



Armenia SME Market Development Project

**Armenia
Small and Medium-Sized Enterprises
Market Development Program
(ASME)**

QUARTERLY REPORT

For the period

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Prepared by

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ARMENIA SME MARKET DEVELOPMENT PROJECT

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**ARMENIA SME MARKET DEVELOPMENT PROJECT
(ASME)**

Summary

This quarter was largely devoted to carrying forward initiatives launched earlier in working with individual clients. A great deal of progress was made in developing DAI-ASME program efforts with the Non-Farm Rural Enterprise activity working through a network of regional business centers and the textiles and apparel sector where major advances were seen in terms of developing the Russian market for branded products made in Armenia. Six short-term technical advisors provided a range of assistance to different sectors during the quarter and training programs exposed many companies to new ideas and technical expertise. Some of the highlights of activity during the quarter are presented briefly below.

Highlights

1. During the third quarter, Vordi Arman, a woman-owned dairy concern, reported its highest sales ever, 20% above its past high water mark, and completed repayment of some \$36,000 in debts. The company produces smoked and a variety of other cheeses using the milk from its 285 cows, one of only seven pedigree herds in Armenia.

When the firm became a DAI-ASME client, it was on the brink of insolvency, and its employees were about to lose their jobs after a fire had burned much of the hay they had stored for the winter. DAI-ASME provided an emergency cost-share grant to help keep the company afloat while technical assistance and training was carried out. Now the company employs 55, has established export markets in Russia and other FSU countries, and is participating in the February 2005 Gulfood Trade Show to explore expanding sales to the Middle East.

2. Brabion Flora is a leading retail and wholesale florist in Armenia with a vision of an Armenian wholesale flower market that mirrors those of Holland and other flower-exporting countries. Towards this effort, DAI-ASME sponsored study tours of wholesale flower markets in Holland, Germany and Turkey.

Upon returning from the study tours, Brabion established a wholesale cash-and-carry outlet at the company's head office in Yerevan. The outlet includes two cooling rooms and a demonstration hall, and is a first step towards standardized flower grading and pricing. Brabion's instituted a transparent and fixed 15% commission, which is rapidly attracting new participants, and the outlet is already serving as the first organized marketplace for growers and buyers.

3. During the Third Quarter, Akvatekh Avtomatika, CJSC launched Armenia's first HACCP-compliant fish processing plant in Yerevan, which was developed with DAI-ASME cost-share financing support. The plant has a capacity of 4.5 tons of

fish per day. Akvatekh has added forty jobs to the Armenian economy since becoming a client in 2001. Based on year-to-date sales and advance orders, 2004 sales are expected to reach \$1 million, a 30% increase over 2003, and exports will more than quadruple to \$100,000.

4. A total of 25 owners and financial managers of agribusiness SMEs took part in two five-day training program in financial management. One session was organized at an introductory level for new and very small entrepreneurs while the second was more advanced to insure its appropriateness for participants with more experience in the work. The material, which was developed by STTA Alice Lin working with DAI-ASME staff, is now being adapted for different formats and will be offered to other groups, in Yerevan and the regions, as demand emerges.
5. In September, Aragats OJSC established and registered a company in Russia to develop the Russian market for Armenian textiles. The marketing model proposed by DAI-ASME as a mechanism by which Armenian textile manufacturers can share the risks and costs of penetrating the Russian market, is both innovative and collaborative. The Aragats marketing company provides showroom and warehouse space to Armenian textile manufacturers on a commission basis. The showroom is located in the Textil Profy Wholesale Market Center, near Moscow. The center has more that 150 showrooms dedicated to textile and apparel, provides commercial warehouse space and distribution support, and actively promotes the center buyers through in-house expositions, events and advertising.

The cotton underwear manufacturer, Gevorg & Vahan, was one of the first Armenian firms to access Aragats' services, and others are soon to follow. During the first three weeks in the new showroom, sales topped \$50,000, twenty percent higher than anticipated.

6. On August 20-27, DAI-ASME organized a study tour to Bulgaria for seven Armenian beekeepers with the potential for developing organic honey production. They received hands-on training and direct exposure to the Bulgarian experience in organic honey production, honey consolidation and processing, and marketing to specialty markets in Bulgaria and Europe. Armenian beekeepers were introduced to a well-developed honey consolidation and processing industry in Bulgaria that does a good job of internal marketing as well as export to Europe. Meetings were also held at the Beekeepers Association in Bulgaria and Ministry of Agriculture.

