

FINAL EVALUATION MISSION

REPORT

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The Former Yugoslav 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

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The level of achievement reached by the project is impressive and we would like to extend our thanks to the team at FAO Headquarters that has been able to successfully manage such a complex and sensitive project and at the same time create a sustainable private enterprise which is now playing a leading role in the market oriented development of the fruit and vegetable sector in the country.

Though the model needs some fine-tuning, the Evaluation Team has oriented its analysis and prepared its conclusions in a way which underlines the priority issues that need to be addressed in order to ensure a full sustainability of the Project by the end of the present No Cost Extension (28 February 2006) and lays the ground for eventual future FAO assistance.

This work gave rise to a very intense exchange of views and despite the difficulties and exacting workload, the project team maintained a high spirit and a clear commitment to the success of the Project as it has since the beginning of the activities.

List of Acronyms and Abbreviations

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
IFAD	International Fund for Agricultural Development
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MAP	Macedonian Agro Processor Association
PIU	Project Implementation Unit
REUA	Agriculture Department Group of the FAO Regional Office for Europe
REUD	Office of the FAO Regional Representative for Europe
TOR	Terms Of Reference
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WB	World Bank

Table of Contents

ACKNOWLEDGEMENT	I
LIST OF ACRONYMS AND ABBREVIATIONS	II
TABLE OF CONTENTS	<u>III</u>
ANNEXES	IV
EXECUTIVE SUMMARY	1
I INTRODUCTION	8
II BACKGROUND AND CONTEXT	10
II.1 PROJECT BACKGROUND.....	10
II.2 AGRICULTURE SECTOR.....	13
II.3 VEGETABLE CROPS	16
II.4 AGRO-PROCESSING INDUSTRY	17
III ASSESSMENT OF PROJECT OBJECTIVES AND DESIGN	20
III.1 JUSTIFICATION	20
III.2 OBJECTIVES.....	20
III.3 PROJECT DESIGN	21
IV ASSESSMENT OF PROJECT IMPLEMENTATION, EFFICIENCY AND MANAGEMENT	22
IV.1 PROJECT BUDGET AND EXPENDITURE	22
IV.2 ACTIVITIES AND OUTPUTS.....	23
IV.2.1 PRODUCTION INCREASED.....	24
IV.2.2 TRAINING AND COOPERATION ESTABLISHED.....	24
IV.2.3 INCOME AND BENEFITS INCREASED	25
IV.2.4 FARMING CONTRACTS PERFORMANCE.....	25
IV.2.5 CREATION OF FARMERS’ ASSOCIATIONS AND COMPANIES	26
IV.3 GOVERNMENT SUPPORT.....	27
IV.4 PROJECT MANAGEMENT.....	28
IV.5 TECHNICAL AND OPERATIONAL BACKSTOPPING.....	29
V ASSESSMENT OF RESULTS AND EFFECTIVENESS	29
V.1 EFFECTS AND IMPACT	29
V.1.1 COMMENTS ON SOME OF THE QUESTIONNAIRE RESULTS.....	29
V.1.2 SUPPORT FUND OPERATION RESULTS AND PRESENT POSITION	31
V.1.3 VAT ISSUE.....	33
V.2 SUSTAINABILITY AND ENVIRONMENTAL IMPACT OF RESULTS	34
V.2.1 ANALYSIS OF THE IMPACT PER RURAL HOUSEHOLD	34
V.2.2 ANALYSIS OF THE IMPACT OF THE CREATION OF THE COMMERCIAL ENTITY: AGROS 2004.....	35
V.3 GENDER EQUITY IN PROJECT IMPLEMENTATION AND RESULTS	37
V.4 COST-EFFECTIVENESS	37
V.5 MAJOR FACTORS AFFECTING THE PROJECT RESULTS	38
VI CONCLUSIONS AND RECOMMENDATIONS	39
VI.1 CONCLUSIONS	39
VI.2 RECOMMENDATIONS	39
VI.2.1 RECOMMENDATIONS FOR FAO TO BE CONSIDERED DURING THE PRESENT PROJECT NO-COST EXTENSION PERIOD	39
VI.2.2 RECOMMENDATION FOR FAO AFTER THE END OF THE NO-COST EXTENSION PERIOD	40
VI.2.3 RECOMMENDATIONS FOR FAGRICOM	41
VI.2.4 RECOMMENDATIONS FOR AGROS 2004.....	41
VII LESSONS LEARNED	43

ANNEXES

ANNEX 1 TERMS OF REFERENCE	45
ANNEX 2 PROJECT PRODUCTION CHARTS FROM 2003 TO 2005	49
ANNEX 3 LIST OF DOCUMENTS AND OTHER REFERENCE MATERIALS CONSULTED BY THE MISSION	51
ANNEX 4 AGENDA AND KEY PERSONS MET BY THE MISSION	52
ANNEX 5 PROJECT EVALUATION QUESTIONNAIRE AND RESULTS	55
ANNEX 6 PRODUCTION ANALYSIS FOR 2005	60
ANNEX 7 FIELD EXPENDITURES SUMMARY SHEET	61
ANNEX 8 MODEL OF CONTRACT FOR PRODUCTION AND PURCHASE OF AGRICULTURE PRODUCTS	62
ANNEX 9 NATIONAL PROJECT STAFF	66
ANNEX 10 NUMBER OF FARMERS BY VILLAGE AND BY REGION	67
ANNEX 11 AREA UNDER CONTRACT AND EXPECTED PRODUCTION BY CROP	69
ANNEX 12 BUYERS WITH NUMBER OF SIGNED CONTRACTS, AREA AND PRODUCTION UNDER CONTRACT PER CROP	70
ANNEX 13 STATUS OF THE SUPPORT FUND ON 6 DECEMBER 2005	73
ANNEX 14 MAP OF REGIONS AND VILLAGES SUPPORTED IN 2003/04 AND 2005	75
ANNEX 15 PROJECT MANAGEMENT STRUCTURE IN 2005	77
ANNEX 16 EXPENDITURES UNDER THE PROJECT GCP/MCD/001/NOR INCLUDING ACTUAL EXPENDITURES FOR THE PERIOD 2003 TO 30 NOVEMBER 2005 AND PLANNED EXPENDITURES UP TO APRIL 2006	78
ANNEX 17 MARKETING CHANNELS FOR VEGETABLE CROPS	79
ANNEX 18 TRAINING ORGANIZED FOR FARMERS IN 2005	80
ANNEX 19 LIST OF PERSONS MET	82

Executive Summary

Following the 2001 inter ethnic conflict in TFYR Macedonia, FAO, together with other international organizations, has provided emergency support to the rural population in the areas severely affected by the war as well as by the drought which also affected the region.

Based on the experience gained and with the collaboration of the team which has worked effectively during the emergency project, FAO proposed to further address the issue of improving inter ethnic relations through the establishment of a market oriented agriculture project which would encourage the various stakeholders to cooperate together towards a common goal. 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.

The Mid-term evaluation mission found that the Project did address relevant issues, namely the peace and inter-ethnic confidence building through decentralized 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 relationship between the overall goal and these two objectives did not appear to be straightforward.

By the end of the 2004 season, the Project had supported with inputs, equipment, market linkages and training, 744 farmers organized in more or less consolidated commodity groups. Compared with the Project Document, the envisaged figure corresponds to 50 percent of the planned final number of direct beneficiaries. The Project management did then sustain this approach through the priority given to the Support Fund which played an instrumental role in linking farmers with processors and traders. Furthermore the project considered only the direct beneficiaries as recipients of inputs. However the impact of the project was often more far-reaching covering a larger group who benefited from direct or indirect training, and meetings to explain the project. The village communication structure and radio and television interviews permitted a much larger numbers of farmers to become aware of the model and its implications. It is estimated that the number of indirect beneficiaries could account for a further 50 percent over and above the total of direct beneficiaries.

Taking into account the good results achieved during the first two seasons a project extension was proposed from November 2004 to October 2005 and funded up to US\$210 000 and an additional extension in 2005 of about US\$199 800. Both these extensions were funded by the Government of Norway.

The average yields obtained by Project beneficiaries further increased in some areas from 23 t/ha in 2004 up to 26.6 mt/ha (for pepper) and up to 84.3 mt/ha (for fresh tomatoes) in 2005 (see ANNEX 6 Production Analysis for 2005). The total gross margin of all farmers supported by the Project is estimated at US\$2.5 million. Based on the figures of 444 and 633 farmers for the first two years which was further extended to 842 farmers in 2005, the average income increase per farm has been US\$1 302 for a surface area of 0.4 ha per farm.

Another direct and important consequence of the Project resulting from the improvement of the quality of the farmers' production is the reduction in processing

costs and a corresponding improvement in the cost/benefit ratio of the processing industries from 2.9 to 3.3.

A qualitative questionnaire was distributed during the various site visits in order to obtain a direct feedback on the merit of the overall Project by the recipients themselves.

Eighty percent of the farmers evaluated the project as "good" with a very high level of satisfaction regarding the inputs and the training received. Furthermore they confirmed the importance of field visits and the personal advice received through the project: the grassroots approach proved successful. A majority of farmers (70 percent) did plant pepper with 44 percent of them planting tomatoes as well. 93 percent already had experience in growing pepper and tomatoes. They confirmed that the Project had helped them in increasing their production either by increasing yield and/or the area planted in some instances. Monitoring of the crops by the area managers ensured the prevention of extensive pest damage although in some areas, particularly in Strumica, there have been pockets of production which were severely damaged by sunburn.

The recommendation of the mid-term review that the training programme for the second cropping season should place more emphasis on integrated pest management has been implemented but the Project Implementation Unit (PIU) and area managers have not had time to implement the second recommendation to improve the bookkeeping and management skills of the farmers which would have allowed them to organize a "comparative gross margin analysis" workshop, to enable farmers to understand the way to use these data.

More importantly the general level of involvement of farmers in the management of their association is still very limited: a real capacity building programme needs to be implemented to truly empower the farmers over time. At the present stage of development, the Project cannot ensure its full sustainability and reinforcement at a later stage without the permanent assistance of professionals. The average and even the skilled farmer has and will have a limited capability to deal with the industry and traders they deliver to. The constraints to supplying the high quality crops required are so formidable that the farmer cannot match these requirements without the assistance of professionals.

Under the present circumstances farmers have to be selected and trained over an extended period in order to generate a social impact on the poorer and less capable of them. This in turn will create new farm labour, and the remainder of the farmers will have to find employment in more profitable economic sectors. The social and economic objectives must be clearly separated. Farmers who are economically viable require realistic economic programmes. Both can be merged, but not directly.

The Model which has been developed over the past three years did allow the farmers to dramatically enhance their agronomic skills and significantly improve their ability to meet market demands through contract farming. In addition, the commercial body created on behalf of the farmers' association, AGROS 2004, has also played a key role in ensuring a smooth interface between farmers, processors and traders hence improving the level of trust among the various stakeholders in the chain. However so far the Project has not had the time to improve the capacity of the farmers to actually manage their association on a day-to-day basis nor to have a steering and supervisory role in the management of the commercial entity

AGROS 2004. These two essential roles have been entirely conducted and supported by the FAO team up to the present time.

Since AGROS 2004 is taking on commercial obligations and their associated risks, it is now of prime importance to promptly separate the role of the two entities in order to avoid any further conflict of interests and financial risks. In this respect a local NGO has been created, FAGRICOM, in order to take over the role of management service provider to the commercial structure but the team operating the three entities (FAO, FAGRICOM, AGROS 2004) remains the same with no clear and transparent liaising procedure among themselves. For the time being, the farmers are not represented in any part of the process.

As mentioned in the mid-term review, the Support Fund has absorbed a large amount of time and energy of the Project staff. It was instrumental to the success of the Project since it did provide "free" credit both to the farmers and the processors indirectly. The shortcoming of this initiative at this stage is that no training has been organized for the team in micro-finance management and therefore the detailed bookkeeping operations of the fund lack the appropriate resources to implement good accounting/banking standards.

On the other hand, the way in which the various contracts were formulated left farmers' associations and processors too much room for interpretation and led to the parties involved not complying with the spirit of the contract. Today the Support Fund is almost empty since the farmers have delivered their goods but the processors are still waiting to be paid for their own production before recompensing the farmers. This process could last until late April/May 2006. The farmers are providing credit to the processors for almost six months through the Support Fund and at the same time the Fund - AGROS 2004 - is at full risk with no specific guarantee of reimbursement.

Various plans were envisaged to phase out this Support Fund and alternatively allow the farmers to use commercial credit lines in order to be totally self sustainable. Bearing in mind that, after two or three seasons, the farmers have largely benefited from the Fund it is time to prepare for the shift from this Fund to commercial banking facilities. Since last summer IFAD has set up such facilities at competitive rates and conditions. Therefore one option could be to assist the farmers to liaise with IFAD's banking partners with the support of AGROS 2004. However since several attempts were made in this direction but failed to receive appropriate attention from the IFAD team, no further attention has been given to this possibility.

After having considered several options for the use of the remaining funds, it has been agreed to follow the initial plan to redistribute the funds to the farmers.

The remaining funds which will be available at the end of next season in 2007 should be reimbursed, as initially planned, to the Farm Associations for them to invest these resources in AGROS 2004 as part of their capital. In the meantime it is expected that all other associations will join AGROS 2004 in order to:

- Benefit from the economy of scale for the procurement of inputs.
- Have a stronger position with respect to buyers when selling large quantities with good homogeneous quality standards.
- Receive their share of the Fund as well.

The M&E mission also noted that the exemption of VAT on the purchase of inputs, a privilege of being a UN FAO project, may put the Project at risk after the end of the activities. Despite the overall supervision and approval by the Ministry of Agriculture, Forestry and Water Economy (MAFWE), the tax department may not agree to permit FARGRICOM and AGROS 2004 to use this advantage for the benefit of the farmers and reclaim the unpaid VAT.

Contract farming has been identified by the Project and the key stakeholders as an acceptable option to improve the performance of the Macedonian vegetable sub-sector. But the last season demonstrated the limits of this system: the default of one processor on a very large quantity (7 000 t) of tomatoes in the Strumica region could have seriously undermined the whole Project credibility if not its economic stability. Thanks to the commitment of the FAO team to the success of the operation, several solutions have been found and implemented. The whole process did further reveal the advantages to be gained from the farmers being in one association with the appropriate support to cope with such a situation.

Conditions regarding payment for this contract farming are still very sensitive: most of the processors pay only when they receive their own payment which can be late May or June of the following year depending on their sales. In the meantime the farmers are giving credit to the processors.

While questioned regarding this situation the processors demonstrated a real weakness in their capacity to draw up a fully fledged multi annual business plan and make provision for their relevant operating capital needs which would allow them to pay the farmers upon delivery as should be the case.

In this respect, the significance of the Project at the national level and the interest shown by a large number of farmers and companies alike indicate the relevance of this model. Furthermore, the fundamental issues of improving management capacities and ensuring the ethical conduct of processors are gaining importance.

In reality the attitude of processors has yet to improve since it is becoming more and more evident that the weakest farmers receive the latest payments. Three major issues need to be addressed in this respect:

1. The lack of a code of conduct and entrepreneurial ethic.
2. The weakness of law enforcement in the country at present.
3. The absence of an eventual Contract Farming Factoring Unit, which could provide the necessary guarantee that farmers are paid while at the same time dealing with payment by the processors.

Another practical solution for AGROS 2004 could be to diversify its customer base by directly exporting fresh and semi-processed components of the contracted production to solvent companies (with bank guarantees) in the region and in the EU to reduce dependence on the Macedonian entrepreneurs and place pressure on them.

On the other hand several processors underlined in some areas the urgent need to increase the farmer's awareness of the importance of undertaking a good selection of their produce prior to delivery. The need to introduce clear quality criteria in the contract is now becoming essential in order to generate trust between the parties. EUREPGAP training must be further expanded for the next season. Some FAO staff have received training in this field through participation in a training session in the

UK organized and funded by USAID/Land O'Lakes. It seems that the difficult situation characterized by the poor professionalism demonstrated by both producers and processors, the low level of company solvency and the inefficient legal and judiciary system, has somewhat improved while the various stakeholders in the chain have definitely learned a great deal about the process this year: farmers are no longer disposed to mismanage their contracts and processors understand the importance of securing their raw material by establishing dependable relations with producers by way of prompt payments and trust in the farmers' deliveries.

A major factor of success, which has not been previously highlighted, is that the farmers were allowed to sell 30 percent of their produce obtained through the FAO assistance directly to the fresh market or elsewhere.

This permitted the farmers to generate cash income during the producing season. In some areas of Kumanovo and Skopje the trend was to sell more to the fresh markets since the demand for fresh vegetables was higher there. Considering that 80 percent of the fruits and vegetables are sold on the fresh market it appears appropriate to seriously consider the possibility of also establishing relations between the farmers and the wholesalers through the wholesale markets. Contract farming can also be organized within this sector and should be a natural extension of this Project. Of course, considering the importance of this economic sector, this should constitute a new project.

In order to make the contract-farming model successful and assure its continuation after the Project phases out, the Project should now consolidate the present model by:

- Externalizing or phasing out the Support Fund
- Improving the capacity of the farmers to take a real ownership of their association and its obligations towards the commercial entity AGROS 2004
- Ensuring a fully independent and professional management of the commercial entity created, AGROS 2004 under the guidance and monitoring of the NGO FAGRICOM for the duration of the Project
- Preparing a full business plan for the next three to five years for all the entities concerned: FAGRICOM, AGROS 2004 and the farmers' associations.
- Assisting the selected processors to do likewise as far as possible in order to avoid the damaging financial burden of delayed payment for the raw material to the farmers.

The model, having proved its efficiency, should be replicated in other regions in the fruit and vegetable sector to further strengthen the entire chain while also including the fresh market operators. This could be undertaken by the newly created NGO which, with its personnel, has acquired the capacity to further replicate the model.

FAO should be the overall policy and strategy adviser to the structure and the MAFWE by helping to prepare the overall development plan and assist in its implementation through regular monitoring and evaluation undertaken jointly by national and international consultants/FAO officers.

Not only did the grassroots approach demonstrate its efficiency while providing very useful feedback on the various bottlenecks and weaknesses of the legal and institutional framework of the agriculture sector in TFYR Macedonia, it also underlined the low level of awareness among the political leaders of the importance

and impact of the agricultural sector on the Macedonian economy, including its future potential. To date the mission has received some positive feedback from the World Bank due to the future accession of TFYR Macedonia to the EU. In this respect the importance of the harmonization of the technical, legal and financial conditions of the sector will play a key role in the smooth entry of the country into the EU. Therefore a substantial shift in the agriculture policies and the relevant budget will/should take place in the near future.

To further impact the overall peace building process between the Albanian minority and the other ethnic groups it is now important to extend the project to new regions and new sectors. The trade in fresh fruits and vegetables seems to be a strong component of the Albanian community. Strengthening the wholesale markets would therefore directly influence relations between the communities by improving the rules, regulations and standards applicable to the sector while opening new avenues of development for farmers, traders and processors alike. The growing importance of the supermarket outlets in Skopje will also play an important role in the adoption of strict standards and regulations within the fresh market.

Moreover the upgrading of the infrastructures and services of the wholesale markets will have an important cumulative effect on the quantity and quality of produce traded. It will also enhance awareness of this sector on local, regional and international markets.

The Project faced problems since the Project for a total of US\$1 424 065 is based on two financial extensions end of 2004 (US\$210 000) and mid 2005 (US\$199 000) plus interest earned. While it is appreciated that these funds have been tapped and farmers have benefited directly from the extension of the Project for another year (initially it was only planned for two years), planning for the Project activities was difficult bearing in mind that the initial request for extension, end of 2004, was for a total of US\$556 638 but eventually the amount allocated by the Government of Norway was only US\$409 786.

It is agreed with the donor that international expertise could have been reduced in the implementation of the Project. However, it must also be stressed that the international expertise has not only been instrumental in setting up the Project but also in managing its operations while keeping a close check on all the financial aspects of the Support Fund. Furthermore the overall financial efficiency of the Project has proven to be outstanding, fully justifying the international expert's action during the whole Project.

Other difficulties are related to the administrative set-up in the implementation of the Project. In order to ensure that the execution of the Project was cost effective FAO did not propose a full-time International Chief Technical Adviser, who would be an FAO staff member and therefore permit the autonomous financial management of the Project by the local implementation team. The Project has been managed by a visiting international expert and has therefore had to rely on the implementation capacity of UNDP and is directly operated by the Regional Office for Europe. This resulted in a number of cases of slow disbursement of funds due to a lack of transparent financial monitoring. The financial monitoring undertaken by the Regional Office for Europe in turn has to rely on the Inter Office Voucher information provided by UNDP. There is a considerable delay in reporting from the UNDP country office to FAO HQ and therefore no real time expenditure record for the Project is available. This is partly compensated by shadow accounting at the

local level but cannot avert a situation where there are delays in disbursement of funds. These circumstances influenced the purchase and distribution of inputs during the last season. The Support Fund did provide sufficient capacity to avoid a delay in the process since otherwise it could have jeopardized the whole season and the Project.

Due to these circumstances the accounting management of the whole Project has been far from satisfactory. Although the national project team received, upon request, project status reports and financial transaction lists from the Regional Office for Europe, the field team continually operated under a situation of uncertainty regarding the real-time status.

While reducing staff and administrative costs is appreciated and important, the decision of the local project management unit to rely on short-term local contractual arrangements for the implementation of the Project could have a negative effect on the motivation of staff. In addition, in future, it would be important for FAO HQ to introduce contracts with improved conditions for national professional personnel.

Since FAO does not have a full representation in TFYR Macedonia, it does not have a legal status within the country. This had a direct impact on the repayment of one of the contract advanced funds: the processor did pay the farmers deducting their reimbursement from the Support Fund but he failed to pay back the Support Fund despite several reminders and FAO cannot take any legal action against him because of its status.

This also has an impact on the staff's motivation: they are all employed on short-term contracts and there is no real sustainability of the FAO presence in the country. On the other hand the very high motivation of the local team has been essential to the success of the Project: they took full ownership of the Project and committed themselves to its success as far as they could. They acted as private entrepreneurs, who finally achieved a fully operative private structure which served as an economic engine for the development of the region. However, it is now time to clearly separate the various functions and give an opportunity to these structures to sustain themselves within the coming months while avoiding any conflict of interest which may arise if no action is taken at this stage.

I. INTRODUCTION

Since early 2003 the Project has developed a **business oriented rural development** model through the introduction of contract farming while supporting more than 2 000 small farmers in the production and marketing of high value horticulture crops in conflict and drought affected regions, as well as in other regions of high potential.

