

**Mid-Term Review (MTR)
of the
Increasing Market Employability (IME)
Project Phase 2 (2019– 2023)**



FINAL Report

Date: 22nd of January 2024

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List of Abbreviations

A2C	Access to Certification
A2F	Access to Finance
AAER	Adopt, Adapt, Expand, Report Framework to Describe Systemic Change
AT	Adventure Tourism Sector of IME
BDS	Business Development Services
BMZ	German Abbreviation for Federal Ministry for International Cooperation
BSO	Business Service Organisation
CF	Challenge Fund
CHF	Swiss Franks
CP	Cooperation Programme of Switzerland with Partner Countries
DAC	Development Assistance Committee of the OECD
DCED	Donor Committee for Enterprise Development (co-funded by SDC)
E&I	Employment and Income
E2E	Education to Employment Project of SDC in Serbia
FITD	Fund for Innovation and Technology Development
FTE	Full Time Equivalent
GESI	Gender Equality and Social Inclusion
ICT	Information and Communication Technology
IME	Increasing Market Employability
IPARD	Instrument for Pre-Accession for Rural Development (European Union Assistance Instrument)
Mio	Million
MRM	Monitoring and Results Measurement
MSD	Market Systems Development (also called M4P and ISD)
MTR	Mid-Term Review
NEET	Not in Employment, Education and Training
OF	Opportunity Fund
ProDoc	Project Document
PSD	Private Sector Development
PSE	Private Sector Engagement
SA	Sustainable Agriculture Sector of IME
SDC	Swiss Agency for Development and Cooperation
SME	Small and Medium Enterprises
Swiss EP	Swiss Funded Global Entrepreneurship Programme
USD	Instrument for Pre-Accession for Rural Development (European Union Assistance Instrument)

Executive Summary

The SDC funded (CHF 6.5 Mio) Increasing Market Employability (IME) project implemented by Palladium has started phase 2 in August 2019 and is bound to end in June 2024. It applies a Market Systems Development (MSD) approach to its work in Sustainable Agribusiness, Adventure Tourism and ICT, and aims to create 2706 jobs throughout North Macedonia. ***The project is well managed by a competent and well-respected team*** which has proven flexibility and adaptive management capacity in the face of rather major external health, economic and political shocks affecting the country and its people throughout phase 2. The project has ***achieved a broad range of important results*** at SME level, and limited, but important results at the level of national systems (e.g. Rule Book on Agriculture, National Development Bank's Access to Credit Line). At sub-national or sub-sector level 'systemic change' results are more impressive, with whole destinations such as Krusevo being transformed towards an adventure tourism destination or smaller value chains, such as the organic hazelnut value chain with strong market connections to Switzerland.

IME phase 2 is relevant in that it works in key sectors on SME competitiveness and employment, but ***the strong focus on job creation enshrined in the mandate given by SDC to IME is in our view the core challenge IME phase 2 is dealing with*** and is the main issue negatively affecting sustainability of results at systems and SME level.

Both external and internal coherence of IME are comparably high, but there is room for improvement in donor coordination and strategic portfolio management on SDC North Macedonia's side.

The ***IME team understands the MSD approach well*** and has a highly sophisticated MRM system aligned to the DCED standard. We are of the view that the system is ***too much accountability oriented***, focussed on proofing quantitative numbers which are difficult to achieve – and believe - in the present labour market and economic context of North Macedonia, at the cost of more qualitative information which supports learning and steering along clear pathways for systemic change.

We are recommending an IME phase 3 with a ***revised mandate focussing on SME competitiveness, resilience and sustainability***, as it would allow the project to capitalise on the good results achieved till date, to strengthen its systemic change and scale focus in line with the new mandate, and to compensate on the time lost due to external shocks throughout phase 2. Revisions in mandate, strategy and tools should not take place for the remainder of phase 2, but as part of a design of phase 3. While there are different options to be discussed for a phase 3 set-up, we recommend an option which is characterised by the following:

- A ***smaller and sharpened system size*** within which changes are expected...we recommend considering a ***sub-national local economy focus***, but without limiting work with national level key change makers.
- An ***even stronger connection between the three IME phase 2 sectors*** with ICT conceptualised as transversal ***digitalisation function*** supporting results in both sustainable agribusiness and sustainable tourism.
- A stronger focus on ***SME competitiveness and on the resilience and sustainability of local economies*** supporting a clean and fair green transition.

1. Introduction

North Macedonia has come a long way in terms of economic and social development since its independence in 1991 but has recently been struggling in its journey towards EU accession due to both political and economic challenges. Like many other countries within the region, North Macedonia's economy has been affected by disrupted global supply chains as a result of the COVID 19 pandemic and the war in Ukraine, negatively affecting most economic sectors in the country. Unemployment has been continuously declining over the past decade but remains high at 14.3% (29% amongst Youth), although this does not take into account the large informal economy. With the continuous political instability in the country, frequent change of government and the on-going EU screening process, the already weak capacities of public institutions have been fully absorbed and overstretched during 2023. Similarly, the private sector in many sectors is fragmented with weak and often politicized Business Service Organisations (BSOs) with limited institutional capacity, resulting in the many SME who make up the major share of the economy of the country having to manoeuvre many economic challenges on their own.

The economy has been on a continuous recovery pathway since the end of COVID-19 and the EU accession process offers besides above-mentioned challenges many opportunities for Macedonian businesses and workers with labour markets becoming increasingly complex: more and more young Macedonians aspire to migrate to the EU for work, sometimes only seasonally, leaving Macedonian businesses struggling to find qualified and even unskilled labourers.

It is in this context, that IME phase 2 engages as a market systems development project since August 2019 with planned duration until end of June 2024. IME phase 1 started in April 2014 with a one-year inception phase and ended in July 2019. In August 2023 SDC North Macedonia commissioned an external review¹ to evaluate IME phase 2, in particular with a forward-looking perspective. The evaluation was awarded to Gamper Smith Associates Ltd, represented by its Managing Director Tim Gamper, in collaboration with Epicentar International, represented by its Managing Director Ljubomir Dimovski, and was carried out between September 2023 and January 2024.

1.1 Objectives of MTR

The evaluation was commissioned with the following objectives:

1. To learn from what works, what does not work and why
2. To provide accountability on results achieved to stakeholders and funders
3. To provide steering recommendations to SDC for a potential phase 3

The objective of this evaluation is to provide insights into the programme's effectiveness, efficiency, relevance, coherence, impact and sustainability – the standard OECD DAC evaluation criteria - in the frame of set targets. The evaluation team underlined in their offer for the assignment that the main weight and spirit of the evaluation should be on **joint learning with a forward-looking perspective** (objectives 1 and 3), rather than predominantly focussing on accountability and trying to provide a detailed impact assessment. This spirit of valuation and learning, rather than evaluating, structured the team's approach and methodology to the evaluation.

¹ The ToR commissioned the review as an Mid-Term Review (MTR), although technically the timing rather resembles an end of phase review. We are maintaining the term MTR throughout this report.

1.2 Methodology of MTR

The methodology for the MTR is described in detail in the inception report dated 24.11.23. The review was split into three main phases:

Phase 1, Secondary Data Review: All secondary documentation listed in Annex 3 was reviewed as part of this phase and the following tools were prepared:

- Interview guides for expert interviews and focus group discussions
- Guidance tool for self-assessments
- Field mission programme

The approval of the inception report concluded phase 1.

Phase 2, Primary Data Collection: This phase is covering all activities and the timespan during which primary data is collected, namely:

- Self-Assessments carried-out by SDC North Macedonia and the IME team
- Selected Focus Group Discussions (FGDs)
- Internal Meetings with the IME team
- Selected Expert Interviews
- Field Observations

Primary data collection took either place over distance through Zoom or Teams Calls, through field visits by Epicentar and during the Joint Field Mission by the Evaluation Team between the 27th of November and the 7th of December 2023. Phase 2 ended with a Steering Committee Meeting presentation of preliminary findings in Skopje on the 7th of December 2023. A list of people interviewed and the field mission programme are shown in Annex 2 and 4 respectively.

Phase 3, Data Analysis and Reporting: Phase 3 started after the joint field mission and concludes with the submission of this report.

We are **mainly working through qualitative information** in this review and are guided by our own experience of working with and managing MSD projects. The newest discussion on MSD in employment promotion projects which has taken more and more shape during 2023 has further provided important thought triggers for our analysis.

Our findings are to be understood as an external view onto the projects, but it can never do full justice to the complexities and diversity of the project. Many of our views are likely shared by the IME team and SDC in North Macedonia, whereas others may lead to further discussion and debate or may be seen as not providing the full or fair picture in the view of the project. The findings are intended to provide inputs and suggestions for further debate and future planning and are less thought to be absolute assessments of success or failure of the project. We have on purpose refrained from quantitatively ranking the project according to the DAC criteria in this report, as the diversity and complexity of the areas covered under each of the above criteria makes it difficult to do justice to the performance of the project with one quantitative number which then often tends to be taken out of context.

Finally, what this review is not: it is not a detailed impact assessment with the necessary methodological detail and time to comprehensively judge the results of IME. It is also not a detailed design for a next phase of IME, as this needs to be done in a much more participatory manner from this MTR process onwards.

2 Summary Description of the Programme

The IME project Phase 2 and its implementing organisation Palladium are mandated by SDC North Macedonia to create 2,706 new and higher quality jobs through private sector development in selected high-growth sectors so more unemployed and underemployed Macedonians, in particular youth and women, are engaged in sustainable, decent employment or self-employment and/or are earning higher incomes. From 5 sectors in IME phase 1, phase 2 reduced the number of sectors to three sectors, namely Sustainable Agribusiness, Adventure/Active Tourism and ICT. Below Results Framework describes the 3 outcomes and 6 outputs IME phase 2 was to deliver throughout its lifetime of 59 months from August 2019 to June 2024 with a total budget of CHF 6.5 Mio.

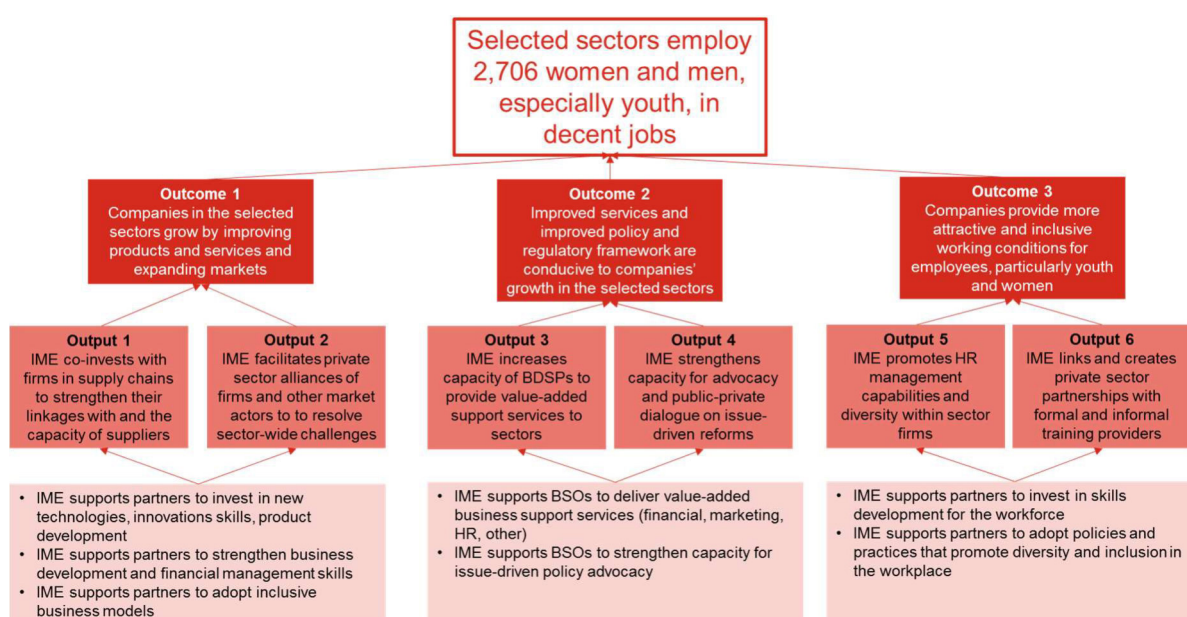


Figure 1: IME Phase 3 Results Framework (IME ProDoc, July 2019)

IME phase 2 works with a Market Systems Development (MSD) approach. The approach illustrates a market system in three parts:

- A **core market system** showing a demand and supply interaction for goods, services or people. The labor market for instance has companies demanding labor (demand) and young people or not employed people entering the labor market (supply). Or, an agricultural value chain is characterized by the supply of producers and the demand of customers along a series of steps in a chain.
- **Supporting functions** which describe functions or services that can influence the core market interaction, such as for instance skills development, will influence the quality of supply of labor

to the labor market or labor market information will improve the connection between supply and demand of labor.

- **Formal and informal rules** which again provide a frame within which the core market interaction can develop, such as for instance labor laws or traditional gender stereotypes.

The MSD approach assumes that the reason for a core market interaction not to work optimally – an imbalance between demand and supply – lies either in underlying constraints in the core market interaction itself, in the supporting functions and/or in the regulatory environment...in most cases it lies in all three areas at the same time to a certain extent.

IME phase 2 looks at the Sustainable Agribusiness, the Adventure Tourism and ICT sector through this lens and works either directly in the core market function with SMEs and anchor firms, with service providers (e.g. for improved access to finance) or with policy makers and enforcers.

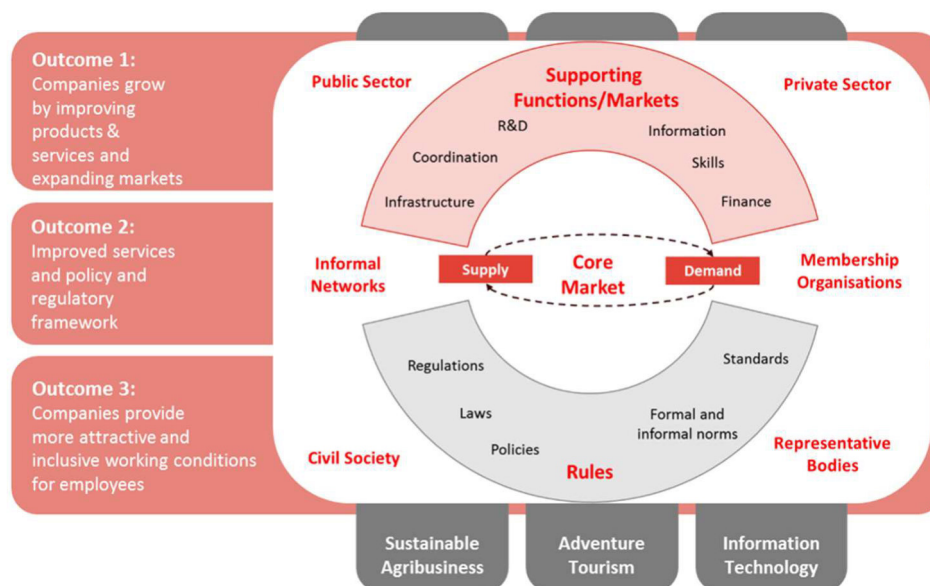


Figure 2: IME Phase 2 MSD approach (IME ProDoc, July 2019)

IME phase 2 does not have a geographic focus within North Macedonia but looks at the three sectors throughout the whole country. It applies a range of instruments to deliver its interventions, including an Opportunity Fund (OF) which provides small grants to companies according to selected criteria, the existing State Fund for Innovation and Technology Development (FITD) and private sector consultants who deliver access to finance and access to certification services. It works with private sector companies and service providers, as well as business service organisations (BSOs) and public sector counterparts at national and sub-national level, whereas it takes as much as possible a **facilitative role** not delivering services directly as project but working by building capacities within the actors in the above illustrated market system.

In 2023 IME has started to redefine the ICT sector not as stand-alone sector, but as a transversal **digitalisation service** supporting development of the other two sectors. IME has also successfully requested additional funding from SDC to achieve its targets by June 2024 and to compensate for delays incurred mainly through COVID-19. IME works through a Skopje-based project management unit containing experienced Private Sector Development (PSD) and Senior Sector Experts, as well as Experts in transversal themes and business management services.

3 Relevance and Coherence: Results, Lessons Learned and Recommendations

This chapter deals with the criteria relevance and coherence. It basically assesses whether the IME project **does the right things** looking at the context, the priorities of the key counterparts of SDC and the priorities of SDC. Three questions are discussed: first, whether the project is relevant based on people's needs, needs of the private sector, priorities set by the country and priorities set by SDC. Second, we are assessing the relevance of the sectors selected for the project to engage with and finally, we are assessing the coherence of IME or in other words how it fits into the overall SDC portfolio and the broader portfolio of all projects and interventions in North Macedonia.

Question 1 ➤ **Relevance from different perspectives:** To what extent was IME Phase 2 designed in line with the priorities and needs of people, private sector, country and SDC?

The goal of IME points at the need for '*... more unemployed and underemployed, in particular the youth and women,*' to be '*... engaged in sustainable, decent employment or self-employment and/or (...) earning higher incomes.*' The goal remains relevant in this formulation, as the Macedonian labour market is characterized by high unemployment rates, although clear improvements can be observed in the last decade. In 2022 the unemployment rate reached 14.4% with youth unemployment (15–29-year-olds) standing at 25.2%. While this is a historic low in terms of unemployment, it is still double the EU average rate. In addition, youth inactivity remains a challenge for the country with an estimated 73'500 young people – around 1 in 5 youngsters between 15 and 29 years old – neither in employment, education and training (NEET) (ILO, 2022). The simple conclusion of this could be that more jobs need to be created to offer options to the un- and underemployed.

When looking at the private sector, a different picture emerges: the number one challenge to competitiveness companies across the board mention is a lack of staff, both qualified and lower skilled. Companies mention that people either do not have the right skills to work in the private sector, or people do not want to take the jobs on offer, as the conditions are not competitive with alternative options nearby, such as the ones offered in European countries (e.g. Croatia, Slovenia, Germany). Many young people are leaving North Macedonia to work for some years or seasonally in Europe and come back to 'enjoy life', rather than taking up full time employment. While companies are aware of this, they struggle to increase salaries, as this would undermine their competitiveness model mainly based on cheap labour, leading them to increasingly bringing in foreign labour from further afield (e.g. Nepal, Bangladesh).

