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ENTERPRISE DEVELOPMENT AND MARKET COMPETITIVENESS (EDMC)

QUARTERLY REPORT
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This report was produced for review by the United States Agency for International Development. It was prepared by the USAID Enterprise Development and Market Competitiveness Project implemented by The Pragma Corporation and its partners.

ABBREVIATIONS

ACRA	Armenian Credit Reporting Agency
ADB	Asian Development Bank
AMCHAM	American Chamber of Commerce in Armenia
AFT	Access to Finance Team
AIRD	Associates for International Resources and Development
A2F	Access to Finance
BDS	Business Development Services
BEE	Business Enabling Environment
CAPS	Competitive Armenian Private Sector
CEED	Center for Entrepreneurship and Executive Development
CEO	Chief Executive Officer
COP	Chief of Party
DCA	Development Credit Authority
DCFTA	Deep and Comprehensive Free Trade Agreement
DRC	Domestic Resource Cost
EBRD	European Bank for Reconstruction and Development
EDMC	Enterprise Development and Market Competitiveness
ETF	European Training Foundation
EU	European Union
EUAG	EU Advisory Group
FI	Financial Intermediary
FREDA	Fund for Rural Economic Development in Armenia
GDP	Gross Domestic Product
GIZ	German Development Agency
GOA	Government of Armenia
ICT	Information and Communications Technology
IFC	International Finance Corporation
ILO	International Labor Organization
IPR	Intellectual Property Rights
IPRC	Intellectual Property Rights Center
M&E	Monitoring and Evaluation
MIS	Management Information Systems
MOE	Ministry of Economy
MOJ	Ministry of Justice

NCFA	National Competitiveness Foundation of Armenia
NGO	Non-Governmental Organization
NSS	National Statistical Service of RA
PIU	Project Implementation Unit
PMP	Performance Management Plan
PFI	Partner Financial Institutions
PFS	Partners for Financial Stability (USAID project)
PNA	Product Network Analysis
RR	Regulatory Reforms
SCPEC	State Commission on the Protection of Economic Competition
SEAF	Small Enterprise Assistance Fund
SESA	State Employment Service Agency
SME	Small and Medium Enterprise
SME DNC	Small and Medium Entrepreneurship Development National Center of Armenia
STTA	Short Term Technical Assistance
SOW	Statement of Work
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TOT	Training of Trainers
UNDP	United Nations Development Programme
UBA	Union of Banks
VAT	Value Added Tax
VC	Value Chain
VCF	Value Chain Finance
VC	Value Chain
VET	Vocational Education and Training
WB	The World Bank
WEF	World Economic Forum
WF	Work Force

HIGHLIGHTS OF THE QUARTER

Pragma was awarded the contract to implement the Enterprise Development and Market Competitiveness program in late July 2011.

The program commenced in August-September 2011 through coordinated staffing and organizational start-up efforts. These included visits of the Pragma President and EDMC Project Manager, Mohammad Fatoorechie; Pragma Vice president and EDMC Technical Director, Paul Davis; and Pragma Vice President and Acting COP, Jim Defay. During this period expatriate component leaders and local technical and administrative staff were put in place, and operational start-up of the project galvanized. The permanent COP assumed responsibilities in early November 2011.

A wide range of meetings were held with relevant public, private sector and NGO counterpart organizations, and with other USAID supported projects to present EDMC goals and objectives and discuss possible cooperation areas.

During the quarter the EDMC team developed the work plan for FY 2012 - working closely with the Pragma headquarters and USAID. The work plan includes strategic tasks, activities, and events aimed at ensuring project visibility and progress and ensuring attainment of the core deliverables under the project.

The EDMC team focused its efforts on the analysis and selection of value chains. A thorough analysis was conducted of the Armenian economy and 89 subsectors were short-listed. Out of these, a selection was made of 20 subsectors with 40 value chains, which were agreed with USAID, and these were subjected to comprehensive DRC, PNA and SWOT analyses. The results were discussed with USAID and with GOA, and a final selection was made of sectors that will be supported through EDMC.

Based on a request from GOA and NCFA, a study was conducted on the Competitiveness of Armenia's Air Transport Sector. A draft report has been prepared, and the final report is scheduled to be presented to GOA towards the end of January 2012.

In order to identify and evaluate workforce development issues and assess the current situation in the labor market, around 50 universities, colleges, VET schools, business chambers, associations and experts were surveyed; meetings were held with businesses, educational institutions, other donors and international organizations, both in Yerevan as well as in other regions of Armenia; and several career-related events were attended. Based on the assessments, an annual action plan was developed to tackle the problems identified.

The legislation regulating the business enabling environment was reviewed and problem areas were identified in a initial survey. The EDMC started establishing partnerships with key government agencies involved in the regulatory reform processes, as well as with other stakeholders interested in improving the business enabling environment in Armenia.

The SME demand for financial services was investigated, financial sector mapping was performed, initial screening of potential partner financial institutions (PFIs) was conducted and final criteria for selecting PFIs and defined the approach for financing the targeted value chain SMEs through the PFIs were developed.

I. VALUE CHAIN COMPETITIVENESS

During the 1st quarter, the VC Team was intensively engaged in the process of selecting value chains in various sectors of the Armenian economy with high potential for export sales growth, competitiveness enhancement and job creation.

The VC Team held numerous meetings with various stakeholders and companies to assess the current status of the proposed sectors and to develop possibilities for cooperation. In addition, the Team provided assistance to all other EDMC components to establish communications and cooperation with stakeholders.

The VC Team actively participated in sector-specific events - such as Armtech, Digitech, Expos, a textile conference and a pharmaceutical conference - to better understand the current situation in the relevant sectors and subsectors and to expand the knowledge gained through desk studies.

In September the Government of Armenia issued the Industrial Export-Led Policy Framework and Jumpstart Strategy, whereby 10+1 subsectors were highlighted as critical to promoting the robust economic development of the country for the period 2012 – 2020. The VC Team took an active role in various discussions related to the proposed document, as well as providing feedback and comments; some of these considerations were also incorporated into subsequent qualitative and quantitative analyses.

In addition to specific VC related activities, an *Air Transport in Armenia Study* was conducted to evaluate air transportation's impact on the competitiveness of the economy. An STTA consultant on Air Transport, Andres Ricover (who had conducted a similar study some 3 years ago), met with all relevant stakeholders and revisited past issues. His initial findings were presented to the Ministry of Economy, the NCFA and USAID. Mr. Ricover is expected to do a presentation at the end of January or beginning February for key Armenian government officials. It was agreed that based on his final findings, the RR Team will draft recommendations that will be submitted to GOAM for implementation and enactment.

