

BSC | BUSINESS SUPPORT CENTER

**“Inclusive Market System Analysis of the Private Business Sector in Syunik, Armenia
including
Environmental, Gender, and Social Impact Assessment (EGSIA)
and
Capacity Development Needs Assessment”**

**under the project “R2D Syunik: Recovery, Resilience, Development for Syunik, part of Team
Europe Initiative Armenia: Resilient Syunik”**

Final Report

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Its contents are the sole responsibility of the R2D Syunik project team and do not necessarily reflect the views of the European Union and the Austrian Development Agency.

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List of abbreviations

ADA	Austrian Development Agency
AGBU	Armenian General Benevolent Union
BSC	Business Support Center
B&B	Bed and Breakfast
COAF	Children of Armenia Fund
DMO	Destination Management Office
EIF	Enterprise Incubator Foundation
EU	European Union
EAEU	Eurasian Economic Union
EGSIM	Environmental, Gender and Social Impact Management
ESCS	Education, Science, Culture and Sport
EERE	Energy Efficiency Renewable Energy
HPP	Hydropower plant
KII	Key Informant Interview
ECC	Environment and Climate Change
GESI	Gender Equality and Social Inclusion
GIZ	The Deutsche Gesellschaft für Internationale Zusammenarbeit
GSI	Gender and Social Inclusion
GDP	Gross Domestic Product
MAVETA	Modernizing Vocational Education and Training in Agriculture in Armenia
MSA	Market System Analysis
MSD	Market System Development
IMSD	Inclusive Market System Development
MSME	Micro, Small and medium-sized enterprise
ILO	International Labour Organization
ICT	Information and communications technologies
IT	Information technologies
UNDP	United Nations Development Program
UCO	Universal Credit Organization
TOR	Terms of Reference
RA	Republic of Armenia
SME DNC	Small and Medium Entrepreneurship Development National Center
RUEA	Republican Union of Employers of Armenia
R&D	Research and Development
SMM	Social Media Marketing
NGO	Non-governmental organization
FGD	Focus group Discussions
HoReCa	Hotel/restaurant/catering
TCF	The Crowdfunding Formula
ToT	Training of Trainers
SDA	Strategic Development Agency
UCO	Universal Credit Organization
VET	Vocational Education and Training
WEE	Women's Economic Empowerment

Executive Summary

BSC Business Support Center, as part of the "R2D Syunik: Recovery, Resilience, Development for Syunik" project facilitated by the Austrian Development Agency, conducted an Inclusive Market System Analysis. The primary objective of this assessment was to comprehensively examine and evaluate the functionality of markets within the economic framework of Syunik. Market System Analysis (MSA) delves into the intricacies of market interactions, dynamics, and structures, aiming to identify factors influencing their efficiency, competitiveness, and overall performance.

The overarching aim of this analysis is to furnish evidence-based intervention strategies to bolster the most promising market systems in Syunik, ensuring effective implementation by ADA. Each proposed intervention idea includes detailed descriptions of anticipated changes and models, collaborative partners, potential barriers, facilitation approaches, and exit strategies.

Data for the market system analysis was sourced from a combination of secondary and primary channels. Secondary sources encompassed statistical publications, legislative frameworks, governmental strategies and reforms, policy documents, and previously conducted research and analyses. Primary data was gathered through Expert Interviews, Focus Group Discussions, and Surveys among MSMEs. The screening and selection of market systems for assessment were based on qualitative and quantitative data analysis. Subsequently, Tourism and Hospitality, Agriculture (with a focus on agro-processing), and Manufacturing emerged as the key market systems under scrutiny.

The tourism industry in Syunik stands out as a catalyst for economic empowerment, demonstrating substantial prospects for expansion. Furthermore, it plays a pivotal role in fostering inclusivity, particularly for marginalized groups. Despite its promise, the sector faces notable challenges impeding its sustainable growth, including infrastructure constraints, inadequate promotion of destination's brand, limited product offerings, deficiencies in human capital development and skill gaps, restricted digital tool utilization, and minimal collaboration with key stakeholders within the system. Furthermore, the tourism sector stands out as one of the most adversely affected industries by conflicts and instability along the borders. Proposed intervention strategies encompass Enhanced Collaboration, Skilled Workforce Development, and Destination Branding.

Syunik's agro-processing subsectors, spanning fruit and vegetable processing, dairy processing, and honey processing, present considerable opportunities for development. The agro-processing sector is currently encountering several barriers, including limited infrastructure, high climate dependency, limited access to finance and constrained adoption of modern technologies and smart agricultural practices. Small production volumes, alongside the absence of standardization and certification practices, curtail the sector's export potential. Additionally, there is a notable deficiency in specialized agricultural skill development and access to agro-consulting services. To address the described challenges three intervention models are proposed in the report: including Strengthening Collaboration for Increased

Competitiveness, Enhancing Education and Skills and Technological, Innovative, Collaborative Advancement of MSMEs.

The third market system under review pertains to the manufacturing sector. Manufacturing in Syunik represents a crucial avenue for income generation, employment creation, and economic empowerment. While mining falls outside the purview of project intervention, Syunik demonstrates potential in various production domains, including construction materials, energy, cleaning products, furniture, wood products, and metal-plastic items, among others. However, the manufacturing landscape in Syunik faces notable challenges in infrastructure, distribution, and logistics. Moreover, products originating from Syunik often lack strong brand recognition, and MSMEs may grapple with issues related to product positioning, branding, and the formulation of effective marketing strategies. Furthermore, inadequate information dissemination and weak business networks impede market linkages and communication for MSMEs in Syunik. The region also suffers from a lack of platforms facilitating connections between MSMEs, buyers, suppliers, and potential partners. Moreover, limited technological advancement, a dearth of qualified workforce, and restricted access to finance present additional challenges for the Market System in Syunik. Intervention ideas include Developing a Synergistic Ecosystem for Syunik's Manufacturing Sector and Building a Thriving Labor Market in Syunik's Manufacturing Sector.

Besides the discussed Market Systems and corresponding intervention ideas, common constraints have been identified present in all the selected sector. This includes limited access to resources and opportunities, as well as lack of marketing, promotion, and collaboration platforms. Relevant Intervention ideas have been designed to potentially grasp these barriers.

Additionally, the current report includes a list of potential project partners along with their capacities and incentives. Moreover, it outlines a capacity development plan tailored for the key stakeholders involved in the project. Lastly, the analysis furnishes baseline indicators essential for guiding the implementation of the project.

1. Introduction

Austrian Development Agency (ADA) has been delegated by the European Union (EU) to implement a strategic project “**R2D Syunik: Recovery, Resilience, Development for Syunik**” focusing on support to the green and inclusive socio-economic development in Syunik. The project is the part of the Team Europe framework Initiative “Targeted Recovery Initiatives for Southern Armenia – Syunik Region”.

The overall objective of the R2D Syunik project is to enhance recovery and resilience of micro, small and medium enterprises (MSMEs) and sustainable small-scale communal infrastructure in Syunik by focusing on the following deliverables:

Component 1: Improved business environment for MSMEs and enhanced private sector competitiveness.

Component 2: Improved availability of sustainable green communal infrastructure.

Component 3: Intensified multi-stakeholder coordination for regional development in Syunik.

The R2D project seeks to improve the framework conditions for and competitiveness of Syunik’s businesses as well as enhance the delivery of public services by the local administration. The direct target groups of the Action are individuals, businesses, communities, and the regional administration in Syunik. Indirect target groups are the general population as well as all other businesses operating in the region.

Attention is given to local public, private and non-governmental organizations, projects, and initiatives that contribute to increased incomes, the creation of decent jobs and the overall improvement of livelihoods. Special attention is paid to mainstreaming gender equality and inclusion of disadvantaged groups, such as refugees/displaced populations who have suffered from the local conflict. The Action is implemented in line with ADA’s principles and standards as outlined in the environmental, gender and social impact management (EGSIM) manual.

Market Systems Development (MSD) approach is adapted to be used within the R2D project implementation. MSD promotes economic development by understanding and improving the functioning of market systems to promote sustainable and inclusive growth. Rather than viewing markets as isolated entities, MSD recognizes them as complex systems with interconnected actors, relationships, and dynamics. The goal of MSD is to facilitate positive changes by empowering market actors within these market systems, fostering inclusivity and sustainability.

The main criteria for a successful MSD approach is that the market system will continue to function without continued support. MSD aims to create lasting impacts by fostering changes that can be sustained over time. This involves building local capacities, promoting market-driven solutions, and aligning interventions with existing structure. The approach involves work with local stakeholders, including businesses, government agencies and civil society organizations to identify and address constraints in the market system.

BSC Business Support Center, an independent business consulting company, has been selected in the tendering process and has been contracted by ADA to perform the assignment “**Inclusive Market System Analysis of the Private Business Sector in Syunik, Armenia**” under the project’s **Component 1**. Component 1 of the project has the following designed outcomes.

- Improved business, managerial, technical, and idea generation capacities (including green/circular economy, sustainable and inclusive capacities) of start-ups, MSMEs and social enterprises.
- Increased access to financial services and consultancy to support innovative and sustainable investments by start-ups and MSMEs (including female and/or youth-led entities).
- Increased availability of non-financial services supporting business (including women and/or youth entities).

The main scope of the assignment is to understand and evaluate the functioning of markets within an economic system. Market System Analysis (MSA) involves studying the interactions, dynamics, and structures of markets to identify factors that influence their efficiency, competitiveness, and overall performance.

The overall objective of the assignment is to provide evidence-based, actionable recommendations for the support of the most perspective market systems in Syunik to be efficiently implemented by ADA within Component 1.

Specific objectives of the assignment are:

1. Screening and selection of the most promising market systems for inclusive and sustainable development in Syunik.
2. Market diagnostic: mapping the market system(s), identifying market failures and bottlenecks, analyzing their root causes.
3. Baseline indicators: development of baseline indicators for Outcome 1 of the project.
4. Vision: development of a credible vision for improved market system(s) in Syunik and intervention ideas, which are based on effectiveness, sustainability, and scale.

The market system analysis has been conducted from November 2023 to February 2024.

2. Approach and Methodology

To comprehensively achieve the assignment objectives, a dual approach incorporating qualitative and quantitative methods was utilized for the analysis. This involved gathering information from both **secondary and primary sources**. The synergy of these methods ensured a thorough and unbiased exploration of constraints and opportunities. The triangulation method was integral, emphasizing the collection of data from diverse sources and employing various methods to cross-verify and validate results. By adopting this triangulation approach, the study aimed to minimize the potential for bias and errors, enhancing the reliability and credibility of the findings.

The market system analysis has been integrated with Environmental, Gender and Social Impact Assessment (EGSIA). Assessment of potential negative environmental, gender and social impacts from business activities and potential risks in the selected market systems has conducted. More specifically the following aspects have been studied and analyzed.

- Environment and climate: Potential negative or positive environmental impact of the selected market systems.
- Gender: differences in the conditions, barriers, needs, access to resources and services, control of assets, distribution of labour, participation and decision-making powers between men and women.
- Social: situation of marginalized/vulnerable groups (according to age, ethnicity, minority, disability status etc.) and specific conditions, barriers, needs, access to and affordability of resources and services, control of assets, participation, and decision-making powers of marginalized/vulnerable groups; working conditions as well as health and safety standards.

Secondary sources

In the initial phase, the research prioritized the collection of information from credible secondary sources. This method facilitated the extraction and synthesis of relevant data from carefully selected sources. In addition to leveraging publicly available data, BSC proactively reached out to and requested information from diverse sources, encompassing governmental institutions such as relevant ministries and regional administration bodies, the Statistical Committee of RA, international organizations, and non-governmental organizations (NGOs). This comprehensive approach aimed to ensure a robust and well-rounded dataset for the research objectives.

The secondary data were collected from the below described sources and not only:

1. R2D Syunik project documents and ADA manuals
 - Inception report, Expertise on developing a project for “Resilience, Recovery, Development for Syunik” in Armenia, 2022
 - R2D Syunik: Recovery, Resilience, Development for Syunik, Description of the Action, 2022
 - ADA, Manual on Economic Development Cooperation, 2015
 - ADA, Environmental, Gender and Social Impact Management (EGSIM) Manual, 2023
2. Government programs, policy papers and reforms

- Government of Armenia, Programme of the Government of RA, 2021-2026
- Government of Armenia, Armenian Regional Development Strategy 2016-2025, 2016
- Government of Armenia, Syunik Development Strategy, 2017-2025
- Government of Armenia, Strategy for Development of the Small and Medium-size Entrepreneurship, 2020-2024
- Ministry of Economy of the RA, The Strategy of Main Directions Ensuring Economic Development in the Agricultural Sector of the Republic of Armenia for 2020-2030
- Ministry of Economy of the RA, Tourism Development Strategy 2020-2030
- Ministry of Economy of the RA, Textile Industry Development Strategy, 2023-2026
- Regional Government of Syunik, Social-economic Development Program of the Region, 2017-2025
- Syunik Consolidated Communities, Five-Year Development Programs (2023-2026)
- 3. Statistics and Publications by the Statistical Committee of the Republic of Armenia
 - Armenia in figures, 2022-2023
 - Women and Men in Armenia, 2022-2023
 - Socio-Economic Situation of RA, 2022-2023
 - Social Situation of RA, 2022-2023
 - SMEs in Armenia, Statistical Bulletin, 2022
 - Marzes of the RA and Yerevan city in figures, Syunik marz, 2022
 - Marzes of the RA and Yerevan city in figures, Industry, Agriculture, Services, 2022
- 4. Project documents, progress, and monitoring reports of economic development projects implemented in Syunik region
 - Austrian Development Agency. “EU Green Agriculture Initiative in Armenia, EU-GAIA”
 - EU, Impact HUB Yerevan, “Stronger Entrepreneurship Ecosystem in Syunik – Supporting vulnerable and displaced people”
 - UNDP, Support to micro and small businesses with a focus on youth in 2 regions of Armenia (Vayots Dzor and Syunik Regions) under the “Unleashing Employment and Income Generating Opportunities for the Youth in the Regions of Armenia” project
 - Strategic Development Agency (SDA). “VET Development in Syunik marz”, “Livestock Development in Syunik marz”, “Resilience and Economic Recovery of Border Communities in Armenia (REBCA)”
 - GIZ, HEKS/EPER, SDA, “Modernizing Vocational Education and Training in Agriculture in Armenia (MAVETA)”
 - IDeA Foundation (Initiatives for Development of Armenia). “Tatev Revival Program”
 - EU, SME DNC, “Boosting Competitiveness of regional SMEs”
 - Jinishian Memorial Foundation, “Youth Business Armenia 2021-2023”
 - Jinishian Memorial Foundation, Instigate, “IT Sector Development in Kapan and Stepanavan Towns”
 - “Free Citizen” Civic Initiatives Support Center, “V4 for Youth Entrepreneurship in the Regions of Armenia”

- UNDP-UNICEF: Strengthening Stability and Resilience of the Bordering Communities in Vayots Dzor, Gegharkunik and Syunik Regions,
- UNDP: Our Lives. Our Future. Supporting Self Recovery and Resilience of Conflict-Affected Communities in Armenia.
- SHEN_CN-Agriculture Extension Service, Shen NGO 07.12.23 for ADA; Establishment of Agricultural Extension Services in Armenia (pilot project)
- 5. Previously implemented studies and research
 - RUEA, Favorable Environment and State Support Effective Tools for Sustainable SME Development and Sustainable Employment in various sectors of the RA Economy, 2023
 - RUEA, Challenges Forcing SMEs and Business Start-ups in Armenia to Discontinue their Entrepreneurial Activity, 2022
 - ILO, BSC, Armenian Employers Skills Development research, 2021
 - SME Digitalization Need Assessment, BSC Business Support Center, UEICT
 - Other relevant research, reports, and studies
- 6. Research of the available documents on international best practices

Primary data sources

Primarily data was collected through fieldwork from the following main sources.

- Expert Interviews (KII Key Informant Interviews)
- Focus Group Discussions
- Survey among MSMEs

Expert Interviews (KII Key Informant Interviews)

Expert interviews played a pivotal role in comprehensively understanding the market systems, involving key stakeholders such as governmental bodies, international organizations, NGOs, and service providers. A total of 32 *organizations* were engaged, with 41 *experts* participating in in-depth interviews conducted in two rounds.

The first round, conducted before and in parallel with the MSME survey, provided an initial overview of market systems, their functionality, interconnectedness, identified market failures, constraints, bottlenecks, root causes, and potential improvement areas.

The second round conducted post-survey analysis, served as a validation mechanism for survey data and delved deeper into understanding the underlying reasons for research findings and root causes of identified gaps.

Additionally, these interviews were instrumental in identifying potential project partners. A structured questionnaire, outlined in Annex 1, guided the interviews, allowing flexibility for elaboration based on interviewee input. The interviewers have mainly followed the questionnaire, however, based on the

information provided by the interviewee; certain topics have been elaborated and modified. The interviewer had some flexibility to ask additional or fewer questions. Additional questions were asked where the interviewer thought that there was a need to dig deeper. All interviews were recorded with consent and later transcribed for analysis.

Survey among MSMEs

A survey among MSMEs was conducted to gather quantitative data on local businesses, specifically focusing on their primary challenges, constraints, capacity gaps, development needs, as well as gender, social, and environmental practices. The survey was instrumental in establishing baseline indicators for the project. Comprising 30 single, multiple-choice, and open-ended questions, the survey questionnaire is detailed in Annex 3. Skilled interviewers utilized the digital Kobo toolbox for quantitative data collection, minimizing the risk of data entry errors and ensuring a robust quality control system. The fieldwork exclusively involved face-to-face survey administration, with a team of 7 trained interviewers. Prior to fieldwork, comprehensive training sessions were conducted to ensure interviewers had a clear understanding of the questionnaire, fostering consistency in question interpretation.

The training aimed to:

- Introduce the assignment objectives
- Assure a basic understanding of MSA and MSD frameworks
- Promote adherence to ethical guidelines, social-inclusive, gender-sensitive and conflict-sensitive approaches
- Foster understanding of roles and responsibilities
- Enhance communication and language skills
- Equip personnel with necessary skills for data collection and entry
- Establish a consistent interpretation of the questionnaire

By providing detailed and specific training, the survey team was well-prepared to conduct the survey accurately and effectively.

Prior to initiating the fieldwork, a thorough testing of the developed survey questionnaire was undertaken to ensure its clarity for the intended respondents. The questionnaire underwent testing with 5 MSMEs operating in the Syunik region. Based on the results of this testing phase, slight modifications were made to the questionnaire without altering its main objectives and scope. The fieldwork itself was executed by the interviewers under the direct supervision and continuous monitoring of the fieldwork coordinator. This meticulous approach in testing and coordination aimed to enhance the reliability and effectiveness of the survey data collection process.

Sample size:

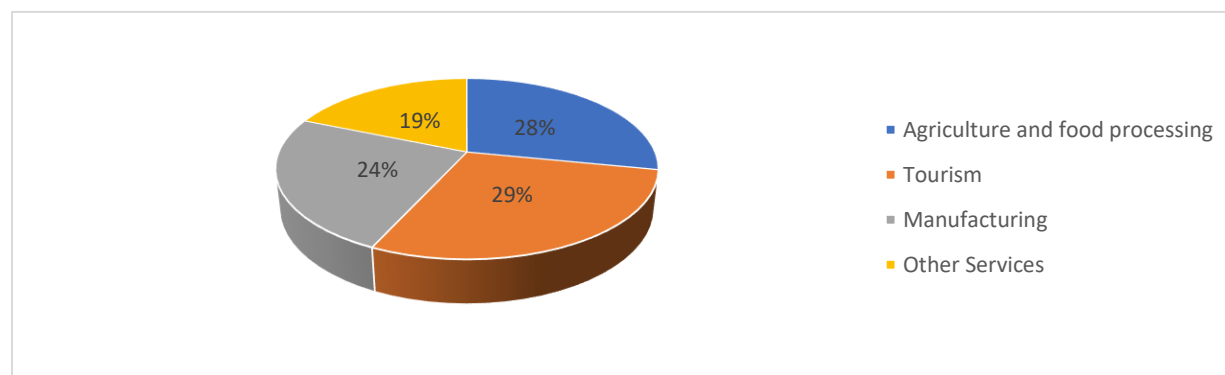
According to data from the Statistical Committee of RA in 2021, the total number of MSMEs in Syunik was reported as 3846, comprising 3679 micro, 147 small, and 15 medium-sized companies. Given that the

retail and mining sectors, constituting around 65% of total registered MSMEs in Syunik, were excluded from the project based on the project's Description of Action document, the sampling population was approximately 1350 enterprises. Utilizing a sample size calculation formula with a 90% confidence level and a 6% margin of error, and after rounding (as agreed with the ADA project team), the determined sample size was 150 local MSMEs. However, during the fieldwork, surveys were successfully conducted among 160 MSMEs. The distribution of the sample size within sectors was carefully carried out, considering each sector's share in the total number of MSMEs and its contribution to the overall turnover generated by MSMEs in the Syunik region.

Table 1: Sample Size by Sectors

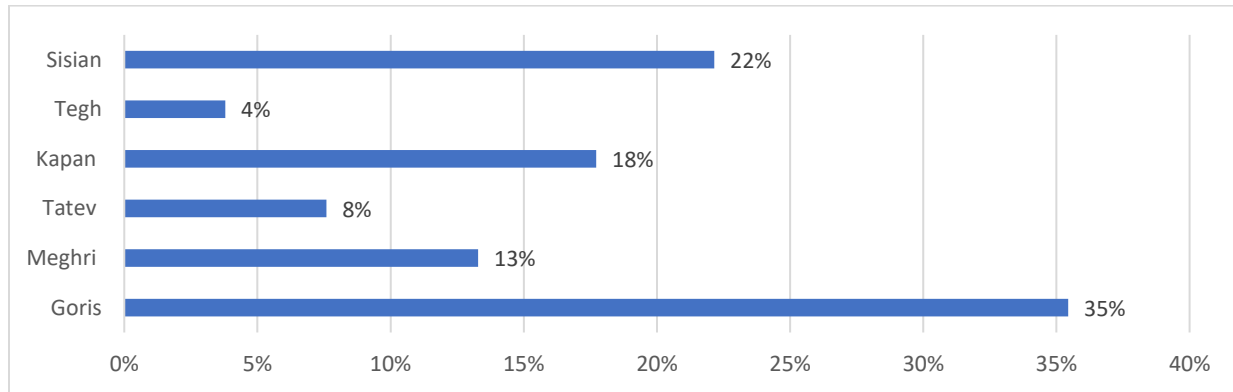
Sector	Planned Quantity	Actual Quantity
Tourism (including food, accommodation, touristic services)	45	46
Agriculture (agro-processing, secondary agriculture)	45	45
Manufacturing	30	39
Other services (ICT, health, education)	30	30
TOTAL	150	160

Figure 1: The distribution of the respondent MSMEs by sector



The distribution of the MSMEs per consolidated community was done according to the actual number of pre-selected sector enterprises per each geographic area.

Chart 1: Distribution of the respondent MSMEs by the consolidated community



Focus Group Discussions

The Focus Group Discussions (FGDs) were conducted with the aim of gathering qualitative data on the market systems in the Syunik region, their functions, and identifying constraints and opportunities within those systems. Organized after the survey analysis, the FGDs served to validate the survey findings and unearth root causes of the identified problems. Initially planning two FGDs within the assignment scope, an additional FGD was suggested by BSC to ensure comprehensive data collection. In total, three FGDs were conducted to identify and highlight current challenges and obstacles for MSMEs, along with potential solutions. The details of each FGD are outlined below:

1. **FGD with Local Government and Consolidated Community Representatives:** This FGD aimed to discuss the potential involvement and role of consolidated communities within the project, exploring cooperation prospects with local MSMEs. Information on the current state and economic potential of each consolidated community was gathered, along with identifying their current capacities and potential capacity development needs to enhance support to MSMEs. The FGD included 10 participants, comprising representatives from 6 consolidated communities (Meghri, Tegh, Goris, Qajaran, Kapan, Tatev) and the Syunik regional administration.
2. **Representatives of MSMEs:** The discussion involved 26 representatives from diverse sectors such as tourism, agriculture, food processing, manufacturing, etc. The mixed group aimed to identify interconnections within the market systems, map the value chain, and detect obstacles common across the entire economy rather than specific to certain market systems. Business owners and management staff were included to ensure the participation of decision-makers and provide reliable and complete information.
3. **Members of Agricultural Alliance:** An additional FGD was organized with members of the Agricultural Alliance to address constraints and opportunities in the agricultural market system. The Agricultural Alliance is an association uniting organization involved in agriculture sector development projects.

Representatives from Shen NGO, Umcor Armenia Foundation, Horizon Foundation, OxYgen Foundation, and Vistaa consulting participated in this FGD.

3. Market Diagnostics in the Syunik Region

Syunik is a bordering region, situated in the south of the Republic of Armenia. In the North the region borders with Vayots Dzor region, in the South it borders with Iran. After the war in 2023, the region borders with Azerbaijan from the West and the East. Syunik's total territory is 4506 square km. The population of the region as of the beginning of 2023 was 134,000 people, out of which around 90,000 from urban areas and 44,000 from rural areas¹. Armenia-Iran highway passes through the region, which has a great importance and potential for Syunik's economy development. Moreover, Meghri border checkpoint is in Syunik region. Syunik region occupies a strategically and geopolitically significant position, boasting abundant reserves of natural raw materials and substantial industrial capacity. It stands as one of the largest administrative and economic regions within the republic. Despite these attributes, Syunik remains characterized by relatively low population density and limited economic development.

As of the latest available data of 2022, Syunik region's GDP was around 8.501,4 bln AMD². The most developed sectors of economy in the region are industry and agriculture. In 2022, the share of industry sector of Syunik in total volume of correspondent sector of the republic was 18.8%. Mining is the main contributor of the industrial output volume in the region (85%). The agricultural sector in the region constitutes 6.4% of the country's total agricultural volume. The agriculture of the region is mainly specialized in plant growing (especially grains and potato growing) and livestock breeding (breeding of large and small cattle). The region encompasses a total of 306,006 hectares of agricultural land, of which 43,860 hectares are arable land. A contemporary and advanced agricultural sector not only has the potential to foster the growth of rural areas but also catalyzes the expansion of agriculture-linked industries, thereby enhancing the welfare of the population.

Syunik's trade scene likely involves countries like Iran, Russia, and Georgia for both agricultural and manufacturing import and export. Syunik's agricultural import market is experiencing robust growth, driven by increasing demand and evolving consumer preferences. Between 2022 and 2023, there has been a steady rise in both import value and volume, reflecting factors such as population growth, rising incomes, and a growing preference for fresh, high-quality food. While local producers face stiff competition, particularly in terms of pricing and product variety, niche opportunities are emerging in areas such as organic produce and value-added products. Recent trends indicate a surge in consumer interest in exotic fruits, greenhouse-grown vegetables, and convenient processed meat products. This shift is driven by a desire for diversity among consumers, with affordability and perceived quality of imported goods playing significant roles.

¹ Statistical Committee of the RA, Syunik marz in figures, 2018-2022

² Statistical Committee of the RA, SME_buletin_2023

However, Syunik's agricultural story extends beyond imports. The region is making strides in the export market, showcasing its unique agricultural offerings to the world. Fresh and dried fruits like apples, apricots, and cherries are finding eager buyers in regional markets, thanks to their exceptional taste and quality. Similarly, nuts and honey, produced with meticulous care, are gaining popularity in niche markets, showcasing the region's distinct terroir. Additionally, processed products like jams, juices, and dried fruit snacks are emerging as promising export opportunities, offering innovative variations on traditional products that appeal to international consumers. The organic movement is also gaining traction in Syunik, with producers capitalizing on the growing demand for certified organic products by exporting to health-conscious consumers worldwide.

It's noteworthy that despite its proximity to Syunik, Armenia, Iran remains an underutilized export market. The Export Potential Map³ highlights significant opportunities, including Aluminum foil, vaccines for veterinary medicine, and Zinc ores & concentrates. Moreover, there's substantial potential for exporting fruits, food, non-alcoholic beverages, and animals. Recent developments indicate expanding trade avenues, with Iran granting Armenia access to its Chabahar and Bandar Abbas⁴ ports, facilitating trade access to India and beyond.

Syunik's agricultural landscape, encompassing diverse terrains from mountains to fertile plains, offers a plethora of opportunities across various sectors. Livestock farming, with its focus on cattle, sheep, and goats, presents significant potential for growth, particularly through investments in breed enhancement and modern processing facilities. Similarly, horticulture thrives in Syunik's microclimates, with apples, cherries, and grapes standing out as key products ripe for further development. Expanding irrigation systems and embracing organic farming practices could propel this sector forward, along with processing initiatives such as jams and dried fruits. Additionally, the region's traditional beekeeping practices yield high-quality honey, offering avenues for expansion through modern techniques and value-added products like flavored honey and beeswax cosmetics. However, challenges such as limited access to finance and outdated technologies hinder growth across these sectors. Investing in infrastructure, capacity building, and marketing support is imperative, alongside fostering strong producer organizations and exploring alternative financing options to unlock Syunik's agricultural potential fully.

While data limitations prevent a current snapshot, Syunik's manufacturing sector exhibits signs of increasing export orientation (2022-2023). Local producers are exploring export opportunities to diversify markets and counter domestic competition. Potential export areas include textiles, processed food, construction materials, and light manufactured goods. Garments seem to be at the forefront of this export push, with opportunities emerging in areas like knitwear and ready-to-wear products. Beyond garments, other potential export avenues include processed food items like canned goods and dried fruits, construction materials such as cement and bricks, and light manufacturing goods like electrical

³ [Export Potential Map, Armenia-Iran](#)

⁴ [The Jamestown Foundation, Eurasia Daily Monitor, January 23, 2024](#)

components and automotive parts. Imports likely focus on raw materials, machinery, and components for upgrading facilities and production. Imports focus on essential elements like unspun fibers and textiles for garment production, machinery and equipment for modernization, and components and spare parts for existing machinery. However, specific import-export activities vary across individual businesses. Addressing logistical challenges and focusing on niche markets with high-quality products can further enhance the sector's export potential.

Tourism is the third sector by its output volume in the Syunik region. The sector experienced a certain decline caused by the military action on the borders during 2020-2023, nevertheless, tourism has a big development potential drawn to stunning scenery, historical sites, and traditional culture. In 2010 the longest ropeway in the world “Tatever” was put into operation (maximum height 380 m length 5.7km) which passes through Vorotan river canyon, stretches over mountains, and reaches from Halidzor village to Tatev monastery complex. The ropeway situated in the Tatev consolidated community plays a pivotal role in the region's tourism development. Since its inauguration, the accommodation sector has experienced notable growth in its proximity, with the establishment and advancement of a considerable number of guesthouses.

There are 7 consolidated communities in Syunik;

- Kapan consolidated community
- Goris consolidated community
- Meghri consolidated community
- Qajaran consolidated community
- Tatev consolidated community
- Togh consolidated community
- Sisian consolidated community

In the **Kapan** consolidated community, the most prominent sectors of the economy are industry, agriculture, and construction. Specifically, the prevailing sectors within the industry include the mining industry, as well as products made from wood and metal-plastic. The manufacturing industry also includes the production of food and beverages, textiles, non-metallic mineral products, aluminum and metal-plastic products, furniture, and equipment. In terms of agriculture, the dominant sectors encompass animal husbandry, the production of dairy, greens, and gardening. Medium-sized companies operating in the community are Marilla LLC, Vamax LLC, and others. Kapan is the central city of the Syunik region, serving as the administrative center, where the Municipality of Syunik is located.

Goris consolidated community presents a less favorable environment for agriculture, with the most economically active sectors being tourism, electricity production, food production, textile, and services. Notably, Goris Gamma LLC and Elola LLC stand out as medium-sized and well-established companies. The city of Goris serves as a significant tourism hub, not only within the community but also for neighboring communities.

Meghri consolidated community is mainly engaged in agriculture, particularly fruit growing. The climate conditions in the consolidated community are the most suitable for farming activities across the region. Meghri pomegranate and fig are known not only throughout Armenia but beyond its borders. Due to comparably high temperatures, tropical fruits are being cultivated in the area and this direction has a growth potential. Recently, kiwi, feijoa, banana, and pistachio have also been grown here. Meghri hosts several food processing companies focused on dried fruits. Cannery, Meghri Cannery CJSC is one of the well-established companies operating in the region.

Sisian consolidated community is the largest by size and the predominant economic focus is on animal husbandry, dairy production, agriculture, and manufacturing. Notably, the region has several households engaged in the cultivation of asparagus, catering to both the domestic market and export. The community has potential regarding the production of energy and stone production.

Tegh and Tatev stand out as the two smallest consolidated communities, both in terms of territory and economic activity. Tegh community primarily focuses on animal husbandry and dairy production, with most operations being at the household level and not formally registered as businesses. Tatev is a unique tourist destination, boasting the historic Tatev Monastery Complex and the renowned Wings of Tatev | Tatever being the world's longest reversible aerial tramway. Though numerous touristic activities are available, and the majority of the community is engaged in various tourist-related businesses like B&B establishments, guest houses, and small hotels, there are no large-scale complexes present in the area.

In 2022, there were 4076 registered operating enterprises in the Syunik region, out of which 4070 were MSMEs⁵, composed of;

- 3919 micro enterprises
- 140 small enterprises
- 11 medium-sized enterprises

The number of registered enterprises operating in Syunik represents only 4% of the total number of enterprises operating throughout Armenia.

Syunik employs 14,891 people, out of which around 50% by just 6 large enterprises operating in the region (mainly the mining sector). The unemployment rate in the region in 2022 was 11,6%, which is below the average indicator of RA. If we analyze the unemployment rate by gender, it is notable that the women's

⁵ In Armenia Micro, Small, and Medium enterprises are determined by the law. Micro is defined as the enterprises whose revenue from the previous accounting year does not exceed AMD24 mln. Small enterprises: number of employees up to 49 and accounting value of assets as of the end of the previous year up to AMD500 mln. Medium-size enterprises: number of employees: 50-249, accounting value of assets as of the end of the previous year AMD 1000 mln, and revenue from previous year's operations up to AMD1500 mln.

unemployment rate is higher (17.3%) than the country average (13.8%). In the case of men, the indicator (6.9%) is much lower than the country average (13.2%)⁶.

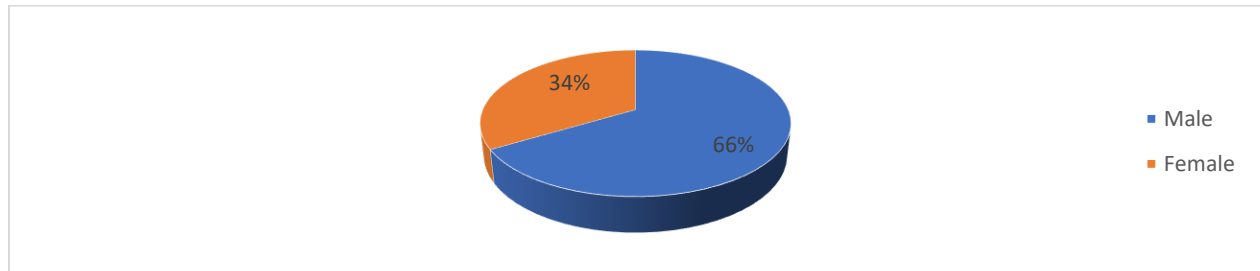
According to the official data of 2022 provided by Armenian Statistical Committee, the Syunik region registers the highest average gross monthly salary across Armenia; AMD427,004 compared to the country average of AMD 252,878. This substantial discrepancy is again created by large mining enterprises operating in the region. If we analyze the salary rates exclusively among MSME employees, the indicator is AMD171,822 for Syunik, being the second highest after the capital Yerevan (AMD233,852 for MSME employment)⁷.

