International Executive Service Corps

Final Program Report

Cooperative Agreement # 111-A-00-99-00040-00

Armenia

Yerevan
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EXECUTIVE SUMMARY

Much of the momentum for economic growth in Armenia in recent years has come from the emergence of a new cadre of small and medium-sized enterprises (SMEs) in the economy. In 2002, SMEs accounted for 35% of GDP up from only 16-17% as recently as 1998. [1] The International Executive Service Corps (IESC), through its USAID funded Armenian Private Sector Development Program, has contributed substantially to SME growth in Armenia. IESC has provided technical assistance to Armenian SMEs since 1993; the most recent USAID cooperative agreement began on April 1, 1999. This document reports on the final outcomes of this cooperative agreement, which ran through February 29, 2004 and supported USAID/Armenia's Strategic Objective No. 111-013-01: Growth of a Competitive Private Sector, primarily IR #4: Increased Capacity of Private Enterprises in Selected (Sub) Sectors to Conduct Business.

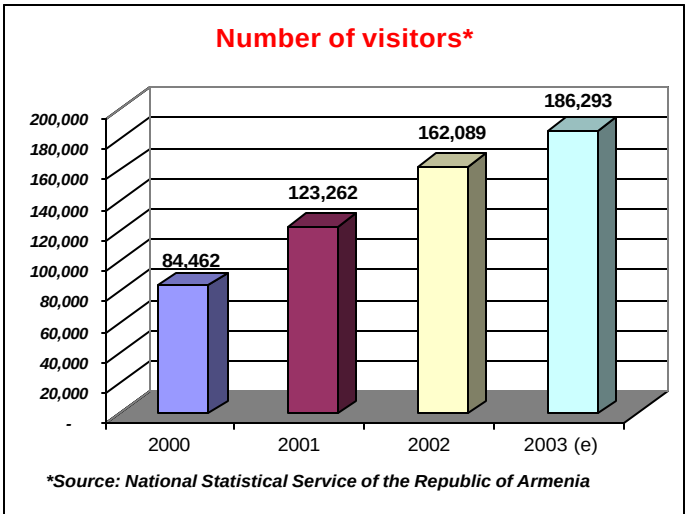
Results under the cooperative agreement have been impressive. Over the period 1999-2003, companies that received IESC assistance subsequently reported:

RESULTS

- **$5,584,905 cumulative increase in domestic sales**
- **$1,945,900 cumulative growth in exports**
- **$959,092 annual payroll increase, corresponding to**
- **1,918 new jobs** [2]

And in the three years since IESC began providing focused assistance to the tourism sector, results include[3]:

- 121% increase in visitors to Armenia
- $ 6,415,374 increase in receipts from Tourism



To achieve these results, IESC:

- Fielded 185 Volunteer Executive Assignments from 1999-2004
- Provided direct technical assistance to 112 SME and Association clients
- Conducted 22 seminars and training courses which trained more than 300 employees and managers from 2001- 2003 alone

[1] Source: Website, Small and Medium Entrepreneurship Development National Center of Armenia
[2] Per USAID/Armenia guidelines, jobs figures are calculated by dividing reported annual payroll increases by UNDP's $500 estimated annual cost of a food basket for a family of four
[3] Sources and methodologies for figures below contained in RESULTS section p. 12

- Sponsored Armenian participation in 11 international trade shows from 2001-2004
- Sponsored 3 familiarization trips from 2001-2004
- Partnered with the Armenian Tourism Development Agency to open the new Visitors Information Center in downtown Yerevan in 2001

In achieving these results in Armenia, IESC built upon its nearly 40-year history of delivering customized, high value-added technical assistance services to SMEs in developing countries. IESC has a history of leveraging USAID funding by attracting strong cost share to its programs around the world and was particularly successful in leveraging donated services during this cooperative agreement in Armenia. During the course of the cooperative agreement, IESC leveraged a total of $4,545,259 in donated services and attracted an additional $257,999 of cost share to the program through partnerships with Diaspora groups and local companies. The total non-federal share amounted to $4,803,258 reflecting a full 103% ratio of USAID's total federal share of $4,675,824.

103% Cost Share

IESC'S APPROACH

IESC's approach to private sector development had two distinct phases under this cooperative agreement. From 1999-2001, IESC pursued its traditional approach of providing high-quality technical assistance to individual high-potential SMEs in a wide variety of sectors across the Armenian economy. Assistance was tailored to the unique needs of each firm and focused on improving management skills, increasing access to new technologies, product improvement and market development.

