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Small and Medium-size Enterprise Development – Government and Private Sector

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Fostering a Culture of Entrepreneurship: A Project Proposal

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Abbreviations

APPRM	Agency for Promotion of Entrepreneurship
BDS	Business Development Services
BSO	Business Support Organisations
C-B	Capacity-Building
CEB	Council for European Bank
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESA	Enterprise Support Agency
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
ICT	Information and Communication Technologies
ISTE	International Short-term Expert
KE	Key Expert (International Long-term Expert)
LEDO	Local Economic Development Offices
LLTE	Local Long-term Expert
LSTE	Local Short-term Expert
M+E	Monitoring and Evaluation
MACC	Macedonian Association of Chambers of Commerce
MASIT	Macedonian Association of Information Technology
MCA	Macedonia Competitiveness Activity
MoE	Ministry of Economy
NECC	National Council for Competitiveness and Entrepreneurship
NGO	Non Government Organisation
OP	Operation Plan
PPD	Public-Private Dialogue
PSC	Project Steering Committee
RESC	Regional Enterprise Support Centre
SAA	Stabilization and Association Agreement
SEE	South East Europe
SME	Small and Medium-size Enterprise
STE	Short-term Expert
TA	Technical Assistance
TAM-BAS	Turnaround Management & Business Advisory Services
USAID	US Agency for International Development
VAT	Value Added Tax
WB	World Bank
WTO	World Trade Organisation



EXECUTIVE SUMMARY

GFA Consulting Group GmbH, under the auspices of the Small and Medium-sized Enterprise Development Project (SMEDP) funded by the European Agency for Reconstruction, engaged an ISTE from in April and May 2007 to prepare a project concept on entrepreneurship and awareness raising in the former Yugoslav Republic of Macedonia.

The consultant was tasked primarily with preparing a project document for possible further donor or government financing for the “Developing a Culture of Entrepreneurship and Awareness Raising” project on behalf of the Ministry of Economy (MoE) and the Agency for Entrepreneurship Promotion (APPRM), linked the SME Forum.

The approach in this assignment was to review the documents prepared so far under the auspices of the SME Forum, define the scope of assistance that would be required for the project and document the technical and financial requirements for the project. The MoE and APPRM will then be in a position to disseminate the proposal among the donor community and government for co-funding.

There is ample justification to undertake a project to promote entrepreneurship:

- The Government has prioritised enterprise development and competitiveness;
- The current very high levels of unemployment (36%) call for a greater focus on economic development, including enhancing the levels of entrepreneurship;
- In common with many other transition economies, entrepreneurs are perceived in a very poor light by society as a whole;
- The levels of entrepreneurship in the country, as illustrated by issues such as the self-employed per capita or the number of SMEs per capital, are low by comparison with Central and Eastern European (CEE) countries, let alone European Union (EU) ones;
- Although many donors in the country are actively assisting the private sector, in terms of affordable non-financial services the effort is quite limited in relation to entrepreneurship issues.

The proposed project – Developing a Culture of Entrepreneurship and Awareness Raising – is presented as a Terms of Reference (ToR) with the following main characteristics:

- The overall purpose of this project is to help develop a more entrepreneurial culture, thereby assisting the country become more competitive and reducing unemployment.
- The main objectives of this project are to:
 - To change society’s perception of entrepreneurship through an awareness raising campaign.
 - To promote entrepreneurship at all levels of society though conferences, fairs, competitions and related events.
 - To promote entrepreneurship at all levels of society through an awards scheme.
 - To benchmark the level of entrepreneurship in the country on an on-going basis.



- A two-year budget of Euro 1,500,000 is proposed comprising Euro

In carrying out the assignment, the consultant collaborated closely with staff from the MoE, APPRM and SME Forum. In addition, support was obtained from Vesna Stojanova (LSTE) and Goran Ivanov (SMEDP). Their support was critical to the preparation of this project fiche.



1 BACKGROUND INFORMATION

1.1 Beneficiary

The beneficiaries of this proposed project are Ministry of Economy (SME Department), Agency for Entrepreneurship Promotion (APPRM) and the SME Forum. Society as a whole will benefit from the resulting increase in entrepreneurship, competitiveness, wealth and employment.

1.2 Country background

The Government is committed to becoming a member of the European Union (EU). Since independence in 1999, the country has signed many agreements with the EU, such as the Stabilization and Association Agreement in 2001. In 2003, the country became a member of the WTO and signed the European Charter for SMEs, giving a commitment to progress towards the Charter's goals by co-ordinating national enterprise policies. In late 2004, the GoM adopted an Action Plan for implementation of the European Partnership and in December 2005, the country secured full Candidate Country status, although negotiations have not yet begun.

1.3 Current state of affairs in the SME sector

The GoM recognises the importance of small and medium-sized enterprises (SMEs) as the basis for establishing a modern and dynamic economy. The experience among EU countries clearly demonstrates that small enterprises can make a substantial contribution to economic growth, employment opportunities and exports. SMEs can also respond flexibly to competitive pressures and adapt quickly to emerging opportunities.

Government support to SMEs is set out in the following key documents:

- The Government's Work Programme (2006) is built upon three main pillars of activity, namely increase the competitiveness of the economy, increase domestic and foreign direct investment and improve capacity of public institutions to implement reforms.
- The National Strategy for SMEs sets out the broad priorities for enterprise development from 2007 until 2013.
- Competitiveness and Innovation Strategy Programme analyses the main problems according to four dimensions: institutional architecture, business environment, finance and taxation and innovation and competitiveness for the period 2007-2010, and proposes a series of reform measures to be implemented with government support.
- The European Charter for Small Enterprises: identifies 10 enterprise development priorities that the GoM is committed to achieve.