This means that we are facing a labour market in North Macedonia (and the EU accession countries in the Balkans in general) which is characterised by:

- Comparably high youth unemployment rates, but limited willingness of the unemployed young people to take the jobs on offer (a labour market supply side challenge)
- SMEs struggling to find workers and workers with the right skills (a labour market supply side challenge and an intermediation challenge between supply and demand)
- SMEs not offering more attractive working conditions (a labour market demand side challenge)

While the solution to this situation is complex and difficult to influence with an externally funded development programme, **it is not the creation of new jobs which should stay in the focus**. But the target of contributing to the creation of almost 2700 jobs stands at the top of the mandate with which IME was sent off into phase 2 implementation. While both SDC North Macedonia and the IME team clearly recognise the above-mentioned challenges, the **high job creation target** has remained

unchanged throughout phase 2 and **is at the core of the strategic set-up, delivery and accountability practices of IME phase 2 till date**. The rationale for how to set that high level target stems from a time before most of the current SDC staff members and is linked to phase 1 implementation with a different context. It seems to have been based on a logic of ‘*phase 2 targets must be higher than phase 1 targets*’, as we are past piloting and need to focus on scale. Again, the present SDC team is aware of this and sees the present review process as an opportunity to more formally right-size this mismatch. The above discussed is illustrated in the following graphic: Job creation is the main driver for sector interventions the result of which is then measured against their contribution to job creation, rather than putting the SMEs and their competitiveness into the centre, defining interventions to strengthen competitiveness and then assess to what extent this leads to growth and employment. This is certainly a slight over-simplification and IME is not blind to competitiveness at all, but it shows the general effect which comes from the starting point being high job targets.

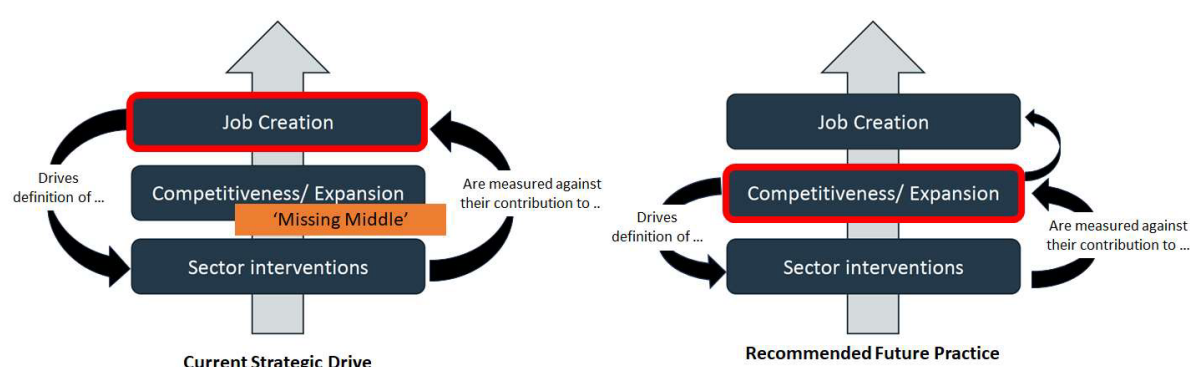


Figure 3: Focus on Job Creation versus Focus on SME competitiveness

Looking at relevance more through the lens of the Cooperation Programme of Switzerland with North Macedonia (CP 2021 – 2024), it is interesting to note that while the Sustainable Economic Development Domain formulates its portfolio outcome as: ‘*Sustainable growth of private businesses which provide more, decent and inclusive employment opportunities*’ the Swiss Outcome 2.1 points at growth of private businesses through productivity and competitiveness and Swiss Outcome 2.2 aims at more unemployed and underemployed to benefit from decent employment, but there are no targets set for job creation. This is in our view right from a relevance perspective, but it is surprising to see how the high-level job target of IME fits within this results framework. In short, **the high job creation target in IME phase 2 sets the project onto the wrong path...a path which is not matching the labour market and economic reality and the SDC strategic set-up**. We are of the view that at the core of IME 2 and even more so a potential IME 3 should be SME competitiveness and resilience – the SMEs in the centre! - contributing to better jobs for people over time.²

Finally, **when assessing relevance in relation to government priorities and plans, the relevance is high**, as employment related issues and SME competitiveness, as well as strengthening key sectors to support EU accession are high priorities. A new National Development Strategy (Creating Future Together 2024 – 2044) is currently under development, as is the Smart Specialisation Strategy, both

² More on an anecdotal note: A project’s name should serve as its shortest summary, meaning it should tell the reader what the project is about. The E in IME points at employability, which is a supply side issue of improving people’s skills, so they are better employable in the labour market. But IME is mainly about demand side issues and very little about employability.

strongly referring to employment and competitiveness. The latter has agribusiness and ICT amongst its 4 policy priority sectors. The challenge with aligning to government priorities is more related to financing and implementation and all too often these strategies remain nice, often political documents leading to little real changes for the country, its SMEs and its people.

Recommendations:

- **R1:** SDC to agree with IME in writing – for instance as part of the management response to this MTR - that the **main relevance for IME phase 2 has shifted from a focus on job creation to a focus on SME competitiveness**. The job creation target is less in focus (see also Annex 5 for a proposal for a Strategic Framework for phase 3), but a **LogFrame revision at this point of phase 2 implementation makes little sense**.
- **R2:** **Include reflections on job creation** (and related targets), decency of jobs and SME competitiveness emerging from this review into the development process of the new Cooperation Programme 2025 – 2028 in line with newest discussions on employment and job creation within SDC (see SDC Slide Deck on Private Sector Development).

R1 and R2 should be implemented with immediate effect, starting with the submission of this report.

Question 2	➤ Relevance of sector selection: Were the three sectors selected the right sectors in terms of maximising results achievement for people in North Macedonia
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IME phase 2 has selected three so called sectors to engage in, namely Adventure Tourism (AT), Sustainable Agriculture (SA) and Information and Communication Technologies (ICT). This selection is based on experiences in phase 1 which focussed on five sectors, namely Tourism & Hospitality, Organic Agriculture, Sustainable Building, ICT and Product Design. The End of Phase Review of Phase 1 recommended that ‘less is more’ meaning that a more compact programme with less sectors would allow deeper systemic changes and scale to be enabled in phase 2 (see Phase 1 End of Phase Report). Based on criteria such as ‘potential for job creation’ and ‘employment’, ‘potential for income generation’ and ‘potential for sector growth’, as well as the possibility for ‘continuity’ and ‘scale’ the five sectors were reduced to three in IME phase 2. The focus of work was defined to be national as the country is small with stakeholders within sectors geographically scattered. During implementation of phase 2, the IME team came to the conclusion that with the ICT sector’s strong export orientation and its focus on service outsourcing, rather than product development, as well as with its comparably high liquidity and large density of other donor projects with different budgets and more versatile instruments (e.g. start-up support, acceleration funds and instruments), it **makes sense for IME to not work in ICT as a stand-alone sector, but define it as digitalisation supporting both SA and AT** in their modernization efforts. We consider this the right decision, as it strengthens synergies and leverage effects between the different sectors which were operating too much as stand-alone projects before. We doubt though that by defining the system boundary as national, strong pathways to systemic change are possible to be shown and we will make the case in the forward-looking part of this evaluation report that the **entry point for IME, as well as the system boundary for measuring systemic change success, should be at sub-national level** (=the local destination, the local economy).

In general, we consider the sector selection for phase 2 to have been right as it provides a strong continuity from phase 1 and allows the capitalisation on the strong relationships and experiences started during phase 1. This has been facilitated through the transition of key sector experts in tourism and agriculture from phase 1 into phase 2, despite a change in implementing organisation. We are of

the view that the rationale for selecting agriculture and tourism becomes even stronger when looking at the importance of rural employment and local economies in North Macedonia, criteria which were implicitly there in the sector selection. If the selection is made purely based on need for employees all the three sectors – and many others for that matter – would qualify. If we are assessing the potential for the creation of well paying, decent jobs, ICT would have to top the selection, as it is very challenging to create more decent jobs in both tourism and agriculture, not only in North Macedonia, but globally, although stimulating entrepreneurship in both tourism (e.g. experience providers) and agriculture (e.g. small agribusinesses) supported by increased digitalisation and modernisation can support the process of creating more decent employment and self-employment in both these sectors.

We are also of the view that a ***critterion focussing on supporting a fair, green and sustainable transition of economies and societies*** – also a priority for the EU, towards which all eyes in North Macedonia are looking, and for Switzerland in their global engagement – ***should feature in a selection or sharpening of the sector focus for IME***. In this sense, agriculture and tourism both have high potential to support this process, more so than many other sectors.

Looking at where there is a niche in terms of not having too many other development actors engaged and looking at IME's track record and in-house expertise, both tourism and agriculture are good selections.

In summary, the selected sectors and the re-configuration of ICT into a digitalisation supporting functions for the other two sectors, is the right strategic focus for IME phase 2 and a potential IME phase 3. We would argue to put stronger weight on criteria like rural employment potential, green and sustainable transition support, as well as IME's niche and expertise, compared to other criteria, such as potential for job creation, need for employees and decency of jobs.

	Sustainable Agriculture	Sustainable Tourism	ICT
Need for Employees	***	***	***
Potential for decent jobs	*	**	***
Rural employment potential	***	***	*
Supporting green/sustainability transition	***	***	*
IME Niche (not many other projects)	**	***	*
IME Expertise (track record and in-house expertise)	***	***	*

Table 1: Criteria and Sector Selection

Recommendations:

- **R3:** Sector selection and strategic set-up with agriculture and tourism as vertical sectors and ***digitalisation as transversal function to be maintained*** and sharpened.
- **R4:** Further ***strengthen synergies between agriculture and tourism***, for instance by looking at agritourism experiences and agricultural input supply chains for the hospitality sector.
- **R5:** Conceptualise ***tourism more broadly as sustainable tourism*** and not narrowly as adventure tourism, as destinations cannot become more sustainable by mainly focussing on one niche segment only.
- **R6:** Important ***not to be too dogmatic with sector boundaries*** in particular if approaching more from a local economic development logic, as underlying constraints to sector challenges in a

specific location lie often within other sectors or supporting functions, e.g. energy or construction regulations can be a crucial bottleneck to sustainable tourism (e.g. Krusevo).

R3 – R6 can be implemented gradually from this point forward.

Question 3

➤ **Internal and external coherence:** Is the project well aligned to the main country priorities, needs and initiatives in North Macedonia? How well does it fit with other SDC projects in North Macedonia?

External coherence of IME is high as the project is working on key issues for the accession of North Macedonia to the EU, namely competitiveness of SMEs (e.g. productivity issues, increasing standards, market access) and employment issues (e.g. increasing quality of workplaces). There is in particular a strong alignment to the Smart Specialization Strategy (S3) which is a key condition for EU accession, and which is currently in finalisation. IME is aligned to two of the S3's four key policy areas and sectors, namely smart agriculture and ICT, and had an important role in the preparation process of the strategy. In general, IME is perceived by public sector representatives as **highly demand oriented** and well aligned to national and local priorities, as well as flexible to adapt to changing priorities, whenever they are within IME's broader mandate.

Looking at other development partner interventions, there is good collaboration between Switzerland, the EU and the US at donor level. There is less close collaboration with other development partners, such as the German cooperation, even though they are working on many similar issues. This is more an issue of set-up, as the SDC peer – the BMZ – is not locally present and most projects are driven and implemented by GIZ, which is more perceived as an implementer by other donors. Also, most German funded projects have a cross-national character and are therefore more likely to engage with other projects with similar mandates. Our perception is that the **density of development programmes working on similar issues in a comparably small country is very high** and it is sometimes challenging to find a real niche where support is needed to make an attributable difference. As evaluators we are seeing a certain culture of '**dependency on development programmes**' or 'shopping for development funds in the absence of accessible support from government or financial institutions' which undermines to a certain extent the strengthening of systems and national institutions. This is partially triggered by the current political blockage in government leading to many stalled reforms and little hope for change on the public sector side. In consequence, many good and competent people are leaving government institutions to find employment in development programmes which undermines the strengthening of the very systems many development programmes were set-up to strengthen.

Looking at internal coherence, IME fits well into the Sustainable Economic Development portfolio of Switzerland in North Macedonia. Again here, our view is that the density of projects which are working on similar issues is quite high. Cases in point are:

- IME and SIPPO both working on tourism and both working with the same partners at national level
- IME and Swiss EP both working on ICT and entrepreneurship
- IME and the upcoming new Modernization project both working with SMEs potentially in similar areas

This is not a problem as such but puts higher demands for strategic portfolio management on the SDC Cooperation Office's side. While our impression is that this is managed well in principle, there is a

tendency to delegate synergy creation out to projects which have little inherent incentives to find synergies, in particular if they are implemented by different – often competing – entities. In consequence, synergies are found, but tend to be operational and activity based and are often less strategic.

When looking at IME specifically, we are of the view that **IME does as much as it can when it comes to collaborating with others**. IME's proactive approach is highly appreciated by all other projects we have talked to and is commendable.

Recommendations:

- **R7:** For Switzerland, **further strengthen donor coordination** in line with government priorities, for instance in the frame of the implementation of the S3, and engage more pro-actively with non-traditional donors, such as GIZ on Sustainable Economic Development (e.g. the EU for Economic Growth – EU4EG - Programme).
- **R8:** For Switzerland, **further strengthen portfolio management** to incentivise more strategic collaboration between projects (=do not leave synergy finding up to projects mainly).
- **R9:** Integrate the **strategic collaboration with others explicitly as output for IME 3** with deliverables associated to it.

R7 and R8 to be implemented from here onwards, whereas R9 is more to be included as part of the design of phase 3.

4 Effectiveness, Impact and Sustainability: Results, Lessons Learned and Recommendations

This chapter discusses results achievement of IME phase 2 at the level of outcomes, impacts and in terms of sustainability. Our assessment is mainly based on observations during the field mission, on interviews with key stakeholders and SMEs, and on a review of IME Semi-Annual Reports, the LogFrame and the Monitoring and Results Measurement (MRM) manual.

Question 4

- **Results at beneficiary level:** To what extent has IME phase 2 achieved results at the level of ultimate beneficiaries (quality employment, income)?

Question 5

- **Sustainability of results at beneficiary level:** What is the likelihood of these results to last over time?

It is difficult to respond to questions 4 and 5 in a conclusive manner, especially as a detailed impact assessment was not part of the ToR for this review process. The project does not work directly with end beneficiaries (e.g. employees in new or better jobs), so it is difficult to get a direct account on results from ultimate beneficiaries, but it works through SMEs, who are creating employment and income opportunities. Its main tool for direct outreach to SMEs is the Opportunity Fund from which 39 companies benefitted from a total project investment of CHF 0.4 Mio over the course of the phase. The **main challenge when assessing results at this level is attribution**, as most OF applicants had the idea which was financially supported themselves and would have likely done it anyway at some point, but **IME's support either bought down risk, bought time or supported survival** during very difficult economic times (e.g. COVID-19). Most of the companies supported by IME were selected in a rigorous process and almost all of them are still operational today, some of them thriving. While it is very difficult to say what would have happened to these companies without IME support in dynamic and

complex markets, it is likely also **not mainly thanks to IME support that they are still alive**. Our main concern is related to the instruments of the OF and the CF, which not always appears to be very strategic, but more a form of quick finance supporting disbursement and high-level target achievement on IME's side, but has limited power without being embedded in a comprehensive support strategy beyond the financing of a couple of snowshoes or stand-up paddle boards. On the other hand, the OF and CF had their value during COVID-19 as means to access funds in very difficult times and as an instrument to pilot and test ideas. It seems obvious that impact level results are better/more sustainable for those SMEs where support has been **more longer-term, more strategic beyond OF financing only**, but including advisory and marketing support and where **complementary interventions with business development service providers and enabling environment actors are mutually reinforcing** (e.g. within the tourism destination of Krusevo, within the organic hazelnut value chain).

The **project measures impact twice a year, which is in our view an overkill** putting too much burden onto companies who must fill in forms which they often do not fully understand. Most companies in agriculture and tourism have one main season over the course of one year and half-yearly reporting does add little to no additional information to the project. It is also not standard practice for reporting to SDC which normally requests only annual impact information.

IME is reporting its impact level achievements as indicated in below table (as per June 2023) with high confidence of achieving all impact indicators by June 2024, with exception of net income at individual level which is overachieved and corrected upwards due to legal changes in minimum wages and inflation adjustments, and firm income which is corrected downwards from CHF 26 Mio to CHF 20 Mio.

IME Log Frame Indicators		Target 2023	Up to June 2023	Achieved	Target June 2024
IMPACT					
Overall Goal: More unemployed and underemployed, in particular the youth and women, are engaged in sustainable, decent employment or self-employment and/or are earning higher incomes. (Youth disaggregation for ages 15-24 and 20-29)	Number of full-time equivalent jobs supported	2,706	1,639	61%	2,706
	direct	1,080	674	62%	1,080
	indirect	1,626	966	59%	1,626
	jobs are filled by youth (19-29) *	1,624	803	49%	1,624
	jobs are filled by women *	1,218	662	54%	1,218
	Sustainable Agriculture	659	845	128%	659
	Adventure Tourism	1,245	399	32%	1,245
	Information and Communications Technology	802	396	49%	802
	Change in income-individual net	2,000,000	4,433,851	over	6,000,000
	Change in income firm	26,000,000	14,024,166	54%	20,000,000

Table 2: Impact Indicator Achievements and projections for June 2024

The **monitoring system** and the manual describing IME's MRM processes is **very sophisticated** and has been mock audited according to the DCED standard in 2020 with comparably positive feedback,

meaning the auditors' confidence in the quality of the monitoring system and processes is high. While we share the impression that the project takes a lot of care in applying a DCED aligned MRM system and does a good job in doing so and explaining why it does it the way it does, we have the following concerns:

- The ***balance between the amount of data collected and analysed versus the amount of data needed to steer a project*** of the size of IME in an adaptive manner ***is in our view off***. Perceived pressure for delivering high level quantitative targets for accountability purposes is in our view at the heart of this and comes at cost of often more qualitative data needed for steering.
- The project works with ***multipliers*** to estimate employment effects. While multipliers can be a cost-efficient way to do so (see also Posthumus and Miehlbradt, 2018: Using Multipliers to Estimate Impact), they bring along ***many methodological challenges***, such as:
 - How to reliably develop a multiplier for whole sectors which operate in ***very complex interactions with other sectors*** and may have location specific dynamics. Multiplier effects in tourism in Krusevo are likely going to be different than effects in Skopje. Multiplier effects in Swiss export oriented organic hazel nuts are likely quite different from fresh fruit value chains destined for the domestic market.
 - ***Multipliers likely change over time*** with change in sector growth and dynamics...COVID-19, one of the key external shocks during IME phase 2, was a huge disruptor to any sector and will have had considerable changes in sector dynamics.
 - ***Attribution is incredibly challenging***, in particular with projects trying to work systemic in complex interrelated systems...it is very difficult for a multiplier to do justice to that.
- The core ***reporting of IME is very much oriented towards quantitative data*** which says little to nothing taken out of its context. While the project collects a lot of valuable, qualitative data, it does not come through well enough in its main reporting channel (the Semi-Annual Reports). As reviewers, we often felt that it is difficult to understand the change story when going through IME's operational reports which are ***oriented towards a non-sector aligned LogFrame***, whereas systemic change pathways in the context of IME can only really be understood when thinking in sectors. The project has generated a lot of high-quality documents and reports, such as for instance sector strategies and impact stories, but they are getting lost behind the core reporting channels.
- We find the ***impact level data difficult to 'believe'***, if attribution of job creation and income to IME's work is supposed to be strong. Our concern comes from the fact that we had a project phase with unprecedented external shocks leading to the eradication of thousands of jobs, in particular in tourism and agriculture, while impact level targets remain unchanged and are apparently reachable by June 2024? Also, by looking at sector data from official statistics³, the job creation and growth claim is at odds with sector statistics rather showing that total employment has gone back, although there is a clear recovery pathway visible in the statistics.

