

ANNEX A



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Project of the Republic of Armenia

Project number: SFARM12004 (SAP No: 120366)

Project title: Establishment of a Centre for International Industrial Cooperation (CIIC) in Armenia
Starting date: December 2012
Duration: 3 years
Project site: Yerevan, Republic of Armenia

Government Co-ordinating agency: Armenian Development Agency (ADA)

Counterparts: ADA, Innovation and Industrial Development Fund

Fund/Executing agency: United Nations Industrial Development Organization (UNIDO)
Project Inputs:

Project costs: USD 202,000
Support costs 13%: USD 26,260
Total project budget (incl. support costs): USD 228,260

Brief description:

The aim of the proposed project is to support local efforts in strengthening the development and competitiveness of the private sector in the country by improving support services for SMEs to build up international industrial partnerships, enabling the modernization of local industries as well as solving environmental problems by applying new resource efficient technologies and innovative processes. This will be achieved through the establishment and operations of a Centre for International Industrial Cooperation (CIIC) in Armenia. CIIC Armenia will facilitate international industrial cooperation as well as the attraction of external resources for industrial development through direct support and on-the-job training of networked intermediary institutions. CIIC will be a gateway to UNIDO partnership building capacities to bring together demands and offers for international industrial cooperation. It will also ensure access to UNIDO's accumulated knowledge and skills in increasing industrial productivity by facilitating industrial cooperation and market access combined with the diffusion of environmentally sound technologies.

Approved:

**On behalf of
Armenian Development
Agency (ADA):**

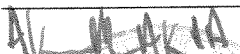
**On behalf of
UNIDO:**

**On behalf of
IIDF:**

Signature:

Date:

Name and title:



Mr. A. Akpa, AMC Chairman

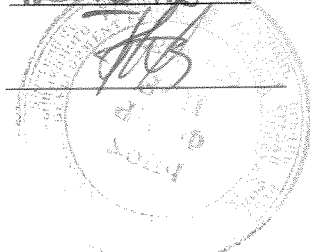


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A. CONTEXT

A.1 Origin of project

The proposed project stems from an on-going UNIDO project (US/RER/10/002) “Establishment of UNIDO Investment and Technology Promotion Offices (ITPOs) Network in EurAsEC Member States” aiming at supporting industrial integration of EurAsEC countries. This project has been implemented since April 2010 in accordance with the Memorandum of Cooperation between UNIDO and the Eurasian Economic Community (EurAsEC) and an Agreement between UNIDO and the Government of the Russian Federation with regard to special purpose contribution to the Industrial Development Fund signed in 2009.

The most important result of the project has been the setting up of project offices in all participating countries – Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, which were jointly created with national counterpart institutions by the end of 2010. They became fully operational even ahead of deadlines set by the project’s work plan. This demonstrates UNIDO’s success in achieving main outcomes of the project and keen interest of Governments in EurAsEC countries in pursuing new paths towards supporting regional industrial cooperation and industrial integration.

A rapid express assessment¹ of the current status of industrial integration conducted by the project offices in participating countries re-confirmed the importance of strengthening various forms of industrial cooperation by providing tailor-made assistance at both institutional and enterprise levels. It also reconfirmed demand of industrial enterprises for more support in building up industrial partnerships. In this context a reference should be made to the Action Plan for the implementation of the first stage of the CIS economic development strategy up to 2020. The Action Plan envisages the widening of interaction between the CIS member states in industrial production, implementation of interstate energy programmes, transport and agricultural sector with a view of increasing the competitiveness of produced goods and the introduction of innovative technologies. The Plan also touches upon boosting cooperation in mutual trade, fuel and energy industry, energy saving, monetary and financial sphere, exploration and use of space, as well as the protection of the environment.

Accordingly, members of the Advisory Board of the originating project (high level representatives from all participating countries as well as CIS and EurAsEC) at the Second Meeting in Moscow on 26 January 2011 unanimously recommended the project activities should focus on industrial cooperation in general, with a special emphasis on supporting supply and value chains, facilitating all forms of industrial partnerships: trade, industrial services, outsourcing/subcontracting, investment, technology transfer etc. and promoting international cooperation for development and transfer of energy and resource efficient technologies.

Following these recommendations a UNIDO’s project office was established within the EurAsEC project (US/RER/10/002) “Supporting industrial integration of EurAsEC countries” at the beginning of 2011 in cooperation with ADA. Thanks to efficient work and impact of activities of the project office in Armenia, the Government requested UNIDO in May 2011 to convert it into a sustainable Centre for International Industrial Cooperation (CIIC).

¹ “Express Analysis of EurAsEC countries participating to the UNIDO project: (US/RER/10/002) “Establishment of UNIDO Investment and Technology Promotion Offices (ITPOs) Network in EurAsEC Member States”

This request was repeatedly reiterated which shows that the Government of the Republic of Armenia is attaching high priority to setting up UNIDO the Centre for International Industrial Cooperation (CIIC) in Yerevan which will enable Armenian institutions and SMEs to benefit from networking with UNIDO ITPOs and other networks.