Beginning with the cost extension granted to the program in 2001, IESC increasingly incorporated cluster-based development concepts into its programming. During the second phase of the program, from 2001-2004, IESC's program included both a Business Development Component (completed August 31, 2003) and a Tourism Development Initiative. Through these two program areas, IESC focused its efforts on providing assistance to SMEs in four high-potential clusters: jewelry & gemstones; textiles, apparel and leather accessories; information technology; and tourism.[4] In addition to providing firm level technical assistance to individual companies, IESC worked extensively with industry associations and groups of companies within each cluster to address issues that affect the competitiveness of all cluster members. Under the Tourism Development Initiative, IESC also played a key role in strengthening the newly-founded Armenian Tourism Development Agency (ATDA). During this second phase of the agreement, IESC also continued to provide a limited amount of assistance to a few very high-potential continuing clients from other sectors under its "Best of IESC" program and provided non competitive, ad hoc support to some additional SMEs and other organizations identified by USAID.

[4] Sectors were identified based PriceWaterhouseCoopers USAID-Armenia SME Sector Assessment, July 2000 and confirmed by IESC's extensive experience in Armenia.

Phase One: 1999-2001

SME Support

From 1999 to 2001 IESC delivered technical assistance to 26 SMEs in various sectors that had high-growth and export potential in Armenia. SME sector companies were chosen by their records of having successfully implemented IESC VE recommendations, by cross referrals from other partner organizations and clients and by assessing potential for future sales and employment growth.

Managers of SMEs were provided with one-on-one practical training on strategic and financial management, business planning and human resource management, enabling the success and sustainability of the organizations under the new market economy.

During this period, 57% of SMEs served reported significantly improving their sales and marketing operations as a result of IESC assistance. IESC's services included development of marketing plans, improvement of packaging, development of new business contacts with buyers in the local and international markets, conducting marketing research, and the search for business partners. Production capabilities of companies were improved in the areas of new product and service development, improvement of plant layout for efficient production and new equipment purchases.

MSH manufactures and markets Computer Numerical Control (CNC) systems for boring and milling machine tools. It started its operations in 1990 with a group of highly-skilled technical staff. What they lacked were business skills needed to compete and thrive in a free market economy.

IESC VEs provided essential marketing assistance to MSH—bringing 5 new partners, helping to acquire new technologies and increasing their efficiency and profitability.

When MSH requested assistance it had no export sales. One year after IESC assistance, company reported $425,000 export sales and the current level of exports is about $1M.

Business Support Organizations (BSOs)

Assistance to BSOs served a twofold purpose. While the BSO is a client, and the initial recipient of IESC VE assistance, the impacts of assistance also reach SME clients of the BSO, improving their competitiveness as well.

Since 1999, IESC assisted 10 business support organizations and training companies. IESC VEs helped BSO managers to improve the quality and depth of their services offerings and introduce new

In 1999, IESC provided assistance to **Apricot Plus, Ltd**, a small privately owned firm providing consulting and training services in Yerevan.

Seventeen useful contacts and three new training programs developed by IESC VEs helped Apricot Plus to double its sales and hire four new employees of whom three are women. The company is now better able to serve the needs of its SME, NGO and government customers

The Director of the company was very satisfied with the quality of IESC services, saying— "IESC really helped us to become mature company and create a network of consultants".

services to further increase the range and type of services available in the BSO market in the country.

Association Support

As with BSO's, IESC's work with associations was designed to have a double impact, serving both the associations themselves and enabling them to provide better services to their SME members. During the program, IESC provided volunteers to consult 19 professional and business associations in the areas of machine tools, herb and spice producers, building material importers, security market, insurance, film critics and cinema journalists, optical business, information technologies, etc.

IESC experts worked to build and strengthen associations, enabling them to provide high quality business and professional services to their members, grow their membership base, and apply for financing to international and local institutions.

Union of Information Technology Enterprises (UITE) was founded in 2000. IESC's first intervention with the client occurred the same year, after UITE had requested an expert to do an IT sector assessment in Armenia. Detailed research of IT sector in Armenia, carried out by IESC VEs, remains the major source of reference for people interested in IT sector development and opportunities.

Recent projects with UITE involved assistance in preparation for CeBit 2003 and the development of an innovative approach in software development and commercialization.

115% membership growth was reported as a result of IESC assistance.

Phase Two: 2001-2004

Beginning with the cost extension granted to the program in 2001, IESC increasingly incorporated cluster-based development concepts into its programming. During the second phase of the program, from 2001-2004, IESC's program included both a Business Development Component (finished in August 31, 2003) and a Tourism Development Initiative.

