

# **Independent Terminal Evaluation**

## **IMPROVING COMPETITIVENESS OF EXPORT-ORIENTED INDUSTRIES IN ARMENIA THROUGH MODERNIZATION AND MARKET ACCESS – PHASE 1**

UNIDO Project No.: 140117



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION

# **UNIDO OFFICE FOR INDEPENDENT EVALUATION**

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The evaluators hope that this report (that went through multiple review rounds) will be instrumental in discussions of and decision making by the project stakeholders at the level of its Project Advisory Board regarding “the way forward”, in particular the implementation strategy and priority setting as regards Phase II of the project.

## Abbreviations and acronyms

ADA	Armenia Development Agency
BDS	Business Development Services
CTA	Chief Technical Adviser
DFA	Development Foundation of Armenia
EAEU	Eurasian Economic Union
EU	European Union
GoA	Government of Armenia
HQ	Headquarters
IDF	Industrial Development Foundation of Armenia
IDF (UNIDO)	Industrial Development Fund
IMB	Istituto di Moda Burgo (Milan, Italy)
ISID	Inclusive and Sustainable Industrial Development
IUMP	Industrial Upgrading and Modernization Programme
MEDI	Ministry of Economic Development and Investment
MoE/MoEI	Ministry of Economy (now: Ministry of Economic Development and Investments)
MoU	Memorandum of Understanding
PAB	Project Advisory Board
SME	Small and Medium Enterprises
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNDAF	United Nations Development Assistance Framework
UNIDO	United Nations Industrial Development Organization

## Glossary of evaluation-related terms

Term	Definition
Baseline	The situation, prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
Impact	Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.
Indicator	Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.
Lessons learned	Generalizations based on evaluation experiences that abstract from the specific circumstances to broader situations.
Logframe (logical framework approach)	Management tool used to facilitate the planning, implementation and evaluation of an intervention. It involves identifying strategic elements (activities, outputs, outcome, impact) and their causal relationships, indicators, and assumptions that may affect success or failure. Based on RBM (results based management) principles.
Outcome	The likely or achieved (short-term and/or medium-term) effects of an intervention's outputs.
Outputs	The products, capital goods and services which result from an intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
Relevance	The extent to which the objectives of an intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donor's policies.
Risks	Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.
Sustainability	The continuation of benefits from an intervention, after the development assistance has been completed.
Target groups	The specific individuals or organizations for whose benefit an intervention is undertaken.

## **Executive summary**

This evaluation covers the first (pilot) phase of an industrial upgrading and modernization project (IUMP) in Armenia focused on the garment sector – the first one in this region. The revival of the garment sector is among the priorities of the Government of Armenia to increase employment, value added and exports.

The project focused on increasing the domestic and regional share of Armenian garment products by

- upgrading selected SMEs (target of minimum 5-7 and max. 10) and
- strengthening support services to the sector.

Its total budget covered approx. \$905,000 of which preparatory assistance funded by UNIDO (\$20,000) and a two-year main (pilot) phase (Phase I) funded by the Russian Federation (885,000 excluding agency support costs). At the time of the evaluation, Phase II had started (September 2016), covering a 3 years period and a budget of \$1.750.000 excluding agency support costs.

### **Summary of achievements:**

The project started the process of modernization of the participating enterprises (a core group of 8 enterprises, with a 9<sup>th</sup> enterprise receiving ad-hoc support). The support was market-driven, focused on the development of new product ranges in line with mid-high-end garment market segments and targeting the regional market in the context of the Eurasian Economic Union. It covered supporting the participating enterprises through hands-on advice, training and direct coaching on all steps, from product design, decision making on material inputs, overseeing the preparation of samples, assisting in cost calculations, to promoting the collections, identifying buyers, assisting the negotiation process and monitoring the production of orders once received.

The visibility of the Armenian garment sector (at least of the participating enterprises) was raised in particular on the regional market as a result of the four collections developed under the common 5900BC brand/logo and promoted in relevant fairs/fora in the Russian Federation (Moscow). At the time of the evaluation the first orders had been received (concerning two companies) and more orders were expected to be concluded in the short run.

In parallel to enterprise level support, the project provided hands-on assistance to the Atex Fashion Centre, a private sector institution engaged in fashion design/production and related training. With the support of the project, Atex engaged in a partnership with the Istituto di Moda Burgo (IMB, Italy), which enabled it to launch an international diploma course in pattern-making (identified as a skills gap in the sector) and to attract students in this field.

The project was also involved in the review of the existing policy framework that, once decided by the new Government, is expected to result in a streamlining of the regulatory framework and to also include incentives to stimulate in concrete terms the revival of the sector.

The above achievements of the project were possible as a result of in particular:



- the engagement of the participating enterprises: they are keen to modernize their operations and to start exporting or expanding/diversifying their existing exports (products/markets) – even if there are variations among them in terms of their financial and managerial capacity;
- the vision of the Atex Fashion Centre to offer practical training (students) in line with demand of the sector and to ultimately become a service hub for enterprises, covering a wider range of common services such as pattern-making and grading, among others;
- the capabilities and commitment of the project team involved in coordination and/or implementation: they played/play a very direct and practical role (both as active doer and supporter) to bring about the expected results;
- the role played by the project counterparts in hosting and overseeing the project, including mobilizing cost-sharing for certain events. Even if there were several institutional/management changes at the level of the counterparts during the two years of implementation of Phase I that affected project anchorage, there is indication of interest to improve and possibly accelerate support to the revival of the sector;
- the funds available and their timely allocation by the Donor: the resources were available, for example, to mobilize an important number and range of experts, both international and national, participate regularly in important exhibitions/events, identify and negotiate with buyers and to provide pilot assistance to individual enterprises.

It is realized that most of the above efforts take time and, in this sense, the achievements made over just a two years period are important. This being said, the project was found to have also some important challenges and points for improvement to be considered in the implementation strategy of Phase II. Particular reference is made to concerns about the sustainability of the approach.

In this regard, the evaluation findings resulted in a list of detailed recommendations for the Ministry of Economic Development and Investment, for UNIDO, for the Donor, for participating enterprises and for Atex (cf. Section V for the complete list of recommendations).

Of these recommendations the following are highlighted, in particular the need for:
<ul style="list-style-type: none"> <li>• a detailed implementation plan/Phase II that addresses sustainability concerns;</li> </ul>
<ul style="list-style-type: none"> <li>• strengthening the functioning of the Project Advisory Board (including also the participation of the Donor);</li> </ul>
<ul style="list-style-type: none"> <li>• strengthening the monitoring system, ensuring that reporting is more results-based and linked to the logical framework, including gender disaggregated data;</li> </ul>
<ul style="list-style-type: none"> <li>• a rapid survey of the garment (and also leather and shoe sector covered in Phase II) to have an updated overview of operational enterprises;</li> </ul>
<ul style="list-style-type: none"> <li>• reinforcing the linkages between Phase II, state support to SMEs and related support of other development agencies;</li> </ul>
<ul style="list-style-type: none"> <li>• strengthening the dialogue between enterprises and the relevant authorities and accelerating the implementation of measures to make the business environment more enabling;</li> </ul>

<ul style="list-style-type: none"> <li>• considering a wider outreach in terms of the number of enterprises targeted considering the size of the Phase II budget and its duration;</li> </ul>
<ul style="list-style-type: none"> <li>• considering the expansion of the market development approach (widening the market target; reflecting on the collections/brand approach in a buyer-driven value chain);</li> </ul>
<ul style="list-style-type: none"> <li>• supporting Atex to become the intended service hub for the garment sector at large (in consultation with the sector to ensure that common services offered are in line with demand and that enterprises are ready to pay for them);</li> </ul>
<ul style="list-style-type: none"> <li>• supporting the creation of the first export consortium (ensuring that the participating enterprises take the lead in jointly setting its objectives, priorities and in defining the management structure and financial contributions needed by the consortia members);</li> </ul>
<ul style="list-style-type: none"> <li>• supporting enterprises to formalize their ownership of the 5900 BC brand/logo/collection and deciding on the rules of the game as regards this collective initiative;</li> </ul>
<ul style="list-style-type: none"> <li>• stimulating enterprises to take a more proactive role in dealing with buyers in order to gradually decrease the direct facilitator role of the project.</li> </ul>

# 1. INTRODUCTION

## 1.1. Purpose and scope of the evaluation

The **purpose** of this terminal independent evaluation is to assess

- the design of the project;
- its relevance and the degree of ownership in design and implementation;
- its effectiveness and prospects of impact and sustainability;
- the efficiency of implementation;
- project coordination and management;
- cross-cutting issues, in particular gender and environment related questions as well as questions regarding private sector development.

It is to be noted that the preparation of Phase II of this project had triggered the request for an independent evaluation of Phase I at two levels: (i) by UNIDO's Executive Board in its decision on the Phase II document (8-9 June 2016) and (ii) by the Project Advisory Board in its meeting of 3 August 2016. It is therefore that at the moment of the planning of this evaluation, Phase II had been already designed, funded and started de facto in September 2016. The actual signature of the Phase II document was delayed as the result of changes in Government in the period September/October 2016.

The assessment is to result in a set of conclusions and recommendations as well as lessons learned from this project phase (Phase I) to enable the core project stakeholders – the Government of Armenia, UNIDO and the Government of the Russian Federation (Donor) – to take informed decisions with respect to the implementation of Phase II of the project. In this regard, the members of the Project Advisory Board are expected to review to what extent the evaluation findings regarding Phase I affect the implementation strategy and implementation modalities of Phase II of this project.

In terms of its **scope**, the evaluation covers the entire Phase I of the project, i.e., starting from its preparatory phase (with UNIDO funding) that culminated in the signature of the project document on 23.09.2014 until its operational completion end August 2016.

The evaluation was carried out over the period October-November 2016 by two independent consultants: Ms. Leny van Oyen (international evaluation consultant and team leader) and Mr. Arthur Hovhannisyan (national evaluation consultant).

## 1.2. Methodology and process

The evaluation was guided by the Terms of Reference (ToR) that are attached as Annex 1 (*final version to be inserted at the very end by UNIDO*). In line with the ToR, an inception report was prepared and discussed with UNIDO HQ on 31 October 2016 (HQ briefing). The inception report included the evaluation framework structured around the core evaluation questions as spelled out in the ToR (included as Annex 2). Moreover, it included a list of planned interviews that guided the programme of the field mission (1-9 November 2016 including travel). The list of organizations/enterprises/persons met during the field mission is included as Annex 3.<sup>1</sup> Given the

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<sup>1</sup> A few of the meetings/interviews took place after the field mission (as specified in Annex 3).

scope and location of project interventions, all beneficiary enterprises were visited at their premises (in/near Yerevan).

There were no significant limitations or challenges faced in the evaluation. The ToR of the evaluation provided a detailed overview of the project background and its implementation - albeit with some information gaps that were however addressed in the inception stage as well as during the field mission.

The collection and analysis of information was guided by the above-mentioned evaluation framework and based on (a) document review, (b) interviews with stakeholders, and (c) observations during the field mission. Project documentation was made available by UNIDO HQ and by the project coordination team in Yerevan when requested by the evaluation team. For the purpose of benchmarking and understanding of lessons learned from related earlier projects elsewhere, the evaluation also reviewed the findings and recommendations of a number of prior evaluations (country specific and thematic) related to (i) UNIDO's Industrial Upgrading and Modernization Programme (IUMP) as well as (ii) the UNIDO experience regarding support to export consortia. The list of documents consulted is included as Annex 4.

Based on printouts of the UNIDO management information system/SAP requested to UNIDO to this end, the evaluation team prepared a concise overview of (i) the budget situation (planned figures and actual expenditures by budget line) as well as of (ii) the human resources mobilised in Phase I. This information is included and discussed in Section II.2, with reference to input related data (budget; human resources) included as Annex 5.

The local team facilitated in an efficient manner the appointments for the meetings with the relevant stakeholders. Accordingly, the evaluation team could reach out to all stakeholders (met in person). At the end of the field mission, a debriefing meeting was scheduled to take place with the Chairman of the Project Advisory Board. Unfortunately, this meeting could not take place given his busy schedule on 7/8 November 2016.

Based on triangulation of the different sources of primary and secondary information, a draft evaluation report was prepared and submitted to UNIDO HQ on 30 November 2016 and presented/discussed at UNIDO HQ on 7 December 2016. Based on the comments received a revised draft was prepared and submitted to UNIDO end December 2016. This was followed by two more revision rounds in the period February-March 2017 that explain the time span (well beyond the planned duration) between the first and final draft of the evaluation report. Based on the observations received by the evaluation team in consecutive review rounds, the evaluation team addressed/reflected these observations and finalized the evaluation report.

## **2. PROJECT BACKGROUND**

### **2.1. Country context including sector specific issues**

#### **Economic context**

When Armenia was part of the USSR, its economy was, to a large extent, based on inter-republic relations (like any other former Soviet Republic). As a direct consequence of the disintegration of the USSR, Armenia found itself in an unprecedented economic and energy crisis after gaining independence (1991). During the period 1990-1993 the Armenian GDP dropped by more than half: in 1993 the country's GDP amounted for only 46.9% of the GDP level in 1990. Due to a transport and communication blockade, severe reduction of fuel import, as well as the temporary closure of the Armenian nuclear power plant, the production of electricity decreased by 46% in the same time period.<sup>2</sup> Starting from 1994, a period of decline was replaced by one of economic growth, which continues up to now (if not counting the recession of 2009). Among the factors that contributed not only to initial stabilization of the economy but also to its further growth, the influx of international grants, preferential loans and increased volumes of private foreign remittances, foreign investments in strategic infrastructures (energy, transport and telecommunications), mining and the sectors of primary industrial processing, are to be highlighted.

However, analysis of the economic growth rates for post-Soviet era shows that Armenia's economy during the pre-crisis (2009) years was characterized by higher growth rates than in the recent years. After the 2009 economic decline of 14.1%, the recovery of the economy has been slow and uneven. In the period 2010-2015, registered economic growth rates fluctuated and were respectively 2.2%, 4.7%, 7.2%, 3.3%, 3.5% and 3.0%.<sup>3</sup> In recent years, the main growth sectors were mining and agriculture, as well as the service sector (such as retail, tourism, transport). The growth registered in the mining sector has been conditioned by increase in both physical production volumes and global prices for metals.

In general, the positive trends of world economic development have had a positive impact on growth of the Armenian economy, contributing to the recovery (rise) of remittances and foreign direct investments (FDI). Armenia's economic growth continues to be significantly dependent on international loans, Diaspora remittances and other foreign-origin assistance as well as expansion of mining sector. This makes long-term economic development vulnerable.

#### **Sector specific context**

During the Soviet Union era, the light industry was one of the key sectors of the economy, providing employment for about a quarter of total workforce, and at that time Armenia was considered to be among the main suppliers of clothing and textiles for the Soviet Union at large.

After independence in 1991, Armenia's light industry sector in general and textile and clothing subsector in particular, like other sectors of national economy, sharply plummeted, due to a

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<sup>2</sup> National Statistical Service, NSS of RA, The peculiarities and stages of economic reforms in Armenia in 1991-1998, Yerevan, 1999 (in Armenian).

<sup>3</sup> NSS of RA.

number of reasons, including the general economic crisis, blockades, severe energy crisis, high transport costs, lack of professional staff resources and raw materials, etc. As a result, the majority of large textile/garment companies failed to adapt to the changed market conditions, lacking qualified designers and pattern makers, financial resources, marketing expertise, etc.

A certain growth of the sector was registered as a result of the growth in number of SMEs engaged in textile/garment. According to official statistics, the textile and apparel industry currently covers more than 100 Armenian companies, 87 of which are in the apparel subsector. However, it still accounts for less than 1% of industrial processing. Most of the equipment (mainly of German, Japanese, Italian and Eastern European origin) is reported to be outdated and in need for renewal/modernization.

The sector remains import dependent for its inputs and, regarding its market situation mainly dependent on orders (tenders) and outsourcing. E.g., in 2012 outsourcing accounted for over 85% of total annual exports of Armenia's garment industry. Armenia exports textile and garment primarily to the Russian Federation, Italy, Canada, and the USA.

## **2.2. Project summary**

### **Project focus and structure**

The focus of the project entitled « Improving competitiveness of export-oriented industries in Armenia through modernization and market access » is on the light industry sector, in particular the garment sector (excluding for now the textile sector). To the extent it is UNIDO's common practice to name any new industrial upgrading and modernization (IUM) initiative in a recipient country an IUM Programme (IUMP), the project has been sometimes also referred to in reporting as « Armenian industrial upgrading and modernization programme » (Armenia IUMP). It constitutes the first IUMP initiative in a transition economy of the East European/NIS region.

Whereas the project document (signed in September 2014) does not explicitly refer to this being a first phase, it constituted de facto a pilot experience pertaining to industrial upgrading and modernization in the garment sector covering a period of two years. Its last activity (activity 2.6, p. 15, project document) refers to "Explore the scope for upscaling the pilot initiatives inter alia within the national support framework". This activity thus precluded the second phase that meanwhile started.

The Phase I project structure is included below (as per the formulation used in the project document; cf. complete logical framework included in the ToR of this evaluation as Annex 5). It is (i) the project's logical framework including its performance indicators as per the design of the project and (ii) project implementation in accordance with this framework that constitute the main reference against which this assessment (Part III) has been conducted, based on the standard evaluation criteria. The assessment has zoomed in on the activities planned/implemented under each of the two outputs.

Development Goal		Indicators
To maintain and improve the market share of local textile and clothing industry operators in domestic markets and to take advantage of opportunities afforded by prospects of integration within the Customs Union's trade arrangements		Domestic and regional market share of Armenian textile products increased
<b>Outcome/Immediate Objective</b>		
Beneficiary SMEs form networks, modernize their businesses to expand production, improve quality and gain access to markets with the support of reinforced national technical expertise		Improved economic performance of industrial beneficiary SMEs using locally available services
<b>Outputs/Results</b>		
Output 1	Enterprise diagnostics, industrial modernization and networking of selected pilot SMEs in the textile and clothing industry in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers	Enterprise performance indicators, e.g., reduced factor costs, turnover, value added, % exported Number of SMEs enter into networks/consortia Number and quality of export activities facilities Number of enterprise employees trained (female and male)
Output 2	Human and technical capacities of national counterpart institutions and of national expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis and modernization, competitiveness building and marketing, garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national textile and garments.	Service offers from strengthened/established services portfolios of industry support providers Number of trained experts/trainers (female and male)

**Project steering**

During the preparatory assistance stage (project RPTC XP 140117), the platform for discussion of the project concept was the Light Industry Sector Committee (also referred to as Sub-Sectoral Council) established in the context of the implementation of the Strategy for Development of Textile and Knitted Wear Industry of Armenia (Ministry of Economy, October 2013) – which was directly related to the Strategy of Export-Led Industrial Policy (Ministry of Economy, 2011). As regards the resulting project US/ARM/14, rather than establishing a project-specific steering mechanism, project steering could align to the existing public-private steering mechanism governing the implementation of the above-mentioned Textile and Knitted Wear Strategy.

Accordingly, the Project Advisory Board (PAB) put in place under Phase I consisted of 6 members:

- Three members from the public sector: The Ministry of Economy (now Ministry of Economic Development and Investments); the Armenia Development Agency (ADA - Chairman of the PAB) and the Industrial Development Foundation of Armenia (IDF); in late 2014 ADA and IDF merged into the Development Foundation of Armenia (DFA);
- Three members from the private sector: Union of Light Industry Association (co-Chairman), ATEX Fashion Centre (a private sector institution engaged in fashion design training and production) and General Director of TOSP (garment manufacturer). It is noted that all three private sector members of the PAB are in the board of the Union of Light Industry Association (of which not all participating enterprises are a member).

Non-voting members of the PAB are the Head of UNIDO Operations in Armenia and the National Project Coordinator (acting as Secretary of the PAB). Its main functions (as agreed upon in its meeting of 30 June 2014) cover:

- Consultation on coordination and management of the project;
- General monitoring of the project;
- Adoption of eligibility criteria of the beneficiaries;
- Assistance in the coordination of the project with national development projects;
- Public relations and mobilization of funds.<sup>4</sup>

The PAB held a total of 6 meetings during Phase I, namely:

2014	30.06.2014, 17.07.2014 and 22.09.2014
2015	05.02.2015 and 20.11.2015
2016	02.08.2016

**Project coordination**

The coordination of this project took place at three levels:

1. UNIDO HQ:
  - Project Manager/PM (HQ staff);
  - One HQ based consultant involved in the coordination of this project on a part-time basis – as funded from several projects, among which US/ARM/14;
  - One HQ based Associate Industrial Development Expert involved in the coordination of projects funded by the Government of the Russian Federation on a part time basis – funded from several projects, among which US/ARM/14;

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<sup>4</sup> Minutes of PAB meeting of 30 June 2014, p.2.



2. Field:
  - Project Coordination Unit (3 persons) based in the Ministry of Economic Development and Investments consisting of a National Project Coordinator supported by two National Experts (respectively Project Assistant on Fashion and Product Design and Project Assistant in charge of Communication and PR);
3. One lead international consultant/Chief Technical Adviser (CTA) – conducting period field missions to Armenia and involved in the project on a part-time basis.

The project involved a wider team of short term international and national technical experts with complementary profiles. For an overview of the human resources (HR) inputs mobilized by in Phase I of the project reference is made to Annex 5.3.

### Project funding and budget

The project is funded by the Government of the Russian Federation from its annual voluntary contribution to the UNIDO Industrial Development Fund (IDF) and the budget has been allocated in tranches (twice a year). Its preparatory phase was funded by UNIDO (XP).

Based on the latest available data from the UNIDO SAP system, the evaluation team compiled information on the Phase I expenditures against the planned budget as per the project document – including the preparatory assistance that led to project US/ARM/14 – in Table 1 below. The subsequent Table 2 specifies the planned and actual expenditures of project US/ARM/14 by budget line (excluding the 13% agency support costs). In the assessment (Part III) reference will be made to these tables and the more detailed budget overview in Annexes 5.1 and 5.2.

**TABLE 1: BUDGET SUMMARY**

Budget – subtotal by year	Planned budget (US\$)	Spent budget (US\$)
<b>Preparatory Assistance (RPTC XP 140117)</b>		
2014	20135,66	20135,66
<b>Project US/ARM/14 – 140117</b>		
<b>Total 2014</b>	168 721,83	168 721,83
% 2014 budget of total	20%	19%
<b>Total 2015</b>	436 405,41	436 405,41
% 2015 budget of total	49%	49%
<b>Total 2016</b>	279 828,51	281 525,74
% 2016 budget of total	31%	32%
<b>Grand Total</b>	<b>884 955,75</b>	<b>886 652,98</b> (-1697,23)

\*Note: to the extent the project was recently completed (August 2016), the 2016 figures may not be the final ones (depending on whether UNIDO Accounts processed all 2016 actual expenditures against commitments)

**TABLE 2: ACTUAL EXPENDITURES VERSUS PLANNED EXPENDITURES BY BUDGET LINE (%)**

<b>EXPENDITURES BY BUDGET LINE (in % of total expenditures/main phase)</b>		<b>% BREAKDOWN AS PER PROJECT DOCUMENT</b>
11:00 Staff and Intl Consultants	45	25
15:00 Local Travel	3	2
16:00 Staff Travel	1	2
17:00 National Consultants/Staff	31	30
21:00 Contractual Services	3	10
30:00 Training/Fellowships/Study Tours	13	6
45:00 Equipment	1	22
51:00 Other Direct Costs	4	3
<b>TOTAL</b>	<b>100</b>	<b>100</b>

## **3. ASSESSMENT**

### **3.1. Project identification and design**

#### **Genesis**

The start of the project idea dates back to 2011 when UNIDO HQ staff involved in industrial upgrading and modernization projects participated in a Textile Forum organized in the context of the UNIDO project covering a Centre for International Industrial Cooperation (CIIC) in Armenia – a then operational Centre – based on funding by the Government of the Russian Federation (CIIC meanwhile ceased its operations). A UNIDO presentation on the cotton/garment value chain during this Forum generated in 2012 a request for UNIDO's technical assistance in the implementation of the 2011 National Export-Oriented Industrial Policy. Based on a draft project concept note (2013) and using UNIDO funding, a preparatory mission and a validation mission were conducted (2014) that resulted in a full-fledged project document signed on 23 September 2014 by the then Minister of Economy and UNIDO.

Project inception took de facto place during the preparatory assistance stage, in that the first Project Advisory Board (PAB) meeting took place in June 2014. It was this meeting that discussed and decided on issues such as the functions of the PAB and the eligibility criteria of the project beneficiaries (enterprises).