³ Reliability and availability of data is a concern, so numbers must be interpreted with some care. Also, the overall sector data does not necessarily represent what has happened in the specific sub-sectors or sub-value chains IME has engaged in (e.g. active tourism may have had a much more positive development compared to tourism as a whole).

	Total graduated students	Total employed (F/M)	Average salary	Total active enterprises	Share in GDP (in %)
2019	126	111,033	20,069	2,605	8.2%
2020	78	95,545	21,749	2,414	8.7%
2021	118	91,506	22,831	2,342	7.8%
2022	89	69,143	25,452	NA	7.2%
Q1 2023	NA	44,414	27,720	NA	6.7%

Table 3: Agribusiness Sector Statistic (State Statistical Office, North Macedonia, 2023)⁴

	Total graduated students	Total employed (F/M)	Average salary	Total active enterprises	Share in GDP (in %)
2019	250	34,333	18,315	4,777	2.5%
2020	248	33,799	18,045	4,694	1.7%
2021	220	28,775	20,011	4,704	2.8%
2022	249	24,492	23,693	NA	3.6%
Q1 2023	NA	26,129	25,342	NA	NA

Table 4: Tourism Sector Statistics (State Statistical Office, North Macedonia, 2023)

We are of the view that the credibility and usefulness of the initial target setting for IME phase 2 could have been questioned earlier but understand that this is difficult to do in the midst of a phase without an external perspective. In addition, most recent discussions on job creation and the costs for creating jobs (see also SDC PSD Slide Deck, 2023) are pointing towards much more modest results when it comes to job creation potential through development projects. A scientific model example from the World Bank in Tunisia has calculated how many direct jobs could be created with a USD 10 million investment in different sectors and concluded that in the best case/sector around 300 direct jobs are created resulting in a cost of USD 30'000 per job. Numbers for agriculture and tourism as sectors are much lower at below 200 or just above 100 direct jobs. ***Our point here is less to say that the project did not report its results right, but that the overall focus on job creation is the wrong one and should be revised.*** The discussion above shows also ***how difficult it is to adequately interpret a complex indicator*** which can only be understood within a specific context and connected to a broader change story. It is for these reasons that many MSD projects steer away from measuring job creation as a standard impact indicator.

⁴ **Note:** in both tables 3 and 4, the average salary increase is not necessarily related to improved working conditions, but contains inflation adjustments

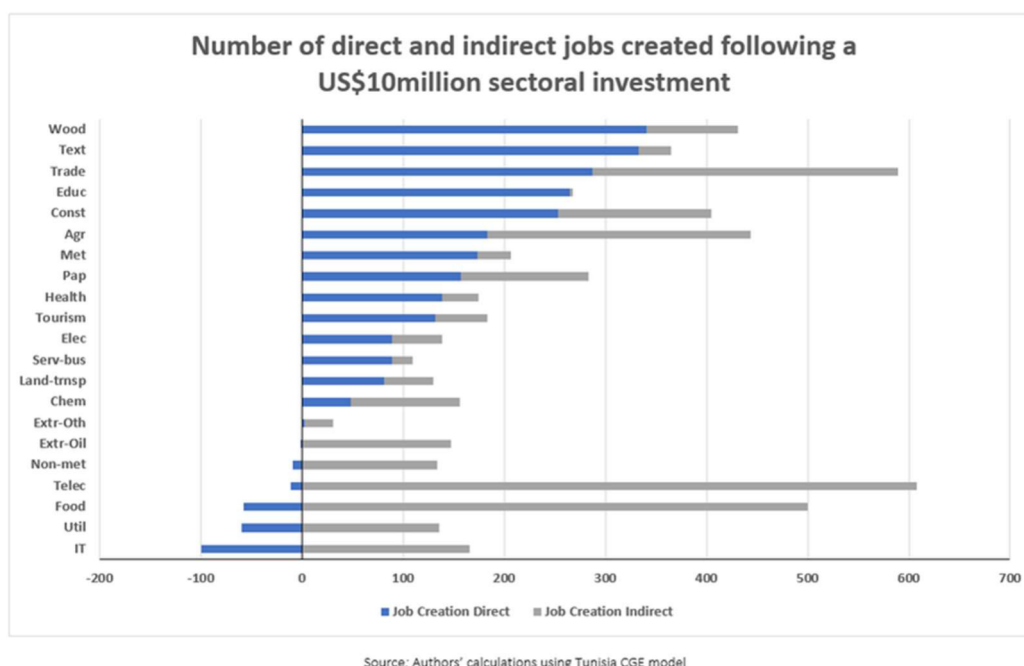


Figure 4: Rightsizing expectations on job creation through donor projects (World Bank, 2018)

Similar to our discussion of question 4, question 5 is difficult to answer. The resilience and sustainability of jobs and incomes in sectors such as agriculture and tourism has been put to its toughest test during COVID-19 and the subsequent challenges related to global supply chain disruptions. Many of the business which were supported through IME in phase 2 were able to thrive despite these external shocks and in particular Opportunity Fund beneficiaries managed to stay afloat in very challenging times with limited to no support from their own government. The sustainability of results at employment, income and SME level is linked to IME's ability to stimulate systemic changes, as changes in policies, practices and institutional capacities of key system actors will provide a more enabling environment for SMEs to thrive. There are in our view many important results IME has achieved in this regards, as will be shown below, but a final phase with an even stronger strategic focus would further increase sustainability potential and overall return on investment for Swiss tax payers.

Recommendations:

- **R10: Adjust reporting towards SDC with a stronger focus on off-LogFrame reporting** using qualitative information providing a good story in each sector connecting interventions with systemic change pathways.
- **R11: Adjust reporting cycle to either only have one yearly narrative report or at least only one report during the year reporting on impact.** The implication of this will be to reduce the frequency of data collection from companies, use wherever possible company standard reports publicly available and rather spend the gained time discussing real life challenges with stakeholders in the field.

R10 and R11 are recommended to be adjusted with immediate effect.

Question 6	➤ Results at system level: To what extent has IME phase 2 achieved results at the level of system stakeholder's capacity to keep delivering positive change for enterprises and people?
Question 7	➤ Sustainability of results at system level: What is the likelihood of these results to last over time? What further needs to be done to ensure sustainability ?

IME can evidence some great results when it comes to contributing to systemic change, for instance:

- **Changes at the level of the tourism destination Krusevo:** IME entered Krusevo in phase 1 by stimulating the development and promotion of paragliding through the work with an anchor firm/ambassador which managed to pull along the adventure tourism market segment and led to the transformation of Krusevo as tourism destination. By working at the same time with different actors within the local tourism value chain (e.g. operators, hotels, restaurants) and by engaging with local policy makers, IME has had an important influence on the whole local destination.
- **Changes in the organic Hazelnut value chain:** IME linked the organic hazelnut producing family enterprise Nelkoski Organic with Swiss retailer Coop and invested together with Nelkoski into the necessary post-harvest equipment to meet Coop's standards. IME further supported Nelkoski to increase its network of suppliers through support to the association Eko Lesnik, while Coop delivered advisory services to Nelkoski to further improve quality and reliability of the production. This helped to establish a mini market system which has chances to sustain over time.
- **Changes in access to credit for SMEs:** By identifying access to credit as a key challenge many SMEs face, IME started to engage with the National Development Bank of North Macedonia to digitalise the access to credit process to make it easier and cheaper for banks to access finance. This has now developed into a regular service of the National Development Bank of North Macedonia which opened an initial credit line of CHF 1.2 Mio. This digitalised access to credit process will benefit many more SMEs even beyond the lifetime of IME.
- **Changes in agricultural policy:** In order to support market access of small food producers, through Slow Food Macedonia, IME supported a revision of the legal framework for processed products from plant origin which led to the drafting of the Flexibility Rulebook. This Rulebook has been adopted by the Government of North Macedonia and allows small producers to legally sell their products on the market providing important additional income opportunities.

The following table shows success factors in IME's work increasing the chances for more/deeper/sustainable systemic changes. In a similar manner, the lack of these success factors leads to decreasing chances for such changes to take place. We are of the view that in particular those Opportunity Fund Interventions, which were not sufficiently connected to more longer-term and complementary support, may have led to some success at the level of the supported individual SME, but have otherwise led to limited systemic changes. In that sense we think the OF may have been an interesting instrument in early-stage phase 2 work to generate ideas and during COVID-19, but it is an instrument we would discontinue in a phase 3 and **focus on more strategic partnerships with fewer anchor firms/change makers/champions**.

Success Factors	Explanation
▪ Having a local champion to drive change	▪ A local champion with strong own incentives and motivation to drive change is key to success of change initiatives; in Krusevo, the paragliding pioneer Igor Todevski was crucial as a partner of IME, similar to Krusevo's Mayor who sees tourism as the key priority sector for the local economy.

- Working with an anchor firm with influence over supply chain
- Longer-term engagement with partner to support in tailor-made manner based on demand and incentives
- Broader support beyond finance, but including training and advice
- Complementary interventions with other actors in the same 'system/

- Nelkoski is an anchor firm which needs to collaborate with local producers to be able to provide the necessary quantities and qualities for the market. It has strong incentives to invest into capacity of its supply chain, like Coop which is keen to ensure reliable and quality supply.
- Bringing about changes in 'systems' needs time and typically takes one season (=one year in agriculture and tourism) to pilot an innovation, two more seasons to proof its success and then one to two more seasons to anchor it in some form within local systems. This leads to an engagement of typically around 4 – 5 years or a full project phase.
- Challenges of SMEs are almost always multi-faceted and need to be addressed at the time of when they occur. Working alongside partner companies supporting with the right tool at the right time is crucial. Just financing an idea is often not enough to lead to systemic changes.
- Systems are characterized by diverse actors engaging with each other in different ways. Systemic changes almost always involve several actors and their relationships, if they are to sustain over time.

Table 5: Success Factors when Planning for Pathways to Systemic Changes

When discussing systemic change, it is important to ***be clear about the definition of the 'system'***, its boundaries and how systemic change is evidenced. While the MRM manual gives a good and detailed explanation and proposes the use of the AAER framework⁵ for the evidencing of systemic change (see Annex 6 for some examples), ***the system boundary definition could in our view be clearer***. IME works at the same time in ***multiple systems of different sizes***, including for instance the labour market, the national economy, national sectors, individual value chains, sub-national destinations and local economies, whereas the ***implicit expectation in terms of systemic change to become visible is in general the national level***. As we will argue below, we are of the view that the definition of the system size within which realistically changes can be expected through a project of the size and resources of IME should be in general smaller. This will also make it easier to relate interventions with individual firms to changes within (smaller) systems. This also points to the fact that systemic change has a lot to do with ***realistic expectation management***: seeing broader national level sector changes is in most cases not realistic, in particular in a political environment which is not enabling for reform and private sector development, such as is the case in North Macedonia throughout most of phase 2.

In conclusion: IME has ***contributed to some systemic changes at different levels***, but broader, sector-wide systemic changes which are reasonably attributable are not (yet) visible, neither are they realistic for an externally funded project like IME. Part of the challenge is in our view the fact that the story which connects interventions at micro level/SME level (e.g. the many OF interventions) with systemic changes – the so-called ***pathways to systemic change – is not sufficiently clear***. Again here, the reporting structure aligned to the fairly sector agnostic LogFrame does not help.

Recommendations:

- **R12:** In preparation for Phase 3, ***clarify and sharpen the definition of systems and system boundaries*** and manage expectations for change accordingly (see also recommendations on phase 3 set-up). This is not contradictory to R6, if systems are defined as sub-national geographic or economic spaces.

⁵ Framework often used in MSD projects, in particular to assess the uptake and intake of innovations into a system.

- **R13: Improve management for systemic change**, by using more qualitative data focussing on behavioural change of system actors and by showing clearer pathways to systemic change. The Overview Paper on the Pragmatic Approach for Assessing Systemic Change (see Posthumus et al, 2020) offers interesting suggestions on how to do this. We particularly recommend considering the use of the complementary perspective of the intervention lens and the system lens.

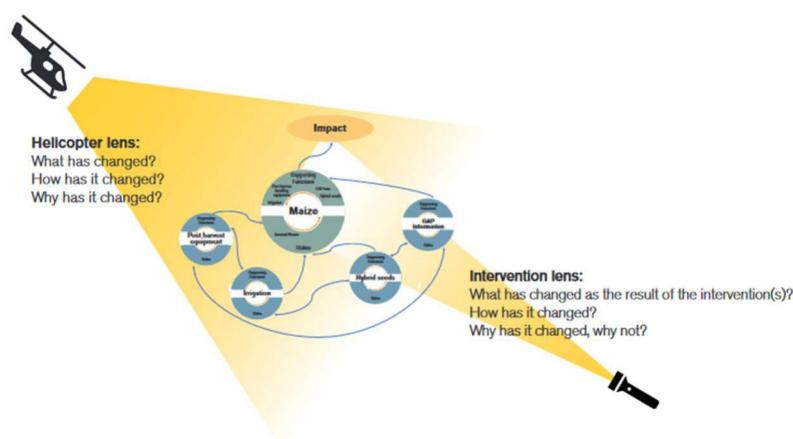


Figure 5: The Intervention and the Helicopter Lens for the Assessment of Systemic Change (Posthumus et al, 2020)

R12 and R13 are to be gradually implemented in the build up to phase 3.

Question 8

- **Results for women and young people:** To what extent was IME phase 2 able to deliver transformative results for women and young people?

Assessing reported results as per LogFrame, IME has achieved 49% of its youth target and 54% of its women target by June 2023. The project is confident to reach 100% of the 1'624 jobs filled by young people and 100% of the 1'218 by June 2024. The same methodological challenges apply as discussed in previous sections.

In terms of transformative results, the question is again how much can realistically be expected. We are of the view, that expectations have to be comparably limited in this regard, in particular when working in a more facilitative manner predominantly on the demand side of the labour market. While transformative results as such may not be visible (yet), the **project has made some very valuable contributions to incentivise women and young entrepreneurship** (e.g. through specifically targeted OF or FITD calls or Brainster's Management and Leadership Acceleration Programme) **and to positively influence HR management practices in companies** (e.g. VITA institutes Employer Branding Academy). Many of these interventions are continuing now even without further IME support, such as for instance the Brainster Leadership Academy or VITA's Employer Branding Academy including gender and youth topics.

IME applies a gender and youth lens throughout the project management cycle, for instance:

- In the context and sector analysis (see ProDoc Annex C)
- In the selection of sectors and interventions (agribusiness and tourism both offer job opportunities for young people and women, in particular as well in rural areas, while ICT offers decent job opportunities for both women and young people).
- In the development of sector strategies
- In the design and implementation of its instruments (e.g. OF criteria, FITD criteria)

- In its MRM practices

IME also lives by example with a gender-balanced team and a 100% position for a Gender and Youth Inclusion Lead. The position is held by a Senior Team Member with a strong track record in private sector development, which facilitates collaboration with other team members.

Recommendations:

We recommend to further discuss the following aspects related to Gender and Youth Inclusion in the build up to phase 3:

- **R14: *Separate the topics Gender Equality from Youth Inclusion*:** The needs and challenges are different for the two target groups and by lumping them together under one heading one risks of treating them as being more similar than they are. The SDC term of Gender Equality and Social Inclusion (GESI) in general may offer a better implementable category where further guidance from within SDC is accessible.
- **R15: *Develop a light touch strategy for Gender and Social Inclusion*:** While the topic is well integrated into all sector strategies, it would illustrate in a more strategic manner how GESI is applied throughout the project management cycle. Currently, there is no strategy available.
- **R16: *The current strategic framework has a tendency to 'silose' the gender and youth topic into outcome 3*:** Most gender and youth specific interventions are focussed on outcome 3, which implicitly may reduce their importance when working on outcomes 1 and 2. This may come at the cost of truly making gender and youth inclusion a transversal topic.
- **R17: *Transformative gender results can only be achieved, if one works systems from the demand side, the supply side and the matching side*:** IME is per definition more focussed on the demand side (SME job creation and quality of jobs) and works only to a limited extent on the supply side (e.g. skills development) or the matching side (e.g. career guidance, matching). If the ambition is to achieve more transformative results, the focus on 'demand side only' would need to be relaxed.
- **R18: *Strengthen linkages to SDC Gender Equality Network*:** It would be valuable to further strengthen linkages to SDC and other SDC-funded projects in North Macedonia and the Balkan region to discuss about possibilities to bring about gender transformative results in SME competitiveness and employment related projects, as there are interesting experiences to learn from (e.g. E2E in Serbia).

Question 9

- **Additionality:** What was IME's additionality in bringing about positive change in each of the three sectors? Did the project substitute other existing functions, funding sources or instruments?

First on terminology: Results are additional if they are beyond the results that would have occurred in the absence of IME phase 2. That is, results are additional if they go beyond what would have been expected under a Business As Usual counterfactual. Attribution is similar, but more concerned with isolating who can realistically claim responsibility for the result thanks to their financial support. Contribution is a more commonly used approach in complex development projects, where it is difficult to construe clear causal relationship and their specific influence on results.

Without having a detailed impact assessment at hand to provide any counterfactual, we perceive IME's additionality as follows:

- **Access to finance:** IME provided grant financing through the OF for SMEs which would in many cases have not been 'bankable' or not have received favourable loan conditions from banks. IME also linked SMEs with access to finance consultants which supported SMEs in accessing loans from different sources in the broader marketplace.
- **Access to advice:** IME provided advice to SMEs, either directly through its own experts in the team or through linkages to service providers.
- **Access to markets:** IME provided SMEs opportunities to access new markets either directly through their own networks or by providing access to consultants with market access expertise.
- **Access to skills:** IME linked SMEs, service providers, BSOs and policy makers to experts which provided them with new skills sets.
- **Access to community and networks:** In many cases, often not even consciously planned, IME supported connections between entrepreneurs, between different projects, between SMEs and service providers, which is one of the biggest additionalities a project can have: contributing to the building up of (eco-)systems.

