



**USAID**  
FROM THE AMERICAN PEOPLE

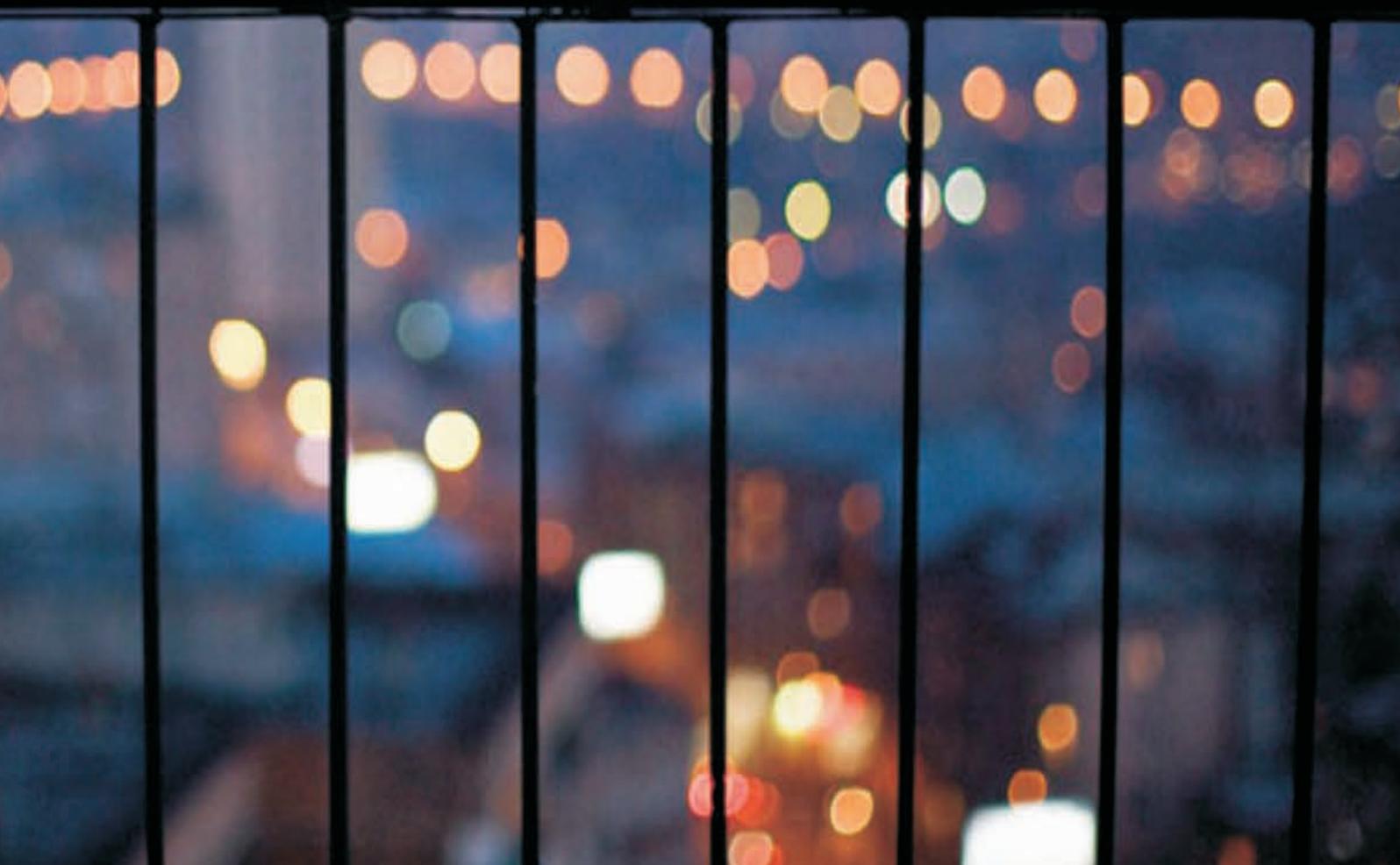
**Competitive  
Armenian  
Private  
Sector**

**Project**

| Implemented by  
NATHAN ASSOCIATES INC. |

**5 years of success**

A dream you dream alone is only a dream.  
A dream you dream together is reality.  
John Lennon







# USAID | CAPS

FROM THE AMERICAN PEOPLE | COMPETITIVE ARMENIAN PRIVATE SECTOR

CAPS has been working with four vital and growing sectors in the Armenian economy including information technology, tourism, pharmaceuticals and engineering services. We have helped to develop globally competitive products and services and build robust companies around them. CAPS technical assistance has taken many forms and has included: firm level consulting, business association capacity building, policy research and advocacy, public education, work force training and development of public/private initiatives.

CAPS has used a cluster approach to build competitiveness, which was unique among private sector development initiatives in Armenia. A cluster includes all important players in the performance of a given industry, such as: private enterprises of all sizes, producers, suppliers, customers, labor, government, professional associations, and academic, research and training institutes. CAPS has been the catalyst to bring these partners together, thereby benefitting individual entrepreneurs and the Armenian economy as a whole.

## Specifically CAPS has:

### Built Cluster Competitiveness

by assisting industry clusters to identify and achieve strategic objectives. The cluster-based actions would serve the common needs of the collective participant companies, improving their ability to market products and influence government, while providing a sound platform to develop and implement their individual objectives. CAPS has offered sector specific expertise in strategy and industry promotion for entire industries as a means of developing consensus among stakeholders.

### Strengthened Business Capacity

by supporting the ability of companies to manage and grow their businesses. CAPS has worked closely with Armenian business service providers helping companies to improve productivity, upgrade marketing practices, introduce good governance practices, improve HR management and upgrade the quality of products. CAPS has developed and disseminated world class consulting materials then empowered local business service providers to deliver training and consulting services at the cluster and enterprise levels. In this way, capacity to continue these efforts remains in country.

### Developed Policy and Advocacy Capacity with Government, Associations and Think Tanks

by strengthening business association/think tank sustainability and their ability to lobby for industry friendly laws and regulations. Efforts have included formulating and sponsoring competitiveness based research, using local organizations, and facilitating public-private dialogue. CAPS has delivered consulting and training to managers of associations and think tanks, assisted in developing new fee-based member services, expanded and built capacity in public relations, and has offered cost shared grants for research initiatives and even infrastructure.

### Enhanced Work Force and Skills Development

by improving the skills of the work force while building job-seeker networks to match suitably qualified labor with employer needs. CAPS has co-sponsored pilot training initiatives, assisted in the development and placement of new curricula, and has provided consulting and training to add capacity to job seeker network managers. CAPS has embarked on a mission to link Armenian universities with institutions in the US for the transfer of world class, sector demanded curricula.

**Integrating aims towards improved competitiveness...**





**USAID** | **CAPS**  
FROM THE AMERICAN PEOPLE | COMPETITIVE ARMENIAN PRIVATE SECTOR



## **Tigran Sargsyan**

**Prime Minister of the  
Republic of Armenia**

I highly evaluate the effectiveness of the Competitive Armenian Private Sector (CAPS) project, funded by USAID.

Within the past five years, the CAPS project undertook a range of successful initiatives, which were consistent with the priorities of the Government of the Republic of Armenia and significantly contributed to the economic growth of our country.

It is worth mentioning that the cluster approach, applied by the project, fostered the extensive development of its partner industries, namely information technology, tourism, pharmaceuticals and engineering services.

I would highlight the continuous support provided by CAPS, the importance of the now traditional DigiTec forums, as well as the notable contribution the project had in ensuring the success of the ArmTech conference, held in 2009 in San Jose.

Once again, acknowledging my appreciation of the project, I am hopeful that the effective activities implemented will continue to ensure positive outcomes and that the CAPS team will continue to utilize their competence to the benefit of our country's progress.



**James Wallar**  
**Nathan Associates Inc.**  
**Senior Vice President, International  
Development Economics**

We are extremely honored by the praise given to the CAPS program. The credit for success belongs to many. CAPS was based upon a 2004 assessment by Nathan Associates and J.E. Austin Associates, which emphasized that the future competitiveness of Armenia depended on industry leadership; effective private-public dialogue; better access to market intelligence, competitive positioning and technology; and the ability of industry members to cooperate and develop successful strategies. In short, teamwork. The “cluster” approach used for the program was a teamwork approach. Creating a stronger, more resilient and competitive industry required the engagement of a broad array of officials and experts working together. Participants included private enterprises; customers; labor, government, and professional associations; and academic and research and training institutes. The industries selected for the cluster approach were ICT, tourism, and pharmaceuticals. Results have been impressive.

Observable and measurable economic benefits attributable to CAPS include:

- Rapid growth of Internet broadband subscriptions and a decline in connection cost as a result of regulatory action to end monopoly pricing of Internet services;
- Increased tourism from Italy as a result of a target marketing campaign;
- Growth of IT software and service firms based on strategic planning, networking, marketing, training and business management;
- Growth of local and export sales by the pharmaceutical industry as a result of moving towards the adoption of Good Manufacturing Practices;

These benefits account for about \$30 million in increased economic activity for Armenia through 2015, and represent just a few of CAPS programs. Put another way, there was at least 60 percent return on USAID’s investment. These tangible

benefits are a result of mobilizing cluster groups plus technical assistance that spotlighted innovation opportunities, challenged conventional thinking, and provided an impetus to action. The cluster approach leveraged the impact of the technical assistance by supplying ideas and information to groups of companies rather than individual clients.

In sum, the success of CAPS is due to the hard working and creative Armenia people assisted by the superb group who implemented and managed the program, capably led by Artak Ghazaryan, with the full support and encouragement of senior government officials. In a word: teamwork.

The future will be the true test of success. Knowing this, CAPS focused on the sustainability of activities and the creation of long-term expert capacity. If the history of CAPS is a prologue, the future looks bright for the Armenian economy and the Armenian people. It has been our privilege to have worked with such knowledgeable and supportive officials and experts. We wish you continued success.



**Pegor Papazian,**  
CEO, National Competitiveness  
Foundation of Armenia

CAPS, focusing on information technology and tourism industries, and eventually pharmaceutical sectors, have implemented reforms that are based on international experience. Those reforms, of course, have an effect on market competitiveness, and on raising the competitiveness of Armenia in the tourism sector. We regularly cooperate with CAPS and have recorded a number of successes.

On May 13, 2010 Armenia held its fourth conference on tourism competitiveness, which was an opportunity for the representatives of private and public sectors to meet and discuss the prospects of tourism development, its expansion over

the last 5 years, and provide an overview of future projects with the possibility of incorporating the best international experiences of countries that have a rich tourism tradition.

Together with CAPS we organized several press tours for foreign journalists and tour operators. The main purpose of these visits was to present Armenian culture, traditions, historical heritage and newly formed tourism products about which the journalists would prepare articles for more than 100 newspapers, magazines, websites, and professional tourism bulletins in their countries. And for tour operators those visits were an opportunity to meet

with Armenian industry representatives, to discuss the potential for cooperation, which in the end will increase the number of tourists visiting our country.

I want to point out that the cooperation of the National Competitiveness Foundation of Armenia with the USAID and particularly with the CAPS program in strategic and organizational issues is quite impressive in terms of opportunities. The competitiveness of the Armenian private sector is the basis and main goal for our prosperous partnership. And the projects, successfully implemented by the joint effort of CAPS and the Competitiveness Foundation, are the evidence of this.



## Nerses Yeritsyan

**RA Minister of Economy /2007-2010/**

The USAID CAPS project was unique because it greatly contributed to stronger public – private sector collaboration. The project was also unique as it focused on private sector development and increasing Armenia's competitiveness. The project selected industries – tourism, ICT, and pharmaceutical production – to ensure diversification of the Armenian economy and foster the establishment of internationally competitive companies.

The success of the CAPS project is clearly visible through the tangible results and outcomes of completed initiatives. In particular, I want to highlight CAPS assistance to start-up and early-stage companies that are now giving a new pace to diversification of the economy.

According to our information the newly established companies have 300-600% annual sales growth, and if we are able to establish hundreds of new start-ups it will contribute the natural diversification of the economy. We must provide opportunities for the development of new types of businesses based on the capacity and knowledge available in Armenia, which the CAPS Project supported.

The CAPS project also provided significant assistance in presenting and promoting Armenian businesses in international markets around the world. In particular it supported various Armenian organizations and institutions working on export promotion and foreign direct investment, and financed numerous study tours and forums for private companies in the target clusters.