I.0 Value chains selection and analysis

In September the VC Team conducted an in-depth analysis of Armenian economic sectors that have high growth potential. Numerous studies related to the various economic sectors in Armenia were collected and studied, and the methodology for an initial selection of economic sectors and subsectors was identified. Templates were created for quantitative data gathering, as well as for comparative and competitive analysis of potential sectors and subsectors.

Based on quantitative data extracted from COMTRADE and from data sources of the NSS of Armenia, an initial set of 89 subsectors with 4 HS¹ coding were selected for screening.

¹ The Harmonized Commodity Description and Coding System (HS) of tariff nomenclature is an internationally standardized system of names and numbers for classifying traded products developed and maintained by the World Customs Organization (WCO).

Data related to sales, exports, number of employees, the number of companies and the like were collected. Based on this analysis, 20 subsectors with 40 value chains were short-listed.

For the value chain selection a comprehensive analysis was conducted, utilizing a combination of DRC, PNA and SWOT analyses. STTA consultants from AIRD, Dirck Stryker and Mukhtar Amin, provided technical assistance for this. Two local project partners, Grand Thornton and Global SPC, were subcontracted to undertake the required field-data gathering. In close cooperation with the VC Team, Messrs. Stryker and Amin developed questionnaires, and these were tested by the local subcontractors.

The VC Team cooperated closely with the subcontractors in the selection of companies to be interviewed. More than 160 interviews were conducted (40 VCs, 4 interviews per VC), with additional cross-cutting information gathered from transport and wholesale companies. The local subcontractors then compiled short summary reports per VC.

In the course of the field work it proved necessary to combine several shortlisted VCs that were not as clearly defined as sub-sectors as implied by conventional statistical categories; and also those VCs where there were an insufficient number of companies to conduct the required 4 interviews.

To prepare for the combined DRC, SWOT and PNA analyses of the 40 VCs, the VC Team worked with Mr. Stryker to prepare briefers that combined the specific data from company interviews with the qualitative and quantitative data compiled per VC/sub-sector.

The combined analysis effort produced a comprehensive ranking of the specific VCs. Based upon resulting feedback, and in consideration of GOAM stated priorities, some revisions were made to the presentation. The current VC selection, pre-approved by USAID, stands as follows:

1. High Tech:

This sector includes a variety of VCs, initially subdivided into five general categories:

- **Mobile and Wireless Applications** - Software development for smart phones, tablets, and wireless devices; including next generation technologies: bio-informatics, cloud computing, global information systems, large-scale knowledge bases, etc.;
- **Computer graphics and Visualization** - 3D modeling and design, multimedia and computer games;
- **Embedded Systems and EDA** - Design of printed and integrated circuits, electronic design automation, embedded software for electronics and parallel computing;
- **Web and Internet Applications** - Web design and development, including such telematic services as e-commerce, distance education, telemedicine, etc.;
- **Engineering Design and Services** - Computer-aided design (CAD) and computer-aided engineering (CAE), mechatronics, testing, measurement and R&D, with the possibility to eventually grow out into engineering products.

2. Hospitality:

EDMC will be considering targeted interventions, to include a combination of rural and cultural tourism, and with a special focus on effectively developing/operationalizing the core concept of quality service provision.

3. Herbal Tea:

Pending further clarifications from USAID regarding Food Processing, EDMC will initiate activities to promote the value chain for herbal tea, which includes dried fruits, flowers and herbs.

4. Pharma/Bio-Technology:

EDMC will initiate support activities in the generic pharmaceuticals sub-sector, and explore possible additional activities in the sector of bio-technology.

5. Construction Materials:

EDMC will expand from the worked monumental/building stone value chain included in the analysis to explore possible future interventions in wider construction materials sub-sectors.

In addition, EDMC will also support improved service provision by BDS providers through the development of strategic activities to improve their performance, facilitate enhanced specialization and upgrade key service provision areas (e.g., accounting, marketing). Part of this will be accomplished by supporting BDS providers with assistance to selected sectors and VCs on a competitive basis via the EDMC grants program.

An initial presentation of the selected sectors was provided to the NCFA. A series of consultation meetings were initiated with key stakeholders in all selected sectors - starting with High Tech. EDMC will continue consultations with key stakeholders from the selected sectors and VCs and initiate the preparation of an interim strategy for possible interventions covering the next 6-9 months. A first draft of this interim strategy will be discussed at the Project Launch Event, planned for the first half of February 2012.

1.1 Improve management skills to raise product quality and lower costs

As part of this activity, EDMC has agreed to support *EV Consulting* with the preparation of the National Competitiveness Report of Armenia 2011/12. The special topic of this report will be management systems in the private sector. EDMC will support the printing and editing of the report and provide technical assistance in the creation of the report (tentatively in March). An EDMC short-term technical expert, now under recruitment, will work on the introduction of best practice management tools and systems and help in developing and drafting specific sections of the report. The expert is expected to start work in late January or early February. A joint event to launch the report (to be organized together with EV Consulting and relevant GOAM representatives), is tentatively scheduled for March 2012.

EDMC will explore ways to include all or some of the conclusions from the Air Transport Study in this report and utilize it as one important vehicle for disseminating the results of this critically important study.

2. WORKFORCE DEVELOPMENT

Component start-up work commenced on August 20 with the selection of local experts, an initial needs assessment by the WF Team Leader, drafting of a SOW for STTA from David

Snelbecker, and the development of methodological approaches for assessing Competitive Workforce Supply/Demand Gaps, Bridges Analysis, labor market surveys and Desk Research on the Armenian Labor Market. This start-up work included meetings with the NSS, the Ministry of Education and Science (MOES), the WB, GIZ, the EU Advisory Group, UNDP, the National Competitive Foundation, business chambers and guilds, and other international and local players. A study of labor market and education surveys of the WB, NSS (monthly and annual reports), CAPS, ILO, ETF, WEF (on overall competitiveness), and international indexes (on economic freedom and property rights) was also conducted.

In order to facilitate the work of other EDMC components, the WF Team created a “library” of project-relevant reports, surveys and publications in the public domain.

STTA consultant David Snelbecker conducted a targeted workforce development work plan analysis from September 24 through October 5, during which Mr. Snelbecker and the WF Team met with 17 organizations. The STTA report was prepared and submitted to USAID and was used for planning activities in the Gaps/Bridges Analysis.

