

Independent Terminal Evaluation

Armenia

IMPROVING COMPETITIVENESS OF EXPORT-ORIENTED INDUSTRIES IN ARMENIA THROUGH MODERNIZATION AND MARKET ACCESS – PHASE II

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The evaluation team that comprised of Ms. Leny van Oyen, Team Leader and Mr. Vahe Mambreyan, Team Member, hopes that this report will be instrumental in discussions and decision-making by the project stakeholders regarding «the way forward». Whereas the preparation of the next project phase (Phase III) *de facto* started prior to the final evaluation of Phase II (in the form of a concept note already submitted to the donor), this terminal evaluation of Phase II is expected to come *just in time*. In this regard, it is hoped that its findings (i) contribute to the ultimate content of the Phase III project document and (ii) facilitate the project approval process including its funding by the donor.

Abbreviations and Acronyms

| Abbreviation | Meaning |
|--------------|--|
| AB | Advisory Board |
| ADA | Armenia Development Agency |
| ADB | Asian Development Bank |
| BDS | Business Development Services |
| DFA | Development Foundation of Armenia |
| EEU | Eurasian Economic Union |
| ER | Expected Results |
| IDF | Industrial Development Foundation of Armenia |
| IDF | Industrial Development Fund (UNIDO) |
| IMB | Istituto di Moda Burgo |
| ITC | International Trade Centre |
| MoU | Memorandum of Understanding |
| M&E | Monitoring and Evaluation |
| MTE | Mid-Term Evaluation |
| PTC/TII/BCI | Programme Development and Technical Cooperation Directorate, Department of Trade, Investment and Innovation, Business Environment, Cluster and Innovation Division |
| SME-DNC | Small and Medium Entrepreneurship Development National Centre of Armenia |
| TE | Terminal Evaluation |
| ToC | Theory of Change |
| UNIDO | United Nations Industrial Development Organization |

Glossary of evaluation-related terms ¹

| Term | Definition |
|----------------------------|---|
| Assumptions | Hypotheses about factors or risks, which could affect the progress or success of a development intervention. Necessary conditions for the achievement of results at different levels; conditions that must exist if the project is to succeed but which are outside the direct control of the project management (also called the external logic of the project because these conditions lie outside the project's accountability and can be related to laws, political commitments, political situation, financing, etc.). |
| Baseline | The situation prior to a development intervention against which progress can be assessed or comparisons made. |
| Conclusions | The factors of success and failure of the evaluated intervention, with special attention paid to the intended and unintended results and impact, and more generally to any other strength or weakness. A conclusion draws on data collection and analyses undertaken, through a transparent chain of arguments. |
| Effectiveness | The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance. |
| Efficiency | Measuring how economically resources/inputs (funds, expertise, time, etc.) are converted to results. |
| External evaluation/review | The evaluation/review of a development intervention conducted by entities and/or individuals outside the donor and implementing organizations. |
| Gender mainstreaming | Strategy for making women's as well as men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres so that women and men benefit equally and inequality is not perpetuated (the ultimate goal being to achieve gender equality). |
| Indicator | Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention. |
| Impact | Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended. |
| Lessons learned | Generalizations based on evaluation that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact. |
| Logical framework | Management tool used to improve the design of interventions, most often at the project level. It involves identifying strategic elements (inputs, outputs, outcomes, impact) and their causal relationships, indicators, and the assumptions or risks that may influence success and failure (thus aimed at facilitating planning, execution, monitoring and evaluation of a development |

¹ Definition of main evaluation concepts based on OECD DAC Guidelines

| Term | Definition |
|------------------|--|
| | intervention). |
| Milestones | Interim targets; points in the lifetime of a project by which certain progress should have been made, providing an early warning system and basis for monitoring the trajectory of change during the lifetime of the project. |
| Monitoring | A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds. |
| Outcome | The likely or achieved short-term and medium-term effects of an intervention's output(s). |
| Outputs | The products, capital goods and services, which result from a development intervention; changes resulting from the intervention which are relevant to the achievement of outcomes. |
| Recommendations | Proposals aimed at enhancing the effectiveness, quality, or efficiency of a development intervention; at redesigning the objectives; and/or at the reallocation of resources. Recommendations should be linked to conclusions. |
| Relevance | The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities, partners' and donors' policies. Note: Retrospectively, the question of relevance often becomes a question as to whether the objectives of an intervention or its design are still appropriate given changed circumstances. |
| Results | The output, outcome or impact (intended/unintended, positive/negative; direct/indirect) of a development intervention. |
| Review | An assessment of the performance of an intervention, periodically or on an ad hoc basis. Note: Frequently "evaluation" is used for a more comprehensive and/or more in-depth assessment than "review". Reviews tend to emphasize operational aspects. |
| Risks | Factors that may affect the successful achievement of an intervention's objectives (often outside the scope of the project). |
| Sustainability | The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time. |
| Target | Definite ends to be achieved; specifies a particular value that an indicator should reach by a specific date in the future. |
| Target group | Specific individuals/organizations for whose benefit an intervention is undertaken. |
| Theory of Change | Assumed overarching intervention logic from outputs to impact; schematic conceptual basis of the interventions including assumptions. |

Executive summary

Purpose

This Terminal Evaluation (TE) covers Phase II of project “Improving competitiveness of export-oriented industries in Armenia through modernization and market access”. The main objective the TE is to provide the core project stakeholders (the Government of Armenia, the Donor and UNIDO) with an independent assessment of (i) the design of Phase II of the project, (ii) its relevance, (iii) its efficiency, (iv) its effectiveness and (v) progress towards impact, as well as (vi) the likely sustainability of the project results and (vii) cross-cutting dimensions such as gender equality and environmental issues.

The TE was conducted in the period September-December 2019 by a team of two independent evaluation consultants (Leny van Oyen, Team Leader and Vahe Mambreyan, team member). The evaluation is based on document review, a mission to Armenia (8-13 September 2019) as well as follow-up phone interviews with enterprises.

The project

The overall objective of the project is to contribute to the implementation of the National Export-Led Industrial Development Strategy of the Republic of Armenia through strengthening productivity, competitiveness and collective export capacities of Armenian manufacturing enterprises operating in the light industry sector. Its immediate objective is to maintain and improve the market share of local textile/garment and footwear/leather goods industry operators in domestic markets and to take advantage of market opportunities as a result of the regional economic integration process (Eurasian Economic Union). It has the following two outputs:

- Output 1: Enterprise diagnosis, industrial modernization and market positioning for the selected pilot SMEs in the shoe/leather goods and garment industries in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers.
- Output 2: Human and technical capacities of national counterpart institutions and of national expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis and modernization, competitiveness building and marketing, shoe and garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national shoe and garment industries.

The project is funded by the Russian Federation with a total budget of US\$ 1,750,000 excluding agency support costs). The project is implemented in partnership with the Ministry of Economy (Chief Counterpart). The second phase of the project started in September 2016 and is expected to be completed by 31 October 2019.

Summary of the findings

Regarding the **design** of the Phase II project document, its formulation is very similar to the design of the first phase, including its implementation strategy. To the extent there were found to be several ambiguities in the logical framework (in terms of the formulation of the indicators and their measurability and missing targets), the design is considered moderately satisfactory.

As far as project implementation is concerned, the project is considered to be highly **relevant** in terms of its alignment to national policies and strategies, its contribution to the expansion and diversification of the country’s export base and also considering efforts undertaken to advocate

for measures to improve the business environment. Regarding its **ownership**, it was overall strong at the start, but somewhat weakened during implementation, given the changes in the political/institutional context). There are however signs of strengthening of ownership, in particular following the anchorage of the Light Industry Training and Service Centre (designed with project support and expected to be officially launched at the end of Phase II) to SME-DNC (under the Ministry of Economy) and also the allocation of rent free space for the Centre. With respect to its overall **effectiveness and likely impact**, the results are satisfactory, as the project had tangible results particularly as regards its enterprise level support (Output 1) – shown by the evolution of key performance indicators (aggregated) related to employment (+91%), turnover (+92%), volume of exports (+196%) and local market sales (+35%) in the period 2016-end 2018.² Notwithstanding the issue of attribution, the above-mentioned positive results can to a great extent be considered the effect of hands-on project work.

There were also non-intended project achievements, including major savings as a result of support to enterprises in the application for fiscal incentives (import duty exemptions and VAT holidays), as well as support to enterprises in investment/business plan preparation. Regarding **efficiency**, the project teams are highly motivated and very engaged in project work. The project coordination office in Armenia became in fact a hub of support to the light industry sector. Implementation was overall smooth in terms of quality and timeliness and there were synergies with related initiatives (among which ABD and ITC).

Also, progress reporting was regular (following the activity-based format of UNIDO progress reports). It is noted that the cooperation with SME-DNC is not yet formalized at the time of the evaluation. Regarding cooperation with the Atex-Burgo Fashion School, the results are mitigated and merit self-assessment among the partners concerned. With respect to the **likely sustainability** of project results, this is considered moderately satisfactory, notwithstanding reflection on the sustainability strategy during Phase II and decision making as regards the creation of the above-mentioned Centre (to the extent the Centre is not yet operational, its business/action plan is not yet complete and cooperation among the envisaged partners is yet to be formalized). In terms of cross-cutting dimensions, gender equality has been addressed, even if indicators and reporting thereon is not gender disaggregated. There is no reference to issues/activities in the field of environment.

Main conclusions

These can be summarized as follows:

- There are tangible results at enterprise level, including increase in outreach of support (sectoral/regional) compared to Phase II;
- There have been delays in implementation, incurred due to changes in the political and institutional context of the project, but steps have been taken towards seeking sustainability of services offered by the project (through the decision to create the Light Industry Training and Service Centre);
- It is too early to be able to assess the result of the Centre, as it is not yet formally launched;
- Support to the Centre is at the core of Phase III (for which a concept note has been already prepared mid 2019 and submitted to the Donor).

² Latest available KPIs at the time of the TE

Recommendations on “the way forward”

The evaluation findings culminated in the following seven main and short-term recommendations as regards the already in principle agreed upon Phase III:

To the Donor (the Russian Federation)

1. Consider making available on an exceptional basis an interim budget (bridge funding) to ensure the smooth transition from Phase II to Phase III pending finalization and approval of the Phase III project document.

To the Government of Armenia (in particular the Ministry of Economy)

2. Decide which of the current Vice-Ministers will be responsible for leading on the Government side the steering of the project and, correspondingly, act as Chairman of the project Advisory Board.
3. Call for an AB meeting to discuss the findings of the Terminal Evaluation (even its draft report, should the next AB take place during October 2019) and, once available, the draft project document of Phase III.

To UNIDO

4. Finalize the preparation of the Phase III project document, taking into consideration the findings and suggestions of the terminal evaluation of Phase II.
5. Ensure highly speedy internal review of the Phase III project document followed by its submission to both the Government of Armenia (Ministry of Economy) and the Donor to allow for timely review at their end (as input for discussions and decision making by the project’s AB on the content and by the Donor as regards its funding of Phase III including phasing thereof (possibly including an advance funding option, as proposed above).
6. Prepare, finalize, and sign, together with SME-DNC (the project’s main national institutional partner as of Phase III in particular), a comprehensive document that encompasses the core building blocks of the Light Industry Training and Service Centre, considered key features in the light of the Centre constituting at the end of Phase III the institutionalized modus operandi of the project.
7. Define and specify the nature of cooperation in Phase III with the institutional project partners of Phases I and II, in particular the Atex-Burgo school and IMB/Italy, based on a candid self-assessment among the three partners themselves of their prior cooperation and results thereof, including lessons learned so far and necessary actions to enhance the effectiveness and efficiency of cooperation.

1. Introduction

1.1. Evaluation objectives and scope

This report covers the independent terminal evaluation (TE) of project *Improving competitiveness of export-oriented industries in Armenia through modernization and market access – Phase II*. The overall aim of this evaluation is to provide the core project stakeholders (the Government of Armenia, the Donor - the Russian Federation - and UNIDO) with an independent assessment of the **design** of the project (Phase II), its **relevance**, its **efficiency**, the achievement of its intended outputs, outcomes and impact based on the objectives and indicators as per the logical framework (i.e., project **effectiveness** and progress towards **impact**), as well as an assessment of the likely **sustainability** of the project results. In addition to following the above standard evaluation criteria, the evaluation covers **cross-cutting dimensions** such as gender equality and environmental issues.

The assessment results in a set of **conclusions** and **recommendations** as well as **lessons** learned from this second project phase that are expected to feed into the design/implementation of the (already planned) third project phase in Armenia as well as similar ongoing/future projects by UNIDO elsewhere in the field of enterprise upgrading/modernization.

This TE covers the **entire duration** of the project (Phase II) from its starting date. Whereas some documents (such as the Mid-Term Evaluation/MTE and also the Terms of Reference/ToR of this terminal evaluation) refer to July 2016 as the project's starting date, exchanges of the evaluation team with the project team and also verification of budget information revealed that one should rather refer to 18 August 2016 (rounded off to 1 September 2016) as actual start of Phase II.³ The originally estimated completion date of end June 2019 was, as per the latest information provided by UNIDO, extended till 31 October 2019 following the approval of this extension by the donor (the Russian Federation).

The TE is preceded by two prior evaluations, namely the TE of Phase I of the project (October-November 2016) as well as the MTE conducted in the period July-August 2018. While taking into consideration the findings of the Phase II MTE, it is to be noted that the TE is more comprehensive in scope (the entire project life) and covers detailed analysis of the results of Phase II and of lessons learned as contribution to decision making on the content of Phase III (that has been already decided upon in principle, including by the donor – prior to the TE).

1.2. Methodology and process

The TE has been conducted in accordance with the UNIDO Evaluation Policy (June 2018), which in turn corresponds to UNEG Norms and Standards. The evaluation was guided by Terms of Reference (ToR) of which a summary is attached as Annex 1.⁴ These ToR provided a general

³ Budget information indicates that the first expenditures/Phase II budget started on 18 August 2016; for the sake of convenience, 1 September 2016 is taken as starting date. It is noted that, given changes in the Government of Armenia in that period, the review of the Phase II project document by the counterparts took longer than expected and the project document was signed on 14 February 2017.

⁴ As the ToR are long (50 pages) it was decided to include a summary in this report rather than including the complete version.

overview of the project background and its implementation and included the core evaluation questions to be addressed by the TE, structured around the standard evaluation criteria and listing a number of additional cross-cutting issues to be addressed by the evaluation. The evaluation framework (included as Annex 3) is driven in essence by the following key evaluation criteria/questions (based on the ToR):

Q1. What have been the key drivers and barriers in the course of implementation to achieve the long-term objectives? To what extent has the project helped put in place the conditions likely to address the drivers, overcome barriers and contribute to the long-term objectives?

Q2. How well has the project performed? Has the project done the right things? Has the project done things right, with good value for money?

Q3. What have been the project's key results (outputs, outcome and impact)? To what extent have the expected results been achieved or are likely to be achieved? To what extent are the achieved results expected to sustain after the completion of the project?

Q4. What lessons can be drawn from the (successful or unsuccessful) practices in designing, implementing and managing the project?

The TE was conducted by two evaluation consultants (international consultant acting as the team leader and national consultant) who worked together as a team and brought to this evaluation exercise complementary perspectives (knowledge of the project context in Armenia, evaluation experience and understanding of UNIDO's interventions, including in the field of enterprise upgrading). Based on an initial review round of documents, the inception report was prepared. The one day briefing at UNIDO Headquarters (6 September 2019) was immediately followed by the mission to Armenia between 7-14 September 2019.

The evaluation framework guided the collection, analysis and triangulation of data/information based on (i) the reconstructed Theory of Change (discussed under Section 2.3 below), (ii) document review, interviews with (iii) project counterparts and other project partners, (iv) project teams in Vienna and Yerevan (latter mostly group discussions), (v) interviews with beneficiary enterprises and (vi) observations during the field mission.

The mission programme was prepared prior to the start of the field work, in consultation with the project coordination office in Yerevan and in cooperation with the national evaluator. The local project coordination office made the necessary appointments and organized the corresponding logistics to visit three enterprises outside Yerevan. An informal meeting with the national project team at the end of the field mission allowed for completing some missing information (in particular on the Light Industries Training and Service Centre) and also enabled sharing with the national team preliminary observations of the TE. The list of organizations/persons met is included as Annex 4 and the list of key documents consulted is included as Annex 5.

Summarizing, the evaluation team had meetings with the following stakeholders:

- All institutional partners (the chief counterparts in the Ministry of Economy including the current Deputy Minister; several public sector members of the project Advisory Board (AB) and also private sector members (Chairman of the Light Industries Association). Moreover, representatives of other partner institutions with whom the project has been/is actively cooperating, in particular the Small and Medium Entrepreneurship National Centre of Armenia (SME-DNC) – a new partner in Phase II and the ATEX-Burgo School (a partner cum beneficiary of the project since Phase I);
- The project donor (Embassy of Russian Federation);

- The project team (current project team in UNIDO HQ, current project coordination team in Yerevan and several other project experts on board);
- The UNIDO Country Representative in Armenia;
- All enterprises having benefitted from project support under Phase II (15/garment; 10/footwear) of which 9 have been visited (at their premises) by the evaluation team during the joint field mission (9-13 September 2019) and the remaining ones in situ or via telephone by the national expert after the above joint mission (see Annex 4 for the list); the enterprises visited were of different size (small/large), of different “age” (recently established/older enterprises), covered both a regional spread and sector spread (garment/footwear in and outside Yerevan) and included of some (garment) enterprises that participated in both Phases I and II.

As per the UNIDO Evaluation Guidelines, the assessment includes a six-point rating for each of the evaluation criteria using a scale from highly satisfactory to highly unsatisfactory (cf. Section 3.2.6, including an explanatory note on the scales).

Finally, based on triangulation of the information collected, a draft evaluation report was prepared by the team and submitted to UNIDO HQ. It was shared with the project management team in Vienna and in Armenia, the relevant national stakeholders, the donor and UNIDO Independent Evaluation Office for review and comments. A presentation of the main findings, conclusions and recommendations was made at UNIDO HQ on 11 October 2019 including discussion thereon during this debriefing. Based on the written observations received thereafter, the evaluation team addressed/reflected these comments and finalized the evaluation report.

1.3. Limitations

There were no significant limitations as regards the evaluation, other than the following challenges that were however addressed during the evaluation exercise, in particular:

- Need for certain information beyond the project documentation provided at the start of the assignment: the request of the evaluators for additional documents was addressed by the project teams in UNIDO HQ and by the local project team – the latter even translated some of the core information on the Light Industry Training and Services Centre from Armenian into English during the field mission;
- TE taking place at the very end of Phase II and preparations for Phase III having in fact started prior to the TE of Phase II: this was addressed by the evaluation team by (i) accelerating the preparation of the draft TE report in order for the latter to be able to inform the design of Phase III, (ii) insisting on the importance to respect the deadlines as per the inception report for the review of the draft report - in order for the final report to be available latest end October 2019. By all means the unfortunate situation of the TE of Phase I is to be avoided, i.e., taking place at a time when Phase II had already been designed and started.
- As the draft ToR were prepared early 2019, they omitted reference to the existence of a concept note for Phase III already shared with the Donor in July 2019: to rectify the same, UNIDO formally shared the concept note with the evaluation early September 2019 with a request to comment on this note. The team reviewed the concept note only *after* completing the assessment of Phase II and included its observations in the TE report (Section 3.3 and Annex 7).

Focus has been on capturing the achievements under the planned output 1 (enterprise level) and output 2 (support service infrastructure). It was not possible time wise to examine through interviews with beneficiaries the results of non-intended project support briefly mentioned in progress reports covering support to business/investment plan preparation (seven cases). Therefore, coverage of the latter was limited to taking note of what was reported by the project. However, data were compiled to assess the results of other project work going beyond planned outputs, namely specific policy advice and support to specific policy implementation (aimed at contributing to making the business environment more enabling). These findings are reflected in the assessment.

2. Project background

2.1 Country context including sector specific issues (garment and footwear)

Economic context

As described in detail in the project document as well as in the ToR of this TE, Armenia has undergone major business environment reforms since its independence (1991) In terms of its strategic priorities, stimulating exports and fostering the development and growth of SMEs have been and continue to be among the country's socio-economic development goals. Regarding emphasis on trade, this is illustrated by Armenia joining WTO (2003) and the Eurasian Economic Union (2015), including the adoption of National Strategy of Export-led Industrial Policy (2011). The latter includes among its priority fields the light industry sector (including garment and footwear manufacturing). The garment sector is in turn the focus of a National Strategy for Development of Textile Sector (2013) covering a ten-year period, with a dedicated Action Plan for the period 2014-2016. Whereas there is mention of an update of the above-mentioned Industrial Policy and Textile Strategy, these two policy documents remain to date the core strategic documents of the national development framework to which the project under review is anchored. Also, it is noted that the newly elected Government (2018) puts emphasis on the role of SMEs (the project's targets) in the development of the country's economy.

Sector specific context

In essence, Armenia's garment and footwear sub-sectors were major suppliers for the Soviet Union at large during the Soviet era, were renowned for their quality and design and employed at that time about one quarter of the total labour force. After independence in 1991, Armenia's light industry sector, like other sectors of the economy, sharply plummeted due to a number of reasons, including the general economic crisis, blockades, severe energy crisis, high transport costs, lack of professional staff resources and raw materials, etc. However, the light industry sector has shown positive trends since the past years, notwithstanding challenges that are faced to seize opportunities. Based on national statistics, the current positioning as regards these two sub-sectors is as follows:

Garment sub-sector:

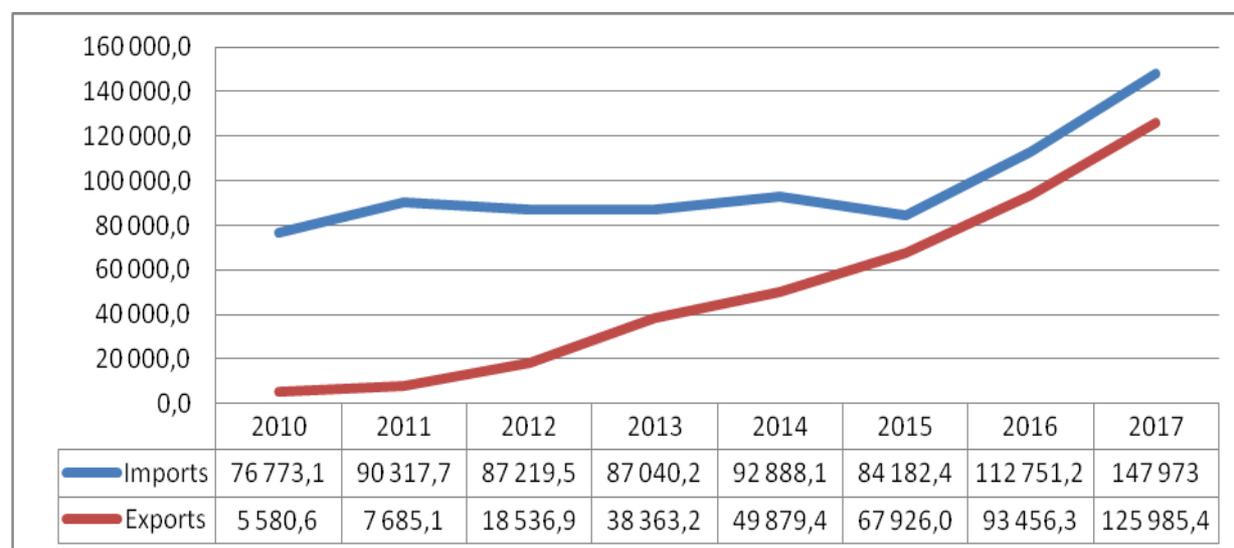
Trend in garment sub-sector, 2011-2017

| | 2011 | 2014 | 2015 | 2016 | 2017 |
|--|-------|---------|---------|----------|---------|
| Annual garment production (in AMD mln) | 5,583 | 7,335 | 9,519.9 | 11,530.2 | 15,470 |
| Processing industry total (in AMD bln) | 1,005 | 1,284.9 | 1,351.8 | 1,433.1 | 1,608.9 |
| Share in industrial sector – total (%) | 0.6 | 0.6 | 0.7 | 0.8 | 1.0 |
| Annual trends of industrial sector (%) | 14.1 | 8.3 | 5.2 | 6.0 | 12.3 |
| Annual trend of garment production (%) | 36.4 | 24.3 | 29.8 | 21.1 | 34.2 |

Source: Data obtained from national project team (based on National Statistical Service of the Republic of Armenia, 2017)

The above figures show the positive growth of the garment sub-sector, including as regards its share in industrial production and its growth rate well above the overall trend in the industrial sector. Similarly, there has been a steady growth in the sub-sector's exports and the gap between exports and imports is reducing, as shown in the figure below. The majority (more than 90%) of exports covers the Russian Federation market (mainly covering orders and outsourcing based on buyers' specifications/demand).

Gross export/import trends, garment sub-sector (61, 62, and 63 HS Code) (in thous. US \$)



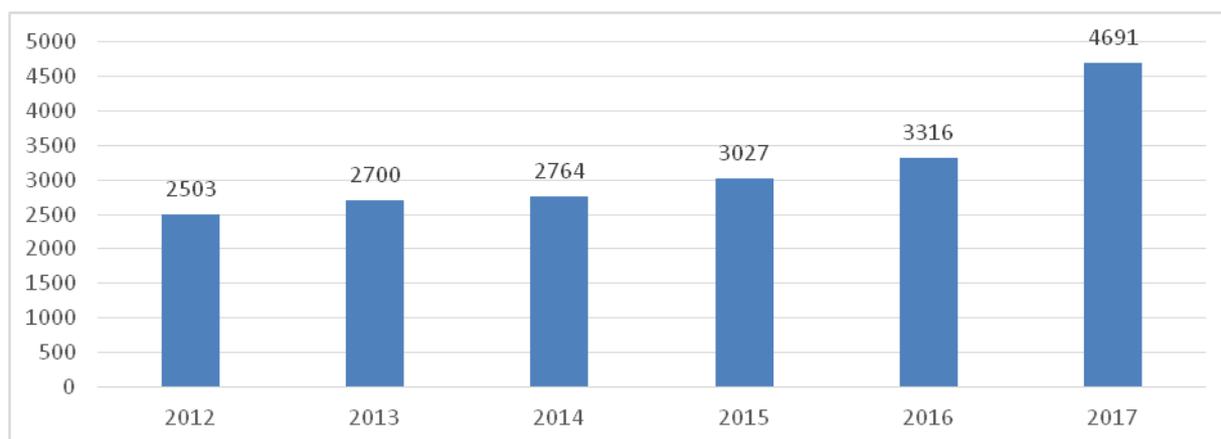
Source: Data obtained from national project team (based on armstat.am)

There are no precise data on the number of *operational* enterprises in the garment sub-sector. Whereas there are reported to be about 94 registered Armenian enterprises engaged in garment manufacturing, not all are functioning. According to the project, it covers at present about 70-80% of all manufacturing enterprises of the sub-sector with its current outreach to a total of 15 garment manufacturers. The estimate of the Armenian Light Industry Association is slightly higher, namely a total of approximately 45-50 garment manufacturing enterprises (with currently

26 members of the association - all sub-sectors combined).⁵ Whichever the precise figure, the number of enterprises in the garment sub-sector was reported to be on the rise.

The same applies to the size of employment in the sub-sector, as illustrated below. It is one of the most labour-intensive industries in Armenia with a workforce that is approximately 90 per cent female. However, management and key decision-making positions are mainly occupied by men. Overall, the number of people employed in the clothing started to increase since 2015 and reached almost 4700 employees in 2017.