Recent recalls of antibiotic and pesticide contaminated honey products from two of the largest honey exporting countries (China and Argentina) have made consumers more cautious about honey safety. As a result, demand for antibiotic and pesticide-free organic honey products has increased. Armenian beekeepers who maintain their hives in the high wilderness areas during the collection season have a good potential for achieving organic certification and enjoying the price premiums such products attract.

7. In September, ten Armenian textile companies participated in the 23rd International Wholesale Federal Trade Show of textile goods and equipment under a DIA-ASME-sponsored *Made in Armenia* pavilion. DAI-ASME shared the cost

of the pavilion with participants and provided training and advice on effective trade-show presentations and sales. DAI-ASME's textile specialist, Armine Tadevosyan, traveled with representatives of participating firms to assist in set-up and presentation, and to provide continuous guidance and coaching.

The 100m² *Made in Armenia* pavilion attracted keen interest from buyers. Hundreds of sales contacts were made during the event. Clients are now following up on sales leads, sending out samples and entering negotiations with buyers from the show. DAI-ASME looks forward to reporting additional textile exports in its next quarterly report.

Non-Service Area Specific Activities

Non-Farm Rural Enterprise (NFRE)

DAI-ASME's NFRE initiative targets marginalized rural communities to create jobs and increase productivity by linking these somewhat insulated micro-economies to external markets. The Third Quarter provided an opportunity for the newly-hired NFRE staff to further develop relationships with regional business centers and prospective clients, to select clients, and to begin the work of providing consulting services. NFRE highlights for the quarter follow:

- Six new clients signed MOA's.
 1. Elimo LLC, a soda manufacturer in Berd
 2. TAVSH LLC, a bakery and pasta manufacturing concern in Stepanavan
 3. Arman & Sarman, a dairy processor in Kapan
 4. Izoton LLC, a cooper in Yeghegnadzor
 5. Vagharur, OJSC, a dairy processor in Goris
 6. Machine Building Plant of Kapan, a heavy machinery refurbisher in Kapan
- A two-day workshop was held in Yerevan for business center management and Peace Corps volunteers to discuss issues on client management, cost sharing, reporting and marketing.
- In conjunction with the local business center in Berd, a survey of local soda preferences and consumption was carried out on behalf of Elimo, LLC. After analyzing the data, DAI-ASME's Sergey Matevosyan and the Berd business center staff presented the findings to Elimo. Elimo is now formulating a strategic plan based on the survey findings with the goal of increasing its market share.
- In conjunction with NFRE staff, the Shirak Competitiveness Center conducted a workshop on marketing business-center services to local businesses. Because these business centers serve as partners to DAI-ASME in the NFRE initiative, it is important that they be able to promote the consulting services they offer and make the value of those services transparent. The workshop included staff from all partnering business centers, and resulted in increased sharing of their individual experiences and approaches to the situations they encounter. Such exchanges are

very highly valued by the participants and will be expanded in the future to include more of the business centers.

Women in Development (WID)

During the Third Quarter, DAI-ASME accepted one new WID client and signed a Memorandum of Agreement with Artel Group LLC, a producer of garments, handmade rugs, household decorative objects, macramé and needlework.

Additionally, the project assisted existing WID clients in revising strategic plans to implement specific changes:

- The project is providing Ready Steady LLC with technical assistance to expand its catering and lunch business to include wholesale sales and distribution of food commodities for hotels and restaurants.
- Solda LLC, a dairy processing firm in Stepanavan, Lori Marz is seeking to improve its milk-testing laboratory. DAI-ASME is providing technical assistance and working to put together a group purchase of discounted laboratory equipment to outfit five dairies.
- DAI-ASME is working with another dairy, Vordi Armen LLC in Kotayk Marz to help the firm adopt HACCP production standards and expand export sales. Specific recommendations were made to the firm by the project to improve HACCP compliance, and the staff is now working to assist in implementation.

European Union Export Authorization

DAI-ASME is working with the Ministry of Health to facilitate European Union facilitate Armenian fish and fish-product exports to the EU. Following the recommendation made by Francisco Blaha, an international consultant, the Ministry of Health drafted a proposal to the government to establish a special unit within the MOH to oversee fish exports. The proposal was approved, and DAI-ASME, the MOH and related European Union Fishery Standards Program are now developing a coordinated program to implement this decision and develop the mechanisms required for the export of food products into the EU.