Based on the RA Syunik region 2017-2025 territorial development strategy, the development priorities of the region are.

- promotion of modern industry and tourism,
- modernization of agriculture and rural areas and environmental protection,
- development of transport infrastructures,
- investments in human capital and social infrastructure,
- strengthening of territorial and local development management capacities.

Below the analysis of the survey results conducted within the current assignment are presented to acquire a better understanding of the current situation in the region.

Figure 2: The distribution of the respondent MSMEs by gender of the business owner

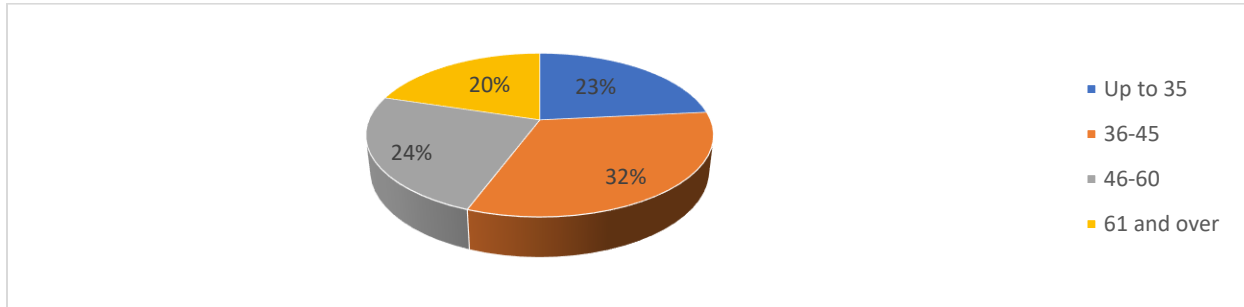


As seen from the figure above 66% of the survey MSMEs were owned by male and 34% by female. The results of the survey are also consistent with the projection of available statistical data on the share of women entrepreneurs within Syunik. If we analyze the gender of the respondent business owners by sector, it can be concluded that women entrepreneurs are more engaged in the tourism sector. According to the survey, 49% of the tourism sector businesses were women-led. The agriculture and food processing sector had the lowest indicator in this regard, composing of just 24% women entrepreneurs.

⁶ Statistical Committee of the RA, Marz Syunik of RA in Figures, 2018-2022

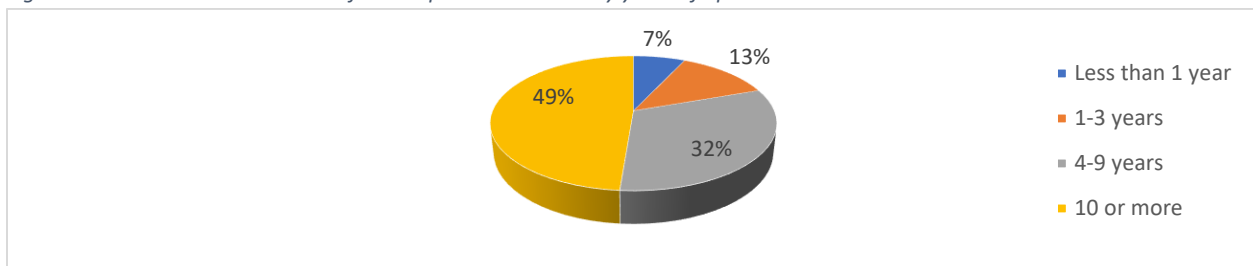
⁷ Statistical Committee of the RA, SME_buletin_2023

Figure 3: Distribution of the respondent MSMEs by the age group of the business owner



It can be seen from the above figure, that the age groups of the business owners of the respondent MSMEs were comparably equally distributed, 36-45 age group being slightly higher (32%). When analyzing the age distribution per sector, the most obvious observation is that youth engagement in the agricultural sector is the lowest; in the age group of “up to 35 years old” just 16% are engaged in agricultural activities. This result states that youth are not interested in the agricultural sector, which can be considered as a major threat to the sector’s technological and innovative development.

Figure 4: Chart 5: The distribution of the respondent MSMEs by years of operation



Approximately 50% of the surveyed MSMEs have been in operation for over a decade. However, upon scrutinizing the correlation between the duration of operations, number of employees, and turnover volume, a discernible trend emerges indicating a notable lack of substantial growth among most of these enterprises. It has come to our attention that a substantial number of companies which operate 10 years or more employee a staff of up to three employees while continuing to operate under the micro-enterprise tax system.

Chart 2: Distribution of the respondents MSMEs by the number of permanent employees

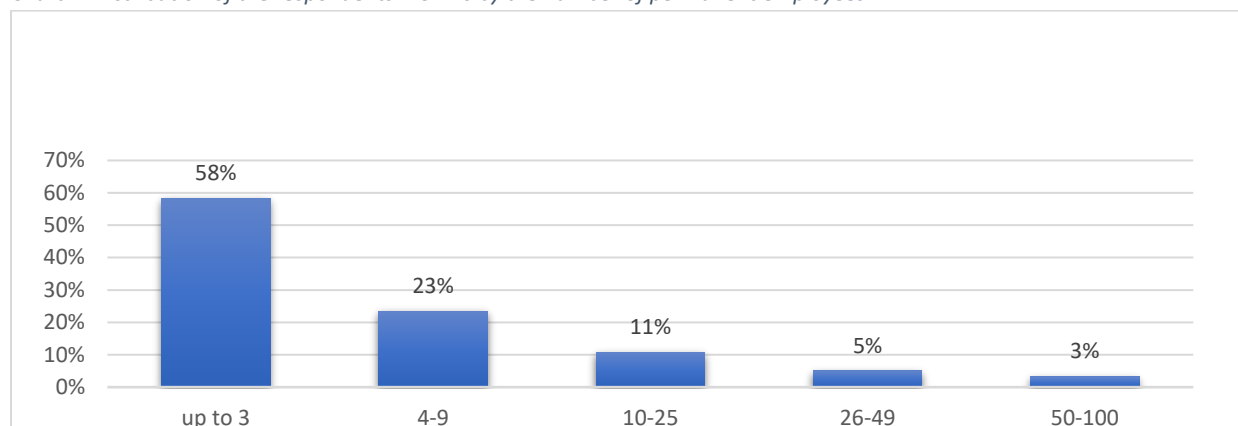


Chart 3: Distribution of the respondents MSMEs by the number of seasonal employees

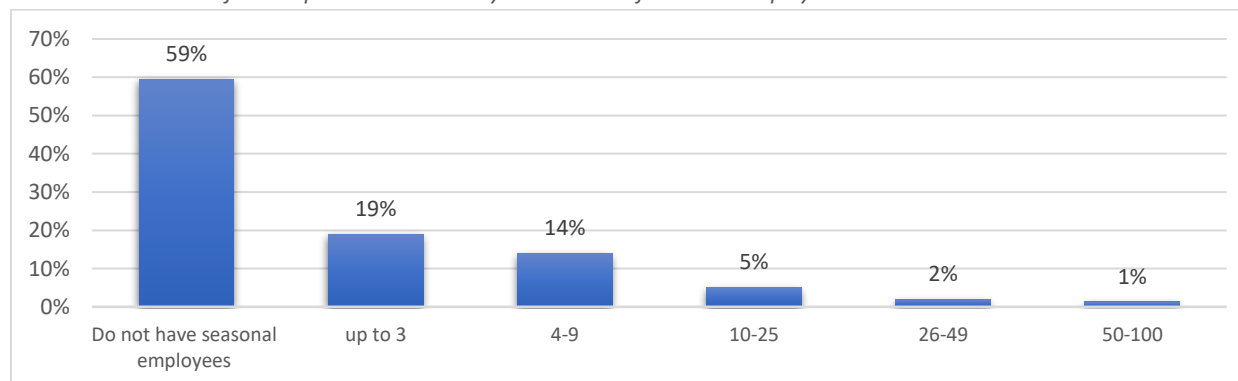
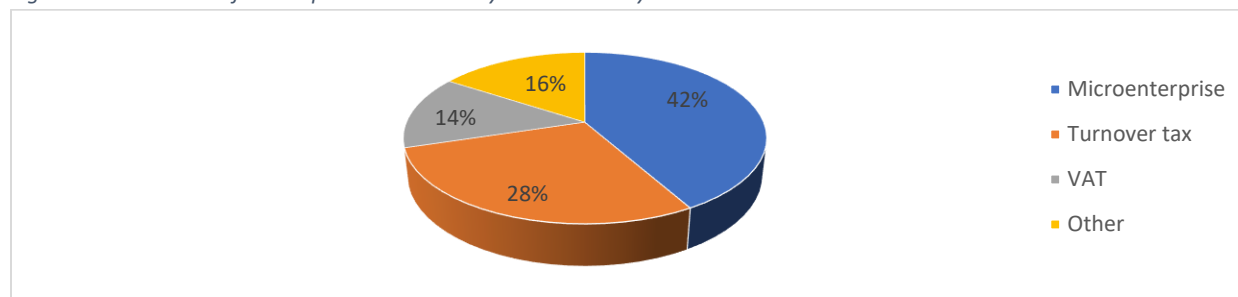


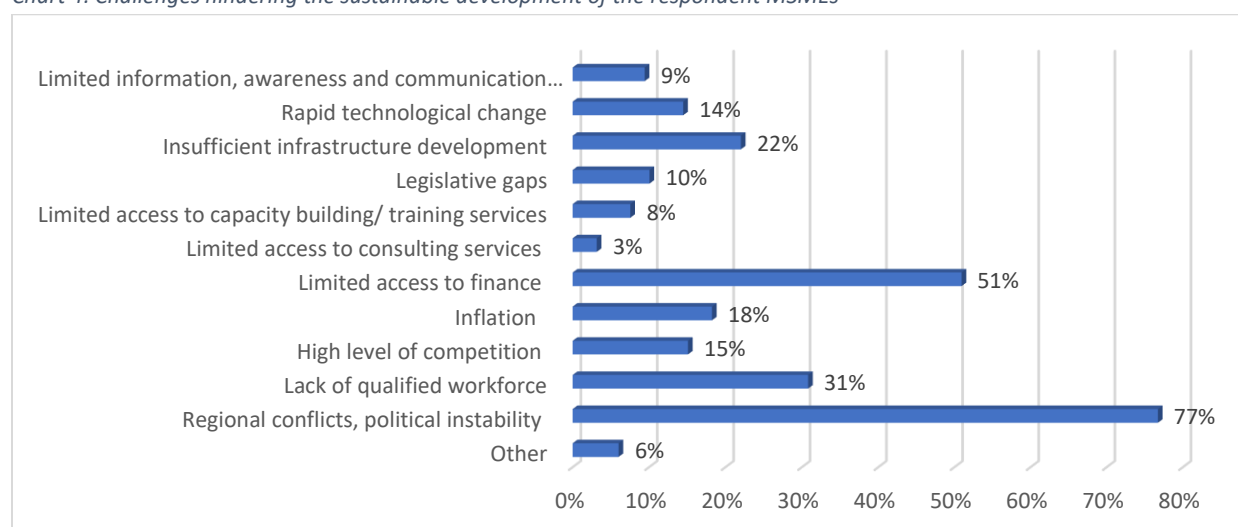
Figure 5: Distribution of the respondent MSMEs by the taxation system



42% of the surveyed MSMEs fall within the microenterprise taxation category, denoting an annual turnover not exceeding AMD 24 million. 28% of the respondents operate under turnover tax regulations, applicable to businesses with a yearly turnover up to AMD 115 million, while a modest 14% adhere to Value Added Tax (VAT) system, relevant for enterprises surpassing an annual turnover of AMD 115 million. The remaining 16% predominantly comprises agricultural businesses (primarily agriculture), exempt from mandatory registration in Armenia.

The survey was designed to identify the primary challenges confronting local businesses, impeding their sustainable development.

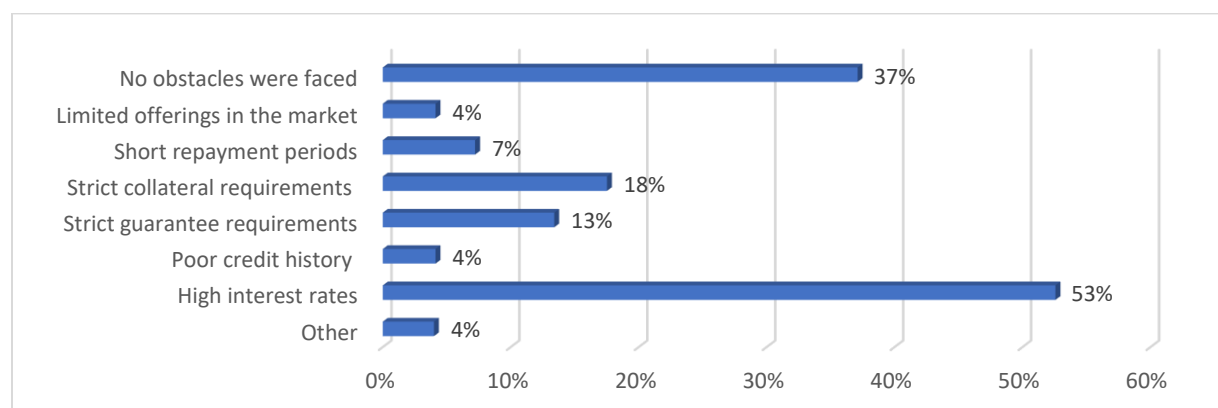
Chart 4: Challenges hindering the sustainable development of the respondent MSMEs



As illustrated in the chart, substantial majority of the respondents, comprising 77%, identified regional conflicts and political instability as a significant threat to their entrepreneurial activities. The second most frequently cited challenge was limited access to finance, with 51% of respondents expressing concern.

Current state and challenges associated with obtaining business loans were subject to further examination, given that such financial instruments represent the predominant means of accessing capital. 62% of the surveyed enterprises indicated that they have ever applied for business loans. Further, an analysis was conducted to identify the primary challenges encountered by those respondents during their experience in applying for business loans.

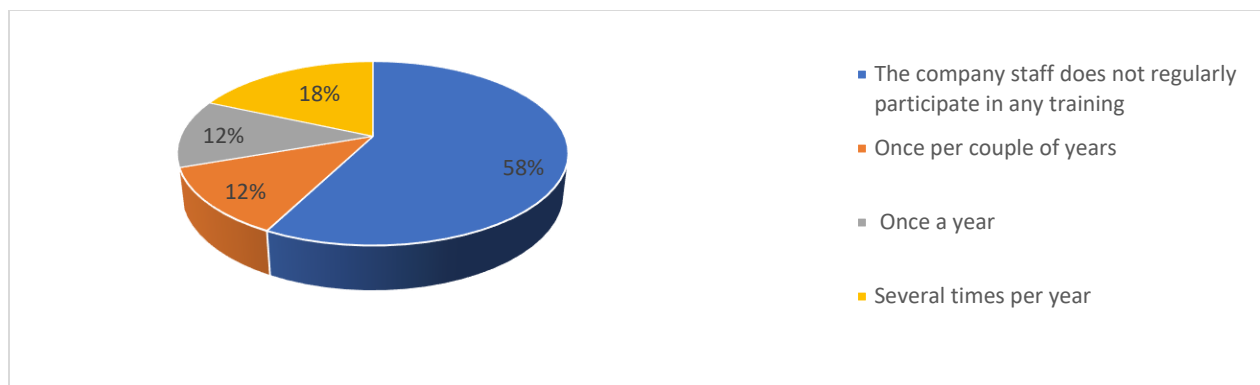
Chart 5: Main challenges faced when obtaining business loans among the respondent MSMEs.



37% of the respondents reported that no major obstacles were faced when accessing business loans. The majority of the surveyed MSMEs indicated about high interest rates as the main challenge (53%), followed by strict collateral requirements (18%) and strict guarantee requirements (13%).

Returning to the key challenges impeding the sustainable development of respondent MSMEs, it is noteworthy that 31% of participants underscored the obstacle presented by a scarcity of qualified workforce. Though lack of qualified workforce was highlighted among the most substantial challenges for local business, 58% of respondents conveyed that their company employees do not engage in any training and development programs.

Figure 6: Frequency of the staff training among the respondent MSMEs.



As illustrated in the chart 4, a relatively lower percentage of participants, specifically 8%, identified limited access to capacity building/training services as a challenge, while an even smaller percentage, 3%, expressed concerns about limited access to consulting services. These findings suggest a potential lack of awareness among local businesses regarding the perceived value-added benefits of these specific services.

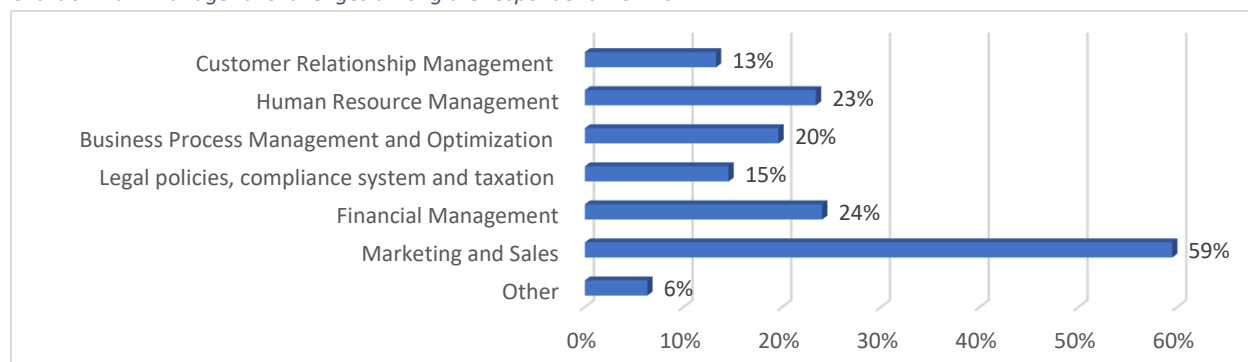
When analyzing the common challenges by sectors several key observations can be made:

- Regional conflicts have the highest negative influence on the tourism sector, 96% of the surveyed tourism sector representatives indicated the latter among top 3 risks for their business.
- Insufficient infrastructure development is more vivid in case of the agricultural sector (32% compared to 22% average result). These challenges are mainly related with the irrigation problems and scarcity of pastures.
- The assessment of limited access to finance as a substantial challenge was comparably high in case of manufacturing sector (60%). This outcome is intricately linked to the inherent nature of the manufacturing sector, which typically demands substantial investments in advanced technologies and high-end equipment for production processes.
- Rapid technological change as a major threat was more common in case of manufacturing sector, compromising of 23% compared to the average result of 14%.

- The deficiency in a qualified workforce is particularly conspicuous within the service industry, with 42% of respondents from this sector identifying a shortage of qualified personnel as a prominent impediment to development.
- The high level of competition is most discernible within the manufacturing sector (25%), given that entities in this domain mainly compete not only with local companies but also face competition from other regions and Yerevan.

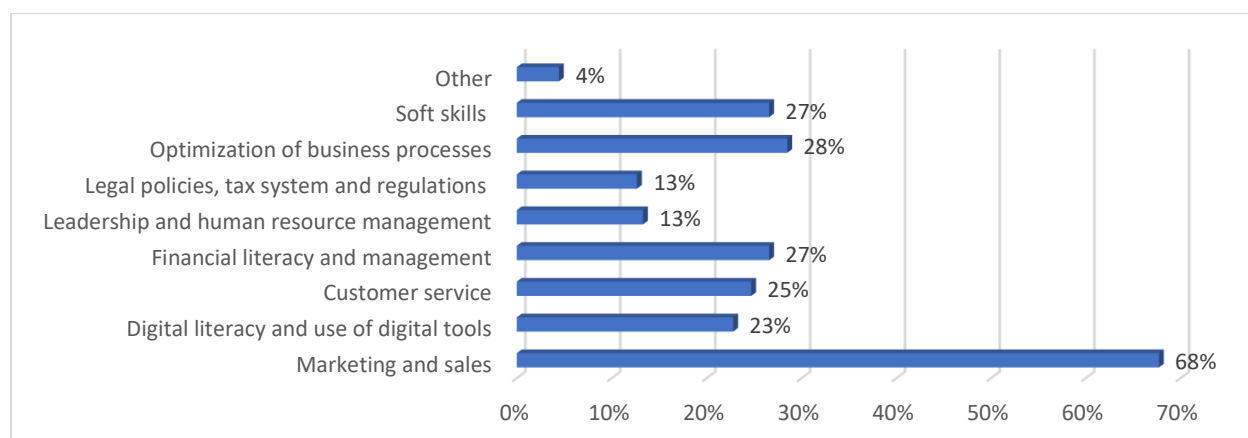
Upon a focused examination of managerial challenges among the surveyed MSMEs, a significant 59% highlighted issues pertaining to Marketing and Sales. Subsequently, financial management emerged as a concern for 24% of the respondents, followed by Human Resource Management at 23%, and Business Process Optimization at 20%.

Chart 6: Main managerial challenges among the respondent MSMEs



In the assessment of capacity development needs among the surveyed MSMEs, Marketing and Sales again emerged as the predominant area, with 68% of the enterprises underscoring the necessity for capacity development in this specific area.

Chart 7: Capacity development needs among the respondent MSMEs



Further the awareness on available business support projects and initiatives among the respondent businesses was analyzed. Remarkably, only 35% of the surveyed MSMEs demonstrated awareness on

government, international organizations, or NGO-implemented programs. An intriguing observation is that precisely 35% of the respondents have ever participated in these programs, indicating a willingness among those who are informed to be engaged in these initiatives.

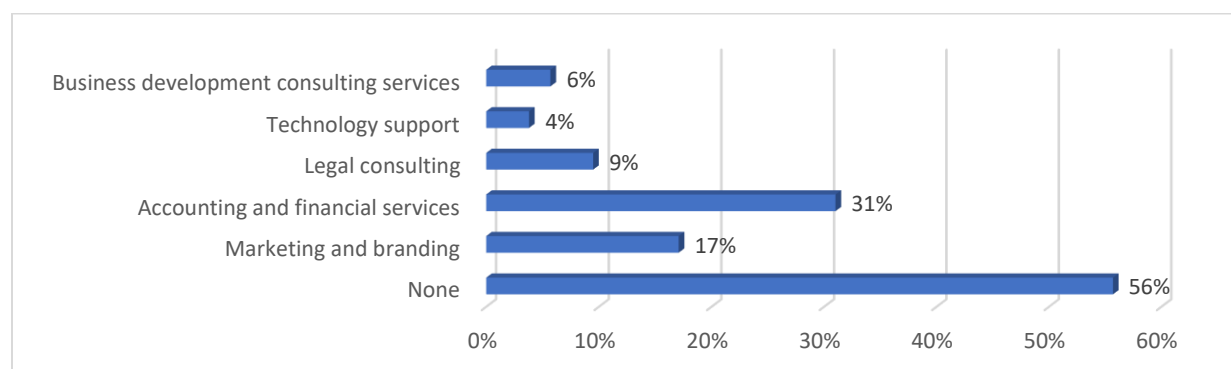
Upon examining sector-specific participation in development programs, a notable trend emerges, with the tourism sector exhibiting the highest level of engagement. Specifically, 48% of representatives from the tourism sector have been beneficiaries of various development programs.

Overall, the beneficiaries of business development programs have generally appraised the impact of this support positively. 42% expressed about a significant impact of these support programs on their businesses, while 35% noted a moderate-level impact. A minority, 11%, evaluated the impact as minimal, and another 11% indicated no discernible impact.

Additionally, 22% of the respondents highlighted about receiving business grants within the development programs. Upon closer examination of the data, focusing exclusively on respondent enterprises that have participated in development projects, it is noteworthy that 60% of these entities have received business grants at some point.

Further paid business consulting services utilized by the respondent MSMEs were analyzed. Notably, a substantial proportion (56%) of survey participants conveyed that their enterprises had not availed themselves of any paid business consulting services. Accounting and finance services emerged as the most prevalent, with a utilization rate of 31%. This outcome can be attributed primarily to the obligatory nature of such services for businesses, including processed such as invoicing, tax report preparation, and submission. In instances where companies do not employ accounting specialist, outsourcing these services becomes a common practice. The second most utilized service direction include Marketing and Branding with 17% of respondent rate.

Chart 8: Paid business consulting services utilized by the respondent MSMEs

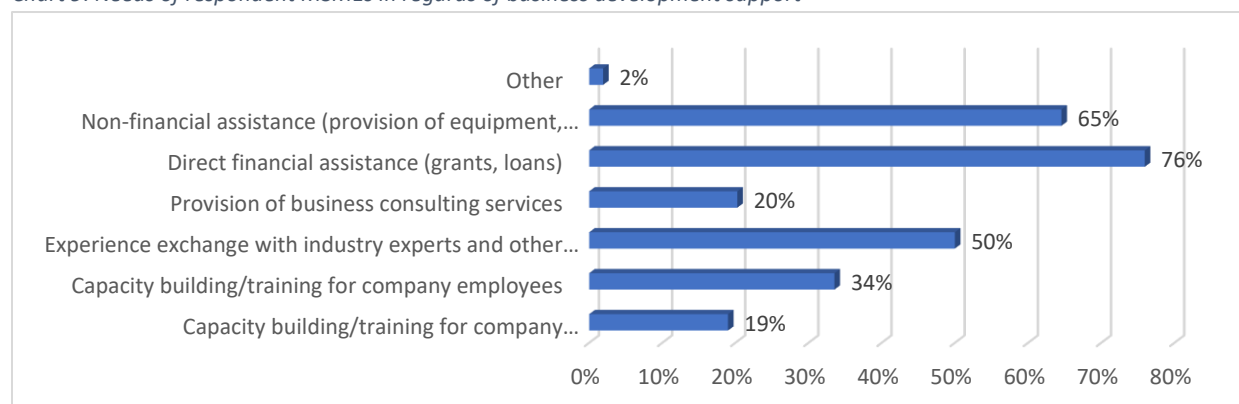


Subsequently, an examination of the needs of MSME respondents pertaining to business development support was conducted to inform the design of intervention ideas for the project. As depicted in the chart below, a predominant majority of MSMEs (76%) articulated needs associated with the provision of direct

financial assistance, including grants and loans. The second prevalent response pertained to the utilization of non-financial/technical support (65%), such as allocation of equipment and machinery. Noteworthy, third common response emphasized the desire for opportunities to engage in knowledge exchange with industry experts and peer companies within the sector (50%). Capacity building/training for company employees stood as the next identified need with 34% response rate.

Enhancing the capacity and training opportunities for the company's management emerged as a relatively under-recognized priority, with only 19% of respondents acknowledging its significance. Concurrently, qualitative analyses underscored that numerous challenges faced by the company are intricately linked to inefficient management practices. This finding aligns with a discernible lack of awareness among entrepreneurs regarding the pivotal role that robust management plays in addressing organizational issues. As such, there exists a compelling imperative to elevate the emphasis on capacity building and training initiatives for the management cadre to fortify the overall operational efficacy of the company.

Chart 9: Needs of respondent MSMEs in regards of business development support



Below are presented other findings from the survey results, which are important baseline indicators for a project design:

- 18% of the respondent MSMEs highlighted that they use renewable energy in their operational processes, mainly solar panels. 5% of the surveyed MSMEs indicated about waste recycling practices and 10% about water conservation measures.
- 22% of the respondent MSMEs were engaged in corporate social responsibility practices.
- 90% of the respondent MSMEs indicated that men and women receive the same financial compensation for the same responsibilities within the company.
- Just 6% of the respondent MSMEs were members of professional networks, membership organizations, and/or business associations.

4. Recommended Sectors for Intervention

Screening and Selection of the market systems: For the screening and selection of the Market Systems assessment has been conducted based both on data collected from secondary and primarily sources. When considering secondary data, official statistics on Syunik's economic structure, output volumes of sectors and MSME-related indicators have been examined. For this purpose, available latest statistics published by Armenian Statistical Committee have been utilized. Moreover, information has been requested by BSC from governmental bodies for more insightful data. Consequently, Ministry of RA, municipalities of Syunik as well as State Revenue Committee have shared data on the relevant economic indicators in the Syunik region. Additionally, available recent research, analysis and assessment related to Syunik have been collected and interpreted.

After careful analysis of the secondary data, the information has been incorporated with the inputs from fieldworks acquired because of in-depth expert interviews, survey with MSMEs and focus group discussions. The triangulation facilitated the derivation of substantiated conclusions pertinent to the identification of most promising market systems.

The region's mining sector, which is one of the important economic drivers in Syunik, is explicitly excluded from project support taking into consideration the sector's environmental impact. During the primarily assessment, retail sector has been also excluded from the project priorities. Accordingly, other main economic sectors have been pre-selected and assessed, including tourism and hospitality, agriculture, manufacturing, ICT, construction, education, health, and other services.

The market systems selection assessment considers key economic indicators, including the sector's contribution to the Syunik region's GDP, the number of MSMEs, and employment figures. In addition to the prevailing economic conditions, it is imperative to factor in the prospective growth of the sectors under consideration. For the projection of the growth indicators of each sector qualitative data secured from interviews and focus growth discussions have been utilized. Moreover, available economic analysis and assessment papers have been examined.

In addition to the main economic metrics, gender, social, and environmental factors crucial for the project have been considered and assessed, including the sector's potential for gender and social inclusivity and potential for green job creation and positive environmental impact. The market system analysis has prioritized businesses, that support a circular economy, climate protection, employment promotion, inclusiveness, gender equality, and diversity as well as innovation and positive social impact.

As a result of the qualitative and quantitative assessment, the following market systems have been selected:

- Tourism and Hospitality
- Agriculture (focused on agro-processing)
- Manufacturing

While the ICT sector in Armenia holds considerable potential for growth, the current presence of organizations in Syunik remains limited. An avenue for potential expansion to the regions entails the establishment of branches by prominent ICT companies, which typically fall outside the scope of MSMEs. The progression of the ICT domain hinges significantly on the cultivation of adept human resources capable of contributing to these larger ICT entities or engaging in remote work for other geographic areas. Notably, as the project's main stakeholders primarily encompass MSMEs in the Syunik region, the pursuit of this initiative does not impede their operations. Consequently, while this report does not discuss ICT as a separate market system, its pivotal role in fostering the advancement of selected other market systems necessitates its integration across all discussed sectors.

5. Market systems in Tourism and Hospitality

5.1 Relevance of Sector for Disadvantaged Groups

Syunik's tourism sector stands as a beacon of economic empowerment, offering a myriad of opportunities for inclusive growth. While thriving, challenges persist, especially during quieter winter months due to infrastructure limitations and the necessity for broader destination promotion. However, the sector plays a pivotal role in fostering inclusivity, particularly for disadvantaged groups.

Women in Syunik contribute significantly to the tourism and hospitality sector, engaging in diverse entrepreneurial activities such as guesthouse management, culinary tourism, handicrafts, and cultural preservation. Despite creating income and employment opportunities, challenges persist, including a gender gap in leadership roles. Initiatives addressing this gap, promoting women's participation in formal roles, and providing necessary support are crucial for sustained economic empowerment.

Many women from disadvantaged backgrounds, including those living in poverty or displaced from Artsakh, also contribute informally to the tourism sector. Their home-cooked meals served to tourists or handcrafted souvenirs sold at local markets showcase Syunik's unique identity and provide crucial income sources. Addressing their specific needs through skills training and access to microloans can unlock their full entrepreneurial potential.

For a vibrant and sustainable tourism sector, youth engagement is essential. Programs encouraging skill development, agro-tourism opportunities, and entrepreneurship support are pivotal. Not only do these initiatives benefit youth from disadvantaged backgrounds, but they also contribute to the overall growth of Syunik's tourism industry.

While youth represent a vital force in Syunik's tourism future, the sector holds immense potential for another often-overlooked segment: those living in poverty and individuals displaced from Artsakh. These groups face numerous challenges, including limited access to education, skills training, and technology, hindering their ability to compete in the formal job market. Yet, the tourism sector offers a beacon of hope. Microfinance initiatives can empower women to launch small businesses, such as homestays offering authentic cultural experiences. Skill development programs focusing on hospitality, food preparation, and local guiding can equip individuals with marketable skills. Even seemingly simple tasks like cleaning hotel rooms or assisting in kitchens provide crucial entry points and income opportunities. By actively engaging these groups, the tourism sector can act as a powerful tool for poverty alleviation and social integration, fostering a more inclusive and resilient Syunik community.

The tourism and hospitality sector in Syunik holds significant promise for providing employment opportunities to disadvantaged groups, including the poor and displaced people. Roles within hotels, restaurants, tour guides, and cultural heritage preservation present avenues for meaningful employment and economic empowerment. By actively engaging these groups in various facets of the tourism industry, such as housekeeping, kitchen staff, receptionists, and local guides, the sector can contribute to poverty alleviation and social integration. Moreover, initiatives aimed at promoting diversity and inclusion, such

as accessible tourism for people with disabilities, not only broaden the market appeal but also create employment opportunities for individuals with special needs.

The tourism sector offers formal jobs in hotels, restaurants, and transportation services, providing stable income. However, challenges like skills gaps and underdeveloped value chains persist. Microenterprises in local food production, catering services, and transportation can create indirect employment, especially for women. Focusing on skill development and enhancing value chains are crucial for sustained growth.

Sustainable tourism initiatives have the potential to uplift communities, indirectly supporting disadvantaged groups such as refugees by enhancing living conditions and ensuring better access to essential services. Tourism development projects could include initiatives to improve infrastructure in marginalized areas where refugees may settle, thereby integrating them into the local economy. Moreover, promoting non-financial support, including mentorship programs and networking opportunities, fosters a supportive environment for disadvantaged groups.

Communities like Kapan, Goris, Tatev, Sisian and Meghri offer unique opportunities for women-led ventures, contributing to cultural tourism. By highlighting and promoting these hidden gems, Syunik can unlock the full potential of its diverse tourism offerings, benefiting both tourists and locals, including refugees who seek integration and the poor who may lack access to traditional employment opportunities.

The displacement of individuals from Artsakh presents both challenges and opportunities for Syunik's tourism sector. Their unique cultural knowledge and experiences can be leveraged through initiatives like cultural tourism programs or skills development focused on traditional crafts and storytelling. Recognizing the unique sensitivities of this group through trauma-informed approaches is crucial for successful integration. In envisioning the future of the hospitality sector in Syunik, the special potential of individuals displaced from Artsakh, particularly women, emerges as a key asset. Their unique culinary skills and deep cultural heritage can be integrated into the sector's offerings, presenting an opportunity to serve special dishes and showcase Artsakh's rich traditions. Embracing this vision, the hospitality industry can promote economic empowerment for disadvantaged groups while celebrating diversity and fostering social cohesion within the region.

The R2D Syunik project plays a pivotal role in prioritizing the inclusion and empowerment of disadvantaged groups, aligning with its focus on MSMEs and community development.

In conclusion, Syunik's tourism, and hospitality sector, with strategic initiatives and a focus on inclusivity, emerges as a catalyst for economic empowerment and resilience, particularly for women, youth, the poor, refugees, and other disadvantaged groups.