Under the Business Development Component, IESC targeted enterprises from the clusters identified in PricewaterhouseCoopers July 2000 SME Assessment as having the greatest potential for economic and labor growth, including: IT and Software Design, Textiles, and Jewelry and Gem/Stone Processing. IESC implemented a competitive process within each of these three clusters to select groups of firms that would receive in depth assistance. 6-10 firms were selected in each sector based on criteria of foreign ownership (disqualifier), export potential, domestic sales, existence of foreign partners (disqualifier), foreign distributors, goals of the company, type of assistance requested, and projected outcome of IESC TA assistance. In addition, IESC worked closely with sectoral associations in the Jewelry and IT industries both to strengthen those organizations and to partner with them to work on issues important to the sector as a whole.[5]

[5] IESC did not work with any associations in the textile and apparel cluster because there are no sectorally focused associations in those industries

The Business Development Component also included a small "Best of IESC" program under which IESC provided ongoing assistance to a competitively selected group of past clients with high potential. In addition, ad hoc assistance was provided to a small number of SMEs and other organizations upon USAID request.

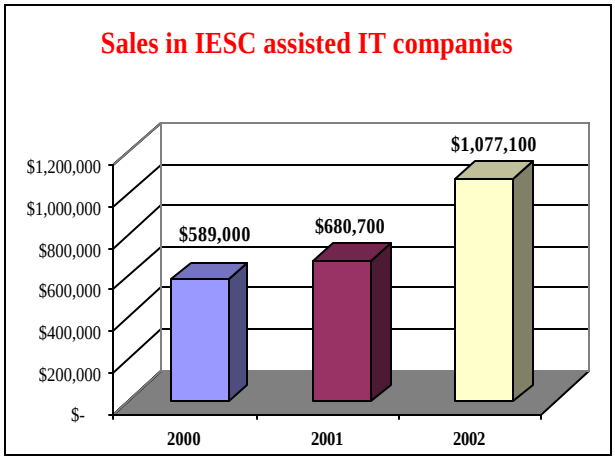
The second major element of IESC's phase II program was the Tourism Development Initiative (TDI). Prior to the approval of the cost extension in 2001, USAID asked IESC to undertake a thorough sector survey and draft recommendations for tourism development for the country. The resulting report by an IESC Volunteer Tourism Industry Expert became the basis for the TDI. IESC partnered with the newly-founded Armenian Tourism Development Agency to implement the TDI, working in close cooperation with the Ministry of Trade and Economic Development launched in 2001.

The TDI was multi-faceted and included support for trade show participation for Armenian tour operators, the opening of the first Visitor Information Center in the Caucasus (*www.armeniainfo.am*), three familiarization tours for foreign journalists and travel agents, projects to develop crafts based and cultural heritage tourism and a variety of other activities designed to increase Armenia's tourism economy. Since the beginning of the TDI, national statistics show that the number of visitors to Armenia has increased from 84,462 in 2000 to 139,720 in 2003 (Jan-Sept,) which when annualized represents an increase of 121 % in just three years.

Business Development Component

Information Technology

Using a competitive process, IESC selected eight IT companies to receive the most intensive assistance. In addition to the targeted assistance provided to these eight firms, IESC and volunteers fielded by its Geekcorps division offered seminars and training sessions open to the wider community.



Upon evaluation, 83% cumulative increase in sales was reported by IT clients throughout two years of IESC assistance. In addition, as a result of IESC/Geekcorps Volunteer Executive (VE) interventions:

- 26 TA projects were completed
- 8 IT companies and 3 associations/foundations directly benefited from IESC/Geekcorps assistance
- 49 IT companies and 4 associations participated in IESC/Geekcorps seminars and trainings

Most importantly, during this period of time, IESC closely worked with Union of Information Technology Enterprises (UITE), an association that is becoming more and more influential in building the IT industry in Armenia. Additionally, IESC helped the World Bank funded Enterprise Incubator Foundation (EIF) and UITE to participate in the major international IT trade show at CeBit 2003 in Hannover, Germany.

An additional project completed under IESC's IT program involved the development of loan tracking software by an IESC/Geekcorps VE for Kamurj- Micro enterprise Development Foundation to help the Foundation more efficiently track and deliver its services.

Textile and Apparel

Textile and Apparel once was the most labor-intensive sub-sector of Armenian economy. After the collapse of the Soviet Union, Armenian textile and apparel companies were running at their 33% capacity on average. IESC designed its assistance to the companies in this sector to result in job retention and employment growth in the long run. As one of the first projects with this cluster, an IESC VE carried out in-depth research, assessing Armenian textile and Apparel companies for export readiness. On a competitive basis, seven clients (7) were chosen to receive multiple intervention projects aimed to rebuild former production and sales capacities of the clients. As a result of IESC assistance, orders started to come into these companies: HAYAS GROUP received $2500 order for Armenian Chamber Choir promotion event; TOSP was successful in securing $30,000 orders from Moscow based retail outlets.

VE Hanna Hohenberg provided IESC's client company, **TOSP,** with 80 new design sketches resulting in the production of 30 samples. Another VE assisted in operational management issues, namely layout design and production process improvement.

TOSP, which had production capacity of 833K units/month in Soviet times, was producing only 48K units/month- 6% of its capacity. Management of the company asked IESC to identify flows in production and committed itself to organizational change.

