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# ENTERPRISE DEVELOPMENT AND MARKET COMPETITIVENESS (EDMC)

**QUARTERLY REPORT**  
**JANUARY, 2012- MARCH, 2012**

**April 10, 2012**

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**

3DMU	3D Modeling Union
ADB	Asian Development Bank
AGG	Armenian Guides Guild
AMCHAM	American Chamber of Commerce in Armenia
AFT	Access to Finance Team
AUA	American University of Armenia
B2B	Business to Business
B&Bs	Bread and Breakfast
BDS	Business Development Services
BEE	Business Enabling Environment
CBI	Center for Promotion of Imports
CEED	Center for Entrepreneurship and Executive Development
CEO	Chief Executive Officer
CJSC	Close Joint Stoke Company
COP	Chief of Party
DCA	Development Credit Authority
DCFTA	Deep and Comprehensive Free Trade Agreement
EBRD	European Bank for Reconstruction and Development
EDMC	Enterprise Development and Market Competitiveness
EIF	Enterprise Incubator Foundation
EREA	European Regional Education Academy
EU	European Union
EUAG	EU Advisory Group
GEDF	Gyumri Economic Development Foundation
GITC	Gyumri IT Center
GIZ	German Development Agency
GMP	Good Manufacturing Practice
GOA	Government of Armenia
HACCP	Hazard Analysis and Critical Control Points
ICHD	International Center for Human Development
ICT	Information and Communications Technology
IFC	International Finance Corporation
IPR	Intellectual Property Rights

LMO	Labor market observatory
LRED	Local/Regional Economic Development
LRT	Legal Reform Team
MIC	Microsoft Innovation Center
MoU	Memorandum of Understanding
MOE	Ministry of Economy
MPI	Medicine Producers and Importers
NGO	Non-Governmental Organization
OXFAM	Oxford Committee for Famine Relief
PFI	Partner Financial Institutions
PFS	Partners for Financial Stability (USAID project)
RCI	Regional Competitiveness Initiative
RUEA	Republican Union of Employers of Armenia
SCPEC	State Commission on the Protection of Economic Competition
SEAF	Small Enterprise Assistance Fund
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
SPS	Sanitary and phytosanitary
TA	Technical Assistance
TBT	technical barriers to trade
TOT	Training of Trainers
UNDP	United Nations Development Programme
UITE	Union of Information Technology Enterprises
VCT	Value Chain Team
VCF	Value Chain Finance
VC	Value Chain
VET	Vocational Education and Training
WB	The World Bank
WFT	Work Force Team

## HIGHLIGHTS OF THE QUARTER

EDMC held its launch event in mid-February. The event was attended by over 300 guests and several high-level guest speakers from the U.S. and the Armenian government. During the event a presentation was given by the COP and all Team Leaders describing the goals and objectives of the project and the main activities. After the main session, each sector specialist held a roundtable with companies from their sectors to document operational challenges and needs. This information was used in the design of the project's activities for the next two quarters.

In February EDMC project management organized a staff retreat to build on the results of the project launch event and hold working sessions for further development of the project work/action plan for the first year of operation, including discussions and scheduling of immediate actions for the next 90 days of EDMC operations. The leadership of the project from the Pragma headquarters, the EDMC project Yerevan staff and key persons from the subcontractors of the project participated in the event.

Starting with the workshops at the launch event targeting company-level constraints, VCT organized and coordinated numerous meetings and consultations with sector companies. A number of activities have been developed, vetted with relevant counterparts, and implementation was initiated. Cooperation has been established with a number of sector relevant associations and international donors and donor organizations for partnering in the implementation.

The WFT is launching a series of training for hospitality and high-tech sectors. It is expected that around 70 people will be trained in mobile technologies, project and hospitality management. At least 20 of 55 high-tech trainees will be employed, while 15 certified hospitality TOT participants will get modern hospitality management training skills.

The CEED event on leadership took place on March 22 at Erebuni Plaza Business Center. CEED invited Al Eisaian, a successful entrepreneur from the US and the Chairman of IconApps, Inc., a mobile data platform company that he co-founded in 2010, to deliver a talk on leadership for the future participants of the Top Class program.

A variety of topics related to leadership were discussed, including leadership styles, forming a core team of coworkers, and building an effective organizational culture. The event was a success with the majority of the participants rating it 10 out of 10. James Tufenkian, the founder of the Tufenkian Group of Companies, and Gagik Yeghiazaryan, Managing Partner at KPartners and Publisher/Co-Founder of Media Partners, also attended the event and had informal discussions with the Top Class participants.

The LRT started analyzing gaps and constraints contained in existing and proposed legislation governing the VCs. The team developed an assessment of draft laws governing tourism and pharmaceutical sectors and proposed draft amendments addressing gaps in customs legislation.

After extending invitations to three banks to partner with the project in January, ATF Team drafted Memorandums of Understanding (MOUs) highlighting the main technical assistance that the project would provide to the banks – internal assessments on their SME lending practices, market research of the four target sectors of EDMC, and ongoing training by SBI consultants to meet the financial needs of the companies within these sectors, as well as the work that the banks would do under the partnership. The MOUs were signed by all three of the banks – ABB, Unibank and Araratbank.

## **I. VALUE CHAIN COMPETITIVENESS**

During the reporting quarter, the VC Team was intensively engaged in developing task worksheets for the proposed sector specific activities. The process of finalizing discussions with possible partners and recruiting international and local experts is ongoing and several activities are expected to start implementation shortly.

Sector support teams were established comprised of representatives from each project component. The teams are visiting companies to closely assess their needs and issues related to competitiveness improvement, finance, work force and legal/regulatory constrains. EDMC is developing company (needs assessment) sheets after each meeting to document the findings to be used in our further planing.

The team met with representatives of OXFAM International. It was concluded that cooperation is possible in the areas of development of rural areas, cooperatives (as input for herbal and food processing), cold storage, and agro-eco tourism (B&Bs). OXFAM is supporting the development of a concept for an economic zone in the Tavush Marz border region, which could also be interesting for EDMC activities.

Cooperation was established with GIZ to work together on the International Visitor Survey. Initial coordination meetings were also held with the responsible MOE departments.

To support economic growth in Armenia EDMC and SME DNC agreed to join and streamline efforts on implementation of LRED initiatives, BDS market development and export promotion of Armenian SMEs.

### **I.03 Project launch event and stakeholder workshops**

The EDMC project launch Event was held on February 15, 2012. Almost 300 people from the private and public sectors participated in the EDMC launch event. Attendees included senior officials from the Government of Armenia and representatives of local and international organizations. U.S. Ambassador John Heffern, USAID Armenia Mission Director Jatinder Cheema, and Armenian Minister of Economy Tigran Davtyan delivered speeches at the event. EDMC COP and Component team leaders presented the project, its objectives and approach. The presentations were followed by six workshops with private sector stakeholders – IT and electronic services, pharmaceuticals/biotechnology, herbs and food processing, and hospitality. Valuable information was collected on company level constraints, issues and areas for improvement for each of the selected sectors.

### **I.04 VCs stakeholders and companies inventory**

An initial database has been compiled of companies in each of the selected sectors plus one for the BDS providers. The database currently includes basic company data and contact details for almost 200 companies.

#### **I.1. Improve management skills to raise product quality and lower costs**

At the end of March, STTA consultant Peter Wilson arrived in Armenia to conduct the management systems and skills assessment of companies from the selected sectors. After discussions with the EDMC component representatives, he developed a framework for assessing the quality and effectiveness of the management capacity and tools being used. The

schedules for visits and meetings were drawn up and field work commenced. The expert will visit at least 16 companies and will hold meetings with associations and sector representatives and the SME DNC. At the end of his mission, four half-day workshops will be held, one for each of the value chains, to share the general findings and obtain feedback in a workshop environment. A one-day workshop is planned as a training exercise for BDS providers, to share with them the adopted approach and general conclusions from the assessment.

## **Value Chain development**

### **High Tech**

#### **AI. HT products promotion in international markets (Hannover Exhibition)**

In partnership with the Union of Information Technology Enterprises (UITE), 3D Modeling Union (3DMU), Enterprise Incubator Foundation (EIF) and Gyumri Economic Development Foundation (GEDF), EDMC started preparatory activities for participation by an Armenian business delegation at the Hannover Messe 2012, April 23-27 titled Technology Meets Business. An agreement between all participating partners has been reached on cooperation and joint efforts. A number of roundtable meetings on organizational issues have been held with representatives from UITE, 3DMU, EIF and GEDF. The composition of the Armenian business delegation of 5 people has been agreed: Ms. Zhenya Azizyan, Head of Delegation – EIF, Ms. Mariam Nahapetyan and Mr. Hrachya Khachatryan – UITE, Ms. Olesya Tikhova - 3DMU and GEDF, and Mr. Patvakan Akhinyan - 3DMU. A marketing staff unit has been established, which is coordinated and managed by UITE in cooperation with all parties.

EDMC will continue to support marketing unit's activities to: (a) develop a list of preliminary interested foreign companies/organizations for contact-rounds; (b) select local partner-companies to be presented at the event; (c) develop participant profiles with a clear description of targeted companies/organizations, marketing strategies and means of communication with targeted companies/ organizations, as well as the profile of designated representatives (profiles for participation will include main and secondary tracks, description of tracks, target companies/organizations, marketing strategy and means, etc.); and (d) develop an after-event plan of activities for contacting companies after the Hannover Messe 2012, and provide it to confirmed participants for their implementation.

#### **A2. Encourage creativity and introduction of new technology products/ innovations:**

In cooperation with MIC and Microsoft RA, EDMC is supporting the Imagine Cup Student Worldwide Idea Competition. The Armenia Imagine Cup is conducted in two phases: (a) teams submit ideas only and the evaluation panel selects a short-list for further development; (b) Microsoft Innovation Center (MIC) works with the shortlisted teams to develop their ideas into products/services or demo versions of these, which are then presented to the evaluation panel at the end of April, when the winner is selected and announced. The winning team will represent Armenia at the Imagine Cup worldwide finals in Sidney, Australia, in July 2012.

An agreement has been reached with MIC and Microsoft RA on the form of cooperation. A number of roundtable meetings were held with interested parties and partners, as well as a brain-storming meeting with EDMC VC experts and several company representatives from

other EDMC target sectors. EDMC participated in the evaluation panels, supporting the selection of top 7 ideas for further development.

Pending activities include participation in the final evaluation panel to select the winner idea and providing support to organize the award ceremony and for the winning team and MIC in representing Armenia in the worldwide final selection.