5.2 Market Systems and Constraints

This section analyzes the structure and constraints of the core tourism and hospitality market system and its interconnected markets in Syunik, Armenia.

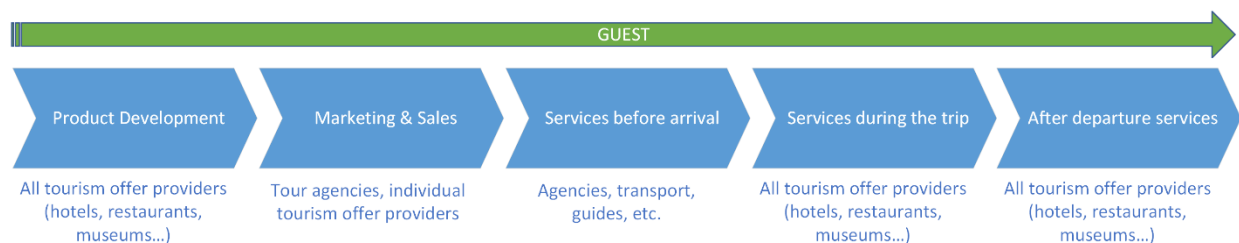
5.2.1 Structure of Core Market System

The tourism and hospitality sector in Syunik, Armenia, operates within a dynamic market system, influenced by various stakeholders, processes, and interactions. Syunik, nestled amidst the rugged beauty of Armenia's southern reaches, harbors immense tourism potential. As interviews revealed, visitors are captivated by its landscapes, history, and burgeoning adventure scene. Yet, despite this allure, visitor numbers fall short of their true potential. To unlock the tourism riches of Syunik, a multifaceted approach is needed, addressing both its existing challenges and harnessing its untapped opportunities, as highlighted by local stakeholders.

The tourism sector is a complex system made up of various vendors who have an impact on numerous factors. As such, tourism contains several value chains which can be analyzed separately. For this report, the tourism value chain for Syunik is discussed from a more general point of view and is broken down into five main segments: product creation, marketing, and sales, service before arrival of tourists, services upon arrival of tourists, and services upon departure of tourists. Supporting parts of the main activities, such as procurement, financing, staffing, and training of employees in the tourism industry, monitoring the impact of the legislation, the use of modern technology and communication tools, and research and development, will be discussed later in the report.

As shown in the Diagram, the tourism value chain was analyzed from the perspective of the processes that are part of the life cycle of tourism, rather than from the perspective of individual activities.

Figure 7: Tourism Value Chain



Suppliers provide goods and services such as food, handicrafts, and materials needed for the hospitality establishments. Transportation Services offer connectivity for tourists, ensuring smooth travel within the region. Hotels, Guesthouses, Restaurants, and tourism services (entertainment) form the core of the sector, offering accommodation, dining, and related services. Tour Operators facilitate guided tours, transportation, and travel packages. For the tourist experiences cultural and historical sites attract tourists seeking unique experiences and natural attractions include landscapes, national parks, and outdoor activities. Travel Agencies act as intermediaries connecting tourists with services and experiences through promotion, marketing, and sales activities. Online Booking Platforms provide a platform for reservations

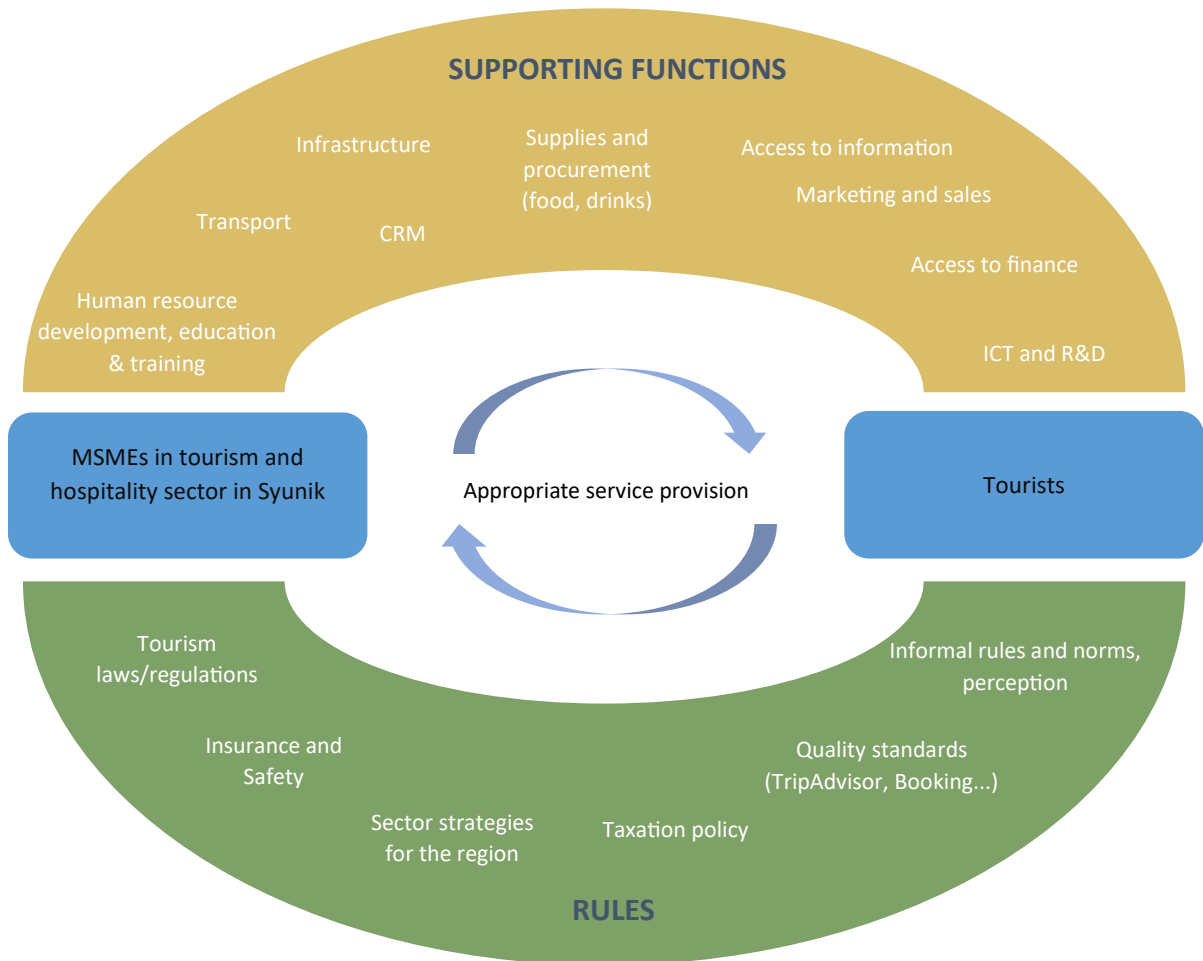
and information dissemination. Tourists are the ultimate consumers seeking diverse experiences in Syunik. All these actors also provide after-departure services.

The tourism sector in Syunik confronts various challenges, including underdeveloped infrastructure marked by insufficient amenities such as clean western-style toilets and lighting (shall be equipped by RSS), regional one-stop tourism service centers, local brand shops, weak digitalization, and inadequate access to critical information related to marketing and tourism markets. Furthermore, the lack of local tour operators in Syunik contributes to these challenges. Another significant hurdle is the lack of professional knowledge and skills within the local tourism and hospitality market. This deficiency, coupled with underdeveloped value chains across various sectors, impedes the region's overall growth.

5.2.2 Key Market Functions and Rules

Value chains include several activities and services required to bring a product or service from its inception to sale on the market. Value chains in tourism are substantially different from those in other industries where they encompass a product from the first step of production to the development of the final product to the end user, i.e. from input suppliers to buyers. In tourism, several products and services, each of them having its market system, are required to fulfill tourists' expectations. Additionally, the added value and completeness of all products and services are determined by the attractiveness of the destination.

The central conclusion is that the value chain is becoming more complex when all supporting functions and regulations are taken into consideration. Many hotels, guest houses, and restaurants are involved in the tourism sector, and these businesses involve many supporting functions and regulations.



Human Resource Development, Education & Training: Equipping MSMEs with skilled personnel is pivotal. To ensure a high quality of services, a wide range of professionals need to be trained to a standard that meets industry requirements and consumer preferences. This function incorporates training programs covering hospitality, culinary skills, language proficiency, customer service, sustainable tourism practices, digital marketing, etc. The enhancement of knowledge and skills not only fortifies service quality but also amplifies guest experiences, ultimately empowering employees.

Infrastructure: Tourism infrastructure, whether public or private and on a large or a small-scale, are necessary for any destination to attract tourists, to enrich their vacation, and to increase their length of stay and spending. This encompasses reliable roads, public transportation networks, accessible tourist sites, clean water and sanitation facilities, and reliable digital connectivity. Investing in infrastructure ensures improved accessibility, enhanced visitor experiences, and unlocks new tourism opportunities. It

has been discovered through the study of local development strategies in the local administration of consolidated communities we visited, that each has included the development of tourism infrastructure as part of these strategy documents⁸. Thus, we can expect that the development process in this regard will be continuous. This is extremely relevant to mountain-based tourism which performs well only during four months of the year, depending on favorable weather conditions. Finally, it has been confirmed during our research that the quality of design of accommodation and outdoor facilities increase the value of the product in the long run since visitors more readily accept higher prices⁹.

Transport: Seamless transportation is essential for smooth tourist travel. This function involves ensuring efficient local transportation options, convenient airport connections, and reliable tour operator transport services. A reliable and diverse transportation network enables tourists to explore easily, thereby boosting destination appeal and visitor satisfaction.

Supplies and Procurement (Food & Drinks, other supplies): Access to fresh, locally sourced food and beverages, and other supplies is imperative for authentic experiences. This function involves managing efficient supply chains, fostering partnerships with local farms and producers, and supporting sustainable agricultural practices. High-quality, locally sourced food and drinks and other supplies not only enrich the visitor experience but also contribute to local economic development and promote responsible tourism practices. There are two types of companies in the Hotel Restaurant and Catering (HoReCa) sector when it comes to input supply related to food and groceries. The first type includes companies that pay a lot of attention to the quality of supplies while the second type refers to those with unstable sources of input and products with varying quality. In addition, demand for new and different types of experiences and services means more and different value-shaping activities and new sub-suppliers.

Access to Information: Tourists require accurate and readily available information. This function encompasses informative tourist centers, user-friendly websites, multilingual brochures, and digital platforms. Easy access to information empowers tourists to navigate the destination, choose suitable experiences, and maximize their enjoyment.

Marketing and Sales: Attracting tourists necessitates effective marketing strategies. This function involves leveraging digital marketing tools, executing targeted campaigns, participating in travel fairs, and collaborating with travel agencies. Implementing creative marketing strategies increases visibility, attracts specific target audiences, and drives bookings for Syunik's MSMEs. The fact that we could not find any evidence of a significant strategic approach to and activities relating to regional marketing and destination management, indicates that this very important supporting function in the value chain has to be strengthened.

Access to Finance: MSMEs often face challenges in securing funds for investments, expansion, and operational expenses. This function involves facilitating microfinance initiatives, providing loan

⁸ [Syunik Consolidated Communities, Five Year Development Programs \(2023-2026\)](#)

⁹ Ministry of Economy, ["Infrastructure for Investment" Assistance Event](#)

guarantees, and offering business development grants. Empowering MSMEs with access to finance enables them to grow, upgrade services, and contribute to job creation and economic development. It is crucial to note that all financial organizations in Armenia, including those involved in supporting businesses and entrepreneurs, are subject to monitoring and regulation by the Central Bank of Armenia, ensuring compliance with established financial standards and fostering a stable economic environment.

ICT and R&D: Embracing technology is crucial for innovation and competitiveness. This function includes utilizing online booking platforms, employing digital payment systems, conducting tourism industry data analysis, and engaging in research on new tourism trends and experiences. The Internet as a means of communicating a brand increasingly puts pressure on the marketing and ICT capabilities of companies. The Internet has dramatically changed the way hotels and restaurants market their services. Online booking, both directly at restaurants or a hotel's homepage and through new online-based travel agencies, is one of the foremost examples of trends influencing and changing the value chain in the sector. Logistics and sub-suppliers are also increasingly managed online. Consumer portals on the Internet make it difficult to control what information is spread, which in turn seems to imply that the services provided must be a good value for money. Leveraging ICT and R&D enhances operational efficiency, attracts modern travelers, and allows MSMEs to stay ahead of the curve.

Tourism Laws and Regulations: Maintaining ethical and responsible tourism practices requires clear regulations. This involves licensing procedures, adherence to environmental protection guidelines and cultural sensitivity guidelines. Adhering to tourism laws and regulations ensures consumer protection, preserves cultural heritage, and promotes responsible tourism practices.

Insurance and Safety: Safeguarding tourists and businesses is paramount. This function involves implementing mandatory insurance policies, adhering to health and safety regulations, establishing emergency response protocols, and preparing for disasters. Effective insurance and safety measures build trust with tourists, minimize risks, and create a secure environment for everyone.

Sector Strategies for the Region¹⁰: Long-term planning and coordinated efforts are key to sustainable tourism development. This function involves the creation of regional tourism development strategies, implementation of destination management plans, and collaboration between stakeholders.

Taxation Policy: Fair and transparent taxation systems are essential for business viability. This function involves maintaining reasonable tax rates, simplifying tax procedures, and implementing efficient tax collection systems. A supportive tax policy fosters investment encourages formalization of businesses and contributes to sector growth.

Quality Standards (TripAdvisor, Booking, etc.): Maintaining high service quality is crucial for customer satisfaction and positive online reviews. This function involves adhering to industry standards set by platforms like TripAdvisor and Booking, implementing quality control measures, and continuously seeking

¹⁰ [Armenia tourism development strategy 2020-2030](#)

feedback for improvement. Commitment to quality standards enhances destination reputation, attracts discerning travelers, and drives repeat business.

Informal Rules and Norms (Perception): This function involves respecting local traditions, establishing positive relationships with the community, and ensuring responsible conduct by tourists and tourism businesses.

5.2.3 Dynamics and Performance of Core Market System

While Syunik's tourism sector holds immense potential, its market system faces limitations that hinder income generation, particularly for women and socially excluded groups.

Demand Dependence: Syunik heavily relies on tourist flows from neighboring markets, resulting in short average visit durations. This positions the region primarily as a side trip destination, limiting revenue generation and investment potential. While Armenia boasts an average tourist stay of 20 days¹¹, key informants in Syunik emphasized that visitors linger for a mere 5-7 days or less. Many who register as tourists are business travelers or the ones who have relatives in Armenia, skewing the statistics. One of the reasons could be that Syunik is considered a transit tourist, they don't stay, they come mainly for rope climbing at Tatever. There is a need for new entertainment infrastructures. This masks the need to attract genuine leisure travelers and extend their stay in the region. In 2019, 155,000 tickets for the ropeway were sold according to the management of the ropeway, and in 2022, 90,000. If we consider that the number of tourists in Armenia has increased, it can be concluded that tourism in Syunik has decreased in connection with the border situation.

Lack of Collaboration: Local B&Bs, HoReCa establishments, museums, and sightseeing places exhibit limited collaboration with tour agencies. Few local tour operators engage with tourists, hindering the potential for a seamless and integrated visitor experience.

Product Market Gap: The lack of differentiated and branded tourism packages ("Tatev Monastery Trail," "Syunik Culinary Delights") hinders effective visitor engagement and fails to showcase the region's diverse offerings beyond established centers. This was also highlighted by tour agencies in Yerevan. Tourists often miss hidden gems and experience underwhelmed expectations. The decentralized approach to product development, primarily led by individual companies, results in fragmented and uncoordinated marketing efforts. Tourism in Syunik currently revolves around the warm summer months. This seasonality shackles its growth potential, as echoed by local tourism operators. Developing winter sports, cozy festivals, and year-round cultural experiences can break the seasonal chains and entice visitors throughout the year. The region's historical and cultural treasures often lie hidden, their stories untold, as expressed by cultural experts during interviews. Effective promotion, development of interactive exhibits, and engaging storytelling are needed to bring these gems to life and captivate visitors.

¹¹ [SME DNC. \(2016-2018\). Market Research, Boosting Competitiveness of Regional SMEs](#)

In Lori, Armenia, a successful initiative of Community-Based Tourism has transformed rural communities by offering authentic cultural experiences to tourists. This collaborative effort involves activities such as homestays, farm visits, traditional craft workshops, and guided hikes. Through this project, local communities in Lori have been empowered, new jobs have been created, and tourism revenue has increased significantly, all while preserving the region's rich cultural heritage. For stakeholders in Syunik, particularly those interested in rural tourism development, a cross-visit to Lori presents an opportunity to learn about community mobilization, effective homestay management, and successful marketing strategies tailored for rural tourism.

In Yeghvard, Armenia, the Ostrich Garden thrives as a model of successful rural tourism. Visitors encounter curious ostriches, savor innovative ostrich dishes, explore local crafts, and enjoy family-friendly activities. This integrated experience, combined with a commitment to sustainability and local partnerships, positions the Ostrich Garden as a source of inspiration for Syunik's tourism development.

Fragmented Supply Chain: Market dynamics heavily favor individual businesses with limited market research and focus on established centers. These neglects surrounding areas and rural communities, inhibiting broader economic participation, and reinforcing an unbalanced tourism landscape. The tourism market in Syunik lacks a comprehensive map, hindering a clear understanding of attractions and potential visitation spots. Mapping the market is essential for effective planning and promotion.

Human Resource Bottlenecks: The market struggles to provide comprehensive training for MSMEs, hindering the development of a diverse skill set crucial for the sector. Shortages of skilled professionals (tour guides, chefs, marketing specialists) and limited access to training programs impede service quality and constrain the sector's ability to meet global standards. Traditional gender roles limit women's access to training and skills development, restricting their participation in higher-paying hospitality roles. The focus on culinary skills or basic customer service often underutilizes their potential. Finding skilled staff for hotels, restaurants, and tour operations poses a challenge, according to hospitality businesses interviewed. Investing in local hospitality training programs and equipping residents with the necessary skills can nurture a thriving tourism workforce.

Inadequate Regional Promotion and Branding: The promotion of Syunik as a holistic tourist destination is currently insufficient. Many promotional materials lack quality and fail to create a positive image, discouraging potential visitors. The absence of a recognizable regional brand contributes to the overall lack of identity and appeal for Syunik as a tourism destination. Syunik lacks international recognition as a tourist destination.

Organizing significant events, such as TCF's Formula Goris or the sheep breeding festival by SDA, presents an opportunity to engage a large audience and raise awareness about tourism opportunities in the region. Such events contribute to community involvement and foster a positive perception of Syunik as a tourism destination.

Access to Information, Digital Presence, Marketing, and Sales: Digital literacy gaps, particularly among women in rural areas, can exclude them from online platforms and valuable information resources crucial for navigating the tourism market. Social stigma may further limit their access to established distribution channels, restricting their reach and visibility. The absence of a cohesive regional marketing strategy weakens the sector's visibility and attraction. This hampers the effectiveness of campaigns, travel fair participation, and collaboration with agencies, impeding Syunik's MSMEs' overall performance. MSMEs in Syunik lack familiarity with online tools and websites for client engagement. Raising awareness and providing training on digital platforms can significantly improve their online presence and market reach.

Limited Financial Accessibility (Access to Finance): Access to finance remains challenging for MSMEs due to stringent collateral requirements and financial literacy gaps. This constraint limits investment, service upgrades, job creation, and economic development contributions. Limited access to technical upgrades for MSMEs, often linked to financial constraints and high-interest loans, impedes the development of tourism businesses, a challenge underscored in key informant discussions. Efforts to improve financial access and provide favorable loan conditions are necessary.

Accessibility Gap and safety concern: Despite existing road networks, rural areas remain inaccessible to many tourists. This limits connectivity and deters potential visitors from seeking convenient travel options. Being a bordered region, certain embassies and international organizations express safety concerns, limiting their involvement in Syunik's tourism initiatives, also the insurance doesn't always include the Syunik region. Addressing safety concerns and promoting the region's security is crucial for attracting diverse stakeholders. Addressing security concerns and fostering a sense of peace is crucial to establishing Syunik as a welcoming destination.

Poor road conditions limited regional transport options, and a lack of online information create logistical hurdles for travelers, as highlighted by both tourists and travel agencies. Upgrading infrastructure, ensuring easy connectivity within the region, and establishing a robust online presence are essential steps to bridge this gap.

The safety concerns in the Syunik region pose a significant constraint to the tourism market system, which was also highlighted by almost all key informant interviewees and survey participants.

In conclusion, addressing these dynamics and performance issues comprehensively is crucial for unlocking the full potential of Syunik's tourism market system. It is not only about empowering women and disadvantaged groups but also strengthening the sector's resilience for sustainable development.

Gender and Social Inclusion:

The tourism and hospitality sector in Syunik unfolds distinctive challenges within the realm of Gender Equality and Social Inclusion (GESI), influencing the dynamics for various groups.

- **Limited Collaborative Spaces:** The sector grapples with weak collaboration among MSMEs, particularly impacting the inclusion of women, the poor, and socially excluded groups in managerial and decision-

making positions. Gender norms, biases, and social status disparities often act as barriers, restricting access to collaborative networks and limiting opportunities.

- **Financial Access Barriers:** Stringent financial requirements pose significant obstacles for women, the poor, and socially excluded groups seeking access to resources. The existence of financial literacy gaps exacerbates these challenges, limiting the effective utilization of financial tools for business growth and economic integration.
- **Digital Challenges:** Limited digital literacy contributes to information and networking gaps, disproportionately affecting women, the poor, displaced individuals, and socially excluded groups. This impedes their ability to reach profitable markets, hindering their access to established distribution channels and online visibility, thus limiting their economic participation.
- **Balancing Act in Working Conditions:** Traditional gender norms and limited workplace flexibility present challenges for women, the poor, and displaced individuals in actively participating in the workforce, particularly when juggling family responsibilities or dealing with displacement-related issues. The sector may lack sufficient support structures for entrepreneurship among these groups, hampering their economic empowerment.
- **Recognition Disparities:** Women entrepreneurs and socially excluded groups encounter hurdles in obtaining quality certifications and industry recognition. Overcoming these barriers becomes pivotal for market competitiveness and sustainable growth, ensuring equal opportunities for all stakeholders.
- **Skills Development Hurdles:** Access to training programs faces hindrances due to childcare responsibilities, cultural expectations, and limited awareness. Discriminatory practices within training programs further marginalize women. Similarly, socially excluded communities lack targeted skill development initiatives tailored to their specific needs and circumstances.

Governance-Related Constraints:

The governance landscape in Syunik's tourism sector introduces specific challenges that influence its overall sustainability and inclusivity.

- **Policy Gaps and Gender Sensitivity:** The sector faces challenges due to inadequate gender-sensitive policies, hindering the integration of women and socially excluded groups. Gender-neutral regulations may inadvertently perpetuate existing disparities.
- **Shaping Perceptions and Awareness:** Societal perceptions of gender roles and limited awareness regarding career opportunities in the sector can discourage participation from youth, women, and disadvantaged groups.
- **Public-Private Collaborations:** Limited collaboration between the public and private sectors may result in insufficient support for initiatives aimed at fostering inclusivity within the sector.

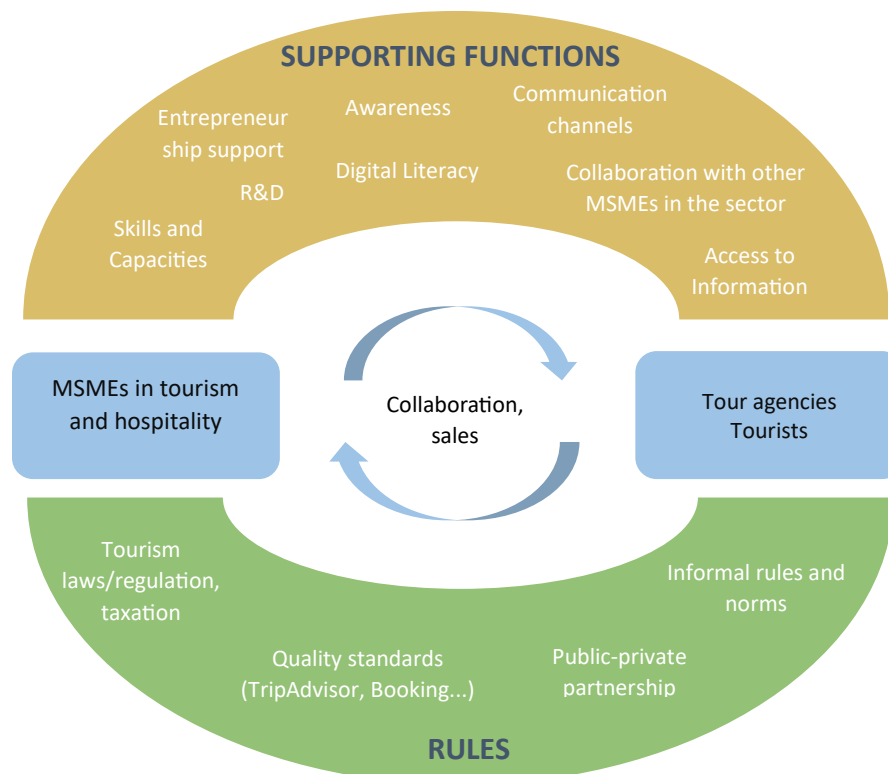
Unraveling Informal Hurdles: Unwritten codes of informal rules and norms significantly impact market dynamics, creating subtle yet impactful barriers for women and socially excluded groups based on gender or social status. Unveiling and addressing these informal hurdles are essential for promoting true inclusivity in the sector.

5.2.4 Main Interconnected Markets

Examining the interconnected markets that influence Syunik's tourism and hospitality sector sheds light on key functions and rules that impact the overall market dynamics. Each interconnected market system plays a crucial role in shaping the performance and sustainability of the core market.

Lack of Collaboration and Digital Access for Syunik's Tourism & Hospitality

Addressing the divide between limited collaboration and insufficient digital access presents an opportunity to usher in a new era for Syunik's tourism sector. Instead of a disjointed effort, a harmonious collaboration among stakeholders, each contributing to capture the attention of global travelers would be a great investment to the sector. Empowering MSMEs with essential digital tools can enhance their visibility, transforming Syunik's undiscovered attractions into prominent highlights on the global tourism stage.



Currently, a collaboration between Syunik's tourism and hospitality sector, nestled in its mountain valleys, and travel agencies in Yerevan and beyond faces substantial hurdles. Insufficient cooperation and communication among tourism stakeholders, such as HoReCas, museums, and local craftsmen, obstruct the creation of cohesive and enriching experiences. This lack of synergy limits the region's ability to offer comprehensive tourism packages and engage potential visitors effectively.

The digital presence of many MSMEs in Syunik is inadequate, with a lack of websites and engagement on social media platforms. This limits their visibility to potential tourists who rely on online channels for travel information. The skills needed to navigate the digital landscape, including website development, social media management, and online marketing, are often lacking among MSMEs in Syunik. These constraints impede the region's ability to effectively showcase its offerings and compete in the global tourism market. Moreover, a significant portion of businesses in the sector operate in the grey market, such as unregistered guides or certain B&Bs, further complicating the region's efforts to establish a transparent and competitive tourism environment.

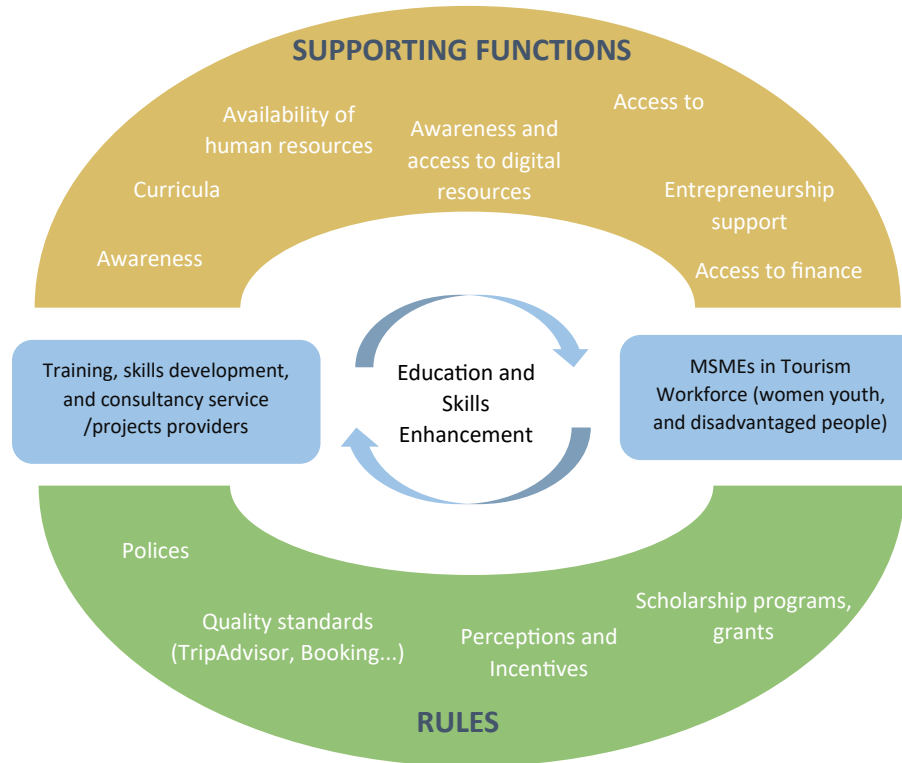
Addressing these collaboration challenges, both in engaging with tour agencies and fostering cooperation among local market actors, provides a pivotal opportunity to revitalize Syunik's tourism sector. A harmonious collaboration can amplify the region's appeal, capturing the attention of global travelers and transforming Syunik's hidden gems into prominent attractions on the global tourism stage. Empowering MSMEs with essential digital tools becomes a catalyst for enhancing visibility, allowing Syunik to emerge as a compelling destination in the global tourism market.

Lack of essential skills among tourism entrepreneurs and employees

The path to becoming a successful tourism entrepreneur or employee demands a diverse skill set, encompassing business management intricacies and the ability to engage guests with warmth and cultural sensitivity. However, a significant hindrance for many MSMEs in Syunik lies in a critical shortfall.

Aspiring entrepreneurs grapple with the complexities of financial planning, uncertain about translating their passion into a sustainable business model. Tailored training and capacity-building programs are needed to address this gap, providing tools for navigating the entrepreneurial landscape. Market analysis, financial management, and business planning stand as formidable obstacles in the absence of these skills.

Moving beyond numerical aspects, the art of hospitality becomes a constraint. Envision guests



encountering strained interactions due to a lack of soft skills, hindering MSMEs from becoming effective ambassadors of Syunik's warmth and charm. The absence of these interpersonal skills creates challenges rather than seamless connections, posing an impediment to the region's tourism appeal.

In the context of the modern traveler seeking both warmth and a seamless connection, imagine websites and social media platforms

remaining underutilized due to a lack of digital literacy. MSMEs face a constraint in navigating the online world, restricting engagement with potential guests, and limiting the showcasing of their experiences to a global audience. The language barrier is another thing that creates bottlenecks.

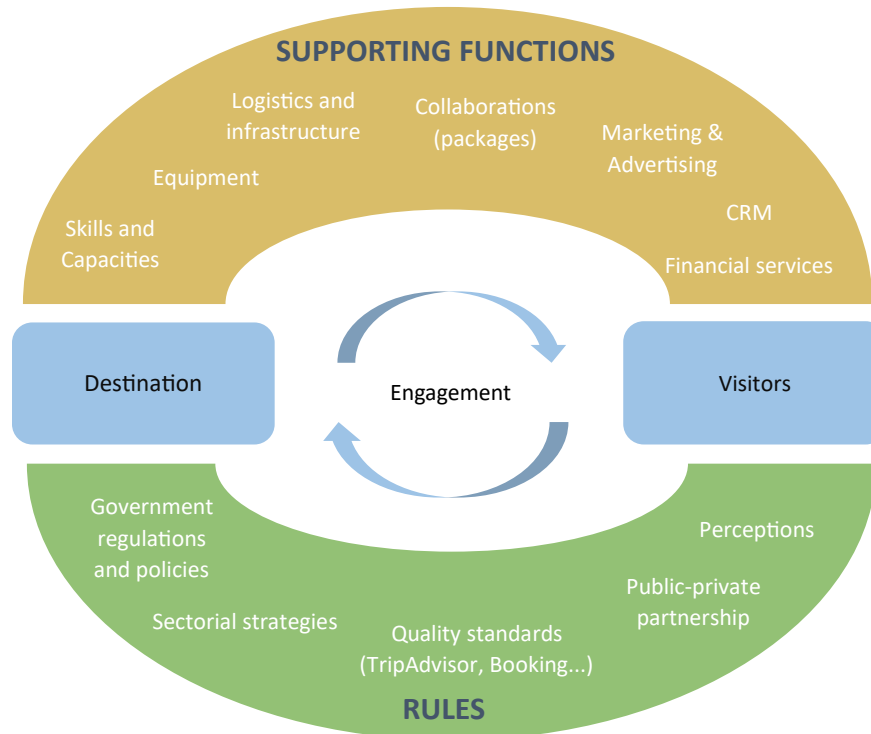
Rather than bridging the skill gap, the current scenario impedes Syunik's tourism entrepreneurs from evolving beyond aspiring dreamers. The absence of essential skills creates a barrier to becoming adept professionals, preventing the weaving of a tapestry of thriving businesses that could contribute significantly to the economic and cultural fabric of the region.

Furthermore, it is imperative to emphasize the need for skills development initiatives to be crafted with a gender-sensitive and socially inclusive approach. Women, who frequently bear childcare responsibilities, encounter challenges in participating in conventional training programs due to time constraints. Providing childcare services and entertainment for children could serve as viable solutions, enabling women to allocate more time to education and personal development. Introducing online learning opportunities ensures wider accessibility and promotes inclusivity.

Constraints in Marketing Syunik as a Unique Must-visit Destination

Despite its unique cultural treasures and breathtaking landscapes, Syunik remains largely unknown on the global tourism map. This lack of effective marketing and promotion poses a significant challenge to

attracting visitors and maximizing the potential of its tourism sector. Syunik's potential remains concealed due to significant constraints in marketing and promotion, though the captivating landscapes, ancient monasteries, and vibrant traditions of Syunik whisper can tale of adventure and wonder, enticing travelers globally.



Many MSMEs lack the resources to invest in professional marketing campaigns or hire skilled marketing professionals. This results in unsophisticated messaging and limited reach. Inconsistent branding and messaging across different tourism stakeholders create confusion and fail to convey a unified image of Syunik as a distinct and compelling destination.

Traditional marketing methods like brochures and local advertising, relied upon heavily, overlook the

potential of digital channels, where modern tourists seek inspiration and plan their journeys.

Innovation and collaboration stand as keys to overcoming these constraints. A unified marketing campaign orchestrated by regional authorities, MSMEs, and private stakeholders could paint a vivid picture of Syunik, showcasing its cultural richness, stunning landscapes, and authentic experiences. The current reliance on traditional methods restricts the region from fully utilizing the power of digital marketing, missing opportunities to reach a broader global audience through online campaigns and social media.

However, the challenge persists in captivating the audience. Picture potential tourists missing out on compelling stories and breathtaking visuals of Syunik, not due to a lack of beauty but because of the limited tools and skills of MSMEs. The absence of capabilities to effectively convey their stories and showcase unique offerings, including the warmth of Syunik's hospitality through compelling online content, hinders the region's ability to entice and engage a wider audience.