The WF Team collected quantitative data and performed workforce-skills qualitative analyses for assisting the Value-Chain selection process. The team also discussed workforce competitiveness issues with the VC Team in order to narrow the focus of labor market studies and to enhance the linkages between the WF Team and the broader EDMC objectives. Additionally, the team discussed an education financing/scholarship concept with the Regulatory Reform Team.

In addition, the WF Team surveyed 50 VETs, colleges, universities, Business Chambers and Associations to assess the intensity and quality of the dialogue between businesses and educational institutions for determining labor market needs of the private sector and developing training programs to effectively address them.

2.1 Develop and improve skills to overcome productivity constraints

The team prepared a survey to identify cooperation modalities (or informational “bridging” mechanisms) between businesses and educational institutions. 50 organizations were surveyed, including 9 VETs, 12 colleges, 15 universities, 10 chambers and associations, and 4 experts. The preparation of the survey report titled, “Report on Building Bridges to Match Demand for and Supply of Competitive Workforce” was finalized in December and should be widely disseminated during the next quarter.

The WF Team conducted meetings with a range of businesses, colleges, VETs and universities in Gyumri, Echmiadzin and Yerevan to identify the current state of cooperation between the entities, their needs, and possible institutional collaboration approaches that would enhance the employability of students and better meet the key occupational skills needs of businesses. Most of the directors of VETs, colleges and universities lack the basic business management, marketing and negotiation skills for initiating cooperation with other educational institutions, as well as with the relevant public and private sector interlocutors that could increase the employability of their students. Key follow-up meetings with businesses and educational institutions will be carried out during the 1st quarter of 2012.

The team also attended a career expo, a job fair, the Dignitech Expo, the ICT Conference and education-related presentations, as well as an event organized by the World Bank and

GIZ. During these event the team established contacts with education-related experts and businesses that will be utilized to help maximize the planning/conducting of component work, and build synergistic linkages with the labor market support efforts of other donors. The WF Team leader also attended a donor coordination conference organized by the Ministry of Education. In addition, he had numerous coordination meetings with the World Bank’s lead labor economist and other World Bank education experts, which were intended to facilitate effective inter-project dialogue and synthesize intervention strategies.

The WF Team plans to fine-tune their labor market survey methodology and apply it effectively during the next quarter. In addition, training needs for selected value chains and partner VET institutions will be identified and, based on analysis, a targeted Quick Start training curriculum will developed for pilot purposes.

Center for Entrepreneurship and Executive Development (CEED)

During the quarter, CEED operations in Armenia were launched and the process of registering a local entity was initiated.

A main area of focus was the recruitment and training of the new CEED Armenia team. The Executive Director was recruited in October, and proactive recruitment of a Program Manager was initiated in December. The CEED Armenia Executive Director participated in trainings in Slovenia and Kosovo to familiarize herself with the operations of the CEED centers in these countries, and learn about the Top Class program.

CEED also focused on customizing Top Class to meet the needs and interests of Armenian entrepreneurs. A number of activities to promote the program and prepare for the launch of the inaugural year have been initiated.

2.2.1 Develop Top Class curriculum and timeline of sessions

The Top Class curriculum and timeline were developed; taking cogently into account the information gathered during the abovementioned meetings. Some logistical adjustments may need to be made in the coming months, as the speakers that will be traveling to Armenia from abroad finalize their schedules. Given the fact that the Armenian version of the Top Class program involves more speakers and mentors from abroad than Top Class in other CEED centers, the coordination of the speakers’ schedules has been somewhat more challenging due to their limited availability in coming to Armenia.

CEED will continue working with the recruited speakers to finalize the content of their training sessions and to ensure that any changes in their availability that may affect the Top Class schedule are effectively communicated in advance.

2.2.2 Recruit Top Class mentors

The CEED Armenia Director met with a large number of successful entrepreneurs to recruit Top Class mentors. Their background and experience was discussed and the activities of CEED in general, and the Top Class program in particular, were presented to them. The entrepreneurs and experts that would potentially be effective mentors for Top Class participants were extended offers to join Top Class in this role.

The majority of mentors for the Top Class program have been recruited. This group includes individuals both from Armenia and from abroad. The concept of mentorship is somewhat new to the Armenian business culture. Therefore, in order to obtain a potential mentor's commitment to serve in this role, it is often necessary to discuss in great depth the benefits of mentorship, as well as to emphasize the importance of corporate social responsibility in the form of educating a generation of future leaders.

2.2.3 Recruit Top Class participants

The CEED Armenia Director met with a large number of entrepreneurs and presented the Top Class program to them. In many cases, follow-up meetings and telephone conversations were held to help potential participants reach a determination about whether the program would be the right investment for them.

The Director also participated in a variety of events that targeted entrepreneurs in order to initiate relationships with potential Top Class participants. These events included the Startup Mixer by Al Eisaian, Startup Weekend, and many others.

Information about Top Class was disseminated via several mailing lists, including those of the Union of Information Technology Enterprises, the Union of Manufacturers and Businessmen of Armenia, alumni of U.S. Department of State exchange programs, American University of Armenia alumni, and the Caucasus Research Resource Center. In addition, information about Top Class was made available at the Career Center website, on newly created LinkedIn and Facebook pages of CEED Armenia, and other relevant informational channels.

In order to attract female participants, the Director met with the President of the Business Women's Forum NGO, the Program Manager of the Women's Entrepreneurship Program (WEP), and the Project Manager of Women in Business Invest for the Future (WIBIF). The Director also reached out to entrepreneurs from Gyumri, Vanadzor, and other cities in Armenia and discussed the benefits their organizations could receive from participation in Top Class.

2.2.4 Recruit speakers for Top Class sessions

The Director met with a number of entrepreneurs and experts in the subject areas that will be part of the Top Class curriculum. Their backgrounds and experiences were discussed, and the activities of CEED in general and the Top Class program in particular were presented. Entrepreneurs and experts that could serve as effective speakers for Top Class participants were extended an offer to join Top Class in this role. In many cases, an offer to serve both as a speaker and as a mentor was made.

Those entrepreneurs whose had expertise in areas that are not covered in the Top Class sessions, but could be of broader interest to program participants, were invited to share their perspectives in one of the network learning events (NLEs) - shorter sessions that provide an opportunity for participants to learn about subjects relevant to their work and to network with each other and with invited guests.

The majority of speakers for the Top Class program have now been recruited. This group includes individuals both from Armenia and from abroad.