### **A3. ICT Leaders Meeting**

EDMC joined efforts with UITE to support the organization of an ICT Leaders Meeting-Forum, with the wider involvement of start-up companies, international organizations, state and non-governmental organizations, and representatives of associations. The meeting initially planned for May has now been rescheduled for April 13-15. EDMC will use the opportunity of the presence of the STTA expert Peter Wilson who is conducting the management systems and skills assessment, to support the event with his involvement as an international speaker on topics concerning High Tech management issues.

### **A7. IT Solutions for Other Sectors**

EDMC is working jointly with UITE to support the organization of the Digitech Business Forum 2012, June 15-16. The focus of the Forum will be to promote usage of IT/HT solutions in other areas and sectors of the Armenian economy. Specifically, EDMC is providing support for involving key speakers and international participants from the RCI region. Joint efforts with UITE to determine suitable candidates for this event are ongoing.

### **A18. Regional IT Training**

Together with RCI, EDMC is organizing training on June 6-7 on Marketing of the IT Companies. The training provider will be the Center for Promotion of Imports (CBI) from the Netherlands. The training will take place in Yerevan and will include participants from Georgia. Currently the themes of the trainings are being agreed between the parties.

## **Pharmaceuticals/Bio-Technology**

### **B3. GMP implementation**

EDMC provided assistance to the MPI Union in organizing the 3rd Meeting Without Ties forum in Aghveran on March 10-11, 2012. The meeting was attended by representatives of Armenia's pharmaceutical industry, foreign pharmaceutical companies, importing companies, as well as state officials, experts and scientists, officials from the RA State Revenue Committee and State Commission of Economic Competitiveness policymakers, and drug safety specialists. In light of the GOA decision of November 2011 that all drug producing companies in RA are obligated to comply with Good Manufacturing Practice (GMP) standards by 1 January, 2013, the meeting provided an opportunity to introduce and discuss the implementation of EU GMP standards, core issues and further steps. Participants used this opportunity to raise numerous issues with GOA officials and received comprehensive responses. EDMC presented and discussed with the stakeholders its planned activities on GMP that will be implemented during the upcoming months.

### **B4. GMP Compliance**

EDMC is cooperating with the Scientific Center of Drug and Medical Technology Expertise (SCDMTE or Drug Agency) in its efforts to recruit an auditor from the relevant EU based

association responsible for Armenia's membership/accreditation, who will conduct the planned joint company audit. The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme (jointly referred to as PIC/S) are two international instruments between countries and pharmaceutical inspection authorities, which provide together an active and constructive co-operation in the field of GMP.

## **B7. Pharma Products Promotion in International Markets**

In order to assist Armenian pharmaceutical companies to enter new and/or expand their existing markets, EDMC is supporting their participation in BRIDGE EXPO in Tbilisi, Georgia. On April 21-22, 2012, the Union of Manufacturers and Businessmen (Employers) of Armenia and the Center of International Integration Support MASTER are organizing a universal trade-industrial exhibition in Tbilisi. The main goal of the exhibition is to foster economic cooperation between the two neighboring countries and organize B2B meeting between participants and local companies. Four pharmaceutical companies expressed their interest to participate, and three other companies will participate as visitors. An MPI Union representative will provide on the spot technical assistance to the Armenian manufacturing companies.

## **Food Processing**

### **C1. Introduction of organic standards**

EDMC has developed the SOW and is now working on retaining local experts to do a company pre-audit and targeted company training on organic standards. Based on the results from the company audit, each company will receive specific awareness training in the basics of Codex Alimentarius and organic production, along with a list of detected non-compliance issues and recommendations and a short consultation on how to overcome them.

### **C2. Food Safety Pre-Audit**

EDMC has developed the SOW and is now working on retaining local experts to do a food safety pre-audit on HACCP prerequisite compliance. Based on the audit results, each company will have a good understanding of the scope of work to be completed before starting the process of HACCP implementation, as well as an indication of the required investment for the necessary preparatory work. The processing companies will be advised on their inconsistencies and receive advice on HACCP prerequisites and how their production chain should be set-up in an ideal situation.

### **C7. Food Safety Training**

Together with RCI, EDMC is organizing training on June 5-6 on food safety requirements of the EU. The training provider will be the Center for Promotion of Imports (CBI) from the Netherlands. The training will take place in Yerevan and will include participants from Georgia. Currently participants are being selected.

## **Hospitality**

### **D1. Developing Regional Tourism in Syunik Region**

EDMC has reached agreement with OESCE to cooperate on this activity. The SOW has been developed to improve the competitiveness of hospitality sector in Syunik Region through product development and marketing assistance. EDMC is now in the process of retaining the ex-pat expert to do the assessment and develop regional products and prepare materials. This part of the activity will help the local tour operators understand the competitive advantages of the Syunik Region, and develop and sell (new) tourist products through individual tour packages.

Negotiations are ongoing with the Armenian Guides Guild (AGG) and local hospitality trainers to provide the planned training in tourism and hospitality services in Syunik. The training program will cover those sub-sectors of hospitality industry that are directly involved in providing services to tourists as part of all tour packages - lodging, food services, and tourist guiding.

## **D6. Improved tourism infrastructure**

The Armenian Monuments Awareness Project (AMAP), which is heading the Armenian part of the Silk Road development project, has requested to receive co-funding for the implementation of the EU cross-borders initiative for the Black Sea Basin (coordinated through the Ministry of Economy of Armenia and the European Neighborhood and Partnership Instrument (ENPI) program). The project is aiming to foster cross-border and cultural cooperation and economic development in 100 communities in four countries of the Black Sea Basin: Greece, Turkey, Georgia and Armenia. The objective of this joint activity is to improve visibility and information provision at 43 sites on the Silk Road within Armenia. Actual implementation will also involve a web portal accessible from a variety of applications on electronic/computer devices (iPad, iPhone, Android, Windows 7, Blackberry). Currently EDMC is working together with AMAP on the development of the grant application

## **Cross cutting and other activities**

### **E3. Jewelry, Diamond-Cutting and Watch-Making Sector Development Strategies with action plans**

At the request of Government of RA, EV Consulting has developed the Export-led Industrial Strategy with the financial support of the World Bank. The document was adopted by the Government on December 15, 2011. According to the strategy, in the startup phase the Government will target 11 sectors. The sector development strategies for three of them have already been developed. The strategies for remaining 8 sectors are planned to be developed during 2012. The Government of Armenia asked USAID to support the development of the Jewelry, Diamond-cutting and Watchmaking Sector Development Strategy papers with action plans (jewelry and diamonds were included in the value chain selection process). EDMC discussed and approved with EV Consulting the SOW for development of the strategy papers and work is expected to start in April.

### **E4. National Competitiveness Report of Armenia 2012**

EDMC has been providing support to the developers of the ACR, EV Consulting to edit, translate and prepare for design and printing the report. Our international expert Peter

Wilson has reviewed the content of Chapters 4 and 5 on Management Skills and has provided specific comments and recommendations on their content. Currently the team is working on the organization and publication of the report as well as its public presentation.

## **2. WORKFORCE DEVELOPMENT**

During the quarter, WFT focused on development of capacity building events and skills training programs in High Tech and Hospitality sectors. WFT surveyed more than 50 companies and worked with AUA to initiate basic programming (Mobile applications, Java, Web development, etc.) skills training for IT specialists. It is expected that around 40 specialists will participate in the trainings of which around 15 will be unemployed and will be hired by companies after the completion of the training. WFT is also initiating a program with Gyumri IT Center to develop a curriculum and launch a short term training course for mobile technologies (Android, Apple OS and Blackberry) which is aiming at developing local capacity for such trainings. In Hospitality sector EDMC is helping AUA to develop a modern hospitality management curriculum for its newly planned Center for Excellence.

Additionally, the WFT helped the Armenian Pharmaceutical Association utilizing best practice gathered in the Bridges Report in their cooperation with the Medical University. Work is being continued on narrowing down the needs of the EDMC sectors and to review the challenges of the Armenian labor market as well as the role of the private sector in resolving them.

The WFT brought together the AUA Engineering department and FESTO Didactic to discuss possible tripartite cooperation for establishing a FESTO FACT training center (the FACT center will have exclusive rights in the region) at AUA. It has been agreed that FESTO Didactic will draft a project based on the current demand for the FESTO products and trainings. If the suggested project conditions are acceptable both for EDMC and AUA, EDMC will assist AUA with limited TA for creating the Center provided funding is secured by FESTO. Currently the team is waiting for the project proposal from FESTO Didactic.

The WFT met with several private employment services (including the head of the Branch Association of Private Employment Services Agencies, head of Cascade Consultants, and head of the careercenter.am) and discussed possible cooperation between the employment services and VET institutions. Also, the team had a meeting with head of Armenian Pharmaceutical Association who suggested that the association to create a database of CVs where students or experts submit their CVs and the member pharmaceutical companies will have access to the database to choose the specialists they need. The team will take more actions on the mentioned activities in the next quarter. The team will further explore the idea of the database and its impact and decide further steps.

Assistance was provided to the World Bank to draft a TOR for the expert that the bank is planning to bring to review the existing tertiary education and training programs for developing the workforce needed in the pharmaceutical industry, and to make recommendations on the improvement of the quality and relevance of those programs for further growth of the industry. The team will share its analysis on the sector with the expert and connect him/her with the pharmaceutical companies.

### **2.1.1 Building ties between universities, VET, high schools, career centers and potential employers**

The European Regional Education Academy approached the team with a request to assist in organizing a career fair at their university. The team drafted a task work sheet for the event which was approved. The team is providing support in the following areas:

- Provide targeted advice to the EREA Career Center on organizing a successful career fair,
- Connect the EREA career center to companies from EDMC value chains by sending invitation letters for the event,
- Print posters and flyers for the event.

The flyers for the event will be drafted and printed by May 1, 2012; the list of employers and other participants will be finalized by May 11, 2012; a short session (about 2 hours) will be conducted for employers; the career fair will be held on May 17, 2012.

During the quarter, WFT assisted Armenian Pharmaceutical Association to successfully draft and sign a MoU with the State Medical University. The MoU includes the best practices from the Brides Report (prepared by the WFT) related to employers involvement in curriculum development, programs helping students in their job and internship search and placement, and assessment of quality of education. The team will further cooperate with the association to establish linkages between universities.

### **2.1.2. Develop training courses with VET institutions in VCs**

In cooperation with VCT, the WFT organized and participated in several meetings with High Tech companies. During the meetings the team discussed the workforce skills and training needs issues and identified future possible joint actions. The possible further actions include helping a High-tech company to outsource its trainings to a training center or laboratory in an educational institution helping to reduce the costs of the company and making the provision of the training sustainable and continual; also the team may establish cooperation between another high-tech company and a regional university (Gyumri Engineering University) to expand the training capacity of the company and establish a training laboratory in the university.

