**Programme:** Private Sector Development and TVET in South Caucasus (PSD TVET SC)

**PN:** 16.2179.6-002.00

**Activity**: Sector Scan and Baseline Analysis of Logistics Value Chain of Armenia

**Period:** October 2020 – April 2021

1. **Brief information about the programme**

The Private Sector Development and Technical Vocational Education and Training programme developed jointly with the public partners and private sector in the South Caucasus Countries, aims at promoting the private sector development with high attention to employment impacts and close integration of vocational education and training.

Due to the small domestic markets with limited purchasing power, the South Caucasus Countries have focused so far on expanding foreign trade to promote economic development.The export-dedicated strategy achieved only limited success in improving the employment situation and living conditions. Employment growth in sectors that afford the greatest potential for *pro-poor growth* and employment promotion in comparable economies and also in South Caucasus, such as tourism and agricultural, cannot be sustained, because businesses lack well-trained skilled labour.

The core challenge consists thus in the difficult framework conditions for sustainable economic development in the sectors relevant for employment. The capacities available are not yet sufficient to generate the envisaged employment and growth momentum.

Therefore, the programme **module objective** is: The conditions for sustainable economic development have improved in selected sectors relevant for employment.

The programme adopts the integrated approach of German development cooperation in employment promotion. It addresses both the supply and demand side of the labour market to lay a better foundation for employment.

The programme operates in three intervention fields:

**Intervention** **field 1** aims to strengthen capacities for improving competitiveness in the sectors relevant for employment.

In **intervention field 2**, it supports the cooperation of the private and public actors to improve the labour-market relevance of selected training courses.

**Intervention field 3** seeks to strengthen the regional and international exchange of experience in sustainable private sector development and dual-oriented vocational training.

The programme is scheduled for a term of 6 years (from April 2017 to April 2023).

1. **Context and current situation in the field of assignment**

The Logistics Industry refers to the movement of goods and information between the provider and the receiver and the entailing processes of coordinating resources and services between the point of origin and the point of consumption, inventory management, inbound and outbound transportation, material handling, warehousing, etc. The resources managed in logistics can include physical items such as food, material, animals, equipment, liquids, as well as abstract items, such as time and information. In recent years, the logistics industry has benefitted from the advancements made in technology, integration, globalization, legislation, and confederations. Furthermore, the increased demand for logistics by major companies, the rapid rise of trade agreements among various nations, the increasing cross-border trade, increasing use of multimodal transport and growing e-commerce industry are the major demand drivers of the global logistics market. To keep pace with the rising needs of importers and exporters and for the smooth flow of information from one source to another the industry undergoes technological changes and digital transformation which includes technology-based supply chain, data analytics, and other advanced software technologies in logistics function such as automated material handling equipment, biometrics, GPS, RFID (Radio Frequency Identification), Bluetooth, Drones, Driverless Vehicles, blockchain technologies etc

However, rise in pollution level and high inventory costs and low warehousing space and lack of possibility for the manufacturers to monitor the operations at warehouse, thus have control over the risks and threats to the quality of products are restraining the logistics market growth. Irrespective of the challenges, rise in adoption of green (cleantech) logistics solutions is creating an opportunity for the market growth.

The global logistics market in its present state has come about as a result of an amalgamation of supply side and demand side trends. According to the latest report titled “Logistics Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2019-2024”, the global logistics market reached a value of US$ 4,730 Billion in 2018. Looking forward, the market is projected to reach a value of US$ 6,300 Billion by 2024, registering a CAGR of 4.9% during 2019-2024. The classification of the global Logistics Market is done based on the model type, product type, segments, transportation mode, the end-user industry, and geography. Based on the model type, the market has been segmented as 2 PL, 3 PL and 4 PL.

Based on the transportation mode, the market has been segregated into roadways, railways, waterways and airways. Based on the end-use, the major segments include manufacturing, healthcare, trade and transportation, telecom, public utilities and government, banking and financial services, retail, media and entertainment, IT, construction, and others.