As long as Syunik's hidden gems remain veiled, the destination struggles to shift from a whispered secret to a prominent spot on every traveler's bucket list. Each potential marketing effort becomes constrained.

It is important to note that when referring to "tourists," the term encompasses both international visitors and those traveling within the region (inbound tourists).

5.3 Current and Future Situation

5.3.1 Sustainability Matrix for Current and Future Situations

Table 2 Sustainability Matrix for current and future situation, tourism sector

Function	Who does	Who pays	Who will do	Who will pay	Role of Women/ Socially Excluded
CORE FUNCTIONS					
Ensuring appropriate service provision for tourists from the side of MSMEs	MSMEs in the tourism sector act individually with a limited number of collaborations. Several skills demanded are being offered by training providers, MSMEs try to brand Syunik with very limited resources with the support of the Government and donor funds. DMOs, sectorial NGOs act separately.	MSMEs, tourists (indirectly), Government, Private sector investors	In Syunik's tourism sector, sectorial associations, in tandem with business support providers, will foster collaboration, enabling local tour agencies to form partnerships with MSMEs and Yerevan-based tour companies. Simultaneously, training providers, collaborating with ICT firms and MSMEs, will craft inclusive, digital training programs, offering scholarships and flexible learning options. Financial institutions, in partnership with training providers, will design suitable financing mechanisms. Government bodies, alongside sectorial associations, and PR companies, will cultivate Syunik's brand identity, coordinating marketing campaigns, leveraging digital channels, and organizing large-scale events. These efforts will ensure the digital visibility of all tourism actors and promote Syunik's unique offerings globally.	Grants, public-private partnerships, shared resources, cooperatives, associations, MSMEs in the sector, private investors, tourists (indirectly),	Inclusive access for women and youth, people from Artsakh to information and opportunities. Bridging skills gap for women and socially excluded groups. Expanded market reach, and promoted Syunik will open new opportunities for the target group.
SUPPORTING FUNCTIONS					
Enhancing Collaboration in Syunik's tourism ecosystem	A limited number of MSMEs and local tour agencies collaborate	Consumers pay for access to services (indirectly), public-private partnerships,	Sectorial associations with business support service providers will facilitate the process of collaboration. Local tour agencies will be established or strengthened to collaborate with MSMEs in the	Public funding, private sector investments, donors MSMEs,	Inclusive participation in associations, leadership roles, equal access to

	with tour agencies from Yerevan. Fragmented, limited collaboration, inconsistent service standards.	shared resources, cooperative fees, grants	sector and tour companies in Yerevan. Collaborative platforms for knowledge sharing, joint product development, coordinated marketing campaigns, tourism associations advocating for MSMEs, and enhanced digital visibility for all tourism actors.	shared platform costs, event organizing fees.	platforms and resources, and tailored support will be promoted and taken into consideration.
Enhanced Collaboration for Skilled Personnel Development	Training providers (traditional methods), public institutions (limited resources), limited number of BSOs (general business support), MSMEs (limited knowledge)	MSMEs, individuals (tuition fees), government funding	Training providers in partnership with ICT companies and MSMEs will develop industry-specific, collaborative training programs for diverse skills (hospitality, language, digital marketing), prioritize women and excluded groups, and provide scholarships and flexible learning options. Financial institutions in partnership with training providers will develop and offer appropriate financing mechanisms. BSOs will support in establishment of innovative businesses and consult on MSME development.	Public funding, private sector investments, MSMEs, individuals, donors	Inclusive access to training and scholarships. Equal access to business support services.
Marketing Syunik as a Destination for Tourism	Local government agencies, Marzpetaran, tourism committee (limited budget), sectorial associations, MSMEs (limited digital skills), digital marketing agencies (expensive services)	Tourists (indirectly), MSMEs, government funding, and private sector investments, all on a very limited scale	Government bodies with the engagement of sectorial associations and branding PR companies will develop a cohesive brand identity for Syunik, coordinate joint marketing campaigns across stakeholders, leverage digital channels, partner with media and influencers to promote MSMEs and hidden gems, ensure all MSMEs have access to marketing resources. Organize larger events showcasing Syunik's tourism offerings, involve MSMEs as vendors and performers, attract a wider range of tourists, and leverage events for brand awareness and promotion.	Initial funding by Project, Continued support by Local Stakeholders: local Government Agencies, Associations, MSMEs, donors, investors	Active involvement in marketing campaigns and events. Equal opportunities for MSMEs to be featured. Attention is paid to the events and campaigns to be inclusive and gender sensitive.

5.4 Sector Strategy

5.4.1 Overall Strategy

The comprehensive strategy for Syunik's tourism sector envisions a remarkable evolution, turning it into a dynamic and interconnected ecosystem that seamlessly guides travelers from exploration to unforgettable experiences. This strategic framework focuses on empowering MSMEs to curate and promote distinctive tourism offerings that precisely meet the dynamic demands of the market. The strategy operates on three interlinked pillars: Enhanced Collaboration, Skilled Workforce Development, and Destination Development & Branding.

Enhanced Collaboration: To overcome the challenges of fragmented efforts and service standards, the strategy proposes robust collaboration mechanisms. Sectorial associations will act as focal points, fostering knowledge-sharing, joint product development, and coordinated marketing efforts. A digital platform will facilitate seamless communication among MSMEs, local tour agencies, and Yerevan-based counterparts. The strategy emphasizes inclusivity, promoting the active participation of women and socially excluded groups. In today's digital age, a strong online presence is key. Creating user-friendly websites, implementing booking platforms, and utilizing social media effectively can reach a wider audience and make Syunik a destination at your fingertips. In discussions on collaboration, it is worth mentioning that there is a necessity for hotels and restaurants to enhance their digital presence, refine service delivery skills, adeptly handle guest interactions, and implement robust systems such as customer relationship management and hotel management systems, e-commerce to ensure a comprehensive and seamless guest experience.

Thinking Big, Acting Local: Engaging with top tourism companies can generate valuable insights and foster collaborations, while organizing international conferences in Syunik showcases its potential to a global audience, as proposed by industry leaders. During the conducted FGDs, participants convened a meeting with the country's top tourism companies can be very useful for the Syunik MSMEs in the sector, as the experience sharing can offer insights and guidance on fostering the development of tourism and create linkages for partnership opportunities.

Collaboration and Networking: Collaboration among stakeholders, including businesses, government bodies, and NGOs, emerges as an opportunity to create a supportive ecosystem, insights derived from key informant interviews. Networking platforms can facilitate collaboration and foster synergies.

Success stories, such as Apaga Resort in the Tavush Region of Armenia, highlight the domino effect of supporting one business leading to the development of others. Strategic support is crucial, necessitating a targeted approach to foster a self-sustaining business ecosystem.

Skilled Workforce Development: Addressing the skill gap is crucial for elevating service excellence. Public and private partnerships will facilitate inclusive, ICT-based training programs covering hospitality, language proficiency, digital marketing, and not only. Financial support mechanisms will ensure accessibility for all, with a focus on women and excluded groups. Business support organizations will

nurture innovation, ensuring the sector remains dynamic and adaptive, and will support the establishment of new businesses.

Collaborating with training providers on tourism-related training programs will equip locals with the skills to excel in the industry, as suggested by educational institutions. There is a need to equip locals with hospitality, tourism, and business development skills, which can be done by training providers and business support service providers. Investing in Hospitality:

Upgrading hotel infrastructure, particularly in Meghri, and supporting the Syunik DMO will provide a solid foundation for tourism growth, as advocated by industry stakeholders. During interviews, stakeholders emphasized the importance of implementing key infrastructural initiatives, such as installing signs, producing maps, and establishing a tourism visitors center, as integral components for fostering development in the region.

Destination Development & Branding: A compelling brand identity is essential for Syunik's global recognition. Collaborating with government agencies, sectorial associations, and branding PR companies, the strategy aims to craft a distinct identity. Large-scale events, media collaborations, and influencer partnerships will spotlight Syunik's hidden gems, creating a harmonious online presence. Enhancing the online presence of Syunik tourism through improved websites, marketing, and booking platforms is essential.

Regular festivals showcasing Syunik's vibrant culture, from traditional music and dance to culinary delights and local crafts, can inject energy and attract crowds. These events can become magnets for cultural immersion and community engagement, as suggested by stakeholders. SDA calculated that in 2023 the Sheep Breeding Festival in Syunik in total brought approximately 120K Euros revenue for the local producers, tourism sector representatives, and other MSMEs, etc. The repurposing of a stadium by COAF for events and potential additions like a zipline align with Syunik's tourism vision. The need for coordinated efforts and programs, particularly led by the state through the Tourism Committee, is evident, according to key informant interviews. Such coordination can streamline initiatives, eliminate redundancy, and ensure a cohesive and effective tourism development strategy. Regular cultural celebrations and activities will attract tourists.

Based on the insights gathered from the interviews, stakeholders highlighted the strategic imperative of focusing on novel experiences and the development of new products. They emphasized that despite the significance of branding, the presence of engaging and permanent activities, such as hiking, ziplining, camping, and other entertainment, play a crucial role in attracting visitors. The consensus was that a destination's appeal extends beyond events, necessitating a diverse range of ongoing activities to ensure sustained interest and visitor engagement.

Summary of the Strategy: A Unified Future for Syunik's Tourism: The vision is to unite Syunik's tourism sector like a seamless landscape, where MSMEs collaborate, thrive, and collectively reach new heights. The strategy provides a centralized platform as a guide, steering MSMEs, especially women and youth,

toward untapped opportunities. Collaboration networks equip MSMEs with trust, partnership, and negotiation tools. Skill enhancement ensures agility, preparing MSMEs to conquer any challenge. This interconnected strategy promises a transformative journey, propelling Syunik's tourism sector toward the summit of competitiveness and resilience. Sustainability is ingrained, with a gradual transition of ownership to stakeholders, continuous learning opportunities, and monitoring and evaluation.

5.4.2 Proposed Interventions

INTERVENTION 1: Enhancing Collaboration in Syunik's Tourism Ecosystem

The Change: Facilitate improved collaboration between Syunik's tourism and hospitality sector, including HoReCa, museums, local craftsmen, entertainment services providers, and travel agencies in Yerevan and beyond to create cohesive and enriching tourism experiences, offering comprehensive packages to engage potential visitors effectively.

The Partner: Key partners in this intervention include Syunik tourism DMO as a central facilitator and its satellite offices in Sisian, Goris, etc., MSMEs such as hotels, restaurants, catering establishments, travel agencies in Syunik and Yerevan, and sector, women associations. Business support organizations will also play a crucial role in supporting digitalization and capacity building.

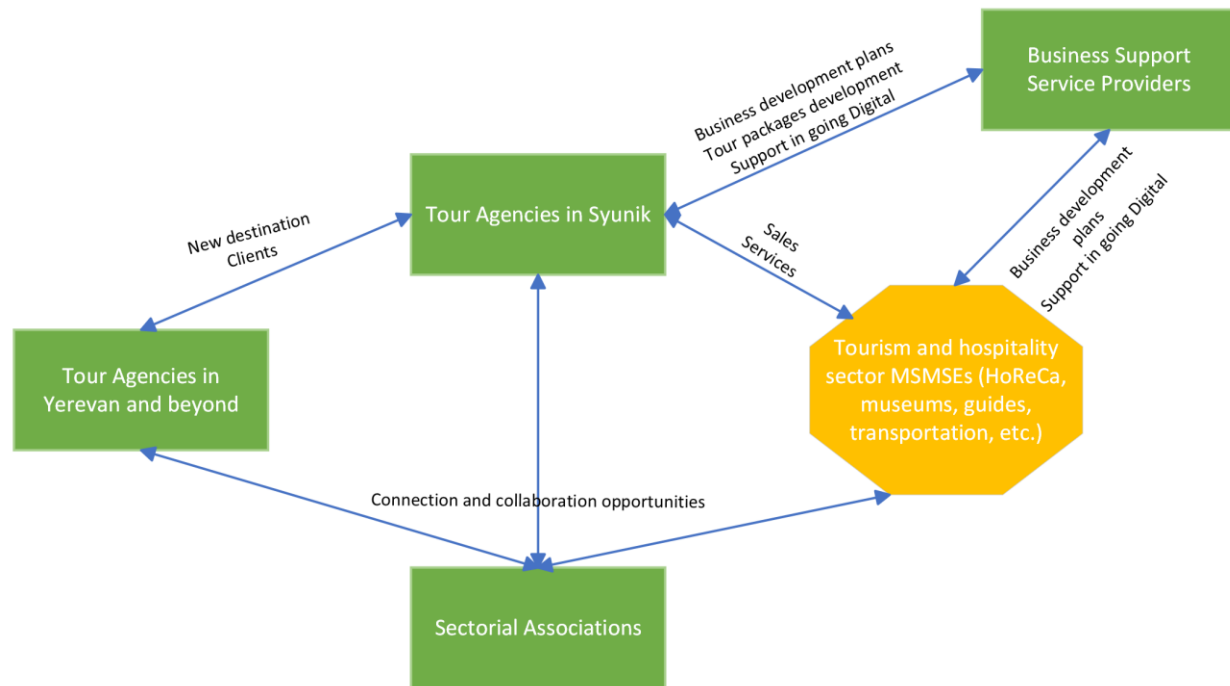
The Model: Syunik Tourism DMO can act as the central facilitator for this intervention. They will leverage their existing network and tourism information centers to bring together various stakeholders in the tourism industry, including sectoral associations, local tour agencies, Yerevan, and regional travel agencies, MSMEs in tourism and hospitality (HORECA, museums, transportation), and business support organizations for digitalization. A phased approach will be implemented, with the first phase focusing on building trust and understanding among stakeholders. This will be achieved through joint workshops and training sessions on the benefits of collaboration, overcoming resistance to change, responsible tourism practices, and digital marketing. Experience exchange visits to showcase successful collaborations from other regions and networking events (both online and offline) will also be organized to bring Syunik and Yerevan agencies together. The second phase will facilitate joint product development. A lightweight platform, such as an online forum or shared document, will be established to enable communication, knowledge sharing, and joint brainstorming among stakeholders. The participants shall be chosen to be incentivized and appropriate linkages should be facilitated to happen. Co-financing of joint activities, development of joint tour packages or FAM tours can be one of the supportive mechanisms to enhance their collaboration. Business service providers will assist agencies in creating unique, collaborative packages highlighting local offerings. Joint marketing campaigns will be developed and implemented to promote Syunik as a unified destination, leveraging the combined resources and reach of all stakeholders. Additionally, support will be provided to MSMEs and tour agencies in going digital, registering on platforms like Booking, Trip Advisor, etc., to enhance their visibility and reach a broader audience. Additionally, an idea is to organize FAM (familiarization) tours to showcase Syunik's offerings to external tour agencies. Inclusive participation will be ensured throughout the process, with fair representation of

women, socially excluded groups, and diverse communities in leadership and decision-making. The model will also foster the establishment of new businesses, especially tour agencies. People from Artsakh can be supported to establish or develop their businesses showcasing the unique cuisine and traditions of Artsakh.

The Barriers: Limited awareness and understanding of the benefits of collaboration among tourism stakeholders. Resistance to change in traditional communication and business practices. Grey market activities, such as unregistered tour guides or certain B&Bs, may hinder transparent collaboration and influence the prices of goods and services in the sector.

The Facilitation: Facilitating collaboration will involve partnering with sectorial associations, local tour agencies, and MSMEs in the tourism sector. Through organized workshops, training sessions, and events, the aim will be to capacitate these entities, showcasing the benefits of collaboration and addressing existing barriers. Linkages will be created by providing a platform for stakeholder dialogues, fostering understanding among Syunik-based tour agencies, MSMEs, and business service providers. Joint marketing campaigns will be initiated to illustrate the advantages of unified efforts, supported by guidelines for transparent collaboration, discouraging grey market activities. Syunik Tourism DMO or another chosen association, supported by collaborating stakeholders, will act as the central facilitator. The latter should also be capacitated to be able to facilitate the process Workshops, training sessions, and experience exchange visits will create a foundation of shared understanding and overcome resistance to change. Online and offline networking events will build connections and encourage collaboration. A lightweight platform will further facilitate communication, knowledge sharing, and joint brainstorming for product development and marketing initiatives. Throughout the process, inclusive participation will be ensured, empowering diverse communities to shape the future of their tourism ecosystem. Business Support service providers will be strengthened to develop tailored products and digitalization services for the MSME, and support in developing tour packages. The involvement of relevant authorities may also be considered for long-term solutions.

Figure 8: Business model for enhancing collaboration in Syunik's Tourism Ecosystem Intervention



The Exit Strategy: A key goal is to build self-sufficiency within Syunik's tourism sector. Capacity-building initiatives will equip the DMO or chosen sectorial associations to independently lead and facilitate collaboration beyond the project's lifespan. By gradually transitioning from direct intervention to ongoing guidance and knowledge sharing, stakeholders will develop ownership and commitment to sustaining the established platform, joint marketing efforts, and collaborative practices. Continuous monitoring and evaluation will ensure the intervention's effectiveness and allow for adaptation as needed. By showcasing successful collaborations and fostering a culture of partnership, the program aims to leave a legacy of a thriving and unified tourism ecosystem in Syunik. Moreover, it promotes the longevity of created tour packages, supported by Business Support Organizations, in engaging tourists. The successful models established by local and Yerevan-based tour agencies will be examples for replication, fostering widespread adoption among other companies in the industry.

INTERVENTION 2: Enhanced Collaboration for Skilled Personnel Development and Support in Business Development in the Tourism and Hospitality Sector, Access to Resources

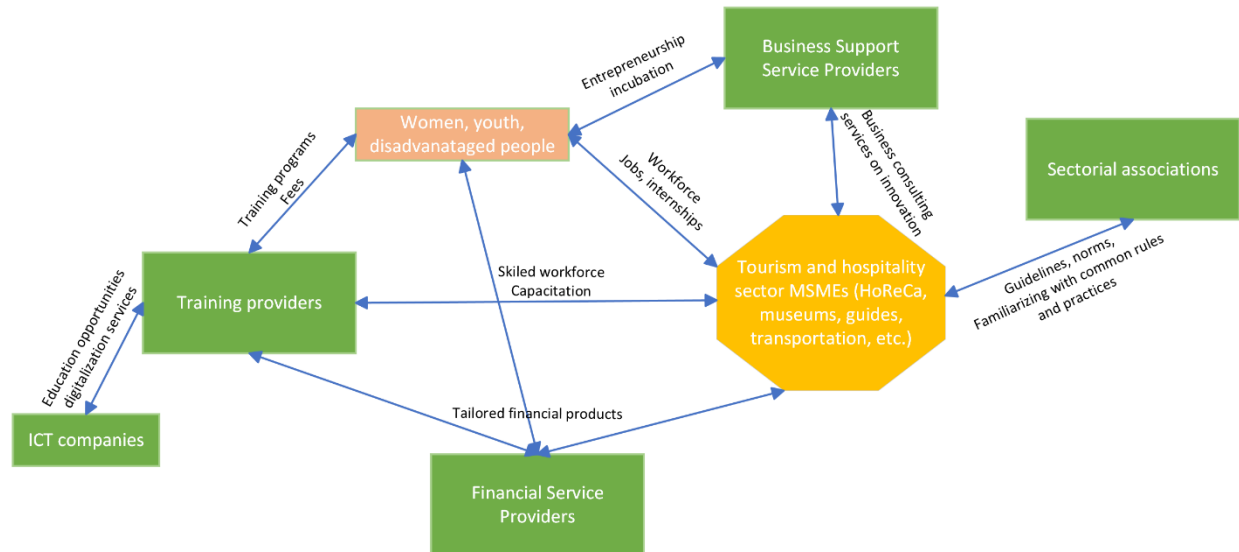
The Change: The primary market systems change focuses on fostering collaboration among MSMEs in tourism and hospitality for the development of skilled personnel. By creating a more inclusive and collaborative training environment, the intervention aims to improve the performance of the overall system by addressing gender and social inclusion gaps in the tourism workforce. Additionally, it seeks to stimulate the creation of new tourism products and services by encouraging startups and new entrepreneurs, addressing the current gaps in the tourism landscape.

The Partners: The driving force behind this change is a collaborative consortium of public, and private training providers (utilizing ICT for digital training), financial service providers, Business Support Organizations, and MSMEs and sectorial associations. This partnership is motivated by a shared interest in enhancing the skills of the local workforce, creating a pool of skilled professionals who meet industry demands and are diverse in gender and social inclusion. Together, these partners work towards a common goal of fostering a skilled and diverse workforce in the tourism sector.

The Business Model: The sustainable business model for the consortium involves joint investments in comprehensive training programs. These programs cover a spectrum of skills such as hospitality, culinary skills, language proficiency, sustainable tourism practices set of soft skills, digital marketing, etc. A great opportunity can be the opening of an academy in the sector, for instance Yeremyan Academy branch can provide sector-specific practical training. Training providers, especially those leveraging ICT, play a pivotal role in developing courses tailored for women, youth, disadvantaged individuals, and MSMEs. The business model further establishes a linkage among financial service providers, MSMEs, and training providers to create products that enhance the skills development environment. Business support providers contribute by assisting MSMEs in business management, business planning, and fostering innovative ideas, while also working with potential entrepreneurs to establish new ventures. They also work with women, youth, and disadvantaged people in the direction of establishing innovative businesses in the sector. Sectorial associations develop guidelines and familiarize the tourism sector MSMEs with common norms, rules, practices, etc. They can also advocate and promote having a visitor's center in different locations, e. g. supporting Syunik DMO, etc.

Barriers: Key barriers to implementing the new business model include existing gender norms, limited collaboration among MSMEs, a lack of awareness about the benefits of a diverse and skilled workforce, resistance to change within traditional gender roles, and the competitive nature of businesses in the sector. Women face challenges in having time to attend courses because of childcare, so an idea could be to have child-care services in parallel with training programs to create favorable and equal opportunities for women in the region.

Figure 9: Business model for enhanced Collaboration for Skilled Personnel Development and Support in Business Development in the Tourism and Hospitality Sector, Access to Resources Intervention



Facilitation: The project facilitates change by providing capacity-building initiatives for market actors members, raising awareness about the benefits of diversity in the workforce, and offering incentives for MSMEs to participate in collaborative training programs. Mentorship and business support will be facilitated to connect MSMEs and entrepreneurs with the resources they need to succeed.

Exit Strategy: A gradual transition from direct intervention to facilitation and knowledge sharing will be implemented. The sustainability of the change will be ensured by institutionalizing collaborative training programs within the local education system and industry practices. The exit strategy involves creating mechanisms for ongoing collaboration, knowledge-sharing, and continuous improvement. The training and consultancy services will continue to provide services based on fees which will ensure their longevity. Scaling efforts can be encouraged by showcasing success stories, promoting replication in other communities, and engaging with new partners, such as international organizations or other private training providers.

INTERVENTION 3: Marketing the Brand Image of Syunik as a Unique Tourism Destination

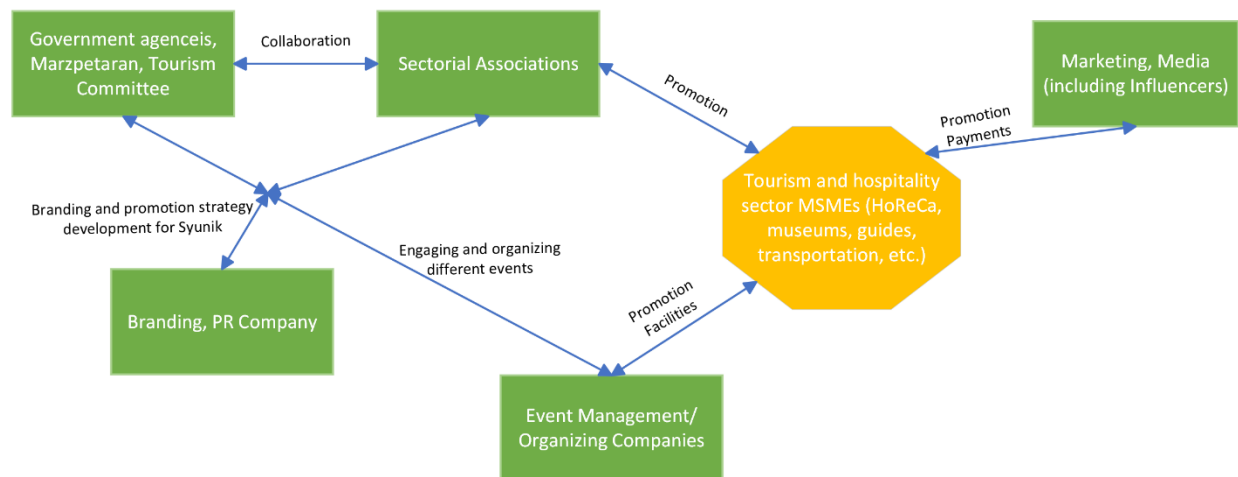
The Change: This intervention embarks on a transformative journey to overcome marketing constraints and establish Syunik as a distinguished global tourism destination. By fostering collaboration and embracing digital innovation, the aim is to create a harmonious online/offline presence that effectively reflects the region's unique beauty and attracts a diverse range of visitors.

The Partner: The collaboration involves local government agencies, municipalities, the tourism committee, sectorial associations, Syunik DMO, and branding PR companies. Additionally, a partnership with a branding PR company will be crucial for developing an effective promotion campaign for Syunik. This diverse collaboration aims to position Syunik as a distinguished global destination and attract a

diverse array of tourists. The Syunik Tourism DMO can play a pivotal role in facilitating cooperation and providing branding services to tourism MSMEs. With adequate personnel and funds, Syunik DMO can offer various branding services to tourism MSMEs, thus ensuring both the establishment's budget and the future sustainability of the activity.

The Model: The sustainable business model involves a multi-faceted approach. Collaboration with government agencies and sectorial associations creates a cohesive strategy, ensuring the campaign incorporates diverse cultural elements. Engagement with a branding PR company is pivotal for developing an impactful promotion campaign for Syunik. Linking government agencies and event-organizing companies for large-scale events enhances visibility, and promoting local MSMEs through media and influencers adds depth to the narrative. The Syunik DMO can be the key facilitator of the process and take the lead in organizing everything. The events can become one of the income generation directions for them. The sector will be empowered and more MSMEs will look for marketing services, thus operating under the Syunik is Unique Branding.

Figure 10: Business model for Marketing Syunik as a must visit Destination for Tourism intervention



The Barriers: Challenges include inconsistent branding, resource limitations for professional marketing, and resistance to digital marketing practices. The intervention seeks to address these issues by fostering collaboration, and innovation, and embracing digital marketing methods.

The Facilitation: Enable collaboration through dynamic engagement, leveraging digital platforms for MSMEs, local government agencies, and sectorial associations. Implement training sessions for effective online presence and marketing strategies, connecting participants with branding experts. Foster partnerships between event-organizing companies and MSMEs, amplifying Syunik's visibility through large-scale events. Encourage media and influencer collaborations to spotlight the region's hidden gems, showcasing MSMEs and their unique offerings. The facilitation from the project side will include creation of linkages and communication between Government, tourism committee, local government offices,

Syunik DMO and/or sectorial association. Facilitation of the process and discussions to engage branding, PR expertise to the process of developing Syunik Brand will be crucial. The facilitation also includes co-financing and support in organizing events in the region, which might be of the interest of the private sector. Private sector will play a pivotal role in co-financing and creation of a good ground for events. Artsakh people can benefit from showcasing their products and having a new platform to create network and linkages. On the other hand, marketing companies on place should be capacitated to provide appropriate services to the MSMEs in tourism sector.

The Exit Strategy: Sustainability thrives through empowerment. The exit strategy involves empowering local stakeholders, particularly MSMEs, to sustain and evolve the unified marketing campaign. Comprehensive guidelines and toolkits will be developed for continued marketing efforts. Encouraging the replication of successful strategies, such as engagement of influencers and bloggers for MSMEs promotion, organizations of big events in the region, etc. Syunik DMO and/or sectorial associations will be empowered to capacitate local MSMEs to independently manage and evolve the unified marketing campaign. Exploring options for the DMO's long-term funding ensures continued support for MSMEs and sustains the collaborative marketing ecosystem, events, etc.

INTERVENTION directions (Other) with the potential for the establishment of new businesses

Syunik's mountains beckon with the promise of exhilarating hikes, thrilling climbs, and adrenaline-pumping extreme sports, as confirmed by adventure tourism enthusiasts during interviews. Developing and promoting these activities can attract adventure seekers and position Syunik as a haven for outdoor enthusiasts. Tourism 2030 strategy¹² prioritizes cultural, natural, and adventure tourism, with a focus on adventure and business tourism investments in 2024-2025. Syunik aims to attract both local and foreign tourists through organized events, emphasizing the need for regularity. Associations, government bodies, and business support service providers can be encouraged and capacitated to promote these directions.

Agrotourism offers a unique opportunity to connect with the land and experience rural life, as emphasized by farmers and community leaders during interviews. Promoting farm stays, cooking classes, and local produce workshops can attract visitors seeking authentic experiences and support local communities. Encouraging the development of guest houses near farms can offer unique and authentic experiences to tourists.

Syunik has the potential for health tourism due to its unique climate and geography. Goris and surrounding areas have seen a surge in guesthouses since 2020, fueled by increased tourism. However, pollution poses a threat to the rural tourism component in Syunik. Challenges include location isolation, a potential impact from the new north-south road, and capacity development needs for SMEs, such as language skills and standards implementation. Prioritizing the hotel business, developing IT, and fostering

¹² [Ministry of Economy of the RA, Tourism Development Strategy 2020-2030](#)

partnerships with top tourism companies are proposed strategies for future growth. Meghri's tourism potential lies in its horticulture and forest areas, with suggestions for camping tourism.

Developing winter sports infrastructure and promoting cozy winter activities can turn the cold months into a tourist magnet. Developing winter sports infrastructure and promoting the activities can be one of the directions for development.

Improving regional transport options and ensuring reliable information availability online will make navigating Syunik a breeze for visitors, according to feedback from both tourists and local businesses.

6. Market systems in Agriculture (excluding primary)

6.1 Relevance of Sector for Disadvantaged Groups

In 2022, the Syunik region contributed significantly to Armenia's economy, constituting 6.4%¹³ of the nation's total agricultural output. Agriculture, the backbone of Syunik, stands out for employing 40% women and hosting 25% women-owned SMEs among over 1,200 registered businesses. Despite this, rural residents, especially women, grapple with social exclusion and limited services. Furthermore, the sector presents opportunities for people living in poverty and individuals displaced from Artsakh, who face additional challenges due to limited access to land, resources, and knowledge. Nevertheless, the historically male-dominated sector is evolving, with women now comprising 45% of the workforce, a notable improvement from 2020¹⁴. Goris and Sisian regions are the relatively developed ones in agriculture and Meghri - due to their warm climate.

Syunik's agro-processing subsectors, covering fruit and vegetable processing, dairy processing, and honey processing, present immense potential to address employment challenges for youth, women, and disadvantaged groups, including the poor and displaced individuals from Artsakh, by empowering farmers and MSMEs. Syunik region is mainly specialized in horticulture (crop production in particular grains production, and potato production) and in animal husbandry (large and small cattle breeding). The food processing sector is developed in the region, including dairy processing, canned fruits and vegetables, dried fruits and vegetables, jams, marinades, juices, and compotes.

The region's agricultural produce, when transformed into higher-value products, offers opportunities for increased income and job creation. The project's focus on logistics and sales within the agriculture sector, particularly for disadvantaged groups, aims to bridge employment disparities and elevate the economic standing of disadvantaged individuals. Logistics and sales within the agriculture sector offer promising avenues for employment, especially for those residing in rural areas. The equipment of disadvantaged groups, including women and youth, with the necessary expertise for active involvement in

¹³ Statistical Committee of the RA, Marz Syunik of RA in Figures, 2018-2022

¹⁴ [Statistical Committee of the RA, Women and Men in Armenia, 2022-2023](#)

transportation, distribution, and marketing aspects of the agricultural value chain can bridge employment disparities and enhance the social and economic standing of the target group.

Syunik's agricultural sector holds promise for inclusive empowerment, even amid challenges like the influx of over 15,000¹⁵ refugees from Nagorno-Karabakh and a shifting market landscape. Agriculture emerges as a beacon of hope, especially for women and youth, and displaced individuals who possess unique skills and knowledge in traditional farming practices.

Promoting inclusivity in agriculture opens avenues for women's economic empowerment. Engaging in activities like cultivation, livestock rearing, and craftsman food production enables women to generate income. Encouraging their participation not only creates employment opportunities but also contributes to overall economic growth. Empowering women through access to resources, markets, and decision-making positions will enhance their economic standing and positively impact community well-being.

Challenges remain, such as the limited access to land ownership, financing, and decision-making roles for women; disadvantaged groups lacking land, capital, and market access; and lack of training hindering improved practices and marketing strategies. Additionally, displaced people from Artsakh often lack familiarity with local agricultural practices and networks, creating hurdles to their integration. Limited access to social safety nets further impacts the vulnerability of poor individuals and families engaged in agriculture. The opportunities to foster economic opportunities for the target group can be the value chain development, integration into high-value agricultural chains, and addressing gender and social inequalities. Engaging in cultivation, food processing, or livestock rearing, especially for women, secures dependable income sources and improves economic standing. This is especially relevant for displaced communities who can leverage their expertise to create niche markets and generate income. From on-farm activities to logistics and sales, the sector offers diverse employment opportunities. Skill-building in processing, value-adding activities, and direct market linkages can integrate disadvantaged groups into high-value agricultural chains, unlocking new revenue streams.

Agricultural cooperatives can offer a pathway to inclusivity and economic empowerment for disadvantaged groups, including the poor and refugees in Syunik. These cooperatives enable collective engagement in farming activities, access to markets, and improved bargaining power. Initiatives promoting their formation and capacity-building can provide sustainable livelihoods and socio-economic benefits. Tailored training and extension services are vital for enhancing the productivity and competitiveness of marginalized communities in agriculture. Investing in such services empowers disadvantaged groups to overcome barriers and realize their potential in the sector.

The agricultural sector in Syunik emerges as a powerful tool for empowering women and disadvantaged groups. By providing targeted support and fostering integration into existing value chains, the sector can empower displaced communities and contribute to their social and economic inclusion. By addressing

¹⁵ The State Migration Service of Ministry of Territorial Administration and Development of the Republic of Armenia

gender inequalities, fostering inclusivity, and investing in Women’s Economic Empowerment (WEE), the sector not only improves livelihoods but also contributes to broader economic growth and a more equitable society. The focus on agro-processing, logistics, and sales aligns with this vision, presenting a transformative opportunity for inclusive and sustainable development in the region.

6.2 Market Systems and Constraints

This section analyzes the structure and constraints of the core agricultural market system (mainly excluding primary agriculture), agro-processing, logistics, sales, and its interconnected markets in Syunik.

6.2.1 *Structure of Core Market System*

The agricultural market system in the Syunik region extends beyond primary agriculture, encompassing crucial components such as food processing, logistics, and sales. A comprehensive understanding of this market system can be achieved through value chain mapping.

Figure 11: Value Chain for Agriculture



At the forefront of this system are the primary agricultural activities, where farmers and producers cultivate crops and rear livestock. This initial stage represents the foundational step, producing raw agricultural materials that serve as the basis for subsequent processes.