Projected sales increase for TOSP estimated to be 400% from 2002 capacity and 450 new jobs, of which 400 female, would be generated in 2004

In addition, IESC sponsored comprehensive research of St. Petersburg textile and apparel market in collaboration with Armenian Development Agency (ADA) and DAI-Armenia, which triggered a process of establishing business contacts with Russian wholesalers and retailers[6]. IESC Armenia also collaborated with IESC/FLAG Bulgaria office, which resulted in presenting Armenian woven apparel clients to IESC/FLAG Bulgaria US contacts.

Creation of cross-linkages between program sectors, such as tourism and textile, contributed to greater synergy in development programs. IESC promoted cross-sector cooperation in developing "branded items" produced by IESC Textile/Apparel sector client companies for the KENATS Festival sponsored as part of the Tourism Development Initiative.

[6] More on this can be found in the research paper "The market in St. Petersburg Russia for Armenian Agribusiness, Apparel & Textiles, and Engineering Equipment" (DAI, IESC, ADA, May 2003)

Jewelry

Armenia has rich traditions in jewelry and diamond manufacturing. The jewelry sector accounts for 20% of country's GDP and 41% of country's exports. Many Armenian companies have state-of-the-art diamond cutting facilities and strong short-term potential for increased job creation and income generation.

> **Yerevan Jewelry Plant (YJP)** was founded in 1950. Equipped with the latest technological innovations and expertise, the company successfully operates and markets its products internationally.
>
> IESC was helping the company to continuously improve and apply modern financial instruments to guarantee production of high quality items as well as minimize risk of losses from gold price fluctuations.
>
> The president of the plant expressed high opinion about IESC staff and volunteers' contributions in bringing fresh ideas and new approaches to assist the growth of his business.

Seven companies, competitively selected by IESC VE Panel of Experts, received assistance in production and financial management as well as marketing and export promotion. Transfer of technological know-how through TA projects with VEs, such as Six Sigma Production Management with VE Paul Linthorst, Gold price hedging and procurement with VE John Mulryan, has helped IESC clients to become more confident and competitive. Intensive export marketing and sales activities in the US were achieved from Los Angeles, CA representation office, from access to global network of Armenian jewelers through collaboration with Armenian Jewelers Association (AJA) as well as from Las Vegas and New-York jewelry trade show participations. Armenian jewelry manufacturers' representation office in Los Angeles was set up as per the program description. It was aimed to assist export sales of Armenian jewelry companies and receiving commissions from sales. While most of the elements of ensuring the successful outcome of the project had been put in place, (contacts were made, samples arrived in LA and negotiations took place) time constraints prevented the project from attaining its primary goal of generating actual sales.

Best of IESC" Component

In 2001, five former IESC clients were competitively chosen to receive long term mentoring under "Best of IESC" component. Clients under this component received multiple assistance projects, such as business operations management, trade show participation, marketing improvement, etc.

> Originally named Narine H, **Ice Food** began its operations in 1997 with four employees and was specializing in production of frozen semi-raw meat products, called hingali, pilmeny and ravioli.
>
> Since 1999 IESC has helped to develop 35 useful contacts with new customers and suppliers. Ice Food reported 275% increase in sales and 23 new jobs, of which 83% is female.
>
> Director of the company said, "I can't imagine our business without IESC assistance and its VEs' in-depth consultations that helped us to become self-confidant and overcome many obstacles, which are inevitable in any kind of business.

From its previous experience in delivering technical assistance projects in Armenia, IESC management recognized that the most impact resulted from projects that were followed by other projects supporting different functional areas of the clients. Thus, wide-range approach to "Best of IESC" companies allowed maximizing benefits gained from IESC VE interventions.

Ad Hoc Interventions

In addition to "Best of IESC" and sector strengthening components, under its 2001-2003 implementation plan, IESC reserved resources to provide technical assistance that would capitalize on opportunities to leverage other assistance or to respond to concerns and/or opportunities identified by USAID, other donors, PVOs, or IESC staff. Under this component, 10 Technical Assistance projects have been implemented for internal capacity building of individual companies in sectors different from targeted sectors. These interventions included:

- Magnon playground manufacturing-*Marketing Improvement and Preparation of Promotional Materials*
- Hermes LLC semiprecious stones production-*Design of Marketing Plan*
- Armenian Card State JSC (ARCA)-*Improvement of marketing and operations at newly established credit card operations in Armenia as requested by USAID;*
- Clients of USAID funded partner organizations, DAI ASME and DAI ALSP
  - National Assembly of Armenia-*Web site development and staff training*
  - Saranist-*Development of new products to increase market share and enter new markets for exporting*
  - Yerevan Brewery-*Comprehensive report for export promotion of beer, soft drinks and juices*
- Assistance to the Government of Armenia in the implementation of SME development initiatives that would lead to increased sales throughout the sector
  - Ministry of Industry and Trade-*Helped client to represent local industries at international exhibition in Tokyo, Japan*
  - SME Development National Center-*ISO Certification Assistance*
  - Armenian Development Agency-*Market Research in S. Petersburg area, clothing and engineering products*
- *Improvement of marketing strategy* for IESC client ArmAuto.

