



Twinning Project Fiche

Strengthening the investment promotion and investment policy institutional framework of Armenia.

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GLOSSARY

ADA	Armenian Development Agency
ADB	Asian Development Bank
AFC	Aftercare
BC	Beneficiary Country
CEM	Country Economic Memorandum
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
GDP	Growth Domestic Product
GIZ	German Agency for International Cooperation
GoA	Government of the Republic of Armenia
ICT	Information and Communications Technology
IFC	International Finance Corporation
IPA	Investment Promotion Agency
MD	Man-days
MIGA	Multilateral Investment Guarantee Agency
MoE	Ministry of Economy of the Republic of Armenia
MS	Member State
OECD	Organisation for Economic Cooperation and Development
OVI	Objectively Verifiable Indicator
PAO	Programme Administration Office
PCA	Partnership and Cooperation Agreement
PL	Project Leader
PPP	Public Private Partnership
PR	Public Relations
RA	Republic of Armenia
RTA	Resident Twinning Advisor
RTA CP	Resident Twinning Advisor Counterpart
SC	Steering Committee
STE	Short Term Expert
TA	Technical Assistance
TAIEX	Technical Assistance Information Exchange Instrument
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Cooperation
USP	Unique Selling Proposition
WB	World Bank

TWINNING PROJECT FICHE

1. BASIC INFORMATION

- 1.1 Programme:** ENPI/2011/23010
- 1.2 Twinning Number:** AM14/ENP/FI/16
- 1.3 Title:** Strengthening the investment promotion and investment policy institutional framework of Armenia.
- 1.4 Sector:** Investment
- 1.5 Beneficiary country:** Armenia

2. OBJECTIVES

2.1 Overall Objective

The overall objective of the project is to contribute to higher rates of economic growth of Armenia, increased productive capacities of the economy, job creation, innovation and technology transfer through foreign direct investment.

2.2 Project purpose

To increase the volume of annual greenfield FDI inflow into Armenia by supporting ADA and Investment Policy Dept. of MoE in their efforts to become more effective investment promotion / investment policy bodies.

2.3 Contribution to National Development Plan/Cooperation agreement/Association Agreement/Action Plan

The project will contribute to strengthening Armenia's investment promotion and investment policy institutional framework. The project support the provisions of Priority Area 4 of the current European Neighbourhood Policy (ENP) Action Plan for Armenia, which specifically mentions "enhancing administrative capacity of Armenian Development Agency and ensuring its effective functioning" as one of the areas that should be given particular attention when implementing the Action Plan.

The project is also in line with article 47 of EU-Armenia Partnership and Cooperation Agreement (PCA), which provides for investment promotion and protection and calls for creation of favourable conditions for attracting foreign investment into the Armenian economy and exchange of information on, inter alia investment opportunities and practices in the field of investment. Armenia will benefit from a stronger, more market focused and result oriented investment promotion agency (IPA) that is recognized by both foreign investors and local stakeholders as being

able to attract new investment into Armenia, support existing investors and compete on equal footing with the best EU IPAs.

The Twinning project also supports the Armenia's long-term development vision articulated in the Armenia Development Strategy 2025.

3. DESCRIPTION

3.1 Background and justification

3.1.1. General Background

FDI has been important contributor to GDP and gross fixed capital formation in Armenia for more than a decade. Nevertheless, inflows of FDI and greenfield projects have remained quite low by comparison to neighbouring Georgia (50% less for the period 2000-8 and 33% less for the period 2009-11) and significantly less than for all the new EU member states. So far, the Armenian Development Agency (ADA) has been the official institution responsible for investment promotion and its initiatives have met with limited success. Nevertheless, during the previous decade, and in particular between 2006 and 2010, Armenia managed to attract increasing levels of FDI, the equivalent of approximately 7.5% of GDP.¹ However, this performance was accompanied by structural changes, as FDI in tradable sectors (particularly manufacturing) decreased, while FDI in non-tradable sectors picked up. Between 2000 and 2008, four industries attracted 77.5% of total cumulative FDI in Armenia: transport and telecommunication, utilities, financial intermediation, and mining. This trend came to an abrupt halt in 2008, when change in economic sentiment caused both remittances and FDI to plunge precipitously. Investment inflows have been slowly recovering since 2009 with the share of FDI in tradable sectors continuing to lag behind its 2003 level.

Presently, Armenia receives a preponderance of market seeking FDI in areas like Banking and Telecommunications, and has only been able to attract efficiency seeking FDI (that seeks to locate in the country due to the competitiveness of its factors of production) in a few sectors most notably ICT. In this context, the government has two principle tasks on investment policy: to maximize the benefits from the existing FDI and to build the national value proposition in the long term to attract efficiency seeking FDI.

The market for FDI is truly global with over 400 active national and sub-national investment promotion agencies competing for business. It is encouraging to note that the Government of Armenia (GoA) sees investment policy as one of its main priorities in improving economic performance of the country, however, the country lacks a stated vision, strategy and goals for FDI (FDI Strategy) and an effective policy evaluation process that measures the impact of FDI. New sector strategies² refer to FDI attraction and have certain targets related to FDI along with suggestions to introduce new types of investment incentives. Yet for Armenia to become a successful competitor on the FDI global stage, it must take into consideration the following issues:

- Armenia cannot achieve the levels of economic growth and sustainability it requires without much higher inflow of exogenous investment into productive sectors of the economy;
- Armenia must further improve its business environment within which it can competitively attract, establish and embed such investment;

¹ World Bank Armenia CEM 2013

² Ten sectors were selected based on potential for export differentiation and opportunities for cluster development by GoA in "Export-Led Industrial Policy" (2010).

- Armenia's inducement to international investors must be clear, focused and incorporate country's competitive advantages;
- ADA as the key institution charged with promoting FDI, must be resourced for its mission in terms of staff, skills and organizational capacity.

3.1.2. Background on ADA

REMARK: Armenian Development Agency and Industrial Development Fund are currently in a merging process. The institutional setting for the implementation of the project will have to be updated during the contracting phase.

ADA was established in 1998 by the GoA with the aim of attracting and facilitating FDI to Armenia and promoting Armenian exports. A dual function agency, ADA is responsible also for the following:

- Coordination of the work of the Secretariat of the Business Support Council of Armenia, which provides a mechanism to channel business community concerns to the Government
- Coordination of the Secretariat of the IT Development Support Council
- Main implementing body under the 'Export-Led Industrial Policy'

Although Armenia has more than 4,000 companies with FDI participation ADA associates itself only with investments of \$22.3 mil. from 2009 to 2011.³ ADA's limited budget is a key factor adversely affecting ADA's strategic functioning.⁴ As a result, ADA had relied on donor funding for its programs and therefore was more opportunistic in its programming which has led to a poor reputation – several existing and potential clients expressed their lack of confidence in the quality of ADA services or its ability to act as a focal point for supporting export or promoting FDI.

ADA currently has 40 employees in the whole agency (target number for the end of 2013 being 43) out of which 9 are directly engaged in investment promotion and servicing and 6 in adjacent activities (analytical department and business support department). Investor follow-up, servicing and aftercare are currently done at a minimum level. A new organizational structure of ADA to be introduced by the end of 2013, however, already includes Aftercare department with up to 4 staff. The average length of employment is around 4 years in Investment Promotion Dept. and there is a skill gap, particularly in the area of image building and investment outreach. Inadequate staff skills coupled with constrained budgetary resources result in poor information availability and its dissemination to potential investors as well as in limited contact making and relationship building with the potential investors.

ADA follows a sound governance practice – it is governed by a Board of Directors led by the Prime Minister; 7 out of 12 members of the Board are private sectors representatives. Board meetings are, however, too infrequent to allow meaningful oversight of ADA operations and potentially lead to weak political support of ADA's activities.

The agency only has a handful of representatives abroad (in EU only in Italy and Austria) that work on a volunteer basis, organize systematic investment outreach programs remains a challenge.

³ Review of FDI Promotion and Facilitation Policies and Practices in Armenia, GIZ (2013)

⁴ With approx. \$300,000 allocated annually to ADA over the years, the financial resources cover only its personnel and operating costs, with little available resources available for investment outreach, image building and export promotion.

In attempt to improve its operation ADA is in the final stage of launching aftercare services to existing investors.

Nevertheless, most of institutional shortcomings identified by the 2008 FIAS institutional assessment and 2013 GIZ FDI Review still exist and the Twinning project is encouraged to use these materials to get a quick overview of ADA's strengths and weaknesses.

3.2 Linked activities

There are several international donors providing assistance to ADA. While a number of these projects will have been concluded by the time the Twinning projects commences, their results and progress should be factored into the planning and implementation of the Twinning project.

3.2.1. GIZ

GIZ recently funded two projects related to FDI promotion: a baseline study "Current situation of the diaspora connected FDI in Armenia" (2012) and "Review of FDI Promotion and Facilitation Policies and Practices in Armenia" (2013). The latter report presented a set of actionable recommendations that were followed up by the GoA and ADA and resulted, *inter alia*, in organizational changes of ADA and introduction of aftercare services to existing investors during the last quarter of 2013.