Trend in labour force/garments, 2012-2017



Source: Data obtained from national project team (based on National Statistical Service)

Footwear sub-sector

Available data on this sector show, like the garment sub-sector, positive trends, as illustrated below:

Selected shoe sub-sector statistics

| Sector data | 2014 | 2015 | 2016 | 2017 |
|--|-----------|-----------|-----------|-----------|
| Number of companies in leather production | 47 | 46 | 49 | 48 |
| Leather production total (1000 AMD) | 1,216,842 | 1,318,034 | 1700,235 | 1,763,477 |
| of which Footwear production (1000 AMD) | 718,461 | 1,035,505 | 1,097,795 | 1,114,778 |
| Footwear sales (1000 AMD) | 550,813 | 932,740 | 1,230,351 | 1,230,351 |
| Estimated number of employees in footwear sector | 246 | 258 | 282 | 302 |

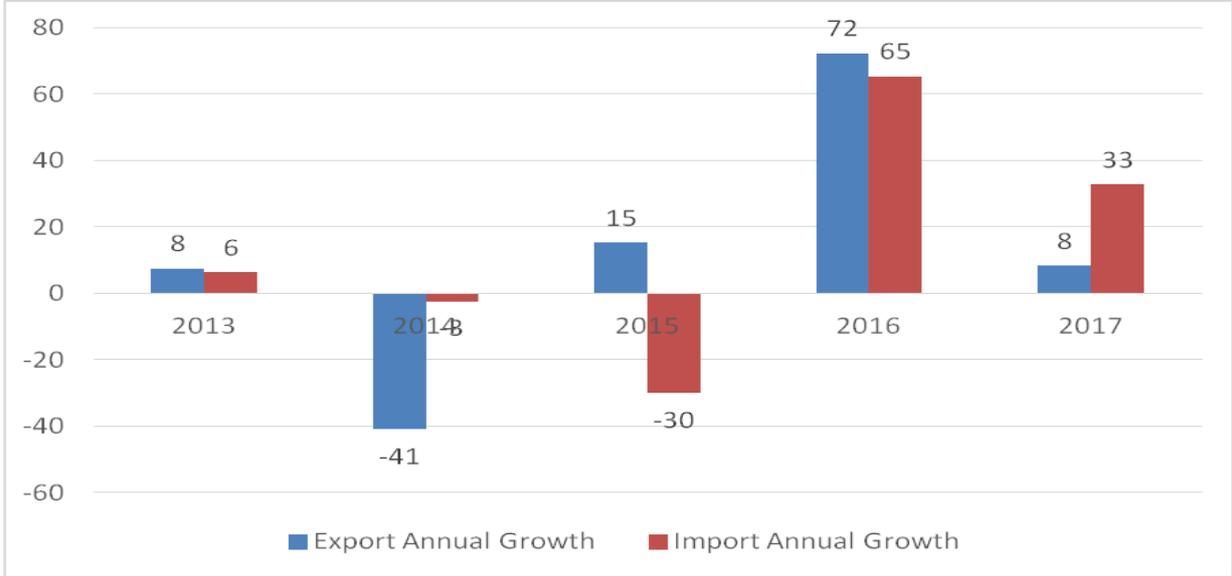
Source: Data obtained from national project team (based on armstat.am)

Estimates (data obtained from national project team) indicate that at present some 600,000 – 700,000 pairs of leather shoes are produced in Armenia (about 20 times less than was the case

⁵ The difference could be related to the size of enterprises covered in the estimates.

during the Soviet time, yet showing an increase of growth over the past years). Moreover, whereas the value and volume of the footwear exports are small, exports are steadily growing (as are imports). The trends in respectively footwear exports and imports growth rates are presented below, showing their volatility as well as the challenges (yet also opportunities) for increasing local market sales.

Footwear Export/Import Growth Rate in 2013-2017 (%)



Source: Data obtained from national project team that calculated based on statistics from armstat.am

There are no precise data on the number of footwear enterprises that are *operational* among the 48 registered ones (noting that there are also small enterprises engaged in shoemaking yet operating in the informal sector). According to the project, it covers at present about 70% of all manufacturing enterprises of the sub-sector with its current outreach to a total of 10 footwear manufacturers. The Armenian Light Industry Association has no precise data on the size of the footwear sector. Whichever the exact figure, the number of enterprises in the sub-sector was reported to be rather stable over the past years. The size of the labour force in the footwear sub-sector is relatively small, but is expected to be underreported and excluding informal sector employment.

Institutional context since the start of the project (Phase I)

Referring to the context in Phase I, there were a number of changes during the first phase, in particular at the level of the chief counterparts, involving consecutively three Ministers as well as three direct project counterparts (the first one from the Armenia Development Agency/ADA; the second and third one from the Development Foundation of Armenia/DFA – after the merger of ADA and the Industrial Development Foundation of Armenia/IDF). This continued under Phase II, as the project worked with three Ministers in the period 2016-2019 (including the current Minister), three Deputy Ministers (with pending decision which of the current Deputy Ministers will be responsible for industrial sector issues – and hence be the new Chairman of the project’s AB). Moreover, after the merger of ADA and IDF into DFA, the project partner DFA (2016 and 2017) changed into Business Armenia (2018) which has been abolished as of May 2019 by the Government (in the sense of receiving no further public funding) and is reported to continue (in reduced mode) as private entity.

On the side of the private sector, the earlier Union of Light Industry Association meanwhile became the Armenian Light Industry Association with a Chairman (former ADA) who was previously involved in the project (Phase I). This Association is in the process of setting up its structure, is for now mainly engaged in advocacy and hopes to increase its current membership (26) once effective services for its members have been put in place.

Finally, reference is made to changes in the overall context of the country during Phase II implementation after the political changes called “velvet revolution” that took place in April - May 2018 and resulted in complete change of ruling authorities in the country. The whole Government resigned, including also the Minister of Economy and other officials involved in project steering. This was followed by Special Elections initiated by the newly elected Prime Minister in December 2018. The new Government actually started working in early spring of 2019, but there have been further changes in appointments of senior officials (including with respect to the Deputy Minister who was Chairman of the project’s Advisory Board/AB). At the time of the evaluation mission, it was not yet confirmed which Deputy Minister will cover the industry portfolio (and thus chair the AB).

2.2 Project summary

Project focus and structure

The project *Improving competitiveness of export-oriented industries in Armenia through modernization and market access – Phase II* constitutes the second phase of support to Armenia (funded by the Russian Federation and designed/implemented by UNIDO) aimed at revitalizing its garment and footwear industry. It covers enterprise upgrading and market access related support at enterprise and enterprise support levels. Under (pilot) Phase I focus was the garment sector, yet was expanded in Phase II to cover both the garment and the footwear sectors.

The project’s **global objective** is to contribute to the implementation of the National Export-Led Industrial Development Strategy of the Republic of Armenia through strengthening productivity, competitiveness and collective export capacities of Armenian manufacturing companies operating in the priority light industries. Its **immediate objective** is to maintain and improve the market share of local textile/garment and footwear/leather goods industry operators in domestic markets and to take advantage of market opportunities as a result of the regional economic integration process (Eurasian Economic Union’s trade arrangements).⁶

The project (Phase II) has the following two outputs or **expected results** (ER):⁷

- *ER 1: Enterprise diagnosis, industrial modernization and market positioning for the selected pilot SMEs in the shoe/leather goods and garment industries in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers.*
- *ER 2: Human and technical capacities of national counterpart institutions and of national*

⁶ Based on the project document, Phase II, page 16; it is noted that the formulation in the project logical framework - attached as Annex 2 - is slightly different (in which the above-mentioned immediate objective is listed as the project’s development goal and in which the immediate objective reads as follows: “beneficiary SMEs form networks, modernize their businesses to expand production, improve quality and gain access to markets with the support of reinforced national technical expertise”).

⁷ NB: According to the logical framework of the project document (Phase II), there are four outputs that de facto overlap (output 1 = output 3 and output 2 = output 4). According to the ToR of this evaluation (August 2019), the two first outputs refer to Phase I, whereas outputs 3 & 4 refer to Phase II. Whereas this is not specified in the project logical framework frame of Phase II, focus of this evaluation will thus be on outputs 3 and 4 of the project document.

expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis and modernization, competitiveness building and marketing, shoe and garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national shoe and garment industries.

The project is implemented in partnership with the Industrial Policy Department of the Ministry of Economy (formerly Ministry of Economic Development and Investments) and several other institutional partners (including, as in Phase I, the Atex-Burgo Fashion School and -since Phase II- SME-DNC, among others).

Project steering

In Phase I of the project, its steering was aligned to the Light Industry Sector Committee (also referred to as Sub-Sectoral Council) established in the context of the implementation of the Strategy for Development of Textile and Knitted Wear Industry of Armenia (Ministry of Economy, October 2013) which was in turn directly related to the Strategy of Export-Led Industrial Policy (Ministry of Economy, 2011). The Advisory Board (PAB) put in place at that time consisted of 6 members, i.e., 3 members from the public sector and 3 members from the private sector, with two non-voting members, namely the UNIDO Representative in Armenia and the National Project Coordinator (latter acting as Secretary of the PAB).⁸ Its main functions (as agreed upon in its meeting of 30 June 2014) cover: consultation on coordination and management of the project; general monitoring of the project; adoption of eligibility criteria of the beneficiaries; assistance in the coordination of the project with national development projects; and public relations and mobilization of funds.⁹

Whereas the AB convened in total six times during Phase I, it met de facto four times in Phase II, namely on 16 February 2017, 11 July 2017, 20 March 2018 and 9 November 2018. Its meeting of 3 August 2016 is considered part of Phase I steering, to the extent (i) the second phase formally started as of September 2016 and (ii) the project document was actually signed in February 2017. Changes in the project context (Government, Ministry; project partners) that no doubt affected the frequency of the AB meetings during Phase II have been discussed under Section 2.1 above and are also covered under Section 3.2.2 (its ownership dimension). While the participation of private sector AB members remained overall the same during Phases I and II, there has been turn-over on the side of the public sector members in Phase II, including as regards the Chairman position.¹⁰

The project's Phase I was evaluated in October-November 2016 and a Mid-Term Evaluation of Phase II took place in July-August 2018. The MTR assessment confirmed the relevance and ownership of the project, described the results at mid-term and considered the inputs (UNIDO and counterparts) to be as planned and adequate.

Also, it considered the establishment of the first export consortium a possible step towards sustainability (a finding the TE does not share) The main recommendations of the MTR were as follows: consider Phase III of the project, organize a workshop on environmental topics and engage in policy development work (industrial policy focused on garment sector; incentives for exports and for imports) as well as developing a UNIDO country programme.

⁸ Source: Terminal Evaluation of Phase I, 2016

⁹ Minutes of AB meeting of 30 June 2014

¹⁰ It is currently not yet confirmed which Deputy Minister of the Ministry of Economy will chair the project's next Phase II AB

In the light of these MTR findings, the TE noted the following: the preparation on Phase III started in 2019; emphasis has been put on support to the implementation of policy incentives (with tangible results) rather than the development of new policies; training on environmental issues was not a priority so far in the project; the development of a UNIDO country programme was not directly related to the project, but it is reported to be ongoing.

Project coordination including staffing

The project is managed at UNIDO HQ by a team in the Business Environment, Cluster and Innovation Division (PTC/TII/BCI) under the Department of Trade, Investment and Innovation PTC/TII). In Yerevan a project office (set up at the start of Phase I) is responsible for the coordination and management of the day-to-day project operations including technical support to the implementation of activities (covering a core team of national and international experts supported by additional national experts). Table 1 below provides a synthesis of the human resources (HR) inputs (structured by location, function and job title) mobilized during Phase II of the project (compiled by the evaluators based on UNIDO records as at September 2019). The latter covers only project staff paid from the project budget and thus excludes regular UNIDO staff engaged in project management. In terms of gender distribution of all project personnel (excluding the UNIDO Project Manager – who is regular UNIDO staff - and the evaluation consultants), women are in the majority (65% of total project staff). Reference is made to the section on efficiency (3.2.3) for a discussion on project inputs including staff and its evolution since Phase I.

It is noted that in the current project (no cost) extension period (for now up to end October 2019), the project staff is reduced (due to budgetary constraints) to a team of 9 national staff covering following functions: (1) National Coordinator, (2) National Project Assistant, (3) National Project Assistant Communication and PR, (4) National Networking and Partnership Expert, (5) National Marketing and Distribution Channels Expert, (6) National Expert/Regulatory Framework & Gender Analysis, (7) National Footwear Production and Quality System Expert, (8) National Product Development/Circular Knits/Knitted Articles Expert (based at Atex-Burgo) and (9) National Expert Training Service Marketing Support (based at Atex-Burgo). No international expert is on board in the current extension (de facto transition) period to Phase III (other than the short-term evaluation TL).

Project funding and budget

As in the case of Phase I, the project's second phase is funded by the Government of the Russian Federation from its annual voluntary contribution to the UNIDO Industrial Development Fund (IDF) and the budget has been allocated in tranches (twice a year). There was a substantial increase in the budget allocation to Phase II (US\$ 1,750,000, excluding support costs) as compared to Phase I (US\$ 884 955). Based on the latest available data obtained from UNIDO HQ, the evaluation team compiled information on the Phase II expenditures against the planned budget (by output) as per the project document in Table 2 below. The subsequent Table 3 specifies the planned and actual expenditures of the project by budget line (excluding the 13% agency support costs). In the assessment (Chapter 3) reference will be made to these tables.

Table 1 HR inputs in Phase II

| Location/Role | Official Title/Function <i>IE = International Expert ; NE = National Expert</i> | Total of 463.6 work months for project Phase II (calculated based on 21 working days per month) |
|---|---|---|
| Project coordination teams (130.3 w/m or 28.1% of the total w/m) | | |
| UNIDO HQ/Austria | IE, Programme Development and Management Assistant | 18.0 |
| Armenia | NE, National Technical Coordinator in Textile | 38.0 |
| | NE, National Project Assistant | 38.0 |
| | NE, National Project Assistant Communication and PR (i) | 17.9 |
| | NE, National Project Assistant Communication and PR (ii) | 18.4 |
| Short/medium-term experts in specific fields (326 w/m or 70.3% of the total w/m) | | |
| Austria/Italy/other | IE, Textile/Garment Upgrading, Team Leader/TL | 17.3 |
| | Graphic Designer | 11.5 |
| | IE, Garment Pattern Making and Grading | 3.4 |
| | IE, Knitted Articles, Styling and Product Development | 12.5 |
| | IE, Production and Design – Shoe/Leather | 7.1 |
| Armenia | NE Financial Management/Cost Accounting | 22.7 |
| | NE Human Resource Management | 2.8 |
| | NE Regulatory Framework/ Gender Analysis | 21.4 |
| | NE Strategic Positioning and Standards | 14.7 |
| | NE Networking and Partnership Development | 30.0 |
| | NE Marketing and Distribution Channels | 20.1 |
| | NE Training Service Marketing Support | (based at Atex-Burgo School) 27.5 |
| | NE Product Development Woven Fabric/Weaving Process | 38.3 |
| | NE Product Development Circular Knits/Knitted | (based at Atex-Burgo School) 41.8 |

| Location/Role | Official Title/Function <i>IE = International Expert ; NE = National Expert</i> | Total of 463.6 work months for project Phase II (calculated based on 21 working days per month) |
|--|--|--|
| | Articles (i) | |
| | NE Product Development Circular Knits/Knitted Articles (ii) | 28.5 |
| | NE Fabric and Trim Sourcing | 6.3 |
| | NE Footwear Production and Quality System | 17.3 |
| | NE Footwear/Leather Industry Networking | 2.8 |
| Evaluation (7.4 w/m or 1.6% of the total w/m) | | |
| Terminal Phase I (funded from Phase II budget) | IE Evaluation Consultant | 1.4 |
| | NE Evaluation Consultant | 2.2 |
| Mid-term – Phase II | IE Evaluation Consultant | 1.4 |
| Terminal – Phase II | IE Evaluation Consultant | 1.4 |
| | NE Evaluation Consultant | 1.0 |

Table 2
Summary overview of project budget ID 160113 *

| Budget - subtotal by output/result | Planned budget (US\$) | | Spent budget (US\$) - status as at 19 August 2019 |
|--|--------------------------------|-------------------------------|---|
| | As per signed project document | As per latest budget revision | Expenditures/commitments |
| Output 1 | 955,000 | 926,717 | 926,086 |
| <i>% of total</i> | 54.6% | 53.0% | 53.7% |
| Output 2 | 795,000 | 748,204 | 735,262 |
| <i>% of total</i> | 45.4% | 42.8% | 42.7% |
| Other (TE of Phase I, MTE and TE of Phase II) | -- | 75,079 | 61,655 |
| <i>% of total</i> | -- | 4.2% | 3.6% |
| Grand Total | 1,750,000 | 1,750,000 | 1,723,003 |
| <i>Balance as at 19 August 2019</i> | | | 27,000 |

| Budget - subtotal by output/result | Planned budget (US\$) | | Spent budget (US\$) - status as at 19 August 2019 |
|------------------------------------|--------------------------------|-------------------------------|--|
| | As per signed project document | As per latest budget revision | Expenditures/commitments |
| Implementation ratio | | | 98.5% |

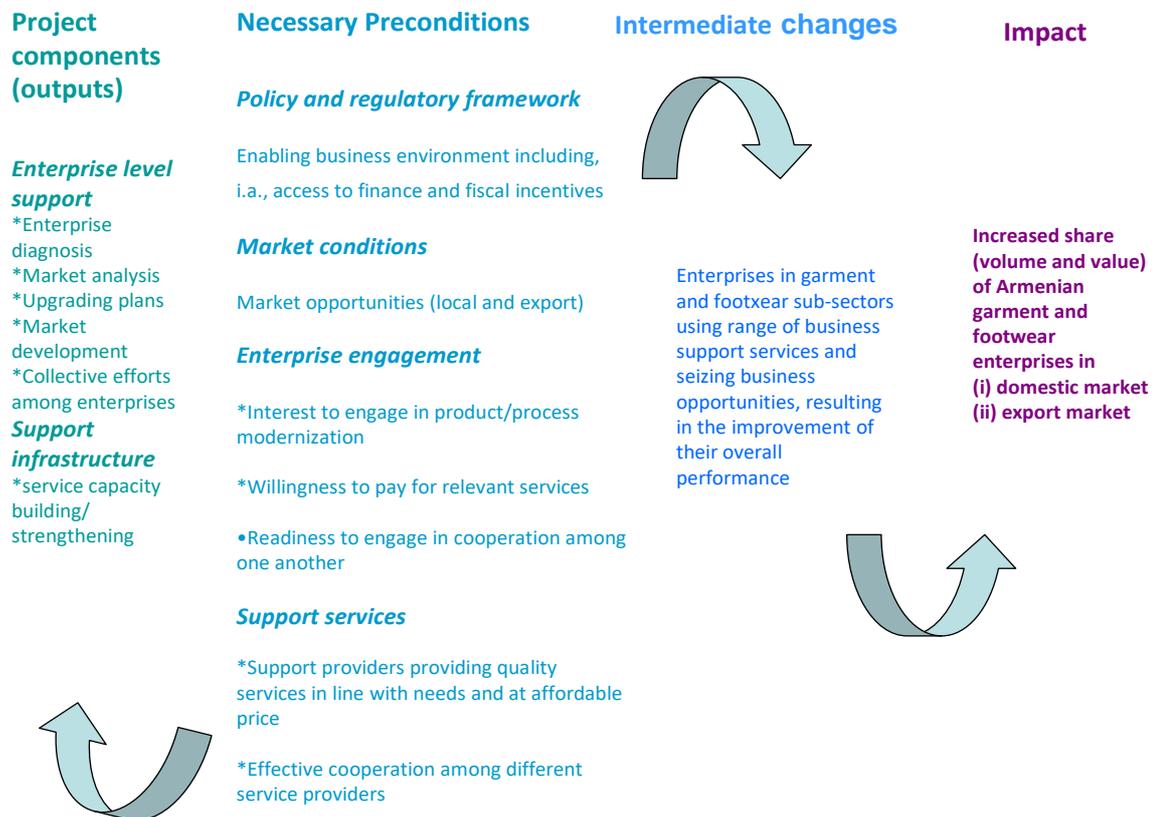
**Note: as the project is still operational, the 2019 figures are preliminary and not final*

Table 3
Comparison of actual and planned expenditures by budget line

| Expenditures and commitments by budget line (amount in US\$ and % of total expenditures/commitments) | | | Planned expenditures as per project document (amount and % of total expenditures) | |
|---|------------------|------------|--|------------|
| budget line | amount | % | amount | % |
| 1100 International Experts | 514,630 | 29.9% | 510,000 | 29.1% |
| 1500 Local Travel | 106,471 | 6.2% | 50,000 | 2.9% |
| 1600 Staff Travel | 7,000 | 0.3% | 30,000 | 1.7% |
| 1700 National Experts | 522,822 | 30.3% | 460,000 | 26.3% |
| 2100 Sub-contracts | 137,812 | 8.0% | 90,000 | 5.1% |
| 3000 Training/Fellowships/Study Tours | 199,197 | 11.6% | 210,000 | 12.0% |
| 4500 Equipment | 113,521 | 6.6% | 300,000 | 17.1% |
| 5100 Miscellaneous | 59,891 | 3.5% | 40,000 | 2.3% |
| Evaluations (Mid-term and Final) covering intl. and ntl. experts, local travel, misc. | 61,655 | 3.6% | 60,000 | 3.5% |
| TOTAL | 1,722,999 | 100 | 1,750,000 | 100 |

2.3 Theory of Change

Based on the structure and intervention logic of the project and in accordance with the evaluation guidelines, this TE reconstructed the project’s **Theory of Change** (ToC, see below), identifying the project’s causal and transformational pathways from project outputs/components to expected longer-term impact. It schematizes also the conditions to bring about behavioural changes required for long-term impact to take place. These conditions constitute drivers or barriers – some of which are outside the control of the project or of its target enterprises, yet could affect project performance). Regarding results, a distinction is made between intermediate changes expected to occur by the end of the project as well as likely impact in the longer run.



3. Assessment

3.1 Project design

Introduction

As already described in Section 2.2 (project summary), the current project is the extension of the first project phase implemented by UNIDO in the period 2014-2016. Based on the results achieved during that first phase, the Ministry of Economy requested the donor and UNIDO to upscale the upgrading momentum not only to additional garment enterprises but also to other light industries, in particular footwear enterprises.

The project document was formulated during the last year of the first phase (2016) and could thus benefit from the work of and lessons learned in the preceding phase. To the extent Phase II had already started (September 2016) when Phase I was evaluated (October-November 2016), the findings of that terminal evaluation were not explicitly reflected in the Phase II project document (even though its signature only took place mid February 2017). As described below, the project document including its implementation approach was very much alike the approach followed in Phase I, with some additional nuances applied to the newly targeted footwear sub-sector. To the extent the terminal evaluation of Phase I covered comments on the design of the Phase I project document, several of the observations on the design of the Phase II project document could have been avoided. In other words, the design of Phase II missed out learning from the implementation of Phase I including the evaluation thereof. This being said, the design of the Phase II project was driven by the decision of UNIDO Executive Board to extend project Phase I (hence similarities with the Phase I project document) instead of developing a new project document. Due to procedures and also time constraints, the approach followed allowed for speeding up the approval process of Phase II and avoiding losing momentum.

Context analysis

The situation analysis provided a comprehensive overview of the local situation in these sub-sectors, including factors hindering or contributing to the development (internal strengths and weaknesses, external threats and opportunities).

In essence, the project was, like its first phase, based on and aligned to the needs identified and priorities set in a number of national policies and strategies. Particularly, it fully complied with the *National Export-Led Industrial Development Strategy (2011)*, the *National Strategy for Development of Textile Sector (2013) for the ten-year period* and its respective *Action Plan for the period of 2014-2016*. In this regard reference is also made to the *Program for the Government of the RA for 2014-2017* among other high-level documents adopted by the Government prior to the start of (Phase I) project implementation.

So far no major policy or strategy line as regards the industrial sector was revised by the Government following recent political changes in the country. Despite the fact that the issues addressed in the above-mentioned policy documents remain relevant, the current situation is far not the same as the situation in 2011-2013, and there would be scope for revising/adapting strategies and for setting new and ambitious targets aimed at supporting the upgrading the whole light industry sector of Armenia. An example of the positive effect of specific policy measures and instruments on enterprises in the light industry sector is the introduction by the Government of VAT holidays and customs duty privileges (aligned to agreements under the Eurasian Economic Union/EaEU, see below). The project played an active role in promoting the adoption of such

incentives and in their implementation (the latter by awareness raising and assisting enterprises in the paperwork involved in benefitting from such measures).

Armenia's participation in the EaEU in fact revealed many new opportunities for Armenian enterprises, including also those in the light industry sector. Its EaEU membership provided unique privileges to the country given the free movement of goods, services, capital and labour, and the pursuit of coordinated, harmonized and single policies based on agreements made within the Union. Moreover, light industry production has been declared to be among the promising industries of Armenia supplying EaEU markets. This being said, even if not made explicit in the design of the project, its efforts aimed in particular at one member of the EaEU, namely the Russian Federation.

Target beneficiaries

The project document clearly specified the target beneficiaries and the eligibility criteria for their selection. The latter included a gender dimension, stating that at least 30 per cent of the pilot beneficiary enterprises to be targeted were planned to cover enterprises with female owner or manager and/or "having gender equality and women's empowerment identified as one of the enterprise objectives" (p. 15).

While the document refers to the sub-sectors covering more than 109 enterprises (textile and garment, page 6) and about 30 footwear enterprises (p.11), there is a major gap between the number of registered enterprises and the ones that are operational (see also Section 2.1). The project management team assesses its actual outreach (country wide) to operational enterprises of both sub-sectors at around 70-80% (garment) and 70% (footwear).¹¹ Moreover, the project document targeted - as regards its service capacity building/strengthening efforts - cooperation with industry support institutions, industrial development agency, the sector association, industry-related marketing centers and specialized training entities (pp. 15-16).

The project does not foresee the formalization of the cooperation with the target beneficiaries in the form of, e.g. a Memorandum of Understanding/MoU that spells out what the project will provide (and what not) and what participating enterprises are expected to provide/in what form.

Stakeholder analysis

According to the project document, the main **coordinating agency** was assigned to be the Ministry of Economic Development and Investments (currently renamed Ministry of Economy/ME). This Ministry was and remains responsible to date for the development and implementation of policies and strategies aimed at fostering export development as one dimension of stimulating sustainable economic growth. This includes the creation of an enabling environment for sector development to improve the competitiveness of Armenian businesses.

The **main counterpart** of the project was assigned to be the Development Foundation of Armenia (DFA) - established as a result of the merger of several development agencies in 2015 (briefly described in Section 2.1, under the heading institutional context). DFA was at the time of the project design the main implementer of the National Export-Oriented Industrial Policy. It is to be noted that DFA also provided office space to the project as well as its access to the main utilities.

¹¹ Excluding the enterprises that work under a tolling scheme, implying an exclusive bond with their clients does not allow them to cooperate with any other organization. To clarify, a toller agrees with the owner of raw materials to process the raw material for a specified fee ("toll") into a product with the raw material and the product remaining the property of the provider of the raw material.

As described in Section 2.1 and also under the section on project ownership, several institutional changes took place in this second phase of the project implementation.

The project document does not refer explicitly to the Atex-Burgo Fashion School, although it had started to work with this (private) entity early on (Phase I), both as project implementing partner and as beneficiary of project support.

Related assistance

The Phase II project document does not mention any related assistance programmes and projects. At the time of the design of Phase I, it could build on the work of the World Bank that had supported the development of the Strategy for Development of Textile and Knitted Wear Industry in Armenia. Also other development agencies were at that time involved in private sector development support, such as UNDP (Support to SME Development) and JICA (including the development of business development services, BDS). During the implementation of both Phases I and II, new related initiatives were launched in the field of private sector/SME development including, improvement of the business environment (among which by EU, USAID, GIZ, ADB), in view of possible external synergies. Moreover, the project document does not refer to other UNIDO activities in the country ongoing or planned at the time of the design of the project, in view of possible internal synergies.

At the time of the design of Phase II UNIDO was, as in Phase I, the only agency involved in support focused on the garment and (now also) footwear sub-sectors (other than the earlier involvement of the World Bank in the above-mentioned garment sector strategy).

Implementation strategy

As per the implementation strategy also pursued in Phase I, the project focused on the enhancement of local production (with emphasis on collections involving different enterprises), with a view to attract and convince potential buyers/clients of the capabilities of local enterprises to produce items of good quality at competitive price.

The Phase II strategy was thus market-driven and result oriented, based on the methodology applied by UNIDO (including lessons learned in prior projects elsewhere, and also in its predecessor project). Whereas the sector focus expanded in the second phase (including also footwear enterprises), its target market remained the same. Notwithstanding the general appreciation of the project by the beneficiary enterprises at the time of the evaluation of the previous phase, many of them expressed the interest in exploring also other markets besides Russia for the promotion and sales of their products. The Phase II project document did not reflect the pursuit of “other” markets in its strategy (even though, during implementation, it facilitated participation of some enterprises in exhibitions other than in the Russian Federation (some focused on final products; others on input supplies).

Finally, there is also no reference in the implementation strategy to guiding principles related to the payment for services by enterprises (good practice in Private Sector Development support) nor of a plan to gradually introduce this in the project support approach.