I would also like to highlight the diverse support CAPS provided on policy reforms and initiatives, including technical assistance and expertise on the preparation of draft laws and strategy development. In particular, CAPS played a significant role in developing the national strategies for the tourism and ICT sectors, as well as the town development strategy for Jermuk. Thanks to CAPS support these development strategies, adopted by the clusters, have led to specific Government projects.

The success of this project helped convince the Government of Armenia to sign an assistance agreement with USAID to launch a new program similar to CAPS.



## Artak Ghazaryan

**USAID/CAPS Project Director**

For five years, the Competitive Armenian Private Sector (CAPS) Project has meticulously and conscientiously strived for the goals set before it. We commenced with support to Armenian companies just taking their first steps, and not yet competitive in the global market. These companies represented the developing information technology, tourism and pharmaceuticals sectors. Today, traditional working methods are not sufficient to compete with global IT leaders, enable Armenia to attract significant tourist numbers given the wide variety of other destinations on offer, or win recognition for quality Armenian medicine production and export.

Striving for dynamic development and tangible progress, our project has been the messenger of international best practices; introducing new technologies, new methods, new thinking and adjusting these to Armenia's requirements and opportunities through experienced international and local experts. We have regularly communicated our activities in the form of reports and success stories published in the printed media, broadcast on television and radio, as well as highlighted in the project's regularly-published newsletters.

We are pleased to present the final CAPS newsletter to our partners and supporters. While it is impossible to highlight all activities implemented during the past five years, we present success stories for each sector that demonstrates the long-term impact and legacy of the project. These activities have been successfully evaluated and acknowledged by beneficiary companies, adopted by our partners, incorporated into state concept papers and strategies, or have become a tradition for private sector associations or individual companies.

We may separately dwell on major and minor material outcomes, but the most



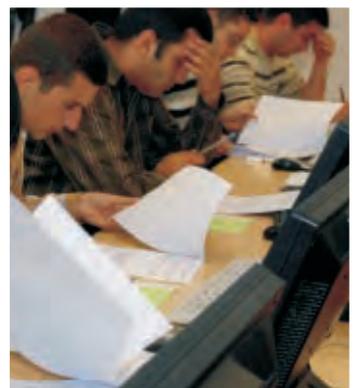
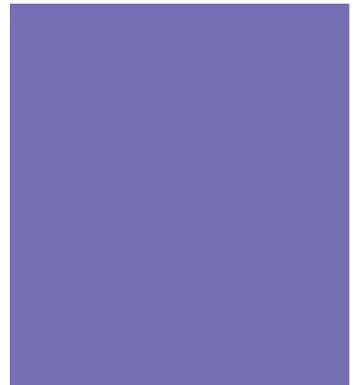
USAID Mission Director Dr. Jatinder Cheema (in the center), visited CAPS office

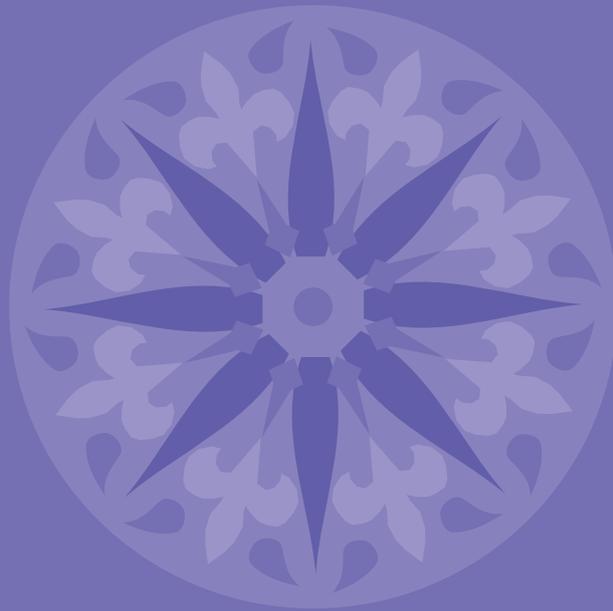
important and valuable legacy for me is the ideological heritage the project leaves behind. It is my strong belief that CAPS has created a new way of thinking, and has introduced proven international work styles and sound business management skills. The companies we supported have advanced to a new level of professionalism and, most importantly, have reached the point at which they can acknowledge the importance of fair competition in the local market and stable competitiveness in the global market – two key cornerstones of a vigorous business climate.

The more you do, the more still needs to be done. These sectors have already made remarkable progress compared to what we observed 5 years ago. Hence, they have bigger issues to address to maintain their newly found success, and new and greater ambitions.

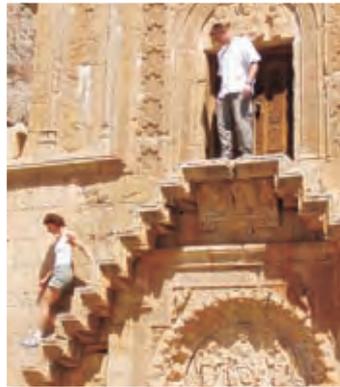
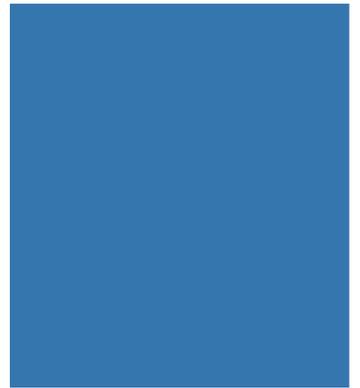
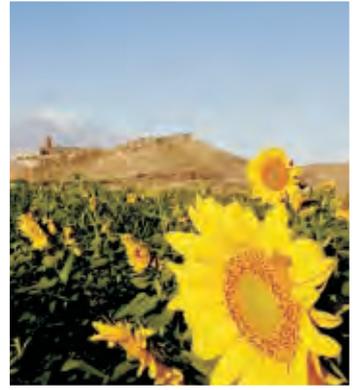
Undoubtedly, the official and informal meetings and forums, legislative lobbying, competitiveness conferences and training courses delivered by international trainers, among other activities, will continue into the future; casting a reminiscent and nostalgic shadow on CAPS work, but also strengthening the ideas we disseminated.

For us, of course, the most valuable endowment is the feedback of our



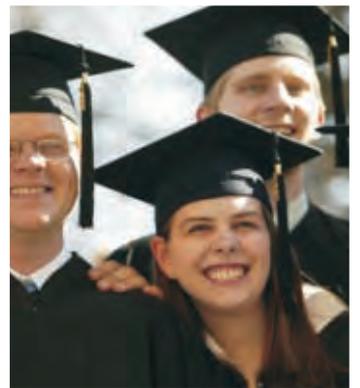


**The IT industry in Armenia is a dynamic driver of the national economy, and is rapidly developing as the flag bearing industry of the country, attracting investment from large international companies and many smaller entrepreneurs. CAPS has facilitated this growth by developing a stronger cluster environment within which collaborative strategic and tactical planning were achieved. As with all CAPS assistance, we have worked at the firm level, with government, with business service providers and educational institutions.**





**The tourism industry in Armenia is a remarkable network of service-based businesses dedicated to building demand for the country's travel products, and increasing its quality and service delivery. CAPS has facilitated growth and increased market share through a cluster approach in which target marketing was employed and positioning the country among its many competitor destinations was the focus. CAPS has divided its efforts between firm level assistance, policy reform initiatives, association capacity building and work force training.**





The pharmaceutical industry, with its development potential, export orientation and knowledge intensive operations, is primed for growth in both exports and import substitution. CAPS selected this as its third cluster in November 2007, in part due to the openness and commitment of the pharmaceutical industry leadership to adopt the cluster development process. Key strategic objectives were the implementation of international quality standards, the expansion of production through tapping new geographic niche markets, improving product ranges, and ensuring close government and industry cooperation.



## Stepan Mnatsakanyan

### National Statistical Service, President

The United Nations Organization (UN) was established after the Second World War to pursue the goal of building a world without wars, a world providing equal capacity for communication between various societies. One of the first UN undertakings was the establishment of common statistical and administrative registration systems using a common methodology, definitions and classifications.

At the end of the 20<sup>th</sup> century, the development of IT and their widespread use, significantly accelerated the globalization of nations, eliminated the boundaries to information flows and expanded the process of e-society development to a transnational – universal level. Information technologies, developed using the same universal methodology, enabled a reduction in the time spent by mankind by ensuring equal communication capacity for all.

The advantages of IT are widely known and used in all areas of human activity. It is frequently given

a higher priority in societies and countries compared with other sectors of the economy - an area of specific attention being registration and telecommunication; they are applied in the development and maintenance of administrative information registries and in the establishment of a country's statistical system. Within the past decade, a number of steps were undertaken in Armenia in this direction.

As a result, several administrative registries (property rights, entrepreneurship rights, state and community incomes and expenditures, tax, customs, finance and banking, education, crime, employment, social, etc.) were created, operating and constantly being updated by a range of administrative authorities. These registries enable more targeted administrative operations, based on nominal information resources, and also provide a snapshot on the statistical situation in the country. However, there are still many sectors which do not utilize administrative registries.

USAID/CAPS has been supportive in the development of an IT administrative registry, which will also be used for statistical purposes. This project, I believe, is one of the important achievements of CAPS. It facilitates online access for the public and provides all industry specialists with an excellent opportunity to have a rich database with important information at hand. The IT administrative registry and the statistical system based on it, will provide a comprehensive picture of the industry's development tendencies, strengths and weaknesses, investment volumes and dynamics of innovation; thus becoming a necessary tool for the development of future projects.

I express my gratitude to the USAID/CAPS project for the invaluable assistance provided to our country through this initiative, which will certainly serve as a unique working tool for the RA State Statistical Service. I believe this project is a good example for other administrative authorities to follow.

# ACCURATE STATISTICS FOR ARMENIA'S IT INDUSTRY

Due to the constantly changing and developing nature of Armenia's IT sector, it is imperative to monitor and evaluate progress toward established goals and objectives by frequently collecting industry data and analyzing trends.

Annually over the past five years, the Enterprise Incubator Foundation (EIF) has researched, prepared and published the 'State of the Industry Report' with donor support. The report has outlined in detail Armenia's key competitive advantages, historical developments, IT business backgrounds, statistical data and an analysis of exports, workforce, industry size, and government policy toward the industry. It has also provided future forecasts for industry growth. Prior to CAPS assistance, the 'State of the Industry' report, was a simple statistical yearbook, for the first three years. Through CAPS intervention and assistance, it has become, amongst other purposes, a decision-making and a marketing tool to inform policy-makers and potential investors of the

country's IT potential. The report has also enhanced awareness of Armenia's IT sector and built visibility within the marketplace.

Up until recently, the research, design and publication of the report has relied upon donor funding – largely in the area of data collection. With the support of the Ministry of Economy (MoE) and National Statistical Service (NSS), EIF and CAPS have enabled the monitoring and evaluation of the IT industry to become a more sustainable endeavor by building capacity within both

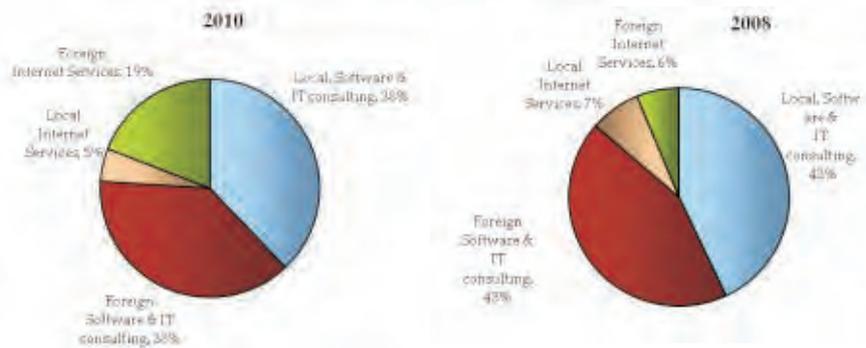
government organizations; EIF transferred its knowledge to both organizations while developing an online solution to collect industry data.

The 'IT Data Monitoring and Evaluation System' (online statistical management and reporting software) enables relevant and competent employees of companies to instantly enter the data in real time, i.e. submit reports without visiting NSS regional centers. It also provides a basic analysis and report on the collective data entered by companies. The use of this system will increase labor efficiency, reduce the cost of collecting data manually and decrease corruption. It contributes to a new culture for online data collection and eGovernment services, thus serving as an example for further eGovernment initiatives. CAPS supported the initiative through assistance in implementation, database management, content management, hosting, training, ongoing support, maintenance and release.