The Project succeeded in producing and selling over 13 000 mt of pepper and industrial tomatoes during the last season while at the same time finalizing the training of some 842 contract farmers in Kumanovo, Tetovo, Skopje, Negotino, Bitola, Gevgelija, Strumica and Kocani.

In addition to industrial pepper and tomato, the Project also strengthened the production and marketing of other vegetables for industrial and fresh consumption (eggplant, carrot, spinach, potato, etc) with small quantities being sold to supermarkets.

The specialized farmers' associations which have been created are still fledgling. Organizational structures and confidence in the associations have still to be reinforced. The administrative structures of the Kocani Commercial Company **AGROS 2004**, owned by the established Farmers' associations have to be fine-tuned. It has been created to ensure an institutional interface between the farmers and the processors while providing the appropriate legal environment to enable the farmers' associations to establish commercial relations with the processors or any other operator (see ANNEX 15 Project Management Structure in 2005).

In order to ensure the proper implementation of the Project in the various regions and possibly enable its duplication in the future, the FAO team has created an NGO entitled **FAGRICOM**. In this connection FAGRICOM has signed a Letter of Agreement (LOA) with FAO to ensure the no-cost extension of the Project until March 2006.

The Project has established contracts with over 17 processing and trading companies. Since the contracted volume covers 70 percent of the anticipated total production of the supported farmers, and since yields this year appear relatively high, the total farmgate value of the full production will be around **US\$2.5 million**, the processed product value can be considered to be about 2.5 to 3 times the raw material value i.e. between US\$6 and 8 million.

This is a significant share of the total value of processed vegetables in the country. As a consequence the Project, in the form of the established associations, the company AGROS 2004 and the NGO **FAGRICOM** has become an important player in the organized market of industrial pepper and tomato.

However, this achievement has had two serious setbacks which will need to be addressed during the no-cost extension period in order to ensure the full sustainability of the Project:

1. During the summer period one of the tomato processors who signed a contract for the supply of 8 000 mt of tomatoes defaulted for technical force majeure:

unavailability of water. After having processed only 1 000 mt: the farmers through AGROS 2004 had to immediately find a new market outlet for the remaining 7 000 mt under production. Fortunately a new processor was found and the activities proceeded normally. This undertaking could have been disastrous had FAO's team failed to find an alternative market. Having committed over 50 percent of the production capacity to only one processor was a risk which should have been allayed right from the start by eventually dividing the contract amongst several processors.

2. The second and more sensitive issue relates to the payment for the commodities delivered to the processors, still unpaid until the present date of 6 December 2005. The processors are accustomed to paying the farmers only after they themselves have been paid, hence the creation of AGROS 2004. Since these products can be sold until the next season, some unscrupulous processors are using this opportunity and paying the farmers only in April or May. As a side effect the Support Fund which should be replenished by the processors was at a very low level at the time of the mission: below US\$2 000 whereas it should have been at a level of US\$225 000 and ready to pay the inputs for the next season. However, it is expected that it will be replenished up to US\$120 000 by the end of February 2006. This pinpoints the need to examine together with the processors a way to finance their operating capital during the next season which of course includes the purchase of the raw materials.
3. AGROS 2004 had rented 10 ha of land and was giving it on a concession basis to farmers willing to extend their area of production. AGROS 2004 has produced 10 ha of pepper hence generating its own turnover with a production of 220 mt of pepper for the fresh market (see ANNEX 6 Production Analysis for 2005). By taking production as well as commercial risks AGROS 2004 on the one hand could jeopardize the Project in case of a bad crop but on the other hand did ensure a good return on its investment to allow the Project to be self sustainable over the long term while at the same time giving new production capacity to the farmers. Provided AGROS 2004 activities are actually within the range of the mandate given by the farmers and that the farmers are given the possibility to check on these activities, the whole system is acceptable.

Another positive outcome of this Project has been the importance of its labour component and its income-generating effect in the rural areas concerned. While the total supported production of raw material (pepper and tomato) requires a total of approximately 4 000 person/months, out of which it was calculated that some 850 men/women months are outsourced from the family and for which the processing of peppers (frozen or fully processed) in the processing factories requires an additional labour force of about 2 000 person/months, which is mainly rural female labour.

Considering the Project experience and the total investment made by FAO and the Norwegian Government of about US\$1.4 million over the last three years, one can approximately gauge the investment cost involved to produce a good farmer. Taking into account the learning process required for the testing of the model, as well as the fact that the Project originally started as a humanitarian emergency project, the investment cost for the preparation of a good, specialized farmer, organized in an association which is guided by a professional consortium with annual contracts for his main product, and able to absorb and implement

EUREPGAP standards, would be around US\$515 for a period of four years (ANNEX 7 FIELD EXPENDITURES SUMMARY SHEET).

Besides creating a sustainable support structure able to cope with EC standards, the investment would also leave US\$200 as seasonal working capital (which could be recovered at a later stage) and of course, the profit from the production and sales from 0.4 ha. The economic rate of return of such an investment for rural income generation can be highly competitive with other forms of projects or credit schemes.

II. BACKGROUND AND CONTEXT

II.1 Project Background

Since the mid term evaluation no major changes occurred in the macro economy of the agriculture sector. The only major event that is under way is the agreement of the EU to accept the application of the TFYR Macedonia to enter the EU by 2011. This will have a direct impact on the agriculture sector, as will be seen later in the document.

Joint efforts of the international community and the Government have resulted in an improvement in the security situation in the TFYR Macedonia. The Government and the donor community are now focusing on reconstruction and development measures. This Project aims to 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 are groups of farmers in Kumanovo, Skopje, Negotino, Strumica, Gevgelija, Kavadarci, Radovish, Tetovo, Bitola and Kocani. The main problem identified in these target areas was the absence of sustainable market linkages between primary producers and buyers resulting from past negative experiences and a lack of confidence.

The Project is guided by market considerations in selecting motivated and serious farmers whose crops are to be supported through strengthening the production and marketing arrangements. The Project was flexible enough to include relevant experiences occurring during Project implementation. Since the average farm size is small, 2 ha per farm, the Project promoted the creation of Farmers' associations through which new linkages could be established between the commercial sector and farmers.

After evaluating the situation in the target areas emphasis was placed on the adoption of a market led approach by matching production with market demand and establishing contractual arrangements between farmers and buyers.

One outcome of this approach is a new awareness amongst producers of the importance of meeting market demands in terms of quantity, quality and price thereby securing farming contracts and hence the associated revenues.

Since farmers' associations operating within the Macedonian legal environment are not allowed to have commercial activities, it was decided to create a purely commercial and management structure which would provide all the technical assistance and inputs to the farmers on the one hand while collecting and selling their produce to the processors on the other hand. The commercial structure thus created is entitled AGROS 2004. It allows the processors to have one interlocutor while having

access to a large number of farmers with appropriate assistance to produce on time the raw materials they need in terms of quality, quantity and price.

At the beginning of the season the participating farmers were receiving appropriate inputs such as seeds, fertilizers and pesticides for the equivalent of 0.1 ha to 0.4 ha. They were receiving this assistance with the provision that they would reimburse the cost of these inputs at the end of the season. The farmers were also engaged in giving 70 percent of their harvest to the Project, the remaining 30 percent could be used as they wished. Many farmers were using this facility to sell their produce on the fresh market to sustain their daily family lives.

The repayments were collected through the buyers/processors at the end of the season and paid into a special account opened at the Central Bank of TFYR Macedonia, jointly managed by the MAWFE and FAO and entitled the FAO Support Fund.

The purpose of this FAO Support Fund was twofold:

1. To give free credit to the farmers over one or two seasons to allow them to regenerate their production capital and eventually have access to regular credit facilities.
2. To buy all the inputs following a tender procedure which allows the farmers to have access to wholesale prices.

The Fund being replenished after each season has been used to further expand the production area in order to meet the growing demands of both farmers and processors during the following season.

The Fund is at full risk from the end of the production season to the moment of reimbursement by the processors. This may transpire up to six months later in the present circumstances. Moreover it now appears that some bad debts still have not been recovered after two seasons.

The Support Fund is due to disappear by the end of the Project. Since it has been instrumental in the success of the Project by providing an appropriate financial service to the farmers, being initially designed to be a grant to the farmers, it is foreseen that the remaining funds will be given to the various farmers' associations participating in the Project. It would then be available for them to use as their working capital to be invested in AGROS 2004, the commercial structure to ensure the wider long-term benefit for the farmers.

The Project has successfully implemented the production plan over three seasons with the involved farmers expressing their high appreciation of the Project, 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, which increased to 17 in the last season 2005 (ANNEX 12 Buyers with number of signed contracts, area and production under contract per crop). Field production has been generally satisfactory with crop protection being the major problem, plus instances of seasonal weather related problems in some villages.

Classification and grading issues were addressed in the second and third 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 by both sides. Although it was initially not planned to support beneficiaries selling into the

fresh market without being linked to identified buyers, difficulties in securing contracts in the northern regions resulted in free sales being made. Ultimately this did not result in any problems, the beneficiaries reporting good results and prices.

This highlighted the fact that the fresh market represents 80 percent of the market and therefore remains the main market for fruit and vegetable production. Therefore for any further development in this sector it appears essential to address the fresh market. The Evaluation Mission visited the two major wholesale markets for fresh fruit and vegetables in the country: Strumica and Skopje. Both are very rudimentary and do not offer any substantial services to the market operators. A project has been developed in Strumica with an Italian company but no investment has been made so far. In the event of future development in this sector, in order to secure a consequential multiplying effect it would be essential to prepare a **full feasibility study** on the development of proper wholesale market facilities which would enable Macedonian fruit and vegetables to gain access to national, regional and international markets under good conditions.

Under the 2005 agricultural campaign, contracts with about 17 buyers have been concluded. These contracts regulate the production and marketing of pepper and tomato for processing, export and local fresh markets, and the reimbursement to the Support Fund for inputs supplied to farmers. The follow-up of these contracts is part of the consolidation process and indispensable to establish confidence between the farmer groups (associations) and buyers.

The average yields (23 t/ha) obtained during the first two seasons are considerably higher than the average national pepper yield (15 t/ha). A total of approximately 12 000 MT of pepper and tomato was produced in the 2003 and 2004 campaigns. Input value of US\$222 for pepper production on 0.4 ha generated an average income per farmer of about US\$2 300/0.4ha, which is roughly US\$6 000 per ha.

During the third season, the Project continued and supported the improved production and marketing of high-value crops. The results of the Project at the farmers' level continue to create a commercial orientation amongst producers and an ability to meet market demands.

During the 2005 season the average yields in pepper production has been 26 mt/ha up from 21 mt/ha the previous year and way above the national average yield of 18 mt/ha. There has also been a dramatic increase in yields and production with regard to tomatoes since the average yield has been 80.6 mt/ha of fresh tomatoes up from 47 mt the previous year. Monitoring reveals that average yields for pepper in Kocani were about 30 MT/ha.

The **third season** did directly support 842 "good" farmers. Secondary beneficiaries benefiting from training and other indirect effects of the project may increase the figure to 1 000 farmers this year. The contracted production in 2005 was **13 000 MT of pepper and tomato** (under direct contract or for fresh markets).

While industrial pepper and tomato remained the focus of the project, support was also given to other high value crops, such as leek, spinach, carrots, eggplants and other vegetables in Kocani, Skopje South and Negotino.

A series of training events have been organized together with production monitoring and technical production support has been provided on a continuous basis to beneficiaries. An excellent series of training materials has been produced and distributed.

In order to ensure the sustainability of the Project for the next season, bearing in mind that farmers did not yet have the capacity to operate the system on their own, an NGO has been created to ensure the overall management of the operations while continuing to liaise with the MAFWE and all other stakeholders participating in the scheme.

II.2 Agriculture Sector

Some aspects of the agriculture sector have to be highlighted in order to understand the present situation and prepare for the future.

The model of contract farming is not new for TFYR Macedonia. The Agrokombinats that were administering Macedonian agriculture during the previous political system were providing all inputs through this type of system. The Agrokombinats were supplying the small farmers with fertilizers, seeds, pesticides, etc., and at the same time were guaranteeing the sale of the production. Since 80 percent of farmland was privately owned, and nearly all relation mechanisms between the Agrokombinats and farmers were established on a local market basis there was no real competition with other Agrokombinats. One farmer could only supply one Agrokombinat.

However as there was no land privatization this could not be considered like the type of socialistic model of agriculture that was existing in other socialistic countries. Taking into consideration that the average surface area of a private farm in TFYR Macedonia is about 2 ha, this system did provide a fairly good livelihood for many rural households in TFYR Macedonia. With the restructuring process of the Agrokombinats in the early 1990s and their consequent closure due to their inability to adjust to the new market conditions, the role that they were playing in the system, uniting farmers and assisting small farmers, was not replaced with another market mechanism/model. The support of the farm association that was provided at that time, did not meet the expectations of the farmers. As a consequence, the new market-oriented system without any capacity building mechanisms for local production resulted in a continuous decline in Macedonian agricultural production over the past 15 years.

For the first time since the early 1990s, a new model of contract farming has been introduced through this Project and has started functioning in TFYR Macedonia. Other projects undertaken in the dairy, tobacco and poultry sectors encountered some difficulties in finding a market to ensure their sustainability. But these projects appeared to be technically sound which further demonstrated that this type of relationship has to be extended also into other agricultural sectors.

Although fruits and vegetables were always recognized as one of the strategic areas for Macedonian agriculture, serious attempts to organize the production system in this sector were not made. Many individuals and small networks developed, mostly in the fresh production sector, but nothing was done at a level that could seriously support this production. These initiatives were always organized between the processors and several local farmers, usually within the same region. Unfortunately due to weak financial support and the small quantities of production, these initiatives were very often not conducive to a sustainable trade link. The major issues emerged in the area of enforcing the contract; on the farmers' side the delivery of the agreed quantities and quality and the on the processors' side observance of the payment schedule.

The FAO Project made a significant contribution by organizing the producers of pepper and tomatoes in the area of its implementation. The system created furnished an alternative model which did provide appropriate solutions to the various issues which had prevented the existing system from operating smoothly.

Though the model is not yet completely sound, many risks still exist on the farmers' side, from the interviews undertaken and the data available, the system is proving to be a good prototype for setting up new and good relations between farmers and processors. The general opinion is that the established system can and should be replicated in other agricultural sectors with the appropriate adjustments to secure good commercial and financial relations between the various actors of the chain. From interviews with both processors and farmers it became evident that both sides recognized that this type of organized production has a significant advantage for all stakeholders in the system despite the fact that it is very demanding, in terms of technical assistance, to improve farming practices and buy out conditions and to implement good financial and ethical management practices among processors, traders and wholesalers.

Unfortunately the sector has not received sufficient political attention over the last ten/twenty years. Up until 1998, the International Monetary Fund (IMF) and the World Bank (WB) were the leading agencies assisting TFYR Macedonia in the restructuring of its economy (the IMF) and Agriculture sector (the World Bank).

During that period the WB invested in a large irrigation scheme which cost the Macedonian State US\$32 Million. The project never became self-sustainable since the farmers were not requested to pay for the use of the water. This also gave rise to an expectation within the farmers' community to receive assistance free of charge. Many of them are still seeking such assistance. The FAO project seeking payment of the inputs distributed while at the same time giving a full season of credit was obviously a good choice. Farmers are not only given the possibility to reconstitute their production capacity but also gain self confidence in their capacity to further expand their activities by using all the technical and financial tools available.

Being accepted as an applicant to the EU, TFYR Macedonia will become eligible to access the Structural Pre-accession Funds to help in modernizing its economy and the agricultural sector.

Preferable conditions have been accorded to TFYR Macedonia by the EU, such as no taxation on exports from TFYR Macedonia to the EU, and no EU produce to enter the country at the present stage without appropriate taxation. But of course all products must comply with EU rules and regulations and European quality standards. This has raised very significantly the awareness of processors and farmers in making all possible efforts to meet these criteria. Several development agencies present such as USAID, SIDA and GTZ, have developed specific training sessions in EUREPGAP standards (European Good Agricultural Practices for fresh products) and in HACCP standards for food processing.

The European Agency for Reconstruction is already implementing three projects in the agriculture sector to assist the country in attaining EU standards in key sectors:

1. In the wine sector which consists of setting up a cadastre in the wine producing areas, establishing a register of the wine producers and creating the legal environment conducive to a good traceability and quality of wine.

2. Establishment of a Food Safety Agency together with the Ministry of Agriculture, Forestry and Water Economy and the Ministry of Health.
3. Development of an animal identification programme in order to register and vaccinate all small ruminants in the country.

GTZ is also playing an important role in assisting the country in shaping its agriculture policy. Basing itself on the example of the Slovenian Republic, GTZ assisted the MAFWE in preparing a draft of the Agriculture Law, soon to be presented to Parliament. This Agriculture Law will establish agriculture as a cornerstone for the development of the Macedonian economy.

USAID is providing assistance in the agriculture sector through the Land O'Lakes company which is supporting the Macedonian meat (mainly lamb production) and dairy industries. The project is now also expanding to the fruits and vegetables sectors. The team is maintaining very good relations with the FAO team. During its last meeting with the Prime Minister, USAID proposed that the FAO Project should be used as a model for their future project in TFYR Macedonia.

The Rural Financial Institution Project created the first user owned credit and saving institution – FULM; with over US\$1 million in deposit it offers a comprehensive range of deposit and lending products for small businesses, farmers and consumers. This tool could be of some assistance for the extension of the FAO Support Fund.

The World Bank (**WB**) is modernizing its irrigation scheme by introducing Water Users Associations with the payment of the irrigation services. Here again a linkage with FAGRICOM and the WB team for possible future extension could be of mutual interest. WB did confirm the recent shift in Government policies to place more emphasis on the agriculture sector.

IFAD

Since last summer IFAD has launched a credit campaign addressing the emerging needs of the rural sector. These credit lines are targeted towards four major activities:

1. Livestock production
2. Crop production
3. Processing of agricultural products
4. Trade in agricultural and processed agricultural products

Four different categories of loans have been established:

1. Micro loans for farmers up to €2 000
2. Primary production loans up to €25 000 for primary production
3. Agro-processing loans up to €75 000 for processing of agricultural products
4. Rural trade loans, up to €75 000 for companies trading with agricultural products

These loans are distributed through four commercial banks and two savings houses.

The conditions for using these loans depends on the amount borrowed. The original rate is 6 to 7 percent with a grace period of six months to two years and repayment duration of 1 to 7 years. But with all the costs related to the establishment of the guarantee and other banking costs the rates rise to 10 to 12 percent.

The guarantee instrument most commonly used for the farmers is that of personal guarantors, be it individuals or legal entities. Pledges on moveable assets such as tractors, machineries, etc., are also in use, not to mention mortgage on real estate which until recently was the only acceptable guarantee instrument.

A specialized Technical Assistance and Services Department has been set up by creating an Agriculture Business Centre staffed with fifteen advisers who:

1. Assist in preparing the credit application through the preparation of a detailed business plan and by conducting the finance flow analysis necessary for proper investment utilization;
2. Give professional advice and training for improving productivity and profit through the use of new technical solutions;
3. Monitor the investment in order to reduce risk and improve the credit repayment within the agreed period.

The contract farming model set up by FAO is highly relevant for IFAD since it is the best way to eventually secure their loans. FAO did approach IFAD in due time to propose its services since they were highly relevant to point 2 above. Instead IFAD's team did contact some AGROS 2004 members to participate in their scheme without prior consultation with the FAO team. Quite understandably this attitude has unfortunately severely impaired relations between the two organizations.

Since the complementarities between the two approaches are quite obvious and could be the basis for a successful collaboration, the FAGRICOM management team should/could directly contact the banks IFAD is working with to study with them the possibility to cooperate on this issue. However in view of the strained relations due to the overlapping activities in the field it might be useful to initiate a discussion at HQ levels in Rome between the two organizations.

II.3 Vegetable Crops

The analysis of the available statistical data of the production of pepper and tomato in TFYR Macedonia shows that the production of tomato has decreased by 23 percent over the last 13 years whereas pepper production has grown with an increase of 7 percent compared with the referred production 13 years ago.

The declining trend in tomato production has become particularly marked over the last few years. Taking into consideration the opening of the EU market and the fierce competition coming from Chinese tomato concentrate, it is reasonable to expect that this trend will continue. But there is sufficient demand on the local market to allow some development for farmers near processing factories when these factories have the appropriate markets.

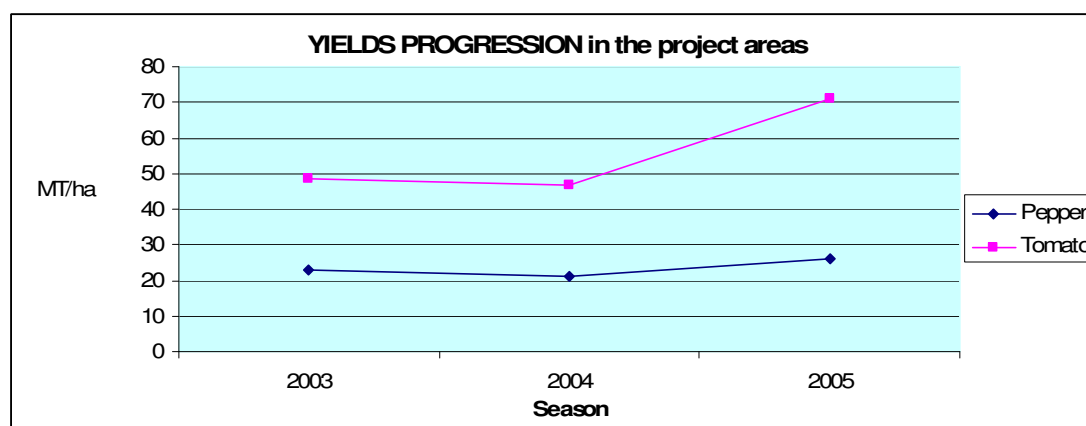
This has been the case during the last season when there was a substantial increase in tomato production under the project thanks to a contract signed with one processor in Strumica for the production of 8 000 MT of industrial tomatoes. It transpired that this processor was unable to fulfil his contract obligation after the delivery of 1 000 MT due to a breakdown in the water supply of the factory. The Project had to immediately find a new buyer/processor for its tomatoes, which was achieved within days. In the meantime three days' production of tomatoes was lost.

This underlines the risks taken by the Project and the dedication of the team to its success. Had this problem not been resolved, the credibility of the whole Project would have been at stake. Solving this issue has been a good experience for the

farmers to appreciate the importance of grouping themselves in one association not only to address a large market but also in order to be able to solve major issues collectively.

Instead, pepper production particularly in the past few years is showing a positive trend and will most probably continue to do so considering the niche market it constitutes and the quality of the products from TFYR Macedonia.

