



Programme: Private Sector Development South Caucasus (PSD SC): EU-Co-financing
“Support to SME Development in Armenia” (EU-SMEDA)

PN: 13.2144.7.010.00

Activity: CCI overall report

Period: 2nd of May to 30th of June 2019

1. Brief Introduction

The private sector in Armenia faces several challenges such as the lack of cohesion and coordination of different small and medium-sized enterprises (SME) support programmes, inefficient steering mechanisms for the SME development process, a fragmented landscape of stakeholders, and an inefficient public private dialogue as well as an inefficient decision-making process. The donor coordination process in different intervention areas is currently not government-driven.

The involvement of the private sector in SME development strategies is not effective and interests of SMEs are in fact not reflected in decision-making processes. Supporting services are insufficiently available – both in quality and quantity. Underdeveloped capacities within the organised private sector are main obstacles and barriers to the envisaged development.

Innovative ideas are hardly developed and are rarely transferred into business cases. Research and development are limited, in particular in the SME sector with hardly any cooperation of businesses and research entities. The innovative and creative potential of young specialists is not employed.

Access to finance is another major challenge for SMEs. Due to high debts – accrued during the global financial crisis and an associated decline in GDP (estimated 14% in 2009) – many Armenian SMEs have only limited access to further credits and loans. In general, lending policies of most banks and financial institutions do not encourage investments in SMEs.

With this situation for the private sector in Armenia, the EU-co-financed, GIZ-implemented project “Support to SME Development in Armenia” (EU-SMEDA) was initiated in 2016. The project is in line with the EU Single Support Framework 2014-2017 for Armenia. It is furthermore consistent with the strategic framework documents of Armenia (Armenia Development Strategy and SME State Support Strategy) in order to facilitate their implementation.

The objective of the project is to improve the national business and investment climate and support the creation and development of SMEs to enable broad based growth.

The EU-SMEDA-Project is part of the Regional Private Sector Development in South Caucasus Programme, which is operating in the three countries of the South Caucasus, Armenia, Azerbaijan, and Georgia. This umbrella programme faces the challenge of generating broad based inclusive growth to reduce the urban-rural gap and poverty above all in rural regions. In view of the small domestic markets with low purchasing power, the primary aim is to strengthen private sector development.



The PSD SC Programme is currently divided into 4 components with a budget as follows:

- PSD SC Programme (regional programme): EUR 8.6 Mio for four years (2017-2020).
- Project “Economic Integration of Syrian Refugees in Armenia”: EUR 2.5 Mio EURO for two years (2015-2017).
- EU-co-funded Project “DCFTA and SME Development” in Georgia: EUR 5 Mio EURO for four years (2015-2019).
- **EU-co-funded Project “Support to SME Development in Armenia”: 6.4 Mio EURO for four years (2016-2019).**

The “Support to SME Development in Armenia” (EU-SMEDA) Project is focusing on the following result areas:

- (1) Improved policy making process and coordination of supports to SME development for a conducive business development framework,
- (2) Strengthened private sector organisations to implement SME policies,
- (3) Improved process of commercialization of ideas linking research institutions and businesses via cooperation networks,
- (4) Improved design and management of economic clusters (business incubators, techno parks, and Free Economic Zones),
- (5) Diversified access to finance for innovative start-ups and small businesses.

The project is co-funded by the European Union and implemented by the GIZ Programme Private Sector Development South Caucasus (PSD SC) and its country component in Armenia. The PSDSC-Programme is commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). The EU-SMEDA-Project is designed for four years from 2016 to 2019 with a total budget of EUR 6.400.000.

EU-SMEDA Overall Objective

Create employment opportunities by enhancing private sector development in Armenia.

EU-SMEDA Specific Objective

The specific objective is to improve the national business and investment climate and support the creation and development of SMEs to enable broad based growth.

EU-SMEDA Indicators

1. Increase the proportion of SME within the overall economy: increase the share of SME from 7% to 15% in overall number of micro, small and medium enterprises in Armenia.
2. Increase share of SME in employment from 25% to 30%.
3. Increase share of SME in GDP from 27% to 35%.
4. Increase of added value created by SMEs.

Partner structure: executing agencies and intermediaries

The project is guided in its implementation by a Technical Project Steering Committee (PSC), which is co-chaired by representatives of the EU Delegation and the Ministry of Economic Development and Investments (MEDI).



Target Group and Implementing Partners

The target group is composed of all relevant stakeholders involved in the development of SMEs in Armenia. This includes the political lead partner, the Ministry of Economic Development and Investments in Armenia, and the Small and Medium Entrepreneurship Development National Centre (SMEDNC), related sector associations, the Armenian Chambers of Commerce and designated SME support organisations.

An important project partner is the Armenian Enterprise Incubator Foundation (EIF), which implements parts of the project activities related to managing and monitoring of funds for start-ups and small businesses.

Another important target group is females and males, owners and employees of SMEs.