GIZ is currently in the final stage of preparation of a three-year private sector development project (2014 – 2016), which will be focused on selected value-chain development in Armenia and could bring some sector related input into national FDI strategy.

3.2.2. World Bank

From its establishment ADA has been supported through two World Bank programs: i) a 3-year, \$1 mil Learning and Investment Loan in 2002 to build ADA's capacity to promote investment and increase exports, and ii) a \$2 mil project in 2009 to facilitate ADA's investment promotion activities, export development activities and investor/exporter servicing. In addition, MIGA/FIAS carried out two comprehensive institutional assessments of ADA (2001, 2008) that provided a number of recommendations as to ADA's institutional set-up, governance, investment facilitation and servicing, and policy advocacy.

The World Bank in cooperation with IFC is currently developing a new result based \$40 mil. loan to GoA with focus on trade promotion and quality infrastructure enhancement. One of the proposed loan's components seeks to strengthen the institutional framework which supports the investment and export promotion and will likely include revision of the Investment Law, creation of flagship export and investment promotion programs and assessment and institutional restructuring of the enterprise support agencies (incl. ADA). If approved, the program will start in the second half of 2014 and coordination with the Twinning project will be of high importance.

3.2.3. ADB

The GoA has requested technical assistance (TA) from ADB to support investment and export promotion, including an international investment forum to be held in Yerevan. ADB has indicatively allocated \$1.5 million for a 3-year TA. The concept is currently being designed but is likely to include (i) capacity building of the investment promotion agency through preparatory activities for the international forum

(screening and upgrading of investment proposals, business networking and road-shows, and upgrading of presentation materials); (ii) organization of the forum to be conducted not before autumn 2014; and (iii) a pilot for supporting export attempts of strategic products.

3.2.4. OECD

GoA is now in the process of negotiations with OECD to commence a joint project in January 2014 as part of the EU funded project on “Supporting SME Competitiveness Reforms in the Eastern Partner Countries”. The exact project scope has not yet been defined but the MoE has indicated to provide OECD with a shortlist with priority areas for reform in November 2013. It is not excluded that some of the reform areas will include investment climate.

3.2.5. USAID

USAID runs a five-year Enterprise Development and Market Competitiveness Project (2011 – 2016) that is designed to raise income and employment in Armenia by promoting growth in value chains of selected four target sectors of information technologies, biopharmaceuticals, fruit and vegetables processing (including herbs), and tourism. To achieve these objectives, the project looks, *inter alia*, into regulatory burdens and competitiveness challenges that could be of relevance to some of the Twinning activities.

3.2.6. EU

ADA has recently submitted a request for a study visit organization to a EU MS under the EU technical assistance information exchange instrument (TALEX). The study visit's objective is to get acquainted with EU MS's experience in designing and using investment incentive programs and sharing best practices in investment promotion. Should the request be approved and the study visit takes place prior to the Twinning project, it will be complementary with some of the proposed activities in Component 2 and 3 of the Twinning project and the MS Twinning partner is encouraged to build on the study visit results during the project implementation.

3.2.7. UNIDO

In the past UNIDO provided assistance to ADA in preparation of several business forums for Armenian and foreign entrepreneurs. UNIDO has also established a “Centre for International Industrial Cooperation” in Armenia, which is hosted by ADA with the objective to facilitate international cooperation between the host country and foreign investors, enterprises, as well as organizations. UNIDO has recently started preparation of a new project that will look into competitiveness of selected sectors, namely, modernization of the cotton-textile-garment value chain. UNIDO may also be involved in the organization of an investment forum in 2014.

3.3 Results

i) ADA has a demonstrated capacity to stimulate re-investment and expansion of existing foreign investors in the country. By the end of the project ADA will have strengthened its aftercare services and is able to support and pro-actively generate new FDI through re-investment / expansion of existing investment. Increased share of re-investment / expansion in total FDI flow will lead to increase share of ADA facilitated FDI in total FDI inflow.

II) Investment Policy Dept. of MoE has the skills and tools to draft an FDI

strategy that is supported by its stakeholders. A national FDI strategy will have been developed by the end of the Twinning, publicly stating the vision, goals and targets for FDI and explicitly describing expected FDI impacts and benefits. A more targeted FDI strategy should lead to a more effective (and efficient) resource allocation and to increase in number of investment projects in the pipeline.

iii) **ADA is a result-oriented investment promotion agency, recognized by foreign investors and internal stakeholders as a credible body that is able to pro-actively attract greenfield FDI into the country, influence investors' perception of Armenia in target markets and play a strong policy advocacy role.** By the end of the project ADA will have been recognized by foreign investors as a professional service provider that is able to better meet their needs than in competing countries. This will lead to establishment of a FDI representation structure that is support by other stakeholders and ultimately to increase in number of investment enquiries handled by the agency and number of investment projects in the pipeline.

3.4 Activities

The project seeks to support ADA and MoE in strengthening their structure and systems by introducing, applying and adapting best practices of EU investment promotion agencies, particularly in the area of aftercare, investment promotion, policy advocacy and strategic planning. Twinning activities have been group in three individual yet interdependent components. Some of the activities can run in parallel (Component 1 and Component 2 activities), others are sequenced and require successful completion of several other activities (completion of Component 2 is a prerequisite for start of Component 3).

Whenever possible all activities should seek using “on the job” teaching (training) approach which leads to more effective know-how transfer and joint achieving results that are sustainable.

Component 0: General activities

General activities will take place at the early stage of project implementation and at its end and are intended to provide information about the project to the public and allow for EU funded project visibility.

0.1. Kick-off meeting

Inform the stakeholders, media and general public about the project, its purpose, activities, work plan and expected results. Provide for EU funded project visibility.

Deliverables: Press release, project leaflet, kick-off meeting event.

Indicative number of man-days: 3 md in one mission (MS PL)

0.2. Final Conference

Disseminate information about project's achieved results, recommendations and lessons learnt to stakeholders, media and general public. Provide for EU funded project visibility.

Deliverables: Press release, final conference event.

Indicative number of man-days: 3 md in one mission (MS PL)

Component 1: Aftercare services development

The objective of this component is to strengthen ADA's institutional capacities in supporting and stimulating re-investment and expansion of existing foreign investors in the country, embedding FDI in local economy and preventing disinvestment. An important prerequisite for this component is existence of Aftercare Department at ADA.

1.1. Introduce EU MS best practices in aftercare through provision of presentations, case studies and workshops.

Discussing the role of aftercare servicing in the investment promotion cycle, a range of services provided to foreign investors through aftercare and tools used by the IPAs, best practices in organizational and institutional set-ups of aftercare units (including resources and skills implications), setting up performance indicators, monitoring & evaluation means, case studies, role plays. Comparison with existing ADA's aftercare services.

Deliverables: Training/workshop/seminar, presentation materials and case studies.

Indicative number of man-days: 5 md in one mission

1.2. Review existing aftercare practices and internal processes in ADA; develop new operational manuals and guidelines.

Initial assessment of ADA's existing aftercare services and practices, including a quick skill audit. Discussion and joint update / development of new operational manuals, guidelines and checklists that will assist ADA staff in providing aftercare services in the future.

Deliverables: Assessment report reviewing existing aftercare practices and recommendations for improvement; new operational manuals, guidelines, checklists.

Indicative number of man-days: 10 md in two missions (first mission together with activity 1.1.)

1.3. Establish FDI database of existing investors and run an FDI survey.

Identification of data sources for the dtb, preparing a structure of the dtb and selecting a technical platform for running the dtb, establishing criteria for inclusion into the dtb, data collection and migration, user training and dtb maintenance; designing the content and format of the FDI survey, distributing the survey to investors included in the FDI dtb, analyzing survey results.

Deliverables: FDI dtb populated with data, FDI survey designed and sent out, survey results analyzed, recommendation paper on FDI survey results prepared.

Indicative number of man-days: 40 md in four missions (first mission together with activity 1.2.)

1.4. Identify companies with high re-investment / expansion potential, assist in organizing initial meetings with selected companies (as min. 20 companies) and accompany ADA during the meetings.

Establishing criteria for selecting companies with high re-investment / expansion potential, selecting companies for personal visit and preparing their profile, providing guidance as to the structure of meetings during the visits, accompanying ADA aftercare staff to a few initial meetings.

Deliverables: As min. 20 companies selected, detailed profiles prepared, initial meetings took place.

Indicative number of man-days: 10 md in two missions (first mission together with activity 1.3.)

1.5. Provide recommendations as to the future development of ADA aftercare services in order to maximize FDI contribution to Armenia's economic development.

Discuss progress of Component 1 implementation; prepare recommendations for further development of aftercare services.

Deliverables: Recommendation report.

Indicative number of man-days: 5 md in one missions (mission together with activity 1.4.)

1.6. Organize internship for selected staff members of ADA in an aftercare department of a EU MS investment promotion agency and assist with dissemination of the lessons-learnt to all ADA AFC Dept. staff by the interns (train-the-trainer).