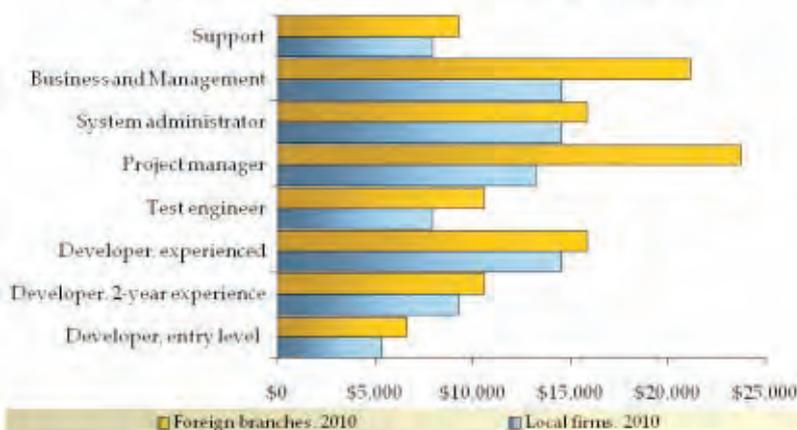
Through this initiative, CAPS has strived to improve Government accessibility to quality information for policy-making and IT industry accessibility to information to guide business development.

Depending upon the success of this pilot endeavor, NSS will look to replicate the activity in other sectors of the economy. ♦

**Workforce Distribution: Segments and Company Ownership**



**Employee Average Gross Annual Salaries (U.S. dollars)**





## Hovik Musayelyan

### Synopsis Armenia, Director

Synopsis Armenia has been cooperating with USAID/CAPS for several years. We worked together on the development of the private sector and in strategy development.

A good example of our cooperation was the organization of the ArmTech Congress. I can state that the participation of USAID/CAPS was one of the most important preconditions for the success of this congress.

The most recent area of our successful cooperation with CAPS was the organization of the Microelectronics Olympiad, where CAPS was involved as one of the sponsors. This Olympiad has already become a high-status event in Armenia and is held with the highest level of support.

With their help, we and our partners emphasize the importance of the development of this sphere for the Armenian economy and also the need for new educational programs for fundamental educational reformation.

I consider CAPS a valuable partner that shares the same views.

# CAPS HELPS ARMENIAN IT SECTOR BUILD NEW PARTNERSHIPS IN THE U.S. MARKET

In the framework of its efforts to promote the Armenian IT industry internationally, CAPS aimed to increase the visibility of Armenian technology sector in Silicon Valley, the U.S. marketplace and the Armenian Diaspora community at large. To achieve this objective CAPS undertook a series of targeted activities towards promoting Armenia's IT industry. As a result Armenia's information technology sector is now better positioned to compete for business from the U.S. market and cultivate relationships with potential U.S. business partners and investors. This is borne out by the achievements of Armenian IT firms and educational establishments who participated in an annual U.S. based Armenian Technology Congress and study tours organized by CAPS.

The Armenian Technology Congress, ArmTech, was founded in 2007 by technology and business professionals. The Government of Armenia officially adopted the ArmTech Congress in 2008 as its global high-tech industry conference. The ArmTech Congresses became a good platform for Diaspora and Armenian high-tech communities to meet, discuss, plan and execute policies and actions to keep Armenia on its current path of steady technological and economic achievement, and increase global recognition as one of the fastest growing high-tech destinations in the world.



Armenian IT companies visited Google office during the CAPS supported study tour to Silicon Valley



RA Prime Minister Tigran Sargsyan welcoming participants of the annual ArmTech Congress

CAPS provided continued support to Armenian IT companies to participate in this leading Armenian Technology Congress and throughout all these years participated in the overall organization of the Congress.

Another successful activity initiated by CAPS in the framework of promoting the Armenian IT industry in the U.S. market was the development and organization of study tours in Silicon Valley for Armenian IT companies. The Silicon Valley study tours highlighted the capabilities of Armenian IT firms and showcased the development of Armenia's IT industry. As part of study tours, the Armenian delegation visited some of the leading technology companies in the U.S., including: Google, Sun Microsystems, Pixar Studios, IMB and several technology incubators.

To help companies prepare for the study tours, CAPS international consultants and local business service providers trained the Armenian IT company executives in the essentials of the investment-seeking process, marketing and sales promotion, targeting

customers, developing and implementing marketing and sales strategies, and more. With CAPS assistance companies prepared marketing and investment plans and upgraded their promotional materials to a level demanded by prospective international partners.

As a result, the participating companies have registered impressive successes by securing more than 15 contracts with U.S. based IT firms and found new partners for PR and promotion. For instance, TX Systems, a software development and IT consulting company, signed a contract with Digital Chocolate, a famous American video game developer, to do a pilot project for a game with iPhone and Google. Universities also enjoyed considerable successes in terms of furthering their cooperation with IT industry representatives. In this regard, for instance, Synopsys Inc. and the Russian-Armenian State University (RAU) agreed to increase their collaboration. In so doing, a "Microelectronics Circuits and Systems" chair was created in RAU. Now RAU is better equipped in terms of IT infrastructure for students, including 50 complete sets of electronic design automation (EDA) equipment, as well as increased levels of Synopsys funding for its educational programs. ❖



Ralf Yirikyan, VivaCell-MTS General Manager, at the launch of open-air interpretation boards and directional signs in Sevanavank

## Ralf Yirikyan

**VivaCell-MTS, General Manager**

We attach great importance to our cooperation with an organization like CAPS. We worked together within the framework of the Armenian Monuments Awareness Project (AMAP) project.

AMAP projects have added value to our Armenian culture and identity, and improved the competitiveness of the local tourism market.

I am pleased that CAPS expressed its willingness to stand with us to implement such an important program.

# BUILDING BASES: USAID/CAPS HELPED FORM CULTURAL COALITION AND PROMOTED CORPORATE SOCIAL RESPONSIBILITY

One of the unexpected but proudly embraced successes of the Armenian Monuments Awareness Project (AMAP), supported by CAPS, VivaCell MTS, Italian Consul in Gyumri Antonio Montalto, has been its role in building coalition among diverse members of the tourism/cultural community.

With each new site installation public presentations have been organized that have become routine networking points where tourism professionals, representatives from embassies and government ministries, leadership from VivaCell MTS, Italian Consul in Gyumri and USAID/CAPS and provincial authorities meet for informal exchange (as well as for official recognition).

At the remote mountain-top Tatev Monastery presentation, the Mayor of Goris paid tribute to the Honorary Consul of Italy. At Goshavank, local

musicians and spoken-word artists engaged by AMAP displayed their talents for dignitaries from Yerevan and at the Selim Pass (Silk Road) presentation; provinces representing the historic trade route brought agricultural goods representative of their villages. Other examples can be found at any of 54 site locations so far marked by the project.

The Armenian Travel Bureau, an Armenian tour company, has become a regular part of the project efforts. The wonderfully effective puppet/marionette productions of Armenia's UNIMA (led by maestro Armen Safaryan) has produced performances specific to the project sites. Scientist Eleanora Gabrielyan has found expanded audience for her extensive botanical research as a result of her collaboration in preparing AMAP nature trails.

**CAPS, VivaCell MTS, Italian Consul in Gyumri Antonio Montalto and AMAP team collaboration has fulfilled a goal to create unified efforts in establishing broad-based support to develop and promote Armenia's tourism attractions and cultural resources.**

Over the course of the project, it has become a learning laboratory of sorts for students of Armenia's Institute of Tourism. By attending project presentations where students familiarize themselves with information presented by the various AMAP sources, young people who represent the future of tourism development learn the value of their own cultural heritage and the potential for its exploitation.

Tourism Institute Director, Robert Minasyan regularly fills his bus with members of the "Blue Brigade" – noted for their blue and white caps and banners – who add a lively and youthful feature to ceremonies honoring their nation's history.

"This project is playing a great role not only for foreign visitors but also for the locals, including students," said Minasyan. "These multi-language introductory panels help the visitors to get more information about both Armenia and historical sites. The project done by AMAP is a great heritage for our country and should be protected and preserved by everyone." ❖



Launch of open-air interpretation boards and directional signs in Amberd



Robert Harutyunyan, ADA General Director, at the plenary session of ArmTech Congress in Yerevan

## Robert Harutyunyan

**Armenian Development Agency,  
Director**

I think the project has been important and interesting as it targeted industries, which are a priority for Armenia from the point of view of competitiveness; namely the IT, tourism and pharmaceutical industries.

First the project evaluated the situation. Then it came up with recommendations on important reform initiatives and identified directions for priority intervention.

The partnership between CAPS and the Armenian Development Agency was a positive one. We received valuable assistance in the organization of the ArmTech Congress both in 2008 and in 2009.

# MOVING TOWARDS eGOVERNANCE

After many years of debate, Armenia's government is now ready to move forward with an aggressive project to implement eGovernance for the country. Replicating the success of other countries in establishing 21<sup>st</sup> century eGovernment, eCommerce and eSecurity operating environments will not only develop the domestic market for IT services, and increase ICT usage among Armenia's government and business community, but will also enable more widespread use of competitive practices via electronic commerce and promotion.

To foster the eGovernment development process in Armenia, CAPS invited eGovernment / eSecurity expert Dr. David Probert to advise the Government on the development of a practical road map to launch eServices. These eServices, such as eHealth, eEducation and eFinance, will be implemented as Public-Private Partnerships within the ICT cluster. Dr. Probert's final report on the eGovernment Roadmap was presented to the Ministry of Economy, and used as the basis, by Government, to prepare and adopt a formal structured eGovernment program. eSociety initiatives will be implemented within the framework of the World Bank's Armenia E-Society and Innovation for Competitiveness project from this year, with envisaged funding of USD 12.8 mln. A nationwide broadband backbone is planned through public-private partnership, resulting in a quality, high speed internet infrastructure to the Marzes of Armenia.

To foster the development of an eGovernment infrastructure, CAPS initiated a pilot project to apply ICT tools within the Armenian Development Agency (ADA), a governmental agency. The agency was established to facilitate fo-

reign direct investment and promote exports. Through its website, ADA acts as a "one-stop shop" for investors; assisting and advising them on questions relating to doing business with and in Armenia.

A country investment portal is a critical and cost-effective means to promote investment opportunities to potential investors. Attracting inward investment is also an important objective for the CAPS program; particularly when focused on our three main clusters. Acknowledging the role and importance of the ADA website as Armenia's investment website, CAPS proposed a number of features and functions that could make it more effective. CAPS helped to design, develop and implement the new ADA website.

The upgraded portal now serves to facilitate an increase in investment volumes and develop the market infrastructure. A "Virtual Exhibition" was also added to the website structure; a multi-functional information resource that enables a wide circle of users to advertise their goods and services more effectively. It has the potential to provide eCommerce services by serving as an online vehicle to showcase company products and services, commercial offers and latest achievements on virtual exhibition stands to potential investors, both locally and internationally.

The newly designed investment portal was recently submitted in the Pan-Armenian E-Content contest, where it received the honorable first place as best eGovernment tool. The investment portal will now be submitted in the World Summit Award; the most popular international e-content contest.



Armenia investment portal developed through CAPS support



Deputy Minister of Economy Ara Petrosyan welcoming participants at the CAPS supported international event

## Ara Petrosyan

Ministry of Economy, Deputy Minister

Cooperation between the RA Ministry of Economy and USAID/CAPS took several directions. In the tourism sector, our partnership led to the development of effective dialogue between stakeholders (state and private sectors). Specifically I would highlight the meetings organized in various formats, including the "Meeting without Ties" forums, which ensure a more participatory and effective process of decision-making. On CAPS initiation, the culture of informal meetings was adopted by industry. We will continue to discuss all challenging sector issues using this platform in the future, as it proved to be one of the best formats for cooperation.

During these meetings we managed to engage in detailed discussions and jointly develop the new draft Law on Tourism with consensus from both the state and private sector. I am sure that the law will be effective and will become the basis for a favorable legislative framework; fostering development of the sector. The CAPS project also supported the elaboration of the draft law through the provision of international expertise.

Another important and interesting initiative was the organization of annual Tourism Competitiveness Conferences. They have also become a useful platform to unite industry representatives, jointly summarize and evaluate tendencies for development, specify future plans and

ambitions, as well as share achievements with each other, and get acquainted with the tourism traditions of other countries. I think we will continue the organization of these conferences annually through sustainable sector institutions.