The importance of creating an opportunity for Top Class participants to learn both the characteristics of the local business environment and best international practices presented a particular challenge which we have tried to effectively address: That of finding not only entrepreneurs who have successfully started companies in Armenia, but also those who have succeeded in other markets and can familiarize the participants with new approaches that can be successfully applied within the local context.

2.2.5 Promote CEED B2B cross-border event to be held in Turkey in January 2012 and facilitate participation of Armenian companies.

The Director met with Arthur Ghazaryan, of the Union of Manufacturers and Businessmen of Armenia, who is the Program Manager of the *Armenia-Turkey Rapprochement* project (funded by USAID) to share information about the CEED B2B event in Istanbul and to discuss the ways the event can be effectively promoted among Armenian companies. Information about the Istanbul event was also shared with representatives of the Eurasia Partnership Foundation and the International Center for Human Development (ICHHD) - who are also *Armenia-Turkey Rapprochement* project consortium members.

The Director also attended the Armenian-Turkish Business Conference held in Yerevan on November 22-23. The information about the B2B event in Istanbul was disseminated with the conference materials. The networking sessions were also used to present the information to potential participants.

Information about the event was also presented to a variety of companies that may be interested in establishing partnerships in Turkey - including the Women in Business Invest for the Future (WIBIF), members of which are successful female leaders who recently participated in a trip to Turkey to establish cross-border collaboration.

2.2.6 Develop a CEED Armenia website and leverage it for informing potential Top Class participants and other stakeholders about CEED Armenia activities

The domain www.ceed-armenia.org has been reserved and contact with the U.S.-based webmaster responsible for the CEED websites internationally has been established to start development of the CEED Armenia website.

2.2.7 Develop a CEED Armenia brochure and other promotional materials

Both CEED Armenia LinkedIn and Facebook company pages have been created which have attracted over 150 fans and followers in their first several weeks. These online tools are being leveraged to inform potential participants about the launch of Top Class in Armenia, and to familiarize the public with the CEED brand. Top Class promotional materials in English and Armenian have been developed and disseminated via a variety of online and offline channels.

3. REGULATORY REFORMS

During the 1st quarter the Regulatory Reforms (RR) Team devoted significant efforts to reviewing legislation governing business activity, as well as recent legal assessments and analytical studies developed by the government, donors, USAID projects, and other partner

organizations. The team interviewed private businesses in various subsectors, including food processing, agribusiness, fisheries, information technology, telecommunications, pharmaceutical manufacturing, laboratory testing, banking and tourism to identify legal problems hampering the business enabling environment (BEE). The team also formed partnerships with business associations and key government agencies to develop and implement proposed BEE reform actions and advance the EDMC legal reform agenda.

EDMC legal reform activities are carefully crafted to compliment past and current donor-funded assistance on improving Armenia’s BEE and promoting key export and economic growth value chains. The RR Team will provide support and expert advice beyond the scope of assistance already provided by other donors. In this context, the team agreed on areas of collaboration in advancing BEE reforms with the EUAG, GIZ and IFC.

Other examples of project implementation actions by RR Team during the quarter included: supporting the VC Team in the DRC analysis by reviewing laws, regulations, procedures and multilateral/bilateral treaties governing the analyzed value chains in terms of availability of special legislation, restrictions, prohibitions, tax benefits, subsidies or preferential treatment of business activities; supporting the VC Team by analyzing tourism rules, regulations and practices by comparing these to successful international best practice models; analyzing legal problems and developing recommendations for improving the institutional framework governing competition policy in the air transportation sector; developing a review of legislation governing franchising in Armenia; and supporting the Workforce Development (WF) Team in analyzing legal problems related to educational and skill building investments of private businesses.

3.1 Enabling Environment Reform Strategy and Prospective Impact

3.1.1 Analytical research on general legal problem areas

The RR Team performed a comprehensive review of laws and regulations and drafted a report identifying general problem areas in Armenian legislation with the support of STTA expert Gevorg Torosyan. This analytical report will serve as a diagnostic tool to define the future project activities of the RR Team. Following extended consultations with key stakeholders, the RR Team will update the report to deepen the analysis of general legal problems, and identify value-chain specific legal problem areas. After the update, the analysis will be sent out to EDMC counterparts, and its findings will be refined based on their input. As a next step, the RR Team will develop solutions to the identified problems – in the form of recommendations to change legislation (amend or eliminate legal provisions). The recommendations will be communicated to the government as follows - recommendations on eliminating obstructive rules will be submitted to the project implementation unit (PIU) of the Regulatory Guillotine Program; recommendations with respect to amending legislation will be provided to the Ministry of Economy (MOE) and the SME Development Council with the Office of the Prime Minister. The legal reform recommendations will be also publicly discussed in a series of roundtables co-sponsored with our counterparts from the private sector, business associations and government agencies.

3.1.2 Propose recommendations to improve competition enforcement practices

During the quarter, the RR Team focused on identifying legal problems in the area of competition policy enforcement, as well as building partnerships with business associations and government agencies to advance the competition reform agenda. Specific actions in implementing this activity included working with the VC Team in providing legal support to

Andres Recover, an expert on air transportation: the RR Team identified legal problems in the competition framework governing the air transportation sector. Work in this area started in November and will continue in the next quarter. Further actions in implementing this activity include assisting Russell Damtoff of the U.S. Federal Trade Commission in identifying legal problems with respect to the capacity of the State Commission for the Protection of Economic Competition (SCPEC) to enforce competition legislation.

During the next quarter, EDMC plans to propose reform actions on enforcing competition policies against incumbent monopolies, specifically in the air transportation sector. Future assistance in this area will result in developing recommendations on enhancing the capacity of the SCPEC to counteract cases of abuse of dominant market position and anticompetitive (collusive) agreements and practices - including publicly discussing the recommendations at a roundtable or conference co-sponsored by the SCPEC and possibly the EUAG, GIZ and the Union of Manufacturers and Businessmen of Armenia.

3.1.3 Align public procurement with international best practices

In implementing this activity, the RR Team focused on analyzing public procurement legislation and procedures and forming partnerships with business associations active in the procurement reform area and government agencies governing the procurement process.

Future actions will include developing recommendations on eliminating problems associated with the introduction of e-procurement, improving the procurement appeals process, the composition of procurement appeals boards and the mode of appointment to such boards, as well introducing special privileges for SMEs in procurement tenders. Further actions in the procurement area include a roundtable discussing procurement-related legal problems co-sponsored by the SCPEC and possibly the Union of Manufacturers and Businessmen of Armenia.

