insurance fund for continuous support to farmers;
- Additional five professional farmers organisations established and organised in a Commercial Service Company (Consortium) managed by professionals.

The Mission discussed three scenarios with the Project team leader and the national staff (annex 18). The current end-of-project date, December 2004 (or January 2005) would allow the completion of two cycles, but only some of the loans could be recovered. At the end of the Project, the Project roles and responsibilities would be fragmented and transfer out, with low chances of sustainability.

The risks are the jeopardy of the Support Fund in terms of constitution, as in January 2005, loans might not be completely repaid. In addition there is no time to consolidate structure and allocate new loans. In most of the cases, farmers will not benefit of further support, as external players are too weak to service them. This situation would destabilise buyers and/or farmers organisations that will not be willing or ready to take over roles and responsibilities by the end of the Project.

The second option consists in a no-cost extension until March 2005, which is possible with the existing fund. This two-month extension would allow the recovery the 2004 loans. It would possibly also give enough time to consolidate the 2005 plans, i.e. contracts eventually signed and loans allocated.

Still this option would not allow consolidating mechanisms able to provide services to farmers. It is not sure that all quantities and contracts can be finalised. Eventually, if the service provider (Consortium) could be established, it would not be economically viable, because of the insufficient number of farmers part of the scheme.

The last option is the Expansion already evoked above. The expansion would set end of 2005 as new end-of-project date and require additional funds (~US\$ 600'000). Eventually the establishment of "Pepper and Tomato Consortium" and proper mechanisms between service provider and farmers structured in groups would allow the perennity of the Support Fund and the advisory activities.

VI. Conclusions and Recommendations

A. Conclusions

At the mid-term stage of the Project implementation, the Mission found the Project addresses relevant issues, namely the peace and inter-ethnic confidence building through decentralised economic development. The overall goal is in line with both Government and United Nations priorities. The overall goal, the overall objective and the two immediate objectives are clearly defined but somehow the relation between the overall goal and the objectives is vague. Certainly the attention paid to Albanians by the international community through this type of project has come in support to the political agreement reached between ethnic groups. Though, the tacit assumption is that parallel economic development and income growth is sufficient to achieve inter-ethnic confidence is questionable.

Despite, no logical framework has formally been developed in any of the Project documents, the way activities are supposed to produce outputs and reach objectives is clear and logical. The Project Document clearly defined outputs and activities and mechanisms that eventually would allow reaching the two immediate objectives.

In 2003, the Project supported 444 primary beneficiaries. In 2004, 300 additional beneficiaries were added and 253 of the 2003 beneficiaries (self-) excluded. By the end of the 2004 season, the Project will have supported with inputs, equipment, market linkages and training 744 farmers organised in more or less consolidated commodity groups.

Compared with the Project Document, the envisaged figure corresponds to the 50% of the planned final number of beneficiaries.

The Project management justifies this approach by the priority given to the Support Fund because of its instrumental role to tide farmers with processors and traders. Because of the repayment modalities, the hold of part of the means available in the budget the first year results in substantial increase of the final Fund Development. In the case, all funds available for inputs and equipments were used since the first year, the

Support Fund gathered after two seasons would be nearly three times less than the one obtained through the adopted approach.

The 253 farmers excluded by the PIU, on the base of lack of cohesion and cooperation with the Project have received assistance only during one-year period. This might diminish impact in term of improvement of agriculture and marketing or management practices.

The enhanced quality of the supplied agricultural inputs, especially seeds, has been attested by farmers and certainly played a role in increased products quality and yields.

The provided training session were organised taking into account crop calendar and covered the main agricultural operations. The follow-up of the crops by the area managers ensured the prevention of extensive pest damages. Overall the technical assistance to farmers can be considered as adequate, even if some improvements are possible in term of plant protection to further decrease pest impacts.

The average yields (23 t/ha) obtained are considerably higher than the average country pepper production (15 t/ha). A total of 3,743 MT of pepper and tomato production was registered plus approximately 40 % unregistered/unreported production. The total gross margin of all farmers supported by the Project at Mio US\$1,2. Considering the figures of 444 and 633 farmers for the two years, the additional income per farmer and per year can be estimated at US\$ 1,100. There are no evidence that farmers keep records enabling them to improve farm management and profitability.

The emergence of producer groups is one of the expected impacts of the Project. The mission met commodity groups in the four Project areas. If some groups present signs of sustainability and might evolve in stronger structures, other might die once the Project ends. So far, only the Kocani producer group has shown the capacity to strengthen its organisation and define its priority activities. Those are joint input procurement, negotiation with other stakeholders and provision of training and information to members.

Contract farming has been identified by the Project and the key-stakeholders as an adequate option to improve the performance of the Macedonian vegetable sub-sector.

In that respect, the significance of the Project on the national scene and the gained interest of a large number of farmers and companies indicate the relevance of this innovative experience. At the same time, the large number of non-honoured contracts and discrepancies between the realised and contracted quantities show that the process is painful and required further assistance. In 2004, some companies were excluded and others withdraw from the Project scheme judging the new modalities as not fair for the processors and traders. Three new companies have expressed their interest and were selected for the 2004 season.

Key-stakeholders underscored that the Project is succeeding to promote this model in a very difficult environment characterised by poor professionalism on both producers and processors sides, low level of companies solvability and inefficient legal and judiciary system.

The competition of other crops and particularly of vineyards in Negotino region represents a factor, which the Project management might take into account for further developments. Indeed, after being warned by the FAO staff in Skopje, the Mission had the confirmation that vegetable is not perceived by farmers of this region as a strategic crop susceptible to make a difference. Somehow, grape production mobilises most of land and labour forces.

In Skopje and Kumanovo regions, the contract-farming model has been less successful than in the regions remote from the urban centres. As already mentioned these producers understandingly tend to sell their vegetable for the fresh consumption to traders and retailers to catch better prices. The 12% of the contracted volumes realised in this region are significantly below the 66% achieved in the rest of the areas covered by the Project. In order not to jeopardize the trust already difficult to build between farmers and buyers, it might be advisable to better analyse market situation and potential outlets.

So far the Project has been properly monitored and documented. A comprehensive database has been developed and updated. An internal mid-term evaluation was carried in December 2003. The evaluation focused on the assessment of the production aspects, economic impact at beneficiary level and on the contractual arrangement between farmers and buyers. The Data collected during this evaluation enriched the Project Database and were sum up in a report made available and very useful to the present evaluation mission.

Beside training, technology transfer and in-kind capital, the Project and more specifically the PIU has:

- Played an mediation role in the negotiation of contracts between farmers and buyers;
- Managed the Support Fund jointly with the MAFWE;
- Staff who got involved in Associations organs.

The impacts of these services on farmers' capacities and economic results are significant. However, in the current set-up the end of the Project would result in the interruption of most of the services provided by the Project or between stakeholders. The main reason being that the above-listed services are interlinked. As a consequence, the loss of certain elements of this system would threat the others.

Therefore in order to secure the sustainability, the Project has to:

- To further foster producer groups to enhanced their capacity to negotiate and receive/purchase services;
- Transfer the service support role and the management of the Support Fund to a structure gathering one or more national entities;
- Set-up cost-efficient mechanisms ensuring delivery of services to farmers beyond the life of the Project.

The confusion created by the dissemination to the Government and the Project Management of Project bearing different start and end of Project dates has caused some confusion and misunderstanding within FAO between HQ and the field. At the time of the evaluation, un-discussed aspects related to this issue were still affecting activity planning.

A budget revision has been request and its approval was still pending at the time of the evaluation. Two important modifications in their nature and magnitude were proposed. These are the decrease of non-expendable equipment by US\$ 93,947 and the increase of General Operation Expenses by US\$ 66,582.

B. Recommendations

In order to strengthen the inter-ethnic confidence building, common activities ethnic majority and minorities should be organised by the Project. Joint training workshops or study tours for instance can help to overcome some barriers that are partly due to reciprocal ignorance between population groups.

If the second year confirms the economic performances of the Albanian farmers in Kumanovo and Skopje regions, information sessions for the minority group these farmers on comparative results between Macedonian and Albanian farmers should be organised to challenge Balkan mythology.

To make the contract-farming model successful and pursued after the Project phase-out, the Project shall focus on the most adapted regions, and serious farmers and processors.

To facilitate the consolidation of emerging producer groups, the Project should organise study tours bringing together members of groups with different level of maturity.

It is recommended that the training programme for the second cropping season gives more space to integrated pest management. Also, the PIU and the area mangers should identify beneficiaries who show some sign of interest to keep records and improve their management. Area managers

should then on a weekly basis help them to update the various documents. At the end of the season, the PIU staff could organise "comparative gross margin analysis" workshop, for farmers to understand the way to use these data. Eventually, the PIU might want to explore ways to include women in the Project activities.

The International Marketing Expert coming mission should analyse and assess the present and the future competitiveness of Macedonian the industrial tomato on regional and international market. On the basis of the findings of the Marketing Expert, processors and farmers could be advised.

The PIU should liaise more with the other agencies supporting the vegetable production and processing industry. In order not to rely only on the Support Fund for the financing of vegetable crops, the PIU should start to tie relationships and link farmers with banking institutions providing agricultural credits. These relations are of relevance in the perspective of the possible "privatisation" of the Project structure.

In order to enable a sound planning and exit strategy, FAO HQ should clarify the issue of the end of Project date and the new date should be communicated to the concerned parties. In the case the PIU sees a justification for a no-cost extension, the field and FAO HQ should communicate and make a quick decision.

When requesting the authorisation for the budget revision to the Donor, a clear argumentation should be developed. The Mission does not have a strong stance on these changes, but thinks the Project Management and REU should develop a solid argumentation to be presented to the Donor. The increased importance and instrumental role of the fund compared to the Project Document, requiring on one hand more management inputs but making available US\$ 425,000 for the funding of agriculture inputs and equipments, on the other, can be considered as a consistent and strong argumentation.

The advantages of the Support Fund in term of enhanced financing capacity of agricultural inputs and the instrumental role of the Fund to consolidate other outputs of the Project would represent the main justification of the proposed changes. At the same time, it is still too early to know if this Fund will survive to the Project life duration and enable the funding of activities in the 3rd year.