The SME Strategy defines the general direction for SME development in the country that is consistent with the principles and priorities of the EU Charter while the SME Programme determines the implementation of the strategy.

The number of private enterprises has been steadily increasing since independence. This reflects the increasing importance of the private sector's contribution to GDP, employment,



exports, etc. (see Table 1). As most other countries, SMEs represent the vast majority of all enterprises. According to data from the Central Registry, of the almost 45,000 active firms in the country, 43,837 or 98.8% were small enterprises (as defined by the Law on Trade Companies), with the remaining number of 830 companies made up of 490 medium and 340 large enterprises. SMEs are also important in terms of employment creation, accounting for 80% of the total employment in the country in 2005.

Table 1: Number of Active SMEs (1990-2005)

	1991	1994	1997	1999	2000	2001	2002	2003	2004	2005(p)
SMEs	9,703*	28,551*	32,934*	31,204*	33,151	34,991	36,963	39,096	41,517	44,327
All	10,270	29,157	33,455	31,795	33,269	35,110	37,074	39,199	41,590	44,667

Source: 1991-2002: State Statistics; from 2003: Central Registry; (p) preliminary data.

SMEs account for ca. 99% of all enterprises, which is very similar to the EU-plus (Union 15 + Iceland, Liechtenstein, Norway, Switzerland, also known as EU-19) average of 99.8%. However, other measures of the state of the enterprise sector show significant differences with other regions. The number of active SMEs translates into an SME density of 22 per 1,000 inhabitants. Although this compares reasonably well with average figures for the SEE region (23 per 1,000 inhabitants), it is far below the EU15 average of 53 in EU-plus countries. The share of the private sector in GDP is below the same value for advanced transition countries, let alone EU member countries.

Therefore, despite anecdotal evidence suggesting that a significant degree of entrepreneurial spirit and activity exists in the countries of SEE, the data show that SME density is much lower than in the wider EU region. Small enterprises are still relatively few for the size of the economy and they have not yet reached their potential in terms of either employment or production. High unemployment persists in the country (36%) and new job creating enterprises are urgently needed. This confirms that the level of entrepreneurship needs to be dramatically improved if the country is to match that of the level of the EU in the future. This in turn underlines the importance of developing an appropriate framework to develop a culture of entrepreneurship in the country.

1.4 International Organizations & Donors

The former Yugoslav Republic of Macedonia has a history of mobilisation and implementation of foreign assistance since its independence in 1991. There are many bilateral donors active in the country, including Austria, Germany, Japan, UK and USA. The main multilateral donors include the EU (EAR and EC Delegation) and UNDP, and International Finance Institutions include EBRD, EIB and the World Bank. Although some donors are supporting aspects of youth entrepreneurship, such as USAID, SINTEF-Norwegian Government, Open Society Institute, etc. none is engaged in supporting the development of a culture of entrepreneurship in the country through the integrated components proposed in this Project.



1.5 Key Institutions

Three main institutions are of importance in relation to the proposed project, each of which is discussed below.

1.5.1 MoE: SME policy making

The *Department for Entrepreneurship and Creation of Competitiveness* (SME Department) at the Ministry of Economy (MoE) is responsible for defining the national SME policy and for monitoring its implementation. Its overall remit is as follows:

- Reporting to the Government on all issues relating to SMEs;
- Creating a favourable environment for SMEs;
- Reviewing the existing regulatory framework for SMEs and drafting new legislation or amending the existing legislation in order to improve it;
- Coordinating with foreign institutions on SME development issues;
- Monitoring support and technical assistance programmes for the SME sector;
- Establishing and updating the National SME Strategy and Programme;
- Liaising with other institutions involved in the improvement of the SME environment.

The SME Department has at its disposal a staff of five and a budget of ca. € 500,000 per annum. The SME Department would be the principal beneficiary of this project since it is responsible for entrepreneurship and competitiveness issues.

1.5.2 APPRM: SME policy implementation

The *Agency for Entrepreneurship Promotion* (APPRM) is responsible for implementing the National SME policy, as set out in the SME Strategy and Programme. The main responsibilities of the APPRM are as follows:

- Implementing the SME Programme of measures and activities to support entrepreneurship and create competitiveness in the small business sector;
- Creating and developing the institutional infrastructure to promote and support entrepreneurship and competitiveness in small businesses;
- Implementing and coordinating SME support from the public sector and from international donor programmes;
- Implementing financial and non-financial support measures for the SME sector.

APPRM has a staff of seven and operates on an annual budget of ca. € 135,000. Since it is the main body responsible for implementing the SME policy, strategy and programme determined by the MoE's SME Department, it would be responsible for implementing this project.

1.5.3 SME Forum: Public – Private Consultation

The key body ensuring collaboration between the public and the private sector in the implementation of the SME Strategy and Programme is the SME Forum. The SME Forum was established in 2005/06 as a platform for a public-private dialogue in regard of the design and implementation of the SME policy. The members of SME Form include the MoE and APPRM, the



Economic Chamber, the Union of Chambers, the NW Chamber, the Crafts Chamber, NECC, MASIT, several business associations, and a number of bilateral Chambers as observers.

The SME Forum focuses on all issues – political, strategic, legal, regulatory and other – that are of importance to the SME Sector. Working Groups have been established for (i) ICT and Competitiveness, (ii) promotion of entrepreneurship, (iii) contribution to the new Strategy and Programme. In 2007, the SME Forum undertook a number of initiatives addressing priorities for the SME sector, including taking the lead in preparing this Project proposal jointly with the MoE and APPRM. As such, the SME Forum will also be a beneficiary of this project and be closely involved in its implementation.