It is my strong belief that we will continue the regional Caucasus Travel Show, which has also been supported by CAPS. This exhibition becomes more impressive, expands its reach and attracts more visitors every year. I would also like to mention the training courses implemented for guides, jointly with the Guides Guild, in this incomplete list of activities. They now take place frequently, meaning that we will hopefully have no shortage of competent guides in the near future.

# ICT LEADERS WITHOUT TIES INITIATIVE: AN EFFECTIVE PLATFORM FOR PUBLIC – PRIVATE DIALOGUE

Improving the dialogue between the private sector and government, creating a platform to raise common issues and concerns, devising solutions and lobbying for those solutions to the Government – these are some of the goals of the CAPS project in its efforts to support the development of the Armenian ICT industry.

Among such efforts has been the organization of ICT Leaders without Ties Forum through the Union of IT Enterprises (UITE). The first forum, held back in 2007, has become a tradition. Today the initiative serves as an effective tool to bring together industry representatives and the Government, to mobilize cluster groups and industry leaders to discuss pressing issues, search for solutions and support high priority initiatives.

The Government of Armenia and the private sector, largely through CAPS support, have made significant progress in developing strong public-private sector links to support Armenia's IT industry. After ongoing assistance provided by CAPS to UITE in organizing the ICT Leaders without Ties initiative, UITE has now gained strong support from the Government.

The forums have been attended by representatives of different ICT / high-tech companies, the State Tax Committee and State Customs Committee, non-governmental organizations and the academic and business communities. This year the forum enhanced its status to a regional

event. It hosted several representatives of Georgian ICT private sector, Ministry of Finance of Georgia and USAID-funded Georgian Business Climate Reform project, as well as several prominent foreign industry players, such as Ericsson, D-Link and Xerox.

The ICT Leaders without Ties Forum is one of CAPS' most successful initiatives. With targeted CAPS assistance, the event has turned into an effective tool and platform for voicing issues, lobbying and reaching concrete solutions and for helping UITE ensure its sustainability. The goals that the initiative has achieved include: successful joint activities and cooperation among IT industry players leading to improved cluster competitiveness; a clearer shared vision of priority development needs and actions; industry participation in policy reforms and an improved policy environment; as well as better access to information for the Government and industry to guide policy making and business development processes.

The plan to minimize the impact of the global financial crisis on the Armenian economy, for instance, has been developed on the basis of discussions held within the framework of the ICT Leaders without Ties event. Among other outcomes of the initiative is the summary of recommendations on key policy reforms that has been prepared and submitted to the Government by the private sector through UITE. ◉

**Through the support given to the initiation of ICT Leaders without Ties Forum, and its promotion into a sustainable industry event, CAPS has strengthened the capacity of UITE in the planning and implementation of new services, as well as in developing consensus on policy and regulatory reform priorities, promoting advocacy campaigns, fostering greater responsiveness to industry on the side of the Government, and raising IT awareness in Armenian society through mass media coverage.**



Industry stakeholders discussing pressing IT issue at the "ICT leaders without ties" meeting



Bagrat Yengibaryan, director of Enterprise Incubator Foundation, delivering a speech at the ArmTech Congress in Yerevan

## Bagrat Yengibaryan

**Enterprise Incubator Foundation,  
Director**

We welcomed the implementation of a program by the US Agency for International Development with a component which focuses on the development of information technologies. Armenia attaches great importance to IT development and the industry has been proclaimed a priority.

However, there are still many issues to be addressed and international consultancy and assistance is imperative in doing this. So, having a partner like the US Development Agency in this field is vital.

We have been actively collaborating with CAPS since the launch of the project, namely in terms of support provided to IT organizations.

We have also had many discussions in various formats and have conducted various surveys and analyses. Serious work has been done in Armenia in terms of qualified personnel development. We also attribute great importance to our cooperation in forecasting Armenia's future developments, identifying the work to be done and developing future models.

The introduction of a new American business culture and the concept of competitiveness may be highlighted as the most important roles CAPS has had. CAPS managed to act as a very active and effective bridge between US and Armenian businessmen.

## CAPS SUPPORTS IT ACCESSIBILITY

PC usage and Internet penetration are two key measures of a country's ICT development and e-readiness. Many emerging economies have implemented programs focused on raising PC and Internet penetration rates and promoting the use of computers and software applications in everyday tasks, both personal and business. Armenia, with its 5-10% level of PC and Internet penetration, lags behind many emerging countries such as Estonia (68%), Romania (25%), Serbia (41%) and others. Armenia's rates are closer to those of Moldova, Azerbaijan and African nations with PC penetration rates averaging 3-6%.

For Armenia to further grow its IT sector, computer ownership, literacy and use must be increased among the general population, businesses and educational establishments. The Ministry of Economy has recognized this impediment and requested assistance from CAPS to undertake a feasibility study on introducing a mechanism to increase computer ownership and use among the general population. The feasibility study focused particularly on Armenia's IT infrastructure and the policy environment. A survey of around 1300 residents from various regions was conducted, covering such areas as demographics, employment, education, financial status, computer literacy, requirements for computer and Internet availability and use, etc.

Based on the results of the feasibility study, a "Computer for All" project was designed to implement the concept - initially on a pilot basis. The overall goal of the program is to increase the population's computer use by offering



RA Prime Minister Tigran Sargsyan got acquainted with special computers for children at the official launch of "PC for All" project

modern computers with software at affordable prices. During the pilot stage, initial assumptions regarding equipment configuration, distribution channels, pricing and service options were tested among a target group of users. The pilot phase achieved significant success: 17 thousand people acquired computers within the framework of the project. This pilot one-month project proved its importance, not only in terms of selling computers but also in introducing e-literacy.

The success of the pilot stage created significant enthusiasm and justification for full-scale implementation of the project. The full-scale "Computer for All" project was launched in December 2010 and is implemented by the implementors of the pilot project Enterprise Incubator Foundation with support from the Government, World Bank, CAPS, Unicomp, Microsoft RA, as well as ACBA Credit Agricole Bank.

The project will be replicated throughout Armenia. Citizens can acquire computers from 20 sales points with 2 year payment terms. The number of sales points is planned to increase to 100.

Memoranda were signed by the Ministry of Economy, Ministry of Science and Education with Intel Corporation and Hewlett Packard for the implementation of pilot subprojects - "Computer for Schools" and "Computer for Teachers". Another memorandum was signed between the Ministry of Economy and ArmenTel CJSC on enhancing cooperation within the framework of the "Computer for All" project.

The project demonstrates effective collaboration between different stakeholders. Increasing the level of PC penetration in Armenia will ensure sustainable economic development of the country, develop a computer-literate workforce, and increase Internet penetration and the number of people using online services, thus creating the basis for the introduction of new electronic services by Government, businesses and educational institutions. ♦



Rich Goldman, Vice-president of Synopsys Inc.,  
Ani Karapetyan, representative of CAPS supported IT company and  
Francis J. Skrobiszewski, CAPS international consultant at the ArmTech Congress in U.S.

## Francis J. Skrobiszewski

### Private Equity and Venture Capital Expert, CAPS

If Armenia's overarching strategic objective is to develop an "Innovative Knowledge-Based Economy," Armenian entrepreneur-innovators will need access to long-term capital to grow their emergent technology businesses. However, the availability of "money" and general investment skills alone are not enough to have meaningful impact.

The money must be deployed by a team of focused experienced Venture Capital (VC) professionals, who can appreciate the nuances of technology investing and who bring the specialized skills to

nurture, grow and exit such SME technology enterprises and achieve real capital appreciation. The RA Government has started negotiations on developing such kind of a fund, and requested advice on how it should be structured and designed.

Through CAPS, I have been working with the RA Government and the local ICT industry, and we have been discussing the VC fund idea since 2007. I have been invited several times to Armenia to present the VC fund structure at different conferences and round tables.

I have proposed a concept and structure for such a fund to the Government, which has been taken into consideration and some actions have been implemented.

I believe that the Armenian Government will lead this process up until the end and will create a functional VC fund. CAPS efforts in bringing VC fund best practice to Armenia have been especially valuable.

# ARMENIA TO HAVE HIGH-TECH VENTURE CAPITAL FUND

The continuing growth of Armenia's high-tech sector, combined with the expansion of global Armenian high-tech community, has created the need for Venture Capital (VC) fund to support the development and expansion of high-tech businesses with professionally-deployed capital, tailored to Armenia's specific needs and conditions.

The Government of Armenia strives to build an innovation and knowledge-based economy, and professional VC funds play a key role in this process. The establishment of a VC fund is also incorporated in the Government's National IT Strategy.

Understanding the importance of having a professional VC fund, CAPS assisted the Government with its design and development, in coordination with private sector partners, to achieve the Government's development objectives and satisfy commercial interests of the private funding sources. The anticipated outcome of this activity is increased foreign direct investment in IT and technology firms, leading to increased employment and economic growth.

CAPS Private Equity and Venture Capital Expert, Francis Skrobiszewski, was asked to address this issue as a speaker on an ArmTech panel in the summer of 2007. He then presented an expanded version of this presentation at the CAPS and World Bank-sponsored ECA Innovation Conference in Yerevan, at which the RA Minister of Economy was also a speaker.

Following the conference, the Minister, CAPS and Mr. Skrobiszewski



discussed the VC fund concept as an effective tool for supporting the expansion of Armenian high-tech and other companies. From these discussions came the Minister's request to create a concept paper outlining how a venture fund could be established and operated in Armenia, which was delivered to the RA Prime Minister for consideration in October 2007.

In July 2009, Francis Skrobiszewski was again invited to Armenia to provide assistance directly to the RA Government to conceive, design, develop and implement a VC fund that meets the Government's development objectives. Through meetings, strategic planning sessions and discussions with the MoE, Government representatives and local entrepreneurs, the consultant tried to identify and understand their views and needs for VC funding.

As a result, Mr. Skrobiszewski provided a summary of recommendations to the Armenian Government, identifying options and possible directions for fund ownership, structure and management schemes. He also provided insights on the long-term relationship between the Government and private sector, protection of Government interests and potential barriers, legislative or otherwise, to starting the fund. Through this effort, Armenia took an important step forward toward structuring a VC fund and becoming a leading source of innovative intellectual capital.

Based on CAPS recommendations a VC fund is planned to be established in 2011 under WB Armenia E-Society and Innovation for Competitiveness project aimed at financial investments in perspective innovation companies. The Fund is planned to have USD 6 mln. starting capital, 50% of which will be invested by the Government and the other 50% will be provided by the funds from private investors. ◉



CAPS international consultant Zachary Rozga delivering a presentation on benefits of using ICT tools in business

## Zachary Rozga

Expert, WHL Consulting

IT solutions have wide application in the global business. The businesses in Armenia, however, are not developed enough in terms of using IT tools in their daily operations. This is due, in part, to unawareness of actual solutions, supporting technology, concepts, and where to obtain up-to-date information.

On the other hand, many ICT companies, regardless of how clever they are and how great of a product they have, are not able to find a buyer for their products due to lack of sales and marketing skills. CAPS has recognized this impediment and this was how I was invited to Armenia to support CAPS initiative of promoting the application of ICT tools in tourism and pharmaceutical businesses. Participating in CAPS organized awareness campaigns I had a chance to meet with over 40 Armenian businesses from different industries and to try to foster a relationship between the burgeoning IT sector and local businesses.

Thanks to CAPS targeted efforts and direct technical support many businesses have enjoyed the financial, promotional and operational benefits of IT solutions. I find this effort really valuable in terms of improving the cost-effectiveness and productivity of Armenian businesses.





**Amalia Stepanyan,**  
**Armenian Hotel Association, Director**

The establishment of the Armenian Hotel Association was an important initiative for the development of Armenia's tourism sector. The CAPS Project substantially contributed in this process and helped the Association make significant progress since its establishment. CAPS support took many forms and included technical, financial and programmatic assistance, as well as consultancy.

Currently, the Armenian Hotel Association has 17 members. It has already established itself as an active institution, implementing effective projects, voicing industry issues of common interest and coming up with recommendations for solutions.

One can not underestimate the great support we received from CAPS on our way towards the quality we achieved. Its targeted policy and high quality consultancy strengthened this newly established institution from both the technical and moral point of view, turning it into a vital and useful organization for its members.