Syunik benefits from fertile plains and mountain pastures suitable for grazing and fruit cultivation. The diverse agriculture includes livestock such as cows, goats, and sheep for dairy production, along with fruit trees like apricots, berries, grapes, apples, and other crops like vegetables, grains, pulses, and herbs. Feed, fertilizers, irrigation systems, veterinary services, milking equipment, seeds, and farm machinery ensure production. Diverse primary production involves dairy, led by farmers, cooperatives, and livestock farms producing raw milk, cheese, yogurt, butter, and cream. Fruits, cultivated by individual farmers, family farms, and orchards, include berries, grapes, apples, figs, apricots, etc. Other crops like vegetables, grains, pulses, and herbs are grown by smallholder farmers, cooperatives, and agricultural companies.

Moving along the value chain, the focus shifts to food processing, a pivotal stage where raw materials undergo transformative processes. Activities such as sorting, cleaning, and packaging take place, shaping raw produce into market-ready goods. This phase adds value to the products and prepares them for the next stages of distribution and consumption.

The processing industry in Syunik encompasses dairy processing plants, cooperatives, and small-scale processors converting raw milk into value-added products like flavored yogurt, cheese spreads, and fermented milk drinks. For fruits, food processing companies, cooperatives, and entrepreneurs produce various processed products such as canned fruits, jams, dried fruits, juices, and fruit wines. Additionally,

mills, bakeries, and small-scale processing units transform vegetables, grains, and pulses into flour, bread, pasta, vegetable oils, and pickles.

Efficient cold chain management is crucial, maintaining product quality through proper refrigeration and temperature control, especially for dairy and fruits. Transportation optimization involves utilizing cost-effective and reliable solutions to reach markets with minimal spoilage. Warehouse development, including well-equipped storage facilities, reduces post-harvest losses, minimizing dependence on external providers. Within the value chain, sales and marketing play a crucial role in steering products towards consumers. Strategic efforts focus on creating distinctive brands and executing targeted campaigns to differentiate products and broaden their audience.

The logistics component becomes paramount in ensuring the seamless flow of goods from production to the market. Transportation, warehousing, and distribution are key elements that contribute to the efficiency of the agricultural market system. Effective logistics enhance the accessibility of products to consumers and facilitate market penetration.

In individual cases, the value chain may include controlling, certification, and monitoring activities between the production and processing steps, with local or in-house laboratories, certification bodies, and control systems.

The final stage involves sales, where the processed agricultural products reach consumers through various channels. This phase includes retail, wholesale, and other distribution networks, connecting the end-users with the diverse range of agricultural products originating from the Syunik region.

Beyond fertile fields, a hidden network of actors, resources, and challenges weaves the story of this sector. This intricate tapestry comprises three key threads: agro-processing, logistics, and sales.

Agro-processing faces its hurdles. Technology remains a distant dream for many small processors, leaving them to battle spoilage and inefficiency. Fragmented production adds another layer of complexity, limiting bargaining power and access to wider markets. Branding often remains locked away due to a lack of knowledge and resources. Limited processing facilities exist, focusing on basic activities like drying, salting, and cheesemaking. Value addition through innovative processing is underdeveloped.

The story shifts to logistics. Poor rural infrastructure becomes a formidable foe, adding cost and spoilage to every journey. In the realm of perishables, the lack of a robust cold chain is a chilling reality, leading to losses and diminished quality. Rural isolation adds another layer, severing the vital information and communication lifelines needed to navigate the market maze.

Reaching the destination, sales present its own set of challenges. For small producers, formal markets remain walled fortresses, guarded by established relationships and limited access. Large brands, the giants of the industry, cast long shadows, making price and recognition battles even steeper. Channels include local markets, direct sales to consumers, and limited involvement in formal value chains (supermarkets,

exporters). Information asymmetry about market demands and prices hinders effective marketing. Marketing and sales remain largely unspoken by these small players, further dimming their prospects.

Syunik boasts fertile lands and a vibrant agricultural scene, with apricots for instance holding a prominent position. However, challenges hinder the value chain's full potential. In apricot value chain, cultivation of diverse varieties thrives, yet traditional methods and insufficient knowledge of sustainable techniques can affect yields and quality. Harvesting and post-harvest handling suffer from inefficiencies and inadequate storage, resulting in significant losses and decreased overall output. Processing facilities are limited, focusing mainly on basic activities like drying and salting, lacking value addition and product diversification. Sales and marketing face challenges due to fragmented production, weak branding, and information asymmetry about market demands, hindering access to formal markets and effective marketing strategies.

Beyond Syunik's borders, successful examples illuminate potential solutions. In Iran, cooperatives adopted modern drying techniques and value-added processing (jams, preserves), securing wider market access and higher profits. In Georgia, producer associations implemented traceability systems and focused on organic certifications, enhancing brand reputation and export opportunities. Drawing inspiration from successful examples both within and outside Syunik, the project can chart a course for improvement in the region's apricot value chain. By empowering farmers through targeted training programs and cooperative development, they can enhance their knowledge of sustainable practices, improve harvesting techniques, and collaborate to strengthen their bargaining power and access to resources. Additionally, initiatives aimed at enhancing processing efficiency, such as providing technology grants and offering skill development training, can modernize processing methods and expand product diversification, including value-added products like jams and syrups.

Davtyan Farm in Syunik, is also a good example of the success of agro-processing, particularly in asparagus cultivation. Through innovative techniques and strategic partnerships, the farm produces high-quality asparagus meeting international standards. Its impact extends beyond agriculture, contributing to local economic growth and inspiring entrepreneurship. It can be worth organizing study visits for the MSMEs to the agro-processing site.

To build market access, branding and marketing workshops can assist producers in developing strong brand identities and understanding market demands, while facilitating connections with processors, distributors, and retailers can expand market reach and ensure fair pricing. Moreover, offering export readiness support, including guidance on export procedures and quality standards, can unlock international markets and increase competitiveness. Through these interventions, the project aims to increase farmer income, enhance the competitiveness of Syunik's apricots, create job opportunities, and foster economic diversification in the region. Regular monitoring and evaluation will ensure that interventions remain effective and adaptable, ultimately empowering local communities and facilitating sustainable growth in Syunik's agricultural sector.

Acknowledging these challenges constitutes the initial phase of transformative action. Through strategic investments in infrastructure, technology, training, and market linkages, Syunik holds the potential to reshape its economic narrative. Efficient processing facilities, equipped with cutting-edge technology, could optimize production. Strengthening cooperatives would empower local farmers, fostering a more resilient agricultural sector. Products could benefit from enhanced branding strategies, adding value and market appeal. The establishment of reliable cold chains and efficient transportation systems would ensure the preservation and seamless distribution of agricultural yields. Equipping rural communities with marketing tools and facilitating connections with distributors and retailers would contribute to a more robust market presence, effectively communicating the distinct narratives of their products to consumers.

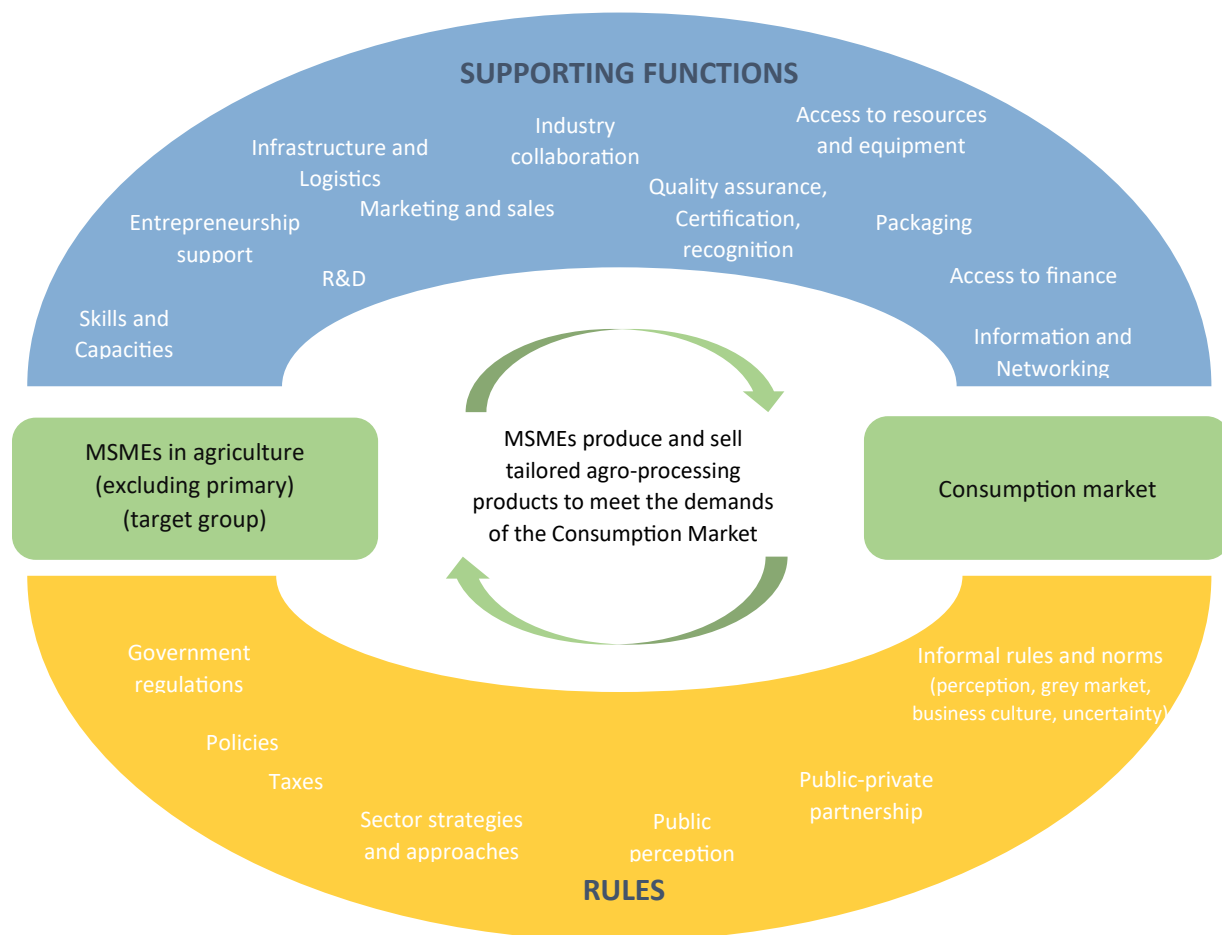
6.2.2 Key Market Functions and Rules

The core function of the Agro-Processing, Logistics, and Sales market in Syunik's Agriculture sector is to connect MSMEs as the supply side with the Consumption Market as the demand side, embodying the comprehensive journey from production to consumption, fostering economic growth, innovation, and employment opportunities for the target group of women, youth, and disadvantaged people.

Supporting Functions include:

Skills and Capacities: Equipping MSMEs with the tools of the trade – technical knowledge in processing, marketing, and business management – is the foundation for their success. Yet, many face barriers like limited access to training programs, particularly in rural areas, and the high costs associated with acquiring these skills. Gender biases often further restrict women's access to crucial training opportunities. Without a strong foundation, navigating the market becomes a daunting task, hindering their ability to produce high-quality products, reach their target audience, and manage finances effectively. The absence of specialized programs hampers the sector's ability to meet evolving industry demands and technological advancements. Tailoring education and training programs to equip the workforce in agro-processing, logistics, and sales with the necessary technical and soft skills, like communication, negotiation, and leadership. Addressing these constraints through targeted programs, financial support, and awareness campaigns is crucial to empower MSMEs and unlock their full potential. Specifically, during the interviews it was highlighted that many of the MSMEs in the sector do not even realize the need for skills development and capacitation, also there are limited courses available and not well promoted in terms of being practical.

Entrepreneurship Support: Insufficient support for aspiring and acting entrepreneurs in the agro-processing sector impedes the growth of MSMEs. The absence of comprehensive resources, mentorship, and support programs, such as consultancy services, business support services, entrepreneurial initiatives, and access to funding for innovative projects hinders innovation and diversification. Providing comprehensive support encourages startups and small businesses, fostering innovation, and contributing to economic growth. Lack of funding for innovative projects further dampens the spirit of experimentation, hindering new product development and the potential for job creation. Additionally, social stigmas against women entrepreneurs can exclude them from valuable support networks.



Research and Development: Continuous innovation is the lifeblood of a competitive market. But for many MSMEs, limited funding for R&D activities keeps them tethered to traditional methods. The lack of research facilities and expertise in rural areas further stifles their ability to explore new possibilities. Bridging the knowledge gap and providing access to cutting-edge technologies remains a challenge due to high costs and limited awareness. By investing in R&D infrastructure, funding mechanisms, and knowledge-sharing initiatives, we can empower Syunik's MSMEs to become pioneers in value-added agricultural products, not just in Syunik, but on a broader scale.

Infrastructure and Logistics: Lack of essential infrastructure, including facilities, transportation networks, and storage facilities, disrupts smooth operations and efficient product movement within the agro-processing sector. The absence of well-established infrastructure undermines sector-wide efficiency and resilience. Developing and maintaining essential infrastructure supports smooth operations and efficient product movement, enhancing sector-wide efficiency. Yet, inadequate investment in rural infrastructure leaves many MSMEs struggling with high transportation costs and unreliable delivery mechanisms. The lack of cold storage facilities further hinders their ability to maintain product quality, leading to spoilage and wasted potential. By prioritizing infrastructure development, particularly in rural areas, and exploring innovative logistics solutions, it could be possible to have an efficient flow of goods, minimize losses, and empower MSMEs to reach wider markets.

Marketing and Sales: Building brand awareness and crafting effective marketing strategies are crucial for reaching the right consumers. However, limited marketing budgets and a lack of expertise often leave MSMEs struggling to make their voices heard. The digital divide further isolates some, with traditional marketing practices proving inadequate in the online marketplace. Ineffective marketing and sales strategies, not tailored to the unique characteristics of agricultural products processed in Syunik, impede the promotion of local products. The failure to understand market trends and consumer preferences limits the sector's ability to expand market reach and ensure sustained economic activity. Bridging the digital gap, providing digital literacy training, and supporting the development of targeted marketing strategies are key to ensuring MSMEs can connect with their target audience and unlock their sales potential.

Industry Collaboration: The agro-processing sector in Syunik faces a significant challenge of limited collaboration and partnership among MSMEs. Despite the abundance of small-scale processors, the sector's collective strength and resilience are hindered by weak collaboration. The absence of facilitated industry collaboration restricts opportunities for shared resources, knowledge exchange, and joint initiatives, particularly impacting small processors' ability to reach wider markets. Unhealthy competition often takes precedence over cooperation, diminishing the potential for collective growth. Additionally, gendered norms further exacerbate the challenge, with women being excluded from certain networks, limiting their access to valuable knowledge and support. Addressing these barriers requires promoting trust, building inclusive networking platforms, and breaking down gender barriers within the industry to create a collaborative environment that benefits all stakeholders.

Quality Assurance, Certification, and Recognition: In Syunik, the agro-processing sector faces challenges in ensuring product quality due to variations in agricultural practices, including the use of different fertilizers, lack of knowledge, etc. The absence of standardized quality assurance processes hampers the credibility and market competitiveness of agro-processed products. Acquiring quality certifications like organic or fair-trade labels adds a layer of trust and value to products, opening doors to wider markets. The inadequate control and application of standardized processes for certifying product quality and gaining industry recognition undermines the credibility and market competitiveness of agro-processed products. The MSMEs are not aware in an appropriate way of the opportunities. However, the high cost

and complex application procedures can deter many MSMEs. Streamlining certification processes, providing financial support for accreditation, and ensuring fair and inclusive award selection will empower MSMEs to leverage the power of recognition and expand their reach.

Access to Resources and Equipment: The limited production capacities and access to modern equipment pose significant challenges for MSMEs in Syunik's agro-processing sector. Many businesses face constraints in expanding operations, adopting efficient technologies, and enhancing overall productivity. The high costs associated with acquiring modern equipment, act as a barrier, especially for small processors. Inadequate support in the form of strategic subsidies and incentives further exacerbates the issue. Strengthening production capacities and providing affordable access to modern equipment are critical steps in empowering MSMEs to thrive in the competitive agricultural market, fostering growth, and ensuring sustainability.

Packaging: Packaging emerges as a critical element in consumer engagement and brand loyalty. However, challenges in developing both visually appealing and functional packaging solutions for agricultural products persist. The sector faces hurdles such as high costs associated with quality packaging materials and dependencies on imports. Access to design expertise is limited, making it difficult for MSMEs to transform packaging into compelling storytellers for their brands. Moreover, a notable gap exists in awareness of sustainable packaging options, hindering environmental efforts. To address these challenges, there is a need to promote cost-effective, sustainable packaging solutions and provide design assistance.

Access to Financial Resources: Limited access to financial support for MSMEs in the agro-processing sector constrains their ability to invest in modern technologies, expand operations, and navigate market dynamics effectively. Securing loans, grants, leasing, and investments fuels growth, manages risks, and empowers MSMEs to take on ambitious projects. However, stringent collateral requirements often exclude women and youth, limiting their access to capital. Additionally, a lack of financial literacy can further restrict their ability to navigate financial products effectively. Microfinance initiatives, tailored financial products, and financial literacy training programs are crucial to breaking down these barriers and ensuring MSMEs have the financial resources they need to thrive.

Information and Networking: While limited access to information and networking are crucial for continuous improvement and adaptation, the prevailing digital divide in rural areas disconnects many MSMEs from critical information and valuable opportunities. The lack of digital literacy, compounded by gender imbalances in online networks, exacerbates the issue. This scenario not only restrains the adaptability and innovation of MSMEs but also hinders their ability to navigate market complexities effectively. Additionally, the limited provision of relevant information and networking opportunities restricts MSMEs from fully benefiting from projects, funding, and development opportunities. The same group of individuals tends to be aware of and apply to these opportunities repeatedly, emphasizing the

urgent need to bridge the gap, promote digital literacy, and establish inclusive online/offline platforms for more equitable access to valuable information and networking in the agro-processing sector.

Government Regulations: Although government regulations are intended to ensure fair competition, consumer protection, and sustainability, their complexity, and inconsistent enforcement can sometimes create challenges, hindering growth and opportunity. Simplifying regulations, promoting transparency, and engaging in open dialogue with MSMEs to understand their specific needs are crucial steps to make this regulatory path clearer. Tailoring regulations to the unique context of rural agriculture can further empower MSMEs.

Policies: Policies about subsidies, tax incentives, and targeted support programs are essential elements. However, these policies might face challenges due to misalignment with actual needs, complex application procedures, and limited awareness, preventing some MSMEs from accessing potential benefits. Furthermore, overlooking gender biases in policy design can unintentionally disadvantage women-led businesses, creating an uneven playing field. To ensure comprehensive support for all MSMEs, policy development should actively involve their participation, prioritize transparency and communication, and aim for inclusivity.

Sector Strategies and Approaches: The future of Syunik's agricultural landscape is painted by comprehensive sector strategies. These long-term visions set priorities, allocate resources, and guide the sector towards innovation and progress. However, strategies become mere blueprints if they fail to consider the voices of those driving the engine of growth – the MSMEs themselves. Limited participation of these businesses in planning processes can lead to strategies that miss the mark on their specific needs and challenges. To truly empower the sector, strategies must be crafted with inclusive engagement, ensuring transparency throughout the process. Addressing gender imbalances within decision-making bodies is also crucial to avoid overlooking the valuable perspectives of women entrepreneurs and ensuring a future that benefits all. Government also has different supporting programs¹⁶.

Taxes: While taxes contribute to vital public services and infrastructure, their impact on MSMEs requires careful consideration. Lack of access to tax advice and support services can further exacerbate this challenge, leading to costly mistakes and unintentional non-compliance. To empower MSMEs and foster a healthy market, a fair and efficient tax system is essential. Streamlining tax procedures, providing dedicated support services, and eliminating gender biases can create a level playing field where all businesses can contribute to economic growth while fulfilling their civic obligations. It's noteworthy that the rural sector in Armenia operates without mandatory state registration, and participants in this sector are exempt from tax obligations. This unique characteristic distinguishes rural activities from other sectors, highlighting a distinct regulatory and taxation framework for rural enterprises in the country.

¹⁶ Ministry of Economy, [Beef Cattle Breeding Development Program in the Republic of Armenia for 2019-2024](#)

Public Perception: Negative stereotypes about agricultural practices, lingering concerns about food safety, and limited awareness of the quality and value offered by local businesses can sometimes cast a shadow on consumer trust. Investing in public awareness campaigns that highlight the positive contributions of MSMEs, their commitment to sustainable practices, and the high standards they uphold can nurture a more fertile ground for public perception. Engaging in open communication, transparency in production processes, and storytelling techniques that showcase the passion and dedication behind each product can further blossom trust and build strong relationships with consumers.

Public-Private Partnerships: When the public and private sectors join hands, resources, expertise, and funding blossom into powerful tools for supporting MSMEs. These partnerships can foster innovation, technology transfer, and infrastructure development, propelling the entire agricultural sector forward. However, misaligned priorities, lack of trust between partners, and limited communication can sometimes turn this fertile ground into a barren field. Building trust through transparent communication, establishing clear goals, and engaging in participatory planning processes are essential for successful partnerships.

Informal Rules and Norms: In the complex world of agriculture, unwritten rules and norms play a crucial role in shaping market dynamics for MSMEs. Some of these norms, often based on gender or social status, can create barriers and limit opportunities for certain groups. These can range from traditional recipes passed down through generations to community-based resource sharing, flexible processing methods, and direct producer-consumer relationships built on trust and reputation. Understanding these social and cultural dynamics is key for navigating the sector, as they shape everything from production practices and market interactions to environmental awareness and ethical considerations.

6.2.3 Dynamics and Performance of Core Market System

The food processing sector market system is complex because of the many different stakeholder groups that have different roles and interests in the sector. The dynamics of the sector are also influenced by the fact that the production of agricultural products is unpredictable. For instance, climate change in Sisian creates the opportunity to grow new vegetables with high-value crops, for example, asparagus. The fertile soils of Syunik hold immense potential for prosperity through secondary agriculture, yet for many, particularly women and socially excluded groups, the path to reaping its benefits is tangled with obstacles.

Mountainous terrain and border tensions significantly reduce the availability of arable land, a scarce resource crucial for agricultural expansion. Furthermore, limited irrigation infrastructure and unpredictable precipitation threaten water security, impacting crop yields and farmer livelihoods.

The proximity of borders and recent conflicts cast a shadow of uncertainty over the region, discouraging investment in agricultural infrastructure and development. This risk aversion impedes the growth of processing facilities, value-added production, and overall sector modernization. A 2022 World Bank report indicated a 20% decline in private investment in Syunik's agriculture sector due to perceived security risks.

The scarcity of grass and pasture poses a significant challenge to livestock husbandry, opening avenues for innovative agricultural solutions and new production opportunities. This limitation in available grazing land underscores the need for creative approaches to foster agricultural development in response to the constraints imposed by diminishing pasture resources.

Many Syunik farmers rely on traditional agricultural methods, often passed down through generations. While these practices hold cultural value, they often result in lower yields, inefficient resource utilization, and increased susceptibility to pests and diseases. This lack of modernization hampers competition in the broader market.

Shen and GIZ have just completed a project in Syunik, in the enlarged Sisian settlement, they have created a seed breeding cooperative. In the building, they developed a plan to establish a private agricultural consulting company, now they are looking for financial means.

The agricultural sector in Syunik faces a demographic challenge. Young people are increasingly drawn to urban opportunities, perceiving agriculture as unattractive due to low income, outdated practices, and limited prospects. This exodus leads to a shortage of skilled labor and hinders knowledge transfer to the next generation, further perpetuating the cycle of stagnation. The average age of Syunik farmers is 63, with young people hesitant to enter the sector due to a perceived lack of knowledge and outdated practices. According to the National Statistical Service, the number of people employed in agriculture in Syunik declined by 12% between 2018 and 2023¹⁷. Our survey findings underscore a concerning trend indicating a lack of interest among young people in the agricultural sector, contributing to its gradual aging. The data suggests that a shift towards a technology-driven and innovative approach could potentially reinvigorate the sector and attract the enthusiasm of the younger generation. Emphasizing technological advancements and innovation could be a key strategy in revitalizing interest and participation in the agricultural industry among the youth.

A critical constraint faced by SMEs is the lack of knowledge and skills, especially soft skills needed for innovation and effective communication. Many struggle to adapt to modern business practices, hindering their ability to engage in partnerships, conduct sales effectively, and explore new business opportunities. Bridging this gap is essential for fostering innovation and competitiveness within the sector. Traditional training programs geared towards men and overlooking women's childcare responsibilities or limited mobility leave them ill-equipped to enter lucrative processing and packaging professions. Similarly, Syunik's marginalized communities lack targeted programs, leaving them with skill gaps crucial for navigating the complexities of food safety regulations and quality control standards. There is a shortage of specialized professionals in critical roles, including veterinarians, drone pilots for rural areas, and experienced pruners. This scarcity of skilled individuals poses challenges to the effective management and growth of agricultural practices in villages.

¹⁷ Statistical Committee of the RA, Marz Syunik of RA in Figures, 2018-2022

Stringent collateral requirements in loan programs disproportionately exclude women who lack land ownership, limiting their ability to invest in processing facilities or equipment. Gender bias within loan evaluation processes and lack of financial literacy resources further disadvantage them. Similarly, distrust in formal institutions and discriminatory lending practices create insurmountable barriers for many socially excluded groups. Numerous interviewees highlighted a significant issue about loans, citing that the impact of the war has led to a drastic depreciation in the valuation prices of real estate in Syunik. Consequently, these properties no longer meet the criteria for collateral, posing a considerable challenge for individuals seeking loans as the decreased valuations hinder their eligibility.

Social stigma and exclusion from established distribution channels restrict women's ability to reach profitable markets beyond local bazaars. Lack of digital skills and resources leaves them invisible in online spaces, hindering their customer reach and market penetration. For Syunik's socially excluded communities, the challenge is compounded by a limited understanding of market dynamics and negotiation skills, making them vulnerable to unfair prices and contracts.

Small, scattered landholdings make efficient production, economies of scale, and investment in improvements challenging. Limited access to land ownership for women and disadvantaged groups further restricts their participation and income generation potential.

Access to quality seeds, fertilizers, machinery, and storage facilities is hindered by high costs, limited availability, and inadequate infrastructure (roads, irrigation). This disproportionately impacts small-scale farmers and women, limiting their productivity and competitiveness.

Inadequate road infrastructure, limited storage facilities, and a lack of processing capabilities make it difficult for Syunik farmers to move their produce to markets efficiently. This translates to higher transportation costs, spoilage, and limited bargaining power with buyers, ultimately squeezing profit margins. A 2022 Ministry of Territorial Administration and Infrastructure Development report identified poor road conditions in Meghri and Sisian, hindering efficient product transportation.

Lack of cold chain infrastructure and proper storage facilities leads to post-harvest losses and only a limited percentage of agricultural produce undergoes value-added processing, due to the scarcity of facilities like the underutilized canning factory in Meghri.

The prevalence of many small-scale processors and farmers operating in isolation restricts their market reach. The absence of cooperation prevents them from accessing larger markets, compelling them to sell locally. Collaborative efforts could enhance their collective impact and allow them to offer a more substantial volume of products to consumers.

The absence of robust marketing and promotion activities, coupled with inadequate packaging and labeling, poses significant challenges for SMEs. Limited visibility hampers their ability to attract consumers and expand their market presence. Addressing these aspects is crucial for reaching business goals and gaining a competitive edge.

Currently, Syunik grapples with substantial hurdles in marketing agricultural products. For instance, Meghri faces difficulties in selling its abundant production of dried fruits, including sizable quantities of dried apricots and figs, which surpass local demand. The Meghri community's canning factory, once thriving in the Soviet era, now operates at a mere 1% of its capacity. This decline is attributed to challenges in product realization, leading to elevated production costs and a lack of competitiveness in the market.

From the research conducted, one of the issues surfaces in the agricultural sector where major producers, through their extensive harvest collections, become price dictators, disproportionately affecting smaller producers. This power dynamic leaves smaller producers vulnerable, as the substantial profits reaped by large-scale operations overshadow the financial challenges faced by their smaller counterparts. In sectors like fruit production, dependence on processors adds another layer of vulnerability. Without regulatory laws or mechanisms, processors can unilaterally dictate conditions, leaving smaller producers with limited negotiation power. This compels smaller producers to comply with the terms set by processors, fearing a loss of market opportunities and records if they resist.

Many small-scale processors and farmers lack awareness of available grants, government projects, and international organizations' initiatives. The absence of information leaves them unaware of opportunities for upgrading machinery, management styles, and overall business operations. This knowledge gap prevents them from tapping into resources that could propel their businesses forward. Poor communication channels and lack of awareness about available government support programs, such as grants and subsidies, limit access to vital resources for women and marginalized groups, impeding their ability to grow their businesses.

Governance Issues include regulations, limited access to public services, ineffective communication and information dissemination, and informal rules and norms. Unspoken gendered expectations within Syunik's agricultural society confine women to specific roles, limiting their leadership opportunities and decision-making power within secondary agriculture. Similarly, prevailing social stigmas against certain communities create an environment where entry and opportunities are restricted, perpetuating their exclusion from the market system.

Previously, there were several state support programs, including subsidized loans and leasing, aimed at benefiting the agricultural sector, particularly in villages. Initially comprising seven or eight programs, these initiatives were later discontinued. The rationale provided for discontinuation was that farmers, despite applying for these programs, were observed diverting the funds for personal purposes. However, interviewees expressed a consensus that the programs were highly beneficial and contended that discontinuation was unnecessary. They emphasized the importance of maintaining the programs with direct monitoring and stringent selection criteria in place to ensure their effectiveness.

Diversifying agricultural pursuits in Syunik holds promise, particularly through ventures like greenhouse farming and cultivating high-value crops. However, the region faces a significant challenge due to its limited land availability, compounded by the fact that 80% of the community lies on the border.

Addressing concerns about permanent security could unlock opportunities not only for enhanced agriculture but also for the development of tourism.

Establishing well-equipped processing facilities within Syunik can transform raw agricultural produce into value-added products like fig preserves, nut-based snacks, and dehydrated fruits. This vertical integration not only expands market reach and increases profit margins for farmers but also creates new employment opportunities in rural communities.

Syunik's fertile lands and industrious producers hold significant promise for agricultural exports, yet navigating the journey from farm to foreign market presents challenges. Chief among these hurdles is the lack of knowledge regarding specific export requirements for various markets, including documentation, labeling, phytosanitary regulations, and quality standards. To address this gap, targeted solutions such as specialized export training programs or consultancy services tailored to Syunik's key target markets can equip processors with the expertise needed to navigate export complexities. Additionally, encouraging collaborative knowledge-sharing initiatives among industry associations and government agencies can ensure readily available information and workshops on export compliance and market-specific requirements, benefiting not only Syunik processors but the entire Armenian agricultural export community.

Moreover, uncertain, and volatile demand in international markets poses a significant challenge for Syunik's export ambitions. To mitigate this risk and ensure export sustainability, strategies such as conducting thorough market research to identify stable, less volatile markets and diversifying export destinations across different regions are essential. Furthermore, focusing on niche offerings or value-added products like processed or packaged options can attract more consistent demand in specific markets, leveraging Syunik's unique agricultural strengths. Establishing direct relationships with importers or distributors in target markets can also provide valuable insights into demand trends and fluctuations, enabling proactive production adjustments and reducing reliance on intermediaries. Addressing additional challenges such as efficient logistics, securing financing, and developing effective marketing strategies is crucial for achieving sustainable export success and unlocking Syunik's full agricultural export potential, contributing to economic growth and job creation in the region.

Syunik's breathtaking landscapes, charming villages, and rich cultural heritage hold immense potential for agrotourism. By developing farm stays, offering immersive experiences in traditional farming practices, and promoting local cuisine, Syunik can attract tourists, generate additional income for rural communities, and diversify the local economy.

Gender and Social Inclusion Constraints:

In terms of Gender Equality and Social Inclusion (GESI), the agriculture sector presents opportunities and challenges for youth, women, and disadvantaged groups in Syunik region. Furthermore, GESI considerations extend beyond women and youth to encompass individuals living in poverty and displaced people from Artsakh, who face additional challenges due to limited access to

land, resources, knowledge, and social safety nets. While efforts have been made to promote inclusivity, certain functions and rules within the sector can still pose constraints.

- **Limited Collaboration Opportunities for Women and Socially Excluded Groups:** Weak collaboration among MSMEs in the agro-processing sector hampers the inclusivity of women and socially excluded groups. Exclusionary cultures within industry associations and cooperatives often deny women access to valuable knowledge, resources, and networking opportunities. Gendered expectations further limit their participation in decision-making processes. For socially excluded communities, lack of representation in decision-making bodies and the dominant voice of certain groups silences their concerns and perpetuates marginalization.
- **Access to Financial Resources:** Stringent collateral requirements create barriers for women and socially excluded groups to accessing financial resources. Displaced people may lack proper documentation or credit history, hindering their access to loans. Financial literacy gaps exacerbate these challenges, limiting their ability to leverage financial tools effectively for business growth. Microfinance options specifically designed for "displaced people" can help in their economic integration.
- **Information and Networking Gaps:** Limited digital literacy contributes to information and networking gaps, particularly affecting women and socially excluded groups, specifically people living in poor in rural areas. Reaching profitable markets presents a formidable challenge for women and marginalized groups. Social stigma may exclude them from established distribution channels, while a limited understanding of online platforms and marketing skills restricts their digital visibility and customer reach. Similarly, for socially excluded communities, overcoming social stigma and negotiating fair prices within the market can be an arduous task.
- **Working Conditions:** Traditional gender norms and limited workplace flexibility can create challenges for women's participation in the sector, particularly when balancing family responsibilities. They also may face difficulties in having access to entrepreneurship support and decent job. Displaced individuals from Artsakh may face additional challenges due to their displacement status and adjustment to new environments.
- **Certification and Recognition Disparities:** Women entrepreneurs and socially excluded groups face hurdles in obtaining quality certifications and industry recognition for their agro-processed products.
- **Skills and Capabilities:** Traditional training programs in processing, packaging, and logistics often remain inaccessible to women due to childcare responsibilities, cultural expectations, or lack of awareness. Even when they access training, discriminatory practices within programs can further disadvantage them. Similarly, socially excluded communities lack targeted programs for developing essential skills in food safety, quality control, and other crucial areas.

Governance-related Constraints:

- Government Policies and Strategies, regulations: Inadequate gender-sensitive policies and strategies can hinder the integration of youth, women, and disadvantaged groups into the sector. Gender-neutral regulations that do not account for the unique challenges faced by these groups can perpetuate existing disparities.
- Public Perception and Awareness: Societal perceptions of gender roles and limited awareness about the opportunities in the sector can discourage youth, women, and disadvantaged groups from considering careers in agriculture.
- Public-Private Partnerships: Limited collaboration between the public and private sectors may result in inadequate support for initiatives that promote inclusivity in the sector.

Understanding these nuanced interactions is pivotal for crafting targeted interventions that dismantle barriers, foster inclusivity, and establish an enabling environment for all participants in Syunik's agro-processing market system.