The RA Strategy on Export-Led Industrial Policy adopted in December 2011 defines modernization of infrastructures, creation of an international logistic centre next to Zvartnots International Airport, and promotion of private initiatives and investments for the development of logistic centres and services as one of the key dimensions of the strategy along with the development of projects on modernization of transport infrastructures, operation of Iran-Armenia railways, elimination of constraints for external trade, the establishment of bilateral free trade agreements with CIS members states (except Azerbaijan), Georgia.

On May 25th, 2011 the law on Free Economic Zones was adopted to create conditions and environment to attract investments and to promote exports. Armenia has been a member of the World Trade Organization since February 5th, 2003.

Since January 2nd 2015 Armenia is a member of the Eurasia Economic Union and, as such, participates in the Agreement between the EAEU and the Vietnam Socialist Republic on Free Trade Zone (since 2016) and the Agreement between the EAEU and the People’s Republic of China on Economic and Trade Cooperation (since October 27, 2019). USA, Canada, Switzerland, Japan, and Norway provide Armenia opportunity to benefit from the Generalized Scheme of Preferences /GSP/.

Since January 1, 2009, the Republic of Armenia has been benefitting from the EU's Special Incentive Arrangement for Sustainable Development and Good Governance “GSP+” and as of January 1, 2014,  Armenia was included in the list of beneficiaries of the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) under the reformed EU Generalised Scheme of Preferences (GSP), according to the European Commission regulation [(GSP Regulation 978/2012).](https://mineconomy.am/media/6342/1.pdf)

In 2017 the Comprehensive and Enhanced Partnership Agreement (CEPA) was signed with the European Union (EU), which has expanded Armenia’s access to new international trade and economic opportunities. As a result of all the focused measures and agreements, the volumes of trade has been increasing in Armenia during the past 5 years accounting for 54.1% of GDP by economic activity in Armenia.

Russia, Germany, and Belarus are the major trade partners for Armenia in the European region, while China is also increasing its trade with the country. China has been Armenia’s second-largest trading partner for the last several years. Chinese-Armenian trade rose by nearly 50%, to USD 342 million, in the first half of 2019.

European Union - Armenia trade turnover recorded a considerable growth last year, comprising to USD 1.830 billion, with export growth of about 8% and turnover growth of about 19% compared to 2017. The GSP+ privileged trading regime and the electronic product certification system has also contributed greatly to the intensification of trade-economic relations and the facilitation of the export process.

Located at the nexus of three large consumer markets—the Eurasian Economic Union (EAEU) (180 million consumers), the EU (512 million), and Iran (80 million)— and leveraging its “multi-club economic membership”, Armenia could boost higher export volume in key growth sectors. Nevertheless, consultations with the private sector have suggested that bottlenecks preventing key sectors from realizing their export potential include logistics-related constraints and issues with firms’ ability to produce large volumes at high quality.

Thus, to reach high export volumes, the country will need to overcome existing high trade costs, by supporting soft and hard infrastructure and facilitation services, such as logistics, transport, energy, and digital infrastructure, by adopting modern supply- chain management techniques by manufacturers and importers, better regulating the traditional transport services and freight forwarding and logistics industry, by implementing border management reforms, by decreasing logistics costs and improving the accessibility to services to reach competitive pricing, by eliminating connectivity constraints, upgrading basic services to improve the connectivity of Armenia to regional and global markets, and actively promoting improved corridor performance using modern logistics tools, streamlining transit, reducing informality, ensuring market competition and last, but not the least, by developing professionally qualified staff for those services and professionalizing logistics.

Currently, the logistics services are highly segmented and mainly dominated by local players with maybe limited connectivity, infrastructure and human capacities. Give all the factors described above Armenia is ranked 141 among 160 economies worldwide In the World Bank’s 2016 Logistic Performance Index (LPI).

The progression of the logistics industry as one of the enablers for capturing export opportunities is a priority for the RA Government, which seeks to find solutions to the problems in logistics industry Value Chain and market and to set a pathway to the development of a vibrant, productive and competitive industry.

