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**Programme:** Private Sector Development South Caucasus (PSD SC): EU-Co-financing “Support to SME Development in Armenia” (SMEDA)

**PN:** 13.2144.7.010.00

**AV:** Katja Kammerer

**TL:** Eva Maria Näher

**Activity:** Organisation of a delegation visit to Armenia for DigiTec Expo 2017

**Period:** 25<sup>th</sup> of July to 10<sup>th</sup> of October 2017

## 1. Brief Introduction

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The private sector in Armenia faces several challenges such as the lack of cohesion and coordination of different small and medium-sized enterprises (SME) support programmes, inefficient steering mechanisms for the SME development process, a fragmented landscape of stakeholders, and an inefficient public private dialogue as well as an inefficient decision-making process. The donor coordination process in different intervention areas is currently not government-driven.

The involvement of the private sector in SME development strategies is not effective and interests of SMEs are in fact not reflected in decision-making processes. Supporting services are insufficiently available – both in quality and quantity. Underdeveloped capacities within the organised private sector are main obstacles and barriers to the envisaged development.

Innovative ideas are hardly developed and are rarely transferred into business cases. Research and development are limited, in particular in the SME sector with hardly any cooperation of businesses and research entities. The innovative and creative potential of young specialists is not employed.

Access to finance is another major challenge for SMEs. Due to high debts – accrued during the global financial crisis and an associated decline in GDP (estimated 14% in 2009) – many Armenian SMEs have only limited access to further credits and loans. In general, lending policies of most banks and financial institutions do not encourage investments in SMEs.

With this situation for the private sector in Armenia, the EU-co-financed, GIZ-implemented project “Support to SME Development in Armenia” (SMEDA) was initiated in 2016. The project is in line with the EU Single Support Framework 2014-2017 for Armenia. It is furthermore consistent with the strategic framework documents of Armenia (Armenia Development Strategy and SME State Support Strategy) in order to facilitate their implementation.

The objective of the project is to improve the national business and investment climate and support the creation and development of SMEs to enable broad based growth.

The SMEDA-Project is part of the Regional Private Sector Development in South Caucasus Programme, which is operating in the three countries of the South Caucasus, Armenia, Azerbaijan, and Georgia. This umbrella programme faces the challenge of generating broad based inclusive growth to reduce the urban-rural gap and poverty above all in rural regions. In view of the small domestic markets with low purchasing power, the primary aim is to strengthen private sector development.



The PSD SC Programme is currently divided into 4 components with a budget as follows:

- PSD SC Programme (regional programme): EUR 8.6 Mio for four years (2017-2020).
- Project “Economic Integration of Syrian Refugees in Armenia”: EUR 2.5 Mio EURO for two years (2015-2017).
- EU-co-funded Project “DCFTA and SME Development” in Georgia: EUR 5 Mio EURO for four years (2015-2019).
- **EU-co-funded Project “Support to SME Development in Armenia”: 6.4 Mio EURO for four years (2016-2019).**

The “Support to SME Development in Armenia” (SMEDA) Project is focusing on the following result areas:

- (1) Improved policy making process and coordination of supports to SME development for a conducive business development framework,
- (2) Strengthened private sector organisations to implement SME policies,
- (3) Improved process of commercialization of ideas linking research institutions and businesses via cooperation networks,
- (4) Improved design and management of economic clusters (business incubators, techno parks, and Free Economic Zones),
- (5) Diversified access to finance for innovative start-ups and small businesses.

The project is co-funded by the European Union and implemented by the GIZ Programme Private Sector Development South Caucasus (PSD SC) and its country component in Armenia. The PSDSC-Programme is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). The SMEDA-Project is designed for four years from 2016 to 2019 with a total budget of EUR 6.400.000.

### **SMEDA Overall Objective**

Create employment opportunities by enhancing private sector development in Armenia.

### **SMEDA Specific Objective**

The specific objective is to improve the national business and investment climate and support the creation and development of SMEs to enable broad based growth.

### **SMEDA Indicators**

1. Increase the proportion of SME within the overall economy: increase the share of SME from 7% to 15% in overall number of micro, small and medium enterprises in Armenia.
2. Increase share of SME in employment from 25% to 30%.
3. Increase share of SME in GDP from 27% to 35%.
4. Increase of added value created by SMEs.

### **Partner structure: executing agencies and intermediaries**

The project is guided in its implementation by a Technical Project Steering Committee (PSC), which is co-chaired by representatives of the EU Delegation and the Ministry of Economic



Development and Investments (MEDI).

### **Target Group and Implementing Partners**

The target group is composed of all relevant stakeholders involved in the development of SMEs in Armenia. This includes the political lead partner, the Ministry of Economic Development and Investments in Armenia, and the Small and Medium Entrepreneurship Development National Centre (SMEDNC), related sector associations, the Armenian Chambers of Commerce and designated SME support organisations.