Furthermore, the Advisory Board of the originating project US/RER/10/002 in February 2012 addressed the Government of Armenia with a specific recommendation to consider setting up a local Fund based on public-private partnership for mobilizing resources to ensure sustainability of CIIC in Yerevan.

Accordingly, the Innovation and Industrial Development Foundation (IIDF) was set up as an NGO and works in close cooperation with the Armenian Development Agency.

A.2 Background

Armenia is a landlocked country with 29,743 sq. km area and a population of about 3 mln (July 2012 est.) located in South-Western Asia, between Turkey, Georgia and Azerbaijan. Around 80% of its land area is mountainous.

After two years of recession caused by the world's financial and economic crisis, economy began to recover in 2010 with 4.6% growth in 2011. The industrial sector accounts for 37.7% of GDP (2011 est.), where the metals (copper and molybdenum) are the country's largest exports. Three key products (metals, alcoholic beverages, and diamonds) account for more than 70% of total exports². The agricultural sector, accounting for around 30% of total GDP, employs 44.2% of the population. Armenia's severe trade imbalance has been offset somewhat by international aid, remittances from Armenians working abroad, and foreign direct investment.

In order to further improve trade balance and economic achievements the Government last year approved a new industrial policy primarily aiming at the development of the export-oriented industries. This policy focuses on upgrading of local productive capacities, modernization of value chains in textile and food industries, uptake of resource efficient technologies with emphasis on energy efficiency and low carbon technologies, as well as foreign direct investment attraction. Main priority areas are economic growth for poverty and inequality reduction, raising the living standards of the population of lagging regions, and export-orientation. The Government of Armenia has declared building knowledge based economy as its long-term strategic objective. On this basis, the guiding vision for the industrial policy will be to turn Armenia into a country producing high-value and knowledge-intensive goods and services with creative human capital at its core.

The long-term goal of the new industrial policy is to form new driver sectors by expanding currently exporting sectors and those with export potential. Capacity building and export support for SMEs with export potential gain a special importance in this framework.

The Government, in cooperation with all potential donors and partners selected for initial intervention in 2011-2012 three industrial sectors out of 11 identified as priorities that are food processing (including beverages), electronics & ICT and pharmaceuticals.

² Strategy of export – led industrial policy of Republic of Armenia, Ministry of Economy of the Republic of Armenia, Yerevan 2011.

Among key measures to be taken in the framework of the industrial policy attraction of investments as well as forging industrial partnerships in other forms are considered as one of the most important ways to increase productivity. In the current phase of Armenia's development and export capacity build-up, foreign investments serve as an important source of financial resources and new technologies as well as management experience and access to markets. A portfolio of initiatives aimed at attracting foreign partners will be an important component of efforts aimed at engagement of sector-specific investments. These initiatives will be synchronized with the application of sector-specific tools in targeted sectors. In particular, special importance will be attached to attracting technological firms, which have strategic importance for the economic development.

In this context Armenia - CIS trade-economic relations are of special importance as the country has free trade agreements with Georgia and CIS countries, with the exception of Uzbekistan and Azerbaijan. Armenia also joined the multilateral CIS free trade agreement. As the markets of CIS countries remain a priority for the Armenian exports in the short and medium term (excluding exports of metal input materials and diamond), the application of this preferential regime will be an essential prerequisite for the implementation of sectoral export-led strategies and for attracting foreign investments. Hence, efficient cooperation and networking with UNIDO CIIC in Moscow and with other similar structures in other CIS countries is of special importance.

As mentioned above an express needs assessment survey in Armenia was conducted by UNIDO Project (US/RER/10/002) "Establishment of UNIDO Investment and Technology Promotion (ITPO) Network in EurAsEC Member States" in 2010-2011. UNIDO Project Office at the Armenian Development Agency (ADA) disseminated a questionnaire and collected replies from a representative number of industrial enterprises from all priority subsectors. Respondents' feedback demonstrated high demand for improving the mechanism for establishing international industrial partnerships. In particular, overwhelming majority of respondents (about 90%) fully supported the necessity to set up a specialized institution for promotion of international industrial cooperation to provide local industries with enhanced economic opportunities through international industrial partnerships and strategic alliances.