The Project production for the data available for 2004 contributed up to 2 percent of the pepper production and around 1 percent of tomato production. According to unofficial estimates the Project participation for 2005 is higher. It is important to mention here the yield comparison between the Project and the related national average data. The tomato yield of the Project is 159 percent higher than the national average (partly due to the use of hybrid tomatoes) and 46 percent for pepper production (see ANNEX 2 Project Production Charts from 2003 to 2005).



It is important to mention that the Project participation is calculated on a total production of pepper and tomatoes (fresh and for processors). Considering that the Project was working mainly with the processing sector, the Project market share is considerably higher.

During discussions with the processors, peppers were always identified as a critical product for the coming years. The production of industrial tomatoes, mainly due to competition, is slowly losing its attraction both for farmers and processors though there is still a market for high quality products.

Taking the above figures into consideration and bearing in mind the good image the Macedonian pepper is enjoying on regional markets and abroad, Macedonian producers should further focus their efforts on managing the full chain in order to give as much added value to their products as possible, both in the fresh and the processing sectors hence allowing the pepper to become a high value speciality from TFYR Macedonia. This will also have a positive effect on all the other vegetable and fruit production in the country.

II.4 Agro-processing Industry

Before the break up of Yugoslavia and the independence of TFYR Macedonia in 1991, over 80 percent of the agriculture sector in TFYR Macedonia was privately owned. There has never been large-scale nationalization of land as in the other Communist countries. This meant that farmers were used to having contractual relations with their cooperatives (Agrokombinats).

At the time of the collapse of the socialist government, the various processing industries were in poor condition and required considerable investment in order to modernize their processing capacity. In this respect the sector underwent a full privatization programme. However, privatization in the sector was undertaken mainly through the negotiation of debts among previous managers and operators. This prevented the influx of new managers and new capital. Since these factories lacked working capital they operated by obtaining credit on the farmers' products and by more generally negotiating payment facilities with their debtors. In recent years this situation has badly damaged relations between farmers and processors. Therefore the processing sector made little progress over the past 15 years.

In the last two years a few entrepreneurs have invested in new processing facilities leading the way for a new agro industry in TFYR Macedonia. The Evaluation Team did meet with two of them, Medium Export in the Skopje area and Petrovi in Kavardarci. Both invest in and use existing deep-freezing facilities to export frozen fruits and vegetables to Europe.

The Macedonian Agro Processors Association, which has been created with the assistance of GTZ, has 35 members. The Association has one manager, Mr Momcilo Ivanovski, President of the Macedonian Association of Processors (MAP), who is managing all the development activities for its members. The MAP association recognizes the efficiency of the FAO Project in changing the attitudes of the farmers in some regions such as Kocani and Negotino. It takes at least two to three years to actually introduce some changes and build up confidence with the farmers.

To its own acknowledgment, the major issue presently faced by the vegetable chain is the lack of operating capital of the various processors. They are either former large Agrokombinati with no capital and old facilities or traditional processors with a small capacity.

Until recently high interest rates, between 15 to 17 percent during the past season, together with very stringent collateral conditions were highly limiting factors.

A guarantee fund has been established with 25 members in order to assist them. Despite the fact that the president of MAP is one of the main debtors to AGROS farmers and the revolving fund, the Project, nevertheless has a good relationship with MAP. MAP has also been heavily supported by GTZ.

The MAP association is arranging that the Macedonian Agro Processors are present at the major international fairs such as the HANUGA in Germany but also those in Romania, Bulgaria, etc.

The Association is also very active with the Macedonian Administration and Government to improve the overall legal, administrative and financial environment of its members in order for them to be better prepared to access international markets and contend with the competition of its neighbours, Turkey being the most powerful.

In this perspective they tend to create regional associations with Greece, TFYR Macedonia, Albania and Bulgaria. They are also establishing links with West European associations in order to develop their trade links.

The MAP Association, considering the present capacity of the factories but also the various market demands they are facing, estimate the market of processed vegetables at some 100 000 MT/year. The comparative advantages of the Macedonian fruits and vegetable sector are:

- The low cost of labour
- A land which could be used for large scale organic production
- The experience of the processors
- The agro-climatic conditions which allow early and late production for North European countries

The major weaknesses are:

- The lack of capacity to address large demands
- The absence of standardized production (EUREPGAP and HACCP)
- The low level of financial management capacity

For the MAP Association, the FAO Project has brought a new impetus to the processed vegetable sector by convincing farmers to join forces to address the market together. For MAP it is essential to pursue this effort.

This effort will also help in further expanding the production of other high value products such as sour cherries, leeks, spinach, blueberries and all small red fruits which are in ever greater demand.

So far specific efforts were made by GTZ to provide management support services for the agro-processing industry in TFYR Macedonia. But it seems that the demand is still high within a number of MAP members.

The Evaluation Mission did meet with the following processors:

JUGOTUTUN: a large Agrokombinat still owing a large amount of money: using the Project as a free credit line. A large Agrokombinat with low ethics.

MABI TRADE: a very good small private processor; high value, good quality product, in the process of being HACCP approved by the EU.

MAKEDONIA: large Agrokombinat – again with low ethics but with a good potential provided the management undergoes serious training and HACCP standards are enforced.

MEDIUM EXPORT: new private management but still not yet complying with “normal” standards.

PETROVI: brand new factory with an investment of €1.5 million for deep freezing fruits and vegetables. So far has good management standards: wants to keep its good farmers by paying them well and on time.

UNIVERZAL PROMET: an old debt dating back from 2003 is still outstanding but the Project still operates with them since it could become a partner in the whole scheme: they would like to host a sorting and packing line for AGROS 2004.

IVO FACTORY in Strumica: a former Agrokombinat which has been privatized with insufficient funding. The factory needs considerable technical renovation in order to reach international standards. This factory defaulted on a very important contract for 8 000 MT of industrial tomatoes out of which it took only 1 000 MT. The Project had to immediately find a new buyer for the remaining 7 000 MT otherwise the whole Project image would have suffered severely.

SPIROSKI FOODS as an international buyer from Australia specializes in ethnic foods. It is crucial for them to find good reliable processors: they would be very

interested in locating a management company/NGO like FAGRICOM to take care of their local suppliers.

Considering the potential for this market, the existing overcapacity of the processors, the lack of modern management skills, the importance of setting up appropriate financial incentives to help the development of the sector, FAO/ FAGRICOM should consider providing appropriate training and support in order to further improve the operation of the fruits and vegetable processing chain.

Finally, it would also be important for the further development of contract farming, that the MAFWE and Ministry of Economy and Industry consider creating a forum where representatives of the farmers, agro-processors and traders could meet, discuss and make decisions on a regular basis.

III. ASSESSMENT OF PROJECT OBJECTIVES AND DESIGN

III.1 Justification

The development of the Project as an extension of an emergency project has been a key factor in the success of the Project. It allowed the emergency team to design the Project hence ensuring that it would address the actual needs and development priorities of the beneficiaries. Therefore it did guarantee the relevance of the Project to development priorities and needs.

It also enabled the best use to be made of the emergency team which had good experience and a strong motivation to pursue the development project while preparing the terms of reference of the present Project based on a good grassroots knowledge of the field necessities.

III.2 Objectives

The immediate objectives of the last extension of the Project were:

- Increased production of high-value crops matched to market demand
- Increased farm sustainability and improved livelihood of farmers in rural areas
- Increased professionalism of farmers on the basis of contract farming
- Sustainable linkages between farmers, traders and established processors

Clarity and pragmatism has characterized these Project developments and immediate objectives. Not only did it have a grassroots approach by addressing the farmers directly but an essential element of its success has been the careful selection and identification of beneficiaries: the so called "good farmers". The farmers who were allowed to participate in the Project had to have the appropriate means of production and a high motivation in order to be able to join the Project.

The second prospect for sustainability, but not of minor importance, was the fact that the Project was directly linked to real market demand: each association was producing each year for processors who had committed themselves to buying the quantities produced by the farmers.

When we compare the actual outputs to the expected outputs, the Project did achieve its obligations.

The expected outputs in November 2004	Actual outputs in December 2005
An additional 25 commodity groups of small-scale farmers in five regions established	The commodity groups have been established in 39 locations
An additional 500 contracts for production of high value crops signed annually	861 contracts signed
An additional 5 000 tons of pre-sold high value vegetables produced annually	The production has by far exceeded the expected output since the overall production has been 12 583 mt in 2005 up 8 958 mt from 2004
Average national yields for targeted crops increased by 30%	For pepper the average production yield was 57% higher than the national figure For tomatoes the average production yield has been 138% higher than the national figure (see: ANNEX 2 Project Production Charts from 2003 to 2005.)
Stabilize and increase the existing revolving fund for continuous support to farmers' associations	From US\$44 853 in 2003 it increased to US\$88 952 in 2004 and US\$212 635 in 2005 (see ANNEX 13 Status of the Support Fund on 6 December 2005)
An additional five professional farmers' organizations established and organized into a Commercial Service Company	<ul style="list-style-type: none"> • Fully-fledged association with strong management structure (AGROS in Kocani) • Associations with still unconsolidated structures (Agroprogress in Slupcane and Agromeris in Studenicani) • Previously established associations with proven organizational set-up (Agronija Strumica) • Newly identified commodity clusters applying for membership in existing associations (Bitola and Tetovo) • Informal groups recommended by the buyers. Organized commodity groups but not yet formalized (Gevgelija, Sveti Nikole and Negotino)

III.3 Project Design

Since the Project originated from an emergency project there were no project implementation indicators mentioned or embedded in the Project design. This gave the Project sufficient flexibility to adjust its activities according to the field demands and realities.

The drawback of this approach is a lack of long-term visibility. But this was also due to the fact that the allocation of funds at that time had not been assigned and was foreseen only for one year.

Another side-effect arising from the absence of a logical framework and detailed indicators, is that the Evaluation Team could not compare projected indicators with actual accomplishments.

Instead the Team did focus on analysing the various financial, legal and technical parameters to eventually identify major issues which should be addressed to ensure the long-term sustainability of the Project and moreover to see how the model could be extended to other regions and sectors.

All the stakeholders stressed the fact that the Project has successfully addressed the farmers' needs through the contract farming by identifying the right needs and responding adequately to those needs in order to meet the demand of the processing factories. But no qualitative indicators were set up, for example: the level of satisfaction of the direct and indirect beneficiaries such as the factories. The major indicators of satisfaction and confidence building would be:

- The actual turnover and gross margin generated by the Project.
- The percentage of defaulted contracts on both sides with the number of farmers who have not delivered their commodities totally or partially as well as the quantities of commodities delivered to the processors and not paid for.
- The number of days elapsing between delivery and payment would also be relevant to the ability of the processors to properly manage their operating capital which is a key element in the confidence-building process within the chain.

Initially the beneficiaries stipulated in the Project were the farmers' associations whereas in fact the end beneficiaries were the farmers themselves and the associations were only secondary beneficiaries.

Last, but not least, the constitution of the commercial company is also an important indicator for the processors that the Project means business and for the farmers ascertaining that the shareholders (the farmers and their associations) will duly benefit from the scheme.

IV. ASSESSMENT OF PROJECT IMPLEMENTATION, EFFICIENCY AND MANAGEMENT

IV.1 Project Budget and Expenditure

Project spending

According to the expense report provided by the Project, the original Project budget was US\$996 372. With the two extensions and with the interest earned on the invested Project funds the total amount of the budget was increased to US\$1 424 065 as per the table below.

ORIGINAL BUDGET	996 372
EXPANSION 1	210 000
EXPANSION 2	199 786
INTEREST	17 907
TOTAL	1 424 065

In determining the Project impact we should consider that in the past three years the Project managed to:

- Provide/facilitate annual income for at least 842 rural households (for 2005 only);
- Provide funds indirectly (around US\$300 000) to cover expenses for manual labour (only on the farms) for several hundred people;
- Work directly with at least 17 processors, facilitating the creation of a number of jobs for manual workers;
- Facilitate the production of around 9 285 tons of tomatoes and 10 396 tons of peppers (over the last three years) at a calculated value of at least US\$3 million;
- Facilitate the Macedonian export sector.

The direct impact of the Project was much greater than that of similar development projects in the region.

The analysis of the Project expenditures (ANNEX 16 Expenditures under the Project GCP/MCD/001/NOR including actual expenditures for the period 2003 to 30 November 2005 and planned expenditures up to April 2006) shows that 36 percent of the total budget was spent on covering the expenses for the consultants. Out of which 17.3 percent was spent for international consultants and 18.7 percent for national consultants. Considering the type of Project activities and the strong links required between the Project staff and the Project beneficiaries, the evaluation team is of the opinion that the costs for international consultants could be decreased in possible future Project extensions after the start up phase.

However it should be stressed that the international coordinator was concurrently in charge of FAO emergency and other FAO activities.

The Project spent 24.9 percent of the total budget on direct Project inputs. The majority of these inputs were used for filling the revolving fund. With this change of the original Project idea, the Project Team multiplied the effect of those funds for which they should be complimented.

The Project invested only 0.9 percent on covering the costs of training programmes. This is due to the fact that the majority of the technical support was provided directly by the Project staff and because on-site training techniques were used. Taking into account that during the interviews a need for additional technical support was mentioned, the funds allocated for training in possible Project extensions should be increased.

The Project spent 13 percent from the total Project budget on covering the costs of operating expenses which is close to the average (10 percent). The increased spending on this component is due to the fact that the majority of the partner's expenses (AGROS) were covered by the Project. In future this arrangement should be reconsidered.

IV.2 Activities and Outputs

The total value of all procured (expendable and non-expendable) agricultural inputs in the three seasons of the Project (2003, 2004 and 2005) was US\$497 937 of which US\$420 883 was for expendable inputs (seeds, fertilizer and plant protection material) and the rest for equipment.

The procurement was funded from the Project budget (US\$339 085) and the FAO Support Fund (US\$158 852). Although some of the payments to the FAO Support Fund are still outstanding, the figures can be considered more or less a final illustration of the effectiveness of the revolving fund.

The impact of the Project on production has been very satisfactory with the following results.

IV.2.1 Production Increased

The improved and expanded production produces further results in terms of the number of farmers interested and participating as well as in higher production and yields. The average yields (23 t/ha) obtained during the first two seasons are considerably higher than the average national pepper yield (15 t/ha). A total of about 12 000 MT of pepper and tomato was produced in the 2003 and 2004 campaigns. The input value of US\$222 for pepper production on 0.4 ha generated an average income per farmer of about US\$2 300/0.4 ha, which is roughly US\$6 000 per ha.

Under the 2005 agricultural campaign contracts with about 17 buyers have been concluded. The contract regulates the production and marketing of pepper and tomato for processing, export and local fresh markets, and the reimbursement to the Support Fund for inputs supplied to farmers. The total expected yields and production of this year is still under review. However, observations show that in Kocani average yields were about 30 MT/ha. Industrial tomato production initiated by the Project in Bitola on a large scale under contract arrangements showed moderately good yields of about 70-80 MT/ha.

The third season did directly support 842 selected farmers. Secondary beneficiaries, benefiting from training and other indirect effects of the Project may increase the figure to 1 000 farmers in 2005. The contracted production in 2005 is 13 000 MT (under direct contract or for fresh markets) of pepper and tomato.

Industrial pepper and tomato remain the focus of the Project but support was also given to other high value crops such as leek, spinach, potatoes, carrots, eggplants and other vegetables in Kocani, Skopje South and Negotino.

During the three seasons the Project has contributed to a total production of about 26 000 MT of pepper and tomato, most of it for processing. The farmgate value represents about US\$5 million and the processed value about US\$15 million. As farmers normally report only part of their production the real size of the production was probably closer to 30 000 MT with a farmgate value of roughly US\$6 million. The respective processed value probably around US\$18 million. This is a significant share of the national production of industrial pepper and tomato.

The interest in the production and scheme can be observed from the incoming letters of interest from local and external buyers for the production in 2006 which amount to 15 000 MT. The amount probably exceeds the present capacity that the Project has in terms of input funds (Support Fund) to initiate the respective production size.

IV.2.2 Training and Cooperation Established

A series of formal and field training sessions were held and continue. In many cases the **supplier companies** themselves are providing extension services to farmers, in particular for plant protection and irrigation. Further training in

EUREPGAP standards will be required to make farmers' associations competitive for future export to EU countries.

IV.2.3 Income and Benefits Increased

The Project includes different types of beneficiaries profiting from its approach:

- **Processors and large traders**, which benefit from better planning and contracting, reliable delivery of large quantities, better sorting and quality. They also benefit from the possibility to adapt to change as they can deal with a few, key role players (the associations) and not with numerous unreliable small farmers and numerous intermediate dealers. In particular they benefit from the future prospect of having a certificate of origin (traceability) which can even become a legally recognized certificate of European Good Agricultural Practice (EUREPGAP).
- **Traditional vegetable producers** of high value crops benefit from the Project through: Use of quality production materials (seeds, fertilizer and plant protection) which increased their yields and their income on average by 35 percent (triennial average); savings through bulk procurement of inputs which reduces the initial investment of US\$500-750/ha by 15-25 percent; 50-100 percent increase of total production, made possible through easier access to markets and sales of the full range of crop forms (including green and flambéed peppers); 7-10 percent increase in buyout prices since buyers are willing to pay more for guaranteed quality and quantity.
- **Novice producers** of pepper and tomato benefit: from the introduction of high value cash crops replacing cereal and fodder crops. While cereal crops yield only US\$1 000 net profit per hectare, the high value vegetable crops can bring farmers easily about US\$6 – 7 000 per hectare. Through the introduction of improved mechanization (mechanized planting and spraying in Kocani and other areas) and cultivation practices the income of farmers will increase further in the coming year.

IV.2.4 Farming contracts performance

The findings of the 2004 season regarding the main reasons for breaches of contract in the past as well as at the present time are:

- Insolvency of the buyers
- Lack of organized structures of the producers
- Lack of a legal enforcement mechanism for contract performance
- Production on small plots and under use of mechanization is an important area for improvement during the next seasons

Grading problems. Despite the fact that grading problems still exist, there is a positive trend towards an improvement in grading practices, especially among the farmers that were engaged in the previous year. However buyers who are involved in the Project do not possess modern technology for packing and therefore there is wastage of time and extra costs for sorting and grading.

Contract breaks. Some of the processors did not have a facility to store the contracted quantities. This was the case with the company Nimex SA in 2004 and the IVO factory in Strumica in 2005 which resulted in the breach of contracts. The

latter one could have seriously harmed the credibility if not the sustainability of the whole Project in July 2005.

Playing the contracts. Among the most frequent reasons for playing the contracts from the farmers and buyers are:

- a) Payment delay. The long payment delays for delivered products have a negative effect on contract farming. In a way, such payment delays provide the processors with free interest loans from farmers for the length of the delay and on the other side the farmers are not able to obtain the much needed cash flow. This is one of the reasons for the lack of trust and confidence between the farmers and the buyers/processors.
- b) Extra contractual marketing. The payment delay and more attractive prices on the spot markets give the farmers an opportunity to sell the products to third buyers, usually various middlemen that purchase tomato and pepper, which is always a problem for the food processing industry.
- c) Buyers' agents. A personal interest of buyers' agents frequently harms the contractual arrangements actuated through quality control tricks aiming at reducing the price to the lowest possible level during a time of excess supply or undermining the contractual price during a time of high demand.
- d) Lack of legal mechanism and control. The involvement of the responsible inspection department at the Ministry of Agriculture, Forestry and Water Economy in supervising the contracts, can further contribute to the development of reliable relations between the contracting partners, especially in cases of non existent arbitration.

The fulfilment of the farming contracts remains a crucial element of the whole approach. Both the producer and the buyer remain only loosely bound to the contract and the relationship has to be carefully nurtured. At the same time the monitoring of the production as well as the credibility of the buyer has to be monitored in order to modify arrangements or to find a new buyer. This happens almost every season. The basic rule is that pressure is always on the farmers, even if there are improving law enforcement possibilities. Farmers and farmers' groups are, in most cases, not capable of defending themselves without proper support.

IV.2.5 Creation of Farmers' Associations and Companies

One of the most important project objectives was the development of farmers' organizations, necessary to cope with the complex requirements of modern horticultural production and marketing. The Project works with commodity groups in all target regions. The groups include:

- Fully-fledged associations with a management structure (AGROS in Kocani)
- Associations with still unconsolidated structures (Agroprogress in Slupcane and Agromeris in Studenicani)
- Previously established associations with a proven organizational set-up (Agronija Strumica)
- Newly identified commodity clusters applying for membership in existing associations (Bitola and Tetovo)
- Informal groups recommended by the buyers. Organized commodity groups but not yet formalized (Gevgelija, Sveti Nikole and Negotino)

Considering the small average farm size and the low level of education among villagers, the farmers have to be strongly linked to an association to obtain access to contract farming and make it attractive for processors. Since farmers' associations cannot undertake commercial activities in TFYR Macedonia, a commercial company had to be created by and for the farmers' associations to make all the contractual arrangements between the farmers' associations and the processors. A trained specialist, paid by the commercial company, ran the scheme for the benefit of the farmers and ultimately also for the processing and export industry. The Project has followed this path by first creating the associations, then the commercial company and finally the NGO FAGRICOM which provides all the necessary assistance to the various stakeholders when needed and keeps a check on the commercial company.

But so far the Project failed to involve a significant number of farmers in the management of these associations. It seems that the level of education is a major constraint in this respect. This can only be achieved over a long time period.

IV.3 Government Support

The Government has been involved, through the MAFWE, in the steering committee which did regularly follow the implementation of the Project, and has also been associated with the management of the Support Fund.

The food processing industries are not under MAFWE responsibility, therefore it is difficult to organize a joint policy consistent with the interests of the farmers as well of the processors.

The administration of the MAFWE has very limited resources in terms of human capacity and know-how. Many operators and stakeholders complain that there is no strategy as yet for the development of the agriculture sector.

A substantial amount of national subsidies are allocated to wheat and barley production but the cost of production in TFYR Macedonia will remain very high due to an inappropriate farming system for such production. It was stressed that the FAO Project has demonstrated that, on the contrary, a farming system created by developing contract farming could be highly competitive and efficient for the production of fruits and vegetables responding to a real market demand both at the regional and international levels.

20 000 MT of processed fruits and vegetables have been exported in 2004 which constitutes a significant share of the country trade balance.

The Evaluation Team faced difficulties in obtaining accurate statistics on the production of fruits and vegetables; the organization of the wholesale markets is non-existent and government services (customs, statistics and public health) are absent within the existing poor infrastructures of the two major wholesale markets of fruits and vegetables: Strumica and Skopje.

Since 80 percent of fruits and vegetables are sold on the fresh markets and conscious of the possible comparative advantages the country may have for this type of production: small farms, experienced farmers, good agro-climatic conditions for early season production, proximity with large markets and being aware of the limited resources of the Government, the development of the fruits and vegetable sector as a leading sector should be actively supported, with one crop, the pepper, being symbolic of the country.