Selection of two ADA Aftercare Department staff members, organization of the internship agenda ("job shadowing"), logistical and on-site support to interns, "train-the-trainer" workshop and dissemination of lessons-learnt to the remaining Aftercare Department staff by the interns.

Deliverables: Internship materials, lessons-learnt report with recommendations for ADA, workshop/seminar materials prepared by the interns.

Indicative number of man-days: 5 md in one mission

Component 2: FDI Strategy development and investment climate improvement

The objective of this component is to strengthen institutional capacities of Investment Policy Department of MoE so that it has the skills to develop a sound national FDI strategy/policy that clearly states vision, goals and targets for FDI and explicitly describes expected FDI impacts and benefits. At the same time this Component aims at providing a review of existing investment climate, particularly in selected target sectors and provides significant input into development of a new investment incentive program in Armenia.

2.1. Introduce EU best practices in policy planning, with a special focus on developing a national FDI strategy through organization of policy drafting skills workshops.

Discussing the process of FDI policy planning, content of FDI strategies/policies, best practices in drafting the strategy/policy and involving external stakeholders, setting up performance indicators, monitoring & evaluation means. Assessment of existing FDI policy concept note developed by MoE, etc.

Deliverables: Training/workshop/seminar, presentation materials and case studies.

Indicative number of man-days: 5 md in one mission

2.2. Assess Armenia's development goals, investment needs and potential, analyse current global and regional FDI trends.

Review of existing national development policies (Export-Led Industrial Policy in particular), identification of investment needs and potential, analysis of current global and regional FDI trends, reviewing (mis)match between investment needs and FDI trends.

Deliverables: Report assessing Armenia's development goals, investment needs and potential; report analyzing current global/regional FDI trends, including recommendations as to how these trends impact on selection of priority sectors for national FDI strategy,

Indicative number of man-days: 15 md in two missions (first mission together with activity 2.1.)

2.3. Involving external stakeholders assess country's strengths and weaknesses, jointly develop a short list of target industries compatible with Armenia's attributes and select target geographic sources of investment, namely in EU MS.

Based on Activity 2.2. output carry out assessment of Armenia's strengths and weaknesses involving external stakeholders and agree on a short list of target industries that are compatible with Armenia's attributes and have strong global/regional FDI track record. Select target geographic sources of investment.

Deliverables: External stakeholders identified and participated in preparing a list target industries (sectors) and geographic sources of investment.

Indicative number of man-days: 13 md in one mission

2.4. Set out ambitious but achievable goals and targets of the FDI strategy, develop a set of monitoring and FDI impact assessment indicators and finalize text of National FDI Strategy.

Based on Activity 2.2. and 2.3. output, finalize the content of National FDI Strategy, including identification of goals and targets and development of monitoring and FDI impact assessment indicators.

Deliverables: Document “National FDI Strategy”

Indicative number of man-days: 15 md in one mission

2.5. Assist with organization of a stakeholder support event for promoting the National FDI Strategy and with promotion of the policy in domestic and international media.

Based on Activity 2.4. assist ADA with organization of a stakeholder support event, particularly involving ADA Board members. ADA Board’s endorsement of the National FDI Strategy is important for strategy’s sustainability and political support of ADA’s activities. Promote the strategy in domestic media and suggest ways how to use it in international PR.

Deliverables: ADA Board’s endorsement of the strategy, public event promoting the strategy organized.

Indicative number of man-days: 7 md in one mission

2.6. Benchmark Armenia against key competitor countries in at least 3 selected target sectors and use data for drafting policy recommendations on “product”⁵ improvement.

Using outputs of activities 2.2. – 2.5. provide a more detailed analysis of at least three National FDI Strategy target sectors by benchmarking them against key competitor countries. This activity will lead to a recommendation paper on “product” improvement to be submitted to ADA Board.

Deliverables: ADA Board’s endorsement of the strategy, public event promoting the strategy organized.

Indicative number of man-days: 15 md in two missions (first mission together with Activity 2.5.)

2.7. Assist MoE with development of an investment incentives scheme for targeted sectors based on the benchmarking analysis results. This will entail as minimum consultations with concerned stakeholders, designing the incentive scheme using established international best practices guidelines, incl. a cost-benefit analysis, drafting an outline of

⁵ “Product” in this sense being the cumulative attributes of Armenia of relevance to cross-border investors in particular targeted sectors.

legal norm that will support the incentive scheme and setting-up a framework for administering the incentives.

Provided the recommendation paper prepared during activity 2.6. identifies lack of investment incentives provided in Armenia as one of the key areas for improvement, the Twinning project should deliver a well developed outline of a new investment incentive program. This will entail as minimum defining the rationales for the program, choosing appropriate incentives (fiscal, financial, regulatory) and setting-up eligibility criteria, outlining the administration mechanism and proposing a monitoring and evaluation system. The report should also include a cost-benefit analysis of the incentive program (impact on state budget of Armenia) and an outline of a legal norm that will support the incentive program, including identification of related legislation that will need to be amended. It is expected that the investment incentive outline will be followed-up by other donor funded programs (WB/IFC in particular) and lead to a development of a complete set of legal norms and administrative processes that will allow the incentive program to be launched.

When preparing the investment incentives outline, the Twinning project should involve, whenever possible, all relevant external stakeholders to assure their support to the new investment incentive program. The project is also expected to use some established international best practices in designing investment incentives programs (e.g. OECD Checklist for FDI Incentives Policies).

Deliverables: Technical paper describing the rationales for investment incentives, justifying the choice of incentives, outlining the incentive program and eligibility criteria, providing a cost-benefit analysis and incentive administration mechanism is prepared in cooperation with external stakeholders. An outline of a legal norm that will support the incentives program, incl. identification of related legislation that needs to be amended.

Indicative number of man-days: 80 md in eight missions

2.8. Review existing methodologies for monitoring and measuring FDI impact on domestic economy, present best practices used in EU MS and assist with redesign of the FDI impact monitoring and measuring system for Armenia.

Discussing the rationale for monitoring and measuring FDI impact on domestic economy, review on existing methodologies used in Armenia and assistance with their redesign. The revised methodologies need to support National FDI Strategy (Activity 2.4.).

Deliverables: Assessment report reviewing existing methodologies for monitoring and measuring FDI impact on Armenian economy.

Indicative number of man-days: 10 md in one mission

Component 3: Investment Promotion and Policy Advocacy

The objective of this component is to provide some hands-on assistance with development of selected investment promotion tools and to strengthen ADA's credibility among foreign investors by assisting it in development of a FDI representative structure. It should be noted that the Twinning project will not financially support ADA outreach activities as there are other donors programs (WB and ADB in particular) that are committed to provide budget assistance.

3.1. Share EU MS investment promotion agencies' best practices in running investment outreach programs using workshops, on-the-job training, case studies, etc.

Discussing objectives, methods and tools used in running investment outreach programs, best practices and case studies in developing cost effective outreach programs, special emphasis on e-marketing.

Deliverables: Training/workshop/seminar, presentation materials and case studies.

Indicative number of man-days: 5 md in one mission

3.2. Develop a list of companies for at least three target sectors (as min. 50 companies per sector), including contact details, company past investment profile, and reasons for approaching.

Using the target sectors identified by the National FDI Strategy, develop a list of companies for at least three targets sectors (as min. 50 companies per sectors). Assist with identification of data sources - the Twinning project will provide temporary access to a commercial database; prepare an outline of company profile (incl. contact details, company past investment profile, reasons for approaching), assist ADA with entering the companies into ADA customer relationship management system.

Deliverables: At least 150 companies have been identified as potential investors in Armenia in at least three target sectors.

Indicative number of man-days: 20 md in two missions

3.3. Research and define Armenia's value proposition for each of the targeted sectors.

Using the target sectors identified by the National FDI Strategy, research and develop a unique selling (value) proposition for each of the targeted sectors that can be used in outreach campaigns.

Deliverables: Value proposition (unique selling proposition) developed for each of the targeted sectors.

Indicative number of man-days: 10 md in one mission

3.4. Share EU MS investment promotion agencies' best practices in image building, using workshops, on-the-job training, case studies, etc.

Discussing objectives, methods and tools used in image building programs, best practices and case studies in developing cost effective image building campaigns and programs, special emphasis on involving diaspora.

Deliverables: Training/workshop/seminar, presentation materials and case studies.

Indicative number of man-days: 5 md in one mission

3.5. Develop profiles of successful FDI companies operating in Armenia (at least 10 profiles).

Identify successful FDI companies that can serve as referrals/testimonials to other potential investors, develop a profile for each of the company that can be used during an outreach program / PR campaign.

Deliverables: At least 10 profiles of successful FDI companies operating in Armenia prepared in proofread English.

Indicative number of man-days: 15 md in two missions (first mission together with Activity 3.4.)

3.6. Set up international media action plan that would feed in a cost effective manner international media in target sectors with positive stories about Armenia.