When looking at additionality it is also important to be clear about the context reality in North Macedonia. There are many development projects very keen to work with the strongest private sector players available in a comparably small marketplace, in particular in absence of strong public sector counterparts and the following quote from one of the interview partners during the review is telling: *'If it is not IME, I will find money somewhere else.'* But then in the same interview and many other times we heard: *'But IME is different to others...more flexible, more engaged, more PS oriented, more in it for the longer-term.'* ***The additionality of IME is hence less in the 'what' it does, but more in the 'how' it operates and in 'who they are' as individuals and team.***

The second part of question 9 refers again to the issue of delivering services directly versus facilitating change through system actors. As mentioned elsewhere, we believe that IME could be more consistent when analysing certain service functions and ***develop clearer exit strategies at entry to any kind of intervention.*** Case in point are again issues linked to access to finance: the OF cannot be a permanent mechanism and the finance the OF currently provides to SMEs will need to have to come from somewhere else in the future. Or the A2F consultants which are not yet independently operating in the market⁶ but are attached to Palladium and its projects. It is that ***future vision of a – as much as possible - donor-independent service which should drive intervention design.***

Recommendations:

- **R19:** Come away from a strict attribution approach and ***work more towards a contribution logic*** in intervention design, management and reporting.
- **R20:** Be ***more consistent in developing exit strategies at entry*** for all activities – doing this only for the intervention level as defined by IME in phase 2 is in our view too broad -, and work towards building the necessary capacities within the different systems.

R19 shall form part of the design process of phase 3, whereas R20 can be implemented from here onwards.

⁶ Independent here refers to the consultants only doing what they are doing because of IME (and other projects), but not because of there being a clear market-based business case (=companies demanding and fully paying for services of consultants).

Question 10 ➤ **Scale:** To what extent was IME phase 2 able to deliver sustainable impacts at scale?

Scale is well defined and aligned to DCED standard practice as per the table shown below. Taking into account that the project started with a new implementer and dealt with significant external context challenges during phase 2, the project has in many ways not yet entered scale-up mode but is at the point where interesting business models are establishing themselves and could be supported for further scale-up. Quoting from the project's MRM manual (page 42) '*... as the programme continues implementation, IME will continue to monitor sectors to better understand and identify pathways of systemic change which are occurring or can occur.*' It is these different scale pathways which should be described with more clarity in the build-up of phase 3.

Up-scale phase	Same area	Other areas
Same partner	- The partner takes the business model and scales it up without support, or - The business model might not be sustainable (enough) and may need slightly longer-term support, or - A new or adapted business model is introduced and may require a new intervention	- The proven business model should be attractive enough to be replicated by the partner without support. However, due to differences in the context or the need to adapt the business model to the new area the program may repeat the same intervention, possible with a reduced contribution from IME
Other partners	- Crowding in may happen spontaneously, or - The program may stimulate crowding-in, the programme may replicate the intervention (possibly with the same or adapted business model, possibly with reduced contribution from IME	- Crowding-in may happen spontaneously or the programme may stimulate crowding in. If not, the same intervention may need to be replicated in the new area with the new partner, possibly with reduced contribution from IME.

Table 6: Definition of Scale as per IME Phase 2 MRM manual

One way of doing so could be by defining systemic change and scale strategies for different interventions and assess them according to criteria which describe the quantity and quality of the scale achieved. A possible format for this could look as follows:

Systemic Change and Scale Strategy	Breadth of Change and Scale	Depth of Change and Scale	Quality of Change and Scale
Local Anchoring in ...			
<i>Policies</i>			
<i>Governance Structures</i>			
<i>Governance Processes</i>			
<i>Key Institutions / Service Providers</i>			
National Anchoring ...			
<i>Policies</i>			
<i>Governance Structures</i>			
<i>Governance Processes</i>			
<i>Key Institutions / Service Providers</i>			
Replication of ...			
<i>Business Model</i>			
<i>Governance Structure or Process</i>			

Table 7: Format to Define and Assess Systemic Change and Scale Strategies

It is also important to look at systemic change, scale and sustainability in relation to high impact targets and the trade-offs this brings along. Figure 4 below illustrates this: the black curve shows a trajectory towards which IME phase 2 is pushed through its high impact targets. This may result in high quantitative outreach targets at the end of the phase, but may over time lead to reduced scale, as the necessary systemic changes were not brought about. The orange curve illustrates a more ideal systemic change trajectory which compromises on high impact numbers during parts of the project implementation phase, but will reach much higher scale over time, as sustainable changes have been brought about within the systems the project engages with. IME needs to be incentivised to work more towards the orange curve from here onwards and throughout phase 3.

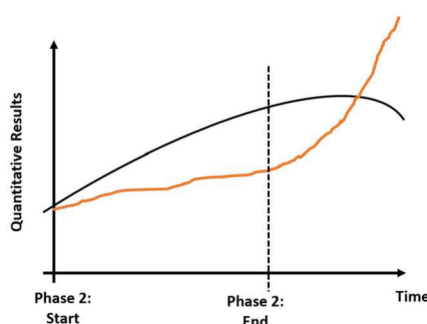


Figure 6: Trade-offs between systemic change, scale and sustainability

Recommendations:

- **R21:** Develop clearer, practical **definition and framework for systemic change and scale**, and weed out activities and interventions which are not contributing to such changes (see also R12 and R13).
- **R22:** Work less directly in the core market function, but **more on supporting functions and enabling environment issues**, as this strengthens systemic change, sustainability and scale (see Annex 7).

Both R21 and R22 can be gradually implemented from here onwards.

Question 11

- **Delivery Instruments:** To what extent can the different delivery mechanisms (opportunity fund, fund for innovation, etc.) be considered effective? How strategic and risky are they? Was the Opportunity Fund a suitable instrument for coherent strategic market system changes or did the respective calls end up in supporting random SMEs looking for cheap funding support?

The effectiveness of different delivery instruments needs to be assessed according to when within the project trajectory they were applied. Some instruments may serve for piloting and testing, whereas others are more valuable for finding scale and systemic change. IME refers to 7 different instruments, including:

1. Opportunity Fund (OF) working through open calls according to certain criteria to which SMEs can apply, but need to bring in at least 50% co-funding
2. Challenge Fund (CF) working in a similar manner to the OF, but for smaller amounts and smaller SMEs
3. Government Fund for Innovation and Technology Development (FITD), a World Bank initiated, but now government institution for funding innovation in the private sector

4. Access to Finance (A2F) Consultants supporting SMEs to find bank loans or finance from other programmes (e.g. IPARD)
5. Access to Certification (A2C) Consultants supporting SMEs to get certified, mainly according to organic standards
6. Business Service Organisations (BSO) to support SMEs in policy advocacy and provide services to them
7. Private Sector Engagement (PSE), an SDC shaped modality working on equal terms with larger private sector companies or private foundations to leverage their expertise and funds for a broader development purpose.

The table below shows how we assess the effectiveness of each of the instruments and how we would deal with the instrument in a potential phase 3. In summary:

- The OF and the CF may have made sense at the beginning of phase 2 to generate ideas and support SMEs throughout a difficult time, but they are ***not sustainable as mechanisms, potentially undermining other, more institutionalised funding mechanisms*** – e.g. the FITD - and are ***not the most strategic instruments***, unless they are well connected to a broader support strategy. It is the latter, which is not always obvious to us as evaluators, when assessing some of the OF and CF supported initiatives.
- The FITD is an existing and institutionalised mechanism which is likely to stay for the foreseeable future, although there are discussions ongoing about merging it with the Agency for Entrepreneurship which would affect its mandate potentially away from IME's core focus. FITD's effectiveness depends a lot on leadership and politics, which makes it risky, but as a institutionalised mechanism which allows to leverage government funds through development money, it is ***worth exploring on how IME can keep contributing to make the fund more effective***, not just by running targeted calls through FITD, but also by institutionally working on processes of fund management, if there is willingness on FITD's side to receive this kind of support. It is also important that FITD only supports SME initiatives which are otherwise not bankable to not undermine commercial access to finance services.
- A2F, A2C and BSOs are not instruments to deliver results, although this seems to be clear to the project. We would recommend ***going back to the following 'who does – who pays analysis'***:
 1. What are the underlying constraints the 'instruments' of A2F, A2C and BSOs were supposed to help address?
 2. What supporting functions/functions needs to be strengthened to address the constraints?
 3. Who performs these functions now and who pays for it – this may well be several different actors - and what works and what does not?
 4. Who should perform these functions in the future and who should pay for them (again, there may well be several different actors, including A2F consultants and BSOs for example)?
 5. What do we need to do now and in phase 3 to get to point 4.

It is likely that the A2F consultants are for instance part of the future solution for access to finance, but a clear exit strategy – how these consultants can operate without being attached to project funds -, which may have to be developed together with other projects and the consultants themselves, is needed.

- The PSE instrument/modality seems to have gained some traction amongst both SDC and IME over the past months and is also quite strongly promoted by SDC on a global level. We are of the view that more important than correctly labelling and textbook implementing what the SDC manual on PSE says – although a very valuable source of information and inspiration – is the reason for why IME should jump onto this in the first place. It is in our view mainly about **more strategic and longer-term partnerships with the private sector which ideally have elements of co-creation, co-financing and co-steering leading to social, environmental and economic returns** beyond the company's core business. This is definitely worth further exploring without being bogged down by labelling and definition discussions. The **PSE modality must not become the goal in itself, but must at all times stay a means to an end**...if the means does not deliver the results needed, it needs to be adapted.

INSTRUMENT	ASSESSMENT OF EFFECTIVENESS OF INSTRUMENT	RECOMMENDATION FOR PHASE 3
➤ IME Opportunity Fund (OF)	➤ Good tool to get access to ideas which can be piloted ➤ Fills a gap in the market, as access to finance difficult for many SMEs ➤ Important tool for many SMEs during COVID-19 ➤ Risk of being un-strategic, if call very open and national ➤ Is not sustainable as instrument and will not solve finance challenges for SMEs beyond IME's lifetime	➤ Not to be used as stand-alone instrument, but integrated into Government Fund for Innovation and Technology Development (FITD), if conditions in FITD management favourable ➤ Better targeted to local systems (e.g. local economy, tourism destination) and connected to broader strategy of supporting local systemic changes
➤ IME Challenge Fund	➤ Interesting through their targeting at women and youth enterprises ➤ Very small amounts: efficiency and value for money questionable ➤ Long-term trajectory for supported SMEs not obvious	➤ Not to be continued, unless integrated into existing mechanism, such as FITD
➤ Government Fund for Innovation and Technology Development (FITD)	➤ Government instrument, so has some institutional sustainability ➤ Allows the leveraging of public sector and private sector funds, hence attractive from a development perspective ➤ Effectiveness depends on leadership and FITD related politics	➤ IME to keep on working with FITD to not only carry-out specific, targeted calls, but also to support overall review of FITD structures and processes
➤ Access to Finance (A2F) Consultants	➤ Although termed 'instruments' by IME, they are better called service providers who provide a function which should be part of systems in the long term	➤ We see some value in having a private consulting market for access to finance issues, but would want to see a more sustainable model for where these consultants could be housed ➤ Working with banks to improve SME access (e.g. new products) will remain a key topic, but may be beyond IME's mandate
➤ Access to Certification (A2C) Consultants		➤ Long-term strategy and business plan for A2C service function needs to be clarified and worked towards
➤ Business Service Organisations (BSOs)		➤ Strengthen those BSOs (e.g. national, local, sectoral) with right incentives and willingness to change towards a more enabling environment related to the systems phase 3 engages in
➤ Private Sector Engagement (PSE)	➤ A newer instrument specifically promoted by SDC with the core philosophy of more co-ownership, co-steering and co-funding between public and private actors ➤ First tests of the PSE modality applied to North Macedonia seem to provide	➤ Expand more strategic partnerships with key anchor firms...to what extent this is PSE or not according to the SDC definition may be secondary, but crucial is that there is co-creation, co-funding, co-steering of interventions which go beyond the core business of the company and have a broader impact in the system the company operates in

Table 8: IME Delivery Instruments, Their Effectiveness and Their Proposed Role in Phase 3⁷

Recommendations:

- **R23:** Clarify the use of different delivery instruments, once the overall goal, outcomes, sector and intervention visions for phase 3 have been developed. Form (and instruments) always follow function! The already initiated **phasing out of the OF and CF is to be further continued**.
- **R24:** Consider **working with FITD in an as strategic manner as possible**, also supporting FITD processes and management capacities, if possible.
- **R25:** Develop **clear exit strategies for the key function of access to finance**, clarify the importance of access to certification and develop exit strategies and **work with BSOs to the extent that they are able to perform key market system functions needed** in the future.
- **R26:** Reduce the number of private sector partnerships to fewer, but **more strategic partnerships with key private sector change makers** which can bring about broader changes in systems. Apply as much as possible key principles suggested under the PSE modality without getting bogged down with too many technicalities.

All above recommendations (R23 – R26) are to be gradually phased in from here onwards but are in particular key for phase 3 design.

⁷ See larger version of this in Annex 8

5 Efficiency: Results, Lessons Learned and Recommendations

In this chapter we are discussing our assessment of efficiency, specifically referring to the application of the MSD approach and the overall management performance.

Question 12 ➤ **MSD Approach:** To what extent has the IME team applied the MSD approach successfully?

Before answering this question, we would like to underline that we consider ***the principles MSD stands for more important than its text-book application***. There is often too much time spent on discussing whether a project can be labelled as MSD or not, whereas this tells us little about why MSD is used as a tool in the first place. We consider the following to be the key principles MSD stands for, but in fact, they rather stand for ***good common sense development work in general***:

- ***Thinking and working in systems***, recognising the complexity and interconnectedness of systems.
- Aiming at ***sustainability, scale and resilience*** of systemic changes, referring to results which should last as long as possible beyond project lifecycles and benefit as many actors as possible.
- Working as a ***facilitator of change*** – rather than delivering support directly -, aligned to incentives of system actors.
- Thinking of ***exit at entry***, meaning that each intervention has a clear exit strategy developed *before* its implementation starts.
- Practicing ***adaptive management***, as systems are dynamic and constantly evolve, often in patterns which are difficult to predict and to put into a LogFrame.

The ***IME team understands MSD very well*** and has good established tools, processes and capacities. It works with result chains as key management and results measurement tool and has shown strong capacity for adaptive management, whenever major context changes occurred, or key opportunities presented themselves. With the DCED standard and the sophistication of the MRM system the team has in our view gone almost too far and developed a practice which is too much accountability facing, without there being a clear/conscious demand for that kind of detailed data on the donor side. This needs rightsizing in approach of phase 3. In other cases, the team may sometimes step a little too far out of its facilitation role and rather deliver direct advice and expertise where maybe a more systemic and facilitative solution could have been found (e.g. direct support through the opportunity fund, access to finance consultants without providing a long-term institutional solution for the access to finance service). Again, this is in our view influenced and driven partially by the high perceived pressure on having to achieve quantitative high-level targets. At the same time, it is important to say that MSD principles are difficult to apply in an environment with many other development projects operating with different principles and often distorting MSD culture by directly subsidizing services.

It is also key to mention that ***MSD is a partnership between implementer and donor***, the donor enabling an MSD approach by being flexible and ***hands off in operational work*** (e.g. approval of OF beneficiaries) but ***involved in selected key strategic moments*** (e.g. development and discussion of sector strategies). This balance seems to have been slightly off, in particular in the earlier part of phase 2, but has evolved into a much more fruitful collaboration appreciated on both sides. There is room to further strengthen this for instance through a joint training involving both SDC North Macedonia and IME – possibly including also other projects funded through SDC with similar working principles - focussing on how to establish a strong funder-implementer partnership applying MSD principles. The following figure summarises key principles for the establishment of a strong implementer funder

partnership in the frame of youth employment programmes, but in general for any programme living an MSD culture:

Implementer-funder partnership

Funders and implementers each need to go into MSD youth employment programmes with realistic expectations of the 'other side'

Funders	Implementers
- Recognise the added challenges of addressing youth employment systemically (vs directly) - Set realistic, evidence-based targets and programme parameters that support these aims - Beware of 'layering on' too many employment priorities or target group characteristics - Carefully test key design-stage assumptions (see Reality Check, below) - Find a balance between holding programmes to account and allowing for flexibility	- Spend time understanding the funder's priorities and 'pressure points' e.g. risk and results, both at programme and policy level - Get the programme management fundamentals (planning, finance, risk management, etc.) right to allow focus on delivery - Communicate progress and results in ways that resonate with the funder. Help funder counterparts build interest at funder HQ. - Engage constructively, with evidence, if targets seem unrealistic
- Beware of 'arms-length' relationships: funder and implementer are in this together - Willingness to engage with cross-cutting labour market functions (versus using a purely sectoral lens)	

Figure 7: Principles for Implementer-Funder Partnerships in the Frame of MSD Programmes
(Source: Van Rhyn, 2022, *Rough Guide to the MSD Approach for Youth Employment in Sub-Saharan Africa*)

Recommendations:

- **R27:** Consider organising a **joint training/workshop** for SDC North Macedonia staff members, IME and potentially other implementers on **how to establish a strong funder-implementer partnership while using MSD principles**. This should include for instance the establishment of more meaningful reporting practices and measures (see also R10 and R11). The SDC Regional Advisor on E&I issues may be able to support this process and the following documents may help to conceptualise such a training/workshop:
 - Van Rhyn, 2022, *Rough Guide to the MSD Approach for Youth Employment in Sub-Saharan Africa*
 - E&I Network, 2018, *Monitoring and Measuring Results in Private Sector Development*
- **R28: Overhaul the MRM system to become more 'light' and fit for purpose** (= steering & learning oriented), rather than being heavily focussed on data mining.

R27 can be implemented with immediate effect, whereas R28 makes sense in the preparation of phase 3 only.

Question 13

- **Management Performance:** How efficient was the IME team in implementing results to highest value for money standards?

The assessment of the Management Performance needs to be seen in the following light:

- There was a change in implementer from phase 1 to phase 2 which is not the usual case in SDC-funded projects.
- There were a range of changes at the level of project management with two international project managers to a national project manager currently.
- COVID-19, as well as subsequent crises, including the war in Ukraine, influenced a large part of the implementation of phase 2 which made adaptive management more important than ever before.
- The political situation is characterised in many ways by blocked reforms at top level, which renders the environment for SME development very challenging.

Seen in particular in this light, the project has managed to evolve into a **project which is very well respected on all sides** – public sector, private sector, other development projects, SDC -, which is **very well managed**, and which **is able to deliver results in a challenging context**. It has a competent team with strong technical, as well as interpersonal skills and good team collaboration. It managed to ensure a certain continuity between phase 1 and 2 by recruiting some of the phase 1 key staff members (e.g. sector experts in tourism and agriculture, head of finance). The change from an international team leader to a very experienced and well-connected local team leader and deputy team leader **has brought stability into the team and a very constructive collaboration with SDC**. There was a time in the earlier stages of IME phase 2 when SDC North Macedonia felt the need to be much more hands-on to support a more strategic approach for the use of funds. We concur with SDC that this was important at the time, but - as recognised by SDC themselves - that the project has strategically evolved somehow naturally along its lifecycle (=from more of a piloting character towards more concise strategies aiming at systemic change and scale) and generally performs well.