Logical framework

In general, the Logical Framework Matrix (LFM) is a core document in the assessment and measurement of the effectiveness of project implementation on all levels, i.e., the project goal (intended impact), outcomes, and outputs. Logical and precise design of a project including its LFM makes the project implementation process structured, result oriented, and traceable.

The analysis below covers the following dimensions of the LFM:

The **Global Objective** of the project is “to *contribute* to the implementation of the National Export-Led Industrial Development Strategy of the Republic of Armenia through strengthening productivity, competitiveness and collective export capacities of Armenian manufacturing companies operating in the priority light industries.” While this alleged “contribution” is ambitious considering the size of the project, the formulation as reflected in the logical framework is more precise: ‘to maintain and improve the market share of local textile and clothing industry operators, shoe and leather goods industry operators in domestic markets and to take advantage of opportunities afforded by the regional economic integration processes” (p. 34). This being said, it is erroneous to have different formulations of, in this case, the development goal or global objective in different parts of the project document. The indicator to assess the degree of achievement of the development goal leaves space for some ambiguity, particularly: what is meant under “the regional market share”; on what basis and how can certain market dynamics be attributed to project support; what is meant by “increased” (i.e., with which target)? Thus, whereas the goal is well defined, the indicator is not

The formulation of the **outcome/immediate objective** is precise and unambiguous. Regarding its indicator, it does not specify how “improved economic performance” would be measured in clear and precise and possibly quantified terms (target values). Also, the wording “using locally available services” is somewhat ambiguous, since most of the services cover delivery by the *project* experts. Whereas not spelled out in the project document, during implementation the project used job creation, turnover, domestic sales and exports as key performance indicators (with data based on what enterprises reported, not necessarily based on documentary evidence).

As regards the **outputs**, their achievement is expected to largely lead to the achievement of the project objectives - goal and impact (in both sub-sectors), even though each of the two outputs bundle a number of sub-outputs. Moreover, the definition of the **indicators** to measure the outputs are overall appropriate, except for one important shortcoming: they are not quantified (covering neither baseline nor target values). Whereas baselines were set out during the diagnosis exercise, the lack of targets makes it difficult to objectively judge improved performance. In addition, the indicators applied to the performance of enterprises already included in Phase I are the same as for the new (second) group of enterprises in Phase II. It would however be more logic to set somewhat different/more advanced indicators for the first group of enterprises (all garment manufacturers).

The Phase II project document repeated the outputs of Phase I (outputs 1 and 2) to which outputs 3 and 4 (Phase II) were added, covering quasi identical **activities** that correspond to the upgrading methodology introduced by UNIDO. This was explained by UNIDO as being the result of the circumstances surrounding the approval of Phase II (see also *introduction*, above). A priori there is a logical connection between the envisaged activities, outputs, and outcomes. This being said, some activities would require further specification to allow for performance measurement, such as: “full diagnosis”, “implementation of ... strategies”, “reference markets” to ensure common understanding by all concerned and avoid that different parties (such a project experts; beneficiaries, evaluators) understand these indicators differently.

Regarding **risks and assumptions**, the project LFM did specify assumptions for the implementation and achievement of the envisaged outcome but not for its outputs (stated “to be determined according to background information gathered on the industry support market in Armenia”). There is a section on risks (C.11 of the project document), but these are not mentioned in the logical framework with the exception of the outcome level (not at the output level). Whereas stability of the political situation was mentioned as an assumption (outcome), certain risks related to the political and institutional context were already present at the time when the project document was designed in 2016. The same should have specified the output related

assumptions, risks and risk mitigation measures to be monitored/acted upon by the project in case of major changes in the project environment affecting the likelihood to achieve intended results.

Monitoring, reporting and evaluation

Chapter F.2 of the project document adequately addresses the aspects of project monitoring, reporting, and evaluation. Its implementation is discussed under Section 3.2.4. There was no monitoring officer in the project document responsible for reviewing project performance and corresponding periodic reporting. The document refers to a results-based management mechanism but does not foresee a comprehensive monitoring framework in a form of a single database to record and compile data on enterprise performance in line with all indicators of the logical framework.

It is to be mentioned that the project document includes a **communication and visibility** chapter (C.6) that covers an extensive list of tools/avenues planned to be used (PR efforts) by the project to raise and maintain awareness about its work and achievements. The section clarifies the use of visuals as regards the donor, the recipient country and the donor.

Regarding **gender mainstreaming**, the document spells out the intended efforts under the project umbrella to enhance gender equality and envisages the collection and compilation of gender disaggregated data. Reference is made to Section 3.2.5 for the assessment of the implementation of this strategy.

Last but not least, the concern/search for **sustainability** is mentioned in the project document (Section C.8), referring to the experience (with emphasis on the funding mechanism) in upgrading programmes implemented elsewhere. This section does not refer to an exit strategy developed a priori from the start of the project. Reference is made to the focus of Section C.8 in the assessment of likely sustainability of support under Section 3.2.4 below.

3.2 Project implementation

3.2.1 Progress towards impact ¹²

Behavioural change

There are clear indications of **change**, particularly in the socio-economic sphere, which are spelled out in detail under effectiveness and not repeated here (for the sake of avoiding duplication).

Broader adoption

As regards **market change**, given the focus of the project on market driven enterprise modernization, there has been influence on both the demand side (drawing attention of buyers to the capacity of Armenia's light industry sector – the findings presented under effectiveness refer- and on the supply side (support the upgrading of production, productivity and also dealing with quality issues).

With respect to **mainstreaming, replication and scaling up**, the following is highlighted:

¹² In line with recent new dimensions of UNIDO guidelines for evaluation

Mainstreaming

The role of the project coordination went beyond the project objectives *stricto sensu* and it became in fact a reference hub for information on and support to the light industry. The sustainability of the range of assistance thus provided depends on the degree in which the future Light Industry Training and Service Centre will take over this role (with the support of the project in this process)

Replication and scaling up

Compared to Phase I, the project enhanced its outreach in Phase II by replication of the activities to a large number of enterprises in the garment sub-sector and by expanding its work to cover also footwear manufacturing. Although the precise number of operational enterprises in each of these two sub-sectors is not known, it was reported that outreach under Phase II was already substantial (estimated around more or less 60-70% of all enterprises active in these sub-sectors). Nonetheless, there is scope for expanding outreach to all operational enterprises (not limited to those in existence since 3 years - which was so far among the selection criteria for enterprise participation in the project), but also to cover start-ups.

It is too early to assess to what extent the work undertaken in the light industry generated interest in *other sectors* based on the need/opportunities for enterprise modernization and market development (targeting both the local market and exports).

3.2.2 Effectiveness

In general, the project has in several important achievements, with tangible results and even early indications of impact. This is particularly the case as regards support at enterprise level (output 1), with performance indicators pertaining to the growth in employment, turnover, exports and sales on the local market signalling that the project contributed to intermediate changes (as per the pathways schematized in the ToC). There were also savings at enterprise level as a result of applications to benefit from fiscal incentives (related to import duties) as well as other measures meant to create a supportive business environment (VAT “holidays”). In this regard the following results are highlighted:

a) market development efforts resulting in important increase in the number of buyers, as shown below:

| Year | Number of buyers (Russian Federation) placing orders | Number of Armenian enterprises engaged in production for order ** |
|---------------------------|--|---|
| 2017 | 9 retail chain stores | 6 |
| 2018 | 12 retail chain stores | 8 |
| 2019 (status up to Sept.) | 16 of which 10 retail chain stores and 6 sole enterprises/buyers | 7 |

**Based on information provided by the national project coordinator during the field mission*

***Two footwear manufacturers; others all garment manufacturers*

b) upgrading and marketing development efforts generating very positive results, as shown by the KPIs. To this end the last available progress reports (end June 2019) show impressive growth of the garment sub-sector (based on figures as at end 2018 compared to the baseline in 2016), namely:

- Employment: increase of 91%
- Annual turnover: increase of 92%
- Export volume: increase of 196%
- Local market sales: increase of 35%.

The actual figures are estimated to be higher, as enterprises may be inclined to underreport. Evidently, there are outliers at both ends, with some enterprises having very big increases in turnover/sales (above 300%) and others having lower but still sizeable growth rates. Also regarding footwear, the latest available KPIs show solid growth rates, whereas project support to this sub-sector only started in Phase II.

c) Other non-intended results, in particular:

awareness raising and support to individual enterprises in completing the paperwork to be able to benefit from fiscal exemptions resulting in savings at enterprise level. To illustrate: advice and support regarding the application for 3 years VAT holidays covered the amount of more than US\$3,314,000 for a total of 5 participating enterprises; regarding Customs Duty Privileges it covered the amount of more than US\$3,955,000 for a total of 13 enterprises.

Notwithstanding the issue of attribution, it is considered that positive results at the level of enterprises can to a great extent be explained as the effect of project work with the enterprises in terms of market promotion/development, facilitating linkages with new buyers, identifying new input suppliers, following up on sample production etc.

Regarding the strengthening of the support infrastructure (output 2), this has been an important focus of Phase II efforts, resulted in progress notwithstanding delays, culminating in the establishment of the Light Industry Training and Service Center at the very end of Phase II. The same is considered an intermediate result, to the extent the effectiveness of the Centre can be only assessed after an initial period of operation of say 1-2 years.

Finally, for those readers interested in *the details* (comparing the planned outputs/results and respective indicators as per the signed Phase II project document, with particular reference to its Logical Framework and the actual achievements, reference is made to the comprehensive matrix below with details by output and activity. It also includes information on and the assessment of non-foreseen project achievements that are *stricto sensu* outside the intended project results as per the formulation of the project document and are thus considered non-intended direct/indirect results of the project work. In addition to the analysis of planned versus actual achievements and results, the matrix assesses progress towards impact.

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ |
|---|---|
| Development Goal | Assessment |
| <p>To maintain and improve the market share of local textile and clothing industry operators, shoe and leather goods industry operators in domestic markets and to take advantage of opportunities afforded by the regional economic integration processes</p> <p>Indicators: Domestic and regional market share of Armenian clothing, shoe and leather products increased</p> | <p><i>The Phase I evaluation already drew attention to the fact that progress reports (as per the UNIDO template) are activity and process based and not results based. These reports do not refer to the complete set of indicators as formulated in the project's logical framework, which (in the case of the development goal) are based on national statistics. This being said, there are relevant national statistics available that show inter alia market trends (albeit for a limited period, i.e., up to 2017) even though a partial measurement of the development goal/impact level indicators as formulated (see also Section 2.1, country context above, in which detailed sub-sector wide statistics are provided (not repeated here), covering,</i></p> <p><i>for the garment sub-sector:</i></p> <ul style="list-style-type: none"> • <i>increase in annual garment production (more recent statistics to be reported on by the project in its terminal project report – observation valid for all statistics provided in this assessment);</i> • <i>growing share of garment production in industrial processing</i> • <i>growing exports</i> <p><i>for the footwear sub-sector:</i></p> <ul style="list-style-type: none"> • <i>increase in annual leather production and sales (no details on the evolution on the local market)</i> • <i>growing exports, albeit with fluctuating growth rates</i> <p><i>Based on the interviews during the field mission, some additional information was obtained allowing for more precision (albeit in qualitative terms) as regards the market related impact level achievements that can be attributed to project work: whereas by the end of Phase I (mid 2016), the first export contract had been signed between one of the participating enterprises with a large Russian clothing retail chain, the situation by the end of Phase II shows how market opportunities on the Russian market evolved since then (see Section 3.2.2 above for details</i></p> <p><i>In brief, the market promotion/support efforts of the project covering relentless participation in specialized exhibitions, trade fairs and business networking events in Moscow since the pilot phase resulted in effective business linkages and sales on the Russian market. The current pipeline of potential orders (2019) is impressive, including several 'repeat buyers' but no less than</i></p> |

¹³ Based on the project progress reports and complemented by the evaluation team with information obtained during the field mission; the overview covers the *main* achievements and does not claim to be exhaustive in terms of covering *all* the project work carried out by the project.

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ |
|---|--|
| | <p><i>11 new potential buyers (not limited to the Russian market) and, if concluded, would involve 11 Armenian producers. The gradual increase in the number of Armenian enterprises producing for such orders is important, as it will show the spread of project benefits among the total number of participating enterprises (formally 25).</i></p> <p><i>As already observed in the pilot phase, the sales so far secured during Phase II period concern primarily outsourcing, in that the designs are provided by the buyers (mainly retailer chains); so far there are no orders purely based on the subsequent 5900 BC (i.e., the brand created in Phase I) collections. It would confirm that the development of collections (10 in total at this stage) by the project has been relevant for visibility purposes (of which the fruits are being collected as illustrated above).</i></p> <p><i>With respect to the evolution of sales on the domestic market, depending on the product/enterprise the evolution of sales on the local market was more or less important. Still, many of the enterprises contacted reported they are keen to also develop/sustain their position in the local market. Project focus has been more on export than on local market and the initial idea for the enterprises to engage in local sales of the 5900 BC collections is not pursued. In any event, there is no indication of presentation of subsequent collections at national exhibition such as Made in Armenia (no reference to such event since September 2016); also, there is no common local outlet (some enterprises have local stores in which they sell their own brand products).</i></p> <p><i>Regarding non-intended results and impact, the following are highlighted:</i></p> <p><i>Research and advocacy efforts of the project including recommendations to the Ministry of Economy (previously Ministry of Economic Development and Investment) with a view to improving the business environment of the garment and footwear sub-sectors leather sector (in line with Eurasian Economic Union provisions) contributing to the adoption of the following measures by the Government of Armenia: (1) three years extension of VAT exemption payment for imported raw materials of textile/apparel and shoe/leather sector; (2) VAT exemption as regards imported equipment/machinery of textile/apparel and shoe/leather sector (latter as per the Law adopted on 25 October 2017 and in force from 1st of January 2018).</i></p> <p><i>It is too early to assess the results of the Light Industry Training and Service into preparation of which the project team dedicated major efforts under Phase II. This Centre is expected to become operational in October 2019 (as per current planning of the project).</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ |
|--|---|
| Outcome/Immediate Objective | |
| <p>Beneficiary SMEs form networks, modernize their businesses to expand production, improve quality and gain access to markets with the support of reinforced national technical expertise</p> <p>Indicators: Improved economic performance of industrial beneficiary SMEs using locally available services</p> | <p><i>As there is no precise definition in the logical framework how the outcome indicator “improved economic performance” is planned to be measured (to be distinguished from the performance indicators under output 1), one can use the proxy indicators of the project outcome selected by the project team and for which data were collected (see also Section 3.2.1), namely employment (increase of 91%); annual turnover (increase of 92%); export volume (increase of 196%) and local market sales (increase of 35%). NB: whereas these indicators are listed as per project logical framework under Output 1, they are in fact outcome level indicators</i></p> <p><i>Since Phase I, the project outreach increased from 8 to 25 existing enterprises, covering 15 garment manufacturers and expanding sector outreach by including also 10 footwear manufacturers. It is understood in fact more enterprises received support from the project, including some start-up type operations. Moreover, the project provided advice to (potential) investors in the form of the preparation of preliminary investment plans. Also, geographic outreach has expanded, as several of the beneficiary enterprises are located outside Yerevan (see below).</i></p> |

| | |
|--|---|
| <p>Project logic/structure (as formulated in logical framework)</p> | <p>Concise overview of achievements against planned results and activities ¹³</p> |
|--|---|



Source: ToR, Terminal Evaluation, August 2019; it is noted that Zakaryan LLC is listed among participating enterprises (whereas not included in the core list of 25); on the other hand, two participating enterprises are omitted in the above figure, namely Firma Lida and Tosp.

Adhering to the formulation of the outcome as per the logical framework (which covers different dimensions), the assessment is as follows:

- *Networks: there is said to be an informal network among the participating enterprises; a subset of them (10 enterprises) established an export consortium (also registered owner of the 5900BC brand) which is not yet operational (group opted for sales consortium, aiming to sell on line in Russian Federation through shared platform).*