Planned Activities of EU-SMEDA-Project

- Support to policy making by assisting the Armenian government to implement the SME strategy and to introduce a review mechanism for the SME development strategy and its action plans
- Support to policy implementation by strengthening the institutional capacities of the Ministry of Economic Development and Investments and the SMEDNC in terms of coordinating the implementation of the SME strategy and related action plans as well as developing an information portal to support business performance on foreign trade transactions
- Support to Public-Private Dialogue (PPD) by strengthening the capacities of the Ministry of Economic Development and Investments to manage the PPD process as well as to assess and recommend on dispute settlement mechanisms and platforms
- Provide technical assistance to private sector organisations to improve and expand services and to increase their network with European businesses
- Strengthening the capacities of private sector organisations to participate in PPD platforms and to utilize the opportunities of technology transfer as well as to promote entrepreneurial skills, clusters and value chain development
- Support to linking research institutions and the private sector to foster innovation
- Support to state bodies and the private sector to access EU innovation support resources and platforms such as the new EU Framework Programme for Research and Innovation (Horizon 2020)
- Strengthening capacities of the Ministry of Economic Development and Investments to design, implement and promote clusters
- Support to improving cluster management, linking clusters to European networks as well as developing and promoting new areas for business incubation
- Supporting the provision of grants to support technology start-ups and SMEs promoting new services/products
- Support to EIF and SMEDNC to design and implement business acceleration and coaching programmes for entrepreneurs and grant recipients



2. Context and current situation in the field of assignment

EU-SMEDA embraces in total five result areas with a focus on improving the business and investment climate in Armenia. Small and Medium Enterprises (SMEs) are the main target group for all of EU-SMEDA's activities.

The aim of EU-SMEDA's result area 4 (R4) is to Improve the design and management of economic clusters in Armenia.

The creative and cultural industries (hereinafter CCI) are one of the sectors that EU-SMEDA is focusing and working to further develop and strengthen and in particular to strengthen the collaboration among stakeholders. As a result of EU-SMEDA's activities there are two established and well-functioning clusters: a) Fashion and Design Chamber – Design cluster and b) Independent Filmmakers Club of Armenia – Film cluster. Starting from the beginning of the project the following activities were implemented/supported in this sector:

- [CCI roundtables](#) in March 2017
- [Graphic Recording workshop](#) in May 2017
- [PR summit Armenia](#) in May 2017
- [Design cluster's participation in Kiev Fashion days](#) in Sep 2017
- [Promotional video for Design Cluster](#) in Nov 2017
- [City branding workshop](#) in Dec 2017
- [Highlights on EU-SMEDA's contribution in CCI](#) in Jan 2018
- [EAVE on Demand workshop for Film cluster](#) in Apr 2018
- [Fashion Forum Yerevan](#) in the scope of [EU-SMEDA's Action Grant](#) targeting the development of design cluster in June 2018
- [Nerka design happening Expo](#) in June 2018
- [Assessing the establishment of Creative Hubs in Armenia](#) in July 2018
- [Research on CCI via Value Chain Analysis and Stakeholder Mapping](#) in Sep 2018
- [Film cluster's exchange in Georgia](#) in Dec 2018

As the project is entering its final stage, EU-SMEDA would like to elaborate one publication on CCI as a "product of EU-SMEDA" (hereinafter the Publication), which should combine all the content on CCI developed by EU-SMEDA and several success stories.

For this propose EU-SMEDA seeks to contract a company, ideally having working experience in CCI sector.



3. Conditions of the assignment

3.1 Objective and tasks

The assignment consists of the following parts:

I. Development of the Publication

It is expected to have an all-inclusive Publication about EU-SMEDA's contribution in the development of CCI sector.

The contractor shall elaborate a nicely designed Publication, which highlights all important results and shows the connection of the activities implemented by EU-SMEDA project on CCI. In this regard, EU-SMEDA will provide all the materials and publications developed in the scope of the project.

Moreover, the contractor shall develop min 5 (success) stories to highlight the cluster topic (Fashion and Film clusters) and innovation in CCI (Nerka design Expo, OOT, etc.).

For the elaboration of the Publication and particularly for stories' development the contractor shall conduct additional interviews (including photo shooting) with key stakeholders of the project, in case of necessity.

The whole document shall contain 60-70 pages.

After receiving comments from EU-SMEDA on the draft document, the contractor shall submit the final document to EU-SMEDA within two weeks.

II. Printing of the Publication

After having the approval from EU-SMEDA the contractor shall provide the ready-to-print document to a publishing house (which will be selected and paid by EU-SMEDA). The Publication shall have an appropriate layout/design/etc. for printing and the contractor shall coordinate with the publishing house to fulfil other requirements related to the document.

The above-mentioned sections do not define the entire structure of the assignment, but only point out its main components. The Contractor may suggest additional topics in the proposal, which will be decided upon by EU-SMEDA.