> With IESC full support, **Magnon OJSC**, a former research and development company for Soviet space industry privatized in 1999, achieved a reputation for building and installing long-lasting playgrounds designed for municipal parks, schools, orphanages, and apartment complexes.
>
> The orders started to come and grow after IESC VEs and local staff helped to develop price structure for playground products, create promotional materials and marketing plan, and create partnerships with community development organizations.
>
> As a result of IESC assistance during the 3-year period, total sales of the company has grown 1200% with 14 playground sites built around Armenia. Since the number and the volume of orders have continued to increase year after year, Magnon has been able to generate additional funds, increase the equipment base, hire new specialists, and increase salaries.

Tourism Development Initiative

The initiative was primarily focused on the marketing and branding of Armenia as a tourist destination in order to increase both the number of visitors and tourist expenditures and thus, increasing employment and generating income for SMEs Yerevan as well as the rural regions. Activities included technical and financial support for Armenia "umbrella booths" at international tourism trade shows, the organization of familiarization trips for foreign tour operators and journalists, branding and promotion of cultural festivals, support of a visitor

information center in Yerevan, and training and promotion of B&Bs in the regions. The initiative placed special emphasis on the promotion of cultural and crafts based tourism.

In September 2003, IESC started Tourism Development Initiative II (TDI II), which was a continuation of the Tourism Development Initiative (TDI) and aimed primarily to support and strengthen the capacity of Armenian Tourism Development Agency (ATDA).

In the three years since IESC began providing focused assistance to the tourism sector, results include:

- 121 % increase in visitors to Armenia[7]
- An estimated $6,4 million increase in receipts from leisure tourists[8]

With the technical assistance and financial support of IESC, ATDA had:

• Participated in eleven (11) international tourism exhibitions - World Travel Market (WTM) London (2001, 2002, and 2003), International Tourism Exchange (ITB) Berlin (2001,2002, and 2003), Caucasus Tourism Fair Tbilisi Georgia (2002 and 2003), Made in Armenia Expo (Glendale, 2002), American Society of Travel Agents (ASTA) convention, October 21-26, 2003 in Miami, and World Travel Fair in Tokyo, Japan, September 2002 Twenty-five Armenian companies received international exposure through the trade shows. In addition, tour operators and hotel representatives made over 311 new international contacts.

• Opened ARMENIAInformation, a tourist information center in downtown Yerevan on September 18, 2001. It features a full an on-line database of tourist attractions, tour operators, accommodations, and a calendar of weekly events as well as a library of books, videos and CDs about Armenia. From Sept 18, 2001 to December 31, 2003 it assisted 8,374 people from such countries as Australia, France, USA, England, Canada, Germany, Japan, Italy, and Turkey.

From 2001-2003 ***ArmeniaInformation*** **assisted 8374 visitors** from countries including: Australia, France, England, Canada, Germany, Italy, Japan and the USA

• Organized three Educational Seminars ("fam" trips), two trips for the foreign tour operators and one for journalists:

a. Five US and two European tour operators (TOs) and one US travel and trade journalist took part in the first familiarization trip, which lasted seven days. Five of the foreign TOs had already integrated Armenia in their websites. Two had printed brochures on Armenia. A two-page article about the first trip appeared in JAXFAX Travel Marketing Magazine (USA), July 2002.

[7] Source: National Statistical Service of the Republic of Armenia (2003 figure is annualized based on 139,720 visitors from Jan 2003-Sep 2003)

[8] There is no official statistics on tourism receipts, and analysis was done based on visitors flow and estimated spending per visitor

b. One (1) US and two (2) European tour operators (TOs) participated in the second Educational Seminar (fam trip) from 25-31 March, 2003. The objective of the trip was to introduce foreign participants to Armenia as a new and attractive tourism destination, with the expectation that they would produce brochures, websites, and articles on Armenia. Approximately 75.7% of the project cost was donated by the private industry towards the implementation of the Educational Seminar/Fam Trip.

c. Seven press representatives from Sweden, Austria, Switzerland, France, Belgium (2), and Germany took part in the press trip, visiting Armenia for three days in September 2002. A two page article about Armenia appeared in the November 15, 2002 edition of Travel Magazine (for Belgium and Luxemburg) and contained links to ATDA's and local sponsors' websites. Additional articles about Armenia were published in Coop Zeitung Magazinein (Switzerland, January 2003) the travel and trade journal ResFlex (Sweden, April 2003).