An important project partner is the Armenian Enterprise Incubator Foundation (EIF), which implements parts of the project activities related to managing and monitoring of funds for start-ups and small businesses.

Another important target group is females and males, owners and employees of SMEs.

### **Planned Activities of SMEDA-Project**

- Support to policy making by assisting the Armenian government to implement the SME strategy and to introduce a review mechanism for the SME development strategy and its action plans
- Support to policy implementation by strengthening the institutional capacities of the Ministry of Economic Development and Investments and the SMEDNC in terms of coordinating the implementation of the SME strategy and related action plans as well as developing an information portal to support business performance on foreign trade transactions
- Support to Public-Private Dialogue (PPD) by strengthening the capacities of the Ministry of Economic Development and Investments to manage the PPD process as well as to assess and recommend on dispute settlement mechanisms and platforms
- Provide technical assistance to private sector organisations to improve and expand services and to increase their network with European businesses
- Strengthening the capacities of private sector organisations to participate in PPD platforms and to utilize the opportunities of technology transfer as well as to promote entrepreneurial skills, clusters and value chain development
- Support to linking research institutions and the private sector to foster innovation
- Support to state bodies and the private sector to access EU innovation support resources and platforms such as the new EU Framework Programme for Research and Innovation (Horizon 2020)
- Strengthening capacities of the Ministry of Economic Development and Investments to design, implement and promote clusters
- Support to improving cluster management, linking clusters to European networks as well as developing and promoting new areas for business incubation
- Supporting the provision of grants to support technology start-ups and SMEs promoting new services/products
- Support to EIF and SMEDNC to design and implement business acceleration and coaching programmes for entrepreneurs and grant recipients



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## 2. Context and current situation in the field of assignment

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The SMEDA-Project embraces in total five result areas with a focus on improving the business and investment climate in Armenia. Small and Medium Enterprises (SMEs) are the main target group for this project. The Precision Engineering (PE) sector is one of the main areas SMEDA is focusing its activities on.

Although Armenian Precision Engineering companies/research institutes have a competitive technical background, they face challenges with entering international markets due to several obstacles (e.g. not well-known ecosystem by international peers, lack of platforms to introduce their activities, closed borders, etc.).

The participation in DigiTec Expo (<http://uiteorg.wixsite.com/digitecexpo>) will be a good opportunity for Armenian companies and research institutes from the IT and PE sector to present themselves to the business world and will give them a chance to network with relevant and potential partners, investors and clients not only from Armenia but also from abroad.

DigiTec Expo is the largest international technological exhibition in the region, which has already become a well-known annual event. Its history begins in 2005 in Yerevan, and since then it has been organized every autumn under the high patronage of the Government of the Republic of Armenia by the Union of Information Technology Enterprises (UITE; <http://uite.org>). The opening ceremony is being held by the President of the RA.

The aim of the exhibition is to create a favourable environment for networking among technological companies, business consumers and the society, as well as the expansion of international relations. DigiTec Expo reflects the real picture of the Armenian IT market and PE sector and provides the opportunity to be acquainted with new developments, achievements, challenges, as well as the prospects of the sphere. Main directions of the Expo 2017 are:

- Precision Engineering
- Software
- Hardware
- Network
- Gaming
- Design and animation
- Education
- Fintech

This year's focus is to stress the importance of few technical directions such as PE, artificial intelligence and machine learning, augmented and virtual reality, game development, and technological education as a catalyst for the development of the Armenian technological community.

It is anticipated to have workshops, seminars and round table discussions on the topics mentioned above. For the B2B as well as S2B development, a dedicated matchmaking area, will allow to discuss future cooperation opportunities with potential partners/customers in a non-formal and engaging environment.

DigiTec has a powerful media coverage via all leading TV and radio channels in Armenia, newspapers, as well as social and e-media, which will allow to get the most productive public awareness on a national level.



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In 2017 DigiTec Expo will take place from 29<sup>th</sup> September till 1<sup>st</sup> October. More than 60,000 visitors and 120 participants are expected to participate this year. More detailed information regarding DigiTec is available via the following link <http://uiteorg.wixsite.com/digitecexpo>.

SMEDA seeks to contract active business associations with strong business linkages with European associations and companies that are operating and registered in Armenia to conduct this assignment.

### **3. Conditions of the assignment**

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#### **3.1 Objective and tasks**

SMEDA aims to enhance growth opportunities for the Armenian PE sector through organising delegations' visits from Germany, France, Italy, Great Britain, and other European countries to Armenia to participate in DigiTec Expo 2017, contribute actively to the B2B and S2B exchange and visit several PE companies/research institutes for possible cooperation and getting to know the Armenian PE environment. The role of the contractor is to select appropriate partners for Armenian businesses, to interest these companies for the participation in the this mission and to follow-up the activity through the association's general membership activities.

The assignment starts from 25<sup>th</sup> of July and lasts until 10<sup>th</sup> of October 2017.

