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EUROPEAN UNION FOR ARMENIA



Գերմանական
համագործակցություն
DEUTSCHE ZUSAMMENARBEIT

Implemented by
giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH



SUPPORT TO SME DEVELOPMENT IN ARMENIA EU-SMEDA

January 2016-
December 2019

Backing Success

EU-SMEDA's journey to success is about: enabling a robust SME sector; ensuring that strong business associations are in place to lobby for SMEs topics; boosting innovation through endowed start-ups and impactful environments; enhancing creative and cultural industries; empowering women entrepreneurs through networking formats leading to sustainable platforms and models for further advancement and visible economic impact.

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Executive Summary

The final report of the Support to SME Development in Armenia (EU-SMEDA) project offers the summary of its accomplishments and successes throughout the project's implementation period from January 2016 through December 2019.

This report reviews the most significant achievements while equally providing lessons learnt and recommendations for future activities in the field, while purposely targeting project stakeholders from small and medium enterprises, start-ups, business associations, economic clusters, the cultural and creative industries, and the general public.

The report presents the accomplishments of each of the five Result Areas and cross-cutting components of the project with a focus on the most impactful results for the particular ecosystems and environments.

For improvement of the overall policy framework, Result Area 1 focused on the SME Statistics and SME Strategy impacting all SMEs in Armenia. This basic

document was developed and enriched with the input from public-private discussions held during the support for business membership organisations (Result Area 2). Another important platform for innovation promotion was facilitated through Result Area 3 focusing on technology transfer and science to business exchange. Furthermore, sectorial and geographical clusters have been supported- mainly in the creative industries as well as in engineering and start-up ecosystems (Result Area 4). In particular the start-up ecosystem was strategically targeted within Result Area 5 where start-ups were guided throughout their lifecycle with support ranging from financial means to mentorship and market access.

Another section is devoted to the findings and lessons learnt and future steps that may be continued by various stakeholders or projects. To highlight some of the project's most defining accomplishments over a dozen inspirational success stories are presented in the final chapter.



Background

Armenia is a country that has steadily shifted from a transitional to a developing economy over the last decade. To support this gradual development an extensive support and targeted measures were needed for ensuring rigorous growth of priority sectors in economy with Small and Medium Enterprises (SMEs) comprising an essential part of this development process. Under this very objective, the “Support to SME Development in Armenia” (EU-SMEDA) project was conceptualised in 2015 to develop, support, and promote Armenian SMEs, business associations, innovative start-ups, economic clusters with a focus on cultural and creative industries, and targeting women entrepreneurs.

EU-SMEDA ran from January 2016 through December 2019. It was co-funded by the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by GIZ’s Private Sector Development in South Caucasus Programme. EU-SMEDA made was a fundamental part of the EU4Business and EU4Innovation initiatives of the European Union in the Eastern Partnership Countries. The total project budget was EUR 6.53 million, out of which EUR 6.4 million was EU’s contribution.

EU- SMEDA targeted the following components or Result Areas (RA) on a multilevel approach to ensure:

1. Robust SME policy-making processes to improve the overall entrepreneurial environment (RA1).
2. Strong business associations capacitated to better advocate needs of their members and to provide better services to their members (RA2)
3. Increased rate of technology absorption, technology transfer, innovation, and commercialisation of ideas in the private sector, and likewise attempts to encourage active collaboration between the private sector and research institutions (RA3).
4. Developed economic clusters targeting creative industries and techno parks, both considered highly promising sectors to foster job creation and economic development in Armenia (RA4).
5. Various technology and innovation-oriented ventures of existing SMEs and start-ups supported through financial and technical assistance to develop new innovative products and services for national and international markets (RA5).



H.E. Andrea Wiktorin
Ambassador,
Head of the EU Delegation to RA

“Support to SME Development in Armenia” (EU-SMEDA) was the European Union’s flagship project to support the development of SMEs and entrepreneurship in Armenia aiming at fostering innovation, building capacities of state institutions and business associations supporting SMEs, supporting the development of economic clusters and creative industries. The project ran from 2016-2019 under the EU4Business and EU4Innovation Initiatives, implemented by GIZ Armenia, with co-funding from the European Union and BMZ. EU-SMEDA showcased the European Union’s commitment to support Armenia in key areas for development of a knowledge-based economy: entrepreneurship, innovation, education, science, creativity and youth.

We believe that the EU-SMEDA project achieved considerable results by boosting the development of a vibrant start-up ecosystem in Armenia, supporting the establishment of clusters, empowering regional techno parks, supporting strategic policy papers and backing various platforms aiming at development of SMEs, innovation and start-ups. Moreover, many of the project activities targeted youth and women entrepreneurs who hold a great potential for Armenia’s economic development. We look forward to seeing many of the EU-SMEDA project initiatives and supported enterprises becoming viable and stronger in the future. The innovation components of the project will be further supported through a new follow-on initiative.

Anne Kempa
GIZ Country Director Armenia



The “Support to SME Development in Armenia” project was one of the most important EU-cofunded projects implemented by GIZ in Armenia and it showed a great added value to our portfolio creating important synergies between the activities funded by the German Government for Private Sector Development and the EU initiative. We are happy that it led even to the continuation of the collaboration with the European Union on tourism and technology – two crucial topics for the future Armenian economic development.



Eva Maria Naehar
EU-SMEDA Team leader

EU-SMEDA implemented a multi-level approach to work on macro, meso and micro levels in order to capacitate all levels of the Armenian entrepreneurial ecosystem. For this we had been working hand in hand with strong and passionate stakeholders to generate a really successful ecosystem. In particular the start-up ecosystem in this regard had been highly dynamic and showed a great success. Furthermore, the creative industries proved to be an interesting sector for the economic development in Armenia. All this combined with our clustering and associative approaches means a sustainable and fundamental impact for the Armenian economic landscape.



Naira Margaryan
RA Deputy Minister of Economy

The RA Ministry of Economy has had the opportunity to work with the “Support to SME Development in Armenia” (EU-SMEDA) project during the last 4 years. Without a hesitation, I personally and on behalf of the whole Ministry, may state that EU-SMEDA has been a highly reliable and supportive partner. The project’s assistance in developing of strategic papers on SME and innovation development was truly invaluable. Its help with capacity building events for the Ministry’s and SME DNC’s staff is yet another significant contribution for our entity. We would like to extend our sincere appreciation to EU-SMEDA and its team for the dedication and hard work for the purpose of economic development of the country.

Introduction

As an EU4Business flagship project, the Support to SME Development in Armenia project commenced with one and single aim – to impactfully contribute to the private sector development in Armenia by enhancing the SME sector on macro, meso, and micro levels. Throughout its four years of operation it has not only served its purpose to the fullest but has exceeded the set targets in most of its envisaged interventions within the five components of the project.

In doing so, EU-SMEDA acted as a model and a catalysator in the areas it has supported and developed. Some of its extensive support resulted in tangible results such as:

- Supporting the RA Government with a new and upgraded SME strategy in line with international best practices – developed in collaboration with the Ministry of Economy and OECD
- Supporting the National Statistical Service to publish the first ever SME statistics for Armenia in 2018 serving as a baseline for policy papers and economic strategies
- Capacitating Business Membership Organisations (BMO) and Business Associations to become strong and sustainable entities providing quality services to SMEs and notably their members
- Supporting various innovative forums and conferences to foster the country's innovative potential, open new horizons of cooperation between Armenian science and research entities with international counterparts and partners (e.g. Business Innovation Forum in 2017, 2018, 2019, Science and Technology Convergence Forums in 2018 and 2019)
- Supporting Armenian SME's and scientific institutions to being introduced to the European research networks through participation in HORIZON 2020 –EU's funding scheme for innovation and research
- Supporting the formation of economic clusters with concentration on the Creative and Cultural Industry (CCI) subsectors (fashion & design, and film)
- Strengthening the capacities of the Techno parks in Gyumri and Vanadzor through consultancy, training programmes as well as facilitating several forums and events to develop the techno parks' portfolios
- Supporting numerous events directed to the formation, further development and promotion of start-ups through trainings, academies, direct grants and technical assistance (e.g. EU4Business Innovation Matching Grants (IMG) and Science and Technology Programme (STEP) Grants allocated to 34 start-ups, The establishment of the Armenia Startup Academy and support for Sevan Startup Summit in 2017, 2018 and 2019, etc.)
- Empowering Women entrepreneurs through networking and capacity building through 10 Women Entrepreneurs' (WE) Clubs.



Achievements per Result Area



RA 1: Improved Policy Making Process and Coordination of Support to SME Development

Support to the RA Ministry of Economy in the frame of the SME strategy development

One key task within this component has been supporting the RA Ministry of Economy (MoE) and Small and Medium Enterprise Development National Center (SMEDNC) to strengthen their institutional capacities to deliver an all-inclusive SME strategy and a respective action plan reflecting the main directions and priorities set up by the RA Government to enhance and develop the SME sector. In this regard, activities started with round tables and evaluation exercises with the main stakeholders in the field. This has resulted in a thorough and efficiently elaborated evaluation report of the SME Strategy of 2016-2018 (see EU-SMEDA's webpage: SME Strategy Evaluation

Report & Recommendations) analysing the SME sector, assessing the existing SME development strategy and highlighting recommendations for the future with significant findings on current existing challenges. The report served for the Ministry of Economy as a baseline source for the elaboration of the SME strategy of 2019 to 2021. Furthermore, EU-SMEDA supported the elaboration of the new strategy reflecting the current priorities and strategic development policies toward small and medium businesses using best international practices with regard to realistic and effective key performance indicators for monitoring and implementation.



SME Strategy for Armenia 2020-2024

2384 hours technical assistances from the Project for creating a favorable environment for establishment of innovative and competitive SMEs



**SME Statistics in Armenia,
Statistical Bulletin 2018**



Support to develop SME statistics

Another significant result that came out of the project activities was the first ever Statistical Bulletin on SME Statistics produced in 2018 by the National Statistical Service of Armenia (NSSA) in cooperation with the Danish Statistical Centre. Firstly, the capacities of NSSA were enhanced through on the job trainings provided by Danish experts and a study visit to the Danish Statistical Centre. As a result, an all-encompassing bulletin was produced providing consolidated data on SMEs and enabling to retrieve the necessary information for any analyses or planning related to the SME sector from a single and validated source. The work resulted in an existing statistical overview for Armenia that is in line with European and OECD standards, and that may be from now on published on an annual basis (Statistical Bulletin on Small and Medium Entrepreneurship in Armenia_2018

Additional interventions directed to the enhancement of the MoE included the training of relevant staff members on the amendments of the RA Tax code, with direct impact on advice provided to SMEs. The information obtained during the sessions of this task force was again directed to the elaboration of the new SME strategy.

The promotion of goods and services produced by the local businesses fits well with the overall objective of EU-SMEDA to promote SMEs in Armenia and thus, the project has supported the production of a film "Made in Armenia" highlighting Armenian products and to sensitize consumers for local purchases (youtu.be/A1FRGK-WQdU).

Errors using inadequate data are much less than those using no data at all" (Charles Babbage) -- Annual SME Statistical Bulletin is a reality onwards and if one is still enthusiastically looking for the value-added figure, for example, in GDP by SMEs, then CONGRATULATIONS – for 2016 it is 25.4%.



Support to SME DNC

An extensive capacity building exercise was conducted with SME DNC in several stages during a 12 months period by the European Foundation for Quality Management (EFQM) – with a “Journey to Excellence” programme in order to increase the quality management within the organisation. The activities resulted in the first ever “Committed to Excellence” validation in Armenia. During the programme, the agency has set up an EFQM model for itself, with several improvement projects targeting its capacity in organisational performance, management of projects, knowledge management and communication processes.



“European Foundation for Quality Management” EFQM Certificate (the first and only in South Caucasus)



The Capacity building activities continued for SME DNC with support to the agency’s new web-based knowledge platform for SMEs: a unique tool for developing businesses from the beginning through the whole process. EU-SMEDA has supported the agency with the production of video tutorials for the online learning centre.

