

Country Name	The Project for Development of Local Production and Promotion of Local Brands Phase 2
Republic of Armenia	

I. Project Outline

Background	Regional disparities were increasing in Armenia despite the steady economic growth since its independence in 1991. At the time of ex-ante evaluation, about 40% of the GDP was concentrated in Yerevan, the capital, and the poverty rate in the rural areas increased since the global financial crisis in 2008. Due to the limited scale of the domestic market, it was necessary to promote export of local products and in-bound tourism and strengthen the competitiveness of local small and medium enterprises (SMEs) in the domestic and international markets. JICA implemented the Project for Development of Local Production and Promotion of Local Brands (Phase 1) from March 2013 to February 2016 to strengthen local SMEs by the One Village One Product (OVOP) movement. Phase 1 disseminated OVOP, developed local products based on the information collected from the marketing platforms, and enhanced local branding through business partnerships. The Project on Development for Local Production and Promotion of Local Brands Phase 2 was implemented to expand OVOP nationwide and strengthen competitiveness of local SMEs.										
Objectives of the Project	Through strengthening the capacity of Small and Medium Entrepreneurship Development National Center (SMEDNC), business development service (BDS) providers and SMEs applying OVOP movement, the project aims at improvement of the competitiveness of local SMEs in the local and international markets by means of Armenian OVOP movement promoted by SMEDNC, thereby contributing to the local economic development of Armenia. 1. Overall Goal: Armenian OVOP movement promoted by SMEDNC contributes to local economic development of the country. 2. Project Purpose: Armenian OVOP movement promoted by SMEDNC contributes to improving the competitiveness of the local SMEs and entrepreneurs in both national and international markets, including Japanese, European and/or neighbouring countries' markets.										
Activities of the Project	<ol style="list-style-type: none"> Project Site: 10 regions of Armenia Main activities: 1) To train SMEDNC and BDS providers and SMEs applying OVOP method; 2) To promote export of local products and tourism. Inputs (to carry out above activities) <ul style="list-style-type: none"> Japanese Side 1) Experts: 7 persons 2) Trainees received: 50 persons in total 3) Equipment: Office equipment and items for training 4) Operational expenses: 38 million yen <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Armenian Side</td> <td style="width: 50%; border: none;"></td> </tr> <tr> <td style="border: none;">1) Staff allocated: 11 persons</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">2) Project office</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">3) Operational expenses</td> <td style="border: none;"></td> </tr> </table>			Armenian Side		1) Staff allocated: 11 persons		2) Project office		3) Operational expenses	
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Project Period	(ex-ante) July 2016-June 2019 (36 months) (actual) July 2016-July 2019 (36 months ¹)	Project Cost (Japanese side only)	(ex-ante) 260 million yen, (actual) 249 million yen								
Implementing Agency	Small and Medium Entrepreneurship Development National Center (SMEDNC) Fund Investment Support Center (FISC) at the time of ex-post evaluation										
Cooperation Agency in Japan	Kaihatsu Management Consulting, Inc.										

II. Result of the Evaluation

<Constraints on Evaluation>

Data of the Overall Goal indicators were not available as such data are not collected systematically. Still, the implementing agency and beneficiary SMEs reported positively about the increase of participating SMEs and increase of income.

1 Relevance/Coherence

[Relevance]

<Consistency with the Development Policy of the Republic of Armenia at the Time of Ex-Ante Evaluation >

The project was consistent with the development policy of Armenia at the time of ex-ante evaluation. Based on the Law on State Support of Small and Medium Entrepreneurship, the government of Armenia had implemented annual SME support program. The government approved a new policy to promote SMEs in 2012, which included human resource development and promotion of local SMEs. The focus of the SME policies shifted from increasing numbers to strengthening of competitiveness, and the "Small and Medium Enterprise Development Strategy 2016-2018" aimed to develop a competitive environment through enhancement of management capacity.

<Consistency with the Development Needs of the Republic of Armenia at the Time of Ex-Ante Evaluation >

The project was consistent with the development needs of Armenia at the time of ex-ante evaluation. As mentioned in "Background" above, Armenia needed to promote export of local products and in-bound tourism. This project was implemented to expand OVOP that was disseminated by the preceding project (Phase 1) nationwide and strengthen competitiveness of local SMEs.

<Appropriateness of Project Design/Approach>

The project design/approach was appropriate. No problem attributed to the project design/approach was confirmed.