The survey and the analysis of the industrial sector revealed the following constraints faced by majority of Armenian SMEs:

- Although SME support services have been established in Armenia, they still need to be strengthened and improved;
- SMEs generally suffer from weak entrepreneurial awareness and enterprise culture, where managers do not have enough experience as far as marketing, management and R&D are concerned. The decision-making process is generally developed on a short-term horizon;
- SMEs have in general restricted capacities to access financial services through the formal financial system (high interest rates, requests for excessive collaterals, lack of risk lending due to the perceptions about the repayment abilities of SMEs);
- SMEs show an insufficient networking capacity, in terms of cooperation not only with each other (for the purchase of raw material, the sale of finished products, for addressing foreign markets, for R&D, etc.) and larger firms (scarce sub-contracting activity), but also with possible foreign partners in accessing new markets and attracting foreign investments;



- Many local entrepreneurs have inadequate skills, capacities and lack of resources for the preparation of business plans and viable investment proposals in compliance with international standards.

The proposed project is expected to support national efforts in removing the above mentioned constraints through capacity building and networking.

A.3 Counterpart organizations

Two counterpart institutions will jointly participate to the set-up of CIIC Armenia:

i) ~~Armenian Development Agency (ADA) mandated in the country to facilitate promotion of~~ international partnerships of local enterprises to increase competitiveness, access to new markets and enhance in-flow of resources into the country, including capital, technology, managerial skills, etc. In accordance with the industrial policy document, the Armenian Development Agency (ADA) will be the key entity implementing the strategy. In order to fully assume the strategy implementation tasks, the ADA will undergo functional and structural adjustment.

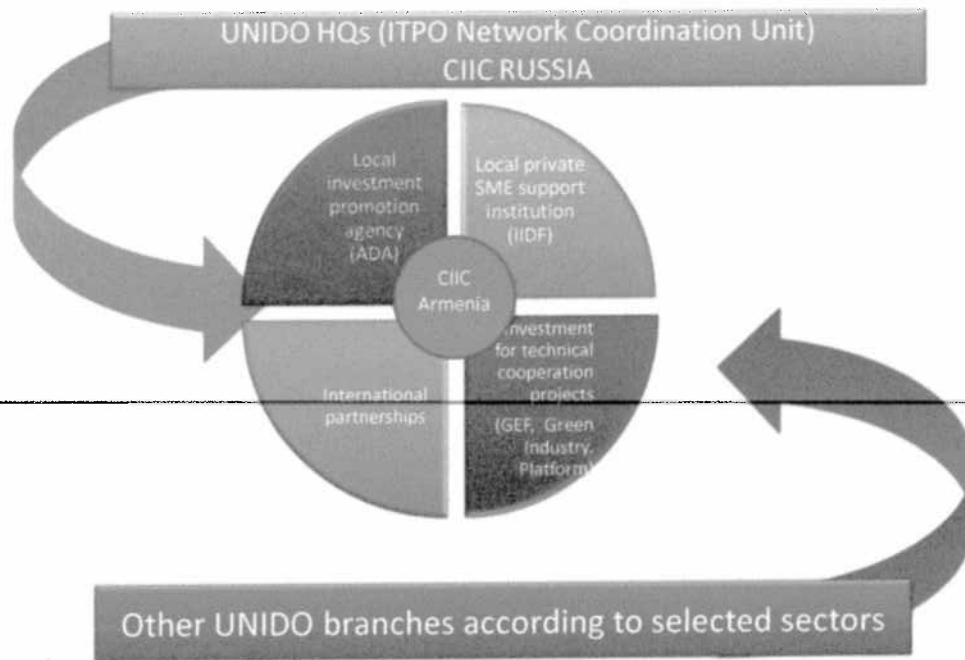
In addition to the current key functions, i.e. promoting exports and attracting foreign investment, the ADA will also implement other initiatives for development of selected priority sectors such as establishing quality management systems, supporting technology transfer, developing and implementing programmes related to security, safety and market access of food products, rehabilitation of the light industry (textile, garment and leather) which has potential for growth. However, as mentioned above, the ADA's existing capacity needs to be considerably expanded in order to comply with the new requirements and broader functions;

ii) Innovation and Industrial Development Fund (IIDF) established by private entities to provide specialized services for supporting technological improvements and technical solutions, skills up-grading, improvement of management, access to new markets and integration into value chains, solutions for energy efficiency and protection of environment. The IIDF also acts as a focal point for enterprises willing to build up international industrial partnerships. Their joint cooperation between ADA and IIDF has been consolidated in the proposed CIIC Armenia to promote international cooperation, industrial partnerships and strategic business alliances.

A.4 Expected target beneficiaries

The ultimate target beneficiaries are local SMEs in Armenia, as they will have increased possibilities to grow and expand through additional external resources in the form of investments, technology, know-how and/or market access.

The Armenian national institutions, especially the Ministry of Economy and the Armenian Development Agency (ADA) as well as the Innovation and Industrial Development Fund (IIDF), linked to CIIC Armenia, will directly benefit from the project, as they will be able to provide better services to local industries, specifically in facilitating the attraction of foreign investment and technology, through the close interaction with UNIDO ITPO network.