RA 2: Strengthened private sector organisations to implement SME policies

Strong Business Membership Organisations (BMOs)

EU-SMEDA has provided major support for the cause of strong private sector organisations, i.e. business associations and business membership organisations (BMOs), so that the latter could provide improved and quality services to their members, namely small and medium businesses. An initial mapping of the BMO sector provided with a comprehensive SWOT analysis and defined key challenges to develop the field. This baseline study served as the basis for creation of a BMO academy for 13 selected Armenian BMOs. The Academy comprised of three stages: Training, Practicum, and Coaching. All three stages contributed to the development of a clear vision and strategy for the upcoming years per BMO. After completing the BMO Academy, most participating entities follow the action plan and are implementing the coaches' recommendations regarding membership increase and becoming sustainable entities.

Speaking of the impact the BMO Academy has had on their association, Hripsime Kocharyan, representing the Association of Social Entrepreneurs in Armenia (ASEA) said:

The BMO Academy transferred to our association know-how to solve problems in precisely structured methods, and to me personally, it was enabling me to efficiently organise further activities of the association.

As to Diana Sarumova, Head of the European Business Association (EBA) in Armenia:

"The BMO Academy organised by EU-SMEDA project has helped EBA in several ways: not only the staff of EBA has been trained and improved their skills, but also internal capacity building has been provided. EBA has developed and improved membership types and services, structured their activities in the scope of new legislation in order to provide not only better services to its members but also to improve financial sustainability of the organisation. The exchange of experience via the training organised in Vienna by EU-SMEDA project helped EBA staff to improve their skills and experience for the BMO development and enlarged the whole network opportunities".



35

Provided trainings / seminars



1656

Advise, Representations, Consultations



4366

Businesses benefited

Action Grants



One of the ways to strengthen business membership organisations was through the Action Grants EU-SMEDA has provided in 2016-2017 and 2017-2018.

In total four grants of up to 100,000 EUR each were provided to business organisations who had formed consortia to implement projects aiming at improvement of business climate in Armenia.

1. The Consortium of Union of IT Entrepreneurs (UITE), European Business Association (EBA) and Armenian Lawyers Association (ALA) were the first recipients of the Action Grant in 2016-2017. They came together to develop and operate a unique whistle blowing platform www.bizprotect.am. This is the first of its kind in Armenia for businesses to report anonymously their concerns, issues and corruption cases. To date 99 applications were received, out of which 96 have been processed. The platform

also serves as information sharing tool on recent news within the economy and tax system concerning SMEs. The platform is in the meantime also presented on the official webpage of the RA Government.

EU-SMEDA has produced a short video about the platform and how it could help businesses to overcome unjust treatment and corruption issues. (<https://youtu.be/wrnulR2rqF8>)

2. The second consortium comprised of the Chambers of Commerce and Industry from Gegharkunik, Shirak and Syunik together with the Regional Development Foundation receiving an action grant (2016-2017) to provide business advisory and advocating services to the regional SMEs. As a result www.palat.info was created to voice the raised issues by the regional SMEs, keep them updated on the current news concerning SME sector, taxation and Governments' decisions and legislation on SMEs.

3. The third consortium receiving an action grant (2017-2018) was the Business Club for Fashion and Design consisting of a consortium of the Business Club for Impact (BCI), the Fashion and Design Chamber (FDC) and BRAIND LLC. This very successful initiative not only achieved the initially set target to reunite the Armenian designers and revive the fashion industry, but truly reached and voiced about Armenian fashion talent to the global fashion world through 50+ events such as the participation of Armenian designers in Mercedes Benz Fashion Days (2018 and 2019), Pitti Super Fashion events in Italy (2017, 2018, and 2019), first ever held Fashion Forum in Armenia in 2018 and in 2019, various trainings and workshops on fashion and design topics with invited national and international experts and designers and over a dozen PPDs with business and legal experts. All of these have surely built a strong and viable fashion environment in Armenia (www.smeda.am)

and Industry from Gegharkunik, Shirak and Lori to implement the project “Textile for a sustainable economic development of the northern regions of Armenia”. Starting from an analyses of the textile value chain in the Northern Regions of Armenia (www.smeda.am) the team of implementers passed on to actions: trainings and workshops on business related topics (business plan, marketing, promotion, etc.) and for 45 start-ups active in the sector or desiring to enter it, and additionally training of 41 jobless women in Lori and Shirak regions to increase their employment potential with the sewing factories.

As the administration of Lentex, Gyumri based sewing factory mentioned: “For Lentex, the much-needed new recruits will help support its growth as it looks to expand into new areas including the production of its own higher-quality thread”.

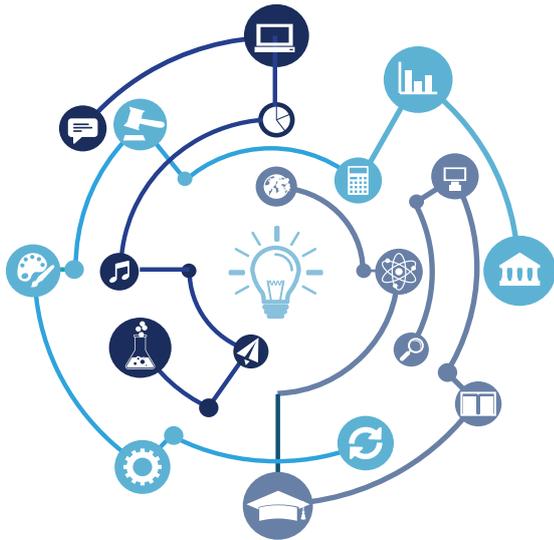
Vahan Khachatryan and Elen Manukyan, co-founders of the Fashion and Design Chamber of Armenia stated that:

“Without EU-SMEDA we would not exist. We started because they had believed in our vision. They took a risk with us and pushed us to become an organisation that has its steady place with big plans for the future growth and expansion”.



RA 3: Innovation Promotion and Commercialisation of Ideas

The aim of this component was to boost the commercialisation of ideas via linking research and education institutions with businesses via various cooperation platforms.



4 Strategies and concepts developed

- Innovation Strategy
- SME Strategy
- Technopark Concept
- FEZ Concept

HORIZON 2020

A major focus lay on the participation in the HORIZON 2020 programme- the biggest EU Research and Innovation programme offering in total €80 billion of funding from 2014-2020 to fund breakthrough innovations. Here, EU-SMEDA has applied a dual support strategy both to prepare state bodies and the private sector to access EU innovation support resources within HORIZON 2020. On one hand, EU-SMEDA focused on the support of different institutions in project development and submission of high-quality applications to Horizon 2020 calls for proposals. On the other hand, EU-SMEDA supported the capacity development for support institutions such as the National Contact Points Network in 2016 and 2017 and the Scientific Programs Assistance Integration Center (SPIAC) in 2018 to increase the capacities of the latter in contributing to future proposals and support mechanisms.

Additionally, to the structural capacity development, individual proposals of companies, startups and scientific research institutions had been supported. The process was guided by Civitta, a leading consultancy and research company in Estonia, that offered one-to-one-talks with applicants and deep insight into successful proposal writing.

The As a result, the first success was recorded with Armenian startup Grovf, a startup engaged in IoT and database hardware acceleration and the first ever winner of the Horizon 2020 SME Instrument in the South Caucasus Region after having received a Seal of Excellence in the first round of application. The 50.000 EUR received as a grant was used by the company to further improve their product concentrating on market & customer research, IP & phase 2 business planning.





Getting valuable support from the SME Instrument program to develop our project proposal, we successfully overcame the hardest competition of the Open Disruptive scheme and won a funding grant from HORIZON 2020. The significant assistance of SME Instrument helped us get a real opportunity to develop our project in both professional and technical ways. Thanks to the award of grant, we enriched our team with new professionals and acquired hardware equipment, evolving the creation of the product and opening new perspectives for our team. In the course of our highly constructive collaboration with HORIZON 2020, we also got access to different valuable resources in a form of coaching, networking etc.



14

HORIZON 2020 applications supported



8

HORIZON 2020 successful applicants

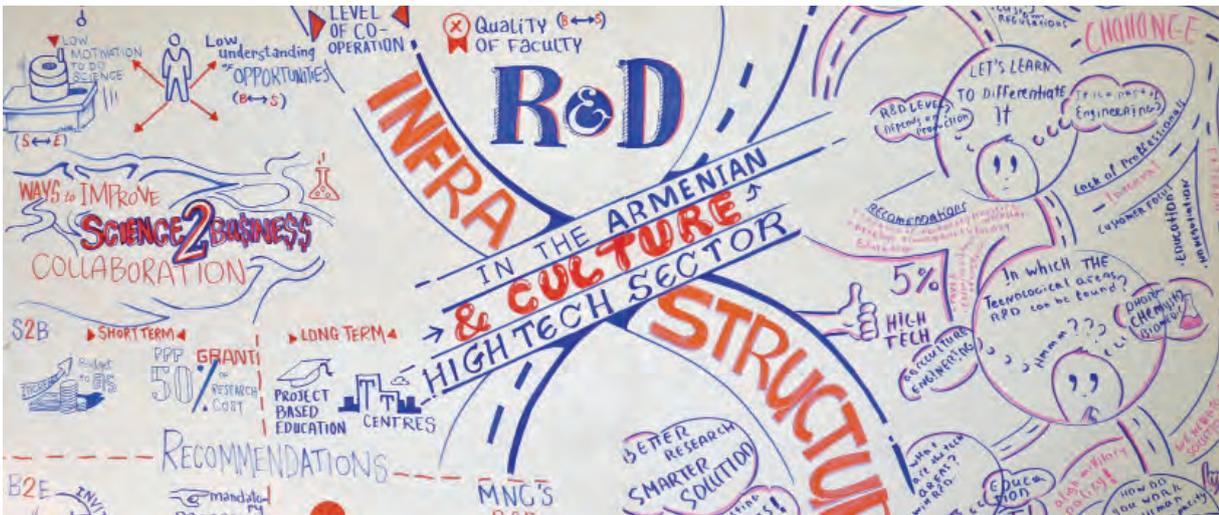
Khachik Sahakyan, Co-founder of Grovf describes about company's experience:

The next success followed in 2019, with the State Medical University of Armenia winning a grant of 375.000 EUR within the HORIZON 2020 Twinning Programme-Widening Participation. EU-SMEDA has likewise supported the Armenian scientific institutions and universities with the application process and the reaching out to international research networks. With this grant, the State Medical University works on the establishment of the COBRAIN Center: Armenia Center for Translational Research on Chronic Neurodegenerative Disorders- A Neuroscience Initiative on Maintaining Healthy Brain Ageing.



2

HORIZON 2020 Winners



Business Innovation Forum (BIF)

EU-SMEDA supported this platform in 2016, 2017 and 2018. Organised on an annual basis by the Union of Advanced Technology Enterprises (UATE), the forum aims at discussing “hot topics in High-tech, innovation and business, upscaling Armenia’s innovative capacities, linking academia with high-tech in order to finding solutions to the challenges and issues.

In 2018, the concept for the National Strategy for Innovation and High-tech development was presented for the first time by the acting Minister of Transport, Communications and IT to the policy makers, CEOs and leaders of high-tech companies and representatives of academia in BIF 2018.

Sergey Abrahamyan, from the Institute for Informatics and Automation Problems (IIAP) on EU-SMEDA’s support to STCC in 2018 and 2019:

Under the support of EU-SMEDA project in 2018 and 2019, we organised the STC conference. The aim of the STCC was to encourage science and industry cooperation. From EU-SMEDA we got not only financial but also technical and strategic support. They helped us to bring in new cultural elements increasing the efficiency of the conference. We are very thankful to EU-SMEDA for their support.