Also, as a part of value chains needs assessment meetings the team visited five Pharmaceutical companies to identify their workforce and training needs. Based on the interviews the companies didn't emphasize/prioritize workforce related issues; however, some of the companies were interested in possible cooperation for organizing workforce trainings.

The WFT surveyed High-tech companies to identify their workforce and training needs. Based on the survey we learned that the companies wanted their employees to be trained in mobile programming technologies and project management. Also, the companies expressed interest in hiring new specialists with the same skills. The team met several times with AUA's Engineering department and reached an initial agreement that AUA will develop/organize trainings on the mentioned topics. Initially it is expected that we will have about 40 training participants – 25 of these are currently employed and 15 will be employed by the companies after the training. Upon receiving the trainings costs estimates from AUA we will submit task worksheet for approval.

Since the launch of the project the team had several meeting with Gyumri IT Center and identified that it is planning to launch a faculty for teaching mobile technologies - specifically Blackberry, Android and iPhone iOS - to satisfy the demand for such specialists. However,

GITC needs assistance to develop a quality curriculum and organize training for trainers. EDMC will assist GITC to find an experienced mobile technologies specialist/trainer and organize the training of trainers to prepare up to 10 mobile specialists at least 5 of which will be hired by GITC. The team has already prepared and submitted a SOW and currently is looking for an expert (local or international) to start the TOT.

The AUA's Extension Department is planning to establish a Center for Excellence in hospitality to prepare highly qualified workforce for the hospitality industry. This is expected to significantly raise the quality of services offered to visitors and facilitate the process of embracing international hospitality and quality assurance standards, as well as industry best practices. EDMC will help AUA to develop a modern hospitality management curriculum for the center. The team has already prepared and submitted a Task Worksheet and the selection of a STTA is being finalized. The STTA will work with AUA to review the existing hospitality training programs and provide recommendations for their improvements. Based on the review and workforce skills demand in the hospitality sector the STTA will identify the gap and develop a new training program/curriculum for short term training courses and seminars, as well as longer term professional development series leading to certification in Hospitality Management. Training of faculty and training staff for the newly developed Hospitality Management curriculum will be conducted by the STTA for AUA Extension faculty, training staff and associates.

### **2.1.5 Eliminate legal/regulatory barriers to VET licensing, curriculum settings and internships**

The WF together with the LR team drafted a discussion paper for the round table with UNDP and Republican Union of Employers of Armenia (RUEA) on Private Sector Perspective on Youth Unemployment. The event is planned for April 19 and will be held at UNDP. The team has also reviewed the discussion paper prepared the legal team for the same event and provided comments. The team will meet with UNDP and RUEA to finalize the details of the round table event.

### **2.1.8 Conduct ad hoc surveys of labor market needs**

The WFT conducted intensive data mining and collected labor market information for implementing desk labor market survey in selected value chains. The key indicators for LM are collected. However some essential parts are still being searched. The survey report is expected to be finalized in coming weeks depending on the availability of some key data.

World Bank and EDMC discussed the status of labor market observatory (LMO). The LMO idea has been dropped by the WB. This development means that the WFT cannot rely on valuable labor market information for understanding competitiveness of the EDMC sectors, and, as planned, WFT shall continue working on developing its own assessment methodology of the labor market. The Review is due by the end of April, and later in the year we plan to outsourcing future implementation of our methodology.

The World Bank briefed the WFT of the status of Competitiveness and Innovation Fund and promised to send the Charter of Fund for comments and suggestions.

### **2.1.9 Improve job-matching websites and private employment service providers**

Meetings with different educational institutions, business associations show that local intermediary institutions are weak and lack the capacity to provide critical services to

businesses, and job seekers. Private Employment Services should pay more attention on improving the services to job seekers - identifying employment opportunities that fit their qualifications and to employers and identifying employees with required skills set. This improvement may take place through a) enhanced use of Job Portals, b) better understanding of employers' challenges and c) enhancing awareness of best practices for such services, including liaising with employers. The practicality of these ways has been confirmed by the companies in the sector and by their association (the team met with HR Association (Cascade Consultants), Branch Association of Private Employment Services Agencies (Tanger) and Careercenter.Am). The team has drafted and submitted a SOW for Private Employment services' expert.

## **Center for Entrepreneurship and Executive Development (CEED)**

During the quarter, the registration of CEED in Armenia was completed. The name of the newly established organization is Center for Entrepreneurs and Executive Development Foundation.

A candidate for the position of CEED Program Manager was selected. The search for candidates to fill the positions of Deputy Director and Administrative Coordinator has been initiated.

The main area of focus was preparation for the launch of the Top Class program in Armenia. Program participants, mentors and speakers have been recruited. An effort was made to include participants from companies that represent the value chains selected by EDMC and to reach out to female candidates as well as to candidates from different cities of Armenia. Information about the Top Class program has been disseminated via various online and offline channels.

### **2.2.2 Recruit Top Class mentors**

Top Class mentors have been recruited. The CEED Armenia Director met with a large number of successful entrepreneurs from Armenia and abroad to recruit Top Class mentors. Their background and experience were discussed and the activities of CEED in general, and the Top Class program in particular, were presented. The entrepreneurs and experts with the potential to be effective mentors for Top Class participants were extended offers to join Top Class in this role. The mentors will meet with Top Class participants individually in order to discuss their challenges and offer guidance and advice. Many of the mentors are also experts in the subject areas that will be covered in the scope of the Top Class program and can help participants resolve issues in these particular fields.

While the process of active recruitment of mentors has been completed, CEED will continue looking for opportunities to reach out to experienced entrepreneurs and invite them to join the CEED network as mentors and speakers in order to continually increase the pool of mentors and better meet the evolving needs for mentorship in a variety of areas that are of particular importance to the operations of the companies represented by Top Class participants.

### **2.2.3 Recruit Top Class participants**

Top Class participants have been recruited. The group includes entrepreneurs who have launched and grown their own companies as well as managers from larger enterprises. 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 decide 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. Information about Top Class was also disseminated via several mailing lists, the newly created LinkedIn and Facebook pages of CEED Armenia, and other relevant informational channels. In order to attract female participants, the Director met with representatives of women's organizations (e.g. President of the Armenian Young Women's Association). The CEED Armenia 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.

An effort was made to target the companies from the value chains selected by EDMC. In order to attract IT companies, the CEED Armenia Director had several meetings with Karen Vardanyan, Executive Director of the UITE (Union of Information Technologies Enterprises) and other representatives of the IT community and presented the benefits of the Top Class program for them. Multiple meetings with representatives of the herbal tea producers were scheduled (e.g. director of *Armenian Tea*, director of *Mountain Tea*, etc.) Similar efforts were made to attract companies from the other sectors. While a large number of companies were interested in the Top Class program, many found it difficult to pay the participation fee. Nevertheless, CEED was able to recruit companies that represent some of the best examples of startups in Armenia, including Plexonic, LimeTech, Sourcio, and others.

#### **2.2.4 Recruit speakers for Top Class sessions**

Speaker for the Top Class sessions have been recruited. This group includes individuals both from Armenia and from abroad. CEED Armenia 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.

The importance of creating an opportunity for Top Class participants to learn both the characteristics of the local business environment and the best international practices presented the challenge of identifying 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 in the local context. In order to address this challenge, speakers from Armenia, the US, Russia, and other parts of the world have been recruited.

One of the international speakers recruited by CEED was Al Eiasian, who was asked to deliver a talk on leadership for the Top Class participants prior to the formal start of the Top Class program. Al Eisaian is a successful entrepreneur from the US and Chairman of IconApps, Inc., a mobile data platform company he co-founded in 2010. The event took place on March 22 at the Erebuni Plaza Business Center.

The event was a success with the majority of the participants rating it 10 out of 10. James Tufenkian, the founder of the Tufenkian Group of Companies, and Gagik Yeghiazaryan, Managing Partner at KPartners and Publisher/Co-Founder of Media Partners, also attended the event and had informal discussions with the Top Class participants.

Al Eisaian will also meet with the participants as a mentor. Below is Al Eisaian's bio:

Al Eisaian is the Chairman of IconApps, Inc., a mobile data platform company he co-founded in 2010. In 2010-2011, Al served as the Global Head of Product Strategy and Marketing for Opera Solutions, a global Big-Data analytics company based in NY. In 2005 Al co-founded and served as Chairman and CEO until 2008 and Executive Chairman of Integrien Corporation until its acquisition by VMWare in 2010. Al co-founded CreationPoint Systems, a systems management consultancy. In 2000-2001, Al served as the SVP and General Manager of LowerMyBills, Inc. acquired by Experian Corporation. Al has also served as Associate Partner at USWebCKS, Business Development Director at LaunchPad, an idealab company, and Business Unit Manager at NMB Corporation.

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

The CEED B2B cross-border event that was held in Turkey was promoted via a variety of channels. CEED Armenia director maintained communication with Arthur Ghazaryan, Union of Manufacturers and Businessmen of Armenia, Program Manager of *Armenia-Turkey Rapprochement* project funded by USAID, to share information about the CEED B2B event in Istanbul and to discuss the ways the event could be promoted among Armenian companies. Information about the CEED B2B in Istanbul had also been shared with representatives of the Eurasia Partnership Foundation and International Center for Human Development (ICHHD), *Armenia-Turkey Rapprochement* project consortium members. Information about the event had also been presented to a variety of companies that might be interested in establishing partnerships in Turkey, including Women in Business Invest for the Future (WIBIF), members of which are successful female leaders who participated in a trip to Turkey to establish cross-border collaboration.

