



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

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Activity: Strengthening collaboration between Textile/Apparel/Leather/Shoes/Design companies in Armenia

Period: 13th of November 2017 to 31st of October 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 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 (2015-2018).
- 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 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



2. Context and current situation in the field of assignment

SMEDA 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 aim of SMEDA's result area 4 (R4) is to Improve the design and management of economic clusters in Armenia.

The textile and apparel industry is one of the 11 strategic export-oriented sectors in the Republic of Armenia. However, small and medium-sized enterprises (SMEs) in the sector operate far below capacities and their products are lacking competitiveness in regional and international markets. Nevertheless, there is a great potential for development and the Government of Armenia considers the revival of the textile/garment sector as a priority and as a means to create jobs, boost value-added trade and expand exports.

During the Soviet era, the sector was a leading branch of the Armenian industry: one third of the economy of Soviet Armenia was represented by light industry. The sector provided the most significant employment with about 115.000 employees (which was 25-30% of the workforce involved in the industry). Armenia was one of the largest suppliers of textile and apparel products in the Soviet economy. Analysis showed that during the transition from centrally planned to a market-based economy, Armenia's textile and apparel industry was nearly destroyed. After independence in 1991, the country lost its traditional export markets and the economy declined dramatically, by almost 60%. The textile and apparel industry started to reactivate beginning from the late 1990s due to orders from abroad and growth in its own production. Based on the findings of several studies of the sector, some companies have often worked with only 25-35% capacity, underutilizing both their equipment and space.

Nowadays the industry, especially the apparel industry, is regarded as one of the promising sectors of the Armenian economy. The main export countries are Italy and Germany. CIS countries are the main exporting countries for own production. In 2014 the exports to Italy and Germany amounted to almost 90 percent of the total exports of textiles and wearing apparel. The structure of imports is more diversified than the structure of exports; there are no one or two main countries which have the biggest share. In 2014, the big share in the total textile and wearing apparel import was shown by China, Turkey and Italy.¹

Armenia could be attractive for foreign markets due to low labour costs and its good price/quality ratio.

The sector has an important social role in Armenia. Being one of the most labour-intensive sectors and employing mostly female workers, its development can contribute significantly to the job creation problem in particular in the regions.

¹ Textile and Apparel Industry in Armenia: The Former Potential and the Perspectives for Future Development of the Industry / Marianna Greta, Krzysztof Lewandowski, Garnik Mamikonyan



In order to have a broad picture of the sector: including textile, apparel, leather, shoes and design subsectors; (hereinafter sector) and find out the potential development directions of the field, SMEDA seeks to contract a company/expert or consortia to conduct this assignment.

3. Conditions of the assignment

3.1 Objective and tasks

SMEDA aims to enhance the sustainability and growth opportunities for the sector companies in Armenia, particularly in Gyumri, Vanadzor and Yerevan.

The objective of this assignment is to undertake a mapping of all companies, improve the strategy of the sector and strengthen the cooperation among companies by establishing a cluster.

To raise the effectiveness of this process two assignments will be commissioned. This assignment for Armenian national experts with the aim to provide national expertise, knowledge of the national context and access to stakeholders in the field, will be complemented by the assignment of international experts. The coordination of activities of both project teams is part of the assignment.

The national contractor is responsible for the data collection/mapping, sector study, coordination of all activities on-site in Armenia and sustainability and communication of the project. The international experts are respectively responsible for the mapping and sector study, concept and cluster development in coordination with the national experts and by contributing international examples and experience to the various tasks and steps.

In the beginning, both contractors need to present a joint work programme. Both contractors are responsible for the overall success of this approach and shall contribute with their respective assignments. For all major adjustments and feedback SMEDA is acting as a steering point.

The assignment for the national experts starts from 13th of November 2017 and lasts until 31st of October 2018.

The assignment consists of the following parts:

I. Mapping and sector study

In the first stage of the process the contractor shall gather all respective information, studies, statistical data, ongoing projects etc. and analyse with the international experts. The contractor shall furthermore design the entire structure of the study and the questionnaires for better accessing the sector challenges and finding development opportunities, in close collaboration with international experts.



a. Mapping

The Contractor shall identify all existing companies and non-registered family businesses in the sector in Gyumri, Vanadzor and Yerevan. The sector mapping for each company/family business/SME shall include information as follows:

- Contacts
- Field of activities
- Number of employees
- Specialists
- Technology and techniques (sewing, stitching, knitting etc.)
- Machines
- Pictures of equipment and workplace
- Export/Import directions
- Utilised raw materials
- Etc.

The gathered information shall be used for the development of a website for the sector stakeholders (see IV. Cluster development) based on the example of www.engineering-armenia.am.

b. Analysis of the sector

The contractor shall broadly analyse all subsectors and identify the most prospective ones for Armenia. The analysis shall be done in close collaboration with the international experts. The study shall have separate sections for each subsector with a profound analysis of the following points and recommendations regarding the improvement areas of those:

- a) Main challenges and barriers
- b) Government strategy analysis
- c) Market (local, international) analysis
- d) Import (raw materials) analysis
- e) HR, education analysis, capacity development needs
- f) Development perspectives
- g) Etc.

The first responsible party for the study is the contractor. International experts are also responsible for the study and particularly for analysing the advantages of the sector from the side of international markets and opportunities.

II. Concept Development

The contractor shall organise a series of meetings (minimum 6) with relevant high-level state officials, potential cluster members and organise/facilitate roundtable discussions (minimum 3) with the main stakeholders in Gyumri, Vanadzor and Yerevan for the international experts.