An important indication for a good management performance is the project's ability to absorb funds and even take on additional funding for the remainder of phase 2 while being adaptive in its management, for instance in the testing of the Private Sector Engagement (PSE) modality. In particular impressive is the **ability of the project to leverage funds from the public and the private sector**:

- IME managed to leverage through all its instruments **more than CHF 3 Mio in public sector funds**, including finance from the Fund for Innovation and Technology Development (FITD), the National Development Bank and other public channels. In the case of the FITD, IME co-financed CHF 110'000 which leveraged CHF 350'000 from the Government and CHF 305'000 from the private sector, an almost threefold leverage of both public and private sector funds.
- In terms of **private sector funding, IME leveraged more than CHF 3.6 Mio** through co-financing in FITD calls, in OF calls and through other instruments. Through the OF alone, IME co-financed CHF 220'000 and leveraged CHF 430'000 from SMEs, a ratio of almost 1:2.

The answers to question 12 above on the MSD approach are also key when assessing management performance. The donor-implementer collaboration is crucial and for instance the speed within which an 'MSD culture project' needs to be able to react versus the often rather bureaucratic and long processes it takes a public administration to approve things can affect the performance. A case in point is the newest approval process for the additional funding which took a considerable amount of time negatively affecting the time left for the project to spend the funds in an effective manner according to the initially proposed planning. When asking the private sector, IME is **considered much more efficient compared to other development projects** with more private sector aligned processes and reaction times.

Finally, on steering: IME phase 2 does have a steering committee composed of a good mix of high-level public and private representatives from agriculture, tourism and ICT. The steering committee has never taken on an actual steering function but was more of an occasional advisory forum. We would recommend **formally designating the committee as an advisory committee and use it more strategically**, for instance when discussing sector strategies. This does not necessarily need to involve all members at the same time, but can mean that according to sector strategy discussions different members are called upon as advisors. Once a year, the advisory committee could meet as a whole group to discuss overall strategic issues.

Recommendations:

- **R29: Consider no-cost extending the additional funding period until end of 2024**, as the delayed SDC approval process has resulted in the fact that IME is not likely going to be able to spend the additional funding as per the original planning until June 2024.
- **R30: Consider redefining the role of the steering committee** into much more of a pro-actively used advisory body, where different members bring in their own advice and expertise during key strategic moments.

Both recommendations R29 and R30 can be implemented from here onwards.

6 Phase 3: Recommendations

This chapter is forward looking and builds on the assessments and recommendations made in previous chapters. It is first addressing the question on whether or not there should be a third and final phase of IME and then discuss options for the set-up of such a phase. Again, these recommendations are thought to provide inputs into the design of a final phase but need to be further verified and refined.

Question 14

➤ **Phase 3 in general:** Is any further support needed to ensure sustainability of some interventions?

Question 14 carries the notion that there is an optimal time of exit for a project leading to sustainability of systems which were not sustainable before. This is hardly ever the case as **systems are constantly evolving and always will be changing**, triggered by a broad range of complex influences. What projects should aim at is the establishment of **as much capacity as possible within systems** – policies, institutions, processes, networks - **to adapt and be resilient to changes** in ways so it benefits as many women and men of all segments of society as possible. This needs time, trust and persistence. One of the distinct strengths and differentiators of how Switzerland works in its development work is its **long-term engagement over 10 to 12 years** allowing the establishment of relationships of trust, allowing the piloting and testing of innovations, supporting the feeding of innovations into the policy dialogue and supporting the rolling out of changed policies and tested practices into as many places as possible.

We think that an additional and final phase of IME makes sense due to the following reasons:

- A **revised mandate of IME away from high job creation targets** towards more SME competitiveness, sustainability and resilience can come to full fruition.
- A sharpening of system boundaries with more focus on the sub-national economy will **further strengthen systemic changes and sustainability**, as well as allow the facilitation of scale effects (e.g. up-scaling, replication). To ensure this, a good collaboration with the new private sector modernization project is crucial during their inception phase and beyond.
- The conceptualisation of ICT as transversal digitalisation service to agriculture and tourism will be able to show its results.
- The **upcoming elections in 2024 are likely to open up opportunities** for important SME relevant reforms (e.g. Smart Specialization Strategy) which would enable more significant systemic changes
- The **post-COVID recovery in particular in agriculture and tourism is still ongoing** and would benefit from further strategic support

- An IME phase 3 would support the new Cooperation Programme of Switzerland with North Macedonia 2025 - 2028 in its endeavour for a green transition – a topic likely to be much higher on the agenda for Switzerland and North Macedonia - with a strong focus on SMEs in key sectors for the rural economy.

Recommendations:

- **R31:** *We recommend having a final phase of IME in order to maximise return on investment of Swiss taxpayer money and **communicate this decision as soon as possible to Palladium and IME**, so phase 3 planning can be approached with sufficient time in hand.*
- **R32:** We recommend ***intensifying collaboration with the new Swisscontact Modernization Project*** with immediate effect to designate strong strategic synergies, as well as to clarify individual project boundaries.

Question 15

- **Phase 3 set-up recommendations:** If yes, what kind of support in light of the design of a possible exit phase is needed and for how long? If a phase 3 is considered, what are recommendations in terms of delivery approach, sectoral focus, geographic focus and implementation modality and set-up

The following criteria should in our view shape the design of phase 3:

- **Continuity:** phase 3 must build as much as possible on phase 2 to capitalise on the strength of Swiss funded longer-term projects. This implies for instance, that there should be **no new sectors or value chains** added, that the **MSD approach or culture should be maintained** and the main relationships with key partners should be further strengthened.
- **Systemic change:** the focus should be guided as much as possible by achieving changes within the systems IME 3 will operate in. This means working on **building capacities of providers of services** to SMEs (e.g. access to finance, access to expertise, policy advocacy) and **policy influencers, makers and enforcers** (e.g. Destination Management Set-Up, Public-Private Partnerships).
- **Scale:** it is important that scale is not defined as ‘reaching as many SMEs by the end point of phase 3’, but more as ‘creating the right conditions that as many SMEs can be reached for as long as possible after phase 3 has finished’ (see also Figure 6). This is closely linked to systemic change and implies building as much adaptive capacity within the different systems IME engages with. Reaching scale can be done in different ways: through policy changes based on evidence from the ground, through the replication of successful models (e.g. for destination management) in other places of the country, through growth of anchor firms which pull along their supply chain...it is important that the project explains its pathways to systemic change and scale for each intervention, but at the same time is careful that **scale does not come at the cost of sustainability:** there is for instance a limit to the carrying capacity of a tourism destination and scale needs to be balanced with quality and sustainability. This is an important issue for places like Krusevo, which could grow too quickly.
- **SME competitiveness, resilience and sustainability:** as outline in several places above, the focus and success measure needs to change from job creation to SME competitiveness, resilience and sustainability, as this is more aligned to the economic reality of North Macedonia and supports the country in its trajectory towards EU integration.
- **Rural, local economic and inclusive development:** we recommend using the criteria rural, local economic and inclusive development as key differentiators of IME phase 3 to many other projects

which work more generically in national level sectors. These are core strength of Switzerland in its global development engagement and IME has positioned itself well in many ways to further capitalise on this.

We are proposing and discussing several options below on how a phase 3 could be set-up. They are all aligned to above criteria, but with different weights putting in individual criteria.

Option 1: Status Quo Enhancement

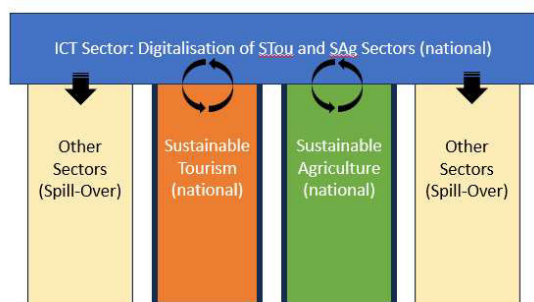


Figure 8: Option 1 for Phase 3 Set-Up

Option 1 is basically towards where the project is already moving at this point:

- Entry Point for the identification of underlying constraints are the national Sustainable Agriculture and Sustainable Tourism Sectors
- Systemic Changes are expected to become visible at the level of the Sustainable Agriculture and Sustainable Tourism Sectors
- ICT as a transversal function in the form of Digitalisation creates leveraging effects in both SAg and STou, but will also have spill-over effects into other sectors

Option 2: 2 Four 1

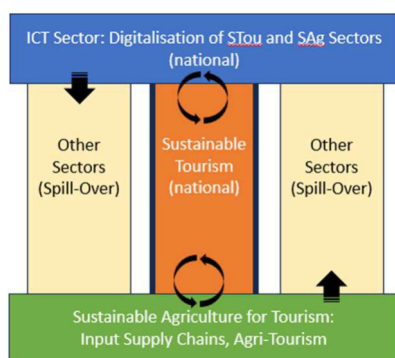


Figure 9: Option 2 for Phase 3 Set-Up

Option 2 proposes to focus on one sector mainly, the tourism sector, with the other two sectors defined as transversal support functions leveraging results in tourism:

- Entry Point for the identification of underlying constraints is the Sustainable Tourism Sector
- Systemic Changes are expected to become visible at the level of Sustainable Tourism at National Level
- Both ICT and Sustainable Agriculture are 'used' to leverage results in Sustainable Tourism, for instance through Digitalisation of Destination Management Services or Strengthening Digital Marketing Skills in SMEs, or by Facilitating the Development of Agri-Tourism Products or Agriculture Input Supply Chains into Hotels. Also here, there would be spill-over effects in other sectors.

Option 3: The Local Economy as Entry and Exit Point

Option 3 is motivated by the intention to sharpen the system boundaries of IME while still working mainly through the sector set-up described under option 1:

- Entry Point for the identification of underlying constraints is the local/regional economy with tourism and/or agriculture as the main entrance avenues.
- While constraints can either be addressed locally and at national level, the main systemic changes are assessed and expected at the level of the local/regional economy. **Note:** this option does not imply at all that IME would stop working with key national level partners and institutions, but it implies that work with national level partners is defined based on the challenges it addresses looking at the local economy and based on how a changed behaviour of national level actors impacts positively on the local economy.
- ICT still serves as transversal function in the form of Digitalisation but is again mainly focussed on supporting digitalisation within the local/regional economy.

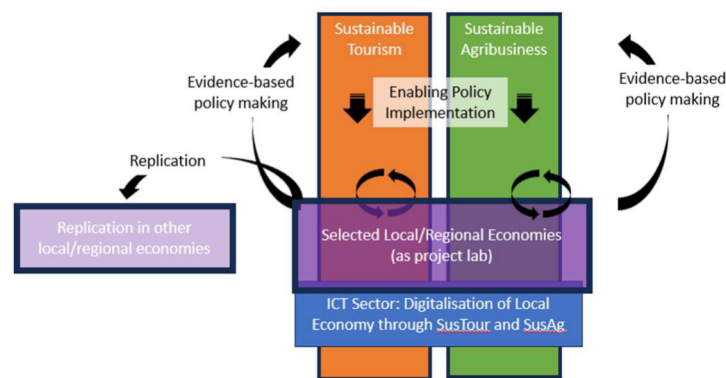


Figure 10: Option 3 for Phase 3 Set-Up

In tourism, this is already to a certain extent how things are approached in IME phase 2, although we are of the view that a stronger focus on work with Meso level organisations (e.g. Sub-national destination management set-ups, local municipalities, national parks, local associations) would increase systemic change and sustainability potential.

There are different variations of option 3 worth discussing, for instance:

- Selecting only sub-national economies where both tourism and agriculture are relevant in terms of decent employment, competitiveness and resilience
- Selecting sub-national economies where *either* tourism *or* agriculture are relevant in terms of decent employment, competitiveness and resilience
- Only using a sub-national focus for tourism, but work in selected niche value chain in agriculture, but maintain the national level as reference system

The following table describes advantages and disadvantages of all the three options.

	Advantages	Disadvantages
Option 1: Status Quo Enhancement	➤ Aligned to where the project is now, least disruptive ➤ Allows for diversification of interventions and strategies ➤ Aligned to where IME's in-house capacities and current partnerships are	➤ Still a certain disconnect between work at micro level and work at macro level...pathways to systemic change not always clear ➤ Systemic change system boundary and size blurry ➤ Limited synergies between sectors...tendency for two silos under one roof

Option 2: 2 Four 1	➤ Sharper system focus and boundary with both other sectors working as transversal services into sustainable tourism ➤ More compact strategies and interventions with more synergies in house	➤ Would in reality lead to a downscaling of agriculture which could be perceived as a loss ➤ Allows less diversification of strategies and risks
Option 3: Local Economy as Entry	➤ Much clearer system boundary and focus ➤ Would allow strong synergy effects between different sectors within local economic space ➤ Less dependent on national level political drive and reform ➤ Clearer niche aligned to Switzerland's core strengths and differentiator to other DPs	➤ In particular in agriculture, value chains work more beyond local economic spaces ➤ Could be perceived as less focus on national level and only focus at sub-national level

Table 9: Pros and Cons of Different Phase 3 Set-Up Options

We recommend option 3 as the main option to work with for the design of phase 3. In particular with an adjusted mandate focussed more on SME competitiveness, resilience and sustainability and a strong element of inclusion it offers the highest return on investment for the remainder of IME. It also provides a clearer niche and can build nicely into the story line of IME over its overall lifecycle. Amongst the 3 sub-options suggested under option 3, our view is that 3a may be too restrictive as conditions set for the project, whereas both 3b and 3c should be further assessed.

Characteristics	Phase 1	Phase 2	Phase 3
Impact Measure	▪ Job Creation, Income	▪ Job Creation, Income	▪ SME Competitiveness, Sustainable Employment, Resilience
Sector Focus	▪ 5 sectors	▪ 3 sectors	▪ 2 sectors as entry into local economy, 1 transversal
System Size	▪ National Sectors	▪ National Sectors	▪ Local Economy through Sectors → National Sector → Local Economy
Way of working / Tools	▪ MSD toolbox of piloting and testing ▪ DCED standard audit	▪ Different instruments to further pilot: OF, FITD, A2F, A2C, BSOs, PSE pilots ▪ DCED mock audit	▪ More strategic partnerships (e.g. PSE: co-creation, co-steering, co-funding) ▪ Strengthen system actors: Business Development Services (BDS), BSOs, policy makers and enforcers ▪ More fit for purpose monitoring: focus steering and learning ▪ DCED as orientation, but no DCED mock audit ambition
Strategic Principles	▪ Pilot and test ▪ Trying many different things	▪ Pushing for scale ▪ Supporting many different things ▪ Crisis Management	▪ Replication, consolidation ▪ Less is more: more focus on depth, less on breadth ▪ Creating compact strategic initiatives (less, but more in-depth), synergies in space and across sectors ▪ Sustainability, Green Transition, Local Economic Development
Keep			▪ Main Sectors: do not start completely new <u>sectors as a whole</u>, but relax on sector boundaries ▪ Anchor firms with PSE potential ▪ MSD principles and culture
Drop			▪ ICT as a sector, but digitalisation as transversal theme ▪ OF as stand-alone ▪ A2F and A2C as stand alone ▪ Smaller OF beneficiaries without further systemic change pathway ▪ DCED heavy lifting

Figure 11: IME Project Lifecycle View from Phase 1 to Phase 3

Recommendations:

- **R33: Further discuss the outlined phase 3 options** – and additional ones, if there are any – between SDC North Macedonia and IME and weigh in pros and cons for all options.
- **R34: We recommend to further conceptualise option 3 and assess different variations** (in particular options 3b and 3c).
- **R35: Enter into the phase 3 design process rather sooner than later to ease the transition** process and to prepare to hit the ground running from day 1 onwards.

All above recommendations are to be implemented as soon as possible after this review process.

7 Summary Conclusions and Recommendations

This chapter summarises the main conclusions and recommendations made throughout this report. We have made a total of 35 recommendations which we are showing in one single table in Annex 10 for easy reference. Some of these recommendations are similar but are linked to the specific questions answered to in the section they are shown. Not all the recommendations carry the same weight. This chapter summarises only the main conclusions and most important recommendations and is structured according to the main DAC criteria assessed throughout this report.

Relevance: IME phase 2 is relevant in that it works in key sectors on SME competitiveness and employment, but the strong focus on job creation enshrined in the mandate given by SDC to IME is in our view the core challenge IME phase 2 has to deal with and is the main issue negatively affecting sustainability of results at systems and SME level.

Recommendation: The focus needs to be shifted more onto SME competitiveness, resilience and sustainability in the build-up towards phase 3 and in phase 3, while system boundaries need to be clarified and expectations in terms of systemic change right sized.

Coherence: From an SDC North Macedonia perspective, both external and internal coherence are comparably high, but the high density of projects with similar mandates all trying to find their niche creates a challenge in terms of development effectiveness.

Recommendation: Strengthen collaboration with other development partners even more and further improve strategic portfolio management SDC-internally.

Effectiveness (including sustainability and impact): IME phase 2 has reached a broad range of important results in particular at SME level and - to a lesser extent - at systems level. The way IME's MRM system is set-up and its accountability mechanism towards SDC is structured, makes it challenging to clearly understand the connection between interventions and how they lead to systemic changes.

Recommendation: In the build-up towards phase 3, simplify the MRM system, clarify definition of system size, systemic change and scale, and improve reporting practices and expectation management accordingly. Further strengthen facilitation approach, work with less strategic partners, but with more depth, and have clearer exit strategies for all interventions and activities.

Efficiency: IME phase 2 is well managed and implemented by a great team which is equally respected by partners on public sector, private sector and development partner side. It has proven adaptive management capacities during challenging times and a strong ability to leverage funds from others. Efficiency has improved over time with more strategic partnerships with anchor firms, less broad use of delivery mechanisms such as the OF and the CF, and better synergies between the three IME sectors.

Recommendation: Further invest in strategic partnerships with key change makers (e.g. PSE partners) – less, but more in depth –, phase out delivery instruments which are not sustainable beyond the lifetime of IME and further strengthen synergies between IME sectors and between IME and other projects.

Phase 3: A phase 3 makes in our view sense to capitalise on results achieved till date and compensate for delays incurred through COVID-19, to further strengthen systemic change and reach a certain level of scale. It will also allow for a re-shaped mandate away from job creation to take full force.

Recommendation: Decide and communicate as soon as possible on a future phase 3, assess different set-up options and further refine the potential design of these options. We are of the view that IME phase 3 should have a stronger focus on sub-national systems as entry points (option 3), while maintaining sustainable tourism and sustainable agribusiness as key sector focus with digitalisation as transversal function supporting these sectors.