In regard to the possible Project expansion, FAO and the donor might look at it taking into consideration the various exit strategies and their implications in terms of cost and impacts. At different degree, the three scenarios confer elements of sustainability.

The Mission would recommend excluding anyway the present NTE, since the no-cost extension provides some additional guarantee of sustainability at the same costs. In regard to the expansion of the Project, the

comparative analysis of the input/output ratio with the no-cost extension scenario might incite FAO and donor to approve it.

VII. Lessons Learned

The Support Fund establishment has mobilised a large amount of time and energy of the Project staff. It also influences the other Project outputs and can affect their sustainability. The Fund became the cement of the Project. Referring to the "Group Support Fund", the Project Document also evokes the instrumental nature of the Fund. At the same time, the same document states:

"Thus, the eventual establishment of the group Support Fund and its mode of operations cannot be considered as one of the project's objectives but only as a possible (positive) side-effect, contributing to the sustainability of project results."

The problem is that it is unrealistic to think that a Fund can be a side-effect, because it requires as in this Project a range of prerequisites and mechanisms, which are usually not in place before a Project starts. This implies that the Project management can either deliberately ignore the Support Fund or invest a lot of efforts to secure the creation of such a Fund and its efficient mechanisms to guarantee its sustainability. Of course in the case, the Fund becomes an objective, this more means and time are logically expected to be required.

For future projects, it is therefore recommended to either abandon the credit dimension or to give the means to the Project to empower local structure that will manage such funds.

Grassroots level activities demonstrate they can have impacts on policy and to reveal legislative and institutional bottlenecks. In the case of the Project, the contract-framing model also highlights the needs for the Government to quickly define an institutional framework enabling the processors to comply with HACCP and other standards. In addition, the integration of the commodity chain would allow to implement those standards and to address quality control and traceability. Overall the model present a good pedagogic tool for farmers channelling information about crops and quality standards.

FAO should therefore pursue its effort at the grassroots level to support enhanced production and sound policy formulation.

The model could be replicated in other countries of the region without underestimating the dangers it entices if farmers have to negotiate contracts with processors and traders without being well organised. That means that capacity building of strong producer groups should be a prerequisite to the promotion of the model.

ANNEX 1

TERMS OF REFERENCE

Project Evaluation Mission

Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS), GCP/MCD/001/NOR

1. Background

Joint efforts of the international community and government have resulted in an improvement of the security situation in the FYR Macedonia, and as a result, the government and donor community are now focusing on reconstruction and development measures. This Project will contribute to the peace and confidence building process through focusing directly on the conflict and drought affected areas, with provision of support in production and marketing of selected key crops. The beneficiaries of the Project will be groups of farmers in Kumanovo, Skopje, Negotino and Kocani. Main problems identified in these target areas are the absence of sustainable market linkages between primary producers and buyers, as a result of past negative experiences and lack of confidence. The main objective of the Project is to strengthen selected high potential farmers groups, improve production and marketing of high value crops in order to increase self-reliance among the targeted population in conflict and drought effected areas. The Project aims to provide a model for market-oriented production, which, at a later stage could become a programme for rehabilitation of the agricultural sector that can be replicated in different regions and for different crops and farming systems in the FYROM

The Project is guided by market considerations in selecting which crops to support through strengthening production and marketing arrangements. It is flexible enough to include relevant experiences occurring during Project implementation. The Project promotes linkages between the commercial sector, farmers associations and farmers.

After evaluating the situation in the target areas the emphasis switched to a market led approach matching production with market demand and establishing contractual arrangements between farmers and buyers.

The result of the Project's intervention at the farmer's level is creation of more commercial orientation amongst producers and the ability to meet market demands thereby securing a more assured market. The participating farmers are required to contribute to inputs and equipment supplied with the innovation that repayments would be collected by the buyers and paid

into a FAO Support Fund with the MAWFE to be used for future project inputs.

The Project has successfully implemented the first season production plan with a high appreciation of the Project expressed by the farmers involved, especially in the conflict areas. The contracted procurement has been conducted smoothly and only some early grading and logistical problems were noted and solved. The Project initially made contractual arrangements with seven buyers, however, one arrangement with a group of fresh market export traders did not materialize.

Field production was generally satisfactory with crop protection being the major problem, plus instances of seasonal weather related in some villages.

Classification and grading remains an issue to be addressed for the second round. Delivery against contracts has been variable, due in some cases to lower than expected saleable production combined with diversion to the fresh market or alternative buyers. Generally contract obligations have been honoured on both sides.

Although it was initially not planned to support beneficiaries selling into the fresh market without being linked to identify buyers, difficulties in securing contracts in the northern regions resulted in free sales being made. In the event this did not result in any problems with beneficiaries reporting good results and prices.

A series of training events were held and production monitoring plus technical production support has been provided on a continuous basis to beneficiaries. An excellent series of training materials has been produced and distributed.

The FAO Support Fund has been officially established in the name of MAFWE, with FAO as co-signatories, to receive repayments on input packages and equipment provided to beneficiaries. It is intended to revolve the funds for supporting the second season of activity.

2. Purpose of the Evaluation

At the mid-point of the Project, the evaluation is intended to make recommendations for any necessary changes in the overall design and orientation of the Project and make detailed recommendations on the work-plan for the remainder of the Project.

3. Scope of the Evaluation

The following represents the minimum coverage of points to be included, but in any case, it should be adapted to specific concerns and issues that the mission is expected to address:

The mission will assess the:

- a) Relevance of the Project to development priorities and needs.
- b) Clarity and realism of the Project's development and immediate objectives, including specification of targets and identification of beneficiaries and prospects for sustainability.
- c) The economic impact of the Project on the targeted area in terms of income generation and employment creation;
- d) The contribution to the confidence building process by creating economic links between various ethnic communities within and outside the targeted area;
- e) Quality, clarity and adequacy of Project design including:
 - a. The potential sustainability/replicability of the model of production promoted by the Project in the same and other sub-sectors;
 - b. The impact and sustainability of the Project in terms of increasing the professional and technical capacities of the assisted farmers, the production diversification process and the effectiveness of the training/capacity building component
- f) The efficiency and adequacy of Project implementation including: availability of funds as compared with budget for both the donor and national component; the quality and timeliness of input delivery by both FAO and the Government; managerial and work efficiency; implementation difficulties; adequacy of monitoring and reporting; the extent of national support and commitment and the quality and quantity of administrative and technical support by FAO.
- g) The Project results, including a systematic assessment of outputs produced to date in terms of production, yields, reduced production costs, increased farmer's income, willingness to work in farmer's organisations etc.
- h) Prepare guidelines and recommendations for the Project follow-up actions in order to increase the sustainability of the structures established with the projects assistance, in particular Farmers Associations and possible future sustainable management models for the Farmers Associations;

- i) Cost/effectiveness ratio of the intervention compared with operations in the same or in a similar context executed within the country as well as the sustainability of these operations.

Based on the above analysis the mission will draw specific conclusions and make proposals for any necessary further action by Government and/or FAO/donor to ensure sustainable development, including any need for additional assistance and activities of the Project prior to its completion.

4. Composition of the Mission

The mission will comprise one Team leader with appropriate and relevant experience.

Mission member should be independent and thus have no previous direct involvement with the Project either with regard to its formulation, implementation or backstopping.

5. Timetables and Itinerary of the Mission

The mission will last 14 days i.e. from the 8th of March 2004 to the 22nd of March 2004.

The mission will assemble in Skopje and provide a tentative itinerary. The mission will have two days of briefing, one day of in-country courtesy visits of the MAFWE, donors and the relevant stakeholders, 7 days of field visits to Kocani, Kavadarci, Kumanovo and Radovis, 4 days end for report writing and 1 day of in-country discussion of the report.

The mission will be briefed and debriefed by the responsible FAO operations and technical officers. The mission will be briefed and debriefed by the responsible FAO operations and technical officers.

6. Consultations

The mission will maintain close liaison with the Representatives of the donor and FAO and the concerned national agencies, as well as with national and international Project staff. Although the mission should feel free to discuss with the authorities concerned anything relevant to its assignment, the consultant is not authorized to make any commitments on behalf of the Government, the donor, or FAO.

7. Reporting

The Mission will prepare a Project Evaluation Report, which will provide details on the results of Project as well as conclusions and recommendations for future action.

The mission is fully responsible for its independent report, which may not necessarily reflect the views of the Government, the donor or FAO.

The report will be completed, to the extent possible, in the country and the findings and recommendations fully discussed with all concerned parties and wherever possible consensus achieved. The mission will also complete the FAO Project Evaluation Questionnaire.

The consultant bears responsibility for finalization of the report, which will be submitted to FAO to the Regional Representative for Europe, (REUD), within two weeks of mission completion. FAO will submit the report to Government(s) and donor together with its comments.

ANNEX 2

List of documents and other reference materials consulted by the mission

FAO, Project of the government of the Former Yugoslav Republic of Macedonia, Project document, Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS), GCP/MCD/001/NOR

FAO, Pre-Inception Report, Project Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS), GCP/MCD/001/NOR, February 2003 (Draft)

FAO, Report, Mid-term evaluation 2003, Skopje, December 2003 (Draft)

World Bank, FYR Macedonia, Agriculture Review, Washington, September 2003

Ministry of Agriculture Forestry and Water Economy Republic of Macedonia, Agriculture Report 2003, Skopje, March 2004

GTZ, A Strategy to Develop the Food Industry in Macedonia with special reference to the fruit & vegetable processing industry,
http://www.gtzpsp.com.mk/Uploads/_Toc1195156

Ulf Brunnbauer, The Implementation of the Ohrid Agreement: Ethnic Macedonian Resentments, Center for the Study of Balkan Societies and Cultures (CSBSC), University of Graz, Austria, Issue 1/2002,
<http://www.ecmi.de/jemie/download/Focus1-2002Brunnbauer.pdf>

The Macedonian Business Resources Centre, Fruit and Vegetable Processing Industry in the Republic of Macedonia,
http://www.mbrc.com.mk/Download/Fruit_and_Vegetables_Guide.pdf

FAO, PIU, Summarized Project Proposal, Expansion of Project IAMIMS, Skopje, March 2004

GTZ/FAO, Assessment Report, Project Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS), Skopje, October 2002.