Such a programme would have involved the development of all the related activities in the agriculture sector.

A stock exchange structure, AGRO MARKET, was created in 2001 and was supposed to allow sellers and buyers to exchange agriculture commodities but this organization never functioned. Two other agencies are present: the Agency for the support of underdeveloped regions and the Agency for the support of agriculture in Bitola. These three organizations could be regrouped in one organization to support the fully fledged development of selected sectors in appropriate regions offering good comparative advantages.

The Government should also promote the certification of the whole production chain in order to assist farmers to access international markets.

In order to give a clear vision over time the Government, together with GTZ, is now working on a five year policy within an Agriculture Law which has been submitted to the parliament to create a legal environment conducive to the development of agriculture. It also aims at making the best use of future EU structural funds which will be allocated to TFYR Macedonia to prepare for its entry to the EU.

Based on the experience of the present Project, the MAFWE could develop a programme to further extend contract farming in a decentralized manner with the assistance of FAGRICOM at the institutional level.

IV.4 Project Management

The commitment by local and international staff to the implementation of the Project activities was considered by all partners in the Project adequate, sufficient and timely. It was a key factor of its success.

During interviews with the processors and farmers, it became obvious to the Evaluation Team, that strong relations based on trust and respect had been established with the various Project Team members. A large part of the success of the Project could be credited to these established relations.

On numerous occasions it was observed by the Evaluation Team that with the Project coming to an end the local staff was feeling insecure about their future job prospects within the newly-created structures. Considering the situation in the current production year (unpaid contracts from the processors) and outstanding investments from the revolving fund, loosing some staff capacity could seriously hamper the sustainability of the whole Project in the long term.

It is therefore crucial to provide as soon as possible a long-term vision of the Project which would in turn provide some clear indication regarding job security for the critical technical staff. The creation of this long-term vision should be undertaken during this no-cost extension period in close cooperation with the local staff in order to allow them not only to take "full ownership" of the Project activities but also to allow each staff member to find their place in the process.

This should be part of the process of establishing the strategy and the related business plan for the next three to five years for all relevant legal entities: FAO with FAGRICOM on one side, AGROS 2004 and AGROS associations on the other side.

If some external funding appears to be necessary, a fully motivated project could then be presented to potential donors.

IV.5 Technical and Operational Backstopping

In addition to the backstopping missions mentioned in the mid-term review, one important mission has been undertaken by Mr Ake Olofsson, AGSF, on the Support Fund. Although underlining the positive effect of the Support Fund, his recommendation was to consider very seriously ways and means to close this fund.

Mr Edward Seidler together with Mr Stefan Schlingloff, Agricultural Officer, and Mr Richard Eberlin, Policy Officer, from the Regional Office for Europe attended the end-of-project stakeholder workshop organized on 5 December at the MAFWE premises. The outcome of this workshop though interesting in its content was somewhat limited since the MAFWE was not in a position to engage in specific developments to ensure the duplication, if not the extension, of the model presented to other sectors or to other parts of TFYR Macedonia.

V. ASSESSMENT OF RESULTS AND EFFECTIVENESS

V.1 Effects and Impact

To measure the effects and impacts of the Project on the various beneficiaries, one questionnaire has been elaborated and submitted to farmers during the field visits. Furthermore the team has evaluated the efficiency of the Support Fund and its impact on the farmers' capacity to recover their production means.

V.1.1 Comments on some of the questionnaire results.

In the period between 23 November and 4 December the Evaluation Team undertook a series of interviews with direct Project beneficiaries in six villages representing different regions included in the Project. An attempt was made to include different groups of beneficiaries representing different ethnic groups present in the regions. The methodology used by the Evaluation Team was an Agrokombination of focus group discussions and a questionnaire. It is important to mention that the Evaluation Mission did not have sufficient time to prepare an in-depth evaluation of the Project beneficiaries. The purpose of this exercise was more to get a general impression of the Project impact on direct Project beneficiaries. Altogether the Project did address 881 end beneficiaries in 2005. The questionnaire was distributed to 57 farmers which represents 6.47 percent of the population of beneficiaries. The sample is therefore a good representation of total Project beneficiaries.

The Team visited six villages in Eastern Macedonia, see

ANNEX 14 Map of Regions and Villages supported in 2003/04

Slupchane – Kumanovo Region

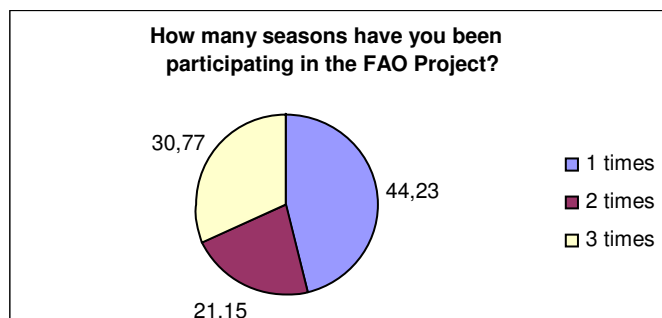
Grdovci – Kochani region

Obleshevo – Kochani region

Mokrievo – Strumica region

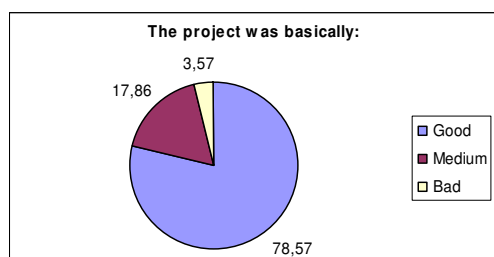
Murtino – Strumica region

Bistrica – Kavadarci region



During these visits questionnaires were completed by 57 villagers proportionally in each village. Whenever possible, a detailed explanation for the process was provided to the villagers. The focus group also represented beneficiaries included in the Project in different stages of the implementation. It is important to mention that at all these

meetings discussions with focus groups were important elements in the process for forming an opinion of the Project impact and of possible areas for improvement.

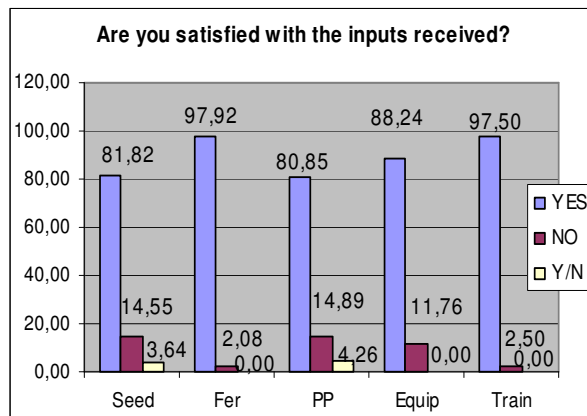


During all the discussions the satisfaction with the Project and the Project Team was obvious. As shown on the chart, over 78 percent of the interviewed villagers rate the Project as “good”. At the same time during the interviews the Evaluation Team could confirm the established relations between the Project Team and the villagers. That is why during the interviews

75 percent confirmed their satisfaction with the services provided by the Project. There were regular discussions regarding their requests to increase the technical assistance on every individual farm for the next season. They were informed that although it will be difficult to assist each and every farm individually they should continue to attend the training sessions where they can ask the area manager all the questions they want and get the appropriate answers.

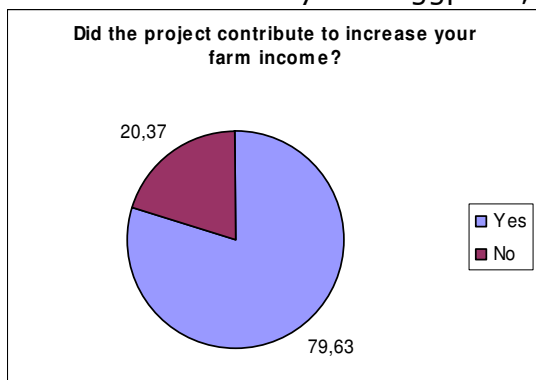
The complaints presented in several cases were due to reasons outside of the control and jurisdiction of the Project and the Project staff: how to use state owned land for increasing the production; how to change and increase the Government support; provision of financial support through micro loans, etc. The above three topics are highly representative of the general mood among the villagers: they are ready to produce but they need further support to identify and address the various market demands

There was also a set of questions regarding their satisfaction with the inputs received from the Project. The overall results were positive. At several locations discussions were initiated regarding the appropriate variety of the selected seeds. Considering the micro-climate conditions it was suggested that in future consideration should be given to adapting the variety to the micro-climate conditions. In several locations there were also comments connected with bad weather conditions that had damaged production at a few sites.



This is also connected with the improved farm income directly related to the Project impact. The overall impression was that the beneficiaries were satisfied and in nearly all cases were planning to continue and increase their production next year. Over 79 percent had confirmed that the Project provided them with additional income which is corroborated by their interest in increasing the production for next year.

There was considerable discussion regarding additional products that could also be considered for next year. Eggplant, cabbage, spinach and several other cultures were mentioned. The established relations and mechanisms, together with the relations with the processors could easily contribute towards replication of the system to other sectors.



In the sphere of recommendations, about 50 percent of those questioned highlighted market support and guaranteed buy out of the production. On several occasions more support was requested for the negotiation process with the government for obtaining

additional government land that could be leased by the villagers. This was particularly highlighted in the village of Bistrence where the small amount of available land is one of the biggest problems.

V.1.2 Support Fund operation results and present position

The Project was approved as an emergency assistance to the drought and conflict affected areas in TFYR Macedonia with an envisioned grant component that had been projected in the initial design of the Project. The purpose of the Grant was to assist the farmers that were directly affected by the drought or the conflict through the provision of inputs for the next season like seeds, fertilizers pesticides, etc.

At the start of the implementation it was recognized by the Project Team that it would be more productive if the Project created a Support Fund reimbursable by the beneficiaries to the effect that the donated funds could be replicated during the following seasons and eventually benefit other farmers. The Project Team directly involved representatives of the MAFWE in the decision-making process of the Project. This move contributed to creating "a feeling of ownership" of the Project activities by the Ministry as well as to ensuring the transparency of the fund use. It

was very well perceived by the Ministry representatives and also contributed to attracting strong support for this Project from the authorities. At the same time the mechanisms established for disbursement of the Support Fund developed a sense of accountability and prevented the misuse of the Fund.

Considering the fact that the farmers had lost the major part of their production capacity in the conflict and the drought, the principal idea was to permit them to recover progressively by allowing a gradual increase of the share to be refunded to the Support Fund. The first year the expected return was 33 percent, the second year 66 percent and the third year the expected return is 100 percent.

Season	2003	2004	2005 (not finished)
Amount paid	US\$ 44 853	US\$ 88 952 (+98%)	US\$ 212 635 (+139%)
Amount paid back	US\$ 32 555	US\$ 43 463	US\$ 65 313
Paid back ratio	72%	48%	30%
Expected return from the farmers	33%	66%	100%

The trend shows, at the date of the mission which is not reflecting the full pay back period of 2005, a decrease in the pay back on fund allocation not due to the farmers but due to the processors who are delaying their payments.

According to the figures received by the Project the total expected return to the fund is of US\$212 635 in 2005 (See ANNEX 13 Status of the Support Fund on 6 December 2005).

The increase in the allocation of support funds has been significant from one year to another allowing the Support Fund to be a major cornerstone for the success of the Project. It did constitute a major incentive for the Project beneficiaries to join the Project.

Moreover, the Support Fund has managed to increase very significantly the output of the initial granted funds. This did in turn permit an increase in the number of direct project beneficiaries over the years.

The lack of a clear vision for the future of this Support Fund contributed towards losing part of the funds (first year US\$12 298 and second year US\$45 488). The loss of funds was due to adverse weather conditions in several villages, a few bad business decisions but also to the low ethics of certain processors.

Although the Project Team is making serious attempts to collect the long overdue funds (expected return of US\$5 405 from the first year investments and US\$15 608 from the second year of investments) it will be difficult to recover the full projected amounts within the remaining short time frame of the Project.

One of the main reasons for these long overdue debts is that FAO, by not having a legal representation status in TFYR Macedonia, could not exert legal action against the bad payers. They did use this weakness in order not to reimburse the Support Fund despite several reminders sent by the MAFWE. Several processors are also accustomed to paying their suppliers in kind which was not accepted by the Project

until recently. However this possibility might be used in the coming season in order to provide for some plastic films, which will be paid for by one of the bad payers

The background of the staff, their technical, human and management skills, often having to perform double and triple functions as a result of the relatively small staff component operating simultaneously both emergency and development projects made the running of the FAO office financially viable. No particular training in financial and administrative management was provided by HQ, although the office has been praised for being the most timely in its delivery of financial reports.

However in order to ensure a good multiplying effect while keeping its budget in line, the specific technical expertise required was obtained from the Ministry (seeds, fertilizer, plant protection), the Government Extension Service, the suppliers themselves (plant protection) and eventually from the Faculty of Agriculture.

Nevertheless the lack of appropriate technical and financial skills for the management of the revolving fund did add to the fragility of the Fund's management. Only the invested energy of the Project staff prevented larger losses occurring in the process.

The operations of the Support Fund were reviewed by Mr Ake Olofsson during June 2004. Some of the problems in the operations of the Fund were envisioned in this report and the recommendations in the report coincide with the views of the Evaluation Team. Such a credit facility needs specific technical skills and know-how to be fully operative and to avoid outstanding risks. This in turn calls for appropriate technicians who were not planned for in the initial project design. Only one person has a detailed knowledge of the whole operation together with the manager of the Project of course. This is a high risk in itself which should not be permitted any longer without taking appropriate measures. The Evaluation Team strongly recommends that the Project should immediately start the procedures for the closure of the Support Fund. During this process an attempt should be made to recover as much as possible from the debtors prior to the closure of this Fund. All the outstanding payments, that could not be recovered in the meantime, should be written off and documented at the end of the No Cost Extension period.

Considering the approaching closure of the Project, a plan should be developed for the best use to be made of the remaining funds from the Support Fund. Organizations that could be considered for inheriting the funds are the developed farm associations. The funds could help these organizations cover the funding gap that could appear with the possible closure of the Project to launch the next cropping season of 2006 hence ensuring the sustainability of the Project over time. This process should be coordinated with the MAFWE since they are also directly responsible for the operations of this Fund but also with some banking institutions which should now take over the role of this free credit. The farmers who did benefit from the Support Fund now have sufficient capacity to take a credit and incorporate it in their overall operations. In this respect IFAD has developed a specific credit facility with four different banks and two saving houses for the rural areas, which should in any case take over the function of the Support Fund.

V.1.3 VAT issue

During the evaluation of the Project activities, the Evaluation Team came across the issue of the VAT reimbursement. The diplomatic status of FAO in TFYR Macedonia

allows the Project to buy the inputs to be given to the beneficiaries exempted of VAT.

The Project, buying in large quantities, also has access to wholesale prices.

These two price advantages are of course cumulative when it comes to the Support Fund.

The farmers are given access to very competitive prices as well as to free credit to purchase their inputs and eventually their tools.

This did allow an increase in the funding capacity of the Support Fund.

Although purchasing inputs for the Project and donating them to the farmers is not an issue, serious questions might be raised when 100 percent reimbursement is made to the Support Fund. In that case someone could challenge the managers of the funds for a justification of the reimbursement since the Project is only advancing the Project funds (not spending). The purchased input (seeds, fertilizers and plant protection, as well as some equipment) are not donated to the farmer but purchased by him since he is paying for them over time. Unfortunately in this case these expenditures are subject to VAT reimbursement.

The Project is using the funds from the Support Fund in coordination and formal agreement with representatives of the MAFWE. Although this should be a sufficient protection against any VAT claims by the Tax department, the Evaluation Team recommends documenting this process in order to protect FAO/FAGRICOM/AGROS 2004 from any possible future VAT reclaim.

One indirect impact of this distortion has been that the suppliers of inputs when answering the new tenders are now increasing their EX VAT prices to reduce the competition in the area. Farmers are benefiting from this exemption only for a limited part of their farm. For the rest they are already paying the full price. Therefore the benefit of this temporary VAT exemption is allowing them to regain some of their working capital in the process.

V.2 Sustainability and Environmental Impact of Results

As the above questionnaire results suggest, a lot has been achieved towards the sustainability of the Project with the creation of the farmers' associations, the commercial consortium AGROS 2004 and the NGO FAGRICOM for the overall management of the operations and relations with the MAFWE.

One of the major factors of sustainability that has appeared in various parts of the Project is that the beneficiaries did actually significantly improve their revenue from their land, thanks to the Project. This, in turn, has contributed to changing the attitude from donor dependency to self confidence. For instance, in the Kocani area, the villagers are starting to involve themselves in the actual Project management although they do not have as yet the full capacity to take over the Project and decide by themselves on their future activities.

V.2.1 Analysis of the impact per rural household

According to the data collected during the interviews with the farmers in several different regions, the gross income for one hectare of pepper is approximately 350 000 MKD or US\$7 000 for one season. These interviews also confirmed that an average rural household could easily plant 1 ha of pepper.

Considering that the Project is making serious attempts to replace some of the manual labour functions with mechanization, specifically for plowing and weeding, the net income could be further increased.

The official average net salary in TFYR Macedonia is about 12 500 MKD per month. Therefore the income provided thanks to the Project could be valued to be approximately 2.33 monthly net average salaries for each rural household that is processing 1ha of pepper.

The impact of the Project could also be valued against the additional working opportunities created especially for manual workers for the harvest and the quality selection of the commodities which is undertaken only by hand and cannot be mechanized at this stage.

During the interviews with the farmers it was confirmed that for 1 ha of land under pepper for one rural household, 100 man days of manual labour in addition to the family labour is needed during the planting and cropping season. According to the available Project data in 2005 the Project facilitated the production on 402 ha. The total manual labour engaged in the process, in addition to the family labour, is around 40 000 man/women days (1 330 men/women months). The confirmed amount of US\$8 per day is giving a total amount close to US\$320 000 used for compensating the cost for manual labour.

To this figure we should also add the seasonal labour engaged by the processors which has been estimated at 1 000 men/women months by the project CTA in its field report of July 2005. This is another significant indirect Project impact, which should be further assessed if any extension is foreseen.

It is well understood that the natural development of contract farming will lead the farmers to mechanize their farms for all the work directly related to soil preparation, weeding and spraying for pest management. This should have an impact on the labour conditions during cultivation but not for harvesting. Hand picking will remain the most common practice for some time since picking machines for such vegetables are very expensive and would need to be used on large acreages. Harvesting together with weeding is the most labour intensive part of the work. Therefore the development of the Project would still require a number of farm workers for sometime to come.

During the last season, the Project having continued to support the improved production and marketing of high-value crops, has further contributed to creating a commercial orientation amongst producers and an ability to meet market demands which is one of the key elements for the sustainability of the Project.

FAO's name and image has been an important factor in initiating and bringing the whole system to its present level of operation. Due to the accumulated mistrust among the farmers and processors, it would have been impossible to start contract farming on a large scale without FAO's credibility. This was confirmed on numerous occasions by processors, farmers, the MAFWE and others.

V.2.2 Analysis of the impact of the creation of the commercial entity: AGROS 2004

The creation of the commercial company AGROS 2004, allowing on one side the farmers to offer a large quantity of standard quality produce and on the other side the processors and traders to sign only one contract with the requested delivery terms has been instrumental to the success of the whole Project.

Thus the newly-created structure is bearing a full legal, financial and operative responsibility for the good performance of the farming contracts.

For the time being FAO staff is directly involved in the management of this structure, therefore FAO's responsibility is fully enlisted.

Furthermore the operating costs of AGROS 2004 have been borne by FAO over the past two seasons. For the time being the farmers' association AGROS, the legal owner of AGROS 2004, has no budget and no income which could allow them to perform any monitoring or organizational leadership over the company AGROS 2004.

For the moment AGROS 2004 is deriving its income from:

- two shops, so called "pharmacies", selling all the seeds, pest protection products, etc. (in Kochani and Negotino) and
- the planting of 10 ha of pepper which were subcontracted to farmers.

According to FAO's staff, the income will be enough to cover the salaries of two field employees, the present area managers, without any operating expenses. This should be further investigated when the balance sheet of AGROS 2004 becomes available for 2005.

The plan is to charge a percentage in the buy out process to cover the costs of the technical assistance provided. But the system could be operational only after February - March 2007, since AGROS 2004 would have to introduce it during the 2006 season and will be paid only in 2007.

During the interviews, FAO staff did mention some important and critical problems faced during the buy out phase with the processors. Last July one important former Agrokombinat of Strumica did sign a contract for 8 000 MT of industrial tomatoes. The project did find all the appropriate farmers to plant the tomatoes accordingly and provided the necessary inputs. But when the buy out time came, the factory was not operative due to technical reasons. The Project therefore had to immediately find a new buyer for such a large quantity. This was done but three days of production, about 1 000 MT of tomatoes, have been lost in the process.

Considering the poor Macedonian law enforcement system and the absence of a proper security mechanism in the contracts, AGROS 2004 is at full financial risk during a long period between the delivery of the products by the farmers and the payment by the processors: this can take over six months. (See ANNEX 8 Model of contract for production and purchase of agriculture products).

The possible termination of FAO involvement in the process (no matter for what reason) will put the whole scheme at even greater risk since the various debtors may take this as an opportunity not to pay their arrears.

Although FAO has made all possible efforts to limit, if not to eliminate its own legal responsibility, it could be argued differently since FAO staff was directly involved in the management of AGROS 2004 operations and directly negotiating with the processors and farmers.

The participation of FAO staff in the everyday management of the company while solving practical problems between processors and farmers seriously engages FAO's responsibility and may jeopardize its image, since all participants consider FAO more or less as a guarantor for the repayment.

Although this link is not contractual, if some serious dispute arises between farmers and processors, it will be very difficult to explain (especially to farmers) that FAO is not part of the contract between AGROS 2004, the farmers and the processors.

Last but not least, the Evaluation Team did not receive any business plan for AGROS 2004 and the NGO FAGRICOM. Such a business plan should take into consideration a full year operation budget with the aim of bringing FAGRICOM to self sustainability and AGROS 2004 to a profit making status.

Without these documents it is very difficult to make concrete predictions on the long-term sustainability of the whole scheme and to take duly motivated management decisions for all the parties involved: FAO, FAGRICOM and AGROS 2004.

Furthermore the actual participation of each village/association in the decision-making process in AGROS 2004 is not yet established: FAGRICOM should further strengthen the capacity of the farmers in participating in the decision-making and monitoring process for the future activities of AGROS 2004 and their associations.