2 PROJECT OBJECTIVES & EXPECTED RESULTS

2.1 Introduction

The most pressing problem facing the country is unemployment. SMEs are universally recognised as significant generators of jobs and play a particularly significant role in relation to enhancing the competitiveness and productivity of the country. In order to realise greater employment opportunities, the dynamism of the SMEs sector and a higher level of entrepreneurship must be stimulated in the country.

2.1.1 Entrepreneurship Theory and Practice

Policy makers throughout the world placed considerable emphasis on the development of an enterprise culture in society since it is the key to the creation of a society capable of coping with the complexities and uncertainties of a globally competitive economy. The EU's Green Paper on Entrepreneurship in Europe (COM 2003) defines entrepreneurship as:

“... the mindset and process to create and develop economic activity by blending risk taking, creativity and/or innovation with sound management, within a new or an existing organisation.”

The Green Paper highlights the key reasons why it is important to focus on entrepreneurship:

- It contributes directly to job creation and growth: increasingly new and small firms are the major providers of new jobs; entrepreneurship can foster social and economic cohesion in underdeveloped regions; entrepreneurship can stimulate economic activity and integrate unemployed or disadvantaged people into work, etc.
- It is crucial to competitiveness: it results in increased efficiency and innovation in firms – in terms of organisation, processes, products, services or markets; it enhances the competitiveness of an economy as a whole and thus offers consumers greater choice and lower price.
- It unlocks personal potential: in addition to material motivations such as money and status, people become entrepreneurs as a means to self-fulfilment such as freedom, independence and the challenge.
- It is in society's interest: entrepreneurs are the key drivers of the market economy and their achievements provide societies with wealth, jobs and diversity of choice for consumers.
- It is associated with certain behaviour patterns, such as readiness to take risks and a taste for independence and self-realisation.

This definition is, however, focused almost solely upon business activity - being relevant to all firms in all sectors as well as 'non-profit' organisations - which have significant economic activity. It, therefore, focuses measures of the 'culture' upon issues such as:



- The numbers of new businesses created.
- The attitude of society towards running a business.
- The propensity of the population to set-up a business.
- Attitudes towards risk-taking in society and the risk perceived in setting-up one's own business.

Publications such as Global Entrepreneurship Monitor (GEM) survey attempt to create an international benchmark for the monitoring of enterprise culture focused on the business initiation process. It operates in over fifty countries and is based on a combination of national opinion poll surveys and expert opinions. It focuses upon business activity as discussed above, recognising that culture is a pattern of beliefs, norms and values that are widely shared throughout society. In an overview of entrepreneurship, the OECD (1999) describes 'culture' as a key pillar of the entrepreneurial economy alongside the macro economy and regulatory environment, with education playing an important role.

Unfortunately, the country has yet to participate in the GEM so it can not be benchmarked against its competitors. However, according to the World Economic Forum's 2005/06 Global Competitiveness Report, the country ranks 85 (out of 117 countries) in the Growth Competitiveness Index (GCI). Compared with 2004/05, the rankings have improved in terms of the business environment and macro-economic stability (the latter due to the strict fiscal discipline and the other stringent monetary policies of the Government). However, in other parameters of competitiveness – such as the Technology Index – the country's position stagnated. This appears to reflect a failure to take measures to improve the technological readiness of businesses at a time when other economies are advancing in this area and because reforms have not been fully implemented.

This mixed picture is reflected in the findings of the 2005/06 micro-level Business Competitiveness Index (BCI). The report notes certain improvements in the business environment; the availability of capital for investment, the quality of the available scientists and engineers, and the general level of education are positive factors of the business environment. However, the sophistication of the operations of local companies and quality of their business strategies has deteriorated. Weaknesses are also manifest in the quality of managers, in the overall low customer orientation of businesses and in the high dependence on foreign technologies and technology transfer. The rigidity of the law on environmental protection and insufficient competition in the domestic market are also negative factors. The index puts the country ahead of Serbia, Montenegro, Bosnia and Herzegovina, and Albania, but ranks it lower than Bulgaria and Croatia.

It is evident from the above that much needs to be done, starting with an awareness campaign about the importance of entrepreneurship and developing an entrepreneurial culture. This is because the enabling environment for enterprise development is currently rather hostile in its culture and values to the entrepreneur. It can be argued that the biggest barrier to the development of independent business in transition economies such as this one is the behaviour and lack of empathy, indeed hostility, of those who shape the environment for enterprises, namely the regulators, public officials, educational bodies, professions, local government and society as a whole. There is, therefore, an imperative to address the issue of the creation of an enterprise culture in the stakeholder 'enabling environment' for MSME development. Also, the



impact of globalisation on the role of government in society, on organisations and on society has been to create much more uncertainty for everyone, thus broadening the need for entrepreneurial behaviour beyond the business context. This in turn means that the focus of developing a culture of entrepreneurship needs to extend to the population as a whole. There is a need to foster entrepreneurial behaviour skills and attributes of the type illustrated in Exhibit 1.

Exhibit 1: Entrepreneurial Behaviours, Skills and Attributes

Behaviours	Attributes	Skills
Opportunity seeking	Self confidence	Problem solving
Creative problem solving	Achievement Orientation	Persuading
Grasping/organising opportunities	Autonomy	Negotiating
Taking initiatives	'Natural' leadership	Strategic thinking
Managing interdependence	'Fixer'	Articulating ideas
Ambition	Determination	Selling
Seeing things through from beginning to end	Getting things done	Proposing
Rapid use of judgement	Hardworking	Decision making under uncertainty
Taking calculated risks	Commitment	Holistic task management
Social networking	Action oriented	Social skills
	Perseverance	Cooperation
	Strong ego	

The challenge for the policy maker in fostering a culture of enterprise is significant but this reinforces the need for making progress in areas that this project proposal focuses on:

- Create awareness raising campaigns that promote entrepreneurship at all levels of society.
- Ensure that general society empathises with and shares the key values of the entrepreneur.
- Assist the education and training system to embed the culture of entrepreneurship.
- Support initiatives in the education and training system at primary, secondary and tertiary level to underpin enterprise.
- Design instruments to measure the culture of entrepreneurship on a regular basis.
- Create competitions and awards that promote entrepreneurship at all levels of society.