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|---|--|---|
| | <ul style="list-style-type: none"> • <i>production expansion/modernization: meetings with enterprises illustrated the same (some relocated since Phase I and invested in new premises and larger operation). The KPIs collected as part of monitoring do not capture these investments and focus on turnover & sales.</i> • <i>quality: the evolution of orders would seem to indicate that quality is in compliance with market requirement/client expectations; whereas reference is made to “improved quality”, there is no proxy indicator for quality/quality control. The current Russian Federation market does not seem to require product/process testing (e.g. flammability of uniforms, environmental certifications), environmental compliance (e.g., use of vegetable tanned leather) or social accountability certification. Whenever enterprises pursue also market opportunities elsewhere (such as EU market), testing and certification issues will need attention.</i> • <i>access to market: the KPIs compiled (available only up to end 2018 at this stage) show the change in export volume and change in local sales, with no reference to absolute figures. Information on the relative importance of exports versus local market varies per enterprises (as is clear from enterprise specific information compiled in Annex 6). Like in Phase I, the 5900 BC collections (by now 10 including 2/footwear) served as a tool used in the organization of/participation in shows/exhibitions/fairs/business meetings –drawing attention to the capabilities of the participating Armenian garment producers. Still, as these are buyer-driven supply chains, the promotional efforts generated so far mainly subcontracting opportunities based on the designs of buyers, not (yet) of 5900 BC collections as such.</i> | |
| Outputs/Results (as per Phase II of the Logical Framework; output 3 = output 1/Phase II; output 4 = output 2/Phase II) | | |
| OUTPUT 1 | | |
| Output No. | Planned activities | Achievements/Assessment |
| Output 1 Enterprise diagnostics, industrial modernization and market positioning for the selected pilot SMEs in the shoe/leather goods and garment industries in Armenia | 1.1 Identify and select a pilot group of min. 5-7 and max 10 enterprises in the shoe/leather goods industry and additional 5-6 enterprises in the garment industry willing to participate in the programme and responding to the approved eligibility criteria | <u>Achievements</u> <i>Confirmation of the list of participating enterprises by AB dated 11 July 2017 responding to the selection criteria (see Annex 6 for list), covering 15 garment manufacturers and 10 footwear manufacturers.</i> <u>Assessment</u> <i>Whereas the Phase II started in September 2016, decision making on the list of participating enterprises took place in July 2017 (related to delays in project approval process due to changes in Government). The first 10 months of Phase II thus covered mainly pursuit of efforts under Phase I (development of collections; participation in trade</i> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|--|--|
| <p>using innovative marketing approaches with possible development of export consortia among the participating manufacturers</p> <p>Indicators: Enterprise performance indicators, e.g., reduced factor costs, turnover, value added, % exported etc.</p> <p>Number of SMEs enter into networks/consortia</p> | | <p>fairs and B2B events; follow-up on orders) and mobilizing interest of new enterprises (garment/footwear) in Phase II.</p> <p>To indicate/confirm their interest in the project, the enterprises had to complete an application form; the information thus provided is considered the baseline status as regards enterprise performance at the start of the project. Review of the forms submitted showed that in most but not all cases the requested details (such as on annual turnover) were completed - supposedly completed during the diagnostics.</p> <p>As far as the garment manufacturers already included in Phase I are concerned, these enterprises did not have to apply again; in total of 6 out of the initial 8 enterprises continued to participate in Phase II (see Annex 6). The ones who did not continue as project beneficiaries were Armjeans and Agnesa (latter was closed for family reasons) nor the 9th enterprise added in 2015 and involved in ad hoc manner in Phase I, namely Noubarashen Knitting Factory.</p> <p>NB: the indicators listed under Output 1 (see the first column), are reflected in the logical framework, but the project did not use these in full (only partially). Thus, data collected on enterprise performance are limited to the ones highlighted under Outcome (see above)</p> |
| <p>Number and quality of export activities facilitated</p> <p>Number of enterprise employees trained (female and male)</p> <p>Increase in turnover by beneficiary enterprises</p> <p>Increase in quality and quantity of goods and</p> | <p>1.2 Conduct full-diagnosis study of each beneficiary enterprise in the shoe/leather goods industry and supplementary (to the pilot phase) beneficiary enterprises in the garment sector including technical assessment of present technical/production situation and operated technologies, collect, analyse and evaluate marketing data, gender disaggregated employment data, position and wage levels, and develop</p> | <p><u>Achievements</u></p> <p>The progress reports refer to full fledged multi-disciplinary diagnoses (product development, production management, HR, finance, marketing, networking, legal issues, standard issues) and upgrading plans carried out for each of the participating companies.</p> <p><u>Assessment</u></p> <p>Review of the diagnostic reports prepared for each of the enterprise indicates that these covered in fact <u>preliminary</u> business diagnosis – in which it was stated that these were to allow making the final selection of the enterprises to be included in Phase II. They cover a concise assessment of the production process, product development, financial and HR management. There is no indication this was followed (after selection) by what progress reports refer to as <u>full fledged</u> reports nor if these were discussed with and validated by the CEOs of the enterprises (as such “x-ray” document would be a strategic document for</p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|--|---|
| <p>services produced by the selected beneficiary enterprises</p> <p>Post-upgrading performance and satisfaction degree of the beneficiary enterprises</p> <p>Market positioning vision for identified products (collections) of high potential and marketing implementation strategy developed</p> | <p>modernization plans</p> | <p>the enterprise to have and use in decision making on priority setting) Regarding the upgrading plans, review thereof indicates that these are generic, overlap content wise across enterprises and read more as a project action plan than an upgrading plan of a specific enterprise derived from its diagnostic. Notwithstanding the work carried out at the level of the enterprises, it is regretted the progress reports claim that tailor-made upgrading plans have been developed for each of the enterprises. In brief, the plans are not specific enough to merit the qualification upgrading plan; moreover, no distinction is made between the actions needed for modernization at large and those planned to be supported by the project during Phase II (knowing that the project could not all address all domains of work to be done in view of upgrading). Finally, at the start of Phase II there was no stocktaking as regards the upgrading plans prepared in 2014 for the enterprises included in Phase I. However, within the spirit of “continuous upgrading” one would have expected an update of the situation as at end 2016 based on achievements during Phase I.</p> |
| | <p>1.3 Conduct competitive market positioning studies for selected enterprises including baseline of enterprises (domestic and export sales, employment, current markets and distribution channels, products range, etc.), analysis of supply-side constraints, main direct competitors, benchmarking of main competitiveness factors at the international level, market survey on reference markets</p> | <p><u>Achievements</u> A market positioning study for garment was conducted under Phase I (“Strategic positioning in the Russian market”, 2016); this was reported to be complemented for new targets market (as per annual report 2017). In cooperation with ADB, a study was conducted by JFC Strategy Consulting entitled “Export and FDI promotion for the apparel and footwear sectors, investment requirements and export strategy policy instruments” (draft final report, 2018). This study included an annex on domestic and neighbouring markets’ assessment in Russia, Iran and Georgia (clothing sector). As regards footwear, based on an analysis of the footwear sector (2018), a report was prepared covering the strategic positioning of the footwear sector in the Russian market (2019)</p> <p><u>Assessment</u> Unlike stated in the project document, the market studies were sector-wide and not conducted for individual enterprises. There is no information if/how the market studies were shared with the participating enterprises. The precise role of the UNIDO project as regards the study conducted by ADB/JCF Strategy Consulting (study authored by project expert) is not clear (no reference to UNIDO project, no logo). Similarly, this is missing on</p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|---|--|
| | | <p><i>the 2019 footwear market study.</i></p> <p><i>Notwithstanding understandable emphasis on the regional market in the light of proximity and also regional trade opportunities through EAEU, there is interest of several participating enterprises to further diversify the markets targeted (to benefit from, for example GSP+ opportunities/EU market).</i></p> <p><i>Regarding supply constraints, progress reports refer to access to input materials as an important source of constraints of the Armenian light industry; there is however no indication if the study (postponed from Phase I to Phase II) aimed at improving/diversifying the sources of materials supply (currently stated to be mainly from Turkey and Italy) was indeed carried out.</i></p> |
| | <p>1.4 Formulate market positioning vision for identified products (collections) of high potential, and build appropriate marketing implementation strategy for individual companies inter alia within the established group logo</p> | <p><u>Achievements</u></p> <p><i>The market positioning vision developed and launched in Phase I was pursued in Phase II covering the creation of a joint logo/brand 5900 BC (meanwhile registered in the name of the consortium), a 5900BC web site and Facebook page. The creation of seasonal fashion launched under Phase I was pursued through capsule collections and related catalogues (reaching at this stage 10 in total) and presented in different annual/ bi-annual events, exhibitions and meetings (among which CPM Collection Première Moscow; CPM Moscow Premium, Bee-Together- platform for outsourcing in light industry; Bee-Buyer, ...</i></p> <p><u>Assessment</u></p> <p><i>The work started in Phase I and continued in Phase II (joint brand, subsequent collections and participation in selected sector focused events targeting the regional market including the Russian Federation) demonstrated the capacities of the Armenian garment sector, generated interest and resulted in orders for Armenian enterprises – as already elaborated on above (as subcontractor and not yet for the 5900 BC brand which was however at the core of the strategy followed). Although the participating enterprises (at least the members of the consortium) are co-owner of the joint brand, there is no indication yet of its use at this stage (perhaps once the consortium will engage in on line sales on the Russian market through a joint platform). Also, as in Phase I, the project marketing strategy put so far emphasis on exports rather than organizing 5900 BC sales</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|--|--|
| | | <i>on the local market.</i> |
| | <p>1.5 Coach selected enterprises in shoe/leather goods shoe/leather goods industry and supplementary (to the pilot phase) beneficiary enterprises in the garment sector in implementing respective modernization plans and marketing implementation strategies based on networking approach and findings of the competitive positioning studies</p> | <p><i><u>Achievements</u></i> <i>Like in Phase I, the participating enterprises were given hands-on advice and guidance regarding the preparation of new product designs (the collections), the preparation of samples, costing and quality control by the team of international and national experts involved in the project. In addition, enterprise awareness was raised on tax privileges related to the importing of raw materials and "VAT holidays", combined with one-by-one support to complete the administrative requirements in order to benefit from these fiscal measures.</i></p> <p><i><u>Assessment</u></i> <i>The project team maintained during Phase II a very direct role in identifying and close following up market opportunities as well as the production of orders obtained. It appears the market vision became more open, away from the focus on the promotion of the collections while this was continued - now 10 in total) and accepting that in a buyer-driven market emphasis is on sub-contracting. The results in terms of increase in terms of orders obtained and also diversification of buyers is impressive (already discussed above).</i> <i>It is difficult to assess the result of advice on financial management and HR (including gender related) issues, as there are no indicators that measure progress in these fields since the first preliminary diagnosis.</i></p> |
| | <p>1.6 Provide technical assistance to selected enterprises in shoe/leather goods industry and supplementary (to the pilot phase) beneficiary enterprises in the garment sector to design and merchandize pilot ready-made collections with the support from the reinforced fashion centre</p> | <p><i><u>Achievements</u></i> <i>Work carried out under this activity 1.6 benefitted from support under Output 2 and converges with to the work done under activity 1.5 and results thereof, discussed above. At this stage a total of 10 collections have been developed and used in market promotion efforts (including Phase I).</i></p> <p><i><u>Assessment</u></i> <i>Same as under 1.5 above. The role of the Fashion Centre as service hub (fashion design; pattern making; grading) is discussed under Output 2, below.</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|---|--|--|
| | (based on the results of activities 2.4 and 2.5) | |
| | 1.7 Support collective marketing and export activities through the export consortia | <p><u>Achievements</u> Regarding the export consortium, preparatory work was conducted in Phase I (including training) and it is now formally established, with in principle 10 member enterprises (also co-owners of the 5900BC brand).</p> <p><u>Assessment</u> Based on discussions it is understood that *the export consortium is not yet operational *there is no manager yet - selected and paid by the 10 members to run the consortium on behalf of the members (one member currently acts as "lead" next to running his own operations) *several members reported to 'wait and see' or even state they are not involved in the initiative Finally, it is not clear to what extent and how other enterprises among the current 25 participating in the project work (in addition to the 10 consortia members) can use the 5900BC brand – should the collections find local/export market demand</p> |
| | 1.8 Support group efforts of beneficiary enterprises for identification/ participation in sectoral international exhibitions | <p><u>Achievements</u> The project enabled participation of enterprises in specialized events (garment; footwear) in particular in Moscow, Turkey and Italy. These covered not only trade fairs (final products) and networking events (buyers) but also specialized fairs for garment/leather goods inputs.</p> <p><u>Assessment</u> Enterprises appreciated the role played by the project regarding the organization of participation in such fairs (typically covering the costs of the stand and facilitating linkages with potential buyers/suppliers). The principle of cost-sharing was applied whenever organized by the project (with enterprises paying their air tickets and hotel etc.). It was noted that also some other enterprises (not among the 25) benefitted from participation in international events. It is considered appropriate to give such</p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|---|---|--|
| | | <p>opportunity to in particular start-ups. Namely, some of the larger and older enterprises (among the 25) already participate in these events anyway (with or without project support).</p> <p>There is no strategy yet to gradually phase out project funding for event participation (as was the case in Phases I and II)</p> |
| | <p>1.9 Elaborate a communication and visibility plan for the project highlighting the importance of the intervention, including development of promotional materials, conferences/workshops and delivery of reports</p> | <p><u>Achievements</u></p> <p>The project has produced numerous catalogues, brochures, and actively uses social media (Facebook; Instagram; Youtube) to feature/diffuse information stories etc. (in addition to website). The project was featured prominently in several international gatherings, among which during the 2017 General Conference of UNIDO and had substantial media coverage (local, regional and international).</p> <p><u>Assessment</u></p> <p>Notwithstanding the above, it is noted that this activity 1.9 is not a separate activity under output 1 but rather fitting under project management at large (which has a communication and visibility dimension)</p> |
| NON-INTENDED PROJECT WORK AND ACHIEVEMENTS AT ENTERPRISE LEVEL THAT CANNOT BE CLUSTERED UNDER OUTPUT 1 | | |
| <p>(i) Support to the implementation of fiscal incentives, covering:</p> <p><i>*awareness raising and support to individual enterprises in completing the paperwork to be able to benefit from fiscal exemptions (de facto additional result at enterprise level in the form of cost-saving).The results of coaching/advice on how to benefit from fiscal incentives are reflected in individual project expert's reporting but not detailed in periodic progress reports even though they are striking. To illustrate: advice and support regarding the application for 3 years VAT holidays covered the amount of more than US\$3,314,000 for a total of 5 participating enterprises; regarding Customs Duty Privileges it covered the amount of more than US\$3,955,000 for a total of 13 enterprises.</i></p> <p><i>*similarly, awareness raising regarding GSP+ related opportunities for Armenian enterprises to export to EU and supporting enterprises to register in the REX data base (Registered Exporter system for certification of origin of goods that is applied in the Generalised System of Preferences (GSP) of the European Union and in place since 2017).</i></p> <p>(ii) Investment related support:</p> | | |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|---|--|
| <p><i>Progress reporting refers to the development of business/investment plans for potential investors in the textile/garment and footwear sectors, covering 7 projects with an alleged value of US\$ 71 million, in particular: production of suits, fur-based goods, denim fabric, jackets/suits/uniforms etc. (case of enterprise expansion), jeans and fabric/garment (another case of expansion). Based on further information requested to and obtained from the project, it is understood these are preliminary “investment teasers” (not full-fledged business plans); of the 7 projects, there is indication of follow-up by the potential investors in 2 cases, but no actual investment yet as this point in time. Whereas this ‘extra project activity’ is laudable within the spirit of encouraging new investment in the two sub-sectors covered by the project, it is noted that the support was provided free of charge (not really a good practice principle in business development services and possibly unfair competition with service providers in Armenia already engaged in such investment related services).</i></p> <p>(iii) Group based training on productivity improvement:</p> <p><i>Several enterprises interviewed referred to the garment operator skill development training conducted from 11-22 March 2019 (under EU funded project of the International Trade Centre/ITC and implemented in cooperation with the UNIDO project). It involved 20 participants from 10 enterprises, covering theoretical sessions and practical exercises aimed at increasing productivity by 20%. The trained participants were expected to transfer the knowledge gained from the training to other employees in their respective enterprises. The trainers had follow-up meetings after the ten day training with management of the participating enterprises. Many enterprises mentioned this training to be among the best hands-on activities and stated to have introduced changes in their production organization based on lessons learned from the training. There was a call by enterprises for more and further in-depth training of this type (possibly through the forthcoming Light Industry Training and Services Centre, see below).</i></p> <p>(iv) Spin-off result pertaining to branding:</p> <p><i>The project in Armenia is reported to have resulted in the development of a new service module of the Department of Trade, Investment and Innovation, called “Branding for Competitiveness and Sustainable Growth’. UNIDO’s work on innovation through creativity and branding (including the work done in Armenia in this regard) was featured in Brand Global Summit organized in Austria (2019) in partnership with UNIDO.</i></p> | | |
| OUTPUT 2 | | |
| Output No. | Planned activities | Achievements/Assessment |
| Output 2 Human and technical capacities of national counterpart institutions | 2.1 Conduct a broad overview of the suppliers of the shoe/leather goods and garment products at the international level | <u>Achievements</u> <i>Regarding the garment sub-sector, the analysis of its size, structure and organization took place during Phase I. Information on the sub-sector was complemented in Phase II by the study funded by ADB (2018). Regarding footwear, the situation of this sub-sector</i> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|---|--|
| <p>and of national expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis and modernization, competitiveness building and marketing, shoe and garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national shoe and garment industries.</p> <p>Indicators:</p> <p><i>Service offers from strengthened/ established services portfolios of industry support providers</i></p> <p><i>Number of trained experts/trainers (female</i></p> | | <p><i>was analyzed in 2018 and its strategic positioning in the Russian market in 2019.</i></p> <p><u>Assessment:</u> <i>as already mentioned under 1.3 above, the studies involved project expertise but do not make explicit reference to the UNIDO project (not mentioned on cover page)</i></p> <p><i>NB: reporting does not follow the indicators listed as per the logical framework under Output 2. As mentioned, reporting has focused on selected KPIs all focused on enterprise performance. Whereas the project brochure refers to “more than 400 experts trained”, there is no information on these experts (working in institutions/consulting firms/other) nor on what they have been trained.</i></p> |
| | <p>2.2 Review the existing shoe/leather goods industry’s human and technical capabilities, identify and assess capacities of the national expertise and existing industry support institutions, industry-related testing and design centres and/or vocational training institutions in supporting national shoe/leather operators</p> | <p><u>Achievements</u></p> <p><i>During Phase I, the overview of the industry support infrastructure in the garment sub-sector resulted in the choice to focus on the Atex Fashion Centre as future service hub for the garment sector. During Phase II the project continued to work with this Centre (latter being both institutional project partner and project beneficiary), which became the Atex-Burgo Fashion School (cooperation with Burgo being funded entirely by the project in both Phases I and II).</i></p> <p><i>Regarding footwear no support entity/training institutions focused on footwear exists currently in Armenia.</i></p> <p><u>Assessment</u></p> <p><i>There is no indication in progress reporting of self-assessment during Phase II of the actual results of the cooperation between (i) the project and the Atex-Burgo School as service platform for the garment sector and (ii) UNIDO and Burgo. However, after more than four years of cooperation, such review of results is called for (see activity 2.5 below)</i></p> |
| | <p>2.3 Provide training sessions to the identified national expertise on strategic diagnosis and upgrading techniques, evaluation of upgrading plans, marketing techniques, project monitoring and evaluation, international standards</p> | <p><u>Achievements</u></p> <p><i>Progress reports list under this activity training and coaching undertaken regarding design, patternmaking, operator skill development etc. (enterprise level support already reported above under output 1).</i></p> <p><u>Assessment</u></p> <p><i>To the extent the formulation of this activity refers to the transfer of knowledge/skills pertaining to diagnosis and upgrading techniques, marketing techniques, standards etc.,</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|--|---|---|
| <p>and male) Number of new demand-driven services provided to the national textile/garment & shoe/leather goods industries</p> | <p>and test methods in shoe/leather goods as well as garment products etc., and provide related methodological tools adapted to the Armenian context to ensure sustainability</p> | <p><i>a distinction is to be made between (i) capacities built of national experts other than project experts and (ii) capacities strengthened of the national project experts themselves, working in tandem with international experts. In terms of strengthening of service capacity (other than of national project experts), it primarily covered staff of Atex-Burgo Fashion school.</i></p> |
| <p>Number of partnerships established facilitating network and business linkages for export promotion of Armenian national textile/garment & shoe/leather products on regional and international markets</p> | <p>2.4 Establish/upgrade an existing training centre for footwear sector in close cooperation with institutions, universities and enterprises</p> | <p><u>Achievements</u> <i>As there was to be no training centre/support institution focused on the leather sector, extensive project efforts under Phase focused on developing the concept of establishing a training and services centre dedicated to the Light Industry at large (covering both garment and footwear sub-sectors). The latter is expected to become operational in October 2019.</i></p> <p><u>Assessment</u> <i>Even though it is too early to assess the results of Light Industry Training and Service Centre as it is not yet operational, it is to be noted that a lot of work has been carried out during Phase II in preparation for the establishment of the above centre –which is in fact also linked to activities 2.5 - 2.9). There have been delays in finding and confirming availability of space - 410 m2 - (a contribution of the Ministry of Economy confirmed on 23 May 2019, covering free of charge space allocation for a 5 years period – which is stated to be extendable, subject to performance during the first five years of operation. The name of the proposed centre changed over time (sometimes including also ‘cluster’ and ‘consortium’ in its title), which made the name “overcrowded” and confusing; the current and now formal name clearly captures what the centre is to stand for. The studies underlying the centre were adjusted several times, as its planned legal basis changed over time (from NGO/foundation to the decision that it is a centre under the wings of SMEDNC) as well as the size of the space allocated (affecting the range of services to be offered to the light industry sector and thus calculations as regards the speed of cost recovery).</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
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| | | <p><i>NB: in order to avoid repetition in this report, the analysis/assessment of this important Centre initiative is concentrated in Section 3.3 (as support to the start-up of the Centre is at the core of the Phase III concept).</i></p> |
| | <p>2.5 Extend support to the existing unit for fashion design and modelling to serve as a sectoral centre/point providing services related to fashion trends, design, patterns, grading, prototypes manufacture etc., to local garment manufacturers through supply of equipment and software, know-how and new available technologies, appropriate training to centre operators, and creation of a “fashion library” and licensed subscription to international electronic databases on graphic design, fashion and clothing</p> | <p><u>Achievements</u> <i>First, it is to be recalled that starting Phase I the Atex Fashion Centre was identified by the project as the entity expected to evolve into a core service centre for garment manufacturers. To this end the Atex-Burgo Fashion School (focused on providing product design, pattern making, grading and other services for enterprises) was established in February 2015 (based on a Partnership agreement with the Istituto di Moda Burgo/IMB (Milan, Italy). The school was a partner as regards the preparation of the collections; progress reporting is not precise on the evolution of the results of support to the school as project beneficiary since Phase I up to now with a view to putting in place/strengthening its services to the garment sub-sector (the project contribution having covered: annual royalty payment of €8000 to IMB since Phase I; purchase of Burgo textbooks; training of in total four trainers in IMB/Milano covering respectively patternmaking and fashion illustration; additional equipment, i.e., plotter for pattern making and training on Lectra software; two experts paid by project based in Atex-Burgo school who work on part time basis for the school and the remaining time for project wide activities, such as the collections; some furniture). As shown from the assessment below, the school has made limited progress as regards the initial vision for the school to become a hub for specialized services to garment manufacturers.</i></p> <p><u>Assessment</u> <i>Information requested by the evaluation indicates the following: end of 2016 there were four trained trainers, two graduates with an international Atex-Burgo diploma (who presented their graduation collections in a special fashion show) as well as about 30 students. As per the situation in September 2019 the records provided indicate that three of the four trainers are in place and a total of 11 students (Phases I and II combined) with an international Atex-Burgo diploma/patternmaking (out of the total of 50 students who graduated – combining all course offerings of the school). Of these 11 graduates, in total four participated in an event organized by IMB. The training of trainers on fashion</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
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| | | <p><i>illustration (2016) generated so far 5 graduates (with Burgo certificate). At present there are 4 students (course ongoing) in patternmaking and none in fashion illustration. The number of students that graduated is not very impressive (11/patternmaking; 5/fashion illustration) over some 4-5 years period. Also, when asking about the current positions of these graduates, few ended up in the sub-sector (four started a business themselves covering production/tailoring/training, and one is working in a garment manufacturing enterprise). The others either went abroad or work in different sectors. The picture as regards the graduates/fashion illustration is similar and, in brief, the school has not yet become the place through which garment producers find access to the needed trained staff. Feedback from some enterprises also related to the focus of the school on fashion design versus the need for trained staff for mass production in the garment industry (i.e., diverging focus).</i></p> <p><i>Whereas under Phase I emphasis has been put by the project on Atex-Burgo school's role in the development of the collections (together with staff of the participating enterprises). In Phase II this was complemented with also providing project expert located in the school to promote its services (training services marketing support on part time basis). As regards the plotter located in the school, whereas progress reporting refers to training on its use and maintenance, the equipment has not been used for now (situation reported by the Mid-term Review of 2018 has not changed). The software system chosen is reported to be complex and also different from the systems used by those enterprises having a plotter. It was mentioned that, with the establishment of the Light Industry Centre, this equipment is expected to be moved to these premises and made operational there (if needed repeating earlier conducted training on the system).</i></p> <p><i>Summarizing, notwithstanding the progress in terms of types of courses and number of trainees since Phase I, the number of graduated patternmakers (stated to be badly in need by the sector) has remained limited and so far the centre is not the common service hub it is expected to be/become for the sector. The main reason given for the limited number of students is the lack of space to accommodate more students (issue of premises having been discussed with the Government), but other factors may have also contributed, among which the cost of the training (reported at AMD 120,000/month).</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
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| | | <i>Discussions on if/how ATEX-Burgo will precisely integrate in/work with the Light Industry Training and Services Centre were stated to be still ongoing/not finalized at the time of the evaluation mission.</i> |
| | 2.6 Conduct expert meetings/technical workshops for selected beneficiary centre staff and trainers in a reference international fashion centre on market- and industry-driven fashion design processes and methodologies, modelling and styling, creation and validation of ready-made collections, and good merchandizing techniques | <p><u>Achievements</u> <i>Progress reporting refers regarding this activity in particular to the work of the international experts involved in the development of the consecutive collections and to the participation of selected enterprises in specialized fairs, citing footwear events (some focused on market; others on inputs/technology).</i></p> <p><u>Assessment</u> <i>The formulation of this activity would indicate its emphasis is on participation in expert meetings/training focused on fashion, collections and their promotion. In this sense the work converges with efforts carried out under activities 1.5 and 1.6 (see above). Four trainers benefitted from specialized training in a reference international centre (completed by end 2016) of which 3 are still working in the Atex-Burgo School to date.</i></p> |
| | 2.7 Train and facilitate development of skills for the youth to support, preserve and trigger further development of the shoe/leather goods and garment/textile industries for the economy of the country, including technical skills, support on conceiving new products, introduction to new technology and quality | <p><u>Achievements</u> <i>For the young students having benefitted/benefitting from the project support to the Atex-Burgo School, reference is made to the results described under activity 2.5 above, as well as its related assessment.</i></p> <p><u>Assessment</u> <i>As regards youth interested in learning/upgrading their skills related to shoe/leather goods production, there is no indication of specific youth focused efforts so far (certainly as there is no support centre in this sub-sector). The same is however envisaged among the services of the Light Industry Training and Service Centre.</i></p> |
| | 2.8 Facilitate regional and international industry support network and business linkages for export promotion of Armenian textile products on regional | <p><u>Achievements</u> <i>Progress reporting on this activity refers to the numerous fairs and fora in which the project facilitated participation, enabling contacts with buyers of final goods and with producers and suppliers of raw material inputs. The activity is de facto integral part of output 1, in particular activity 1.8 (see above).</i></p> |

| Project logic/structure (as formulated in logical framework) | Concise overview of achievements against planned results and activities ¹³ | |
|---|---|---|
| | Eurasian Economic Union and international markets | <p><u>Assessment</u> The participation in the vast number and range of different events generated the results summarized in the assessment as regards progress towards the project goal (see above).</p> |
| | 2.9 Explore scope for upscaling the project activities inter alia within the national support framework | <p><u>Achievements</u> During Phase II the project worked on the Light Industry Centre concept which, as such, is considered the vehicle through which to (i) make project efforts sustainable as well as (ii) upscale its coverage and outreach. This Centre is expected to become operational during October 2019 and is also at the core of the Phase III concept – prepared and submitted to the donor prior to the Phase II terminal evaluation.</p> <p><u>Assessment</u> As regards the project’s anchorage to the national support framework: it is during Phase II that the need to upscale the project activities in tight connexion with existing support institutions (also in view of sustainability concerns) resulted in forging cooperation with SMEDNC - which has become the umbrella organization for the Light Industry Centre. Further analysis of the current status of this initiative is reflected in Section 3.3.</p> |

3.2.3 Relevance and ownership

Relevance

There is full coherence in this regard with the findings of the Phase I Terminal Evaluation (2016): there is no doubt about the relevance of the second phase of the project for Armenia. This is shown by the project (including Phase II):

- supporting the “revival” and modernization of the garment sub-sector and expanding outreach to the footwear sub-sector that are among the priority sectors of the 2011 Export-Led Industrial Policy of the Republic of Armenia;
- focusing on the production and export of high(er) added value goods;
- contributing to both the expansion and the diversification of the export base;
- targeting SMEs that are known to be an important source of economic development and job creation;
- seeking to strengthen the business support infrastructure (in quest of addressing the gap as regards specialized support services in the targeted sub-sectors) which is culminating in the establishment of the soon operational support centre dedicated to the light industry sector ;
- generating some “quick wins” as a result of intense support to the participating enterprises with a view to developing their export capacity and find markets;
- seeking to forge linkages among enterprises in the same sub-sectors within the spirit of creating collective efficiencies;
- advocating the formulation and ultimate adoption of measures by the Government of Armenia to improve the country’s business environment (within the context of the EEU);
- supporting enterprises to benefit from fiscal incentives in place.

As already mentioned before, the project design was aligned to the 2011 Industrial Policy, the 2013 Strategy for Development of Textile and Knitted Wear Industry in Armenia and its Action Plan for 2014-2016 as well as the Government’s Strategic Program for Perspective Development in 2014-2025. It is understood that there have so far no major changes in above policies/strategies in the light of recent political changes in the country. Reference is however to be made to measures by the Government, including the introduction of fiscal incentives for the light industry (VAT holidays and customs duty privileges).

Despite the fact that the issues addressed in the above mentioned policy documents remain relevant, it is recognized that the situation has evolved since the period 2011-2013 and there is reported to be scope for updating the policies and strategies. From the side of the development partners the ADB engaged already in 2018 in industrial policy related work, focused on export and FDI promotion for the garment and footwear sub-sectors (a study in which the project was involved). It was reported that also UNCTAD recently engaged in studying sectors having the capacity and pre-conditions for solid and visible growth, and light industry is among those. The evaluation team has no overview of donor/development partner priorities as regards Armenia and it is likely that more are engaged in/envisaging support to fostering local and foreign investment in the sector. The challenge will for the Government to build coordinate and build on/use such studies for policy decision making and, particularly, policy implementation.

Overall, as also already observed in the evaluation of Phase I, it is unlikely that the priorities regarding this sector will change drastically under the current Government, as Armenia wants to increase and diversify its exports, preserve existing employment and enhance new employment opportunities. It is in this regard that the revival of the textile and garment sector is expected to remain among the strategic priorities of the current Government, in the context of its wider

economic priorities that include among others investment promotion, entrepreneurship development and export promotion.

The project objectives, outcomes and outputs are particularly **relevant for the targeted enterprises** as enhancing their competitiveness and position in both exports and on the local market are in fact the only way for these enterprises to develop and grow. In this regard hands-on advice and support at enterprise level (output 1) and strengthening of the support infrastructure (output 2) are very much needed by the enterprises. Accordingly, the project is **relevant for the private implementing partner cum institutional beneficiary** (Atex-Burgo) as well as for the **Light Industry Association**.

Regarding the **relevance for UNIDO**, the project is in line with its global Inclusive and Sustainable Industrial Development/ISID agenda and, at the country level, fully coherent with its commitments in the context of the UN Development Assistance Framework (UNDAF). More precisely, it is consistent with the first pillar of the 2016-2020 Armenia-UNDAF (July 2015), namely “equitable and sustainable economic development and poverty reduction”, which in turn has as first outcome that by 2020 the country’s competitiveness is improved and people, especially vulnerable groups, have greater access to sustainable economic opportunities.

Finally, with respect to the **relevance** of the project **for the Donor**, there is no change in this regard since Phase I and attention is drawn to the Russian Federation being a strategic partner of Armenia and also one of the three founding members of the Eurasian Economic Union (EAEU) that is aimed at fostering closer cooperation between the EAEU member countries. Moreover, the textile and garment sector in the Russian Federation (as main market in the wider regional market targeted) is highly import dependent, which generates the need to focus on importing from countries such Armenia that was a renown supplier prior to independence and for which the current Russian market has export potential. The cooperation with Armenia in this sector is thus considered to be based on a “win-win” scenario (see also Phase I Terminal Evaluation, 2016).

Ownership

At the start of Phase II of the project there was indication of strong **ownership at the level of the counterpart Ministry**, as the latter emphasized the need for the review and update of the project document prior to its signature (February 2017). Subsequent institutional changes during the life of Phase II affected ownership. In fact, Phase II coincided with significant political turbulence that started in 2016 and reached its culmination in April-May 2018 which affected the overall business environment in the country. Correspondingly, as already mentioned in Section 2.1 and similar to the situation in Phase I, the project worked with three Ministers and three Deputy Ministers in the period 2016-2019. Once it has been decided which Deputy Minister will have industry in his portfolio, it will be known who is will chair the next AB meeting.

The fact that the latter was not held frequently reflects the above-mentioned context. These changes affected the regularity of conducting the AB meetings (the last AB meeting was held on 20 March 2018). This is evidently insufficient at such critical juncture of the project that was/is at the same time engaged in the upscaling of its interventions and in reflecting on and preparing for the strategy for sustaining its services (the forthcoming Light Industries Training and Service Centre). The meetings of the evaluation team with senior officials of the counterpart Ministry seem to indicate that that latter is eager to deepen its involvement in project steering including the frequency of the AB meetings.

From the cost-sharing angle (particularly as regards participation in trade fairs), the project initially had a public implementing partner, i.e., DFA thereafter re-branded the Business Armenia Foundation, with the mission of promoting the country's economic growth through *inter alia* investment and export promotion. Yet notwithstanding the effective cooperation of the project

with Business Armenia, this partnership ended mid 2019 when public support to foundations including Business Armenia was terminated.

The recent decision of the Ministry of Economy that the future Light Industry Centre be under the umbrella of one of the agencies under the Ministry, namely the Small and Middle Enterprises Development National Center (SME-DNC) is a sign of reclaiming ownership by the Government of Armenia and will imply strengthening of the institutional anchorage of the local project coordination (that so far was a quite independently operating project implementation unit).¹⁴ This organization was selected by the Government to act as de jure owner of the space allocated for the Centre. To the extent SME-DNC is the executive arm of the Ministry as far as support to SMEs is concerned and as it is the support platform to which several other development partners anchored support programmes/projects, the decision can be considered as an appropriate solution (also to the persistent questioning as regards the legal status of the future Centre). Whereas there were no linkages between the project and SME-DNC so far (since the start of Phase I), this changed with the above decision. For now the core documents pertaining to the Centre provided to the evaluation team are in draft form and were translated into English for the evaluation team. The main document only carried the UNIDO name/logo (whereas UNIDO should not be presented as if the Centre's owner). There is no official cooperation agreement yet, whereas this should be a basic requirement (in the form of MoU) describing the roles and responsibilities regarding the Centre and listing its core partners (the Ministry, SME-DC and UNIDO), with mention of the donor.

It proved to take time to identify space for the Centre (a Government contribution and also sign of interest and ownership) due to a number of rather *force majeure* circumstances, including lack of institutional memory given rapid changes of high officials significantly (meaning the project work and plans had to be re-explained) *. Also there were unforeseeable situations as regards space identified but ultimately not available. These factors explain why it took almost to year to allocate space to the envisaged Centre (formally allocated to SME-DNC for the unique purpose of the Centre).

Ownership at the level of the participating enterprises is demonstrated by their interest in participation in the project and their engagement in project activities. To the extent the support was for now free of charge (other than cost-sharing as regards trade fair participation), time will tell to what extent enterprises are ready to pay for the technical, managerial and marketing support services so far mobilized and provided by the project. Finally, it is noted that formal ownership of the 5900BC brand has been meanwhile passed on to the export consortium with the same name that is expected to manage the use of the brand.

As regards the **ownership by the private implementing partner – the ATEX-Burgo Fashion Centre**, it took actively part in the preparation of the collections and, in particular, was encouraged to increase the number of students (both aspects involving the work of staff paid by the project) for training courses offered under the umbrella of the partnership with IMB/Milan (corresponding to an annual royalty payment continued to be paid by the project since its start). For now the role of ATEX as regards the envisaged Centre is not yet defined.

Another organization is among the project partners and its co-ownership of the project merits to be reinforced: the Union of Light Industry Manufacturers meanwhile renamed to “**Light Industry Association**” (with new management). Whereas the association is in the process of strengthening its advocacy and other services for its members and despite cooperation with the project, the association seems not involved in the process of setting up the Centre. Yet the sector is expected to

¹⁴ The functioning of SME-DNC is to a large extent based on external project funding.

being actively involved in this initiative to ensure that the range of service offerings is fully in line with the needs of the light industry (garment and footwear sub-sectors).

Finally, there are **no financial institutions among the project partners/co-owners**, even though their involvement would be a priori expected in an enterprise upgrading/modernization project. However, it was reported that access to finance is not a major obstacle nowadays (except enterprises with overdue amounts or overloaded with loans (“over-loaned”), making it less relevant for financial institutions to be inside the project frame.

3.2.4 Efficiency in implementation

To start with **counterpart funding**, although not mentioned in the project document, the Government of Armenia – first through DFA and later (up to mid 2019) through Business Armenia – allotted funds to share in the costs of participation in trade fairs in Moscow. Moreover, there was since Phase I a counterpart contribution in terms of office space, office equipment and utility charges covered by DFA (later Business Armenia) that hosts the project coordination team. Most recently (2019) rent-free space (410m²) was allocated to the project (through SME-DNC) - free of charge and for an initial period of five years - for the establishment of the Light Industry Training and Service Centre. The instability in project steering (few AB meetings) related to changes in the political and institutional context but seems meanwhile “under control”.

As regards the **UNIDO inputs and services**, in line with the findings of Phase I, there is no indication of major issues in terms of quality and timeliness. The participating enterprises were positive about the support received from the team of project experts and about their availability. The international and national experts worked in tandem. Like in Phase I, several enterprises wished the international experts had been given more time for work in the country, as the duration of their support at the level of the individual enterprises was considered short (particularly with respect to production process organization in the case of the larger enterprises).

Overall, there was and is smooth and good cooperation between the different main levels of coordination: UNIDO HQ, national project coordination team and the Head of UNIDO Operations in Armenia. All are highly motivated and very engaged in project work. The project team in Yerevan served as a true hub for issues concerning the light industry sector and even engaged in activities beyond the pure project focus (such as support in initial investment plan preparation).

In terms of synergies with other UNIDO projects in Armenia, there were reported to be no opportunities so far; this situation may change in Phase III under the new UNIDO-Armenia Country Programme framework (under preparation). Regarding external synergies, where UNIDO was/is in essence the only agency involved in support to the light industry sector, there are several illustrations of cooperation with other development partners during Phase II cooperation, in particular ADB (a sector study) and ITC (cooperation around hands-on operator skill upgrading training). The decision to organize project work under the umbrella of SME-DNC (especially pertaining to the Centre) is expected to increase the search for synergies with other programmes and projects to ensure complementarities as regards business development support to the light industry sector. It is also to be noted that the project sought additional collaboration by engaging in discussions on possible joint projects, such as with the Armenian General Benevolent Union (AGBU; US based NGO) pertaining to a possible service centre (light industry) in one of the regions (idea on hold since the last political changes) as well as others, among which the Italian Trade Agency in Moscow.