• Implemented Ireland Benchmarking Tour (September 2002). The objective of the trip was to examine the methods and become familiar with the process of tourism development in the Republic of Ireland, specifically mechanisms employed for effective cooperation between the public and private sectors, as well as with efficient mechanisms of developing and implementing joint programs by various government structures. Five (5) representatives from GoA who are involved with tourism, two (2) tour operators, one (1) representative of Mother See of Holy Echmiadzin, and three IESC tourism program staff including those who work at ARMENIAInformation participated in this tour.

• Organized and Participated in the Scotland Study Tour for Museum Managers (October 2002). The trip was organized and conducted by IESC VEs Gordon Adams and David Henderson. Seven (7) museum managers (selected by AED and IESC and with final approval from USAID) as well as two (2) IESC Tourism program staff members and one (1) representative from the Ministry of Culture participated in the training. Funding for the museums' managers travel was provided by Academy for Educational Development (AED), whereas IESC covered cost of the travel for its staff members and representative from the Ministry of Culture. The objective of the trip was examining the methods of promoting and marketing Scottish cultural attractions with a view of improving the commercial situation of museums in Armenia.

• Branded and promoted first annual Armenian KENATS Festival in September, 2002. In September 2003 assisted ATDA in organizing the second "KENATS" festival. Fifty-one (51) local companies from various production and service sectors participated in these festivals and gained exposure in the local market as well as to tourists in Yerevan.

• Assisted ATDA four staff members to participate in training for Visitor Information Center (VIC) Services Edinburgh and Lothian's Tourist Board (ELTB), Scotland, UK. The objective of the trip was examining the methods tourism information services and attractions in Scotland with a view of improving the services in the corresponding sites in Armenia.

• Developed the Armenian tourism Web portal (www.armeniainfo.am) with the overall goal of promoting Armenia as a tourism destination. In line with this goal, the website sets out to provide several key functionalities, including: 1) Presenting an appealing, attractive, and engaging window to tourism in Armenia; 2) Providing essential and useful information about tourism-related establishments, activities, and items of interest to potential tourists, local Armenians, and ex pats living in Armenia; and 3) Acting as a portal for Armenian Tour Operators and Travel Agents.

• Implemented major regional tourism development pilot project for Community Tourism Development in two towns of Tavush marz in Armenia. The aim was to help local communities in Armenia to develop their tour products and market them. Total in-kind contribution amounted to $17,197 USD, while the federal share was only $7,239 USD.

A test market in this region provided encouraging results for tourism development in Armenia. One-day event yielded an estimated $4,212 USD in two towns (estimated spending of tourists is depicted in Table 1). If we assume that money spent in the towns will circulate in the economy 3 more times, then it is reasonable to say that this one-day event generated about $12,600. Thus, if such an event could be repeated in the future, on weekly basis, it would yield additional $655,000 injections in Armenian economy as annual tourism receipts.

Table 1 Tourists' spending in the towns

	Ijevan		Dilijan		TOTAL
Visitors' spending*	AMD 1,090,000	$ 1,879	AMD 480,000	$ 828	**$ 2,707**
Tickets sold	AMD 504,000	$ 869	AMD 369,000	$ 636	**$ 1,505**
TOTAL		**$ 2,748**		**$ 1,464**	**$ 4,212**

*1 USD = 580 AMD

In 2002, the Government of Armenia allocated 20 million AMD (Armenian Drams), or the equivalent of approx. $34,000 USD, to ATDA. Much of the work in obtaining these government funds was provided by IESC through assistance in developing a marketing and strategic plan and preparing activity budgets.

In addition, IESC helped ATDA in generating additional cash and in-kind contributions from the private sector increasing ATDA's marketing budget. These funds, in addition to the financing provided directly by IESC, were used to sponsor the activities of the TDI including international trade shows, familiarization trips, and the KENATS festival for the proportion of client's contribution in different projects).

Crafts-Based Tourism

IESC had provided marketing help to over 50 small crafts entrepreneurs, of which 21 are women, and developed Crafts of Armenia guidebook to promote local crafts based tourism. IESC and ATDA have promoted local crafts products at ARMENIAInformation. The crafts entrepreneurs had already reported additional sales of $1,182 they attribute to this activity.

As an extension of this effort, IESC and its BDS partner BusinessLink had helped to link several crafts producers with an American commercial buyer interested in distributing Armenian crafts

to Armenian churches in the United States. This buyer recently published a catalog in which she included samples from Armenian craftspeople. In addition, test marketing for Armenian products was currently underway. Towards these efforts, $600 in sales had been generated for two (2) Armenian craftspeople.