2.2 Rationale for the Project

The rationale for the countrywide entrepreneurship project is as follows:



- The Government has prioritised enterprise development and competitiveness;
- The current very high levels of unemployment (36%) call for a greater focus on economic development, including enhancing the levels of entrepreneurship;
- In common with many other transition economies, entrepreneurs are perceived in a very poor light by society as a whole;
- The levels of entrepreneurship in the country, as illustrated by issues such as the self-employed per capita or the number of SMEs per capital are low by comparison with Central European Countries (CEE), let alone European Union (EU) ones.

Although many donors in the country are actively assisting the private sector, in terms of affordable non-financial services the effort is quite negligible in relation to entrepreneurship issues.



3 PROJECT ACTIVITIES

3.1 General

The proposed “Developing a Culture of Entrepreneurship and Awareness Raising” Project would run for a two-year period; with scope for extension for a further two years.

3.2 Overall Purpose

The overall purpose of this project is to help develop a more entrepreneurial culture, thereby assisting the country to become more competitive and reduce unemployment.

3.3 Specific objectives

The main objectives of this project are:

- To change society’s perception of entrepreneurship through an awareness raising campaign.
- To promote entrepreneurship at all levels of society through conferences, fairs, competitions and related events.
- To promote entrepreneurship at all levels of society through an awards scheme.
- To benchmark the level of entrepreneurship in the country on an on-going basis.

3.4 Project Strategy

The hostility of society as a whole towards the entrepreneur is currently one of the biggest barriers to the development of independent business in the country. The lack of empathy of those who shape the environment for enterprises, namely the regulators, public officials, educational bodies, professions, local government and society as a whole, will be influenced through a strategy that concentrates on:

- Promotion to raise awareness of the important role played by entrepreneurs in wealth and employment generation.
- Promotion of entrepreneurship at all levels through various tools designed to raise the profile of entrepreneurs.
- Promotion of benchmarking of the entrepreneurial culture in the country.

3.5 Specific activities

The Project consists of four inter-related components:

- Entrepreneurship Awareness Raising Campaign.
- Events in Support of Entrepreneurship.



- National Entrepreneurship Awards Scheme.
- Entrepreneurship Benchmarking.

These four components are discussed in more detail below.

3.5.1 Component 1: Entrepreneurship Awareness Raising Campaign

In contrast to EU economies, the levels of entrepreneurship in the country are low. The country is not generating sufficient start-ups partly due to the imbalance between risks and rewards, lack of awareness of entrepreneurship, focus on employment rather than self-employment, as well as the underdeveloped market orientation of the economy. There is a need to increase the awareness and appreciation of the role of entrepreneurship in society, to encourage people to look beyond their current preference for a “stable” job, while ensuring that the balance of risk and reward is tipped more in favour of the entrepreneur. The current perceptions of general society are consistently negative in relation to entrepreneurship. Therefore, a medium-term campaign is needed, which counteracts this negative perception by presenting role models or portraits of success, working closely with the media.

Therefore, the focus of this component is the preparation and implementation of a synchronised national media campaign over 2 years, combined with supporting materials such as leaflets, brochure, posters, web site, e-bulletins, e-newsletter, etc. The focus of the campaign will be on changing the perceptions of society as a whole, as well as policy makers, not least the educationalists, with a view to engendering a more entrepreneurial culture, policy, legislation, etc. It is envisaged that a further two-year campaign would focus on enterprises and the unemployed but this is not part of this Project proposal.

The main target group is the general public (i.e., the 2 million inhabitants), especially adults. The allied target group is the education establishment and, in particular, pupils and students. In the school year 2004/05, there were:

- 224,000 pupils in 1,010 elementary schools.
- 94,000 students in 100 secondary schools
- 8,500 students in vocational schools.
- Ca. 70,000 students in ca. 10 higher educational establishments (e.g. universities in Skopje and Bitola, SEEU, Tetovo University and other private Universities).

A professional marketing / Public Relations (PR) agency will be commissioned using transparent and accountable procedures to assist the beneficiaries with the implementation of a professional and well organised synchronised Entrepreneurship Awareness Raising Campaign (EARC) over two years.

Box 1 below sets of the preliminary basis for the EARC. The PR agency will use this as the framework for developing a sophisticated and well-planned EARC strategy and action plan setting out the full set of activities over the two years of the programme.



Box 1: Basis of the Entrepreneurship Awareness Raising Campaign (EARC)

Message: Entrepreneurship is essential to wealth generation and unemployment reduction.

Goal: encourage school/university leavers/un/employed to consider entrepreneurship as a career path.

Authority: government endorsement is required to run the campaign.

Audience: society (adults) pupils, students, educational establishments, media and policy makers (Phase II may focus on the unemployed and enterprises. There should be a gender sensitive approach.

Reach: all parts of the country, including less accessible regions.

Market research: focus group testing of messages, adverts, materials, etc.

Slogan: 10 words to be tested through focus groups

Communication strategy: TV, radio, newspapers, internet / FAQs (case studies, personal stories, testimonials etc. by real entrepreneurs and celebrities), billboards, posters, pamphlets, SMS (young people), blogs (young people), etc.