In brief, benefitting from preparatory assistance funding (UNIDO), the project document was conceived in a demand-driven manner, based on discussions held in Armenia. Even though there were about 2.5 years between the Government request and the actual approval of the project document, the planned assistance came timely, i.e. to support the implementation of the Export-Led Industrial Policy (2011), the Strategy for Development of Textile and Knitted Wear Industry (2013) and its 2014-2016 Action Plan.

#### **Design of project document**

##### **Context analysis**

The project document starts with a detailed situation analysis in terms of the country's macro-economic context and of the targeted textile and clothing sector, including its opportunities and challenges. It describes in detail the national strategic framework pertaining to the industrial sector in general and to selected priority sectors, including the textile and garment sector. As such, the project is based on and aligned to the needs identified and priorities set in these national policies and strategies. Moreover, it refers to the regional strategic framework, in particular the Eurasian Economic Union (EAEU) treaty and its importance in terms of regional business opportunities.

In its part related to challenges (under A.5), other than mentioning the indeed important issue of access to finance, the project document does not cover a detailed description of obstacles in the business environment such as access to input materials and production equipment, customs procedures and fees including VAT payment rules if importing from outside the Eurasian Economic Union.

In this sense, the project design is considered rather ambitious in that it underestimated the wide range of actions needed at different levels (macro, meso, and micro) to improve the overall export performance of the sector (several of which are outside what the project could cover, especially in a pilot phase).

### **Stakeholder analysis**

As regards its partners, the project document includes a description of the relevant counterpart organizations (the Ministry of Economy, the Armenian Development Agency/ADA, the Industrial Development Foundation/IDF, and other stakeholders – in particular the UNIDO Centre for International Industrial Cooperation/CIIC and the Innovation and Industry Development Fund /IIDF). The mandate/type of support of each of the listed institutions is described in the project document, showing their complementarity but also partially overlapping roles of the different institutions. Though not predictable at the moment of the design of the project, the institutional set-up changed during implementation (ADA and IDF merged; CIIC discontinued; the intentions of IIDF regarding the project proved ambiguous).

With respect to the end-users/beneficiaries (enterprises), the project document quotes statistics regarding the number of enterprises in the textile and clothing sector that, even in 2014, appear on the high end (95 in the textile and clothing sector of which 74 in the clothing sub-sector). The initial difficulty to identify enterprises interested in participating in the project, the target set in terms of number of enterprises to be covered by the project (min 5-7 and max. 10) and the ultimate number of enterprises engaged in the project (8/9) indicate that the clothing sub-sector was/is smaller than the official statistics seem to indicate. In other words, there appears to be divergence between the number of registered enterprises and that of operational enterprises that comprise the textile and clothing industry. A proxy indicator of this “gap” could be the relatively low number of enterprises that are member of the Light Industry Association (30 of which 25 in garment, around one third of which are considered active members).<sup>5</sup>

Whereas reference is made in the project document to support to an institution that was to become a service hub for services related to design, patternmaking, grading etc., it appears that the ATEX Fashion School (a private sector training institution), like the beneficiary enterprises, was identified and selected in the project inception phase based on established eligibility criteria.

With respect to the target beneficiaries, the project document makes reference to, among others, financial institutions. Whereas these are typically integral part of enterprise upgrading and modernization schemes, there is no further indication of consideration of financial institutions as partners in the project, nor of their representation in the PAB.

Concerning the engagement of other donors/agencies, the project document does not mention any related assistance programmes and projects. At the time of its design, it was the World Bank that had supported the development of the Strategy for Development of Textile and Knitted Wear Industry in Armenia. Also, other development agencies were at that time involved in private sector development support, such as UNDP (Support to SME Development) and JICA (including BDS development). Although launched after the design and approval of this project, more initiatives meanwhile started in the SME field in Armenia (cf. Section III.4). There is no reference in the project document to other UNIDO activities in the country at the time of the design of the project.

UNIDO was the only agency involved in support focused on the garment sector as such (other than the above-mentioned sector strategy prepared with World Bank support) at least in the past two-

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<sup>5</sup> Based on information provided by the Chairman of the Light Industry Association.

three years. Other above-mentioned development players were stated to cover general support to SMEs/BDS in the period under review.

### **Implementation strategy**

The section entitled UNIDO Approach (C.2) of the project document describes in general terms how the project will build on UNIDO experiences elsewhere, including in the textile and clothing sector. Reference is made to tools and actions aimed at improving the financial situation of companies, productive performance, material and energy efficiency, compliance with international standards and technical requirements and integration in regional and international markets.

The choice made in this project to focus on fashion design, the creation of collections and search for related markets/buyers is less clear from the description of the approach as per the implementation strategy (C.2) than it is from the orientation of the project activities (C.5 - see also logical framework) Possibly in line with Armenia's decision (September 2013) to join the EAEU, focus was on this specific market (regional EAEU, including the Russian Federation).

Making the implementation strategy of this pilot industrial upgrading and modernization project *market driven* (with focus on the medium/high market segments) is an important feature of the project, considering the state of the textile and garment sector in Armenia: neither upgrading without getting market opportunities nor market opportunities without upgrading will lead to the ultimate objective to revive the sector.

Sustainability issues were addressed in the design of the project, albeit with gaps. Reference was made to alignment to the implementation of the national strategy and linkage to the national support framework, listing a range of local counterparts/partners (seeking sustainability by working with national experts at individual and institutional level and engaging in capacity building).

The implementation strategy was built in essence on a coordination/implementation structure within the host Ministry/DFA that was based on project funding (as is the case for most pilot upgrading projects; these project entities are expected to evolve into what is elsewhere called by UNIDO an upgrading office/bureau). In fact, during implementation the project office itself was considered "IUMP Office" (associated with the host Ministry/DFA but without clear indication how the project office would evolve into a service engaged in upscaling the results beyond the duration of the project).

There is also no reference in the document to guiding principles related to the payment for services by enterprises (good practice in PSD) or a strategy to gradually introduce this in the support scheme. According to the Project Management, initially there would not have been interest of enterprises to participate in the project pilot phase if there would have been a condition to engage in cost-sharing. Although, at a later stage, if even not specified in the project document, it is noted that during implementation cost-sharing with the counterpart was applied as regards the organization of exhibitions (with the counterpart Ministry but not - yet- with the enterprises).

### **Logical framework**

Overall, the **development objective** of the project and the indicators at the goal level are clear and relevant. This does not take away that the overall goal was ambitious, taking into consideration that (as explained above) the project could cover some but not all actions needed at the macro, meso and micro levels to "make it happen", i.e.: well performing enterprises, rise in exports and job creation. This applies also to the targeted **outcome/immediate objective**. While clear and relevant, its underlying assumptions do not include preconditions such as access to finance and removal of

obstacles in the business environment that affect the competitiveness of Armenian garment producers on regional/international markets. However, it was noted that the section on Risks (C.8) listed macro-economic risks and mitigation measures.

As regards the **outputs**, while in principle contributing to the outcome, the first output (enterprise level) combines several results in one single output, namely enterprise diagnostics, modernization and networking among participating enterprises (culminating in export consortia). Also, the second output (primarily meso level) combines capacity building (in numerous fields) of counterpart institutions and individual experts in one single output. It is recognized that it is widely practiced in UNIDO to condense interventions into a limited number of outputs (thematic or macro-, meso-, micro-level (in essence related to the ERP system)). However, at least from the perspective of the evaluators, by bundling different interventions under the same output one loses in terms of precise description of the intended result.

The **activities** under Output 1 correspond to the methodology of upgrading programmes (1.1-1.5). Activity 1.6 focuses on design and collections (seen as different from coaching in the implementation of the modernization/marketing strategies under activity 1.5, in which the product design/collections in fact take a prominent role). Activity 1.7 is a combination of interventions related to export consortia and communication of project results in general. Concerning the activities under Output 2, activities listed under 2.3 (capacity building in Armenia) and 2.4 (capacity building abroad) are complementary. The activities under output 2 list a range of service providers and also refer to the upscaling of the pilot interventions. The design of this project remained open as regards the question which would be the lead entity in the national support framework in Armenia that would be expected to technically drive the upgrading & modernization efforts after the IUMP pilot phase.

For the measurement of progress using the indicators listed under Output 1, the enterprise diagnostics reports are crucial, as containing the baseline data against which changes in enterprise performance can be measured. Even if these reports are enterprise-specific and treated confidentially, they contain essential information needed to measure the results of upgrading efforts (expected to be reported on anonymously in consolidated progress reports). The indicators listed do not mention the diversification of products (an important feature in this project) and the diversification of exports markets. As reference is made to increase in turnover as an indicator during the pilot phase, also the eventual jobs created as a result thereof could be measured (even if it is recognized that increase in employment in a context of production below capacity may be an ambitious target during the time span of the pilot phase). The indicator on training of employees would be more meaningful by specifying the fields in which they are trained. However, it is understood that the UNIDO ERP system limits the degree of specificity of such performance indicators. The indicator 'number and quality of exported activities facilitated' is meant to measure the degree of satisfaction of the beneficiary enterprises with the support services provided.

With respect to **Output 2 indicators**, the indicator pertaining to service offers from strengthened service providers lumps many services into one indicator – which affects the precision of its measurement. As mentioned above, it is the ERP system that explains the tendency towards a “dense” (more generic) set of indicators. Moreover, in addition to experts/trainers trained, it should be measured to what extent they *use* the training, such as measured through the number of enterprises/trainees to whom they offer services (as indicator of strengthened BDS).

## **Risks**

As regards risks, the project document refers to funds needed for the implementation of the modernization plans. Accordingly, it is not understood why in the case of Armenia the banking sector is not included in the PAB. Even if the project support focused on “soft upgrading activities”,

this does not take away that for the implementation of the modernization plans at large by the enterprises, there is likely need for investment. A risk omitted relates to the adequate institutional anchorage of the project (degree of involvement of counterparts in day-to-day project activities), affecting the likelihood of sustainability. Another risk concerns underestimating the time needed for securing markets and for gaining trust among (sometimes competing) enterprises to engage in the establishment of joint activities such as export consortia, even if consortia were included in the project document as a “potential” activity.

### **Monitoring, reporting and evaluation**

As such, the planned approach was comprehensive in that the project document envisaged:

- Project monitoring in line with the indicators included in the logical framework;
- Development of detailed baseline at the start of implementation;
- Tripartite review (Counterpart; Donor; UNIDO) at the end of the project;
- Submission of quarterly reports to the PAB including progress on activities, impact achieved in line with the indicators included in the logical framework;
- Independent terminal evaluation.

As regards the **design of the Phase II project document**: although already cleared by UNIDO and by the Donor at the time of this evaluation, the Phase II project document was examined by the evaluation team, particularly in the light of the assessment of Phase I. Most of the observations made on the design of the first phase under this Section III.1 are valid for the design of the second phase. The comments of the evaluation team on the Phase II project document were not included in this evaluation report of Phase I, but are available at the level of UNIDO for being shared with the project stakeholders when requested.

## **3.2. Relevance and ownership**

In this section, the assessment tries to answer in particular to what extent and how the interventions address(ed) the priorities of the country and to what extent local partners have been involved in the design and implementation of the Phase I project.

### **Relevance**

There is no doubt about the relevance of the project for Armenia:

- it seeks to support the “revival” and modernization of the garment sector <sup>6</sup> that is among the priority sectors of the 2011 Export-Led Industrial Policy of the Republic of Armenia;
- its focus on the production and export of goods with high(er) added value is in line with the above policy principles;
- it seeks to contribute to both the expansion and the diversification of the export base;
- it targets SMEs engaged in garment manufacturing as important source of economic development and job creation;
- it aims at increasing the competitiveness of garments produced in Armenia;
- it seeks to strengthen the support infrastructure in the targeted sector;

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<sup>6</sup> In the phase I project document reference is made to ‘textile and garment sector’; de facto, in line with the situation in Armenia (no textile sector), the support focused on the garment sector.

- it aims at generating some “quick wins” by providing quite intense support to a limited number of companies to develop their export capacity and find markets (buyers);
- it is built on the principle of public-private partnership (in line with the 2011 Policy);
- it supports efforts to improve the regulatory business environment (encouraging the implementation of reforms to simplify and lower the cost of import and export procedures and to put in place special tax and customs regimes for enterprises engaged in exports (tailored to the sector)).

In addition to its alignment to the 2011 Industrial Policy, the project is in coherence with the 2013 Strategy for Development of Textile and Knitted Wear Industry in Armenia and its Action Plan for 2014-2016. More precisely, the project is aligned to the following strategic directions of the Strategy and related Action Plan:

- promoting export of own production and (probably in Phase 2) promoting sales in the local market;
- attracting foreign buyers;
- enhancing Armenian brands;
- quality assurance and control;
- training of workforce/professional development;
- addressing procedures for importing input materials and equipment.

It is understood that the current Government (2016) is in the process of revising the policy framework. Pending new policies/strategies/action plans in the fields of industry and trade in general and related to the textile and garment sector in particular, the reference of the project under review remains the above-mentioned 2011 Industrial Policy and 2013 Sector Strategy. Overall, it is unlikely that the priorities regarding this sector will change drastically under the current Government, as Armenia wants to increase and diversify its exports, preserve existing employment and enhance new employment opportunities. It is in this regard that the revival of the textile and garment sector is expected to remain among the strategic priorities of the current Government, in the context of its wider economic priorities that include among others investment promotion, entrepreneurship development and export promotion.

The project objectives, outcomes and outputs are particularly relevant for the targeted enterprises that are producing below capacity, seek new markets and are interested in upgrading and modernizing their operations. They are in a sector that was important and renowned during the Soviet period as supplier for the entire Soviet economy and in terms of workforce and that has been severely affected after independence in 1991. Enhancing the sector’s competitiveness and enhancing its role and position in both exports and the local market is in fact the only way for these enterprises to survive, develop and grow.

What is not fully clear is why the Phase 1 project limited its target in this pilot experience to a maximum of 10 enterprises, considering its relevance, the needs and available human and financial resources. It is argued by UNIDO that this pilot project had as objective to support (in this pilot phase) a limited number of enterprises with the aim to generate tangible results in terms of market access within a relatively limited time frame and limited resources. However, the evaluators are of the opinion that the number of enterprises covered in the given period and with the given budget could have been more. This being said, there are no precise data on the number of operating garment enterprises (cf. section III.1, stakeholder analysis) and the pilot group of enterprises may well have covered the majority of operating units complying with the project eligibility criteria.

In terms of overall relevance to the country, the findings on the implementation of the Phase I project may trigger questions on ways and means to further maximize the relevance of the project.



This is also in line with the vision of the 2011 Industrial Policy, such as to increase the efficiency of interventions, avoid duplication of efforts, and develop the capacity of existing structures.

The project is also relevant to UNIDO (aligned to the Inclusive and Sustainable Industrial Development/ISID agenda) and to UNIDO's commitments regarding the UN Development Assistance Framework (UNDAF) in Armenia. As indicated in the project document, it is aligned to the UNDAF Objective/related outputs regarding the establishment/revitalization of SMEs, building a knowledge economy based on science, technology and innovation, and local producers meeting international standards.

Finally, the relevance of the project for the Donor is to be mentioned. The Russian Federation is one of the three founding members of the Eurasian Economic Union (EAEU) that is aimed at fostering closer cooperation between the EAEU member countries (which at present are 5). Moreover, the textile and garment sector in the Russian Federation (as main market in the wider regional market targeted) is highly import dependent, which generates the need to focus on importing from countries such as Armenia that was a renowned supplier prior to independence and for which the current Russian market has export potential. The cooperation with Armenia in this sector is thus considered to be based on a "win-win" scenario.

## **Ownership**

Several local stakeholders (to the extent involved from the start) mentioned their participation in the design of the project, as also evidenced from the minutes covering discussions of the PAB meetings (in June and July 2014 – the PAB was already put in place during the preparatory assistance stage).

Considering the changes in Government during the life of Phase I, ownership somewhat suffered, as with each team of newly appointed senior officials the project needed to be "re-explained". The project dealt in its Phase 1 with 3 Ministers (including the current Minister), 3 Chief Counterparts/Project Directors (one/ADA and two/Development Foundation of Armenia), which influenced the institutional anchorage of the project. In brief, if ownership was good at the start, this appears not maintained over time. Most likely due to the political and institutional changes since the project's start, the initial intention to jointly implement activities faded over time and the project ended up operating relatively independently. This being said, there was some DFA cost-sharing with the UNIDO project in 2015 regarding participation in trade development/exhibition events in Yerevan and Moscow (March and September 2015).

Still, the suggestion made by one of the private sector PAB members in the meeting of November 2015 to *"arrange a meeting to clarify the ways of combining the UNIDO and the Government's industry development projects in order to better optimize the resources and avoid double actions"* can be seen as an indication of interventions being carried out in parallel and the search for reinforcing joint activities.

From discussions of the evaluators with the current main counterparts it emerged that there is interest in ensuring that the PAB effectively plays its role in overseeing the project. While held regularly at the start (2014), the frequency of PAB meetings (6) somewhat diminished over time and focused on (i) the presentation of project activities executed over the reporting period and (ii) the presentation and endorsement of the action plan of activities planned for the next reporting period. As will be discussed under Section III.4 (Sustainability), the PAB discussions regarding the envisaged creation of export consortia addressed the need for enterprises to engage in collective actions but the PAB agenda did not include discussions on an exit strategy for the project interventions at large (even if to be pursued in a second phase). It is argued here that the last

project year of Phase I was a critical moment for at least starting such discussions regarding the sustainability of the support (going beyond the presentation of interventions to be covered in the roll-out phase). Although featured in the Project Document in respective sections, a sustainability strategy should have been more thoroughly addressed as an integral part of project interventions from the design stage onwards.

Ownership at the level of the participating enterprises is demonstrated by their interest in participation in the project and their engagement in project activities. One of the principles applied in most UNIDO upgrading programmes, i.e. cost-sharing by enterprises, even in a symbolic manner - was not systematically applied in this project phase. Indeed, some enterprises stated to have covered the cost of participation in trade fairs and, in some but not all cases, the cost of the material inputs needed for making samples for the collection/for potential buyers as part of the negotiations on orders. From the enterprise diagnostics to the hands-on support and advice of the team of project experts to follow up on orders, the assistance was essentially free of charge. It is difficult to assess at this stage to what extent enterprises will be willing to pay for the technical, managerial and marketing support services so far mobilized and provided by the project.

The participating enterprises are co-owners of the common brand *5900BC* put in place with the support of the project in the context of the preparation of the collections during Phase I. For now, the rules of the game as regards the utilization of this common brand are not yet clearly defined by the enterprises. This is expected to be done when formal ownership of the label is passed on to the export consortium with the same name (*5900BC*) that is expected to manage the use of the label/brand.

As regards the support to ATEX Fashion Centre, ownership is shown by ATEX taking the lead in advertising for and organizing the training courses offered under the umbrella of the partnership with the Istituto di Moda Burgo (IMB, Milan, Italy) put in place with the support of the project (partnership signed in October 2014 by the two parties). ATEX also took actively part in the preparation of the collections. Within the context of the signed tripartite (Atex, Burgo, ADA/IDF) MoU, the project provided support in terms of payment (under activity 2.3) of annual rights to use the Burgo label in Armenia, purchase of its books used in the training on pattern making and fashion illustration), and costs related to travel of trainees to Italy as well of IMB staff to Armenia.

The Memorandum of Understanding that guides this partnership explicitly states that the financial involvement of the project will be limited to two years, and states that the cooperation will be thereafter funded from public resources (referring to ADA and IDF, meanwhile merged into DFA). In that sense, true co-ownership by ATEX and IMB depends on the moment when they take over the charges of the partnership. A feasibility study to this end has been conducted for ATEX with the support of the project. Its outcome is driven by ATEX's capacity to recruit a sufficient number of students for its courses (following the training of trainers at IMB organized through the project). It is to be noted that the trainees of these courses take full ownership in that they pay for the courses.

Among the challenges faced by ATEX to increase the number of students (thus affecting its revenues) was reported to be the problem of space (need for bigger premises – beyond the control of the project). This matter was stated to be under discussion with the relevant Government Authorities.

### **3.3. Effectiveness and actual/likely impact**

The aim of this section is to assess the project results and effects (impact), directly and indirectly: where the right things done and what difference did the project results make in practice to the project partners and beneficiaries?

The first step taken in this regard consisted of juxtaposing in detail the achievements during Phase I with the planned outputs/results and their respective activities, as summarized in the matrix below. This is followed by a general assessment of overall effectiveness and impact.

Project logic/structure	Concise overview of achievements against planned results and activities <sup>7</sup>
Development Goal	Assessment by planned versus realized activity
<p>To maintain and improve the market share of local textile and clothing industry operators in domestic markets and to take advantage of opportunities afforded by prospects of integration within the Customs Union's trade arrangements</p> <p><b>Indicators:</b> Domestic and regional market share of Armenian textile products increased</p>	<p><i>It is too early to assess at the end of Phase I (a pilot experience) precise changes in terms the volume/value of sales of garments made in Armenia neither on the local market nor of exports as a result of support.</i></p> <p><i>The progress reports (prepared in line with the standard UNIDO template) are activity and not results based, nor referring to the indicators, the field interviews and information thus received allowed for more precision as regards the concrete results in terms of sales at this stage:</i></p> <ul style="list-style-type: none"> <li>• <i>By the end of Phase I, the first export contract has been signed between one of the participating enterprises with a large Russian clothing retail chain; that enterprise is currently producing that order (n=4430 pieces of "home wear" covering different items); follow-up orders are expected to be concluded;</i></li> <li>• <i>Another enterprise is engaged in cooperation with Valentin Yudashkin Fashion House and produced some of items included in the collection presented by this designer in the 2016 Paris Fashion Week; follow-up orders are expected;</i></li> <li>• <i>Negotiations are ongoing with other Russian retail chains.</i></li> </ul> <p><i>For the above two enterprises, it is the very first export experience; for others with prior export experience (some also in the Russian market/other markets), the support of the project will have resulted in (i) product diversification and (ii) client diversification – once the ongoing negotiations with buyers are concluded and more concrete orders will have been obtained.</i></p> <p><i>So far emphasis has been put on seeking in particular regional market opportunities. Project reporting refers to contacts with more than 50 Russian retail chains and garment producers through its participation in specialized exhibitions, trade fairs and business networking events.</i></p> <p><i>The sales so far secured concern primarily outsourcing, in that the designs are provided by the buyers (Russian retailer chain); so far there are no orders purely based on the subsequent 5900 BC collections although negotiations to this end are said to be ongoing with some retailers. Getting orders based on a new brand/collection will take quite some time and sizeable resources, as requiring continuous presentation of quality products in line with market demands. In this regard, the collection approach followed is primarily relevant for visibility purposes.</i></p> <p><i>Other than organizing/participation in local fashion shows/trade fair events, there is no decision so far (to be taken by the enterprises themselves) on the local sales of the 5900 BC collections (no common outlet yet).</i></p>

<sup>7</sup> Based on project progress reports, milestone brochures complemented by information obtained during the field mission.