Science and Technology Convergence Conference (STCC)

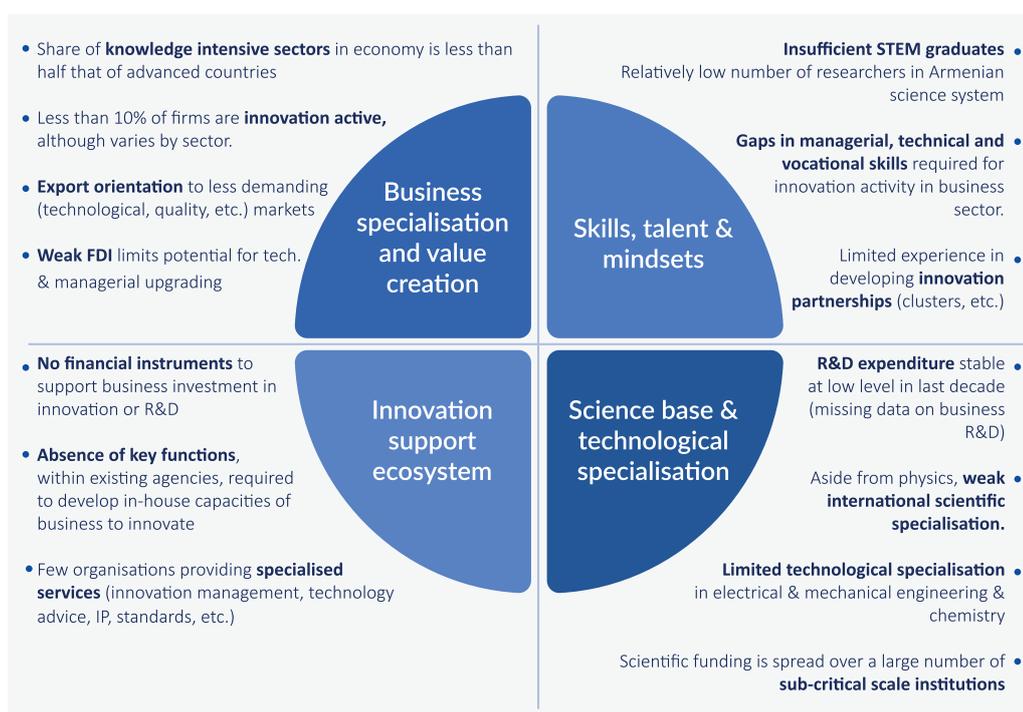
This is another platform becoming an annual key event for the Armenian science and technology field with a participation through EU-SMEDA in 2018 and 2019. It was organised by the National Academy of Sciences, Institute for Informatics and Automation Problems (IIAP) and Catalyst Foundation with the support of EU-SMEDA. The STC platform aims at developing the fundamental and applied research in Armenia linking it with the high-tech industry. During the STC conference the community of researchers and engineers of different disciplines from both industry and academia that work on advanced technologies come together, including renowned scientists and professors from leading international universities to present and discuss the current state in machine learning, quantum computing, cyber security, robotics & IoT, and computational biology, and share potential collaboration opportunities and replications of best experiences with Armenian counterparts.

Modelling the Economy and Politics for optimal development

In April 2019, EU-SMEDA has supported the International Forum on “Modelling the Economy and Politics for optimal development”, where international and national scientists and physicist worked on innovative modelling of economic theories, political and social behaviours, quantum theory of decision making, predicting financial risks and crisis, industrial research and development and more novel topics to being applied and efficiently used for Armenia’s economic development.

Innovation Mapping and Strategy for Armenia

Armenia's innovation system is not a basis to enhance long-term competitiveness



EU-SMEDA has supported the RA Ministry of Economy with the development of a comprehensive innovation strategy with an action plan with special focus on SMEs. The activities started in 2017 with mapping the existing innovation system highlighting the challenges of the Armenian innovation ecosystem.

Further on, an action plan and a concept for a performance-based monitoring was developed and then integrated into a new Innovation Strategy. In April 2018, the strategy was presented to the Government presenting the strategic approaches to innovation challenges:

By applying innovation Armenia can overcome three main challenges and become a more prosperous economy in 2030.

MAIN CHALLENGES	MAIN APPROCHES	MAIN IMPACT (2030)
<p>Weak technology progress & knowledge generation</p> <ul style="list-style-type: none"> • Weak science & technology specialisation and under-investment • Science & education system contributes rarely to development 	<p>Drive Technology Specialisation</p> <p>Concentrate efforts to achieve leadership in distinct technology niche</p>	<ul style="list-style-type: none"> • Armenia is internationally recognized as a provider of advanced technology solutions • Knowledge-intensive employment and share of value add in economy doubles
<p>Low Competitiveness & Business Innovation</p> <ul style="list-style-type: none"> • Low level of company innovation activities and ability for absorption • Limited competitiveness in regional and international markets 	<p>Focused Catch-up</p> <p>Foster managerial and technological upgrade for high value export sectors</p>	<ul style="list-style-type: none"> • Value of manufacturing exports per capita triples and share of medium-high manufacturing exports increases to 40% • Growth in productivity to reach average level of Central and Eastern European countries
<p>Limited Innovation in and for society</p> <ul style="list-style-type: none"> • Needs for cost-effective and innovative solutions to 'societal challenges' • Low understanding & usage of innovation as driver for well-being is limited in society 	<p>Use innovation as driver</p> <p>Develop innovation partnerships to solve societal challenges and use this as a driver to change perception of innovation</p>	<ul style="list-style-type: none"> • Armenia is attractive to leading tech firms and partnerships as a place to test and demonstrate innovative solutions. • Public sector systematically adopts innovative methods to leverage maximum return from government expenditure. • Transform society to become more innovative

RA 4: Improving Management of Economic Clusters

One of the major directions and targets for EU-SMEDA's activities in the regions were the Economic Clusters, Techno parks (TP) and Free Economic Zones (FEZ).

The support started with an active collaboration with the management of Enterprise Incubator Foundation (EIF) and Gyumri Technological Centre (GTC) and Vanadzor Technology Center (VTC). EU-SMEDA has undertaken an assessment of capacities of these TPs. A comprehensive strategy was developed with recommendations and actions on strengthening the TPs in line with best international practices and successful models. Furthermore, a number of capacity building exercises and trainings to improve the overall management, business and promotional skills were conducted, which resulted in more tenants settled in the TPs, application of efficient management practices, established international cooperation, etc.

As part of the capacity building programme, a study trip to Ljubljana's Technology Park in Slovenia was organised for managers of Enterprise Incubator Foundation (EIF) and Armenian Technology centers: GTC, VTC and Engineering City in April 2019.

The study visit aimed at learning and knowledge transfer on business support and innovation ecosystem environment in the TP of Ljubljana. The Armenian delegation was introduced to the TP's commercial programmes and community, EU and nationally funded initiatives for supporting young entrepreneurs, boosting smart specialisations and entrepreneurial pilot projects. Apart from building a strong network for future cooperation on a number of R&D and joint ventures, a Memorandum of Understanding was signed between the EIF and Ljubljana TP for cooperation in the fields of information technology and communications, engineering, high-tech and innovation.

To promote the engineering cluster in Armenia, an initial mapping of the engineering sector, offering a platform to find and enter into business with about 200 Armenian engineering companies and to learn more about their specific services and products they are offering.

In April 2018, a participation of the TP's and Free Economic Zone's (FEZ) management staff, together with Ministry of Economy officials and five Precision Engineering (PE) companies to the world's most prominent industrial and engineering trade fair followed. At Hannover Messe showcased their products, services and ideas under the slogan **Armenia - Explore New Opportunities**. Besides the participation at Hannover Messe, a Roadshow to German engineering companies and the German Manufacturing Associations, as well as to an engineering and technology centre had



been organised. This visit was highly productive resulting in 23 new business agreements between Armenian companies and international entities as well as more than 300 newly established business contacts.

In addition, EU-SMEDA has supported the TPs to design and implement a number of events directed to the innovation and development as well as to the animation of the TPs as tech hubs in the regions.

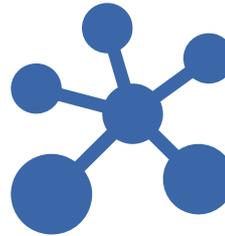
In this context, the **“Hackathon – Innovative Ideas for tourism development in regions”** was organised together with VTC in Vandzor, Lori region in 2018 and 2019, where within 24 hours over 50 teams each year competed for the best innovative idea in tourism to be applied in the regions. At the end, the best ideas were awarded and supported for further growth. The hackathon tends to become a sustainable platform for boosting tourism and innovation in the regions through digital and technological approaches and solutions, eventually transferring the regions of Armenia into vibrant and innovative touristic centers.

VTC was furthermore supported by EU-SMEDA to organise its **Engineering forum expo** in 2017 as well as 2018. It aimed at demonstrating the latest engineering achievements in Armenia, discuss and find solutions to engineering education challenges and development of the files. The forum brought together representatives of state, research, education sectors, engineering companies and startups.



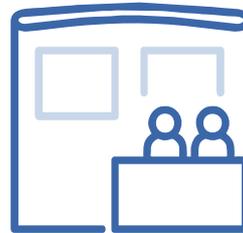
4

Economic Clusters
(2 FEZ 2 TPs)



2

Sectoral Clusters
(FDC, IFCA)



10

Successful participation
in international fairs/expos



Gyumri Technology Center (GTC) has been under EU-SMEDA's attention from the start of the project. Apart from the above-mentioned assistance towards capacity building of the TP, a number of initiatives targeting the regional, high-tech and innovation development were supported, among which the "Empowering Regions through High-Tech" Forum held in 2017, 2018 and 2019. Tending to become the most significant regional event to promote high-tech development targeting the regional youth, the forum brought together 150 to 200 participants each year, among them young people engaged in IT or willing to join the high-tech and start-up community, high officials from RA Government, regional governors, representatives of academia and research institutions, international organisations and local companies. The forums offered panel discussions, workshops and trainings, practical exercises, established connections between the participants and students for internship and training opportunities for the latter. Several MoUs signed during the forums foster the regional cooperation to expand the well-established models on high-tech education and trainings among students in GTC to other regions of Armenia.

The mentioned forums both in GTC and VTC have become sustainable platforms and will be implemented in the future on an annual basis.

EU-SMEDA has likewise supported the Free Economic Zones (FEZ) in 2017 to 2018. The activity started with an initial mapping and understanding of the current situation of the FEZ. Several workshops were organised with international experts to enhance the capacities of the Free Economic Zones in Armenia on topics such as quality management, environmental and occupational health management, service provision, managerial services offered by the FEZ including advisory training, establishing networking and synergies between the resident companies. Another important topic was the establishment of a knowledge management system for the FEZ on overall governance regulations and the charter, standardisation of services to companies, coordination between authorities and residents. Further, a strategy for the development of the FEZ was elaborated and presented to the Ministry of Economy. In addition to the mentioned interventions, the management of the three FEZ in Armenia, namely Alliance, Meridian and Meghri, benefited from the participation at Hannover Messe in April 2018, at the Sustainable Industrial Areas Conference in Morocco in March 2017, business English and presentation skills trainings, and further capacity building activities.



Cultural and Creative Industries

One of EU-SMEDA's mandates was the strengthening of the Creative and Cultural Industries (CCI) in Armenia, under which two clusters were developed: Film and (Fashion) Design.

The **Film Cluster** is represented by the Independent Filmmakers' Community of Armenia (IFCA). This group was formed after one of EU-SMEDA's round tables held to reveal the situation of the CCI in Armenia. The 12 members of the group initiated their meetings to propose amendments to the RA Law on Film. Their efforts of two years resulted in a full package of legislative amendments presented to the National Assembly in 2019.

EU-SMEDA was at IFCA's side supporting a number of events and workshops directed to the development of filmmaking and a cluster of its representatives in Armenia. One of such events

was the EAVE on Demand Workshop held in April 2018 aiming at the enhancement of know-how on contemporary methods and techniques applied in Europe, UK and Israel in feature film production starting from the basic planning, selection of topics, and script writing to acquiring funds, and forming strong film producers' unions.

As a result, one of the projects that applied for the EAVE on Demand workshops- "The Driver"- was featured at the Berlinale Talent Market 2019. With EU-SMEDA's support IFCA participated also in the Tbilisi Film Festival in 2018 and the Cannes Film Festival in 2019, where networks and cooperation projects were established.