3.1.4 Improving custom valuation practices

The RR Team focused on gaining a clear understanding of the legal procedures related to customs valuation methods, specifically the criticized “reference price” method, as well as forming partnerships to advance the reform agenda in the area of customs. The RR Team discussed proposed reforms in the customs area with businesses, associations, donors (EUAG, GiZ, IFC) and government representatives (MOJ and MOE). All emphasized the need for a clear procedure on the mode of application of various customs valuation methods in order to minimize the application of “reference price” method by customs officials.

There are clear indications that implementing activities and achieving results in this area will be problematic, as the use of “reference pricing” is an area of very high resistance to change by both incumbent market players with open channels of communication to key government officials and the government itself. In order to overcome such resistance, the RR Team is carefully aligning work on implementing this activity with the efforts of other donors and associations, specifically AMCHAM, IFC, EUAG and GIZ, in order to take advantage of a “critical mass” of reform-oriented pressure on the GOA by donors and private sector representatives.

Future actions of the RR Team in this area include developing procedural guidelines that will restrict the use of the “reference pricing” method in customs valuations, introducing electronic applications for the certification of origin of goods in order to decrease

compliance costs associated with the export of goods. The proposals of the RR Team on recommended changes to the legislation will be publicly discussed at a roundtable, co-sponsored by AMCHAM, and possibly IFC, GIZ and EUAG.

3.1.5 Provide targeted assistance to the GOA under the BEE Simplification Program

Work in implementing this activity during the quarter included providing key government officials in relevant ministries/agencies (e.g., MOED, NCA) with cogent analyses of critical legal problem areas affecting the BEE and discussing the mode of implementing recommendations on legal changes. The RR Team plans to participate in key formal and informal GOA/donor institutional vehicles (e.g., the SME Development Council, MOE enabling environment working group) to promote prioritization of and commitment to key reforms in these areas. The RR Team has also initiated the formation of key partnerships with private sector and business associations in advancing the reform agenda. Work in implementing this activity is ongoing and will continue throughout the life of the EDMC project.

3.1.6 Provide targeted assistance to the GOA in the pre-negotiation stage of DCFTA on promoting harmonization of domestic legislation with EU requirements in the selected value chains

Core actions in implementing this activity will start in the next quarter; during this quarter the RR Team focused on forming partnerships with EUAG, assisting the GOA in preparing for negotiations on the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, a precursor to EU association status. To avoid overlaps of donor efforts, the RR Team is aligning its assistance to GOA with respect to harmonization with EU requirements with the actions of the EUAG.

In the future, the RR Team will intensify its collaboration with the EUAG in advising the GOA on sanitary and phytosanitary measures, eliminating technical barriers to trade, the protection of intellectual property rights, trade and customs issues, and building the capacity of food safety standardization and accreditation bodies. The RR Team will also assist the GOA in meeting priorities defined under the Armenia-EU DCFTA and collaborate with EU twinning project advisors. Work in implementing this activity will continue throughout year 1 and 2 of the EDMC project, resulting in multiple proposals for reform actions and co-sponsored public discussions.

3.1.7 Work with key stakeholders in the selected value chains to promote a dynamic dialogue for promoting key BEE reforms

A core focus of the work of the RR Team in implementing this activity during the quarter was forming partnerships with private businesses, business associations and NGOs, as well as government agencies responsible for developing policy and regulations in the areas of competition, procurement, licensing, IPR, BEE improvement, market regulation and surveillance, SME development, and investment policies. As per our project implementation approach, the RR Team will develop legal reform recommendations together with the private sector, and will galvanize the private sector to engage in a proactive dialogue with the government in enacting BEE improvements.

While work on implementing this activity is ongoing and will continue throughout the life of the EDMC project, specific future actions of the RR Team include working with the Intellectual Property Rights Center (IPRC) and the IPR Agency (the state patent and trademark authority) to design reform actions promoting IPR enforcement; as well as the State Commission on the Protection of Economic Competition (SCPEC) and the Association for Foreign Investment and Cooperation and the Union of Manufacturers and Businessmen, in order to define and implement the reform agenda in the area of competition, plus working with the EUAG, AMCHAM, GiZ and IFC in defining and implementing a reform agenda in the area of customs valuation.

4. ACCESS TO FINANCE

During the quarter, the A2F component held interviews with international and national stakeholders to further develop the EDMC's understanding of the financial sector's constraints and opportunities, investigated SME demand for financial services, performed financial sector mapping, conducted initial screening of potential partner financial institutions (PFIs), developed final criteria for selecting PFIs and defined the approach for financing the targeted value chain SMEs through the PFIs.

4.1 Adopt innovative practices in financial services delivery

In early September, EDMC STTA consultants arrived in Armenia and conducted research to support the development of a Financial Sector Mapping Report. The report described the current SME credit environment and provided data on a sample of financial institutions that they interviewed (banks and UCOs), and also detailed SME financial access challenges, regulatory constraints, collateral-related issues and the availability of innovative products such as leasing, factoring and invoice financing. It concluded that despite their high liquidity, financial institutions demonstrated a relatively low rate of provision of financial services to SMEs due to poor client awareness and analysis, insufficient staff capacity and inadequate loan analysis/administration and risk management practices, limitations on resources for lending in AMD, low SME ability to qualify for credit, and a high-level of outreach costs. At the same time, previous research indicates that there is a high demand for loan products among SMEs, but they are reluctant to pay, in their view, "excessive" interest costs, and/or to accept loan products that require a large amount of collateral. The mapping report was completed and submitted to USAID in early October.

With the arrival of the A2F Team Leader in late September, the component focused on information gathering interviews with stakeholders to further develop the EDMC's understanding of financial services environment constraints and opportunities and seek collaboration. These included the IFC, EBRD, Asian Development Bank (ADB), SME DNC, Union of Banks (UBA), the UCO Association and the ACRA Credit Bureau. An interesting finding which arose from these meetings was that there is apparently cutthroat competition amongst the banks for "preferred" SME clients; whereby they lure their competitor's clients away from them with lower interest rates and longer loan terms. In addition to holding one-on-one meetings with organizations, the A2F Team participated in various other broad international events designed to network the EDMC with the Armenian commercial sector. Notable participated events included the ARM Tech Congress 2011, NASDAQ OMX Conference, Pharma-Armenia Conference, PALM Conference and a GiZ Workshop on the financial component of the SME National Strategy Review.