Annexures

Annex 1:	Revised ToR Evaluation Questions
Annex 2:	List of Stakeholders Consulted
Annex 3:	List of Documents Reviewed
Annex 4:	Field Mission Schedule
Annex 5:	Proposed Strategic Framework for Phase 3
Annex 6:	Examples of Systemic Changes using the AAER Framework
Annex 7:	Shift in MSD Focus from phase 2 to Phase 3
Annex 8:	Assessment of IME Phase 2 Delivery Instruments
Annex 9:	Different System Sizes and Boundaries
Annex 10:	All recommendations in one table

Annex 1: Revised ToR Evaluation Questions

Proposal for a revised set of 15 evaluation questions

Relevance and coherence

- 1 ➤ **Relevance from different perspectives:** To what extent was IME Phase 2 designed in line with the priorities and needs of people, private sector, country and SDC?
- 2 ➤ **Relevance of sector selection:** Were the three sectors selected the right sectors in terms of maximising results achievement for people in North Macedonia
- 3 ➤ **Internal and external coherence:** How complementary was IME with other interventions of SDC and other actors in North Macedonia

Effectiveness, impact and sustainability

- 4 ➤ **Results at beneficiary level:** To what extent has IME phase 2 achieved results at the level of ultimate beneficiaries (quality employment, income)?
- 5 ➤ **Sustainability of results at beneficiary level:** What is the likelihood of these results to last over time?
- 6 ➤ **Results at system level:** To what extent has IME phase 2 achieved results at the level of system stakeholder's capacity to keep delivering positive change for enterprises and people?
- 7 ➤ **Sustainability of results at system level:** What is the likelihood of these results to last over time?
- 8 ➤ **Results for women and young people:** To what extent was IME phase 2 able to deliver transformative results for women and young people?
- 9 ➤ **Additionality:** What was IME's additionality in bringing about positive change in each of the three sectors?
- 10 ➤ **Scale:** To what extent was IME phase 2 able to deliver sustainable impacts at scale?

Efficiency

- 11 ➤ **MSD Approach:** To what has the MSD approach applied in IME phase 2 proven successful in delivering the expected results
- 12 ➤ **Delivery Instruments:** To what extent can the different delivery mechanisms (opportunity fund, fund for innovation, etc.) be considered efficient?
- 13 ➤ **Management Performance:** How efficient was the IME team in implementing results to highest value for money standards?

Phase 3

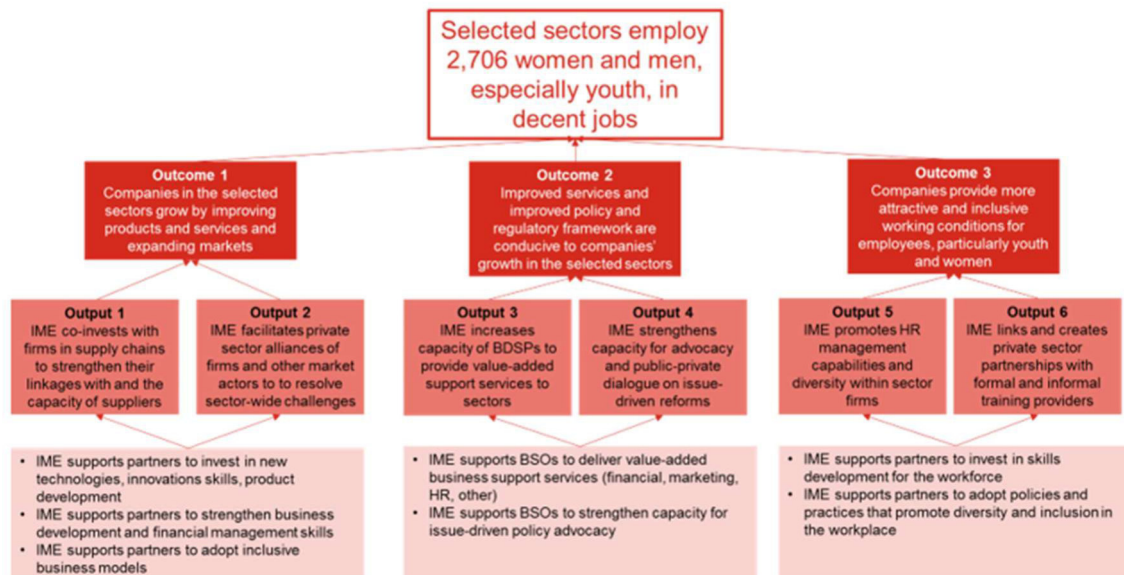
- 14 ➤ **Phase 3 in general:** What are arguments in favour and against a possible phase 3
- 15 ➤ **Phase 3 set-up recommendations:** If a phase 3 is considered, what are recommendations in terms of delivery approach, sectoral focus, geographic focus and implementation modality and set-up

Annex 3: List of Documents Reviewed

Nr.	Document Name
1	IME Phase 1 Project Document
2	IME Phase 2 Project Document and Revisions
3	Credit Proposal for IME phase 2
4 - 7	Annual Plans for 2020, 2021, 2022 and 2023
8 - 15	Semi-Annual Reports from 2020 - 2023
16	Phase 1 End of Phase Report and Annexures
17	IME DCED Mock Audit Report and Action Plan
18 – 20	IME Sector Strategies for Sustainable Agriculture, Adventure Tourism and ICT and Minutes
21	IME MRM Manual
22	Swiss Cooperation Programme (CP) with North Macedonia 2021 - 2024
23	SDC Slide Deck on Private Sector Development, 2023
24	Rough Guide to the MSD Approach for Youth Employment in Sub-Saharan Africa, Van Rhyen, 2022
25	Monitoring and Results Measurement in PSD, E&I Network, 2018
26	SDC Handbook on Private Sector Engagement, 2021
27	Promoting Economic Transformation through Market Systems Development, MSD Working Group, 2019
28	A systemic approach to creating more and better jobs, ILO Lab Policy Brief
29	Report on Effectiveness – Swiss International Cooperation in the Field of Employment, 2017
30	Draft Smart Specialisation Strategy of the Government of North Macedonia, 2023

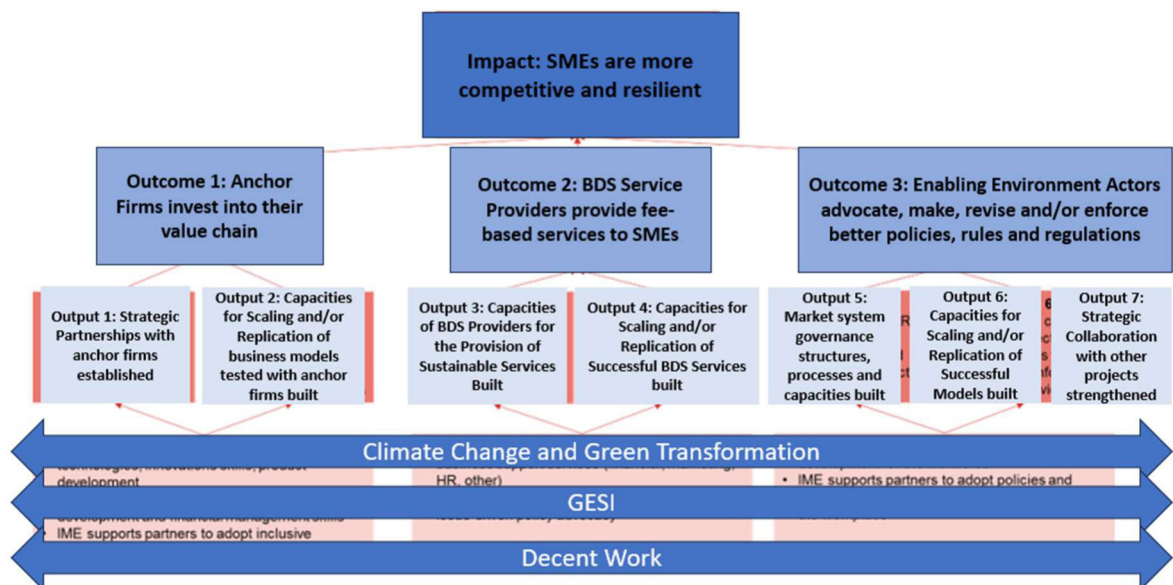
Annex 5: IME Phase 2 Strategic Framework and how it could be improved

IME Results Framework



IME phase 2 Results Framework

IME Results Framework



IME phase 3 Results Framework?

Annex 6: Selected Examples of Systemic Change

AG AAER MATRIX : **Company Nelkoski Organic**

ADAPT	RESPOND
Nelkoski Invested in additional machinery – calibrator and introduced new suppliers through association <u>Eko Leshnik</u>	Coop responded with additional support for <u>Nelkoski</u> organic in consultancy services and equipment
IME linked Nelkoski with the Swiss Coop and co-invested in postharvest equipment for hazelnuts in line with the Coop requirements	11 new farmers started Bio Suisse production to adjust their production to the Swiss market requirements through <u>Eko Lesnik</u> and Nelkoski
ADOPT	EXPAND

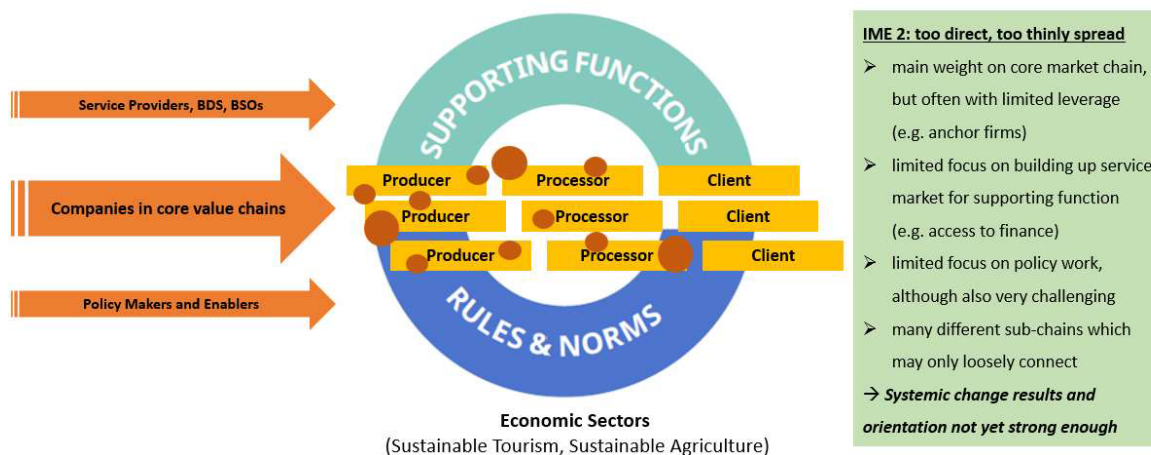
AG AAER MATRIX: **Flexibility Rulebook, a document that enables sales from farms gate**

ADAPT	RESPOND
Slow Food “ invested ” in drafting of the Flexibility rulebook as a main partner of the National Food and Veterinary Agency	In the Ministry of Agriculture Registry of small wineries by end of June 2021, 46 family wineries were registered, and additional 39 small scale operators were registered in National Food and Veterinary Agency according to the Flexibility rulebook criteria
With IME Support Slow Food co-invested in development of Analysis of the legal framework for processed products of plant origin in support of small food businesses	<u>GoNM</u> adopted Flexibility rulebook, GoNM (FVA, Ministry of Agriculture, NEA) Rural Coalition, Farmers Association, Slow Food, a local organization <i>Impact Foundation</i> promoted benefits of registration of small-scale operator in line with the Flexibility Rulebook
ADOPT	EXPAND

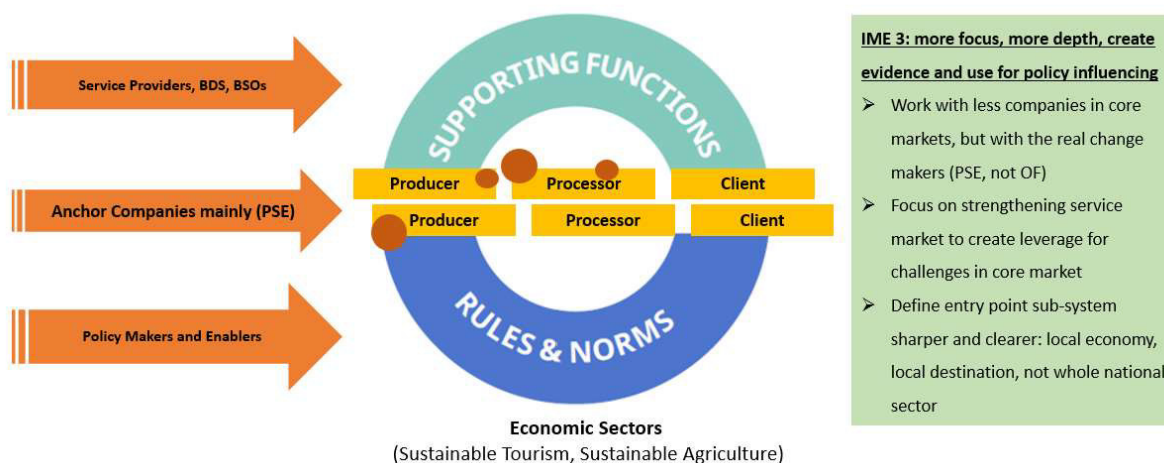
AT AAER MATRIX: **Tourism Destination Krushevo**

ADAPT	RESPOND
<u>Krushevo</u> ’s tourism stakeholders further invest individually and adapt or develop more (new) AT product based on market preferences.	Model of cooperation to be replicated in other destination on national level. Tourism operators in the national level adjust their product portfolio and start selling <u>Krushevo’s</u> active tourism products.
Krushevo ’s tourism stakeholders take up the change and co-invest with IME support to develop new or up-grade AT product based on market demand.	New <u>Krushevo</u> ’s tourism stakeholders copy the change and continue to develop or up-grade AT products in line with market requirements.
ADOPT	EXPAND

Annex 7: Shift in Weight of MSD Focus from Phase 2 to Phase 3



Phase 2 Focus: Interventions in Core Value Chain (e.g. Opportunity Fund)



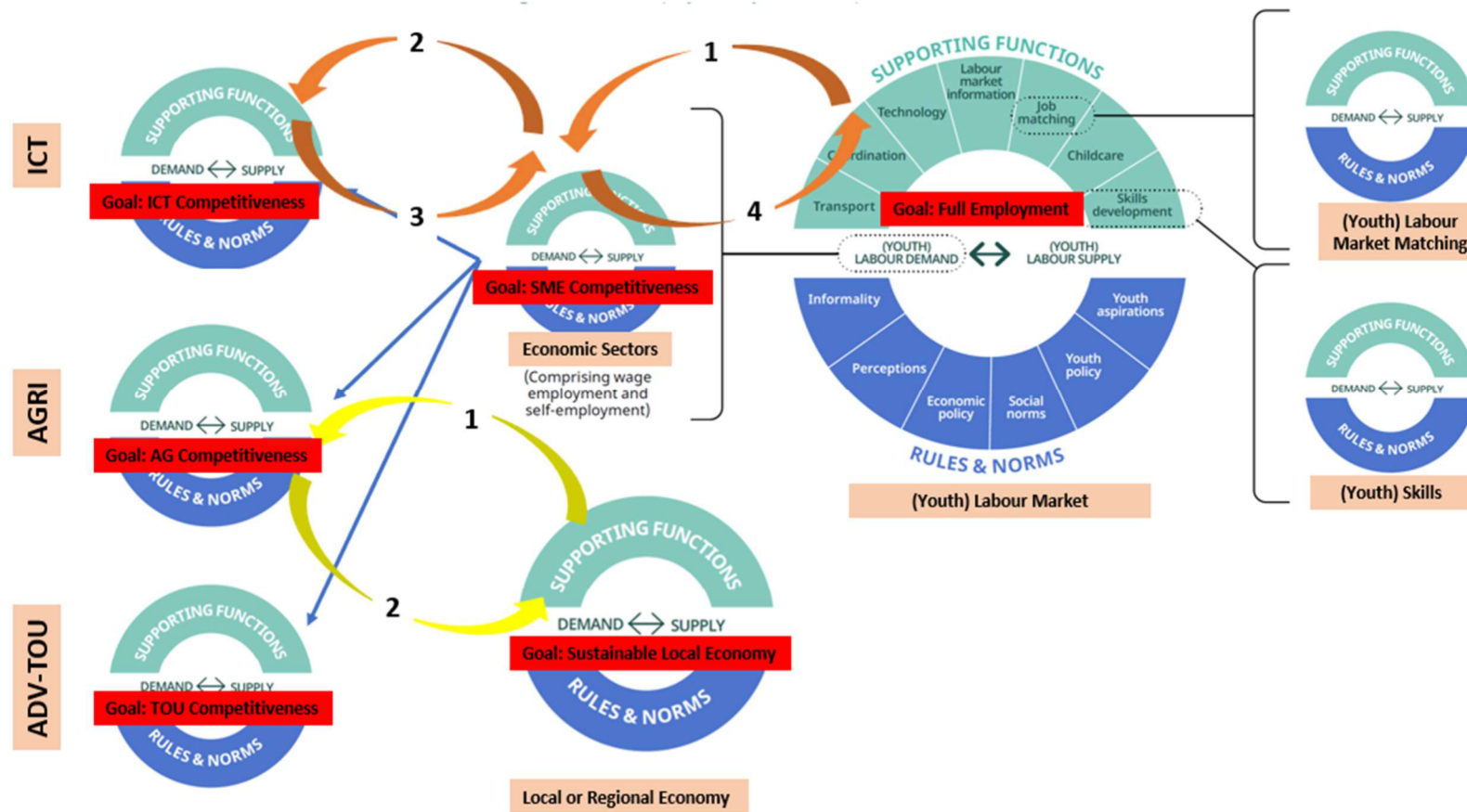
Suggested Focus for Phase 3: Interventions Focussing on Building Up Capacity in Supporting Functions and Policy Makers

Annex 8: Assessment of IME Phase 2 Delivery Instruments

INSTRUMENT	ASSESSMENT OF EFFECTIVENESS OF INSTRUMENT	RECOMMENDATION FOR PHASE 3
➤ IME Opportunity Fund (OF)	➤ Good tool to get access to ideas which can be piloted ➤ Fills a gap in the market, as access to finance difficult for many SMEs ➤ Important tool for many SMEs during COVID-19 ➤ Risk of being un-strategic, if call very open and national ➤ Is not sustainable as instrument and will not solve finance challenges for SMEs beyond IME's lifetime	➤ Not to be used as stand-alone instrument, but integrated into Government Fund for Innovation and Technology Development (FITD), if conditions in FITD management favourable ➤ Better targeted to local systems (e.g. local economy, tourism destination) and connected to broader strategy of supporting local systemic changes
➤ IME Challenge Fund	➤ Interesting through their targeting at women and youth enterprises ➤ Very small amounts: efficiency and value for money questionable ➤ Long-term trajectory for supported SMEs not obvious	➤ Not to be continued, unless integrated into existing mechanism, such as FITD
➤ Government Fund for Innovation and Technology Development (FITD)	➤ Government instrument, so has some institutional sustainability ➤ Allows the leveraging of public sector and private sector funds, hence attractive from a development perspective ➤ Effectiveness depends on leadership and FITD related politics	➤ IME to keep on working with FITD to not only carry-out specific, targeted calls, but also to support overall review of FITD structures and processes
➤ Access to Finance (A2F) Consultants	➤ Although termed 'instruments' by IME, they are better called service providers who provide a function which should be part of systems in the long term	➤ We see some value in having a private consulting market for access to finance issues, but would want to see a more sustainable model for where these consultants could be housed ➤ Working with banks to improve SME access (e.g. new products) will remain a key topic, but may be beyond IME's mandate
➤ Access to Certification (A2C) Consultants		➤ Long-term strategy and business plan for A2C service function needs to be clarified and worked towards
➤ Business Service Organisations (BSOs)		➤ Strengthen those BSOs (e.g. national, local, sectoral) with right incentives and willingness to change towards a more enabling environment related to the systems phase 3 engages in
➤ Private Sector Engagement (PSE)	➤ A newer instrument specifically promoted by SDC with the core philosophy of more co-ownership, co-steering and co-funding between public and private actors ➤ First tests of the PSE modality applied to North Macedonia seem to provide	➤ Expand more strategic partnerships with key anchor firms...to what extent this is PSE or not according to the SDC definition may be secondary, but crucial is that there is co-creation, co-funding, co-steering of interventions which go beyond the core business of the company and have a broader impact in the system the company operates in.