Furthermore, IFCA hired a fundraising expert to support the financial sustainability of the association. Through this initiative, IFCA was able to get three new projects worth about 20,000 EUR on the ground (pre-confirmed/confirmed) and working on another project worth 100,000 EUR.





The **Design Cluster** is undoubtedly a huge success. The cluster was initiated in order to become a strong and viable association- the Fashion and Design Chamber of Armenia. They were the recipient of an Action Grant from EU-SMEDA project that enabled them to put into action some of their daring initiatives such as the two unprecedented Fashion Forums in Armenia held in 2018 and 2019. They held numerous trainings and workshops to enhance the capacities of Armenian designers run by local and international experts and designers. They participated in various international expos and fashion events establishing connections and presenting the Armenian fashion talent worldwide. The Chamber has gone far with its ambition to start a Creative Hub in Yerevan to unite the creative industries under one roof. While they are still negotiating to obtain a building for the hub, another wonderful idea d was supported by EU-SMEDA. The

“Creative Bus” – a creative hub on wheels that will soon travel to the regions of Armenia to offer mini-workshops for local designers in fashion, arts and crafts. This initiative will be implemented together with Made – a Dilijan based arts and crafts centre.

To ensure sustainability and to enlarge the portfolio, a new project was launched by FDC in September 2019 with a UK Embassy grant of 265,000 EUR for cluster development and a focus on sustainable fashion.

Another activity supported by EU-SMEDA worth mentioning is “Nerka design happening” – an exhibition devoted to interior design, where international and Armenian artists and designers showcased their modern product designs. The exhibition attracted more than 2000 guests from Armenia and abroad.

RA 5: Diversified Access to Finance for Innovative Start-ups and SMEs

In order to promote the start-up ecosystem and to boost innovative SMEs, EU-SMEDA provided an extensive support for the community and by doing so became one of the main contributors in the start-up and innovation ecosystem during the last four years.

Innovation Matching Grants and Science and Technology Entrepreneurship Programme Grants

In partnership with Enterprise Incubator Foundation (EIF) EU-SMEDA has implemented two grants schemes: the Innovation Matching Grants (IMG) and the Science and Technology Entrepreneurship Programme (STEP) grants in two cycles. The first cycle was implemented in 2017, where eight IMG and five STEP grants with up to 50k EUR and 15k EUR funding were provided to the winner start-ups to implement their projects for up to 12 months. The second cycle was implemented in 2018 with six IMG grants of up to 30k EUR with a duration of nine months and 4 to 15k EUR for 15 STEP grants for up to six months were provided to the winning start-ups respectively. In total 34 grants were provided to Armenian start-ups worth of 866,000 EUR boosting the Armenian start-up ecosystem.

During the implementation of the grant projects EU-SMEDA and EIF have provided technical support and promoted the visibility of the start-ups via video blogs, blogs and posts in social media (www.youtube.com/smeda/).

A booklet comprising all endowed start-ups was developed available through the link: www.smeda.am.



34

EU4Business
IMG & STEP grants



2359

benefiting startups at various
events supported by EU-SMEDA



31

other new financial services
(crowdfunding, angel and VC
investments)



74

supported new/innovative ideas
lead to the establishment of a
company or products and services



Armenia Startup Academy

The Armenia Startup Academy was established in the framework of EU-SMEDA back in 2017 by the Catalyst Foundation and since then has become a unique knowledge powerhouse for Armenian start-ups being the entry point to the ecosystem. Not only it provides the needed know-how and expertise through its tailored three-month pre-acceleration programme but builds confidence via various networks and connections with potential investors and high-profile professionals and mentors for the participating start-ups.

The Academy programme comprises three modules: start-up diagnostics, market selection and launch strategy and preparation to market validation. The Academy is operated in the Hero House – an entrepreneurship hub founded by Catalyst Foundation with EU-SMEDA's support. As to date, four batches of start-up companies and teams

have graduated from the Academy from 2017 to 2019, some of which have already established their profound presence in the start-up ecosystem registering new achievements through receiving funding and entering markets.

Throughout the four cycles of the academy's programme, 72 start-ups and 188 entrepreneurs were involved. These entrepreneurs had the chance to benefit from more than 450 one-on-one meetings, 145 sessions, workshops, breakfasts and dinners delivered by a network of more than 70 high profile professionals and mentors spanning from Australia to the Silicon Valley. The programme's graduates raised over 1 million EUR of funding from different financing sources including angel and venture funding, EU4Business STEP and EU4Business IMG and other grants.

More about the Academy is available here: www.startupacademy.am



Startup Boost Weekends (SBW)

This is another well-established platform supported by EU-SMEDA aiming at boosting entrepreneurial culture and skills among university students. It is implemented by Catalyst Foundation with technical and financial assistance of EU-SMEDA. So far, six SBW were implemented hosted by different universities in Yerevan in partnership with six other universities. For each event more than 100 students participated, where they generated business ideas, formed start-up teams and validated their ideas with the help of coaches within 54 hours. The best ideas were selected by a jury on the last day and the winner teams received prizes and the opportunity to further promote their ideas in the start-up community. Some of the SBW winners have successfully participated in other start-up events, participated in the Armenia Startup Academy programmes or won various grants. The SBW have proven to be a successful tool for students to being introduced to the start-up community and the world of entrepreneurial skills.



Sevan Startup Summit (SSS)

One of the hottest and most exciting events in the start-up ecosystem in Armenia is the Sevan Startup Summit which is held at the shores of Lake Sevan since 2016. EU-SMEDA supported the summit in 2017, 2018 and 2019.

After having established the collaboration with the Startup Armenia Foundation as organisers of the Sevan Startup Summit in 2017, EU-SMEDA focused its support in 2018 and 2019 on content development and developing the programme of the Starter track. This track targets seed stage ventures involving a specially designed programme for aspiring entrepreneurs and idea-stage start-ups. It featured a series of hands-on workshops and highly practical talks that examine and explain key building blocks of the Business Model Canvas. The participating start-up teams practiced their pitches to compete for the final challenges in different categories.

Besides, EU-SMEDA supported the team of coaches and mentors and international experts at the summits. Each year more than 1000 participants including start-ups, mentors, coaches, international experts, speakers, entrepreneurs and investors attended the summit, resulting in impactful connections, networks, and the creation of new start-ups.

Support to Business Angel Network of Armenia

The Business Angel Network of Armenia (BANA) is a platform for investors supported by EU-SMEDA since its establishment in 2017. Since then, international expertise was mobilised to develop the strategy for BANA and help to attract members. This support continued in making BANA a strong investment network having a big impact on the country's entrepreneurial ecosystem. As to date, members of BANA have invested over 360,000 EUR in start-ups and another 200,000 EUR is being negotiated for various start-up companies and business ventures, which is a quite significant result within the first years of operation.

Furthermore, EU-SMEDA has supported with funding of two big Early Stage Investment Conferences in 2018 and 2019 in partnership with the European Early Stage Investing Launchpad (ESIL), aiming at promoting local investments through the business angels in Armenia.

Other events to support Start-up Ecosystem

Other initiatives aimed at boosting the startup ecosystem in Armenia, such as the Startup Europe Week in 2018 and 2019 in partnership with EIF, Startup Grind Armenia and more have been supported by EU-SMEDA in addition to the above-mentioned events and platforms.



Women Entrepreneurship Empowerment in Armenia



Given the importance to empower women entrepreneurs, EU-SMEDA has introduced a special Women Entrepreneurship (WE) Initiative in 2018 that soon became one of the project's successful endeavours. The WE initiative comprised three modules:

The **Women Entrepreneurs' Club (WE) Club** – a sustainable platform for women in business who regularly meet to network, exchange, learn and share experiences, establish new connections, and start cooperation. A key component of the WE Clubs were the Hero guests, sharing their inspiring success stories focusing on how they have overcome difficulties and challenges in their journeys to success. Furthermore, each WE Club focused on a specific business topic discussed within roundtables. These sessions focused on topics such as marketing, sales, customer relations, PR strategies and more. As to date, six WE Clubs with over 600 participant women and men were held in Yerevan, three in Goris, Syunik Region and two in Tavush Region. WE Club platforms in Yerevan and Syunik Region were handed over to women-led consortia for a sustainable continuation of this initiative..

The second platform created by EU-SMEDA is the Working Group on Women and Youth Entrepreneurship (WYE WG), chaired by EU-SMEDA and co-chaired by Save the Children Armenia (EU4Youth component). It aimed at the formation of a common platform of cooperation for organisations with projects in women entrepreneurship. As of today, five WYE Working Groups have been organised with 25 member-organisations, including government entities and agencies, international and local NGO, consulting companies. The members exchanged information, update each other on their activities and established new cooperation and identified synergies for activities.

The third module of the WE initiative is the WETalks to complement and complete the existing products through open discussions and mentorship opportunities. The objective of WETalk activity was to initiate a dialogue among stakeholders from different industries, civil society, and the public sector on trending topics by bringing experienced professionals and industry leaders to share their experience and knowledge with youth, mid-career professionals and start-ups. Furthermore, a platform for mentoring, internship and job exchange was established. In the framework of the project, two WETalks were conducted for about 150 people for the two sessions on High-tech and Creative Industries.

Another successful event was the “Think Big Think Future” workshop held in August 2019, aiming at developing a broader support and understanding for women entrepreneurship topics. It gathered leading women entrepreneurs, BMO representatives, advisers and trainers to exchange and share their experiences on successful models for women entrepreneurship, discuss current challenges and suggest strategic approaches for further development and promotion of women empowerment topic. The event hosted special guests from Germany and Georgia- successful women leaders of associations and entities who eagerly shared and presented their success stories with useful tips during the “Mentorship and Coaching for Women Entrepreneurs” event following the workshop.

Tinatin Rukhadze, founder of a consulting company in Georgia, and one of the guest speakers, addressed a message to the Armenian women:

“If a woman wants to be successful, she should be strong and believe in herself, and only after that the rest of the world will believe in what she does. Do not be afraid to try and challenge, be strong and patient on your way to success”.

Finally, the film on the Women Empowerment initiative presented the WE heroes and their journeys to success as a source for inspiration for other women (youtu.be/Z-EuJCSMfwI).

WE PLATFORMS



600+
participated



50+
joint initiatives



150+
new business contacts



11+
WE Heroes

Findings, lessons learnt and recommendations

Over four years EU-SMEDA has been working via a multi-level approach on the support to small and medium-sized enterprises in Armenia across its five result areas and cross-cutting topics. In more than **200 events** ranging from networking and mentorship events through trainings and study visits approx. **More than 10,000 companies and start-ups benefited** creating **more than 450 new jobs** and producing **new ideas**, leading to more **added value** and creation of **more than 150 new businesses**. The dynamic interaction with a huge variety of stakeholders from the private sector, civil society, and governmental structures as well as responding to needs were crucial for the **impact of the project's activities**.

Policy framework for strong SME development (RA 1)

In order to impact the macroeconomic development, it proved to be pivotal to exchanging closely with a multitude of stakeholders to reflecting their changing needs and requirements in order to provide a supportive environment. This was in particular true for the collaboration with SME DNC where a project on quality management was requested in order to provide an overall improved organisational understanding and setting for adequate services provided to SMEs all over Armenia. Furthermore, the development of a first SME statistics provided a reliable source of information for further strategy development – such as the SME Strategy. Without these statistics any strategic document would not have been able to address the real needs of SMEs in Armenia.

Lobbying and provided services through BMO (RA 2)

Another important aspect to responding to real needs of businesses is to listen to their needs directly or to following discussions in public-private

dialogue formats. In this regard the strengthening of business membership organisations proved to be crucial. During the multi-stage capacity building exercises (in some cases leveraged with financial support) and talks with experts of the field, the Business Membership Organisations developed for the first time a clear vision on their roles and strategic action plans to provide better services to their members and to lobby for their needs. Furthermore, many of them built the strategic vision for sustainable development in the future unlike at the beginning of EU-SMEDA's involvement, when vague understanding of main missions and objectives by most of the BMO was an issue.