The assignment consists of the following parts:

#### **I. Identification of Participants**

Within this assignment, SMEDA aims to support the Armenian PE ecosystem through establishing international linkages and creating conditions to get in contact with potential partners at an international/European level.

For this propose, the contractor shall identify up to 3 suitable company representatives (e.g. CEO, marketing manager) from each mentioned country, which represent the PE sector (the total number should be 13-15 delegates). The represented companies should be interested in getting acquainted with the Armenian PE ecosystem and potentially interested in developing business linkages with Armenian PE companies and/or research institutes.

The contractor shall submit the list of suggested participants to SMEDA for discussion and approval no later than August 24<sup>th</sup>. The companies should have more than 5 years of experience and should be well-connected in the engineering ecosystem of their country.

The contractor shall clearly indicate in the proposal the linkages with the European countries (companies) that he / she intends to use to identify the relevant delegates and ensure their participation in the Expo.

#### **II. Participants' input**



The contractor shall agree with the company representatives regarding the topics, which can be delivered by them during the DigiTec workshop sessions as input (e.g. trends in the field, possible cooperation opportunities with the representatives of Armenian PE ecosystem, cluster activities in the engineering sector in their countries, etc.) and provide the list of 6-8 topics (with short descriptions) to SMEDA for discussion and approval.

The delegates are free to decide the format of their sessions: both presentation as one group and separate presentations are welcomed; presentations may be given also as speeches or input presentations, Q&A activities, etc.

### III. Mission to Armenia

The mission to Armenia will be taking place from 27<sup>th</sup> of September till 1<sup>st</sup> of October 2017. During the mission, the company representatives shall:

- visit several companies and research institutes from the PE sector; a site visit tour will be organised by SMEDA
- conduct B2B and S2B meetings during the Expo and before that with the interested Armenian peers for potential collaboration
- give an input during the Expo

A draft agenda for the mission most possibly will be like the following:

Date	Time	Activity
27 Sep		Arrival
28 Sep	09:00 – 18:00	Company visits
	18:00 – 21:00	Business dinner with delegates
29 Sep	09:00 – 18:00	Participation in DigiTec
		Workshop sessions
30 Sep	09:00 – 18:00	Participation in DigiTec
		Workshop sessions
	18:00 – 21:00	Business dinner
1 Oct		Departure

The contractor shall also accompany the group during the mission.



After the mission, each contractor shall provide a short report highlighting the gained benefits for both sides (international and local) and reached agreements as well as recommendations for the Armenian PE sector.

The above-mentioned sections do not define the entire structure of the assignment, but only point out its main components. The Contractor in his proposal may suggest additional topics, which will be determined by SMEDA.

### 3.2 Deliverables and resources

The following deliverables are to be submitted during the assignment period:

Tasks & Deliverables	Timeline	Man days (max)
<b>I. Identification of Participants</b> Determine appropriate company representatives <b>Deliverable:</b> List of company representatives (including CVs and organisation details) to be submitted to SMEDA for discussion and approval	25 July - 14 Aug 2017	30
<b>II. Participants' input</b> Suggestion of topics for the workshop sessions <b>Deliverable:</b> Topics with short descriptions to be submitted to SMEDA for discussion and approval	Until 24 August 2017	15
<b>III. Mission to Armenia</b> Accompany the delegation during the visit <b>Deliverable:</b> Report of the visit (including experienced benefits and reached agreements)	28 Sep – 3 Oct 2017	10
<b>Total</b>		<b>55</b>

### 3.3 Conditions and payment terms

The Contractor's offer must include:



- The **Financial offer** requires the Contractor to submit for consideration a summary of costs with respect to the above sections as well as the lump sum for air ticket for participants (see information below)

SMEDA covers/organises:

- Accommodation including breakfast for the international delegates at (tentatively) Opera Suite Hotel [www.operasuitehotel.com/](http://www.operasuitehotel.com/) (for 27 Sep – 1 Oct)
  - Transport in Armenia (including pick-up to and from airport)
  - 2 Business dinners and 2 lunch breaks
  - Contribution to air ticket for the participants of lump sum of 300 EUR per participant, payable after arrival in Armenia. The remaining ticket costs for air ticket shall be covered by the participant.
- The **Technical offer** requires the Contractor to submit details pertaining to the Contractor's organization; the Contractors' experience in the specified field; the CV of experts involved; comments/suggestions on the Terms of Reference; description of approach; methodology and work.

The description of approach, methodology and work plan must include activities and deliverables as indicated in above table.

### 3.4 Coordination and communication

The Contractor reports to the Team Leader of the EU-SMEDA project and closely collaborates with the responsible Project Expert as well as with the administrative support team in Armenia.

### 3.5 Submission Requirements

The Contractor must fulfil the following requirements:

- Strong proven expertise in the area of assignment,
- Proficiency in English (written and spoken)

### 3.6 Additional Documentation

1. Description of Action
2. Log Frame for SMEDA-Project
3. Contribution of Mission to SMEDA's indicators