FAO, Survey, Existing farmers' associations in the FYR Macedonia with special attention to the project target areas (FAO Project: GCP/MCD/001/NOR Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas in the FYR Macedonia), Skopje, August 2003.

ANNEX 3**List of places visited and key persons met by the mission**

Field Visits	
Locations	Persons met
Wednesday, 10.03.05	
Kocani region. Grdovci and Zrnovci villages (Ethnic Macedonian)	Farmer association representatives, Area Manager.
Negotino region. Bistrenci and Kurija villages (Ethnic Macedonian)	Farmers and Area Manager.
Thursday, 11.03.05	
Skopje South region. Studenicani village (Ethnic Albanian)	Farmer association representatives, Area Manager.
Friday, 12.03.05	
Kumanovo region. Lipkovo village (Ethnic Albanian)	Farmer association representatives, Area Manager.
Kumanovo region. Vaksince villages (Ethnic Serbian)	Farmers and Area Manager.
Meetings in Skopje	
Company /Institution	Persons met
Tuesday 09.03.04	
Meeting with FAO staff in FAO Office Skopje	National consultants and Bernard Schelhas, FAO Coordinator for Macedonia
Thursday 11.03.04	
Meeting with the manger of the processing company "Trgoinzinering " Radovis	Mr Dragi Georgiev, General Manger
Friday, 12.03.04	
Meeting at "Bonum' Processing company, Skopje	Mr Momcilo Ivanovski, General Manager
Monday, 15.03.04	
Meeting at the Ministry of Agriculture, Forestry and Water Economy (MAFWE)	Ms Nadica Dzerkovska Head of the Unit for European Integration and Cooperation
Meeting at IFAD	Ms Lidija Cadikovska, Project Director

Meeting with representative of the Macedonian Association of Processors (MAP)	Mr Saso Risteski Secretary of MAP
Tuesday, 16.03.04	
Round table meeting at the Faculty of Agriculture, Skopje (Discussion on the Project proposed model of contract farming)	Faculty of Agriculture Representatives: Department of Agricultural Economics and Organization: Naumce Belkovski, D. Georgi Georgievski Department of Livestock Production: Vladimir Dzabirski, Vlado Vukovic Department of Fruit Production and Processing: Lazar Sivakov, Dimitar Georgiev Department of Vegetable and Flower Production: Danail Jankulovski, Gjorgji Martinovski Department of Pedology, Agro chemistry and Land Reclamation: Ordan Chukaliev
Meeting at GTZ	Mr Boban Ilik, Project Coordinator
Meeting at the Macedonian Consultancy Group (MCG)	Ms Natasa Ljubecki, Project Coordinator
Wednesday, 17.03.04	
Meeting at the Norwegian Embassy	HE the Ambassador Dag M. Halvorsen
Meeting at FULM (credit institution)	Ms Eleonora Petrovic, General Manager
Meeting at the Agricultural Institute of Skopje	Ms Gordana Pop-Simonova, Deputy Director of the Agricultural Institute
Meeting with the UN Resident Coordinator	Mr Frode Muring, UN Resident Coordinator
Meeting with the manager of trading company "Medium Export"	Mr Zvonko Janevski, General Manager
Thursday, 18.03.04	
Meeting at Skan agri	Michael Hegarty, Project Officer
Meeting at "Moznosti" (Credit Institution)	Mr Ilija Belevski, Credit Officer
Meeting at ProCredit Bank	Ralf Reitmeier, General Manager, Maja Petkova, Agro-loan Officer, Ivona Barajaktarovic, Senior Client Advisor
End of mission Debriefing session on evaluation findings with FAO staff	

ANNEX 4

Project Evaluation Questionnaire

<u>I BACKGROUND INFORMATION</u>			
Project Title: Introduction of Improved Agriculture, Mechanization, Irrigation and Marketing Skills to Assist Economic Recovery of Conflict and Drought Affected Areas (IAMIMS)		Indicate the Phase of the project: I	Symbol: GCP/MCD/001/NOR
Project start date: February 2003		Project completion date (planned/actual): November 2004 / December 2004 ⁷	
Total Donor Budget (US\$): 996,372		Budget FAO Component (US\$): 996,372	
Type of execution	National	FAO <input checked="" type="checkbox"/>	Other Agency
If UNDP project was project formulated as a programme component?		Yes: void	No: void
Mission Dates in the country (s)		From: 10 March 2004	To: 19 March 2004
Type of evaluation		MID-TERM	Final/terminal Ex-post
Mission Composition (Name/Title/Discipline)		Experience in Evaluation	Mission Leader in Current Mission
FAO Representative: Pascal Bernardoni (Agro-economist)		Yes	Yes
Mission		Arrangements	
one box for each aspect of the mission arrangements			
1. Briefing (No briefing)	Poor (No briefing)	Satisfactory	Very Comprehensive
2. Debriefing	Poor	Satisfactory	Very Comprehensive
3. Clarity of mission terms or reference (mandate)	Unclear	Reasonably clear	VERY CLEAR
4. Duration of mission in relation to terms of reference	Too short	ADEQUATE	Too long

⁷ The Project Document submitted to the Macedonian Government (Ministry of Agriculture, Forestry and Water Management) indicated as starting and end of Project dates, respectively May 2003 and April 2005. However, the current official dates seem to be December 2002 and December 2004. (see Section XXX in main report.

II PROJECT RELEVANCE (Appropriateness - At the time the project was initiated) * Use a value scale of 1 to 5		*Score (1-5)		
1. Did the project address a genuine development problem? (1=not at all 2=hardly 3=yes 4=yes to an important problem 5= yes to a very major problem)		4		
2. How well did the project provide a cost effective response to that development problem? (1=not at all 2=barely appropriate 3=satisfactory 4=highly appropriate 5=the most appropriate possible)		4		
3. Did the project form part of a coherent national programme? (1=not at all 2=only slightly 3=linked in 4=well integrated 5=totally integrated)		3		
4. Were there reasonable expectations that adequate national resources could be committed to the project? (1=not at all 2=only slight 3=reasonable 4=very little doubt 5=absolutely certain)		5		
5. Was it realistic to expect project outputs to continue to be used once the project was completed and adequate resources to be committed for meaningful follow-up? (1=no or very little expectation 2= slight expectation 3=some expectations 4=very reasonable expectations 5=very strong expectations)		5		
6. OVERALL ASSESSMENT OF PROJECT RELEVANCE (Appropriateness) (1=very poor 2= rather unsatisfactory 3=satisfactory 4=good 5=excellent/highly relevant)		4		
III PROJECT DESIGN The assessment based on the latest official PRODOC or its substantive revision *Assess the key elements of the project using the following (0-5) value scale: 0 = Not mentioned in the project document (PRODOC) 1 = Poor 2 = Weak/Less than Satisfactory 3 = Average/Satisfactory/Adequate 4 = Good/More than Satisfactory 5 = Excellent.		*Score (0-5)		
1. Immediate Objectives including specification of targets:	Clarity of definition	4	Relevance**	5
2. Specification of Beneficiaries:		5		
3. Specification of Outputs and Output Targets:		4		
4. Specification of inputs: - donor		5		
- national		0		
5. Validity of means->ends relationship between inputs, outputs and objectives:		5		
6. Implementation arrangements and managerial structure	Clarity of definition	5	Appropriateness	5
7. Work-plan including timing of inputs, activities and outputs	Clarity	5	Realism	5
8. Identification of prerequisites and risks for project success	Clarity of definition	5	Realism	4

9. Linkages with other related institutions and organizations	Clarity of definition	4	Adequacy	4		
10. For achievement of Project objectives the realism of:						
- Project duration (time horizon)	Too short	About Right	Unnecessarily Long			
- Project size	Too small	About Right	Unnecessarily Large			
11. OVERALL ASSESSMENT OF PROJECT DESIGN (score 1-5)				4		
** Relevance to development problem						
IV PROJECT IMPLEMENTATION						
1 = very poor 2 = Less than Satisfactory 3 = Average/Satisfactory 4 = above average/good 5 = Excellent.		Not included in the Prodoc or not due to be provided by time of evaluation	Quantity *(1-5)	Quality *(1-5)	Time-liness *(1-5)	Overall Assessment *(1-5)
Donor Inputs:			5	5	5	5
1. Budgetary disbursements						
2. Project personnel including consultants			5	5	5	5
3. Equipment and construction			5	5	5	5
4. Fellowships/study tours and other formal training			4	4	5	4
5. Other (specify)						
National Inputs						
6. Budgetary disbursements						
7. Personnel			5	3	5	5
8. Equipment and physical infrastructure		X				
9. Other (specify)						
Internal Management			5	5	5	5
10. Project implementation reporting						
11. Work-planning and monitoring						5
12. Coordination and relation with other organizations/departments						3
13. Flexible management response to problems/and or changed circumstances						5
14. National project director	Was the national project director (one box)	Part Time	Full Time			
	Did the national project director have in practise the main responsibility for project management (one box)	Yes	No			
	Assessment of the effectiveness of the national project				3	

	director (score 1-5)				
15. Overall assessment of internal project management (score 1-5)				4	
<u>External Support/Inputs to Management and Implementation</u>	3	4	5	4	
16. Technical support by FAO and or/other agencies (specify)					
- in-country visits					
- written comments on reports etc.	3	3	4	3	
17. Administrative support by FAO and/or other agencies (specify)	5	4	3	4	
18. Management support/Decision making by: - donor(s)	3	4	4	4	
- government(s)	5	3	4	4	
19. External management committee and Tri-partite (donor-recipient) meetings	0			0	
20. Assessment of evaluation and review processes					
21. Overall assessment of input to project management/implementation by:					
- FAO				4	
- Other supporting agencies (specify)					
- Government(s)				4	
- Donor(s)				5	
22. OVERALL ASSESSMENT OF PROJECT IMPLEMENTATION (Score 1-5)				4	
<u>V PROJECT OUTPUTS</u>	Not Included in the Project or not yet due to be produced at time of evaluation	Was this a major or minor project output? (mark no more than 2 as major)	Quantity *(1-5)	Quality *(1-5)	Use expected to be made of Outputs *(1-5)
The assessment of the outputs produced should be made with respect to the planned targets and reasonable expectations of productivity . 1 = very poor (less than 30% of target) 2 = Less than Satisfactory (31-59% of target) 3 = Average/Satisfactory (60-80% of target) 4 = Good (81-100% of target) 5 = Excellent (100%+ of target).					
1. Survey findings/baseline study results		2	4	5	4
2. Results of research/pilot activities	0				
3. Extension trials and demonstrations		1	3	4	3