Discuss and present ways of feeding international media in target sectors with positive stories about Armenia, in particular using proxies such as Armenian embassies, political events, etc. The emphasis should be on creative and cost effective ways to promote Armenia abroad given the limited financial budget of ADA. This activity should result in preparing a realistic international media plan for the upcoming year.

Deliverables: Media plan, incl. cost-effective implementation mechanism.

Indicative number of man-days: 10 md in one mission

3.7. Assist ADA with organization of one of its planned outreach missions to a EU MS. This will entail providing guidance as to how to select potential investors, how to approach them and how to present Armenia's unique selling proposition (USP). Organize high-level meetings with senior government officials ("FDI champions") in the host country for the mission leaders.

Methodological assistance of the Twinning project to one outreach mission should in principle be provided to a mission that takes place in the same country as the MS project partner country of origin. While all financial costs related to the outreach mission should be born by ADA or other donor programs, the Twinning project will provide significant assistance in selecting target companies, establishing contact with them and fine-tuning Armenia's unique selling proposition. As a capacity building measure, the Twinning project will also organize high-level meetings with senior government officials ("FDI champions") in the host country for the mission leaders (it is expected that the mission will be led by one of the ADA Board members), during which

the EU MS FDI political support system will be presented to the ADA Board member(s).

Deliverables: A list of companies to be approached, incl. contact details and profiles, tailored value propositions, meetings with senior government officials organized for ADA Board member(s) leading the mission.

Indicative number of man-days: 15 md (10 md in one mission + 5 md on site assistance in EU MS)

3.8. Share EU MS best practices on FDI representation structures supported by an investment promotion agency (case studies, workshops, etc.).

Discussing objectives, methods and tools used in representing FDI interests, best practices and case studies in facilitating FDI representation, examples of different FDI representation structure in EU MS.

Deliverables: Training/workshop/seminar, presentation materials and case studies.

Indicative number of man-days: 5 md in one mission

3.9. Facilitate establishment of a FDI representation structure in Armenia. Assist with organization of a FDI conference to present FDI experience in Armenia, invite Diaspora to participate.

Select an appropriate FDI representation structure (either using an existing platform, fostering strategic partnership with other organizations or creating a new platform), assist ADA with setting-up the structure and organization of a FDI conference with diaspora presence at which FDI experience in Armenia will be shared and presented.

Deliverables: FDI representation structure established, conference presenting FDI experience in Armenia took place, public was informed about the event.

Indicative number of man-days: 20 md in two missions (first mission together with Activity 3.8.).

3.5 Means/ Input from the MS Partner Administration

Besides the MS Project Leader (PL) who will be responsible for the overall conception and direction of the MS organization input to the twinning arrangement and the Resident Twinning Advisor (RTA) who will be dedicated exclusively to this project for the whole duration of the activities, the composition of the MS Twinning team is as follows:

Function of EU staff	Man days (indicative)
Experts in investment aftercare	75
Experts in FDI strategy planning	80
Experts in investment incentives	80
Experts in investment promotion	80
Experts in policy advocacy	25

3.5.1 Profile and tasks of the Project Leader

The MS Project Leader (PL) will be responsible for overall conception and direction of the MS organization input to the twinning arrangement, ensuring that the members of the team deliver results and achievements in accordance with the targets set for them. S/he will be expected to spend a minimum of three days per month at her/his home administration providing project direction and it is envisaged that there will be a requirement for at least one visit to the BC every three months to attend the Project Steering Committee meetings.

The PL is expected to have:

- at least 10 years of experience as a senior executive in a MS investment promotion agency and be accustomed to interfacing with senior business people including senior government officials;
- a thorough knowledge of current best practices in investment promotion;
- strong leadership skills and very good command of written and spoken English;
- experience in international co-operation will be an asset.

The proposed PL must be a public servant of a Member State administration or of a mandated body who should have worked for such organization in a top management position for at least one year before the date of launching of the call for proposal for this Twinning project.

The PL is expected to deliver the following tasks:

- ensuring the overall delivery of the agreed outputs of the project;
- ensuring that the project is implemented in accordance with the terms and conditions of the contract;
- establishing good working relations between the team and ADA/MoE;
- co-chairing project Steering Committees.

3.5.2 Profile and tasks of the RTA

The duration of the assignment of the RTA will be 16 months.

The RTA, under the guidance of the PL, will lead the work of the team and will work on a daily basis with ADA/MoE staff to implement the project, to support and co-

ordinate the activities with ADA/MoE and to ensure continuity of implementation. S/he will be based in Armenia and will be responsible for the day-to-day management of the project on site.

The RTA is expected to have:

- a professional record of at least 7 years in a MS investment promotion agency, preferably involving senior management;
- good general knowledge of sectorial analysis and strategic planning;
- a thorough knowledge of investment promotion techniques;
- a university degree in the field related to FDI promotion;
- an excellent command of written and spoken English, proven ability to draft professional reports and deliver presentations in English;
- a knowledge of EU rules and regulations relating to the management of Twinning Agreements.

The proposed RTA must be a public servant of a Member State administration (or employee of a mandated body) who has worked for this organization for at least one year before the date of launching of the call for proposal of this Twinning project. In his/her daily work in Armenia, the RTA will be supported by a RTA Assistant, to be recruited and funded by the project.

The RTA is expected to deliver the following tasks:

- day-to-day supervision of the project implementation and coordination of all activities, liaison with the BC PL and RTA counterpart;
- management of the project administration and regular project reporting (inception report, quarterly progress reports, final report);
- drawing up the Terms of Reference for the short-term experts;
- professional support and participation in the work program of one or more project components.

3.5.3 Profile and tasks of the RTA's Assistant

One full-time assistant who will be recruited locally, in accordance with the standard rules in force, after the award of the project and remunerated on the budget of the Twinning Contract will assist the RTA. RTA assistant remunerated by the project cannot have (in the past six months) had any contractual relation with the beneficiary administration. The assistant may be hired during the preparation of the Twinning Contract but her/his assignment starts with the project implementation (when RTA arrives in Armenia).

The assistant will be in charge of supporting the RTA in his/her daily work, providing administrative and organizational support to the Project, and occasional translation/interpretation (AN/EN & EN/AM).

At this juncture, RTA Assistant's CV should not be part of the proposal of the Member State(s).

3.5.4 Profile and tasks of the short-term experts

Besides the technical qualifications defined for each of the categories of experts proposed below, it is expected that all ST experts have the following profile:

- proven professional background in their field of expertise;
- 5-10 years of experience at management level in investment promotion gained in a MS investment promotion or a similar organization;
- solid knowledge of best practices IPA working methods and procedures, gained through “hands on” practical experience;
- good background in formulating and implementing strategies and policies;
- solid training skills and experience in facilitating workshops;
- good written and spoken command of English;
- good communication and computer skills;
- previous experience of working in multidisciplinary team in a multinational environment.

3.5.4.1. Experts in investment aftercare

The estimated duration of the assignment of the investment aftercare experts is 75 days.

The investment aftercare experts are expected to meet the following requirements:

- experience in investment aftercare in a EU MS IPA;
- hands-on experience in designing and running investment aftercare programs;
- excellent interpersonal skills and proven track record in communicating with senior business people;
- practical experience in developing and organizing FDI surveys,
- good experience in know-how transfer and “teaching by doing” practices.

They are expected to deliver the following tasks:

- sharing best practices in investment aftercare through provision of workshops, interactive training, presentation of case studies, etc.;
- reviewing ADA’s existing investment aftercare practices and procedures, and developing new operational manuals, guidelines and checklists;
- assisting with establishing and maintaining FDI database of existing investors;
- designing FDI survey and assisting with its execution;
- drafting a recommendation paper based on the FDI survey results;
- assisting with identification of companies with high re-investment / expansion potential, organizing initial meetings and accompanying ADA during the selected meetings;
- providing recommendations as to the future development of ADA aftercare services;
- organizing internship for selected ADA aftercare dept. staff in EU MS IPA and providing support and assistance to interns during their stay in EU MS IPA;
- organizing a train-the-trainer workshop and assisting with dissemination of “lessons learnt” by the interns at ADA.

3.5.4.2. Experts in strategic planning

The estimated duration of the assignment of the strategic planning experts is 80 days.

The strategic planning experts are expected to meet the following requirements:

- experience in strategic planning in a EU MS IPA or a relevant government organization or ministry;
- hands-on experience in developing national FDI promotion strategies or policies;
- experience in preparing sector analysis studies and identification of country's competitive advantages for attracting foreign investment;
- experience in benchmarking sectors for investment promotion;
- excellent interpersonal skills and proven track record in communicating with senior government officials;
- good experience in know-how transfer and “teaching by doing” practices.