B. REASONS FOR UNIDO ASSISTANCE

As mentioned above the proposed project is designed and developed as a spin-off of the ongoing regional EurAsEC project, which is being carried out in accordance with the Agreement between UNIDO and EurAsEC with financial support provided by the Government of the Russian Federation.

The main aim of this project was to facilitate creation of a common economic space and integration of individual beneficiary EurAsEC countries into the world economy and international trade system. It was also expected to contribute to the improvement of international competitiveness of the local industry by establishing and maintaining sustainable business linkages and strategic alliances with foreign partners.

These aims to a large extent correlate with main directions of industrial policy in the Republic of Armenia which was described in Part A. above. For this reason the Government of Armenia, upon review and thorough consideration of the establishment of a CIIC in the country, approached UNIDO with a request to upgrade the project office into a CIIC and indicated its willingness to mobilize adequate resources to ensure its sustainable operations.

The proposed project will be focused on facilitating international industrial cooperation and partnerships through capacity building and networking.

Since its inception UNIDO delivers technical assistance programmes/projects responding to the demand of its member states. The Organization accumulated vast experience in the implementation of technical assistance as well as in facilitating industrial cooperation across the globe. UNIDO operates in this field both as catalyst and promoter of industrial cooperation in all forms. By applying proven and well tested methodologies, the Organization steers the partnership building process from the formulation of partnership opportunities up to their realization acting as an honest impartial broker with no commercial interests.

UNIDO's main services support the Government, public and private institutions, as well as domestic enterprises at various levels of intervention (policy, institutional and enterprise) throughout the partnership development process.

UNIDO's approach encompasses the mobilization of resources, including capital, technology, management, market access, quality and environmental concerns, and helps develop and/or up-grade the domestic industrial base.

In fact, UNIDO is the only international organization with a comprehensive background in industrial development, including policy advice, impact assessment of new technologies, technology transfer, quality and environmental concerns and private sector development.

In response to the demand for services and the evolving international development agenda UNIDO has formulated a comprehensive corporate strategy focusing on the central theme of productivity enhancement for growth and social advance. The service modules have been refined to ensure that they meet the needs of the Member States.

By focusing on SMEs, UNIDO supports the formulation of national SME development strategies and action plans, providing capacity building of service providers and direct enterprise level support.

The aim of the proposed project is to support operations of CIIC Armenia as a gateway to UNIDO partnership building capacities to bring together demands and offers for international industrial cooperation.

It will also ensure access to UNIDO's accumulated knowledge and skills in increasing industrial productivity by facilitating industrial cooperation and market access combined with the diffusion of environmentally sound technologies. It is expected that UNIDO is able to launch industrial partnership building process to generate inflow of external resources as well as contribute to the integration of the country into international value chain, especially within CIS and EurAsEC.

B.1 The UNIDO approach

The proposed project will focus on design, development and assistance in the implementation of technical cooperation activities and on facilitating investment and technology partnerships through networking. For this purpose the project envisages the establishment of a UNIDO CIIC in Armenia to be linked with UNIDO Investment and Technology Promotion Offices worldwide and in particular with CIIC Russia, and other similar forthcoming centres in EurAsEC countries.

Furthermore CIIC Armenia will have access to UNIDO databases, publications and other methodologies and tools, including software and related updates.

Regarding the networking role of CIIC Armenia in facilitating industrial partnerships for local industries it should be noted that, as confirmed by international experience, industrial partnerships between production-based enterprises contribute to the growth of the industrial sector of the recipient country. They create new job opportunities and establish close working relationships between foreign and local partners in the areas of management, technology and production.

This linkage will result in the enhancement of local technological capabilities and management skills, technology upgrading and improvement in the performance of the local industries, in particular SMEs.

Additionally, the increased exposure gained through the cooperation with foreign presence in various forms brings along access to new markets and sources of financing.

Within such a framework, a major area of intervention of the proposed project will be strengthening local institutions in order to deliver better business development services to the local private sector in Armenia, and accordingly improving its capacity to attract foreign partners. Emphasis of the project will be then placed on capacity building activities that sustain the role of local institutions in terms of identification, formulation and evaluation of industrial partnership opportunities, information management, communication techniques and international marketing.

In order to capitalize on the opportunities provided by international industrial cooperation, enterprises need to move towards internationally accepted production and managerial standards to be attractive partners for foreign entities.

Nowadays, the survival and growth of industries, especially SMEs, depend on their ability to take advantage of networking possibilities in order to gain exposure, to access source of market and technology-related information, to establish business linkages and to forge partnerships, such as outsourcing and/or subcontracting, which would allow them to enter the global value chain.

This entails the need for enterprise level assistance, encompassing counselling, business information, awareness programmes and marketing. The delivery of these services should be also coordinated with national supporting institutions.