The various training courses and the summer schools, aimed at improving the qualification of industry specialists, were very important initiatives for Armenia's tourism industry in general, and the hotels in particular, as these undertakings ensured significant progress and an

improvement in the quality of hotel services in the past several years. Our staff had the opportunity to participate in training courses delivered by renowned international experts and specialists invited to Armenia by CAPS in the course of these years, to study the needs and demands of the local market and to provide industry specialists with appropriate knowledge. As of today, the Armenian Hotel Association already organizes its own courses through its qualified local trainers who have been trained during these years.

# CAPS UNITES COMPETITORS FOR THE SAKE OF COMPETITIVENESS

Association development was focal goal of the CAPS project, as joint effort and advocacy helps companies address common industry issues and create a sound basis for its sustainable development. When companies raise issues and recommendations individually, the Government is often not inclined to listen because it is not clear if those presented issues are common for the whole industry. Organized efforts by the companies make their voice stronger.

Policy development also suffers from inadequate industry participation because the priorities and concerns of the companies are not heard. When companies unify their efforts to address common issues, resources (including financial resources) are used more efficiently, making efforts toward the implementation of specific activities more productive.

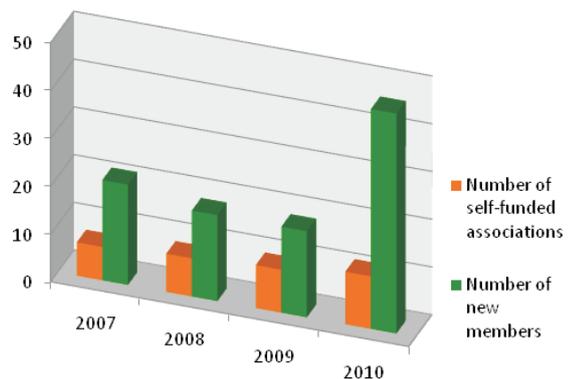
CAPS efforts have resulted in the establishment of 4 new business associations in the IT and tourism clusters, as well as the creation of new member and non-member services.

The Armenian Hotel Association, for the first time in Armenia, started special training programs for Front Desk Managers, Housekeeping Managers, and Food and Beverage Managers as well as a training skills development program for department trainers with certification from the American Hotel and Lodging Association.

The Armenian Guides Guild delivered an internationally-recognized program from the World Federation of Tourist Guides Association to prepare new tourist guides and retrain already licensed guides. The Union of Medicine Producers and Importers commenced GMP (Good Manufacturing Practice) and GDP (Good Distribution Practice) standards training programs based on EU regulations.

Through their international standard training programs, associations have improved the skills of more than 300 mid and senior level managers and specialists in the tourism, IT and pharmaceutical clusters.

GROWTH OF BUSINESS ASSOCIATIONS DUE TO CAPS SUPPORT



Aside from the training programs, associations also established partnerships with the Government of Armenia to help develop policy more effectively. Advocacy events, such as the “Meeting without Ties” forums organized by UITE, became a tradition; providing a platform to discuss and reach consensus on policy and regulatory issues between associations and the Government. Over the last 3 years, UITE implemented 15 meetings with the Government, discussing a wide range of policy issues from education to finance. The tourism and pharmaceutical associations replicated UITE's success and organized similar forums, discussing the new tourism law, VAT taxation, and GMP regulation issues with the Government.

The new services launched by the associations resulted in substantial improvement in two important factors – association membership and income, both of which are critical for sustainability and serve to prove the effect of CAPS efforts. For example, UITE membership increased from 18 to 51 members while its income multiplied 5 times. AGG increased its membership from 23 to 50 members while the Armenian Hotel Association, initially established with 8 members with CAPS support, has since doubled its membership.



Promotional materials developed by CAPS for the associations



## Nadia Pasqual

### Italian Tourism Advisor to CAPS

CAPS has been an extremely important project for the promotion of Armenia in the Italian market. Before CAPS, few Italians had ever heard of Armenia and knew about its tourist attractions. With the help of some brilliant marketing experts, such as Alan Saffery, CAPS developed a new way of approaching tourism promotion, i.e. targeted marketing, to promote Armenia in key markets. Thanks to this new strategy I was hired to identify and carry out a series of PR and marketing activities among the Italian travel industry and the press, in cooperation with former Armenian Tourism Development Agency and with the operational support of CAPS organization and staff.

This approach proved to be highly successful: with a contained budget hundreds of articles and reportages on Armenia were published in the trade and consumer press, while tens of new tour operators and travel agencies started selling tours to Armenia in Italy between 2007 and 2010.

Besides, Armenia participated and distributed thousands of promotional materials in Italian language at the most important travel fairs, reaching not only the Italian outgoing travel trade but also the travel press and a wide audience of tourists.

As a consequence, numbers of arrivals from Italy grew enormously and although there is still a lot to be done, there is no doubt that Armenia has a solid presence in the Italian travel market nowadays. This would not be the case, had CAPS not been in operation for the past five years.

## ARMENIA'S SUCCESS IN ITALIAN TOURISM MARKET

After undertaking a Benchmarking Analysis of Armenia's Tourism Industry in 2007, CAPS investigated and selected appropriate target markets for Armenia. Conclusions pointed to Italy, UK, Russia, France and USA. CAPS, in partnership with the Armenian Tourism Development Agency (ATDA), commenced promotional activities in Italy at the beginning of 2007 with the support of Nadia Pasqual, an Italian national with experience of working with the Italian travel trade. Whereas some years ago, countries would send their own nationals to target markets to promote tourism, international best practice has now switched to hiring nationals of the target country, since they have ease with the language, have a better understanding of their own travel industry and are preferred by the travel trade in each originating market.

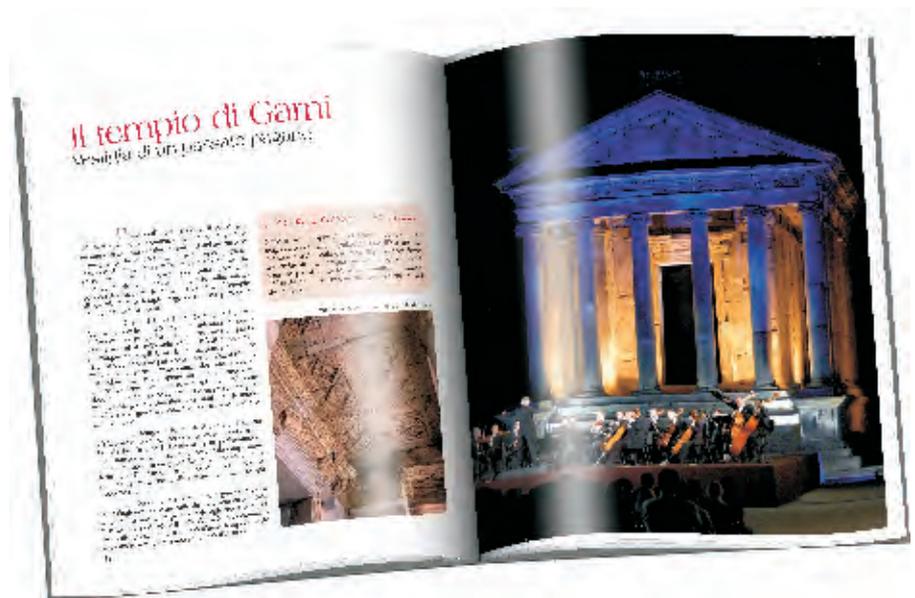
From 2007-2010, Ms. Pasqual undertook a wide range of promotional activities. She established contacts with many specialized tourism companies and agencies operating throughout Italy; constantly provided information to tourism journalists on the history, culture and tourist attractions of Armenia. She focused much importance on Armenia's participation in the Italian annual travel fairs and the organization of familiarization trips for Italian journalists and tour operators to Armenia. As a result of Ms. Pasqual's and ATDA's efforts, more than 180 print and online articles featuring

Armenia were published in major tourism magazines and newspapers between 2007 and 2009. Armenia and Armenian tour operators were featured in a number of printed and online travel directories, and more than 13,000 travel agencies in Italy started to regularly receive updates about Armenia.

These promotional activities resulted in more than 20 new Italian tour operators/travel agencies operating trips to Armenia, direct scheduled flights between Yerevan and Rome, and Yerevan and Verona, and up to a 122% increase in the demand for Armenian vacations by Italian tour operators. Three of the largest Italian tour operators announced new tours to Armenia in their 2008 and 2009 brochures, and there has been high demand from tour operators and journalists to visit Armenia.

The results of abovementioned activities, given that promotional efforts have only been going for three years, are undoubtedly impressive. Between 2006 and 2009, thereby focusing on the year before targeted promotion started, and the years subsequent, the Compound Annual Growth Rate for Italian tourists coming to Armenia was approximately 14%. This is more than twice the annual growth rate for all tourists to Armenia (6%) and means that the growth in Italian tourists to Armenia is 8% higher than the national growth rate.

Considering these remarkable results and forecasting further outcomes from continuation of these activities, the National Competitiveness Foundation of Armenia hired Nadia Pasqual on an ongoing basis to continue promotional activities as Armenia's Tourism Representative in Italy. ◊



"Spiritual Armenia" guidebook published in Italian through CAPS support



## **Albert Sahakyan**

**Scientific Center of Drug and Medical Technology Expertise, Deputy Director**

The pharmaceutical production industry is in a development stage in Armenia. In view of this, the Competitive Armenian Private Sector (CAPS) Project has been valuable as it focuses on encouraging and supporting local pharmaceutical producers in improving the quality of products, entering foreign markets and gaining reputation and recognition.

The process of introducing European standards is a vital one, because without Good Manufacturing Practices (GMP) Armenian producers can not penetrate the European market and would lose their export markets in CIS countries.

With CAPS support, our enterprises have come very close to implementation of these standards. CAPS supported this process through visits from international experts, the organization of professional training courses, as well as the provision of consultancy and various type of technical assistance.

Today's pharmaceutical industry is incomparable to the one we had 2 years ago and this may be considered as one of CAPS major achievements.

# GOVERNMENT SUPPORTS PRIVATE SECTOR COMPETITIVENESS

Since 2008, the USAID/CAPS project has provided assistance to Armenia's pharmaceutical sector; making it more competitive on the national, regional and the international levels. Among numerous CAPS activities aimed at strengthening the capacity of pharmaceutical producers and application of the cluster approach, the improvement of the sector's legal environment is among the most successful initiatives.

Striving to provide people with safe, quality and affordable medicine, the Armenian Government adopted a Decree on Asserting the Good Manufacturing Practice Rules on November 25, 2010.

Through this effort, the Government will ensure the sustainable development of local pharmaceutical production in line with internationally accepted Good Manufacturing Practice standards.

Good Manufacturing Practice (GMP) standards are the legal codification of sound quality principles that have been used by the pharmaceutical and healthcare manufacturing industries worldwide for over 50 years as a means of assuring that products have the identity, strength, purity and quality that they purport to contain. GMP standards are in effect in over 100 countries, and GMP compliance is a pre-requisite to exporting pharmaceuticals between countries.

GMP is a system to ensure that products are consistently produced and controlled according to quality standards. It is designed to minimize the risks involved in pharmaceutical production that cannot be eliminated through testing the final product. GMP covers all aspects of production; from the raw materials, premises and equipment to the training and personal hygiene of staff.

With the introduction of the new standards, Armenia's pharmaceutical industry is now entering a period of change. New facilities have been established, and pharmaceutical producers see in their future plans, not only supplies to the local market but also exports. In order to fulfill these plans, pharmaceutical producers have adopted the policy of harmonizing their production to today's quality requirements.

CAPS organized individual visits to local producers by its international experts during which the companies were evaluated and were provided with recommendations on improvements required for GMP introduction. CAPS continually cooperated with the Ministry of Health, Armenian Medicines Agency, Armenian Medicine Producers and Importers Union. CAPS specialists and international experts organized a series of round table discussions among cluster representatives to introduce international best practice, provided recommendations to adapt the regulation to Armenian reality, and developed a corresponding action plan. These activities were accompanied with training courses to provide qualified and competent personnel and the translation of documents to meet regulation standards.

The eventual outcome of these efforts, which CAPS started in 2008, was the adoption of the Government Decree; the introduction of a system of GMP assessment and certification for pharmaceutical production. The adoption of EU GMP regulations means that the Armenian pharmaceutical products will be able to enter the global market. Introducing the internationally-recognized standards is important for the country itself: the entire production process for domestically produced medicines will meet international standards.



