
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: Conduct Research on CCI via Value Chain Analysis and Stakeholder Mapping

Period: **03rd of April 2018 to 30th of September 2018**

1. Brief Introduction

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 several 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 (2015-2018).
- 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 female and male owners, managers and employees of SMEs.

A comprehensive overview of activity highlights and upcoming events is available on the project webpage www.smeda.am as well as via Twitter under #EU4B_SMEDA.

2. Context and current situation in the field of assignment

The SMEDA-Project focuses on strengthening the business and investment climate in Armenia and focuses in particular on small and medium enterprises (SME). One of the most promising economic sectors in Armenia is the Cultural and Creative Industries (CCI) based on a rich cultural heritage, a highly knowledge-based society and lacking opportunities in other economic sectors.

The Government of the Republic of Armenia (GoA) identified in its Strategy of Export-Led Industrial Policy eleven sectors that have significant export potential. Despite the rich heritage as well as the up-to-date Armenian production, the CCI is underexposed within the strategy. The economic potential and opportunities especially of Armenian SMEs are not in the focus at this moment. Regardless, they can play an important role for economic development and the innovation ecosystems of countries. Nevertheless, the pro-innovative structure of the dynamic cultural and creative industries has the potential to set trends and shape the future.

In its definition of CCI, GIZ concurs with Germany's Conference of Economics Ministers which breaks the industry down into eleven sub-market, namely: music industry, publishing industry, art industry, film industry, broadcasting industry, performing arts, design industry (including some crafts), architecture, media, advertising industry and games and software industry.

The sub-markets essentially consist of micro- and small-scale enterprises. In contrast to many other branches of the industry, the assets of businesses are rarely finished products. More often they involve less tangible innovations. Given that the work process is mostly determined by transient trends and prototype-like activities, providing support for the creative economy is a real challenge. 'Fun industry', 'playground', 'bohemians with no idea how the business world works' – people who work in the creative economy are often confronted with these clichés.

But above all, the CCI are pioneers of tomorrow's economy. Highly inter-linked, with digital forms of communication and cooperation as well as a keenly honed ability to innovate, this market is rapidly becoming a cross-sectoral branch. It is itself developing at a breakneck pace, and is contributing to value chains in many other sectors in the process. Moreover,

classic sub-markets like film and music industry, art and book trades and market for performing arts, which are less cross-sectoral in nature, are developing innovations or adapting innovations of others to suit their specific market.

However, a common challenge for individuals, artists and businesses in the CCI is the lacking business skills and entrepreneurial knowledge. As a result, besides the need to ensure an enabling environment and state promotion measures, this sector has a disproportionately high demand for advisory services.

In this regard, collaboration, networking and exchange are not only highly necessary but demanded within the creative economy in Armenia. As a highly dynamic and crisscrossed environment creating new trends and ideas is envisaged, the concept of creative hubs including co-working spaces is entering into the discussion.

SMEDA has undertaken a mapping of four selected CCI subsectors, namely (i) **design**, (ii) **film**, (iii) **marketing**, as well as (iv) **software & games**. The study is available online: https://www.smeda.am/uploads/libraries/SMEDA_CCI_Assessment_190417.pdf

Based on this mapping activity, that included a series of roundtables and networking events, several initiatives have been formed: one on the film business, where the Independent Filmmakers Club of Armenia (IFCA) has been formed and a workshop with EAVE (<http://eave.org/>) for film producers will be organised in April 2018. Another promising initiative is the Business Club for Fashion and Design (<https://www.smeda.am/en/activities/activity-highlights/84>; <https://de-de.facebook.com/fashiondesignchamber/>).

3. Conditions of the assignment

3.1 Objective and tasks

SMEDA seeks to contract a national company to conduct a more comprehensive economic study on the situation of the CCI in Armenia.

The analysis should be based on a comprehensive **stakeholder analysis and map** (see annexed excel workbook) for Yerevan, for Gyumri (Shirak marz) and Vanadzor (Lori marz). The mapping should be developed by inviting to **participatory workshops** per region for members of the CCI and approving or complementing the pre-study with their input.