Economic Clusters to Support Businesses (RA 4)

In this regard the economic clusters in Armenia have been supported as well: for both Free Economic Zones (FEZ) and Techno Parks (TP), initial baseline studies have been conducted and activity programmes developed based on these results. The need to facilitate and encourage the networking and cooperation between resident companies, as well as outreach into the regional economy are crucial for the success of these clusters. EU-SMEDA's activities have been focusing on this aspect, but more action is needed in particular to enable technology transfer, deepen intersectoral linkages, and to attract foreign investment.

EU-SMEDA's activities on sectoral clusters – i.e. in the creative industries with film and (fashion) design – have been targeting these aspects of reaching out to international markets, creating linkages by using an initial mapping and trust-developing activities. The engineering sector in Armenia, however, might develop a much stronger performance when uniting forces and developing a more powerful joint appearance – which might be happening around Engineering City in the future.

Science to Business Collaboration to boost Innovation (RA 3)

Lacking linkages are also a major challenge for the cooperation networks between the private sector and science and research institutions. The existing gaps – as well as missing renowned professors, PhD

programmes and research environments providing structural scientific support – create a burden for a continuous and successful collaboration and platform exchange and even more for the successful participation in highly competitive research programmes such as Horizon 2020. A strong global commitment as well as focused innovation strategy with the development of excellence centres is the solution proposed by EU-SMEDA and its experts in order to overcome these constraints to an innovative boost in Armenia.

Ecosystem Approach for Start-up Promotion (RA 5)

A first assessment at the beginning of EU-SMEDA's activity showed that the number of fundable (e.g. through blended grant schemes) and investable (e.g. through Business Angels, Venture Capital Funds, crowdfunding) start-ups was much lower than expected. In particular, the quality of the ventures in terms of customer development, business models and financial planning was not at a sufficient level. As a consequence, the

approach was shifted from a pure access to finance intervention to a systematic entrepreneurship ecosystem development approach. The scope of interventions hence covered all stages along the start-up life cycle, incorporating measures for awareness raising, ideation, incubation, acceleration to seed stage which are mostly implemented by different partners according to their capacities. This enabled a highly effective and impactful support which included a significant number of start-ups and start-up teams and helped to build a pipeline for fundable ventures – focusing on the existing gaps in the start-up ecosystem.

Additionally, it is important to regard the rapid development of the Armenian start-up ecosystem in the last years in order to foresee developments in a highly dynamic system bringing in new players (e.g. new accelerators, VC and other investment vehicles). Hence, it is of utmost importance to understand which start-up development stage should be best addressed with various financing instruments such as grants to ideally crowd-in private investment directly or in later financing rounds.



>10,000

Businesses benefited



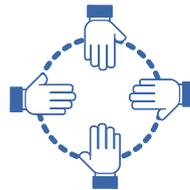
29

Participation in programme led to establish new company



>460

New jobs created



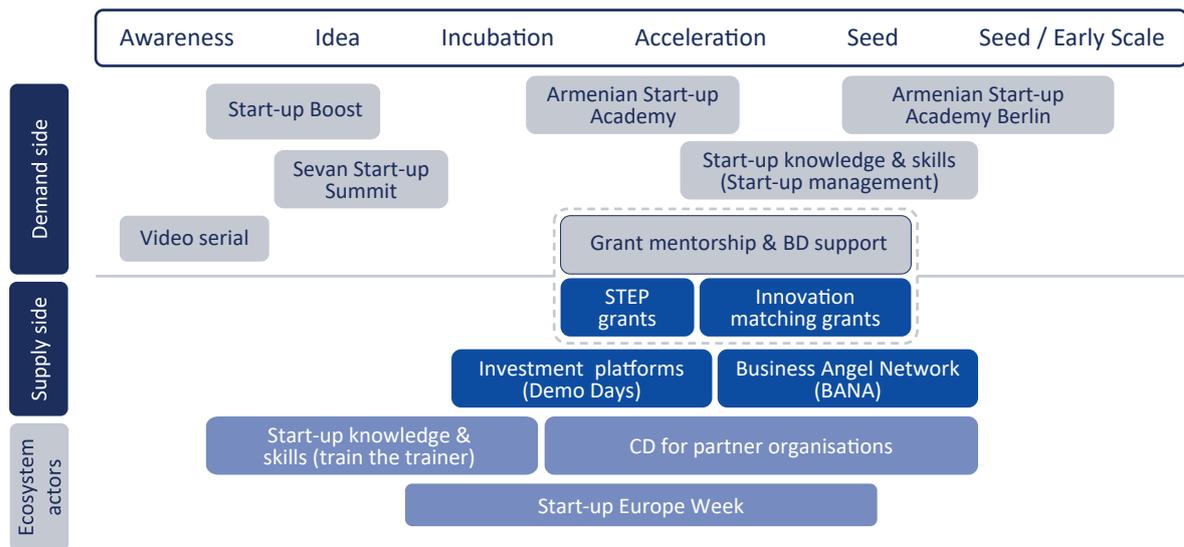
45

Participation in programme led to new product or services



>160

New businesses created



Cross-Cutting Activities to Cross-Pollinate Ideas

During the course of its implementation, EU-SMEDA highlighted the interconnectivity of its approaches, result areas and topics. This led not only to a strong basis of stakeholders, that were able to transform their fields, but to contribute to ecosystem changes. In this regard, the multi-level approach with a focus of activities on macro, meso, and micro levels has

to be highlighted. Furthermore, dedicated events for women entrepreneurs and women in business among others, helped to create awareness for this topic and to develop various joint collaboration projects and professionalised networking, decision-making and matchmaking platforms.



Capturing Results

Success Stories of
EU-SMEDA

Start-up nation – EU-SMEDA’s catalysing role in Armenia’s changing economy



“Without EU-SMEDA we wouldn’t have half of what we have in the current ecosystem. They have been huge in terms of quality and mentorship. Their approach has been very customer focussed. They have been important in shifting people towards a market focus and building things that people love.”

*Vazgen Hakobjanyan,
Co-Founder of Hero House*

Introduction

From wearable fitness trackers for cows to monitoring systems for major power networks, EU-SMEDA ('Support to SME Development in Armenia') supported companies, networks and business membership organisations from all parts of Armenia over its four years. This report captures just some of the way its unique approach combining practical support for entrepreneurs with a strategic approach that focussed on overcoming the challenges that the country faces as it shifts towards a more highly productive, knowledge-based economy. Whether it was supporting the country's first website for whistle-blowers (www.bizprotect.am) to help tackle corruption or supporting 10 Tech entrepreneurs to attend StartUp Ole in Spain, EU-SMEDA adopted a highly flexible approach which concentrated on ensuring the health of the whole SME ecosystem.

EU-SMEDA was a four-year project co-funded by the European Union and the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the GIZ Private Sector Development in the South Caucasus Programme. EU-SMEDA's ambition was to strengthen and support small and medium-sized companies and improving their economic situation. It operated within the EU4Business and EU4Innovation initiatives.

This series of stories presents a snapshot of projects captured through interviews with some of the people who benefitted from EU-SMEDA support and presents their stories alongside the broader context of the developing economy and new climate for start-ups in the country. It is divided into sections which capture EU-SMEDA's ecosystem-led approach.

The FIRST section concentrates on the support infrastructure for start-ups and how Armenia is emerging as one of the most exciting smaller places for high-tech start-ups in the world.

The SECOND tells the story of three start-ups that have benefitted from smart investment by EU-SMEDA through the EU4Business IMG grant scheme.

The THIRD concentrates on the work of the two Technology centres in Vanadzor and Gyumri as well as the work of the Enterprise Incubator Foundation (EIF) which have been supported and championed by EU-SMEDA.

The FOURTH looks at EU-SMEDA's work supporting women into employment and entrepreneurship.

The FIFTH examines the work of EU-SMEDA in supporting Business Membership Organisations.

The SIXTH sums up EU-SMEDA's catalysing approach and the legacy it leaves.

Growing the support infrastructure for Start-ups

Sevan Startup Summit – innovation by the water

Armenia is now home to some of the most interesting high-tech start-ups with deep connections to Europe, Russia and Silicon Valley. What started slowly as IT businesses began using the country as a base to outsource global services, has transformed in the last five years into a dynamic ecosystem, supported by access to finance, new networks, incubation and co-working spaces, support of all kinds for entrepreneurs and international summits. Armenia is very much on the global tech map and EU-SMEDA has played a major role in its four years in making this happen through supporting businesses directly through grants and helping the vital support infrastructure to grow.

For those with long memories it is no surprise that technology start-ups are booming in Armenia, after all in Soviet times Yerevan was the birthplace of one of the first mainframe computers and acted as a scientific and R&D hub. Its schools and universities have to this day produced quality engineers. Coupled to this is the presence, in large numbers of Armenians in the United States, many of them working in Silicon Valley. With high-skilled job



opportunities still limited, it is not surprising that increasing numbers of young people are turning to start-ups as a way to get ahead.

One of the most visible examples of the surge in start-ups in Armenia has been the Sevan Startup Summit now into its fifth year. Lake Sevan, one of the three inland seas of Greater Armenia and much loved by all Armenians as a revered destination for holidays, it was chosen according to Hakob Hakobyan, co-founder of Armenia Startup Foundation, which is the founder of the Summit because





“All our events are based by the sea, we want to keep our events intimate, so water is perfect as it helps people relax.” The Sevan summit stated with 30 start-up teams and around 1000 people – in 2019 it featured nearly 100 businesses.”

“This year a quarter of all the start-up teams and 48% of the visitors were from outside of Armenia, with many Russian, Georgian, Iranians, Ukrainian and Spanish visitors. There were also international VC investors from the US, China and the UK.”

The summit is not just about having fun on the beach, it is a competition and a place where deals get formulated and done. *“Since the last summit we have heard of three or four deals worth around 200,000EUR which have been done or are being finalised.”*

So what tech is today attracting the most interest?

“This year was all about ‘deep tech’, artificial intelligence, Internet of things, machine learning, as well as the traditional strength in Apps.”

What difference have EU-SMEDA made to the success of the summit and the broader global ambitions of the company behind it (who have held

summits in India and Dubai so far).

“In 2016 there were a lot of doubters about the concept – and I can’t say people were wrong! In 2017 when EU-SMEDA came on board, it was the biggest and most important support we got. They were the essential ones – without them our journey would have been totally different. In the first year EU-SMEDA brought experts in from Germany and Spain who helped us make sure the event was credible and connected to EU. Their support has grown and grown until this year they had their own tent and ran a successful EU day.”

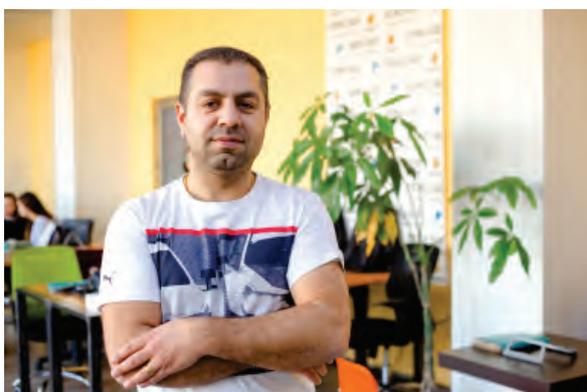
And how do the founders of the Summit see the current start-up landscape in Armenia?

“In the last five years the ecosystem has emerged to the point that right now its boiling.” And as to the future of the Summit now that EU- SMEDA is no longer there in the same way to help: “This year was the best year of the summit for me as a founder. It was not stressful at all for me - everyone in the team knew what they need to do. Going forward we have the networks. We are off and flying.”

Funding success – Armenia’s first Business Angel Network

For Grigor Hovhannisyan, a founder and director of BANA (the Business Angel Network of Armenia), the changes he has seen in Armenia’s start-up ecology over the last two years are amazing:

“The degree of knowledge and education among companies and investors has changed in no time at all. When we started there were no angel networks and people did not believe we would succeed in persuading people to invest in risky tech start-ups. Today though we have over 10 very active investors who bring with them knowledge as well as money.”