Medicine production line in "Medical Horizon"



Virginia Tech trainer Dr. Mahmood A. Khan leading a session of CAPS supported certification training on the mysteries of hospitality

## **Dr. Mahmood A. Khan**

### **Virginia Tech Trainer**

It is vital to consider the continuation of initiated activities in this project. Considering all the achievements, it becomes evident that such collaborations are mutually beneficial for all institutions. The need for such collaboration became evident while visiting several institutions in Armenia and discussing with faculty and students. Representatives from the hospitality and tourism industry in Armenia are also keen in furthering this relationship. The momentum and motivation provided by these initial contacts need furthering to reap the full benefits of the efforts made by CAPS and the USAID.

It has been a very interesting assignment and the future potential of growth in the field of tourism and hospitality is very encouraging. Efforts made and hospitality provided by many individuals is highly appreciated.

### **The Only Country Where People Call me 'Khan jan'**

"168 Zham" daily published an article about Dr. Khan's experiences working with hospitality/tourism sector and academia in Armenia. Dr. Khan believes that Armenia has the necessary resources and more importantly, the potential, for the successful development of tourism. He finds it necessary to start changes from changing people's mindset, which will allow bringing about structural changes. He is sure that the emphasis should be placed on customer service and hospitality in general. Dr. Khan also speaks about different concepts of hospitality, reasonability of prices in, and his general impressions of Armenia.

## TRANSFERRING WESTERN KNOWLEDGE TO ARMENIA

Aiming to facilitate the transfer of experience and curricula matching best practice and new skills-building programs, the USAID-funded CAPS project developed linkages between educational institutions in Armenia and the USA to support workforce development initiatives.

As a result of four meetings between Yerevan State Armenian-Greek College of Tourism, Service and Food Industry (AGC) in Armenia and the Department of Hospitality and Tourism Management at Virginia Polytechnic Institute and State University (Virginia Tech) in 2008-2010, significant impact was witnessed in the transfer of experience and curricula and development of new skills building programs at the AGC. Particularly, changes in the curriculum have emphasized the importance of services in the management of hospitality and tourism; the re-modeling of facilities used for training students in tourism; the addition of a foodservice laboratory with new equipment; adherence to food safety practices as a result of workshops offered in earlier visits; and adaption and use of substantial training materials and methods provided to the faculty at AGC.

The content of 'Food Safety and Security', 'Sales and Marketing in the Hospitality Industry', 'Services Management', and 'Customer Service' training programs has been integrated and is currently being successfully taught at the College. The training programs also served as Train-the-Trainer sessions, which will have a long lasting impact on skills building and development. Thus, the resultant benefit is improvement and availability of a skilled workforce for the tourism industry.

This partnership has helped improve lecturer's skills and knowledge about hospitality and tourism and universities now understand and meet industries' needs for tourism specialists. The state-of-the-art information provided through workshops and sessions to faculty and students benefited the graduates who



Awarding American National Restaurant Association Certificates to the Successful Participants of the ServSafe Certification Training Program

will be joining the tourism/hospitality industry with newly acquired skills. Over 1,500 tourism industry representatives, students and academics from AGC, Armenian State University of Economics (Yeghegnadzor branch), Slavonic University, European Regional Academy, Armenian Tourism Institute, State Humanitarian College, and State Linguistic University after V. Brusov attended various sessions provided in the framework of the project, enabling them to acquire information which will help in their current studies as well as further their experience in the field of hospitality and tourism management. The resultant motivation, interest, and acquired skills will help in increasing the number of graduates with practical experience. Further, the partnership has helped industry professionals understand the importance of knowledge and skills needed for success in the hospitality and

tourism industry. Offering two certification programs for restaurant owners and foodservice representatives – ServSafe and Hospitality and Restaurant Management – has helped in the development of skills in the rapidly growing foodservice industry. The certification courses and examinations provided offered by the US National Restaurant Association have helped participants reach a contemporary international level of understanding in the area of hospitality and restaurant management.

By offering world class and proven curricula, teaching methodologies, and lecturer exchanges, the partnership projects offered a number of mutual benefits to partner institutions, including enhanced skills, competence and underpinning the knowledge base for students and teaching faculty; responsiveness to identified development needs; and improved access to development opportunities in the targeted field. The momentum and motivation provided by these initial contacts will be furthered by the participant institutions to reap the full benefits of the efforts made by CAPS and USAID. ◉



"Nork" Information-Analytical Center receiving an award at the GITI 2009 Conference in Tbilisi, Georgia

## Hayk Chobanyan

**"Nork" Information-Analytical Center,  
Director**

The Competitive Armenian Private Sector/CAPS Project accomplished an important mission in terms of fostering the development of Armenia's IT industry in recent years. I would like to highlight its support in strengthening the IT community and advocacy on the ideology of unification. Currently, the IT industry is the most united and cooperative business community in Armenia, and CAPS had a significant contribution in achieving this important precondition for general development of the sector and for healthy competition.

The project fostered the formation of common interests and facilitated solutions to key issues within the IT community, through various formal and informal initiatives. Having continually participated in these initiatives, I evaluate them as very effective.

I would also like to stress the attention attributed by CAPS to start-up companies and to youth initiatives. With its consistent policy of supporting start-ups, CAPS helped young specialists get organized, develop and become competitive.

Armenian start-ups successfully participated in local, regional and foreign IT events and won first prizes in various contests in recent years. These young people have established an IT club of startups where they help their peers enter and actively engage in the IT business field. The CAPS initiative of paid internships for students, is an important component of the same ideology. It provided many students with an opportunity to work in IT companies and earn income during their internship. Many of these students were also offered permanent employment with the companies they interned for.

# UITE LEADS INTEGRATION OF ARMENIAN FIRMS INTO REGIONAL ICT CLUSTER

With CAPS support, the Union of IT Enterprises (UITE) and Multimedia Association (ELBA) actively participated in the annual Georgian ICT Conference (GITI) and Award Ceremony and helped the Armenian ICT sector to become integrated into the regional ICT cluster. The purpose of the conference was to discuss the role of information technology in creating an engine of growth for socio-economic development, network with stakeholders, and build awareness of the importance of IT among high-level government officials, private sector representatives and society at large.

The conference is represented by ICT Associations and leaders from South East Europe, Latvia, Ukraine, and Russia who bring a diverse set of insights on IT advancements from their countries and enable the development of business linkages. During the conference, an award ceremony took place, highlighting the best ICT solutions provided by regional ICT companies in various areas. A representative of UITE was included in the evaluation committee for the awards.

The outcomes from participation in GITI conferences in 2008-2010 were impressive. Armenian companies presented their products and promoted them in the regional market through successful participation in the award ceremony.

In two years of participation in the event, seven Armenian companies received eight awards including “Best B2B solution”, “Best Project Proposal”, “Best Multimedia Project”, “Best Integrator of the Year”, and “Best Complex Business Solution”.

UITE established relationships with the organizers of the Conference who then sponsored the participation of experts from the Government of Georgia at the 'Meeting Without Ties' forum in November and presented IT solutions applied by the Government of Georgia for registration of real estate and private enterprises. UITE established contacts with the international e-Government and e-Security expert, Dr. David Probert, who later developed a detailed e-Government Road Map and a policy paper on Armenian e-governance for the Ministry of Economy of Armenia.

UITE became a member of South East European IT Association Board and organized participation of Armenian IT companies in a B2B event in Macedonia where Armenian companies signed contracts with three European partners.

Furthermore, eight leaders from South East European IT associations visited the DigiTec Business Forum, thus offering an opportunity to the participants of the Business Forum to create contacts with their members and increasing the profile of the event to a regional level. ◉

**CAPS believes that regional cooperation is an important milestone towards the Armenian ICT sector development. Throughout the project CAPS has supported the Armenian IT sector organizations to develop regional ICT business linkages through showcasing their products and services in regional events in Caucasus and South East Europe.**



GITI 2010 Conference, Tbilisi, Georgia



Arman Atoyán presenting the products and services of its IT start-up to the RA Prime Minister Tigran Sargsyan at the DigiTec Business Forum

## Arman Atoyán

**X-Tech Company, Director**

We started to cooperate with CAPS more than two years ago when we were creating our first on-line journal "Inch Ka Chka". Now, with CAPS assistance, we have also created the social network "Inch Ka Chka".

Being a start up company we retained CAPS attention and were offered an invitation for cooperation. As a result, we were able to participate in a number of major IT events in Armenia and Georgia, starting from 2008, and managed to position ourselves among the country's top IT companies.

CAPS established a good tradition of encouraging start-ups. Our organization is not the only one to enjoy the inspiring outcomes of this encouragement. This was a great stimulus for a number of other companies, which have taken their first steps in this sphere.

## ELDER IT GENERATION BELIEVES IN THE YOUTH “You can find the world's best solutions”

The new comprehensive Armenian ICT Sector Development Strategy, prepared by the CAPS support and adopted by the Government of Armenia in 2008, among other directions, focuses also on expanding support and financing mechanisms for technology start-up companies, as Armenia has fixed an ambitious goal to have 1000 IT firms by 2018.

Every year the number of IT enterprises in Armenia increases; there were 200 IT companies in 2008, and this figure increased by 60 during the last two years. However, leading specialists in this sector believe that this growth trend is unsatisfactory for reaching the fixed goal. To address this need the CAPS project has commenced a series of activities aimed at fostering ICT start-up creation and development.

One of these activities is continued support to ICT start-ups for participating in DigiTec Expo and DigiTec Business Forum – Armenia's premier international events for ICT industry. Each year, with CAPS support, 10-11 ICT start-ups showcase their products and services at DigiTec events, network with sustainable players in the market, find new partners and establish new profitable relationships. At DigiTec Expo 2010 the number of visitors recorded by CAPS-sponsored startup companies doubled representing 1000 visitors on average at each startup company's booth, 10% of which, by their estimate, were potential clients.

Another initiative is the support to young IT professionals in organizing IT Club meetings. The Club could be described as a junior version of the popular 'Meetings without Ties' forums. These meetings provide an excellent opportunity to students and young IT industry professionals to gather in an informal environment to discuss ICT sector issues and challenges. The creation of the club was beneficial as there is deemed to be a lack of communication between young professionals and their older and wiser peers. The IT Club unites these professionals enabling them to network at events organized by the Club, generate new ideas, create start-up companies, develop partnership projects, and involve students in ongoing projects.

According to Armen Abrahamyan, CAPS IT Cluster Coordinator, “in order to achieve the ambitious goal of having 1000 IT firms, it is necessary to pave the way for young IT specialists and assist in the establishment of new enterprises, so that every young specialist believes that he can start his own business.”

For this purpose CAPS has organized and held a series of training courses on entrepreneurship skills development for the ICT start-ups. According to training participants this was a very important experience for them, as the training was practical model of real business and was very instructive. ❁

**CAPS has fostered the development of young technological entrepreneurs through training courses targeted at entrepreneurship skills development among ICT start-ups.**



MicroPlan Entrepreneurship training participants received certificates from CAPS



RA Minister of Economy Nerses Yeritsyan and UITE director Karen Vardanyan opening the annual DigiTec Expo

## Karen Vardanyan

UITE, Executive Director

We cooperated with USAID/CAPS in the implementation of many of projects. The main focus of our partnership in recent years has been on start-up companies. We supported them jointly in order to establish as many new companies as possible, and to facilitate their entry into the market.

I would underscore the importance of CAPS' role, especially in terms of its support to our efforts to penetrate the global market. It was with CAPS assistance that we were able to represent Armenia at the World IT Congress and to participate in CeBIT, Germany.

The number of start up companies participating in major IT events in Armenia and Georgia increases annually because of CAPS assistance.

I would also like to highlight the work of CAPS consultants, whose valuable advice helped in the sound organization of events and in yielding better and better results.

# ARMENIAN ICT INDUSTRY BENEFITS FROM HOSTING SUCCESSFUL INTERNATIONAL EVENTS

The CAPS project has provided assistance to the development of Armenia's Information Technology sector, since 2006, by strengthening the capacity of industry stakeholders. Among numerous CAPS activities aimed at creating a favorable business environment for ICT companies and their clients and supporting the creation of an information society, the DigiTec Expo and DigiTec Business Forum are among the most successful initiatives.

First organized in 2005, the DigiTec Expo, held under the high patronage of the Prime Minister, has become Armenia's premier international, government representatives and business consumers a forum to introduce new products and achievements, forge new business relationships and broaden international connections.

CAPS has provided ongoing support and assistance to the Union of Information Technology Enterprises (UITE)

in organizing the DigiTec exhibitions to promote and foster the development of Armenia's ICT sector and increase ICT competitiveness. This support ranged from strengthening UITE capacity in event management; attracting both local and international participants by organizing an effective PR campaign; to promoting ICT entrepreneurship and helping ICT start-ups to showcase their products and services at this regional exhibition.