Furthermore a **value chain analysis** for the following subsectors:

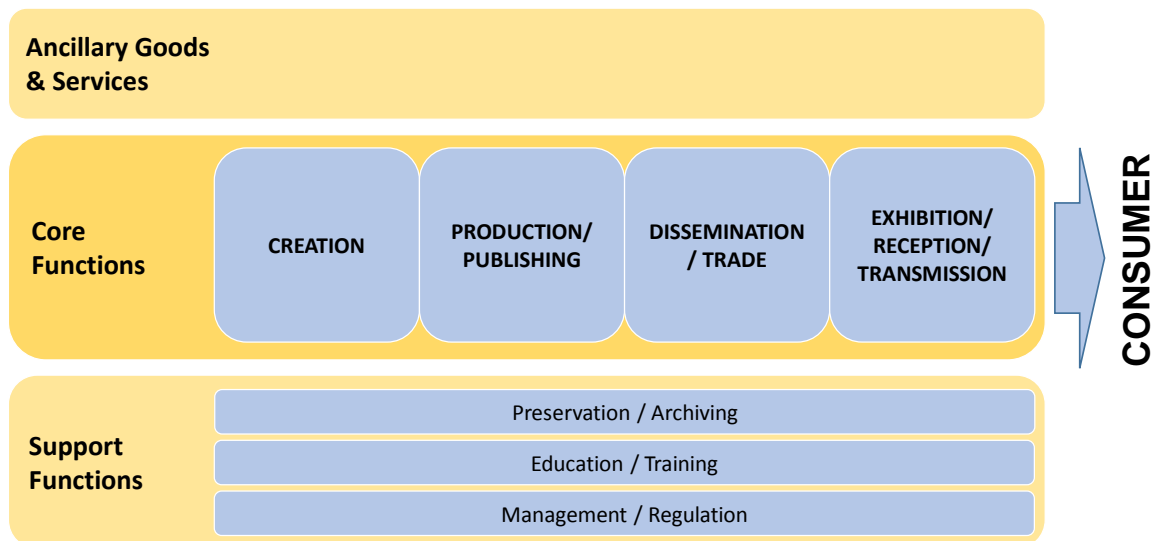
- Film
- Marketing/advertisement
- Software & games
- Design (fashion design, interior design, product design)
- Music

The value chain analysis should be conducted responding to the structure (as outlined in the graphic below). The research should hence assess the various steps of the value chain starting from creation, to production or publication, to dissemination and/or trade as well as to exhibition, reception or transmission as final presentation to the customer. Besides the core functions, supplementary or ancillary goods & services should be assessed as well as

support functions such as education/training, preservation/archiving as well as management & regulation.

If the mapping activity unveils a significant economic potential in another CCI subsector, an additional value chain should be added.

CCI Value Chain Analysis



Based on Model presented in "Mapping the Creative Value Chains – a study on the economy of culture in the digital age" (EU report 2017, p. 10);
www.keanet.eu/wp-content/uploads/Final-report-Creative-Value-Chains.pdf

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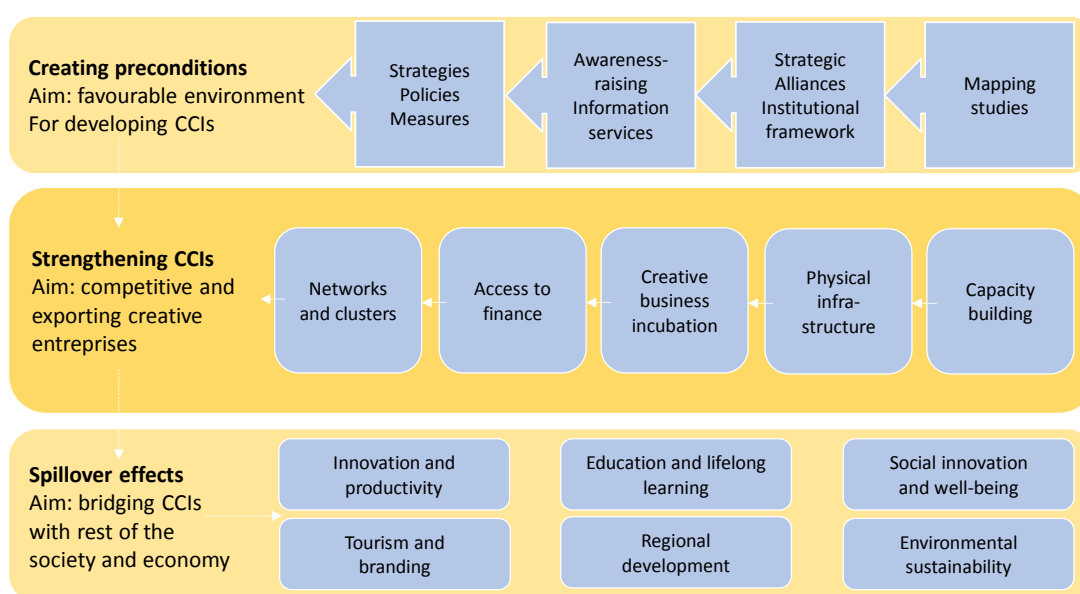
The value chain should be complemented by a SWOT analysis assessing the **strengths** of CCI in Armenia as well as the support extended to the sector. Furthermore, the **weaknesses** or challenges need to be assessed as well as the **opportunities** and **threats** that influence the development of the sector as well as the support extended to the sector. Economic figures and statistics underlining the findings are of particular interest. For the SWOT analysis, the following aspects shall be predominantly targeted:

- Innovation process within CCI
- Artistic & creative input in CCI
- Innovation output of CCI including Intellectual Property Rights
- Spill-over to other industries as well as cooperation with other business sectors, in particular, with tourism
- International cooperation as well as competitive position in region and globally
- Business models, Investment readiness & Entrepreneurial skills
- Availability of co-working infrastructure as well as management capacity of co-working infrastructure and clusters

- Education, Training & Availability of skilled workers
- Capital structure for CCI
- Digitalisation & availability of ICT infrastructure for CCI
- Laws & regulations ensuring or promoting creative activity
- Consumer trends, Open & tolerant environment

Based on Stakeholder Map, Value Chain Analysis and SWOT Analysis, **recommendations** shall be developed for potential further actions promoting and supporting CCI in Armenia:

Levels of Action for CCI



Based on Model presented in “How can cultural and creative industries contribute to economic transformation through smart specialisation?” (EU Policy Handbook 2012, p. 4);
ec.europa.eu/assets/eac/culture/library/publications/cci-policy-handbook_en.pdf

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As highlighted, the favourable environment (“creating preconditions”), strong CCI sector and spill over effects shall be all targeted for the **recommendations**. The recommendations shall be presented by region (Yerevan, Shirak, Lori) and suggest specific instruments (see graphic below), so that action plans may be extracted from these recommendations.

Furthermore, the recommendations shall put a special emphasis on the **linkage for CCI to tourism development** in Armenia, where the contribution and participation in specific workshops is required. The linkages to tourism shall concern in particular the creation of experiences (marketing, product design, innovative product development etc.) as well as the incubation of business ideas in tourism linked to high levels of creativity and innovation.

CCI Support instruments



Based on Model presented in "Boosting the competitiveness of cultural and creative industries for growth and jobs" (Austrian Institute for SME Research and VVA Europe, 2016, p. 280);
ec.europa.eu/growth/content/boosting-competitiveness-cultural-and-creative-industries-growth-and-jobs-0_en

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The mission is hence subdivided in four integral parts:

PART I: Developing Stakeholder Analysis and map via survey and interviews including minimum three participatory workshops (minimum each one in Yerevan, in Gyumri, in Vanadzor).

PART II: Developing the Value Chain Analysis for minimum five subsectors of CCI.

PART III: Developing a SWOT Analysis for CCI in Armenia based on stakeholder and value chain analysis and including supporting economic figures for CCI based on survey and interviews.

PART IV: Extracting recommendations per region and highlighting instruments for further CCI promotion and strengthening including linkages to tourism development and participating in Consultation Workshop. Elaborating final report in scientific, but engaging way including infographics.

Throughout the mission, a **Sounding Board** of various individuals and representatives from the CCI sector in Armenia shall be informed and involved in discussions of findings and results at least with one session/workshop per month. This is to engage key stakeholders – identified by SMEDA – into the discussion on way forward for the sector.

The assignment starts on **April 3rd** and lasts until **September 30th 2018**.

3.2 Deliverables and resources

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

Tasks & Deliverables	Timeline	Man days (max)
<p><u>PART I</u>: Stakeholder Analysis including minimum 3 participatory workshops one each in Yerevan, Gyumri, and Vanadzor; one sounding board workshop commenting on the approach</p> <p>Deliverable: Stakeholder Map per region (minimum 3)</p>	<i>April 2018</i>	15
<p><u>PART II</u>: Value Chain Analysis for minimum 5 CCI subsectors; one sounding board workshop commenting on first findings</p> <p>Deliverable: Minimum 5 Value Chains</p>	<i>April-May 2018</i>	25
<p><u>PART III</u>: SWOT Analysis for CCI in Armenia including supporting economic figures based on survey and interviews ; one sounding board workshop commenting on first findings</p> <p>Deliverables: SWOT Analysis</p>	<i>May-June 2018</i>	10
<p><u>PART IV</u>: Recommendations for CCI support including participation in consultation workshop for linkages between CCI and tourism</p> <p>Two sounding board workshops commenting on the final results and recommendations/way forward</p> <p>Short Report to capture the results of each roundtable</p> <p>Deliverables: Recommendations and final report including infographics</p>	<i>June-August 2018</i>	10
Total		60

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
- The **Technical offer** requires the Contractor to submit details pertaining to the Contractor's organization including CVs for involved experts; the Contractor's experience in the field of creative industries; the Contractor's embeddedness in the different subsectors of Creative Industry, the Contractor's experience in organization of roundtables (workshops), a media plan which present the plan to reach the

relevant actors in this field. 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 Experts as well as with the administrative support team in Armenia.