<b>Outcome/Immediate Objective</b>		
<p>Beneficiary SMEs form networks, modernize their businesses to expand production, improve quality and gain access to markets with the support of reinforced national technical expertise</p> <p><b>Indicators:</b> Improved economic performance of industrial beneficiary SMEs using locally available services</p>	<p><i>At this stage</i></p> <ul style="list-style-type: none"> <li>• <i>there is an informal network of enterprises; even though the 8 enterprises agreed in writing to engage in an export consortium, this has not yet been formalized (discussions on what it should do and how it should be organized/funded are so far not concluded);</i></li> <li>• <i>given the emphasis of the project on the design of collections and identification of buyers, the participating enterprises received advice and were coached to introduce new products/designs (samples), improve pattern making and grading;</i></li> <li>• <i>several enterprises also introduced as a result of expert advice a number of changes to raise their productivity, improve their cost calculation methods, improve working conditions (work space/lighting), and enhance quality control;</i></li> <li>• <i>the 5900 BC collections served as a tool used in the organization of/participation in shows/exhibitions/fairs/business meetings – allowing to draw attention to the capabilities of the participating Armenian garment producers. As already mentioned above, as can be expected given the nature of the (buyer-driven) supply chain, it generated so far mainly subcontracting opportunities based on the designs of buyers, not (yet) of 5900 BC collections as such.</i></li> </ul> <p><i>As in the case of the goal/impact level, it is too early to assess at the end of Phase I precise changes in terms the improved economic performance of the participating enterprises – although the project will need to monitor the same (and compare it with baseline enterprise data/2014) now that contracts have been obtained and more contracts are expected to be concluded in the short run. In the absence of a full-fledged enterprise specific monitoring system, the evaluation could not be more precise on how the project measures the outcome indicator: improved economic performance.</i></p>	
<b>Outputs/Results</b>		
<p>Output 1</p> <p>Enterprise diagnostics, industrial modernization and networking of selected pilot SMEs in the textile and clothing industry in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers</p> <p><b>Indicators:</b> Enterprise performance indicators, e.g., reduced factor costs, turnover, value added, % exported</p> <p>Number of SMEs enter into networks/consortia</p>	<p><u>Planned activities</u></p> <p>1.1 Identify and select a pilot group of min. 5-7 and max 10 enterprises in the textile and clothing industry willing to participate in the programme and responding to the approved eligibility criteria</p>	<p><u>Achievements</u></p> <p><i>Initial selection of 10 enterprises (all garment; no textile) by PAB (22 September 2014) with total of about 440 employees; 8 responded to selection criteria: TOSP; MELANTE, Firma LIDA; KANAKER Garment Factory; NANMAN; ARSFINE; AGNESA; ARMJEANS. According to the progress reports a 9<sup>th</sup> enterprise was later added (2015): NOUBARASHEN Knitting Factory that, given its subsector – knitwear – and state/performance (not operating in winter) was mainly involved on an ad-hoc manner, i.e., whenever there was buyer demand for knitwear.</i></p> <p><u>Assessment</u></p> <p><i>To indicate/confirm their interest, the enterprises had to complete an application form; the information thus provided would a priori serve as baseline as regards enterprise performance. Review of the forms submitted showed that in several but not all cases the requested details were completed (supposedly done in the next stage: diagnostics)</i></p>
	<p>1.2 Conduct full-diagnosis study of each beneficiary enterprise including technical assessment of</p>	<p><u>Achievements</u></p> <p><i>The progress reports refer to full multi-disciplinary diagnoses (product development, production management, HR, finance, marketing, networking, legal issues, standard issues), modernization plans carried out for and agreed with each of the 8 companies.</i></p>

<p>Number and quality of export activities facilities Number of enterprise employees trained (female and male)</p>	<p>present technical/production situation and operated technologies to collect, analyse and evaluate marketing data, gender disaggregated employment data, position and wage levels, and develop modernization plans</p>	<p><u>Assessment</u> <i>Review of the diagnostics cum modernization plans prepared for each of the enterprise covered a rapid assessment of the production process, product development, financial and HR management, and moved quickly – already during the diagnostics phase – into sketches for the design of new products by the enterprises (samples/prototypes, in line with the focus on creating a series of collections).</i></p>
	<p>1.3 Conduct competitive market positioning studies for selected enterprises including baseline of enterprises (domestic and export sales, employment, current markets and distribution channels, products range, etc.), analysis of supply-side constraints, main direct competitors, benchmarking of main competitiveness factors at the international level, market survey on at least 3 reference markets</p>	<p><u>Achievements</u> <i>The progress reports refer to a full-fledged competitive market positioning study for the selected companies. To this end a group approach was followed (not for individual enterprises). The evaluators received a 5900 BC market analysis and positioning report (non-dated) that focused on the Russian market. Similarly, in 2016 a report entitled “Strategic positioning in the Russian market” was completed. It is evident that also during the different missions carried out to Moscow market issues were studied (as reflected in individual mission reports).</i></p> <p><u>Assessment</u> <i>The PAB-supported decision to focus on the regional (including Russian) market, namely the mid-price prêt à porter and high-end fashion design segments, is understandable and justifiable in the light of proximity and also regional trade opportunities through EAEU. This being said, as confirmed by some of the participating companies, there is interest to further diversify the markets targeted. Finally, in the progress reports access to input materials (now from Turkey/some enterprises import also from China) is recognized to be an important source of constraints of the Armenian garment industry, but a study to improve/diversify the sources of materials supply was merely reported to Phase II (notwithstanding the recruitment of a national expert/fabric sourcing - whose role was reported to have primarily focused on the sourcing of inputs for the 5900 BC collection and samples for targeted buyers).</i></p>
	<p>1.4 Formulate market positioning vision for identified products (collections) of high potential, and build appropriate marketing implementation strategy</p>	<p><u>Achievements</u> <i>The market positioning vision builds primarily on (i) the creation of a joint logo/brand 5900 BC, (ii) 5900BC web site and Facebook page, (iii) the creation of (four) seasonal fashion collections and (iv) events, such as a one day 5900 BC business forum/fashion show (20 March 2015). The Collection Fall-Winter 2015/2016, Capsule Collection Spring-Summer 2016, 5900BC Capsule Collection Fall-Winter 2016-2017 were presented in</i></p> <ul style="list-style-type: none"> <li>• <i>Made in Armenia (April 2015/16)</i></li> <li>• <i>CPM Collection Première Moscow (2-5 Sept 2015 and 22-25 February 2016)</i></li> </ul>

		<ul style="list-style-type: none"> <li>• CPM Moscow Premium (31.08- 3.09.2016)</li> <li>• Textillegprom Moscow (22-25 Sept 2015)</li> <li>• Bee-Together (platform for outsourcing in light industry), Moscow (1-2 June 2016).</li> </ul> <p><u>Assessment</u>  <i>The joint brand, subsequent collections and participation in selected sector focused events (all targeting the regional market including the Russian Federation) were a means to demonstrate the capacities of the Armenian garment sector, generated interest and resulted so far in a first concrete order (as subcontractor and not yet for the 5900 BC brand which was the strategy followed to access markets, as discussed above). Although the participating enterprises see themselves as co-owner of the joint brand, there is no clear vision yet as regards the rules of the game as regards the use of the brand by the enterprises. Also, apart from participation in local shows/fairs, the project marketing strategy put so far emphasis on exports rather than organizing 5900 BC sales on the local market. The reason given for the fact that there is for now no local common outlet for 5900 BC was reported to be purely financial (including the project's limitation not to support directly commercial outlets). Intuitively, the 8 enterprises should however generate (also) experience in selling their joint collection on the local market. At the same time, attention was paid to market opportunities in other potential markets (Iran, to limited extent European countries).</i></p>
	<p>1.5 Coach selected enterprises in implementing respective modernization plans and marketing implementation strategies based on networking approach and findings of the competitive positioning studies</p>	<p><u>Achievements</u>  <i>The progress reports refer to the implementation of the modernization plans based on diagnosis studies; particularly regarding the preparation of new product designs (the collections), the preparation of samples, costing and quality control there has been active support of the team of international and national experts involved in the project. When orders were obtained (the case of one Russian retail chain and the Russian designer), the support became very intensive. The progress reports indicate that coaching sessions on production planning and productivity improvement are 'to be extended during Phase II'.</i></p> <p><u>Assessment</u>  <i>Emphasis was put on identification and close follow-up of market opportunities at the level of the enterprises/buyers (giving a very direct role to the local coordination team and of national/international experts in this regard); the direct coaching activities were a step towards sustainability through the on-the-job capacity building of national experts and enterprise staff. Still, the intensity of (free of charge) coaching (in terms of inputs mobilized per enterprise) raises concerns about the likelihood for this approach to continue in the absence of project resources.</i></p> <p><i>Also, the market vision/strategy of the project put all attention on the development of new products/designs, on the promotion of the collection and on the follow-up of orders (one single focus); the marketing strategy did not include attention to efforts aimed at (also) enhancing sales of what the participating enterprises were already producing (e.g., uniforms; baby/children clothing) and</i></p>

		<p>what this would require in terms of upgrading. There is large variation among the 8 enterprises in terms of the degree of tangible benefits generated so far.</p>
	<p>1.6 Provide technical assistance to selected enterprises to design and merchandize pilot ready-made collections with the support from the reinforced fashion centre (based on the results of activities 2.3 and 2.4)</p>	<p><u>Achievements</u>  <i>This activity 1.6 benefitted from support at the meso level run under Output 2 and also related to the work done under activity 1.5. A total of 4 collections were developed and several design/marketing related trainings were conducted, such as</i></p> <p><i>(i) for enterprises:</i></p> <ul style="list-style-type: none"> <li>• <i>how to make a sales collection</i></li> <li>• <i>design and pattern making (for the collections) with Atex-Burgo Fashion Centre (including also students of the Centre)</i></li> </ul> <p><i>(ii) for trainers:</i></p> <ul style="list-style-type: none"> <li>• <i>fashion design processes</i></li> <li>• <i>training on industrial fashion design software</i></li> <li>• <i>pattern making and grading</i></li> </ul> <p><i>(iii) for enterprises and trainers:</i></p> <ul style="list-style-type: none"> <li>• <i>strategic manufacturing and marketing strategy under joint logo (around 5900 BC concept).</i></li> </ul> <p><u>Assessment</u>  <i>Regarding the role of the Fashion Centre as service hub (fashion design; pattern making; grading), it was for now mainly supported to being a partner in the design/pattern making training, conducted with the support of a team of international and national experts (the latter internal and external to the Fashion Centre). Considering the stated gap in patternmakers at the level of garment enterprises, the number of students that the (meanwhile labelled) Atex-Burgo Fashion School was able to accommodate and train, is for now not high (30 students of which 2 graduates/pattern making, with 2 additional graduates/patternmaking envisaged end 2016). There is no indication if the graduates were already absorbed by the enterprises among their staff. The main reason given for the current number of students is the lack of space to accommodate more students (issue of premises under discussion with the Government)</i></p>
	<p>1.7 Support collective marketing and export activities with potential establishment of export consortia and facilitate communication of project results</p>	<p><u>Achievements</u>  <i>The participation in the events listed under Activity 1.4 above covered promotion for the group of participating enterprises (as a group and of a single brand). The missions to Russia (April 2015; June 2016) covering meetings with potential buyers/fashion companies and chain stores were conducted in order to generate interest in collections and negotiate agreements. Visits of several buyers from Russian Federation to Armenia (June 2016), negotiation and follow-up of the production and sending of samples and follow-up of orders, once placed (pricing/quality/deadlines) resulted in final contracts signed outside the brand with individual producers.</i></p> <p><i>Regarding export consortia, training was conducted on 17 November 2015 (targeted at the</i></p>



		<p>beneficiary enterprises, national experts and national counterparts) by a UNIDO expert with experience in the creation of export consortia. The Ministry of Economy and Union of Light Industry agreed on principle to establish an export consortium.</p> <p>On communication on project results (included in this activity), the project developed (four) milestone brochures that present the main achievements during phase (that were meant to accompany the respective 4 product catalogues, in terms of providing project related information to a wider audience).</p> <p><u>Assessment</u></p> <p>Emphasis has been on the collections as a joint marketing effort (targeting the same under the 5900 BC joint brand). For now, the idea of possibly collective efforts to address shared problems – such as access to input materials or the need for common service facilities related to production (pattern making through Atex) – started in Phase I but will need reinforcement in Phase II.</p> <p>Regarding the export consortium plan, this was included in the project document as a “possible action”, but has been pursued in the meantime. At this stage, there is written consent of beneficiary enterprises to establish an export consortium but there was no formal establishment of an export consortium yet. A review of the discussions thereon at the level of the PAB meetings (2015 and 2016) indicate that:</p> <ul style="list-style-type: none"> <li>* the enterprises are not “in a hurry” to formalize a consortium around 5900BC as long as there were no orders to cover its management costs;</li> <li>* uncertainties related to the adequate legal form for consortia;</li> <li>* based on the discussions, some 3-4 of the 8 enterprises are interested to go ahead, whereas the others are more reluctant/lack the means to share in its costs;</li> <li>* there is the desire of the enterprises that the project coordination team acts as manager of the consortium (that however should be an effort by and for the enterprises that the project has and can support but that should not be run by the project coordination team);</li> <li>* there is also the assumption by the companies and the GoA that the GoA can be a member of such a consortium; like the project, it can and should ideally support such an initiative, but should never have membership position in the consortium that should be purely limited to enterprises that engage to join hands based on common interests;</li> <li>* another assumption relates to the idea that consortium membership can expand (to include more enterprises than the 8, as well as enterprises from other sectors - related to the garment and other fashion-related activities). Whereas founding members can agree to accept newcomers, it is not good practice to have too vast membership (given the risk for diverging viewpoints, interests, capacities and difficulties to move forward at the same speed based on a commonly agreed roadmap).</li> </ul>
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	<p>2.1 Review the policy framework, identify and assess capacities of the national experts and existing support institutions, industry-related testing and design centres and/or vocational training institutions in supporting national textile and garment operators</p>	<p><u>Achievements</u></p> <p><i>An overview was conducted of the industry support institutions; given the identified local industries' needs and the capacity of the existing support institutions against the identified needs, industrial design, patternmaking and grading were identified as service areas requiring strengthening. This explains the choice to focus on the Atex Fashion Centre as future service hub for the garment sector (see activity 2.3).</i></p> <p><i>Review of the National Strategy/Textile (2013) was conducted and this review was, according to the last progress report, ongoing; changes in Government most likely explain why it is not yet clear if/to what extent the 2013 National Strategy will be amended by the current Government.</i></p> <p><i>Analysis was conducted of the implications of the EAEU framework for the garment sector including its Customs Code and the project participated in seminars on EAEU legislation (customs; taxation; certification, import-export); moreover, a workshop was conducted on the certification of textile/apparel production with the involvement of an EAEU accredited testing laboratory.</i></p> <p><i>One enterprise received so far guidance of the project regarding VAT exemption (in line with the spirit of the 2013 Strategy); the outcome (exemption obtained) is expected to trigger the same approach to be used by other enterprises.</i></p> <p><u>Assessment</u></p> <p><i>Whereas the project addressed some of the strategic issues spelled out in the 2013 National Textile Strategy in particular at the level of the participating enterprises, wider policy advice (going beyond assistance to the selected enterprises) to uplift the sector as a whole was not an explicit goal of the project. The project thus covered the core issues (2013 Strategy) of professional development of managers and quality assurance specialists of the participating enterprises; promoting the exports of own brands (by focussing on 5900 BC) and attracting foreign outsourcing (all focused on regional including Russian markets). As regards the other strategic (sub-) areas such as addressing the problem of importing input materials and equipment, cooperation between the private sector and the vocational education system, workforce training, financial support to the sector and market development beyond the current regional market focus, these cover areas that require more attention in the next phase (to the extent part of the coverage of the project). The recent (Sept 2016) case of VAT exemption obtained by one of the participating enterprises in line with the EAEU Customs Code is expected to be multiplied in the context of efforts to address input supply problems of the sector.</i></p>

	<p>2.2 Provide training sessions to the identified national expertise on strategic diagnosis and upgrading techniques, evaluation of upgrading plans, marketing techniques, project monitoring and evaluation etc., and provide related methodological tools adapted to the Armenian context for continuous use</p>	<p><u>Achievements</u></p> <p><i>The progress reports refer to training workshops, on-the-job training and coaching at the level of the teams of international and national experts (working in tandem) as well as training and guidance of enterprise staff on the implementation of the company specific modernization and market development strategies. The list of results obtained from the project team refers to no less than 44 local professionals trained on company diagnostics and modernization according to the UNIDO methodology.</i></p> <p><u>Assessment</u></p> <p><i>Capacity building followed a hands-on approach. In the last review of the draft evaluation report, the project coordination team referred to the training of 109 national experts<sup>8</sup> beyond the project expert pool. It is understood that these other experts are Atex staff/students/enterprise staff (beneficiaries).</i></p>
	<p>2.3 Strengthen the existing unit for fashion design and modelling to serve as a sectorial centre/point providing services related to design, patterns, grading, etc., to local garment manufacturers through supply of equipment and software, appropriate training to centre operators, and creation of a “fashion library” and licensed subscription to international electronic databases on graphic design, fashion and clothing</p>	<p><u>Achievements</u></p> <p><i>Industrial design, pattern making, and grading were identified as main gap and the Atex Fashion Centre was identified by the project as core institution (reference is made in reporting to the assessment of ATEX and the elaboration of an action plan that was to guide support to ATEX). In general, the centre was strengthened and cooperated in the preparation of the (four) collections developed during the life of the project.</i></p> <p><i>Regarding the school: a workshop was conducted at the Centre early on in the project (Nov 2014) covering pattern making using Lectra software (which also included project support to provide the required computers for this software).</i></p> <p><i>The Atex-Burgo Fashion School (focused on providing product design, pattern making, grading and other services for enterprises) was established in February 2015 (based on a Partnership agreement with IMB - already described under Section III.2). The project purchased Burgo textbooks and additional equipment/furniture for the school.</i></p> <p><i>Two trainers (patternmaking) attended a two-week training (fashion design/modelling/styling) at Burgo (2014). From the subsequent trainings held, there are at present two graduates with an international Atex-Burgo diploma who presented their graduation collections in a special fashion show; there are currently about 30 students and the next two graduates (patternmaking) are expected in Dec 2016. Two additional trainers are taking part in a training (late 2016) on fashion illustration at IMB. It is reported that the school also trained trainers of all garment related</i></p>

<sup>8</sup> 109 experts trained as part of project SAP ID 140117 including: 75 (incl. 55 women and 20 men) of enterprise employees and students trained; and 32 (31 women, 1 man) and 2 trainers (1 woman and 1 man) of technical support institution experts

		<p>educational institutions in the country (Yerevan and regions), thus seeking outreach of the experience gained through the project.</p> <p><u>Assessment</u></p> <p>In the reporting reference is made since 2015 to a study to assess the actions required for the Atex-Burgo school to become sustainable (ongoing). This is important, as the project facilitated and paid during two years for the costs involved in the Atex-Burgo partnership (this support ended with Phase I as per the partnership agreement).</p> <p>The school meanwhile expanded its courses (patternmaking, dressmaking, fashion design, fashion illustration and now offering also short term professional courses). Notwithstanding the progress in terms of types of courses and number of trainees, the number of graduated patternmakers (stated to be badly in need by the sector) is for now limited and so far, the centre is not the common service hub it is expected to be/become for the sector.</p> <p>So far more emphasis has been put by the project on the Atex-Burgo school and on Atex' role in the development of the collections (together with staff of the participating enterprises).</p>
	<p>2.4 Conduct expert meetings/technical workshops for selected beneficiary centre staff and trainers in a reference international fashion centre on market- and industry-driven fashion design processes and methodologies, modelling and styling, creation and validation of ready-made collections, and good merchandizing techniques</p>	<p><u>Achievements</u></p> <p>This activity is strictly related to the trainings of national experts/trainers outside Armenia. It covered primarily the cooperation with IMB.</p> <p><u>Assessment</u></p> <p>There were so far two ToTs (Training of Trainers) for staff of Atex at IMB that resulted in launching new courses in Atex immediately after the ToT. The evaluation team has no information to be able to assess to what extent the cooperation with IMB could have covered more ToT activities in the context of the MoU with IMB.</p>
	<p>2.5 Facilitate regional and international industry support network and business linkages for export promotion of Armenian textile products on regional EURASEC and international markets inter alia through</p>	<p><u>Achievements</u></p> <p>The efforts of the project experts (accompanied in the trade fair by some enterprise) resulted in contacts with numerous potential buyers with emphasis on the regional including Russian markets, in particular mid-to-high fashion retail chains including a renowned design house. As described above (output 1), at the time of the evaluation mission a first order had been obtained and more orders were expected to be signed soonest.</p> <p>The project also facilitated cooperation between the Union of Light Industry Employers in Armenia</p>

	<p>the activities of the UNIDO ITPO/CIIC network including the UNIDO CIIC in Yerevan</p>	<p><i>and its sister organization in the Kyrgyz Republic (LEGPROM) – resulting in a MoU concluded in June 2015.</i></p> <p><u>Assessment</u></p> <p><i>As a result of active and recurrent participation of the project experts in relevant fairs/business networking events, the first and subsequently expected orders have been secured, with emphasis so far on the regional including Russian markets (in particular the mid-to-high range of products/price levels).</i></p> <p><i>To the extent the project experts have been at the core of support to the business networking efforts, the sustainability of such business networking is an important issue (envisaged through the commitment of enterprises to create export consortium/consortia).</i></p> <p><i>It is too early to assess what have been the results so far of the MoU signed between the Armenian and Kyrgyz sector organizations (at least not included in the reporting).</i></p>
	<p>2.6 Explore scope for upscaling the pilot initiatives inter alia within the national support framework</p>	<p><u>Achievements</u></p> <p><i>At the start of project implementation, an agreement was achieved between the Project team and the counterpart Ministry/ADA/IDF to synergize, where feasible, the implementation of the project with the implementation of the National Strategy on Development of Export-Oriented Industries. The first local promotional event and the subsequent joint organization of the project’s first CPM participation were among the first joint activities related to the implementation of the national strategy.</i></p> <p><i>Already in Dec 2015 the Armenian counterparts requested UNIDO to extend the project (a second phase), including also the suggestion to including other sectors of the light industry.</i></p> <p><i>Accordingly, a Phase II project document was developed by UNIDO (project team in HQ and in the field), agreement of funding by the Government of the Russian Federation was obtained from its IDF contribution and Phase II started in September 2016. The Phase II project continues its focus on the garment sector, to which also the shoe sector is added.</i></p> <p><u>Assessment</u></p> <p><i>The Phase II project followed smoothly after Phase I (that operationally ended in August 2016). This smooth transition was important at this stage, as it is now that the fruits of the promotional and business networking efforts have started to be collected, i.e. the first actual order and finalization of the negotiation on subsequent orders.</i></p>

Summarizing, in terms of its **results**, project reporting refers to 8 participating enterprises with over 440 employees “having been upgraded”.<sup>9</sup> This stated result requires some nuance, in the sense that work in terms of process and product upgrading of the participating enterprises has indeed started but cannot be considered as completed as upgrading is a continuous process prompting SMEs to sustainably enhance their competitiveness.

Regarding process upgrading, there have been trainings and coaching of national experts and enterprises including topics such as industrial layout, product quality, process flow, occupational environment, human resource, financial management and marketing.

Particular focus of the project has been on product upgrading, with emphasis on the development of new products (industrial fashion design):

- training of 5 national experts on industrial fashion design software from Lectra Systems and training of beneficiary companies in fashion design;
- the creation of the 5900BC brand (that is a priori owned by the 8 participating companies);
- the creation of 4 fashion collections under this brand covering some 210 models of product items produced (with active support and coaching by project experts) by the 8 participating enterprises;
- the presentation of these collections in 3 local and 5 international specialized garment/fashion exhibitions and fairs.

It is encouraging to note that at the time of the evaluation mission 2 of the 8 enterprises received orders (one from a large Russian clothing retail chain and one from a renowned Russian fashion designer). Negotiations with other Russian buyers (fashion retail chains and garment producers) are ongoing, of which several are stated to be in final stage.

The Atex fashion school has been strengthened through its partnership with the Moda Burgo Institute (IMB) in Milano (essentially paid by the project), resulting in the establishment of the Atex-Burgo Fashion School. Atex staff and other professionals received training (both on the job by the team of project experts and in the case of four Atex trainers also in Milano) and equipment was purchased for the school (such as design software/PCs, design tables). The total number of students enrolled in different courses increased, two students already graduated in pattern-making (international IMB diploma), and two more students are expected to graduate in this field before the end of 2016 and some 30 more students (spread over different courses) are currently enrolled. It is not yet known if these graduates have been already absorbed by the enterprises – that are stated to have high demand for pattern-making specialists.

Notwithstanding the strengthening of the “school part” of Atex, it is not yet the full-fledged service hub that provides a range of services to local garment manufacturers such as industrial product design, pattern-making, grading and other common services needed by the sector at large.

Training on export consortia (that were foreseen to be “potentially developed”) and follow-up discussions among the local stakeholders has not yet resulted in the formal creation of the first export consortium – that is to take over the direct facilitator role of project staff in export promotion and identification of/follow-up with (potential) buyers. There is the intention of at least a number of participating enterprises to move forward in this regard. Whereas not available at the time of the evaluation mission, the evaluators were informed (after the mission) that a consortium business plan was developed in November 2016 that spells out the joint objectives of the consortia founders

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<sup>9</sup> Based on the estimated 3215 persons employed in the (both) textile and clothing sector (National Statistical Service, 2015), the project thus covered, in terms of employees in the sector, the equivalent of approximately 13.7%.

(that should be per definition only enterprises), its management structure and financial contributions expected from the enterprises, its action plan including target priorities as regards joint actions (such as target markets; other joint efforts such as to address input supply constraints). Prior to formal establishment all of the above needs to be clarified and agreed upon among enterprises. Similar to the discussions at the moment of the training in December 2015<sup>10</sup>, the enterprises expect major external support (project/Government). Whereas the latter can support according to pre-defined conditions, they cannot be part of the management/start-up capital of a consortium.