Thanks to CAPS targeted support, the DigiTec Expo continues to surpass the achievements of each previous year. It also annually receives more enhanced interest among local, regional, as well as international participants. DigiTec 2010 hosted 68 exhibitors compared with 52 in 2009 and around 16,000 visitors – 4000 more than last year. The number of foreign exhibitors, or their representatives in Armenia, doubled, as did the number of sponsors.



Over 60 companies exhibited during the DigiTec 2010

**Through the CAPS project since 2006, USAID has provided assistance to IT cluster development in Armenia, which directly contributes to the economic growth and job creation, and enables that growth to spread to the other sectors of economy. The approach is largely focused on building capacity across all stakeholders of the industry.**

The annual DigiTec Expo visitor survey indicated that almost 20% of visitors were executive businessmen looking for new technologies. In continuation of assistance aimed at UITE capacity development, CAPS international consultant Mike Ducker advised UITE to organize a separate, high-profile event aimed specifically at the business community, to discuss the use of ICT solutions within business.

Titled DigiTec Business Forum, this initiative was first launched in June 2008 with technical assistance from CAPS. Since then ongoing support has been given in organizing these forums; particularly in providing ICT start-ups with an opportunity to showcase their solutions to businesses and generate deals. The Business Forum, now in its third year, has become a truly regional event with the participation of ICT associations and ICT enterprises from South East Europe. ❖



RA Minister of Economy Nerses Yeritsyan and AATA deputy chairman Yeghishe Tanashyan at the opening ceremony of the annual CTS Tourism Fair

## Yeghishe Tanashyan

**Armenian Association of Travel Agents, Deputy Chairman**

We received substantial financial and technical assistance from the CAPS Project in the last 4 years.

I consider our cooperation to have been very successful and would like to especially highlight the jointly-organized CTS exhibitions, which achieved great success and have become a regional event, uniting the tourism interests of Armenia, Georgia and Turkey.

Similar tourism support projects were implemented within the last 10-15 years.

However, I would single out CAPS as the most fundamental and sustainable; establishing sound foundations for strengthening the tourism sector.

## CAPS SUPPORT TO REGIONAL TOURISM DEVELOPMENT: CTS INTERNATIONAL ANNUAL TOURISM FAIR IN ARMENIA

Since 2007, CAPS has provided assistance in the organization of the annual international Caucasus Travel Show (CTS) in Armenia; the 2010 show was the fourth consecutive year of CAPS support. Hosted by the Armenian Association of Travel Agents (AATA), in cooperation with the American Society of Travel Agents (ASTA) Armenian Chapter, and under the patronage of the Ministry of Economy, and in partnership with private sector associations, the event is designed to promote incoming, regional, domestic and outgoing tourism in Armenia, improve the image of the country as a tourism destination worldwide, and enhance public awareness about the tourism field in Armenia.

The organizers believe increased participation from Armenian marzes at the exhibition, through incentives such as free and discounted booths to tour operators, hotels and educational institutions from outside of Yerevan, has stimulated an improvement in quality of life in the marzes.

From 2008, CTS organizers focused on regional and international tourism development, inviting tourism organizations from neighboring countries as well as those further away; Turkey, Georgia, Nagorno Karabagh, Uzbekistan, Finland, Romania, Israel, Greece and Tunisia. CTS also includes a familiarization trip for international guests and exhibitors; visiting various parts of Armenia to get acquainted with tourism offers.

Year by year, the CTS tourism fair has become bigger and more international. At the CTS'2007 fair, 49 domestic organizations participated (with 11,000 visitors). In 2008, the numbers increased to 64 organizations, including foreign participants from Georgia, Uzbekistan,

Turkey and Kharabagh (with 17,000 visitors). In 2009, 67 organizations participated including international exhibitors from Georgia, Israel, Greece and Nagorno Karabagh (with 18,000 visitors).

2010 was the most successful year for CTS. It hosted 87 exhibitors in total, including 13 from Turkey, 6 from Georgia and 2 from Tunisia. Nagorno Karabagh was represented by 1 company. There were 65 companies from Yerevan and the various marzes of Armenia. CTS'2010 was exceptional in terms of the number of visitors, with over 20,000 in attendance.

For the first time, guests from Turkey and Georgia also participated in a Turkey-Georgia-Armenia B2B Workshop. The workshop presented an opportunity for Armenian, Georgian and Turkish tour operators to discuss and develop further cross-border collaboration in the region. 10 Turkish, 5 Georgian and 20 Armenian representatives participated.

CTS'2010 also saw the largest participation from Turkey, both exhibiting and attending as trade visitors. The official delegation included representatives from TURSAB, Istanbul tour companies, and tour companies, hotels and other hospitality institutions and tourism related companies from the region of Van. The delegation also included representatives from Van Municipality and the Van Chamber of Commerce.

Comparing CTS'2007 to CTS'2010, there was a 78% increase in foreign participants; proving that CTS is becoming more internationally recognized, catalyzing regional tourism development, and creating greater awareness for Armenia and the Caucasus as a tourism destination. ❖

**Through the CAPS project since 2006 and with previous projects, USAID has provided assistance to foster tourism development in Armenia. The approach to tourism development is largely focused on building capacity across all stakeholders of the industry.**



Dr. Jatinder Cheema, USAID/Armenia Mission Director, receiving a souvenir from the Van delegation at the opening ceremony of annual CTS Tourism Fair 2010



Ceremony of installing multilingual interpretation panels at the Matenadaran

## Rick Ney

### Armenian Monuments Awareness Project (AMAP) Chief of Party

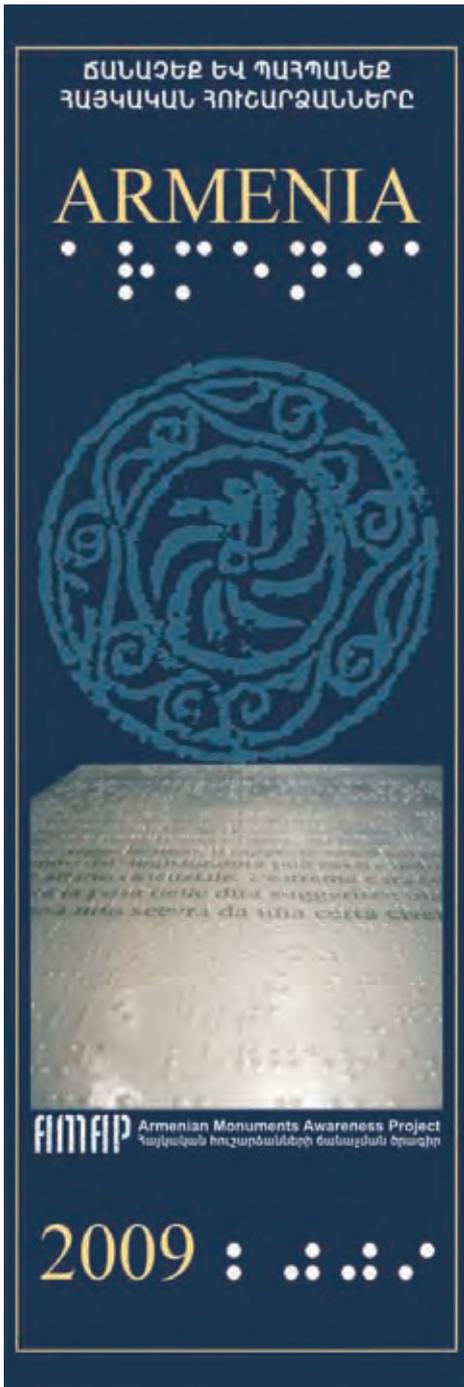
Being the head of AMAP I can say that our two-year cooperation with CAPS Project was very effective, and now every person, no matter if he/she is Armenian or a tourist, can see the results of our mutual effort next to the monuments of Armenia – multi-lingual information boards stating the names of our donors, including surely the CAPS Project, together with VivaCell MTS and Italian Consul in Gyumri. This was a rewarding work that we implemented jointly. I also wish to emphasize Braille boards written in six languages, which are extraordinary phenomena and a great gift for people with vision problems.

Undoubtedly these boards make Armenian monuments more recognizable tourism sites, compliant with international standards. Besides, standing next to Vivacell Company during the implementation of this initiative CAPS became a bright example of social responsibility of business for private companies, encouraging them to recognize their social responsibilities in front of the population and act as initiators of similar projects.

CAPS became a close and strong partner for our Project. I can say that without their cooperation, encouragement and support our Project would not succeed. Together with CAPS we have created durable values and I am very satisfied with our collaboration.

Finally, I am happy to have an opportunity to work with them – they are incredible partners.

# TOUCHING HISTORY: AMAP MAKES CULTURE ACCESSIBLE TO VISION-IMPAIRED



Standing with her hands reading a Braille panel before her, 25-year-old vision-impaired student, Hasmik Hovsepyan could hardly believe she had the opportunity to learn information about any of 14 historic and cultural sites.

“When my sister told me about this initiative, I said to her, “What are you saying, how can they do such a thing for us?” said Hasmik, who studies in the Philology Department of Yerevan State University.

Like others who are blind or have limited vision, Hasmik could read about Zvartnots Temple – where the panels were displayed last December prior to installation – or about other popular sites which are now accessible for readers of Braille, due to the Armenian Monuments Awareness Project initiative through the support of the USAID-funded Competitive Armenian Private Sector (CAPS) project.

“There is no such thing in other places. We even do not have books with Braille alphabet at our university; we record the lessons and study by listening to the recordings,” Hasmik added.

Indeed, the addition of Braille panels at major monuments is a unique gesture in Armenia and one that serves a dual purpose.

AMAP Chief of Party, Rick Ney says that while the project's aim is to promote tourism in Armenia by making information more accessible and convenient, “We also hope that this (Braille) initiative will serve as a reminder and as an example that people with special needs should not be ignored, and certainly should not be left out of opportunities to learn about Armenia's rich heritage.”

Like the standard panels installed by the project, the Braille information portals are produced in five languages: Armenian, Russian, English, French and Italian.

Through its CAPS project, USAID seeks to contribute to Armenia's economic growth and competitiveness in and around the region, as well as increase income and employment in destinations and attract higher levels of investment in this service industry. ●





Gevorg Yaghjian, Yerevan State Medical University Vice-chancellor, with students of CAPS organized Pharma summer school 2010

## Gevorg Yaghjian

### YSMU Vice-chancellor

We have collaborated with Competitive Armenian Private Sector (CAPS) Project in the scope of the academic partnership program, organization of joint summer schools, initiating summer internships for students for two consecutive years (2009-2010), as well as a number of other effective joint projects.

Currently a web page of the Medical University Center of Careers is being developed with the assistance of CAPS.

I would like to call special attention to a particular CAPS initiative that resulted in signing a trilateral agreement between Yerevan State Medical University, the University of South California and the CAPS Project to establish a long-term partnership to improve pharmacological training programs and ensure their correspondence with employer requirements.

Under this partnership, Michael Wincor, Professor of the University of South California, visited Armenia and conducted a needs assessment of Masters Programs in Pharmacology. His assessment and recommendations contributed to the development and introduction of new Master's Program in Pharmacology at YSMU.



Establishing the partnership with the American university helped to improve the quality of pharmacological education in Armenia, which plays a significant role in developing private businesses within this sector.

I am aware that since the beginning of 2009 four academic partnerships were established through the CAPS Project not only in the pharmaceutical sector. There partnerships are aimed at introducing educational programs compliant with international standards in Armenian higher educational institutions, and this process is accompanied by continuous training of trainers and lecturers.

By creating these partnerships between Armenian and well-known international educational institutions, the CAPS project enhanced educational programs and training methods, as well as matched workforce development efforts with continuously changing market demands. During the past several years, CAPS has carried out this critical and rewarding work very conscientiously and has achieved truly satisfying results.



## 'FROM UNIVERSITY TO THE JOB MARKET' PROGRAM HELPS 82 STUDENTS FIND EMPLOYMENT

Initiated by the USAID/CAPS Project, the "From University to the Job Market" Program has been implemented for three consecutive years, providing undergraduates from higher and secondary vocational educational institutions with a three-month internship opportunity in leading Armenian companies.

The results are impressive, since the majority of students involved last year were hired for permanent employment by the same companies. Similar success was also seen in 2008 and 2009; 82 students having found permanent employment through their internship within the framework of the Program.