This is all the more important since as can be seen above, contract farming activities are high risk operations. Not only may natural disasters affect the results but also the technical and economic environment.

AGROS 2004 and the Support Fund are presently at high financial risk with a total of US\$168 000 yet to be paid back by the processors before the end of January/February 2006 (see ANNEX 13 Status of the Support Fund on 6 December 2005).

Some of these sums are long overdue while the majority is expected to be paid by the end of the year. A major default on these payments would considerably reduce the capacity of AGROS 2004 to launch the next season as planned.

It is therefore all the more important and essential to prepare the business plan in order to anticipate as far as possible the risks which can be taken and the limit which can be accepted to avoid major production, processing or financial accidents which could jeopardize the whole activity.

A clear development strategy with its relevant business plan and budget allocations for the various farmers associations together with AGROS 2004 and FAGRICOM has to be set up during the no cost extension period in order to consolidate the sustainability of the Project. In this respect it appears that the management capacity of FAGRICOM and AGROS 2004 has to be further strengthened while the participation of the farmers' associations has to be also further developed.

V.3 Gender Equity in Project Implementation and Results

While the total supported production of raw material (pepper and tomato) requires a total of roughly 4 000 person/months, the processing of pepper (frozen or fully processed) in old or recently established, new processing factories requires an additional labour force of about 2 000 p/m.

The labour seems to be quite evenly distributed among the two genders since in the field the men are attending to all the tedious work to prepare the soil, plant the seeds and take care of the pest management treatments.

Women are more involved in the weeding operations as well as in the harvesting. In the processing units the majority of the workforce is constituted by women.

But at neither stage do women bear responsibilities. They never attend the training session which means that the new training programme should be designed and advertised in such a way that both men and women attend them. This is the only way to encourage the involvement of women in this very traditional environment of the rural population.

V.4 Cost-Effectiveness

During the present third production season in 2005, 842 small farmers, almost all organized in commodity oriented associations, have produced about 13 000 MT of pepper and industrial tomato for which the Project has organized contracts with over 17 processing and trading companies (see ANNEX 6 Production Analysis for 2005). As the contracted volume covers 70 percent of anticipated total production of the supported farmers, and yields this year appear relatively high, the total farmgate value of the full production is estimated at around US\$2.5 million, the processed product value would reach some US\$6 to 8 million.

This is a significant share of the processed vegetables in the country. As a consequence the Project, in the form of the established associations, the company AGROS and the NGO FAGRICOM has become an important player in the organized market of industrial pepper and tomato.

Considering the Project experience and the total investment undertaken by FAO and the Norwegian Government of about US\$1.5 million over the last three years, one can gauge more or less the investment cost to produce a good farmer. Considering the learning process required for the testing of the model, as well as the fact that the Project originally started as a humanitarian emergency project, the investment cost for the preparation of a good, specialized farmer, organized in an association which is guided by a professional consortium with annual contracts for the production of its main product, and able to absorb and implement EUREPGAP standards, would be around US\$544 per farmer for a period of four years.

Description	2003	2004	2005	2006	TOTAL
Number of direct beneficiaries	444	491	842	842	2619
Average cost per farmer	\$1 125	\$865	\$475	\$118	\$544

(see ANNEX 16 Expenditures under the Project GCP/MCD/001/NOR including actual expenditures for the period 2003 to 30 November 2005 and planned expenditures up to April 2006)

Besides creating a sustainable support structure able to cope with EC standards, the investment would also leave some US\$200 as seasonal working capital (which could be recovered at a later stage) and of course, the profit from the production and sales from 0.4 ha. The economic rate of return of such an investment for rural income generation can be highly competitive with other forms of projects or credit schemes.

V.5 Major Factors Affecting the Project Results

The major factors affecting the production are:

1. The number of farmers corresponding to the selection criteria and who are actually willing to participate in the production scheme.

2. The extent and reliability of the market demand for both processed and fresh fruits and vegetables.
3. The capacity for the farmers, traders and processors to meet the market demand under good contractual, technical and financial conditions.
4. Project Team motivation and involvement: the possibility for the team members to become shareholders in one of the legal entities created has been a strong incentive and a factor of success.
5. The creation of the farmers' associations AGROS.
6. The creation of the commercial company AGROS 2004.
7. The possibility to provide a "free credit" at the initial stage to allow "good farmers" to recover their production capacity and allow them at a later stage to use the services of the existing banking system as well as the regular inputs suppliers.

VI. CONCLUSIONS AND RECOMMENDATIONS

VI.1 Conclusions

It is of growing importance to clearly separate, as soon as possible, the operations between the various entities created: FAO, FAGRICOM, farmers' associations and the AGROS 2004 company. The final aim is to further develop the "local ownership" of the food chain created by the Project and to transfer the benefits and responsibilities to the appropriate structures.

In the process FAO should progressively reduce its direct involvement in the operations but should further assist the national and local institutions to create the enabling environment conducive to further extension of the model.

In this regard the organization of strategic planning meetings would help in clearly defining the various roles of the farmers' associations AGROS, the commercial company AGROS 2004, the NGO FAGRICOM and FAO to prepare the relevant contracts between the parties. The common understanding is that the various duties are to be distributed as follows:

Organization	Duties
FAO/MAFWE	STRATEGY/Institutions capacity building – Programme design
NGO FAGRICOM	Programme implementation and management
AGROS 2004	OPERATIONS: Technical assistance and commercial operations
AGROS and other farmers' associations	Production and monitoring/control of AGROS 2004

(see ANNEX 15 Project Management Structure in 2005)

VI.2 Recommendations

The recommendations are geared towards three different levels of responsibilities (FAO, FAGRICOM, AGROS 2004) and two periods (during the present no-cost extension period and after):

VI.2.1 Recommendations for FAO to be considered during the present project no-cost extension period

Considering the Project's strengths and weaknesses, to demonstrate its sustainability in the long term, FAO should place great emphasis on the following activities and tasks not only by using the accumulated expertise and experience of the present team but also by providing new external expertise when necessary to:

- i. Establish the strategy with the related business plan for the coming three to five years for FAGRICOM and AGROS 2004. This task will definitely require the assistance of a chartered accountant.
- ii. Fine-tune the present model in terms of its legal and capital content as well as its long-term management programme according to the above strategy. This should be done of course with the assistance of a lawyer and account auditor.
- iii. Finalize the modalities of transferring the assets of the Support Fund to AGROS 2004 via the farmers' associations by the end of the next season.
- iv. At this stage it is also important that FAO gives a clear indication of its intention regarding its possible future presence in TFYR Macedonia. This may have a direct impact on the level of repayment of the processors and therefore the strategy to be developed by FAGRICOM and AGROS 2004.
- v. Separate clearly: contractually and physically, the employees of FAO, FAGRICOM and AGROS 2004
- vi. Clearly separate the functions it will be necessary to eventually recruit new employees who should supervise the further management and operation of either AGROS 2004 or FAGRICOM
- vii. Start to seriously build up the capacity of the farmers to actively participate in the shaping of their own course of action regarding the development policy of AGROS 2004.
- viii. Assist MAFWE to adopt the legal and institutional framework for the development of contract farming.

VI.2.2 Recommendation for FAO after the end of the no-cost extension period

FAO has definitely:

- acquired a very good image with the major national stakeholders in the country as well as with the donor community
- built up a well performing and motivated team
- acquired a specific know-how both at the national **and at HQ level.**

Considering the repeated demands of the various stakeholders, MAFWE, farmers, traders and processors alike, FAO should seriously consider the possibility to:

- i. Consolidate the whole fruits and vegetable chain in order to develop a specific programme for the further duplication of the present model with a

fully fledged logframe and monitoring matrix, with a clear goal, objectives and activities with their relevant indicators, addressing the findings of the present evaluation for fresh fruits and vegetables in other parts of the country.

- ii. Give specific attention to the organization of the fresh fruits and vegetable wholesale markets with appropriate services: market information, sanitary and laboratory control, customs, banks etc.
- iii. Assist MAFWE to adopt a legal and institutional framework conducive to the duplication and extension of the model: improvement of rules and regulations regarding contract farming, standards, etc.
- iv. Elaborate policy recommendations for a successful replication of the model.
- v. Monitor and evaluate the ongoing operations. **A sustainability monitoring and evaluation mission should be undertaken at least in mid 2007 to validate or rescind the model in the long term.**

VI.2.3 Recommendations for FAGRICOM

Being an NGO, FAGRICOM has been created as a management service provider.

Owning part of the capital of the company it provides its service to can be considered as an incentive for providing accurate services but may also create some conflict of interest with the farmers over time.

A good balance has to be found between those two centres of interest.

The recommendation from the Evaluation Team would be to allow FAGRICOM to have a blocking minority (33 percent of the capital) within AGROS 2004. This option would allow the farmers to express, voice and protect their own interests while FAGRICOM would ensure that the strategy is developed in the interests of the majority through an effective control of the overall financial management of the structure.

1. It is essential at the present stage to consolidate and improve the active involvement of the farmers - members, with the finalization of an internal document (statutes, procedure, etc.) and establish a democratically elected leadership within the farmers' associations owning AGROS 2004. A critical success element of the Project is the ability of AGROS to efficiently drive and monitor the operation of the AGROS 2004 over time.
2. A clear contract of service provider must be established between FAGRICOM and AGROS 2004 before the end of the no-cost extension.
3. The conditions of the participation of FAGRICOM in AGROS 2004's capital must be defined by an independent chartered accountant/ auditor.
4. To ensure an economy of scale and improve the representation of the farmers, FAGRICOM should consider grouping all the farmers' associations in one unique consortium- AGROS. All internal documents from AGROS should be adequately adjusted to ensure representation from the various regions in its management structure.
5. FAGRICOM should assist AGROS in creating clear mechanisms for their effective participation in the definition of AGROS 2004 strategy and the relevant monitoring of the operations.
6. To consolidate the whole chain it is now essential to improve the financial management all along the chain. A business management training component

should be added to further strengthen the management capacity of the AGROS 2004 management team **together with the processors**. This should be done in association with an appropriate financial institution.

7. Establish/re-establish links with all the financial institutions, public or private, in order to phase out the use of the Support Fund and replace it by commercial loans when the farmers have sufficiently recovered their production capacity.
8. Maintain professional links with other organizations in the country that may contribute to the Project goals (EAR, SFARM, IFAD, WB, GTZ, USAID, etc.).

VI.2.4 Recommendations for AGROS 2004

Being a commercial entity, AGROS 2004 has to optimize its profits while developing access to the markets for its main shareholders and the real beneficiaries of the Project: the farmers.

1. The long term (three to five years) strategy is to be prepared and agreed upon with the shareholders. The relevant business plan to be established together with the estimated trading accounts. Being a private commercial entity, this is a basic requirement to ensure its sustainability.
2. The contract's obligations and conditions between farmers and processors must be further adjusted taking into account the experiences of last summer and the necessity for reducing the risk borne by the farmers regarding payments.
3. Finalize the management contract with FAGRICOM.
4. Finalize the exchange of shares with FAGRICOM.
5. Restructure the operations of the Support Fund by April 2006 with the introduction of a cost-sharing principle to ensure its viability built on the full records for the whole period of existence.
6. Replace the Support Fund by establishing links with commercial banks, which would provide loans at attractive rates to the farmer members of AGROS.
7. Special attention should be paid to the VAT issues.
8. Take appropriate steps against non-complying contractors (farmers or processors) in a transparent way.
9. Create conditions for a further increase of cultivated land per farmer.
10. Improve the process of selection and purchase of inputs, respecting the specificity of each region.
11. Develop a specific farm accounting training course to help the farmers, men and women, to improve their farm management capacity.
12. Examine the financial management programme to be developed by FAGRICOM together with the processors and the relevant financial institutions, which are willing to participate in the scheme.

VII. LESSONS LEARNED

1. Emergency teams tend to be in a good position to evaluate the recovery and development needs.
2. The emergency team/FAO having helped people in despair has a good image among the various stakeholders. FAO should build on this image and create a positive dynamic.
3. The creation of the support fund (revolving fund) has allowed:
 - a. The affected farmers to progressively recover their production capital while there is no other alternative source of credit.
 - b. The Project team to multiply the number of beneficiaries over the years.
4. Basing the Project on actual market demand is a prerequisite to the success of such a project.
5. Basing the Project on a selection of farmers with the necessary motivation, appropriate land and water supply is a strong factor indicating a commitment to success. By reducing the offer you increase the demand hence the competition among farmers and therefore their commitment to perform to the best of their capacity.
6. Creating a private commercial entity to operate on the market did contribute significantly in building trust and confidence among the various stakeholders: **it proves that the Project really means business.**
7. Giving the possibility to the Project team to take shares in the legal entities that will carry on the activities of the Project when FAO support will be phased out is also a strong commitment to ensure the continuity of the operations, which is essential in the confidence-building process.
8. The involvement of the Ministry of Agriculture in the steering committee of the Project as well as in the operational aspects of the Support Fund provides a good safeguard against possible mismanagement of the Fund.
9. A strong capacity-building component of the farmers to create efficient farmers' associations is to be embedded in the Project to ensure that the farmers are taking an actual ownership of the Project and the relevant entities which are going to operate with it.
10. While addressing a food chain the Project must consider providing the necessary assistance to various elements of the chain, which are essential to its good performance. Farmers, traders/wholesalers, processors and the relevant administration together are the most important components to ensure a regular flow of commodities on one side and good money payment on the other side.
11. The timeliness of the delivery of the funds to the field by FAO is crucial to the success of the season production. In this respect the Support Fund has given a good flexibility to the field to initiate the purchase of the inputs on time despite FAO delay in providing the funds.
12. The focus on a limited region and areas to initiate the process is also conducive to success.

13. Directly addressing the farmers, without intermediary, gives an immediate feedback on the real demands and needs of those populations.
14. Addressing the processors and other stakeholders directly also gives the appropriate information to allow the farmers to meet the market demand.

ANNEX 1 TERMS OF REFERENCE

Project Evaluation Mission

GCP/MCD/001/NOR

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

1. Background

Joint efforts of the international community and Government have resulted in an improvement of the security situation in TFYR Macedonia, and as a result, the Government and donor community are now focusing on reconstruction and development measures. This Project contributes 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 are groups of farmers in Kumanovo, Skopje, Negotino, Strumica, Gevgelija, Kavadarci, Radovish, Tetovo, Bitola and Kocani. The 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 a lack of confidence.

The main objective of the Project is to strengthen selected high potential farmers groups, through improved 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 TFYR Macedonia.

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 the Project implementation. The Project promotes linkages between the commercial sector, farmers' associations and farmers.

After evaluating the situation in the target areas the emphasis is to adopt 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 among 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 an FAO Support Fund with the MAWFE to be used for future Project inputs.

The Project has successfully implemented the production plan over three seasons with a high appreciation of the Project demonstrated 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 which increased to about 17 in the last season 2005. Field production has been generally satisfactory with crop protection

being the major problem, plus instances of seasonal weather related problems in some villages.

Classification and grading were issues addressed in the second and third 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 identified 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.

Under the 2005 agricultural campaign contracts with about 17 buyers have been concluded. The contract regulates the production and marketing of pepper and tomato for processing, export and local fresh markets, and the reimbursement to the Support Fund for inputs supplied to farmers. The follow-up of these contracts is part of the consolidation process and indispensable to establish confidence between the farmer groups (associations) and buyers.

The average yields (23 t/ha) obtained during the first two seasons are considerably higher than the average national pepper yield (15 t/ha). A total of about 12 000 MT of pepper and tomato was produced in the 2003 and 2004 campaigns. An input value of US\$222 for pepper production on 0.4 ha generated an average income per farmer of about US\$2 300/0.4ha, which is roughly US\$6 000 per ha.

During the third season, the Project continued and supported the improved production and marketing of high-value crops. The results of the Project at the farmers' level continue to create a commercial orientation amongst producers and an ability to meet market demands.

The total expected yields and production of this year is still under review. However, observations show that in Kocani average yields were about 30 MT/ha. Industrial tomato production initiated by the Project in Bitola on a large scale under contract arrangements showed moderately good yields of about 70-80 MT/ha.

The present **third season** directly supports 881 good farmers. Secondary beneficiaries profiting from training and other indirect effects of the Project may increase the figure to 1 000 farmers this year. The contracted production in 2005 is **13 000 MT** (under direct contract or for fresh markets) of pepper and tomato.

Industrial pepper and tomato remain the focus of the Project but support was also given to other high value crops, such as leek, spinach, carrots and eggplants and other vegetables in Kocani, Skopje South and Negotino.

A series of training events have been organized 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 further activities.

2. Purpose of the Evaluation

As the end of the Project approaches, the evaluation is intended to assess the overall design and orientation of the Project, analyse the implementation techniques and methodologies, and form conclusions, make recommendations and identify lessons learned to improve the Project design for the benefit of future replication.

3. Scope of the Evaluation

The mission will assess the:

1. Relevance of the Project to development priorities and needs.
2. Clarity and realism of the Project's development and immediate objectives, including specification of targets and identification of beneficiaries and prospects for sustainability.
3. Economic impact of the Project on the targeted area in terms of income generation and employment creation.
4. Contribution to the confidence building process by creating economic links between various ethnic communities within and outside the targeted area.
5. Functioning of the Support Fund for farmers and its sustainability in the future.
6. 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.
7. 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.
8. 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 farmers' organizations etc.
9. Prepare recommendations and identify lessons learned for future project design in order to increase the sustainability of the structures established with the Project's assistance, in particular farmers' associations and possible future sustainable management models for the farmers' associations.
10. 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. Is information on other operations available to do this?

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 supported by one local evaluation specialist.

Mission members 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 a total of 14 days, including briefing and de-briefing.

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, 5 days of field visits to Kocani, Kavadarci, Kumanovo and Radovis, 5 days for report writing and 2 days of in-country discussion of the report, including presentation of preliminary findings at the end-of-project stakeholder workshop to be held on 5 December 2005.

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 the Project as well as conclusions and recommendations for future action.

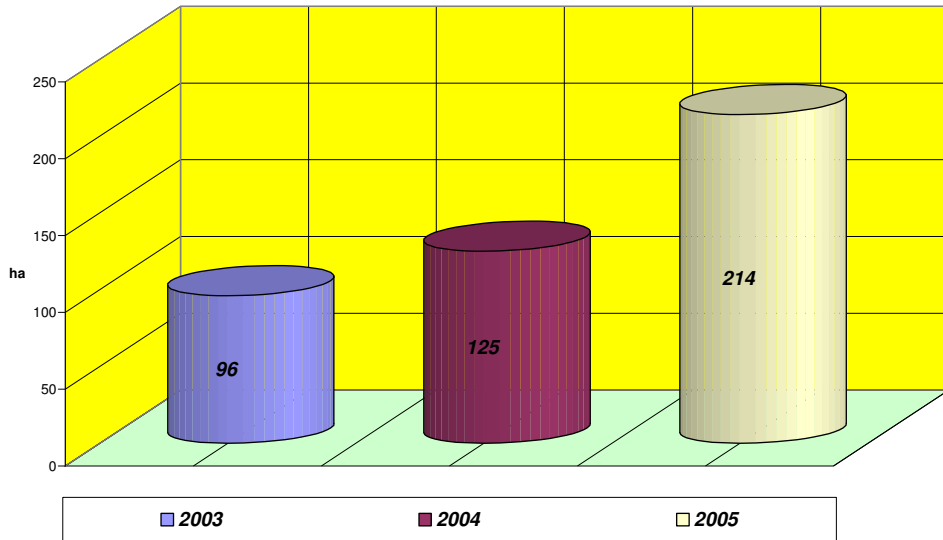
The mission is fully responsible for its independent report, which may not necessarily reflect the views of the Government, the donor or FAO.

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.

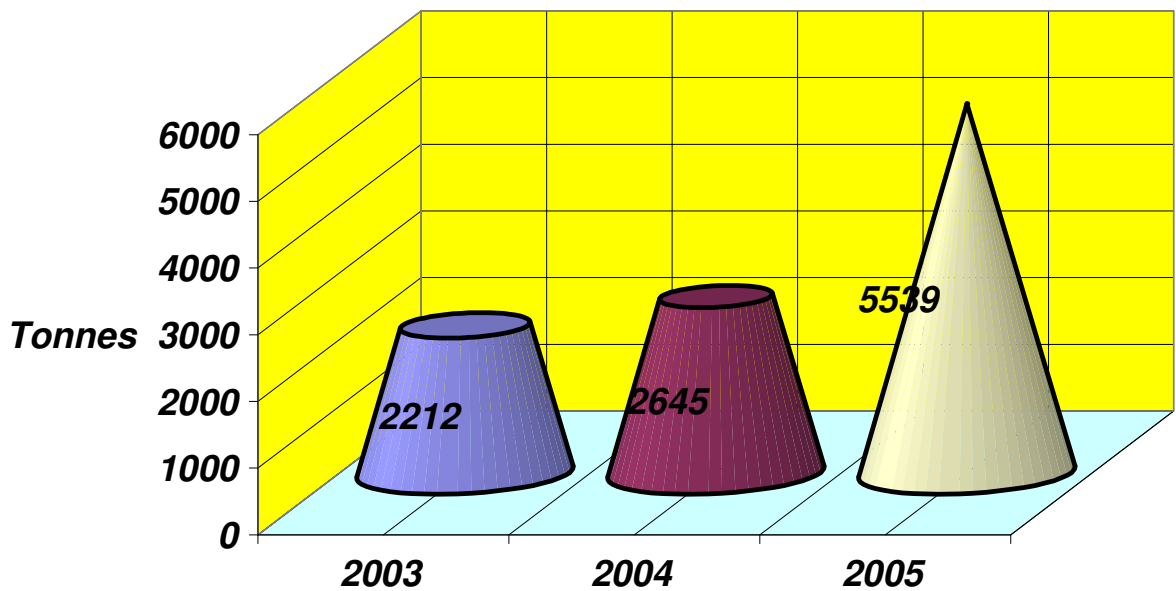
The consultant bears responsibility for finalization of the report, which will be submitted to the FAO Regional Representative for Europe, (REUD), within two weeks of mission completion. FAO will submit the report to Government(s) and the donor together with its comments.