### 3.4. Sustainability prospects

From the point of view of the evaluators the sustainability of efforts is a major point for concern in this project, requiring improvement both in terms of its institutional anchorage and the sustainable supply of specialized BDS to participating enterprises.

Sustainability was insufficiently reflected in the project strategy, as:

- the logical framework assumed the availability of national technical expertise covering a wide range of services needed to improve quality, to facilitate the creation of enterprise networks and to gain access to markets. Whereas the project made active use of national expertise, the main challenge lies in these national experts being available for support to enterprises after the project ends (if there is no project that funds their interventions). The selected individual experts are linked to the project through contracts but not to a national support framework that is expected to take over the coordination and implementation of enterprise upgrading/modernization/market development efforts once the project (be it Phase I or Phase II) ends.
- all support provided is funded – as per the project strategy – from project resources (with the exception of selected market promotion efforts that have been effectively cost-shared by DFA, in addition to hosting the project in its premises); there has been no reference in the discussions during the evaluation mission to plans for the project coordination unit located at DFA within the premises of the Ministry of Economic Development and Investment to evolve into a national entity (public, private or mixed) that is expected to have the capacity to manage support to enterprise upgrading/modernization beyond the project (the project office/its furniture and IT equipment being located within DFA is as such not considered an element contributing towards sustainability of the support provided by the project); similarly, there is no indication so far of attention to the need to instil the idea of cost-sharing by enterprises (to get them used to paying for business development services, BDS); the only reference to cost-sharing relates to participation in international fairs and related logistics).
- notwithstanding the results of efforts at the level of Atex regarding its education activities (the school), Atex has yet to fully play its envisaged role as service hub for enterprises. The feasibility of the Atex-Burgo school's sustainability has been studied with project support (that is expected to be a roadmap for Atex to become a service hub relevant for and actively used by the sector). The matter of the current premises (too small and thus affecting the

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<sup>10</sup> See mission report of G. Galtieri, UNIDO expert/consortia based on November 2015 training.

capacity to reach economies of scale via bigger number of students) is being under discussion with the respective government authorities.

If the stakeholders have the intention for the type and range of support organized and funded through the project to continue beyond the life of the project (again, be it Phase I or Phase II) and be expanded to a much larger number of enterprises in the selected sectors (garment and - in Phase II - shoe sector) as well as to other manufacturing/related services sectors, project sustainability is a critical issue that is to be addressed thoroughly. In this regard, the current degree of institutional anchorage of the project constitutes the main concern. The prospects for technical, organizational and financial sustainability of the project interventions are for now uncertain. To put it simply: which entity will manage and coordinate industrial upgrading/modernization efforts once the project funding ends?

Regarding market development/business networking efforts, the key facilitator role currently performed by the project team is a priori to be passed on to those leading the envisaged export consortium (with the project role being reduced to “accompanying” the enterprises/their consortia). However, the project and also the public sector (Ministry of Economic Development and Investments/DFA) can support consortia in their start-up stage but are not members of consortia and cannot run them.

As the first export consortium is not operational yet, it is difficult to assess at this stage to what extent the first consortium will be able to pursue/expand these joint efforts. Ultimately, several consortia are expected to be formed based on the trust among participating enterprises and their product affinity/complementarity. If, for example, 4 of the 8 enterprises decide to go ahead with the first export consortium (meaning: paying for its functioning/joint activities), it needs to be decided to what extent the group remains open to receive more enterprises. Namely, experience shows that, the bigger the size of the group, the riskier becomes its operation and effectiveness.

### **3.5. Project coordination and management**

Overall, the coordination mechanisms of the project have been smooth. There was a good cooperation between the different levels of coordination: UNIDO HQ, Chief Technical Adviser (CTA), national project coordination team and the Head of UNIDO Operations in Armenia.

The project could have benefitted from more rigour in monitoring by UNIDO/project management and also by the PAB as regards the performance at the enterprise level in line with the results framework (against baselines, in principle known from the enterprise registration forms and subsequent diagnostics). Periodic reporting was more activity (done in accordance with the UNIDO template) than results based. To obtain details on the work done at the level of each enterprise (considered highly relevant in this type of project although not demanded by the standard UNIDO template) and the use of inputs, it was necessary to look into individual reports of the project experts that had a varying degree of detail on work done/results (some more comprehensive; others very concise).

It was reported to the evaluation team (after the mission) that the project had initiated a monitoring system (“dashboard”) that should indeed have allowed for a rapid overview of the type/duration of support received per participation enterprise and how each of these enterprises have developed since the start of the project – referring to the performance indicators formulated in the logical framework. However, this information was not available and it was recognized by project



management that, due to the project team's intensive enterprise-level coaching activities related to "orders", the M&E system was not fully operational. This situation renders it difficult to assess the implementation rate of each of the enterprises against their upgrading/modernization plan as a whole, be it increase in employment (by type of employment), in sales growth, in market diversification, in product diversification, cost reduction, quality improvement. In this sense, it is not possible to assess in more precise terms how each of enterprises has been able to translate the support received in tangible benefits. Only regarding sales there is information which company received or is likely to obtain which order (which is closely monitored by the project, as it plays an "in between" role between the buyers and the producers).

Discussions of the PAB (that met regularly but perhaps not frequently enough) were structured around the presentation of activities executed over the reporting period as well as the presentation and endorsement of the action plan of activities planned for the next reporting period. There is no indication of discussions on key issues related to the institutional anchorage and related sustainability issues of the project on the PAB agenda/in the minutes of its meetings.

It is to be noted that there was some instability in project steering, in that Phase I dealt with three Ministers and 3 Project Directors (one/ADA; two/DFA). As mentioned, this meant that the project needed to be 're-explained' and could also clarify why the project was operating as a rather stand-alone manner – not financially nor operationally linked to existing state support mechanisms to foster SME development, although tightly anchored to the national strategies and policies (as discussed under "relevance").

In terms of synergies with other UNIDO projects in Armenia, according to discussions of the lead evaluator at HQ this was explored but in fact not technically nor logistically feasible, as the different UNIDO projects were/are operating in different geographic areas. Also source of funding matters, to the extent engaging in collective efficiencies among projects with different donors was stated to be complex.

Regarding the potential for external synergies, UNIDO was the only agency involved in support to the garment sector (at least in the past two-three years). Other development players were reported to be involved in general support to SMEs at the time and more initiatives on general BDS meanwhile started. Internet search and document review revealed the involvement of several donors/agencies in the private sector development/SME area, covering access to finance (IFC, USAID), Enterprise twinning (EU/France), World Bank (trade promotion and quality infrastructure, EBRD (SME dialogue), UNDP (Support to the Small and Medium Entrepreneurship Development National Centre of Armenia), JICA (BDS). As there was no reporting on linkages with other projects (some of which only started recently), the evaluation team did not contact the projects of other donors/development partners. However, as the project only covers part of the assistance required for implementing upgrading/modernization plans in the garment sector (including BDS), searching for external synergies could facilitate the mobilization of complementary business development support needed by the target beneficiaries.

### **3.6. Efficiency in implementation**

In terms of inputs, following the preparatory work financed from UNIDO resources, the funds for the main project were made available by the Donor in a timely manner - facilitated by the source of funding, i.e., the voluntary contribution of the Government of the Russian Federation to UNIDO's IDF.

Whereas the project document did not mention counterpart funding, it is to be noted that the GoA – through DFA – allotted funds to share in the costs of participation in trade fairs in Moscow. Moreover, there was a counterpart contribution in terms of office space, office equipment and utility charges covered by DFA that hosts the project coordination team.

As regards the UNIDO inputs and services, there is no indication of major issues in terms of quality and timeliness. Most enterprises were positive about the support received from the team of project experts and about their availability. To the extent the international and national experts worked in tandem, this approach was considered appropriate and a priori building relevant national expertise on the ground thus contributing to the project's sustainability (provided the issue of payment for BDS is addressed). It allowed for follow-up by the national experts in between the missions of the international experts.

Several enterprises wished the international experts had been given more time for work in the country, as the duration of their support at the level of the individual enterprises was considered too short (particularly with respect to production process organization in the case of the larger enterprises). One company stated to plan to call upon the international expert in production organization once the enterprise would move to its new premises (investment decision to this relocation prior to the project). Others indicated they would need the patternmaking/grading expert again in the case of orders of different grades than the first one developed for the client.

With respect to methodologies, there would have been scope for following with more rigour the IUMP methodology in terms of comprehensive completion of the diagnostics cum modernization plans.

The analysis of the budget/its revisions during project implementation indicates that the actual utilization of the budget is in line with the planned utilization, with the exception of:

(i) the increase in the use of international experts (25% planned versus 45% actual, stated to be related to (a) the need for international expertise to reinforce marketing and sales efforts of the project due to the highly competitive target niche suggested by the marketing analysis; (b) the inclusion of travel costs to the expert's contracts, and (c) coverage of most trainings costs within respective trainers/expert's contracts),

(ii) the increase of the training budget (6% planned versus 13% actual, stated to be related to the need to reinforce marketing and sales efforts and all related activities including preparation of promotion materials and participation in international fairs on a seasonal basis), and

(iii) the decrease in the purchase of equipment (22% planned versus less than 1% of actual expenditures, stated to be related to in particular the (a) non-readiness of the existing quality institution to absorb laboratory equipment, (b) non-coverage of wear which would require laboratory testing, (c) the fact that some equipment was already covered by product/software developers within the provided capacity building workshops and study tours). For a detailed overview of the budget by year and by budget line and respective explanations reference is made to Annex 5.

From the point of view of the evaluators, the main issue regarding efficiency in implementation concerns *cost-efficiency*. Progress reports refer to a team of 12 national experts (3 f.t; others p.t.), supported by 4 UNIDO international experts (p.t.) who worked with Atex school and 8 enterprises.

It took quite some time and multiple exchanges for the evaluators to understand the *precise* number and duration of expert inputs during Phase I of this project: the SAP printout received did not specify the contract duration of regular contract staff; one expert is not in the UNIDO SAP system but managed by UNIDO's HR division; also, the records of several experts proved to cover duties pertaining to more than one project - not only the project under review. Accordingly, initial estimations of the evaluation team based on SAP were questioned by UNIDO. Subsequent information provided by the project team based on specific contract data/individual Job Descriptions is reflected below.

In terms of project coordination, the picture is as follows:

UNIDO HQ	Project Manager (regular HQ staff) – part-time involved in project
	One HQ project-supported staff shared among a number of projects funded by the Donor (0.3 months – as shared with other projects)
Chief Technical Advisor (CTA)	International Expert Textile/garment upgrading; total involvement of 4.5 w/m equivalent during Phase I
Local coordination team	Three full-time national experts: <ul style="list-style-type: none"> <li>○ Project coordinator: full time since the start</li> <li>○ National project assistant: almost full time since the start</li> <li>○ Project assistant, communication and PR: full time (since mid-June 2015)</li> </ul>

Moreover, there were 12 part-time national experts per each function of enterprise upgrading (production, quality, patter-making, design, HR, finance, networking, marketing, sales, legal/gender, etc.) – supported by 7 UNIDO international experts who worked in coordinated manner with Atex school and the participating 8 enterprises. Analysis of the technical experts' inputs over the entire project duration (based on SAP records) resulted in the following summary findings by function (based on information provided by the project team):<sup>11</sup>

Function	Total w/m inputs over 24 months period and number of experts involved	
	International (w/m)	National (w/m)
Garment pattern making and grading	7.6 (1 expert)	17.0 (1 expert)
Fashion design cum product development	9.2 (2 experts)	17.4 (1 expert)
Production and quality	2.2 (1 expert)	13.7 (1 expert)
Strategic market positioning/marketing/distribution channels/standards	1.0 (1 expert)	34,5 (2 experts)
Networking, partnerships and sales	1.5 (1 expert)	19.5 (2 experts)
Graphic designer	2.5 (1 expert)	4.3 (1 expert)
Financial management/cost accounting	-	19.3 (1 expert)
Human resource management	-	9.1 (1 expert)

<sup>11</sup> Approximate as based on 21 working days/month and keeping in mind that in the case of some national experts the contract type has been a combination of s.t. consultant versus regular (longer term) contract.

Regulatory framework (legal), combined with gender analysis	-	11.3 (1 expert)
Fabric sourcing	-	4.6 (1 expert)
Total of technical experts mobilized during phase 1 for the project implementation ( <i>kept separate here from coordination, although it is recognized that part of those involved in coordination also were involved in implementation</i> )	7 international experts (incl. s.t. assignments)	12 national experts (incl. s.t. assignments)

It is recognized that many of the experts had short-term contracts during project implementation; in some cases, the involvement was quite intense during the project duration (in three cases around 75% of their time or more).

### 3.7. Cross-cutting issues

#### 3.7.1 Gender and youth

Gender:

According to Gender Gap Index (World Economic Forum, 2016), Armenia is ranked as Number 102 out of 144 countries. With respect to education there is a balance of males and females, but regarding to other factors, including economic participation and opportunity (covering wage equality), the country ranks less positively. This justifies due attention to gender equality issues in the project.

As per its design, the project was ambitious as regards gender: it targeted at least 30% of the beneficiary enterprises to be owned or led by women and even included the existence of gender policy/gender equality objectives in the shortlisting of enterprises (offering to assist them in developing gender equality policy/objectives, if missing). In implementation one of the 8 core enterprises, the ninth enterprise added later on and ATEX were owned/run by women. In this regard, the ratio corresponds to the target (3 out of 10, including ATEX).

According to estimates women-owned enterprises constitute 11%-12% of the entire SME population, the majority being micro-enterprises (1-2 employees). The top three problems listed by women entrepreneurs (and stated to be common to their male colleagues) were high taxes, sales problems and access to finance. In that sense, the project focused two of the three main obstacles.<sup>12</sup> Not surprisingly in this sector, the vast majority of employees in the participating enterprises are women. Without having precise and up to date figures, it is estimated that at least 400 of the some reported 440 employees (8 companies) are female.

Experts' visits to enterprises included discussion on/advice on HR management (HRM) issues in general (staff recruitment, staff management, staff development, financial and non-financial incentives, retention, staff succession planning, appreciation, organizational structuring). The support also included special attention to gender issues. Given the nature of reporting and its storage (by period/by expert), it was difficult to assess the results of project interventions regarding gender. Working conditions in terms of size of work tables and the quality of lighting were improved in enterprises, but there is no information to what extent other dimensions of the working

<sup>12</sup> Based on findings of the ADB, 2013.

conditions of employees improved (or not) as a result of advice provided by the project. There is also no information if the participating enterprises apply different wage rates for male/female employees if engaged in comparable work. The gender expert hired by the project reported that the low salary level in the sector is not conditioned by gender, its main reason being the state of the industry.

Using UNIDO's gender mainstreaming checklist for projects, it can be concluded that

- Gender issues were addressed in the project design
- Some of the indicators in the logical framework targeted gender-disaggregated data collection
- Gender related work was included in the job description of one of the national experts
- The participating enterprises included women run businesses
- Training of staff of enterprises included female staff (82 of 109 trained persons were reported to be women)<sup>13</sup>
- Gender related tasks were included in job descriptions
- Women were well presented in the recruitment of project personnel (4 out of 7 international experts engaged in implementation and 9 out of the 15 national experts being female);
- Monitoring on gender issues/changes towards greater gender equality was not reflected in periodic reporting; the information was however collected for a gender-specific ad-hoc enquiry (UNIDO).

Youth:

Youth was not targeted as such by the project, although its efforts regarding the strengthening of the Atex school (that evolved into the Atex-Burgo school) concerned youth in the form of students that enrolled in its courses (currently around 35). There is no information if the first two graduates (pattern-making) are meanwhile employed by enterprises in the sector (no indication to what extent Atex tracks the employment situation of its graduates).

### **3.7.2. Environment**

Considering the nature of the sector, environmental issues were not a priority concern in the project, even if a practical advice to install LED light bulbs was given and adopted in most enterprises. In a case with potential environmental issues (stone washing involving chemicals and also generating waste water risks), this was not part of the diagnostics but was addressed by the owner at his own initiative (using environmental friendly/accepted chemicals imported from Italy). The dimension of resource and energy efficiency were stated to be part of expert training, although there is no indication to what extent the training of experts included cleaner production/RECP and if expertise from an ongoing UNIDO project in this field in Armenia was involved to this end.

### **3.7.3. Private sector development (PSD)**

Whereas not a cross-cutting issue strictly speaking, this section is included in line with the ToR that list a number of questions specifically related to PSD. Addressing these questions, it can be stated that:

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<sup>13</sup> 109 experts trained as part of project SAP ID 140117 including: 75 (incl. 55 women and 20 men) of enterprise employees and students trained; and 32 (31 women, 1 man) and 2 trainers (1 woman and 1 man) of technical support institution experts. The data was collected for a gender-specific ad-hoc enquiry.

- This project is, in itself, a PSD project, having demand-driven upgrading/modernization of enterprises in the garment sector as its objective;
- The project worked at the micro level (the participating enterprises), with related interventions at the meso level (the strengthening of Atex) and some at the macro level (principally through the contribution to the sector policy review and diffusing information on the implications of the EAEU rules); there was no tight anchorage to the existing SME support framework;
- The private sector institution involved in project design and steering was/is the Union of Light Industry Association; all private sector members on the PAB have a board function in this association. When asked about membership, some participating enterprises confirmed to be a member, but not all;
- The approach adopted was market driven (fashion design/new products/collection); whereas this was appropriate, it could have been more multifaceted in terms of target markets (now in particular the regional market) and also promoting existing products in the case of export ready enterprises. Moreover, it is to be recognized that upgrading and modernization of the garment sector (including becoming competitive on export markets) requires more problems to be addressed, such as the supply of material inputs, access to finance to replace outdated equipment and streamlining of procedures (enabling business environment) other than those addressed by the project. It is understood though that the project itself could not address at once these macro-economic issues;
- It is too early to assess to what extent competitiveness has been affected; the first orders obtained/to be obtained are an indication of Armenian garment producers being able to produce in a competitive manner for the Russian and regional market; at the time of evaluation there was no information about the margins for the producers in the case of these first orders and how these compare with what is common in this (higher value/price) segment of the value chain;
- The degree of direct coaching has been major in this project covering both support to enterprises (BDS; market development/promotion; sample development; search for quality input materials etc.) and support to Atex/Atex-Burgo school.
- Despite the attempts by the project, no effective linkages were established with financial institutions, although this would have been relevant (such as for investment/renewal of equipment);
- It is too early to assess effects in terms of employment, income, effects on gender equality, and working conditions;
- The M&E system was initiated but not put fully in place to allow for easy overview of results and impact at the level of the 8 participating enterprises and Atex;
- So far there were no internal UNIDO/external synergies (Phase I) as there were no technical /geographic complementarities with other UNIDO projects in Armenia.

## 4. CONCLUSIONS

The revival of the textile and garment sector is among the priorities of the Government of Armenia to increase employment, value added and exports. It is in line with this strategic vision that the main thrust of the project (Phase I) lies in supporting SMEs in the garment sector to modernize their businesses, enhance skills, expand production, raise quality, gain access to markets (and thus increase capacity utilization and create jobs).

As mentioned in the project document, the modernization of manufacturing enterprises assumes a range of actions that improve their financial situation, their productive performance, their material and energy efficiency, and their ability to produce according to international standards and technical requirements to facilitate their integration into regional and international markets. To achieve this, efforts are needed at different levels, namely: enterprises, support institutions and the overall business environment.

### Enterprise level

It is recognized that, in a period of two years, the project efforts covered a wide range of activities that can be considered important *first steps* (pilot) taken in the process of supporting the modernization of the participating enterprises (in essence a core group of 8 enterprises, with a 9<sup>th</sup> enterprises receiving some more ad-hoc support).

The support efforts were market-focused, driven by the development of new product ranges in line with mid-high-end garment market segments and targeting the regional market of some 180 million customers. It covered supporting the participating enterprises through hands-on advice, training and direct coaching on all steps, from product design, decision making on material inputs, overseeing the preparation of samples, assisting in cost calculations, to promoting the collections, identifying buyers, assisting the negotiation process and monitoring the production of orders once received.

The visibility of the Armenian garment sector (at least of the participating enterprises) was raised in particular on the regional market as a result of the four collections developed under the common 5900BC brand/logo and promoted in relevant international fairs/fora in Moscow, the Russian Federation. The first orders have been received (concerning subcontracting by two companies) and more order negotiations are expected to be concluded in the short run.

### Support institutions

In parallel to enterprise level support, the project provided hands-on assistance to and worked (regarding the collections and also training services) with a private sector training institution engaged in fashion design/production and related training (Atex Fashion Centre). With project assistance, this Centre engaged in a partnership with the Istituto di Moda Burgo (IMB, Italy), which enabled it to launch an international diploma course in pattern-making (identified as a skills gap in the sector) and attract students in this field.

## Business environment

The project was involved in the (ongoing) review of the existing policy framework that, once decided by the new Government, is expected to result in a streamlining of the regulatory framework and to also include incentives to stimulate in concrete terms the revival of the sector.

The achievements of the project (of which the above is a mere synthesis) were possible as a result of in particular:

- the engagement of the participating enterprises: they are keen to modernize their operations and to start exporting or expanding/diversifying their existing exports (products/markets) – even if there are variations among them in terms of their financial and managerial capacity;
- the vision of the Atex Fashion Centre to offer practical training (students) in line with demand of the sector and to ultimately become a service hub for enterprises, covering a wider range of common services such as pattern-making and grading, among others;
- the capabilities and commitment of the project team involved in coordination and/or implementation: they played/play a very direct and practical role (both as active do-er and supporter) to bring about the expected results;
- the role played by the project counterparts in hosting and overseeing the project, including mobilizing cost-sharing for certain events. Even if there were several institutional/management changes at the level of the counterparts during the two years of implementation of Phase I that affected project anchorage, there is indication of interest to improve and possibly accelerate support to the revival of the sector;
- the funds available and timely provided by the Donor: the resources were available, for example, to mobilize an important number and range of experts, both international and national, participate regularly in important exhibitions/events, identify and negotiate with buyers and to provide one-to-one assistance to enterprises.

It is realized that most of the above efforts take time and, in this sense, the achievements made over just a two years period are important. This being said, the project was found to have also some challenges and points for improvement to be considered during the implementation of Phase II. To this end a number of issues and related recommendations about the project's sustainability are suggested to be considered to improve the overall performance of the project's Phase II. Particular reference is made to concerns about its sustainability.

In this regard, the evaluators raise the following questions on the *project strategy* adopted (of relevance for the second phase):

- the Phase I project reached out to nine enterprises (of 5-7 initially planned), of which eight received intensive support by a team of international and national experts; orders received so far concern a limited number of the participating enterprises, implying that the majority of the participating enterprises did not yet experience concrete results of the project in terms of orders to address their problem of low capacity utilization; this means that there are high expectations as regards the tangible benefits under Phase II.