The objective of the roundtables and the meetings is to present the results of the mapping/sector study, discuss the raised challenges and find potential development



prospects. The findings, as well as the results of the mapping/sector study shall offer a baseline for the international experts to elaborate a concept for the sector development with detailed recommendations for:

- Government strategy improvement
- Cluster development
- Business development

The concept development process will be mainly carried out by the international experts; the contractor shall however assist with this process and contribute local and national insights.

III. Cluster Development

In this stage the contractor shall organise/facilitate activities with the participation of the main active stakeholders from the sector, which finally shall lead to a formation of a cluster.

National experts shall closely work with the international experts for designing the activities more attractive and productive for the stakeholders (e.g. design of the Agenda, promotion of cluster topic, etc.).

The contractor shall prepare and facilitate a series of workshops/trainings each month starting from March till October. These events shall be based on the needs from the analysis of the sector study/roundtable discussions/related activities with main active stakeholders (In total minimum 7). The objective of these workshops/trainings is to discuss potential development directions, to design new joint projects and to build trust among the members in order to establish a strong cluster. The contractor shall develop an agenda and concept, organise set-up and implementation of the activities and above all ensure the participation of minimum 15 representatives from the sector in each event. The venue and catering costs will be covered by SMEDA.

As well, during the period July – September it is planned to have a study trip (e.g. participation in an exhibition/cluster workshop/ etc.): the contractor shall assist SMEDA with the organisational part, preparation and logistics.

To gain the most from the visit, as support to the preparation of the participants, the contractor shall prepare, organise and support the facilitation of a two-day workshop (one of the above-mentioned activities), in this case mainly lead by international experts. The next activity shall be dedicated for the follow-up with the participants in order to mentor them for up to three “transfer projects” after the study trips.

IV. Sustainability and Communication

To ensure the continuation of the project the contractor shall develop a website for the sector stakeholders, which shall highlight the “cluster-idea” and show/support with its design and functions the networking and clustering character of the PE-sector. The Website shall be designed in close resemblance to <http://engineering-armenia.am/en/> website featuring the



same sections and functions; however, an own layout needs to be created to differentiate the two websites and to transport the idea of the textile/garment/design cluster. The Contractor shall develop a concept including layout of the website, which shall be submitted to SMEDA for discussion and approval, latest by the end of March 2018. The website will include all the data from the mapping. The website shall be launched at the end of June 2018.

The administrator of the website shall be the contractor, until the end of the assignment. Then it shall be transferred either to SMEDA or to a cluster stakeholder. (The domain and hosting of the website will be purchased by SMEDA)

The contractor shall write/upload to the website three sector related articles each month during the period June to October 2018. Also, the contractor shall write 3 success stories about the stakeholders as a result of this project to being uploaded to the website as well.

3.2 Deliverables and resources

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

Tasks & Deliverables	Timeline	Man days (max)
<p>I. Mapping and sector study</p> <p>a) Screening all respective information, analysing and design the mapping questions and concept of the study with international experts</p> <p>Deliverable: Short inventory of existing materials, Concept of the study</p>	13 - 17 Nov 2017	3
<p>b) Conducting the mapping and study</p> <p>Final database of sector mapping and Interim report to be submitted to SMEDA for discussion and approval</p> <p>Final report</p> <p>Deliverables: Concept of the study, database of research results (e.g. in excel including all data), interim and final sector study</p>	20 Nov – 20 Dec 2017 20 Dec 2017	45
	15 Jan 2018	3
<p>II. Concept Development</p> <p>a) Jointly with international experts decide the participants list, agenda for roundtable discussions/meetings</p> <p>b) Organise/facilitate roundtable discussions and meetings</p>	22 – 26 Jan 2018	3
	29 Jan – 23 Feb 2018	10



Tasks & Deliverables	Timeline	Man days (max)
c) Short report (including findings from the roundtables and meetings) d) Assist international experts with the concept Deliverable: Min 3 roundtable discussions, min 6 meetings, Short report	26 – 28 Feb 2018 24 Feb – 4 Mar 2018	2 2
III. Cluster Development a) Design concept for each cluster-leading activity Organise/facilitate 7 activities, including the one led by international experts b) Support SMEDA with organisation of the study visit c) Mentorship for up to three “transfer projects” after study trip Deliverable: Concept of each activity	March – October 2018 July – Sep 2018 Sept – October 2018	30 9 12
IV. Sustainability and Communication Concept development of the website to be submitted to SMEDA for discussion and approval Launching the Website with uploaded all relevant information from the Mapping and other information provided by SMEDA to the Website Administration of the website Writing/Uploading three sector related articles each month and three success stories Deliverable: Website concept, website, concept of each activity, 15 articles and 3 success stories	Till 15 of March, 2018 Till 15 of June, 2018 June – Oct, 2018 June – Oct, 2018	3 15
Total		137



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
 - National expertise (pool of experts) for up to 137 days
 - Additional costs for website development (including layout) and administration
 - Costs for Workshops (transport, material, venue, catering, etc.) will be covered separately by SMEDA

- The **Technical offer** requires the Contractor to submit details pertaining to the Contractor's organization; the Contractors' experience in the above-mentioned field; experience in working with international experts; 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.

Payment terms:

- Advance payment upon signature of the contract (November 2017)
- 1st interim payment (21st of December 2017)
- 2nd interim payment (30th of March 2018)
- Final payment upon fulfilment of the contract (November 2018)

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.

All documents and deliverables need to be provided in English language. Translation into Armenian will be provided by SMEDA (e.g. for Website).

3.5 Submission Requirements

The Contractor must fulfil the following requirements:

- Strong proven expertise in the area of assignment (proven by references attached to the offer),
- Excellent organisational, facilitation and mentoring skills
- General information on the mentioned sectors
- Proficiency in English and Armenian languages (written and spoken)



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%.	x
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	
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.	
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.