A2F repeatedly engaged with the USAID *Partners for Financial Stability (PFS)* program in an effort to find complementary activities between EDMC and PFS. The A2F Team participated in a PFS “Credit Rating Agency Feasibility Study” presentation held at the end of September, an EDMC meeting with PFS consultants and a USAID Senior Financial Markets Advisor, Sandra Goshgarian, and finally, a PFS Roundtable in October where they discussed with stakeholders and USAID the initiatives they are going to focus on in Armenia.

The team initially assessed the demand for financial services by SMEs. Even though the EDMC value chains had not yet been selected, the assessment was necessary to have an initial understanding of SME access to finance gaps in order to relate the rationale for the program to the prospective banks partners. As a first step, the A2F Team designed and added detailed Value Chain Finance (VCF) questions to the Domestic Resource Costing (DRC) survey of 160 SMEs to assess the demand-side of SME financing. A useful conclusion drawn from the DRC survey in December was that only 44% of the responding enterprises were currently using a commercial loan, although a wide variety of banks appeared to be providing some level of services to selected SMEs. Secondly, the team conducted in-depth interviews with 12 enterprises ranging in size from micro-to-large within four subsectors – Tourism, Software Development, Food Processing and Pharmaceuticals – and found that most of these firms were bank clients who received basic lending services; although most felt that their access to the level of required resources from the financial institutions they dealt with was somewhat constricted. In addition, it remains clear that in fact most Armenian SMEs (and even many larger firms) are either unbanked or under-banked due to high collateral requirements or perceived high interest rates, and that SMEs within different sectors do have markedly distinct financial needs. This demand-side report was submitted to USAID in December.

In parallel with the stakeholders meetings, the component engaged in pre-screening potential partner financial institutions (PFIs) for core value chain financing intermediation activities over the course of the program. Throughout the period, the A2F Team held meetings with mid-level management (usually the Heads of the SME or Corporate Lending Departments) of 15 leading commercial banks² and introduced the EDMC program; and also described what the A2F component’s objectives are and enquired about each bank’s SME approach, operations and goals. The above pre-screening process enabled the A2F Team to create initial screening criteria and a preferred shortlist of eight banks (from 22) based on those criteria by the end of November. This has served as the basis for further developing the partner selection criteria and designing intervention strategies for potential PFIs with the support of a SBI STTA consultant.

4.1.1 Develop final criteria for selecting PFIs and define the approach for value chain (VC) SME financing with the PFIs

From December 5th - 16th, the STTA assignment was conducted with the presence in-country by STTA banking expert, Phil Beavers. As specified in his SOW, Mr. Beavers developed final selection criteria for EDMC to choose the best PFIs. The “Scoresheet” developed by Mr. Beavers consisted of four sections: Financial Performance, SME Focus/Geographic Coverage, Industry Focus/Alignment and Management Commitment (from interviews held with Bank CEOs). These criteria were applied to the eight banks

² It was decided to initially select banks for partnership, rather than UCOs, in order to have a broad array of financial products and services available to leverage from the PFIs.

on the shortlist, which enabled the A2F Team to determine its preferred top three banks for Year One Partnership – Ararat Bank, Unibank and Armbusinessbank (ABB).

Additionally, an approach was devised for working with the PFIs to effectively and efficiently service the SMEs in the selected value chains – in effect, the model for future interaction between the EDMC A2F Team, the PFIs and the SMEs in the VCs. A PFI segmentation approach was designed whereby each PFI would target several (but not all) value chains and receive EDMC TA in order to service those VCs in a focused manner. The STTA also developed the “Menu of Services” that would be provided to the PFIs by SBI consultants to develop their SME and value chain financing capacity; as well as a draft MOU concept which would establish the core responsibilities of both the EDMC Project and the partner financial institutions under the support program.

Small Enterprise Assistance Funds (SEAF)

The main mission of SEAF in Armenia is to promote equity investments and develop local capacity to close investment deals. The focus of these investments will be SMEs in the selected value chains, though not limited exclusively to those VCs. During the quarter, SEAF began the process of establishing a legal presence (branch, rep office, etc.) in Armenia, as well as starting to develop an investment pipeline in close collaboration with Value Chain and Access to Finance teams.

4.2.1 Establish a satellite representative office of SEAF Caucasus Fund in Armenia

SEAF has already hired and trained an investment officer to start working in the SEAF/Armenia Office within EDMC. In collaboration with EDMC regulatory team, SEAF has conducted concise research on the options and procedures for setting up a SEAF representative office in Armenia. With regard to this, the SEAF team has also consulted with the Central Bank of Armenia, since a SEAF representative office could fall under the regulatory purview of the CBA.

SEAF has also initiated the recruitment process of a second investment officer as envisaged in the work plan (it has in this regard proven challenging to find candidates with knowledge and expertise in the private equity investment business in Armenia, given the nascent level of development of the equity fund industry in the country).

One of the main challenges identified by the SEAF team is that, unlike in other countries - where the SEAF representative office was created as a separate entity and was operating outside domestic investment laws and regulations - according to Armenian laws and the regulatory framework of the Central Bank of Armenia, a representative office of any investment company (including a fund manager, which is the case of SEAF), should be established and act according to the laws regulating and supervising the industry. This needs to be taken into account in the establishment process; and also impacts the recruitment process (the Head of the representative office and the investment officers should have special CBA-issued certificates).

4.2.2 Develop criteria for selecting lynchpin SMEs as candidates for equity financing targeting (predominantly though not exclusively within the VCs)

Based on the past experience of SEAF Global in various emerging markets, and taking into account the size/structure of SMEs in Armenia, we have established initial selection criteria

and an initial strategic framework for equity fund programming in Armenia. In this regard in accordance with Fund strategy, startup firms should not exceed 15% of the total portfolio. Additionally, SEAF will look for SMEs that have revenues of less than USD 15 million and not more than 250 employees. When screening companies, SEAF will consider environmental issues resulting from the company's activity.

The main investment criteria include ensuring that a strong and capable management team is in place, since the Fund is a minority shareholder which would not plan to take over the management of the invested company. Other key qualitative criteria would be high growth potential; based on market and industry research, and also on the rigor and quality of the growth strategy of the company.

4.2.3 In conjunction with the CEED and VC Teams, identify SME candidates for equity financing according to developed criteria.

SEAF has started to develop a pipeline of equity investments in Armenia according to the criteria developed. Within this context, we are working closely with the Access to Finance Team, as well as through other channels (commercial banks, FREDAs, investment companies), most of which appear to be quite keen on collaborating and sharing their pipeline with us. We have already identified and had preliminary interviews with six companies from the following sectors: agribusiness, high tech, food distribution, healthcare services, biotech, pharmacy manufacturing/distribution.