- whereas the development of collections was a key tool in raising the visibility of Armenian garment producers, it is to be kept in mind that the garment value-chain tends to be “buyer-driven”. The already received and expected orders concern thus primarily designs provided by the buyers (subcontracting) and not yet the 5900BC collections. It will take substantial time and resources to promote selling one’s own (collective) brand products on foreign markets, including the regional market; along these lines, should the production of collections/catalogues be extended at the same rhythm under Phase II as under Phase I, using as argument that “one has to be present over a number of years in order to gain the market for its brand”? Can the project keep supporting this or is a certain adaptation of the marketing strategy adaptation to be foreseen? And at what point will the enterprises take the driver’s seat in marketing efforts (including through a consortium)?
- so far, no attention has been paid to selling the collective brand developed on the local market (where the participating enterprises already sell their own products/brands individually through their own outlets or market channels); intuitively one would have expected more emphasis on the local market, based on the idea that one has to sell such a collection ‘at home’ before/while engaging in exports.
- the project has emphasized from the start the development of new mid to high fashion design products; it made several enterprises engage in the production of samples that were not necessarily directly related to their current production lines. Whereas some enterprises may see their modernization path characterized by producing other types of garments, the approach followed assumes as if “nothing can be gained” from promoting/expanding exports of *existing* product lines (in line with demand and buyer requirements in those product lines). By purely focusing on ‘new design’, the project put aside all possible parallel support to export development regarding existing product lines. A risk-averse garment producer may seek export opportunities that combine *both* new and existing product lines.
- another issue relates to the focus on the regional market; whereas this is confirmed to be a high potential market, several enterprises referred to it being not necessarily an easier market than the EU market and suggested that the project should also consider participation in trade fairs in countries such as Germany (Dusseldorf CPM fair). Ultimately the choice of promotional events will be also guided by the product focus: purely fashion garment or also other products such as specialized uniforms.
- in order to move to higher-value functions and producing higher-value products, both product upgrading and process upgrading are required. The route chosen by the project has emphasized product design upgrading (considering the distribution of expert inputs and as also evidenced in the diagnostics). More efforts will be needed to upgrade the production process, as the preconditions for being able to deal with the orders - once secured - are not necessarily in place in all enterprises. For some grading may be an issue, for others finding the right input materials at competitive prices, or having the right equipment to deal with button holes (just to give some examples).
- at this stage, the project team and individual experts support the 8 enterprises in ensuring that the production process and quality control is in line with buyers’ expectations; ATEX has started to offer services to the participating enterprises related to design, pattern making, grading and is expected to evolve into a service hub for the entire garment sector. The question is however who will take over the work involved in managing and coordinating support to enterprises (existing/new) engaged in modernization (as a start in the garment sector and now being expanded to leather and shoe making) and how it will be funded, as all

support has been provided free of charge? There is for now no serious analysis of the likely sustainability of project interventions, yet this is to be given priority at the start of Phase II. The consortium (for which the necessary groundwork has started but is not completed, as explained in the assessment) seems confounded with the future platform on which project operations will be run and support to companies will be extended. A consortium of enterprises deciding to work together to address common problems and to jointly seek export opportunities is however very different from an entity engaged in supporting and managing enterprise upgrading support.

- whereas costing/cost-effectiveness is integral part of the vision underlying industrial upgrading, this is not reflected in the project itself. There is no indication so far of attention to the proportion of inputs versus the outreach of the project in terms of number of enterprises and support institutions strengthened. In essence, the project assistance provided has been often one-to-one, intense and practical and the main issue is how to sustain this approach.
- the project work constitutes an important element in the search for revival of the garment sector, but it can cover only part of what is needed to bring this about. For example, the weakest linkage in the garment value chain for Armenia producers is to access to input materials at competitive prices, the right qualities and the required quantities. There is also the problem of access to finance to upgrade outdated equipment. Moreover, the main issue regarding the sector policies is not their content but their effective implementation to streamline procedures and put in place incentives, etc.

As this evaluation is positioned at the interface between two phases of the project, the evaluators wish to use the findings of Phase I to draw attention of the project stakeholders to the above issues considered strategic and to be addressed at the start of the implementation of Phase II. Whereas the examples given above related to support in the garment sector, several of the above observations encompass the envisaged support to the leather and shoe sector.

## 5. RECOMMENDATIONS

The evaluation resulted in a number of specific recommendations covering in particular suggestions as regards Phase II, namely <sup>14</sup>

<p><b>To the Government of Armenia (Ministry of Economic Development and Investments, in cooperation with other Ministries, as appropriate)</b></p>
<ul style="list-style-type: none"> <li>Contribute to the implementation plan of Phase II in the light of the evaluation findings, including the development of a sustainability strategy (if the evaluation findings are accepted at the level of the PAB).</li> </ul>
<ul style="list-style-type: none"> <li>Commission/initiate a rapid survey (preferably carried out by an independent experienced entity) of (i) the textile and garments sector and (ii) leather and shoe sector, in order to have an up-to-date overview of formally established and operational enterprises in these two sectors, such as by size (in terms of employment, installed/used capacity), location (by region) and by type of sub-sector (textile, knitwear, garment; stages of leather processing, range of leather products covered, such as shoe making, accessories, other).</li> </ul>
<ul style="list-style-type: none"> <li>Take an active role in project steering (PAB) and discuss/agree on expanding both its membership (enterprise representation; banks; Donor involvement) and the frequency of its meetings.</li> </ul>
<ul style="list-style-type: none"> <li>Examine and reinforce the linkage between Phase II project activities and the state support to SMEs; in this regard, stimulate the involvement of existing relevant public/private (technical and financial) support providers in project activities, as well as effective linkages with related assistance of other development partners/agencies (in particular support to SMEs/business environment), as appropriate.</li> </ul>
<ul style="list-style-type: none"> <li>Accelerate the review of the existing export-led industrial strategy, the light industry action plan 2014-2016 and other policies/strategies that are expected to foster the growth of existing manufacturing enterprises and emergence of new ones in the light industry sector; in this regard, seek dialogue with a representative group of enterprises of the two sectors to clarify bottlenecks faced by enterprises in their business environment.</li> </ul>
<ul style="list-style-type: none"> <li>Address the prioritized bottlenecks/actions based on their urgency and ease of implementation through the application of existing legislation and/or preparation and issuance of new regulations/incentives to support the revival of the light manufacturing sector as source of export earnings and jobs.</li> </ul>
<ul style="list-style-type: none"> <li>Support the strengthening of technical/vocational institutions relevant for the revival of the light industry sector (for these to align to industry needs) and mobilize, as appropriate, interest of development partners in this field.</li> </ul>
<ul style="list-style-type: none"> <li>Support facilitating access to finance (short and medium term; for working capital and investment) at reasonable cost to foster private sector development in general.</li> </ul>
<ul style="list-style-type: none"> <li>Support the strengthening of private membership organizations (sectoral/multi-sectoral) that are expected to play an important role in the reinforcement of the SME support infrastructure in Armenia and mobilize, as appropriate, interest of development partners in this field.</li> </ul>
<p><b>To UNIDO (Project Manager, project coordination &amp; implementation team, Head of operations)</b></p>
<ul style="list-style-type: none"> <li>Develop at the start of Phase II a detailed implementation plan/strategy that also addresses concerns in terms of sustainability of efforts - to the extent the Phase II project document is already signed and in order for UNIDO to benefit from the lessons learned and recommendations of the current Independent Evaluation for the implementation of Phase II of the current project.</li> </ul>
<ul style="list-style-type: none"> <li>Include in the strategy a risk analysis (in particular risks related to unique focus on high(er) end</li> </ul>

<sup>14</sup> In the light of the sector focus of Phase I, several recommendations related to the garment sector as such (although most are also expected to apply to the leather and shoe sector)

<p>design/single niche rather than wider product range - as the high(er) end focus may be attractive from the “image” point of view but result in smaller orders than needed in order to maximize the probability of bringing about a major increase in the currently low capacity utilization rate of enterprises.</p>
<ul style="list-style-type: none"> <li>As anticipated in the Phase II Project Document, increase the targeted outreach of the Phase II project in terms of the number of enterprises (larger proportion of both enterprises in the garment sector and in the leather and shoes sector), which – considering the size of the budget and the project duration – should be possible.</li> </ul>
<ul style="list-style-type: none"> <li>Make a clear distinction in Phase II between (i) support to newly identified &amp; selected enterprises (based on their applications) in both sectors and (ii) support to the first group of 8 enterprises (Phase I) – specifying for the last group how the support under Phase II will complement the support of Phase I.</li> </ul>
<ul style="list-style-type: none"> <li>Support the counterpart Ministry in conducting a rapid survey of the garment and leather/shoe sectors to have an up-to-date sector overview in terms of actual number of operational enterprises, size etc.</li> </ul>
<ul style="list-style-type: none"> <li>Examine if and how the project could (i) widen its outreach regarding the strengthening of garment related training beyond the training courses offered by Atex-Burgo school (reaching out to technical/vocational schools also in the regions of Armenia) and (ii) enhance support to workforce development within upgrading/modernization at the enterprise level.</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen the manner in which project activities at large are monitored and reported on (including the format of reporting on and monitoring of enterprise performance in line with the measurable key performance indicators of the logical framework against baseline data and reflecting also the planned gender disaggregation of data); this also applies to the export consortium/consortia once established.</li> </ul>
<ul style="list-style-type: none"> <li>Seek, together with the counterparts and the UNIDO Head of Operations, effective linkages with (i) relevant public/private (technical and financial) support providers, and (ii) related assistance (in particular support to SMEs/business environment) of other development partners/agencies, as appropriate (including also bilateral programmes that mobilize senior sector expertise for one-to-one technical/managerial assistance – demanded by some of the participating enterprises), as appropriate.</li> </ul>
<ul style="list-style-type: none"> <li>Involve/use in Phase II the experience of the UNIDO unit with relevant expertise in the leather and shoe sector (given widened sector focus of Phase II).</li> </ul>
<p><b>To the Donor (Government of the Russian Federation)</b></p>
<ul style="list-style-type: none"> <li>Take part in the PAB meetings (represented by staff in its Embassy in Armenia) as observer (in line with the Donor policy in this regard).</li> </ul>
<ul style="list-style-type: none"> <li>Consider a joint Donor-UNIDO mid-term evaluation after about 18 months of implementation/Phase II rather than a mid-term monitoring mission currently envisaged in the project document and repeat this approach at the end of the project (final evaluation).</li> </ul>
<ul style="list-style-type: none"> <li>Support linkages with bilateral efforts to promote trade between Armenia and the Russian Federation, including making available market information and expertise where possible.</li> </ul>
<ul style="list-style-type: none"> <li>Consider the possibility of accepting the use of project funds for promotional efforts/participation in relevant exhibitions not only in the region, but also other markets with export potential for products emanating from the Armenian light industry sector.</li> </ul>
<p><b>To participating enterprises</b></p>
<ul style="list-style-type: none"> <li>Engage, in the form of a representative group of enterprises in each of the two sectors, in dialogue with the relevant public authorities with a view to raise the authorities’ awareness on regulatory/administrative obstacles or other measures in the business environment needed for Armenian enterprises to develop and grow (without expecting to be subsidized).</li> </ul>
<ul style="list-style-type: none"> <li>Engage, with the support of the project team, in consultations with ATEX regarding the specific types of common services they (the enterprises) would like to see in place at ATEX, use and be ready to pay for.</li> </ul>
<ul style="list-style-type: none"> <li>For those ready to move ahead as regards the establishment of the (first) consortium, prepare and agree</li> </ul>

<p>as founders on the business plan, the joint objectives of the consortium, its management structure and financial contributions expected from each of the enterprises, target priorities as regards joint actions (not necessarily purely export focused), with the advice of the project team.</p>
<ul style="list-style-type: none"> <li>• Formalize ownership of the 5900BC brand/logo/collection (all beneficiary enterprises) and discuss/decide on the rules of game as regards its use (including by the consortium, if constituted by a subgroup and not all 8-9 enterprises – owners of the brand/logo/collection), with the advice of the project team.</li> </ul>
<ul style="list-style-type: none"> <li>• Take a direct role in dealing with existing buyers/potential already identified buyers (as a consortium, once established, or individually), with support from the project (that is expected to gradually decrease its current direct facilitator role in this regard).</li> </ul>
<ul style="list-style-type: none"> <li>• Decide, together with the project team, on the target markets to further develop exports (country/region) and on the products (5900 BC collection alone and/or other existing product ranges to the extent in line with market demand and buyer requirements); also, take a joint decision on the organization/modalities of sales of the 5900BC collection on the local market.</li> </ul>
<ul style="list-style-type: none"> <li>• Seek to diversify the supply channels of material inputs including by engaging in mutually beneficial inter-enterprise cooperation with a view to reducing costs of material inputs and of transportation.</li> </ul>
<p><b>To ATEX-Burgo Fashion School</b></p>
<ul style="list-style-type: none"> <li>• Pursue the promotion of the pattern making courses, i.e., find more students) to (i) address the identified need of the sector for skilled pattern makers and (ii) generate resource to secure sustainability of the school operations (including own coverage of royalty payments to IMB from 2016 onwards).</li> </ul>
<ul style="list-style-type: none"> <li>• Plan and promote new course offerings, based on the second training of trainers (at IBM/2016 (mobilise students).</li> </ul>
<ul style="list-style-type: none"> <li>• Track the employment situation of graduates in the different courses offered by the school.</li> </ul>
<ul style="list-style-type: none"> <li>• Consult with the support of the project team the widest range of enterprises in the garment sector (not necessarily limited to those participating in the project) on the specific types of common services the enterprises would like to see in place at ATEX, use and be ready to pay for.</li> </ul>

## 6. LESSONS LEARNED

<ul style="list-style-type: none"><li>• Enterprise upgrading and modernization requires a combination of multifaceted ingredients at the level of the enterprise itself, its support infrastructure and its overall business environment.</li></ul>
<ul style="list-style-type: none"><li>• Ensuring consistency and coherence among programmes and projects under the IUMP label requires the application of standard approaches. These can be tailor made at the country level/to the sectors covered, but should use common approaches, guiding principles and tools (including pertaining to results-tracking of upgrading support at enterprise level).</li></ul>
<ul style="list-style-type: none"><li>• Without adequate national institutional anchorage from the design stage onwards, the likely sustainability of external support interventions risks being jeopardized.</li></ul>
<ul style="list-style-type: none"><li>• Fostering cooperation among enterprises (such as through export consortia) is a lengthy and complex process and thus needs a time frame allowing for sensitization followed by coaching in the start-up phase. The drivers of such a collective effort are the enterprises themselves, even if coaching and support by external parties is justified in the different stages of consortia creation (without replacing the responsibilities of its members, i.e. enterprises).</li></ul>
<ul style="list-style-type: none"><li>• The UNIDO format for periodic progress reports tends to generate activity rather than results-based reports (to be effectively linked to indicators developed in the logical framework).</li></ul>
<ul style="list-style-type: none"><li>• A project completion report prepared at the end of all projects/project phases allows for a comprehensive overview of activities undertaken, results achieved, resource used and lessons learned by its stakeholders.</li></ul>

# **ANNEXES**

## **ANNEX 1: Terms of Reference**

**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

**TERMS OF REFERENCE**

**INDEPENDENT TERMINAL EVALUATION**

**“Improving Competitiveness of Export-Oriented Industries in Armenia through Modernization and Market Access – Phase 1”**

Project SAP ID: 140117

**Time period: 2014-2016**

**August 2016**

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## I. PROJECT BACKGROUND AND CONTEXT

### 1. Background

Since 1991, Armenia has developed a market-oriented economy that fosters innovation and growth. This transformation was based on a combination of reforms, FDI and remittances from the Armenian diaspora. GDP annual growth rate in Armenia averaged 7.72 percent from 1998 until 2015, reaching an all-time high of 19.10 percent in the second quarter of 2006 and a record low of -19.70 percent in the third quarter of 2009. In 2014 GDP comprised \$10.88 billion in Armenia, with 3.4 percent annual growth. The industrial sector accounts for 30.4 percent of GDP (2014 est.), where the metals are the country's largest export. The agricultural sector, accounting for around 21.9 percent of total GDP, employs 44.2 percent of the population and services 47.7 percent.

Armenia has undergone extensive business environment reforms over the past years and has achieved a remarkable turnaround in its investment climate. In 2014-15, Armenia improved its ranking by four to 45<sup>th</sup> position out of 189 economies in the Doing Business ranking; the country's the World Economic Forum's Global Competitiveness ranking improved from 98th place in 2010-11 (out of 139) to 85th in 2014-15 (out of 144). However, this has not yet translated into substantial increases in FDI or business activity. Fostering entrepreneurship and stimulating the growth of MSMEs continue to be among the major development challenges<sup>15</sup>.

Despite being a WTO member since 2003, Armenia's external trade remains low and its trade imbalance has been offset somewhat by international aid, remittances from Armenians working abroad, and foreign direct investment. Armenia's geographic isolation and a narrow export base (only three products: metals, alcoholic beverages, and diamonds account for more than 70 percent of total exports) have made the country's economy particularly vulnerable to the sharp deterioration in the global economy.

On 1 January 2015, Armenia became a member of the Eurasian Economic Union (EAEU). The EAEU provides free movement of goods, services, capital and labour and pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. During the EAEU-Armenia industrial conference in July 2015, the Minister of Industry and Agricultural Industry of the Eurasian Economic Commission, specified textile and shoe-making production among promising industries of Armenia, which need developing for products to be supplied to the EAEU markets.

In response, the Government of Armenia has prioritized the goals of increasing the economy's resilience to external shocks and creating new development opportunities. In particular, in 2013 it adopted the National Strategy of Export-Led Industrial Policy, which aims at forming new "export driver" sectors by expanding not only current export industries but also those with major export potential. The guiding vision for industrial policy is to position Armenia as a country producing high-value and knowledge-intensive goods and services with creative human capital at its core. The Policy identified 11 sectors: wine and brandy-making, diamond-processing, light industry sector (including clothing and shoe manufacturing), biotechnologies, pharmaceuticals, canneries, mineral water and juice bottling industries, as well as precision engineering (including clock-ware industries). For each sector, a strategy and an

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<sup>15</sup> World Bank, <http://www.worldbank.org/content/dam/Worldbank/document/Armenia-Snapshot.pdf>

action plan have been developed. Initial discussions of UNIDO with the Ministry of Economy and the Development Foundation of Armenia (DFA) revealed a pressing need in supporting Armenian light industry sector to increase its competitiveness and to assist in penetrating export markets.

## **2. Context**

The textile and clothing industry is one of 11 strategic export-oriented sectors in the Republic of Armenia. It was one of the most established in the Armenian economy in terms of quality and production volumes as it used to be among major suppliers of garments and textiles in the entire ex-Soviet Union. Currently, however, enterprises in the sector, especially, of small and medium scale (SMEs) operate far below their capacities due to of their relatively low regional and international competitiveness. Nevertheless, in view of a large development potential of this sector the Government considers its revival among priorities of the industrial policy aimed at leading to the creation of new jobs, increased value added and expanded exports. UNIDO in cooperation with the national counterparts intends to support the implementation of the national Export-Oriented Industrial Policy and the Strategy for Development of the Textile Industry by improving productivity, competitiveness and export capacities of manufacturing companies operating in this sector.

The UNIDO technical cooperation project entitled “Improving Competitiveness of Export-Oriented Industries in Armenia through Modernization and Market Access” was launched in September 2014. Specifically, the project aimed to build local technical capacity to support SME development and modernization to position Armenian products of the textile and garment sector as high-end design goods. This was achieved by upgrading technical capacities in innovative fashion design and modelling, promoting business networking and partnerships between textile producers and designers of ready-made clothing, and export promotion. In particular, the project benefited from and capitalized on UNIDO’s technical competence and experience in South Asian, Latin American and the South Mediterranean regions in the modernization of Cotton-Textile-Garment (CTG) value chains - from the processing of raw materials to producing textiles and ready-made apparel and up to accessing new markets.

The project was aimed to achieve the following main results:

- Pilot SMEs in the textile and clothing sector enhance productivity, competitiveness and strategic positioning on domestic and regional markets;
- National counterpart institutions and experts upscale acquired knowledge and skills in innovative fashion design and garment modelling, product marketing, competitiveness building and export promotion;
- National textile and garment operators benefit from business partnerships and inter-institutional networking established with businesses and technical support institutions in the region to reinforce export capacities and regional value and supply chains.

UNIDO has worked together with national counterparts and pilot beneficiary garment producers in innovative fashion design and modelling, promoting business networking and institutional partnerships between textile/garment producers and designers of ready-made clothing, and export promotion, through upgrading and competitiveness building, benefiting and capitalizing on UNIDO’s experience. As a result of the UNIDO’s 2-year technical intervention, eight beneficiary Armenian garment producers were supported by the team of UNIDO international and national experts in upgrading productive capacities and competitiveness that resulted in creation of high quality garment collections under a joint brand. The

products of the beneficiary enterprises were exhibited at regional and international fairs that facilitated establishment of business partnerships with some of the biggest garment producers, and buyers and retail chains in the region. The project has received strong support, positive feedback and appreciation from the national counterparts and other stakeholders, including the members of the project Advisory Board representing both the public and private sectors of Armenia. Capitalizing on UNIDO's technical expertise and experience in modernizing textile and clothing industries worldwide, the project was implemented in partnership with the Ministry of Economy of Armenia, the Development Foundation of Armenia (DFA) and with the financial support of the Donor – the Government of the Russian Federation.

### **3. Status of implementation**

Since September 2014, UNIDO has been supporting Armenia to revitalize its clothing industry through the project "Improving Competitiveness of Export-Oriented Industries in Armenia through Modernization and Market Access" (or Industrial Upgrading and Modernization Programme in Armenia (Armenia IUMP)). The goal is to develop a full fashion production cycle reflecting both modern trends and traditions of Armenian and the world fashion industry, as well as to promote exports of the ready-made collections. A professional team of twelve UNIDO national experts supported by four UNIDO international experts have closely worked with the eight beneficiary companies. The project beneficiary enterprises were selected based on eligibility criteria approved by the project Advisory Board. The pilot beneficiary enterprises received technical assistance on a wide range of technical and business issues, including product design and development, quality process, production planning systems, legal matters, standardization, human resources, finance, marketing, networking and project communication.

In 2014, full-fledged multi-disciplinary diagnoses of each company were carried out, and respective modernization plans were developed. First series of capacity-building trainings for national experts were conducted and a training of trainers on garment pattern-making and grading, product development, styling and modelling at Istituto di Moda Burgo (Milan, Italy) was held from 30 November to 13 December 2014. The workshop on pattern-making via Lectra software was conducted for national experts, designers and students of the fashion school at the Atex Fashion Centre in 23-29 November 2014.

The Atex-Burgo Fashion Centre was set up in partnership with the Milan-based Istituto di Moda Burgo in February 2015 as defined by the Memorandum of Understanding (MoU) between Atex Fashion Centre CJSC with ISTITUTO DI MODA BURGO srl (IMB). The MoU sets the framework for cooperation between those institutions that is aimed to support industrial product design, pattern-making, grading and provide other services to local operators by the Atex-Burgo Fashion Centre.

In early 2015, the UNIDO international experts on garment pattern-making and grading, product development, styling and modelling had initiated and developed the first Fall-Winter 2015/16 collection, which was demonstrated under "5900 B.C." label within a special fashion show-event held on 20 March 2015 in Yerevan, Armenia.

In April 2015, the UNIDO project beneficiary enterprises participated in a major nation-wide exhibition of Armenian produce "Made in Armenia". Under the newly created umbrella fashion label "5900 BC", the

UNIDO project beneficiary enterprises presented the Fall/Winter 2015/16 Collection developed by the project beneficiary companies.

In May 2015, the project started working on the Spring/Summer 2016 capsule collection, which was presented at the CPM Collection Première Moscow (the largest fashion trade fair in Eastern Europe) held on 2-5 September 2015 and at the Federal Trade Fair for Apparel & Textile "Textillegprom" on 22 -25 September 2015 in Moscow, Russian Federation. At the side-lines of these events, a number of meetings were conducted with potential buyers from the Russian and Eurasian markets. The high-quality production of the 5900 BC produced by project beneficiary enterprises raised interest among the buyers. As a result, with the support of the UNIDO project, the beneficiary enterprises held sales negotiations with large Russian retail chains with the goal of establishing partnership agreements.

In November 2015, capacity building workshop was organized by UNIDO to upgrade the competences and technical knowledge of the UNIDO project national team towards technical autonomy and thus stronger sustainability. Furthermore, on 17 November 2015, training on export consortia was conducted with participation of the project counterparts and beneficiary garment producers. The training was followed by discussions and agreement on further steps for establishment of export consortia.

In January 2016, UNIDO project team conducted a workshop with beneficiary companies for preparation of the 5900 BC capsule collection Fall/Winter 2016/2017. By the end of 2015, the UNIDO Project Team jointly with beneficiary companies designed the next 5900 BC capsule collection Fall/Winter 2016/2017 that was presented at the CPM – Collection Première Moscow 2016 Spring, held at the Expo Centre Fairgrounds in Moscow from 23-26 February 2016. The brand promoted its third collection for Fall/Winter 2016-2017 - "Winter Charm" to more than 17,000 visitors from twenty-three countries, including fashion producers and sales specialists.

On 1-2 June 2016, the 5900BC and the beneficiary companies were presented at the first "Bee-Together" international business platform for outsourcing in light industry in Moscow. During the business platform, the project team had meetings with representatives of 21 large Russian fashion companies, which resulted in the establishment of close cooperation and partnerships with many of them.

Starting from April 2016, the beneficiary companies with the support of the UNIDO project international and national experts started designing and developing the fourth Spring/Summer 2017 collection, to present it in the upcoming Collection Premiere Moscow (CPM) Premium (30 August - 3 September 2016).

In May 2016, the first graduates of Atex-Burgo Fashion Centre presented their graduation collections during a special fashion show and obtained their international diplomas.