With respect to methodologies, there would have been scope for following with more rigour UNIDO’s upgrading methodology in terms of comprehensive completion of the diagnostics and upgrading/modernization plans and ensuring that these are shared with and validated by the

participating enterprises. There is in this respect a gap between what the project claimed in its reporting (mentioning that full fledged and comprehensive diagnosis and upgrading plans were prepared) and the quality of, in particular, the upgrading plans (latter being generic and not tailor-made unlike claimed, resembling a project action plan rather than an enterprise modernization plan, making no distinction between what is needed for modernization and how far the project could go in terms of support in its implementation). As no further reference is made to these plans (not by the project team nor by the enterprises that do not recall if they received the diagnosis and upgrading plan), they did not serve as road map (that would be revisited and where needed adjusted from time to time, and even used in monitoring of progress against planned actions). This is not to say that the project work at enterprise level was not relevant (it *was*, facilitated tangible results and has been appreciated by the enterprises), but the project should be cautious not to pretend to follow a very rigorous methodology in its upgrading efforts. Even if the evaluation agrees that such diagnosis and corresponding upgrading plans should be concise rather than taking up a lengthy period (as has been the case in some upgrading projects elsewhere), quality assurance of service delivery implies that the snapshot diagnosis and its related priority action plan should be carefully reviewed and validated, short and snappy and tailor made for these to be proper reference documents in the project work and its monitoring.

The **analysis of the budget use** during project implementation indicates that the actual utilization of the budget is overall in line with the planned utilization, with the exception of:

- (i) the (slight) increase in the use of international experts (planned versus actual): in fact, in the second phase of the project one would have rather expected a gradual *decrease* in this regard, to evidence the pursuit of a phasing-out strategy (with the exception of expertise in the footwear sub-sector, as the latter was only launched in Phase II); the latter is in fact not planned this way in the design: as per the respective project documents the share of international experts increased from 24.5% (Phase I) to 29.1% (Phase II);
- (ii) the increase in local travel costs (more than double its estimate): this situation probably reflects an underestimation of the needs in this respect, taking into consideration the outreach of Phase II (more enterprises, more sub-sectors and also a wider geographic spread);
- (iii) the (slight) increase in the use of national experts: this could be related to the project's outreach to also the footwear sub-sector; this being said, analysis of the profiles shows that the project inputs in footwear related efforts have been much less than for garment; compared to Phase I, the share of national expert inputs in expenditures is more or less the same (oscillating around 30%);
- (iv) the budget for sub-contracts exceeding its initial allocation: the evaluation mission has no information on the precise nature of the sub-contracts; it possibly covers printing of brochures/catalogues and the restructuring & repair works of the premises of the forthcoming Centre that are currently ongoing; it most likely also includes the annual royalty payment to IMB;
- (v) as regards equipment: the project purchased equipment for the Centre (some from abroad; some locally supplied) that, once the above works are completed, will be moved to the Centre. The decision to purchase timely rather than waiting for the premises to be allocated was in fact wise, as no time will be lost with the installation of the equipment once the building is ready. Regarding the choice of the equipment purchased (based on priorities set and aligned to the available budget), the actual use of the equipment once the Centre is operational will confirm if the right equipment was prioritized and purchased (based on the services needed by the garment and footwear sub-sectors and offered at a price the enterprises are willing to pay). The plotter and related software (purchased under Phase I for Atex and never used so far) is expected to be relocated to the Centre and, after refresher training on the same, is expected to be used thereafter.

The breakdown of Human Resources/HR inputs is provided in Table 1. The share of expert inputs engaged in coordination (about 28% of the total w/m) is considered more or less in line with averages in such projects although should not increase. About 70% of all HR inputs concern other experts (national and international); they are 18 with a range of different profiles. Attention is drawn to the total duration of their interventions in Phase II: n=5 less than 12 w/m; n=8 between 12 and 24 w/m; n= 5 more than 24 w/m. It is important to take the size of these inputs into consideration when working on the sustainability strategy (by now moved forward to Phase III). For a detailed overview of the budget by output and by budget line reference is made to Table 2 (both in Section 2.2).

Finally, a discussion on **Memoranda of Understanding (MoU)** including the lack thereof in some cases is called for. First, it is observed that there is no formal document between the project and the participating enterprises that describes the nature of the cooperation and respective roles/duties regarding the free-of-charge project service offerings. If there is reluctance of enterprises to share information on their performance, it could have been defined and agreed at the start of the cooperation which information, in what form and with which frequency the same is expected to be shared (while of course respecting basic confidentiality principles and agreeing how it would be reported). As enterprise performance is at the core of project indicators, there is need to ensure that data on performance can be expected to be available. Specifying (inter alia) this dimension in a MoU would be relevant.

With Atex there is no MoU, but with IMB (Burgo) there *is*. The one signed between UNIDO and IMB in Phase I explicitly stated that the financial involvement of the project would be limited to two years, and that the cooperation will be thereafter funded from public resources. Nonetheless, the project paid also in Phase II for the cooperation with IMB (de facto royalty) meaning that ATEX did not yet take over the charges of the partnership with IMB from which it benefits, also financially (i.e., through the fees received from offering international diploma/certificate courses).

There has been no internal review of the implementation of this MoU/Phase I and, when requested, the evaluators obtained a copy of the Phase II MoU with IMB (2017) on which the following observations are made: it includes items not covered in Phase II (purchase of IMB books); it refers to an annual faculty training in Armenia that did not take place; it refers to travel of trainees to Italy – in total only 4 students went to Italy, i.e., 3 in 2016 (at the end of Phase I/start of Phase II) and 1 in 2019. The royalty was paid by UNIDO in 2016, 2017 and 2018 and, linked to the budget balance, the IMB invoice covering 2019 has not yet been paid and most likely will wait for the Phase III budget. Attention is also drawn to the fact that the MoU is not between UNIDO and IMB but between SME-DNC and IMB. Normally, as all payments are made by UNIDO, it should be based on a contract between the receiving and paying party.

Also, for Phase II implementation of the MoU there is no indication of an internal review of its application/results so far (reference is made to the results described in section 3.2.1/activity 2.5), which, as SME-DNC signed the MoU, would involve three parties: SME-DNC, UNIDO and IMB.

At this stage there is no MoU yet that formalizes the cooperation between UNIDO and SME-DNC as regards the forthcoming Light Industries Centre. Whereas it was reported that a draft was prepared at the field level to this end, UNIDO HQ was said to “not like MoUs”, rather envisaging describing the cooperation with SME-DNC in the project document (Phase III). The latter is not in line with common practice and cannot be acceptable as covering a major initiative (setting up a new organization in Armenia), which is different from a technical assistance project and requiring proper formalisation with agreement on all relevant details by the parties concerned. Paradoxically, SME-DNC has a MoU with IMB (facilitated by UNIDO), but UNIDO has no MoU with SME-DNC guiding and defining the cooperation regarding the Centre initiative.

3.2.5 Sustainability prospects

In the Terminal Evaluation of Phase I, the prospects for technical, organizational and financial sustainability of the project interventions were uncertain and the main concern raised related to the sustainability of efforts in terms of

- anchorage of the support to the national support framework;
- continuation of services provided by the project experts, once project funding would end;
- willingness of enterprises to pay for services so far received for free;
- ability of Atex to play a service hub role for the garment sub-sector (including source of graduates trained in skills needed by the sector and expected to be recruited by them).

At the end of Phase II the situation is different, substantial reflexion has gone into the question of institutional anchorage and resulted in decision making by the counterpart ministry, actions by the project and also reflexions at the level of the donor, including

- hooking up enterprise upgrading and market development in the light industry sector to SME-DNC, a public SME development agency in the form of new training and services Centre (decision of Ministry of Economy);
- allocation of rent-free premises to SME-DNC for the purpose of establishment of the above Centre (decision of Ministry of Economy);
- investment in the repair/restructuring of the above premises (by the project);
- preparation and submission by the project to the donor of a concept note as regards the next project phase (Phase III);
- keen interest in and consideration of the Russian Federation to fund a third phase (no official decision yet).

The above developments since Phase I are very encouraging, noting that even if the Russian Federation agrees to fund Phase III (or perhaps beyond) the question of sustainability is and will always remain a crucial one. At this stage of establishment of the Light Industry Training and Service Centre (that has been given many different names in the preparatory stage, but has an unquestionable name now)¹⁵, the evaluation mission draws attention to a number of issues as regards the Centre to which reference was made for the first time at the first AB meeting of Phase II (16 February 2017) and that is expected to become operational soon, i.e., before end 2019. Some will have to be addressed in the official founding documents that the parties will no doubt sign before/at the official launching of the Centre. Others will have to be reflected imperatively in the draft Phase III project document before its submission to the donor.

The *core* issues/questions cover in particular:

(i) Who are the private partners in the Centre's "PPP model"?

- *The Light Industry Association? (seemingly not effectively involved so far in the design of the centre and the preparation of its business/action plan);*
- *Atex? (discussions reported to be ongoing, no clarity yet if Atex will integrate the Centre and under what conditions; if not, which will be the modalities for the now*

¹⁵ Document review on «the Centre» showed several names have been given to the Centre earlier on, among which: Regional Light Industry Support Centre (observation: "regional" creating confusion of the purpose and outreach); Light Industry Support Centre; Light Industry Development Cluster Development Centre (observation: inclusion of "cluster development" creating confusion); Light Industry Development Centre; Light Industry Training Centre (observation: not fully covering the range of its services), At some time even "consortia" was included in the title (observation: creating confusion, as the latter has a different purpose).

three trained trainers to serve among the pool of trainers of the centre and for other staff in Atex currently involved in project work?);

- *Local financial institutions? (so far not partners of the project, even though the promotion of industrial modernization will require access to finance and readiness of local financial institutions to provide medium- and longer-term finance as well as trade finance)*

(ii) Why is there at this stage no formal business cum action plan of the Centre, to be attached to a Cooperation Agreement signed by the concerned parties (including Ministry/SME-DNC, UNIDO)?

The documents provided to the evaluation team (some translated during the mission at the request of the evaluation) state to be in “concept” form, carrying only the UNIDO logo. This indicates there does not yet exist a complete and validated version of the founding documents of the Centre, nor a formal agreement among the partners specifying *inter alia* their respective roles and responsibilities as regards the Centre (other than the document assigning to SME-DNC the premises allocated to the Centre).

(iii) How will the Centre be governed and how it will be managed on a day-to-day basis?

Is an Executive Board foreseen to steer the operation and to ensure that the services offered are in line with the needs of and demand by the light industry? To what extent is the private sector represented in this Executive Board? Is there an organigram that shows the organizational structure? Which are the linkages with other organizations and how will these be formalized? What are the plans as regards staffing/profiles and priorities/phasing thereof? Under which conditions will current project staff work in/with the Centre?

(iv) What is the Centre’s implementation strategy, supposedly following a phased approach (as not all services can start from the beginning, not only depending on financial resources but also on limitations, given the size of the allocated space)? Does it encompass an exit strategy, showing clearly up to when the project resources will be utilized and as of when the latter will phase out and be replaced by revenues generated from service delivery?

In brief, to the extent the available documents refer to “concept”, it becomes urgent to move to the next stage, i.e., having a comprehensive validated cooperation agreement signed by all concerned main parties. As mentioned in the methodology, the concept note/Phase III is only looked at after the review of Phase II implementation. Where appropriate, the assessment of the project note will refer to the above observations regarding the status of the Centre.

3.2.6 Cross-cutting issues

Gender mainstreaming and youth

As already mentioned in Section 3.1 (Design), the project targeted, as in its first phase, at least 30% of the beneficiary enterprises to be owned or led by women and even included the existence of gender policy/gender equality objectives in the selection of enterprises. In any event, the vast majority of employees are female and there are several women owned/run enterprises among the beneficiaries, but the precise figure is not known (few gender disaggregated data in reporting since the diagnostic stage).

In essence, following UNIDO’s gender mainstreaming checklist for projects, it is noted that gender mainstreaming has been dealt with in a satisfactory manner to the extent:

- Gender issues were addressed in the design of the project
- The participating enterprises included several women run businesses
- Women are well represented in all positions in the enterprises interviewed
- Training of staff of enterprises included female staff at different levels (managerial; operations);
- Women were well presented in the team of project experts (coordination/thematic)
- Gender related tasks were included in job descriptions of project experts, including one expert having regular consultations on gender issues with the companies

There is however scope for improvement as regards Indicators and reporting thereon, as not gender-disaggregated.

The project was invited to participate in an Interregional Forum on Women Entrepreneurship (St. Petersburg, May 2017) in which inter alia one beneficiary entrepreneur of the project and a member of the project coordination team were among the speakers.

Regarding youth, the “window” in the project that directly concerned youth relates to the work done with the Atex-Burgo school. Regarding the students that graduated from the school few were in the end employed by enterprises in the sector, noting that some started their own business (atelier/couture; training).

Environment

There is no mention of environmental issues that were identified/addressed in Phase II. There is no link yet with UNIDO’s work in the field of resource and energy efficiency in Armenia. When asking one of the enterprises met how they deal with waste (materials), reference was made to a local buyer (another enterprise participating in the project that recently invested in a new plant – making threads based on waste material).

M&E including results-based management

Overall, project *monitoring* has been quite well implemented, including the preparation of periodic reports (semi-annual and annual), individual reporting by project experts, periodic missions from the UNIDO HQ, and also the mid-term review.

The project would have however benefitted from a single data base aligned to the logical framework/its indicators (that has no quantified targets and), without precise description how the indicators would be measured) that systematically compiles data/information accordingly. At present the project reports on in particular four KPIs that pertain to output 1. To get relevant facts on specific results (e.g. of the advice on fiscal matters) one has to go sometimes to the consultant’s report for info that could be in fact compiled in the data base against the specific enterprise). There is no project expert in the team purely dedicated to monitoring.

The project design envisaged “a result-based management mechanism/RBM to ensure timely identification of possible implementation challenges and provide support to addressing them”. Also, “gender indicators would be included in the M&E tools” and the “results of this RBM would be discussed at the Project ABs’ (project document, pp. 32). The above RBM mechanism would thus serve as instrument for balanced decision making. As there were no AB’s since November 2018 this may explain why such system was not developed. The project continued to follow the UNIDO progress report format that is mainly activity based and ends of becoming rather repetitive. In this regard there is scope for more emphasis on RBM in Phase III.

Regarding *evaluation*, conducting the terminal evaluation of Phase I when Phase II had already started was unfortunate (October/November 2016). There is no indication of its discussion at the

level neither of the AB nor of the Phase II mid-term review (July-August 2018). As in both cases the process of finalization and printing of these reports took very long, discussion in Yerevan based on the draft reports of these reviews would have added to their use. Even if the Phase II terminal evaluation is conducted *in extremis*, the evaluation team trusts its report comes in time for decision making on the Phase III that has been already agreed upon in principle by the donor.

3.2.7 Performance of project partners

The «hard core» of the project partners consists evidently of the following three main stakeholders: the donor (Russian Federation), the Ministry of Economy of Armenia and UNIDO. As per the findings of this terminal evaluation, the overall assessment of the performance of these partners is as follows:

- ❖ Donor: in terms of inputs, the funds for the main project were made available in a timely manner, which was facilitated by the fact that the project is funded from the annual voluntary contribution of the Government of the Russian Federation to UNIDO. Moreover, exchange with the donor's local representatives in Armenia indicates clear engagement and interest in the project, as well as donor being well informed about project implementation and its results ;
- ❖ Chief Counterpart: notwithstanding changes in the political and institutional context which explain delays incurred, there was throughout Phase II good cooperation with the project, including decision making as regards the institutional anchorage of project work, particularly regarding the forthcoming centre to its implementing arm, i.e., SME-DNC;
- ❖ UNIDO: the project reached tangible results as a result of the “do-er” role played by the project experts (such as development of collections to bring Armenia back on the map as source of good quality garment production; facilitating match making with buyers; following up on the production of samples, providing hands-on advice etc., as described in Section 3.2.1). The search for sustainability of project work could have been given more attention from the design and first phase onwards, but at least became an important feature of Phase II.

3.2.8 Rating

The evaluation findings regarding the different criteria and dimensions of the project result in the following rating:¹⁶

¹⁶ Qualitative rating using (six-point) rating scale from highly satisfactory to highly unsatisfactory, namely:

- Highly satisfactory (HS or 6) - *project with overwhelmingly positive results and no shortcomings*
- Satisfactory (S or 5) - *project with some strong results and without major shortcomings*
- Moderately satisfactory (MS or 4) - *project with clear preponderance of positive results i.e. it may exhibit some minor shortcomings though these could be clearly outweighed by positive aspects*
- Moderately unsatisfactory (MU or 3) - *project with minor shortcomings across the board or major shortcoming in one criterion that outweighs other generally positive results*
- Unsatisfactory (U or 2) - *project with major shortcomings clearly outweighing positive results*
- Highly unsatisfactory (HU or 1) - *project with severe shortcomings and no major redeeming positive results.*

| Evaluation criteria/dimensions | | Summary Assessment | Rating |
|--------------------------------|--|---|--------|
| A | PROGRESS TO IMPACT (OVERALL) | Achievements with expected lasting outcomes | S |
| B | PROJECT DESIGN (OVERALL) | | MS |
| 1. | Overall design | Design of Phase I and Phase II similar; lessons from Phase I insufficiently reflected | MS |
| 2. | Logframe | Gaps in logframe (formulation of indicators; values) | MS |
| C | PROJECT PERFORMANCE (OVERALL) | | S |
| 1. | Relevance | Important contribution to implementation of national policies/strategies | HS |
| 2. | Effectiveness | Tangible results (under output 1 in particular) | S |
| 3. | Efficiency | Quality and timeliness of inputs overall good; some synergies with related support | S |
| 4. | Sustainability of benefits | Centre under creation is main vehicle towards sustainability of services of project but too early to assess the performance of the Centre | MS |
| D. | CROSS-CUTTING PERFORMANCE (OVERALL) | | S |
| 1. | Gender mainstreaming | Consideration of gender aspects | S |
| 2. | M&E | Monitoring focused on selected KPIs; regular reporting | S |
| 3. | Results-Based Management | Overall adequate | S |
| E. | PARTNER PERFORMANCE | | S |
| 1. | UNIDO | overall adequate | S |
| 2. | National Counterparts | overall adequate | S |
| 3. | Donor | overall adequate | S |
| F. | OVERALL ASSESSMENT | | S |

3.3 Concept note (Phase III)

A concept note entitled “Improving Competitiveness of Export-Oriented Industries in Armenia through Modernization and Market Access: Phase III” covering the planned Phase III has been prepared by the project coordination teams in Vienna and Yerevan. During its briefing early September 2019, the evaluation team was given this concept note (dated 31 May 2019 and seemingly updated on 18 July 2019) with the request to comment on the same. As mentioned in the methodology section 1.2, this was done only after finalizing the drafting of the Phase II evaluation findings.

The only meaningful manner of commenting on such note is to go into the details (which explains and justifies the length of these observations that are included as Annex 7, for the sake of maintaining the flow of the main body of this report). Review of the concept note thus resulted in detailed observations, presented in line with the structure of the concept note, for consideration of the main project stakeholders when deciding on the ultimate content of the Phase III project document.

4. Conclusions

At the end of Phase II, the project achievements show tangible results of its efforts to contribute to the revival of the garment and foot wear sub-sectors, which are among the priorities of the Government of Armenia to increase employment, value added and exports. Building on a pilot phase (Phase I) that reached out to 8 enterprises in the garment sector, the work carried out in Phase II increased outreach both sector wise (also covering footwear) and geographically (covering not only enterprises in and near the capital Yerevan but also in several other regions of Armenia).

The focus of Phase I on in particular design, collection development, and market exposure (including related capacity building) was pursued in Phase II, while the latter also put more emphasis on the search for sustainability of the range of hands-on services provided to the participating enterprises. This meant helping enterprises to seize concrete market opportunities (identified/facilitated by the project) not necessarily driven by design/collections but to being able to reply to buyer-driven export orders. This required attention to productivity and quality improvements for mass type productions in Armenia to be competitive in the targeted export market (primarily the Russian Federation in the context of the project work).

As amply described in this report, the project was able to “make a difference” at the participating enterprise level (output 1), where indicators show tangible results. Even if the project did not report systematically following the indicators as per its logical framework and notwithstanding attribution issues, the key performance indicators for the participating enterprises are positive and very encouraging as regards the evolution of the two sub-sectors supported, garment and footwear.

Regarding the support infrastructure (output 2), from early on in Phase II emphasis was put on seeking sustainability by focusing on the establishment of a Centre that was/is to be the vehicle to take over from project paid expertise, continue to provide and over time even expand the service offerings to the light industry sector. Given delays incurred due to changes in the political and institutional context and time needed to find the suitable and available premises, the idea to establish this Centre advanced mid 2019 following the allocation of rent-free space for the Centre in May 2019 by the Ministry of Economy.

As the repair/restructuring of the Centre’s premises was ongoing at the time of the terminal evaluation and is expected to be completed in the course of October 2019, it is premature to assess the functioning of the Centre, as not yet operational. This being said, the Centre is at the heart of Phase III of the project that the Donor has, in principle, already agreed to fund (seemingly putting as condition that the Centre’s premises are ready with the respective furniture and equipment installed).¹⁷ A concept note pertaining to Phase III was already prepared by the project in the course of 2019 and submitted to the Donor. To the extent the terminal evaluation of Phase II took place after this preparatory work for Phase III, review of the concept note became integral part of the evaluation of Phase II (see Section 3.3 above).

Thanks to the project’s generous donor and the encouraging results achieved by the project in its first two phases, more time is given to work on the road towards sustainability of support. It is in this sense that the current juncture, from Phase II to Phase III is extremely important, critical and requiring informed and strategic decision making on the implementation approach of Phase III.

¹⁷ The official opening is reported to be in fact planned during Phase III after the Training of Trainers

5. Recommendations

The evaluation findings culminated in the following **seven main and short-term recommendations** as regards the already in principle agreed upon Phase III, with also an explanatory note (justification) as regards each of the recommendations:

To the Donor (the Russian Federation)

- 1. Consider making available on an exceptional basis an interim budget (bridge funding) to ensure the smooth transition from Phase II to Phase III pending finalization and approval of the Phase III project document.**

Justification: the completion of Phase II is imminent and the finalization cum approval process of the Phase III project document at the level of the Armenian authorities, within UNIDO and also at the level of the Donor itself, will take time. There should not be a gap in the support between Phases II and III, not in the least to avoid the loss of experienced project staff which would be a major fallback for the work under Phase III, which is in fact a major strategic turn of the project on the path towards sustainability of support so far provided. To the extent Donor funding through its IDF contribution is already available, providing an advance against the planned funding would be an administrative formality with major consequences: the project having funding for, for example, the first six months of Phase III implementation. It is advised to keep the deadline rather short, to avoid delays in completing the Phase III project approval stage at the level of the core stakeholders.

To the Government of Armenia (in particular the Ministry of Economy)

- 2. Decide which of the current Vice-Ministers will be responsible for leading on the Government side the steering of the project and, correspondingly, act as Chairman of the project Advisory Board.**

Justification: at the time of the evaluation, it was not yet decided which Vice-Minister will cover industry in his portfolio and thus chair the project AB meetings. As the last AB took place early 2018, it is high time for an AB to take place, particularly at this critical juncture (end of Phase II and decision making on priority setting as regards Phase III, including review and approval of the Phase III project document).

- 3. Call for an AB meeting to discuss the findings of the Terminal Evaluation (even its draft report, should the next AB take place during October 2019) and, once available, the draft project document of Phase III.**

Justification: contrary to what happened with the Terminal Evaluation of Phase I, it is suggested the Phase II evaluation report will be reviewed at the level of the AB as input for discussion on project performance and results, as well as decision making on the Phase III project document (its design and attachments, including the cooperation agreement pertaining to the Light Industry and Service Centre and its complete business plan). Where needed (if the two documents are not available at the same time as core documents for the AB), the discussion of the evaluation findings and of the Phase III project document can be spread over two separate AB meetings (provided one prior to the end of Phase II and one at the start of Phase III latest, should the Donor agree on the (advance) bridge funding scenario proposed above.

- 4. Finalize the preparation of the Phase III project document, taking into consideration the findings and suggestions of the terminal evaluation of Phase II.**

Justification: it is understood that the drafting of the Phase III project document already started, in parallel with or after the formulation of the concept note. As the end of Phase II is imminent, the finalization of this document is urgent. It is for this reason that the evaluation team decided to speed up the drafting of the evaluation report, for the latter to be a timely input in the design of the Phase III project document and, overall, to add to the usefulness and ultimate use of the findings of the evaluation. This also applies to the detailed comments provided in Section 3.3 on the concept note and draft logical framework. The key message here is that the design of Phase III is to duly reflect the lessons learned from the design and implementation of the previous phases and that its implementation strategy includes attention to replication/upscaling.

- 5. Ensure highly speedy internal review of the Phase III project document followed by its submission to both the Government of Armenia (Ministry of Economy) and the Donor to allow for timely review at their end (as input for discussions and decision making by the project's AB on the content and by the Donor as regards its funding of Phase III including phasing thereof (possibly including an advance funding option, as proposed above).**

Justification: the review/approval process of the Phase III project document needs to be speedy, especially to avoid a gap between the two phases and related risks. Should the Donor accept the proposed advance funding scenario (an amount made available as advance against the total budget of Phase III), this will give more time to review and approve the Phase III project document. However, this should not encourage delays in this process and strict deadlines are suggested to be agreed upon between the three core partners to terminate the review/approval process and ensure that project work is conducted, at least as of latest early 2020, based on a duly signed project document. In brief, it is crucial to ensure a smooth and speedy transition from Phase II to Phase III and not to lose momentum (including risk of losing staff).

- 6. Prepare, finalize, and sign, together with SME-DNC (the project's main national institutional partner as of Phase III in particular), a comprehensive document that encompasses the core building blocks of the Light Industry Training and Service Centre, considered key features in the light of the Centre constituting at the end of Phase III the institutionalized modus operandi of the project (in other words, the final stage of its sustainability road map).**

Justification: These building blocks cover in particular the following: vision; mission: targeted services; implementation strategy including phasing based on currently available space and funding; sustainability strategy showing how the project budget will be gradually replaced by revenues from service delivery by the Centre; organigram and details on staffing and profiles, specifying which posts will be covered up to when by the project budget; action plan for the first year of the Centre's operations; estimate of the evolution of revenues of the Centre and underlying assumptions as regards cost recovery; institutional linkages envisaged with other organizations in the national support infrastructure, such as, among others, the Light Industry Association, and service providers from other public/private entities (as the

Centre will not be able to implement all services with staff from the Centre itself). The founding documents pertaining to the Centre (some of which were translated for the mission as not yet available in English) are in concept form, carrying only the UNIDO logo and do not include some of the above-mentioned dimensions however considered crucial for a strategic document or business plan type document. In brief, some time soon a comprehensive and signed document is required that formalizes the cooperation between SME-DNC and UNIDO planned in Phase III and specifies the above-mentioned aspects. This signed document is to be an Annex of the project document of Phase III and should thus be prepared and signed prior to or latest concurrently with the signature of the project document.

- 7. Define and specify the nature of cooperation in Phase III with the institutional project partners of Phases I and II, in particular the Atex-Burgo school and IMB/Italy, based on a candid self-assessment among the three partners themselves of their prior cooperation and results thereof, including lessons learned so far and necessary actions to enhance the effectiveness and efficiency of cooperation.**

Justification: after two project phases the partners are encouraged to engage in constructive self-assessment of the results of the cooperation so far and revisit where needed the nature of the cooperation, its modalities and also the contribution of the project (that has so far covered substantial subsidies to the functioning of the Atex-Burgo school including continued payment of IMB's royalties, whereas the outputs in terms of graduates and services for the sector have been meagre. There is need for Phase III to apply the search for sustainability also to these two partnerships (not done under Phase II).

6. Lessons learned and good practices

This review of the entire Phase II of the project (both its design and implementation) generated the following main lessons learned as well as good practices followed or recommended to be followed in the next phase:

- For enterprise upgrading/modernization support to generate tangible results, it is crucial to follow a market driven approach (as followed by the project from its start).
- Payment for services is a good practice principle in Business Development Services (BDS); when postponing the application of this principle, it becomes more difficult for target beneficiaries to accustom to changes in the support delivery modality, i.e., when they are expected to start paying for a service they obtained free of charge over a considerable period.
- Communication on results through social media and attractive brochures is one of the vehicles to seek visibility but also standard periodic progress reporting needs to communicate clearly on results (the current UNIDO format being more activity/input based than results based and, resultantly, becomes repetitive).
- Progress reporting is expected to follow the logical framework of a project including its indicators.
- In addition to ensuring that a logical framework includes smart and where possible quantified indicators as well as target values, it is useful to include as annex of a logical framework a matrix that describes how each of the indicators will be measured including by whom and at which frequency.

- Conducting a terminal evaluation some six months prior to the end of a project/project phase gives ample time to reflect its findings in the design of an eventual next phase.