Cultural Heritage Tourism

IESC had provided marketing training to seventeen cultural site managers in Yerevan and in Scotland for the purpose of increase tourist expenditures at those sites. Seven different site managers, 50% of whom were women, participated in the Scotland Museum Study Tour. The objective of the trip was to examine the current methods of promoting and marketing Scottish cultural attractions, with a view to improving the commercial situation of museums in Armenia. IESC and AED developed a joint program of cooperation for the organization and implementation of the study tour for museum shop managers. Investment of £4,000 (approximately 5,600 USD) from British Embassy Armenia was secured for one of the cultural sites, Shengavit Bronze Age archaeological site, to improve its marketing and promotional activities.

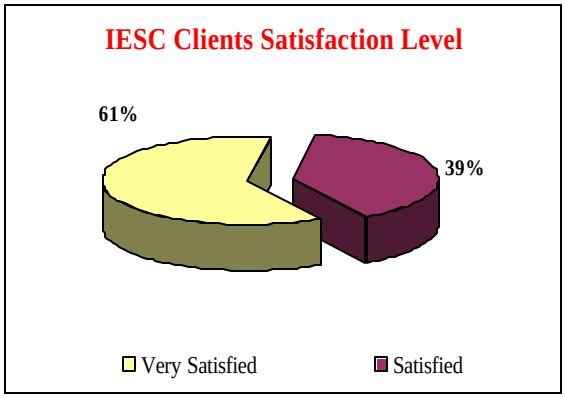
Cooperation with Other USAID-Programs

The Program sought to actively cooperate with USAID implementing partners, and provide technical assistance projects in support of other USAID programs in private sector development. IESC actively collaborated with 23 international organizations in Armenia, such as Development Alternatives Inc, Academy for Educational Development, American Chamber of Commerce of Armenia, Urban Institute, USDA, The Peace Corps, etc. (see complete list in Attachment B).

IESC's participation in special initiatives and cooperation with the above-mentioned contractors and grantees was always advantageous. Five coordination meetings were held with donor and implementing partners to assure information sharing about events and activities and avoid duplication of efforts.

RESULTS

IESC recognized the importance of tracking not only quantitative results but also qualitative results. This data helped to assure correct implementation of the projects, fine-tuning for follow-up projects with the same client, and timely adjustments with ongoing projects. A full 100% of clients surveyed were satisfied (39%) or very satisfied (61%) with assistance rendered[4].



[4] Results based on the survey of 30 companies, which received assistance from April, 1999 to January, 2003

- 89% of the companies surveyed reported their Marketing Improved as a direct result of IESC assistance
- 64% - improved quality of products or services
- 61% -increased competitiveness
- 57% - substantial increase in profitability

Following tables (tables 2 through 5) provide analysis done by IESC based on data from National Statistical Service of the Republic of Armenia. Medium figures (highlighted) were used to estimate leisure tourism spending.

Table 2. Visitors' statistics

	2000	2001	2002	2003 (e)
Number of visitors[1]	84,462	123,262	162,089	186,293

[1] *Source: National Statistical Service of the Republic of Armenia*

Table 3. Leisure tourism statistics

	Low	Medium	High
% of "Holiday and Rest" tourists[2]	10%	15%	20%
Length of stay(nights)[3]	5	6	7
Spending per day per person (USD)[4]	$ 60	$ 70	$ 80

[2] *Data collected from hotels, resorts, recreation houses.*
[3] *Data collected from Yerevan hotels*
[4] *Estimated figures provided by National Statistical Service of the Republic of Armenia*

Table 4. Estimated Tourism receipts

Holiday & Rest Tourism	Low	Medium	High
Total Spending in 2000 (USD)	$ 2,533,860	**$ 5,321,106**	$ 9,459,744
Total Spending in 2001 (USD)	$ 3,697,860	$ 7,765,506	$ 13,805,344
Total Spending in 2002 (USD)	$ 4,862,670	$10,211,607	$ 18,153,968
Total Spending in 2003 (USD)	$ 5,588,800	**$11,736,480**	$ 20,864,853

As shown in the Table 4, there has been increase of $ 6,415,374 in tourism spending from 2000 through 2003. Consequently, if the number of tourists continues to grow in the same pace, tourism consumption would become an important source of revenue for Armenia.

LESSONS LEARNED

In examining the results of the Program assistance and collecting feedback from volunteers and client companies, IESC Armenia learned the following key lessons:

Client Diagnostics: Strong commitment by client top management and ability to make use of assistance are pre-conditions that should be always taken into consideration before the start of any intervention. Revealing company's financial information to outside sources is an extremely sensitive issue. Company's readiness to provide such financial information is a sign of the management's willingness to accept technical assistance and introduce changes.

US Volunteers should be provided with specialized sector and client information prior to their arrival in the country. This information flow reduces the project preparation period, in turn, creating opportunities for the volunteers (the majority having a fixed period of availability) to serve multiple clients.

