

Data Sheet

USAID Mission:	Armenia
Program Title:	Increased Employment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	111-0130
Status:	Continuing
Planned FY 2006 Obligation:	\$11,500,000 FSA
Prior Year Unobligated:	\$3,132,000 FSA
Proposed FY 2007 Obligation:	\$8,383,000 FSA
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2008

Summary: USAID's private sector development program focuses on improving the business environment in Armenia and on fostering the growth of micro-, small- and medium-sized enterprises in order to increase employment.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Economic Policy and the Business Environment (\$4,640,620 FSA, \$2,666,785 FSA carryover). USAID is seeking to improve economic policy and make Armenia's business environment more business-friendly. For example, poor tax administration is hampering private business development as well as the Government's ability to raise revenue. USAID's Tax Improvement Project will assist Armenia's State Tax Service to improve its tax policies and administration. USAID will also improve the business environment by implementing improved bankruptcy laws, providing training to judges, and improving the transparency of courts. USAID will promote competition in the marketplace by building the capacity of the State Committee for the Protection of Economic Competition to properly interpret and enforce laws promoting competition. USAID will assist the Public Services Regulatory Commission (PSRC) as it establishes a telecommunications department and develops its telecommunications regulatory capacity. Funds will also be used to perform a diagnostic analysis of the customs service. Prime contractors: Booz Allen Hamilton and BearingPoint.

Improve Private Sector Competitiveness (\$1,962,741 FSA, \$289,100 FSA carryover). The only route to sustainable development in Armenia is through the development of its small but growing private sector. USAID will support the development and expansion of business by initially targeting two industry clusters (tourism and information technology) through a new competitiveness project. This assistance is expected to result in 2000 new jobs in the first year of the program. Several new Global Development Alliance (GDA) projects will be launched this year, mostly likely with information technology firms, where USAID will partner with private firms on workforce development. USAID's existing agribusiness development project will address barriers to trade, finance and productivity. USAID-supported projects will also provide business service support to micro and small-scale enterprises. Prime contractors: Development Alternatives, Inc., Nathan Associates Inc., SRA, Chemonics International, and to be determined (TBD).

Strengthen the Financial Services Sector and Increase Access to Capital (\$4,896,639 FSA, \$98,900 FSA carryover, \$77,700 FSA prior year recoveries). A robust financial sector that is willing to lend is needed in Armenia to support business investment. The financial sector is not currently founded on risk-based lending, severely hampering business development. USAID aims to reverse this situation through a new financial sector deepening project as well as other financing initiatives. These projects will improve financial intermediation and access to capital by enhancing the banking and insurance sectors' capacity to serve private enterprises, fostering mortgage market development, and enhancing supervision of the financial sector. Transparent and sound financial reporting, accounting and auditing practices are core prerequisites for effectively functioning financial markets. As a result, USAID will launch a new program to improve accounting and auditing practices. In the area of capital markets, USAID will assist Armenian enterprises in issuing the country's first commercial paper and corporate bonds. USAID support to the Armenian Stock Exchange will help it to trade foreign currencies, thus helping it to become financially

sustainable. USAID is targeting microenterprises through a joint effort with the European Bank for Reconstruction and Development (EBRD) that will assist banks in improving micro-lending practices. USAID will also support microfinance institutions as they provide financing to smaller businesses that do not qualify for conventional bank loans. The microfinance project will target the economically active poor and provide them with access to a wide range of products and services. USAID plans to use Development Credit Authority to provide additional liquidity into the financial system for business lending. Prime contractors: BankWorld and to be determined (TBD).

FY 2007 Program:

Improve Economic Policy and the Business Environment (\$4,700,000 FSA). USAID's commercial and legal reform programs will shift their focus from concentrating on policy-level work with government counterparts to work with business associations, entrepreneurs, and other private sector representatives on the implementation of laws and regulations where businesses face the most serious problems. This shift in emphasis should help target assistance to address the most critical barriers faced by businesses. Last, USAID will continue to focus on improved tax administration. Prime contractor: BearingPoint and TBD.

Improve Private Sector Competitiveness (\$3,200,000 FSA). USAID's competitiveness project will be expanded to include two to three additional industry clusters. Prime contractors: Development Alternatives, Inc., Chemonics, SRA, and Nathan Associates Inc.

Strengthen the Financial Services Sector and Increase Access to Capital (\$483,000 FSA). USAID plans to continue support for financial sector deepening, accounting reform, and microfinance development in order to support enterprise development. USAID also may expand its focus to promote the development of municipal bonds, which will help Armenia to fund its infrastructure needs. Prime contractors: TBD.

Performance and Results: USAID's programs are improving economic conditions in Armenia. USAID's business development programs helped create 5,036 new full-time equivalent jobs in 2005. Furthermore, USAID-supported businesses generated \$17.35 million in sales and \$5.7 million of exports. At the macro level, banking system performance improved, as demonstrated by a high level of compliance with Basel Core Principles, a set of guidelines for effective bank supervision. There were many small achievements as well. For example, USAID assisted the devolution of the collection of land and property taxes to urban communities. USAID also helped develop the joint curriculum for a Masters degree in Information Science at three prominent universities, thereby supporting the promising information technology industry. USAID's support was critical in assisting the Association of Accountants and Auditors of Armenia to become an associate member of International Federation of Accountants, thereby moving Armenia a step closer to compliance with international accounting and auditing standards. A lack of qualified accountants and auditors remains an outstanding weakness in business sector development, and is an impediment to better municipal administration as well. Progress was significant in economic competition as 26 cases were presented to the State Committee for the Protection of Economic Competition, which resolved 13 during this past year. Over 900 people received policy reform training in 2005. Upon completion of this objective, USAID expects that significant employment will have been created, and that select economic institutions will be able to better implement economic regulation.

US Financing in Thousands of Dollars

Armenia

	DCA	ESF	FSA
111-0130 Increased Employment			
Through September 30, 2004			
Obligations	458	674	171,789
Expenditures	51	674	152,314
Unliquidated	407	0	19,475
Fiscal Year 2005			
Obligations	0	0	14,000
Expenditures	0	0	0
Through September 30, 2005			
Obligations	458	674	185,789
Expenditures	51	674	152,314
Unliquidated	407	0	33,475
Prior Year Unobligated Funds			
Obligations	0	0	3,132
Planned Fiscal Year 2006 NOA			
Obligations	0	0	11,500
Total Planned Fiscal Year 2006			
Obligations	0	0	14,632
Proposed Fiscal Year 2007 NOA			
Obligations	0	0	8,383
Future Obligations	0	0	0
Est. Total Cost	458	674	208,804