CIIC Armenia will support national efforts in increasing industrial competitiveness by delivering capacity building and counseling services for facilitating international industrial partnerships. CIIC Armenia will perform the following main functions:

- i) It will act as a focal point for enterprises willing to build up international industrial partnerships and alliances for designing and implementing comprehensive modernization programme(s) and/or for providing specialized services targeting any specific area such as technological improvements and technical solutions, skills upgrading, improvement of management, access to new markets and integration into value chains, solutions for energy efficiency and protection of environment, etc.
- ii) It will provide support services to smoothen or accelerate industrial partnership building by advising potential partners on the use of UNIDO know-how and expertise in the field of technology transfer and acquisition, contractual arrangements, investment promotion, compliance with international standards in quality, environment (including investment opportunities in GEF, Green Industry Platform initiatives), etc. as well as assisting in conducting business negotiations;
- iii) It will facilitate partnership building by assisting a local partner in conducting technical, marketing and financial analyses of industrial partnership opportunities using well proven UNIDO tools, methodologies and software;

- iv) It will disseminate information of existing partnership opportunities, related programmes and partnership building tools and methodologies among local enterprises/companies concerned;
- v) It will coordinate activities with all national entities concerned such as Government institutions, industrial/economic chambers and associations and/or other relevant entities to prevent duplication of efforts and in order to capitalize on possible synergies;
- vi) It will, jointly with local institutions concerned, contribute to the preparation and organization of partnership building multilateral and bilateral promotional events: conferences, fares, fora, workshops etc. , by assisting local institutions and industries in preparing portfolio of partnership opportunities, disseminating this portfolio among potentially interested partners, solicit their interest in participation as well as in business negotiations and follow-up;
- vii) It will disseminate information on events organized in other countries and will coordinate participation of local representatives in these events;
- viii) It will be linked to ITPO Network, in particular, UNIDO CIIC in Moscow.

The project will support and complement UNIDO's ongoing and future activities in the country in coordination and cooperation with other local public and private sector actors and development funds as well as multilateral organizations such as UNDP, World Bank, EBRD, Eurasian Development Bank and bilateral organizations.

On the above proposed activities, the project will be implemented in close cooperation with UNIDO Desk at UNDP Office in Armenia which performs functions of a UNIDO field office. Moreover, the Centre will provide UNIDO Desk with whatever support required within its mandate, expertise and capacities in the implementation of PTC/ECC projects in clean technology/energy for SMEs in Armenia.

In addition, jointly with UNIDO Desk at UNDP Office in Armenia, the Centre will promote UNIDO Green Industry platform among partner institutions and SMEs.

B.2. RBM code and thematic area code

Poverty Reduction through Productive Activities:
DC13 - Investment and technology promotion

C. THE PROJECT

C.1. Objective of the project

The objective of the project will aim at SMEs benefiting of improved support services to enhance their competitiveness level through international cooperation and networking.

The project will contribute to strengthen the development of the private sector with increased opportunities for SMEs to build up international industrial partnerships enabling the modernization of local industries as well as solving environmental problems by applying new resource efficient technologies and innovative processes.

C.2. Expected outcome

The Centre for International Industrial Cooperation (CIIC) in Armenia has improved its performance and services in terms of establishing industrial partnerships and strategic business alliances internationally with a special focus on the SME sector.

Actually CIIC Armenia will facilitate international industrial cooperation as well as the attraction of external resources for industrial development through direct support and on-the-job training of networked intermediary institutions. CIIC Armenia will facilitate the attraction of external resources for industrial development through direct support and on-the-job training of networked intermediary institutions.

Through such partnerships industries will have increased possibilities to grow and expand through additional external resources in the form of capital, technology and know-how or market access. This outcome can be measured in terms of number of companies utilizing CIIC's services as well as quality, i.e. level of satisfaction of served SMEs determined on the basis of questionnaires and direct contacts.

In quantitative terms the major outcome of the project can be assessed on the basis of the following measurable indicators:

<i>Indicators</i>	<i>Target</i>
<i>Number of viable industrial partnership proposals selected for promotion</i>	<i>At least 25</i>
<i>Number of established industrial partnerships</i>	<i>At least 5</i>

C.3. Outputs and activities

C.3.1 Output 1: *CIIC Armenia established and operational*

Activities for Output 1:

<i>CIIC organizational set-up</i>	<i>Responsibility</i>
1.1 Make assessment of the industrial sector in Armenia to identify 2-3 priority industrial sectors as targets for CIIC interventions	UNIDO
1.2 On the basis of the above assessment and the identification of target industrial sectors conduct a more detailed analysis of each selected industrial sector containing an overview of the sector with emphasis on the growth potential and strength, weakness, opportunity, and threats to the sector	UNIDO
1.3 Define the work plan of activities of CIIC on the basis of sectoral programmes of intervention	UNIDO
1.4 Define the organigram of CIIC in relation to the work plan of activities	UNIDO
1.5 Recruit one Director and one national staff at CIIC for training and coaching on operational activities by CIIC Russia international staff (1 st year)	UNIDO