Coordination and Collaboration

DAI-ASME seeks to coordinate and collaborate with other development organizations to leverage synergies and avoid duplication of efforts, as illustrated by the following examples:

1. DAI-ASME coordinates its efforts with the Micro Enterprise Development Initiative (MEDI) project and USDA to ensure coordination and communication, to eliminate duplication of effort, and to maximize the collective impact of the projects. Management also participates in the Ministry of Trade and Economic Development's Coordinating Council for Micro, Small and Medium Enterprise Development.

2. As an integral part its Non-Farm Rural Enterprise component, DAI-ASME developed operational alliances with four business service centers in Tavush, Shirak and Syunik marzes. These alliances provide regional insight and a continuous presence for DAI-ASME while serving as a communication conduit between clients and the project. Additionally, the project sponsored a two-day workshop for participating business centers to discuss development issues. This coordination effort allowed business centers to exchange ideas, problems.

Environment

DAI/ASME has developed an “Environmental Protection & Occupational Safety Guideline & Checklists for SME’s” to ensure that project activities comply with applicable laws and regulations. This checklist is based on international standards and USAID requirements, and it includes environmental impact assessment, monitoring and standards for small-scale infrastructure development and businesses. This document is an integral part of DAI-ASME’s strategic planning process for clients to ensuring responsiveness to rapidly changing international standards and requirements.

DAI-ASME Environmental Activities

- DAI-ASME continues to monitor construction activities of the Kashi Tannery effluent treatment plant in cooperation with the Environmental Survival NGO.
- DAI-ASME staff member, Mikayel Sarafyan participated in USAID’s environmental protection training conducted by USAID’s environmental officer Dr. Mohammad Latif. This included site visits to "Kashi" tannery and a school construction site in Ashtarak region.
- DAI-ASME conducted an Environmental Impact Assessment for Kapan Machine Company’s zinc-vitriol production unit in Kapan, Syunik Marz. The initial EIA revealed deficiencies in the plant design and construction. DAI-ASME is monitoring the construction and exploring technical assistance options for this NFRE client.
- DAI-ASME’s presented its *Environmental Protection & Occupational Safety Guideline & Checklists for SME’s* to representatives of regional business support centers that are working with the project’s Non-Farm Rural Enterprise initiative. A detailed presentation of environmental concerns and compliance issues was provided.

Service Component #1: Market and Demand Analysis

Objectives

DAI-ASME seeks to increase revenue, profitability and employment in selected sectors of the Armenian economy through a set of market-driven interventions targeted at SME’s. Service Component #1 is designed to improve entrepreneurs’ understanding of domestic

and international market demand, especially in high-potential export markets such as FSU, European and MENA countries.

Technical Assistance through STTA's

Six Short-Term Technical Assistance assignments were carried out during the Third Quarter. Following are brief comments on the efforts. More specific details on the efforts, their objectives, backgrounds, activities and results, are contained in the studies themselves, which are available through the DAI-ASME office.

Providing technical assistance and strategy formulation facilitation for organic honey producers,

Consultant: Bill Lord

Mr. Lord led a group of beekeepers on a study tour of Bulgaria's organic honey production and Bulgarian beekeeping associations. Participants observed collaborative organic honey consolidation, processing and marketing to specialty markets in Bulgaria and Europe. The activity provided Armenian beekeepers with the opportunity to build production and marketing skills while witnessing the benefits of cooperative association management. This is a key factor as DAI-ASME assists local beekeeping associations in their efforts to forge a federation of beekeeping unions.

Assessing and improving domestic yarn-spinning technical capabilities,

Consultant: Abdel-Fattah M. Seyam

Poor yarn production quality is a barrier to textile production and exports in Armenia. The objective of this assignment was to identify and resolve technical problems for yarn-manufacturing clients. If the quality of Armenian yarn can be improved, there is a substantial and untapped domestic market for it. The consultant visited three industrial users of cotton yarns to assess technical requirements and problems related to Armenian-made yarn. Afterwards, he observed the cotton-yarn spinning machinery and processes of three textile clients, including Gyumri Cotton Yarn Co. He conducted a detailed assessment and made detailed recommendations to improve the quality and uniformity of final product.