#### **2.2.5a Conduct 1<sup>st</sup> Top Class training program**

The first Top Class training program in Armenia has been launched. The activities described in 2.2.2, 2.2.3, and 2.2.4 created the foundation for a successful start of the program. The Top Class training session on business growth will take place on April 5. The speakers will be Ralph Yirikian, VivaCell-MTS (K-Telecom CJSC) General Manager (Yerevan, Armenia), and Roger Strauch, Chairman of the Roda Group (Berkeley, California). The discussion will focus on the factors that contribute to the growth of large organizations and emerging startups. After the event, the Top Class participants will join Mr. Strauch at Cafe Tiziano for an informal discussion with the accomplished entrepreneur and venture capitalist. Below are the bios of the speakers:

Ralph Yirikian is the VivaCell-MTS (K-Telecom CJSC) General Manager since November 2004. Led by Ralph Yirikian, VivaCell-MTS has dramatically changed the market of mobile communication in Armenia. Today VivaCell-MTS has more than 1,200 employees and is one of the largest taxpayers of Armenia. VivaCell-MTS also became the first in the country in the commitment to the concept of Corporate Responsibility. The Company makes considerable investments into the implementation of innovative projects in the spheres of

healthcare, culture, science, environmental protection, education, and rural infrastructure. Prior to joining VivaCell, Mr. Yirikian worked as the head of the Administrative Unit at LibanCell Company in Lebanon, the head of the Administration and Customer Service Department at Nasser, Ghattas and Co, in Cyprus, and the head of Administration and Personnel Department at Al Maha Group Holdings. Ralph Yirikian has been a featured speaker at a number of academic, business and technology institutions and forums. He is a member of the Ministry of Diaspora Collegium, and a member of the selection panel of the Annual Award of the President of Republic of Armenia for Outstanding Contribution to Global IT. Among his many honors and distinctions, Mr. Yirikian has received Movses Khorenatsi Medal from the President of the Republic of Armenia.

Roger Strauch is Chairman of The Roda Group, a seed stage venture capital group, based in Berkeley, California. His firm, co-founded in 1997 with Dan Miller, provides entrepreneurs the resources, environment, and guidance to launch and grow their high technology businesses. The Roda Group is the lead investor in Solazyme, a renewable oil and bioproducts company and the leader in algal biotechnology. Biofuels Digest named Solazyme as the 2010 Company of the Year. He was the first CEO and former chairman of Ask Jeeves (now Ask.com), a leading search engine on the web. Mr. Strauch was a board member and former CEO of Symmetricom, a public telecommunications equipment manufacturer. In 1983 he co-founded TCSI Corp., a telecom software company. As TCSI's chairman and CEO, Mr. Strauch led the company from a start-up to a successful IPO in 1991 and secondary public offering in 1996. He holds two patents in the area of wireless communications. Mr. Strauch is the Chairman of the Paros Foundation which supports arts and education organizations in Armenia, and a Life Trustee of the Armenian Assembly of America.

### **2.2.6 Organize Network Learning Events**

The first network learning event will be organized after the Top Class session on business growth that is scheduled to take place on April 5. Ralph Yirikian, VivaCell-MTS (K-Telecom CJSC) General Manager, has offered to host the event on the premises of VivaCell MTS. The date for the event is currently being finalized.

### **2.2.7 Promote CEED B2B cross-border event to be held in Poland in May 2012 and facilitate participation of Armenian companies**

The participants of the Top Class program have been invited to participants in the CEED conference in Poland via email and in follow-up conversations with the CEED Armenia Director. The event will take place on May 24-25 in Warsaw, Poland and will be attended by entrepreneurs from Central and Eastern Europe. The keynote speakers will include Jerry Colonna, an early investor in Twitter, Lycos, Gamesville, and Geocities. He has been named as one of the 100 Most Influential People of the New Economy by Upside Magazine and was named as one of the best VCs in the U.S. by Forbes ASAP list. The event will be moderated by Johan Gorecki, a entrepreneur who worked with the founding team of Skype. Johan Gorecki is known for founding and being CEO of Globe Forum, an internationally recognized marketplace for sustainable innovation. The conference is entitled “Growing Up & Out” and will include the following elements:

- Regional and international entrepreneurs and investors will share their views and experience on building teams, growing companies and going beyond borders

- Participants will learn what it takes to make it in Poland and how to leverage its economic growth for expanding their business
- Pre-arranged one-on-one meetings with entrepreneurs and investors will be organized, and other networking opportunities for building new business relationships will be created.

Many participants of the Top Class program in Armenia expressed interest in this event but inquired about availability of travel grants as their companies lack financial resources that can be allocated to cover the travel cost and accommodation. CEED Armenia Director is in the process of researching the possibility of securing funds that could be used to offset some of these costs.

### **2.2.8 Develop a CEED Armenia website and leverage it in informing potential Top Class participants and other stakeholders about CEED Armenia activities**

The domain [www.ceed-armenia.org](http://www.ceed-armenia.org) has been obtained. While the CEED Armenia website is being developed, the visitors to [www.ceed-armenia.org](http://www.ceed-armenia.org) see a mirror of the CEED Global website. CEED Armenia Director has had discussions about the development of the CEED Armenia website with the U.S.-based webmaster responsible for the CEED websites internationally. The work toward completion of this goal is underway.

### **2.2.9 Develop a CEED Armenia brochure and other promotional materials**

The number of fans and followers of the CEED Armenia LinkedIn and Facebook company pages created last quarter has exceeded 200. CEED will continue leveraging these online tools to communicate information about the progress of the Top Class in Armenia, and to familiarize the public with the CEED activities. Top Class promotional materials in English and Armenian have been developed and disseminated via a variety of online and offline channels.

### **2.2.10 Develop criteria for matching mentors and mentees and complete the matching process**

The Top Class participants will be requested to choose 3 areas in which they need mentoring and advice. The CEED Armenia staff will assign the mentors with consideration of this information provided by the Top Class participants and with consideration of the skills of each mentor. The matching process will be initiated after the training session on business growth scheduled for April 5 is held.

### **2.2.11 Facilitate / help organize meetings between mentors and mentees**

The first meetings between the mentors and mentees will take place in April. The time and location will be arranged with consideration of the preferences of the mentors and mentees. CEED will encourage the mentors and mentees to continue and develop the relationships beyond completion of the Top Class program.

### **2.2.12 Follow up with mentors and mentees to obtain feedback on respective meetings**

Feedback regarding each meeting will be obtained both from the mentors and the mentees. This information will be analyzed in order to make the necessary changes to better meet

the needs of each Top Class participant, and to improve the mentorship process for subsequent generations of the Top Class program.

### **3. REGULATORY REFORMS**

During the quarter the LRT developed several papers proposing solutions to eliminate legal gaps and constraints, such as discussion papers assessing the draft laws on pharmaceuticals and tourism, as well as papers discussing proposed legal amendments to improve customs valuation practices and to promote private sector-focused adult education. Core focus of the work of the LRT during this quarter is initiating complex tasks that will be completed in the next quarter, for example: identifying competition “bottlenecks” in the selected VCs caused by anticompetitive practices in order to develop cases for administrative action by the State Commission on Protecting Economic Competition (SCPEC); and review (mapping) of all licensing and government authorization requirements, procedures and inspections applicable to enterprises operating in the selected VC to identify and propose for elimination obsolete procedures under the Government’s Regulatory Guillotine Program. Another core activity that was initiated during this quarter but will be completed in the next one includes developing reform recommendations, including draft legal amendments, to align SPS/TBT requirements and laboratory needs in the food processing, pharmaceuticals/biotechnology VCs with EU requirements. Work in this area compliments EU work on the policy-level with practical solutions for the selected VCs.

#### **B1. Review new law on pharmaceuticals**

The LRT developed a comprehensive analysis of proposed legislation governing pharmaceuticals and bioactive additives and presented the findings together with the VC Team at the 3<sup>rd</sup> “Meeting without ties” of representatives of the pharmaceutical sector, held on 10-11 of March, 2012 in Aghveran.

The LRT participated in discussions organized by the private sector on the draft Law on Pharmaceuticals, and is planning to join the Working Group on developing a draft Law on Pharmaceuticals organized by the Ministry of Health. The LRT held a meeting with the Drug Safety Agency (Drug Expertise Center) to identify problem areas and advance its recommendations on amending the draft Law, specifically in terms of strengthening the regulatory authority of the Drug Safety Agency, and plans to meet with the Ministry of Health, EU advisors and private sector representatives to discuss these recommendations. Immediate work of the LRT in the pharmaceutical’s area will focus on developing reform action recommendations on harmonization with EU requirements and international best practice in the areas of sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) for the pharmaceutical and biotech VC, including commenting on legal drafts – laws, regulations, procedures governing the pharmaceutical and biotechnology VC.

#### **D9 Analysis of the tourism sector institutional structure proposed under the draft Tourism Law**

The LRT analyzed the Draft Law on Tourism, prepared by the Ministry of Economy (version of January 12, 2012) and developed a paper for the purpose of animating a discussion on revising the institutional framework proposed in the Draft. The paper was prompted by observations that the institutional structure proposed under the Draft Law does not promote a smoother operation of enterprises engaged in the provision of hospitality and

tourism services, nor does it provide for an effective mechanism to promote the participation of enterprises and business associations in the regulatory process. LRT recommendations focused on separation of the policy making, regulatory and the compliance monitoring functions of authorities governing the tourism sector so they work together but are independent of each other both in terms of organizational set up and in terms of authorities. Related recommendations focused on promoting public participation in policy implementation and the regulatory process and introducing an outsourcing model with respect to monitoring the compliance of enterprises of hospitality-specific rules and procedures. The LRT discussed its recommendations with the Tourism department of the MOE and key stakeholders and partners. A precondition for further work of the LRT in improving tourism legislation is receiving a later version the Draft Law on Tourism by the MOE. Once the LRT receives the Draft it will review, comment and propose recommendations for improvement.

## **E2. Identify possible solutions to regulatory hurdles on internship programs and private financing of staff training and retraining.**

The LRT assisted the WFT on developing a paper to animate a discussion among private sector and government representatives on how to encourage the private sector to hire young, inexperienced workers and provide them with the necessary skill-sets to become a qualified and productive workforce. The paper will be presented at a roundtable discussion, co-sponsored by the UNDP in Armenia and the Republican Union of Employers of Armenia (RUEA), to be held at the UN House on April 19, 2012. In this context the LRT analyzed labor and tax legislation and identified possible legal interventions addressing legal gaps and constraints preventing VET development, internships and continuing education. The recommended solutions were prompted by observations that current legislation does not provide transparent rules on promoting VET, internship programs and continuing education (trainings and skill upgrading) and do not prescribe effective incentives to private sector employers to participate in the education of the workforce. In this context LRT's regulatory interventions are aimed at eliminating regulatory uncertainties in the legislation regarding the relationship between employers and interns, and promoting incentives for businesses to support VET development and upgrade the skill-sets of their employees through continuing education programs. The proposed legal interventions will be presented for discussion at the roundtable co-sponsored by UNDP. Following the roundtable discussions, based on provided comments and participant's input, the proposed legal interventions will be updated and will be presented in the form of legal amendments aimed at promoting private sector-focused VET, as well as the wider use of employer-sponsored internships and continuing education as a bridge for young people to gainful employment. The recommended amendments to the legislation will be part of a report on combating youth unemployment and upgrading the skills of Armenia's workforce that will be developed jointly with the UNDP and circulated for review and comments to a wider base of private sector, government and donor representatives. The report will be presented at a conference co-sponsored by EDMC and UNDP to be held after the Parliamentary elections. The purpose of the conference will be to present the recommendations to newly elected Members of Parliament and officials of the newly formed Government for consideration a possible legislative action.