1.6 Assist and continuous monitor of CIIC management (2 nd and 3 rd year)	UNIDO
<i>Capacity building to promote international industrial cooperation</i>	<i>Responsibility³</i>
1.7 Build capacities of CIIC staff to provide services in formulation, appraisal, selection, promotion of industrial partnership opportunities and facilitation of business linkages.	UNIDO
1.8 Organize training on UNIDO investment promotion tools & methodologies (i.e. on project ideas to be identified and translated into project profiles, utilizing IIPP/CPP forms (IIPP = Industrial Investment Project Profile - CPP = Company Project Profile)	UNIDO
1.9 Organize a supplier development training programme to enhance competitiveness and market access of local suppliers across selected value chains.	UNIDO

C.3.2 Output 2: International industrial partnerships and strategic business alliances established

Activity	Responsibility ³
2.1 Establish and maintain contacts with relevant national institutions and enterprises primarily from selected 2-3 priority industrial sectors (in accordance with the Government industrial policy) interested in the attraction of resources for establishing/up-grading production facilities through partnerships with foreign partners	UNIDO, CIIC
2.2 Create and maintain a database of industrial partnership opportunities	UNIDO
2.3 Formulate proposals on industrial partnership opportunities jointly with national counterpart institutions in accordance with UNIDO methodologies	UNIDO, CIIC, ITPO Network
2.4 Screen industrial partnership opportunities to ensure compliance with UNIDO's requirements as well as their technical and financial viability	UNIDO, CIIC, ITPO Network
2.5 Prepare a promotional set containing general information, sector surveys, and a compendium of selected industrial partnership opportunities to facilitate promotional efforts	UNIDO, CIIC
2.6 Disseminate the above mentioned promotional set through appropriate channels to national (embassies, commercial representations etc.) and international partners recommended by the counterpart institution as well as to UNIDO ITPOs and other networks	UNIDO, CIIC, ITPO Network
2.7 Establish contacts and interact with foreign entities to solicit their interest in partnerships	UNIDO, CIIC, ITPO Network
2.8 Conduct briefing sessions for national industrial cooperation partners to brief them in progress of promotional efforts and conduct negotiation skills up-grading	UNIDO, CIIC

³ On the job-training will be ensured by UNIDO through direct and online support

2.9 Assist the national counterpart in organizing industrial partnership promotional events (subject to the availability of at least 10-15 indications of interests from potential foreign partners) and/or a delegate programme in one or more ITPOs	CIIC, UNIDO, ITPO Network
2.10 Follow-up established contacts in order to facilitate conclusion of the business partnerships	UNIDO, CIIC, ITPO Network
2.11 Establish and strengthen links with national Governmental and non-Government organizations involved in building up industrial international partnerships to harmonize efforts	UNIDO, CIIC
2.12 Jointly with national partners organize briefing sessions for representatives of sector associations and individual enterprises in order to inform them of opportunities to enter into industrial partnerships with foreign partners to solicit their interest in promoting their requests/offers	UNIDO, CIIC
2.13 Establish technical linkages between local on-line national B2B platforms and the Interregional Centre for Partnerships and Subcontracting, in Moscow, which provides matchmaking technology and sub-contracting possibilities	UNIDO, CIIC
2.14 Assist interested industrial enterprises in filling in request/offer forms for products, services, outsourcing/subcontracting, available industrial capacities etc.	UNIDO, CIIC
2.15 Assist industrial enterprises in following up contacts established through on-line matchmaking in order to enable a local partner to realize this partnership opportunity	UNIDO, CIIC
2.16 Provide, whenever required, follow-up assistance to local industries in order to facilitate partnership building	UNIDO, CIIC

C.4. Timeline of Project Activities

Activity	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36			
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C.5. Risks

The performance of the project can be affected by a number of factors. In the first instance it is a shortage of available domestic and/or resources due to the on-going world economic and financial crisis. This, in turn, could lead to severe economic depression resulting in reduced economic activities and shrinking development potential. Many companies troubled by financial and managerial problems could be forced to revise their strategies, scrapping or reducing their expansion plans at home and abroad. On positive sign – currently it is overall understanding in that the world crisis reached its bottom and that the development spiral can go upwards. In these terms the project is being launched at the right moment to take full advantage of the upward economic trends. At the same time, despite of the world crisis, the issue of globalization of markets still remains important and small- and medium-sized enterprises in Armenia cannot neglect the opportunities existing in other countries to keep their market position with a more competitive production, to expand their operations or to take advantage of the growth in new markets.

Another risk relates to the limited impact that the project might have in stimulating SMEs to get involved in the formulation of industrial partnership proposals. This can be attributed to the relatively low success ratio of earlier efforts by national and international actors in Armenia which could have led to disbelieve in the possibilities to obtain external resources for the expansion of productive capacities. However, information obtained during the implementation of the EurAsEC regional project as well as recently conducted express analysis show that UNIDO has a good reputation in a country and that institutions and enterprises are willing to make efforts to obtain requisite support for their expansion and modernization intentions.