ANNEXES

Annex 1: Summary of Terms of Reference

INDEPENDENT TERMINAL EVALUATION

UNIDO project “Improving Competitiveness of Export-Oriented Industries in Armenia through Modernization and Market Access: Phase II” (UNIDO Project ID: 160113)

Time period: 2016-2019

August 2019

I. SCOPE AND PURPOSE OF THE EVALUATION

The purpose of the evaluation is to independently assess the project to help UNIDO improve performance and results of ongoing and future programmes and projects in the field of enterprise upgrading. The terminal evaluation (TE) will cover the whole duration of the project (Phase II) from its starting date to the originally estimated completion date on 6/30/2018. The originally estimated operational completion date was extended till 31 October 2019 based on the approval by the Donor of the project.

The TE should provide an analysis of the attainment of the project objective and the corresponding outputs and outcomes. Through its assessment, the Evaluation Team (ET) should enable the Government, counterparts, UNIDO, other stakeholders and the donor to verify prospects for development impact and sustainability, providing an analysis of the attainment of project objectives, delivery and completion of project outputs/activities, and outcomes/impacts based on indicators. The assessment shall include re-examination of the relevance of the objectives and other elements of project design according to the project evaluation parameters defined in chapter III below.

The overall purpose of the TE is to assess whether the project has achieved or is likely to achieve its main objective, i.e., *to maintain and improve the market share of local textile and garment, shoe industry operators in domestic markets and to take advantage of opportunities afforded by the regional economic integration processes*, and to what extent the project has also considered sustainability and scaling-up factors for increasing contribution to sustainable results and further impact. The evaluation has three specific objectives:

- (i) Assess the project performance in terms of relevance, effectiveness, efficiency, sustainability and progress to impact;
- (ii) Identify key learning to feed into the design and implementation of the forthcoming projects; and
- (iii) Develop a series of findings, lessons and recommendations for enhancing the design of new and implementation of ongoing projects by UNIDO in the field of enterprise upgrading.

II. EVALUATION APPROACH AND METHODOLOGY

The TE will be conducted in accordance with the UNIDO Evaluation Policy¹⁸ UNEG Norms and Standards for evaluation and the UNIDO Guidelines for the Technical Cooperation Project and Project Cycle¹⁹. The evaluation will be carried out as an independent in-depth evaluation using a

¹⁸ UNIDO. (2018). Director General’s Bulletin: Evaluation Policy (DGB/2018/08, dated 1 June 2018)

¹⁹ UNIDO. (2006). Director-General’s Administrative Instruction No. 17/Rev.1: Guidelines for the Technical Cooperation Programme and Project Cycle (DGAI.17/Rev.1, 24 August 2006)

participatory approach whereby all key parties associated with the project will be informed and consulted throughout the evaluation. The evaluation team leader will liaise with the UNIDO Independent Evaluation Division on the conduct of the evaluation and methodological issues. The evaluation will use a theory of change approach and mixed methods to collect data and information from a range of sources and informants. It will pay attention to triangulating the data and information collected before forming its assessment. This is essential to ensure an evidence-based and credible evaluation, with robust analytical underpinning. The theory of change will identify causal and transformational pathways from the project outputs to outcomes and longer-term impacts, and drivers as well as barriers to achieve them. The learning from this analysis will be useful to feed into the design of the future projects so that the management team can effectively manage them based on results.

1. Data collection methods

The ET will be required to use different methods to ensure that data gathering and analysis deliver evidence-based qualitative and quantitative information, based on diverse sources, as necessary: desk studies and literature review, statistical analysis, individual interviews, focus group meetings/discussions and direct observation. This approach will not only enable the evaluation to assess causality through quantitative means but also to provide reasons for why certain results were achieved or not and to triangulate information for higher reliability of findings. The specific mixed methodological approach will be described in the inception report. Following are the main instruments for data collection:

- (a) **Desk and literature review** of documents related to the project, including but not limited to:
 - The original project document (phases I and II), monitoring data & reports (such as progress and financial reports for Phase II), final evaluation report of pilot Phase I and mid-term review report of Phase II, back-to-office mission report(s), end-of-contract report(s) of consultants and relevant correspondence
 - Minutes of steering committee meetings/other relevant project meetings
- (b) **Stakeholder consultations** will be conducted through structured and semi-structured interviews and focus group discussion. Key stakeholders to be interviewed include:
 - UNIDO Management and staff involved in the project; and
 - Representatives of the donor and counterparts
- (c) **Field visit to Armenia**
 - On-site observation of results achieved by the project, including interviews of actual and potential beneficiaries of project intervention
 - Interviews with the relevant UNIDO Country Office representative to the extent that he/she was involved in the project, the project's management team and the various national [and sub-regional] authorities dealing with project activities as necessary
- (d) Other interviews or document reviews as deemed necessary by the evaluation team and/or by the Independent Evaluation Division for triangulation purposes.

2. Evaluation key questions and criteria

The evaluation team will develop interview guidelines. Field interviews can take place either in the form of focus-group discussions or one-to-one consultations. The key evaluation questions are the following:

- (a) What are the key drivers and barriers to achieve the long-term objectives? To what extent has the project helped put in place the conditions likely to address the drivers, overcome barriers and contribute to the long-term objectives?
- (b) How well has the project performed? Has the project done the right things? Has the project done things right, with good value for money?

- (c) What have been the project's key results (outputs, outcome and impact)? To what extent have the expected results been achieved or are likely to be achieved? To what extent the achieved results will sustain after the completion of the project?
- (d) What lessons can be drawn from the successful and unsuccessful practices in designing, implementing and managing the project?

The evaluation will assess the likelihood of sustainability of the project results after the project completion. The assessment will identify key risks (e.g. in terms of financial, socio-political, institutional and environmental risks) and explain how these risks may affect the continuation of results after the project ends. Table 1 below provides the key evaluation criteria to be assessed by the evaluation. The detailed questions to assess each evaluation criterion are in Annex 2 of the UNIDO Evaluation Manual.

Table 1: Summary of Project evaluation criteria

| Index | Evaluation criteria | Mandatory rating |
|----------|--|------------------|
| A | Progress to Impact | Yes |
| B | Project design | Yes |
| 1 | • Overall design | Yes |
| 2 | • Logframe | Yes |
| C | Project performance | Yes |
| 1 | • Relevance | Yes |
| 2 | • Effectiveness | Yes |
| 3 | • Efficiency | Yes |
| 4 | • Sustainability of benefits | Yes |
| D | Cross-cutting performance criteria | |
| 1 | • Gender mainstreaming | Yes |
| 2 | • Environment and socio-economic aspects | |
| 2 | • M&E: (focus on Monitoring) ✓ M&E design ✓ M&E implementation | Yes |
| 3 | • Results-based Management (RBM) | Yes |
| E | Performance of partners | |
| 1 | • UNIDO | Yes |
| 2 | • National counterparts | Yes |
| 3 | • Donor | Yes |
| F | Overall assessment | Yes |

3. Rating system

In line with the practice adopted by many development agencies, the UNIDO Independent Evaluation Division uses a six-point rating system, where 6 is the highest score (highly satisfactory) and 1 is the lowest (highly unsatisfactory).

Annex 2: Logical framework (combination of Phases I and II; source: ToR, August 2019)

| INTERVENTION LOGIC | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
|--|---|---|--|
| Development goal/impact | | | |
| To maintain and improve the market share of local textile and clothing industry operators, shoe and leather goods industry operators in domestic markets and to take advantage of opportunities afforded by the regional economic integration processes. | Domestic and regional market share of Armenian clothing, shoe and leather products increased | Project Reports National statistical reports and UN reports Programme reports Other publications | X |
| Outcomes/immediate objectives | | | |
| Beneficiary SMEs form networks, modernize their businesses to expand production, improve quality and gain access to markets with the support of reinforced national technical expertise | Improved economic performance of industrial beneficiary SMEs using locally available services | Project reports Market statistics Publications | Political situation in the country is stable. Project funding is timely and sufficient |
| OUTPUTS/RESULTS | | | |
| PHASE I | | | |
| 1. Enterprise diagnosis, industrial modernization and networking of selected pilot SMEs in the textile and clothing industry in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers. | Enterprise performance indicators e.g. reduced factor costs, turnover, value added, % exported, etc. Number of SMEs enter into networks/consortia Number and quality of export activities facilitated Number of enterprise employees trained (female and male) Increase in turnover by beneficiary enterprises Increase in quality and quantity of | Enterprise annual reports Project reports Training reports International and national expert reports | Information on local textile/shoe/leather industries and regional textile & garment, shoe and leather goods markets available SMEs are willing to cooperate and enter into networks |

| INTERVENTION LOGIC | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
|---|--|--|--|
| | <p>goods and services produced by the selected beneficiary enterprises</p> <p>Post-upgrading performance and satisfaction degree of the beneficiary companies</p> <p>Market positioning vision for identified products (collections) of high potential and marketing implementation strategy developed</p> | | |
| <p>1.1 Identify and select a pilot group of minimum 5-7 and maximum 10 enterprises in the textile and clothing industry willing to participate in the programme and responding to the approved eligibility criteria</p> <p>1.2 Conduct full-diagnosis study of each beneficiary enterprise including technical assessment of present technical/production situation and operated technologies to collect, analyse and evaluate marketing data, gender disaggregated employment data, position and wage levels, and develop modernization plans</p> <p>1.3 Conduct competitive market positioning studies for selected enterprises including baseline of enterprises (domestic and export sales, employment, current markets and distribution channels, products range, etc.), analysis of supply-side constraints, main direct competitors, benchmarking of main competitiveness factors at the international level, market survey on at least 3 reference markets</p> <p>1.4 Formulate market positioning vision for identified products (collections) of high potential, and build appropriate marketing implementation strategy</p> <p>1.5 Coach selected enterprises in implementing respective modernization plans and marketing implementation strategies based on networking approach and findings of the competitive market positioning studies</p> <p>1.6 Provide technical assistance to selected enterprises to design and merchandize pilot ready-made collections with the support from the reinforced fashion centre (based on results of activities 2.3 and 2.4)</p> <p>1.7 Support collective marketing and export activities with potential establishment of export consortia and facilitate communication of project results.</p> | | | |
| <p>2. Human and technical capacities of national counterpart institutions and of national expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis</p> | <p>Service offers from strengthened/ established services portfolios of industry support providers</p> <p>Number of trained experts/trainers</p> | <p>Project reports</p> <p>Business literature on services offered</p> <p>Service reports</p> | <p>To be determined according to background information gathered on the industry support</p> |

| INTERVENTION LOGIC | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
|---|--|---|---|
| and modernization, competitiveness building and marketing, garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national textile and garment industries. | (female and male) Number of new demand-driven services provided to the national textile and garment industries Number of partnerships established facilitating network and business linkages for export promotion of Armenian textile products on regional and international markets | Training reports International and national expert reports | market in Armenia |
| <p>2.1 Review of the policy framework, identify and assess capacities of the national expertise and existing industry support institutions, industry-related testing and design centres and/or vocational training institutions in supporting national textile and garment operators</p> <p>2.2 Provide training sessions to the identified national expertise on strategic diagnosis and upgrading techniques, evaluation of upgrading plans, marketing techniques, project monitoring and evaluation etc., and provide related methodological tools adapted to the Armenian context for continuous use</p> <p>2.3 Strengthen the existing unit for fashion design and modelling to serve as a sectorial centre/point providing services related to design, patterns, grading, etc., to local garment manufacturers through supply of equipment and software, appropriate training to centre operators, and creation of a “fashion library” and licensed subscription to international electronic databases on graphic design, fashion and clothing</p> <p>2.4 Conduct expert meetings/technical workshops for selected beneficiary centre staff and trainers in a reference international fashion centre on market- and industry-driven fashion design processes and methodologies, modelling and styling, creation and validation of ready-made collections; and good merchandizing techniques</p> <p>2.5 Facilitate regional and international industry support network and business linkages for export promotion of Armenian textile products on regional EurAsEC and international markets.</p> <p>2.6 Explore scope for upscaling the pilot initiatives inter alia within the national support framework.</p> | | | |
| PHASE II | | | |
| 3. Enterprise diagnosis, industrial modernization and market positioning for the selected pilot SMEs in the shoe/leather goods and garment industries in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers. | Enterprise performance indicators e.g. reduced factor costs, turnover, value added, % exported, etc. Number of SMEs enter into networks/consortia Number and quality of export activities facilitated Number of enterprise employees | Enterprise annual reports Project reports Training reports International and national expert reports | To be determined according to background information gathered on the industry support market in Armenia |

| INTERVENTION LOGIC | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
|---|---|-------------------------|-------------|
| | <p>trained (female and male) Increase in turnover by beneficiary enterprises</p> <p>Increase in quality and quantity of goods and services produced by the selected beneficiary enterprises</p> <p>Post-upgrading performance and satisfaction degree of the beneficiary companies</p> <p>Market positioning vision for identified products (collections) of high potential and marketing implementation strategy developed</p> | | |
| <p>3.1 Identify and select a pilot group of minimum 5-7 and maximum 10 enterprises in the shoe/leather goods industry and additional 5-6 enterprises in the garment industry willing to participate in the programme and responding to the approved eligibility criteria</p> <p>3.2 Conduct full-diagnosis study of each beneficiary enterprise in the shoe/leather goods industry and supplementary (to the pilot phase) beneficiary enterprises in the garment sector, including technical assessment of present technical/production situation and operated technologies to collect, analyse and evaluate marketing data, gender disaggregated employment data, position and wage levels, and develop modernization plans</p> <p>3.3 Conduct competitive market positioning studies for selected enterprises including baseline of enterprises (domestic and export sales, employment, current markets and distribution channels, products range, etc.), analysis of supply-side constraints, main direct competitors, benchmarking of main competitiveness factors at the international level, market survey on reference markets</p> <p>3.4 Formulate market positioning vision for identified products (collections) of high potential, and build appropriate marketing implementation strategy for individual companies inter alia within the established group logo</p> <p>3.5 Coach selected enterprises in shoe/leather goods industry and supplementary (to the pilot phase) beneficiary enterprises in the garment sector in implementing respective modernization plans and marketing implementation strategies based on networking approach and findings of the competitive market positioning studies.</p> <p>3.6 Provide technical assistance to selected enterprises in shoe/leather goods industry and supplementary (to the pilot phase) number of beneficiary enterprises in the garment sector to design and merchandize pilot ready-made collections with the support from the reinforced fashion centre (based on results of activities 4.4 and 4.5)</p> | | | |

| INTERVENTION LOGIC | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
|---|---|--|---|
| 3.7 Support collective marketing and export activities through the export consortia 3.8 Support group efforts of beneficiary enterprises for identification/participation in sectorial international exhibitions 3.9 Elaborate a communication and visibility plan for the project highlighting the importance of the intervention, including development of promotional materials, conferences/workshops, and delivery of reports. | | | |
| 4. Human and technical capacities of national counterpart institutions and of national expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis and modernization, competitiveness building and marketing, shoe and garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national shoe and garment industries. | Service offers from strengthened/ established services portfolios of industry support providers Number of trained experts/trainers (female and male) Number of new demand-driven services provided to the national textile/garment & shoe/leather goods industries Number of partnerships established facilitating network and business linkages for export promotion of Armenian national textile/garment & shoe/leather products on regional and international markets | Project reports Business literature on services offered Service reports Training reports International and national expert reports | To be determined according to background information gathered on the industry support market in Armenia |
| 4.1 Conduct a broad overview of the suppliers of the shoe/leather goods and garment products at the international level 4.2 Review the existing shoe/leather goods industry's human and technical capabilities, identify and assess capacities of the national expertise and existing industry support institutions, industry-related testing and design centres and/or vocational training institutions in supporting national shoe/leather goods operators 4.3 Provide training sessions to the identified national expertise on strategic diagnosis and upgrading techniques, evaluation of upgrading plans, marketing techniques, project monitoring and evaluation, international standards and test methods in shoe/leather goods, as well as garment products, etc., and provide related methodological tools adapted to the Armenian context to ensure sustainability 4.4 Establish/upgrade an existing training centre for footwear sector in close cooperation with institutions, universities and enterprises 4.5 Extend support to the existing unit for fashion design and modelling to serve as a sectorial centre/point providing services related to fashion trends, design, patterns, grading, prototypes manufacture, etc., to local garment manufacturers through supply of equipment and software, know-how and new available technologies, appropriate training to centre operators, and creation of a "fashion library" and licensed subscription to international electronic databases on graphic design, fashion and clothing. 4.6 Conduct expert meetings/technical workshops for selected beneficiary centre staff and trainers in a reference international fashion centre on | | | |

| INTERVENTION LOGIC | OBJECTIVELY VERIFIABLE INDICATORS | SOURCES OF VERIFICATION | ASSUMPTIONS |
|---|-----------------------------------|-------------------------|-------------|
| <p>market- and industry-driven fashion design processes and methodologies, modelling and styling, creation and validation of ready-made collections; and good merchandizing techniques</p> <p>4.7 Train and facilitate development of skills for the youth to support, preserve and trigger further development of the shoe/leather goods and garment/textile industries for the economy of the country, including technical skills, support on conceiving new products, an introduction to new technology, and quality</p> <p>4.8 Facilitate regional and international industry support network and business linkages for export promotion of Armenian textile products on regional Eurasian Economic Union and international markets</p> <p>4.9 Explore scope for upscaling the project activities inter alia within the national support framework.</p> | | | |

Annex 3: Evaluation framework

1. Introduction

The evaluation framework specifies the questions to be addressed with the stakeholders, in accordance with the evaluation criteria/dimensions.

The **key evaluation questions** listed in the ToR (as per its draft version as at end July 2019) are the following:

Q1. What have been the key drivers and barriers in the course of implementation to achieve the long-term objectives? To what extent has the project helped put in place the conditions likely to address the drivers, overcome barriers and contribute to the long-term objectives?

Q2. How well has the project performed? Has the project done the right things? Has the project done things right, with good value for money?

Q3. What have been the project's key results (outputs, outcome and impact)? To what extent have the expected results been achieved or are likely to be achieved? To what extent are the achieved results expected to sustain after the completion of the project?

Q4. What lessons can be drawn from the (successful or unsuccessful) practices in designing, implementing and managing the project?

The above core questions will be further specified - see below - and addressed in the assessment under the different evaluation criteria/dimensions that will be structured as follows (globally in line with the overall outline presented in Table 5 on page 24 of the draft ToR and positioning progress to impact under the performance of project implementation rather than as a separate heading).

- Project design (overall design and logical framework)
- Performance of project implementation, covering:
 - Effectiveness (achievements compared to planned results) and impact (progress towards impact)
 - Relevance and ownership
 - Efficiency in implementation
 - Sustainability prospects
- Cross-cutting issues
 - Gender mainstreaming
 - Environment and other socio-economic aspects
 - M&E (design and implementation)
 - Results-based Management
- Performance of project partners
- Overall assessment including rating
- Conclusions, Recommendations etc (see section 3 above)

2. Evaluation Framework

The evaluation framework presented below follows the same structure (guiding the overall assessment and also the preparation of the specific questions for the different stakeholders).

| EVALUATION FRAMEWORK | | |
|---|---|---|
| Key evaluation questions/sub-questions for the different Evaluation criteria/dimensions | Sources of information | Data collection/analysis methods |
| <i>Project identification and design</i> | | |
| Related key evaluation question: part of Q1 and Q4 (see above) | | |
| Sub-questions | | |
| a) To what extent was the project design based on an <i>updated</i> needs assessment (analysis of situation problems/needs/gaps planned to be addressed in Phase II based on the pilot experience under Phase I)? | National counterparts UNIDO experts Minutes of AB Project document Progress reports | Interviews Content Analysis |
| b) To what extent was the project stakeholder analysis included in the Phase II project document adequate (e.g. clear identification of beneficiaries in each of the two targeted subsectors -garment and footwear-, project partners, and clearly defined roles and responsibilities in the project activities – building on the achievements and lessons of Phase I)? | National counterparts UNIDO experts Minutes of AB Project document Progress reports | Interviews Content Analysis |
| c) To what extent was the assessment of the design of Phase I useable and used in the development of the Phase II project document (particularly as the date of the approval of the updated project document was extended to January 2017 and as a zero draft evaluation report was available at that point in time)? | National counterparts UNIDO experts Minutes of AB Project document Progress reports | Interviews Content Analysis |

| EVALUATION FRAMEWORK | | | |
|---|--|---|---|
| <p>d) To what extent did the design of the Phase II project document follow a logical framework approach and which lessons were learned from the design of Phase I (see also above)?</p> <p>a) Did the project's design have a clear thematically focused development objective;</p> <p>b) Were the project outcomes clear, realistic, relevant, addressing the problems identified and providing a clear description of the benefit or improvement that will be achieved after project completion;</p> <p>c) Were the outputs clear, realistic, adequately leading to the achievement of the outcomes;</p> <p>d) Can the attainment of the overall development objective, outcomes and outputs be determined by a set of SMART verifiable indicators and were targets set;</p> <p>e) Is the results hierarchy in the logical framework, from activities to outputs, outcome and overall objective, is logical and consistent;</p> <p>f) Were the assumptions adequate and were important external factors and risks that could affect project performance identified (as well as mitigation measures)?</p> | | Project document incl. Logical Framework | Content Analysis |
| Performance of project implementation | | | |
| Criteria/key evaluation questions | Sub-questions | Sources of information | Data collection/ analysis methods |
| Effectiveness and impact | | | |
| <i>Effectiveness</i> | Part of Q1, Q2 and Q3 (see above) Which results have been achieved? | To what extent have outputs been produced and how do the target beneficiaries (i) perceive their usefulness and (ii) actually use these outputs? If not, what have been the constraining factors? Is progress measured against baselines (Phases I and II)? Has the implementation strategy been appropriate in order to achieve the results? Are there external factors which have affected the effectiveness of the project? | Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports |
| <i>Impact</i> | Part of Q1, Q2 and Q3 (see above) | Have outcomes been or are likely to be achieved through utilization of outputs? | Beneficiaries National counterparts |

| EVALUATION FRAMEWORK | | | | |
|--------------------------------|--|---|--|--------------------------------|
| | What is the likelihood of impact at this stage? | Have developmental changes (economic, environmental, social, inclusiveness) occurred or are they likely to occur as a result of the interventions? Did the Phase II have a multiplying effect? Were there other direct/indirect/foreseen/unforeseen effects (positive/negative)? | UNIDO experts Project partners Progress reports Consultants' reports | |
| Relevance and Ownership | | | | |
| <i>Relevance</i> | Part of Q2 (see above) how relevant is the project to national development needs/priorities/strategies and also of the ultimate clients (enterprises), of UNIDO and of the donor? | To what extent did the project take into account and was relevant to the National Export-Led Industrial Development Strategy and related (meanwhile developed/ adopted) policies and strategies? | National counterparts UNIDO experts Donor representative Project document | Interviews Content Analysis |
| | | To what extent was a needs assessment conducted and were the results achieved so far responding to the needs of the beneficiary enterprises in the two targeted sub-sectors? | | |
| | | To what extent was the project in conformity with UNIDO's corporate objectives including its ISID agenda priorities, UN priorities in Armenia, as well as with the project donor's priorities? | | |
| <i>Ownership</i> | Part of Q2 (see above) More precisely: to what extent was a participatory approach followed in the design of Phase II and also in its implementation phase? | To what extent and how were the main national stakeholders involved in the design of Phase II of the project, including priority setting (sub-sectors), development of the project strategy, identification of counterparts, partners and the identification and selection of target beneficiaries? | National counterparts | Interviews Content Analysis |
| | | To what extent are the chief counterparts and other stakeholders in the enterprise support | National counterparts Beneficiaries | |

| EVALUATION FRAMEWORK | | | | |
|-------------------------------------|--|---|---|---|
| | | environment actively supporting the implementation of the project? In what forms (political, technical, administrative, financial/other)? | UNIDO experts | |
| | | To what extent is there a mechanism of cost-sharing by the target beneficiaries (enterprises); in what form? | National counterparts Beneficiaries UNIDO experts | |
| Efficiency of implementation | | | | |
| Adequacy and timeliness of inputs | Part of Q2 (see above) Were all inputs and services provided in an efficient manner? Were there synergies aimed at generating collective efficiencies? | To what extent <ul style="list-style-type: none"> • have resources (funds; human resources, time) been allocated strategically and appropriately to achieve the intended results? • have UNIDO and counterpart inputs been provided as planned and were these adequate to meet requirements and provided in a timely manner? • was the quality of UNIDO inputs and services (expertise, training, methodologies, etc.) as planned and led it to the production of outputs? • were UNIDO procurement services provided as planned and were they adequate in terms of timing, value, process issues, responsibilities, etc? | Beneficiaries National counterparts UNIDO experts Donor representative Project partners Progress reports Consultants' reports | Interviews Content Analysis Observation |

| EVALUATION FRAMEWORK | | | | |
|--|---|--|---|---|
| | | <ul style="list-style-type: none"> • synergy benefits (internal synergies) can be found in relation to other UNIDO activities in the country or elsewhere (lessons learned from upgrading programmes elsewhere, including in the garment value chain)/synergies with other UNIDO branches/services have been exploited or extent in which there are opportunities to establish/strengthen such linkages? • synergy benefits (external synergies) can be found in relation to related activities of development partners active in the country (SME support; improvement of the business environment; trade development; quality infrastructure upgrading; access to finance) or extent in which there are opportunities to establish/strengthen such linkages? | | |
| Sustainability prospects | | | | |
| Likelihood of project benefits to continue beyond the intervention | Part of Q3 (see above) How sustainable are the results achieved? | To what extent <ul style="list-style-type: none"> • are the developmental changes that have occurred or are likely to occur as a result of the interventions sustainable? • how was the search for sustainability factored in the project strategy (risks analysis, assumptions, exit strategy/approach and how was it | Beneficiaries National counterparts UNIDO experts Donor representative Project partners Progress reports Consultants' reports | Interviews Content Analysis Observation |

| EVALUATION FRAMEWORK | | | | |
|---|--|--|---|--|
| | | <p>monitored during implementation?</p> <ul style="list-style-type: none"> • is there prospect for technical, organizational and financial sustainability of the support provided in phase II? • are the partnerships established sustainable? | | |
| Cross-cutting issues - part of Q1, Q2, Q3 and Q4 (see above) | | | | |
| Gender mainstreaming | To what extent were gender equality issues addressed in the project? | <p>To what extent</p> <ul style="list-style-type: none"> • have women benefited from the project/can be expected to benefit? • have gender issues been mainstreamed in the implementation of the project? • have gender analyses been included in baseline studies, monitoring and reporting? • has there been gender balance in the contracting of experts and consultants? | <p>Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports</p> | <p>Interviews Content Analysis Observation</p> |
| Environment | To what extent were environment related issues addressed in the project? | <p>To what extent</p> <ul style="list-style-type: none"> • has the project promoted environmental sustainability? • are any positive environmental benefits likely, even if they may be indirect? • are any negative environmental benefits likely, even if they may be indirect? | <p>Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports</p> | <p>Interviews Content Analysis Observation</p> |
| M&E | To what extent and how was the M&E function put developed and managed (M&E design and implementation)? | <p>Did an M&E system exist, including baseline information, to allow for measurement of results and impact? Was monitoring and self-evaluation carried out, based on indicators for outputs, outcomes</p> | <p>National counterparts UNIDO experts Project partners Progress reports Consultants' reports</p> | <p>Interviews Content Analysis Observation</p> |

| EVALUATION FRAMEWORK | | | | |
|---|--|--|---|--|
| | | and objectives as per the logical framework and using that information for project steering and adaptive management? Why were no target values for the indicators included? | | |
| Performance of project partners | | | | |
| Summary assessment of the project partners covering <ul style="list-style-type: none"> • UNIDO • National counterparts • Donor | Summary assessment on respective roles played versus expected and degree of engagement | Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports | Interviews Content Analysis Observation | |