6.2.4 Main Interconnected Markets

The 2020-2030 strategy¹⁸ for the economic development of the agricultural sector in the Republic of Armenia identifies key priorities, which include: land reform, diversification of exports, enhancing commercial and added value, prioritizing technological modernization and innovation, developing human capabilities and skills, fostering rural development, and strengthening institutional capacities. Emphasizing the integration of IT in these strategic priorities not only addresses the generational gap but also positions agriculture as a dynamic and technologically advanced field, aligning with the evolving landscape of the broader economy.

While the agriculture processing sector encompasses various interconnected markets, our research discerns key markets crucial for agro-processors success. Local and regional distribution hubs, retail and supermarket chains, and export markets emerge as pivotal channels that offer MSMEs access to wider consumption markets. Strategic engagement with these markets becomes imperative for expanding their reach and fostering sustained growth within the sector.

Advancement – Technological, Innovative, Collaborative

Despite growth potential, the agro-processing sector in Syunik faces challenges rooted in the prevalence of outdated practices and technologies. The overreliance on manual labor and traditional techniques contributes to inefficiencies, inconsistencies in quality, and missed expansion opportunities. The limited

¹⁸ Ministry of Economy of the RA, The Strategy of Main Directions Ensuring Economic Development in the Agricultural Sector of the Republic of Armenia for 2020-2030

integration of precision agriculture, automation, and digital tools further exacerbates these issues, resulting in lower yields, resource wastage, and an inability to meet the demands of modern markets.

Compounding these challenges, inadequate infrastructure and a shortage of expertise hinder progress. The sector lacks access to modern processing equipment, cold chain facilities, and smart infrastructure, jeopardizing product quality, traceability, and access to lucrative markets. The scarcity of skilled technicians and professionals trained in advanced technologies further limits their implementation and maintenance, leaving potential benefits unrealized.

Financial barriers and risk aversion among producers add another layer of complexity. The high costs associated with technology adoption and group certification often surpass the financial capacity of individual producers and small businesses. Limited access to credit and financial support for technology investments exacerbates the challenge, with reluctance to embrace new technologies stemming from perceived risks, knowledge gaps, and uncertainty about returns on investment.

Fragmented production and a lack of coordination among producers impede progress. The prevalence of small, independent producers operating in isolation makes it difficult to implement collective certification schemes and achieve economies of scale. Inadequate collaboration and knowledge sharing hinder the adoption of best practices, limiting the sector's overall competitiveness. Furthermore, consider the transformative power of group certifications. Instead of each processor navigating the complexities of individual certifications, imagine a unified effort, where a cluster of processors works together to meet specific quality and safety standards. This collective approach offers numerous benefits: reduced costs, streamlined processes, and increased market opportunities. A group certification can act as a powerful passport, opening doors to wider markets, and benefiting all participating processors.

Insufficient awareness and market demand for certified and technologically advanced agro-processed products pose significant constraints. Weak marketing strategies fail to effectively convey the quality and sustainability of Syunik's agro-processed products, hindering market penetration and brand recognition.

Interviewees highlighted the opportunity of shifting towards crops like asparagus, figs, and nuts that require less land but offer higher profit margins can optimize resource utilization and enhance farmer income. This transition, however, necessitates targeted education and support to equip farmers with the necessary skills and knowledge for cultivating these specialized crops successfully.

Integrating innovative technologies like drones for precision agriculture, sensors for soil and weather monitoring, and AI-powered tools for data analysis can revolutionize farming practices. These technologies can optimize resource use, improve yields, and increase resilience to climate variability, making agriculture more attractive and profitable for young talent. Scale-up partnerships like SkyAgro's drone-based irrigation in Goris (15% water reduction) and the Ministry of Economy's precision agriculture pilot project in Gorayk, grant programs, and training initiatives can incentivize tech adoption and address skill gaps. Shen and SkyAgro's expertise in smart agriculture and drone technology can catalyze a technology-driven transformation in Syunik. The integration of agriculture with Information

Technology is pivotal to overcoming the current disinterest among young individuals in pursuing careers in agriculture. By bridging agriculture with IT, innovation, and modern technologies, the sector can undergo a transformative change, making it more appealing to the younger generation.

The ACBA Federation has revealed interest in providing co-financing for the establishment of small reservoirs, encouraging the collaboration of 4-6 farms to collectively construct these water storage facilities. The typical size of these reservoirs averages 2000 square meters, accommodating up to 4-5 farms. As an innovative practice, the cultivation of the Azolla plant in these reservoirs serves a dual purpose. Azolla acts as a natural absorber of carbon dioxide (CO₂), contributing to environmental sustainability. Simultaneously, this aquatic plant serves as valuable fodder, yielding an impressive 800 kilograms per day from 1 hectare of cultivated area. The Azolla plant is particularly rich in nitrogen, enhancing its nutritional value for livestock and presenting a sustainable agricultural approach.

These interconnected constraints highlight a sector grappling with innovation and collective action, leading to missed opportunities and stagnation. A comprehensive strategy is essential, encompassing infrastructure investments, capacity building, financial incentives, awareness campaigns, and initiatives fostering collaboration and coordination among producers to address these multifaceted challenges.

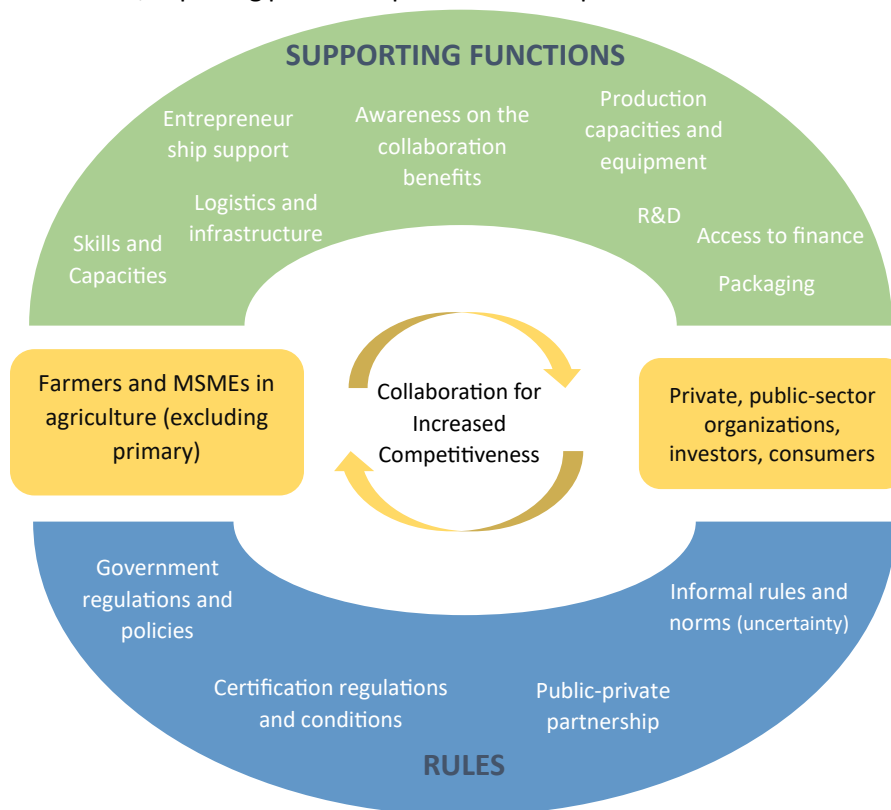
Strength in Numbers - Collaboration and Systemic Approach

In the serene expanse of golden fields, a lone farmer faces the challenges of isolation, constrained by the limited reach of individual efforts. Contrast this with a vibrant scene of collaboration, where farmers and processors pool resources, share knowledge and capitalize on economies of scale. This collaborative spirit holds the key to unlocking Syunik's agro-processing sector's true potential.

Currently, the sector grapples with fragmentation as MSMEs operate independently, facing shared challenges in isolation. Inefficient logistics and a lack of cold chain infrastructure result in product spoilage and increased costs. Weak market linkages leave MSMEs navigating distribution challenges, negotiating fair prices, and struggling with brand recognition. This individualistic approach not only hampers individual growth but also limits the sector's overall competitiveness.

To remedy fragmentation, fostering a culture of collaboration and systemic thinking is crucial. Industry associations and cooperatives must champion collectively action, facilitating knowledge sharing and creating platforms for resource optimization. Imagine a hub where farmers pool produces, accessing shared processing facilities and efficient cold chain networks. Collaborative branding initiatives could leverage diverse products to capture wider consumer attention. By collaborating on packaging and labeling design, MSMEs can create a unified brand identity, fostering consumer trust and brand recognition that transcends individual operations.

Moreover, exploring partnerships between the public sector and investors could be a transformative idea.



Municipalities could contribute by providing land and buildings, while investors could invest in equipment and other logistics center necessities. This collaborative approach ensures a shared responsibility in establishing a robust infrastructure, facilitating smoother operations for the agro-processing sector.

However, change requires more than shared space. Public-private partnerships can invest in shared infrastructure, such as modern processing facilities and temperature-controlled

logistics networks. Incentives for collaborative ventures can further foster an environment conducive to collective action. Business development service providers play a vital role in equipping MSMEs with skills for effective partnerships, market research, negotiation strategies, and business tools.

The financial landscape adds another layer to this labyrinth. While awareness of loan companies, banks, and financial institutions might be high, accessing tailored financing remains a daunting challenge. The mismatch between standardized loan models and the diverse needs of small-scale processors and cooperatives is stark. Picture a promising dairy farmer requiring 5 million AMD for essential equipment, encountering loan offers capped at 1 million – a frustratingly inadequate drop in the ocean. However, the reality is that the situation is the same in Syunik now. This mismatch not only hinders immediate growth but also discourages long-term investment and innovation. To open the door to financial resources, collaboration is key. Financial institutions must develop flexible loan products specific to the needs of agro-processing MSMEs, offering smaller loan sizes, longer repayment periods, and alternative forms of collateral. Exploring innovative models like microfinance and credit scoring based on business potential can broaden access for smaller players. Building bridges between financial institutions, NGOs, and MSMEs is essential. NGOs and industry associations can raise awareness about available financing options, provide application support, and advocate for tailored products. Finally, government intervention in

developing loan guarantee schemes and risk-sharing partnerships with financial institutions can reduce risk for banks and encourage them to engage with smaller players.

The recent geopolitical changes in Artsakh have not only altered the political landscape but also disrupted markets and grazing spaces for animals. The region, once a thriving market for agro-processing products and a vital area for animal husbandry, has been significantly affected. The challenges extend beyond economic considerations, encompassing the livelihoods of those dependent on these markets and the delicate ecological balance disrupted by the displacement of animals. The agro-processing sector must now adapt to the evolving geopolitical reality, seeking new markets and sustainable practices to mitigate the impact of this loss on both economic and environmental fronts. Amidst these challenges, there is an opportunity to establish fodder production for animals.

Despite immediate hurdles like information and financial constraints, Syunik's agro-processing sector faces hidden challenges in inadequate infrastructure and limited R&D opportunities. Bridging these infrastructure gaps and collaborating with research institutions can unlock efficiency, quality, and market differentiation for Syunik's agro-processing sector.

The winds of uncertainty can cast a long shadow on even the most promising collaborative efforts in Syunik. Political volatility in the region serves as a backdrop of risk, at times discouraging long-term investments and dampening the enthusiasm for collective ventures among MSMEs. The fear of instability often leads businesses to prioritize short-term gains over sustained growth, hindering their willingness to pool resources and commit to shared infrastructure projects. It also hinders the process of engaging foreign investments, especially from the private sector.

Fostering the formation of farmer cooperatives can empower individual producers by strengthening their collective bargaining power, facilitating access to resources and inputs, and sharing knowledge and best practices. This collaborative approach can significantly improve market access, reduce operational costs, and enhance overall resilience.

The transformation from isolated ventures to a thriving collective requires a mindset shift, a commitment to shared success, and the development of a supportive ecosystem. By fostering trust, investing in collective infrastructure, and equipping SMEs with the necessary skills, an environment where collaboration thrives can be created. This, in turn, will lead to increased market access, competitive pricing, and shared prosperity for all stakeholders in Syunik's agro-processing sector, aligning with the region's unique characteristics and needs.

Building the Bridge to Success - Education and Skill Enhancement

In Syunik, numerous MSMEs face a challenge akin to a skilled craftsman proficient in his trade yet grappling with the intricate complexities of modern business management. While technical expertise is indispensable for effective food processing, it constitutes only a single dimension of the broader business landscape. Without a structured framework to address the intricacies of marketing, branding, and

financial management, many MSMEs encounter difficulties fully realizing their potential, finding themselves hindered in navigating the multifaceted dynamics of the business realm.

The present reality presents a stark image. Training programs frequently miss the mark, offering outdated, generic information that fails to address the specific needs of diverse SME segments and local contexts. While technical skills development is vital, it often overlooks the significance of soft skills like communication, negotiation, and leadership, leaving SMEs ill-prepared to navigate intricate market dynamics and establish effective partnerships. Moreover, access to affordable business advisory services and mentorship programs remains restricted, leaving many grappling with strategic planning, financial management, and growth challenges.

To bridge this skills gap, a holistic and context-specific approach is imperative. Training institutions and universities, VET colleges must craft practical programs centered on processing techniques, quality control measures, and food safety regulations, ensuring they are tailored to the distinctive needs of various SME segments. Workshops where processors learn innovative techniques for value-added product development, explore sustainable packaging solutions, and implement rigorous quality control protocols, promotion, and sales techniques are vital for the sector.

However, skills go beyond the technical realm. Marketing, branding, and financial management are indispensable tools for navigating the modern business landscape. Business development organizations and mentorship programs can play a pivotal role by providing affordable consultancy services and linking SMEs with experienced mentors who guide them through strategic planning, market research, and financial management. Visualize SMEs actively participating in interactive workshops on crafting compelling marketing campaigns, developing impactful brand stories, and implementing sound financial management practices.

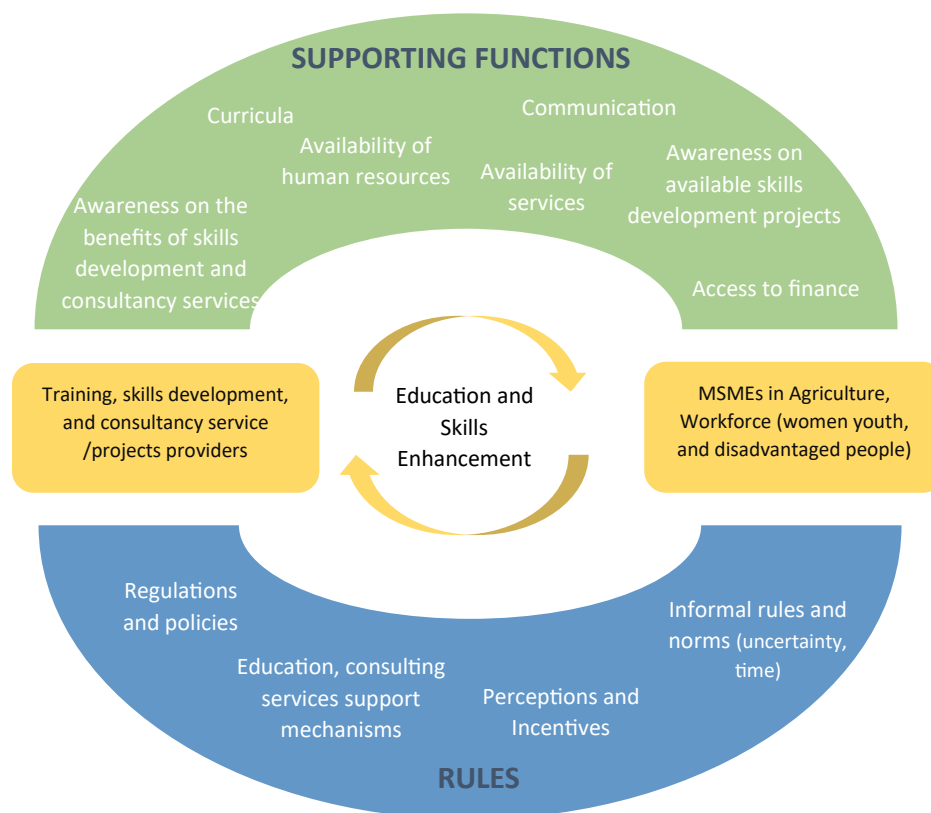
By investing in a comprehensive education and skill enhancement ecosystem, we empower MSMEs with the tools necessary to transform their businesses. Picture a processor emboldened by knowledge of market trends and branding strategies, reaching a broader audience with their distinctive products. Envision a cooperative guided by sound financial management principles, confidently navigating investments and expansion. This exemplifies the transformative power of education and skills – a bridge connecting potential with achievement, propelling Syunik's agro-processing sector towards a future of sustainable growth and shared success.

The feedback received from sector representatives highlights a crucial need for specialized agricultural courses, with an emphasis on practical topics. While general business and marketing courses are beneficial, stakeholders emphasized that existing development programs often overlook agro-specific knowledge. The demand for training in fundamental agricultural practices, including precise fertilizer application, irrigation, etc. was identified as a critical gap, particularly in rural areas.

Moreover, the absence of dedicated agro-consulting services emerged as a significant concern. Participants emphasized the importance of establishing organizations or initiatives focused on providing

agricultural advice. One proposed solution involves training those involved in selling agricultural materials not only to distribute products but also to offer guidance on their effective usage. Addressing this shortage in agro consulting is crucial to enhancing the overall effectiveness and sustainability of agricultural practices within the community.

Equipping young farmers with modern agricultural practices, business skills, and digital literacy through targeted training programs can make agriculture a more attractive and viable career choice. This includes providing access to relevant educational resources, internships, and mentorship opportunities to bridge the knowledge gap and foster a new generation of agri-entrepreneurs. COAF's expansive land holdings offer prospects for diverse agricultural activities, which was suggested by COAF during the interview. Establishing an excellence center for beekeeping or engaging in cheese production aligns with COAF's goals, providing both economic and educational benefits.



In addition to skill development, addressing the workforce dynamics is crucial for the agro-processing sector in Syunik. The sector faces a challenge as many young individuals are drawn to the mining sector in Kajaran due to factors such as higher salaries, health insurance, and stability. This exodus poses a significant problem for human resource management in the region. Most employees in the agro-processing

sector are middle-aged or older, while young people often show reluctance to enter the sector.

Fostering women's engagement in the agro-processing sector is paramount for its inclusive growth. Currently, women face barriers such as limited access to training programs, financial resources, and opportunities for leadership roles. Recognizing and addressing these challenges is essential for creating a more equitable and diverse industry. Initiatives that specifically target women, providing tailored training,

access to financing, and opportunities for leadership and skill development, can contribute to a more inclusive and dynamic agro-processing sector in Syunik.

Understanding and addressing the factors influencing this trend are essential for ensuring a sustainable and diverse workforce in the agro-processing industry. Initiatives promoting the sector's appeal to the younger generation, emphasizing its importance for regional development, and providing targeted incentives, could play a vital role in adding to this workforce challenge. Addressing these challenges requires targeted interventions such as improving technology access, promoting innovation in agriculture, enhancing financial inclusion, boosting investment opportunities, and addressing gender-specific barriers to ensure equitable access and income generation for all stakeholders involved in agricultural activities.

6.3 Current and Future Situation

6.3.1 Sustainability Matrix for Current and Future Situations

Table 3: Sustainability Matrix for Current and Future Situation, Agriculture

Function	Who does	Who pays	Who will do	Who will pay	Role of Women/ Socially Excluded
CORE FUNCTIONS					
MSMEs produce processed agricultural products aligned with market demand	Individual MSMEs in agro-processing, limited product diversity, focus on local markets, lack of market research and technology offers, training providers offer limited courses	Individual MSMEs, consumers pay for access to markets.	Collaborative networks produce innovative, value-added products for wider markets, robust market research, technology adoption, and advanced skills in negotiation, sales, and collaboration	Grants, public-private partnerships, shared resources, cooperatives, associations, consumers	Inclusive access for women and youth to information and opportunities. Bridging skills gap for women and socially excluded groups. Expanded market reach will open new opportunities for the target group
SUPPORTING FUNCTIONS					
Advancement in technological, innovative, and collaborative aspects	The government announces sectorial strategies, underlying the important directions, and MSMEs who have access to information	Government subsidiaries exist, and financial companies give loans.	Associations will help MSMEs to collaborate and create cooperatives, apply for group certification, and be aware of business advancement opportunities. Associations with government bodies will organize networking and	Government bodies will pay for awareness raising. Cooperatives, MSMEs, Donors, financial companies, associations, and NGOs	The project will create opportunities for women and disadvantaged groups to benefit from the advancement. Technological advancement opens job opportunities that can be very comfortable for

	learn about that. Financial institutions have limited programs to support innovative directions.		awareness-raising events for agro-processing companies and technological companies in the sector, they will also engage different stakeholders who can raise awareness about demanded goods in agriculture and support business transformation. BSOs may provide consultancy on business automation, transformation, and business plan development, financial planning.		women. Young people will be motivated to work in technological agriculture,
Improved access to finance and tailored financial products	High-interest rates, limited collateral, lack of tailored products Banks, microfinance institutions	MSMEs, subsidiaries	MSMEs with collective bargaining power and improved creditworthiness, affordable financing, and loan guarantees, BSOs support financial literacy and business plan development in agro-processing. Public-private partnerships, banks, microfinance institutions	Reduced interest rates, public guarantees, and individual loan repayments. MSMEs repay loans with lower interest rates and manageable schedules.	Increased access for women and excluded groups, reduced collateral requirements, and favorable conditions
Optimized resource utilization and collective bargaining power through shared facilities and networks	Fragmented resource use, limited bargaining power, lack of shared infrastructure, limited collaborative initiatives	Public initiatives, Private companies in the sector, limited cooperatives	Shared facilities, collective bargaining, and efficient logistics networks. The drivers can be industry associations, BSOs, private sector partners, public-private partnership initiatives, cooperatives	Public funding, private sector investments, shared costs Public initiatives, Private companies in the sector, shared costs, MSMEs, financial institutions	Active participation in decision-making, equal access to benefits
Upskilled and technically proficient workforce	Limited formal and informal training centers have few	Training providers pay for curriculum	Training institutions, universities, and colleges with the engagement of the private sector	Public funding, private sector investments, MSME	Disadvantaged groups may lack access to educational resources and training

through tailored training and consulting programs	programs, outdated approaches, and curricula. The interest of MSMEs, women, and youth to study in the sectors is limited. Very few offers of consulting services.	development , individuals pay tuition fees, and sometimes the government pays in the forms of scholarships or some initiatives	update/develop industry-aligned training, and scholarship programs. With the engagement of media, they develop awareness-raising and marketing campaigns. Improved partnership between educational institutions and the agro-processing private sector. Research companies help in conducting feasibility studies for the sector.	payments. International organizations and funds (research and support programs for MSMEs upskilling). Students pay for public and private non-formal agro-processing training and soft skills training.	opportunities. Efforts for inclusion of women and socially excluded individuals in upskilling programs. Equal access and opportunities. Inclusion of women and socially excluded individuals in practical sessions, internships, and job opportunities.
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6.4 Sector Strategy

6.4.1 Overall Strategy

The comprehensive strategy for the agro-processing sector in Syunik is a visionary ascent, transforming it into a vibrant and interconnected ecosystem that seamlessly navigates the journey from production to consumption. The primary focus revolves around empowering MSMEs to craft and market tailor-made agricultural products that precisely align with the dynamic demands of the consumption market. This overarching strategy operates on three interconnected pillars: Technological, Innovative, Collaborative Advancement of MSMEs, Collaboration for increased Competitiveness, and Education and Skills Enhancement.

Collaboration for Increased Competitiveness: The strategy involves cultivating a collaborative culture among agro-processing MSMEs. Key partners include industry associations, alliances, women's associations, NGOs, cooperatives, local government bodies, business support organizations, financial institutions, private sector companies, and investors. Through collaborative networks, we seek to enhance market access, optimize resource utilization, and fortify collective bargaining power, fostering shared growth and bolstering the overall competitiveness of the agro-processing sector.

Education and Skills Enhancement: Bridging the skills gap is paramount for the strategy. A comprehensive education and skill enhancement programs are proposed, targeting both technical and soft skills among MSMEs. Educational institutions, vocational training centers, business development organizations, and media will be crucial partners. The sustainable business model involves tailored training programs, ensuring equal access for women and socially excluded groups. By promoting inclusivity in skill development, we aim to foster innovation and provide access to broader consumer markets.

Technological, Innovative, Collaborative Advancement of MSMEs: In pursuit of elevating Syunik's agricultural sector, a strategic intervention is proposed to advance MSMEs through technological innovation and collaboration. The initiative envisions a transformative shift, emphasizing enhanced competitiveness, sustainability, and market access for MSMEs. Key collaborators, including sectorial associations, NGOs, and government bodies, aim to foster a thriving agricultural ecosystem. The intervention's sustainable business model centers on collaborative platforms, facilitating knowledge exchange and strategic partnerships among MSMEs, ICT companies, automation firms, and financial institutions. Overcoming barriers such as financial constraints and collaboration resistance, the strategy incorporates negotiations for favorable financial terms, specialized training programs, and showcasing success stories. Facilitation, a cornerstone of the intervention, includes organizing regular events and offering technology consultancy services, while the exit strategy focuses on empowering local entities to sustain collaborative initiatives independently. This intervention strategically positions Syunik's MSMEs for resilience and technological advancement within the agricultural landscape.

Summary of the Strategy: The vision is to have the agro-processing sector as a cohesive mountain range where MSMEs stand united, navigating challenges and reaching new heights together. The cultivation of camaraderie through collaboration networks equips MSMEs with the tools of trust, partnership, and negotiation. Skill enhancement programs ensure that MSMEs are agile and adaptable, ready to conquer any terrain. This interconnected strategy promises a transformative ascent, propelling Syunik's agro-processing sector toward the summit of competitiveness and resilience. Sustainability is embedded in the plan, with a gradual transition of ownership to stakeholders, continuous learning opportunities, and meticulous monitoring and evaluation.

6.4.2 Proposed Interventions

INTERVENTION 1: Strengthening Collaboration for Increased Competitiveness

The Change: This intervention aims to shift the paradigm within the agro-processing sector from individualistic approaches to a collaborative culture, fostering unity among MSMEs. By promoting collaboration, the intervention seeks to enhance market access, optimize resource utilization, and strengthen collective bargaining power, thereby boosting the overall competitiveness of the agro-processing sector.

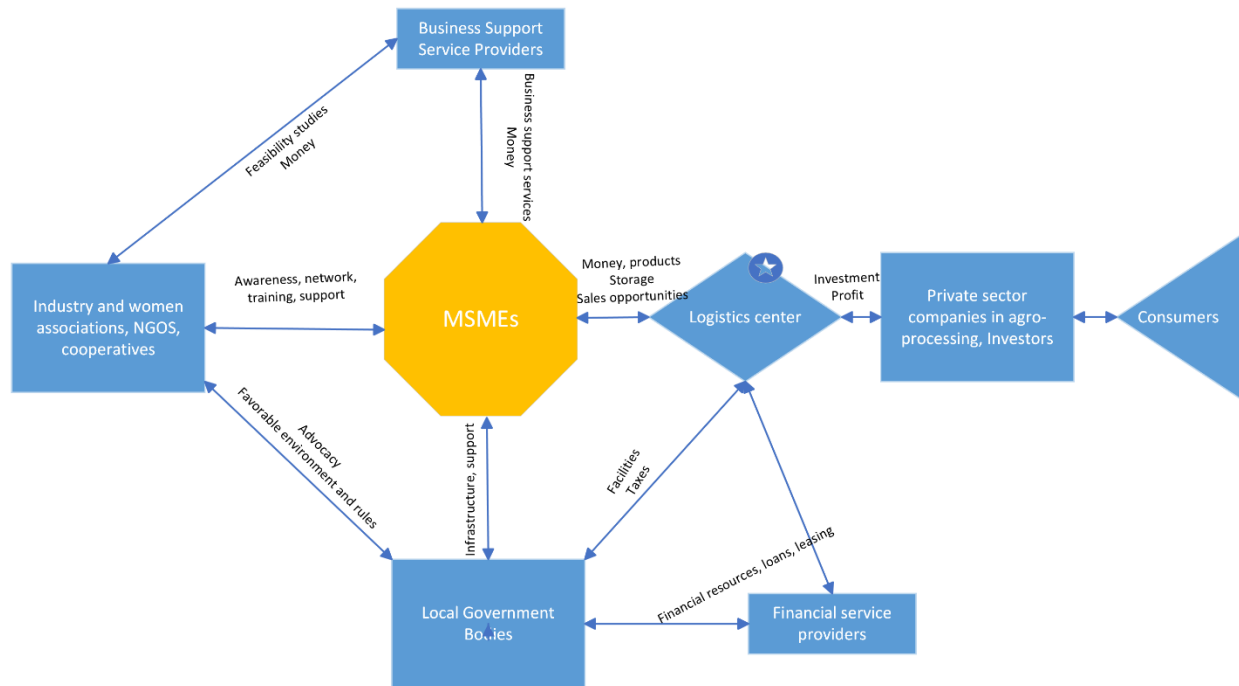
The Partners: Industry associations, alliances, women's associations, NGOs, and cooperatives will be pivotal drivers of this transformation. Their commitment arises from the collective advantages that a more competitive and resilient agro-processing sector would bring. Local government bodies will play a crucial role by providing essential support for infrastructure development and creating an enabling environment for collaborative initiatives. Financial service providers will be encouraged to provide affordable loans, leasing products, and investment for the logistics center establishment. This will encourage individual investors to invest in the new direction. An important role will also have business support organizations, private sector companies, and investors in the sector.

The Model: The sustainable business model hinges on establishing and supporting collaborative networks. Industry and women associations, alliances, NGOs, and cooperatives take the lead in providing training, raising awareness about collaboration opportunities, and advocating for favorable conditions. They also engage Business Support Organizations for feasibility studies. Simultaneously, they initiate dialogues with financial institutions to tailor products for groups of MSMEs in agro-processing. Advocacy efforts extend to local government bodies to address infrastructure challenges and provide support to MSMEs within the same sector. Another dimension involves collaborative initiatives between local government bodies, the private sector, and potential investors to establish shared centers, such as logistics centers, thereby improving non-financial services and expanding market reach. Financial resources can also be engaged from financial service providers. The model creates a ground for the establishment of new businesses in agro-processing, business support services, and other support service providers.

The Barriers: Challenges include a historical culture of individualistic approaches, potential conflicts of interest among MSMEs, and a lack of awareness about the benefits of collaboration. Additionally, there are infrastructure gaps and limited R&D opportunities.

The Facilitation: The facilitation of this sustainable business model involves active engagement and support from various stakeholders to establish and nurture collaborative networks within the agro-processing sector. Industry associations, women associations, alliances, NGOs, and cooperatives will lead the way by providing training programs, capacitation of MSMEs and raising awareness about the benefits of collaboration. The project will facilitate these efforts by organizing capacity-building workshops and awareness campaigns to empower these organizations with the necessary knowledge and tools to drive collaboration forward. Additionally, the project will collaborate with BSOs to conduct feasibility studies and provide technical assistance for collaborative initiatives. The project will facilitate dialogues between these stakeholders and financial institutions to develop tailored financial products that meet the needs of MSMEs in agro-processing, thereby facilitating access to funding for collaborative ventures. The intervention will also involve advocacy efforts aimed at local government bodies to address infrastructure challenges and provide support to MSMEs within the sector. By fostering collaboration between local governments, the private sector, and potential investors, the project unit will facilitate the establishment of shared centers, such as logistics centers, to improve non-financial services and expand market reach. Additionally, in the frames of the intervention avenues will be explored to engage financial service providers to mobilize financial resources for collaborative initiatives, ensuring the sustainability and growth of the agro-processing sector.

Figure 12: Business model for Strengthening Collaboration for increased competitiveness Intervention



Exit Strategy: The exit strategy for this intervention revolves around the gradual transition of responsibilities and ownership. On the other hand, the collaborative networks will be already established by industry associations, women associations, alliances, NGOs, cooperatives, and local government bodies to continue the process of collaboration strengthening. As these entities become more proficient in driving collaboration and managing collaborative initiatives, the project will gradually phase out its direct involvement. Comprehensive guidelines and toolkits will be developed to support continued collaboration efforts and ensure the sustainability of the initiatives implemented. Success stories and best practices will be documented and shared to encourage replication in other regions, further expanding the impact of the intervention. The logistics center will stay as a shared or owned business for the private sector. The successful model can be easily duplicated in different communities and regions. Continuous monitoring and evaluation mechanisms will be put in place to track progress and identify areas for improvement even after the project's exit. By empowering local stakeholders and fostering a culture of collaboration, the intervention aims to create a self-sustaining environment for growth within the agro-processing sector, ensuring long-term impact beyond the project's lifespan. The logistics center(s) will continue operating, benefiting many MSMEs and farmers, thus ensuring the longevity of the intervention's impact.

INTERVENTION 2: Enhancing Education and Skills

The Change: This intervention seeks to bridge the skills gap within the agro-processing sector by implementing targeted and relevant education and skill development programs. It targets the improvement of technical skills related to processing, quality control, and safety regulations, alongside the enhancement of soft skills like communication, marketing, and financial management, crucial for business success in the sector.

The Partners: Key partners include educational institutions, vocational training centers, and business development organizations, along with media. Their motivation stems from contributing to the development of a skilled workforce, fostering entrepreneurship, and aligning education with the practical needs of the agro-processing industry.

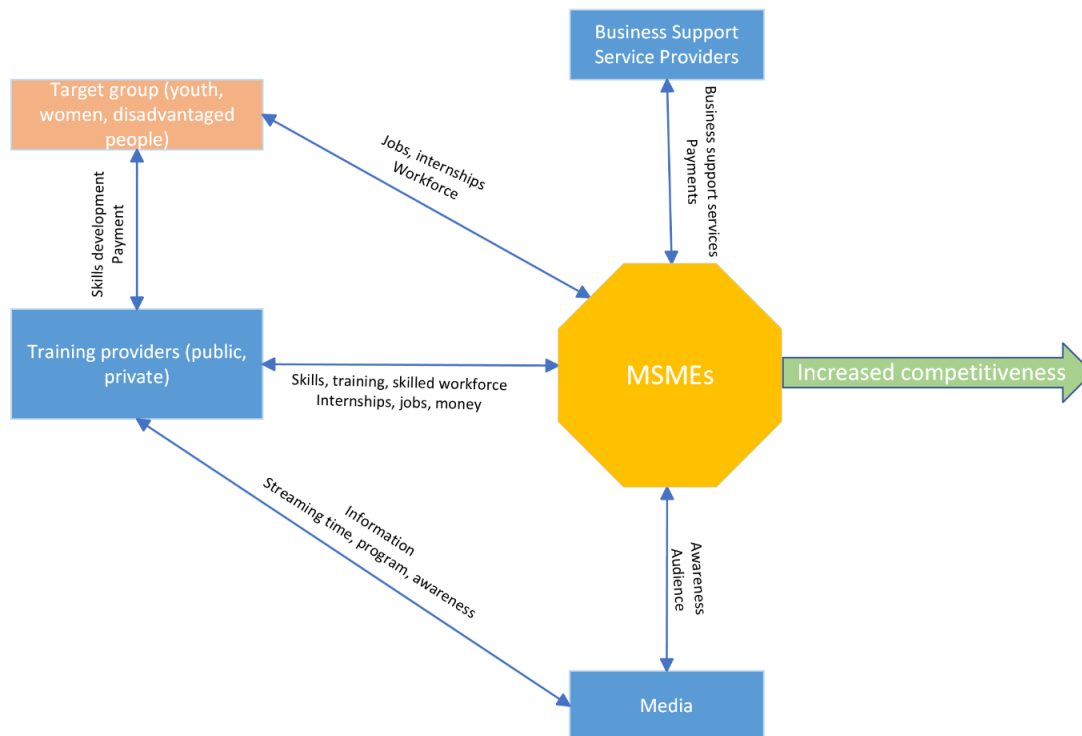
The Model: The sustainable business model involves designing and implementing practical training programs tailored to the specific needs of different MSME segments. Training providers, both private and public, offer updated and sector-specific training and skills development programs for youth, women, and disadvantaged groups. Simultaneously, they conduct awareness campaigns, leveraging local media channels and municipalities' channels, to inform the target group about the career opportunities within the agro-processing sector. Skilled individuals from the target group then gain employment and internship opportunities in MSMEs. Business support organizations play a crucial role by providing startup support, business consulting services, innovative ideas generation, and implementation to MSMEs and social enterprises. This holistic model ensures that MSMEs engage more young people and women with the necessary skills, fostering innovation and providing access to broader consumer markets. New practical training providers can be encouraged to enter the market.