Formulating strategies for small-scale slaughter houses

Consultant: Greg Sullivan

The objectives of this activity were to develop small-scale slaughterhouse plans appropriate for the species (cattle, swine and sheep) and probable volumes in Armenia, and to propose a meat sector strategy for replacing the current informal "open-air" slaughtering with a regulated, hygienic meat processing industry. The consultant met with DAI-ASME slaughter house clients and made recommendations on processes, products, materials and sanitation issues related to HACCP certification. The consultants final report and recommendations are under review and are being used to formulate the projects meat-sector strategy for the coming year.

Assessing domestic demand for Armenian textiles and cotton yarn.

Consultant: Jeff Silberman

The objectives of this activity was to assess domestic supply and demand for fabric and cotton yarn; to analyze local production; to identify supply-gap barriers inhibiting local production; and to make recommendations. Mr. Silberman met with garment manufacturers to assess domestic demand for clothing fabric and cotton yarn and assessed domestic inputs. He made suggestions to resolve input deficiencies such as combining orders to allow for cost-efficient importation where local products were not available, and he provided contact information for foreign suppliers. Additionally, he assess the capacity of ExLabs to carry out quality testing on materials and made recommendations for increasing their capabilities.

Forming a federation of Armenian bee-keeping associations.

Consultant: Ed Levi

This STTA revolved around three activities with separate objectives. During the assignment, Mr. Levi:

1. Provided technical assistance on Integrated Pest Management techniques, hive management and production technologies to individual beekeepers and unions
2. Assisted in initiating a queen-bee breeding program and introducing genetic improvement methodologies by leading a study tour to the Tbilisi Institute in Georgia
3. Provided technical assistance and strategic planning facilitation to beekeeping unions seeking to form a federation of beekeeping unions

Advanced Financial Management Training.

Consultant: Alice Lin

This consultancy involved Ms. Lin in the development of materials for two separate training programs in financial management for SMEs and technical support to the two DAI-ASME team members who led the training sessions.

Materials were developed for beginners in financial management, who do have some accounting/bookkeeping background as well as for more advance practitioners, all of whom (25 in total) are either owners or employees of assisted enterprises with responsibilities in the financial management area.

We expect that this program will be further modified for delivery to SMEs in the regions in coming months.

Surveys

Two industry surveys were contracted to local BSPs during the month. BSC was contracted to carry out a detailed analysis of the stone sector in Armenia and its export potential. Alpha Plus Consulting was contracted to analyze the fresh meat value chain in support of the larger effort to design a model slaughterhouse and business plan to support installation of several small facilities around the country as an effort to improve food

safety practices in the meat supply chain. The latter study was being completed as the quarter ended.

Table: Service Component # 1 Benchmarks:

Benchmark	Life of Project Projected Total	Cumulative Total to March 31, 2003	Achieved in the Current Quarter	Cumulative Life of Project Total to Date
Market demand studies	25	30	0	30
Supply/Service studies and cross-sector efforts	8	10	2	12
Countries covered by international market studies	10	10	0	10
Countries covered by regional market studies	4	4	0	4
Web based market information system developed	1	1	0	1

Service Component #2: SME Development and Expansion

Objectives

DAI-ASME provides integrated technical assistance to the Armenian SME community to identify market opportunities and provide firm-level assistance for sustainable commercial growth primarily in export markets. DAI-ASME also supports efforts in domestic market sectors where there is a potential for increased activity by Armenian firms.

Memorandums of Agreement

Nine additional companies signed Memoranda of Agreement (MoAs) with DAI-ASME this Quarter. The MoA serves as a document that provides assurance to both sides on cooperation. Most especially, it assures clients that information shared with DAI-ASME will remain confidential unless released by the client, and that the client will provide baseline (as well as quarterly follow up) data for monitoring and evaluation purposes. The following companies signed MoAs this Quarter:

1. Armen&Sarmen LLC
2. ARTEL-GROUP LTD
3. Eghvard Nectar" Ltd
4. Elimo LLC
5. Ghevond Aghabekyan PC
6. Izoton LLC
7. Machine-building Plant of Kapan
8. TAVSH LLC
9. Vaghatur OJSC

Technical Assistance Provided to Armenian SME's:

Following is a list of workshops, seminars, trade shows and/or market tours conducted for SME's by DAI-ASME during this Quarter¹.