In June 2016, a number of potential buyers visited Armenian beneficiary companies and their production sites to examine their production capacities for further cooperation.

The UNIDO Project team supported beneficiary companies in developing samples and preparing supply offers for potential buyers, facilitated negotiation processes and extended multi-disciplinary professional support (related to product development, finance, marketing, legal, and other matters) to facilitate preparation and delivery of the first orders to buyers. The first agreement was initiated between one of

the biggest Russian store chains, producing 30 collections annually and an Armenian producer experiencing its first export activities, which opens perspectives for long-term sustainable co-operation. Orders were placed by one of the outstanding fashion houses in Russia that plans to present a new collection in October 2016 in Milan, Italy. Negotiations with the other potential buyers are underway expected to bring about long lasting fruitful co-operation. The first orders placed by the Russian buyers are already being realized by the beneficiaries.

#### 4. Way forward

Based on the results achieved during the Project’s Phase I, the Ministry of Economy of Armenia requested UNIDO to extend the project to other associated sectors of the light industry, including shoe and leather sectors with the support of the project Donor – the Russian Federation. By the Decision of the UNIDO’s Executive Board dated 8-9 June 2016, the UNIDO project *“Improving Competitiveness of Export-oriented Industries in Armenia through Modernization and Market Access”* was approved for implementation of its Phase II.

The extension of the UNIDO project *“Improving Competitiveness of Export-Oriented Industries in Armenia through Modernization and Market Access”* on to its Phase II will seek to revive industrial linkages of the Armenian shoe and garment producers within the regional value chains (especially within the EAEU) by enhancing productivity and competitiveness of the sectors, promoting business networking and institutional partnerships between local shoe and garment producers, developers (design, modelling), exporters and marketing agencies and their associations.

## II. BUDGET INFORMATION

Grant	Total allotment	Total expenditure	% Implementation	Donor
2000002839	US\$ 884,955.75	US\$ 884,955.75	100	Russian Federation

### **III. PURPOSE OF THE EVALUATION**

The purpose of this independent evaluation is to assess the effectiveness, efficiency and sustainability of the project and provide recommendations on the Phase II.

The evaluation will also address to the extent meaningful other standing evaluation criteria singled out in UNIDO's Evaluation Policy, such as relevance, impact, management, gender mainstreaming, environmental sustainability, alignment with the UNIDO's Inclusive and Sustainable Industrial Development (ISID) agenda, and potential to promote ISID. The evaluation will be thus a forward-looking exercise and seek to identify the best practices and areas for improvement in order to draw lessons that can be used in the implementation of the Phase II and other similar projects to be implemented by UNIDO in other countries and the regions.

Short-term interest is that the current evaluation will provide the basis for the roll-out phase (Phase II) of the Project and substantial recommendations and lessons learned that will enable sustainable and effective accommodation of increased demand for upgrading services in the textile/garment and shoe/leather goods industry of Armenia. Therefore, the recommendations of this evaluation should be available in time to be taken into account in the implementation process of this new phase.

Furthermore, the evaluation is relevant for both organizational challenges identified as critical by the management of UNIDO:

- Enhance cooperation between different departments of the Organization to improve synergies;
- Optimize the use of UNIDO's Desk Office for the implementation of technical assistance.

The evaluation aims to produce:

- Short-term recommendations for UNIDO for the planned roll-out phase (Phase II);
- Strategic recommendations for UNIDO in optimizing the approach of the "Industrial Upgrading and Modernization" based on the experience in Armenia reviewing to what extent the project has applied lessons learned from prior Industrial Upgrading programmes elsewhere.

The evaluation will assess the achievement of results, as stated in the project document and the contributors to success or lack thereof. Moreover, the evaluation will assess the interventions' design, level of national ownership, relevance to various stakeholders and the exploration of synergies with other UNIDO projects and with related initiatives of the Government. It will follow a consultative process and seek inputs from a broad range of stakeholders, including policy makers and enterprises involved in the design and implementation of the project. The exact scope and approach of the evaluation will be decided during the inception phase. The evaluation will be undertaken as per UNIDO Evaluation Policy, the Guidelines for Technical Cooperation Programmes and Projects and the project document.

### **IV. SCOPE OF THE EVALUATION**

The project evaluation will cover the project implementation period from 2014 till the end of August 2016 covering all project activities, with particular focus on the performance indicators, as well as on the evaluability of the outputs, outcomes and tasks as per the UNIDO Project Document, as a result of the

UNIDO upgrading and modernization activities, including inputs and activities, impact and sustainability of the project implementation. The evaluation is expected to consider the following:

- Consider all the activities that are part of the project;
- Cover the entire results chain from inputs and activities to impact and sustainability and review processes as well as results;
- Produce recommendations for the Phase II (e.g. what has worked and what has not and what are the lessons from implementation to date, which issues need to be addressed in the next phase and what conditions should be in place);
- Have a national coverage, but with field visits to up to three locations, to be identified by the evaluation team.

## **V. EVALUATION ISSUES AND KEY EVALUATION QUESTIONS**

The evaluation team will assess the project performance guided by the parameters and evaluations questions provided in this section. In addition to the qualitative assessment based on the evidence gathered in the evaluation, the evaluation team will rate the project on the basis of the rating criteria for the parameters described below in this section

Ratings will be presented in the form of tables with each of the criteria / aspects rated separately and with brief justifications for the rating based on the findings and the main analyses (see Tables in Annex 4)

The evaluation consultant(s) will be expected to prepare a more targeted and specific set of questions and to design related survey questionnaires as part of the Inception Report, and in line with the above evaluation purpose and focus descriptions.

However, the following issues and questions are expected to be included in the assessment:

### **Project identification and design**

Project identification assessment criteria derived from the logical framework approach (LFA) methodology, establishing the process and set up of steps and analyses required to design a project in a systematic and structured way, e.g. situation, stakeholder, problem and objective analyses.

The aspects to be addressed by the evaluation include inter alia the extent to which:

- a) The situation, problem, need / gap was clearly identified, analysed and documented (evidence, references). The project design was based on a needs assessment
- b) Stakeholder analysis was adequate (e.g. clear identification of end-users, beneficiaries, sponsors, partners, and clearly defined roles and responsibilities in the project(s)).
- c) The project took into account and reflects national and local priorities and strategies
- d) ISID-related issues and priorities were considered when designing the project
- e) Relevant country representatives (from government, industries, gender groups, custom officers and civil society), were appropriately involved and participated in the identification of critical problem areas and the development of technical cooperation strategies.

Project design quality assessment criteria derive from the logical framework approach (LFA) methodology, leading to the establishment of LogFrame Matrix (LFM) and the main elements of the project, i.e. overall

objective, outcomes, outputs, to defining their causal relationship, as well as indicators, their means of verification and the assumptions. The evaluation will examine the extent to which:

- f) The project's design was adequate to address the problems at hand;
- g) The project had a clear thematically focused development objective;
- h) The project outcome was clear, realistic, relevant, addressed the problem identified and provided a clear description of the benefit or improvement that will be achieved after project completion;
- i) Outputs were clear, realistic, adequately leading to the achievement of the outcome;
- j) The attainment of overall development objective, outcome and outputs can be determined by a set of SMART verifiable indicators;
- k) The results hierarchy in the LFM, from activities to outputs, outcome and overall objective, is logical and consistent.
- l) Verification and Assumptions were adequate, identifying important external factors and risks;

### **Ownership and relevance**

The extent to which:

- The project objectives, outcomes and outputs are relevant to the different target groups of the intervention;
- The counterpart(s) has (have) been appropriately involved and were participating in the identification of their critical problem areas and in the development of technical cooperation strategies and are actively supporting the implementation of the project approach;
- The outputs as formulated in the project document are relevant and sufficient to achieve the expected outcomes and objectives;
- The project is relevant to the UN Development Assistance Framework (UNDAF) objectives and ISID agenda.

### **Efficiency of implementation**

The extent to which:

- UNIDO and counterpart inputs have been provided as planned and were adequate to meet requirements.
- The quality of UNIDO inputs and services (expertise, training, methodologies, etc.) was as planned and led to the production of outputs.
- UNIDO procurement services are provided as planned and were adequate in terms of timing, value, process issues, responsibilities, etc.

### **Project coordination and management**

The extent to which:

- The national management and overall field coordination mechanisms of the project have been efficient and effective;
- The UNIDO management, coordination, quality control and technical inputs have been efficient and effective;



- Monitoring and self-evaluation was carried, were based on indicators for outputs, outcomes and objectives and using that information for project steering and adaptive management;
- Changes in planning documents during implementation have been approved and documented;
- Synergy benefits can be found in relation to other UNIDO activities in the country or elsewhere.

## **Effectiveness**

The extent to which:

- Outputs have been produced and how the target beneficiaries use the outputs;
- Outcomes have been or are likely to be achieved through utilization of outputs;
- The project/programme contributes to inclusive and sustainable industrial development.

## **Impact and sustainability**

- To what extent developmental changes (economic, environmental, social, inclusiveness has occurred or are likely to occur as a result of the intervention and are these sustainable;
- Was the project replicated/ did it have a multiplying effect;
- Was sustainability correctly factored in the project strategy (risks analyzed and assumptions identified at design stage and appropriately monitored during implementation);
- What is the prospect for technical, organizational and financial sustainability.

Furthermore, the evaluation will address the following questions specific to the **private sector development**:

- How has private sector development (PSD) been promoted through industrial upgrading and modernization of the manufacturing sector enterprises? Did this modality fit the project purpose and objectives?
- Did the project work at the macro, meso and/or micro level? Were the choices made appropriate?
- Have private sector institutions/associations been involved in the project design and implementation? If yes, in what way? If not, should they have been?
- Did the approach adopted have the potential to address the problems identified/achieve the project objective?
- Did the project address production and market issues in a satisfactory manner?
- Has the issue of possible market distortions been considered?
  - Have beneficiary companies been selected based on transparent, fair and appropriate criteria?
  - Is the project affecting the competitiveness of existing enterprises? Have any measures been introduced to prevent market distortion?
  - To what extent have private companies been subsidized by the project?
  - Are companies paying for services rendered or equipment obtained?
- If the project has worked with a limited number of selected companies, can the results be expected to be replicated to achieve higher impact?

- Have linkages to financial institutions been established? If yes, what were the results? If not, was there a need for this?
- Can enterprise effects be expected to lead to socio-economic impact such as employment or income generation, gender, equality and poverty reduction?
- Did an M&E system exist, including baseline information, to allow for measurement of results and impact?
- Have synergies with other UNIDO branches/services been exploited? Would there have been a case to establish such linkages?

The following gender mainstreaming and environment related questions shall be also covered by the evaluation:

#### **Gender and youth**

- To what extent have women and youth benefited from the project/can be expected to benefit?
- Has gender been mainstreamed in the implementation of the project?
- Have gender analyses been included in baseline studies, monitoring and reporting?
- Has there been gender balance in the contracting of experts and consultants?

#### **Environment**

- Has the project promoted environmental sustainability?
- Are any positive environmental benefits likely, even if they may be indirect?

## **VI. EVALUATION APPROACH AND METHODOLOGY**

This evaluation will be carried out in accordance with the UNIDO Evaluation Policy and the Guidelines for the Technical Cooperation Programme and Project Cycle. While maintaining independence, the evaluation will adopt a participatory approach and will seek the views and feedback of all parties. The lead evaluation consultant will liaise with the Project Manager on the conduct of the evaluation and methodological issues.

The lead evaluation consultant will be required to use different methods to ensure that data gathering and analysis deliver evidence-based qualitative and quantitative information, based on diverse sources (including literature reviews, field visits, surveys – to be decided; it has a planning/time input implication and interviews with counterparts, beneficiaries, Donor representatives and program manager. The lead evaluation consultant will develop interview guidelines.

The evaluation will apply the standard for assessing the relevance of criteria of effectiveness, efficiency, impact and sustainability of programmes to assess achievements against objectives and indicators outlined in the Logical Framework.

The methodology will be based on the following:

- Desk review of project document including, but not limited to:
  - (a) project/programme policy documents;
  - (b) The original project document, monitoring reports (such as progress and financial reports), output reports (case studies, action plans, sub-regional strategies, etc.), consultants' reports and relevant correspondence;
  - (c) Notes from the meetings of Advisory Board involved in the project (e.g. approval of the Advisory Board meetings);
  - (d) Other project-related material produced by the project.
- Interviews with the project management and technical support including staff and management at UNIDO HQ and in the field and – if necessary - staff associated with the project's financial administration and procurement.
- Interviews with project partners including Government counterparts, participating companies, and partners that have been selected for co-financing as shown in the corresponding sections of the project document
- Interviews with intended users for the project outputs and other stakeholders involved with this project. The evaluator shall determine whether to seek additional information and opinions from representatives of any donor agencies or other organizations.
- Interviews with the UNIDO's project management and Project Advisory Board members and the various national and sub-regional authorities dealing with project activities as necessary.
- Other interviews, surveys or document reviews as deemed necessary by the lead evaluator and/or UNIDO's Independent Evaluation Division (ODG/EVQ/IEV)

## VII. TIME SCHEDULE AND DELIVERABLES

The independent evaluation is scheduled to take place in October 2016.

The "Evaluation Work Plan" includes the following main products/deliverables:

### INCEPTION PHASE:

1. Desk review, briefing by project manager and development of methodology: Following the receipt of all relevant documents, and consultation with the Project Manager about the documentation, including reaching an agreement on the methodology, the desk review could be completed.
2. Inception report: At the time of departure to the field mission, all the received material has been reviewed and consolidated into the Inception report.

### FIELD MISSION:

3. Field mission: The principal responsibility for managing this evaluation lies with UNIDO. It will be responsible for liaising with the project team to set up the stakeholder interviews, arrange the field missions, coordinate with the Government. At the end of the field mission, there will be a presentation of preliminary findings to the key stakeholders in the country where the project was implemented.
4. Preliminary findings from the field mission: Following the field mission, the main findings, conclusions and recommendations would be prepared and presented in the field and at UNIDO Headquarters.

REPORTING:

5. Data analysis/collation of the data/information collected
6. A draft terminal evaluation report will be forwarded electronically to the UNIDO Independent Evaluation Division and circulated to main stakeholders.
7. Final terminal evaluation report will incorporate comments received.

Below a timetable for the evaluation process with tentative deadlines for key events, tasks, deliverables and milestones. The schedule is based on foreseen project timeline and will be adjusted according to encountered delays.

<b>Task</b>	<b>Description/Deliverables</b>	<b>Timeframe</b>
Contract signed with evaluators		<b>September 2016</b>
Desk review and development of interview guidelines	Background materials provided by Project Manager	<b>September 2016</b>
Delivery of a draft inception report. The report to contain work plan, key findings of desk review, methodology, sampling technique, and evaluation tools such as questionnaires and interview guidelines.	Inception report	<b>October 2016</b>
Briefing of evaluators at HQ and deskwork and interviews at HQ		<b>October 2016</b>
Evaluation mission (briefing of evaluators in the field, possible testing of evaluation tools, field visits, interviews, observation based on interview guidelines)	Mission report and information collected	<b>October 2016</b>
Presentation of preliminary findings	Presentation in English to Project Manager and project team	<b>November 2016</b>
Additional data collection and analyses of information collected, preparation of the draft evaluation report and circulation, within UNIDO for comments	Draft report	<b>November 2016</b>
Incorporation of comments and preparation of final draft report	Final draft report	<b>December 2016</b>
Sharing of draft report with main stakeholders. Collection of comments and finalization of report	Final report	<b>December 2016</b>
Presentation and submission to UNIDO, Government of Armenia and Donor	Final Report and Management Response Sheet	<b>December 2016</b>

## **VIII. EVALUATION TEAM COMPOSITION**

The independent evaluation will be conducted by one international lead evaluation consultant and one national consultant who will be working under the guidance of the UNIDO Evaluation Officer in UNIDO's Independent Evaluation Division (ODG/EVQ/IEV) in coordination with the Project Manager and with the project team in Armenia and in Vienna. The respective Job Descriptions are presented in annex 1.

The evaluation team will consult and benefit from the information available at the UNIDO Desk Office in Armenia and the Project Office in Yerevan, with the support of the experts in charge of implementing the project activities. The Project Office in Yerevan works in close cooperation with the Ministry of Economy of Armenia, Development Foundation of Armenia and the private sector, particularly the pilot industrial enterprises.

## **IX. QUALITY ASSURANCE**

All UNIDO terminal evaluations are subject to quality assessments by the UNIDO Independent Evaluation Division. Quality assurance and control is exercised in different ways throughout the evaluation process (briefing of consultants on methodology and process), providing inputs regarding findings, lessons learned and recommendations from other UNIDO evaluations, review of inception report and evaluation report, and ensuring the draft report is factual validated by stakeholders).

The quality of the evaluation report will be assessed and rated against the criteria set forth in the Checklist on evaluation report quality, attached as Annex 3. The draft and final terminal evaluation report are reviewed by the UNIDO Independent Evaluation Division and circulate it within UNIDO together with a management response sheet.

## **ANNEXES**

- Annex 1: Job description for team member(s)
- Annex 2: Table of Contents (TOC) for the Evaluation Report
- Annex 3: Checklist on evaluation report quality
- Annex 4: Rating tables
- Annex 5: Logical Framework

## Annex 1. Job descriptions for team member(s)



### UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

#### TERMS OF REFERENCE FOR PERSONNEL UNDER INDIVIDUAL SERVICE AGREEMENT (ISA)

Title:	International evaluation consultant/Team leader
Main Duty Station and Location:	Home-based
Mission/s to:	Yerevan and local travel
Start of Contract (EOD):	
End of Contract (COB):	
Number of Working Days:	23 w/d

#### ORGANIZATIONAL CONTEXT

The international evaluation consultant will evaluate the project according to the evaluation terms of reference. S/he will act as leader of the evaluation team and will be responsible for preparing the draft and final evaluation report together with the national evaluation consultant, according to the standards of the UNIDO Independent Evaluation Division (ODG/EVQ/IEV)

#### PROJECT CONTEXT

As described in this ToR.

#### MAIN DUTIES

The Lead Evaluator is expected to conduct the following duties:

Main Duties	Concrete/measurable Outputs to be achieved	Expected duration in (in days)	Location
Conduct desk study of project document and relevant reports	Interview and mission plan completed and validated by UNIDO	4	Home-based
Prepare an interview and mission plan			
Delivery of draft inception report. The report to contain work plan, key findings of desk review, methodology, sampling technique and evaluation tools such as interview guidelines.	Inception report		
Visit the UNIDO HQ for preparatory meetings (briefing); discuss inception report and finalize mission plan and appointments and ensure	Briefing mission completed	2 including travel	Vienna, Austria

Main Duties	Concrete/measurable Outputs to be achieved	Expected duration in (in days)	Location
logistical support in place			
Undertake field mission to Armenia to interview the main stakeholders, including beneficiaries and train the national consultant on interview techniques (briefing of evaluators in the field, possible testing of evaluation tools, field visits, field research, interviews, observation, questionnaires, etc.) presentation of preliminary findings to field stakeholders	Mission report; and information collected	7	Yerevan, Armenia
Detailed analysis of field results	Preliminary findings	2	Home based
Conduct additional phone interviews/stakeholders	Notes on interviews		
Debriefing of the evaluation (Presentation of preliminary findings)	Presentation in English to Project Manager and project team	2	Vienna, Austria
Preparation of first draft evaluation report and submission for UNIDO feedback	Draft report	3	Home-based
Additional data collection and analyses of information collected, preparation of the draft evaluation report and circulation, within UNIDO for comments			
Finalization of report upon receipt of stakeholders' feedback		Final report	
<b>Total</b>		<b>23 days</b>	

#### REQUIRED COMPETENCIES

- Long-term experience in project evaluation;
- Experience from working with organizational development, capacity and institutional building;
- Knowledge of international institutions/organizations working on skills development;
- Experience from Armenia and in the context of the region desirable.

#### MINIMUM ORGANIZATIONAL REQUIREMENTS

**Education:** Advanced university degree in social science related disciplines including development studies, development economics, political science, international relations, and with training in social research methodologies;

**Technical and functional experience:** Minimum of 10 years of professional experience in project evaluation; proven track record in evaluation of UN projects.

**Languages:** Fluency in written and spoken English is required. Working knowledge of Russian and/or Armenian is an advantage.

**Absence of Conflict of Interest:**

According to UNIDO rules, the consultant must not have been involved in the design and/or implementation, supervision and coordination of and/or have benefited from the programme/project (or theme) under evaluation. The consultant will be requested to sign a declaration that none of the above situations exists and that the consultants will not seek assignments with the manager/s in charge of the project before the completion of her/his contract for this evaluation.





**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

**TERMS OF REFERENCE FOR PERSONNEL UNDER INDIVIDUAL SERVICE AGREEMENT (ISA)**

Title:	National evaluation consultant
Main Duty Station and Location:	Home-based
Mission/s to:	Local travel as appropriate
Start of Contract (EOD):	
End of Contract (COB):	
Number of Working Days:	20 days (spread over the above period)

ORGANIZATIONAL CONTEXT

The national evaluation consultant will participate and contribute to the project evaluation according to the evaluation terms of reference. S/he will be a member of the evaluation team, work under the supervision of the International evaluation consultant/Team leader and carry out the tasks assigned to him/her by the International evaluation consultant and in accordance with the standards of the UNIDO Independent Evaluation Division (ODG/EVQ/IEV).

PROJECT CONTEXT

As described in the evaluation ToR. Under the leadership of the International evaluation consultant/Team Leader, s/he will perform the following tasks:

MAIN DUTIES	Concrete/measurable Outputs to be achieved	Expected duration (in days)	Location
Review project documentation and relevant country background information (e.g., national policies and strategies, UN strategies and general economic data; in cooperation with the Team Leader: determine key data to collect in the field and prepare key instruments (questionnaires, logic models) to	List of detailed evaluation questions to be clarified; questionnaires/ interview guide; logic models; list of key data to collect, draft list of stakeholders to interview during the	3	Home-based

MAIN DUTIES	Concrete/measurable Outputs to be achieved	Expected duration (in days)	Location
<p>collect these data through interviews and/or surveys during and prior to the field missions</p> <p>Assess the adequacy of legislative and regulatory framework in Armenia.</p>	<p>field missions</p> <p>Brief assessment of the adequacy of the country's legislative and regulatory framework.</p>		
<p>Briefing with the evaluation team leader, UNIDO project managers and other key stakeholders</p> <p>Assist in setting up the evaluation mission agenda, coordinating meetings and site visits</p> <p>Assist the Team Leader in the preparation of the Inception Report</p>	<p>Interview notes, detailed evaluation schedule and list of stakeholders to interview during the field missions.</p> <p>Inception Report.</p>	3	Home-based (telephone interviews)
<p>Participate in the field mission</p>	<p>Presentations of the evaluation's initial findings, draft conclusions and recommendations to stakeholders in the country at the end of the mission.</p> <p>Agreement with the International Consultant and Team Leader on the structure and content of the evaluation report and the distribution of writing tasks.</p>	6	Yerevan and local travel as appropriate
<p>Prepare inputs to the evaluation report according to TOR and as agreed with Team Leader</p>	<p>Draft evaluation report.</p>	6	Home-based
<p>Revise the draft project evaluation reports based on comments from the</p>	<p>Final evaluation report.</p>	2	Home-based

MAIN DUTIES	Concrete/measurable Outputs to be achieved	Expected duration (in days)	Location
UNIDO Office for Independent Evaluation and stakeholders and edit the language and form of the final version according to UNIDO standards.			
<b>Total</b>		<b>20 days</b>	

#### REQUIRED COMPETENCIES

##### **Core values:**

1. Integrity
2. Professionalism
3. Respect for diversity

##### **Core competencies:**

1. Results orientation and accountability
2. Planning and organizing
3. Communication and trust
4. Team orientation
5. Client orientation
6. Organizational development and innovation

##### **Managerial competencies** (as applicable):

1. Strategy and direction
2. Managing people and performance
3. Judgement and decision making
4. Conflict resolution

#### MINIMUM ORGANIZATIONAL REQUIREMENTS

**Education:** Advanced university degree in science, engineering or other relevant discipline like developmental studies or business administration.

##### **Technical and functional experience:**

A minimum of five years professional experience, including experience at the international level involving technical cooperation in developing countries. Exposure to the needs, conditions and problems in developing countries. Familiarity with the institutional context of the project is desirable.

**Languages:** Fluency in written and spoken English is required. Working knowledge of Russian and/or Armenian is an advantage.