<Evaluation Result>

¹ The project started in mid-July 2016 and ended in mid-July 2019.

In light of the above, the relevance of the project is ③².

[Coherence]

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with the Japan's ODA policy to Armenia at the time of ex-ante evaluation. One of the priority areas of Japan's country assistance policy for Armenia (December 2012) was the "Improvement of institutions and infrastructure for economic growth and regional development." "SME promotion and sustainable regional development through mobilization of regional resources" was included in the priorities of Japan's project rolling plan for Armenia (April 2016).

<Collaboration/Coordination with JICA's other interventions>

The collaboration/coordination between the project and JICA Knowledge Co-Creation Program (KCCP) was planned during the project period and was implemented, the positive effects were confirmed at the time of ex-post evaluation.

Armenians from related organizations participated in several courses of the Knowledge Co-Creation Program (KCCP) of JICA on business development between 2019 and 2022. The participants learned the method to create ideas for community development to apply and update. They also learned that solidarity of the actors in the related communities should be activated for the branding of characteristics of the community. For instance, wine producers in Aleni at Voyots Dzor Region became famous as a brand Aleni Family Wine had been promoted through the story of the historic origin and as the oldest of the wine produced in the world. They also learned to implement marketing policy utilizing the advantage of the community, to conduct marketing research, to select the valuable products, and the presentation skills.

<Cooperation with other institutions/ Coordination with international framework>

The cooperation/coordination with other development partners supporting regional economic development was planned at the time of ex-ante evaluation and implemented as planned, and the positive effect was confirmed at the time of ex-post evaluation. Another roadside station (similar to MICHI NO EKI³) was established in 2019 in another project funded by the European Commission. The 5S concept⁴ was integrated in the German Participatory Appraisal of Competitive Advantage (PACA) concept that was introduced to Armenia in 2011, and the Advanced OVOP methods were used in German's Competency Based Economies Formation of Enterprise (CEFE) method in 2013 during Phase 1 of JICA project.

<Evaluation Result>

In light of the above, the coherence of the project is ③.

[Evaluation Result of Relevance/Coherence]

In the light above, the relevance/coherence of the project is ③.

2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the Time of Project Completion>

At the time of project completion, the Project Purpose was achieved as planned. Out of three indicators, one was achieved beyond the plan and two were achieved as planned. All of ten regions had new local branded products, and the SMEs which participated in the project had positive changes in their business. SMEDNC implemented activities to support Armenian OVOP movement.

<Continuation Status of Project Effects at the Time of Ex-Post Evaluation>

By the time of the ex-post evaluation, the project effects have been continued. Out of three indicators, two were continued in terms of the indicators. All ten regions have local branded products that were developed during the project and remain in the market at the time of ex-post evaluation (indicator 1). Most of the SMEs surveyed in the ex-post evaluation reported that their local products remained in the market and they had produced new local brand products. The number of SMEs experienced positive changes such as increase of number of clients, number of suppliers, number of employers, annual sales revenue and/or annual profit by applying OVOP method (indicator 2) did not achieved the target, but the surveyed SMEs reported increase of number of clients, number of suppliers, number of employers, annual sales revenue and/or annual profit. Also, they have developed new products (wines, etc.) and started export, and improved quality and hygiene using food safety manuals and following hygiene rules of Hazard Analysis and Critical Control Point (HACCP) certification. Regarding tourism, SMEs conducted market research to attract tourists, and for example, wine production was connected with Bed and Breakfast (B&B) and this model was copied by many farmers in the region.

The Fund Investment Support Center (FISC: former SMEDNC) supports SMEs using OVOP method, in particular through a program for start-up businesses. They had some difficulties to organize training due to COVID-19 and Nagorno Karabakh war. The ongoing reform process of FISC in which SME support has less importance than before, but the regular SME training was continued even in 2020 and 2021 during the COVID-19 pandemic. The Startup trainings of practical producing technics for the local producers of cheese, dry fruits and other items that were established by the project were suspended during that period, and restarted in the year of 2022. On the other hand, IT businesses have emigrated from Russia and have started their business activities in Armenia. Manufacturers of food industries have been keeping stable production during the period.

<Status of Achievement of the Overall Goal at the Time of Ex-Post Evaluation>

At the time of ex-post evaluation, the Overall Goal has not been achieved. All three indicators set target values, out of which one did not achieve the target and two were not verifiable as there are no such data available at FISC or surveyed SMEs. Still, they reported increase in the number of SMEs participating in OVOP movement and increase of SMEs income.