Multiple Interventions: Due to the harsh challenges of transitioning economies and a historical lack of exposure to market practices, most companies require multiple assistance interventions to maintain momentum in the change process.

Sustained pursuit of change at enterprises is achieved through provision of individually tailored assistance by industry specific advisors over a longer period of time. The effectiveness of these direct interventions increases when combined with a wide array of business support services, including local legal and tax expertise, sources of information, technology, equipment and potential joint venture partners.

Collaboration: Donor contractors and grantees should systematically work with each other towards creating opportunities for ad hoc partnerships and comprehensive assistance. Impact on beneficiaries is maximized when providers and assistance groups introduce their clients to the advantages to be gained from multiple program assistance.

Timely exchange of information about in-country planned program activities among donor-funded implementers is critical for the effectiveness of technical assistance. Having this information available significantly reduces the preparation stage of an activity, avoids duplication of efforts and allows each USAID implementer to bring its core competitiveness into a collaborative project.

Need for Cooperation with Finance Organizations: Collaboration between the Program and financing sources is needed to all the parties. It would fill an immediate need in financing for companies receiving assistance and help investors find and develop projects in an uncertain environment**.**

Project Follow-up / BSO Support: Follow-up with clients after an assignment is essential in ensuring quality of implementation of recommendations and keeping the client engaged in market-oriented management change.

Project Follow-ups provided an excellent opportunity for establishing client networking. Not once, it led to a formal creation of association or SME clients joining the existing association.

Cost Sharing with Clients: IESC recognized the importance of cost share coming from local clients. In general, the approach should be to gradually reduce subsidies for the projects and encourage the client to increase the percentage of its contribution. Such approach helps to ensure the client's commitment to the project and recognition of the value of service. Through leveraging resources, IESC is able to increase the number of interventions and assist understand the trends of the local consulting services market.

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ATTACHMENT A - "*History of the Cooperative Agreement*"

Cooperative Agreement # 111-A-00-99-00040-00:

March 12, 1999, USAID authorized a grant of $1,278,025 to provide support for a program in SME Development in Armenia. Subsequent modifications, extended the term of the cooperative increased the total estimated Federal Share to $4,675,024. The following summarizes the funding actions related to this cooperative agreement.

Cooperative Agreement # 111-A-00-99-00040-00
Signed: 3/12/99
Total Estimated Amt: $1,278,025
Term: 3/12/99-3/31/01
Initial Obligation: $602,339

- Modification #1
  Signed: 3/29/00
  Action: Provide incremental funding of $675,686
- Modification #2
  Signed: 2/14/01
  Action: No cost extension to extend completion date from 3/31/01 to 5 31/2001
- Modification #3
  Signed: 5/30/01
  Actions:
  - Extend completion date 22 months from 5/31/01 to 3/31/03
  - Increase total estimated amount by $3,034,511 from $1,278,025 to $4,312,536
- Modification #4
  Signed: 4/22/02
  Action: Provide incremental funding of $1,533,862 fully funding the estimated amount.
- Modification #5
  Signed: 6/26/02
  Action: Transfer administrative and technical responsibilities from USAID/Tblisi to USAID/Yerevan.
- Modification #6
  Signed: 1/15/03
  Action: No cost extension for 4 months, ext ending completions date from 3/31/03 to 7/31/03
- Modification #7
  Signed:3/19/03
  Action: Allow program income as described in exit strategy and in accordance with 22 CFR 226.24
- Modification #8
  Signed: 7/31/03
  Action: No cost extension of 1 month from 7/31/03-8/30/03
- Modification #9
  Signed: 8/28/03
  Action: No cost extension of 1 month from 8/30/03 to 9/30/03
- Modification #10
  Signed: 9/10/03
  Action:
  - Extend completion date from 9/30/03 to 1/31/04
  - Provide incremental funding of $363,288
  - Increase total estimated amount to $4,675,824
- Modification #11
  Signed: 1/31/04
  Action: Extend completion date from 1/31/04 TO 2/29/04

ATTACHMENT B

List of international organizations that collaborated with IESC Armenia

1. Academy for Educational Development (AED)
2. ACDI / VOCA
3. American Chamber of Commerce of Armenia
4. Armenian Assembly of America/Armenia Tree Project
5. Development Alternatives Inc. (DAI)
6. Eurasia Foundation
7. GTZ/ABU Consult GmbH contractor
8. International Business and Technical Consultants Inc. (IBTCI)
9. International Women's Club
10. Internews
11. Lincy Foundation
12. Oxfam
13. Peace Corps
14. ProSME
15. SABIT program.
16. Shorebank Advisory Services
17. State Department
18. TACIS
19. TEXTIMA Export Import GmbH
20. Urban Institute
21. USDA
22. World Learning
23. World Vision