Table: Workshops & Seminars

#	Title	Dates
1.	Structure and Segmentation of the Fashion Industry	July 7-8
2.	Factoring in Armenia	July 14
3.	Organic Agriculture Certification and Control Systems	July 14-15
4.	Advanced Financial Management Training	August 2-6
5.	Advanced Financial Management. Level 2 (AFM2)	August 26-31
6.	DAI-ASME Business Centers Workshop	September 1-2
7.	Gyumri BSC Workshop	September 29-30

Table: Trade Shows/Market Tours

#	Title	Dates
1.	Training and Study Tour for Beekeepers and Processors from Armenia on Organic Honey Production and Marketing	August 20-27
2.	World Food Moscow International Trade Show	September 21-24
3.	International Wholesale Tradeshow on Textile Goods and Equipment (Moscow)	September 21-24

Change in Client Revenues

DAI-ASME clients generated a \$7.9 million increase in sales during the past four quarters compared to base-year totals. Of this increase, \$3.5 million was generated from export sales.

Table: Service Component #2: Benchmarks

Benchmark	Life of Project Projected Total	Cumulative Total to July 31, 2004	Achieved in Current Quarter	Cumulative Life of Project Total to Date
Primary SME firms assisted and strengthened	125	120	9*	129
Supply and service firms assisted and strengthened	10	5	0	5
Women owned/managed SME's assisted and strengthened	20	16	0	16
Trade shows & market tours attended and/or conducted	40	29	2 ²	31
New buyer arrangements for client firms	85	737	189	926

* Newly signed MoAs

¹ A brief description of selected key activities is provided. For more information, including technical reports, please contact the DAI-ASME office directly.

² Training and Study Tour for Beekeepers and Processors from Armenia on Organic Honey Production and Marketing and International Wholesale Tradeshow on Textile Equipment and Goods.

Table: Sales Reported in this Quarter

	Export	Domestic
Current quarter compared to same quarter of base year	\$ 1,079,342	\$ 1,336,008
Most recent four quarters compared to base year total	\$ 3,519,551	\$ 4,442,454

Table: Jobs Generated in this Quarter

Direct jobs created compared to the base quarter	752
FTE jobs created compared to the base year	4,522

Service Component #3: Financial Linkages

Background:

Small and medium-scale agribusinesses generally lack effective access to commercial and investment finance programs sufficient to attract the medium and longer-term financial resources they need to develop their businesses. Lack of experience on the part of many business owners coupled with high interest rates and the demand for high multiples of urban real estate value as collateral make it difficult for their capital needs to be satisfied by the commercial banking system, as it now exists.

The objective of Service Component #3 is to help client enterprises develop viable and sustainable long-term linkages with commercial banks and other parts of the business finance infrastructure. Four different mechanisms have been defined:

- 1) **Market/Product Development Cost-Share Grants:** This is a cost-sharing device aimed at supporting agribusiness firms by assisting in their market development activities, such as attendance at trade shows, participation in market study tours and the development of quality promotional and packaging materials. Activity associated with these grants is reported under Service Component #2 though they do also increase a client’s ability to attract funding from the commercial finance institutions.

- 2) **Operational Support Cost-Share Grants:** DAI-ASME provides technical assistance to client firms, subcontracted on a cost-share basis where appropriate, through its network of associated local business service providers (BSP’s) or from its own staff and STTA resources. This technical assistance is aimed at helping the clients develop and implement a viable strategic plan for the development of their business and to gain access to the financial organizations that might be able to support them. These grants can also be applied to helping the companies achieve other production and/or management improvements such as the development and installation of quality management and food safety systems. In addition to supporting individual client firms, these cost-share grants are also used to support activities of other SME-directed organizations that work to strengthen the overall SME community such as the SME Development National Center, the Armenia Development Agency and business associations.

- 3) **Capital Finance Support Cost-Share Grants - Non-Leasing:** Client firms may be given a cost-share grant to co-finance specific capital requirements and

increase their ability to obtain commercial bank or other financing to meet the balance of its capital requirements. Such grants are applied, along with leveraged capital from the firm's own or outside resources, to the implementation of capital expansion plans aimed at increasing the firm's ability to produce and compete effectively in export and domestic markets.