The main challenge with regard to this component is the lack of awareness of most entrepreneurs regarding private equity investments, and their inflexible attitudes towards “sharing” their ownership rights with other investors. Thus, it will require time and skillful outreach efforts to effectively explain to them the advantages of private equity investment over pure debt financing. SEAF will focus on educating managers and entrepreneurs about private equity investment basics, and help to bring them up to a sufficient level of awareness of equity investments to create strong demand for this critically important investment vehicle.

The identification of companies and pipeline development are anticipated to be the main activities of SEAF over the next quarter. Thus, the SEAF local team plans to identify a number of additional companies which fall within the investment criteria; and will also work more closely with the companies already included in the pipeline by conducting preliminary financial and organizational analysis and due diligence, and where relevant developing memoranda preparing the companies for investment.

5. CROSS-CUTTING INITIATIVES

5.1 Monitoring and Evaluation

During the quarter EDMC prepared and submitted a Performance Management Plan (PMP) to USAID. The document presents EDMC's monitoring and evaluation approach, indicators and targets. Once USAID approves the EDMC Work Plan and PMP, the EDMC M&E Specialist will work with the project teams to adopt the various databases and spreadsheets for M&E data collection, establish indicator profile sheets and begin baseline collection.

The GOAM initiated the introduction of M&E systems in 2009. Although current M&E efforts have not been very successful, there is a new attempt currently underway by the

GOAM to introduce comprehensive, cross-sector M&E systems. This new effort is making use of the recent Malaysian experience in implementing an ongoing Government Transformation Program. The possible involvement of EDMC in the introduction of the Government's new M&E system in areas critical to EDMC interests will be considered.

5.2 Grants Implementation

Key overarching grants management policy and implementation documents have been developed. During the reporting quarter the Grants Management Policies and Procedures Manual was drafted and discussed among the project teams and the Pragma Home Office. The final draft version of the manual will be submitted shortly to USAID. In addition, draft Proposal Guidelines have been developed for potential grant applicants. This document will help applicants understand the main requirements for preparation of successful grant proposals.

Additional priorities in this area include the preparation of a Concept Paper on the development of a grant making strategy for 2012, and for the LOP. In this respect, it is important to identify areas that are envisaged as likely to require the highest level of assistance via grant interventions related to the selected value chains; as well as the general improvement of the SME business environment, including advocacy and institutional strengthening and/or capacity building of relevant NGOs, think tanks, and possibly specific governmental organizations that focus on the development of the SME sector.

5.3 Communications

Since the beginning of the project numerous meetings with various stakeholders and companies have been held and the EDMC has comprehensively presented the goals and objectives of upcoming activities within the sectors to be supported.

The EDMC website mock-up is under construction. The final version of the website, which will represent a critical tool for communicating with the business community and related institutional partners, will be launched upon approval of the VCs.

The EDMC Project Launch Event for counterparts and selected value chain representatives is planned to be held in early-to-mid February 2012. The press, wider media and the business/NGO communities will be invited, along with a range of key GOAM counterparts, to illuminate the launch of EDMC.

ATTACHMENT 1

PROGRESS AGAINST WORK PLAN

#	Task	Activities	Progress	Deliverables	Date of submission to USAID	Note
Component 1. Value Chain Competitiveness						
1.0.1	Pre-selection and analysis of sub-sectors and value chains	Conduct a desk study - identify and evaluate subsectors with high potential of exports, imports, income growth and employment	Completed	Long list for selection of 20 subsectors with 40 value chains List of preselected 20 subsectors with 40 value chains	October 14, 2011 December 21, 2011	
1.02	VC selection and analysis	Prepare questionnaires, select relevant companies and conduct interviews	Completed	40 summary reports per VCs		40 summary reports submitted by GTA and GSPC to EDMC for qualitative and quantitative analysis and VC selection
		Undertake quantitative and qualitative (DRC, PNA and SWOT) analysis. Select subsectors and VCs in collaboration with GOA and USAID. Select subsectors and VCs in collaboration with GOA and USAID	Completed In process	Presentation to USAID and GOA Final Report on Qualitative and Quantitative Analysis in the Selection of Value Chains for the EDMC Project List of selected subsectors and VCs	December 14-15, 2011 Expected by Jan 20, 2012	Draft report under internal discussion More work needs to be done in next quarter on Food Processing , Biotechnology and Construction Materials
Component 2. Workforce Development component						
2.1.1.1	Build ties between universities, VET, high schools, career centers and potential employers	Building Bridges to Match demand and supply for/of Competitive Workforce (Survey of academia, schools and businesses)	In process	Report on Bridges between the Educational Institutions and Businesses in Armenia		The survey of around 50 educational and business entities has been finalized. Currently the survey report is drafted. It will be finalized and send to USAID. Dissemination of the report will be done in the next quarter
2.1.1.2		Connect select career centers with companies and associations identified as partners; facilitate placement of students	In process	TVET providers assessment report Meetings between career centers and employers organized in Yerevan and Marzes		Meetings with VETs, Universities and Businesses are being held to identify partner institutions and their needs
2.1.1.3		Work with VET institutions to increase emphasis on employment of students	In process			

2.1.1.4		Channel information on job openings to VET institutions	In process	1-2 pilot career centers in selected educational institutions		The ways of cooperation and information dissemination were discussed at the meetings with the Ministry of Education and VET DNC
2.1.1.5		Work with VET Development Center on ongoing basis to increase dissemination of information to VET institutions	In process			
2.1.1.6		Facilitate job-matching of students to jobs through VET Development Center	In process			
2.1.2.1	Develop short-term/pilot courses with VET institutions	Identify initial industry/value chain need, and VET partner institution	In process	Report on best practices in developing workforce skills in target VCs		The team will undertake specific activities to this direction after the value chain selection is finalized
2.1.4.1	Revise VET curricula	Identify curricula in need of revision for selected value chains that are not already addressed by other donors	In process	Revised curricula developed for select VET institutions in topics relevant for selected value chains		
2.1.6.1	Pilot one Quick Start program	Identify a partner set of companies and/or industry association, and potential employees	In process	List of Partners Companies		
Center for Entrepreneurship and Executive Development (CEED)						
2.2.1	Customize Top Class for the Armenian market, promote and launch the program	Develop Top Class curriculum and timeline of sessions	Completed	Top Class curriculum and timeline		Some changes may be made in the coming months as some of the speakers that will be traveling to Armenia from abroad finalize their schedules
2.2.2		Recruit Top Class mentors	In process	Top Class mentors recruited		The majority of mentors for the Top Class program have been recruited
2.2.3		Recruit Top Class participants	In process	Top Class participants recruited		
2.2.4		Recruit speakers for Top Class sessions	In process	Speakers for Top Class sessions recruited		The majority of speakers for the Top Class program have been recruited.
2.2.5		Promote CEED B2B cross-border event to be held in Turkey in January 2012 and facilitate participation of Armenian companies	In process	Participation of Armenian companies in the event		