4. Farm inputs and services (e.g. seeds, tools, credit)		2	5	5	5
5. Physical facilities (i.e. constructed/rehabilitated)	0				
6. Technical recommendations		2	5	5	5
7. Policy formulation/planning advice	0				
8. Organisation/management advice		2	4	5	4
9. Investment potential (i.e. projects identified/prepared)		1	5	5	3
10. Staff trained on the job		2	5	5	5
11. Staff trained on fellowships/study tours	0				
12. Farmers/producers trained		2	4	5	4
13. Other (specify):.....					
14. OVERALL ASSESSMENT OF OUTPUTS ACHIEVED			4	5	4

VI COST EFFECTIVENESS OF THE PROJECT

1. Given your knowledge of similar projects, was this project the most cost effective (least cost) way to achieve:	Planned Outputs		Yes	No	Planned Sustainable Effects		Yes	No
2. Were there substantial cost over-runs (extension of budget) to complete the project ?					Yes		No	
3. Could the project have been more cost effective if there had been more or less of the following or was it well balanced as implemented? (tick one box for each):	More	Just Right as Implemented			Less			
- Use of National experts		x						
- Reliance on existing Government capacities					x			
- National training	x							
- Use of Short-term staff					x			
- Use of NGOs					x			
- Use of the private sector		x						
- Concentration on key/central objectives/outputs (focus)					x			
- Delegation of authority (if more or less specify by whom)		x						
- Quantity of resources		x						
- Other								

(specify).....			
4. Tick any of the following which had a particular negative effect on cost effectiveness	Scheduling of inputs and activities	Implementing agency procedures	Government procedures
<u>VII SUSTAINABLE EFFECTS AND IMPACT (in relation to project objectives)</u> In this context sustainable effects means the extent to which the project outputs/results continue to be applied and used effectively (whether these are trained staff, institutional structures, technical or policy recommendations etc.). Sustainable impact means whether these effects can be expected to make a continued contribution to the welfare of ultimate end beneficiaries (normally the rural populations) and/or the maintenance/ preservation of the physical natural environment)	Planned as objective in the project document. Tick at least one box	Sustainable Effects and Impact (Expected at time of Evaluation - Use scale of 1-5 where 1 = none or negligible 2 = slight 3 = some 4 = considerable 5 = very substantial)	
1. Sustainable effects and impact for project objectives		Effects	Impact
-Policy/planning/legislative improvements		4	4
-National Institutional capacity (including staff skills)		5	4
-Uptake/use of technical improvements		4	4
-Replication/expansion of pilot activities		5	5
-Follow-up Investment		4	4
-Other (specify)			
2. Can the project be expected to have a sustainable impact on the following categories of ultimate end-beneficiaries (<u>categories are not mutually exclusive</u>):	Planned in the project document. Tick at least one box.	Enter score as per above (1-5 scale)	
		Negative Impact	Positive Impact
		Negative or positive not both	
-Farmers/fisherfolk/pastoralists/livestock-keepers	x		5
-The rural poor			2
-The urban poor			2
-Women			3
-Private sector (other than farmers/fisherfolk etc.)	x		5

-Other specify			
-The natural environment		2	
3. OVERALL ASSESSMENT OF SUSTAINABILITY OF PROJECT EFFECTS AND IMPACT (value 1-5)			4
VIII PROJECT FEATURES WHERE THERE IS GREATEST NEED FOR IMPROVEMENT			
These questions are intended to help identify those aspects of projects where there is most room for improvement			
1. What do you consider to have been the aspect of this project where there was greatest room for improvement if sustainable effects and impact were to be <u>more</u> cost effectively achieved? (tick one box only)			
- Project Selection (i.e. the concept and immediate objectives of the project)			
- Project Design			
- Project Implementation and Management			
- Project Supervision and Adjustment (revision)			X
2. Which of the following factors are <u>most</u> likely to limit the sustainability of the project effects and impact? Tick a maximum of two as this question is intended to identify the areas which need most attention in future projects			
-Weaknesses in national institutions			
-Non-economic attractiveness/viability of the outputs developed by the project			
-Technical weaknesses in project outputs/recommendations			
-Lack of attention to natural resource sustainability			
-Lack of social/political realism in project outputs/recommendations			
-Insufficient involvement/participation by beneficiaries			
-Insufficient national financial resources to follow-up on the project			X
-Insufficient national manpower resources to follow-up on the project			
-Lack of national priority/commitment to this type of development			X
-Other (specify).....			

VIII Comments: (to be provided at your discretion to complement the evaluation presented in the report and clarify any points which are unclear above)

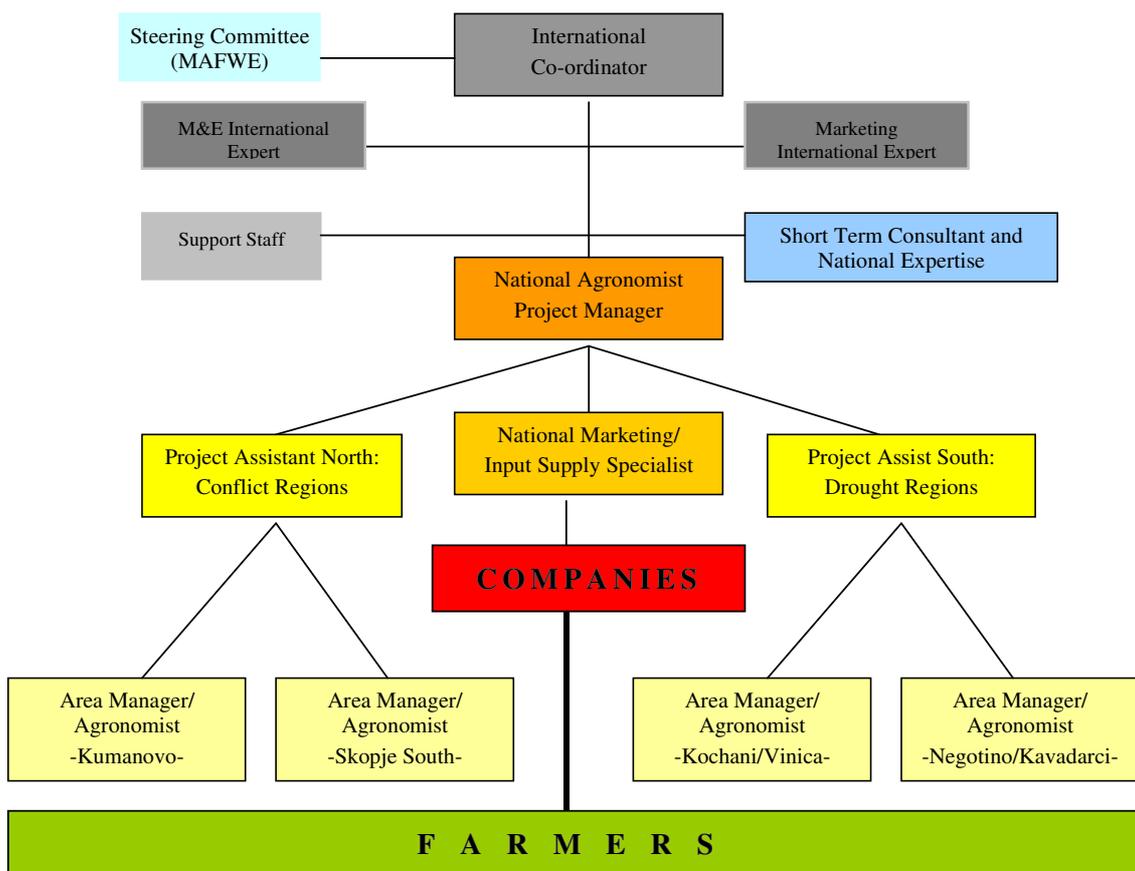
ANNEX 5**Original Budget compared with Revised Budget (in US\$)**

ACCOUNT	DESCRIPTION	Project Document Budget	New budget (02.03.04)	Changes
Parent/Budget				
5011 / 5300	Salaries Professional	57,600	0	-57,600
5012 / 5500	Salaries General Service	0	42,730	+42,730
5013 / 5570	Consultants	244,000	263,960	19,969
5014 / 5650	Contracts	75,000	51,4000	-23,600
5020 / 5660	Casual Labour / Overtime	0	36,000	+36,000
5021 / 5900	Travel	60,000	77,000	+17,000
5023 / 5920	Training	20,000	10,014	-9,986
5024 / 6000	Expendable Procurement	170,000	176,216	+6,2160
5025 / 6100	Non Expendable Procurement	210,000	176,053	-93,947
5027 / 6150	Technical Support Services	19,000	15,000	-4,000
5028 / 6300	General Operating Expenses	26,145	92,727	66,582
5040 / 6400	General Overhead Expenses	0	144	+144
5029 / 6130	Support Costs*	114,627	114,627	0
	TOTAL	996,372	996,372	0

ANNEX 6

Project Implement Unit (PIU)

FAO PIU GCP/MCD/001/NOR



ANNEX 7**National Project Staff**

Staff	Position	Educational background	Competence
Aleksandar Nikolovski	National Agronomist Project Manager	Bachelor of Forestry	Responsible for managing the Project and supervision of the national staff; Co-ordination in preparation and fulfilment of working plan; Financial planning; Projects formulation and co-ordination activities with governmental bodies including MAWFE, embassies, UN agencies and other NGOs
Zupan Martinovski	National Marketing Consultant & Input Supply	Bachelor of Economy	Linkages with the buyers; Training for Contract Farming and Marketing, preparing training manuals; Marketing assessments; Market research for input supply and logistics; Financial Analysis and Planning; Co-operation with the financial institutions and organizations for financing farmers
Goran Stavrik	Data Analyst and Project Assistant for the region of Skopje and Kumanovo	Bachelor of Agronomy	Recording of all data for the projects in FAO Database; Working with the farmers in Skopje and Kumanovo regions, agriculture extension services and monitoring of the crops; Supervising the area managers Jashar Hasani and in the first year Nako Nikolovski; Training in improved agriculture; Preparing promotional material
Dragan Angelovski	Project Assistant for the region Kocani and	Veterinarian	Working with the farmers in Kocani/Radovis and Negotino