Finally, an important factor which could affect the achievement of the project's objectives could be the political instability caused for internal and/or external reasons. However, the probability of political crisis in Armenia and its negative implications are currently considered as relatively low.

D. INPUTS

D.1. Counterpart inputs

The Government of Armenia, as stated in the letter of the Deputy Prime Minister Mr. Gevorkian to UNIDO, expressed its strong interest in the establishment of CIIC in Armenia. The Government also informed UNIDO of its intentions to mobilize funds for this purpose. Following the recommendations of the Advisory Board of the originating project, it is proposed that a Trust Fund Agreement with the Innovation and Industrial Development Foundation should be signed with the current project document as its integral part. In addition to resources specified in the Trust Fund Agreement, the Armenian Development Agency will continue providing in-kind contributions. These in-kind inputs include adequate logistical support for the operations of CIIC Armenia, encompassing office space furnished with desk, chairs, cabinets, telephone lines and electronic communication facilities, as appropriate, as well as facilities for local transportation and/or covering related costs.

Both national counterpart institutions, ADA and IIDF will also assign their staff to CIIC Armenia on a rotational basis for on-the-job training by UNIDO, thereby strengthening the Centre and at the same time up-grading skills of their staff.



D.2. UNIDO inputs

(provided through a Trust Fund Agreement)

Project Personnel:

11-00 – International experts

Funds to recruit international experts, though at minimal costs since most of expertise will be sourced from UNIDO HQs and UNIDO CIIC Russia.

15-00 Project staff travel

Travel to cover capacity building and monitoring missions of HQs and CIIC Russia staff and/or to organize and conduct promotional events of critical importance for the success of the project.

16-00 Travel of HQs staff

Travel of project manager is envisaged to guide and monitor project implementation

17-00 National experts (to be recruited for a predefined period of time)

Funds will cover the position of director and national experts

35-00 Non-UNDP meetings

Funds will be provided for the organization of the round-tables, seminars, as well as other promotional events

51-00 Sundries and miscellaneous

Funds include the production of promotional materials, sets of documents as well as advertising expenses in connection with the organization of and/or participation in promotional events, fairs and exhibitions.

55-00 Hospitality

A limited amount has been budgeted to cover hospitality expenses related to CIIC meetings with international partners as well as in connection with promotional events.

E. BUDGET

<i>BL</i>	<i>Description</i>	<i>1st year Allotments</i>	<i>2nd year Allotments</i>	<i>3rd year Allotments</i>	<i>TOTAL Allotments</i>
11-00	<i>International experts⁴</i>		4,000		4,000
15-00	<i>Travel (local, international)</i>		4,000	4,000	8,000
16-00	<i>Travel of HQs staff</i>		1,500	1,500	3,000
17-00	<i>Director and National experts</i>	30,000	62,250	62,250	154,500
31-00	<i>Equipment</i>		6,000	9,000	15,000
35-00	<i>Non-UNDP meetings</i>	2,000	5,000	6,000	13,000
51-00	<i>Sundries</i>	1,000	1,500	2,000	4,500
	TOTAL	33,000	84250	84750	202,000
Project costs:				US\$ 202,000	
Total Support Costs: (13%)				US\$ 26,260	
Project Total (incl. supp. costs):				US\$ 228,260	

⁴ International experts mainly recruited from UNIDO CIIC Russia at reduced rates, which will also contribute with on-line capacity building sessions and direct support with charges related mostly to DSA and travels to Yerevan for training and advisory assistance to CIIC Armenia staff, once the expanded CIIC office is fully set-up and functional during the first year of operations.

F. LOGFRAME:

Results	Indicators	Means of verification	Assumptions & Risks
Objective			
SMEs benefit international partnerships and business alliances developed by the CIIC to enhance their competitiveness	<ul style="list-style-type: none"> No. of companies utilizing services of CIIC No. of companies benefiting from CIIC's interventions and enhance their competitiveness 	Questionnaires on level of satisfaction of served SMEs	Double dip recession affecting investment propensity and financial constraints of both institutions and SMEs
Outcome			
The Center for International Industrial Cooperation (CIIC) has improved its performance and services in terms of establishing industrial partnerships and strategic business alliances internationally.	<ul style="list-style-type: none"> International industrial partnerships and strategic business alliances established: at least 25 formulated industrial partnership proposals; at least 5 established industrial partnership proposals 	Project Progress and Terminal Reports	<ul style="list-style-type: none"> Lack of commitment by local counterpart institutions due to financial and technical capacities and political changes Lack of donor funds
Output 1			
CIIC established and operational	<ul style="list-style-type: none"> CIIC organizational set-up determined; Staff (1 Director and 1 technical staff) recruited and trained (at least 2 capacity building programmes); Office premises in place 	Project Progress and Terminal Reports	Lack of commitment by local counterpart institutions due to the above reasons
Output 2			
Set-up CIIC services to facilitate International Industrial Partnerships and Strategic Business Alliances	<ul style="list-style-type: none"> Set of operational procedures and tools in place Database of industrial partnership opportunities created; No. of proposals on industrial partnership opportunities identified and prepared for promotion; Industrial partnership promotional event/briefing sessions for representatives of sector associations and individual enterprises; No. of enterprises supported in setting up industrial partnerships 	CIIC database Project Progress and Terminal Reports	Lack of commitment by local counterpart institutions due to the above reasons