2.2.8		Develop a CEED Armenia website and leverage it in informing potential Top Class participants and other stakeholders about CEED Armenia activities	In process	CEED Armenia website		The domain www.ceed-armenia.org has been reserved and contact with a US-based webmaster responsible for the CEED websites in all countries has been established to start development of the CEED Armenia website
2.2.9		Develop a CEED Armenia brochure and other promotional materials	In process	CEED Armenia brochure and other promotional materials		Top Class promotional materials in English and Armenian have been developed and disseminated via a variety of online and offline channels
Component 3. Regulatory Reforms						
3.1.1	Analytical research on general legal problem areas	<p>Research legislation and identify problem areas associated with the protection of foreign investors' rights, registration of property, financial leasing, accounting, financial reporting, tax, customs, IPR, competition, licensing, public procurement, food safety and technical standards and their impact on selected value chains.</p> <p>Work on implementing the proposed changes through the Regulatory Guillotine Program and the BEE Simplification Working Group with the Ministry of Economy</p>	Initial stage completed	<p>Report on business enabling environment in Armenia (initial report)</p> <p>Detailed review of legislation in the problem areas as these apply to the selected value chains (updated report)</p>	November 18, 2011	Comprehensive review of general legal problems pertaining to business environment is completed. More detailed analytical report on VC specific legal problems will be developed
3.1.4	Propose recommendations to improve competition enforcement practices	<p>Analyze SCPEC institutional capacity</p> <p>Enhance analytical tools for defining dominant position</p>	In process	Draft legal amendments to enhance the capacity of SCPEC to counteract cases of abuse of dominant market position and anticompetitive (collusive) agreements and practices		General legal issues in competition area are identified. Analysis of the legislative acts in this area, especially those pertaining to capacity of the SCPEC to enforce competition legislation will continue
3.1.6	Align public procurement with international best practice	Asses the capacity for SME participation in public procurement, identify best practice-consistent reforms to enhance SME participation in public procurement	In process	Draft legal amendments to promote SME access to public procurement		Public procurement related legislation is analyzed. Efforts will continue to develop proposals aimed at enabling SME participation in public

		and develop related reform proposals. Work on implementing the proposed changes through the BEE Simplification Working Group				procurement process
3.1.7	Improving custom valuation practices	Analyze methodological practices for customs valuation	In process	Clear and tight implementation guidelines limiting the application of “reference pricing”		Applications of customs valuation methods are scrutinized. Procedural guidelines will be developed to restrict “reference pricing” method
3.1.9	Provide targeted assistance to the GOA under the BEE Simplification Program	Supporting the work of the Working Group on BEE Regulatory Simplification - ongoing	In process	Proposals for legal amendments governing the selected VCs		Partnership is established with the relevant government agencies and business associations to advance the reform agenda
3.1.10	Provide targeted assistance to the GOA in the pre-negotiation stage of DCFTA on promoting harmonization of domestic legislation with EU requirements in the selected value chains	Conduct comparative analysis of domestic legislation and EU requirements in selected value chains	In process	Recommendations on promoting harmonization of domestic legislation with EU requirements in the selected VCs		Partnership with EUAG is formed. Core actions will start in next quarter
3.1.13	Work with key stakeholders in the selected value chains to promote a dynamic dialogue for promoting key BEE reforms	Conduct targeted consultations, surveys, interviews, and roundtable discussions with key stakeholders in the selected value chains on shortcomings in the legislation Participate in tripartite groups	In process	Comprehensive stakeholder contact network Series of focused agenda-driven roundtables, public discussions, working retreats and conferences		Partnership with private businesses, business associations, government agencies and other stakeholders is formed
Component 4. Access to Finance						
4.1.1	Adopt innovative practices in financial services delivery	Perform financial sector mapping and evaluation/initial screening of potential partner financial institutions (PFIs)	Completed	Financial Sector Mapping Report	October 7, 2011	Mapping report created overview of current environment for SME financing in Armenia
4.1.2		Develop final criteria for selecting partner institutions and define the approach for VC SME financing with the PFIs	Completed	A2F Framework report	January 12, 2012	Framework Report outlined the criteria/methodology for selecting the first partner banks and the EDMC working approach for those banks
		Perform initial demand-side assessment for VC financing needs	Completed	Demand-side Survey for Financial Services	November 28, 2011	Conducted a survey of 12 enterprises in four sectors of tourism, pharmaceuticals, IT and food processing to gauge

						financing usage and needs
Small Enterprise Assistance Funds (SEAF)						
S1.	Start up	Establish a satellite representative office of SEAF Caucasus Fund in Armenia	In process	Satellite representative office in Armenia		Still in process of negotiating with the Central Bank of Armenia, due to complexities of registering investment office that should abide by the CBA regulations
S2.	Equity financing	Develop criteria for selecting lynchpin SMEs as candidates for equity financing targeting within the VCs, but considering outside the VCs also	In process	Completed list of criteria based on the SEAF global strategy and philosophy		The draft list of criteria is selected based on the CGF strategy and Georgian Regional Development Fund (GRDF) experience. Will be finalized and submitted to USAID.
S3.		In conjunction with CEED and VC team, identify SME candidates for equity financing according to developed criteria	In process	Short list of relevant SMEs meeting the developed criteria		Pipeline development is in process. Identified several companies (IT, Agriculture, Biotech, Retail/Distribution). Using partner banks' and investment companies' pipelines.
S8.	Select local partners	Develop criteria for selecting partner intermediary organization from local market to build local institutional capacity	In process	Completed list of criteria based on the SEAF global strategy and philosophy		Have conducted quick research on all investment companies in the market. Based on it the draft list of criteria is developed. Will be finalized and submitted to USAID
		Identify local intermediary organizations according to developed criteria	In process	Short list of relevant partner organizations meeting the developed criteria		Have interviewed two local investment companies