	Negotino		regions; Agriculture extension services and monitoring of the crops; Supervising the area managers Ilco Velkov and Atanas Pilev; Management of the established Association in Kocani; Evaluation reports; Projects formulations; Training in improved agriculture; Preparing promotional material
Biljana Kostovska	Project Assistant and administration	Bachelor of Agronomy	Administration and secretarial duties; Finalization and edition of the final documents and reports; Preparing working plan and various agendas; In the first year of the Project responsible for the regions of Kocani and Negotino, including the activities of selection of the farmers, distribution of inputs, monitoring
Vlatko Dzockov	Senior Driver & Finance	Veterinarian Technician	Accounting and finance tasks; Driver according the needs
Bilgim Mehmed	Driver & Interpreter	Mechanic Technician	Driver; Interpreter in Albanian
Sezen Lila	Driver & Interpreter	Mechanic Technician	Driver and maintenance of cars; Interpreter in Albanian

ANNEX 8

Project Data Base Description

Data for the farmers, crops, Project inputs, buyers, contracts, production, buy-out and FAO Support Fund of the Project GCP/MCD/001/NOR are recorded in the Data Base prepared in Microsoft Office Access.

Available data in the Data Base are the following:

1. Farmer's personal data

- Name & Surname,
- Unique ID number,
- Age and sex,
- Region, Village/City,
- Employment,
- Household members,
- Household members engaged in agriculture,
- Own agricultural land,
- Rented agricultural land.

2. Crops

- Crop, crop type & crop variety,
- Average & maximum expected yield.

3. Project Inputs

- List of all the agricultural inputs (seeds, fertilisers & pesticides) provided on the farmer level,
- List of all the equipment provided on the farmer level.

4. Buyers

- List of all the companies included in the Project.

5. Contracts

- Contracted company, crop variety, area and quantity at farmer level.

6. Production (per farmer)

- Planted area,
- Harvested area,
- Total production,

- Achieved yield.

7. Buyout

- Quantities prices and value of the purchased crops on the farmer level.

8. FAO Support Fund

- Amount to be paid by the farmers,
- Amount deducted/paid by the companies,
- Amount paid/unpaid by the farmers.

ANNEX 9

Number of farmers by Village and by Region

Region	Village	No of farmers		
		2003	2004	Total
		Old	New	
Kavadarci		120	34	64
	MANASTIREC GROUP	20	-	-
	ROSOMAN GROUP	60	-	-
	SIRKOVO GROUP	40	34	64
Skopje-Kisela Voda		68	46	81
	MORANI	19	12	19
	SELO DRACEVO	4	-	-
	SELO LISICE	4	-	-
	STUDENICANI	41	34	62
Kocani		55	30	187
	DOLNI PODLOG	1	1	11
	GORNI PODLOG	11	8	34
	GRDOVCI	9	5	41
	MOJANCI	4	4	23
	MORODVIS	4	2	9
	OBLESEVO	1	0	16
	ORIZARI	1	1	6
	TRKANE	-	-	2
	PRIBACEVO	1	-	-
	VIDOVISTE	5	5	25
	WOMEN GROUP	7	-	-
	ZRNOVCI	11	4	20
Kumanovo		140	55	71
	LOPATE	24	-	-
	OPAE	13	4	5
	PCINA	10	-	-
	RECICA	14	6	19
	REZ'ANOVCE	1	-	-
	SLUPCANE	71	45	47
	STUDENA BARA	6	-	-
	VAKV	1	-	-
Negotino		60	26	45
	BISTRENCI	12	7	20
	KURIJA	24	10	13
	PEPELISTE	9	5	8
	VOJSANCI	15	4	4
Sveti Nikole		1	-	-
	AGRICULTURAL HIGH SCHOOL	1	-	-
Radovish		-	-	41
	ORAOVICA	-	-	23
	PAGARUSA	-	-	16
Grand Total		444	191	300
				491

ANNEX 10**Area under contract and expected production by crop****Year: 2003**

Crop	Number of farmers	Supported area (ha)	Production (MT)			
			Under contract	Fresh market	Expected	Maximum
Pepper-Bel Kalvil	6	1.4	24.5		35	42
Pepper-Bela Dolga	60	22.8		570	570	684
Pepper-Kurtovska Kapija	286	109.7	1935.5		2765	3318
Tomato-Amati	30	3	210		300	360
Tomato-Arizona	62	26.4	910	20	1320	1584
Grand Total	444	163.3	3080	590	4990	5988

Year: 2004

Crop	Number of farmers	Supported area (ha)	Production (MT)			
			Under contract	Fresh market	Expected	Maximum
Pepper-Amfora	307	110.3	1880.2	75	2757.5	3309
Pepper-Bel Kalvil	93	15.5	282.8		465	620
Pepper-Bela Dolga	81	26.2		655	655	786
Pepper-Kurtovska Kapija	70	8.6		215	215	258
Tomato-Francesca	37	3.7		444	444	518
Tomato-Arizona	45	18	630		900	1080
Grand Total	633⁸	182.5	2793	1389	5436.5	6571

⁸ Total number of farmers in table 2-B, is bigger than the total number of farmers supported in 2004 (table 1) due to the fact that some of the farmers are producing two crops for one or two buyers at the same time, The same applies also for table 4-B

ANNEX 11**Buyers and Regions in which they are operating****Year: 2003**

Buyer	Type	Contracting/pricing	Region
Asin-Trans (Slupchane)	Trader	Contract/wholesale price	Kumanovo
Makedonija (Negotino)	Processor	Contract/fixed price	Negotino
Bonum (Skopje)	Processor	Contract/fixed price	Kisela Voda-Skopje Kumanovo
Jugotutun (Sv. Nikole)	Processor	Contract/fixed price	Agr. High School- Sveti Nikole
Medium Export (Skopje)	Trader	Contract/fixed price	Kavadarci
Turan (Bogdanci)	Trader	Contract/fixed price	Kavadarci Negotino
Univerzal Promet (Kocani)	Processor	Contract/fixed price	Kocani
Local Market	No buyer	Statement/free market	Kisela Voda-Skopje Kocani

Year: 2004

Buyer	Type	Contracting/pricing	Regions
Medium Expo (Skopje)	Trader	Contract/fixed price	Kavadarci, Kocani
New buyers			
Kim (Negotino)	Processor	Contract/fixed price	Negotino
Trgoinzineriing (Radovish)	Processor	Contract/fixed price	Kocani, Radovish
Nimeks SA (Skopje)	Processor	Contract/fixed price	Kocani, Kumanovo
Local Market	No buyer	Statement/free market	Kisela Voda-Skopje Kumanovo

ANNEX 12**Buyers with number of signed contracts, area and production under contract per crop****Year: 2003**

Buyer	Crop	No of producers	Supported area (ha)	Production under contract (MT)
Asin-Trans (Slupchane)		108	32.8	731.5
	Pepper-Kurtovska Kapija	78	29.8	521.5
	Tomato-Amati	30	3	210
Makedonija (Negotino)		60	24	840
	Tomato-Arizona	60	24	840
Bonum (Skopje)		40	13	227.5
	Pepper-Bel Kalvil	6	1.4	24.5
	Pepper-Kurtovska Kapija	34	11.6	203
Jugotutun (Sv. Nikole)		1	2	70
	Tomato-Arizona	1	2	70
Medium Export (Skopje)		60	24	420
	Pepper-Kurtovska Kapija	60	24	420
Turan (Bogdanci)		60	24	420
	Pepper-Kurtovska Kapija	60	24	420
Univerzal Promet (Kocani)		54	20.3	371
	Pepper-Kurtovska Kapija	54	20.3	371
Local Market		61	23.2	
	Pepper-Bela Dolga	60	22.8	
	Tomato-Arizona	1	0.4	
Grand Total		444	163.3	3,080

Year: 2004

Buyer	Crop	No of producers	Supported area (ha)	Production under contract (MT)
Medium Expo (Skopje)		174	65.1	1140
	Pepper-Amfora	174	65.1	1140
Trgoinzinering (Radovish)		118	35.5	621.5
	Pepper-Amfora	91	31.7	520.2
	Pepper-Bel Kalvil	27	3	51.3
Nimeks SA (Skopje)		93	22.2	401.5
	Pepper- Amfora	27	9.7	170
	Pepper- Bel Kalvil	66	12.5	231.5
Kim (Negotino)		45	18	630
	Tomato-Arizona	45	18	630
Local Market		203	41.5	
	Pepper-Amfora	15	3	

Pepper-Kurtovska Kapija	70	8.6	
Pepper-Bela Dolga	81	26.2	
Tomato-Francesca	37	3.7	
Grand Total	633	182.3	2,793

ANNEX 13

Buyers' profiles

Buyers involved in the season 2003

MEDIUM EKSPORT, Skopje. One of the largest and well-organized trade company involved in buying-out of red pepper, exported as fresh and frozen pepper. The main regions of supply are Negotino, Prilep, Bitola and Strumica. As the company has not its own processing facilities, it relies on cool-storage plants in Tetovo and Kumanovo for freezing the pepper.

The company has well-established relations with the farmers in the Negotino/Kavadarci targeted area and successfully participated in the Project.

The company is usually buying 1,500-2,000 MT of pepper and is exporting as fresh and frozen. All farmers from the Project have been paid. However, the company has not yet paid back the portion own to FAO revolving fund.

TURAN, Bogdanci. The main activities are the export of fresh vegetables: 2,000 tons of tomatoes, around 500 tons of pepper; cucumber; and fruits: grape. The company exports to Greece, Serbia and Montenegro, Kosovo and Bosnia. It successfully applied the contract-farming model in the region of Bogdanci for production and buy-out of tomatoes. The company buys red peppers from the other regions and supplies the processing industry (mostly VORI Gevgelija) with pepper from regions of Negotino, Prilep and Strumica.