Annex 9: System Size and Boundaries

This Annex is thought to provide some inspiration for the discussion about system size and system boundary. In our view IME phase 2 started from the labour market with the mandate to address a demand side issue of job creation. It selected three sectors based on their potential to provide as many jobs as possible and assessed then again for each sector the amount of jobs created. This is illustrated with the orange arrows.



We are arguing that IME phase 3 should rather go towards a trajectory as illustrated by the yellow arrows: starting with the local economy and its respective SME competitiveness challenges in tourism and agriculture and assessing to what extent these sectors are able to contribute to a more sustainable local economy, including offering better jobs for young people and women. It should look not mainly at employment as a key issue for SME competitiveness, but the broader supporting functions and enabling environment.

Annex 10: All Recommendations in one Table

Nr	Recommendation	Importance (* - ***)	Immediate (=after MTR)	Phase 3 Design
R1	SDC to agree with IME in writing – for instance as part of the management response to this MTR - that the main relevance for IME phase 2 has shifted from a focus on job creation to a focus on SME competitiveness . The job creation target is less in focus (see also Annex 5 for a proposal for a Strategic Framework for phase 3), but a LogFrame revision at this point of phase 2 implementation makes little sense .	***	*	
R2	Include reflections on job creation (and related targets), decency of jobs and SME competitiveness emerging from this review into the development process of the new Cooperation Programme 2025 – 2028 in line with newest discussions on employment and job creation within SDC (see SDC Slide Deck on Private Sector Development).	**	*	
R3	Sector selection and strategic set-up with agriculture and tourism as vertical sectors and digitalisation as transversal function to be maintained and sharpened.	**		*
R4	Further strengthen synergies between agriculture and tourism , for instance by looking at agritourism experiences and agricultural input supply chains for the hospitality sector.	**	*	*
R5	Conceptualise tourism more broadly as sustainable tourism and not narrowly as adventure tourism, as destinations cannot become more sustainable by mainly focussing on one niche segment only.	**	*	*
R6	Important not to be too dogmatic with sector boundaries in particular if approaching more from a local economic development logic, as underlying constraints to sector challenges in a specific location lie often within other sectors or supporting functions, e.g. energy or construction regulations can be a crucial bottleneck to sustainable tourism (e.g. Krusevo).	*	*	*
R7	For Switzerland, further strengthen donor coordination in line with government priorities, for instance in the frame of the implementation of the Smart Specialisation Strategy, and engage more pro-actively with non-traditional donors, such as GIZ on Sustainable Economic Development (e.g. the EU for Economic Growth – EU4EG - Programme).	*	*	
R8	For Switzerland, further strengthen portfolio management to incentivise more strategic collaboration between projects (=do not leave synergy finding up to projects mainly).	**	*	
R9	Integrate the strategic collaboration with others explicitly as output for IME 3 with deliverables associated to it.	*		*
R10	Adjust reporting towards SDC with a stronger focus on off-LogFrame reporting using qualitative information providing a good story in each sector connecting interventions with systemic change pathways.	**	*	
R11	Adjust reporting cycle to either only have one yearly narrative report or at least only one report during the year reporting on impact . The implication of this will be to reduce the frequency of data collection from companies and rather spend the gained time discussing real life challenges with stakeholders in the field.	**	*	
R12	In preparation for Phase 3, clarify and sharpen the definition of systems and system boundaries and manage expectations for change accordingly (see also recommendations on phase 3 set-up). This is not contradictory to R6, if systems are defined as sub-national geographic or economic spaces.	***		*

Nr	Recommendation	Importance (* - ***)	Immediate (=after MTR)	Phase 3 Design
R13	Improve management for systemic change , by using more qualitative data focussing on behavioural change of system actors and by showing clear pathways to systemic change. The Overview Paper on the Pragmatic Approach for Assessing Systemic Change (see Posthumus et al, 2020) offers interesting suggestions on how to do this. We particularly recommend considering the use of the complementary perspective of the intervention lens and the system lens.	***	*	
R14	Separate the topics Gender Equality from Youth Inclusion : the needs and challenges are different for the two target groups and by lumping them together under one heading one risks of treating them as being more similar than they are. The SDC term of Gender Equality and Social Inclusion (GESI) in general may offer a better implementable category where further guidance from within SDC is accessible.	*		*
R15	Develop light touch strategies for Gender and Social Inclusion : while the topic is well integrated into all sector strategies, it would illustrate in a more strategic manner how GESI is applied throughout the project management cycle. Currently, there is no strategy available.	*		*
R16	The current strategic framework has a tendency to 'silose' the gender and youth topic into outcome 3 : Most gender and youth specific interventions are focussed on outcome 3, which implicitly may reduce their importance when working on outcomes 1 and 2. This may come at the cost of truly making gender and youth inclusion a transversal topic.	**		*
R17	Transformative results can only be achieved, if one works systems from the demand side, the supply side and the matching side : IME is per definition more focussed on the demand side (SME job creation and quality of jobs), but works only to a limited extent on the supply side (e.g. skills development) or the matching side (e.g. career guidance, matching).	**		*
R18	Strengthen linkages to SDC Gender Equality Network : It would be valuable to further strengthen linkages to SDC and other SDC-funded projects in North Macedonia and the Balkan region to discuss about possibilities to bring about gender transformative results in SME competitiveness and employment related projects, as there are interesting experiences to learn from (e.g. E2E in Serbia).	*	*	
R19	Come away from a strict attribution approach and work more towards a contribution logic in intervention design, management and reporting.	**		
R20	Be more consistent in developing exit strategies at entry for all activities – doing this only for the intervention level as defined by IME in phase 2 is in our view too broad -, and work towards building the necessary capacities within the different systems.	***	*	
R21	Develop clear, practical definition and framework for systemic change and scale , and weed out activities and interventions which are not contributing to such changes (see also R12 and R13).	**	*	
R22	Work less directly in the core market function, but more on supporting functions and enabling environment issues , as this strengthens systemic change, sustainability and scale	*	*	*
R23	Clarify the use of different delivery instruments, once the overall goal, outcomes, sector and intervention visions for phase 3 have been developed. Form (and instruments) always follow function! Further continue the phasing out of the OF and CF as instruments .	**	*	*

Nr	Recommendation	Importance (* - ***)	Immediate (=after MTR)	Phase 3 Design
R24	Consider working with FITD in an as strategic manner as possible , also supporting FITD processes and management capacities, if possible.	*	*	*
R25	Develop clear exit strategies for the key function of access to finance , clarify the importance of access to certification and develop exit strategies and work with BSOs to the extent that they are able to perform key market system functions needed in the future.	**	*	*
R26	Reduce the number of private sector partnerships to fewer, but more strategic partnerships with key private sector change makers which can bring about broader changes in systems. Apply as much as possible key principles suggested under the PSE modality without getting bogged down with too many technicalities.	**	*	*
R27	Consider organising a joint training/workshop for SDC North Macedonia staff members, IME and potentially other implementers on how to establish a strong funder-implementer partnership while using MSD principles . This should include for instance the establishment of more meaningful reporting practices and measures (see also R10 and R11).	*	*	
R28	Overhaul the MRM system to become more 'light' and fit for purpose (= steering & learning oriented), rather than being heavily focussed on data mining.	**		*
R29	Consider no-cost extending the additional funding period until end of 2024 , as the delayed SDC approval process has resulted in the fact that IME is not likely going to be able to spend the additional funding as per the original planning until June 2024.	*	*	
R30	Consider redefining the role of the steering committee into much more of a pro-actively used advisory body, where different members bring in their own advice and expertise during key strategic moments.	*	*	
R31	We recommend having a final phase of IME in order to maximise return on investment of Swiss taxpayer money and communicate this decision as soon as possible to Palladium and IME , so phase 3 planning can be approached with sufficient time in hand.	***		*
R32	We recommend intensifying collaboration with the new Swisscontact Modernization Project with immediate effect to designate strong strategic synergies, as well as to clarify individual project boundaries.	**	*	
R33	Further discuss the outlined phase 3 options – and additional ones, if there are any - between SDC North Macedonia and IME and weigh in pros and cons for all options.	***	*	
R34	We recommend to further conceptualise option 3 and assess different variations (see 3a-3c).	***	*	
R35	Enter into the phase 3 design process rather sooner than later to ease the transition process and to prepare to hit the ground running from day 1 onwards.	**		*



Management Response – External mid-term review of the Increasing Market Employability (IME) Project with focus on Phase 2 (2019– 2023)

Management Response

The Management Response states the position of the Embassy of Switzerland in North Macedonia on the recommendations of the external mid-term review of the Increasing Market Employability (IME) project, with focus on phase 2 (2019-2023). The Management Response provides a solid basis for strategic decision-making.

Assessment of the evaluation

The evaluation was conducted in accordance with international standards, by Tim Gamper from Gamper-Smith Associates as a lead international consultant and Ljubomir Dimovski from Epicentar as a local consultant. The evaluation process was well managed and included close involvement of the team of the Embassy of Switzerland in North Macedonia.

The main objectives - (1) to learn from what works, what does not work and why, (2) to provide accountability on results achieved to stakeholders and funders, and (3) to provide steering recommendations for a potential exit phase – have been met by the evaluators. The Embassy of Switzerland in North Macedonia appreciates the comprehensiveness of the evaluation report and the sound analysis of key elements of the performance of IME. The report's analysis and resulting recommendations are considered to be useful for strengthening the strategic orientation of IME.

Main findings

The main findings of the mid-term review are very useful and they provide a very good basis for development of the exit phase of IME. The findings are accurate, being based on a review of all available project documentation, self-evaluation by the IME team and the involved staff of the Embassy of Switzerland in North Macedonia and meetings with a great number of stakeholders.

The Embassy of Switzerland agrees with the main findings, that IME is well managed and applies adaptive management in a period of perpetual crises. The project has achieved a broad range of important results at SME level, and limited, but important results at the level of national systems. IME is relevant in that it works in key sectors on SME competitiveness and employment, but the strong focus on job creation enshrined in the mandate is the core challenge IME is dealing with and has negative implications to sustainability of results. It guided the team to focus on short-term number of jobs, rather than long-term systemic changes. The strong focus on achieving and documenting quantitative results based on the targets of the logframe and the Donor Committee for Enterprise Development standard used for monitoring and result measurement, comes at the cost of more qualitative information which supports learning and steering along clear pathways for systemic change.

Both external and internal coherence of IME are comparably high, with room for improvement in donor coordination; however, the Embassy of Switzerland can address this issue with limitations.

The Embassy of Switzerland agrees that the project should have an exit phase, focusing more on SME competitiveness, resilience and sustainability, focussing on local economies,

supporting a clean and fair green transition, and having stronger links between the sustainable agribusiness and tourism sectors and a transversal digitalisation function.

Out of the 35 recommendations, 34 are 'fully agreed' (green), and 1 is 'partially agreed' (orange). There are no recommendations are not agreed ('disagree' - red) – see annex 1. The following recommendations are partially agreed:

Recommendation 1: SDC to agree with IME in writing – for instance as part of the management response to this MTR - that the main relevance for IME phase 2 has shifted from a focus on job creation to a focus on SME competitiveness. The job creation target is less in focus, but a LogFrame revision at this point of phase 2 implementation makes little sense.

Management response: Competitiveness of the private sector is a prerequisite to create more and better jobs. However, keeping the employment perspective is crucial with a view to the development challenges of the country, namely the lack of perspectives and emigration. The focus of the intervention will therefore be on developing and supporting decent employment and not on job creation; SME competitiveness is considered a key intermediary goal to achieve this.

Annexes:

Annex 1: Overview of recommendations

Annex 2: List of recommendations, management response and measures

Embassy of Switzerland in Skopje, 28.03.2024

Annex 1: Overview of recommendations

1.	SDC to agree with IME in writing – for instance as part of the management response to this MTR - that the main relevance for IME phase 2 has shifted from a focus on job creation to a focus on SME competitiveness . The job creation target is less in focus, but a LogFrame revision at this point of phase 2 implementation makes little sense .	
2.	Include reflections on job creation (and related targets), decency of jobs and SME competitiveness emerging from this review into the development process of the new Cooperation Programme 2025 – 2028 in line with newest discussions on employment and job creation within SDC (see SDC Slide Deck on Private Sector Development).	
3.	Sector selection and strategic set-up with agriculture and tourism as vertical sectors and digitalisation as transversal function to be maintained and sharpened.	
4.	Further strengthen synergies between agriculture and tourism , for instance by looking at agritourism experiences and agricultural input supply chains for the hospitality sector.	
5.	Conceptualise tourism more broadly as sustainable tourism and not narrowly as adventure tourism, as destinations cannot become more sustainable by mainly focussing on one niche segment only.	
6.	Important not to be too dogmatic with sector boundaries in particular if approaching more from a local economic development logic, as underlying constraints to sector challenges in a specific location lie often within other sectors or supporting functions, e.g. energy or construction regulations can be a crucial bottleneck to sustainable tourism (e.g. Krusevo).	
7.	For Switzerland, further strengthen donor coordination in line with government priorities, for instance in the frame of the implementation of the Smart Specialisation Strategy, and engage more proactively with non-traditional donors, such as GIZ on Sustainable Economic Development (e.g. the EU for Economic Growth – EU4EG - Programme).	
8.	For Switzerland, further strengthen portfolio management to incentivise more strategic collaboration between projects (do not leave synergy finding up to projects mainly).	
9.	Integrate the strategic collaboration with others explicitly as output for IME 3 with deliverables associated to it.	
10.	Adjust reporting towards SDC with a stronger focus on off-LogFrame reporting using qualitative information providing a good story in each sector connecting interventions with systemic change pathways	
11.	Adjust reporting cycle to either only have one yearly narrative report or at least only one report during the year reporting on impact . The implication of this will be to reduce the frequency of data collection from companies and rather spend the gained time discussing real life challenges with stakeholders in the field.	
12.	In preparation for Phase 3 (Exit phase), clarify and sharpen the definition of systems and system boundaries and manage expectations for change accordingly (see also recommendations on phase 3 set-up). This is not contradictory to recommendation 6, if systems are defined as sub-national geographic or economic spaces.	

13.	Improve management for systemic change , by using more qualitative data focussing on behavioural change of system actors and by showing clear pathways to systemic change. The Overview Paper on the Pragmatic Approach for Assessing Systemic Change (see Posthumus et al, 2020) offers interesting suggestions on how to do this. We particularly recommend considering the use of the complementary perspective of the intervention lens and the system lens.	
14.	Separate the topics Gender Equality from Youth Inclusion : the needs and challenges are different for the two target groups and by lumping them together under one heading one risks of treating them as being more similar than they are. The SDC term of Gender Equality and Social Inclusion (GESI) in general may offer a better implementable category where further guidance from within SDC is accessible.	
15.	Develop light touch strategies for Gender and Social Inclusion : while the topic is well integrated into all sector strategies, it would illustrate in a more strategic manner how GESI is applied throughout the project management cycle. Currently, there is no strategy available.	
16.	The current strategic framework has a tendency to ‘silose’ the gender and youth topic into outcome 3 : Most gender and youth specific interventions are focussed on outcome 3, which implicitly may reduce their importance when working on outcomes 1 and 2. This may come at the cost of truly making gender and youth inclusion a transversal topic.	
17.	Transformative results can only be achieved, if one works systems from the demand side, the supply side and the matching side : IME is per definition more focussed on the demand side (SME job creation and quality of jobs), but works only to a limited extent on the supply side (e.g. skills development) or the matching side (e.g. career guidance, matching).	
18.	Strengthen linkages to SDC Gender Equality Network : It would be valuable to further strengthen linkages to SDC and other SDC-funded projects in North Macedonia and the Balkan region to discuss about possibilities to bring about gender transformative results in SME competitiveness and employment related projects, as there are interesting experiences to learn from (e.g. E2E in Serbia).	
19.	Come away from a strict attribution approach and work more towards a contribution logic in intervention design, management and reporting.	
20.	Be more consistent in developing exit strategies at entry for all activities – doing this only for the intervention level as defined by IME in phase 2 is in our view too broad -, and work towards building the necessary capacities within the different systems.	
21.	Develop clear, practical definition and framework for systemic change and scale , and weed out activities and interventions which are not contributing to such changes (see also recommendations 12 and 13).	
22.	Work less directly in the core market function, but more on supporting functions and enabling environment issues , as this strengthens systemic change, sustainability and scale	
23.	Clarify the use of different delivery instruments, once the overall goal, outcomes, sector and intervention visions for phase 3 have been developed. Form (and instruments) always follow function! We do not see much justification to maintain the Opportunity Fund or Challenge Fund in a phase 3 .	
24.	Consider working with Fund for Innovation and Technology Development in an as strategic manner as possible , also supporting their processes and management capacities, if possible.	
25.	Develop clear exit strategies for the key function of access to finance , clarify the importance of access to certification and develop exit strategies and work with business support organisations to the extent that they are able to perform key market system functions needed in the future.	