Level of Information: advantages of being an entrepreneur, government support available, etc.

Public involvement: positive involvement of the public is essential to ensure success.

Timing: Phase I for 2 years; followed by Phase II for a further 2 years (more refined campaign)

Impact: need for M&E based on key indicators to be developed (incl. link to GEM – Component 4) such as:

- X number of entrepreneurs per capita
- X number of self employed per capita etc

The awareness raising campaign component will achieve the following results:

- Awareness raising strategy (2+2 years).
- Synchronised awareness raising campaign (action plan for year 1 and year 2).
- Preparation of promotion materials (3 types of leaflet, 3 types of brochures, 10 types of posters, 1 web site, 18 e-bulletins, 18 e-newsletter, etc).
- Positive change in societal perceptions of entrepreneurship and entrepreneurs.

3.5.2 Component 2: Events in Support of Entrepreneurship

Component 2 will enhance the awareness raising campaign through a series of events in Support of Entrepreneurship designed to add depth and substance to the basic pro entrepreneurship message. A series of four main events are planned throughout the two years of the project. Each of these is discussed below.



European Day of the Entrepreneur

The European Day of the Entrepreneur was initiated by the Eurocities network in 2003. Since then, the concept of the European Day of the Entrepreneur has spread throughout Europe. The main idea is to promote and to contribute to foster entrepreneurship in Europe, locally and internationally. The European Day of the Entrepreneur is, therefore, a major meeting point for entrepreneurs and all interested institutions in entrepreneurship development; it allows information to be exchanged; it enables contacts to be made; and it both recognises and fosters the entrepreneurship spirit.

As part of the process of raising awareness of the importance of entrepreneurship, the SME Department (MoE) co-organised the first European Day of the Entrepreneur in May 2006. The event generated significant press and public interest, although it is recognised that there is a need to increase participation by SMEs and entrepreneurs. It is, therefore, proposed that the Project will support the costs and organisation of the European Day of the Entrepreneur on an annual basis (in 2008 and 2009), together with the Entrepreneurship Fair (where firms present their products and services rather than donors and policy-makers) and to link this to the annual Entrepreneurship Award Scheme (see Component 3 below).

Annual Entrepreneurship Conference

In addition to the Europe Entrepreneur Day, there is a need to for a high profile event that draws together senior politicians (President, PM, DPM, Minister of Economy, Minister of Education and Science, Minister of Labour and Social Policy, etc.) etc. to engage with the private sector and academics, think tanks, etc. on the development of entrepreneurship in the country. Whereas the Europe Entrepreneur Day focuses on “entrepreneurs” the annual conference will focus on developing “entrepreneurship” in the country. The conference will cover the following types of discussions:

- Direction of GoM policy and how this supports entrepreneurship.
- Entrepreneurship and the link to accession to the EU, competitiveness and globalisation.
- The annual results of the Global Entrepreneurship Monitor (GEM – see Component 4).
- International experience and best practice.
- New policy directions and initiatives to enhance entrepreneurship in the country.

The annual Entrepreneurship conference will bring together politicians, policy makers, industry captains, business associations, academics, etc. The Project will ensure that the event receives extensive media coverage, through the use of the President / PM as the host of the event. This will be closely coordinated with the Awareness Raising Campaign for maximum impact.

Youth Entrepreneurship Fairs

Eight Youth Entrepreneurship Fairs will be organised per annum jointly with business associations, municipalities, educational establishments and enterprises. The focus will be on participating in existing fairs by making space available for exhibition / display of products and services by young entrepreneurs.

In order to increase the visibility of entrepreneurs in the country, special events will be organised within the 8 regions for the SME sector as part of the high profile regular fairs for your entrepreneurs to display their products/services. There will be separate pavilions/display areas



for the so-called Youth Entrepreneurs Expo (YEE) targeting young people aged 18-28. For example, the glass-pavilion at the entrance at Skopje Fair would be reserved for the YEE.

The project will support these YEE by participation up to 90% of the costs for:

- Renting YEE pavilions (according to the local rental costs where the fair is organized).
- Provision of promotional materials (leaflets, brochures, badges', panels/banners etc.).
- Transport costs (for the young entrepreneurs and for the local transport of students organized visit tours to the YEE).

It is also proposed to organise during these fairs the Young Entrepreneurs Business Week (YEBW). The YEBW will be a platform for discussions between the young entrepreneurs on: advantages/obstacles in starting / running their businesses, recommendations to policy reforms, promotion of innovative ideas/approaches , press-conferences, visits by students from secondary and vocational schools, and tertiary institutions) etc. During the YEBW, a Contest will also be organised for the best young entrepreneur with a monetary prize of 2,000 Euros. A Judging Panel comprising 3-5 businessmen and a1 representative of the MoE/APPRM/Business Associations will evaluate young entrepreneurs at the according to the following criteria:

There will be an estimated 160 YEE participants per year and the costs for the financial support will be approximately Euro 100,000 per year. The estimated costs for the organization of the judging panel, cash-award, operational costs for YEBW (local transport costs for students visiting tours) will be Euro 25,000.

Regional Roadshows to Promote Entrepreneurial Education

8 Entrepreneurial Educational Caravans (CEE) will be implemented in order to inform the young population throughout the country about the entrepreneurship educational possibilities at both under-graduate and graduate level, entrepreneurship training programmes, the skills set required to start and run a business, financial sources for start-up/seed capital (e.g. venture capital, commercial banks, business angels, franchising, microfinance and so on) etc. As part of this process, a multi-media promotional programme will be prepared comprising a mixture of videos, documentaries, brochures, badges, T-shirts, computer business games, etc. for all educational institutions/programmes that provide entrepreneurship education.