The company uses local traders for the buyout, which caused organisational and procedural problems.

In 2004 the company, the company will be involved in the pilot project of supplying VERO chain supermarkets with tomatoes. The company is interested to participate in FAO Project only for Gevgelija and Bogdanci regions.

UNIVERZAL PROMET, Kocani. The company's main activities are the processing of mushrooms, production of vinegar, preserving and pasteurisation of fruits and vegetables (mixed salads, pepper, gherkin and red beet) and meat processing. The company is buying agriculture products from all territory of FYRoM. In 2003 the company started with processing meat in a slaughterhouse "UNIP". It also offers services for slaughtering of the cattle with expert supervision.

In the frame of FAO Project, the company procured raw material for its own needs and supplied other processors. The capacity of the factory is around 500 MT of processed vegetables, mostly tomatoes and red pepper,

and around 550 tons of mushrooms. Despite its high professionalism, the company happened to be reluctant to honour its commitment, especially regarding payments. The company still owns its share to the revolving fund.

BONUM, Skopje. Production of mushrooms and processing of sourly preserved mushrooms and vegetables, canning pepper, tomatoes, red beet, gherkin and chilli pepper. The main markets are Greece, Albania, Kosovo and Germany. Most of the processing facilities are located in the village of Psaca near Kriva Palanka. Two thousand metric tons of final products are processed every year.

The company is one of the key players on the market, with a capacity of 500-600 tons of various processed vegetables and around 700 tons of processed mushrooms. The company through its connections with government representatives succeeds to overcome bureaucratic procedures to import raw material from Turkey. The payment of farmers has been honoured. For the coming season, the participation of Bonum in the Project is still uncertain and has required lengthy negotiations with FAO about the payments timeframe.

MAKEDONIJA AD, Negotino. This agro-kombinat has been privatised and virtually belongs to the company BEST AGENT, who owns a large part of the shares. Its main activities are pasteurising and canning of vegetables, aseptic tomato paste, tomato concentrate, ketchup, conserved vegetable (gherkin, red beet, mixed vegetable salad) pepper products (ajvar), pepperoni, plumbs and marmalade. The company exports to Australia, US, Yugoslavia, Croatia and Slovenia. Its products also represent an important share of the domestic market. The capacity of the processed products in 2003 was around 800 tons of pepper, 2000 tons of tomatoes and other 800 tons of other vegetables. Makedonija is considered to be the biggest processor in Macedonia, faces the prior system legacy: mediocre management, high number of workers and recurrent lack of liquidity.

The company last instalments to the farmers are still pending.

JUGOTUTUN, Sveti Nikole. The company processes fruits and vegetables, and trades tobacco. Its main processed products are pasteurised and sterilised vegetables, non-aseptic tomato paste, pepper products (ajvar, djuvec, lutenica), pasteurised sour cherry, sour gherkin, red beet, chilli pepper and marmalade. Its main export markets are Germany, Australia and US. Despite its significant production capacity, the company is run with reduced scope, because the lack of working capital. According to the latest information, 500 tons of industrial tomato and 300 tons various vegetables were bought last year.

The recent acquisition of the company by FERSPED Skopje should solve most of the liquidity problems. Hopefully, this will also improve the seriousness of the company that last year still paid farmers with fertiliser of the State reserve.

ASIN TRANS, Kumanovo. This company also represented CAMA TRANS, RIDO EXPRESS, NIMOS and BESNIKU all from Kumanovo. All these companies are traders and transporters/exporters of fresh vegetables to Kosovo and Bosnia. These companies plan and organize their export according to the demand of the markets and orders of their partners. They organize buy-out of fresh horticulture products mainly in Kumanovo region and in Skopje region for some of them. ASIN TRANS belongs to a chief of the Paramilitary Albanian Army.

In 2003, those companies were not able to agree with the contracted farmers from Kumanovo region about the prices, but also could not rely on their buyers in Kosovo and Bosnia. No contracts were realized in 2003.

VODEN 2000 – Skopje. This joint venture company, with a Greek partner, is one of the largest wholesale companies for fresh fruits and vegetables in the country. The company acts as importer and exporter of the vegetables and fruits. The quantities of traded goods are managed according to the supply and demand on the regional and local markets. Many retailers in Skopje purchase vegetables and fruits from this company's warehouses.

With mediation of FAO, Voden 2000 and farmers from Slupcane and Studenicani had a verbal agreement for delivery of fresh tomato and white pepper. The farmers were not prepared for daily's deliveries of small quantities.

The company has a turnover of 700 MT of fresh tomatoes, 400 MT of white pepper, 700 MT of cucumber, 1,500 MT of cabbage and 500 MT of other products. The company is general importer of bananas in Macedonia. The company is supplying NATO/KFOR in Kosovo with fresh vegetables and fruits, and from the contracts with KFOR the quantities are changeable. The company proved to be serious and professional.

VERO chain supermarkets. The company is trying to develop buying of fresh vegetables and fruits in their supermarkets. Therefore initial agreements with some farmers from the Project for daily deliveries of pepper and tomato took place. Again, farmers' inability to satisfy the need of daily small shipments resulted in the failure of the partnership. The company is paying in cash for the shipments and the buying prices are higher than the markets prices.

Concluded and realized contract farming quantities in 2003 year

Region	Buyer	Contracted quantities (MT)	Realized quantities (MT)	Crops
Kavadarci/Kocani	Medium Export	420.00	429.00	Pepper
Kavadarci	Turan	420.00	176.16	Pepper
Kocani	Univerzal Promet	355.10	203.76	Pepper

Kumanovo/Skopje Bonum		227.50	28.22	Pepper
Negotino	Makedonija	840.00	548.29	Tomato
Sveti Nikole	Jugotutun	70.00	31.80	Tomato
Total MT		2,332.60	1,417.23	

Buyers involved in the season 2004

Medium Ekspo, Skopje. Involved in year 2003. See above.

Trgoinzinering, Radovis. The company was established in 1991. The main activities of the company in that early period were wholesale trading and the importation of fertilisers. Today, the main activity of the company is the production of pasteurised vegetables & fruits and steam distillation of essential oils. The company is the leading wholesaler in Radovis municipality, also involved in export of canned mushrooms, pickles, peppers, and other types of vegetables. The company processes yearly around 400 MT of pepper and 300 MT of other vegetables.

The company is very active in various fields. Consultants from MCA project support the company with improved of processing technology and marketing. The Company is only two years old and shows a lot of professionalism and seriousness.

Nimex SA, Skopje. The company processing facilities are located in the village of Zrnovci, near Kocani. The company has been in the business for 2 years only, but has already good trade connections with buyers in Australia and France. The owners understood that the market is requiring more sophisticated processed products; therefore the production of filled tomato pepper with cheese and cabbage has been added to the product range, which already included marinated pepper, roasted pepper and ajvar. The quantities are varying from the eventual contracts with the buyers abroad, usually 300 tons of red pepper and 300 tons of gamba pepper.

Kim, Negotino. The processing facility of this company is located in Negotino, and it is producing tomato ketchup from tomato pure. The company has no equipment for processing tomato, so therefore is subcontracting bigger processors like Makedonija Negotino and Zora Gevgelija. The produced ketchup is 100 % for the local market. The company is planning to produce around 200 tons of ketchup.

Concluded contract farming quantities in 2004 year

Region	Buyer	Contracted quantities (MT)	Crops
Kavadarci/Kocani*	Medium Export - Skopje	1,140.00	Pepper
Kocani/Radovis	Trgoinzenering - Radovis	607.50	Pepper
Kocani/Kumanovo	Nimex SA - Skopje	386.50	Pepper
Negotino*	Kim - Negotino	714.00	Tomato
Total MT		2,848.00	

In addition to the above-mentioned contracts, negotiations are ongoing with the following companies for signing Memorandums of understanding for buyout of surpluses produced from the farmers in the Project:

1. Bonum, Skopje;
2. Vipro, Gevgelija;
3. Turan, Bogdanci;
4. Dim Komerc, Valandovo;
5. Zora, Gevgelija;

ANNEX 14**Status of farmers and processors repayment to the Support Fund**

Contract buyer	No of farmers	REFUND	PAID by Farmers	PAID by Companies	Total PAID	UNPAID by Farmers	Deducted but unpaid by Companies
Asin-Trans	108	\$7,311	\$3,951		\$3,951	\$3,360	
Bonum	40	\$4,247	\$231	\$2,164	\$2,395	\$1,852	
Jugotutun	1	\$522	\$0	\$522	\$522	\$0	
Local Market	61	\$11,783	\$11,178		\$11,178	\$605	
Makedonija	60	\$3,600	\$0	\$2,340	\$2,340	\$154	\$1,106
Medium Export	60	\$7,062	\$0		\$0	\$0	\$7,061
Turan	60	\$3,600	\$0	\$3,120	\$3,120	\$383	\$96.7
Univerzal Promet	54	\$6,698	\$60	\$0	\$60	\$236	\$6,433
Grand Total	444	\$44,823	\$15,420	\$8,146	\$23,566	\$6,590	\$14,697
Proportion		100%	70%	36%	53%	30%	64%