Since it was founded in 2017 by a group of friends who had experience of tech companies in the US, BANA has been associated with some of the most successful and best-known start-ups to come from Armenia. These include the Volterman Smart Wallet which achieved over \$1 million dollars of funding from a crowd funding website in a month and Forge Fiction (featured elsewhere here). The journey has not been entirely smooth though:

“We started with a demo day in 2017, supported by EU-SMEDA. It was overall a success but we had miscalculated the risks that wealthy people were prepared to take investing in businesses they didn’t understand. This is where EU-SMEDA were very useful, helping to bring in experts who could educate people on sectors they didn’t understand.”

Since then, BANA has successfully negotiated six deals worth around \$500,000

dollars, with more in the pipeline. Part of the change they have seen in the start-up ecology is reflected in the way that Armenia is perceived abroad.

“At a recent Berkley SkyDeck event, one of the leading tech funds in the US, Armenia was represented by more start-ups than any other country. Caroline Winnett, the Executive Director of SkyDeck, was here recently reaffirming that Armenia has more companies funded through the fund than anywhere else – including Krisp, Super Annotate, Xcloud Networks and AppearMe. The strength of the relationship between the US and Armenia is a real bonus. Our brand as a country is improving”

Grigor believes the next challenge for investors, is to develop second stage funding in Armenia, part of the reason BANA is developing its own VC fund. He also believes that organisational culture needs to continue to develop.

“We need to move towards and investing for profit culture in both companies and investors. There is also the challenge that business need to be registered in the US in order to give investors confidence. This will have to change. Ultimately, we can and will succeed because for tech there are no borders and the world is our market. We just need to have our first Unicorn [a tech start-up valued at \$1 billion or more].”

He believes EU-SMEDA has made a real difference to BANA in its early stages *“The experts they brought in fast tracked our success. We were able to see results in our first year.”*



Hero House and the Armenia Startup Academy – A new kind of home for business

One of those bits of infrastructure that is making the difference in Armenia is the unique and bustling Hero House. An ordinary two-story villa in Yerevan, the building has been transformed literally into a home for superheroes. Giant decals of Superman, Spiderman and other heroes from the Marvel Universe decorate the walls, along with inspirational quotes focussed on the theme of getting on with it: “Less Meetings – More doing”. And doing is exactly what Hero house has been on since it launched in 2017 to incubate start-up businesses (who even get a list of recommended inspirational books).

Hero House was co-founded by Vazgen Hakobjanyan, Ashot Arzumanyan and Hambardzum Kaghketsyan, who also founded the Armenia Startup Academy in 2016, which has gone on to have over 50 alumni, raise over €1.2 million and play a pivotal role in the transformation of the tech scene. Both the Hero House and Armenia Startup Academy were founded in the framework of the EU-SMEDA project. Vazgen takes up the story



“In 2016 we had a small pre-seed VC fund and a fund always needs a pipeline. We focussed on the funding gap that exists between an entrepreneur having an idea and getting the traction you need to get traditional funding. That’s when we came up with the Armenian Startup Academy. It was based on acceleration models we had picked up in the US. We were really pleased that in year one we had over 40 applicants with 15 companies starting the programme”.

The programme sees start-ups put through their paces with structured lectures, training, mentoring and coaching from high-level international experts over a 12-week period.

“It’s very intensive, especially as in Armenia most people in start-ups are working, so they need to do their day job then work on the start-up, then do training. We soon learned to adjust the course to suit them.”



EU-SMEDA played a vital role from the start.

“EU-SMEDA worked with us on a day-to-day basis, providing really useful guidance, but above all being flexible and focussed on finding solutions.” The strength of the network it has nurtured can be seen in the way that 45 of the 50 start-ups who have passed through the academy are still going strong.



Take three – Tech start-ups supported by EU-SMEDA

Cownet – Fitness trackers for livestock

Agriculture is a vital industry in Armenia, employing upwards of 40% of the population. As well as fruit and arable production, livestock farming is a vital industry, often utilising high and remote mountain pastures, where cattle are constantly on the move in search of fresh food. This means that monitoring livestock health can be a real challenge, especially for farmers with a large number of cattle. This is where Cownet, a start-up supported through a €12,000 grant from EU-SMEDA, comes. Ruzanna Marjanyan takes up the story:

“Our founder, Sargis Keveyan, an engineer, was inspired to develop Cownet from his experience growing up in a village. How can we find out if our cows are unwell at an early stage when there is time to prevent it becoming serious.”



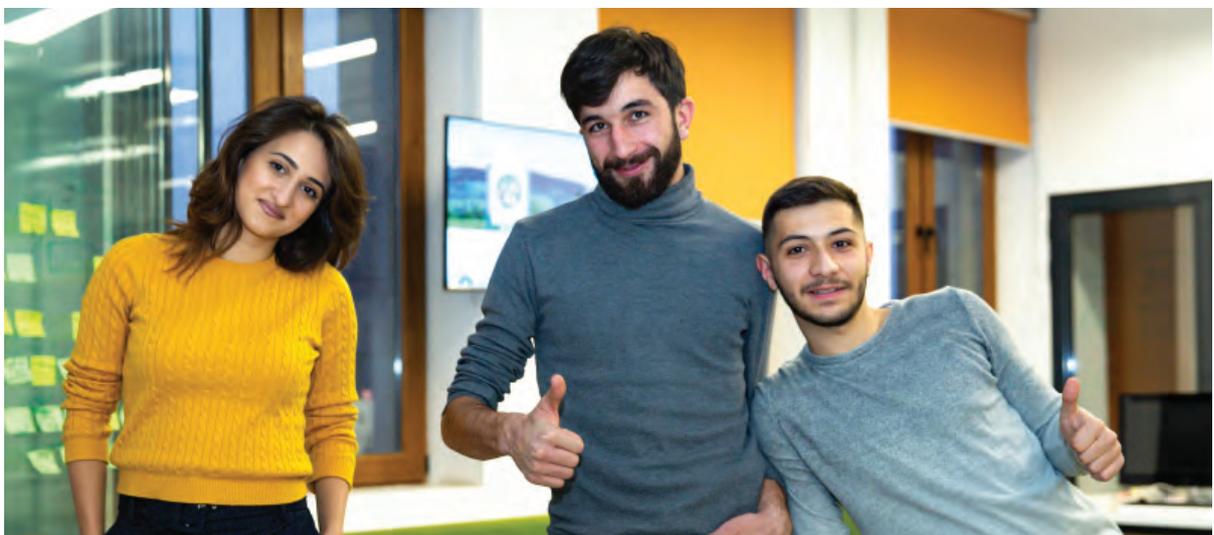
So Cownet was born. The device, a collar that goes around the animal’s neck, features the kind of sensors that we are all used to having on our smart watches or fitness trackers, which can track temperature, heart rate and so on. Now employing a team of eight, the company is going from success to success. In 2019 they scooped a second Prize at the Sevan Startup Summit, and they now have a prototype version in testing and are exploring different models of subscription.

“We have competitors in Europe, but we will be far more competitively priced at a level where the larger farmers in Armenia will be able to afford to use us.”

So, what difference did EU-SMEDA support make to Cownet?

“Working with EU-SMEDA has had a huge impact. Thanks to them we were able to produce the first version of our tracker. They brought much more than just money, with ‘smart’ advice. Armenia is a hard place to start a business, but we believe that in supporting businesses like ours to grow, the country as a whole benefits.”

In a country where rural poverty is still very widespread, fitness trackers for cows may seem like a distraction from deeper challenges, but with the cost of veterinary treatment and the livestock high, a simple, affordable means of spotting illness and disease could be one of the small steps that can help improve lives.



Forge Fiction – Harnessing the wisdom of the crowd

Most of us are used to the concept of crowdfunding as a means of getting new business ideas off the ground. Indeed, Armenia, scored a big hit with the Volterman smart wallet, which raised over a \$1 million in record time which really ignited interest in the concept. But what if you took the same 'wisdom of the crowd' approach to creating books or film scripts? What if you used the power of the web to allow people to cooperate to create fiction together? This is the concept behind Forge Fiction, whose four co-founders, have spent the last year and a half developing a community platform which provides the tools to enable people to co-create (and co-own) books. Hrach Toneyan, one of the founders, describes the journey they have been on:



"We wanted to create a platform where non-professional writers could put their ideas together and collectively create a story. It is really simple to use – a user suggests a plot or theme, maybe writes the first chapter. Then others who like the concept can join in and add their ideas. We currently have 1500 weekly active users, but our next stage will be to galvanise a network effect. We hope that we will be able to secure deals with media companies hungry for content and to sell books."



Forge Fiction received \$15,000 from EU-SMEDA as well as securing a second prize at Sevan Startup Summit in 2019. They are now seeking second round funding to really grow the concept. So, what difference did EU-SMEDA funding make?

"Funding meant we could work full time on the project and hire the people we needed to help build it. It gave us the proof of concept that has then led to our future success in gaining more funding. More than that we worked closely with EU-SMEDA mentors who helped with all aspects of the businesses, including giving us contacts and access to new networks."

Forge Fiction may be at an early stage, with a business model that is yet to be tested, but they remain bullish on the state of the Armenian start-up scene. Like many, if not most tech start-ups, for reasons of investor confidence and legal simplicity, they are registered in the United States. While a simple process that causes few headaches, this symbolic of the challenges that still remain in the country for would-be entrepreneurs. However, the crowd-sourcing pioneers remain very upbeat.

"Armenia is a great place to start a business with great tech talent. It used to be hard to get finance, but now there are many investors with connections to Silicon Valley."

Sorayatec – Current thinking

“Over \$90 million a year of electricity is lost from the network in Armenia due to poor efficiency and quality of power in the power network.”

As Armen, one of the founders of Sorayatec, explains: “This is something that Armenia simply cannot afford, because of cost and the strain it puts on the network to maintain a high-quality electrical supply with the detrimental effect that can have in terms of power cuts and performance. Sorayatec’s solution is remote monitoring equipment which allows networks to understand where and how they are losing power.

Sorayatec’s solution is remote monitoring equipment which allows Networks to understand where and how they are losing power.

“Solutions currently on the market are very expensive – especially for a country like Armenia which has more than 8,000 substations – but more than that they require lots of equipment which takes time to install and maintain. Our solution is simple to install, requiring very little down time on the network. We also provide the software which provides analytics and optimisation.”



Sorayatec’s equipment is currently piloted in Norway. From the start the company has always targeted the global market, with a presence in Scandinavia where laws require that power networks become more efficient and digitised something the company is well equipped to deliver. Support from EU-SMEDA has been vital to them.



“It was really crucial for us. It enabled us to build our final product and get certificates for CIS countries. We also got lots of contacts and access to networks and it has persuaded us to produce a range of different models. The EU has also benefitted us by awarding us a seal of excellence under Horizon 2020 as well as labelling us one of the top 100 energy start-ups.”

The top 100 start-up energy transition list is an initiative from the German energy agency (dena) in cooperating with the world energy council.

Sorayatec hopes to go fully commercial in Spring 2020. For now, they will continue to manufacture in Armenia, because volumes will still be relatively small. However, they are realistic that in the future they will need to explore manufacturing in other countries depending on which market they are targeting. For them despite challenges Armenia poses as place to start a business *“hardware is much harder to produce here than software and there is a lack of government funding, but it does have excellent human resources which are irreplaceable.”*

Centres of tech and innovation – EIF, VTC and GTC

Since 2002 the Enterprise Incubation Foundation (EIF), has been driving innovation strategy, with a particular focus on the regions. At the forefront of this has been the development of technology centres in Vanadzor and Gyumri. Bagrat Yengibaryan, who has been its director from the start, explains how the organisation and the importance of innovation has grown.

“When we started EIF there was a perception that things would never change particularly in the regions. Now have some world class businesses in IT and Engineering based in Gyumri and Vanadzor Technology Centres. We can see more and more multinationals are considering regions as opportunity to expand their operations in Armenia, in the areas such as data science, semiconductor testing and design, multimedia and software development.