Key elements of the CEE include the following:

- It will be organised jointly with MoE, APPRM and educational institutions for a week in each of the 8 regions during the early spring, prior to enrolment of students at the tertiary education institutions.
- The multimedia programme will be prepared, organized and run by the marketing agency coordinating Component 1 above and will collaborate closely with the Project Steering Committed in preparing the programme.
- Target groups will be secondary students and the youth unemployed (15 - 25 years).
- Municipalities and/or educational establishments will contribute to the CEE activities through the provision of facilities (municipal cultural facilities/ cinemas / campuses, etc.) for the one-week regional roadshows.



Entrepreneurship competitions

In addition, a number of entrepreneurial competitions will be organised designed raise awareness of entrepreneurship as a possible career option as well as stimulate interest in self-employment and the business sector. The focus of the activities will be 100 selected schools / colleges and the 10 universities in the country.

100 Schools / Colleges

The target group will be ca. 2,500 young people enrolled at secondary education that attended/attend entrepreneurial educational programmes/courses such as the Junior Achievement, EU and USAID vocational entrepreneurial programmes and similar.

Different types of contest are proposed such as:

- Top scores in the Simulation of Company Decision making: iterative cycles of company decisions in relation to marketing, management, trading, e-business, creation of web sites, etc. involving groups of 10-15 students per company.
- Company Programme: estimation of the most profitable student company involving 10-15 groups of students per company).
- Biggest turnover during the one-day trade shows of student's companies (part of the above mentioned fairs): involving groups of 5-6 students per company).
- Top scores in business decision computer games: Sim City, Planning Location Decisions, etc.) involving individual students that do not attend entrepreneurial course.

The above contests will be organised during each semester on a regional basis and at the end of the school year in order to arrive at a final national competition involving an estimated 2,500 students. The winning groups of students (first, second and third place) will be awarded modest prizes: Euro 100 -300) and certificates. While the winners of the business decision computer games will be awarded free copies of the games.

The judging panels for the contests will comprise and be organised by teachers that run entrepreneurial courses, combined with representatives from the local/regional business community and a student who has been trained in the entrepreneurial programmes but does not participate in the contest. All schools are expected to be furnished with PCs and Internet access. The simulation contests will have no other costs than engagement of the teachers for organising and running the iterative simulations.

10 Tertiary Education Establishments

The target group is students enrolled at undergraduate level that have attended/attend entrepreneurial educational curricula such as the Faculty of Economics - Skopje, Integrated Business Faculty - Skopje, Faculty of Tourism - Ohrid, Economic Faculty - Prilep, Economic Faculty - Stip, Economic Faculty - Tetovo, Business School - Kumanovo, Economic Faculty – FON - Skopje) or participated in the training workshops at the Faculty of Mechanical Engineering (e.g. the Austrian programme for entrepreneurial students), SINTEF - Norwegian Incubator for young entrepreneurs . This amounts to approximately 10 faculties in the country overall.

Different types of contest are proposed such as:



- Best business plan: innovative business idea, cost-benefit analyses and profitability.
- Best business plan: innovative business idea, cost-benefit analyses and profitability.
- Most successful incubated young enterprise: innovative, profitable, potential for growth.
- Best e-biz programme: innovative, scope of targeted market in the Balkans, EU, etc.
- Best marketing plan for young enterprises: internationalization of small young enterprises.

An estimated 410 students will be involved in the above competitions. The contests will be organised on an annual basis and all students can apply with the necessity for recommendations from professors. The best 3 students in each category will be awarded cash prizes of Euro 500 – 1,000 and certificates. The judging panels will consist of successful business people, financiers, student, academic / APPRM/MoE representative. The winners of the above competitions will also be assisted to take part in international entrepreneurial contests for young entrepreneurs in the EU or USA.

The events organised in support of entrepreneurship will achieve the following results:

- Entrepreneurship Day event organised (ca. 250 participants in year 1 and 2).
- National Entrepreneurship Conference organised (ca. 100 participants in year 1 and 2).
- Entrepreneurship fairs (Young Entrepreneurs Expo and Young Entrepreneurs Business Week) organised jointly with business associations and educational institutions (8 throughout the country per annum).
- Regional roadshows (Caravan of Entrepreneurial Educational Days) organised jointly with business associations (8 throughout the country per annum).
- National entrepreneurship competitions organised with 100 schools/ colleges and 10 higher education establishments (5).

3.5.3 Component 3: National Entrepreneurship Awards Scheme

In addition to seeking to change society's perception of entrepreneurs, there is a need to reward successful entrepreneurs as a means of presenting role models to counteract negative perceptions and encourage entrepreneurs in their activities. However, for the awards to have a positive and lasting impact there is a need to ensure extensive media coverage of the event as well as transparent and accountable selection criteria (e.g. balance sheets, turnover, gross profit, productivity, sustainability, total fixed assets, R&D). In addition to a cash prize and trophy, the winners will be invited to participate in awareness raising campaign sponsored by the MoE and business associations.

A number of issues will be important in developing the entrepreneurship awards scheme:

- Entrepreneurship Awards Board consisting of MoE, APPRM and business associations.
- Judging panels comprising a majority of entrepreneurs/financiers.
- Definition of types of award: ca. 5 in 2008 increasing to ca. 10 in 2009.
- Transparent and accountable methodology for selecting winners.



- Preparation of trophies, certificates, cash prizes, etc.
- Presentation of awards at Entrepreneurship Day or Conference.
- Sponsorship of the event by the private sector (e.g. financial institutions, media, etc.).
- Media management / PR.