Barriers: Barriers encompass outdated training programs, limited access to affordable advisory services, limited number of training providers, a lack of awareness about the importance of soft skills, and financial constraints for MSMEs to invest in employee training.

Facilitation: This intervention is structured into three progressive phases to ensure a comprehensive and sustainable approach. In the initial phase, the project collaborates closely with stakeholders to conduct a thorough needs assessment and develop tailored training programs addressing both technical and soft skills requirements. These programs are designed to be modular, accessible, and affordable, ensuring inclusivity and broad participation. During the implementation and outreach phase, the focus shifts to delivering these training programs through various channels, including educational institutions and vocational training centers, supplemented by internship placements and a mentorship program. The project provides financial incentives and subsidies to MSMEs to encourage investment in employee training, mitigating financial constraints. Additionally, networking events and workshops are organized to facilitate knowledge exchange and mentorship opportunities, fostering a supportive ecosystem for skill development. By the sustainability and expansion phase, the project transitions ownership to local

providers and Business Support Organizations (BSOs), who are empowered to continue and expand the training and business consulting initiatives. The skilled workforce shall also be encouraged to establish businesses in the sector. Frameworks for expansion and funding models are developed to ensure the long-term viability and scalability of the intervention, thereby securing its lasting impact on the agro-processing workforce and overall sectoral development.

Figure 13: Business model for Enhancing Education and Skills intervention



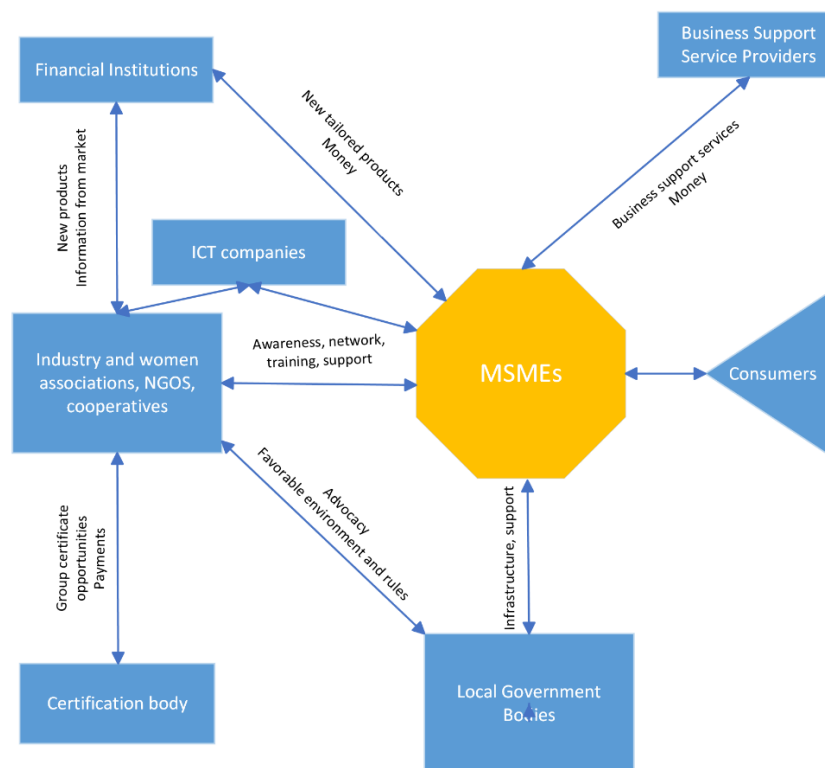
Exit Strategy: As the education and skills ecosystem strengthens, the project can gradually phase out, leaving behind well-established and self-sustaining training programs by formal and non-formal training providers. To encourage greater scale, the project can engage with industry associations to incorporate skill development as an ongoing initiative and explore partnerships with the private sector to support continuous learning and upskilling.

INTERVENTION 3: Technological, Innovative, Collaborative Advancement of MSMEs

The Change: Enhancing Competitiveness and Sustainability Through Collaboration and Technology Adoption. The intervention seeks a fundamental shift in Syunik's agricultural sector by promoting collaborative models and embracing technological advancements. The primary goal is to enhance the competitiveness, sustainability, and market access for MSMEs. The envisaged changes include improved collaboration among stakeholders, increased adoption of modern technologies, and a collective move towards sustainable practices.

The Partner: Crucial partners in driving this change include sectorial associations, NGOs, government bodies and business support service providers. These entities are motivated by a shared vision of fostering a resilient and thriving agricultural ecosystem in Syunik. Sectorial associations bring industry expertise, NGOs contribute to community engagement, and government bodies provide regulatory support, creating a synergistic partnership. ICT companies and Business Support Service providers support with their services in innovation and digital solutions.

Figure 14: Business model for Technological, Innovative, Collaborative Advancement of MSMEs intervention



The Model: The sustainable business model centers on the creation of collaborative platforms through regular events and forums, acting as catalysts for knowledge exchange, strategic partnerships, and informed discussions on sector challenges and opportunities. These platforms bring together MSMEs, ICT companies, automation firms (such as SkyAgro), agro-processing companies, and financial institutions, aiming to streamline the group certification process and foster technology adoption. Financial institutions are encouraged to develop tailored products to facilitate MSMEs' investment in transformative technologies, potentially with the involvement of insurance companies to assess risks. Furthermore, the model supports the establishment of new innovative businesses with the assistance of Business Support Service Providers, enhancing the sector's competitiveness and sustainability through collective action and technological advancement. Additionally, the model advocates for the encouragement of group certification and the advancement of systems to provide MSMEs with better access to export markets. Business Support Service Providers can also offer export strategy development and consultancy services,

trainings while associations can advocate for communication, networking, and sales abroad, further bolstering the sector's growth and global presence.

The Barriers: The intervention systematically addresses key barriers hindering technological adoption, including financial constraints, resistance to collaboration, and knowledge gaps. Negotiations with financial institutions secure favorable terms for MSMEs, ensuring they can afford and invest in transformative technologies. Business support organizations play a pivotal role in offering specialized training programs to bridge technological knowledge gaps, while success stories are showcased to mitigate resistance to collaboration.

The Facilitation: The facilitation strategy involves organizing regular events and forums that serve as collaborative platforms for knowledge exchange and partnership building. These events bring together MSMEs, ICT companies, automation firms, agro-processing companies, financial institutions, and relevant stakeholders to discuss sector challenges and opportunities. Through these platforms, MSMEs gain access to valuable information on transformative technologies and group certification processes. All these processes, such as events, creation of linkages, capacitation, co-investment in technologies and equipment, skills development, new services, and products development can be facilitated by the project. Business Support Service Providers play a key role in offering tailored consultancy services and trainings to MSMEs, assisting them in navigating the certification process and developing export strategies. Financial institutions are encouraged to develop specialized products to facilitate MSMEs' investment in technology, with potential involvement from insurance companies to assess risks. Support in developing appropriate business plans and having seed funds for the advancement of MSMEs can be a good point to start a systemic change.

The Exit Strategy: The exit strategy focuses on fostering long-term sustainability and impact through systemic change. Key elements include institutionalizing collaborative platforms and partnerships established during the intervention period, ensuring that knowledge exchange and support services continue beyond the project's lifespan. Business Support Service Providers and associations are empowered to continue offering consultancy, training, and advocacy services to MSMEs, supporting their ongoing growth and competitiveness. Financial institutions maintain their commitment to providing tailored financial products, further enabling MSMEs to invest in transformative technologies. Additionally, efforts are made to strengthen export capabilities, ensuring that MSMEs can access international and other regions' markets and sustain their growth trajectory independently. Ultimately, the exit strategy aims to leave behind a resilient ecosystem where MSMEs thrive through collaboration, innovation, and technological advancement. Additionally, success stories and lessons learned will be actively shared to encourage replication in other regions, while local experts will be systematically trained to facilitate knowledge transfer and ensure continuity.

Other potential intervention ideas can focus on technology adoption for market access or sustainable packaging and environmental practices. The intervention aim can be to enhance the digital capabilities of

agro-processing MSMEs, facilitating online platforms for product showcasing, sales, and distribution. This intervention aligns with the evolving dynamics of consumer behavior and the increasing importance of online channels in the agro-processing industry. The other potential intervention can focus on promoting sustainable packaging and environmentally friendly practices within the agro-processing sector. By encouraging MSMEs to adopt eco-friendly packaging materials and implement sustainable production methods, this initiative can contribute to both environmental conservation and enhanced market appeal. Partnerships with environmental organizations, certification bodies, and packaging industry experts could drive this change, fostering a market system that values sustainability and aligns with global environmental standards.

7. Market systems in Manufacturing and Production

7.1 Relevance of Sector for Disadvantaged Groups

The manufacturing and production sector in Syunik presents a pivotal opportunity to create income, generate employment, and foster economic empowerment, particularly for disadvantaged groups. This includes individuals living in poverty and displaced people from Artsakh, who may face additional challenges due to limited access to training, skills, financial resources, and social networks. In Kapan, textiles, construction materials, dairy products reign supreme, while Goris focuses on food, processing and construction related materials. Sisian crafts cheese, dairy products, beverages and knitwear, while Meghri relies heavily on tourism alongside its canned goods industry.

Manufacturing serves as a significant source of employment, offering a spectrum of roles from skilled labor to managerial positions. Women stand to benefit greatly from increased employment opportunities within the sector. Tailored training programs can facilitate their entry into traditionally male-dominated roles, paving the way for a more inclusive and diverse workforce. Displaced people may lack local connections or documentation hindering their integration into the workforce. Initiatives promoting equal access to education, training, and employment within manufacturing can contribute to breaking gender stereotypes and fostering a more inclusive work environment.

The manufacturing sector in Syunik can be a powerful tool for enhancing the skills and capacities of disadvantaged groups. By providing targeted training programs, especially for women and youth, the sector can ensure that they are equipped with the necessary skills to actively contribute to and benefit from the industry's growth. Ensuring targeted training programs, mentorship opportunities, and financial support specifically designed for displaced communities and individuals living in poverty is crucial for their meaningful participation in the manufacturing sector.

For disadvantaged groups aspiring to become entrepreneurs, the manufacturing sector provides a platform for innovation and business development. Facilitating access to finance, mentorship programs, and networking opportunities can empower individuals to establish and scale their businesses, contributing to local economic development.

Creating an enabling environment through inclusive policies and support mechanisms is essential for unlocking the sector's full potential. This involves addressing gender-based barriers, providing childcare facilities, and ensuring equal access to resources and opportunities. Engaging local communities, especially women and other disadvantaged groups, in the decision-making processes related to the manufacturing sector is crucial for sustainable and inclusive growth.

In the sector, targeted skills programs are vital for empowering disadvantaged groups, including women, youth, the poor, and displaced people. These programs may focus on technical skills relevant to industries like textile production or handicrafts, bridging the gap between skills and industry demands. Additionally, advocating for fair hiring practices ensures equal opportunities, while improving access to market

information enables small-scale manufacturers from marginalized backgrounds to thrive in competitive markets. Through these efforts, the sector can drive economic inclusion and resilience, uplifting marginalized communities and advancing regional development.

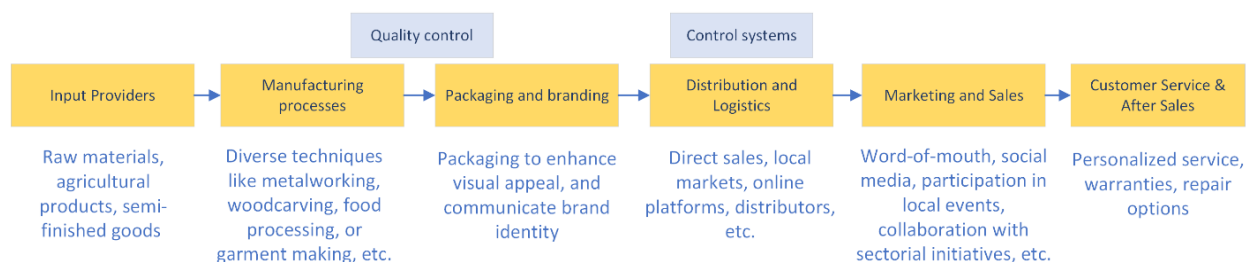
Moreover, the innovative and upgraded approaches in the sector can also be a good opportunity for displaced people to find job opportunities. During the KIIs different stakeholders mentioned the opportunity and importance of establishing assembling centers, and logistics centers which will foster the whole economy, thus creating employment opportunities in different sectors as well. Establishing assembling and logistics centers could create specific job opportunities suited for individuals with diverse skillsets, potentially benefiting displaced individuals with relevant experience.

7.2 Market Systems and Constraints

7.2.1 Structure of Core Market System

Some of the main directions in manufacturing and production in Syunik include mining, agricultural processing, construction materials, including doors, windows, furniture, textile and apparel, electronics, machinery, and renewable energy. In Syunik, the production of teas, herbs, pottery, milk processing, berry cultivation, stone production, and water bottling are relatively prospective fields to be considered for the development of the region, only a few small productions exist. Some of the sectors with potential for development include dairy production and carpet making, with additional opportunities in wool processing and the light industry, particularly textiles and not only. These activities are concentrated in Kapan and Goris, reflecting the region's specialization. Agriculturally, Syunik holds promise for high-value crops, greenhouse farming, and winemaking. Agro-greenhouses for food production and the recognition of Goris beetroot acid underscore the region's potential. Post-war developments, such as granule fodder factories, can contribute to effective grass residue utilization and rabbit farming.

Figure 15: Value Chain for Manufacturing



The mild natural conditions, which exist in Syunik are creating favorable conditions for the growth of quality fruits and vegetables, meanwhile, mountainous relief allows quality grass production, which contributes to quality milk and dairy products.

The establishment of logistics centers with laboratories is seen as crucial to streamline production processes and enhance distribution efficiency, which was already mentioned in the agriculture sector. Simultaneously, efforts to explore dry production and strengthen the textile industry represent promising avenues for economic growth in the region. Furthermore, the creation of a canning factory holds significant potential for expanding Syunik's food processing capabilities.

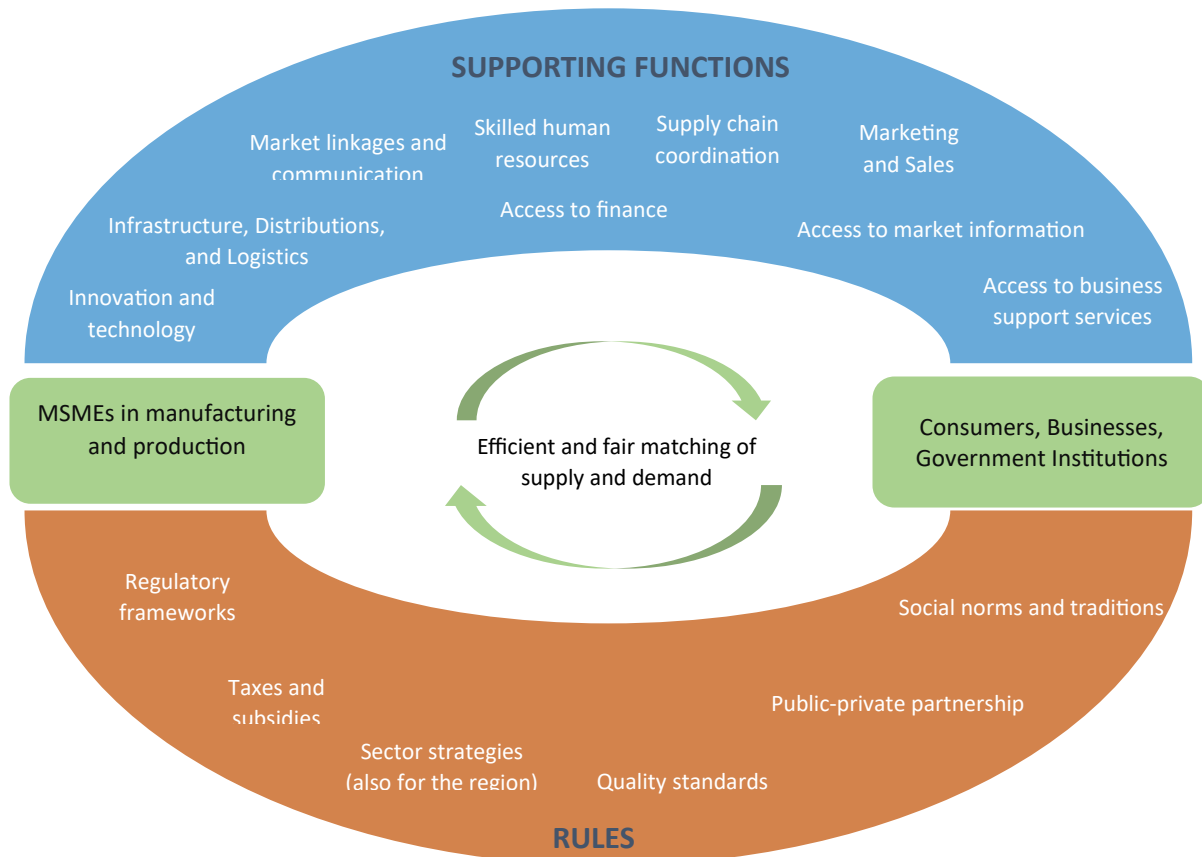
While the Project may not directly encompass the mining sector, numerous industries in Syunik thrive by supplying goods and services that are demanded by the employees of the mining activities. This diverse ecosystem includes suppliers of cleaning products, coffee, furniture, food, appliances, and more.

The manufacturing value chain is where local resources are transformed into unique products through skilled craftsmanship.

Quality control ensures consistency, while packaging and branding enhance appeal. Distribution channels like direct sales, markets, and online platforms connect them to customers, supported by effective marketing and attentive after-sales service. This journey relies on interconnected systems like finance, labor, and support services, facing challenges like resource limitations and skill gaps.

7.2.2 Key Market Functions and Rules

Understanding the core functions and rules governing the manufacturing and production market system in Syunik is crucial for identifying opportunities and addressing challenges faced by MSMEs, particularly women and socially excluded groups.



Innovation and Technology: Syunik's manufacturing sector grapples with limitations in innovation and technology adoption. There is a shortfall in research and development investment tailored to local needs and resources. The slow adoption of new technologies among MSMEs is attributed to factors such as a lack of awareness, training, or funds to integrate modern tools and processes. KI participants many times mentioned the essential need for technological upgrades in manufacturing.

Access to Finance: Access to finance remains a significant constraint for MSMEs in Syunik. The sparse services and financial products offered by different financial institutions, including banks and microfinance institutions in rural areas, restrict MSMEs' access to crucial financial resources. Stringent lending criteria, complex loan procedures, high collateral requirements, and risk aversion among lenders further limit financial access. Low financial literacy among MSMEs exacerbates these challenges.

Skilled human resources: The manufacturing and production sector in Syunik faces substantial workforce challenges and skill gaps, as revealed in both the KIIs and the MSME survey. The ongoing phenomenon of

brain drain, where skilled youth migrate to urban areas, has depleted the pool of qualified workers in Syunik, impacting the overall competence of the labor force. Vocational training programs currently in place encounter limitations in addressing the specific skill needs of MSMEs across various sectors. Furthermore, there is a notable knowledge gap concerning modern technologies among MSMEs, hindering their capacity to adopt innovations for improved operational efficiency and productivity.

Infrastructure, Distribution, and Logistics: Challenges in infrastructure, distribution, and logistics pose significant obstacles to Syunik's manufacturing and production sector. Poor road conditions, especially in rural areas, impede the efficient transportation of goods. An unreliable energy supply, marked by power outages and voltage fluctuations, disrupts production and storage processes. Limited storage facilities, including modern warehouses and cold storage, contribute to product spoilage and losses, particularly affecting the food processing sector. The high logistics costs, driven by limited competition and inefficient logistics networks, further burden MSMEs.

Market Linkages and Communication: Inadequate information sharing, and weak business networks hinder market linkages and communication for MSMEs in Syunik. There are limited platforms for MSMEs to connect with buyers, suppliers, and potential partners. Collaboration and knowledge exchange among MSMEs are insufficient.

Marketing and Sales: Marketing and sales face hurdles in Syunik, including weak brand awareness, limited marketing skills, and inadequate access to distribution channels. Syunik-made products often lack strong brand recognition, and MSMEs may struggle with product positioning, branding, and effective marketing strategies. Difficulties in reaching wider markets beyond local communities and traditional outlets further constrain market access.

Access to Market Information: The scarcity of reliable data and limited accessibility to information present challenges in accessing market information. Lack of comprehensive market research, sector-specific analysis, and up-to-date information on trends hinder MSMEs' ability to make informed decisions.

Supply Chain Coordination: Weak linkages between actors and informal arrangements characterize supply chain coordination challenges. Limited collaboration and coordination among raw material suppliers, producers, and distributors hinder the optimization of supply chain processes. Additionally, MSMEs may lack the expertise required for effective supply chain management practices and skills.

Access to Business Support Services: MSMEs in Syunik encounter challenges related to access to business support services. There is insufficient availability of affordable legal, accounting, consulting, and technical support services.

Regulatory Frameworks: Refers to the set of formal regulations and policies governing the operations of MSMEs in manufacturing and production¹⁹.

Taxes and Subsidies: Constraints related to taxes and subsidies include limited tax incentives for MSMEs in manufacturing and complex tax procedures. There is a lack of sufficient tax breaks or benefits targeting the manufacturing and production sectors. Additionally, existing subsidy programs²⁰ may not always effectively support the needs of MSMEs in Syunik or have limited awareness among the target groups.

Sector Strategies: Encompasses strategic plans and initiatives designed to promote growth and development within the manufacturing and production sector, considering the specific needs and opportunities in Syunik.

Quality Standards: Constraints related to quality standards include limited enforcement and awareness. Existing quality standards may not be rigorously enforced, raising concerns about product quality and consistency. MSMEs may not be fully aware of quality standards or how to comply with them, adding another layer of challenge for businesses in ensuring product quality and meeting standards.

Public-Private Partnership: Involves collaboration between government institutions and private businesses, including MSMEs. Such partnerships aim to leverage combined resources and expertise for mutual benefits and sustainable development.

Social Norms & Traditions: Social norms and traditions in Syunik significantly shape the manufacturing and production sector. While trust, reciprocity, and community reputation are vital for facilitating transactions, challenges arise from unequal power relationships and traditional hierarchies. These dynamics can distort fair access to resources, particularly disadvantaging women, and disadvantaged people.

7.2.3 Dynamics and Performance of Core Market System

The manufacturing and production sector in Syunik faces multifaceted challenges that impede its ability to generate income and opportunities for target beneficiaries. According to the conducted survey and secondary data review, access to finance emerges as a prominent problem within the production sector, presenting a constraint that hampers growth. The substantial need for capital resources, including machines, technologies, and equipment, creates hurdles for manufacturers in securing the necessary financial support to remain competitive and thrive in the market. Also, the constant and rapid pace of technological change poses a significant constraint for manufacturers in the industry, as staying updated and integrating new technologies can be challenging and resource intensive.

The reluctance to pursue growth among businesses in the region is largely attributed to the tax structure, which gets higher based on the turnover and the limited availability of tax services. Many enterprises

¹⁹ Ministry of Economy, [Production capacity building and improvement arrangement](#)

²⁰ Program on “Construction or re-construction of small and medium “smart” cattle houses and state assistance for their technology provision”, Program on state assistance for introduction of small and medium-sized greenhouses

prefer to operate discreetly avoiding expansion and remaining in the shadows due to uncertainties, fears, lack of skills, and lack of connections in Yerevan. The prevalence of businesses operating in the shadows becomes a barrier when attempting to participate in programs. The lack of a robust business history from a formal standpoint limits their eligibility for various initiatives and support mechanisms.

The challenge faced by MSMEs in the region is primarily attributed to its considerable distance from the capital, resulting in insufficient local infrastructure and logistical hurdles to mitigate dependence on Yerevan. Specifically, obtaining raw materials often necessitates sourcing them from Yerevan and subsequently transporting the finished goods back to Yerevan for a larger market. This logistical process significantly elevates transportation costs, thereby increasing the overall production cost and rendering the products less competitive in the market.

The region's border with Iran presents a strategic opportunity for export, particularly to Tabriz. The fact, that interstate road passes through the Syunik region, enables the possibility of the export of manufacturing products to Iran. Obtaining organic production certification is challenging, and support in this regard can enhance export capabilities.

Quality concerns and the need for updated machinery further hinder progress. The government has instituted a program that provides financial support for the establishment of factories, covering some infrastructure costs such as water and gas facilities.

As the production volumes are low, collaborative initiatives for co-production are encouraged, where available space will allow small productions to rent space, fostering a dynamic and interconnected manufacturing ecosystem.

Sisian, though currently limited in manufacturing, offers potential for non-food product production. Rangeland management and addressing livestock industry challenges are crucial for sustainable development, particularly considering the impact of pasture unavailability resulting from the Artsakh conflict. Beyond traditional industries, Syunik's manufacturing landscape includes confectionery production, livestock breeding, and fodder production. Moreover, the region is poised for growth in the production of metal structures and building materials.

Syunik's manufacturing sector faces significant hurdles when it comes to exporting its goods to international markets. A lack of knowledge regarding export procedures and requirements poses a major challenge for local processors. Essential aspects like documentation, labeling, product certifications, and quality standards demand specific expertise, making navigating the export landscape a complex endeavor. Moreover, the sector contends with volatile demand fluctuations in international markets. Unpredictable shifts in demand, coupled with political instability in certain regions, can disrupt market conditions. This volatility often leads to unsold goods flooding the local market, causing price fluctuations and hindering growth prospects for manufacturers. To address these challenges and foster growth in Syunik's manufacturing exports, targeted strategies are necessary. Encouraging participation in specialized export

training programs and engaging consultancy services with expertise in target markets can help bridge knowledge gaps. Additionally, fostering collaboration among industry associations and government agencies to offer workshops and resources on export compliance and market-specific regulations is crucial.

In mitigating volatile demand, conducting thorough market research to identify stable markets with less political volatility is essential. Furthermore, focusing on niche offerings or value-added products with consistent demand can help reduce reliance on volatile markets. Establishing direct relationships with importers or distributors in target markets can provide valuable insights into demand trends and fluctuations, enabling manufacturers to adapt their production strategies accordingly. It is also crucial to support the locals to sell their products in the other regions of Armenia.

Additional considerations include exploring efficient logistics solutions, securing favorable transportation partnerships, and developing strong branding and marketing strategies tailored to specific export markets. By implementing these strategies, Syunik's manufacturing sector can navigate the export landscape more effectively and achieve sustainable success in local and international markets.

A good success story for study visit could be Marilla dairy company in Syunik. Marilla has become a leading dairy producer in Armenia, renowned for its high-quality products and commitment to innovation. They boast a diverse range of offerings, from classic yogurt and cheese to flavored varieties and value-added products like spreads and drinks. Marilla's success hinges on several factors: sourcing fresh milk from local farms, implementing modern production technologies, prioritizing strict quality control, and building strong brand recognition through creative marketing. They've not only captured a significant share of the domestic market but also export their products internationally, contributing to Armenian economic growth and showcasing the quality of Armenian dairy production.

Similarly, in Como, Italy, the textile production industry serves as a prime example of successful collaboration throughout the value chain. Como is renowned for its high-quality textile production, with SMEs collaborating seamlessly from yarn production to finished garments. This cluster approach has fostered innovation, specialization, and access to global markets for Como's textile industry. For stakeholders in Syunik engaged in textile production or garment manufacturing, a visit to Como could provide invaluable lessons in cluster development, collaboration models, and strategies for accessing high-end markets.

One village one product well-known approach can also be a case to be implemented in Syunik. For instance, Okazaki, Japan, transformed its struggling miso production through OVOP. Producers collaborated to define quality standards, modernized facilities, developed a distinct brand, and leveraged targeted marketing. This resulted in tripled sales, job creation, heritage preservation, and community pride. Syunik can glean valuable lessons from this success story as it explores implementing its own OVOP initiative, focusing on a product with cultural significance and potential for value addition, while prioritizing community engagement, quality control, and traditional practices.

Recognizing the multifaceted demands of the sector, there is an urgent need for skills enhancement in management, marketing, production, sales, and soft skills. Strengthening the linkage between sales and the market, ensuring access to resources, and facilitating the establishment of new MSMEs are crucial for fostering a resilient and thriving manufacturing and production sector in Syunik. Additionally, fostering linkages with the market, ensuring access to crucial resources, and supporting the growth of new MSMEs will be pivotal in driving the sector towards sustained success and prosperity.

Gender and Social Inclusion (GSI):

In Syunik's manufacturing and production sector, the dynamics of gender and social inclusion call for targeted interventions that address the challenges faced not only by women but also by the poor and displaced individuals. Beyond the brain drain affecting the skilled workforce, women face unique challenges, including limited access to information and discriminatory practices. Cultural norms and biases may restrict women's participation in the workforce and hinder their access to resources and opportunities. Vocational training programs must be designed with a gender-sensitive approach to ensure they address the specific needs and aspirations of women in the sector. Additionally, policy initiatives promoting equal opportunities, combating gender biases, and actively involving women in decision-making processes can contribute to a more inclusive and diverse manufacturing environment. Additionally, insufficient business development and marketing support further marginalize them, impeding their ability to establish and scale up businesses. Gender stereotypes and limited access to networks compound these challenges, affecting financial management, marketing, and overall market competitiveness. Beyond women, individuals living in poverty face their own set of challenges within the manufacturing sector. Financial constraints and limited awareness often preclude them from accessing valuable training programs, thereby restricting their ability to acquire the skills needed for higher-paying jobs and generating sustainable income. Even basic logistical hurdles like transportation and childcare can present insurmountable obstacles to their engagement in the manufacturing workforce. Individuals displaced from Artsakh bring an additional layer of complexity to the GSI picture. Unfamiliarity with the local job market, potential lack of formal documentation, and cultural adaptation barriers add another layer of difficulty, making integration into the existing workforce challenging.

Governance Related Issues:

Governance-related challenges within Syunik's manufacturing sector demand a nuanced approach to sustainable solutions. The complexity of regulations and bureaucratic hurdles disproportionately affects small businesses, particularly those operating informally. Enhancing transparency and simplifying regulatory frameworks can create a more conducive environment for MSMEs to formalize their operations. Moreover, there is a need for a collaborative effort to address compliance costs, ensuring that regulations are not overly burdensome for smaller enterprises. Inclusive policymaking, involving stakeholders from diverse backgrounds, can lead to regulations that consider the unique challenges faced by different groups within the manufacturing sector. Regular monitoring and evaluation mechanisms should be instituted to ensure that governance-related interventions effectively promote a fair and inclusive marketplace for all.

7.2.4 Main Interconnected Markets

The Raw Materials and Supplies Market

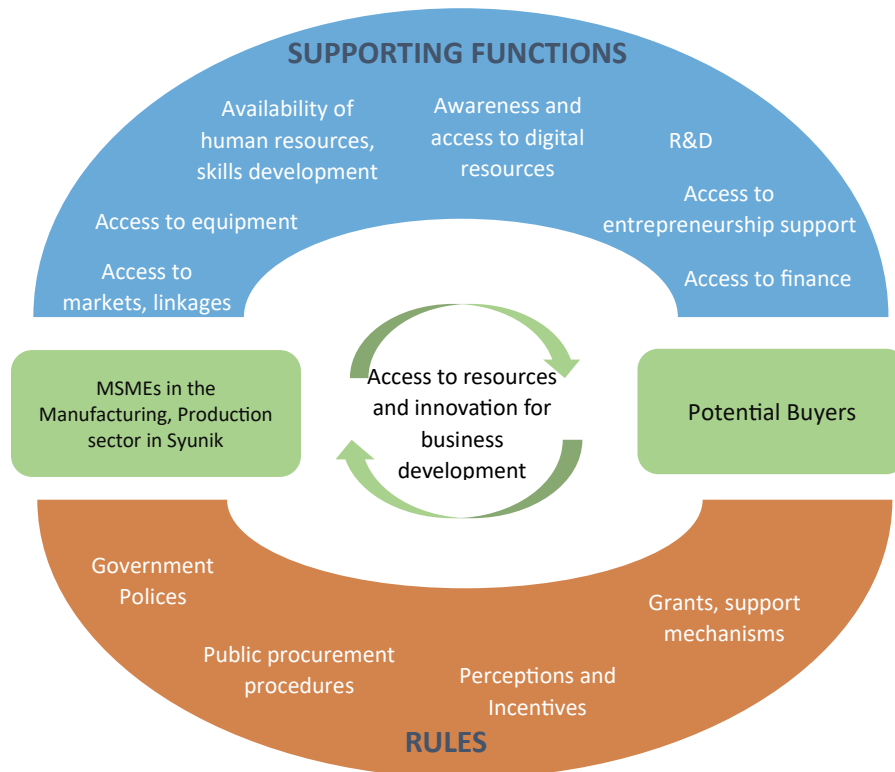
External Dependence: Syunik's manufacturers grapple with heavy reliance on external sources for raw materials, exposing them to price fluctuations and logistical challenges. This dependence is rooted in a lack of investment in local infrastructure and supplier development, a shared responsibility between the government and the private sector.

Fragmented Infrastructure: Inefficient distribution networks and subpar transport infrastructure add costs and delays to the supply chain. Contributing factors include inefficient logistics companies and insufficient government investment in infrastructure. The lack of competition in logistics and limited government budgets exacerbate these challenges, requiring concerted efforts to improve efficiency and reduce delays.

Technology and Innovation

Syunik's manufacturing sector faces obstacles in technological advancement, primarily due to limited access to modern equipment and software. Financial constraints and a lack of technology transfer mechanisms contribute to this exclusion. The scarcity of investments in research and development (R&D) stifles the creation of local solutions, fostering dependence on imported technologies. Collaboration between industry, academia, and research institutions is crucial to stimulate innovation and drive R&D investments. Targeted training programs can equip the workforce with the skills required to operate cutting-edge technologies, unlocking Syunik's potential for technological progress.

KII results reveal that to ensure sustainable growth and tap into new markets, there is a crucial need for continuous upgrades and a strategic level-up of the existing MSMEs. This includes advancements in technology to bolster the online platform's efficiency and user experience.