All EU4Business, EU and GIZ rules and regulations pertaining to communication and visibility need to be followed.

All deliverables shall be provided in English language.

3.5 Submission Requirements

The Contractor must fulfil the following requirements:

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

Excellent understanding of how to approach and communicate with people from the creative community.

3.6 Additional Documentation

- Description of Action
- Log Frame for SMEDA-Project
- SMEDA Communication and Visibility Plan

Contribution of above-mentioned mission* to SMEDA indicators:

Overall Objectives & indicators	The overall objective is to lay the ground for the creation of employment opportunities by enhancing private sector development in Armenia; measured through following indicators:	
1)	Increase the contribution of SMEs to the overall economy : increase the share of small and medium enterprises (SME) from 7% to 15% in the overall number of micro, small and medium enterprises (MSME) in Armenia.	x
2)	Increase share of SME in employment from 25% to 30%.	x
3)	Increase share of SME in GDP from 27% to 35%.	x
4)	Increase of added value created by SMEs (OECD/statistics)	x
Specific objective & indicators	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; measured through following indicators:	
1)	The specific number of businesses that benefited (increased turnover, reduction of operating cost e.g. RIA) from the support provided by the project (estimated 2,000 a year).	x
2)	Number of new businesses created within the framework of this project (disaggregated by targeted sectors and gender: targeting from 10% to 30% of businesses led by women and increasing overall ratio of businesses led by women) (estimated 100 a year).	
3)	500 new jobs created within the framework of this project (disaggregated by targeted sectors and gender: targeting from 10% to 30% of women).	x
Indicators R1	Result Area 1 – Policy Making Processes (Source for measurement: focus-groups interviews, representatives' survey)	
1)	At least 50 % of business organisations confirm a better involvement of private sector in policy making and legislative processes	
2)	At least 50% of respondent SME enterprises which participated in state SME support measures can name the improvements made as a result of the perceived measures (respondent will be disaggregated by sex)	
3)	8 recommendations on improving doing business for SME elaborated in PPD mechanisms have been introduced in policy/legislative decision processes	
4)	All programme and policy indicators to monitor SME development are properly set up with corresponding data and baselines	
Indicators R2	Result Area 2 – Strengthening Business Organisations (Sources of measurement: data of baseline study with PSO)	
1)	The range of services that are provided and used has increased by at least 30%.	
2)	Increased membership of min. 20% in at least 3 business associations	x
3)	6 recommendations of SME policy/strategy implemented	
Indicators R3	Result Area 3 – Linking Science and Private Sector (Sources of measurement: baseline study, interviews)	
1)	5 cooperation platforms including (MEDI and) research organisations/universities, in particular economic sectors, have been established and work on a sustainable and regular base (1 to 4 times a year)	
2)	15 recommendations of these platforms as to how to improve the link between businesses and research have been implemented by the respective partners	
3)	4 new joint cooperation projects between companies and universities or research institutes (requires monitoring system in universities) are established	
4)	Up to 4 successful proposals with Armenian participation to H2020 - Success rate of Armenia in EU calls for proposals related to innovation in science and technology (H2020)	
Indicators R4	Result Area 4 – Improving Management of Economic Clusters (Sources of measurement: proof of evidence (concept), interviews)	
1)	The concept for the design and improved management of economic clusters (business incubators, technoparks, FEZ) has been elaborated or reviewed with close cooperation of private sector and government	x
2)	4 economic clusters have improved their management practices (income growth rate has increased or cost of management have decreased)	x
3)	40 SME have been registered in economic clusters and are using services	x
Indicators R5	Result Area 5 – Improving Access to Finance (Sources of measurement: EIF statistics/monitoring)	
1)	50 start-ups and existing small businesses are using new financial services (innovation grants, crowd funding, angel investments etc.)	
2)	30 new/innovative ideas that have been applied by private sector and lead to the establishment of a company or new products and services.	x
3)	15% of newly registered companies (30% of them are women) are operating for at least 2 years	

*this should guide the contractor in the focus of the mission on activities relevant to actively contribute directly or indirectly to the fulfilment of the indicators and to report accordingly to SMEDA.