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TAM·BAS

TurnAround Management &
Business Advisory Services
Programme Team

Rural Development BAS Programme Armenia

Tigran Aghabekyan

TAM/BAS Workshop
London, 3-4 April 2008



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Agenda

1. Rural Development Challenges as seen in 2007
2. BAS Armenia Focus on Rural Development
3. BAS Armenia achievements with Rural SMEs
4. Success Stories
5. Competence/Capacity Building Seminars/Workshops in the Regions
6. Synergies with key SME Industry Stakeholders
7. Plans for 2008



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Challenges outlined at TAM/BAS Workshop by RPD Caucasus in 2007

- BAS teams in all three countries of South Caucasus will continue to work directly with regional enterprises and to address their needs
- More flexible approach is needed to SMEs struggling to develop their business in markets with poor infrastructure
- More efforts will be made to enhance capacity of local consultants (focused training programmes)
- Access to finance is one of the key factors determining the future of regional enterprises
- BAS will continue to cooperate with other donor programmes to avoid duplication and to create synergy



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Focus on Rural Development

- Positive SME sector achievements:
 - Contribution to Armenia's GDP is 41% (double growth over 1999)
 - Contribution to Armenia exports is 17%
- However:
 - 49% in Yerevan, 51% in regions
 - 99.3% also involved in trade
 - A strong disparity in economic development between the capital and the rest of Armenia still exists



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BAS Armenia Achievements with Rural SMEs

- In 2006 – 45% of BAS projects in the regions:
- In 2007:
 - Under ETC funding – 67%
 - Under USAID Funding – 69%
- Industry types:
 - Wholesale/Retail Distribution – 30%
 - Food/Beverages – 21%
 - Travel/Tourism – 15%
 - Construction/Engineering – 10%
- Types of Advisory Services:
 - Computerised Financial/ Management Information Systems – 37%
 - Development Planning, Feasibility Studies and Partner Search – 22%
 - Market Analysis & Planning – 20%
 - Energy Efficiency/Environmental – 18%
- 45% of 2007 ERs in the regions:
 - 99% revenue increase (61% for ALL projects)
 - 24% employment increase (29% for ALL projects)
 - 35% - HS, 57% - S, 8% - U



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Success Stories

- **DINA ALBERT Hotel in Syunik Region (194 cold season days)**
- Before:
 - 30 unheated rooms
 - 10% occupancy
 - energy costs comprised 60% of operational costs
- After:
 - Energy Efficient Heating/Hot Water system installation
 - 52% energy costs reduction in 2007-2008 season
 - 30% occupancy, 125% revenue and 18% employment increase
- **ELITA yeast production in Kotayk Region**
 - Technological advise on production for baking industry
- Before:
 - Failed attempt of adding a new product line due to lack of appropriate technical/marketing know-how
- After:
 - Mass production of 4 new product types launched
 - 50% market share in 1 year for the new products
 - Export contracts negotiated (Georgia, Ukraine, Iran)
 - 30% revenue, 14% employment, 14% productivity increase



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Competence Building in the Regions

- Four trainings for regional consultants and SMEs:
 - Wine appreciation course for producers, retailers and hospitality sector (jointly with USDA)
 - Hospitality Service Capacity Building in Tawush regions
 - Service Management and Marketing in Vayots Dzor Region
 - Energy Efficiency and Cost Optimisation in Syunik Region
- Over 110 participants
- Immediate outcomes:
 - 4 BAS projects in energy efficiency and marketing for the participants
 - Adoption of hospitality service capacity building initiatives by the Armenian SME Development National Centre in other regions
 - Multiplication effect of BAS initiatives with other stakeholders such as Armenian SME DNC, USDA's CARD.
- BAS Armenia to follow-up training/workshop projects within 6 months – 1 year timeframe (a systemic approach needed)



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Synergy with Stakeholders

Access to Finance:

- A number of BAS beneficiaries still need funding
- Referred to:
 - EBRD RO for DIF, DLF, MCFF, and other instruments (
 - Hydrocorporation project signed in 2007, Dili underway
 - Armenia Microlending programme
 - ProCredit Bank commenced operations in February 2008
- Obstacles remain: Pricing, Maturity Terms, Inadequate Collateral

Cooperation with Donors

- Armenian Minister of Trade and Econ Development asked BAS to join the Armenian SME Strategic Group comprising BAS, USAID, UNIDO, GTZ, and others to develop recommendations on the strategic development of SME industry and the SME DNC:
 - Criteria for Measuring Government Success in Promoting SME Development
 - Evaluation and Monitoring of SME DNC
 - Finance Activities
 - Technical Assistance
 - Improvement of the Business Environment



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Plans for 2008

- **USAID Programme**

- Active rural involvement (up to 65-70% of portfolio)
 - Consultants Competence/Capacity Development
 - Standard BAS projects
- Participation in the regional best practices workshop in June
- Dissemination via monthly USAID contractors meetings and Armenian SME Council activities
- Policy dialogue with SME stakeholders

- **Women in Business Programme**

- Consultants Competence/Capacity Development
- Standard BAS projects
- Discussions and considering Gyumri Business incubator and other new projects initiated by the Armenian Ministry of Trade and Economic Development