G. MONITORING, REPORTING AND EVALUATION

Monitoring and evaluation of this project will be conducted in accordance with UNIDO guidelines for technical cooperation in a participatory and systematic way.

Quantitative and qualitative performance indicators will be developed to guide monitoring, reporting and evaluation of the project.

~~The project manager in close interaction with the National Coordinator of CIIC will monitor project activities on a continuous basis in order to ensure that activities occur as planned and remedial steps are taken as necessary. In that context, feedback from the CIIC is of crucial importance as it will report on accomplishments and the need for remedial action, if any. On the basis of those reports from CIIC the project manager will review the status of implementation with a view to ensuring the quality and timely delivery of both inputs and outputs, in keeping with the project objectives and within the budget allotted.~~

Such tools as operational work plans and back-to-office-mission reports will support the monitoring activities at the project level and facilitate the preparation of project progress reports every six months.

Project progress reports are composite reports combining information on the status of implementation with an assessment by project manager of the current situation, identifying such factors as additional measures required and synergies achieved. The project results will be assessed against project outcomes, outputs and objectives as a means of continually improving project performance and productivity (results-based management). The reports will be prepared every six months, i.e. at the end of June and December of each year.

The National Coordinator of the CIIC in cooperation with UNIDO project manager will prepare annual technical and financial progress reports. A final report will conclude the project's implementation.

Project progress reports will reflect all aspects of the implementation of the project during a preceding reporting period, while the final report covers all activities over the reporting period.

As mentioned above the structure of these reports should enable an assessment of already implemented activities against objectives.

The descriptive technical section of reports will contain the following elements:

- Summary and context of the project;
- Activities carried out over the reporting period as specified in the current project document;
- Problems encountered and measures applied to overcome them;
- Adjustments made in the project implementation as it might be required;
- Assessment of obtained results using the predetermined success indicators;

- Work-plan for the next period containing a definition of objectives and related performance indicators. If the report is submitted after the end of the reporting period, a new work-plan, albeit provisional, should always be prepared before that date.

The final report will include the above elements covering the entire project implementation period, as well as information on the measures carried out to ensure its long-term sustainability. A detailed Annual Work Plan and a Monitoring and Evaluation plan will be developed during the first quarter of the project life.

The first work-plan should incorporate the elements of the preliminary operational work-plan, report on the on-going activities scheduled for the current year and specify their implementation modalities.

An overall operational plan will include a critical analysis of the project in all its dimensions - in relation to the organizational evolution and missions of various beneficiaries.

H. PRIOR OBLIGATIONS AND PREREQUISITES

The proposed project is the outcome of a UNIDO-EurAsEC regional project (US/RER/10/002). The UNIDO Regional project outcome resulted in the establishment of a project Office in Armenia, which has become fully operational in 2011, as well the forthcoming establishment of other CIICs. Further the Government has expressed the request of establishing a CIIC in Armenia through an official communication from the Deputy Vice-Prime Minister as well as the Minister of Economy of Armenia addressed to UNIDO Director-General and Managing Director, PTC accordingly.

Furthermore, as mentioned above, the Advisory Board of the origin project US/RER/10/002 in February 2012 addressed the Government of Armenia with a specific recommendation to consider setting up a local Fund based on public-private partnership for mobilizing resources to ensure sustainability of CIIC in Yerevan. Accordingly, the Innovation and Industrial Development Fund which closely cooperates with the ADA agreed to fund the project.

I. LEGAL CONTEXT

The current project document is an integral part of a respective Trust Fund Agreement.

In conformity with the United Nations Industrial Development Organization's financial rules and regulations for the receipt and administration of the aforesaid funds, a separate project account shall be established by UNIDO, wherein all expenditures relating to the project shall be recorded. The project account shall also be charged with an amount equivalent to 13 per cent of all expenditures to cover the programme support services provided by UNIDO in the implementation of the project.

The project will be implemented according to the UNDP standard basic agreements with Armenia. All financial accounts and statements shall be expressed in Euro and there shall be no accounting or reporting in other currencies. For the purpose of recording receipts and/or payments, all transactions shall be converted into Euro at the official United Nations accounting rate of exchange applicable at the date of receipt and/or payment.