The national entrepreneurship awards scheme will achieve the following results:

- Be conducted as part of the Entrepreneurship Day event organised (see above).
- Involve the establishment of ca. 5 awards for various categories of enterprise/entrepreneur in year 1 and a further 5 in year 2 (total of 10).
- Involve national publicity (TV, radio, press, etc.) with close links to Component 1 involving media items profiling success stories and portraying entrepreneurship in a positive light.

3.5.4 Component 4: Entrepreneurship Analysis and Benchmarking

One of the barriers to establishing a more entrepreneurial culture in the country is quite simply the lack of data allowing an analysis of the current situation (statistics and analysis), how this situation is changing over time (time-series data) and how the country is doing compared with neighbouring countries and EU member states (benchmarking).

Some improvements are apparent, such as the creation of the SME Observatory, which is the responsibility of APPRM and has the primary objective of collecting data and analysing, as well as monitoring and evaluating trends in relation to the SME sector. So far, the SME Observatory has focused on producing Annual SME Reports (2002, 2003, 2004 and 2005). However, there is significant scope for improving the operation and capacity of the SME Observatory: it needs to develop comprehensive time-series information; to become the source of comprehensive data for the SME sector; to be the basis for analysing the impact of policies and initiatives involving the enterprise sector. However, there remain significant data gaps still exist, for example, in relation to taxation and trade (export-import) since enterprises are not appropriately classified. Moreover, there is currently insufficient human capacity to produce the Annual SME Reports or to undertake the wider role that is normally associated with SME Observatories, such as collecting best practice information on SME development, policies, legislation, etc. and enabling benchmarking relative to other countries/regions.

This component of the project will focus on two main issues:

- Collaborate with all organisations involved in collecting and using SME statistics and analysis (Statistical Office of the RM, central register, business associations, MoE, APPRM, etc.) to develop a comprehensive data collecting service relating to the SME sector. Through a Working Group, the focus will be to develop indicators compatible with EUROSTAT requirements; to produce annual statistical compendiums on the SME sector; and assess level of SME development in the country.
- Assist the country to benchmark itself against other countries through the implementation of two annual Global Entrepreneurship Monitor (GEM) surveys (see below).



The annual Global Entrepreneurship Monitor (GEM) is a cross-national assessment of entrepreneurship. It started in 10 countries (1999) and expanded to 50 by 2005. GEM has become a leading research consortium concerned with improving our understanding of the relationships between entrepreneurial activity and national economic growth. Its uniqueness lies in the fact that no other research exists that can provide consistent cross-country information and measures of entrepreneurial activity in a global context.

The GEM has three main objectives:

- To measure differences in the level of entrepreneurial activity among countries.
- To uncover factors determining the levels of entrepreneurial activity.
- To identify policies that may enhance the level of entrepreneurial activity.

The information, analysis and recommendations arising from the two planned GEM surveys are expected to be valuable in:

- Benchmarking the country's position relative to EU, CEE and SEE countries.
- Highlighting the main entrepreneurial strengths and weaknesses.
- Kick-starting a debate on policy options to further stimulate entrepreneurship.
- Stimulating new policies and initiatives in the country.

Moreover, in order to provide useful information on which to build new policies, the Project will commission specialist analysis covering three critical themes: women in entrepreneurship, start-ups and growth of established businesses.

The activities organised in support of this Component of the Project will have the following results:

- Regular (at least 2) surveys / benchmark studies such as GEM.
- Prepare additional GEM analysis covering three themes: women in entrepreneurship, start-ups and growth of established businesses.
- Wide dissemination of results to media and society (awareness raising).
- Development of statistics and analysis on SMEs and entrepreneurship.

3.6 Assumptions underlying the project intervention

See Log Frame



3.7 Risks

See Log Frame

3.8 Project management

3.8.1 Responsible body

The SME Department (MoE) will be the main beneficiary. APPRM will be responsible for managing the Project under supervision by the Project Steering Committee (see below). Day-to-day implementation of the project will be performed by APPRM with, service delivery outsourced to various organisations such as consultancies, market research and PR agencies.

3.8.2 Project Steering Committee (PSC)

At an early stage of the Project, the APPRM will establish a Project Steering Committee (PSC) that will convene at three-monthly intervals. The functions of the PSC will be to:

- Supervise project implementation in general.
- Approve Overall and Annual Work Plans and Budgets.
- Coordinate with donor community, private sector and government.
- Review project progress every three months.
- Provide overall guidance and policy advice.

The PSC will be composed of the following:

- APPRM Director who will also function as PSC Chairperson.
- One representative of the Ministry of Economy.
- One representative of the Ministry of Education and Science
- One representative of the Donor.
- Three representatives of the SME Forum.
- Project Team Leader.

3.9 Location

The proposed Project will be managed by APPRM located in Skopje. Implementation of the Project will be carried out by consultants assigned to projects selected on a transparent and accountable basis.



3.10 Start Date and Programme Duration

It is proposed that the Project will be carried out over a period of 2 years commencing in 2008.

3.11 Reporting requirements

APPRM will need to prepare and submit the following:

- Monthly reports
- Quarterly Report
- Annual reports
- End-of-Project Report
- Ad hoc reports as required

The monthly report due at month end will be submitted to the Agency Director and provide a brief overview of activities and outputs, and funding usage.

The quarterly reports will be more detailed and analyse progress in all areas (inputs, activities, outputs and outcomes) as against the annual plan. The annual report will assess achievements as against the OWP. These reports will be submitted to the Director as well as the PSC.

Upon completion of the project, a detailed report will be prepared showing achievements and challenges covering 2 years in relation to the overall work plan for the Project.

Periodically, the APPRM will engage an external consultant to conduct impact assessments leading to the preparation of a report on outcomes or the results of the project.