- 4) **Capital Finance Support Cost-Share Grants - Leasing:** The DAI-ASME team has actively promoted and supported the development of a privately owned and financed commercial leasing company in Armenia. ACBA Leasing Company, SA was formally inaugurated on April 25, 2003 marking the completion of all required registration procedures with the Armenian Central Bank and the confirmation of all shareholder investments and loan financing. Operational grants were provided to support establishment of ACBA leasing company itself. The new company is currently operating and executing its lease

Table: Service Component #3 Benchmarks

Benchmark	Life of Project Projected Total	Cumulative Total to Date *
Market/Product Development Cost-Share Grants – Study Tours, Trade Shows, Product Development, etc.		
Number of Grants	100	128
Value of Grants	\$300,000	\$228,768.50
Number of Companies Assisted	25	62
Leveraged Funds	\$300,000	\$273,195
Operational Support Cost-Share Grants – Business Plans, Quality Management Systems, Technical Support, etc.		
Number of Grants	40	72
Value of Grants	\$ 400,000	\$135,940
Number of Companies Assisted	20	42
Leveraged Funds	\$400,000	\$73,316
Capital Finance Support Cost-Share Grants – Commercial Loans, FDI, Supplier Credit, Other		
Number of Grants.	25	30
Value of Grants	\$ 1,000,000	\$ 728,428.00
Leveraged Funds (excluding leases)	\$3,000,000	\$2,5287,677
Capital Finance Support Cost-Share Grants – Leasing.		
Number of Grants (Leases Leveraged)	0	0
Value of Grants	0	0
Leveraged Leases (#)	0	43
Leveraged Leases (Value)		\$744,050
Leasing Company Operational Support	\$ 1,200,000	\$ 1,153,000
Leveraged Capital (committed)	\$3,000,000	\$3,000,000
Other Benchmarks		
Woman-Owned Firms Receiving Financial Assistance through DAI-ASME	10	20
Joint Ventures Established	8	1

agreements, which are a much-needed alternative to those businesses requiring significant amounts of new equipment but who lack the collateral to raise the funds required to purchase the equipment outright in their own name. Cost share grants will be made available to companies to facilitate and finance certain capital costs that are associated with the installation and use of leased equipment.

Benchmark Notes

Cost Share Grant activity in the Marketing and Operational areas continued during the quarter supporting the exploration of additional export markets via the Federal Show in Moscow (textiles and apparel), World Food Moscow and support for the Aragatz Marketing Unit in Textil Profy Wholesale Market Center, near Moscow.

As the quarter ended, 88.19% (excluding ACBA Leasing Operational Support Grant) of the Project's total approved cost share grants had been disbursed and their impact monitored. Capital cost-share grants were leveraging counterpart funds from client firms, banks and others at a rate of 1 to 3.55. Marketing and Operational Support grants (excluding ACBA Leasing Operational Support Grant) average cost-sharing ratios have been approximately 1 to 1.19 and 1 to .53 respectively.

Market/Product Development Cost-Share Grants: Nineteen new grants totaling \$53,432 were approved in this category during the quarter to share the cost of attending the two international trade shows and the Bulgarian organic beekeeping study tour.

Operational Support Cost Share Grants: Three Operational Support grant for \$4,413 were approved during the quarter to assist garment exporters to qualify for the certification required to market their products in Russia.

Capital Finance Support Cost-Share Grants – Other: Two cost-share grants amounting to \$12,760 were approved in this category during the quarter to share the cost of increasing production capacity and improving the food safety standards of two small companies in Syunik marz.

Capital Finance Support Cost-Share Grants – Leasing: There were no cost share grants in this category during the quarter.

Leasing Company Activity: ACBA Leasing Company continued to accelerate its activities during the quarter with total leases written to date increasing to 43 for 93 pieces of equipment valued at \$1,153,000.

Note: At the request of USAI, and to accommodate the scope of work of MEDI Project, DAI-ASME's has reduced its efforts in Components 4 and 5 (below).

**Service Component #4: Skills Development and Information
Dissemination**

Background

Limited local capacity has existed within private Armenian institutions to provide technical assistance to Armenian SME's. Service Component #4 aims at strengthening the capacity of local business service providers (BSPs) to provide sustainable market and technical assistance to Armenian SME's on a commercial market basis. To this end, DAI-ASME supports, strengthens and collaborates with privately owned Armenian BSPs that will then be positioned to provide continuing technical and business consulting services to SME's. At the request of USAID, DAI-ASME is reducing the emphasis of this aspect of the program in deference to the MEDI program, which focuses much of its attention in this area. The project will continue to make use of BSP services where appropriate and provide targeted training activities specifically relevant to BSP work with SME's. Two such training activities are being prepared for the upcoming quarter.