In order to find solutions to the problems of the logistics industry in Armenia and to prepare systematic and focused interventions for addressing the constraints and challenges of the logistics market using a holistic approach, the Government and the stakeholders of the industry will need to have an in-depth analysis and overview of the legal framework, institutional landscape, cooperation systems, the capacities, competencies and competitive landscape of the logistics value chain industries and their capacity development needs, as well as many other aspects.

GIZ PSD TVET Programme will support this priority by assisting the efforts of the key stakeholder in the development of modern logistics tools, demand-led and competitive services, adopting modern management techniques. Also, the Programme may support by promoting connectivity and integration of Armenian logistics industries to regional and global markets, raising the industry performance through enhancing the human capital and organisational capacities, fostering innovation, improving regulatory framework conditions, facilitating dialogue and cooperation between the private and public actors, nurturing B2B and B2C prospects, strengthening business development and support services, cultivating industry networks and associations, reinforcing regional and international exchange of experience, developing and introducing dual-oriented vocational training.

**Conditions of the assignment**

* 1. **Objective and tasks**

The GIZ PSD TVET Programme seeks to contract a company/expert to conduct a sector scan of the Logistics Industry and Market in Armenia.

The aim and general objective of the assignment is to improve the knowledgebase of the logistics industry and market in Armenia and its development needs for the Ministry of Economy, the Ministry of Education, Science, Culture and Sport and the Ministry and the Ministry of Territorial Administration and Infrastructure as a base for the national roadmaps for improving the competitiveness of the industry, for development of vibrant and productive private industries within the logistics value chain enabling their entrance to global markets and growth, creation of jobs within the industry and last, but not the least for development of competitive skills and qualification frameworks for ensuring competitive and productive labour force. Also, the report shall be a useful resource for entrepreneurs, investors, researchers, consultants, business strategists, and all those who have any kind of stake or are planning to foray into the logistics market in any manner.

The specific objectives of this assignment are:

* to provide an overall insight into the global logistics market value chain covering all its essential aspects, and underpinning the role and share of the Armenian logistics industry in it, as well as the perspectives of increasing integration.
* to provide with a detailed baseline overview and analysis of the Armenian Logistics Market Value Chain, its integrated services: procurement, transportation, warehousing, distribution, as well as segments, market breakup by model type, function, end-user, etc. This ranges from macro overview of the market to micro details of the industry current performance, market size, recent trends, key market drivers, overall market environment, historic milestones achieved by the market, market forecasts and predictions on the development scenarios etc. across the existing segments of the logistics industry in Armenia.
* to examine logistics needs within the key growth sectors (consumer goods, high-tech, spare parts, food and beverages, pharmaceuticals, etc.) and identify where there is more demand for logistic services.
* to identify regulations and policies which are constraining private sector investment in the logistics industry and which, if adjusted, could make the industry ripe and attractive for investments promotion.
* to evaluate the impact of Covid-19 outbreak on the logistics market,
* to define a pathway to the stakeholders and the logistics market segments to focus on for the coming years to reach higher returns from performance efficiency, new product innovations and subsequently from aligned investments.
* to analyse the competitive landscape of the market and provide with the analysis of at least 50 leading logistics market key players (companies) mostly focusing on management tools used by the companies, the flow of business processes, and operations, employment intensiveness of the specific chains of the industry, staffing and resourcing aspects, the occupational map, the skills shortage and gaps as well as on such aspects as corporate social responsibility and innovation in management, operations, tools and techniques. This analysis shall provide with recommendations on the changes the companies will need to make to overcome their barriers, increase productivity, improve competitiveness and enlarge the connectivity and fasten their position in the markets both locally and globally. The recommendations shall focus on changes within the power of the companies, such as adoption of modern management techniques, promotion of innovation, digitization and optimization of operations, skills development, etc.
* come up with an occupational map and list of skills in shortage, potential transfer in skills given the technology transformations within the industry. Identify those occupations which require vocational education and where there is a potential to develop dual vocational training approach.
* to inform the dialogue between different parties and decisions on priorities for capacity strengthening and skills development showing the growth opportunities by comparing various factors such as economic growth, technological developments, government policies, availability of labour etc.