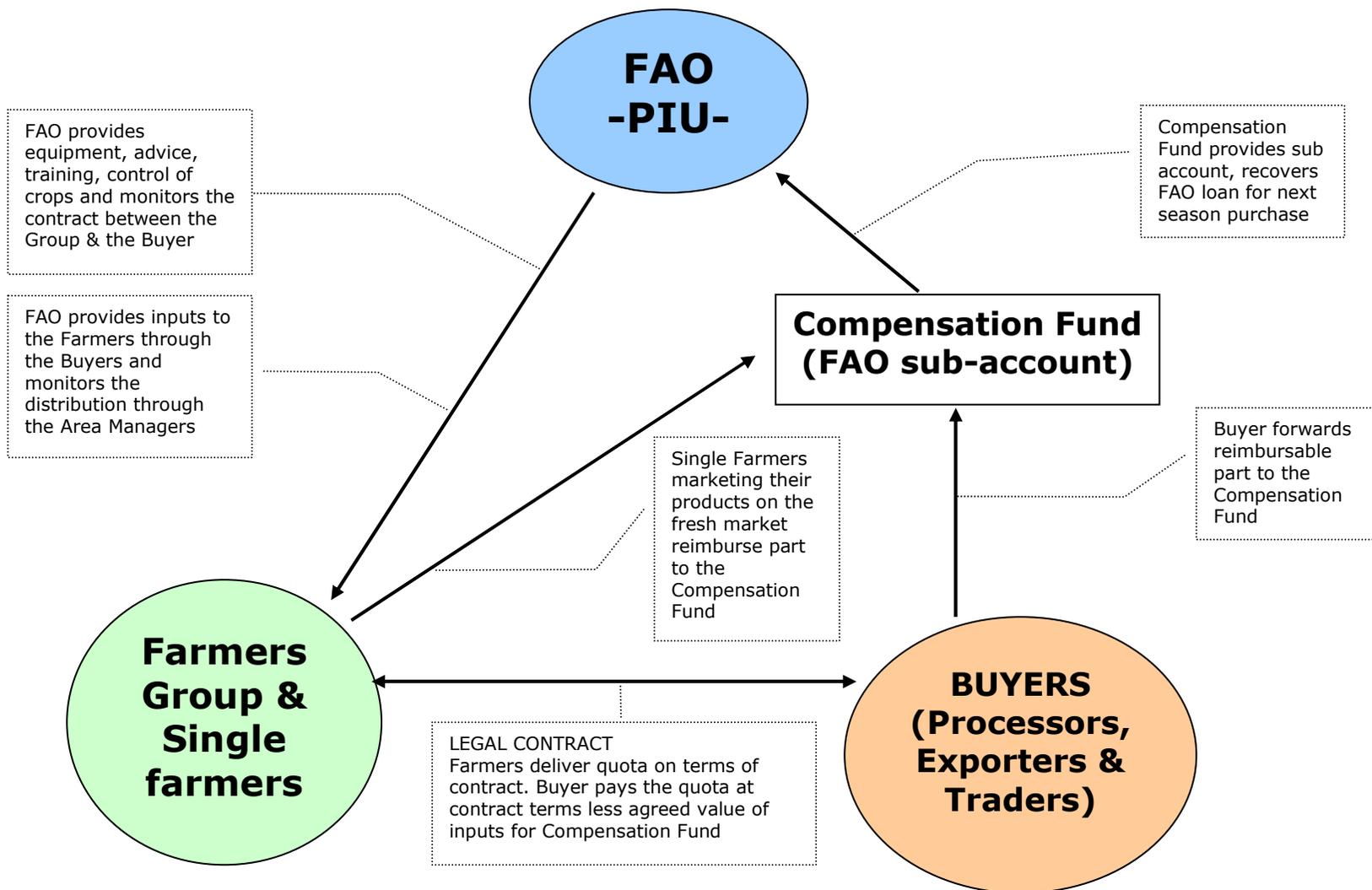
ANNEX 15

Map of Regions and Villages supported in 2003/04



ANNEX 16

Project Structure. FAO, Farmers and Processors



ANNEX 17**Financing of inputs and equipment and constitution of the Support Fund**

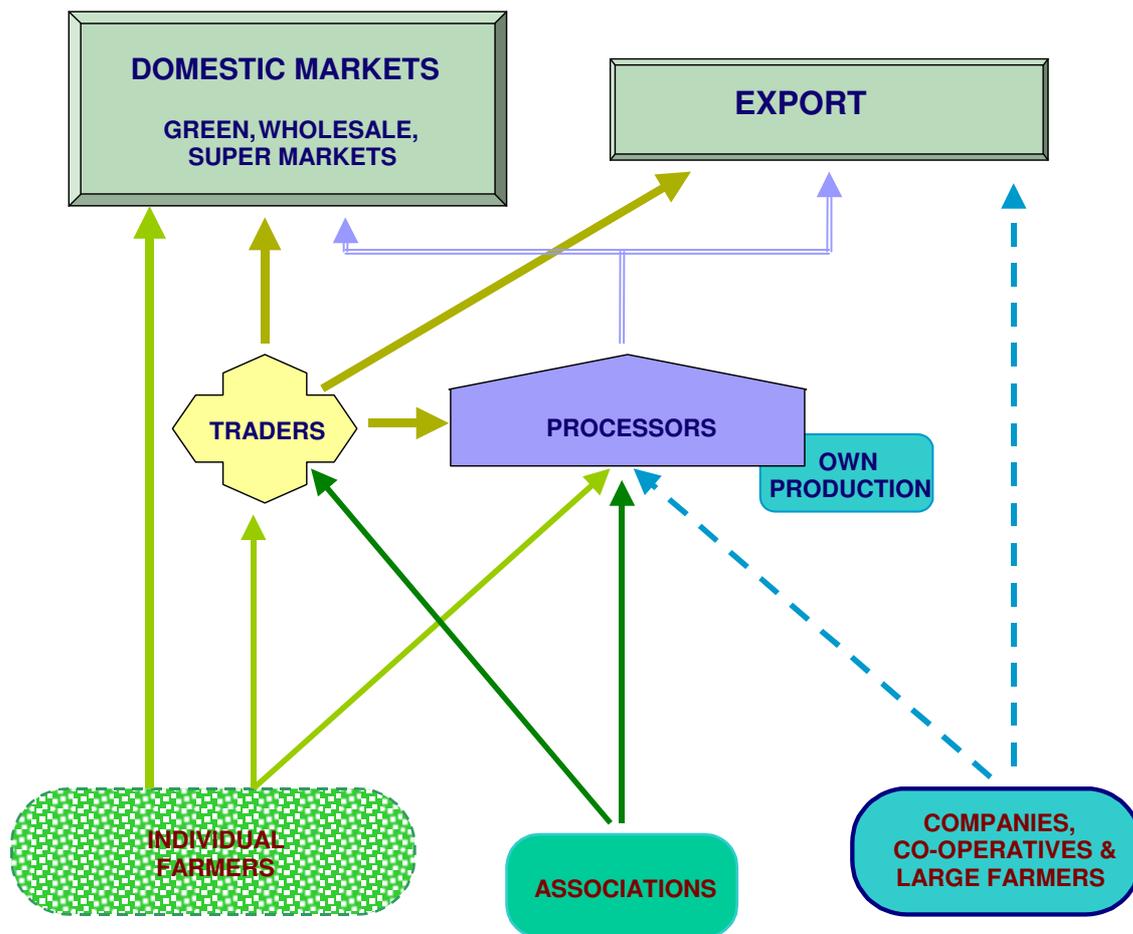
	Expenditures for Ag. Input	Credit portion	Expenditures for Equipment	Credit portion	Total Expenditures	Available resources for financing Ag. Inputs and equipments	Contribution to the Support Fund	
							PLANNED	EFFECTIVE*
Year 1	\$103,778	0.33	\$30,835	0.60	\$134,613	\$134,613	\$44,823	\$23,566
Year 2	\$72,000	0.66	\$51,000	1.00	\$123,000	\$167,823	\$128,103	
Year 3 - without expansion						\$123,000	\$128,103	
Total after year 3	\$175,778		\$81,835		\$257,613	\$425,436		
						*Taking into account what has been repaid up to 23 March 04		
Year 3 - with expansion	\$150,000	1.00	\$40,000	1.00	\$190,000	\$318,103	\$318,103	
Total after year 3 with expansion	\$325,778		\$121,835		\$447,613	\$743,539		

ANNEX 18**Phasing-out scenarios**

Scenarios	NTE date	Budgetary implications	Achievable Results	Action required	Issues and Risks
Current NTE date	January 05	Current resources	Two cycles completed and only some of the loans recovered. Farmers introduced to cash crop and market mechanisms.	Fragmentation and transfer out the Project roles and responsibilities.	High Risk for Project objectives to be achieved. As in 2003/04, loans not completely repaid. No time to consolidate structure and allocate new loans. Players external to the Project are weak, only exist on paper, are not servicing farmers effectively Buyers and/or farmers organisations loose confidence and will not be willing or ready to take over by the end of the Project. No model character.
No-cost extension	March 05	Current resources	Same as above but loans eventually recovered and plans for 2005 consolidated (contracts eventually signed and loans allocated)	Some Budget revision with relocation of resources.	Structure able to provide services. All quantities and contracts might not be finalised No service provider (Consortium) established in a sustainable way (not the number of farmers required). Model weak to convince other donors and Government.
Project Expansion and extension	End of 2005	~ US\$ 600'000 additional funds	Geographic expansion and increased number of beneficiaries (500 farmers more). Service provider structure sustainable thanks to sustainable mechanisms and the number of farmers practicing contract farming increased. The Project creates a viable service role with a 'life of its own' utilising the FAO Support Fund as a revolving input credit fund accessible to farmers. Full model ready for replication.	Resource mobilization. Commercialisation of Project structure. Establishment of Pepper and Tomato Consortium.	Targeting criteria should take into account competition factors (fresh market and other crops competition) New farmers involved in farm contract model for only one cycle.