### **3.1.2 Eliminating legal barriers to private sector focused VET, employer sponsored internships and continuing education**

The LRT assisted the WFT by identifying legal barriers to private sector focused VET, employer sponsored internships and continuing education in order to develop reform recommendations aimed at promoting private sector involvement in the education of the workforce and updating its qualifications. While the WFT focused on highlighting policy options, the focus of the work of the LRT is on identifying legal problems (constraints and gaps) associated with promoting employer-focused VET, internships, continuing education and proposing solutions, including legal amendments, for their elimination. The recommendations are reflected in a paper developed to animate a discussion among private sector and government representatives on promoting private sector-focused VET, internships and continuing education at a roundtable co-sponsored by UNPD and RUEA. Originally the roundtable was scheduled for late March, but was postponed to April 19 upon request of our partners – UNDP and RUEA. The framework of the event is a roundtable to discuss policy options for combating youth unemployment by debating policy frameworks and identifying gaps and solutions with enterprises, associations, NGOs, donor-funded programs; refine the recommendations based on comments provided at the roundtable; and develop a position paper in collaboration with UNDP and the RUEA that reflects the jointly developed recommendations (including draft amendments to the legislation) to implement these recommendations, that will be presented at a follow-up event after the Parliamentary elections.

### **3.1.3 Improving custom valuation practices**

Customs reform is perceived as a controversial reform area and for this purpose the LRT consulted many partners: World Bank/IFC, the EU Advisory Group, and Ministry of Economy: Market Regulation and Investment Policy Departments, AmCham; and have incorporated their views in its discussion paper. Examples of input by our partners include observations that the current legislation contains many provisions permitting not to use transaction (invoice) price in customs valuations and apply reference prices instead; that the customs officials do not recognize invoices that conform to INCOTERMS which is contradictory to international best-practice; that reference prices are applied with the justification that importing goods under undervalued invoices affects competition. Further observations include that competition should not be the concerns of customs officials - the safeguard of competition in the country is the State Commission on the Protection of Economic Competition (SCPEC) and customs officials should notify SCPEC for further action, also deciding on the authenticity of invoices is not the role of customs officials – presenting false invoices is a criminal offence (documentary fraud) and should be addressed under criminal procedures. The LRT developed a discussion paper that defines these and other recommendations and proposes legal amendments to remove the noted legal constraints and gaps. The LRT recommendations are fully aligned with the EU Advisory Group's (EUAG) policy-level recommendations but are focused on designing practical solutions to businesses in the selected VCs. The LRT consulted on chosen approach and general direction of reform recommendations with Tom Hemperstahl, EUAG Advisor on Custom's issues, who urged to not address reference prices since there are discussions to eliminate the practice (EUAG is working in this direction under the DCFTA) but rather focus on clarifying provisions on the application of transaction (invoice) price. The next stage is to hold a roundtable discussion on proposed solutions with the EUAG, MOE and AmCham. The roundtable was originally scheduled for the end of March but is delayed as the discussion paper is still under internal review and was not distributed to our partners for review and comments as planned.

### **3.1.4 Streamlining VC specific licensing procedures**

Despite progress made in improving the business enabling environment, the Government recognizes that the competitiveness of domestic enterprises is hampered by unnecessary administrative and regulatory burdens associated with applicable licensing and government authorization procedures. In order to reduce such burdens on businesses the GOA plans to implement a Regulatory Guillotine Program and has received the financial support and technical assistance from multilateral and donor agencies, including USAID, the World Bank, OSCE and the Austrian Development Agency. The Regulatory Guillotine Program will review (screen) the legality, business friendliness and usefulness of legal and regulatory requirements (i.e., “legal norms”) applicable to businesses; however, will not focus on the specific requirements to VCs supported by the EDMC Program. The EDMC Program intends to perform a comprehensive review (mapping) of all licensing and government authorization requirements, procedures and inspections applicable to enterprises operating in the selected VCs: fruit/vegetables/herbs food processing, high-tech, pharmaceuticals/biotechnology and hospitality. Based on this identification report the LRT will summarize and propose that outdated or obsolete licensing and authorization requirements and inspections are eliminated under the Regulatory Guillotine Program initiated by the Government. Work on completing this task is still in its initial stages: identification of enterprise activities in the selected VCs subject to review and mapping. The bulk of the work will be accomplished in the next quarter.

### **3.1.5 Improving competition enforcement practices in selected VC**

The LRT, with the assistance of an external expert on competition will identify competition “bottlenecks” in the selected VCs caused by anticompetitive practices: abuse of dominant position, collusive agreements etc. Based on this assessment the LRT will develop recommendations on how to address these through the proper legal and administrative channels. There is a sound legal framework on competition and sufficient authority vested with the SCPEC to address violations: the goal is to identify specific anticompetitive practices in selected VCs, and based on this assessment help the SCPEC develop “cases” for appropriate action. The LRT has a basic agreement with the SCPEC that this is the proper approach and SCPEC identified the need for assessing competition practices and behaviors in the VCs supported by the EDMC; SCPEC is already taking steps in this direction: SCPEC is assessing the pharmaceutical sector and noted that they would appreciate any input from the LRT on pharmaceuticals, food processing and specifically hospitality. The LRT will work in collaboration with the SCPEC and EU funded initiatives, including EUAG and EU Twinning Advisor to the SCPEC and will develop report with reform action recommendations to address the identified competition constraints in each of the VCs, including analytical tools to identify anticompetitive behavior and practices in each of the VCs and methodological guidelines how to counteract anticompetitive practices and behavior in each VC.

### **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**

The LRT participated in GOA/donor seminars and working groups and provided assistance in the areas affecting the selected VC to promote prioritization of and commitment to key reforms in these areas. The LRT 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.

### **3.1.9 Providing VC specific assistance on harmonizing SPS and TBT with EU requirements**

This is a very complex area in terms of technical assistance and input. Work under this activity is under its initial stages due to the fact that proposed solutions to eliminate legal gaps and constraints cannot be developed by the LRT in isolation: because of the very technical nature of this area LRT recommendations must be based on the input of expert reports. The process of identifying knowledgeable domestic and international experts is still ongoing. The approach of the LRT in this area is, with the assistance of external experts, analyze laboratory testing needs of enterprises in the fruit/ vegetables/ herbs food processing VC and the pharmaceutical and biotech value chain and match these to available laboratory capacity in Armenia or the region. An external expert will develop a report highlighting how to overcome identified shortcomings by strengthening the capacity domestic laboratories (needs assessment and recommendations) and /or possibilities for forging partnerships with laboratories abroad. Another report to be developed by a domestic expert will provide a comparative review of SPS and TBT requirements in the selected VCs in light of harmonization with EU requirements. After the SPS/TBT harmonization needs and laboratory testing needs of the selected VCs are clear, external international experts, will develop a report assessing SPS/TBT requirements and laboratory needs in the food processing, pharmaceuticals/biotechnology area in light of harmonization with EU requirements, including reform action recommendations on improving institutional set up and quality infrastructure applicable to selected VCs. Based on this report the LRT will develop proposed amendments to legislation or other reform actions needed to implement the recommendations. Work in this area will be aligned with EU assistance to ensure that EDMC compliments EU work on the policy-level with practical solutions for the selected VCs.

### **3.1.14 Working with key stakeholders in the selected VC to promote a dynamic dialogue in implementing BEE reforms and**

### **3.1.15 Promoting public awareness of the legal reform agenda through public outreach activities**

During the quarter the LRT developed analytical studies and discussed these with representatives from the government, donors, enterprises in the selected VCs and business associations. 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.

During the quarter the LRT strengthened partnerships with private businesses, business associations and NGOs, as well as government agencies responsible for developing policy and regulations in the areas of investment policy, market regulation, competition, procurement and tourism. The LRT developed several discussion papers identifying legal gaps and constraints preventing growth for discussion with enterprises, their associations, interested NGOs and donor-funded programs. Completed discussion papers and preparation for corresponding roundtable discussions include on: 1) promoting private sector-focused VET, internships and continuing education: co-sponsored by UNDP and Republican Union of Employers; 2) improving customs valuation practices: co-sponsored by

EU Advisory Group and AmCham; The LRT is developing discussion papers on IPR, procurement and competition issues in the selected pharmaceutical and food processing VCs. The purpose of the discussion papers is to animate roundtable discussions with private sector, businesses associations, donors and government representatives on the practicality, viability and timeliness of the proposed solutions. As a next step the LRT will transpose the proposed solutions, refined based on provided comments, into recommended reform actions, including draft amendments to the legislation to implement these reform actions. This reform action reports will be provided to private sector representatives, business associations and the Government. The idea is the private sector to advocate the Government for the adoption of the proposed reform recommendations – changes to laws. The LRT will support business associations in related advocacy efforts by providing technical assistance on how to draft amendments, how to justify the need for these amendments; evaluate the impacts of actions or inaction.

#### **4. ACCESS TO FINANCE**

During the quarter, the ATF Component signed partnership agreements with three commercial banks (PFIs) and began implementing its core activity of connecting the target sector enterprises to them and other FIs for fulfilling their unmet financing needs, and continued assessing enterprises for equity financing through the SEAF Fund. In parallel, the ATF Team designed the necessary technical assistance assignments for conducting the key activities of sector financial mapping and developing the PFI's sector development strategies. The registration of the SEAF Representative office is in its final stages, and a pipeline of companies for equity investment has been developing.

##### **4.1.1 Enable innovative practices in financial services delivery to the VCs or sectors**

##### **4.1.3 Select pilot partner financial institutions (PFIs)**

After extending invitations to three banks (Unibank, ABB and Araratbank) to partner with the project in January, we drafted Memorandums of Understanding (MOUs) highlighting the main technical assistance that the project would provide to the banks – market research of the four target sectors of the EDMC, strategy development for servicing those sectors and ongoing operational training for meeting the financial needs of the companies within the sectors – and the outputs/actions that the PFIs would achieve. All three of the banks signed their MOUs by late-February, and initial work with them began to prepare them for the activity ahead.