They are expected to deliver the following tasks:

- sharing best practices in policy planning (FDI strategy/policy in particular) through provision of workshops, interactive training, presentation of case studies, etc.;
- assessing Armenia's development goals, investment needs and potential, and strengths/weaknesses, analyzing current regional and global FDI trends;
- jointly with ADA/MoE and other stakeholders developing a list of target industries compatible with Armenia's attributes and selecting geographic sources of investment;
- setting out goals and targets of the FDI strategy, developing a set of monitoring and FDI impact assessment indicators and drafting the text of national FDI Strategy;
- assisting with organization of a stakeholder support event for promoting the FDI national strategy;
- benchmarking Armenia against key competitor countries in selected target sectors and drafting a recommendation report on “product improvement”.

3.5.4.3. Experts in investment incentives

The estimated duration of the assignment of the investment incentives experts is 80 days.

The investment incentives experts are expected to meet the following requirements:

- experience in designing and administering an investment incentive program in a EU MS gained at IPA or a relevant government organization or ministry;
- university education in Economics for activities related to investment incentives cost-benefit analysis and in Law for activities related to drafting outline of a legal norm supporting the incentive scheme;
- excellent interpersonal skills and proven track record in communicating with senior government officials;
- good knowledge of established international best practices in designing investment incentives programs (e.g. OECD Checklist for FDI Incentives Policies).

They are expected to deliver the following tasks:

- assisting MoE with development of an investment incentives scheme;

- identifying and analyzing rationale for investment incentives;
- drafting a technical paper justifying the choice of incentives and outlining the incentive scheme, eligibility criteria and administration mechanism;
- providing a cost-benefit analysis of the proposed investment incentive program;
- drafting an outline of a legal form that will support the incentive scheme and identification of existing legislation that will need to be amended.

3.5.4.4. Experts in investment promotion

The estimated duration of the assignment of investment promotion experts is 80 days.

The investment promotion experts are expected to meet the following requirements:

- at least 7 years of practical experience in FDI promotion including image building and investment outreach gained in a EU MS IPA;
- excellent skills in analyzing data and preparing sector marketing plans;
- hands on experience in designing sector based investment outreach programs;
- good practical experience of monitoring and evaluating marketing activities;
- solid training skills and experience in facilitating workshops.

They are expected to deliver the following tasks:

- sharing best practices in image building and investment outreach through provision of workshops, interactive training, presentation of case studies, etc.;
- identifying companies/potential investors for selected sectors and preparing their profile outlines;
- defining value proposition (unique selling proposition) for targeted sectors;
- preparing profiles of successful FDI companies operating in Armenia;
- preparing a cost effecting media plan;
- assisting ADA with organization of one outreach mission to EU MS, organizing high level meetings for mission leader with EU MS senior government “FDI champions” and providing on site assistance during the mission.

3.5.4.5. Experts in policy advocacy

The estimated duration of the assignment of the policy advocacy experts is 25 days.

The policy advocacy experts are expected to meet the following requirements:

- experience in a public sector agency, preferably an IPA, in the field of influencing investment climate change through devising policies aimed at attracting more FDI;
- excellent interpersonal skills and proven track record in communicating with both senior government officials and business people;
- experience with introducing investment climate reforms based on feedback from investors;

- good knowledge of established and successful FDI representation structures in EU MSs.

They are expected to deliver the following tasks:

- sharing best practices in policy advocacy through provision of workshops, interactive training, presentation of case studies, etc.;
- facilitating establishment of a FDI representation structure in Armenia;
- assisting with organization of a FDI conference that will present FDI experience in Armenia.

4. Institutional Framework

REMARK: Armenian Development Agency and Industrial Development Fund are currently in a merging process. The institutional framework for the implementation of the project will have to be updated during the contracting phase.

There are two beneficiaries for this Twinning project – ADA and Ministry of Economy. Within ADA the project will mostly liaise with ADA management, FDI Outreach and Servicing Department, Aftercare Department and Promotion & Events Department.⁶ At the Ministry of Economy, the main beneficiary is Investment Policy Department. In addition, the following institutions will directly benefit from the twinning activities:

4.1. ADA Board of Directors

Board of Directors will benefit from this initiative though having a more professional organization within its remit of responsibility (ADA) that is capable of assisting in the development of policy papers for Board's consideration on issues affecting the competitiveness of Armenia. By developing the National FDI Strategy, the Twinning project will also empower the Board by providing it with a set of targets and performance indicators that the Board may decide to employ for overseeing ADA's performance.

4.2. Industrial Development Fund

The role of Industrial Development Fund is to implement, finance, coordinate and monitor industrial development projects and provide support in increasing competitiveness of industrial companies. Fund's activities are based on Export-Led Industrial Policy's action plans; many of them are directly executed by ADA. Industrial Development Fund is, therefore, an important project stakeholder, given its significant financial contribution to ADA's operation.

4.3. Enterprise Incubator Foundation

Enterprise Incubator Foundation is a technology business incubator and a consulting company focusing on ICT sector development in Armenia. One of its objectives

⁶ Provisional titles of ADA departments that are to be established by the end of 2013.

include attracting foreign direct investment in ICT sector to Armenia – in this particular sector Foundation's activities overlap with ADA and the Foundation needs to be included in the project as a stakeholder, particularly during the development of national FDI strategy.

4.4. National Competitiveness Foundation of Armenia

The Foundation was established on a public-private principle (PPP) with the aim to achieve breakthrough development toward national competitiveness in key areas of economic activity. Currently it focuses its activities in three key sectors: education, healthcare, tourism where it identifies potential investors and presents them PPP investment opportunities in Armenia. Although currently not directly overlapping with ADA, the Foundation is also involved in investment promotion and should be included in the project as an important stakeholder.

5. Budget

The maximum estimated budget for this twinning budget is € 850,000.

The beneficiary will provide in kind contribution in the form foreseen in the Twinning manual.

6. Implementation Arrangements

6.1 Implementing Agency

The Contracting Authority responsible for tendering, contracting and accounting is the Delegation of the European Union to Armenia. The EU Delegation will be the responsible institution for the management of this twinning project. It manages the tenders, contracts and payments in accordance with the procedures of ex-ante control defined in the Practical Guide to contract procedures financed from the General Budget in the context of external actions.

Contracting Authority Contact Details:

Mr. Ludovic Ciechanowski

International Aid/Cooperation Officer
Trade and Private Sector Development
21 Frik Street, Yerevan 0002
Republic of Armenia

Telephone: +374 (10) 546 494 #822

Fax: +374 (10) 546 495

Email: Ludovic.CIECHANOWSKI@eeas.europa.eu

The Programme Administration Office (PAO) will support the Twinning project implementation process with the EU Delegation.

The person in charge of this project in the PAO is:

Ms. Amalia Hovsepyan

Head of Division
EU Programme Division (PAO)
EU Relations Department / Ministry of Economy of RA
5 Mher Mkrtchyan str. Yerevan 0010
Republic of Armenia

Telephone: +374 (10) 597 179
Fax: +374 (10) 526 577
Email: ahovsepyan@mineconomy.am

6.2 Main counterpart in the BC

The main counterpart in Armenia will be Armenian Development Agency (ADA):

Armenian Development Agency (ADA)
5 Mher Mkrtchyan str. Yerevan 0010
Republic of Armenia

Focal Point: Mr. Robert Harutyunyan

Director General
Armenian Development Agency (ADA)
5 Mher Mkrtchyan str. Yerevan 0010
Republic of Armenia

Telephone: +374 (10) 570 170
Fax: +374 (10) 526 577
Email: rharityunyan@ada.am

and Investment Policy Department of Ministry of Economy:

Ministry of Economy
5 Mher Mkrtchyan str. Yerevan 0010
Republic of Armenia

Focal Point: Mr Garegin Melkonyan

Ministry of Economy of the RA
5 Mher Mkrtchyan str. Yerevan 0010
Republic of Armenia

Telephone: +374 (10) 597 179
Fax: +374 (10) 526 577
Email: gmelkonyan@mineconomy.am

Project Leaders

There will be two Armenian Project Leaders (PLs): Mr. Robert Harutyunyan, a director general of ADA and Mr Garegin Melkonyan, first deputy minister of MoE. They will act as the counterparts of the MS PL and will ensure close co-operation in the overall steering and co-ordination of the project, ensuring the operational dialogue and the backing at political level. The PLs' seniority will ensure their ability to mobilize the necessary staff in support of the efficient implementation of the project. They will also coordinate the Project Steering Committee from the Armenian side.

RTA counterpart

The beneficiary has appointed Ms. Natalya Artsruni (ADA) as the RTA counterpart who will work day to day with RTA to assure proper coordination and implementation of all the project activities and achieve an efficient transfer of know-how.

Ms. Natalya Artsruni

ADA Deputy Director
Armenian Development Agency (ADA)
5 Mher Mkrtchyan str. Yerevan 0010, Armenia

Telephone: +374 (10) 570 170 #105

Fax: +374 (10) 526 577

Email: natalya@ada.am

Ms. Artsruni will be also a Component leader for Components 1 and 3 while Ms. Karina Sargsyan (MoE) will be a component leader for Component 2. Both Ms. Artsruni and Ms. Sargsyan will be responsible, together with the RTA for finalizing the reports to be submitted to the PLs for the Project Steering Committee meetings.