<Other Impacts at the Time of Ex-Post Evaluation>

No particular impacts were observed.

<Evaluation Result>

In light of the above, the effectiveness/impact of the project is ②.

² ④ : very high, ③ : high, ② : moderately low, ① : low

³ Michi-No-Eki are roadside rest areas where local specialties are sold and tourist information is provided.

⁴ 5S is a five-step methodology to create a more organized and productive workspace. In English, the 5S's are Sort, Straighten, Shine, Standardize, and Sustain.

Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results	Source
<p>(Project Purpose) Armenian OVOP movement promoted by SMEDNC contributes to improving the competitiveness of the local SMEs and entrepreneurs in both national and international markets, including Japanese, European and/or neighbouring countries' markets.</p>	<p>Indicator 1 All of Armenian 10 regions (Marzer) have newly branded products.</p>	<p>Status of the Achievement (Status of the Continuation): achieved as planned (continued) (Project Completion) All ten regions had newly branded products. Tavush: Herbal tea Lori: Vodka and foods, local tourism Kotayk: Processed foods, local tourism Armavir: Dried fruits Ararat: Dried fruits Vayots Dzor: Wine Shirak: Honey, local tourism Syunik: Cheese and dried fruits, local tourism Gegharkunik: Organic foods linked with eco-tourism Aragatsotn: Pure water source for agricultural and dairy products and tourism promotion. (Ex-Post Evaluation) Most local brands that were established during the project and remain at the time of ex-post evaluation, including Ar Tea (herbal tea, from Ar-Phyto Pharm, Tavush region), Satenie (dry fruits, Armavir), Sunny Day (dry fruits, from Nairian Gourmet, Armavir), Koti product (Tavush region); BeeNut (nuts, Lori region). All ten regions have local products that were developed during the project and remain in the market. Most of these products are still in the market with good quality by good management and well-promotion. Some products disappeared from the market mainly due to COVID-19 and Nagorno Karabakh war as well as lack of competitiveness and small size of the market. Among 32 SMEs which responded to the questionnaire, 27 (90%) answered that their local brand products are still in the market and 16 (50%) said that they had produced new products since the project completion 2019.</p>	<p>Project completion report Information from beneficiary SMEs of the project through questionnaire survey (32 responded) and field survey</p>
	<p>Indicator 2 Positive changes such as the increase in sales, increased number of clients, increased employees, access to new markets and/or the other indicators are observed in at least 50 SME participants in Armenian OVOP movement.</p>	<p>Status of the Achievement (Status of the Continuation): achieved beyond the plan (partially continued) (Project Completion) 52 among 106 SMEs which were introduced to the Advanced OVOP method improved their business operations such as increase of number of clients, number of suppliers, number of employers, annual sales revenue and/or annual profit. (Ex-Post Evaluation) Out of 32 beneficiaries SMEs which responded to the survey of ex-post evaluation, 22 continued using the OVOP method and had improved their business operations such as increase of number of clients, number of suppliers, number of employers, annual sales revenue and/or annual profit. By using the knowledge and skills obtained during the project, they increased production, developed new products (wines, etc.) and started export to USA and Russia, and improved quality and hygiene using food safety manuals and following hygiene rules of HACCP certification, which is going to be required for every food producing SME from 2023. Production of dry fruits and other local products has been developed to other farmers through training using manuals in Armenian language, and new taverns and degustation rooms to introduce products from other farmers. Regarding tourism, SMEs conducted market research to attract tourists, joined B&B association and were given grants for equipment acquisition. B&B association created member catalogue first in 2016 and updated in 2022. Wine production was connected with B&B and this model was copied by many farmers in the region.</p>	<p>Project completion report (Endline survey) Information from beneficiary SMEs of the project through questionnaire survey (32 responded) and field survey</p>
	<p>Indicator 3 SMEDNC independently supports Armenian OVOP movement in all of 10 regions (Marzer) utilizing</p>	<p>Status of the Achievement (Status of the Continuation): achieved as planned (continued) (Project Completion) In all 10 regions, activities to strengthen the competitiveness of local SMEs were implemented by SMEDNC staff who participated in TOT</p>	<p>Project completion report Questionnaire response of FISC</p>