Capacity Building Agreements (CBAs)

No new capacity building agreements were signed during the past quarter and the number of BSPs with signed CBAs cooperating with DAI-ASME remains 30.

BSP Capacity Building Activities Implemented

No new BSP capacity building activities were implemented during this quarter.

Seminars/Training Workshops

Event	# of Participants
Advance Financial Management I	15
Advance Financial Management II	10
Factoring in Armenia	45
Organic Agriculture Certification & Control Systems	25
Fashion Industry Structure & Segmentation	17

Performance Contracts

DAI-ASME continues to award performance contracts to BSP's to carry out various research, training, or firm level assistance tasks. Two such contracts were awarded during the quarter: one to BSC for a comprehensive analysis of the stone sector and another to Alpha Plus Consulting for an analysis of the fresh meat value chain.

Service Component # 4 Benchmarks:

Benchmark	Life of Project Projected Total	Project total – Through June 2004.	Current Quarter	Cumulative Life of Project Total to Date
1. Armenian BSPs with signed Capacity Building Agreements	30	17	0	17

2. BSP Capacity building activities implemented	60	63	0	63
3. SME seminars/training workshops completed	51	69	5	74
4. SME seminars/training workshops focused on woman-owned SME's	11	9	0	9
5. SME's receiving training services	400	547	88	635
6. Performance agreements awarded to BSPs for project services	41	27	2	29

Service Component #5: Association Strengthening and Policy Advocacy

Objectives

Service Component #5 is geared to assisting the SME community to create a business-supportive environment that allows the community to operate in a fair and transparent manner. DAI-ASME originally planned to assist selected associations and trade organizations improve their ability to serve their SME constituency in development of a supportive business environment. There are, however, a limited number of legitimate business associations operating in Armenia that provide services of value to their members and few that are capable of assisting SME's address business environment-type problems. Because of the nascent state of agribusiness association development, DAI-ASME has undertaken alternative processes to identify and address policy issues that impede the ability of businesses to operate in a fair and openly competitive environment.

European Union Export Authorization

DAI-ASME is working with the Ministry of Health to facilitate European Union facilitate Armenian fish and fish-product exports to the EU. Following the recommendation made by Francisco Blaha, an international consultant, the Ministry of Health drafted a proposal to government to establish a special unit within the MOH to oversee fish exports. The proposal was approved, and DAI-ASME, the MOH and related European Union Fishery Standards Program are now cooperating on the development of a comprehensive program to implement this decision and facilitate to entry of Armenian food products into the EU.

Federation of Armenian Beekeepers

DAI-ASME responded to requests from Armenian beekeeping unions to assist them in forming a federation of beekeeper unions. The project provided a STTA consultant, Ed Levi, to facilitate dialog and create a unified vision of the federation's purpose, scope and

structure, membership and services. The nascent federation will serve as a unified voice for the industry.

Dried Food Producers Association

DAI-ASME is advising the leadership of this association, now with more than 50 members, on the development of a revolving loan fund to finance members' acquisition and installation of improved food safety systems.

Armenian Tanneries Association

This association of small-scale tanneries has successfully implemented a program to import tanning chemicals for its members with DAI-ASME assistance. It is now considering the addition of new joint marketing and processing activities with the advice of DAI-ASME advisors.

Federation of Agriculture Associations (FAA)

DAI-ASME advisors are working closely with this Federation of local farmers cooperative organizations to design and implement a network of farm stores that will enhance small-farmer access to production inputs and provide impetus to the development of farmer's cooperatives in other areas affiliated with the FAA

Table: Service Component # 5 Benchmarks

Benchmark	Life of Project Projected Total	Cumulative Life of Project Through March 2004	Current Quarter	Cumulative Life of Project to Date
Policy issue generation workshops	20	17	0	17
Policy working groups established	8	12	0	12
Policy issues identified and addressed	15	3	0	3
SME's participating in addressing policy issues	400	358	0	358
Activities to strengthen the policy advocacy capabilities of SME support organizations	15	12	0	12