**Absence of Conflict of Interest:**

According to the UNIDO rules, the consultant must not have been involved in the design and/or implementation, supervision and coordination of and/or have benefited from the programme/project (or theme) under evaluation. The consultant will be requested to sign a declaration that none of the above situations exists and that the consultants will not seek assignments with the manager/s in charge of the project before the completion of her/his contract for this evaluation.

## **Annex 2: Table of Contents for the Evaluation Report**

### **TABLE OF CONTENTS**

#### **Executive summary**

- Must provide a synopsis of the storyline which includes the main evaluation findings and recommendations
- Must present strengths and weaknesses of the project
- Must be self-explanatory and should be 3-4 pages in length

#### **1. Evaluation objectives, methodology and process**

- Information on the evaluation: why, when, by whom, etc.
- Scope and objectives of the evaluation, main questions to be addressed
- Information sources and availability of information
- Methodological remarks, limitations encountered and validity of the findings

#### **2. Countries and project background**

- Brief countries context: an overview of the economy, the environment, institutional development, demographic and other data of relevance to the project
- Sector-specific issues of concern to the project and important developments during the project implementation period
- Project summary:
  - Fact sheet of the project: including project objectives and structure, donors and counterparts, project timing and duration, project costs and co-financing
  - Brief description including history and previous cooperation
  - Project implementation arrangements and implementation modalities, institutions involved, major changes to project implementation
  - Positioning of the UNIDO project (other initiatives of government, other donors, private sector, etc.)
  - Counterpart organization(s)

#### **3. Project assessment**

This is the key chapter of the report and should address all evaluation criteria and questions outlined in the TOR. Assessment must be based on factual evidence collected and analysed from different sources. The evaluators' assessment can be broken into the following sections:

- A. Relevance (Report on the relevance of project towards countries and beneficiaries)
- B. Effectiveness (The extent to which the development intervention's objectives and deliverables were achieved, or are expected to be achieved, taking into account their relative importance)
- C. Sustainability of Project Outcomes (Report on the risks and vulnerability of the project, considering the likely effects of socio political and institutional changes in partner countries, and

- its impact on continuation of benefits after the project ends, specifically the financial, socio political, institutional framework and governance, and environmental risks)
- D. Project coordination and management (Report project management conditions and achievements, and partner countries commitment)

At the end of this chapter, the rating tables should be presented as required in annex 4.

#### **4. Conclusions, Recommendations and Lessons Learned**

This chapter can be divided into three sections:

##### A. Conclusions

This section should include a storyline of the main evaluation conclusions related to the project's achievements and shortfalls. It is important to avoid providing a summary based on each and every evaluation criterion. The main conclusions should be cross-referenced to relevant sections of the evaluation report.

##### B. Recommendations

This section should be succinct and contain few key recommendations. They should:

- be based on evaluation findings
- realistic and feasible within a project context
- indicate institution(s) responsible for implementation (addressed to a specific officer, group or entity who can act on it) and have a proposed timeline for implementation if possible
- be commensurate with the available capacities of project team and partners
- take resource requirements into account.

Recommendations should be structured by addressees:

- UNIDO
- Government and/or Counterpart Organizations
- Donor

##### C. Lessons learned

- Lessons learned must be of wider applicability beyond the evaluated project but must be based on findings and conclusions of the evaluation
- For each lesson, the context from which they are derived should be briefly stated

**Annexes** should include the evaluation TOR, list of interviewees, documents reviewed, a summary of project identification and financial data, and other detailed quantitative information. Dissident views or management responses to the evaluation findings may later be appended in an annex.

### Annex 3. Checklist on evaluation report quality

Report quality criteria	UNIDO Office for Independent Evaluation (ODG/EVQ/IEV) Assessment notes rating	Rating
<b>Report Structure and quality of writing</b>		
The report is written in clear language, correct grammar and use of evaluation terminology. The report is logically structured with clarity and coherence. It contains a concise executive summary and all other necessary elements as per TOR.		
<b>Evaluation objective, scope and methodology</b>		
<p>The evaluation objective is explained and the scope defined.</p> <p>The methods employed are explained and appropriate for answering the evaluation questions.</p> <p>The evaluation report gives a complete description of stakeholder’s consultation process in the evaluation.</p> <p>The report describes the data sources and collection methods and their limitations.</p> <p>The evaluation report delivered in a timely manner so that the evaluation objective (e.g. important deadlines for presentations) was not affected.</p>		
<b>Evaluation object</b>		
<p>The logic model and/or the expected results chain (inputs, outputs and outcomes) of the object is clearly described.</p> <p>The key social, political, economic, demographic, and institutional factors that have a direct bearing on the object are described.</p> <p>The key stakeholders involved in the object implementation, including the implementing agency(s) and partners, other key stakeholders and their roles are described.</p> <p>The report identifies the implementation status of the object, including its phase of implementation and any significant changes (e.g. plans, strategies, logical frameworks) that have occurred over time and explains the implications of those changes for the evaluation.</p>		
<b>Findings and conclusions</b>		
<p>The report is consistent and the evidence is complete (covering all aspects defined in the TOR) and convincing.</p> <p>The report presents an assessment of relevant outcomes and achievement of project objectives.</p>		

<b>Report quality criteria</b>	<b>UNIDO Office for Independent Evaluation (ODG/EVQ/IEV)</b> <b>Assessment notes rating</b>	<b>Rating</b>
<p>The report presents an assessment of relevant external factors (assumptions, risks, impact drivers) and how they influenced the evaluation object and the achievement of results.</p> <p>The report presents a sound assessment of sustainability of outcomes or it explains why this is not (yet) possible.</p> <p>The report analyses the budget and actual project costs.</p> <p>Findings respond directly to the evaluation criteria and questions detailed in the scope and objectives section of the report and are based on evidence derived from data collection and analysis methods described in the methodology section of the report.</p> <p>Reasons for accomplishments and failures, especially continuing constraints, are identified as much as possible.</p> <p>Conclusions are well substantiated by the evidence presented and are logically connected to evaluation findings.</p> <p>Relevant cross-cutting issues, such as gender, human rights, and environment are appropriately covered.</p>		
<b>Recommendations and lessons learned</b>		
<p>The lessons and recommendations are based on the findings and conclusions presented in the report.</p> <p>The recommendations specify the actions necessary to correct existing conditions or improve operations ('who?' 'what?' 'where?' 'when?').</p> <p>Recommendations are implementable and take resource implications into account.</p> <p>Lessons are readily applicable in other contexts and suggest prescriptive action.</p>		

*Rating system for quality of evaluation reports*

*A number rating 1-6 is used for each criterion: Highly Satisfactory = 6, Satisfactory = 5, Moderately Satisfactory = 4, Moderately Unsatisfactory = 3, Unsatisfactory = 2, Highly Unsatisfactory = 1, and unable to assess = 0.*



## Annex 4 - Rating tables

**Ratings will be presented in the form of tables** with each of the criteria / aspects rated separately and with **brief justifications for the rating** based on the findings and the main analyses (see Table 4 to Table 3) below. **Error! Reference source not found.** presents the template for summarizing the overall ratings.

Table 1. Rating criteria for Quality of project identification and formulation process (LFA Process)

Evaluation issue	Evaluator's comments	Ratings
1. Extent to which the situation, problem, need / gap is clearly identified, analysed and documented (evidence, references).		
2. Adequacy and clarity of the stakeholder analysis (clear identification of end-users, beneficiaries, sponsors, partners, and clearly defined roles and responsibilities in the project(s)).		
3. Adequacy of project monitoring and evaluation (M&E) design.		
4. Overall LFA design process.		

Table 2. Quality of project design (LFM)

Evaluation issue	Evaluator's comments	Rating
1. Clarity and adequacy of <b>outcome</b> (clear, realistic, relevant, addressing the problem identified). Does it provide a clear description of the benefit or improvement that will be achieved after project completion?		
2. Clarity and adequacy of <b>outputs</b> (realistic, measurable, adequate for leading to the achievement of the <b>outcome</b> ).		
3. Clarity, consistency and logic of the <b>objective tree</b> , and its reflexion in the LFM results hierarchy from <b>activities</b> to <b>outputs</b> , to <b>outcome</b> and to <b>overall objective</b> .		
4. <b>Indicators</b> are SMART for Outcome and Output levels.		
5. Adequacy of <b>Means of Verification and Assumptions</b> (including important external factors and risks).		
6. Overall LFM design quality.		

Table 3. Quality of project implementation performance

Evaluation criteria	Rating	
7. Ownership and relevance		
8. Effectiveness		
9. Efficiency		
10. Impact		
11. Likelihood of/ risks to sustainability		
12. Project management		
13. M&E		

Criterion	Evaluator's summary comments	Evaluator's rating
<b>Attainment of project objectives and results (overall rating), sub criteria (below)</b>		
Project implementation		
Effectiveness		
Relevance		
Efficiency		
<b>Sustainability of project outcomes (overall rating), sub criteria (below)</b>		
Financial risks		
Sociopolitical risks		
Institutional framework and governance risks		
Environmental risks		
<b>Monitoring and evaluation (overall rating), sub criteria (below)</b>		
M&E Design		
M&E Plan implementation (use for adaptive management)		
Budgeting and Funding for M&E activities		
<b>Project management - UNIDO specific ratings</b>		
Quality at entry / Preparation and readiness		
Implementation approach		
UNIDO Supervision and backstopping		
<b>Gender Mainstreaming</b>		
<b>Overall rating</b>		

## **RATING OF PROJECT OBJECTIVES AND RESULTS**

- Highly satisfactory (HS): The project had no shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Satisfactory (S): The project had minor shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Moderately satisfactory (MS): The project had moderate shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Moderately unsatisfactory (MU): The project had significant shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Unsatisfactory (U) The project had major shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Highly unsatisfactory (HU): The project had severe shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.

**Please note:** Relevance and effectiveness will be considered as critical criteria. The overall rating of the project for achievement of objectives and results **may not be higher** than the lowest rating on either of these two criteria. Thus, to have an overall satisfactory rating for outcomes a project must have at least satisfactory ratings on both relevance and effectiveness.

## **RATINGS ON SUSTAINABILITY**

Sustainability will be understood as the probability of continued long-term outcomes and impacts after the GEF project funding ends. The evaluation will identify and assess the key conditions or factors that are likely to contribute or undermine the persistence of benefits beyond project completion. Some of these factors might be outcomes of the project, i.e. stronger institutional capacities, legal frameworks, socio-economic incentives /or public awareness. Other factors will include contextual circumstances or developments that are not outcomes of the project but that are relevant to the sustainability of outcomes.

### Rating system for sustainability sub-criteria

On each of the dimensions of sustainability of the project outcomes will be rated as follows.

- Likely (L): There are no risks affecting this dimension of sustainability.
- Moderately likely (ML). There are moderate risks that affect this dimension of sustainability.
- Moderately unlikely (MU): There are significant risks that affect this dimension of sustainability.
- Unlikely (U): There are severe risks that affect this dimension of sustainability.

All the risk dimensions of sustainability are critical. Therefore, overall rating for sustainability will not be higher than the rating of the dimension with lowest ratings. For example, if a project has an Unlikely rating in either of the dimensions then its overall rating cannot be higher than Unlikely, regardless of whether higher ratings in other dimensions of sustainability produce a higher average.

## **RATINGS OF PROJECT M&E**

Monitoring is a continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing project with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds. Evaluation is the systematic and objective assessment of an on-going or completed project, its design, implementation and results. Project evaluation may involve the definition of appropriate standards, the examination of performance against those standards, and an assessment of actual and expected results.

The Project M&E system will be rated on M&E design, M&E plan implementation and budgeting and funding for M&E activities as follows:

- Highly satisfactory (HS): There were no shortcomings in the project M&E system.
- Satisfactory(S): There were minor shortcomings in the project M&E system.
- Moderately satisfactory (MS): There were moderate shortcomings in the project M&E system.
- Moderately unsatisfactory (MU): There were significant shortcomings in the project M&E system.
- Unsatisfactory (U): There were major shortcomings in the project M&E system.
- Highly unsatisfactory (HU): The Project had no M&E system.

M&E plan implementation will be considered a critical parameter for the overall assessment of the M&E system. The overall rating for the M&E systems will not be higher than the rating on M&E plan implementation.

All other ratings will be on the GEF six-point scale:

HS	= Highly satisfactory	Excellent
S	= Satisfactory	Well above average
MS	= Moderately satisfactory	Average
MU	= Moderately unsatisfactory	Below average
U	= Unsatisfactory	Poor

### Annex 5. Logical Framework

INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
<b>DEVELOPMENT GOAL/IMPACT</b>			
To maintain and improve the market share of local textile and clothing industry operators in domestic markets and to take advantage of opportunities afforded by prospects of integration within the Customs Union's trade arrangements.	Domestic and regional market share of Armenian textile products increased	Project Reports Statistical reports	
<b>OUTCOMES/IMMEDIATE OBJECTIVES</b>			
Beneficiary SMEs form networks, modernize their businesses to expand production, improve quality and gain access to markets with the support of reinforced national technical expertise	Improved economic performance of industrial beneficiary SMEs using locally available services	Project reports Market statistics Publications	Political situation in the country is stable. Project funding is timely and sufficient
<b>OUTPUTS/RESULTS</b>			
1. Enterprise diagnosis, industrial modernization and networking of selected pilot SMEs in the textile and clothing industry in Armenia using innovative marketing approaches with possible development of export consortia among the participating manufacturers.	Enterprise performance indicators e.g. reduced factor costs, turnover, value added, % exported, etc. Number of SMEs enter into networks/consortia Number and quality of export activities facilitated Number of enterprise employees trained (female and male)	Enterprise annual reports Project reports	Information on local textile industry and regional textile and garment markets available SMEs are willing to cooperate and enter into networks
1.1 Identify and select a pilot group of minimum 5-7 and maximum 10 enterprises in the textile and clothing industry willing to participate in the programme and responding to the approved eligibility criteria			
1.2 Conduct full-diagnosis study of each beneficiary enterprise including technical assessment of present technical/production situation and operated			

INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>technologies to collect, analyse and evaluate marketing data, gender disaggregated employment data, position and wage levels, and develop modernization plans</p> <p>1.3 Conduct competitive market positioning studies for selected enterprises including baseline of enterprises (domestic and export sales, employment, current markets and distribution channels, products range, etc.), analysis of supply-side constraints, main direct competitors, benchmarking of main competitiveness factors at the international level, market survey on at least 3 reference markets</p> <p>1.4 Formulate market positioning vision for identified products (collections) of high potential, and build appropriate marketing implementation strategy</p> <p>1.5 Coach selected enterprises in implementing respective modernization plans and marketing implementation strategies based on networking approach and findings of the competitive market positioning studies</p> <p>1.6 Provide technical assistance to selected enterprises to design and merchandize pilot ready-made collections with the support from the reinforced fashion centre (based on results of activities 2.3 and 2.4)</p> <p>1.7 Support collective marketing and export activities with potential establishment of export consortia and facilitate communication of project results.</p>			
<p>2. Human and technical capacities of national counterpart institutions and of national expertise (experts, trainers, engineers and technicians) strengthened in providing enterprise diagnosis and modernization, competitiveness building and marketing, garment design, patterning and grading, inter-institutional networking and business partnerships and other related services to the national textile and garment industries.</p>	<p>Service offers from strengthened/ established services portfolios of industry support providers</p> <p>Number of trained experts/trainers (female and male)</p>	<p>Project reports</p> <p>Business literature on services offered</p> <p>Service reports</p>	<p>To be determined according to background information gathered on the industry support market in Armenia</p>
<p>2.1 Review of the policy framework, identify and assess capacities of the national expertise and existing industry support institutions, industry-related testing and design centres and/or vocational training institutions in supporting national textile and garment operators</p> <p>2.2 Provide training sessions to the identified national expertise on strategic diagnosis and upgrading techniques, evaluation of upgrading plans, marketing techniques, project monitoring and evaluation etc., and provide related methodological tools adapted to the Armenian context for continuous use</p> <p>2.3 Strengthen the existing unit for fashion design and modelling to serve as a sectorial centre/point providing services related to design, patterns, grading, etc., to local garment manufacturers through supply of equipment and software, appropriate training to centre operators, and creation of a “fashion library” and licensed subscription to international electronic databases on graphic design, fashion and clothing</p> <p>2.4 Conduct expert meetings/technical workshops for selected beneficiary centre staff and trainers in a reference international fashion centre on market-</p>			

INTERVENTION LOGIC	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>and industry-driven fashion design processes and methodologies, modelling and styling, creation and validation of ready-made collections; and good merchandizing techniques</p> <p>2.5 Facilitate regional and international industry support network and business linkages for export promotion of Armenian textile products on regional EurAsEC and international markets inter alia through the activities of the UNIDO ITPO/CIIC network including the UNIDO CIIC in Yerevan.</p> <p>2.6 Explore scope for upscaling the pilot initiatives inter alia within the national support framework.</p>			

## ANNEX 2: Evaluation framework

EVALUATION FRAMEWORK <sup>16</sup>				
Evaluation criteria/issues	Key evaluation questions	Sub-questions	Sources of information	Data collection/analysis methods
<b>Project identification and design</b>				
	To what extent was the project design based on a needs assessment (analysis of situation problems/needs/gaps to be addressed) and was adequate to address the problems at hand;		National counterparts UNIDO experts Mission report(s) related to the preparatory assistance (XP) Project document resulting from the preparatory assistance Inception report at the start of project implementation	Interviews Content Analysis
	To what extent was the project stakeholder analysis adequate (e.g. clear identification of beneficiaries, project partners, and clearly defined roles and responsibilities in the project)		National counterparts UNIDO experts Mission report(s) related to the preparatory assistance (XP) Project document resulting from the preparatory assistance Inception report at the start of project implementation	Interviews Content Analysis

<sup>16</sup> Text put in red serves as a reminder to check if these documents were provided to the evaluation team



<p>To what extent did the design of the project document follow a logical framework approach? More precisely, to what extent</p> <p>a) Did the project's design have a clear thematically focused development objective;</p> <p>b) Were the project outcomes clear, realistic, relevant, addressing the problems identified and providing a clear description of the benefit or improvement that will be achieved after project completion;</p> <p>c) Were the outputs clear, realistic, adequately leading to the achievement of the outcome;</p> <p>d) Can the attainment of the overall development objective, outcomes and outputs be determined by a set of SMART verifiable indicators;</p> <p>e) Is the results hierarchy in the logical framework, from activities to outputs, outcome and overall objective, is logical and consistent;</p> <p>f) Were assumptions adequate and were important external factors and risks that could affect project performance identified.</p>			<p>Project document incl. Logical framework</p>	<p>Content Analysis</p>
<p><b>Relevance and Ownership</b></p>	<p><b>Key evaluation questions</b></p>	<p><b>Sub-questions</b></p>	<p><b>Sources of information</b></p>	<p><b>Data collection/ analysis methods</b></p>
<p>Relevance</p>	<p>How relevant is the project to national development needs/priorities/strategies and UNIDO/UN/donor priorities?</p>	<p>To what extent was/is the project relevant to the national development priorities, industrial trade, and poverty reduction strategies? How did the project take into account and reflect national priorities and strategies?</p>	<p>National counterparts UNIDO experts Donor representative Project document Inception report at the start of project implementation UNIDO Head of Operations UN Development Assistance Framework (UNDAF) documents/ Armenia</p>	<p>Interviews Content Analysis</p>
		<p>To what extent were the objectives, outcomes and outputs pertinent to the needs of the target beneficiaries?</p>		
		<p>To what extent was the project in line with UNIDO's mandate, its ISID agenda priorities, UN priorities in Armenia (UNDAF), as well as with the project donor's priorities?</p>		
<p>Ownership</p>	<p>To what extent was a participatory approach followed in the design and also in the implementation of the project?</p>	<p>To what extent and how were the main national stakeholders involved in the design of the project, including priority setting (sub-sector), development of the project strategy, identification of counterparts, partners and the identification and selection of target beneficiaries?</p>	<p>National counterparts</p>	<p>Interviews Content Analysis</p>

		To what extent are the counterparts actively supporting the implementation of the project?	National counterparts Beneficiaries UNIDO experts	Interviews Content Analysis
		To what extent is there a mechanism of cost-sharing by the counterparts/target beneficiaries and, in the affirmative, in what form?	National counterparts Beneficiaries UNIDO experts	Interviews Content Analysis
<b>Efficiency of implementation</b>	Were all inputs and services provided in an efficient manner?	<p>To what extent</p> <ul style="list-style-type: none"> <li>• have UNIDO and counterpart inputs been provided as planned and were these adequate to meet requirements and provided in a timely manner;</li> <li>• was the quality of UNIDO inputs and services (expertise, training, methodologies, etc.) as planned and led to the production of outputs;</li> <li>• were UNIDO procurement services provided as planned and were adequate in terms of timing, value, process issues, responsibilities, etc.</li> </ul>	Beneficiaries National counterparts UNIDO experts Donor representative Project partners Progress reports Consultants' reports	Interviews Content Analysis Observation
<b>Project coordination and management</b>	How efficient and effective was project coordination and management?	<p>To what extent</p> <ul style="list-style-type: none"> <li>• the national management and overall field coordination mechanisms of the project have been efficient and effective;</li> <li>• the UNIDO HQ management, coordination, quality control and technical inputs have been efficient and effective;</li> <li>• did an M&amp;E system exist, including baseline information, to allow for measurement of results and impact and was monitoring and self-evaluation carried out, based on indicators for outputs, outcomes and objectives and using that information for project steering and adaptive management;</li> <li>• changes in activity planning/budget allocations during implementation have been approved and documented;</li> <li>• synergy benefits can be found in relation to other UNIDO activities in the country or elsewhere (lessons learned from upgrading programmes elsewhere, including in the</li> </ul>	Beneficiaries National counterparts UNIDO experts Donor representative Project partners Progress reports Consultants' reports	Interviews Content Analysis Observation

		<p>garment value chain)/synergies with other UNIDO branches/services have been exploited or extent in which there are opportunities to establish/strengthen such linkages?</p> <ul style="list-style-type: none"> <li>• synergy benefits can be found in relation to related activities of development partners active in the country (SME support; improvement of the business environment; trade development; quality infrastructure upgrading; access to finance) or extent in which there are opportunities to establish/strengthen such linkages</li> </ul>		
<b>Effectiveness and impact</b>	Which results have been achieved? What is the likelihood of impact at this stage?	<p>To what extent</p> <ul style="list-style-type: none"> <li>• have outputs been produced and how do the target beneficiaries perceive their quality and use these outputs;</li> <li>• have outcomes been or are likely to be achieved through utilization of outputs;</li> <li>• have developmental changes (economic, environmental, social, inclusiveness) have occurred or are likely to occur as a result of the interventions;</li> <li>• was the project replicated/ did it have a multiplying effect;</li> <li>• were there other direct/indirect/foreseen/unforeseen effects (positive/negative)</li> </ul>	<p>Beneficiaries National counterparts UNIDO experts Donor representative Project partners Progress reports Consultants' reports</p>	<p>Interviews Content Analysis Observation</p>
<b>Sustainability</b>	How sustainable are the results achieved?	<p>To what extent</p> <ul style="list-style-type: none"> <li>• are the developmental changes that have occurred or are likely to occur as a result of the interventions sustainable (i.e., the likelihood of benefits from the project to be maintained after the project phase ended);</li> <li>• was sustainability correctly factored in the project strategy (risks analysed and assumptions identified at design stage, a sustainability strategy formulated and</li> </ul>	<p>Beneficiaries National counterparts UNIDO experts Donor representative Project partners Progress reports Consultants' reports</p>	<p>Interviews Content Analysis Observation</p>