3.12 Monitoring

The APPRM will be responsible for monitoring the project. The Agency can:

- Indicators are specific performance measures chosen because they provide valid, useful, practical and comparable measures of progress towards achieving expected results. An updated log frame will be created with defined indicators in order to monitor progress.
- An independent consultant will evaluate the project impact after 12 and 22 months.
- Quarterly progress reports will be prepared to assess progress, barriers and solutions for overcoming problems.
- Review financial commitments and disbursements by budget line.
- Review reports submitted by consultants, PR Agency, etc.

3.13 Definition of indicators

For Objective Verifiable Indicators, refer to the Logical framework.

3.14 Simplified Logical Framework

The project's Logical Framework is provided in Annex A



4 INPUTS

4.1 Resources Required

The proposed budget for the Project is Euro 1,500,000 spread over 2 years. The budget for the Project is broken down by each year as follows:

	2008	2009	Total
Component 1 – Awareness raising	300,000	600,000	900,000
Component 2 - Events	150,000	200,000	350,000
Component 3 – Awards scheme	60,000	40,000	100,000
Component 4 – Analysis and benchmarking	75,000	75,000	150,000
Total Euro	585,000	915,000	1,500,000



ANNEX A: LOGFRAME PLANNING MATRIX

Results	Objective Verifiable Indicators	Assessment of Indicators	Assumptions, Risks and Conditions
<p><u>Wider Objective</u> The overall objective is to help develop a more entrepreneurial culture, thereby assisting in the country become more competitive and reducing unemployment.</p>	<ul style="list-style-type: none"> • Changed attitudes and perceptions in relation to entrepreneurship • Increased in density of SMEs • Increased start-up rates 	<ul style="list-style-type: none"> • National statistics and other economic data • GEM survey (2008 and 2009) • Surveys carried out by external 3rd parties • Research by PR/marketing companies / 3rd parties 	<ul style="list-style-type: none"> • <i>Continued commitment by the government to develop entrepreneurship and support SME development</i> • <i>Creation of a stable business environment that is attractive to foreign and indigenous investors</i> • <i>Willingness of members of society to trust government and businesses</i>
<p><u>Output 1. Awareness Raising</u> Change Society's perception of entrepreneurship through awareness raising</p>	<ul style="list-style-type: none"> • Prepare awareness raising strategy and action plan • Implement synchronised media campaign • Prepare comprehensive promotion materials • Change perceptions of society, including pupils and students. 	<ul style="list-style-type: none"> • GEM survey (2008 and 2009) • Media reports • Press clippings • Promotion materials 	<ul style="list-style-type: none"> • <i>High levels of professionalism on the part of sub-contractors such as PR agencies</i> • <i>Willingness on the part of media to engage proactively and positively</i> • <i>Willingness of the educational establishment to respond positively</i>



Results	Objective Verifiable Indicators	Assessment of Indicators	Assumptions, Risks and Conditions
<p><u>Output 2. Entrepreneurship Events</u></p> <p>Underpin campaign through practical initiatives and events</p>	<ul style="list-style-type: none"> • 2 European Day events (ca. 250 participants each) • 2 National Entrepreneurship Conferences (ca. 100 participants) • 8 Entrepreneurship Fairs throughout the country • 8 Regional Roadshows throughout the country • Entrepreneurship competitions involving 2,500 young people in 100 schools and colleges • Entrepreneurship competitions involving 410 young people in 10 universities 	<ul style="list-style-type: none"> • Conference agendas • Conference attendance lists • Plans, materials, evaluation sheets • Invoices for events 	<ul style="list-style-type: none"> • <i>Sufficient numbers of interested participants</i> • <i>Support and commitment from Government, Ministries, Agencies, etc</i> • <i>Support and cooperation from schools, colleges, universities, etc</i> • <i>Enthusiasm and on the part of pupils and students, as well as teachers</i> • <i>Support from business associations and businesses</i>
<p><u>Output 3. Entrepreneurship Awards</u></p> <p>Raise the profile of entrepreneurs through high visibility and transparent awards</p>	<ul style="list-style-type: none"> • Memorandum of Cooperation between Ministry, APPRM and business associations • Establishment of Entrepreneurship Awards Board/Panel • Transparent methodology for assessing applicants and selecting winners • 2 sets of awards (5-10 per event) issued 	<ul style="list-style-type: none"> • Project reports • Minutes of Board/Panel meetings • Media reports 	<ul style="list-style-type: none"> • <i>Willingness of organisers to collaborate and invest time and effort required</i> • <i>Willingness of media to report on positive rather than negative stories</i> • <i>Business environment and political climate conducive to transparent and accountable procedures</i>
<p><u>Output 3. Benchmarking Entrepreneurship</u></p>	<ul style="list-style-type: none"> • Memorandum of Cooperation between Ministry, APPRM and statistical bodies 	<ul style="list-style-type: none"> • Agreements, contracts, etc. • New statistical data 	<ul style="list-style-type: none"> • <i>Willingness on the part of statistical services, central registry, etc, to collaborate</i>



Strengthen capacity to assess levels of entrepreneurship and compare with competitors	<ul style="list-style-type: none">• Development of new indicators, collection and analysis systems• Cooperation agreement / Contract with GEM organisers• Selection of local contractor to undertake 2 GEM surveys	<ul style="list-style-type: none">• Minutes of meetings• 2 GEM reports	<ul style="list-style-type: none">• <i>Availability of resources to underpin new data collection and analysis</i>• <i>Willingness of GEM partners (Babcock College, London Business School) to collaborate on GEM</i>• <i>Capacity of local agencies to undertake survey to professional standards</i>
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