##### **4.1.5 Prepare demand-side analysis for each sector (VCF mapping)**

The ATF Team began the mapping of the Pharmaceutical / Bio Technology sector in March as the Competitiveness Team completed the inventorying of the companies in the sector. It was concluded that this sector is somewhat narrow, as it is composed of only 13 relatively large production companies, and so it was decided to map the sector “in-house”. By the end of the quarter, six of the companies had been assessed for financial access. Initial data indicates that there is a need for some additional financing - such as greater use of letters of credit, leasing and equity investment; however lack of access to commercial finance does not appear to be a serious constraint to the sector's overall competitiveness.

Preparations for the VCF mapping of the three “larger” sectors (for April) began with selection of a representative sample of companies to interview and a STTA TW for the mapping was approved by USAID.

#### **4.1.7 Determine level of financing between PFIs and the sectors**

The three PFIs were requested to identify their existing clients in the four target sectors. Current EDMC sector inventories include about 300 companies in total and the ATF Team sent this inventory to the PFIs. The PFI client data revealed that each PFI has about 20 of the sector companies as their current clients – for a total of about 60 companies, or 20% of the total number identified. Little overlap is occurring between the three PFIs, as only one company out of 60 was a common client of two PFIs. As the sector mapping is completed, a clearer estimate of the level of sector financing will be available. PFI portfolio data on financing volumes for March will be available in April.

#### **4.1.8 Enable the SMEs or “anchor firms” in the sectors to obtain financing from the PFIs or intra-chain links and equity from SEAF**

In order to quickly make contact with the totality of the companies in the four target sectors and establish a relationship with them, in March the ATF Team distributed a letter to the 300 target sector enterprises to inform them of ATF activity. An immediate result was ten immediate responses by companies for more information and assistance. Aggressive action thus began to assess and connect the target enterprises with the PFIs and other FIs within Armenia in order to meet their financial needs. Both the commercial finance and equity investment needs were addressed in meetings with target companies that were introduced to the ATF through the DRC exercises, the responses to the introduction letters, the pharmaceutical sector mapping and other meetings in conjunction with Competitiveness Team. In addition, the three PFIs were sent the sector inventories and instructed to develop their own client pipeline using the information provided. Some examples of the ATF Team’s “matchmaking” include:

- Consultations were held with two SMEs that responded to the letters – “Artin Varoujan”, a High Tech firm that imports industrial equipment and automation technology, and “meg The Hotel”, a Hospitality firm. The hotel is in need of a \$350,000 long-term loan and potential equity investment; while the High Tech firm is a potential equipment supplier for leasing development. ATF introduced this company to the three PFIs as a potential leasing partner.
- Held follow-up consultation with “Escopharm”, a Pharmaceutical producer that is in need of \$100,000 in AMD for purchasing ventilation system equipment and a water clearing system.
- Sent the financial needs requests of six pharmaceutical producers to the three PFIs; meeting with the PFIs are being organized. Referred a small B&B to the UCO, Nor Horizon, for consultation. Referred a small travel agency to ABB; as they are current clients of theirs (bank account).
- Held follow-up consultation with “Instigate Design”, a High Tech firm that is interested in real estate leasing for a new facility. Meeting has been organized between the firm and ACBA Leasing.

- Held consultation with “Konser LLC”, a Food Processing firm; they are interested in equity financing via SEAF/Caucasus Growth Fund.

#### **4.2.1 Lower Financing Risks. Conduct survey of available credit guarantee and credit enhancement programs and their utilization**

In early March the survey report, “Available Credit Guarantee and Credit Enhancement Programs” was submitted to USAID. The paper presents an inventory, description and conclusions of the Credit Enhancement and Loan Guarantee Programs and that are currently operating in support of the Armenian financial sector – and by extension – private sector small and medium enterprises. For purposes of definition, this paper attempted to catalogue programs that are being implemented by international development agencies, international development banks, the Government of Armenia and other foreign governments.

#### **4.2.2 Develop action plan for increasing access to credit guarantees and credit enhancement programs for SMEs in the target sectors**

Also contained in the survey report is an Action Plan for EDMC activities in connection with these programs. As part of that Action Plan, in February the ATF Team hosted representatives from the USAID Development Credit Authority (DCA) for week-long assessment in Armenia. The DCA is USAID’s Loan Guarantee program that offers credit guarantees to financial institutions in USAID countries to mitigate the risk of lending to certain sectors or business-types, in support of overall USAID project goals. As USAID/Armenia’s flagship private sector development project, the EDMC was asked to organize meetings with banks, MFIs, development banks and others to assess the opportunities for DCA assistance. Two weeks was devoted to hosting the mission – one week was needed for organizing the 20 meetings and then one more week to hold the meetings. As a result of this mission, the DCA has drafted a Term Sheet for a multi-bank guarantee facility for the EDMC PFIs for support for servicing the target sectors with credit up to \$7 million in portfolio.

In addition, the ATF has been having collaboration discussions with the Asian Development Bank (ADB) – both with the local representative office and a Finance Sector Specialist from the Central and West Asia Department of the ADB in the Manila HQ – about establishing a loan capital facility for the three PFIs for financing women-owned businesses.

Following-up on the Partners for Financial Stability (PFS) roundtable in October, the ATF Team continued to engage with the PFS program with two discussions in February with Scott Calhoun from the implementing partner, Deloitte. The Team informed PFS that we would be most interested in contributing to their Tier One initiatives of creating a system for e-auctioning of collateral and establishing a State-backed export finance agency institution – as these are the two most relevant to the banks themselves. The PFS is working to finalize a preliminary draft work plan, and will share this draft of the work plan with EDMC (along with the work plan covering auctions for movable collateral) to explore avenues of cooperation.

### **Small Enterprise Assistance Funds (SEAF)**

#### **SI. Establish a satellite representative office of SEAF Caucasus Fund in Armenia**

Establishing a satellite representative office of SEAF in Armenia turned out to be more complicated than was initially planned. The office has to be registered at Central Bank of Armenia, which has tougher requirements as the State Registrar has for non financial companies. We have received all the necessary documents from SEAF DC and are in the process of translation and verification by a notary. After the notary finishes, we will submit the package to CBA. CBA will review the package and within 30 days provide a final resolution.

**S2. Develop criteria for selecting lynchpin SMEs as candidates for equity financing targeted within EDMC selected VCs but considering others VCs also.**

The criteria for selecting lynchpin SMEs as candidates for equity financing were developed. There are quantitative and qualitative criteria. The quantitative criteria includes a cap for Net Sales Revenue (max US\$ 5 mln for the last fiscal year), a cap for total number of employees (max 250 people), and a cash flow generation requirement (projected Net Sales Revenue and/or Net Income growth (compound rate) for the next 3 years no less than 20% per annum).

The qualitative criteria includes strong and partnership-oriented management, a track record of success, a strong position in growing and/or emerging markets, an elaborated business growth strategy, a commitment to transparency, and the potential to develop economies of scale.

These criteria are developed based on SEAF worldwide experience and tailored to Armenian reality. Compliance of the company to the criteria is verified by the SEAF investment officer based on an initial interview with the company, financial statements, corporate governance related documents, references from partner and competitor businesses and opinions of recognized leaders of the same industry.

One or more criteria can be modified on an exceptional basis but only if the company meets all other criteria and complies with the general philosophy of Small Enterprise Assistance Funds' mission in Armenia.

**S3. In conjunction with CEED and VC Team, identify SME candidates for equity financing according to developed criteria**

The SME identification is a continuous process that will go through the project's whole life. During these 3 months we have held meetings with the companies that were on the Value Chain list and by CEED's reference out of which 15 companies were included to our pipeline. We are also getting references from partner banks, local investment management companies and international donors (EBRD, IFC etc). All those 15 companies meet the quantitative criteria developed and now they are being assessed according to the qualitative criteria developed.

**S4. Conduct a quick analysis of indentified SMEs with respect to their financial, legal and managerial capabilities for meeting SEAF and EDMC financing criteria**

Those companies who pass the initial screening process are being analyzed with respect to their financial, legal and managerial capabilities. Companies that meet all the criteria pass to the next stage of due diligence. As this analysis is going on, new companies are added to this list as they pass the screening in S3. Currently 3 out of 15 companies are engaged in this process.

**S5. Provide a thorough financial and legal due diligence for the identified SMEs and preparing them for the deal**

Thorough financial and legal due diligence is conducted for the companies that pass the first screening show good results on preliminary business analysis (S4). In this stage, a comprehensive financial model is developed for each company, and the investment officer analyzes the management quality and capability, business strategy and performs a market research study for each companies. No company has passed to this stage yet.

**S8. Develop criteria for selecting partner intermediary organization from local market to build local institutional capacity**

The criteria for selecting partner intermediary organization from local market were developed. They include strong and evident commitment to fund management business activity, strong and western-oriented management, a strong position in Armenian investment industry, an English speaking team, a track record of success in fundraising/asset management/investment banking, a high level of corporate governance standards, and an elaborated business growth strategy.

The presented criteria are developed based on the initial analysis of existing investment companies in Armenia, SEAF worldwide experience and tailored to Armenian reality. Again, on an exceptional basis, one or more criteria can be modified but only if the company meets all other criteria and complies with the general philosophy of EDMC and SEAF mission in Armenia.

**S9. Identify local intermediary organizations according to developed criteria.**

We have identified 6 local intermediary organizations, which exist in Armenia and passed a preliminary analysis/screening according to our criteria. One of the companies is in financial distress, two others are engaged only in operations with government bonds and are not interested (and also do not have any capabilities) in investment management activities. As a result, we have shortlisted 3 of them, out of which we plan to select 2 companies.

**S10. Select two intermediate organizations for further partnership**

The selection will be finalized by the end of April 2012. After we select two intermediate organizations, we will start developing an MOU outlining the basic approaches of further partnership.