	"Advanced" Armenian OVOP method, including seminar and/or training.	of the Advanced OVOP method. (Ex-Post Evaluation) During 2020-2022, FISC disseminated the printed materials of OVOP to the relevant clients. These materials have been uploaded to the official website of the FISC to have bigger audience. The OVOP method has been included in the curricula of the trainings for start-ups within the government's "successful start" project, which was implemented in 2020-2022 and targeted every region of Armenia except Yerevan, and OVOP concept was transferred to the start-ups at the beginning of their business. "Successful start" project is based on the government decree on "19th measure to neutralize the economic consequences of COVID-19." Government support to local SMEs had difficulties such as COVID-19 which made it difficult to organize trainings, road closing, and Nagorno Karabakh war.	
(Overall Goal) Armenian OVOP movement promoted by SMEDNC contributes to local economic development of the country.	Indicator 1 The number of the SMEs participants in Armenian OVOP movement is increased up to 400 SMEs.	Status of the Achievement: not verifiable (Ex-Post Evaluation) As of project completion in July 2019, 160 SMEs had participated in the start-up training sessions. Since then, training had stopped due to COVID-19, and online training started in 2021. Face-to-face training, seminars and visits restarted in 2022. FISC does not have exact number of participants.	FISC questionnaire survey and interviews Information from beneficiary SMEs of the project through questionnaire survey (32 responded) and field survey.
	Indicator 2 The number of raw material providers (Armenian farmers and businesses) for the SME participants in Armenian OVOP movement is increased by 2000.	Status of the Achievement: not achieved (Ex-Post Evaluation) As of project completion in July 2019, there were 58 raw material providers. There are 136 raw material providers in 2023. Although the number of raw material providers was small, FISC was expecting value chains in the community/region that would be established unexpectedly and unconsciously.	FISC questionnaire survey and interviews Information from beneficiary SMEs of the project through questionnaire survey (32 responded) and field survey.
	Indicator 3 Income of local SMEs is increased by 30% in 3 years.	Status of the Achievement: not verifiable (Ex-Post Evaluation) Most beneficiary SMEs did not disclose information of income, and it is not possible to know to what extent their income changed. Still, they confirmed that their income had increased, and commented that variety of products and number of export destinations expanded and number of visitors increased.	Information from beneficiary SMEs of the project through questionnaire survey (32 responded) and field survey.

3 Efficiency

Both the project cost and the project period within the plan as planned (the ratio against the plan: 96% and 100%, respectively). The actual project cost was smaller than the planned due to the combined factors.

	Project Cost (Japanese side only, yen)	Project Period (months)
Plan (ex-ante)	260 million yen	36 months
Actual	249 million yen	36 months
Ratio (%)	96%	100%

Outputs were produced as planned.

In the light above, the efficiency of the project is ④.

4 Sustainability

<Policy Aspect>

In 2020, the Government of Armenia approved the SME development Strategy for 2020-2024. In its "Priority action 2. Enhance the visibility of SMEs in foreign market with the aim of promotion of trade and investments," the Government provides immediate support for enhancement of presence of Armenian SMEs in foreign markets. In addition to the already existing support tools, such as Expos and business forums, the Government intends to discuss with the private sector representatives the possibilities provided by the toolkit and the options for more effective targeting as well as to develop a relevant action plan. The Activity "Development of common brand of local products and promotion in foreign countries (pilot)" is envisaged under this Priority. After 2024, a new Strategy on SME development will be elaborated. Considering the importance of SME sector development in Armenia, and also the limited potential of the local market, the OVOP concept will also be at high importance while developing new Strategy.

<Institutional/Organizational Aspect>

The SMEDNC was renamed as Fund Investment Support Centre (FISC) in 2019, and its functions have been enlarged, because the investment attraction, promotion, as well as investment aftercare functions were added in 2019. However, as of 2023, only the investment part is functioning, because the FISC will be restructured again and the investment promotion part will be separated.

FISC had regular Start-up training for SMEs and they implemented it even in 2020 and 2021 during the COVID-19 pandemic. After

COVID-19, it decided to prioritize supporting businesses damaged by the pandemic. Also due to the structural change, SME support projects have been temporarily suspended and are at less importance in the upcoming structural changes. As of December 2023, SME support and development staff left FISC and none of SME development functions are carried out by FISC. Ministry of Economy will continue the support to the SMEs through targeted programs directly or through third party private service providers. Formation of the separate public entity for SME support and development is still under consideration.