ANNEX 2 Project Production Charts from 2003 to 2005

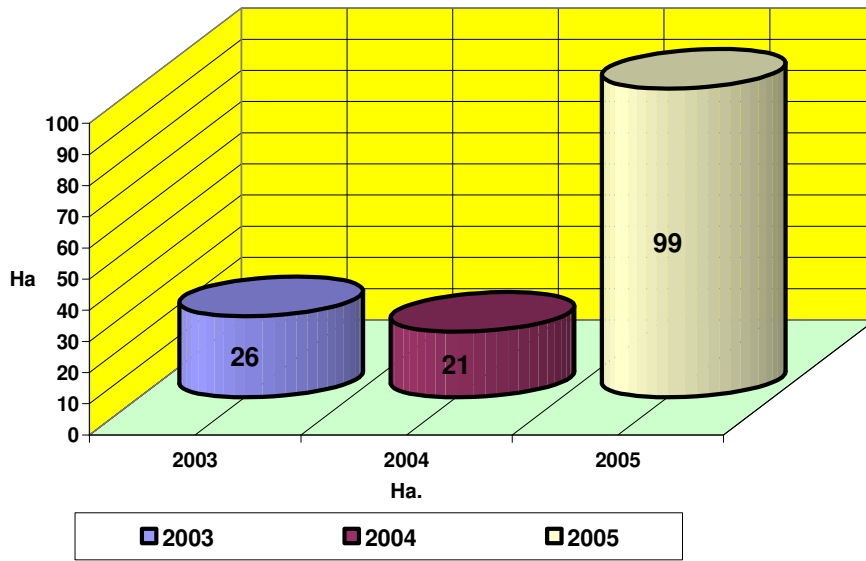
Peppers - Area of the production supported by the Project



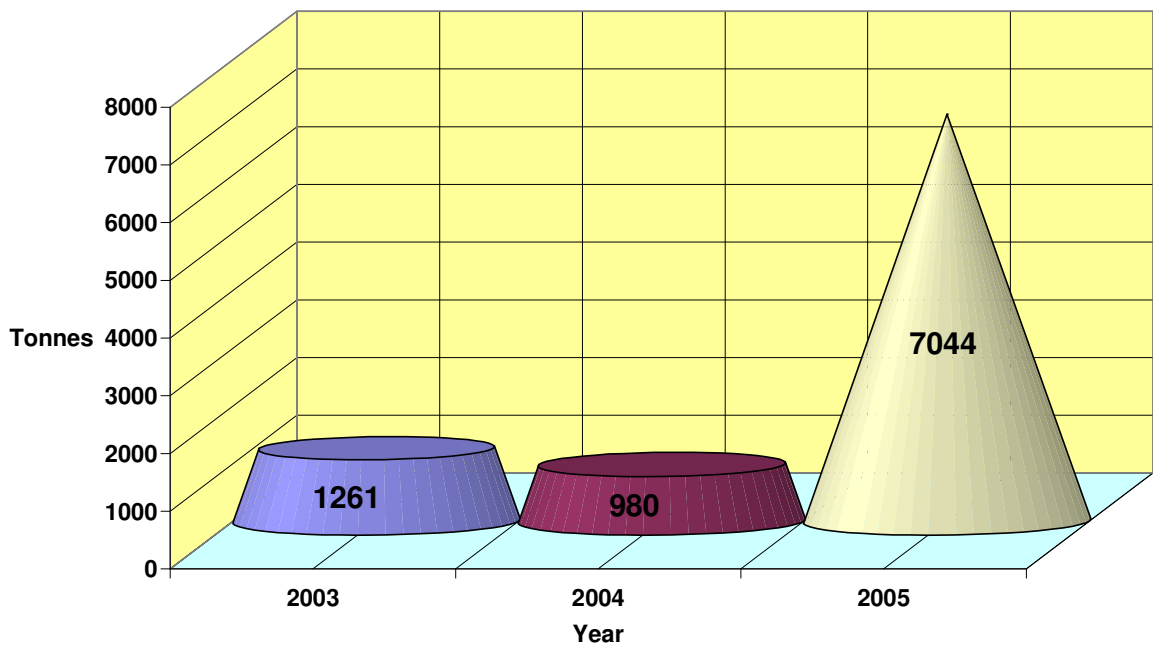
Peppers - Total production in tonnes



Tomatoes - Area Project



Project tomatoes production



ANNEX 3 List of documents and other reference materials consulted by the mission

IFAD	FROM IDEA TO REALIZATION
IFAD	SEMI ANNUAL REPORT 2005
FAO	CONTRACT FARMING (2003)
FAO	POST HARVEST ACTIVITIES (2003)
FAO	PREVENTION OF FIRST DAMAGES ON FRUIT TREES (2003)
FAO	FERTILIZATION THROUGH IRRIGATION TO IMPROVE PLANT PROTECTION AND ENVIRONMENTAL PROTECTION (2003)
FAO	BUSINESS ORIENTED AGRICULTURE IN MACEDONIA – CD ROM – (2005)
FAO	SUPPORTING AGRICULTURE 2001-2005
PETROV	FRESH FROZEN FRUITS AND VEGETABLES
UNIVERZAL PROMET	PUBLICITY LEAFLET
USAID/TFYR MACEDONIA	ACCELERATED ECONOMIC GROWTH
MABI-TRADE	DENTINA LEAFLET
MAFWE & FAO	PROJECT PROPOSALS (SEPT 2005)
FAO	BACK TO OFFICE REPORT OF MR AKE OLOFSSON – THE FUTURE USE OF THE AGRICULTURE SUPPORT FUND- June 2004

ANNEX 4 Agenda and key persons met by the mission

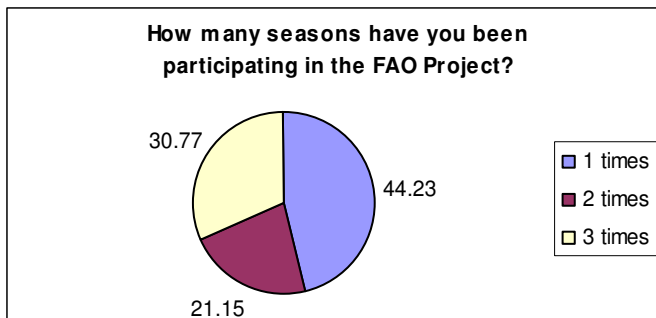
Date	Activity	Participants / Meeting place	
21.11.2005 Monday	16:35 Arrival at Skopje Airport	Biko	confirmed
22.11.2005 Tuesday	Briefing at FAO Office		
23.11.2005 Wednesday	08:30-09:30 – Evaluation of Financial Procedures	Goran	confirmed
	10:00-10:45 - Mr Zvonko Janevski, Medium Ekspo, (buyer)	FAO Office	confirmed
	11:00-12:00 - Ms Meri Cuculovska, Project Manager Assistant, USAID	their office	confirmed
	12:30-13:30 - Mr Boban Ilic, Head of Centre, GTZ	their office	confirmed
	13:45-18:00 - Field Trip to Kumanovo, Jasar Hasani, Area Manager, visit of farmers and farmer association “Agroprogres”	Biko, Daniela	confirmed
24.11.2005 Thursday	9:00-10:00 - Mr Saso Risteski, Executive Secretary of Macedonian Association of Processors - MAP	FAO office	confirmed
	14:00-15:00 - Ms Nadica Dzerkovska, Head of EU Integration Unit, MAFWE	their office	confirmed
	15:00 -16:00 – Mr Vladimir Kokarev, Fruit and Vegetable Specialist, Land O’Lakes	their office	confirmed
25.11.2005 Friday	8:30 - 9:30 – Mr Vasko Hadzievski, SIDA	their office	confirmed
	Field trip to Kocani:	Biko, Daniela	confirmed
	11:30-12:00 “Jugotutun”, processing company		
	12:30-13:30 Ms Sonja Bandolieva, owner, “Nimex”, Factory for producing and processing		confirmed
	14:00-14:30 Transplanting of strawberries		
	15:30-17:00 Visit of farmers, farmer association and agriculture pharmacy in Grdovci		
	17:30-18:30 Visit of Univerzal Promet, processing factory		confirmed
	19:00-20:00 Visit of farmers and farmer association in Obleshevo Mr. Blagoj Georiev, former Mayor of Obleshevo		confirmed
26.11.2005 Saturday	Field trip to Strumica	Biko, Daniela	confirmed

	11:00-12:00 Visit of wholesale market, Strumica		
	11:00-12:00 Visit of farmers and farmer association in Mokrievo		confirmed
	12:30-14:00 "Ivo" company, trader and processor		
	12:30-14:00 Visit of farmers in Murtino Mr Danilo Palankov, President of farmer association "Agrounija" and owner of greenhouses		confirmed
	14:30-15:30 Visit of farmers and farmer association in Petradinci		confirmed
	16:00-17:00 Lunch break		
	17:30-18:00 - "Mabi trejd", processing company, trader		confirmed
	19:00-19:30 "Badzo" company, trader		confirmed
27.11.2005	Report writing		
28.11.2005 Monday	Field trip to Kavadarci	Biko, Daniela	confirmed
	10:30-12:00 - Ms Biljana Kabranova, Manager of processing industry "Makedonija" - Negotino		confirmed
	13:00-14:00 Visit of farmers and farmer association in Bistrince		confirmed
	15:00-16:00 Visit of "Petrov Company", Processing company, Kavadarci		confirmed
29.11.2005 Tuesday	09:00-10:00 Mr Lazo Dimitrov, Mr Goran Damovski, IFAD	their office	confirmed
	11:00-12:00 Mr Dragi Acevski, Deputy Director, "Tehnometal Vardar", wholesale market Mr Zoran Petrovski, Adviser of the President of the Steering Committee of "Tehnometal Vardar"	their office	confirmed
	13:00-14:00 Mr Trajan Dimovski, SFARM	their office	confirmed
	14:30-15:30 Ms Gordana Pop Simonova, Agriculture Institute	their office	confirmed
	17:00-18:00 Mr Marjan Gjorcev, Parliamentarian,	their office	confirmed
	9:00-10:00 Mr Eftim Saklev, Federation of Macedonian Farmers	their office	confirmed
30.11.2005 Wednesday	Report writing		
01.12.2005 Thursday	9.30-10.30 Ms Sandra Bloemenkamp, World Bank	their office	confirmed

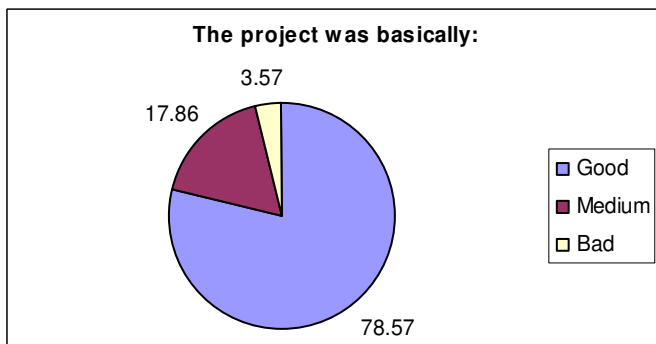
	16:00-17:00 Mr Dejan Gjorsovski, Adviser for Economic Affairs, Delegation of the EU Commission Mr Ivan Borisavljevik, Programme Manager, EAR	EAR office	confirmed
	Report writing		
02.12.2005 Friday	9:30-10:30 Mr Carl Schiøtz WIBYE, Ambassador, Embassy of Norway		confirmed
	11:30-12:30 Ms Tatiana Isnard, French Embassy		confirmed
	15:00-17:00 Presentation of preliminary findings by the evaluation team and discussion with FAO staff		
03.12.2005 Saturday	Report writing		
04/05.12.2005 Sunday/Monday	In-country discussion of the report, including presentation of preliminary findings at the end of project stakeholder workshop to be held on 5 December 2005.		
06.12.2005 Tuesday	Departure from Skopje Airport	Vlatko	

ANNEX 5 Project Evaluation Questionnaire and Results

1. How many seasons have you been participating in the FAO Project?

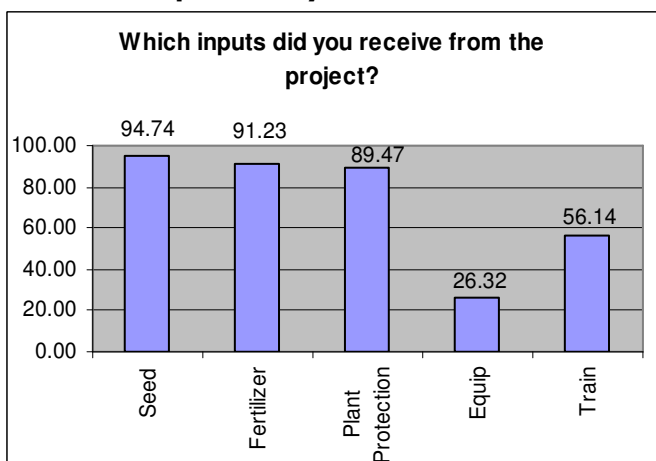


2. The Project was basically:



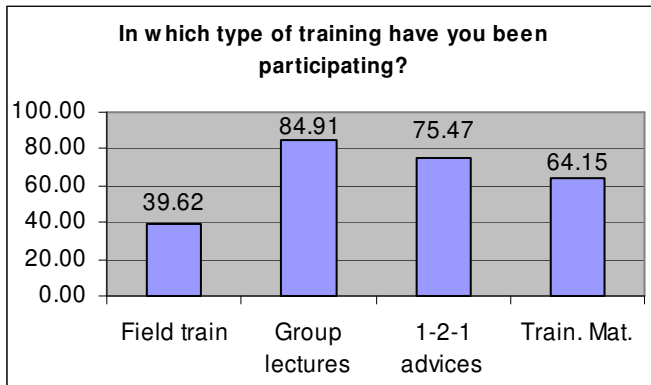
Comment: Most of the surveyors are evaluating the Project as Good (78%). Insignificant number of surveyors, only 3.57%, considers that the Project is bad.

3. Which inputs did you receive from the Project?



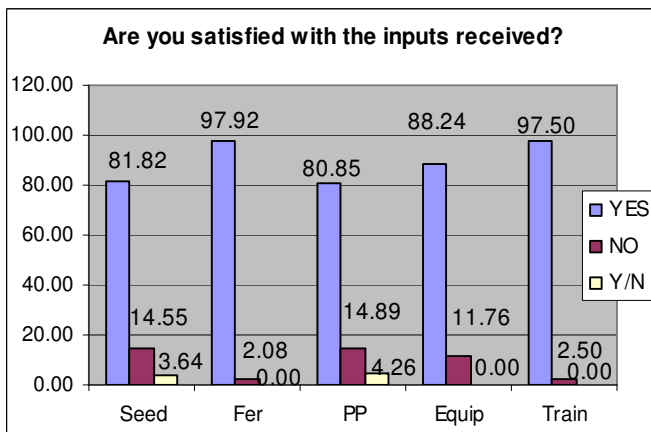
Comment: Almost all of the surveyors have been supplied with seed, fertilizer and plant protection materials, 56% have been trained and 36% have been supplied with equipment.

4. In which type of training have you been participating?



Comment: Most of the surveyors have been participating in group lectures and one to one advices, 64% have received training materials and 40% have been participating in group on-field trainings. Taking into account that only 4 surveyors did not answer the question, that means that 93% received training, not 36% as was answered in question number 4.

5. Are you satisfied with the inputs received?

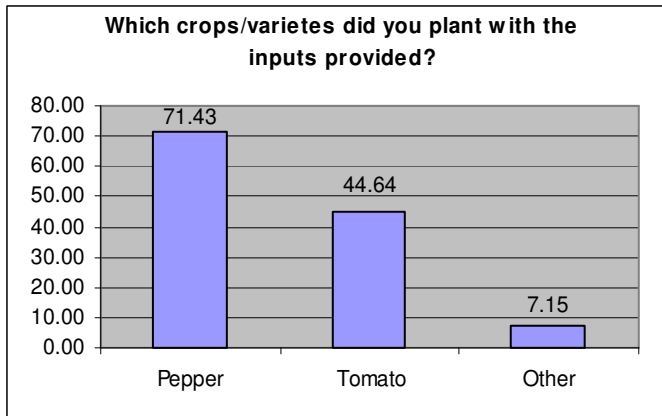


Comment: Based on the chart above, surveyors, in general, are fully satisfied with the inputs provided, because they answered positively (over 80%) for all types of inputs (seed, fertilizer, plant protection materials, equipment and training).

6. If NO why:

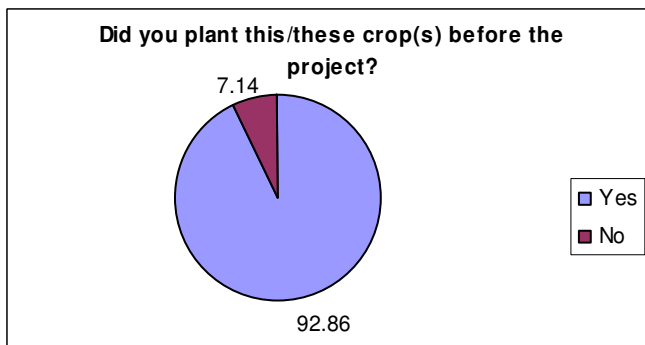
Comment: Regarding the given answers, only 3 surveyors consider that the seed is not good (5%) and only 3 surveyors (5%) consider that plant protection material should be partly changed with different ones.

7. Which crops/varieties did you plant with the inputs provided?



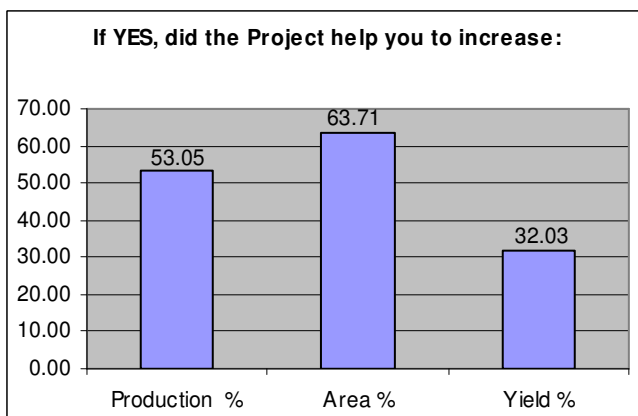
Comment: Most of the surveyors planted pepper and 45% planted tomato with the inputs provided.

8. Did you plant this/these crop(s) before the Project?



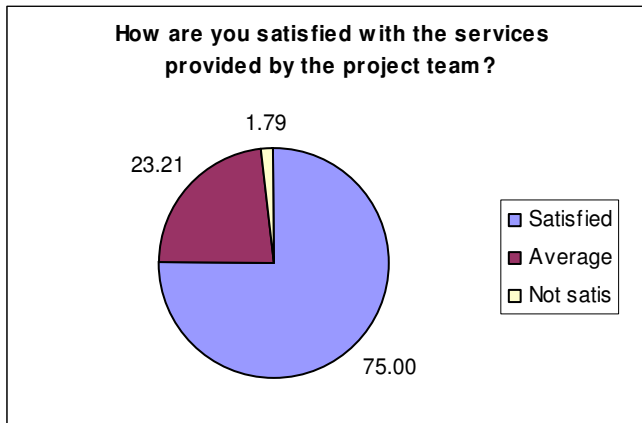
Comment: Most of the surveyors planted this/these crops before, mainly for their own use, although a small percentage of the surveyors had never planted before.

9. If YES did the Project helped you to increase:



Comment: The Project mainly helps farmers to increase the production area (64%) and production through support with necessary inputs, especially with high yield seeds.

10. How are you satisfied with the services provided by the Project team?

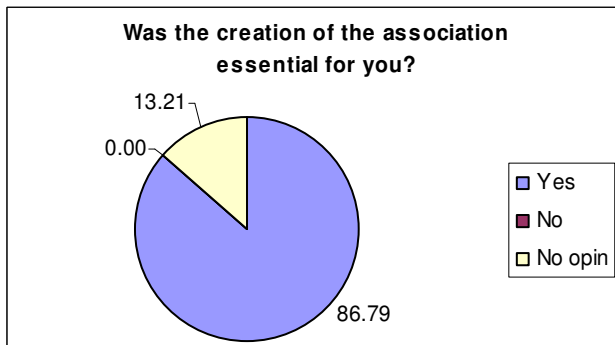


Comment: In general surveyors are fully satisfied with the services provided by the Project team. An insignificant number of surveyors, only 1.8% are not satisfied with the services.

11. If NO why:

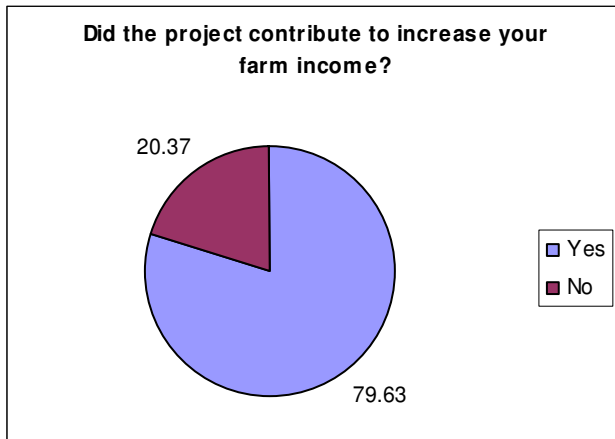
Comment: No one relevant answer.

12. Was the creation of the association essential for you?



Comment: The surveyors consider the association as an essential benefit for them. Only 13% of the surveyors have no opinion and no one answered negatively regarding this question.

13. Did the Project contribute to increase your farm income?



Comment: The Project helps farmers to increase their farm income according to 80% of the surveyors.

14. If YES how much:

Comment: On average, the Project helps farmers to increase their income around 40% more than they had before.

15. Do you think that the same model can be replicated for other crops (which crops)?

Comment: Although almost all surveyors consider that the same model can be replicated for other crops, the answers differ regarding the regions.

In **Negotino's** region, most of the surveyors want to replicate the model for production of mainly: cabbage, potato, pepper and tomato. Surveyors from the **Kocani** region consider that they can replicate the model for potato, eggplant, cabbage and leek. In **Strumica** region mainly for production of watermelon, cabbage, cucumber and potato and in **Kumanovo** region mainly for: leek, potato and cabbage.

16. What do you expect in future from the Project?

Comment: All people surveyed consider that the Project is very successful and should be extended in the future. They expect that they will enlarge the production and diversify the crops, so they will ensure better income and improve their livelihood. Also, they expect that the associations will be organized at a higher level to achieve better prices and find new domain and foreign markets.