ANNEX 19

Marketing channels for vegetable crops



ANNEX 20**Performed Trainings to Farmers**

TRAINING	TRAINERS	TRAINING MATERIALS
1 March –April 2003 Plant protection in nursery bed		
Course training for plant protection in nursery bed	Blasko Josifovski agronomists, Agropin, supplier of the plant protection materials distributed to farmers.	Trainer provided own materials prepared in cooperation with Prof. Filip Pejcinovski from the Agricultural faculty in Skopje FAO – Skopje, prepared Vegetable protection pamphlets (seedling production and pest protection) The training was formulated as workshop with the farmers in all of the target villages as well as a presentation (video beam) of techniques and plant protection materials to be used
June – July 2003 Cultivation practices, Farm Management and Marketing		
Workshop on cultivation practices (pepper production)	Prof. Dusko Jankulovski, Vegetable, department, Agricultural faculty in Skopje.	Trainers provided their own materials during the sessions. On request of the MAFWE 350 copies of the "Pepper production manual" developed in cooperation with the Agricultural faculty in Skopje was distributed to farmers. The Agricultural Faculty in Skopje provided 200 copies of the booklet "Pepper and tomato production" which was distributed to the advanced producers.
Course training for disease and pest control	Blasko Josifovski agronomists, Agropin, supplier of the plant protection materials distributed to farmers. Prof. Filip Pejcinovski Agricultural Faculty in Skopje	Trainer provided own materials prepared in cooperation with the Agricultural faculty in Skopje. Plant protection materials available from the FAO AMIM – Serbia Manual for production of virus free peppers printed in cooperation with the GTZ office and distributed by the FAO office
Workshop record keeping	Dragan Angelovski, FAO Consultant - Skopje	FAO developed materials on bases of materials used in the FAO AMIM project in Serbia and materials provided by the Agricultural development agency from Bitola and the Statistical institute in Skopje

Workshop on irrigation On field training in irrigation practices, fertirrigation precise irrigation	Vanco Temov, agronomist, Water management organization Tikvesko Pole. Ivan Postolov, agronomist, precise irrigation specialist.	FAO Irrigation manual, Volumes 1, 2, 3 and 6 FAO Drop irrigation publications Trainers provided additional materials during the sessions (pictures, models etc.) Fertirrigation manual printed in cooperation with the GTZ office and distributed by the FAO office
Workshop on basic product marketing (contract farming) Quality standards	Zupan Martinovski, FAO ECU Skopje Marketing consultant	FAO ECU developed materials on contract farming on bases of FAO contract farming manuals
Farmer production cost benefits	Dragan Angelovski, FAO Consultant - Skopje	Materials prepared on bases of materials used in the FAO AMIM project - Serbia and materials provided by the Agricultural development agency from Bitola and the Statistical institute in Skopje
September 2003 Post-harvest management, Marketing and Producer groups		
Workshop on advanced marketing, storing, post harvest loses, sorting and grading Group marketing support Farmer production analyses Workshop on group aspects	Zupan Martinovski, FAO ECU Skopje Marketing consultant Dragan Angelovski, FAO Consultant - Skopje Irena Andreevska, GTZ Consultant - Skopje	FAO developed materials on contract farming on bases of FAO contract farming manuals bases of materials used in the FAO AMIM project in Serbia and materials from the Agricultural development agency from Bitola and the Statistical institute in Skopje Development of producer groups and rural organizations – issues and challenges and Materials GTZ presentations
October / November 2003 Fruit frost protection		
Course training on fruit early spring frost protection	Prof. Marjan Kiprijanovski, Fruit production department, Agricultural faculty in Skopje	Trainer provided own materials during the session On bases of signed Memo of Understanding a brochure "Measures for protection of fruits from early spring frosts" was developed in cooperation with GTZ project in Skopje and was distributed to farmers

October – November 2003 Fruit Frost Protection		
Training on fruit early spring frost protection	Prof. Marjan Kiprijanovski, Fruit production department, Agricultural Faculty in Skopje	Trainer provided own material during the session On the base of signed Memo of Understanding, a brochure "Measures for Protection of fruits from early spring frosts" was developed in cooperation with GTZ project in Skopje and was distributed to farmers.

ANNEX 21

List of training materials developed by the Project

A. Booklets and manuals published and distributed under the Project (all produced in year 2003)

"Production of virus-free pepper, variety Kurtovska Kapija"	
Authors	Dr Slobodan Bandzo and Dr Rade Rusevski
Co-editing partner	GTZ
No of pages	26 pages
No of Prints	400 copies
"The fertirrigation as a measure for improvement of the crop production and environmental protection"	
Author	Prof. Dr Ordan Cukaliev
<i>Co-editing partners</i>	University "Ss Kiril and Metodij" Faculty of Agriculture and Deutche Gesellschaft Technische Zusammenarbeit (GTZ)
<i>No of pages</i>	78
No of Prints	200 copies
"Measures for reduction of the frost effects on the fruit crops "	
Author	Prof Marijan Kiprijanovski
<i>Co-editing partners:</i>	Deutche Gesellschaft Technische Zusammenarbeit (GTZ)
<i>No of pages</i>	61
No of Prints	500 copies
"Contract Farming"	
<i>Author</i>	Zupan Martnovski, FAO Marketing Expert
<i>No of pages:</i>	16
No of Prints	600 copies
"Post harvest activities"	
<i>Author</i>	Zupan Martnovski, FAO Marketing Expert

<i>No of pages</i>	17
No of Prints	600 copies
"Production of Pepper" (this booklet was already published by MAFWE and the Office used the printed copies for distribution by only inserting an FAO stamp on them)	
<i>Authors</i>	Prof. Danail Jankulovski Prof. Mile Postolovski Prof. Tasko Kostov Prof. Fillip Pejcinovski
<i>Editing partner</i>	MAFWE
No of pages	63
No of Prints	350 copies

B. Instruction/Guidelines leaflets provided to the farmers

Instructions for production of pepper & tomato in:	Leaflets for:
Nurseries	Dis-infection of soil
	Nursery preparation and plant protection
	Nursery treatment and transplanting
Open field	Crop treatment on open field
	Plant protection on open field

ANNEX 22

List of projects implemented by FAO Coordination Office, Skopje, November 2001-March 2004

Project No 1	Supply of winter wheat seed and fertiliser to displaced and returnee farm families in the Former Yugoslav Republic of Macedonia (OSRO/MCD/101/USA & TCP/MCD/0165)
Objective	To help conflict-affected farmers to resume food production by providing them with wheat seeds and basic fertiliser. The aim is to enable farmers to produce enough to meet their annual wheat consumption needs and thereby reduce their dependence on food aid. The project also supports the international community's efforts to provide humanitarian assistance to conflict-affected populations.
Project duration	November 2001-March 2002
Budget	US\$ 1,375,000
Donor	FAO and OFDA
Beneficiaries	12,678 households in 110 villages
Target areas	Tetovo, Skopje, Kumanovo, Stip and Sveti Nikole regions
Project No 2	Emergency distribution of animal feed in The Former Yugoslav Republic of Macedonia (OSRO/MCD/102/MUL)
Objective	To restore the food security of the rural population in the most conflict-affected areas of FYROM and to limit the on-going de-stocking activities by providing animal feed to the most vulnerable livestock herders, including returnees, IDPs and host families. The project decreases the dependency of these groups on food aid by covering their annual consumption needs in dairy and meat products.
Project duration	November 2001 –May 2002

Donor	Government of Norway and Government of Netherlands
Budget	US\$1,168,000
Beneficiaries	23,000 households
Target areas	Tetovo, Gostivar, Skopje, Kriva Palanka and Kumanovo regions
Project No 3	Emergency distribution of maize seeds and fertiliser to vulnerable farming families in conflict and drought affected areas of the Former Yugoslav Republic of Macedonia (OSRO/MCD/201/ITA)
Objective	<p>To improve the food security of the rural population in the most conflict and drought-affected areas in Tetovo region and to limit the on-going de-stocking activities by providing maize seeds and fertiliser to vulnerable livestock keepers, including returnees, IDPs and host families as well as female headed farming families and elder farmers. It is expected as a result that the level of food and economic security will be strengthened, by facilitating beneficiaries' access to maize, thus enabling savings and increasing the dairy and meat production.</p> <p>The overall goal of the project is to contribute to the international efforts aimed at confidence building and facilitation of the return process</p>
Project duration	March 2002-February 2003
Donor	Government of Italy
Budget	US\$ 445,000
Beneficiaries	6,232 households
Target areas	Tetovo

Project No 4	Emergency distribution of potato seeds and fertiliser to vulnerable farming families in conflict and drought affected areas of the Former Yugoslav Republic of Macedonia (OSRO/MCD/202/SWI)
Objective	<p>To restore the food security of the rural population in the most conflict and drought-affected areas and to limit the on-going de-stocking activities by providing potato seeds of mid-early varieties and fertilisers to vulnerable farmers, including returnees, IDPs and host families.</p> <p>The project will also assist potential potato seed multipliers with imported A class seed potato and the setting up of potato seed multiplier associations.</p> <p>The overall goal of the project is to contribute to the international efforts aimed at confidence building and facilitation of the return process.</p>
Project duration	March 2002-February 2003
Donor	Government of Switzerland
Budget	US\$ 420,000
Beneficiaries	2890 households + 5 Farmers Associations (100 members average in each association)
Target areas	Tetovo, Gostivar, Skopje, Kumanovo, Kriva Palanka, Demir Hisar and Berovo regions
Project No 5	Emergency distribution of maize seeds, potato seed and fertiliser to vulnerable farming families in conflict and drought affected areas of the Former Yugoslav Republic of Macedonia (OSRO/MCD/203/NET)
Objective	To improve the food security of the rural population in the most conflict and drought-affected areas in the country and to limit the on-going de-stocking activities by providing maize seeds and fertiliser to vulnerable livestock keepers, including returnees, IDPs and host families as well as female headed

	<p>farming families and elder farmers. It is expected as a result that the level of food and economic security will be strengthened, by facilitating beneficiaries' access to maize and potato of mid-early varieties The project also assists potato seed multipliers with imported A class seed potato and the setting up of potato seed multiplier associations.</p> <p>The overall goal of the project is to contribute to the international efforts aimed at confidence building and facilitation of the return process.</p>
Project duration	March 2002-February 2003
Donor	Government of Netherlands
Budget:	US\$ 477,876
Target Areas	Skopje Tetovo and Kumanovo
Beneficiaries	3,500 households for maize seed, 2,000 households for potato seed and one Farmers Association for potato seed multiplication
Project No 6	Emergency Measures For Protection Of The Pine Forests From The Pine Procesionary Moth (TCP/MCD/2801)
Objective	To contain and reduce the pine procsionarry caterpillar outbreak to an economically acceptable level and strengthen the national capacity to contain pest outbreaks through in country training
Project duration	June 2002-January 2004
Budget	US \$ 389,000
Donor	FAO TCP project
Target areas	Bitola, Prilep, Kocani, Vinica, Stip and Svetinikole
Outputs	30% of the infested pine forests in the country (8,050 ha) were treated with aerial application of bio-pesticides. The mortality rate of the pests was estimated on 90% to 98%