26.	Reduce the number of private sector partnerships to fewer, but more strategic partnerships with key private sector change makers which can bring about broader changes in systems. Apply as much as possible key principles suggested under the private sector engagement modality without getting bogged down with too many technicalities.	
27.	Consider organising a joint training/workshop for SDC North Macedonia staff members, IME and potentially other implementers on how to establish a strong funder-implementer partnership while using market system development principles . This should include for instance the establishment of more meaningful reporting practices and measures (see also recommendations 10 and 11).	
28.	Overhaul the monitoring and result measurement system to become more 'light' and fit for purpose (= steering & learning oriented), rather than being heavily focussed on data mining.	
29.	Consider no-cost extending the additional funding period until end of 2024 , as the delayed SDC approval process has resulted in the fact that IME is not likely going to be able to spend the additional funding as per the original planning until June 2024.	
30.	Consider redefining the role of the steering committee into much more of a pro-actively used advisory body, where different members bring in their own advice and expertise during key strategic moments.	
31.	We recommend having a final phase of IME in order to maximise return on investment of Swiss taxpayer money and communicate this decision as soon as possible to Palladium and IME , so phase 3 planning can be approached with sufficient time in hand.	
32.	We recommend intensifying collaboration with the new Modernization Project implemented by Swisscontact with immediate effect to designate strong strategic synergies, as well as to clarify individual project boundaries.	
33.	Further discuss the outlined phase 3 options – and additional ones, if there are any - between SDC North Macedonia and IME and weigh in pros and cons for all options.	
34.	We recommend to further conceptualise option 3 and assess different variations (see 3a-3c).	
35.	Enter into the phase 3 design process rather sooner than later to ease the transition process and to prepare to hit the ground running from day 1 onwards.	
Fully agree		Partially agree
		Disagree

Annex 2: List of recommendations, management response and measures

Recommendation 1		
SDC to agree with IME in writing – for instance as part of the management response to this MTR - that the main relevance for IME phase 2 has shifted from a focus on job creation to a focus on SME competitiveness . The job creation target is less in focus (see also Annex 5 for a proposal for a Strategic Framework for phase 3), but a LogFrame revision at this point of phase 2 implementation makes little sense .		
Management response		
Fully agree	Partially agree	Disagree
Competitiveness of the private sector is a prerequisite to create more and better jobs. However, keeping the employment perspective is crucial with a view to the development challenges of the country, namely the lack of perspectives and emigration. The focus of the intervention will therefore be on developing and supporting decent employment and not on job creation; SME competitiveness is considered a key intermediary goal to achieve this.		
Measures	Responsibility	Timing
The exit phase will continue to include an indicator on decent employment to reflect the shift of the needs, from job creation, to decent employment. Competitiveness will be an important element of the overall goal and also be tracked by indicators.	NPO, IME team	1 July 2024 (start of Exit phase)

Recommendation 2		
Include reflections on job creation (and related targets), decency of jobs and SME competitiveness emerging from this review into the development process of the new Cooperation Programme 2025 – 2028 in line with newest discussions on employment and job creation within SDC (see SDC Slide Deck on Private Sector Development).		
Management response		
Fully agree	Partially agree	Disagree
The recommendation refers to the new cooperation Programme, not the mandate of the mid-term review of IME.		
Measures	Responsibility	Timing
Job creation reflections will be discussed when the Swiss Cooperation Programme 2025-2028 is defined	Economic Development team at the Embassy of Switzerland	By the end of 2024

Recommendation 3		
Sector selection and strategic set-up with agriculture and tourism as vertical sectors and digitalisation as transversal function to be maintained and sharpened		
Management response		
Fully agree	Partially agree	Disagree
This shift started in 2022 and will be fully utilised in the exit phase of IME.		
Measures	Responsibility	Timing
Adequately planned in the exit phase	NPO, IME team	1 July 2024 (start of Exit phase)

Recommendation 4		
Further strengthen synergies between agriculture and tourism , for instance by looking at agritourism experiences and agricultural input supply chains for the hospitality sector.		
Management response		
Fully agree	Partially agree	Disagree
Strengthening synergies between agribusiness and adventure tourism started already in phase 2 and will continue in the exit phase		
Measures	Responsibility	Timing
Adequately planed in the exit phase	NPO, IME team	1 July 2024 (start of Exit phase)

Recommendation 5		
Conceptualise tourism more broadly as sustainable tourism and not narrowly as adventure tourism, as destinations cannot become more sustainable by mainly focusing on one niche segment only.		
Management response		
Fully agree	Partially agree	Disagree
Agreed.		
Measures	Responsibility	Timing
Adequately planed and reflected in the exit phase	NPO, IME team	1 July 2024 (start of Exit phase)

Recommendation 6		
Important not to be too dogmatic with sector boundaries in particular if approaching more from a local economic development logic, as underlying constraints to sector challenges in a specific location lie often within other sectors or supporting functions, e.g. energy or construction regulations can be a crucial bottleneck to sustainable tourism (e.g. Krusevo).		
Management response		
Fully agree	Partially agree	Disagree
Agreed, understanding of facilitation mandate of the project to be extended and included in the exit phase		
Measures	Responsibility	Timing
Adequately planed in the exit phase	NPO, IME team	1 July 2024 (start of Exit phase)

Recommendation 7		
For Switzerland, further strengthen donor coordination in line with government priorities, for instance in the frame of the implementation of the Smart Specialisation Strategy, and engage more pro-actively with non-traditional donors, such as GIZ on Sustainable Economic Development (e.g. the EU for Economic Growth – EU4EG - Programme).		

Management response		
Fully agree	Partially agree	Disagree
Switzerland is very active in the field of donor coordination and agrees with the recommendation to further strengthen donor coordination. Note: The term “non-traditional donor” as indicated by the evaluators may not be a suitable label for the German GIZ which is more an implementing agency than a donor organisation.		
Measures	Responsibility	Timing
Continue with active ad-hoc exchange on a technical level and general donor coordination on a high level	NPO, Ambassador, Deputy Head of Mission	Continuously

Recommendation 8		
For Switzerland, further strengthen portfolio management to incentivise more strategic collaboration between projects (do not leave synergy finding up to projects mainly).		
Management response		
Fully agree	Partially agree	Disagree
Synergies and breaking the silos is an important change in the way of working within the new Swiss Cooperation Programme 2025-2028		
Measures	Responsibility	Timing
Specific measures to be planned along the planning of the new Swiss Cooperation Programme	Embassy programme staff	As of 2025

Recommendation 9		
Integrate the strategic collaboration with others explicitly as output for IME 3 with deliverables associated to it.		
Management response		
Fully agree	Partially agree	Disagree
Networking will be part of the outputs of the exit phase of IME		
Measures	Responsibility	Timing
Include an output on establishing networks among key stakeholders when the exit phase of IME is designed	IME Team, NPO	1 July 2024 (start of Exit phase)

Recommendation 10		
Adjust reporting towards SDC with a stronger focus on off-LogFrame reporting using qualitative information providing a good story in each sector connecting interventions with systemic change pathways.		
Management response		
Fully agree	Partially agree	Disagree
Qualitative assessments and reporting to be enhanced by project team.		
Measures	Responsibility	Timing
Qualitative assessments and reporting to be added in RDM.	NPO, IME Team	Continuous

Recommendation 11		
Adjust reporting cycle to either only have one yearly narrative report or at least only one report during the year reporting on impact. The implication of this will be to reduce the frequency of data collection from companies and rather spend the gained time discussing real life challenges with stakeholders in the field.		
Management response		
Fully agree	Partially agree	Disagree
This is already planned for all projects		
Measures	Responsibility	Timing
To be included in the exit phase of IME	NPO	As of July 2024

Recommendation 12		
In preparation for Phase 3, clarify and sharpen the definition of systems and system boundaries and manage expectations for change accordingly (see also recommendations on phase 3 set-up). This is not contradictory to recommendation 6, if systems are defined as sub-national geographic or economic spaces.		
Management response		
Fully agree	Partially agree	Disagree
Systems will be defined on a sub-national level		
Measures	Responsibility	Timing
Exact sub-national level systems will be defined in the Project Document for the exit phase	IME team, NPO	1 July 2024

Recommendation 13		
Improve management for systemic change , by using more qualitative data focusing on behavioral change of system actors and by showing clear pathways to systemic change. The Overview Paper on the Pragmatic Approach for Assessing Systemic Change (see Posthumus et al, 2020) offers interesting suggestions on how to do this. We particularly recommend considering the use of the complementary perspective of the intervention lens and the system lens.		
Management response		
Fully agree	Partially agree	Disagree
To be included when defining the exit phase		
Measures	Responsibility	Timing
To be included when defining the exit phase	IME Team based on the mentioned Overview Paper	[when measure should be implemented]

Recommendation 14		
Separate the topics Gender Equality from Youth Inclusion: the needs and challenges are different for the two target groups and by lumping them together under one heading one risks of treating them as being more similar than they are. The SDC term of Gender Equality and Social Inclusion (GESI) in general may offer a better implementable category where further guidance from within SDC is accessible.		
Management response		
Fully agree	Partially agree	Disagree

Agreed, the groups require different and separate approaches		
Measures	Responsibility	Timing
The approach to women and youth will be reconsidered when the exit phase is defined. In view of placing stronger emphasis on competitiveness, possibilities for access to these groups will be reconsidered.	IME team, NPO	1 July 2024

Recommendation 15		
Develop light touch strategies for Gender and Social Inclusion: while the topic is well integrated into all sector strategies, it would illustrate in a more strategic manner how GESI is applied throughout the project management cycle. Currently, there is no strategy available.		
Management response		
Fully agree	Partially agree	Disagree
Agreed. Limitations on how the groups can be addressed if focus is placed on competitiveness have to be duly taken into account.		
Measures	Responsibility	Timing
To be conducted during the preparation for the exit phase	IME Team, NPO	1 July 2024

Recommendation 16		
The current strategic framework has a tendency to 'silose' the gender and youth topic into outcome 3: Most gender and youth specific interventions are focussed on outcome 3, which implicitly may reduce their importance when working on outcomes 1 and 2. This may come at the cost of truly making gender and youth inclusion a transversal topic.		
Management response		
Fully agree	Partially agree	Disagree
Agreed, the approach will be changed in the exit phase		
Measures	Responsibility	Timing
Include gender and youth in the interventions throughout the portfolio, not to have a specific outcome on them	IME Team, NPO	1 July 2024

Recommendation 17		
Transformative results can only be achieved, if one works systems from the demand side, the supply side and the matching side: IME is per definition more focused on the demand side (SME job creation and quality of jobs), but works only to a limited extent on the supply side (e.g. skills development) or the matching side (e.g. career guidance, matching).		
Management response		
Fully agree	Partially agree	Disagree
Agreed, therefore the portfolio includes different projects working on the supply and the demand side, and there are efforts for their strong collaboration		
Measures	Responsibility	Timing
The collaboration with the supply side projects (mainly E4E) will continue in the implementation of the exit phase of IME	IME Team, NPO	Ongoing projects

Recommendation 18		
Strengthen linkages to SDC Gender Equality Network: It would be valuable to further strengthen linkages to SDC and other SDC-funded projects in North Macedonia and the Balkan		

region to discuss about possibilities to bring about gender transformative results in SME competitiveness and employment related projects, as there are interesting experiences to learn from (e.g. E2E in Serbia).

Management response

Fully agree	Partially agree	Disagree
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Agreed, this is valid for the whole economic development portfolio

Measures	Responsibility	Timing
Possibilities for access and exchange with the gender network within IME and wider in the economic development domain will be explored	Swiss Embassy Gender focal point, NPOs In the economic development domain	Continuous

Recommendation 19

Come away from a strict attribution approach and **work more towards a contribution logic** in intervention design, management and reporting.

Management response

Fully agree	Partially agree	Disagree
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The recommendation will be embedded in the exit phase

Measures	Responsibility	Timing
To be embedded in the monitoring and result measurement plan of the exit phase	IME Team	Starting 1 July 2024

Recommendation 20

Be **more consistent in developing exit strategies at entry** for all activities – doing this only for the intervention level as defined by IME in phase 2 is in our view too broad -, and work towards building the necessary capacities within the different systems.

Management response

Fully agree	Partially agree	Disagree
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Fully agreed, the initial steps in this direction were made in already in 2022

Measures	Responsibility	Timing
The approach should be further strengthened in the exit phase. Capacity development of stakeholders for scale to be envisaged in the design of the Project Document for the exit phase.	IME Team, NPO	1 July 2024

Recommendation 21

Develop clear, practical **definition and framework for systemic change and scale**, and weed out activities and interventions which are not contributing to such changes (see also recommendations 12 and 13).

Management response

Fully agree	Partially agree	Disagree
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Agreed, the initial steps in this direction were made in already during phase 2

Measures	Responsibility	Timing
The approach should be further strengthened in the exit phase, as part of the implementation strategy	IME Team, NPO	As of 1 July 2024

Recommendation 22		
Work less directly in the core market function, but more on supporting functions and enabling environment issues , as this strengthens systemic change, sustainability and scale		
Management response		
Fully agree	Partially agree	Disagree
Agreed, this is in particular important for the exit phase		
Measures	Responsibility	Timing
To be incorporated in the Project Document for the exit phase	IME Team, NPO	1 July 2024

Recommendation 23		
Clarify the use of different delivery instruments, once the overall goal, outcomes, sector and intervention visions for phase 3 have been developed. Form (and instruments) always follow function! We do not see much justification to maintain the OF or CF in a phase 3 .		
Management response		
Fully agree	Partially agree	Disagree
Fully agreed, to be implemented in the exit phase		
Measures	Responsibility	Timing
The instruments used in IME phase 2 will be fully redefined to follow the needs to which the exit phase of IME will respond. This will be included in the Project Document of the exit phase.	IME Team., NPO	1 July 2024

Recommendation 24		
Consider working with FITD in an as strategic manner as possible , also supporting FITD processes and management capacities, if possible.		
Management response		
Fully agree	Partially agree	Disagree
Agreed. In addition, further collaboration with FITD will be reassessed after the ongoing initiative is finalised. Possible changes of the management may also affect this decision		
Measures	Responsibility	Timing
Further strategic collaboration with FITD will be planned, but needs to be continuously reassessed, in particularly in view of effective and efficient use of resources and possible reputational risk mitigation	IME Team, NPO	As of July 2024

Recommendation 25		
Develop clear exit strategies for the key function of access to finance , clarify the importance of access to certification and develop exit strategies and work with BSOs to the extent that they are able to perform key market system functions needed in the future.		
Management response		
Fully agree	Partially agree	Disagree
Agreed, the current form of cooperation with the consultants on access to finance and certification by subsidising their services will end at the end of phase 2 of IME		
Measures	Responsibility	Timing
Other forms of cooperation with the certification and access to finance shall be included in the exit phase of IME	IME Team, NPO	As of July 2024

Recommendation 26		
Reduce the number of private sector partnerships to fewer, but more strategic partnerships with key private sector change makers which can bring about broader changes in systems. Apply as much as possible key principles suggested under the PSE modality without getting bogged down with too many technicalities.		
Management response		
Fully agree	Partially agree	Disagree
Fully agree, PSE already in phase 2 of IME has been introduced as an important new modality		
Measures	Responsibility	Timing
Fewer and more strategic partnerships through PSE will continue within the exit phase of IME. This will be included in the Project Document for the exit phase	IME Team, NPO	As of July 2024

Recommendation 27		
Consider organising a joint training/workshop for SDC North Macedonia staff members, IME and potentially other implementers on how to establish a strong funder-implementer partnership while using MSD principles . This should include for instance the establishment of more meaningful reporting practices and measures (see also recommendations 10 and 11).		
Management response		
Fully agree	Partially agree	Disagree
Agreed		
Measures	Responsibility	Timing
The consultation workshop on goals and indicators of new Cooperation Programme will be seized to deepen the dialogue on the partnership between the Embassy and implementers, including among the latter. In addition, available materials posted at the E+E shareweb will be considered. Opportunities for exchange with the Regional Advisor will be explored	Economic development team at the Embassy, Regional Advisor	2025

Recommendation 28		
Overhaul the MRM system to become more 'light' and fit for purpose (= steering & learning oriented), rather than being heavily focused on data mining.		
Management response		
Fully agree	Partially agree	Disagree
Agreed, to be introduced in the exit phase		
Measures	Responsibility	Timing
The MRM system will be revised at the beginning of the exit phase to include the proposed changes.	IME Team	As of July 2024

Recommendation 29		
Consider no-cost extending the additional funding period until end of 2024 , as the delayed SDC approval process has resulted in the fact that IME is not likely going to be able to spend the additional funding as per the original planning until June 2024.		
Management response		
Fully agree	Partially agree	Disagree
Agreed, no cost extension for the interventions that are linked to the season and therefore cannot be implemented by June 2024 to be considered		

Measures	Responsibility	Timing
No cost extension to be prepared and approved	IME Team, Embassy	By June 2024

Recommendation 30

Consider **redefining the role of the steering committee** into much more of a pro-actively used advisory body, where different members bring in their own advice and expertise during key strategic moments.

Management response

Fully agree	Partially agree	Disagree
Agreed		

Measures	Responsibility	Timing
The role of the Steering Committee to be reconsidered in the exit phase. Possible political changes may also affect the Steering Committee structure, depending on interest and influence.	IME Team, NPO, Ambassador, DHoM	[when measure should be implemented]

Recommendation 31

We recommend having a final phase of IME in order to maximise return on investment of Swiss taxpayer money and **communicate this decision as soon as possible to Palladium and IME**, so phase 3 planning can be approached with sufficient time in hand.

Management response

Fully agree	Partially agree	Disagree
Agreed		

Measures	Responsibility	Timing
Extension of Entry Proposal and submission of Credit Proposal for Exit Phase	NPO, DHoM	May 2024

Recommendation 32

We recommend **intensifying collaboration with the new Swisscontact Modernization Project** with immediate effect to designate strong strategic synergies, as well as to clarify individual project boundaries.

Management response

Fully agree	Partially agree	Disagree
Agreed		

Measures	Responsibility	Timing
Ongoing, and will continue booth during the inception phase of the Modernization for Sustainability and Decent Jobs (MSD) project and when the implementation of main phase 1 takes place.	Economic development team of the Embassy, Team Leaders of IME and MSD	Continuous

Recommendation 33		
Further discuss the outlined phase 3 options – and additional ones, if there are any - between SDC North Macedonia and IME and weigh in pros and cons for all options.		
Management response		
Fully agree	Partially agree	Disagree
Agreed		
Measures	Responsibility	Timing
Discussion started with the debriefing of the mid-term review and will continue throughout the process of development of the exit phase	NPO, IME Team, DHoM	Ongoing, until June 2024

Recommendation 34		
We recommend to further conceptualise option 3 and assess different variations (see 3a-3c).		
Management response		
Fully agree	Partially agree	Disagree
Agreed		
Measures	Responsibility	Timing
Discussion started with the debriefing of the mid-term review and will continue throughout the process of development of the exit phase	NPO, IME Team, DHoM	Ongoing, until June 2024

Recommendation 35		
Enter into the phase 3 design process rather sooner than later to ease the transition process and to prepare to hit the ground running from day 1 onwards		
Management response		
Fully agree	Partially agree	Disagree
Agreed		
Measures	Responsibility	Timing
The design started immediately after the draft evaluation report was delivered and reviewed by the Embassy and the IME team	IME Team, NPO, DHOM	Ongoing, until June 2024