ANNEX 6 Production Analysis for 2005

PRODUCTION ANALYSIS - 2005		no of contracts	planted area (ha)	harvested area (ha)	contracted quantity	expected qty for fresh market	TOTAL QTY T	contracts					estimated fresh market production	Total estimated production	average yield t/ha
								realization of contracts				estimated production			
								delivery of farmers	quantity						
1	2	3	4	5	6	7	8 (6+7)	9	10 (9:3)	11	12 (11:6)	13	14	15 (13+14)	16 (15:5)
PEPPER Amfora, P.Cudo & K.Kapija	Agros-Kocani	223	91.2	83.0	1 625.8		1 625.8		0.0%	2 015.0	123.9%	2 500.0	-	2 500.0	30.1
	Agros-Kumanovo	17	7.2	5.5	126.0		126.0		0.0%	95.9	76.1%	145.0	-	145.0	26.4
	Agros-Radovis	9	4.0	4.0	0.0	70.0	70.0		0.0%			-	80.0	80.0	20.0
	Agros-own production	1	11.0	11.0	0.0	220.0	220.0		0.0%			165.0		165.0	15.0
	Agrounija-Strumica	268	78.4	65.6	1 372.0		1 372.0		0.0%	684.0	49.9%	1 200.0		1 200.0	18.3
	Informal group-Tetovo	55	11.0	11.0	192.5		192.5		0.0%	0.0	0.0%	330.0	-	330.0	30.0
Sub Total		573.0	202.8	180.1	3 316.3	290.0	3 606.3	0	0.0%	2 794.9	84.3%	4 340.0	80.0	4 420.0	24.5
PEPPER Other	Agros-Kocani	12	1.7	1.7	50.0	3.0	53.0		0.0%	36.5	73.0%	36.5	3.0	39.5	23.2
	Agro Meris-Skopje	51	19.6	19.6	0.0	343.0	343.0		0.0%	0.0	#DIV/0!	-	578.0	578.0	29.5
	Agros-Negotino	17	6.8	6.8	119.0		119.0		0.0%	12.0	10.1%	100.0		100.0	14.7
	Informal group-Tetovo	55	11.0	11.0	192.5		192.5		0.0%	0.0	0.0%	330.0	-	330.0	30.0
	Agros-Kumanovo	17	1.6	1.6	0.0	35.0	35.0		0.0%		#DIV/0!		35.0	35.0	21.9
Sub Total		152.0	40.7	40.7	361.5	381.0	742.5	0	0.0%	48.5	13.4%	466.5	616.0	1 082.5	26.6
TOMATO Ind	Negotino	53	22.8	18.8	1 140.0		1 140.0		0.0%	400.0	35.1%	400.0		400.0	21.3
	Agros-Kocani	24	4.3	4.3	215.0		215.0		0.0%	150.0	69.8%	150.0		150.0	34.9
	Agros-Bitola (sec.ben.)	159	128.0	128.0	6 397.5		6 397.5		0.0%	225.0	3.5%	6 000.0		6 000.0	46.9
	Agrounija-Strumica	22	8.8	8.3	440.0		440.0		0.0%	243.0	55.2%	250.0		250.0	30.1
Sub Total		258.0	163.9	159.4	8 192.5	0.0	8 192.5	0	0.0%	1 018.0	12.4%	6 800.0	0.0	6 800.0	42.7
TOMATO Fresh	Agro Progres-Kumanovo	35	3.5	3.5	0.0	280.0	280.0		0.0%	0.0	#DIV/0!	-	295.0	295.0	84.3
Sub Total		35.0	3.5	3.5	0.0	280.0	280.0	0	0.0%	0.0	#DIV/0!		295.0	295.0	84.3
Cauliflower	Agros-Skopje (sec.ben.)	8	2.0	0.0	100.0		100.0		0.0%	0.0	0.0%	0.0		0.0	#DIV/0!
Carrot		8	5.0	5.0	200.0		200.0		0.0%	35.0	17.5%	200.0		200.0	40.0
Beetroot		8	1.0	1.0	50.0		50.0		0.0%	25.0	50.0%	50.0		50.0	50.0
Egg plant		Agros-Kocani (sec.ben.)				43.0		43.0		0.0%	34.5	80.2%	34.5		34.5
Potato	Agros-own production				0.0		0.0		0.0%		#DIV/0!			0.0	#DIV/0!
Sub Total		24.0	8.0	6.0	393.0	0.0	393.0	0	0.0%	94.5	24.0%	284.5	0.0	284.5	
TOTAL		1 042.0	418.9	389.7	12 263.3	951.0	13 214.3	0	0.0%	3 955.9	32.3%	11 891.0	991.0	12 882.0	

ANNEX 7 FIELD EXPENDITURES SUMMARY SHEET

GCP/MCD/001/NOR

TFNO110003045

BUDGET LINE		5013	5014	5020	5021	5023	5024	5025	5028	TOTAL
OBJECT OF EXPENDITURE		5543	5571	5652	5661	5902	5924	6012	6152	
		National Consultants Salary	Contracts	Casual Labour/ Temp. Assistance	Duty Travel - In country	In-country Training	Expendable equipment	Non expendable equipment	Miscellaneous	
SARF no.	05-0019		20 000.00							20 000.00
SARF no.	05-0082	7 000.00								7 000.00
SARF no.	05-0083			9 800.00						9 800.00
SARF no.	05-0084				600.00					600.00
SARF no.	05-0085					2 000.00				2 000.00
SARF no.	05-0086						50 000.00			50 000.00
SARF no.	05-0087							15 000.00		15 000.00
SARF no.	05-0088								10 000.00	10 000.00
SARF no.	05-0091						45 000.00			45 000.00
SARF no.	05-0156	7 200.00								7 200.00
SARF no.	05-0157			4 600.00						4 600.00
SARF no.	05-0300								10 000.00	10 000.00
SARF no.	05-0301							35 000.00		35 000.00
SARF no.	05-0302					2 000.00				2 000.00
SARF no.	05-0303				1 000.00					1 000.00
SARF no.	05-0304			1 800.00						1 800.00
SARF no.	05-0305	4 200.00								4 200.00
SARF no.	05-0328		4 000.00							4 000.00
SARF no.	05-0326	5 250.00								5 250.00
SARF no.	05-0327			9 300.00						9 300.00
US\$	authorized	23 650.00	24 000.00	25 500.00	1 600.00	4 000.00	95 000.00	50 000.00	20 000.00	243 750.00
	total Exp 05	20 853.91	19 000.00	22 672.54	894.23	1 633.00	94 887.66	17 394.58	9 124.91	186 460.83
	balance	2 796.09	5 000.00	2 827.46	705.77	2 367.00	112.34	32 605.42	10 875.09	57 289.17

ANNEX 8 Model of contract for production and purchase of agriculture products

CONTRACT FOR PRODUCTION AND PURCHASE OF AGRICULTURE PRODUCTS

Entered into ----- on -----year, by and between MEDIUM EXPORT - Skopje, Str."Dimitrije Tucovic" No. 24, represented by Janevski Zvonko in hereinafter, PURCHASER

of-----; -----St.
no. -----; hereinafter PRODUCER

Article 1

Subject of this contract is production collaboration for production and purchase of Paprika sort "Kurtovska kapija".

Article 2

By this contract the producer is undertaking obligation that on the surfaces intended for crop with a surface of -----ha, which are placed in ----- (place known as) Cadastral Lot (hereinafter CL) ----- Cadastral Municipality (hereinafter CM) ----- property of ----- (place known as) CL ----- CM ----- property of ----- (place known as) CL ----- CM ----- property of ----- in year -----, shall produce -----kgr, of the Paprika variety "Kurtovska kapija" for which seed/ nursery plant shall be provided by the purchaser

The producer shall produce the quantity pursuant to paragraph 1 of this article with following dynamics:

1. -----kgr up to-----year
2. -----kgr up to-----year
3. -----kgr up to-----year
4. -----kgr up to-----year
5. -----kgr up to-----year

The producer is undertaking obligation to produce quantity with its own transport and package under the above-mentioned dynamics to deliver to village

redemptory station. Purchaser is obliged to organize and set up village redemptory station and for its place of destination to inform the producer.

On delivery, lack of quality of the product shall be tolerated up to -----%, while the product with lack of quality above that percentage shall not be received upon delivery, and between the contracting parties record shall be done for the established percentage for lack of quality by measuring the total amount offered for purchase and the lack of quality established.

Article 3

The purchaser undertakes obligation to purchase from the producer crop of raising Paprika variety "Kurtovska kapija" on the surface planted with that crop and determined in article 2 of this contract and to redemption from the producer and to pay the price of crop as the follow:

1. I class quality a price of-----EUR per kgr., expressed in equivalent value of denars at average exchange rate for the EUR of the National Bank of the Republic of Macedonia - NBRM on the payment day.
2. II class quality a price of-----EUR per kgr., expressed in equivalent value of denars at average exchange rate for the EUR of the National Bank of the Republic of Macedonia - NBRM on the payment day.
3. III class quality a price of-----EUR per kgr., expressed in equivalent value of denars at average exchange rate for the EUR of the National Bank of the Republic of Macedonia - NBRM on the payment day.

The purchase price from paragraph 1 of this contract, shall be payed by the purchaser ----- (to indicate the date of payment, and/or term of payment following each delivery)

Article 4

Contracting parties will specify Paprika variety "Kurtovska kapija" should be typical sort, dry, healthy, mallow, fresh, soft taste, without any parasites infectiousness and illness, without leafs, and other ingredient with specific red color.

Depending of the paprika dimension, quality shall divide to 3 (three) classes:

I class Paprika length quality _____ cm.

II class Paprika length quality _____ cm.

III class Paprika length quality _____ cm.

Article 5

The producer undertake obligation to supply the seeds, planting material and/or breed material, as well as manure and protecting materials for the surface indicated within this contract exclusively from the Purchaser, to use it exclusively for the surface indicated within this contract and not to use any other seeds, planting material and breed material, manure and protection materials, not even for additional sowing.

The purchaser shall deliver the necessary seeds, planting material and breed material in accordance to the provisions of the Law on Seeds Material, Planting Material

and Breed Material, Acceptation, Approval and Protection of the Sort ("Official Gazette of the Republic of Macedonia no. 41/2000 of May 24, 2000).

Contracting parties shall affirm the price of seeds material, manure and protection materials by _____ EUR/kgr.

Purchaser shall reimburse the price of seeds material, manure and protection materials by the producer with set off from the price of the purchase product with payment of ransom price and denar against value of 60 USA \$ by the producer, immediately, latest in a period of _____ days after the payment of ransom price to remunerate to specific account _____ in compensation fund of the Ministry of Agriculture, Forestry and Water Economy.

Article 6

The producer during production might use the professional and other assistance by the expert staff of the Purchaser. If the Purchaser has no appropriate assistance shall provide through the expert staff from FAO in order to gain healthy production with adequate quality.

Article 7

The producers, during the growing of the agreed raising, are obliged upon purchaser's request at any suitable time to provide unhindered access to the sowed surface, as well as upon purchaser's request to inform him/her about for which types of agro-technical measures already applied or intended to be applied and when.

The Purchaser has a right to take samples of the soil, as well as samples of the planted raising for test during the whole period of validity of this contract.

If the Purchaser prohibits, and/or orders to the producer to apply some agro-technical measures, the prohibition and/or the order are mandatory for the producer, and non-compliance with the same frees the Purchaser of the obligation to buy the production. In that case producer is undertaking completely to pay seeds material, planting material and/or breed material, manure and protection materials price to the purchaser who is obliged immediately, latest in a period of _____ days to remunerate to specific account _____ in compensation fund of the Ministry of Agriculture, Forestry and Water Economy.

Article 8

The producer has a personal responsibility to the Purchaser for the taken obligations and by himself shall guarantee to the Purchaser that is in the position to produce the planed quantity of the product for purchase.

Hereby the producer shall not be responsible for damage occurred because of unintentional or incomplete delivery on the agreed quantity, should it occur due to *force majeure*.

Article 9

The producer is undertaking to deliver his own products primarily to the Purchaser according the dynamics pursuant to article 2, paragraph 2 of this contract.

In case of non compliance of the above paragraph, and where established producer have sold the product to third persons, and/or perform sorting, and/or

dividing of the products in any other way, and/or dispose them in any way in order to deliver to the Purchaser a product with lower quality, the Purchaser has a right to terminate this contract. In that case the producer is obliged immediately and completely to pay to the purchaser the seeds, planting material and/or breed material, as well as manure and protecting materials, who is obliged immediately, latest in a period of _____ days to remunerate to specific account _____ in compensation fund of the Ministry of agriculture, forestry and water economy. The producer is agreeing not to request any assistance from FAO within the period of next _____ years.

Article 10

The producer has a right to claim payments for damages and lost profits with interest in accordance Law on Level of the Penalty Interest Rate if the Purchaser doesn't accept the produced quantities agreed in article 2, paragraph 2 of this contract.

If the Purchaser accept the produced quantities, but delays the payment, and/or settles it after the 31.01.2004 year the producer has a right to request an interest according to the Law on Level of the Penalty Interest Rate starting with the date on which Purchaser neglected the due date of payment.

Article 11

In case of any dispute, competent court shall be the Municipal Court Skopje I - Skopje.

Article 12

This contract is done in ----- copies, one copy for each contracting party.

Purchaser

Producer

(Name. Surname, ID no_____)

ANNEX 9 National Project Staff

Name	Position	E-mail	Period
Aleksandar Nikolovski	Programme Officer	aleksandar.nikolovski@fao.org.mk	2005
Zupan Martinovski	Marketing Expert	zupan.martinovski@fao.org.mk	2005
Goran Starvik	Project/Finance Officer	goran.stavrik@fao.org.mk	2005
Dragan Angelovski	Project and Evaluation Officer	dragan.angelovski@fao.org.mk	2005
Silvana Boskovska	Admin. Assistant		Jan - Apr 2005
Maja Arsovska	Admin. Assistant	maja.arsovska@fao.org.mk	May - Dec 2005
Bojan Rantasa	Forestry Project Assistant	bojan.rantasa@fao.org.mk	2005
Daniela Buzarovska	Junior Project Assistant	daniela.buzarovska@fao.org.mk	Aug - Dec 2005
Kristina Mitic	Junior Admin. Assistant	kristina.mitic@fao.org.mk	Sep – Dec 2005
Vlatko Dzockov	Senior Driver	vlatko.dzockov@fao.org.mk	2005
Bilgin Mehmed	Driver		2005
Slobotka Ilievska	Cleaner		2005
Ilco Velkov	Area Manager		2005
Nace Dimitrov	Area Manager		2005
Atanas Pilev	Area Manager		2005
Jashar Hasani	Area Manager		2005

ANNEX 10 Number of farmers by Village and by Region

Region	Village	No of farmers		
		2003	2004	2005
Kavadarci		120	64	-
	<i>MANASTIREC GROUP</i>	20	-	-
	<i>ROSOMAN GROUP</i>	60	-	-
	<i>SIRKOVO GROUP</i>	40	64	-
Skopje		68	46	59
	<i>JURUMLARI</i>	-	-	8
	<i>MORANI</i>	19	19	11
	<i>STUDENICHANI</i>	41	62	40
	<i>SELO DRACHOVO</i>	4	-	-
	<i>SELO LISICHE</i>	4	-	-
Kochani		55	188	219
	<i>DOLNI PODLOG</i>	1	11	13
	<i>GORNI PODLOG</i>	11	34	29
	<i>GRDOVCI</i>	9	41	48
	<i>MOJANCI</i>	4	23	12
	<i>MORODVIS</i>	4	9	20
	<i>OBLESHEVO</i>	1	16	17
	<i>ORIZARI</i>	1	7	-
	<i>SPANCHEVO</i>	-	-	12
	<i>TERANCI</i>	-	-	7
	<i>TRKANJE</i>	-	2	6
	<i>PRIBACHOVO</i>	1	-	-
	<i>VIDOVISHTE</i>	5	25	28
	<i>WOMEN GROUP</i>	7	-	-
	<i>ZRNOVCI</i>	11	20	27
Kumanovo		140	72	53
	<i>LOPATE</i>	24	-	-
	<i>OPAE</i>	13	5	6
	<i>PCHINJA</i>	10	-	-
	<i>RECHICA</i>	14	20	18
	<i>REZ'ANOVCE</i>	1	-	-
	<i>SLUPCHANE</i>	71	47	29
	<i>STUDENA BARA</i>	6	-	-
	<i>VAKV</i>	1	-	-
Negotino		60	45	59
	<i>BISTRENCI</i>	12	20	31
	<i>KURIJA</i>	24	13	-
	<i>PEPELISHTE</i>	9	8	8
	<i>VOJSHANCI</i>	15	4	10
Sveti Nikole		1	-	-
	<i>AGRICULTURAL HIGH SCHOOL</i>	1	-	-
Radovich		-	41	10
	<i>ORAOVICA</i>	-	23	10
	<i>PAGARUSHA</i>	-	18	-
STRUMICA		-	-	232
	<i>Bosilovo</i>	-	-	40

	<i>Dabile</i>	-	-	21
	<i>Mokrievo</i>	-	-	58
	<i>Murtino</i>	-	-	91
	<i>Petralinci</i>	-	-	22
TETOVO		-	-	56
	<i>Dzepchishte</i>	-	-	30
	<i>G.Rechica</i>	-	-	26
BITOLA		-	-	143
	<i>Mogila</i>	-	-	143
GEVGELIJA		-	-	60
	<i>Gevgelija</i>	-	-	60
Grand Total		444	491	881

ANNEX 11 Area under contract and expected production by crop

Year	Tomatoes				PROJECT Tomatoes							
	Area	Prod.	Yield	Production Increase	Area Project	Prod. Project	Yield Project	Increase in production	Increase Area	Area Participation	Prod. Participation	Yield comparison
	(ha)	(ton)	(t/ha)	%	ha	(ton)	(t/ha)	%	%	%	%	%
2001	6 373	126 313	19.8	-7%	N/A							
2002	6 372	109 506	17.2	-15%								
2003	6 361	129 739	20.4	16%	26	1261	49	N/A	N/A	0.41%	0.97%	138%
2004*	7 256	130 600	18	1%	21	980	47	-22%	-19%	0.29%	0.75%	159%
2005**	N/A	N/A	N/A	N/A	99	7044	71	619%	371%	N/A	N/A	N/A

Year	Pepper				PROJECT Pepper							
	Area	Prod.	Yield	Production Increase	Area Project	Prod. Project	Yield Project	Increase in production	Increase Area	Area Participation	Prod. Participation	Yield comparison
	(ha)	(ton)	(t/ha)	%	ha	(ton)	(t/ha)	%	%	%	%	%
2001	7 264	111 611	15.4	-4%	N/A							
2002	7 450	108 073	14.5	-3%								
2003	7 573	111 494	14.7	3%	96	2212	23	N/A	N/A	1.27%	2%	57%
2004*	8 448	122 500	14.5	9%	125	2645	21	20%	30%	1.48%	2%	46%
2005**	N/A	N/A	N/A	N/A	214	5539	26	109%	71%	N/A	N/A	N/A

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	842
	Tomato-Arizona	60	24	842
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

Year: 2005		No of farmers	Supported area (ha)	Contracted Production (MT)	Purchased products	
Buyer	Crop				quantities (MT)	realization (%)
1. 1st May (Murtino)		77	30.8	825	443.00	53.70%
	Pepper - Amfora	55	22.0	385	200.00	51.95%
	Tomato ind. - Rio Grande	22	8.8	440	243.00	55.23%
2. Agroefodia (Strumica)		25	10.2	179	13.05	7.29%
	Pepper - Amfora	25	10.2	179	13.05	7.29%
3. Bonum (Skopje)		76	29.5	726	187.20	25.79%
	Pepper - Amfora	52	21.5	376	167.02	44.42%
	Pepper gamba - Bel Kalvil	0	0.0	0	1.19	#DIV/0!
	Other - Cauliflower	8	2.0	100		0.00%
	Other - Carrots	8	5.0	200	8.00	4.00%
	Other - Beetroot	8	1.0	50	11.00	22.00%
5. Green Product (Tetovo)		110	22.0	385	10.38	2.70%
	Pepper - Amfora	55	11.0	193	10.38	5.39%
	Pepper - Palanecko Cudo	55	11.0	193	0.00	0.00%
6. Ivo (Strumica)		220	148.3	7 415	225.00	3.03%
	Tomato ind. - Rio Grande	220	148.3	7 415	225.00	3.03%
7. Medium Expo (Skopje)		65	28.6	501	856.90	171.04%
	Pepper - Amfora	65	28.6	501	856.90	171.04%
8. Petrov Kompani (Kavadarci)		22	7.6	133	209.31	157.37%
	Pepper - Amfora	22	7.6	133	209.31	157.37%
9. Pirok (Mokrievo)		58	21.2	372	269.00	72.31%
	Pepper - Amfora	58	21.2	372	269.00	72.31%
10. Sika (Negotino)		17	6.8	119	12.00	10.08%
	Pepper - Horgoska Slatka	17	6.8	119	12.00	10.08%
11. Sonce (Murtino)		36	14.4	252	180.00	71.43%
	Pepper - Palanecko Cudo	36	14.4	252	180.00	71.43%
12. Tako Promet (Dabile)		21	4.8	84	50.00	59.52%
	Pepper - Palanecko Cudo	21	4.8	84	50.00	59.52%
13. Trgoinzinering (Radovish)		61	15.1	298	85.99	28.86%
	Pepper - Amfora	28	11.0	193	50.92	26.38%
	Pepper - Vezen (own seeds)	17	1.6	35	0.00	0.00%
	Pepper gamba - Bel Kalvil	12	1.7	30	28.07	93.56%
	Other - Egg Plant	4	0.8	40	0.00	0.00%
	Other - Carrots				7.00	
15. Veso Promet (Strumica)		40	16.0	280	36.00	12.86%
	Pepper - Amfora	40	16.0	280	36.00	12.86%
16. Vipro (Gevgelija)		50	19.9	361	187.61	51.97%
	Pepper - Amfora	48	19.5	341	178.74	52.42%
	Other - Egg Plant	2	0.4	20	7.81	39.03%
	Pepper - Vezen (own seeds)				1.06	
17. Agros (Kocani) - OWN Production		1	10.0	175	0.00	0.00%
	Pepper - Amfora	1	10.0	175		
18. Sales out of contract		0	0.0	0	1 047.91	
Jugotutun (Sv. Nikole)	Pepper - Amfora				102.118	
	Tomato ind. - Rio Grande				149.99	
	Pepper - White				1.73	
	Pepper gamba - Bel Kalvil				0.20	
	Other - Egg Plant				21.41	

	Other - Carrots				20.69	
Univerzal Promet (Kocani)	Pepper - Amfora				271.22	
	Pepper gamba - Bel Kalvil				6.25	
	Other - Egg Plant				1.07	
Gugu Fifa (Strumica)	Pepper - Amfora				45.99	
Makedonija (Negotino)	Pepper - Amfora				22.52	
	Tomato ind. - Rio Grande				400.00	
	Other - Egg Plant				4.74	
Sub Total		878	375.2	11 930	3 813.35	31.96%
19. Fresh Market		111	33.9			
	Pepper - Amfora	9	4.0			
	Pepper - Bela Dolga	51	19.6			
	Tomato - Francesca	35	3.5			
	Tomato ind. - Arizona	16	6.8			
Sub Total		111	33.9	0	0.00	
Grand Total		990	419.1	12 105	3 813.35	31.50%