Another task for the ADA RTA counterpart will be acting as coordinator between all the technical assistance projects based at ADA. This is essential in order to ensure that there is no overlap of functions and that there is proper liaison between the programmes to ensure maximum effectiveness⁷. In this context it is advisable that there is a steering committee involving all donor programs working with ADA.

Furthermore, the mentoring and on-the-job training approach of this project, together with the shared responsibility for achieving the expected results, require appointment of suitably qualified personnel to work with the MS experts for each major activity within each component. These counterparts should be individuals responsible for a particular area of expertise within ADA (MoE) since they will be the owners of the new processes and will be responsible for the implementation of the best practices.

6.3 Twinning Quarterly Steering Committee

A Steering Committee (SC), consisting of ADA, MoE, stakeholders, the PAO representatives and representatives of the Delegation of the EU to the RA will be established upon project start.

This SC will be established for the control and supervision of the project activities and the mandatory results.

The Steering Committee will meet at quarterly intervals and will assess the progress of the project, verify the achievements of the outputs and mandatory results and discuss any other issues that might affect a smooth implementation of the project. The SC will submit by the end of the meeting (as recorded in the minutes of meeting) an approval/not approval of the Twinning project quarterly and final reports. Official minutes of the PSC meetings will be kept in English and distributed to all parties within 15 days after the PSC meeting.

The exact composition of the Steering Committee is to be defined in the Twinning Contract. However, the following persons should at least be a member: BC Project

⁷ Three donor-funded programs are likely to provide assistance to ADA during the same period of time – EU Twinning program, WB/IFC and ADB program.

Leaders, MS Project Leader, BC Counterpart to the RTA, RTA, representative of the Twinning Programme Administration Unit, MoF, Project manager of the EU Delegation. It is advisable to invite representatives of other relevant projects providing assistance to ADA as observers in the Steering Committee meetings to avoid project activity overlaps.

Monitoring meetings will be organized with the PAO each month (except when the Steering Committee is convened).

6.4 Contracts

Only one Twinning contract is foreseen for this project. This contract will be drafted in English (the working language of the Twinning project is English).

A new Financial Regulation applicable to the general budget of the European Union entered into force on 1st January 2013.⁸ This implies several changes to the Twinning contract templates. An updated version of the Twinning Manual and of its Annexes, incorporating these changes, is in preparation and shall be published soon on EuropeAid website.⁹ The Twinning contract that will be signed as a result of the present procedure shall follow the templates of the updated Twinning Manual and Annexes.

7. Implementation Schedule (indicative)

Launching of the call for proposals	December 2014
Start of project activities	September 2015
Work plan duration	16 months

8. Sustainability

Twining project achievements (mandatory results) should be maintained as a permanent asset to the Beneficiary administration even after the end of the Twinning project implementation. This presupposes *inter alia* that effective mechanisms are put in place by the Beneficiary administration and the Twinning key actors disseminate and consolidate the results of the project. This will be a crucial issue to be tackled by the Quarterly Steering Committee.

Key factors for sustainability will be systematic development of internal guidelines, manuals and checklists that will be used by the beneficiary after the project completion as well as efficient and thorough use of “on-the-job training” resulting in development of practical and ready to use materials (e.g. company profiles, FDI survey, FDI database, etc.)

The need for strong political support, especially to ensure endorsement of the FDI National Strategy by the ADA Board of Directors, will be required.

⁸ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:298:0001:0096:EN:PDF>
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:362:FULL:EN:PDF>

⁹ http://ec.europa.eu/europeaid/where/neighbourhood/overview/twinning_en.htm

9. Crosscutting issues

An important issue to be considered by both ADA and the MS Twinning partner is that of confidentiality and protection of information, namely that related to investment plans of potential investors in both countries. Given the increasingly global nature of the companies' investment plans and possible overlap of selected sectors that both ADA and the MS Twinning partner target in their pro-active outreach effort, it will be necessary to address this issue in early discussions between ADA and the selected MS partner and incorporate appropriate safeguard mechanisms into the contract.

Each Twinning partner is required to comply with the equal opportunities requirements of the European Union. The principal of equal opportunity will be integrated into all stages of the project implementation.

No specific environmental issues are to be raised in the case of this Twinning project to the exception of taking care of the use of paper within the administration.

10. Conditionality and sequencing

The ultimate success of this project depends on a large number of factors, some of which are within the control of ADA, but many lie outside its remit. However, it is critical that the ADA Boards of Directors and ADA senior management team give the project its full backing and cooperation. Below are listed some of the most important factors in determining the outcome of the project:

- Organizational changes envisaged to take place by the end of 2013 could lead to lack of consistency and focus – establishment of Aftercare department is a direct precondition for the Twinning project.
- Staff allocated by ADA to the project must be capable of fully understanding and utilizing the benefits of the Twinning process.
- ADA remains the lead agency in Armenia for promoting FDI and receives sufficient support of the Board for its activities in promoting Armenia as a location for FDI.
- ADA has enough absorption capacity to make a full use of the Twinning know-how transfer – a careful consideration should be given to ADA human resources and absorption capacities during the project early inception phase given the high likelihood of simultaneous implementation of 2-3 donor programs.

The following sets out the minimum levels of commitment by ADA for the successful implementation of the project:

- Making available suitable and adequate accommodation for the entire Twinning team. This is to include fully serviced office accommodation, incl. Internet connection, telephones with international connections, printers, photocopiers, etc.
- Making available training, workshop and seminar venues.
- Ensuring co-ordination between institutions connected by the project (namely MoE).
- Ensuring access to all data and information relevant to the operation of the project in English.

11. List of annexes

Annex 1: Logical Framework Matrix

Title and Acronym of the Twinning project: Strengthening the investment promotion and investment policy institutional framework of Armenia.	Reference:	Duration of the project: 16 months	Budget: € 850,000
Overall Objective	Objectively verifiable Indicators (OVIs)	Sources of Verification	
To contribute to higher rates of economic growth of Armenia, increased productive capacities of the economy, job creation, innovation and technology transfer through foreign direct investment.	<ul style="list-style-type: none"> Increased FDI inflow Increased GDP growth Increased job creation in FDI projects 	<ul style="list-style-type: none"> Balance of payments (Central Bank of Armenia) World Investment Report (UNCTAD) Macroeconomic and foreign investment flow indicators (National Statistical Service of Armenia) ADA Annual Report (ADA) 	
Project Purpose	Objectively verifiable Indicators (OVIs)	Sources of Verification	Assumptions
To increase the volume of annual greenfield FDI inflow into Armenia by supporting ADA and Investment Policy Dept. of MoE in their efforts to become more effective investment promotion / investment policy bodies.	<ul style="list-style-type: none"> Increased share of ADA facilitated FDI in total FDI inflow Increased number of investment projects in the pipeline 	<ul style="list-style-type: none"> ADA Annual Report ADA internal statistics provided to the Board 	Armenia's investment climate will not worsen. GoA continues its regulatory reforms effort and further eases doing business in Armenia. There will be no external changes negatively impacting on Armenia's image. ADA remains to be a key investment promotion body in the country.
Results	Objectively verifiable Indicators (OVIs)	Sources of Verification	Assumptions
R1. ADA has a demonstrated capacity to stimulate re-investment and expansion of existing foreign investors in the country.	<ul style="list-style-type: none"> Increased share of re-investment / expansion in total FDI inflow 	<ul style="list-style-type: none"> Balance of payments (Central bank of Armenia) Foreign investment flow indicators (National Statistical Service of Armenia) ADA Annual Report 	ADA has successfully launched an aftercare programme that is well received by foreign investors. ADA Board supports ADA aftercare programme.
R2. Investment Policy Dept. of MoE has the skills and tools to draft an FDI strategy that is supported by its stakeholders.	<ul style="list-style-type: none"> National FDI Strategy developed and endorsed by ADA Board 	<ul style="list-style-type: none"> National FDI Strategy document ADA Board minutes 	ADA Boards endorses the strategic document prepared by MoE.