Annex 4: List of organizations/persons met ²⁰

| MAIN PROJET COUNTERPARTS | |
|---|--|
| MINISTRY OF ECONOMY | |
| Mr. Varos Simonyan | Deputy Minister |
| Mr. Armen Eganyan | Head, Industry Development Department |
| Ms. Iren Melkonyan | Deputy Head of Foreign Relations Department |
| DONOR (Russian Federation) | |
| Mr. Dmitry Stepanov | Counsellor, Embassy |
| Mr. Alexander Guchkov | Press-Secretary, Embassy |
| Mr. Andrey Babko | Trade Representative |
| Mr. Stanislav Piven | Officer, Trade Representation Office |
| OTHER PROJECT PARTNERS | |
| SME-DNC | Mr. Arshak Grigoryan, Executive Director |
| Light Industries Association | Mr. Robert Harutyunyan, Chairman (former Chairman of PAB when DG of ADA and former Deputy Minister of Foreign Affairs) |
| Business Armenia (for which public funding ended in May 2019) | Mr. Artak Poghosyan, Former Executive Director |
| Atex-Burgo Fashion School | Ms. Nektar Vasilyan (p.t. project expert – see also under national project experts, below) Ms. Gayane Margaryan (p.t. project expert; as above) <i>Director not met (on leave during evaluation mission)</i> |
| BENEFICIARY ENTERPRISES | |
| Garment | |
| KKF (Kanakaner) | Mr. S. Azatyan |
| Tosp | Mr. Artur Frangyan, Founder-Director |
| Melante/Satenkar | Mr. Aram Aghamalyan, Director Mr. Hovhannes Khoshoyan, Administrative Director Ms. Annie Avetisyan, Financial Manager |
| Tashir-Kar | Mr. Ara Yavrumyan, CEO |
| Lentex | Mr. Karen Gomtsyan, General Director |
| Armtex | Mr. Georg Gasparyan, CEO Mr. Vahan Ziryan, Director/partner |
| Loom * | Ms. Inga Manukyan, Director |
| Firma Lida * | Ms. Lida Sargsyan, Director |
| Alex Textile * | Mr. Arman Sarukhanyan, Accountant |
| Hello * | Mr. Artem Kamalyan, Founder Manager |
| Kamsar Darbinyan IE * | Mr. Kamsar Darbinyan, Director |
| Astelle * | Erica Chilingaryan, Founding Manager |

²⁰ Some were contacted by phone after the field mission (in that case an asterix * was put after the name of the enterprise)

| MAIN PROJET COUNTERPARTS | |
|---|--|
| Arsfine * | Mr. Arsen Safaryan, Director |
| Nanman * | Mr. Arman Katvalyan, Director |
| Footwear | |
| Elma Shoes | Mr. Karen Tarverdyan, Director |
| Luna Shoes & Bags | Mr. Arcen Badikyan, Director |
| Simona Shoes/Simar | Mr. Arman Simoniyani, Director |
| Armo-Group, Armos brand * | Director |
| Maxole * | Founding Manager |
| Zenni, Sali brand * | Director |
| Luxe * | Founding Manager |
| Ava Shoes * | Owner Manager |
| Yeghvard Sport Shoes * | Owner Manager |
| PROJECT COORDINATION TEAM /YEREVAN | |
| Ms. Araksiya Grigoryan | National Project Coordinator |
| Ms. Armine Semizyan | National Project Assistant |
| Ms. Maria Semirjyan | National Project Assistant, Communication and PR |
| PROJECT EXPERTS INVOLVED IN IMPLEMENTATION/YEREVAN | |
| Mr. Arshak Hovhannisyani | National Expert, Networking and Partnership Development |
| Mr. Mikayel Hovhannisyani | National Expert, Marketing and Distribution Channels |
| Mr. Georg Petrosyan | National Expert, Footwear Production and Quality System |
| Ms. Hermine Aslanyan | National Expert, Regulatory Framework/Gender Analysis |
| Ms. Nektar Vasilyan | National Expert, Product Development, Circular Knits/Knitted Articles (Atex based) |
| Ms. Gayane Margaryan | National Expert, Training Service Marketing Support (Atex based) |
| UNIDO/Yerevan | |
| Ms. Anahit Simonyan | UNIDO Country Representative |
| UNIDO HQ | |
| Project Coordination Team | |
| Mr. Farrukh Alimdjani | Project Manager |
| Ms. Rebecca Gallardo-Gomez | Project Management Assistant |
| Mr. Alejandro Cantu | Project Assistant |
| Mr. David Agudelo Romero | Project Assistant (Procurement) |
| Independent Evaluation Division | |
| Ms. Thuy Thu Le | Evaluation Officer |
| Regional Division – Europe and Central Asia | |
| Ms. Solomiya Omelyan | Programme Officer |
| Ms. Ilona Sleptsova | Consultant |

Annex 5: List of main documents used

| Project related documents/reports | |
|---|---|
| Project document Phase II | Version that was signed on 14.02.2017 |
| Terms of Reference/Terminal Evaluation of Phase II (final version) | August 2019 |
| Inception Report, Terminal Evaluation of Phase II | 3 September 2019 |
| Periodic Progress reports | Sept-Dec 2016 (17.01.2017) Jan-Dec 2017 (9.01.2018) Jan-Dec 2018 (15.01.2019) Jan-June 2019 (26.06.2019) |
| Periodic reports of project experts (national and international) | Over period 2016-2019 |
| Back-to-Office reports of Project Manager (UNIDO HQ) | July/Aug 2016; Feb 2017; March 2018; November 2018 |
| Back-to-Office reports of project staff after participation in fairs or other events | Over period 2016-2019 |
| Minutes of the Project Advisory Board meetings | Meetings dated: 3 August 2016; 16 February 2017; 11 July 2017; 20 March 2018 |
| Project brochures/leaflets/collection catalogues 5900BC | throughout |
| Enterprise application forms | 2014 (Ph I) and 2017 (Ph II) |
| Enterprise diagnostics | 2014 (Ph I) and 2017 (Ph II) |
| Enterprise upgrading plans | 2014 (Ph I) and 2017 (Ph II) |
| Examples of Business/Investment Plans (in Armenian) | 2017/2018 |
| ADB/JFC Strategy Consulting, Export and FDI promotion for the apparel and footwear sectors, investment requirements and export strategy policy instruments, Annex IIa, Cost and logistics benchmarking, brief analysis of competitiveness' factors of the Armenian apparel industry and Annex IVb – Domestic and neighbouring markets' assessment | 2018 |
| Center for Strategic Initiatives, Analysis of the light industry in Armenia | 2017 |
| Footwear Sector Situation in Armenia | 2018 |
| Strategic Positioning in the Russian Market: Footwear | 2019 |
| Signed MoU on Cooperation between SME-DNC and IBM Milan | effective as of Dec 2017 |
| State Register of Legal Entities, Registration of Light Industry Export Consortium | 17 August 2018 |

| Project related documents/reports | |
|--|--|
| Article entitled <i>Ensuring sustainable development of the light industry in Armenia</i> (project face book page) | 23 May 2019 |
| Light Industry Training Center, Marketing Plan | 1 July 2019 |
| Light Industry Development Cluster Center | Power Point, not dated |
| Light Industry Training and Service Centre, Concept Paper | September 2019 (translated for evaluation mission) |
| Gyumri Light Industry Training Center | Power Point, not dated |
| Note on 10-day training programme (11-22 March 2019) on improving productivity of garment manufacturing enterprises (ITC in cooperation with UNIDO project) | Project Face book page information |
| List of actual orders in period 2017 – 2019 (by buyer and by enterprise engaged in production for orders) | Status as at 13 September 2019 |
| UNIDO database project data (financial and HR related information) | August/September 2019 |
| Independent Terminal Evaluation, Phase I, 2016 | First draft Nov 2016; Final draft May 2017 |
| Mid-Term Evaluation, Phase II, 2018 | Mission July-August 2018; Final draft April 2019 |
| RBM Service Summary Sheet (Project Concept Note), Phase III | 31.05.2019; updated 18.07.2019 |
| Country context/sector information | |
| Ministry of Economy, Strategy of Export-Led Industrial Policy of Republic of Armenia | 2011 |
| Ministry of Economy, Strategy for development of textile and knitted wear industry in Armenia | 2013 |
| SMEDNC, SMEs in figures, Annual Reports | website/SMEDNC |
| Official statistical data on GDP, national growth rates, | website/National Statistical Service (NSS) of RA |
| Other documents | |
| UNIDO Independent Evaluation Division, Evaluation Manual | 2018 |
| St. Petersburg International Economic Forum, UNIDO Interregional Forum on Women's Entrepreneurship – Challenges and Solutions in Europe and the Arab Region, Outcome Documents | May 2017 |
| UNIDO, Thematic evaluation of UNIDO projects related to industrial upgrading | 2013 |

Annex 6: Information on participating enterprises ²¹

6.1 – List of enterprises

(indicating Phases I and II; time of diagnosis/upgrading plan; availability of information on KPIs)

| Enterprises (as approved by AB) <i>Number only to respect confidentiality as list linked to performance data in subsequent table</i> | Preliminary Diagnosis study ²² | Upgrading Plan | Phase I ²³ | Phase II | Availability of KPIs (up to end 2018) |
|--|--|---------------------------|------------------------------|-----------------|--|
| GARMENTS | | | | | |
| 1. | 2017 | June 2017 | | x | x |
| 2. | 2014 | 2014 | x | x | x |
| 3. | 2014 | 2014 | x | x | x |
| 4. | 2014 | 2014 | x | x | x |
| 5. | 2014 | 2014 | x | x | x |
| 6. | 2017 | 2014 | x | x | x |
| 7. | 2017 | June 2017 | | x | x |
| 8. | 2017 | June 2017 | | x | x |
| 9. | 2017 | June 2017 | | x | x |
| 10. | 2017 | June 2017 | | x | x |
| 11. | 2017 | June 2017 | | x | x |
| 12. | 2017 | June 2017 | | | x |
| 13. | 2017 | June 2017 | | x | x |
| 14. | 2017 | June 2017 | | x | |
| 15. | 2014 | 2014 | x | x | x |
| FOOTWEAR | | | | | |
| 16. | 2017 | June 2017 | | x | x |
| 17. | 2017 | June 2017 | | x | x |
| 18. | 2017 | June 2017 | | x | x |
| 19. | 2017 | June 2017 | | x | x |
| 20. | 2017 | June 2017 | | x | x |
| 21. | 2017 | June 2017 | | x | x |
| 22. | 2017 | June 2017 | | x | x |
| 23. | 2017 | June 2017 | | x | x |
| 24. | 2017 | June 2017 | | x | x |
| 25. | 2017 | June 2017 | | x | x |

²¹ Note: due to confidentiality of data on enterprise performance, the names of the enterprises are not listed when reflecting in this document

²² No individual market position study has been conducted for the participating enterprises (other than the sector wide sector studies).

²³ One enterprise/Phase I closed down due to personal reasons; another enterprise (Phase I) is not part of Phase II (hence not listed).

6.2 Snapshot overview of findings as regards the project Phase II beneficiaries ²⁴

| <i>Enterprise (number only)</i> | <i>Findings/Observations (Terminal Evaluation Sept 2019)</i> |
|---|---|
| GARMENTS | |
| 1. | Established in 2015 this enterprise is among the biggest and leading operators of the sub-sector in the region. Exported to Russia since that time. Major benefit from project: legal advice and support in obtaining privileges of customs duties and VAT holidays in 2018 and 2019. This allowed cutting the expenses and becoming more competitive, especially in foreign markets. Special attention on social aspects, e.g. employment of women above 50, which is a big advantage and opportunity for those women. Participated in design/preparation of the UNIDO Collection 2017-2018. Participated in many events organized by the project: meetings, discussions, work sessions, trainings, etc. Benefited from the technical assistance provided by local and international experts. Training on fashion trends organized in the company for their staff. Participated in “Bee Together” exhibition with the support of the project. The major problem the enterprise mentioned is the lack of specialists: sewing operators, pattern makers. If the project can support the Armenian light industry by preparing specialists, it will be highly appreciated. |
| 2. | The enterprise is operational for more than 10 years, specializes in production of uniforms. Interested in establishment of a representation and promotion office in Russia. The enterprise benefited from the visits and on-job training and support of international experts (constructors, designers, pattern-makers, etc.), consultancy on improvement of the work productivity, meeting and discussions with the sector enterprises, regulatory bodies, etc. The project provided legal advice on getting privilege of customs duties. Several times the project introduced potential buyers to the enterprise, but those contacts did not become contracts due to current workload of the enterprise. For the next Phase the enterprise recommends to continue the support in the following aspects: (a) establishment of a professional/vocational school for preparation of specialists for the sector, including pattern-makers (they name it “constructors”), sewing technologists, electronics specialists and mechanic engineers, designers, modelers, etc. Lack of these specialists was mentioned to be the biggest challenge of the sector. The enterprise is ready to employ graduates of that school and ensures that there is a demand of hundreds of such specialists in the country. Meantime, the enterprise is not ready to pay for their study, since their return to the enterprise is not guaranteed. (b) provision of new/modern technologies and equipment, though they know that project does not make direct allocations of grants (neither financially, nor in-kind). The enterprise is not a member of the Consortium, but plans to become once it will start working. |
| 3. | Established in 1995. Has been cooperating for years with a number of companies, as well as schools and etc. producing mainly male outdoorwear. This enterprise cooperates with the project since the Phase I, and enjoyed various support. Among other they appreciate the |

²⁴ Even if the names of the companies were not mentioned, Armenia being a small country, it is not difficult to identify which are the firms described. For this reason (respecting the principle of confidentiality), performance data were taken out and only the findings/observations of the evaluation mission were retained.

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|--|
| | <p>advice and practical guidance on pattern making and “constructions” (designs) they received from the international experts invited by the project. In addition, the project introduced this enterprise to several buyers, although the capacity of the enterprise was not sufficient to cooperate with them. The enterprise was supported to participate in exhibitions in Russia, where they met with famous Russian designers and initiated cooperation in preparation of a collection, which was later presented in Paris. For the possible Phase III of the project the enterprise requested to continue and intensify the support delivered by international experts, especially in the field of pattern-making. Armenia lacks this service significantly and all companies of the sector will appreciate such support. The enterprise is a member of the Exporters’ Consortium and is disappointed with the progress it makes, or rather with the absence of any progress.</p> |
| 4. | <p>Enterprise reported that it started to export to Russian Federation in 2017 and expects to increase its exports to that market by 4-5 times in 2019 (crucial at a time when the local market for their products is decreasing due to growing competition and in fact ‘saving’ the company). Participation in fairs (Moscow) allowed for finding buyers (at this stage working with 3 different buyers). It mentioned it goes twice/year to China (supplies) and four times/year to Russian Federation (when facilitated by project, latter covers the cost of the common stand). Project facilitated visit to Milano trade fair (textiles and accessories) mid 2019 (together with one other Armenian project beneficiary). Production has diversified over time (in addition to uniforms now also trousers, jackets, dresses), with exports cover the production of models provided by the buyers. There is also past experience with German buyer (subcontracting/stitching facilitated through project expert/Phase I) and at present contacts have been established with a new potential buyer in France (showing market diversification effort). Need for continued technical advice (e.g., pattern making) and need for operators’ training was emphasized. Enterprise is member of export consortium but is not engaged in activities as part of consortium at this stage.</p> |
| 5. | <p>Established in 2003, (initially as Armenian-Italian joint venture specializing on jeans production for exports to Italy). Within the framework of the project they met with international experts - designers/modelers/constructors and organizers of more efficient production, who helped the enterprise a lot. Designed collections and jointly prepared an excellent catalog, which would not be affordable otherwise. Participation in CPM exhibition, though not with concluded contracts yet (but close to that). Participation in delegations, seminars, conferences, discussions, etc., where they had a chance to raise issues. Significant support appeared in the form of legal advice for obtaining customs duty privileges and VAT holidays. Are interested in continuation of cooperation with the project; especially in obtaining more support of experts. More resources should be allocated for attraction of international experts more often and for longer periods.</p> |
| 6. | <p>The enterprise considered the cooperation with the project under Phase I more active/intense, having received valuable and hands-on support that was in fact an eye-opener for the company how to professionalize its operations from design, production to quality control. It was and still is the only entity providing support to the light industry sector and even was said to have ‘saved the industry’. In Phase II the enterprise was in fact busy with its relocation and setting up an entirely new factory. This being said, it participated twice in exhibitions (Moscow), both with its own and the project’s collection, and the project introduced the enterprise to new potential buyers. A potential buyer from France is expected to come to Armenia imminently (introduced by the project during one of the trade fairs). Reference was also</p> |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|---|
| | <p>made to the relevance and good quality of the productivity upgrading training (following which the enterprise already introduced changes (time and cost-saving measures). Follow-on training of this kind would be important (both group training and in situ advice of the experts). Employment figures were reported to increase by about 20% every year and at present the enterprise has 110 employees. Its exports constitute about only 5-10% of sales at present, explained by the fact that the enterprise currently focus on completing the construction of the new premises (to which it already relocated) and thus was reluctant to take on big orders at the same time. Turnover has also steadily grown in recent years from 150 million AMD (2017) to expected 200 million AMD by the end of 2019. Local market opportunities are reported to be good (the enterprise has 6 own outlets and works with others who sell on their behalf). The manager argued that one first has to be relevant in the local market before going into major exports. Regarding the consortium; it is a member but said it stopped going to meetings, as the consortium – a prior a good idea – is not yet operationalized. There was another earlier idea (Phase I) of enterprise cooperation (local showroom / shop Made in Armenia) to enhance visibility, Whereas this shop exists, few companies take part in showing their products through that channel. Finally, it was highlighted that the garment sub-sector is changing, with large enterprises entering (including ones set up by oligarchs). It is to be noted that this enterprise worked closely with the legal project expert to introduce legislation (VAT holidays). The same was adopted in the last session of the previous government. The enterprise was the first one to apply for this important incentive. Finally, there were and are high expectations as regards the training centre. Atex did not provide the expected service (reporting to have to invest as enterprise in the trainees coming from Atex). It was mentioned that enterprises will be ready to pay for good quality services. Also, it was highlighted that the sector should be represented in the steering of the centre, to ensure that it responds to the priority needs of light industry.</p> |
| 7. | <p>Current CEO joined the enterprise mid 2017 (when project support was already ongoing). As new to the sector, the project helped him to understand the sector and ‘get into the topics’. Project facilitated funding buyer (Russia). Enterprise participated in exhibitions/events in Moscow (2017 and 2018) – paid by company in line with its policy (showing its own collection). Is now targeting market diversification (Europe) without project, seeking higher margins and e-emphasizing Russian market. Reporting that at present 80% of production is for exports, of which 30% for Russian market and the rest for other markets Suggests that project diversifies its market development efforts and not go to the same events. Support of project encouraged enterprise to diversify its production lines. Reported 60 employees in 2017 whereas 150 at present, which is expected to further grown to 200 by end of 2019. Is training its own workers and ready to if training can be done elsewhere. Enterprise operated at a loss in 2017, yet performance has been on the rise since with expectation to reach some €800,000 by end 2019. Enterprise is not a member of the consortium that that ‘it is not interesting for us’. This being said, enterprise refers to opportunities to work with other enterprises (which it already does – mutual subcontracting linked to orders). As the company is expanding, it was reported that project gave advice on equipment and factory lay-out. Enterprise is interested in further cooperation with the project, covering in particular the training of specialists (not operators but pattern makers), participation in exhibitions other than Russian Federation. There is willingness to pay for training of staff but serious concern about the risks that they may leave the company.</p> |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|---|
| | They have experience to this end: paying for person/Atex training that did not complete the course and left after six months. According to this enterprise, Atex is not provider of technical services for industry, stating: "Atex is about fashion and not about mass production" |
| 8. | Enterprise reported on different types of assistance provided by the project, including the legal advice/support related to fiscal measures (VAT holidays and import duty exemptions). Also support to facilitate linkages with buyers with mentioned. Enterprise went for the first time to exhibitions in Russia (as result of project efforts) and found 3 different buyers (challenges regarding that market being currency fluctuations, payment after sales by the buyer and not after delivery of the products). Still, it wants to increase its sales to that market It is exporting to Canada since several decades. Of its exports (90% of production), the Canadian market constitutes some 85% (some 5% to Russia). Hands-on training aimed at productivity improvement was appreciated. It would have like to benefit more from the technical advice of project staff - considered more relevant for the enterprise than the design related advice (given their product line). Presence in "project catalogue" was appreciated and enterprise is currently making its own catalogue. Enterprise is investing in new operations (including yarn production). Finding skilled workers is reported to be a problem (no vocational training in this field) and also finding trained specialists for servicing machines. The enterprise is among the founders of the export consortium (citing the idea of have a joint warehouse in Russia and sell through there on line); however, notwithstanding the meetings held so, it is so far an initiative that exists on paper only. |
| 9. | Established in 2017. The managers attended classes organized by Atex-Burgo within the framework of project Phase I. Participated in design/preparation of the 5900 BC Collection 2017-2018. Participated in many events organized by the Project: meetings, discussions, work sessions, trainings, etc. Benefited from the technical assistance provided by local and international experts attracted by the project. Participated in "Bee Together" exhibition with the support of the project. As the company is not large and not able to obtain big orders, they preferred to make small quantities and its own production. Recently, an order of small quantities was obtained through the project. Enterprise sent its collections (without travelling personally) to several exhibitions organized by the project in abroad. Enterprise' sales are on the rise, though the volume of produce decreased (more expensive products were sold). No shortcoming of the project mentioned. Expectations: support in finding new buyers, but only for the own brand products. Support in participation in design-related exhibitions. Enterprise is not a member of the Export Consortium. |
| 10. | <i>Out of country, could not be reached by the evaluation team</i> |
| 11. | Established in 2008 and having registered several brand names. Exported to Georgia and Russia before. The enterprise benefited from visits and on-job trainings of international experts, fine-tuning services of production processes delivered by local experts, participation in CPM exhibition in Moscow, special training regarding the organization of production and increasing of the productivity. The latter was especially appreciated. However, the major support appeared in the form of legal advice for obtaining customs duty privileges and VAT holidays. Recommendation was made for the Phase III: focus on the establishment of a training center, which will prepare qualified specialists - technologists, pattern makers, production managers, etc. Production side of local enterprises lacks specialists |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|--|
| | and new technologies, and this should be solved in order to become competitive in the international markets. |
| 12. | <p>Established in 2012, entered the sub-sector of apparel making in 2016 with production of male shirts. Opened a firm shop at “Yerevan Mall” in 2016. Daily production capacity at the beginning was 25 pieces; currently - increased for more than 10%. Most services received from the project are visits of international experts - technologists, designers, pattern-makers, etc. The enterprise enjoyed and appreciated the support from those experts. Participated in a number of events, seminars, workshops organized by the project on various themes, e.g. design, pattern-making, technologies, branding, financial analyses, etc.</p> <p>Enterprise plans to sustain in the local market and only after that target exports. But, is interested in exports of its own brand products; not interested in outsourcing orders. For the Phase III would appreciate the intensification of visits of international experts. More attention should be paid to collections for male.</p> <p>Enterprise rejected to participate in consortium, since that process is complicated and adds expenses that they cannot afford currently.</p> |
| 13. | <p>Whereas enterprise management was initially doubtful about the project, its interest in the project was triggered by a magazine article about the project that referred to several companies that received support. The project facilitated finding new clients through repeated participation in events (Moscow). Before the project, the enterprise had participated in other exhibitions but not in Moscow. Employment is reported to have steadily grown from around 2016 in 2016 to 380 in 2018 and 420 at present. This being said, margins are said to be going down (more competition). There is desire to explore the US market – opportunities identified through family connections and samples were sent recently. Project was advised to avoid going to the same exhibitions with a view to support market diversification. Project experts gave advice on the organization of the production, as well as on product diversification. It also sent staff to knitwear training organized at Atex.</p> <p>Whereas the enterprise is member of the export consortium, it mentioned that there are no activities yet and enterprises continue to work individually. Issue that there is nobody recruited to manage the consortium delays consortium to become operational. Need for specialist training was highlighted (short training of machine operators and specialists including for maintenance of equipment). Enterprise is willing to pay for specialists’ services. Also importance of support in the process of application for fiscal benefits (VAT holidays; import duty exemptions) was highlighted.</p> |
| 14. | <p>Founded in 2014: specialized in knitwear clothes (produces cardigans, sweaters, dresses, scarves, jackets, skirts, hats and trousers, using national shapes, silhouettes and distinctive color combinations).</p> <p>At the moment of joining the project, the enterprise’s products were partially exported to Russia (boutiques) and Europe (online-store) but in limited quantity. Now, USA also appeared in the list of export destinations. Main directions of cooperation with the project were technical support they received from the international experts (on pattern making, modeling, and collection design) and participation in exhibitions. This enterprise participated in CPM (Moscow) exhibitions at least 4 times; twice presenting collections prepared with the support of the international expert, and twice with their own collections. The enterprise participated also in exhibitions also in Milan, Italy. Many potential</p> |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|---|
| | buyers contacted the enterprise, but negotiations did not result in actual order yet. The enterprise is interested in further cooperation with the project, especially regarding participation in exhibitions at more sophisticated and expensive markets. |
| 15. | Ownership of this enterprise changed in 2017 (after Phase I), so the project was in fact new to the current owner-manager. The enterprise appreciated the hands-on of the technical experts such as regarding production organization and also the support in the process of seeking to benefit from fiscal incentives (VAT holidays and customs duty exemption). Also the productivity related training (2019) was appreciated. It participated in an input supply event (Turkey) – input related fairs are prioritized by the enterprise. It found a Russian buyer who had been invited to Armenia by the project and brought to the enterprise. The enterprise recognizes the project to be an important hub that is knowledgeable about the sector, raise issues and act as honest broker linking buyers and producers. Employment grew from 80 in 2017 to 250 at present and production increased at least 2.5 times. If in 2017 exports covered about 20% (for mainly Russia as well as to USA), the current orders imply that exports are expected to increase to about 70% of production, with the remaining 30% for the local market. To out of its current 3 large buyers were secured via contacts facilitated by the project. For the next stage, the enterprise suggests the project to pursue contacts with potential buyers (matchmaking). This being said, the manager was cautious about the project to bring in big buyers/orders, as the capacity of the enterprise to serve big orders is limited. The project was suggested to support the envisaged center in training technicians/experts needed by the sector. There was said to be a “crisis of engineers” and machine maintenance was listed among the fields on which the future Centre should focus. The enterprise is member of the export consortium that was reported to be not yet working (and stating the enterprise, although member, is not much involved in the same). |
| FOOTWEAR | |
| 16. | Established in 2000, but actual artisan production started back in 1992. This enterprise positioned itself at the market segment of high-quality and expensive footwear, avoiding unequal competition with China and Turkey made low quality and cheap productions. The enterprise purposefully concentrates on handmade production, though recently it bought state-of-the-art European equipment (just for part of the manufacturing processes). The enterprise recognizes the support of the project, although states that cooperation was not very intensive. International experts’ visits and advice were useful, but that does not mean that they will not survive without their support. Those visits just boosted the process, made the development more dynamic. The enterprise participated in MosShoes exhibition within the framework of the project, but soon found such exhibition not very useful for its expensive and niche market products. However, they met potential partners during that exhibition. Also participated in inputs’ trade fair in Italy. Also, the management of the enterprise insisted on a specific aspect regarding the exhibitions - participation in such trade promotion events should be continuous and intensive practice, should last many years. Participants need to get experienced in such events and they should learn how to communicate with potential partners. Just 1-2 events are far not sufficient for reaching to the desired results. The above statements were also basis of the request to continue the project and intensify the beneficiaries’ participation at international trade promotion events. Still, it was recommended to diversify by also targeting other markets, other exhibitions and formats. Segments of expensive products should be targeted as well |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|--|
| 17. | Established in 2014, possessing vast experience in shoe design and manufacturing since the mid of previous century. Exports to Russia, Belgium, Holland, UAE - but in very small volume, just as examples. The enterprise benefited from the consultancy of international experts, whose work allowed to identify and mitigate shortcomings of production (especially in modeling). The project provided shoe lasts (form, matrix) to the enterprise, which allowed to keep the production in line with modern trend. The enterprise participated in a MosShoes Exhibition with the support of the project, and even succeeded to conclude one small contract. However, after serving that order, the enterprise decided to sustain in the local market and, develop to a level of being able to serve big contracts. In parallel a firm shop has been established in downtown of Yerevan, which allows introducing the enterprise's products immediately to the consumers. The enterprise is not involved in the Exporters' Consortium and had no recommendations for the next phase of the project. |
| 18. | The enterprise reported to have benefitted from its participation in the preparation of catalogues and in several exhibitions (Moscow). Where it initially did not seek to export, the above exposure allowed for contacts with ultimate buyers (rather than intermediaries) and orders. If it reported to have 13/14 full-time workers in 2017, it now employs 21/22 ft. workers, and production increased around 15%. Earlier on the local market was most important (60%) for the enterprises but at present exports dominate (60%) and the local market share reduced to about 40%. These changes were attributed by the enterprise to the support received from the project – that encouraged the enterprise to introduce changes (“we were conservative, doing the same things the same way and it takes energy to change”). With project support, suppliers if forms for shoemaking were identified – these are key for producing quality shoes. The enterprise is member of the export consortium and highlighted the importance of collective action. Reference was made by the enterprise to the plan to sell on-line in Russia (wild berries) via a common platform and ongoing discussions with a Russian company to this end. Regarding the envisaged Centre, it highlighted its importance and readiness to use services of the Centre, such as pattern making. |
| 19. | <i>Out of country, could not be reached by the evaluation team</i> |
| 20. | Project support covered several dimensions (technical; financial management; market development) and was much appreciated. Participation in Moscow events was important opportunity for exposure, both in fashion/garment ones – to which shoes were added – and in the specialized shoe fairs. Company was not able to go the 2019 shoe fair (the Government changed based on tender another entity to the organization of Armenia's participation in such exhibitions - no longer Business Armenia – and the new lead agency was not in a position to organize the same timely for Mosshoes fair). Importance of common stand was emphasized (visibility; image) rather than individual stand. Enterprise referred to the importance of GSP+ to facilitate exports to the EU market and referred to project support to deal with the paperwork regarding entry into data base (a requirement under GSP+). Employment has gradually grown from around 25/30 in 2016 to some 75 employees (of which 20 are working in their homes). Whereas the market was 100% local in 2016, exports started in 2018 and have grown since (with 80% going to Russia). Enterprise wants to expand/relocate and attended input related fair in Italy (Lineapelli) where it met a supplier of second-hand equipment. As there is no vocational training/shoe making, there is need to training centre dedicated to skill development for light industry operations. Regarding the export consortium, it is the manager of this enterprise who acts for now as head of the consortium. The plan is to establish a company (or find business in Russia) to sell on line (“wildberries” portal). For now the same is under preparation and there is wish to start selling via that channel soonest). |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|---|
| 21. | Established in 1985, this enterprise was the leading producer and exporter of shoes, other footwear and accessories in Armenia; major export market was and remains Russia. The enterprise mainly benefited from the visits and on-job trainings and guidance of specialists - modelers and designers of collections. Also, the project took the collections of the enterprise to exhibitions (MosShoes) in Russia, which ultimately resulted in the interest of specific buyers, who even placed several orders with the enterprise. Later, the enterprise was demanded by its main partner to stop any relations and cooperation with other partners and work exclusively with them (a Russian company). Given severe competition in the local market (impossible to compete with very cheap imports), the enterprise had to agree with that requirement and deactivate (or rather minimize) its cooperation with project. The major problem the enterprise mentioned was and remains the lack of specialists - sewers, mechanics, modelers, press workers. If the project can support the Armenian light industry by preparing specialists, it will be appreciated by all operators in the market. |
| 22. | Established in 2006 as hand-made operation and remained as it is. Was exporting to Russia, Czech Republic, USA, but in very small quantities. The enterprise appreciates the support it received from the project. Particularly the trainings and advice of international experts - modelers. This allowed them to form a collection and introduce it in exhibition in Moscow. However, though everybody liked the collection, no orders were received. The enterprise prioritizes the possibility of establishing a dialogue between the sector representatives and the government, and the role of the project in ensuring that link. The enterprise did not become a member of Export Consortium, since finds the instruments of the consortium incomplete. The owner of the enterprise informed that he planned to leave Armenia for personal reasons. This is the only reason of decreasing performance of the enterprise. However, the enterprise mentioned that establishment of a Training Center will significantly contribute to the development of shoe manufacturing sub-sector of Armenia. Lack of qualified specialists has been among the major challenges for the enterprise. |
| 23. | Established in 2012, the enterprise succeeded in the market and founded a chain of 5 retail shops in Yerevan, becoming probably the most known local brand in Armenia. The enterprise produces footwear and other leather products and accessories for local and foreign (mainly Russian and, with small quantity, in the Czech Republic markets). Furthermore, the enterprise concentrated its efforts on local market, multiplying the volume of production and sales almost three times. The company benefited from 2 major activities of the project. It was noted that limited benefit was registered from the advice of international experts. Those specialists are mostly experienced in fully automated production, while the enterprise relies of hand manufacturing. The most appreciated support was the legal advice the enterprise received for the application to the Government for custom duty privilege. This support was recommended to be continuous and more intensive. The overall performance of the project was assessed to be very good; this project became a central hub for supporting the light industry in Armenia and fostering it development. The enterprise is not a member of Exporters' Consortium and did not even know about that entity. |