## ATTACHMENT I

## PROGRESS AGAINST WORK PLAN

#	Task	Activities	Progress	Deliverables	Date of submission to USAID	Note
<b>Component I. Value Chain Competitiveness</b>						
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  Completed	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  January 19, 2012	
1.03	Project launch event and stakeholders workshops	Announce selected subsectors and VCs at project launch  First meetings with VC stakeholders to identify constrains/ opportunities and discuss possible solutions	Completed	Launch event and 6 workshops	February 15, 2012	
1.04	VCs stakeholders and companies inventory	Conduct desk study. Meet with associations and other VC stakeholders Compile an inventory of all VC	In process	Database with VC contacts		Database with basic contact details currently contains almost 200 stakeholders

		players (including BDS providers)				
1.05	Tripartite VC Working Groups establishment	Develop a short-list based on the inventory of VC stakeholders Consult with GOA and USAID Organize initial VC Stakeholders meeting	In process	Tripartite VC Working groups members list		Consultations with stakeholders are ongoing.
1.1.1	Rapid diagnostic assessments/ management systems and skills enhancement	Conduct rapid diagnostic assessments at the professional association level and with key lynchpin enterprises at different segments of the VCs	In process	Management systems and skills assessment report and list of recommended interventions		Expert in country. Expected completion by end April.
1.2.1	Sector-specific game-plan for competitiveness enhancement and related skill set enforcement	Use gaps/needs assessment and expand on specifics	In process	BDS providers Directory (brochure and web-based searchable database, together with SME-DNC)		Agreement reached with SME DNC and activities ongoing.
A1.	HT products promotion in international markets (Hannover Exhibition)	Work with UITE, EIF and 3DMU to prepare publications, booth, etc.	In process	Armenian HT Sector presented at Hannover Exhibition		The Hannover Exhibition will be held on April 23-27, 2012
A2.	Encourage creativity and introduction of new technology products/ innovations	Cooperate with MIC and Microsoft RA on Imagine Cup students worldwide idea competition	In process	3 awards issued in April (worldwide finals in July)		Award ceremony scheduled for April 30
A3.	IT Commercialization	Cosponsor ICT Leaders meeting (ex-pat keynote speaker, participation from selected sectors)	In process	ICT leaders meeting held in May		Date changed to April 11-12. Management expert will be key-note speaker on High Tech management issues
A7.	IT solutions for other sectors	Provide international experience through key-note speaker and participants for Digitech Business Forum	In process	Digitech Business Forum participation		Scheduled in June. Preparatory work and consultations ongoing.
A9.	Developing a competitive regulatory framework for the HT sector	Review issues: dual use goods, reference pricing, temporary import issues, e-commerce, state procurement	In process	Report with action recommendations submitted to stakeholders and GOA		

A15.	Conduct skills training for IT specialists.	In cooperation with AUA and selected High Tech businesses to implement basic programming (Mobile apps, Java, Web development, etc.) skills training for IT specialists.	In process	Training for at least 15 participants 80% of whom will be employed.		See 2.1.2.2
A 16.	Conduct High Tech related soft skills training such as project management, sales and marketing	Work with High Tech companies to identify the demanded “soft skills” and organize trainings on the needed skills in cooperation with AUA.	In process	Training for High Tech companies.		See 2.1.2.1
A17.	Organize TOT on Mobile Blackberry at Gyumri Information Technologies Institute	Organize the TOT at GITC for up to 15 participants – 5 from GITC and 10 from HT businesses.	In process	Training of Trainers		See 2.1.2.2
B1.	Review new law on pharmaceuticals	Legal review and analysis Consultations with MPIU	In process	Report with action recommendations delivered to MPIU and GOA		Review of the existing draft law was completed. It is expected that discussions will continue
B2.	Pharma Products Promotion in International Markets	Sponsor registration, boot, marketing and transportation for pharma companies	In process	Report on participation of local pharmaceutical producers at BRIDGE EXPO 2012, which will include number of inquiries, potential partnering opportunities and general description of the event		BRIDGE EXPO will be held in Tbilisi on April 21-22, 2012
B3.	GMP implementation	Cosponsor Meeting Without Ties together with MPIU	Completed	Conference held on March 23-25, 2012	March 23-25, 2012	
B4	GMP Compliance	Identify gaps in GMP, SOP, etc. Send Drug Agency inspectors to specialized training abroad	In process	3 Drug Agency inspectors attended specialized training abroad On-the-job training conducted for Drug Agency inspectors Recommendations and TA on how to close gaps per company Application for membership/ accreditation completed		Negotiations with PIC/S ongoing for recruiting an auditor

B7.	Pharma/Biotech sector end-market analysis	Analyze domestic and foreign markets, potential products, for strategic planning purposes	In process	Report with recommendations		SOW completed
C1.	Introduction of organic standards	On-site audit, Training in Codex Alimentarius and basic Organic production, Company recomm./ consulting	In process	Organic standards gaps report per company		TWS developed
C2.	Food safety pre-audit of facilities and production processes	FS pre-audit of up to 15 companies on HACCP prerequisite compliance	In process	HACCP pre-requisites gaps report per company		TWS developed
C4.	Food Processing and Herbal sector end-market analysis	Analyze dom. & foreign markets, potential products, for strategic planning purposes	In process	Report with recomm. for Food Processing and Herbal		SOW completed
C5.	Deep Freezing – introduce new FP technology/ techniques	Assess interest and select up to 6 companies	In process	Assess interest and select up to 6 companies/coops		SOW under development
D1.	Developing regional tourism in Syunik Region	Assessment, develop products, prepare materials	In process	Materials published and posted on website		TWS developed International expert selected and under recruitment
D2.	Tourist Guides training	Train up to 10 guides from the regions		Up to 10 guides from the regions trained		Start postponed for October/November 2012
D4.	Regional B2B event for Turkish Tour Operators	Bring together Turkish, Georgian and Armenian Tour Operators, visit regions	Cancelled	Familiarization trip conducted		MoE requested cancellation, in consultation with USAID
D5.	Improved tourism infrastructure	Review possibility to provide on-site and virtual tourist information	In process	Implementation plan developed		AMAP is preparing a grant application for co-funding of the Black Sea Silk Road activity for the Armenia section
D7.	International visitor survey	Develop survey and TOT for surveyors NSS conducts survey (12 months) Data analysis and reporting	In process	Survey questionnaire TOT conducted Comprehensive report		Agreement reached with GIZ on cooperation – they will fund the ex-pat expert. Discussions with GOA authorities (MoE, NCFA and NSS) ongoing

D8.	Develop a training course curriculum on hospitality services	Work with AUA, the Institute of Tourism and hosp. service providers to develop a new curriculum Conduct TOT	In process	Training course curriculum on hospitality services TOT conducted		See 2.1.2.2
D9.	Analysis of the tourism sector institutional structure proposed under the draft Tourism Law	Legal review with recommendations	In process	Discussion paper with action recommendations delivered to stakeholders and GOA		Discussion paper submitted March 19 to USAID and to stakeholders and GOA/MoE. Discussions ongoing
E1.	Air transportation study	Conduct a full study of the Armenia air transport	Completed	Report on Air transportation study	January 5, 2012	Report submitted to USAID and GOA/MoE. The planned presentation to PM planned for second half of January was never rescheduled.
E2.	Identify possible solutions to regulatory hurdles on internship programs and private financing of staff training and retraining.	Organize a round table with the UNDP, Union of Employers and the Chamber of Commerce and Industry.	In process	Recommendations on removing indentified regulatory hurdles on internship programs and private financing of staff training and retraining		Scheduled for April 19, 2012.
E3.	Jewelry, Diamond-Cutting and Watch-Making Sector Development Strategies with action plans	Work with eV Consulting on preparing, printing and presenting the Strategy	In process	Sectors analysis reports; Sectors development strategies and work plan; Monitoring and Evaluation Plan; PowerPoint presentations delivered to GOA and to key stakeholders		Discussions with EV Consulting ongoing for a revised SOW / TWS.
E4.	National Competitiveness Report of Armenia 2012	Special topic, Management Skills Assessment of Armenia companies. Printing, editing, translation Organize a presentation event	In process	Report printed and disseminated  Presentation event		Management expert reviewed chapters 4-5  Launch event scheduled for April 18, 2012.
<b>Component 2. Workforce Development component</b>						
2.1.1.1	Analysis of WF related situation in Armenia	Conduct meeting with Educational institutions, GoA entities and businesses	Completed	Assessment and Recommendations for Work Plan (TVET providers assessment report)		Activity completed

2.1.1.2	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)	Completed	Report on building bridges to match demand for and supply of a competitive workforce	3 February, 2012	The survey report has been completed and distributed to up to 70 counterparts through different events, meetings and direct emails. The next survey will be conducted next FY.
2.1.1.3		Conduct meetings with selected career centers, companies and associations identified as partners; facilitate placement of students	In process			Assistance is being provided to EREA to organize a Career Day. Assisted Armenian Pharmaceutical Association to successfully draft and sign a MoU with the State Medical University.
2.1.1.4		Work with VET institutions to increase emphasis on employment of students	In process			Brought together the AUA and FESTO Didactic to discuss possible tripartite cooperation for establishing a FESTO training center.
2.1.1.5		Channel information on job openings to VET institutions	In process			
2.1.2.1		Develop training courses with VET institutions in VCs	Identify initial industry/value chain need, and VET partner institution	In process	Report on best practices in developing workforce skills in target VCs	
2.1.2.2	Develop and deliver initial training program		In process	Revised curricula developed for select VET institutions in topics relevant for selected value chains		Agreed to organize mobile programming technologies and project management training at AUA for high tech companies for up to 40 participants. Hospitality curriculum will be developed and training of trainers will be organized with AUA extension department. Assistance was provided to the World Bank to draft a TOR for the expert that the bank is planning to bring to review the existing tertiary education and training

						programs for pharma sector.
2.1.3.1	Disseminate developed curricula to all relevant VET institutions countrywide	Initiate discussions on the need for improved curricula		List of beneficiaries who used curriculum to conduct short term trainings and/or integrated in their programs		Dissemination will be started after curriculums are developed next quarter.
2.1.3.2		Distribute curriculum of initial training				
2.1.3.3		Distribute curricula of subsequent trainings				
2.1.3.4		Follow up, collect feedback				
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		Revised curricula developed for select VET institutions in topics relevant for selected value chains.		See points 2121 and 2122
2.1.4.2		Draft new curricula				
2.1.5.1	Eliminate legal/ regulatory barriers to VET licensing, curriculum settings and internships	Review existing law and regulations. Recommend revisions		Analysis and recommendations on regulatory issues removing barriers for competitive workforce development		The WF team drafted a discussion paper for the round table with UNDP and Republican Union of Employers of Armenia (RUEA) on Private Sector Perspective on Youth Unemployment.
2.1.5.2		Hold stakeholder meetings to build consensus				
2.1.6.1	Pilot one Quick Start program	Identify a partner set of companies and/or industry association, and potential employees	Curriculum for Quick Start			See points 2121 and 2122
2.1.6.2		Analyze employee tasks to be performed, and skills needed to implement them				
2.1.6.3		Develop curriculum for teaching skills				
2.1.6.4		Provide training of trainers	Training of trainers			
2.1.6.5		Provide training to selected employees	Training for selected employees			
2.1.7.1	Teach Quick Start methodology to selected	Select partner industry associations and VET institutions		Quick Start training methodology and manual		A Task Work sheet will be developed to invite a quick