<p>R3. ADA is a result-oriented investment promotion agency, recognized by foreign investors and internal stakeholders as a credible body that is able to proactively attract greenfield FDI into the country, influence investors' perception of Armenia in target markets and play a strong policy advocacy role.</p>	<ul style="list-style-type: none"> • Increased number of investment enquiries handled by ADA • Establishment of FDI representation structure • Armenia's image in target sectors improved. 	<ul style="list-style-type: none"> • ADA Annual Report • ADA internal statistics provided to the Board • FDI representation structure founding charter • Foreign media coverage analysis 	<p>ADA has sufficient absorption capacity to make efficient use of Twinning. ADA is adequately funded in its outreach activities.</p>
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Activities	Means (indicative)	Deliverables	Assumptions
COMPONENT 0: GENERAL ACTIVITIES			
Activity 0.1: Kick-off meeting	3 md: 1 mission of 3 days for the MS-PL	<ul style="list-style-type: none"> Stakeholders, media and public informed about the project Press release prepared and distributed to media Project visibility material produced (visibility of EU-funded project) 	RTA, RTA assistant and visiting PL will be given an office at ADA/MoE
Activity.0.2: Final Conference	3 md: 1 mission of 3 days for the MS-PL	<ul style="list-style-type: none"> Recommendations and lessons learned formulated and discussed Stakeholders, media and public informed about the project's results Dissemination of results of the project and an indication of the further work that needs to be done; press conference 	ADA/MoE supports the informing of other players/stakeholders and media about the project
COMPONENT 1: AFTERACARE SERVICES DEVELOPMENT			
A.1.1 Introduce EU MS best practices in aftercare through provision of presentations, case studies and workshops.	70 md: 6 missions of Investment Aftercare STE 5 md for A.1.1 10 md for A.1.2	<ul style="list-style-type: none"> ADA AFC Dept. and MoE Investment Policy Dept. staff learnt about EU MS best practices in providing aftercare services to investors (presentation materials left with ADA). ADA AFC Dept. and MoE Investment Policy Dept. staff understands the role of aftercare in investment promotion and is able to run an effective aftercare programme. 	<p>ADA AFC Dept. is established by the time Twinning starts and is adequately staffed.</p> <p>Stakeholder support ADA in providing aftercare services to existing investors.</p>
A.1.2 Review existing aftercare practices and internal processes in ADA; develop new operational manuals and guidelines.	40 md for A.1.3 10 md for A.1.4	<ul style="list-style-type: none"> Assessment report reviewing existing aftercare practices and internal processes in ADA prepared. New operational manuals and guidelines for ADA AFC Dept. staff prepared and put in use at ADA. 	ADA Board sees FDI as high political priority and supports existing FDI operating in Armenia.
A.1.3 Establish FDI database of existing investors and run an FDI survey among them.	5 md for A.1.5	<ul style="list-style-type: none"> Sources of data identified, structure of FDI database developed, database populated by entries. FDI Survey designed and sent out to existing investors. FDI Survey results analysed and a recommendation 	Foreign investors see ADA as a credible partner and are

Activities		Means (indicative)	Deliverables	Assumptions
			<ul style="list-style-type: none"> paper prepared. ADA is trained in maintaining and properly using the FDI database. 	interested in cooperation.
A.1.4	Identify companies with high re-investment / expansion potential, assist in organizing initial meetings with selected companies (as min. 20 companies) and accompany ADA during the meetings.		<ul style="list-style-type: none"> As min. 20 companies with high re-investment / expansion potential selected. A detailed profile for each of the companies prepared and entered into ADA AFC database. Initial meeting of ADA AFC Dept. staff with selected companies took place. 	
A.1.5	Provide recommendations as to the future development of ADA aftercare services in order to maximize FDI contribution to Armenia's economic development.		<ul style="list-style-type: none"> Recommendation report prepared and discussed with ADA management. ADA understands role of aftercare services and supports their further development. 	
A.1.6	Organize internship for selected staff members of ADA in an aftercare department of a EU MS investment promotion agency and assist with dissemination of the lessons-learned to all ADA AFC Dept. staff by the interns.	5 md: 1 mission of Aftercare STE for 5 md	<ul style="list-style-type: none"> Selected 2 ADA AFC Dept. staff underwent an internship in an aftercare department of a EU MS investment promotion agency. Lessons-learned report prepared by trainees, highlighting AFC practices that could be put in use at ADA. Train-the-trainer workshop and lessons-learned dissemination took place at ADA (e.g. a workshop / training session run by the interns). 	
		TOTAL C1: 75 md		
COMPONENT 2: FDI STRATEGY DEVELOPMENT AND INVESTMENT CLIMATE IMPROVEMENT				
A.2.1	Introduce EU best practices in policy planning, with a special focus on developing a national FDI strategy through organization of policy drafting skills workshops.	70 md: 4 missions of FDI Strategy Planning STE	<ul style="list-style-type: none"> MoE Investment Policy Dept. staff and ADA management learnt about EU MS best practices in preparing a national FDI policy/strategy (presentation materials left with ADA). 	ADA Board supports development of a FDI strategy.
A.2.2	Assess Armenia's development goals, investment needs and potential, analyse current global and regional FDI trends.		<ul style="list-style-type: none"> Report assessing Armenia's development goals, investment needs and potential is prepared. 	MoE has the capacity and resources to provide input for the analytical part of the FDI

Activities	Means (indicative)	Deliverables	Assumptions
	5 md for A.2.1 15 md for A.2.2	<ul style="list-style-type: none"> Report analysing current global and regional FDI trends is prepared; report contains recommendations as to how these trends impact on selection of priority sectors for ADA's investment outreach. 	<p>strategy planning.</p> <p>Stakeholders support National FDI Strategy and endorse the selection of target sectors.</p>
A.2.3 Involving external stakeholders assess country's strengths and weaknesses, jointly develop a short list of target industries compatible with Armenia's attributes and select target geographic sources of investment, namely in EU MS.	13 md for A.2.3 15 md for A.2.4 7 md for A.2.5	<ul style="list-style-type: none"> External stakeholders identified and approached. A list of target industries (sectors) and geographic sources of investment developed and endorsed by stakeholders. 	
A.2.4 Set out ambitious but achievable goals and targets of the FDI strategy, develop a set of monitoring and FDI impact assessment indicators and finalize text of National FDI Strategy.	15 md for A.2.6	<ul style="list-style-type: none"> Goals, targets and mechanisms for verification of their completion identified and agreed on. Set of monitoring and FDI impact assessment indicators prepared and agreed on. National FDI Strategy prepared. 	
A.2.5 Assist with organization of a stakeholder support event for promoting the National FDI Strategy and with promotion of the policy in domestic and international media.		<ul style="list-style-type: none"> Stakeholder support for FDI Strategy obtained. National FDI Strategy promoted in domestic and international media. 	
A.2.6 Benchmark Armenia against key competitor countries in at least 3 selected target sectors and use data for drafting policy recommendations on "product" ¹⁰ improvement.		<ul style="list-style-type: none"> Armenia's key competitor countries selected in at least 3 target sectors. Benchmarking report highlighting Armenia's comparative strengths and weaknesses (incl. FDI related legal framework review) prepared. Recommendation report on "product" improvement prepared and submitted to ADA Board and MoE. 	
A.2.7 Assist MoE with development of an investment incentives scheme for targeted sectors based on the benchmarking analysis results. This will	80 md: 2 missions of 20 days for 2 Investment	<ul style="list-style-type: none"> Based on the results of benchmarking (cf. A.2.6) potential rationales for investment incentives identified and analysed. 	GoA accepts investment incentives as an investment promotion tool and is ready

¹⁰ "Product" in this sense being the cumulative attributes of Armenia of relevance to cross-border investors in particular targeted sectors.