The Assignment will start from October 15, 2020 and will last for 6 months, until April 15, 2021.

The consultant shall conduct a rapid sector scan, consisting of desk and internet research, organization and facilitation of stakeholder focus group discussions and participatory workshops, conducting in-depth expert interviews with selected actors, analysis of findings and development of recommendations and a roadmap.

For a detailed study, both secondary and primary research methodologies as well as the consultant’s pre-existing knowledge have to be applied within the 3 main phases of the assignment as described below:

***Phase 1: Fact-finding (Local Expert: 25 days)***

1. Collect and synthesize information on the global logistics market value chain including an overview on market performance, the ecosystem, key trends, drivers, and challenges, value chain analysis, definitions, segmentation and classifications, etc.
2. Collect and create a comprehensive and detailed database of stakeholders from private, public and non-governmental sectors: listing acting companies of the logistics value chain including e-commerce and other relevant tech companies and start-ups, the relevant government institutions, industry unions and/or associations, BSOs/BDOs, e.g. Free Economic Zones, Incubators, Accelerators, transportation and other infrastructure owners/operators, specialized consulting companies and training providers, etc. including the following data: name of the organization, name of the head of the organization, name of the contact person and title, contacts, number of employees, field(s) of activity, revenue, infrastructure, used technology, etc.
3. Collect and synthesize information on relevant policies, strategies, programmes and regulations of the RA Government with the focus on constrains preventing private investments in the logistics industry in Armenia, as well as with focus onpossible cooperation approaches with Georgia.
4. Collect and analyse information on the logistics needs within the key growth sectors (consumer goods, high-tech, spare parts, food and beverages, pharmaceuticals, etc.) and identify where there is more demand for logistics services.
5. Collect and analyse macro-economic as well as micro-economic data on logistics market in Armenia and elaborate a draft of the current performance of the industry, market size, recent trends, key market drivers, overall market environment, historic milestones achieved by the market, market forecasts and predictions on the development scenarios etc. across the existing segments of the logistics industry in Armenia as well as the impact of the Covid-19 outbreak on the overall supply and demand of logistics market.
6. Produce an inception report analysing and synthesising all the collected data in a structured manner focusing on qualitative information on Armenia’s logistic industry competitiveness and performance, including cause and roots comparatives, and initial recommendations on the main promotional routes and mechanisms that might be effective. Also, a visual picture of the end-to-end design of both the global and the domestic logistics market value chains, drawing comparatives and describing the of participation and share of Armenian logistics Value Chain industries in the global market.

***Phase 2: Data validation (Local Expert: 15 days)***

1. Discuss the inception report with GIZ responsible personnel and incorporate the required changes in the inception report.
2. Use the context of the inception report to prepare the further focus group discussion moderation plans, and formulate appropriate questions for leading those discussions and in-depth interviews with stakeholder groups aiming at validation of the information and deeper dive into solutions and refinement of the initial recommendations.
3. Plan, organize and facilitate stakeholder workshops with engagement of all the key stakeholder groups as identified during the fact-finding phase aiming at:
   1. presentation of the findings of the inception report, discussion and validation of the findings and recommendations
   2. detailed analysis of the stakeholders, actor profiling and interest mapping, structural characteristics of cooperation, identification of their views on the areas needing improvement and their willingness to take part in the change and to act.