From the perspective of EIF, EU-SMEDA has played a really important role over its four years. Bagrat, sees three ways that EU-SMEDA has made a real difference, including the importance of the flexible and broad approach to innovation that was taken:

The grants provided in the framework of the project , played an important role to support hi-tech companies in Yerevan and the regions to develop new products and solutions. We can state that with the support of IMG and STEP grant programs some Armenian companies positioned themselves as leaders in global markets.

The second impact was the regional initiatives, they have helped to show the potential outside of the capital. Gyumri and Vanadzor technology centres are now the major drivers of tech development in the regions.

EU-SMEDA’s legacy will also be threefold. Firstly, they did a good job putting engineering on the table. They also helped to develop the innovation strategy and the potential of the country.

As for the future he is adamant that Armenia will go from strength to strength as a base for high-tech companies, turning the challenges relating to size and geography into positive opportunities. EIF themselves are behind Engineering City on the outskirts of Yerevan, which will introduce a new level of scale and potential. As well as starting to develop the European market, in addition to the established relationships with the US and CIS, there are real opportunities at the vanguard of new technology.



“Autonomous vehicles are the ideal market, we have large numbers of specialists, and we are small and quick compared to other countries. We have been a country of quick prototyping. Armenia is an amazing environment for research, for testing the future, More and more companies do research here.”



Vanadzor Technology Centre – a shining beacon

The first thing that strikes you on visiting the Vanadzor Technology Centre is how startlingly modern and clean it is, a shiny slice of Silicon Valley that has found itself relocated, amid the abandoned factories and industrial plants from a distant soviet past. Since it opened in 2016, under the management of Patvakan Hakhinyan, the centre is a symbol of an economic future for the region driven by expertise in engineering and ICT. Now home to 13 companies, all but two of which are focused on advanced engineering, with its soaring open-plan entrance, laboratory-like corridors and roof terrace with mountain views, is focused on changing perceptions. Part of the EIF family, Patvakan explains how it has already had a significant impact.



“It is the brightest point in Vanadzor through its design and content. It shows people they can have a good future here. Of course, Yerevan is attractive to people, but here we are creating our own attractive environment. We are even creating our own park, where we have planted over 700 trees.”



EU-SMEDA has played an important role, not only through supporting several of the businesses based at the centre with EU4Business IMG grants, but also through expertise and support for its wider activities. The first event EU-SMEDA supported for over three years from 2017 was an Engineering Forum and Expo and the closing event of engineering week in 2018.





So how does Patvakan feel the future will pan out?

"I am optimistic the sector will continue to grow. The government is fully committed with the new ministry. Having worked with companies for over 20 years I can see how much they have improved... The creation of technology centres in the regions has had a big impact. Tax benefits alongside IMG and STEP grants mean that engineers and scientists know that their ideas can be supported."

It was the first technological major event in the city with 27 organisations taking part and 500 participants from the US, Netherlands and Germany. In 2018 and 2019 EU-SMEDA also supported a hackathon to generate ideas for tourism development, with the winner from over 30 teams being a drone camera that gives visitors the impression of flight in 2018.



Gyumri Technology Centre – Innovation in a historic setting

Gyumri Technology Centre, housed in the historic former University building which was destroyed in the earthquake but brilliantly rebuilt as an incubator, co-working space, and home for start-ups. Bella Harutyunyan, the Business Manager, explains how the centre, now home to 28 businesses, is committed to growing the local economy:

“We are trying to build local start-ups as well as encouraging companies to move here or open branches. We talk to businesses all the time. But for us building a local sustainable ecosystem is our number one priority and we do that by helping people turn their ideas into something that can grow.”

Building the local ecosystem means more than just supporting businesses, it means ensuring that there is a strong education system in place to ensure the skills and knowledge needed for the future.

“We are involved with the Polytechnic and the Armenian tech company Synposys – one of the largest in the country employing over 800 people – to develop the Synposys Education Department which will teach micro-engineering. Existing courses are too old-fashioned.”

EU-SMEDA has played an important role in the development of the centre and supporting the businesses that are based there. One of the key roles it played was leading a delegation to the Hannover Messe, Germany’s leading engineering expo.

“I went to the Hannover Messe with the delegation. It was an eye opener and I learned where Armenia fits in and the gap we have to bridge. It was very motivational and helped me understand how we should present ourselves to

business and attract them to come here. It showed me that when it comes to engineering, we can compete on software.”

At the same time EU-SMEDA has also helped the GTC to develop its vision and mission through bringing in consultants and arranging a study visit.

“EU-SMEDA helped us put together a new strategy with consultants from Greece which helped us to systemise and professionalise all our activities from our start-up programme to our accelerator. We now have three pillars to our strategy – education, business development and community awareness. The study visit to Ljubljana showed us a sustainable model and has opened a door for us to offer an exchange programme for companies. It is helping us build a strong local ecosystem.”



The developing animation cluster is a clear example of the GTC’s transformative role. As Gyumri itself is now positioned as Armenia’s culture and creativity capital (thanks in part to branding work supported by EU-SMEDA) the establishment of three animation companies, with another on the way, feels very fitting.



“All three of the companies started with grants. Skyline Studio the first animation studio, had to begin by teaching students how to animate. We have large numbers of art students in the city, but they don’t have the knowledge to be 21st Century Artists. We have started a course to teach them how to use new technology – in the first 6 months 240 artists applied, we selected 45 and now 25 are working in the cluster.”

Examples of innovation and expertise are to be found all around GTC. **Chessify**, a chess teaching Application that utilises artificial intelligence is a great example. Co-founded by Gor Vardanyan, a software engineer who was helping his daughter with her chess homework – Armenia is the only country in the world where Chess is compulsory on the curriculum – Chessify enables users to scan any chess problem from a book or newspaper and the App will identify all possible solutions. More than that, it will also identify YouTube videos of games and go straight to the move so you can see how it could be played.



They recognise that finding the right staff is the biggest challenge of being based in Gyumri but are fully committed to the city, so much so they have worked with local museums to develop an app that effectively makes them ‘smart’ online museums as well as helping to market the city. Recent successful launches have included developing an app for Sony/ATV which allows artists and songwriters to see easily how much they are earning in royalties and working with TESLA to develop an app which will allow you to remote control your car through your phone.

Resal, another start-up, specialises in bringing business process automation to Armenian companies, helping to boost productivity and cut costs. Digital Pomegranate, which now employs 50 people, are one of the largest technology developers and mobile app creators in Armenia.

FAMBOX is another remarkable story. Specialising in providing digital solutions for clients around the world they are currently developing an interactive mirror for cosmetic giants Lancôme which will go into shops around the world providing a new interactive way of testing and selling cosmetics.



Growing opportunities for Women into employment

Supporting women into employment and supporting female entrepreneurs has been central to the work of EU-SMEDA. A priority from the start because, while ‘technically’ there are no barriers in place, women can and do face additional challenges in getting into work or establishing their own business. Establishing the Women Entrepreneur’s Club network (WE Club) across the country has been a real success with over 600 women attending eight different clubs. According to Eva Naeher, the Team Leader of EU-SMEDA, the clubs

“Are an educational tool but are also a means of generating work and help people to sell their goods. They are a means of getting inspiring stories from women who have started from scratch.”

There are many examples of women who have benefitted from WE Clubs. Anna Stepanyan, the founder of Tsirane, a natural cosmetics brand based on ancient Armenian recipes, is a strong believer in the difference they have made.

“The events are very useful not just for finding clients but also for building contacts with like-minded people such as beauty salons which will stock my products.”

For Anna, the WE Club Network helps mitigate some of the challenges she faces in growing her brand. *“My biggest challenge is packaging, which is not available in Armenia, so I have to import it which is more complicated and expensive.”* She is also developing a social enterprise, an Art Café in Dilijan, which will help grow the local economy.



“We will have our own lavender fields and be the first to sell lavender tea in Armenia.”

Natacha Kalfayan, another of the growing number of social entrepreneurs in Armenia, founded The Made Centre, in Dilijan 18 months ago. The Made Centre has a mission to teach and improve skills in producing jewellery through running workshops and providing materials. The centre works with people who otherwise would struggle for employment.



“We focus on the ‘lost generation’ – those aged 35 to 60 who don’t understand or know anything about the internet or high-tech. They are not used to taking any risks. We provide them with a means to make money.”

Sustainability is key to the centre’s philosophy – they are rolling out a train the trainer programme – and take quality very seriously. EU-SMEDA’s support has been vital to the development of the organisation and is now taking an unusual turn.



“EU-SMEDA is supporting us to take our work into other villages, by financing a fully equipped caravan which can travel and allow us to take workshops into new areas. They have also supported us to showcase the work of our makers with the Fashion and Design Chamber in Italy.”

Lusie Aznauryan, who is behind “Woollen Works by Lusine Aznauryan” is another entrepreneur who has turned an interest or hobby into a business making clothing and accessories which she sells in Art Is store located in Yerevan and through her online shop has found the support of the WE Club invaluable. “It gives me contacts and connections that are making a real difference to my business”.



Anna Aleksanyan, the founding board member of Goris Women’s Development Resource Center Foundation is one of Armenia’s leading champions of women’s rights. Her organisation with its peer Women Resource Centers operating in different regions of Armenia provides valuable assistance to women in terms of helping them get into employment. She inspired to start a WE Club in Goris and was amazed when 80 women came to the first event. *“We did not realise there would be such demand.” She explains that their latest programme has 60 women enrolled in making handmade toys and souvenirs at home which works very well for those who cannot leave home easily for family reasons.”*



Thanks to agreements which have been put in place with local organisers, WE Clubs are set to continue their work beyond EU-SMEDA.

Sewing a new future – supporting textiles

In Soviet times textiles were a major source of employment across Armenia. Following the break-up of the Soviet Union, like the rest of its light industrial base, they went into a steep decline which continued throughout the 1990s and beyond. However today the sector is showing real signs of life. Employment in the sector is 90% female and ensuring that there are enough skilled employees is a priority. To this end EU-SMEDA has combined its support for getting women into employment with its support for a vital sector, through supporting training programmes.

EU-SMEDA has supported a programme of training for women through the action grant project “Textile as a guarantee for sustainable development of the Northern Regions” to get into employment in textiles. In Vanadzor one of the women, Marine Baghdasaryan, who was trained on the course is now part of a small three-person start-up fashion business making clothes and uniforms for companies and people in the area.

“Without the training I received I would not have been able to work here. We are going to expand and thanks to funding we now have an embroidery machine which means we can fulfil higher-quality orders.”

In Gyumri, EU-SMEDA funded training has enabled Lentex, an established textile manufacturer employing 420 people with well-known brands



in Russia and Armenia to grow. The company, founded in 2001, has long had problems recruiting enough skilled staff to work its machines, so the 20 participants in the 2-month training scheme were welcomed. One year on and 10 are still working at the factory. As Hasmik Bashmakhcyan explained the job has improved her life.

“I was a housewife before, but now I can operate a knitting machine. The shifts really suit me and mean I have time for my family but can also bring in money which is a real help.”

For Lentex, the much-needed new recruits, will help support its growth as it looks to expand into new areas including the production of its own higher-quality thread.



Supporting sectors to support themselves

Business Membership Organisations (BMO) play an important role in ensuring a strong and sustainable ecology for SMEs. In Armenia BMO have not historically been strong and in many sectors, especially creative disciplines have been lacking. This

lack of organisation was often linked to a historic lack of trust and weak community organisation which held companies back from the collective approach that can support everyone to thrive.

Designing a brighter future

Vahan Khachatryan, the co-founder and president of the Fashion and Design Chamber, is clear on why the sector needed a voice, network and support body. A designer for more than 20 years in Armenia and Italy, who has among his successes Armenia's only mass-market fashion brand with three outlets in Yerevan, he knew the barriers that were holding back the sector's growth:

"Succeeding as a designer in Armenia is hard because we have a small internal market and an underdeveloped support infrastructure. When we applied for funding to take ten designers to Kyiv in 2017, I felt I was the only person who was making the case that things across the board had to change and we had to work collectively if the country was ever to fulfil its potential."

Following that first trip to Kyiv, things did change. The Fashion and Design Chamber was established and soon provided an opportunity for a delegation of designers to visit the Premiere Vision Fair in Paris in February 2018. Among the delegation was Alla Pavlova, the founder of Z.G.EST. She was impressed by the experience.