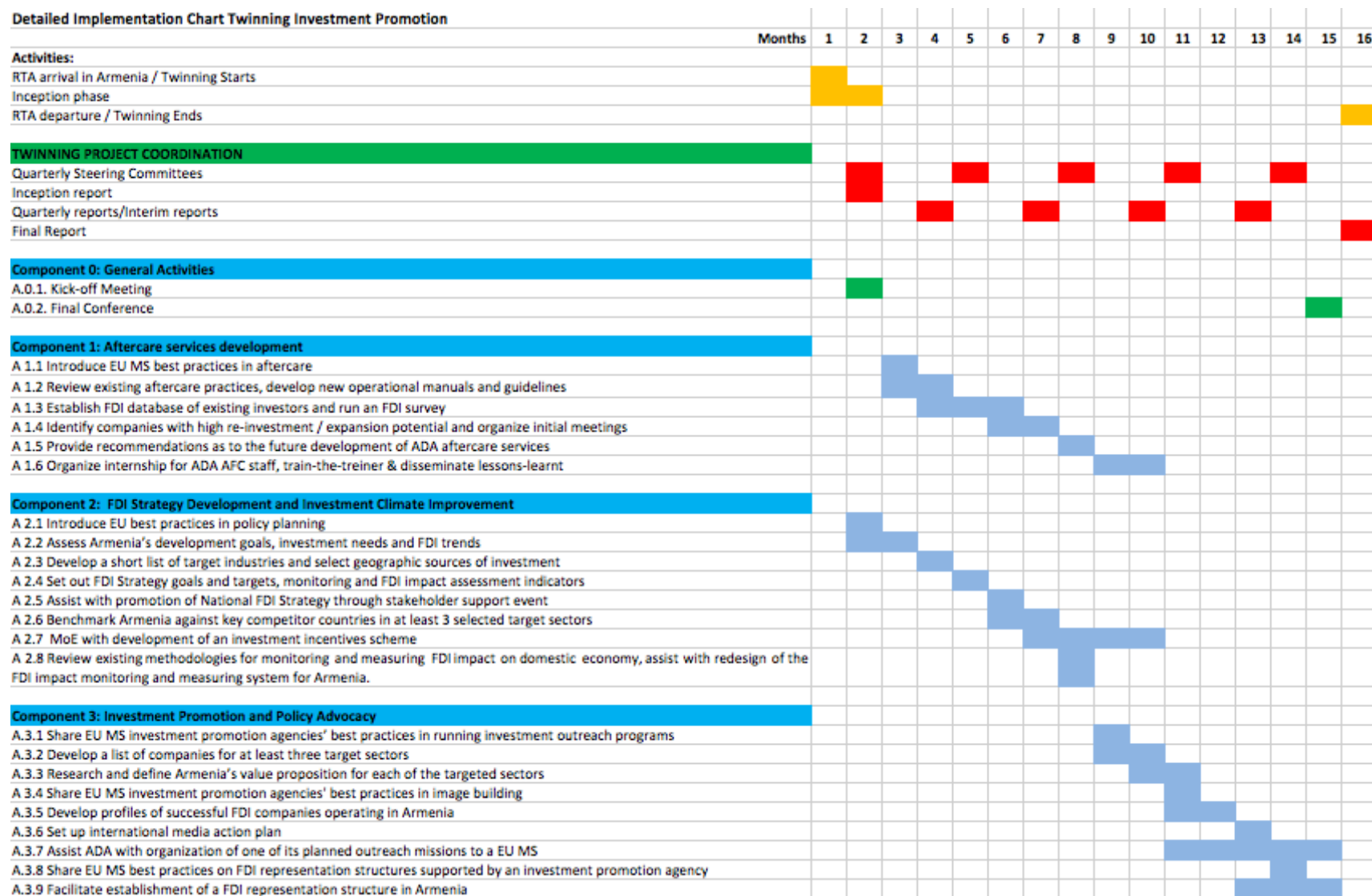
Activities		Means (indicative)	Deliverables	Assumptions
	entail as minimum consultations with concerned stakeholders, designing the incentive scheme using established international best practices guidelines, incl. a cost-benefit analysis, drafting an outline of legal norm that will support the incentive scheme and setting-up a framework for administering the incentives.	Incentive STEs	<ul style="list-style-type: none"> Technical paper justifying the choice of incentives, outlining the incentive scheme and eligibility criteria, providing a cost-benefit analysis and incentives administration mechanism is prepared in cooperation with stakeholders. An outline of a legal norm that will support the scheme is prepared, including identification of related legislation that will need to be amended. 	to support necessary legislative changes. Other donors (WB/IFC in particular) will build on the twinning outcome and provide assistance in drafting investment incentives related legislation.
A.2.8	Review existing methodologies for monitoring and measuring FDI impact on domestic economy, present best practises used in EU MS and assist with redesign of the FDI impact monitoring and measuring system for Armenia.	10 md: 1 mission of FDI Strategy Planning STE	<ul style="list-style-type: none"> Assessment report reviewing existing methodologies for monitoring and measuring FDI impact on Armenian economy prepared. ADA management and MoE Investment Policy staff learnt about EU MS best practices on FDI representation structures (presentation materials left with ADA). 	
		TOTAL C2: 160 md		
COMPONENT 3: INVESTMENT PROMOTION AND POLICY ADVOCACY				
A.3.1	Share EU MS investment promotion agencies' best practices in running investment outreach programs using workshops, on-the-job training, case studies, etc.	35 md: 2 missions of Investment Promotion STE 5 md for A.3.1	<ul style="list-style-type: none"> ADA FDI Dept. and MoE Investment Policy staff learnt about EU MS best practices in designing and running outreach programmes (presentation materials left with ADA). At least one practical outreach programme tool developed during the workshop, on-the-job training, etc. 	National FDI Policy containing clear target sectors has been endorsed by ADA Board (i.e. Component 2 of Twinning has been successfully completed).
A.3.2	Develop a list of companies for at least three target sectors (as min. 50 companies per sector), including contact details, company past investment profile, reasons for approaching.	20 md for A.3.2 10 md for A.3.3	<ul style="list-style-type: none"> At least 150 companies have been identified as potential investors in Armenia in at least three target sectors. Each company entry has as minimum senior contact details, past investment profile and description of reasons why it should be approached during an outreach 	ADA has adequate resources to carry out outreach activities External stakeholders support ADA in its investment

Activities		Means (indicative)	Deliverables	Assumptions
			programme.	promotion effort
A.3.3	Research and define Armenia's value proposition for each of the targeted sectors.		<ul style="list-style-type: none"> Value proposition (unique selling proposition) developed for each of the targeted sectors. 	<p>Sufficient number of existing foreign investors operating in Armenia shows interest in participating in a FDI representation structure facilitated by ADA</p> <p>ADA remains to be a key investment promotion body in the country.</p> <p>ADA organizes and funds an outreach mission in the same EU MS as the country of origin of Twinning MS consortium members.</p> <p>A senior ADA Board member leads the outreach mission.</p>
A.3.4	Share EU MS investment promotion agencies' best practices in image building, using workshops, on-the-job training, case studies, etc.	30 md: 1 mission of Investment Promotion STE	<ul style="list-style-type: none"> ADA FDI Dept. staff learnt about EU MS best practices in image building (presentation materials left with ADA). At least one practical image building tool developed during the workshop, on-the-job training, etc. 	
A.3.5	Develop profiles of successful FDI companies operating in Armenia (at least 10 profiles).		<ul style="list-style-type: none"> At least 10 profiles of successful FDI companies operating in Armenia prepared in proofread English. 	
A.3.6	Set up international media action plan that would feed in a <u>cost effective manner</u> international media in target sectors with positive stories about Armenia.	5 md for A.3.4 15 md for A.3.5 10 md for A.3.6	<ul style="list-style-type: none"> Media plan, incl. cost-effective implementation mechanisms prepared. 	
A.3.7	Assist ADA with organization of one of its planned outreach missions to a EU MS. This will entail providing guidance as to how to select potential investors, how to approach them and how to present Armenia's unique selling proposition (USP). Organize high-level meetings with senior government officials ("FDI champions") in the host country for the mission leaders.	15 md: 1 mission Investment Promotion STE (10 md) 5 md on-site assistance in EU MS	<ul style="list-style-type: none"> EU MS based outreach event (a business forum) organized by ADA selected. A list of companies to be approached during the event and individual USPs prepared. Meetings with senior government officials ("FDI champions") organized and took place. 	
A.3.8	Share EU MS best practices on FDI representation structures supported by an investment promotion agency (case studies, workshops, etc.).	25 md: 2 missions Policy Advocacy STE	<ul style="list-style-type: none"> ADA management learnt about EU MS best practices on FDI representation structures (presentation materials left with ADA). 	
A.3.9	Facilitate establishment of a FDI representation structure in Armenia. Assist with organization	5 md for A.3.8	<ul style="list-style-type: none"> FDI representation structure established with ADA assistance. 	

Activities	Means (indicative)	Deliverables	Assumptions
of a FDI conference to present FDI experience in Armenia, invite Diaspora to participate.	20 md for A.3.9	<ul style="list-style-type: none"> Conference presenting FDI experience in Armenia took place. Public was informed about the event through media coverage. 	
	TOTAL C3: 105 md		
	TOTAL ACTIVITIES C1-C3: 340 md		

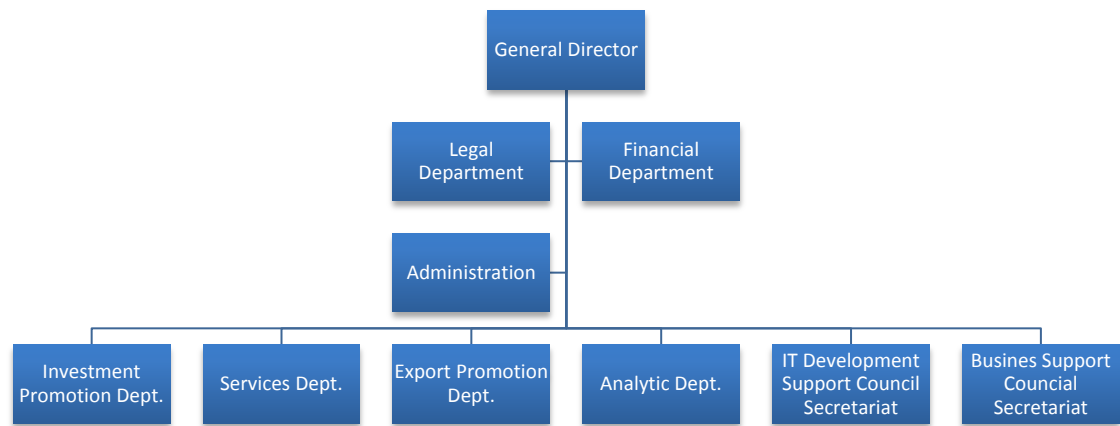
Annex 2: Detailed Implementation Chart

Detailed Implementation Chart Twinning Investment Promotion



Annex 3: Current and envisaged organizational chart of ADA

Existing organizational chart of ADA (October 2013)



Revised organizational chart of ADA (end of 2013)