***Phase 3: In-depth analysis and action prioritization and reporting (Local Expert: 80 days)***

1. plan, design and conduct in-depth expert interviews as well as focus group discussions with at least 100 key acting companies of the Logistics value chain to ensure that informed opinions have been collected on the following:
   1. the existing management tools used by the companies, the flow of business processes, and operations, employment intensiveness of the specific chains of the industry, staffing and resourcing aspects, the occupational map, the skills shortage and gaps, corporate social responsibility, innovation.
   2. the gaps and areas needing improvement and capacity development
2. synthesize and analyse the findings from phase 2 and 3 in a draft final report, including a draft capacity development plan of the logistics industry
3. plan, design and facilitate a dialogue workshop between the key stakeholder groups to discuss, prioritize, and refine the draft capacity development plan of the industry as well as to define those occupations where there is a potential to develop and implement dual vocational training schemes.
4. produce a final report with integrated final revisions.

The sector study has to be provided in British English in an electronic version on 15th of April 2021.

**3.2. Tasks and deliverables**

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| **Tasks** | **Deliverables** | **Time/Place** | **Timeline** |
| Tasks 1-6 | *Draft Inception report* | *13 November 2020, Yerevan* | 25 |
| Tasks 7-9 | *Revised inception report with stakeholder analysis integrated* | *4 December 2020, Yerevan* | 15 |
| Tasks 10-13 | *A final report with integrated sector capacity development plan and list of recommended occupations where the implementation of dual training is possible* | *15 April 2021, Yerevan* | 80 |
| Total |  |  | 120 |

**3.3. Coordination and communication**

* The hired company shall report to PSD TVET Programme Team Leader Armenia and closely cooperate with TVET Expert.
* The team shall keep GIZ updated about all the stages of project implementation including selection of subcontractors and shall provide any information related to the event preparation as required by GIZ.
* GIZ visibility should be kept throughout the whole period of implementation of the event. Wording, logos and other GIZ corporate branding elements in materials should be agreed with GIZ beforehand.
* The hired company shall comply with GIZ regulations for procurement and/or service provision.

*Note: the hired company will coordinate with the GIZ team on the organization of stakeholder workshops, in-depth expert interviews and the focus group discussions. For the desk research, the hired company may use documents that may come from international organizations, the RA Government, private sector associations, universities and research institutions, non-governmental organizations, and individual companies, etc. The hired company in his proposal may suggest additional topics for study, which will be determined by the GIZ PSD TVET Programme Team.*

**3.4. Submission Requirements**

The hired company should meet the following requirements:

* Over 7 years of proven expertise in the area of assignment, (proven by references attached to the offer);
* Excellent understanding of how to approach and communicate with businesses/start-ups, institutions, international organizations, government.
* Experience in organisation of sector studies, researches will be regarded as an asset,
* Pool of experts: CVs of the experts and/or profiles of subcontracted companies that will be working on the project for the whole contracted period with work samples shall be submitted,
* Recommendations from international organisation will be regarded as an asset
* Excellent understanding of and ability to meet the demands and standards of an institution of international development cooperation. Prior experience with international organisations is an asset,
* Fluency in English and Armenian; all deliverables in British English,
* Flexibility and ability to meet tight deadlines
* Contractor’s offer must include:
* The Technical offer requires the Contractor to submit details pertaining to the Contractor’s organization; the Contractors’ experience; comments/suggestions on the Terms of Reference, description of approach, methodology and work. The technical offer also suggests a format of presentation for the mapping. The description of approach, methodology and work plan must include activities and deliverables as indicated in above.
* The Financial offer requires the Contractor to submit for consideration a summary of costs with respect to the above sections.

**3.5. Other provisions**

* Please note that for data security reasons, filled-in paper or digital declaration of consent for all the photos or videos taken during the event will be required. GIZ will provide the consent form.
* Please note that the selection of all the subcontractors should be agreed with GIZ. GIZ should also be involved in key working meetings with subcontractors including brainstorming, strategy development etc.
* All the personal data (names, surnames, contact details, emails, phone numbers etc.) processed before, during and after the event and related to it should be treated as confidential, transferred to GIZ and by no means disclosed to other parties.
* All the print and digital materials produced before, during and after the event and related to it should be transferred to GIZ. In this regard, the hired company shall sign an annex on transfer of copyright, attached to the agreement.