| Enterprise (number only) | Findings/Observations (Terminal Evaluation Sept 2019) |
|---|--|
| 24. | Enterprise knows Russian market (99% of all is expand suggested project to also cover Ismailova fair and not only Moshoes fair (longer duration, wider coverage, not seasonal). It participated in the same together with another shoe manufacturing company. Earlier devaluation of the Ruble had affected exports to the Russian market, but is reported to be slowly catching up (currently 99% of all its exports). At present the enterprise employs 28 persons (which would mean a slight reduction compared the figure at the time of the diagnostic). It recognizes that several of its new clients came through the project. Also, advice of the technical experts (models/samples) was appreciated even (as stated) “no magic difference was made”. Samples were made for the catalogue, but these models were not ordered/sold. It has one small shop and intends to have another one in a good location. For now, the enterprise did not work with the legal project expert (fiscal privileges) as the size of the input orders remains small for now. The enterprise heard about the planned training centre and is interested in paying for its services, depending on their quality and price. Regarding the consortium, whereas it is member, it is found to remain an initiative on paper; in fact; the enterprise has doubts about cooperation among enterprises. |
| 25. | Established in 1985, the enterprise was working for orders placed by a famous brand for more than 8 years. Since 1993, the enterprise has been supplying mostly the local market of Armenia. Main produce of the enterprise is the sport footwear. Russia was the main export market. The biggest support of the project to the enterprise was the advice and practical help on design of models. Innovations were introduced, which allowed the company to experiment with new assortment, better use the production capacities and equipment. Also, with the support of the project, the enterprise participated to MosShoes and Ismailovo exhibitions several times, and every time they gained new clients and buyers. After each exhibition, the company served several orders in volume of about 2 thousand pairs. The enterprise plans to apply for the privileges of customs duties with the support of the project. The biggest challenge of the production was mentioned to be the lack of specialists, covering all different stages in shoe manufacturing. The idea of a Training Center is assessed to be very good and required, especially in the light of the absence of other vocational education institutions training such specialists in Armenia. Also further services of international experts are demanded, as well as provision of press-forms, new models. |

Annex 7: Detailed observations on the Phase III concept note

As mentioned in Section 3.3, following the review of the concept note detailed observations are provided by the Phase II evaluation team. These are presented below, in line with the structure of the concept note:

Background and design analysis (pp. 3-9):

1. The baseline scenario refers to “increase in the number and productivity of SMEs” engaged in garment manufacturing. It would be useful to include precise data on the number of enterprises and the growth therein since the design of Phase I. Numbers on the size of the garment sub-sector vary depending on the source of information. Moreover, a distinction is to be made between registered companies engaged in garment manufacturing and those that are actually operational. This would enable understanding in precise terms which proportion of the sub-sector has been already covered by Phases II and III, and the number of new enterprises Phase III could seek to also cover (also specifying the number of enterprises that will not be able to work with the project given tight conditions in this regard agreed upon with their buyers).
2. If possible, it would be useful to include in the baseline scenario the same type of statistics for the footwear sub-sector as was done for the garment sub-sector (at present data provided on footwear manufacturing remain more scant). The methodology used for baseline and terminal stage assessments is suggested to be included in the project document (to be carried out by project staff or, ideally, outsourced to a third party not involved in project implementation).
3. When referring to the Phases I and II (p.3), the respective periods covered should be more precise, i.e., Phase I from mid 2014 - August 2016 and Phase II from September 2016 - end October 2019 (not, as stated, “2017-2019”).
4. The figure “UNIDO supported 23 pilot enterprises”, p. 3) does not correspond to the actual figure as per progress reporting, i.e., 15 (garment) and 10 (footwear). Similarly, the list of enterprises (p. 4) requires updating as not in accordance with progress reporting. Moreover, there may be scope in this (third) phase of the project to further differentiate at some point the beneficiaries beyond the mere sub-sector division (e.g., by size, type of support obtained). Also, not all enterprises participating in Phase II will automatically be direct beneficiaries of Phase III activities.
5. In the statement on the Light Industry Export Consortium (p. 3) it may be useful to add that the consortium is not yet operational *stricto sensu*. Further support provided by the project in its third phase could be subject of a pre-condition, such as the consortium having identified and recruited a manager dedicated to the operations of the consortium.
6. The sentence “440 individuals from the eight selected garment producers” (p. 4) refers to Phase I, but excludes Phase II achievements covering in total 25 enterprises in two sub-sectors and implying also wider geographic outreach compared to Phase I.
7. Regarding the 5900BC brand, it would be useful to add who formally owns the brand (the consortium) and specify that it was primarily a tool in market development efforts, while mentioning that effective orders are buyer-driven and not for the collections as such. This dimension is more crucial than the expected “rolling out...to a bigger number of manufacturers across the country” (p.5).
8. The statement that the Atex-Burgo Fashion School “serves the local industry’s needs in industrial design” (p. 4) is not in line with the reality and this paragraph should also list the actual number of graduates with Atex-Burgo diplomas/certificates in pattern making and fashion illustration since the start of Phase I (which is not high, but the note should be factual). At this juncture there is need for discussion and decision making at level of AB to

what extent direct subsidies from the project budget to Atex (including payment for IMB royalties – now via SME-DNC) should persist.

9. Regarding the PPP model (p. 4), the correct title should be used (throughout the concept note), i.e., Light Industry Training and Service Centre”, also mentioning its institutional anchorage to SME-DNC. In general, it merits to be specified in the write-up who are the respective Public and Private partners in the PPP model. Moreover, it is to be clarified what is meant precisely with the qualification “regional” hub. Leaving out the “regional” dimension in the title/mandate will avoid likely confusion (it being understood that the Centre is expected to cover the entire country and that, over time, branch offices could be established).
10. The statements ‘thorough diagnosis’ and ‘tailor made upgrading plans’ (p.4) are suggested to be reformulated, as these are considered not as full-fledged nor that tailor made as claimed in reporting (notwithstanding the relevance of the work carried out with the companies, as recognized in this evaluation).
11. It is regretted that performance indicators as regards beneficiary enterprises (p.4) go up to end 2018 only, thus missing out on 10 months of project operations in 2019. The argument of the project that these figures are based on end-of-year data covering the fiscal year implies that latest the first progress report of Phase III should include 2019 data on performance (assuming that the Phase III project document will have been reviewed and approved by end 2019). In a MoU that the project should normally sign with each enterprise it needs be specified which performance data the project will need to obtain for its project monitoring from participating enterprises and at which intervals. Such information should be based on officially reported figures/company records and not informally provided.
12. It would be useful to include a sentence regarding *attribution* under the figure on the evolution in key performance indicators (p.5), to put these figures in context; while realizing that it is complex to make a distinction between the effects of project generated efforts versus factors outside the realm of the project that also contribute to the ultimate performance, it seems appropriate to show some “modesty” by recognizing there are also other factors.
13. The statement “institutional upgrading of the business support infrastructure” (p.5) merits reflexion and some modesty, as the *raison d’être* of Phase III relates in particular to the need to institutionalize the services delivered under Phases I and II, in view of their sustainability (rather than “rolling out.....to the bigger number of manufacturers across the country”, p. 5 – especially as the project states to be covering under Phase II already the majority - some 70/80% - of operational enterprises.
14. Regarding the description of the Light Industry Training and Service Centre (i.e., the correct title), reference is made to allocation of the space “for the initial stage of Phase III). There is no explanation of the fact that discussions on the Centre idea started quasi after the start of Phase II, that delays have been incurred, and that its actual operationalization was thus postponed to the now foreseen Phase III.
15. Reference is made to “three major Directions” (pp.6-7) and a range of services there under. It would be appropriate to include an organigram showing how the Centre will be steered (including reference to private sector representation therein), and how it would be staffed (number; profiles). Moreover, the write-up should indicate its phasing strategy (as not all services can be put in place from the start of its operationalization). Also, it would be relevant to show the planned linkages with other institutions in the support environment (as it claims to be hub that involves not only the provision of services within the Centre but also the facilitation of services with other service providers). The organigram would also show the specific linkage with the Atex-Burgo school (once decided upon; not yet the case at the moment of the evaluation).
16. Regarding the first Direction (provision of production services, p. 6), it is suggestion to reformulate the function “provision of production services.... samples” and rather state in

more simple terms: “provision of services for patternmaking, grading and sample production for garment and footwear”; namely the term “production services” could give the impression that the Centre has the intention to start also production (which is not its role and would even create false competition with the enterprises it aims to serve).

17. With respect to its training courses (p. 7), these are suggested to be called simply “training courses and not ‘training and vocational courses” (as the latter is integral part of the former). It is understood that the sewing operators training course planned is the direct follow-up of the course conducted in 2019 in cooperation with ITC (funded by EU) – that was appreciated by the enterprises met. Pattern making training does not specify to what extent linked to the international diploma courses organized so far by Atex-Burgo (with limited number of graduates over the Phases I-II period) and to what extent there is the plan to organize different levels of training in the field of patternmaking (not necessarily limited to only the Atex-Burgo diploma course system). It merits specification what is meant with “Modaris virtual prototyping”. To the extent fashion illustration training did not generate much interest at the level of the Atex-Burgo school (whereas two trainers were trained in Italy on this subject), it can be questioned if this is a likely priority for industry in the first two years of operation of the Centre. The same applies to “fashion trends”, supposedly an area with which enterprises are familiar as they need to participate in relevant trade fairs (ideally without project support in Phase III, as they benefitted from intensive project support under Phases I and II which will have to be phased out for the sake of sustainability (see also point 8 above).
18. There is no reference to the process of certification/accreditation of training services in line with national procedures (involving the Ministry of Education and Science), for the Centre to be able to issue diplomas/certificates that are recognized.
19. Given interest of enterprises to expand/widen their export market, it may be relevant to address among services testing and certification issues (and their accreditation) pertaining to the garment sector in line with product and process regulations (such as regarding flammability of materials used; use of hazardous chemicals; other environmental and social dimensions more and more required by buyers and final consumers). Whereas this may not be addressed in the first stage of operationalization of the Centre, it needs to be kept in mind, as these concern issues affecting garment and footwear exporters. This is not only relevant as buyers more and more insist on environmental and social dimensions, but also as these have direct relevance for the workers in the industry. For example, there are environmental health issues on which more awareness raising is called for (protection of workers in footwear dealing with glues). Another example relates to informality (possibility that not all employees have official contracts stipulating their duties and rights).
20. Some precaution is needed when planning to launch export/import facilitation, sales management and production planning, as this may exceed the support function of the Centre and make it move towards a “do-er” rather than “supporter” vis-à-vis enterprises and encompass what the latter are expected to cover in fact themselves.
21. Given the importance of the initiative to set up a Centre, with major support during Phase III, the complete business plan cum first year action plan (now summarized in one paragraph, p. 7) should be discussed and signed by the concerned parties and integrally attached to the Phase III document. The same will also be among the documents on which to base the results assessment at the end of Phase III. It is noted that the documents the evaluation saw so far carry the UNIDO logo and not the logos of the actual owners of the Centre (UNIDO cannot be an owner/co-owner of a national entity, beyond being an external agency supporting the establishment of the national entity).
22. It is not clear how the concept paper can be so precise about the number of orders the training and pattern making/gradation/sample creation services will satisfy within the first year of its operation (stated to be 327 orders as regards the training services and 129 orders related to the other services, p. 7).

23. Regarding the need for Training of Trainers (ToT) by international experts, there is no mention of capacities built during Phase I and II (under output 2), whereas progress reports have highlighted large number of local expertise built/strengthened. The specific fields in which international expertise is still required for ToT (Phase III) is to be clarified in the implementation strategy of Phase III, to the extent it did not happen in Phase II.
24. The list of equipment (p.7) does not clarify which equipment has already been purchased under Phase I and II (and is expected to move from the Atex-Burgo school to the Centre, once its repair works - ongoing at the time of the evaluation - are completed).
25. As far as the list of “persisting challenges” (pp 8-9) is concerned, it is suggested not to repeat here the obstacles faced by the garment/footwear sub-sectors as already described in the Phase I and Phase II project documents, yet show how the work under Phase III will build on the previous two phases. The main aspect to be highlighted relates to the underlying strategy, i.e., how the services provided by the project experts in these first two phases will be gradually taken over by the Centre in Phase III. If in Phase III the project team will continue to engage in marketing, sales, export promotion activities (p.8), the sustainability of the implementation approach is uncertain and it is debatable if in a third phase the same type of intensive market development “handholding” as done in Phases I and II should be funded/allowed.
26. The dimension of insufficient access to financial services (p.8) implies the need for showing how/in what form financial institutions are included in the PPP model. However, this statement related to “insufficient access” may be taken out as not in line with reality, to the extent there are reported to be multiple financial institutions in Armenia looking for good clients and offering loans from as low as US\$ 5,000 to over US\$ one million, subject to healthy ongoing business operations, solid business plans and collateral.
27. Regarding the inclusion of the (first) export consortium in the “technical support infrastructure for the light industry” (p. 8), attention is drawn to the need to clearly separate the position and role of the Centre (a public entity stated to be based on PPP model) and the consortium which is a purely private entity by and for its members (at this stage 10 enterprises).
28. According to the vision as regards the expansion of the coverage (adding accessories, be it garment or leather good based), there is the assumption that this will particularly involve women entrepreneurs. This may/may not be the case and existing enterprise could easily add production lines to also engage in the production of accessories.
29. The concept note does not refer to another seemingly important dimension of possible expansion, i.e., the support also covering start-up enterprises (rather than sticking to the earlier selection criterion of three years of business operations) adjusted to the specific needs of such starters, as well as having another ‘service window’ for potential investors in the light industry sector (in line with what the project already started doing in Phase II, i.e., preparing preliminary investment/business plans for new investors/those interested in investment in expansion of their operations). In this respect there is scope for linking to service offerings under other “windows” of the institutional partner (umbrella) of the project in Phase III, SME-DNC, which include, inter alia, support to start-ups.
30. It is understood from the last paragraph (p. 9) that it is envisaged continuing and enhancing export promotion activities under Phase III. In this regard it needs to be specified what is exactly meant with the same. Pursuing the development of collections (beyond the current 10) is considered not justified, as it generated the intended result (getting Armenia back on the map as country able to produce good quality items), taking into consideration that orders are buyer-driven. Similarly, at some point project support to export promotion (covering the costs of stands at events; facilitating linkages with buyers at such events) need to be phase out and taken over by the enterprises themselves, always within the spirit of seeking sustainability of support that is about to start its Phase III.
31. Reference to the need for further support in Phase III to the first export consortium (p.9) is understood, while it should be made very clear what the project can/should support and

what not (such as for example the funding of/acting as if manager on behalf of the 10 members). The latter is the responsibility of the member enterprises and can not/ should at this stage not be dealt with by project experts nor be subsidized by project funds.

32. To conclude, this section of the concept note (page 9) makes reference to “supporting the development of the industrial development strategy”; according to the evaluators, this goes beyond the mandate of the project and should be subject of a *separate project* to be developed (if the Government of Armenia request UNIDO to provide such policy level support).

Institutional arrangements and coordination mechanism

Management

1. The role/composition of the project Advisory Board/AB and that of the Board that is to steer the Centre will need to be clarified (possibly seeking to merge the same, provided the AB is expanded by including also representatives from the Ministry of Education and of financial institutions, if the latter are at all part of the PPP model). It is recognized that the increase in the number of high officials also carries a risk, especially if there is high turnover in occupying senior posts, thus creating the possibility to lose institutional memory and even of paralyzing the frequency of the ABs.
2. Reference is made to the International Expert on Textile/Garment and Footwear/Leather Goods Team Leader to guide the overall coordination and management of project implementation. Finding person with profile combining hands-on expertise in upgrading covering both sub-sectors may be difficult. Moreover, putting an international team leader that much upfront in Phase III does not show how international expertise is being phased out after two phases of project implementation. Also, the complementarities between the technical role and responsibilities of Team Leader and the two-coordination team, i.e., in respectively UNIDO HQ (where the overall Project Manager is based) and in Yerevan, needs to be clarified. At this third stage of the project, the proportion of project coordination costs in the total budget will have to decrease to show the effective steps towards sustainability and phasing out.
3. It is noted that the Phase III budget as proposed implies an increase as compared to Phase II and also project duration increase from 3 years (Phase II) to 4 years (Phase III). The implementation strategy will have to explain why there is an increase in a third phase if this phase is supposed to move towards sustainability of support interventions. Moreover, the budget overview is expected to reflect how the revenues of the Centre (reported to be self-sustainable in terms of coverage of the expenditures of its operations during Phase III, p. 7) will gradually take over the inputs funded by the project budget. As there are no details on which expert posts and which other budget line inputs will be taken over when by the revenues of the Centre, interpretation of the budget proposal is difficult, other than noting that: (i) international expertise, local and staff travel are expected to slightly reduce during Phase III; (ii) the proportion of national experts in the budget would decrease a bit more (while it not being clear how they would be funded in year 5, i.e., after the end of Phase III); (iii) the budget for contractual services virtually tripling compared to Phase II, with very marginal decrease over the four years and raising the question what these contractual service precisely cover; (iv) the training budget and also miscellaneous expenses remaining stable throughout Phase III and (v) equipment taking up a substantial part (supposedly to expand the list of equipment already purchased, provided additional space is made available – which is however unlikely to be the case before years 3 or 4 of the Centre’s operation –unless the Government decides earlier on to allocate more space). Summarizing, a more exhaustive budget proposal with explanatory notes to show in detail how the phasing out strategy, built around the Centre under creation, will be implemented

and what is the expected “picture” of the Centre’s functioning (funding wise) at the end of the fourth year of Phase III.

Logic of intervention (pp. 11-16)

1. It is recommended to show in the logical framework the evolution of the target values over the four years rather than only the baseline and end of project situations; in fact, in line with common practice, the inclusion of baseline and target values should be a standard requirement in logical frameworks to make indicators s.m.a.r.t.
2. A definition of how the indicators at the different levels will be precisely measured would be a useful annex to the logical framework.
3. At Phase III of the project, no further reference should be made to “pilot enterprises”.
4. It is not clear why there are no indicators at project objective level that relate to employment; moreover, there are no quantitative targets and there is some overlap between “sales” and “exports”, whereas “improved economic performance” is not a good indicator unless broken down how/specified how precisely measured.
5. For now there are no indicators included in the logical framework as regards the activities. It is important to ensure that these are precise (referring to this end to observations in this report on the design of the logical framework of the Phase II project document, see Section 3.1).
6. The first indicator regarding output 1 is far too simple (number of service providers/institutions established), as it concerns first and foremost the Light Industry Training and Service Centre. Furthermore, the number of services offered by the Centre is considered less significant (and not that easy to measure, as *what is a service and how it is counted*) than measurement of the use of the service offerings put in place by the enterprises. Regarding training, the number of trainees could be specified by type of training (in line with the planned range of different training activities). Regarding the number of participatory workshops/expert group meetings, this is considered too vague, as not clear what these would be about (and how they would be different from training related activities). Also, the number of reports produced is not considered a relevant indicator under Output 1.
7. Regarding “Transfer of technologies accomplished” (1.1, supposedly an activity), this needs to be defined to ensure there is common understanding what is meant with transfer of technology (often the same as purchase of equipment). Moreover, the activity is formulated in wordy manner making it rather nebulous.
8. The description of 1.2 (Expert meetings) reads as a training activity and has a strong connotation with fashion design and preparation of collections related work. This resembles work done under Phase II and raises the question if this should be continued in Phase III.
9. The description of 1.3 combines different activities/ideas that need to be split for the activity to become straightforward. Also, the formulation of 1.4 is unclear, as the project staff will be de facto involved in the work (who is to coach whom on what).
10. The need for “sector analysis” (1.5) at this stage of implementation is not understood, as several quite recent studies have been produced during Phase II. Moreover, as per the Centre’s services outlined in the concept note, support to business/investment plan development is not among the (for now) listed services (although it could be argued, as done above, that this could be one of the service windows of the Centre).
11. Activity 1.6 (communication etc.) and 1.7 (upscaling) are formulated in the same way as in the Phase II project document, but do not fit under Output 1, as not about the Centre as such, but about the project at large. Also, it is incorrect to refer in Phase III (that is first and foremost about the Centre) to refer to “exploring the scope for upscaling the initiatives within the national support framework” (1.7).

12. Combining the expansion of the project focus by including the production of accessories and the supply of inputs under *one single output* is considered inappropriate (Output 2).
13. Like under Output 1, it is not clear who will be coaching whom (activity 2.1).
14. Activity 2.2 is mainly about using left-over materials for the production of accessories, which may indeed be the prime focus, even though the production of accessories is not necessarily purely about using waste materials;
15. The formulation of activity 2.3 resembles the formulations of Phases I and II (linking producers and designers); other than the involvement of the Atex-Burgo School to that end, the work done so far has not led to effective cooperation with designers and the question is if this can be expected to become a fruitful effort under Phase III as regards accessories.
16. Regarding participation in trade fairs (2.4), it is suggested seek gradually sustainability by insisting that enterprises take more responsibility in this regard. The project should not keep on its handholding to and during such events. Moreover, national entities in charge of export promotion functions (up to May 2019 Business Armenia; function now passed on to another entity, which generated problems as regards participation of Armenia in Moshoes, Sept. 2019) are expected to deal with basic efforts such as paying for a common stand in major trade fairs (which is integral part of their role and functions).
17. The planned nature of “communication and networking support” (activity 2.5) covering input supplies/sourcing is to be clarified further, specifying the Centre’s role and planned services related to input sourcing.
18. Output 3 has similarities with output 2 insofar as it refers to the facilitation of networking and business linkages and its activities all relate to the consortium. For this reason, the output needs to be reformulated, to adequately cover what it intends to do. In any event, all indicators are to be reviewed, as the stated number of service providers is not related to the output and as the second indicator does not specify how “improved performance of export consortium” would be measured.
19. As mentioned earlier, the role of the project as regards subsidizing the functioning of the consortium is to be reviewed with great caution. Looking at the indicators, one gets the impression that handholding of the consortium is not phased out but in fact rather heavily intensified (assistance in developing sales/collective marketing; participation in fairs – de facto overlapping with support already envisaged under output 2). The coaching of staff of the export consortium has a clear precondition, i.e., that the consortium agreed as a group on, selected and pays for staff purely dedicated to the consortium operations (for now not in place). The nature of the proposed activities calls for reflexion and decision to what extent and how the project can continue to support technically and also financially the operations of a joint private initiative based on the search for collective efficiencies among 10 enterprises. Moreover, there is no indication of interest in fostering collective efforts among *other* enterprises among the remaining 15 enterprises (as well as others) not involved in the first consortium. Overly supporting a selected group of 10 enterprises as compared to other enterprises in the two sub-sectors risks giving the impression of some preferential treatment and subsidization of a limited group of companies whereas the project aims to support the two sub-sectors as a whole in an equitable manner. As mentioned under point 5 (background) above, further support to the actual operationalization of the (first) export consortium is suggested to be subject to pre-conditions, among which a manager selected and paid by the consortium members. Also, the existence of an agreed-on action plan among the members covering the first year of launching of actual activities could be among the pre-conditions for providing further support with project funding.

Assumptions and Risks

1. The list of risks and assumptions merits quite further detail, identifying possible the range of possible risks at different levels, including regarding the functioning of the Centre.
2. There is no reference to the assumption that enterprises are willing and able to pay for the services that will be provided by the Centre at a cost (to the extent they were used for now to free-of-charges services provided by the project experts);
3. The possible loss of trained and experienced local expertise is to be added among the risks, particularly once project funding of their services is at some point changing into funding based on services delivered by the Centre.
4. In the very short run: funding for Phase III not being available at the end of Phase II (a gap risking the loss of project staff that is essential for Phase III implementation based on the lessons learned from Phases I and II).

Basic information (Summary sheet; cover page)

1. The description should be factual as regards the number of enterprises covered so far (25), the number of fashion collections and how they were used, the results of the cooperation with Atex and Burgo, the partners in the PPP model including its institutional anchorage to SME-DNC (latter omitted in the entire concept note).
2. In its conclusion it should avoid reference to “pilot activities” (as Phase II was already about upscaling).