The goal of the project was to fill the gap between acquired knowledge (supply) and required skills (demand), and to assist students with the acquisition of valuable skills and experience to become more competitive in the labor market. The three-month internship was funded by CAPS and the database developed, serving as the most up-to-date source of young specialists in the given industries, will be further used by employers for job openings.

Last year, the "From University to the Job Market" program had 40 students for the pre-determined specialties (tourism, IT, pharmaceuticals, engineering and marketing), of whom 20 have already signed long-term employment contracts with leading companies; 12 out of 20 students were employed in the IT industry, 5 out of 9 in tourism and 3 out of 9 among pharmaceutical companies. ❖

**CAPS has contributed to an enhancement in Workforce Development by improving skills, while at the same time building job-seeker networks to match suitably qualified labor with employer needs. CAPS has strived to bridge the gap between skills acquired in higher education and the needs of employers, thereby assisting individuals with limited work experience.**



Pharma students Astghik Chichakyan, Andranik Davinyan and Rosa Grigoryan got employed by the Drug Agency



Aram Ghazaryan, GXP Center of Excellence Director, presenting quality assurance training programs for local pharmaceutical producers at the launch of CAPS-supported "Healthy Nation, Healthy Economy" awareness campaign

## Aram Ghazaryan

**GXP Center of Excellence, Director**

The GXP Center of Excellence was established by the MPI Union with support from USAID/CAPS. Naturally, the mere establishment of such a center is insufficient.

Further activities of the Center and the outcomes it produces are also very important. In these terms, we should state that CAPS, with its specialists and renowned international experts, has made a significant contribution towards the successful operation of our Center.

The main goal of the Center is to train specialists in quality assurance to achieve Good Manufacturing Practice/GMP and Good Distribution Practice/GDP standards. The period that CAPS worked in our industry was very short – approximately two years – however, the outcomes it produced are essential and long-term.

## HUMAN RESOURCES AS A KEY TO INDUSTRY COMPETITIVENESS

The Pharmaceutical cluster was one of the three industries selected by USAID/CAPS for partnership towards competitiveness. A significant outcome from this cooperation is the establishment of the GXP Center of Excellence – a source of contemporary information on various pharmaceutical topics, but more importantly a center, providing training courses in Good Manufacturing Practice (GMP) - a vital field for the local production industry.

Armenia's pharmaceutical market may be described as import-dependent with local pharmaceutical manufacturers holding only a 10% market share. However, the young and developing local pharmaceutical producers have made significant progress in the last 6 years in terms of investment; evidenced by statistics showing an increase in production and sales. Nevertheless, the sector still has much to do to increase its share in the domestic market and grow its exports.

One of the crucial steps towards this, is the introduction of EU GMP standards. Personnel with the required skills and qualifications is key to GMP implementation and appropriate training courses are the tool through which these skills and knowledge may be acquired and strengthened. CAPS focused on ensuring the availability of competent specialists through well-developed and delivered GMP training and technical support to local producers.



Local pharmaceutical producers gained vital knowledge on GMP standards during a series of CAPS-supported training courses organized by GXP CoE

The GXP Center of Excellence (GXP CoE) was established in 2009, within the Union of Medical Producers and Importers (MPI), to facilitate this training. The Center is a source of abundant up-to-date information on pharmaceutical and biotechnological industries; on-line, through their well-equipped library, and through consultancy, evaluations, a translation service and most importantly training courses. The Center has hosted a number of courses in GMP conducted by CAPS international experts from the Netherlands, Belgium, Australia and Germany.

In order to build the training capacity of the Center, CAPS implemented a GMP TOT course. As a result, the Center currently has 17 local trainers who have already delivered their own courses alongside international experts invited by CAPS.

Since its establishment in May, 2009 the GXP CoE has successfully implemented 12 courses covering a wide range of important GMP-related topics; a total of 168 graduates. Most importantly, six out of the courses were independently conducted by the Center through its own resources. This indicates the Center's self-sustainability – an important goal that CAPS has set in working towards improvement of its selected industries.

To further ensure the smooth operation of the Center, CAPS experts also assisted in developing a three year action plan, and an accurate and detailed schedule of courses available at the Center. The Center is also planning to offer online courses through its website developed with CAPS assistance. This will be another useful tool for the Center, making it unique in Armenia and in the region. ❖



## **Eduard Dilanyan**

**Director, Vitamax-E**

The CAPS support in assuring good manufacturing practices for pharmaceutical production organization is invaluable.

From numerous CAPS initiatives I would like to highlight with gratitude the facilitation of collaboration between “AM Partners”, a business service provider, and our company.

Through CAPS support “AM Partners” has undertaken a detailed research on possible new markets for our company to enter. Then, based on this research, they have developed an investment plan, which now serves as a guideline to direct our efforts toward entering new markets and increasing our competitiveness both locally and internationally.

I think that making this kind of consulting services accessible for businesses is one of the most appreciated CAPS initiatives.

# CAPS STRENGTHENED LOCAL BSPs

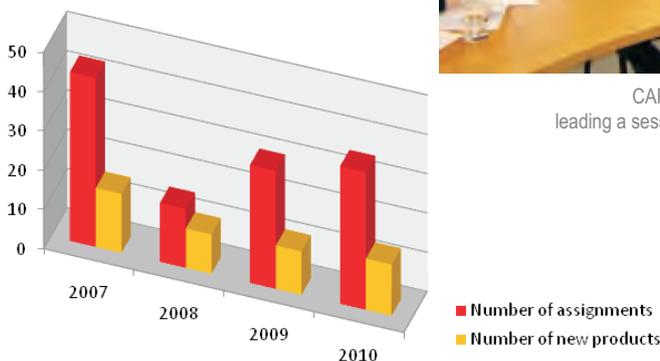
During five and half years, the USAID Competitive Armenian Private Sector (CAPS) project raised the capacity of approximately 80 local Business Service Providers (BSPs) to provide high quality business development services to the Armenian private sector. One of the examples is AM Partners Consulting Company created in 2006. Though the company founders possessed solid credentials in terms of education and experience in the field of business development services, external support was essential to gain recognition in the local BSP marketplace.

CAPS supported this new endeavor in two ways: increasing the potential of young professionals employed by the company providing BSP capacity building opportunities and subcontracting the company for particular assignments as a result of competitive bidding process. As stated by AM Partners Founder, Vahe Mambreyan “through participation in trainings and seminars our specialists received unique opportunity to upgrade their qualification, gain knowledge, exchange experience and establish partnership network with local advisory and business community.” AM Partners also took part and won several CAPS tenders, which enabled the company to apply competencies in practice.

The incitement provided by CAPS made it possible for the company within its four years of operation to increase the spectrum of services offered to Armenian private companies, including market research, marketing management and marketing plan development, investment plan development, financial and business plan development. Starting from only two senior and two junior professionals, it added four additional professionals and tripled its turnover.

According to Mr. Mambreyan, AM Partners gained strong recognition and reputation as a trustworthy partner within a short period of time. Without CAPS assistance, it would have taken AM Partners significant more time and investment to achieve this reputation as a strong BSP. As result of CAPS support, AM Partners' clients understand and appreciate the value of its assistance to help their companies become more competitive in the local and global marketplace. 

GROWTH OF BUSINESS CAPACITY DEVELOPMENT SERVICE PROVIDERS DUE TO CAPS SUPPORT



**CAPS has strengthened Business Capacity by supporting the ability of companies to manage and grow their businesses. CAPS has worked closely with Armenian business service providers helping companies to improve productivity, upgrade marketing practices, introduce good governance practices, improve HR management and upgrade the quality of products.**



CAPS international consultant Virginia Stacey leading a session of BSP capacity development training



Samvel Zakaryan, MPI President, promoting the local pharmaceutical producers at the CAPS-supported "Healthy Nation, Healthy Economy" awareness campaign

## Samvel Zakaryan

### MPI Union, President

The Union of Medicine Producers and Importers includes 10 member organizations. Because of CAPS support, it is envisaged that this will increase by 50-100 percent in the near future. CAPS had a substantial role in the progress of the Union. Our partnership has developed into friendship, especially when we witnessed the consistent and responsive attitude of this organization towards the issues of the private sector.

I would like to highlight specifically our joint "Healthy Nation, Healthy Economy" campaign, which comprised a range of unprecedented events and which raised awareness of Armenian pharmaceutical producers among consumers, presented their products to local industry specialists and managed to build trust in businessmen involved in this sphere.

We, with CAPS assistance, and with direct involvement of its specialists, organized outside seminars, meetings in the Marzes of Armenia, interesting conferences and informal forums with officials responsible for the development of the industry.

We anticipate preserving these good traditions because they ensure very inspiring and reassuring results.

## ARMENIAN PHARMACEUTICAL FIRMS STRIVE FOR A 'HEALTHY NATION, HEALTHY ECONOMY'

The CAPS project is working with the Armenia's pharmaceutical industry to capture a larger share of the domestic market and target new international markets. CAPS research undertaken in 2008 on the Domestic Perception of Armenian Pharmaceutical Products, which surveyed consumers, clinic representatives (pharmaceuticals procurers and physicians) and pharmacy representatives (managers or owners and pharmacists), revealed an ambiguous attitude of consumers toward Armenian pharmaceuticals.

In order to develop strategies for improving the domestic perception of Armenian pharmaceutical products CAPS international consultants worked closely with all industry stakeholders, including medicine producers, public sector representatives, associations and business service providers. As a result, a communications campaign was developed to increase the awareness and improve perception of Armenian pharmaceutical producers in the local market - a constraint that impacts domestic sales as identified in the CAPS-supported survey.

Five Armenian pharmaceutical producers have created a team together with the Union of Medicine Producers and Importers (MPI) and the GXP Center of Excellence (COE), and have, with CAPS assistance, started the execution of a campaign to increase awareness of the domestic pharmaceutical production industry and improve the perception of Armenians toward domestically-produced medicines.

The campaign was founded on the introduction of EU Good Manufacturing Practice (GMP) standards by many of the production companies that will, when the standards are formally recognized by government, help to guarantee the quality of the medicines they produce. The appropriate motto for their efforts - "We are responsible for a "Healthy Nation, Healthy Economy" was therefore the slogan for this campaign.

As part of the campaign, MPI and pharmaceutical producers revealed their vision and mission within Armenia's healthcare system to the medical community and patients/consumers. A number of different activities were organized, including: presentations on GMP and other standards in the pharmaceutical production industry, television programs to promote important endeavors and accomplishments in the domestic pharmaceutical industry, charitable events organized by the producers and seminars on critical industry topics in Yerevan as well as in the regions of Armenia.

"One can't help but notice that Armenian companies have become more active and have undertaken efforts to manufacture quality and affordable pharmaceuticals, compliant with international standards", highlighted Karine Gevorgyan, a therapist in Vanadzor Polyclinic No 5 adding "it is important for the producers to visit the regions, like they did today, and tell us about their products. Otherwise, given the lack of information, region physicians miss the opportunity to prescribe these products in their practice".



Artak Ghazaryan, CAPS Chief of Party, being interviewed at the launch of "Healthy Nation, Healthy Economy" pharmaceutical awareness campaign

Positive dynamics in Armenia's pharmaceutical production have been registered during the last several years, facilitated by CAPS, and pharmaceutical producers have become more unified and organized, implement joint training courses and are committed to product quality improvement and increased public awareness. The abovementioned factors inspire hope for the development of Armenia's pharmaceutical production as a competitive and powerful economic lever with the introduction of best international practice. ◊



The success stories presented here, and their positive outcomes, were attained by the conscientious and professional efforts of the USAID/CAPS team.

Our achievements, squeezed into this publication and with many more not covered, are just a small summary of the varied activities of the team. Many of these accomplishments required confidence and perseverance to overcome challenges, as well as creativity and focus. However, our determination has led to measurable results, highly evaluated by our partners and confirmed by statistics.

After promoting the competitiveness of various industries for five years, we can now state that the competitiveness ideology, cluster approach towards economic development, and implementation of targeted policies, have been adopted by these industries and the state agencies regulating them.

I would like to express my gratitude to the USAID/CAPS staff for their dedication, professionalism and support.

**Artak Ghazaryan**



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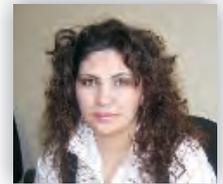
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Her Excellency Marie L. Yovanovitch, US Ambassador to Armenia, visited CAPS office



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