		<p>appropriately monitored during implementation);</p> <ul style="list-style-type: none"> <li>• is there prospect for technical, organizational and financial sustainability of the support provided in phase 1;</li> <li>• are the partnerships established sustainable;</li> </ul>		
<b>Cross-cutting issue: gender equality and youth</b>	To what extent were gender equality and youth issues addressed in the project?	<p>To what extent</p> <ul style="list-style-type: none"> <li>• have women and youth benefited from the project/can be expected to benefit;</li> <li>• have gender and youth issues been mainstreamed in the implementation of the project</li> <li>• have gender and youth analyses been included in baseline studies, monitoring and reporting?</li> <li>• has there been gender balance in the contracting of experts and consultants?</li> </ul>	<p>Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports</p>	<p>Interviews Content Analysis Observation</p>
<b>Cross-cutting issue: environment</b>	To what extent were environment related issues addressed in the project?	<p>To what extent</p> <ul style="list-style-type: none"> <li>• has the project promoted environmental sustainability;</li> <li>• are any positive environmental benefits likely, even if they may be indirect;</li> <li>• are any negative environmental benefits likely, even if they may be indirect;</li> </ul>	<p>Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports</p>	<p>Interviews Content Analysis Observation</p>
<b>Cross-cutting issue: Private sector Development (PSD)</b>	To what extent and how were PSD issues/principles addressed in the project?	<ul style="list-style-type: none"> <li>• How has private sector development (PSD) been promoted through this project;</li> <li>• Did the project work at the macro, meso and/or micro level? Were the choices made appropriate?</li> <li>• Have private sector institutions/ associations been involved in the project design and implementation? If yes, in what way? If not, should they have been?</li> <li>• Did the approach adopted have the potential to address the problems identified/to achieve the project objective?</li> <li>• Did the project address production and market issues in a satisfactory manner?</li> </ul>	<p>Beneficiaries National counterparts UNIDO experts Project partners Progress reports Consultants' reports</p>	<p>Interviews Content Analysis Observation</p>

		<ul style="list-style-type: none"> <li>• Has the issue of possible market distortions been considered;</li> <li>• Have beneficiary companies been selected based on transparent, fair and appropriate criteria?</li> <li>• Is the project affecting the competitiveness of existing enterprises? Have any measures been introduced to prevent market distortion?</li> <li>• To what extent have private companies been subsidized by the project?</li> <li>• Are companies paying for services rendered or for equipment obtained?</li> <li>• If the project has worked with a limited number of selected companies, can the results be expected to be replicated to achieve higher impact?</li> <li>• Have linkages to financial institutions been established? If yes, what were the results? If not, was there a need for this?</li> <li>• Can enterprise effects be expected to lead to socio-economic impact such as employment or income generation, gender, equality and poverty reduction?</li> <li>• Were good practice principles in training and other type of BDS support related to PSD applied in the project?</li> </ul>		
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Note: Based on the above framework, interview guidelines have been prepared for the different project stakeholders (cf. inception report)

### ANNEX 3: List of interviewees met by the evaluation team

<b>MAIN PROJECT COUNTERPARTS</b>	
Ministry of Economic Development and Investments (MEDI)	Mr. A. Yeganyan, Head, Industrial Development Department, Chairman of PAB
Ministry of Foreign Affairs (MFA)	Mr. R. Harutyunyan, Deputy Minister (former Chairman of PAB when DG of ADA)
Development Foundation of Armenia (DFA)	Mr. H. Mirzoyan, Export Director, member of PAB
Union of Light Industry Manufacturers of Armenia	Mr. H. Poghosyan, Co-chair, member of PAB
<b>DONOR</b>	
Embassy of the Government of the Russian Federation in Armenia	Mr. O. Shapovalov, Development Officer Mr. A. Babko, Trade Representative
<b>OTHER PROJECT PARTNERS</b>	
Atex-Burgo school	Ms. K. Dnoyan, Director (also Vice-Chair of Union of Light Industry Manufacturers of Armenia and member of PAB)
<b>BENEFICIARY ENTERPRISES</b>	
Arsfine	Mr. A. Safaryan
Melante	Mr. A. Aghamalyan
TOSP	Mr. S. Bekirsiy (also Chairman of Union of Light Industry Manufacturers of Armenia and member of PAB) Mrs. R. Bekirsiy
Firma Lida	Ms. Lida
Aghnesa	Mr. A. Aghagulyan
Nanman	Mr. A. Katvalyan
Kanaker Factory/KKF	Mr. S. Azatyan
Noubarashen	Ms. Eteri
Armjeans	Mr. Armen Harutyunyan
Rassi	Mr. Hmayak Gevorgyan
<b>PROJECT COORDINATION TEAM /YEREVAN</b>	
National Project Coordinator	Ms. A. Grigoryan
National Project Assistant	Ms. A. Semizyan
Project Assistant, communication and PR	Ms. A. Atabekyan
Chief Technical Advisor/International Expert on textile/garment upgrading	Ms. A. Travaini (by phone)
<b>PROJECT EXPERTS INVOLVED IN IMPLEMENTATION/YEREVAN</b>	
NE Textile/garment production an quality	Mr. S. Saroyan
NE Product Development woven fabric/weaving	Ms. I. Kyovkhyan
NE Product Development circular knits/knitted articles	Ms. N. Vasilyan
NE Strategic positioning and quality standards	Ms. H. Hovhanesian
NE Financial management/cost accounting	Mr. H. Avetisyan
NE Human resource management	Ms. G. Khanoyan

NE Regulatory framework/gender analysis	Ms. H. Aslanyan
NE Networking and partnership development	Mr. A. Grigoryan
NE Sales, networking and partnership	Mr. Z. Ekmekjian
<b>UNIDO/Yerevan</b>	
UNIDO Desk	Ms. A. Simonyan, Head of Operations
<b>UNIDO HQ</b>	
PTC/TII, PTC/AGR	Mr. F. Alimdjanov, Project Manager
	Mr. G. Galtieri, project manager/consortia (contacted via email)
	Ms. M. Carco and Ms. S. Moll (PMs/youth project/Armenia)
Office for Independent Evaluation and Quality Monitoring	Mr. J. Guarnizo, Senior Evaluation Officer
	Ms. J. Rohe, Quality Monitoring Officer
Regional Division for Europe and Central Asia	Mr. J. Cukrowski, Chief
Gender Focal Points	Ms. T. Benmokrane
	Mr. B. Bau

## ANNEX 4: List of main documents used

<b>Project related documents/reports</b>	
Project document Phase I	signed version, 23 September 2014
Project document Phase II	non-signed/non-dated (last) version
Terms of Reference/Evaluation Phase I	Sept 2016
Progress reports	Report 1, Feb 2015 Report 2, Sept 2015 Report 3, March 2016 Report 4, Sept 2016
Minutes of the Project Advisory Board	2014: 30 June, 17 July and 22 Sept 2015: 5 Feb and 20 Nov 2016: 2 Aug
Project brochures/leaflets/collection catalogues 5900BC	throughout
Enterprise application forms	2014
Enterprise diagnostics	2014
Strategic Positioning in the Russian Market	2016
Back-to-Office mission reports of PM and mission reports (often in Back-to-Office mission report format), international and national project experts (coordination and implementation)	throughout
MoU/Partnership Atex and IBM Milan	effective as of Oct. 2014 (no signature date on copy received)
SAP based project data (financial and HR related information)	Oct. 2016
<b>Country context/sector information</b>	
Ministry of Economy, Strategy of Export-Led Industrial Policy of Republic of Armenia	2011
ADA, Textile and Apparel Industry in Armenia – Partnership opportunities 2011-2012	2011
Ministry of Economy, Strategy for development of textile and knitted wear industry in Armenia	2013
Ministry of Economic Development and Investments – notes on Industrial Policy, Competitiveness SME state support (Law; SME Indicators, Technology Development)	website/Ministry
SMEDNC, SMEs in figures, Annual Reports	website/SMEDNC
Official statistical data on GDP, national growth rates, etc.; as well as “Peculiarities and stages of economic reforms in Armenia 1991-1998”, Yerevan, 1999 (in Armenian)	Website/National Statistical Service (NSS) of RA,
<b>Other documents</b>	



Asian Development Bank/PEMConsult: N. Alanakyan, Assessment of needs for business development services among women entrepreneurs of Armenia F. Wältring, Women Entrepreneurship Strategy	2013
Center on Globalization, Governance & Competitiveness, Duke University, K. Fernandez-Stark et al., The Apparel Global Value Chain – Economic upgrading and workforce development	2011
UNIDO, G. Gereffi and O. Memedovic, The Global Apparel Value Chain: what prospects for upgrading by developing countries (sectoral studies series)	2003
UNIDO, Methodological Guide: Restructuring, upgrading and industrial competitiveness	2003
UNIDO, The strategic management of export consortia – an analysis of the experience of UNIDO in Morocco, Peru, Tunisia and Uruguay	2009
UNIDO, Thematic evaluation of UNIDO projects related to industrial upgrading	2013
UNIDO, Gender mainstreaming checklist for project (appraisal stage)	non-dated
Web-based information on support of other development partners/agencies to Armenia (World Bank, IFC, UNDP, USAID, OECD, JICA)	Oct 2016
World Economic Forum, Global Gender Gap Report	2016

## ANNEX 5: Overview and analysis of inputs

### ANNEX 5.1 OVERVIEW OF BUDGET

1.1. Preparatory Assistance under RPTC XP 140117 (XP Funding – in US\$)				
Budget Line	Allocation	Expenditures	Balance	Comments
11:00 Staff and Intl Consultants	9970,00	9970,00	0	<i>It is understood that UNIDO funded the preparatory assistance (XP as source)</i>
16:00 Staff Travel	3499,80	3403,59	0	
17:00 Natl Consultants	6046,50	6046,50	0	
51:00 Other Direct Costs	715,57			
	-96,21			
<b>Total</b>	<b>20 135,66</b>		<b>0</b>	
US/ARM/14 – 140117 Main Phase				
11:00 Staff and Intl Consultants				
2014	72900,99	72900,99	0	<i>*Budget information provided (SAP) is split for each year into two “blocks” (funding was made available twice a year)</i>
	43596,93	43596,93	0	
2015	152693,61	152693,61	0	
	31517,02	31517,02	0	
2016	53214,12	53199,73	14,39	
	45917,57	46649,56	-731,99	

15:00 Local Travel				
2014	541,83	541,83	0	
2015	12268,70	12268,70	0	<i>As 2015 was the only full-year duration in project implementation, this explains the size of the 2015 budget compared to the other years</i>
	7224,46	7224,46	0	
2016	1937,24	2286,62	-349,38	
	430,43	452,97	-22,54	
16:00 Staff Travel				
2014	5246,76	5246,76	0	
2015	4627,70	4627,70	0	
2016	148,61	148,61	0	
	289,52	289,52	0	
17:00 National Consultants				
2014	17359,55	17359,55	0	
	9939,58	9939,58	0	
2015	136529,03	136529,03	0	
	20908,15	20908,15	0	
2016	53698,51	53979,06	-280,55	
	35293,57	35775,56	-481,99	
21:00 Contractual Services				
2014	0	0	0	<i>The royalty fee to be paid to IMB as per the MoU (2x €8,000) was paid against this budget line; the other subcontracts entail communication expenditures</i>
2015	90,89	90,89		
	8903,27	8903,27		
2016	8003,54	8003,54	0	
	10312,26	10312,26	0	

30:00 Training/Fellowships/Study Tours					
2014	1180,75	1180,75	0		
	17533,34	17533,34	0		
2015	13843,15	13843,15	0		
	20560,75	20560,75			
2016	-32,09	-32,09	0		
	60250,59	60222,90	27,69		
45:00 Equipment					
2014	0	0	0	<i>Low amount clarified, as most equipment purchased was debited against other budget lines (3000 and 5100) - as part of training activities when respective software and materials were included-provided free of charge</i>	
	794,69	794,69			
2015	0	0	0		
2016	0	0	0		
51:00 Other Direct Costs					
2014	-249,87	-249,87	0		
2015	13032,04	13032,04	0		
	14206,64	14206,64			
2016	6148,28	6133,05	15,23		
	4216,36	4104,45	111,91		

**ANNEX 5.2 Expenditures by budget line**  
**Allocation as per SAP Status/October 2016 versus allocation as per project document/September 2014 (in US\$)**

<b>EXPENDITURES BY BUDGET LINE</b>			
<b>(Project Document)</b>		<b>Budget allocation as per SAP</b>	<b>Expenditures as per SAP</b>
11:00 Staff and Intl Consultants	217000	399840,24	400557,84
15:00 Local Travel	22000	22402,66	22774,58
16:00 Staff Travel	17000	10312,59	10312,59
17:00 National Consultants/Staff	262000	273728,39	274490,93
21:00 Contractual Services	90000	27309,96	27309,96
30:00 Training/Fellowships/Study Tours	50000	113336,49	113308,80
45:00 Equipment	200000	794,69	794,69
51:00 Other Direct Costs	27000	37353,45	37226,30
<b>TOTAL</b>	<b>885000</b>	<b>884955,75</b>	<b>886652,98</b>

### Annex 5.3 Human Resources Inputs (against project budget)

*Note: This table was prepared based on SAP with information against names of experts; its initial draft was adjusted by the project team based on precise contract details with regard to the number of w/m under the subject project (for the cases of multi-project funded contracts).*

<b>UNIDO HQ – Coordination</b>			
<b>Post title</b>	<b>total days (project) based on latest SAP data</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
International Consultant – part-time (p.t.) involved in project coordination			0.3 w/m p.t
L2 post –involved in coordination/monitoring/reporting of several projects by the Donor including the project under review (hence part-time involved in project)	p.t. (20%)	p.t. (20%)	p.t (20%)
<b>Project Coordination – national team</b>			
Project Coordinator	regular/full-time		
National financial and administrative assistant	regular/full-time		
Project assistant, communication and PR	regular/full-time		
<b>Project Coordination – international team</b>			
IE Textile/garment upgrading (CTA) (part-time)	82	87	43
	212 (approx. 10 w/m)		
<b>Implementation- international experts (short-term)</b>			
IE Knitted articles, styling and product development	33	88	57
	178 (approx. 8 w/m)		
IE Garment Pattern Making and Grading	37	77	54
	168 (approx. 7.6 w/m)		
Graphic designer – part-time, as shared with other projects	14	61	26
	101 (approx. 4.8 w/m)		
IE Quality process, production (short-time)	34	15	
	49 (approx. 2.2 w/m)		
IE Fashion design process/product development (short-time)	28		
	28 (approx. 1.2 w/m)		
IE Strategic market positioning (short-time)		23	
	23 (approx. 1.0 w/m)		
IE Coordinator of networking activities/Moscow (part-time)		32 p.t.	

<b>Implementation- national experts (including short-term and PA support)</b>			
NE Textile/garment production and quality	21	168	112
	301 (approx. 13.7 w/m)		
NE Product development woven fabric/weaving process	21	186	168
	375 (approx. 17 w/m)		
NE Product development circular knits/knitted articles	21	186	regular
	207 (approx. 9.4 w/m) excl. regular		
NE Marketing and distribution channels	31	279	161
	471 (approx. 21.4 w/m)		
NE Strategic positioning and quality/standards	31	175	82
	288 (approx. 13.1 w/m)		
NE Financial management/cost accounting	31	265	129
	425 (approx. 19.3 w/m)		
NE Human resource management	31	118	51
	200 (approx. 9.1 w/m)		
NE Regulatory framework/gender analysis	31	144	74
	249 (approx. 11.3 w/m)		
NE Networking and partnership development	31	228	78
	337 (approx. 15.3 w/m)		
NE Industrial partnerships	24		
	24 (approx. 1.1 w/m)		
NE Research assistant	24	50	
	74 (approx. 3.4 w/m)		
NE Graphic designer/catalogue developer		95	
	95 (approx. 4.3 w/m)		
NE National fabric and trim sourcing			102
	102 (approx. 4.6 w/m)		
NE Sales, networking and partnership			67
	67 (approx. 3.1 w/m)		

## ANNEX 6: Rating tables

### 6.1 Introduction

In accordance with the new evaluation report requirements (UNIDO Evaluation Group), rating tables are included – rating each of the evaluation criteria/issues separately and including brief justifications for the rating based on the findings and the main analyses.

*Observation of the evaluators:*

- *these ratings are completed without benchmarking values to assess how the project scores in comparison to what is standard or “normal” in IUMP projects;*
- *the aspects of ownership and likelihood of impact have been added to Table 2.*

The rating tables are listed below, following by an explanatory note on the rating system of the UNIDO Evaluation Group that is to guide the rating.

### 6.2 Rating tables

**Table 4. Rating criteria for the quality of the project identification and formulation process (LFA Process)**

Evaluation issue	Evaluator's comments	Ratings
5. Extent to which the situation, problem, need / gap is clearly identified, analysed and documented (evidence, references).	Preparatory assistance (UNIDO funding) allowed for adequate needs analysis	S
6. Adequacy and clarity of the stakeholder analysis (clear identification of end-users, beneficiaries, sponsors, partners, and clearly defined roles and responsibilities in the project(s)).	Overview of stakeholders but roles and responsibilities in project partially overlapping/could have been more precisely defined during preparatory assistance	MS
7. Adequacy of project monitoring and evaluation (M&E) design.	Adequately addressed in design (see also Table 2)	S
8. Overall LFA design process.	Adequate in Phase I; however, the evaluations findings in this regard of Phase I encourage review of the design of Phase II	S (Phase I)



**Table 5. Quality of project design (LFM)**

Evaluation issue	Evaluator's comments	Rating
14. Clarity and adequacy of <b>outcome</b> (clear, realistic, relevant, addressing the problem identified). Does it provide a clear description of the benefit or improvement that will be achieved after project completion?	clear, relevant albeit ambitious for a pilot phase	S
15. Clarity and adequacy of <b>outputs</b> (realistic, measurable, adequate for leading to the achievement of the <b>outcome</b> ).	distributed according to micro and meso level interventions; although stated to be good practice in ERP, considered too dense (i.e., de facto several outputs condensed in single output)	MS
16. Clarity, consistency and logic of the <b>objective tree</b> , and its reflexion in the LFM results hierarchy from <b>activities</b> to <b>outputs</b> , to <b>outcome</b> and to <b>overall objective</b> .	sufficiently clear	S
17. <b>Indicators</b> are SMART for Outcome and Output levels.	adequate with scope for some refinement	S
18. Adequacy of <b>Means of Verification and Assumptions</b> (including important external factors and risks).	adequate with scope for some refinement	S
19. Overall LFM design quality.	Adequate with some points requiring improvement	S

**Table 3 Quality of implementation / overall assessment**

Criterion	Evaluator's summary comments	Evaluator's rating
<b>Attainment of project objectives and results (overall rating)</b> , sub criteria (below)	Partially attained: encouraging preliminary results in Phase I but tangible for few of the 8 participating enterprises; planned objectives expected to be fully attained in Phase II	MS
Project implementation	Good engagement of all project stakeholders, intense direct and practical support yet concerns how to sustain this level of support	S
Effectiveness	encouraging results but covering for now few enterprises and sustainability concerns	S
Likely impact ( <i>added to the UNIDO format</i> )	likely although in fact too early to assess (rather expected in Phase II)	S

Criterion	Evaluator's summary comments	Evaluator's rating
Relevance	direct alignment to national strategies	HS
Ownership ( <i>added to the UNIDO format</i> )	good involvement of local stakeholders in design but this somewhat weakened during implementation	MS
Efficiency	Smooth implementation and satisfaction of beneficiaries with support; however, concerns about cost of support per participating enterprise and the chances of pursuing this support beyond project	S
<b>Likely sustainability of project outcomes (overall rating), sub criteria (below)</b>	Critical issue not adequately addressed in Phase I but to be addressed in start of Phase II: sustainability strategy	Sustainability is moderately likely (ML) provided a clear sustainability strategy is developed at start of Phase II and, most importantly, if that strategy is implemented with rigour
Financial risks	need for involvement of financial institutions in view of "hard upgrading" needs at enterprise level	Sustainability is moderately likely (ML) if the financial sector is involved in Phase II
Socio-political risks	unlikely (GoA interest in revival of light industry likely to remain a priority)	No/moderate risks (L/ML) that affect this dimension of sustainability
Institutional framework and governance risks	need for GoA support to better integrate upgrading efforts into national support framework	Significant risks that affect this dimension of sustainability
Environmental risks	no major risks	No/moderate risks (L/ML) that affect this dimension of sustainability
<b>Monitoring and evaluation (overall rating), sub criteria (below)</b>	Monitoring system initiated but incomplete, giving as reason that the project was busy focusing on achieving tangible results	MS (detailed monitoring of changes against baseline situation of diagnostic report was important and feasible considering the number of participating enterprises in Phase I) ; M&E to be improved in Phase II
M&E Design	Gap between M&E design and its implementation	MS (as above)

Criterion	Evaluator's summary comments	Evaluator's rating
M&E Plan implementation (use for adaptive management)	As above: gap between M&E design and its implementation; lessons learned from the challenges in the M&E dimension of prior IUMPs not adequately reflected in implementation	MS
Budgeting and Funding for M&E activities	The M&E system was initiated but due to very intensive enterprise-level coaching activities, the degree of fulfilment of the M&E table was not complete	MS
<b>Project management - UNIDO specific ratings</b>	Smooth coordination, strong engagement but not enough attention to strategic issues in particular institutional anchorage and how to sustain intense support to limited number of enterprises, with direct doer role of project staff	S
Quality at entry / Preparation and readiness	Comprehensive preparation phase, and immediate launch of field activities with the management (PAB and technical team already in place)	S
Implementation approach	Relevant but gaps in terms of attention to some strategic issues (see Project Management, above)	S
UNIDO Supervision and backstopping	Adequate yet requiring more attention to strategic issues (see above); opportunity for involvement of relevant other UNIDO services in Phase II	S
<b>Gender Mainstreaming</b>	Planned in design and activities but no attention to gender issues in periodic reporting	MS
<b>Overall rating</b>	Relevant project (pilot), interesting first results yet need to address a number of critical issues in Phase II to address gaps observed in Phase I	S with advice to address from the very start of Phase II the points for improvement raised in this evaluation

### 6.3 EXPLANATORY NOTE RATING OF UNIDO EVALUATION GROUP

#### 1. RATING OF PROJECT OBJECTIVES AND RESULTS

- Highly satisfactory (HS): The project had no shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Satisfactory (S): The project had minor shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.

- Moderately satisfactory (MS): The project had moderate shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Moderately unsatisfactory (MU): The project had significant shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Unsatisfactory (U) The project had major shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.
- Highly unsatisfactory (HU): The project had severe shortcomings in the achievement of its objectives, in terms of relevance, effectiveness or efficiency.

**Please note:** Relevance and effectiveness will be considered as critical criteria. The overall rating of the project for achievement of objectives and results **may not be higher** than the lowest rating on either of these two criteria. Thus, to have an overall satisfactory rating for outcomes a project must have at least satisfactory ratings on both relevance and effectiveness.

## 2. RATINGS ON SUSTAINABILITY

Sustainability will be understood as the probability of continued long-term outcomes and impacts after the GEF project funding ends. The evaluation will identify and assess the key conditions or factors that are likely to contribute or undermine the persistence of benefits beyond project completion. Some of these factors might be outcomes of the project, i.e. stronger institutional capacities, legal frameworks, socio-economic incentives /or public awareness. Other factors will include contextual circumstances or developments that are not outcomes of the project but that are relevant to the sustainability of outcomes.

### Rating system for sustainability sub-criteria

On each of the dimensions of sustainability of the project outcomes will be rated as follows.

- Likely (L): There are no risks affecting this dimension of sustainability.
- Moderately likely (ML). There are moderate risks that affect this dimension of sustainability.
- Moderately unlikely (MU): There are significant risks that affect this dimension of sustainability.
- Unlikely (U): There are severe risks that affect this dimension of sustainability.

All the risk dimensions of sustainability are critical. Therefore, overall rating for sustainability will not be higher than the rating of the dimension with lowest ratings. For example, if a project has an Unlikely rating in either of the dimensions then its overall rating cannot be higher than Unlikely, regardless of whether higher ratings in other dimensions of sustainability produce a higher average.

## 3. RATINGS OF PROJECT M&E

Monitoring is a continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing project with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds. Evaluation is the systematic and objective assessment of an on-going or completed project, its design, implementation and results. Project evaluation may involve the definition of appropriate standards, the examination of performance against those standards, and an assessment of actual and expected results.

The Project M&E system will be rated on M&E design, M&E plan implementation and budgeting and funding for M&E activities as follows:

- Highly satisfactory (HS): There were no shortcomings in the project M&E system.
- Satisfactory(S): There were minor shortcomings in the project M&E system.
- Moderately satisfactory (MS): There were moderate shortcomings in the project M&E system.
- Moderately unsatisfactory (MU): There were significant shortcomings in the project M&E system.
- Unsatisfactory (U): There were major shortcomings in the project M&E system.
- Highly unsatisfactory (HU): The Project had no M&E system.

M&E plan implementation will be considered a critical parameter for the overall assessment of the M&E system. The overall rating for the M&E systems will not be higher than the rating on M&E plan implementation.

All other ratings will be on the GEF six-point scale: *(comment: this is widely used, not just GEF)*

HS	= Highly satisfactory	Excellent
S	= Satisfactory	Well above average
MS	= Moderately satisfactory	Average
MU	= Moderately unsatisfactory	Below average
U	= Unsatisfactory	Poor