2.1.7.2	industry associations and VET institutions	Provide training in Quick Start methodology		Quick start training for the targeted VCs		start expert for training of trainers during next quarter.
2.1.7.3		Involve in Project Quick Start programs				
2.1.8.1	Conduct ad hoc surveys of labor market needs	Develop surveys to assess labor needs in selected value chains		Labor Market Survey methodology		Conducted intensive data mining and collected labor market information for implementing desk labor market survey in selected value chains. The report is due next quarter.
2.1.8.2		Conduct survey of firms in the selected sectors		Labor Market Surveys		
2.1.8.3		Produce reports on results, and disseminate		Labor Market Survey Report		
2.1.8.4		Develop a labor market assessment model and disseminate		Basic labor market assessment models		
2.1.9.1	Improve job-matching websites and private employment service providers	Contact job-matching web sites. Work with managers to improve services so they better serve lower income jobseekers and jobseekers outside Yerevan		Recommendations to improve job matching websites		Met with HR Association (Cascade Consultants), Branch Association of Private Employment Services Agencies (Tanger) and Careercenter.Am. Based on the meetings drafted and submitted a SOW for Private Employment services' expert.
2.1.10	Building a consensus to enhance WF Development through interested parties task force			Joint (business, academia, donors and GOA) task force on policy improvements		See point 2151
<b>Center for Entrepreneurship and Executive Development (CEED)</b>						
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	Completed	Top Class mentors recruited		The majority of mentors for the Top Class program have been recruited
2.2.3		Recruit Top Class participants	Completed	Top Class participants recruited		

2.2.4		Recruit speakers for Top Class sessions	Completed	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	Completed	Participation of Armenian companies in the event		
2.2.5a		Conduct 1 <sup>st</sup> Top Class training program	In process	Top class session		
2.2.6		Organize Network Learning Events	In process	Network Learning Events held		
2.2.7		Promote CEED B2B cross-border event to be held in Poland in May 2012 and facilitate participation of Armenian companies	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
2.2.8		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 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
2.2.9		Develop a CEED Armenia brochure and other promotional materials	In process	CEED Armenia brochure and other promotional materials		
2.2.10		Develop criteria for matching mentors and mentees and complete the matching process	In process	Criteria for matching mentors and mentees developed, mentors and mentees informed of the matching results		
2.2.11		Facilitate / help organize meetings between mentors and mentees		Meetings between mentors and mentees held		Scheduled to start in April
2.2.12		Follow up with mentors and mentees to obtain feedback on respective meetings		Feedback from mentors and mentees		Scheduled to start in April

Component 3. Regulatory Reforms						
3.1.1	Analyzing general legal problem areas affecting the business enabling environment	Research legislation and identify legal 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.	Initial stage completed	Report: review of legislation affecting the business enabling environment in Armenia (initial report)	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
3.1.2	Eliminating legal barriers to private sector focused VET, employer sponsored internships and continuing education	Analyze legislation and administrative procedures for VET, employer-sponsored internships and continuing education	Report Completed Roundtable in process	Report on reform actions and legal amendments on promoting private sector focused VET, employer-sponsored internships and continuing education Roundtable on needs , gaps and legal constraints	March 28, 2012	Report on legal constraints – incorporated in paper developed by WFT Roundtable discussion, co-sponsored by UNDP and RUEA scheduled for April 19, 2012. Task evolved based on collaboration with UNDP. Next step will be to develop report on reform recommendations (jointly with UNDP) to be presented to newly elected MPs and newly appointed Government officials at conference after the elections (tentatively scheduled June 2012)
3.1.3	Improving custom valuation practices	Analyze methodological practices for customs valuation for the selected VC	Report Completed Guidelines completed Roundtable in process	Report on reform actions and legal amendments on improving customs valuation practices Roundtable on needs , gaps and legal constraints Draft clear and tight guidelines limiting the application of “reference pricing”	March 15, 2012	Roundtable postponed as internal review of the discussion paper is still in progress
3.1.4	Streamlining VC specific licensing procedures	Analyze licensing legislation and administrative procedures in the	In progress	Report on reform actions and legal amendments on licensing	Tentatively May	Current focus is identification of VC licensing

		selected VC, assess compliance guidelines and identify bottlenecks and overlapping requirements		requirements in the selected VC  Roundtable on needs, gaps and legal constraints		requirements and inspection activities. Based on analysis propose outdated or obsolete licensing requirements and inspections for elimination under the Regulatory Guillotine Program.
3.1.5	Improving competition enforcement practices in selected VC	Work with the SCPEC on promoting market competition in selected VC	In progress	Report on reform actions and legal amendments on counteracting cases of abuse of dominant market position and anticompetitive (collusive) agreements and practices in the selected VC  Roundtable on needs , gaps and legal constraints	Tentatively June	General legal issues in competition area are identified. Analysis of the legislative acts pertaining to capacity of the SCPEC to enforce competition legislation completed. Task evolved based on collaboration with SCPEC – instead of roundtable discussions we will hold SCPEC hearings on identified cases of anticompetitive behavior, practices, and agreements. Next step is to identify anticompetitive behavior and practices in each of the selected VCs and prepare cases for action by the SCPEC. Close collaboration with SCPEC and EU Twinning Program.
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	Conduct comparative analysis of domestic legislation and EU requirements in selected value chains	In progress	Recommendations on promoting harmonization of domestic legislation with EU requirements in the selected VCs	Tentatively August	Task is evolving based on collaboration with EUAG and EU Twinning Programs. Work on this task is ongoing.
3.1.9	Providing VC specific assistance on harmonizing SPS and TBT with EU	Conduct comparative analysis of VC specific legislation and EU requirements in the SPS and	In progress	Report on reform actions and legal amendments analyzing VC specific SPS and TBT legislation	Tentatively July	Partnership is established with the relevant government agencies and

	requirements	TBT area		in light of harmonization with EU requirements		business associations to advance the reform agenda. Because of the very technical nature of the SPS/TBT area corresponding reform recommendations must be based on the input of expert reports and developed in consultation with EUAG. The process of identifying knowledgeable domestic and international experts is still in progress.
3.1.13	Provide targeted assistance to the GOA under the Regulatory Guillotine Program	Supporting the Regulatory Guillotine to eliminate regulatory obstacles in the selected VC – ongoing	In process	Proposals for eliminating obsolete regulations and administrative requirements in the selected VCs	Ongoing	Partnership with private businesses, business associations, government agencies and other stakeholders is formed. Work in this area is ongoing with initial proposals for eliminating obsolete procedures on licensing and inspections following the completion of task 3.1.4.
3.1.14	Working with key stakeholders in the selected VC to promote a dynamic dialogue in implementing BEE reforms	Conduct targeted consultations, surveys, interviews, and roundtables, conferences with key stakeholders in the selected VC on shortcomings in the legislation  Participate in tripartite groups	In progress	Comprehensive stakeholder contact network  Series of focused roundtables, working retreats and conferences	Ongoing	Work is ongoing for the duration of the project. Comprehensive stakeholder network completed, but amended based on new opportunities for collaboration and assistance
3.1.15	Promoting public awareness of the legal reform agenda through public outreach activities	Prepare public awareness materials, identify effective institutional channels of communication, and participate in targeted outreach activities designed to promote awareness of and support for critical legal reforms	In progress	Targeted reform needs awareness-raising materials  Disseminated materials at least 2 major conferences held with key stakeholders on proposed legal reforms	Ongoing	Discussion papers already developed and distributed for review and comment.

Component 4. Access to Finance						
4.1.1	Enable innovative practices in financial services delivery to the VCs or sectors	Perform financial sector mapping and 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 PFIs and define the approach for VC SME financing	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
4.1.3		Select pilot partner financial institutions (PFIs). Connect sector enterprises to the PFIs for immediate financing.	Completed	MOUs signed with all PFIs	February 22, 2012	Began connecting enterprises to the PFIs in March.
4.1.4		Design TA work plans with all PFIs based on the financial needs of the sector enterprises		Diagnostic report / work plan for each PFI with STTA needs		Will be completed in May.
4.1.5		Prepare, with the PFIs, demand-side analysis for each VC (VCF mapping) that identifies bottlenecks in financial product and volume access for each VC or sector		VCF maps for each target VC or sector		Will be completed in April.
4.1.7		Determine level of financing between PFIs and the VCs or sectors; Monitor effectiveness of PFIs in servicing the VCs or sectors		Baseline survey showing current level of servicing between the PFIs and the target VCs (Part of VCF map data), Monthly portfolio reports		Will be completed in April.
4.2.1		Conduct survey of available credit guarantee and credit enhancement programs and their utilization	Completed	Survey report of available credit guarantee and credit enhancement programs and their utilization	March 6, 2012	
4.2.2		Develop action plan for increasing access to credit guarantees and credit enhancement programs for SMEs in the target VCs	Completed	Action plan for increasing the use of guarantee funds to mitigate financing risks in the VCs or sectors	March 6, 2012	

Small Enterprise Assistance Funds (SEAF)						
S1.	Start up	Establish a satellite representative office of SEAF Caucasus Growth Fund in Armenia	In process	Satellite representative office in Armenia		Still in process of finalizing documents to be submitted to CBA
S2.	Equity financing	Develop criteria for selecting lynchpin SMEs as candidates equity financing targeting within the VCs, but considering outside the VCs also	Completed	Completed list of criteria based on the SEAF global strategy and philosophy tailored to Armenian reality		
S3.		In conjunction with CEED and VC team, identify SME candidates for equity financing according to developed criteria	Completed / In process	Short list of relevant SMEs meeting the developed criteria		This is an ongoing process that will continuously go through the Project's life. Already identified 15 companies.
S4.		Conduct a quick analysis of identified SMEs with respect to their financial, legal and managerial capabilities for meeting SEAF and EDMC financing criteria	In process	SMEs ready for the equity / quasi equity financing		This is an ongoing process that will continuously go through the Project's life. Three companies are currently being analyzed.
S5.		Provide a thorough financial and legal due diligence for the identified SMEs and preparing them for the deal	Pending	Separate reports on financial/legal due diligence for each selected companies		Companies need to pass S4 stage in order to start working on. No company has passed to this stage yet.
S8.	Select local partners	Develop criteria for selecting partner intermediary organization from local market to build local institutional capacity	Completed	Completed list of criteria based on the SEAF global strategy and philosophy tailored to Armenian reality		
S9.		Identify local intermediary organizations according to developed criteria	Completed	Short list of relevant partner organizations meeting the developed criteria		
S10.		Select two intermediate organizations for further partnership	In process	Signed Memorandums of understanding / Letter of Intents		Will be finalized at the end of April 2012.