<Technical Aspect>

The client SMEs are satisfied with the business support by FISC. All the printed materials (manuals and guidelines) have been utilized, disseminated among the beneficiaries of the FISC. The materials also have been disseminated during events to the participants who might be interested in OVOP concept. Some of electronic materials are available at the official website of the Fund ISC.

<Financial Aspect>

FISC has two types of budget lines: 2 billion AMD fund designated by the state budget for investment and SME support purposes (around half amount is already given as loan to SME) and annual for administrative expenditures around 300 million AMD annually. FISC has its own revenue from loans given to SMEs. 5% from loan interests for women running SME (total interest 7%) and 7% interest from loans given to men running SME (total interest 9%) are transferred to FISC.

<Environmental and Social Aspect>

No issue on environmental and social aspect has been observed, and it has not been necessary to take any countermeasures.

FISC prioritizes women entrepreneurs with the loan interest of 7%, comparing to 9% for men. Some SMEs such as B&B are mostly run by women. SME Loan comes from banks, guaranteed by the state, and is given to SMEs through FISC, which offers lower interest rate than the usual business loans.

<Evaluation Result>

In light of the above, slight problems have been observed in terms of the institutional/organizational aspects of the implementing agency. Therefore, the sustainability of the project effects is ③.

5 Summary of the Evaluation

The project achieved the Project Purpose as planned and not achieved the Overall Goal. All of ten regions had new branded products, and the SMEs who participated in the project had positive changes in their business. At the time of ex-post evaluation, they are partially continued vis-à-vis the target values. FISC continues support for SMEs using OVOP method, but the start-up training was suspended since COVID-19, and the ongoing reform of FISC had set less importance on SMEs. The policy, technical and financial aspects of sustainability are positive.

Considering all of the above points, this project is evaluated to be satisfactory.

III. Non-score Items

Adaption and Contribution:

- JICA Georgia Office provided some budget to print the updated pamphlet of B&B List in Armenia, which was originally published by the project.

Additionality and Creative Values:

- JICA Georgia Office organized the study tour to Kyrgyzstan in October 2023 to learn the success case of JICA OVOP Technical Cooperation Project and obtain advice from the JICA Expert. The participants were consisted of Georgians and Armenians, totally 6 members, who are working and contributing to relevant to the field of marketing, promotion, and the SMEs development.

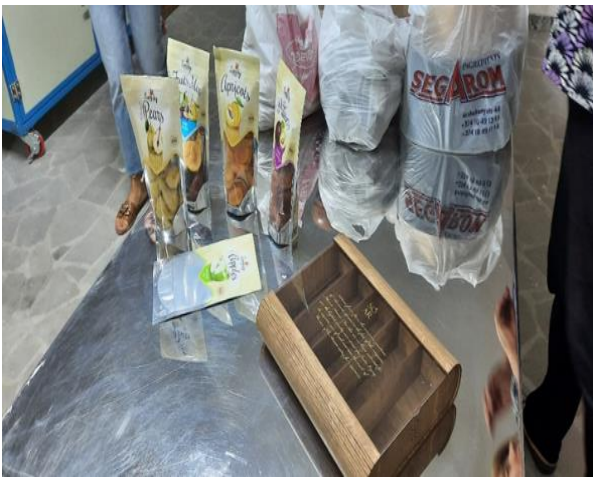
IV. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

After the ongoing organizational restructuring of FISC, the trainings relevant to the project should be resumed, and the monitoring of SMEs should be continued. It is desirable that an organization or department be established to play a central role in supporting the improvement of the quality and competitiveness of local specialty products.

Lessons Learned for JICA:

The KCCP trainings in Japan or visit to Kyrgyz-OVOP-project are effective as they created a synergy effect with this project. It would be useful to implement one or two KCCP training and Kyrgyz-OVOP visit every year so that the person in-charge at FISC who participated the study tour to Kyrgyzstan can make comparison between the Armenian project and the Kyrgyzstan project and influence FISC activities. Two out of three Overall Goal indicators were not verifiable. Availability of information should be considered when setting indicators, such as making use of existing records or statistics without conducting additional survey to collect information that is difficult to disclose, such as personal income.



Dryfruits Brand, Sunny Day, by Naiyan Gourmet



Herbal tea brand, Artea, by Ar Fito
The young woman owner designed packages.



Cheese production, branded Brnakot kat, organizing the startup workshops periodically.