ANNEX 13 Status of the Support Fund on 6 December 2005

Year	Contract buyer	No of farmers	EXPECTED REFUND	Total PAID	UNPAID by Farmers due to lost production (FORCE MAJOR)	UNPAID by Farmers	UNPAID (NOT deducted by COMPANIES)	DEDUCTED from Farmers but UNPAID by Companies/FA	Total UNPAID	Possible recovery in season 2005
			total		total		total	total		
2003	Kumanovo-Asin-Trans	108	US\$ 7 311	US\$ 3 951		US\$ 3 360		US\$ 0	US\$ 3 360	
			MKD 214 813		MKD 176 400		MKD 0	MKD 176 400		
	Kumanovo & Skopje-Bonum	40	US\$ 4 247	US\$ 2 395		US\$ 1 852		US\$ 0	US\$ 1 852	
			MKD 117 847		MKD 91 141		MKD 0	MKD 91 141		
	Agric. High School, Sv.Nikole-Jugotutun	1	US\$ 522	US\$ 522	US\$ 0			US\$ 0	US\$ 0	
			MKD 25 604		MKD 0		MKD 0	MKD 0		
	Skopje-Local Market	61	US\$ 11 783	US\$ 11 178		US\$ 605		US\$ 0	US\$ 605	
			MKD 606 106		MKD 29 773		MKD 0	MKD 29 773		
	Negotino-Makedonija	60	US\$ 3 600	US\$ 3 240	US\$ 154			US\$ 206	US\$ 360	
			MKD 159 446		MKD 7 537		MKD 10 121	MKD 17 658		
	Kavadarci-Medium Eksport	60	US\$ 7 061	US\$ 7 061	US\$ 0			US\$ 0	US\$ 0	
			MKD 346 343		MKD 0		MKD 0	MKD 0		
	Kavadarci-Turan	60	US\$ 3 600	US\$ 3 120	US\$ 383			US\$ 97	US\$ 480	
			MKD 153 036		MKD 18 801		MKD 4 743	MKD 23 544		
	Kocani-Univerzal Promet	54	US\$ 6 729	US\$ 1 088	US\$ 236			US\$ 5 405	US\$ 5 641	US\$ 5 405
			MKD 58 120		MKD 12 626		MKD 289 166	MKD 301 792	MKD 289 166	
	Grand Total	444	US\$ 44 853	US\$ 32 555	US\$ 773	US\$ 5 817	US\$ 0	US\$ 5 708	US\$ 12 298	US\$ 5 405
			MKD 1 681 316	MKD 38 964	MKD 297 313	MKD 0	MKD 304 030	MKD 640 307	MKD 289 166	

2004	Kumanovo-contracts	20	US\$ 6 511	US\$ 4 804			US\$ 1 493	US\$ 214	US\$ 1 707	
				MKD 244 694			MKD 72 457	MKD 10 700	MKD 83 157	
	Kumanovo-local market	52	US\$ 4 885	3240		US\$ 1 645		US\$ 0	US\$ 1 645	
				MKD 162 480		MKD 77 315		MKD 0	MKD 77 315	
	Skopje-local market	81	US\$ 14 323	US\$ 10 688	US\$ 1 835	US\$ 1 800		US\$ 0	US\$ 3 635	
				MKD 543 870	MKD 86 245	MKD 84 600		MKD 0	MKD 170 845	
	Kocani-FA Agros	188	US\$ 41 272	US\$ 19 391	US\$ 6 723			US\$ 15 158	US\$ 21 881	US\$ 15 158
				MKD 974 991	MKD 336 136			MKD 757 891	MKD 1 094 026	MKD 757 891
	Radovish-Trgoinzinerig	41	US\$ 6 150	US\$ 150			US\$ 5 550	US\$ 450	US\$ 6 000	US\$ 450
				MKD 7 500			MKD 269 397	MKD 22 500	MKD 291 897	MKD 22 500
Negotino-Kim	45	US\$ 5 847	US\$ 5 190	US\$ 427			US\$ 230	US\$ 657		
			MKD 259 492	MKD 21 350			MKD 11 508	MKD 32 858		
Kavadarci-Medium Ekspo	64	US\$ 9 964	US\$ 0	US\$ 4 800		US\$ 5 164	US\$ 0	US\$ 9 964		
			MKD 0	MKD 232 992		MKD 250 661	MKD 0	MKD 483 653		
Grand Total	491	US\$ 88 952	US\$ 43 463	US\$ 13 785	US\$ 3 445	US\$ 12 207	US\$ 16 052	US\$ 45 488	US\$ 15 608	
			MKD 2 193 027	MKD 676 723	MKD 161 915	MKD 592 515	MKD 802 599	MKD 2 233 751	MKD 780 391	
2005	Grand Total	842	US\$ 212 635	US\$ 65 313	US\$ 0	US\$ 0	US\$ 0	US\$ 0	US\$ 147 322	US\$ 147 322
				MKD 3 265 672	MKD 0	MKD 0	MKD 0	MKD 0	MKD 7 366 102	MKD 7 366 102

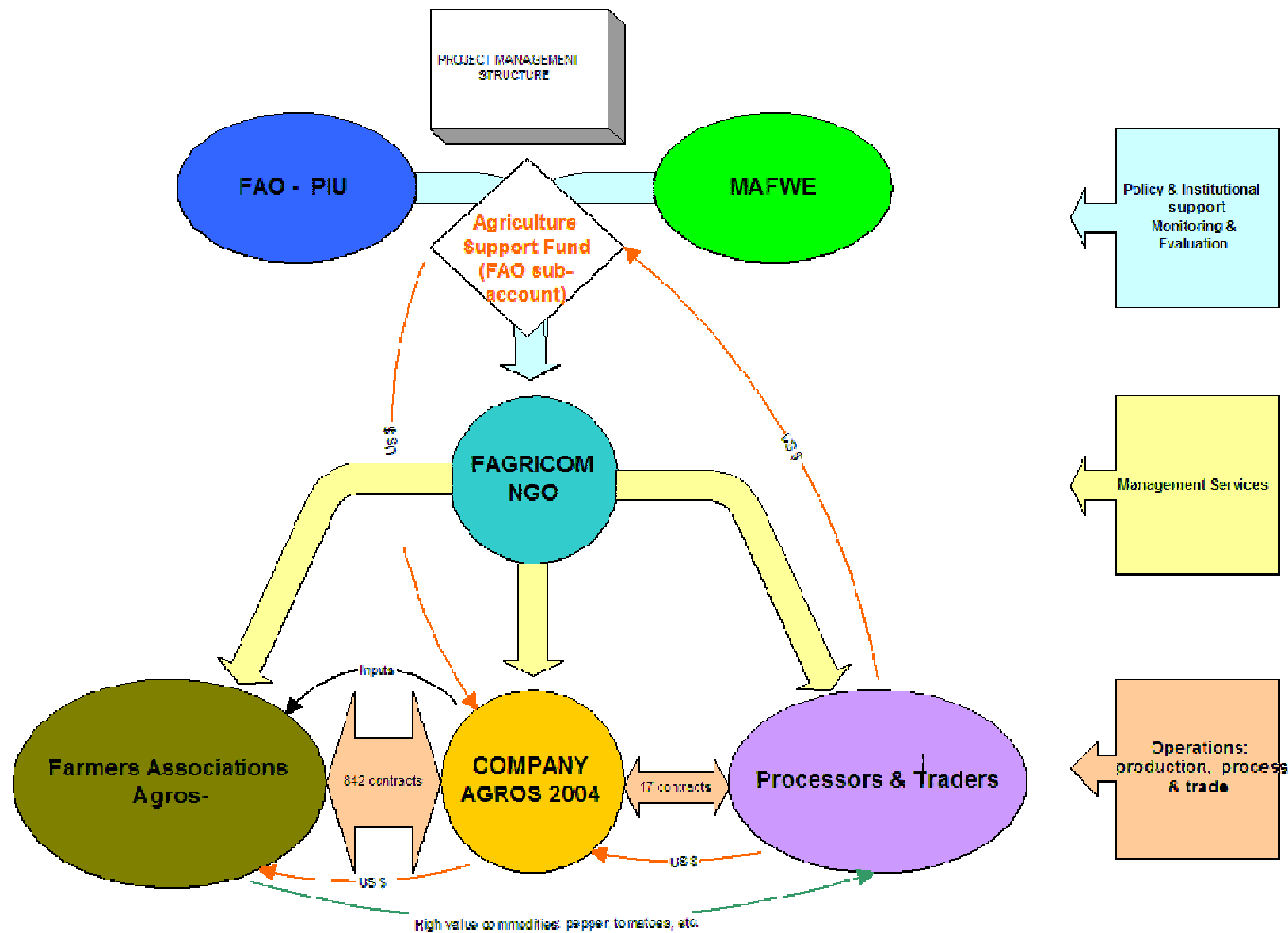
TOTAL	US\$ 168 335
	MKD 8 435 658

Current status	US\$ 1 752
	MKD 90 531
BALANCE	US\$ 170 087
	MKD 8 526 189

ANNEX 14 Map of Regions and Villages supported in 2003/04 and 2005



ANNEX 15 Project Management Structure in 2005

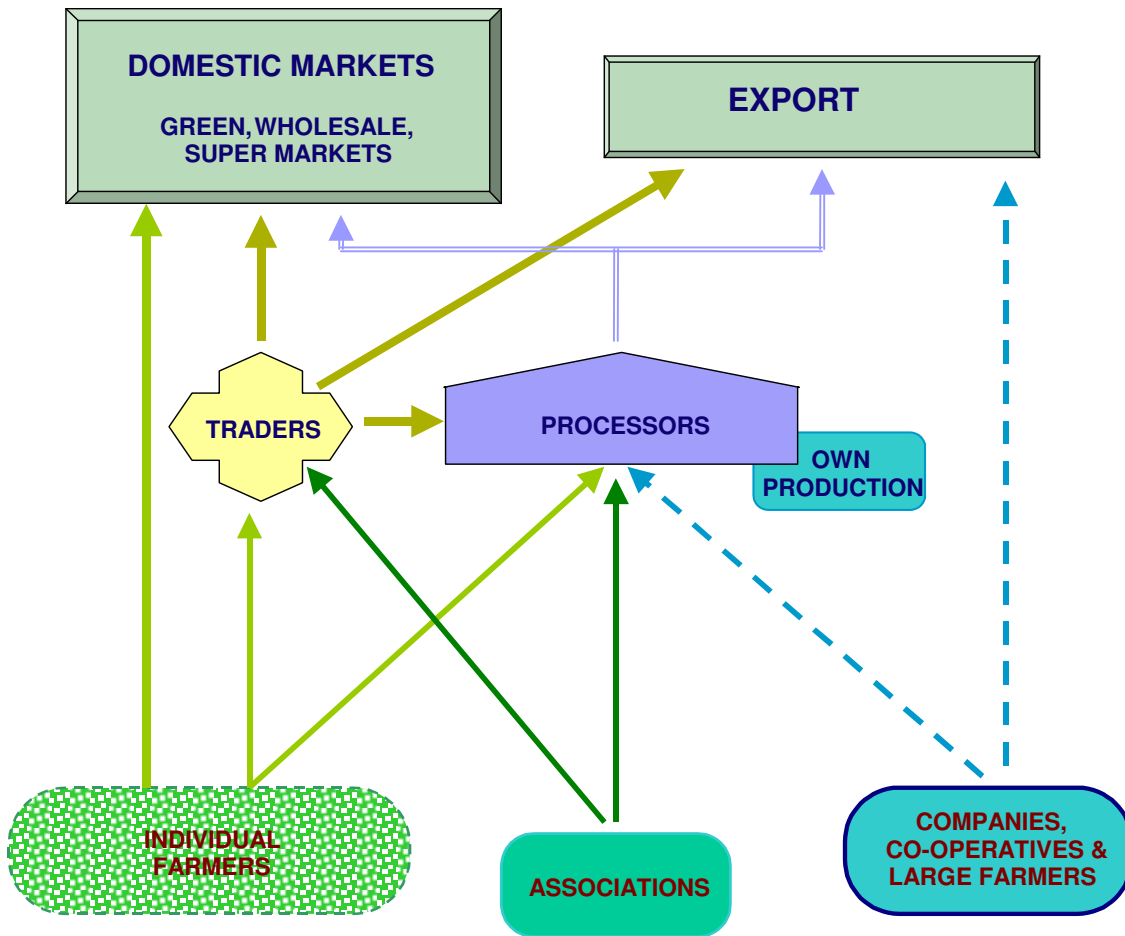


ANNEX 16 Expenditures under the Project GCP/MCD/001/NOR including actual expenditures for the period 2003 to 30 November 2005 and planned expenditures up to April 2006

Description	2003	2004	2005	2006	TOTAL	%	comments
Consultants	161 199	177 953	158 479	14 520	512 151	36.0%	Total personnel
International Consultants	133 458	63 277	49 772		246 507	17.3%	One intern. consultant plus several short term consultants working in TFYR Macedonia
National Staff	27 741	114 676	108 707	14 520	265 644	18.7%	National staff working in TFYR Macedonia
Travel	40 493	46 636	21 859	0	108 989	7.7%	Total travel expenses (DSA and travel costs)
For International Consultants	28 795	24 376	410		53 581	3.8%	DSA and travel costs for the above mentioned intern. consultants
For National Staff	11 698	22 260	21 449		55 408	3.9%	DSA and travel costs for the above mentioned nation. consultants
Inputs	138 028	98 261	118 577		354 866	24.9%	Seeds, fertilizers, plant protection, equipment etc.
Office equipment	31 241	0	0		31 241	2.2%	One vehicle, computers and furniture
Training	4 214	4 611	4 465		13 291	0.9%	Costs for farmers and personnel training
Contracts			20 000	20 000	40 000	2.8%	Letter of Agreement with the NGO FAGRIKOM
Field Operational Costs	66 753	48 334	55 540	14 674	185 300	13.0%	Operational costs for the Skopje office (phone, electricity, fuel, car maintenance, rent etc.)
HQ Overheads	57 613	49 017	21 188	50 410	178 228	12.5%	Spent at HQ level for Support Costs (12 % of budget) plus Technical Support Services Costs
TOTAL	499 540	424 812	400 108	99 604	1 424 065	100.0%	
Number of direct beneficiaries	444	491	842	842	2619		
Average cost per farmer	\$1 125	\$865	\$475	\$118	\$544		

ORIGINAL BUDGET	996 372
EXPANSION 1	210 000
EXPANSION 2	199 786
INTEREST	17 907
TOTAL	1 424 065

ANNEX 17 Marketing channels for vegetable crops



ANNEX 18 Training Organized for Farmers in 2005

Period	Training	Region	Trainers	Description
January – February	Workshops on contract farming	Kocani, Negotino, Bitola, Skopje, Kumanovo	Dragan Angelovski-National Consultant	FAO PIU distributed the developed materials on contract farming based on FAO contract farming manuals
		Strumica	Zupan Martinovski-National consultant	
March – April	Workshops and on-field trainings for cultivation practices and plant protection in nursery beds	Strumica	Vasil Gligorov-Agronomist; The National Extension Agency; Nace Dimitrov-Area Manager	FAO PIU prepared and distributed leaflets on cultivation practices and plant protection in nursery beds. The trainings were formulated as workshops with farmers in most of the villages including video presentations. Practical on field demonstrations were additionally performed in all villages, by the area managers.
		Kocani, Negotino	Blasko Josifovski-Agronomists (Agropin-supplier of the plant protection materials); Dragan Angelovski-National Consultant; Ilco Velkov and Atanas Pilev-Area Managers	
		Kumanovo, Skopje, Tetovo	Ali Rami-Agronomist (Agropin-supplier of the plant protection materials); Jashar Hasani-Area Manager	
June	Workshops and on-field trainings for cultivation practices and plant protection on open field	Strumica	Vasil Gligorov-Agronomist; The National Extension Agency; Nace Dimitrov-Area Manager	
		Kocani, Negotino	Blasko Josifovski-Agronomists (Agropin-supplier of the plant protection materials); Dragan Angelovski-National Consultant; Ilco Velkov and Atanas Pilev-Area Managers	
		Kumanovo, Skopje, Tetovo	Ali Rami-Agronomist (Agropin-supplier of the plant protection materials); Jashar Hasani-Area Manager	

July	Trainings for plant protection and modern growing technologies	Kocani, Strumica, Negotino	Tiho Ilievski-Agronomist (Agro Junikom-supplier of the plant protection materials and agriculture equipment);	Trainer provided own materials, and has prepared a video presentation of modern cultivation practices and plant protection materials to be used.
June – August	Trainings on group aspects of farmers organizations and quality standards (EUREPGAP)	Kocani, Negotino, Bitola, Skopje	Dragan Angelovski-National Consultant; Ilco Velkov-Area Manager	Interactive dialogue for the benefits and constraints of the farmer association - AGROS, business links with the processors/traders. The need of EUREPGAP implementation, educative presentation for EUREPGAP implementation.
		Kumanovo	Dragan Angelovski-National Consultant; Jashar Hasani-Area Manager	
		Strumica	Zupan Martinovski-National Consultant; Nace Dimitrov-Area Manager and Member of Steering Committee of FMF	
August	Modern irrigation techniques	Kocani with presence of representatives from Kumanovo & Negotino	Irrigation experts from AGRODRIP-Greece	AGRODRIP from Greece provided the Project with irrigation equipment, drip irrigation and God Rain sprinklers, for experimental purposes. The equipment was placed on experimental plots in Kocani. Training on advantages and use of new modern irrigation techniques was done by representatives of AGRODRIP.
August – September	Workshops/ meetings and on-field trainings on harvesting	All regions	National Consultants and Area Managers	Farmers were trained in harvesting techniques and post harvest handling according to the contract and buyer requirements, during village meetings/workshops and regular field visits by area managers.

ANNEX 19 List of Persons Met

Enterprise	First name	Surname	Title	Town	Telephone	E-mail
Institute of Agriculture - Skopje	Gordana	Popsimonova, Ph.D.	Deputy Director General	Skopje	+389 2 3230 910	g.popsimonova@pops.org.mk
Ambassade de France en Macédoine	Tatiana	ISNARD	Attachée de Coopération	SKOPJE	+389 2 3118 749 / 125	Tatiana.Isnard@diplomatie.gouv.fr
ASSEMBLY OF THE REPUBLIC OF MACEDONIA	MARJAN	GORCEV	COORDINATOR OF THE PARLIAMENTARY GROUP OF THE PEOPLE'S FARMERS PARTY	Skopje	+389 2 3224 769	mgjorcev@sobranie.mk
City of Strumiza	Zoran	Gorgiev	Development officer	Strumiza	+389 34 348 026	
Delegation of the European Union	Dejan	GJORSOSKI		Skopje	+389 2 31 22 032	dejan.gjorsoski@cec.eu.int
Deutsche Gesellschaft für Technische Zusammenarbe	Mr Kiro	Dokuzovski	Senior Adviser	Skopje	+389 2 3126 697	sani69@on.net.mk
Deutsche Gezelshaft Technishe Zusammenarbeit (GTZ)	Boban	Ilik	Project Coordinator German Technical Cooperation	Skopje	+389 2 126 697	gtzagro@mt.net.mk
EPI Education Planning Innovation	Dimovski	Ljubomir	Manager	Skopje	00389 2 3233 753	Idimovski@yahoo.com
European Agency for Reconstruction	Ivan	BORISAVLJEVIC	Programme Manager	Skopje	+389 2 3286731	ivan.borisavljevic@ear.eu.int
FAO	GORDON	BIGGAR	Operations Officer	Rome	+39 06 570 54540	Gordon.Biggarr@fao.org

			Regional Office for Europe			
FEDERATION OF MACEDONIAN FARMERS	Eftim	Shaklev	President	Skopje	+389 2 3112303	fmf@fmf.org.mk
IFAD	Goran	DAMOVSKI	Supply Chain Integration Officer Agricultural Financial Services Project	Skopje	+389 2 323 94 99	g.damovski@mafwe.gov.mk
IFAD	Lazo	DIMITROV	Adviser for Agricultural Investments Analysis Southern and Eastern Regions	Skopje	+389 2 310 95 14	l.dimitrov@mafwe.gov.mk
JUGOTUTUN	Georgi	Mitev	General Manager	Sveti Nikole	+389 32 444 153	jugotutun_ad@yahoo.com
LAND O' LAKES, Inc - USAID	Ana	Damovska	Fruit and Vegetable Assistance Manager	Skopje	+ 389 2 323 0373	ane@landolakes.org.mk
Land O'Lakes Inc.	VLADIMIR	KOKAREV	Macedonia Agribusiness Marketing Activity	Skopje	+38921 323 0373	kokarew@yahoo.com
MABI TRADE	Trajce	Karadacoski	General Manager	Strumica	+389 34 334 400	mabi_trade@mt.net.mk
MAKEDONIJA VEGETABLE AND FRUIT PROCESSING FACTORY	Biljana	Kabranova	General Manager	NEGOTINO	+389 43 800180	
MEDIUM EXPORT	Dipl oeee	JANEVSKI		SKOPJE	+389 2 3117 146	medium@mtnet.mk

	ZVONKO					
MINISTRY OF AGRICULTURE FORESTRY AND WATER ECONOMY	Nadica	DZERKOVSKA	Head of the EU Integration Unit	Skopje	+389 2 3134477 EXT 131	nadica.dzerkovSka@mzsv.gov.mk
PETROVI - *frozen fruits and vegetables	Petrov	Mita	Manager	KAVADARCI	415 365	sales@petrov-ffq.com
ROYAL NORWEGIAN EMBASSY	CARL S.	WIBYE	Ambassador	1000	+389 2 312 91 65	csw@mfa.no
SFARM - Sida	Trajan	Dimkovski	Manager	Skopje	+389 2 31 28 2241 EXT 115	trajan.dimkovski@sfarm.org.mk
Shell	Gordon	Spiroski	Managing Director	Skopje	38947 222503 222 506	intercorp@bitola.com
SPIROSKI FOODS	Gordon	Spiroski	Director	REVESBY	+61 2 9792 79 00	spiroski@hotmail.com
UNIVERZAL PROMET	STOIMIROVSKI	DRAGI	Manager	KOCANI	+389 33 271 030	univerz@mt.net.mk
USAID	Meri	Cuculoska	Project Management Assistant	Skopje	+389 2 308 0446 ext 136	mcuculoska@usaid.gov
WORLD BANK Office in Skopje	Sandra	Bloemenkamp	Country Manager	Skopje	+389 2 3117 159	"bloemenkamp@worldbank.org
WORLD BANK Office in Skopje	Denis	Boskovski	Operations Analyst	Skopje	+389 2 3117159	dboskovski@worldbank.org