"We really harvested the contacts of producers, manufacturers, providers of raw materials, accessories, etc. All these contacts are now available at the Chamber for all our members. We have got contacts of producers of different high-quality fabrics, as well as leather and even washable leather, materials that are not available in Armenia, and we got to know new innovative technologies in fabric manufacturing, dressmaking, labelling and a lot more."

Building a successful fashion brand is about much more than having a presence on Facebook and Instagram, it needs detailed knowledge of markets and trends.

"The sector-related education in Armenia does not provide western-standard knowledge. Our team was introduced to modern design techniques in fashion and beyond

during a training on 'trend forecasting', refining our abilities to foresee, plan and develop trends in order to create products that meet the needs of markets and consumers, nationally and internationally."

Elen Manukyan, Vahan's colleague and the 2nd co-founder of the Chamber explained: *"Since then the Chamber has gone from strength to strength. It has organised two Fashion Forums, attracting leading international figures including Hilary Alexander and Livia Giuggioli as speakers, attracting over 400 attendees in 2019 and is well on its way to providing the 360 degree support the sector needs. One way it will be doing this is through the large €250,000 grant it has received from the UK Embassy through the Good Governance scheme to develop a research and education programme around fashion and sustainability covering the whole supply chain. Vahan believes that EU-SMEDA's support has been absolutely pivotal in the Chamber getting as far as it has".*

Vahan truly appreciates the received support: *"Without EU-SMEDA we would not exist. We started because we got that initial funding to go to Kyiv. They took a risk with us and pushed us to become an organisation. They continue to motivate us. We have only taken one step forward, but I think it was the most difficult one. There is now somewhere designers can turn to. The next step is to really engage the government in the sector and tackling the legal and financial issues, such as those relating to import tax on returns and cracking down on counterfeit goods."*



Rebuilding the Film Sector

During Soviet times, Armenia had a world-class reputation for its filmmakers such as Artavazd Peleshyan and Sergei Paradjanov as well as for the many members of the diaspora who worked in Hollywood including Rouben Mamoulian. Since then, while the talent is still there, lack of adequate funding and opportunity, coupled with the absence of a film law and vision, has seen the number of international level films made in the country shrink to quite low levels. The Independent Film Community of Armenia (IFCA) was established to try and address the issues that are holding back the evolution of filmmaking in the country. Raffi Niziblian, one of the co-founders of IFCA, picks up the story of how IFCA is helping to turn the situation around.

“As independent filmmakers, we have difficulties on many fronts. After almost two years on non-formal existence, eight of us came together to found the community with a shared vision to help improve the situation. Although we were formally registered in March 2019, we had already organised several strategic activities that led to our visit to Cannes IFF supported by EU-SMEDA. This visit enabled us to develop preliminary agreements for partnership such as our formal agreement with the Cottbus Film Festival in Germany that will be showcasing Armenian films in 2021 as Country in Focus due to our efforts. It is important to note that in this very short existence we have several vital activities. For instance we held an EAVE-on-Demand producers’ workshop, which teaches filmmakers better understand how to develop a co-production film project; a workshop with Kosovo’s



Director of the Cinema Center, Arben Zharku; Eurasia-Doc film co-production training; and soon to be implemented conference on the Strategic Development of the Film Industry in Armenia. We are also happy to have crafted and presented the Armenian policymakers with a draft film law, hoping that it will allow them to ratify one very soon.”

Victoria Aleksanyan, another independent filmmaker, co-founder and board member of IFCA, explains that there are real opportunities for young filmmakers today in Armenia.

“There are more cinema screens now appearing in Malls, more festivals and more collaboration opportunities. These may seem like small steps, but some policymakers and supporters seem to be taking note. I think that more active citizenship, something we have seen since the revolution last year, goes hand in hand with more start-ups and industry development. Increasingly we want to look beyond state funding as we go forward. A new model of funding films must be sought out.”



BMO – supporting a bigger cause

The European Business Association (EBA) NGO has been established under the support of the European Union Delegation in 2015. The main objective of EBA is to support representatives of the European Business Community in Armenia and facilitate the integration and cooperation between Armenia and the European Union. It also aims at improving the business environment, encouraging foreign investments and improving corresponding legislative framework.



EBA staff participated in seven workshops and coaching programmes organised in the scope of EU-SMEDA. The EBA has developed and improved membership types and services, structured their activities in the scope of new legislation in order to provide not only better services to its members but also to improve

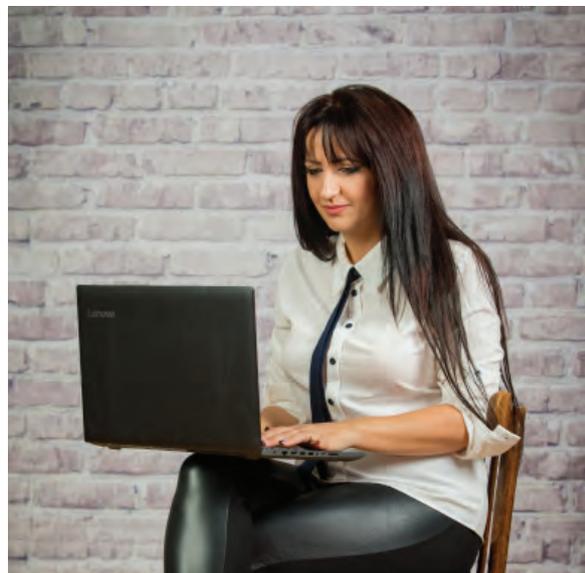
financial sustainability of the organisation. Exchange of experience via the study visit to Vienna organised by EU-SMEDA helped the EBA staff to improve their skills and experience for the BMO development and enlarged the overall network opportunities.

Tourism Armenia Association is a BMO with a history of just over a year, now with 13 members. Again EU-SMEDA has helped the organisation to develop and supported it to grow its services. “Our mission is to promote Armenia abroad and to be a voice within government.” The huge potential to grow tourism in the regions, if problems with the costs and capacity in air travel can be overcome, it means that the tourism will need a strong BMO able to bring together often highly competitive businesses and organisations.



Social enterprise is relatively new to Armenia, but is an increasingly popular form of start-up, with many entrepreneurs attracted by starting non-profit organisations that can help tackle the social, economic and environmental issues the country faces. The Association of Social Enterprises BMO has been going for four years and now has 40 members. EU-SMEDA has helped them develop their own business plan so that they can offer more services to members. Hripsime Kocharyan, the membership director describes their plans for the future.

“We are really keen to get social enterprises recognised with a special status by the Government and for social enterprise to be taught in schools and colleges.”



The importance of data

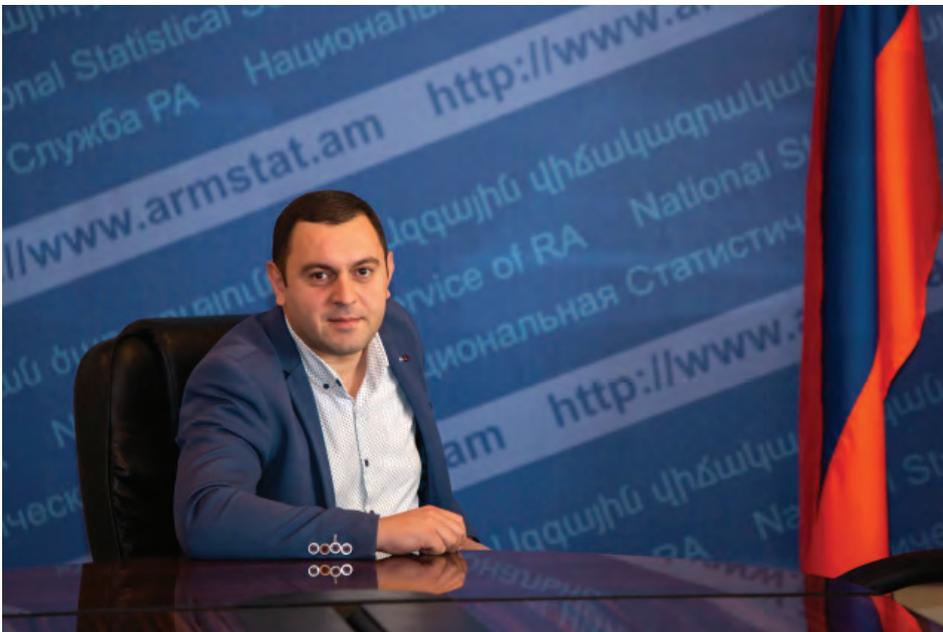
One of EU-SMEDA's first acts was to work with the Statistical Committee of the Republic of Armenia (ARMSTAT) to develop the country's first proper statistical bulletin on SMEs. Vardan Arevshatyan, Head of SME Department, explains why the project was important:

"It was really important to have a full picture of SMEs in Armenia for the first time. It was crucial that we adapted standard international methodology – especially that of the OECD and Eurostat – to ensure that our findings would provide the sort of findings that would be useful in developing strategy and working with partners. SMEDA provided the platform to help us achieve this"

EU-SMEDA worked with the service and international experts from Denmark and Lithuania as well as the Organisation for Economic Cooperation and Development (OECD) to produce the statistical overview. The findings show how Yerevan has as many SMEs as all the other regions put together and that the economic structure of the country is dominated by micro businesses (55 921) out of a total of 59 575 businesses in

the country. When it comes to wage earners the disparity between Yerevan and the rest of the country is even more stark – out of 253 939 wage earners in Armenia 176 926 are in Yerevan. Manufacturing is still important accounting for 1 in 5 wage earners (56 411 jobs) just behind the wholesale and retail trade (inc. vehicle repair) which accounts for 66 182, while information and communication section only has 18 407. The importance of information and communication section in boosting productivity and driving higher living standards is revealed in the average monthly salaries of AMD 468 590 per month (in medium sized companies) more than double that of professional and scientific and technical activities services AMD 192 338 or construction AMD 188 266. However, in terms of Gross Value Added of information and communication section is still small generating only AMD 186 033.7 compared to manufacturing's 491 960.8.

There will be another bulletin produced this year and over time it will provide a really useful way of tracking Armenia's developing economy.



EU-SMEDA's Legacy – Catalysing a growing ecology

SMEDA's 'whole ecosystem' approach which stretched from supporting filmmakers to better develop co-productions to training business journalists to enable them to better capture the story of the economy was remarkable for its breadth and depth. For Eva Naeher, the EU-SMEDA Team Leader, things have come a long way since the start of the project, sometimes through circumstances beyond their control.

"Today's environment is very changed, not least the political situation. The diaspora seems much keener to contribute now they have more trust. The ecosystem is gradually becoming more organised, with growing networks. Part of our approach was always to put Armenia more on through fairs and exhibitions so that its start-ups are gaining more global recognition."

She recognizes that some of the challenges the country faces have deep roots and will take many years to overcome.

"As a legacy of the Soviet strengths in STEM people here are very good at technology, but not so strong on entrepreneurship, sales, pitching or marketing. Often really strong products which had potential in export markets were just not presented well."

Eva believes one of the key legacies will be the culture-shift they brought:

"Our approach to support, which was based on working on multiple levels, was very much based around a partnership which wasn't necessarily always the case. Many of the partners we have worked with, including Hero House and the Sevan Startup Summit have themselves gone on to have a catalysing role and have said they would not have achieved what they have without the support we gave."



"At a macro-level the biggest lesson for me from EU-SMEDA is about people. You have to find the right people, who are interested in the same things, who can go on the journey with you, whether they are start-ups or experts you work with. It is also about responding flexibly to need, which has enabled us to achieve far more than would have been possible with the funding we had."

The success of EU-SMEDA means that it has been seen by the EU as a flagship for SME support. This means that part of the legacy will be a new project that will continue some aspects of the programme with a focus on tourism and innovation something that has real potential in the regions.





This publication has been produced with the financial assistance of the European Union. The contents of this publication are the sole responsibility of the EU-SMEDA and can under no circumstances be regarded as reflecting the position of the European Union.

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