3.2 Deliverables and resources

The following deliverables are to be submitted during the assignment period:

Tasks & Deliverables	Timeline	Man days (max)
<p>I. Development of document</p> <p>Meeting with EU-SMEDA experts Submission of draft publication Submission of final publication</p> <p>Deliverable: Draft/final versions of the publication</p>	<p><i>2 May 2019</i> <i>29 May 2019</i> <i>13 June 2019</i></p>	<p>17</p>
<p>II. Printing of the Publication</p> <p>Close coordination with the publishing house during printing process</p> <p>Deliverable: Ready-to-print publication</p>	<p><i>13 - 30 June 2019</i></p>	<p>3</p>
<p>Total</p>		<p>20</p>



3.3 Conditions and payment terms

The Contractor's offer must include:

- The **Financial offer** requires the Contractor to submit for consideration a summary of costs with respect to the above sections
- The **Technical offer** requires the Contractor to submit details pertaining to the Contractor's organization; the Contractor's experience in the above-mentioned field: including samples of contractor's works: a) particularly in editing documents: content samples with photos (short/success stories), b) designed books/booklets (links or pdf versions); CVs of the experts; comments/suggestions on the Terms of Reference, description of approach, methodology and work.

The description of approach, methodology and work plan must include activities and deliverables as indicated in above table.

3.4 Coordination and communication

The Contractor reports to the Team Leader of the EU-SMEDA project and closely collaborates with the responsible Project Expert as well as with the administrative support team.

3.5 Submission Requirements

The Contractor must fulfil the following requirements:

- Strong proven expertise in the area of assignment
- Fluency in English-writing

3.6 Additional Documentation

- Description of Action
- Log Frame for EU-SMEDA-Project
- EU-SMEDA Communication and Visibility Plan
- All the reports/documents/materials on CCI developed by EU-SMEDA



Contribution of above-mentioned mission* to EU-SMEDA indicators:

Overall Objectives & indicators	The overall objective is to lay the ground for the creation of employment opportunities by enhancing private sector development in Armenia; measured through following indicators:	
1)	Increase the contribution of SMEs to the overall economy : increase the share of small and medium enterprises (SME) from 7% to 15% in the overall number of micro, small and medium enterprises (MSME) in Armenia.	x
2)	Increase share of SME in employment from 25% to 30%.	x
3)	Increase share of SME in GDP from 27% to 35%.	x
4)	Increase of added value created by SMEs (OECD/statistics)	x
Specific objective & indicators	The specific objective is to improve the national business and investment climate and support the creation and development of SMEs to enable broad based growth; measured through following indicators:	
1)	The specific number of businesses that benefited (increased turnover, reduction of operating cost e.g. RIA) from the support provided by the project (estimated 2,000 a year).	x
2)	Number of new businesses created within the framework of this project (disaggregated by targeted sectors and gender: targeting from 10% to 30% of businesses led by women and increasing overall ratio of businesses led by women) (estimated 100 a year).	
3)	500 new jobs created within the framework of this project (disaggregated by targeted sectors and gender: targeting from 10% to 30% of women).	
Indicators R1	Result Area 1 – Policy Making Processes (Source for measurement: focus-groups interviews, representatives' survey)	
1)	At least 50 % of business organisations confirm a better involvement of private sector in policy making and legislative processes	
2)	At least 50% of respondent SME enterprises which participated in state SME support measures can name the improvements made as a result of the perceived measures (respondent will be disaggregated by sex)	
3)	8 recommendations on improving doing business for SME elaborated in PPD mechanisms have been introduced in policy/legislative decision processes	
4)	All programme and policy indicators to monitor SME development are properly set up with corresponding data and baselines	
Indicators R2	Result Area 2 – Strengthening Business Organisations (Sources of measurement: data of baseline study with PSO)	
1)	The range of services that are provided and used has increased by at least 30%.	
2)	Increased membership of min. 20% in at least 3 business associations	
3)	6 recommendations of SME policy/strategy implemented	
Indicators R3	Result Area 3 – Linking Science and Private Sector (Sources of measurement: baseline study, interviews)	
1)	5 cooperation platforms including (MEDI and) research organisations/universities, in particular economic sectors, have been established and work on a sustainable and regular base (1 to 4 times a year)	
2)	15 recommendations of these platforms as to how to improve the link between businesses and research have been implemented by the respective partners	
3)	4 new joint cooperation projects between companies and universities or research institutes (requires monitoring system in universities) are established	
4)	Up to 4 successful proposals with Armenian participation to H2020 - Success rate of Armenia in EU calls for proposals related to innovation in science and technology (H2020)	
Indicators R4	Result Area 4 – Improving Management of Economic Clusters (Sources of measurement: proof of evidence (concept), interviews)	
1)	The concept for the design and improved management of economic clusters (business incubators, technoparks, FEZ) has been elaborated or reviewed with close cooperation of private sector and government	
2)	4 economic clusters have improved their management practices (income growth rate has increased or cost of management have decreased)	
3)	40 SME have been registered in economic clusters and are using services	x
Indicators R5	Result Area 5 – Improving Access to Finance (Sources of measurement: EIF statistics/monitoring)	
1)	50 start-ups and existing small businesses are using new financial services (innovation grants, crowd funding, angel investments etc.)	
2)	30 new/innovative ideas that have been applied by private sector and lead to the establishment of a company or new products and services.	
3)	15% of newly registered companies (30% of them are women) are operating for at least 2 years	

*this should guide the contractor in the focus of the mission on activities relevant to actively contribute directly or indirectly to the fulfilment of the indicators and to report accordingly to EU-SMEDA.