Continuous upgrades, particularly in technology, are essential to enhance online platforms' efficiency and user experience. Additionally, stakeholders emphasized the need for awareness campaigns promoting the significance of upgrades and innovation for MSMEs' development. Interviews highlighted the potential establishment of an assembling center, leveraging Syunik's geographical location, border proximity with Iran, and the North-South highway. Creating

awareness about trending and future-oriented businesses could foster the establishment of new ventures. For instance, the focus could be on household electronics, tools, and rural equipment. This approach involves importing spare parts and assembling products like refrigerators and washing machines on-site for local and EAEU markets, especially considering the Iran-EAEU agreement. This initiative has the potential to catalyze improvements in various sectors. It would spur the development of roads, the creation of logistics centers and warehouses, and enhancements to internal infrastructure. Additionally, it could lead to the establishment of laboratories, hotels, and improved transport services. This holistic approach has the potential to not only boost the manufacturing sector but also stimulate overall economic growth in the region. Another innovative idea involves shared spaces where small producers collaborate and share equipment, promoting a collaborative and resource-efficient environment for MSMEs in the region.

The limited access to resources and linkages for business development in Syunik obstructs the ability of these MSMEs to connect with potential buyers, secure necessary resources, and scale their operations, thereby impeding the overall growth of the manufacturing sector in the region. The disconnect is rooted in various factors, notably the fragmented nature of market networks. MSMEs face difficulties in establishing reliable connections with suppliers, customers, and collaborators, hindering their operational efficiency. Human resource limitations further compound the challenge. The skills gap in the sector creates hurdles for MSMEs in finding qualified personnel with the requisite technical expertise. This not only hampers project development and maintenance but also restricts their adaptability to evolving market

demands and technologies. Limited awareness and access to digital resources exacerbate the problem, leaving MSMEs uninformed about potential technologies, funding opportunities, and market trends.

To address this multifaceted challenge, a collaborative effort involving various stakeholders is essential. Government intervention is crucial, requiring streamlined public procurement procedures, prioritization of local companies in contract awards, and the implementation of clear and transparent regulations around market linkages and collective purchasing initiatives. The existing disconnect between Syunik's manufacturing MSMEs and essential resources acts as a hindrance to progress. Without adequate access to markets, skilled personnel, and financial support, the engines of these businesses sputter and stall.

Energy and Utilities

The reliability challenges in energy and utilities require a targeted approach to alleviate constraints. The dependence on variable-cost energy sources and an erratic power supply disrupts production and planning. Inadequate water resources and inefficient waste management systems raise environmental concerns and operational costs. To overcome this, there is a need for investment in renewable energy sources and improvements in energy utilization practices by manufacturers.

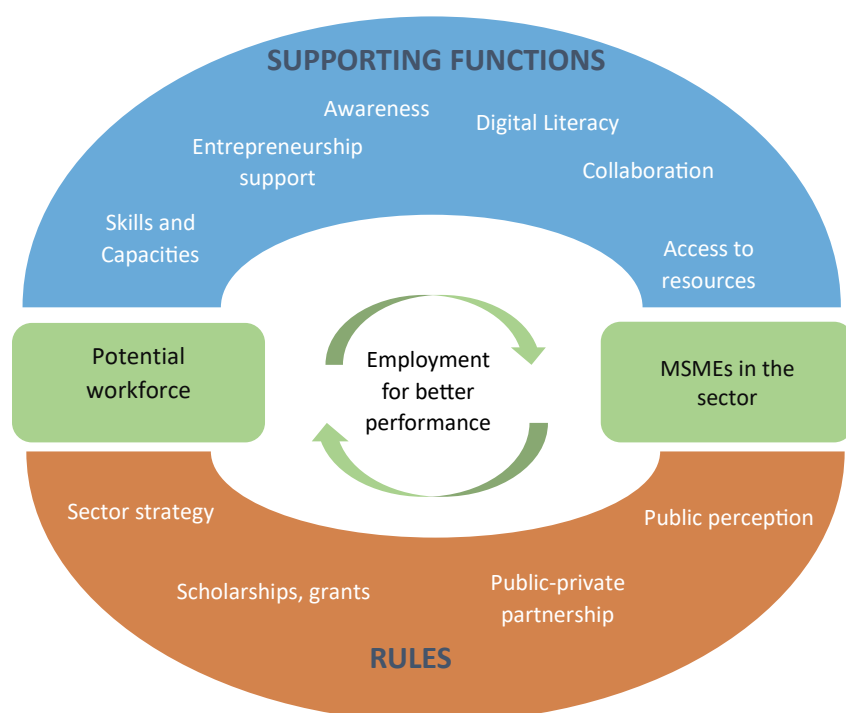
The Labor Market: Skills and Opportunities

The talent drain, particularly of skilled youth seeking opportunities in urban areas, creates a notable shortage in Syunik's workforce. Outdated vocational training programs exacerbate the issue, leading to a mismatch between worker skills and industry demands. Geographical isolation and limited transportation connections further restrict access to employment opportunities, disproportionately affecting rural populations and women. Additionally, the prevalence of informal employment practices exposes workers, particularly women, to precarious conditions. Revitalizing vocational training programs, improving infrastructure, and regulating employment practices are essential steps, with educational institutions and relevant governmental bodies.

Craft development remains a crucial concern, notably as manufacturing companies express a heightened demand for skilled craftsmen. Stakeholders interviewed during the research emphasized the need for skilled craftsmen who bring unique craftsmanship and specialized skills, essential for producing high-quality and distinctive products. To address this challenge, implementing targeted vocational training programs, providing scholarships and grants, and fostering public-private partnerships are key initiatives. These efforts can enhance craftsman skills, create platforms for showcasing their work, and support an environment that values both traditional and innovative craftsmanship. Additionally, shaping a positive public perception of craftsman work is vital to attracting more individuals to pursue careers in craftsmanship and contribute to the growth of the manufacturing sector. This approach not only bolsters industry growth but also preserves cultural heritage, ensuring a vibrant and diverse manufacturing

landscape. It is one of the greatest opportunities to create job opportunities for women and displaced people.

Although some colleges in the region propose skills development and education in various directions, the upgrade in curricula and teaching methods and new directions is needed. Few private training providers offer on-site trainings in Syunik. Additionally, traditional gender roles discourage women from pursuing technical careers, further contributing to the sector's workforce imbalance.



Moreover, a significant constraint lies in MSMEs often not realizing the need for new technologies, sales strategies, employees and updated skills and knowledge. Awareness-raising campaigns about the importance and benefits of upgrading practices become crucial to overcome this challenge. These campaigns can empower MSMEs to embrace innovation and modernization for sustained growth in the rapidly evolving market landscape.

7.3 Current and Future Situation

7.3.1 Sustainability Matrix for Current and Future Situations

Table 4: Sustainability Matrix for current and future situations, Manufacturing

Function	Who does	Who pays	Who will do	Who will pay	Role of Women/ Socially Excluded
CORE FUNCTIONS					
Efficient and fair matching of supply and demand in manufacturing	Individual MSMEs in manufacturing, limited product diversity, focus on local	Individual MSMEs, consumers pay for access to markets.	Collaborative networks produce innovative, value-added products for wider markets, technology providers help in innovation.	Grants, public-private partnerships, shared resources, cooperatives, associations,	Inclusive access for women and youth to information and opportunities. Bridging skills gap

	markets, and limited training providers offer courses with few innovative businesses	Associations and NGOs provide support with not a very certain vision	Associations support in creating linkages for MSMEs. New businesses are established. Training providers offer affordable, demand-driven courses, business support organizations provide support services	consumers, financial institutions, and MSMEs in the sector	for women and socially excluded groups. Expanded market reach will open new opportunities for the target group
SUPPORTING FUNCTIONS					
Access to resources and innovation for business development	Research institutions & universities. Financial institutions (loans, grants) Private sector companies that are skilled and active in communication	Public initiatives, Private companies in the sector, limited cooperatives	Existing manufacturers seeking to innovate Industry experts & mentors. Associations will support MSMEs to collaborate, ICT companies will be engaged in automation and innovation, and Business support offices will develop and offer support services. MSMEs will collaborate and with the engagement of all actors create either an assembling center, use shared equipment and facilities, or develop joint, new products, packages, etc.	Government & private sector procurement policies prioritizing sustainable considerations. R&D investment Private investors Associations MSMEs Financial institutions, leasing companies	Increased participation in innovation programs & access to funding Entrepreneurial Opportunities & leadership Roles in innovative businesses
Skilled workforce through tailored training and consulting programs	Training providers & educational institutions provide a limited range of training programs, industry experts & professionals, and NGOs (community outreach) provide some capacitation training in the	Government (funding, skills gap analysis) Private sector (co-funding, apprenticeship programs) Individual participants (tuition fees)	Training institutions, universities, and colleges with the engagement of the private sector update/develop industry-aligned training, and scholarship programs. Training providers will have updated training, with innovative approaches and practices, Business Support Service providers will offer capacitation services to MSMEs.	Government policies promoting equal access to training & career advancement. Private sector (co-funding, apprenticeship), more MSMEs will be incentivized to upskill their employees. More individuals (tuition fees) will be enrolled in	Increased participation in training programs & upskilling Leadership roles in training institutions & consulting firms Inclusive training programs

	frame of development projects		NGOs and individual experts will provide demand-driven training	courses for wider employment opportunities.	
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7.4 Sector Strategy

7.4.1 Overall Strategy

The overarching strategy for Syunik's manufacturing sector revolves around two interconnected interventions aimed at catalyzing transformative changes.

Intervention 1 focuses on competition for Technological Advancement, seeking to bridge the existing technology gap, enhance market linkages, and boost workforce skills. This collaborative approach, led by a diverse consortium including government agencies, industry associations, research institutions, NGOs, and MSMEs, aims to create a synergistic ecosystem. The envisioned outcomes include improved technological infrastructure, efficient market networks, and an empowered workforce capable of driving innovation and sustainable growth.

Intervention 2, titled Empowering the Labor Market, targets the development of a dynamic and inclusive labor market. Collaboration among government agencies, educational institutions, NGOs, the private sector, and craftsman associations aims to address the skills gap, enhance employment accessibility, and empower craftsmen and MSMEs. The strategy foresees a skilled workforce, an accessible job market, and a thriving craftsman sector contributing to a vibrant and diverse manufacturing landscape.

These interventions anticipate several positive outcomes for the manufacturing sector. Sustainable growth will be driven by improved technological capabilities, a skilled labor force, and enhanced entrepreneurship. Syunik is envisioned as an innovation hub where collaboration and knowledge-sharing stimulate local research and development. The revitalized labor market ensures inclusivity, offering opportunities for both rural and urban populations, and promoting gender diversity in technical careers.

As the interventions progress, the strategy emphasizes a shift towards local governance for long-term sustainability. Success stories, collaborative platforms, and strategic partnerships developed during the interventions will contribute to creating a self-sustaining ecosystem, maximizing the positive impact on Syunik's manufacturing sector.

7.4.2 Proposed Interventions

INTERVENTION 1 Coopetition (Cooperation instead of competition), Building a Synergistic Ecosystem

The Change: The intervention focuses on driving growth through collaboration and innovation in Syunik's fragmented and technology-deficient manufacturing sector. It aims to bridge the technology gap, enhance market linkages, and promote knowledge sharing.

The Partners: A diverse consortium involving government agencies, industry associations, research institutions, NGOs, and business support organizations will collaboratively drive the change. Close collaboration with MSMEs in manufacturing is also crucial.

The Model: A sustainable model involves membership fees, project grants, public-private partnerships, and a shared facility model, ensuring long-term impact and financial sustainability. By facilitating financing options for advanced equipment, establishing collaborative platforms for knowledge exchange, and supporting local research initiatives, the intervention seeks to modernize and innovate Syunik's manufacturing sector. Developing online/offline platforms, implementing collective purchasing initiatives, and streamlining public procurement procedures will strengthen connections, boost efficiency, and enhance competitiveness. One of the ideas could be the establishment of an assembling center, having in mind the availability of supply of raw materials from Iran. Moreover, an option can be the creation of a shared infrastructure, a place where different MSMEs can have access to several technologies, and equipment for their business advancement. Tailored training programs, knowledge-sharing platforms, and collaboration with educational institutions will upskill the workforce and facilitate adaptation to evolving technologies and market demands. Another idea could be the establishment of joint or new products and packaging, where several MSMEs can join their capacities and produce on large scales with access to wider markets. The intervention anticipates increased productivity and competitiveness, boosts innovation, unlocks economies of scale, and promotes sustainable growth through resource efficiency and local production. The model gives the opportunity to create new businesses in processing, production, service provision.

Barriers: Overcoming challenges such as initial investment, market fragmentation, and skill gaps is critical for successful implementation. It is also a barrier to find the barrier MSMEs with the incentive to collaborate within the model.

Facilitation: To overcome barriers such as initial investment and market fragmentation, the intervention will employ a multi-faceted facilitation approach. Research and business support organizations can be engaged to conduct a thorough market analysis to reveal the exact directions of collaboration and develop the business model, financial planning, business plan for the initiative to be established. Collection of proposals for the establishment of either an assembling center or shared equipment center or common packaging and distribution center can be the next step to facilitate the change. Seed funding and grants will be provided to incentivize MSMEs to participate in collaborative ventures and adopt innovative technologies. Trust-building activities, such as workshops and networking events, will create an environment conducive to cooperation among diverse stakeholders. Capacity-building programs will be implemented to enhance the skills of MSMEs and enable them to fully leverage the opportunities presented by the intervention. Additionally, the establishment of resource platforms will provide MSMEs with access to valuable information, expertise, and support services, further facilitating their engagement in collaborative initiatives. The project will play a pivotal role in facilitating and creating linkages among

MSMEs and investors in the manufacturing sector to co-invest in the establishment of joint businesses. This may include initiatives such as assembling centers or centers for shared equipment and facilities, where multiple MSMEs can access resources and infrastructure to enhance their operations collectively. Additionally, the project will encourage collaborative efforts in joint branding and packaging, allowing MSMEs to leverage their combined strengths and resources to access wider markets and increase competitiveness. By fostering these strategic partnerships and collaborative ventures, the project aims to address barriers to growth and innovation while promoting synergy and mutual success within Syunik's manufacturing sector.

Exit Strategy: As the intervention progresses, success stories of MSMEs that have benefited from technological advancements and collaborative ventures will be actively showcased to inspire others and demonstrate the potential for growth and innovation within the sector. Efforts will be made to encourage the replication of the model, potentially through the establishment of industry associations or chambers of commerce dedicated to promoting collaborative practices and knowledge-sharing. Moreover, partnerships with key stakeholders will be cultivated to ensure the sustainability and scalability of the initiatives beyond the intervention period. As more MSMEs join the collaborative ecosystem, the momentum toward collective success will continue to grow, driving sustained growth and prosperity in Syunik's manufacturing sector.

INTERVENTION 2 Building a Thriving Labor Market in Syunik's Manufacturing Sector

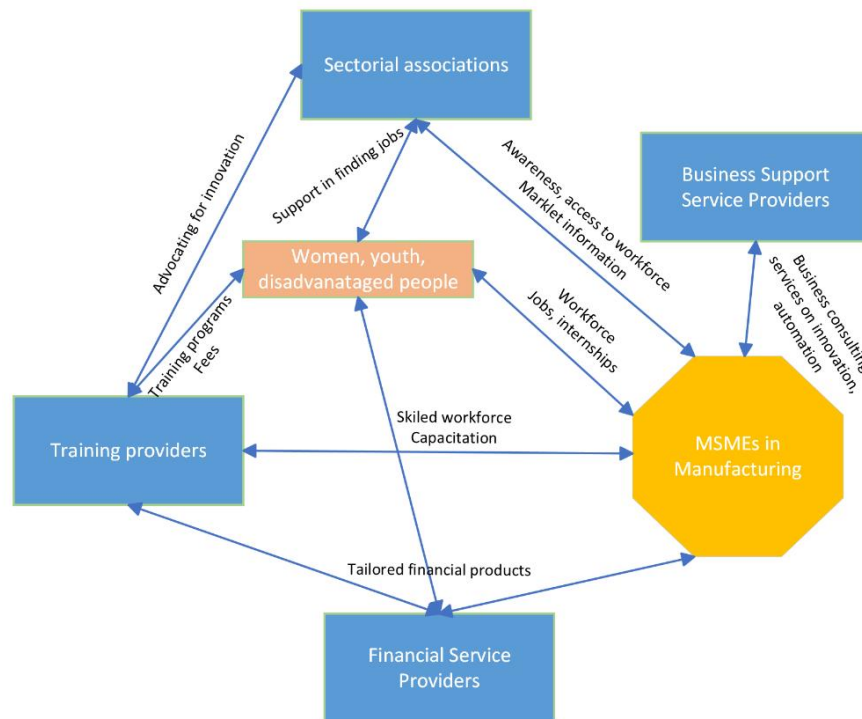
The Change: The intervention is designed to usher in a transformative shift in Syunik's manufacturing sector, focusing on three pivotal areas: bridging the skills gap, enhancing access to employment, and empowering craftsmen and MSMEs. The overarching objective is to cultivate a dynamic and inclusive labor market that not only fosters skills development but also provides ample employment opportunities and nurtures entrepreneurship within the sector.

The Partners: Educational institutions (formal and non-formal) collaborate closely with industries to modernize curricula and foster research partnerships. Sectorial associations and Business Support Organizations will actively contribute to skills development and enhance access to employment. The private sector will bring its expertise to the table, participating in curriculum development and providing valuable opportunities through internships and job placements. Craftsman Associations and Cooperatives will champion the interests of craftsmen, facilitate knowledge-sharing, and establish vital connections with market opportunities. Financial service providers will offer affordable resources for skills development.

The Model: This transformative model relies on the collaborative synergy between partners. Educational institutions, in collaboration with industries, co-create relevant curricula, ensuring a skills match. NGOs, associations, and Business Support Organizations play a pivotal role in fostering skills development and connecting individuals with employment opportunities. They also play a crucial role in raising awareness about the benefits of skills upgrades, the need for skilled professionals in companies, etc. The private

sector actively engages in curriculum development and provides real-world experiences through internships. Craftsman Associations and Cooperatives are being capacitated to contribute by preserving traditional craftsmanship and connecting craftsmen with market opportunities. The emphasis is on a collective model where each partner's role complements and enhances the overall system. It is worth mentioning that the universities, and colleges that are working in Syunik have the potential to provide competitive courses to the target group with the ADA project support. Support to non-formal training providers will also bring its methodology, resources, and expertise and attract more young people to new kinds of learning environments, e.g. partnership with Arhest. am can be one of the opportunities.

Figure 16: Business model for Building a thriving labor market in Syunik's manufacturing sector intervention



Barriers: Several challenges may impede smooth implementation, including outdated infrastructure, traditional gender roles, and resistance to change among MSMEs. A huge barrier, which was also highlighted by education sector representatives is the scarcity of trainers and tutors in the sector-related professions.

Facilitation: To overcome these hurdles and ensure lasting impact, capacity-building initiatives for educators and trainers will be prioritized to ensure they possess the necessary industry-relevant skills to effectively deliver modernized curricula. Investments in training programs and knowledge exchange initiatives will further equip educators with the tools and resources needed to bridge the skills gap effectively. Additionally, platforms for collaboration, networking, and forums will be established to

facilitate ongoing dialogue and knowledge-sharing among craftsmen, MSMEs, and educational institutions with the facilitation of capacitated sectorial associations. These platforms will serve as catalysts for innovation, enabling stakeholders to co-create solutions tailored to the specific needs of Syunik's manufacturing sector. Moreover, proactive communication and engagement with financial institutions will be organized to facilitate access to affordable funds for skills development and entrepreneurship initiatives, ensuring that financial resources are readily available to support the growth and development of the labor market.

Exit Strategy: The intervention's longevity and self-sustainability will be ensured through a strategic transition to local governance of engaged education and skills providers. Key elements of this transition include empowering local education and skills providers to take ownership of the initiatives and partnerships established during the intervention period. This will involve providing them with the necessary resources, training, and support to effectively manage and sustain the programs independently. Moreover, the successful outcomes and benefits of hiring skilled workers in manufacturing MSMEs will be actively showcased to further incentivize local governance and industry stakeholders to continue investing in skills development initiatives. By fostering a sense of ownership and demonstrating the tangible benefits of the intervention, the transition to local governance will facilitate the long-term sustainability of the thriving labor market in Syunik's manufacturing sector.

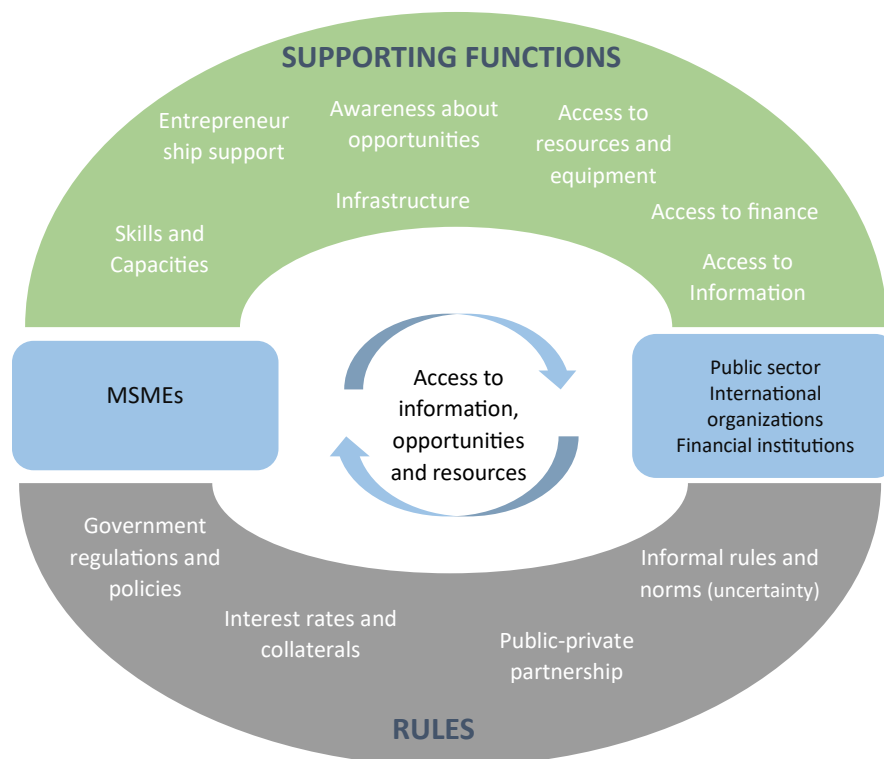
8. Common constraints in the industry and opportunities for interventions beneficial for all the discussed sectors in Syunik

In addition to identifying sector-specific constraints and formulating corresponding interventions, the research unveiled several shared challenges. Insights gathered from market actors across diverse sectors informed the creation of this section, which aims to outline these common constraints and propose potential intervention strategies.

8.1 Market Systems Constraints and Intervention Strategies

Navigating a Maze of Opportunities and Resources through access to Information

In Syunik, a myriad of grants, tenders, partnerships, and events in various sectors, including agro-processing, tourism, and manufacturing, beckon the promise of substantial growth. However, this potential remains obscured by hurdles in access and awareness. Challenges such as information silos, fragmented communication, and low awareness form a formidable maze, preventing many from tapping into these opportunities. Picture a skilled processor with innovative ideas unaware of a government grant that could fuel much-needed expansion or a group of farmers eager to enter the export market but lacking knowledge about trade regulations and potential partners.



This access and awareness challenge paints a challenging picture across sectors. Government agencies, NGOs, and private entities operate independently, each holding valuable information but failing to provide a comprehensive overview. Language barriers and limited digital literacy further hinder access, and many micro-enterprises struggle with complex application processes, missing out on opportunities.

To address this, a fundamental shift is essential. There is a need of a centralized platform—a one-stop-shop where MSMEs from various sectors can easily access accurate, timely information about available opportunities. The platform should be tailored in an inclusive way, with a gender sensitive language.

Government agencies should streamline communication, consolidating details on tenders, grants, and events into a user-friendly, multilingual platform. NGOs and business support organizations can play a crucial role by translating resources, offering application support, and providing tailored capacity-building programs across diverse sectors.

The financial landscape introduces another layer to this intricate maze. While awareness of loan companies, banks, and financial institutions might be high, accessing tailored financing tailored to the diverse needs of small-scale processors, cooperatives, and businesses in tourism and manufacturing remains a daunting challenge. The mismatch between standardized loan models and the unique needs of these entities discourages both immediate growth and long-term investment and innovation.

Collaboration emerges as the key to unlocking the door to financial resources across sectors. Financial institutions must evolve by developing flexible loan products specific to the needs of SMEs in various sectors, offering smaller loan sizes, longer repayment periods, and alternative forms of collateral. Innovative models like microfinance and credit scoring based on business potential can broaden access for smaller players. Building bridges between financial institutions, NGOs, and SMEs across diverse sectors is essential. NGOs and industry associations can raise awareness about available financing options, provide application support, and advocate for tailored products. Government intervention in developing loan guarantee schemes and risk-sharing partnerships with financial institutions can mitigate risk for banks and encourage them to engage with smaller players across sectors.

Envision a scenario where businesses receive targeted notifications about relevant grants, clear guidelines, and application support, perfectly fitting microfinance options across diverse sectors. This vision requires collaborative efforts and commitment across public and private entities, necessitating investments in accessible knowledge platforms, multilingual resources, and targeted capacity-building and awareness-raising initiatives. Only through dismantling information barriers can we illuminate the path to opportunities and unleash the true potential of Syunik's various sectors, including agro-processing, tourism, manufacturing, and beyond.

INTERVENTION 1: Bridging Information Gaps for Access to Opportunities and Resources

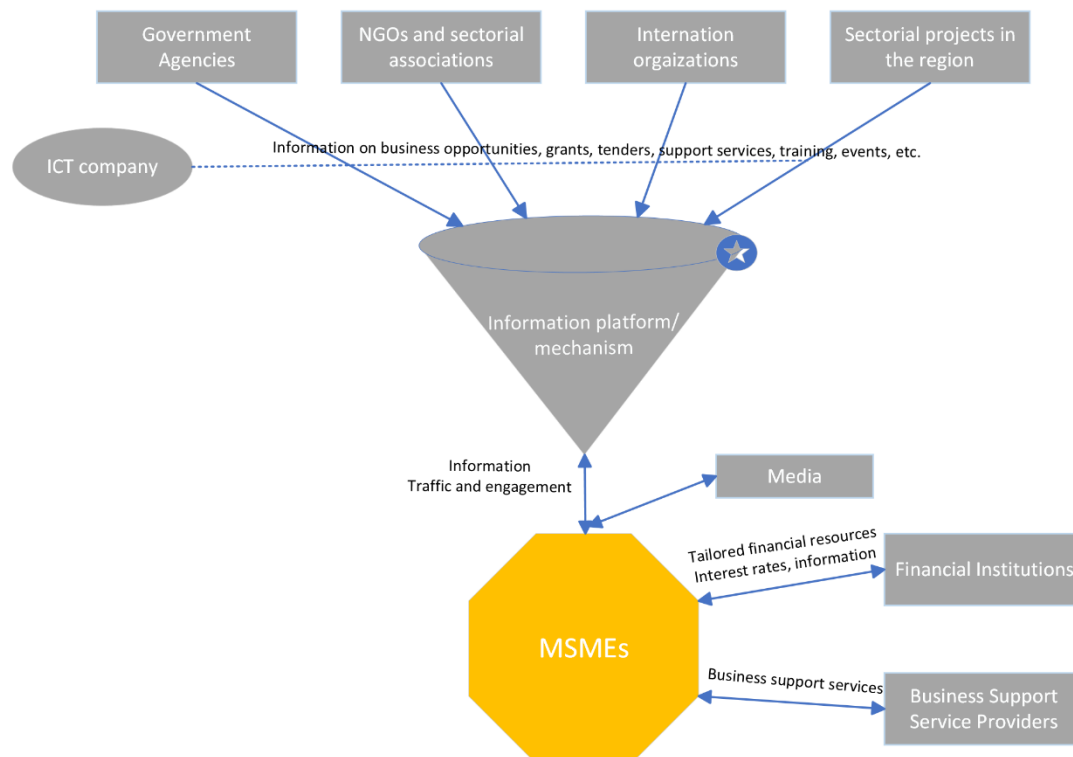
The Change: This intervention tackles information asymmetry and fragmented communication channels across various sectors, including agro-processing, tourism, and manufacturing. It envisions a centralized platform - a one-stop-shop empowering MSMEs, with a focus on women and youth, to access accurate, timely information about grants, tenders, partnerships, and events. One of the commonly identified constraint in all the markets was the access to information, so the intervention is to improve the situation. The goal is to enhance transparency and accessibility, enabling MSMEs to make informed decisions and leverage available resources effectively.

The Partner: A consortium involving Government Agencies, NGOs, and International Organizations collaborates to provide precise information to the platform, emphasizing transparency and inclusivity. ICT

Companies play a pivotal role in developing and maintaining the platform, ensuring user-friendliness and technological relevance. All these actors play a crucial role in raising awareness about the platform and the opportunities. Financial Institutions engage in connecting with SMEs across diverse sectors, offering customized financial products and microfinancing opportunities. Business Support Organizations establish localized branches in Syunik, delivering sector-specific and demand-driven services to MSMEs, specifically supporting to applications for different grants, tenders, support mechanisms and opportunities, developing business development plans, financial forecasting, etc.

The Model: The sustainable business model facilitates collaboration among government agencies, NGOs, international organizations, associations, and ICT companies. This collective effort aims to address information gaps, offering details on projects, funding, grants, accelerators, events, and financial/non-financial support opportunities across various sectors in the Syunik region. Besides having a digital system of having printed versions or screen advertisements (for green practices) about the opportunities in communities, municipalities can also be discussed and established as a practice. Local public media can be one of the channels of information dissemination. Additionally, the model involves working with financial institutions to tailor products, provide microfinancing opportunities, and support MSME development. Establishing branches in Syunik, Business Support Organizations ensure localized and accessible support for sector specific MSMEs, enriching the overall business environment.

Figure 17: Business model for Bridging Information Gaps for Access to Opportunities and Resources intervention



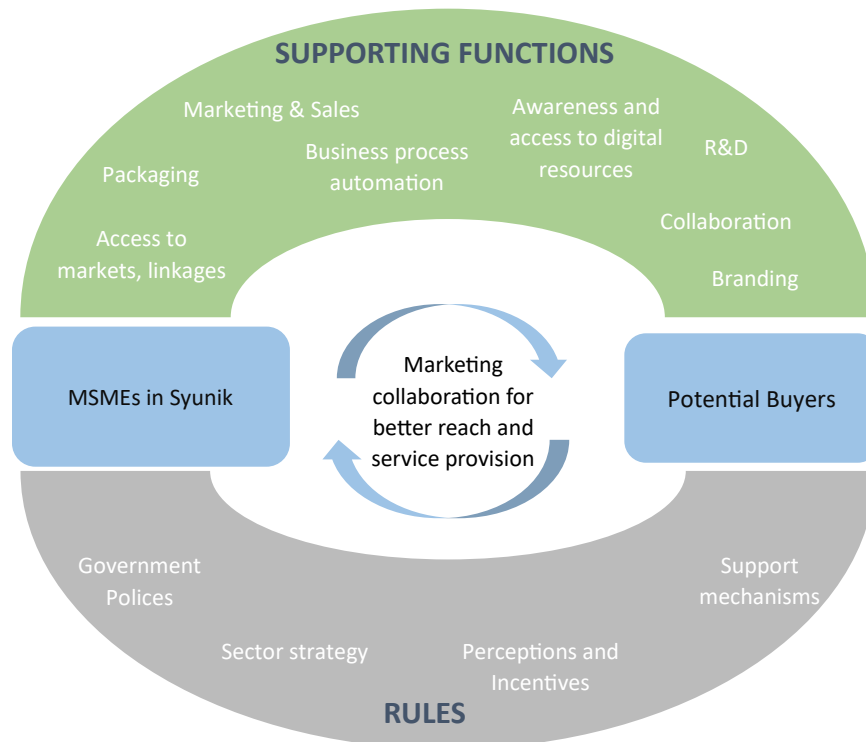
The Barriers: Fragmented communication channels, language barriers, and limited digital literacy hinder MSMEs' access to opportunities. Coordination challenges among entities sharing information may impact the platform's efficiency. Inadequate digital infrastructure and limited Research and Development (R&D) opportunities pose additional constraints. It is also a challenge to define the right stakeholder who can hold the responsibility of leading and managing the platform's efficient work. The project aims to address these barriers through strategic partnerships and focused initiatives.

The Facilitation: The project can facilitate change by collaborating with NGOs, sectorial associations, local government, private sector to develop the centralized platform. Networking, facilitation of communication among these partners can create the ground for collaboration in platform development. The project can co-finance the development of the platform, its PR and marketing. Digital literacy training programs can enhance MSMEs' capabilities, with a special focus on women and youth. Engaging telecommunications companies ensures wider platform accessibility, breaking digital barriers. Local media channels can be utilized for awareness campaigns, promoting the platform's benefits and potential opportunities. Collaboration with financial institutions can result in tailored products and microfinancing options, while networking events foster collaboration and amplify the platform's effectiveness.

The Exit Strategy: As the platform gains traction, the project can gradually transition responsibility to a consortium of stakeholders or a dedicated entity for long-term sustainability. It can also be the local government or a private sector representative. This can be defined during the project based on the incentives of stakeholders. Integrating the platform into existing business support services enhances its reach, and collaborations with telecommunications companies ensure continued digital access. The project's success in fostering collaboration encourages greater scale, making the platform an integral part of the region's diverse MSME ecosystem, promoting collaboration, and providing inclusive access to opportunities across sectors.

Lack of marketing, promotion, and collaboration platform

Producers in Syunik, spanning manufacturing, agro-processing, and tourism sectors, face common challenges in effectively promoting their products and services. The limitations include a lack of expertise in showcasing offerings, restricted visibility, and insufficient access to training and support services, compounded by constrained marketing budgets. Local businesses find themselves grappling with the intricacies of branding, packaging, and online marketing. Lackluster product presentations and faint digital footprints consign their offerings to obscurity. They also struggle with distribution issues, which makes the product's prices higher. Unfamiliarity with consumer preferences leads to products missing the mark. Offerings, tailored for the wrong audience, gather dust on shelves, failing to resonate with potential buyers' desires. MSMEs operating on tight budgets struggle to allocate resources for sophisticated marketing campaigns.



Isolated operations hinder collaboration and cross-promotion. Businesses operate in individual silos, missing out on the synergy and shared wisdom that could propel them forward. During the FGDs, several actors in Syunik mentioned that they brought some raw materials from Yerevan, and then got acquainted with other business owners who provide these raw materials in Syunik with more affordable prices. The fact that the MSMEs are not also aware of other MSMEs acting in Syunik makes

them less competitive in the wider market. These constraints collectively form a chain, restraining economic potential and growth.

Understanding these shared limitations opens the door to charting a course toward a more promising future for Syunik's economic engine. Collaborative solutions, innovative approaches, and a united vision are the keys to unlocking the boundless potential dormant within Syunik's diverse and dynamic sectors. A crucial proposal emerges from market actors, emphasizing the establishment of a comprehensive online sales platform for Syunik products. This initiative aligns with regional development strategies and serves as a pivotal step towards broadening market reach and enhancing accessibility for consumers.

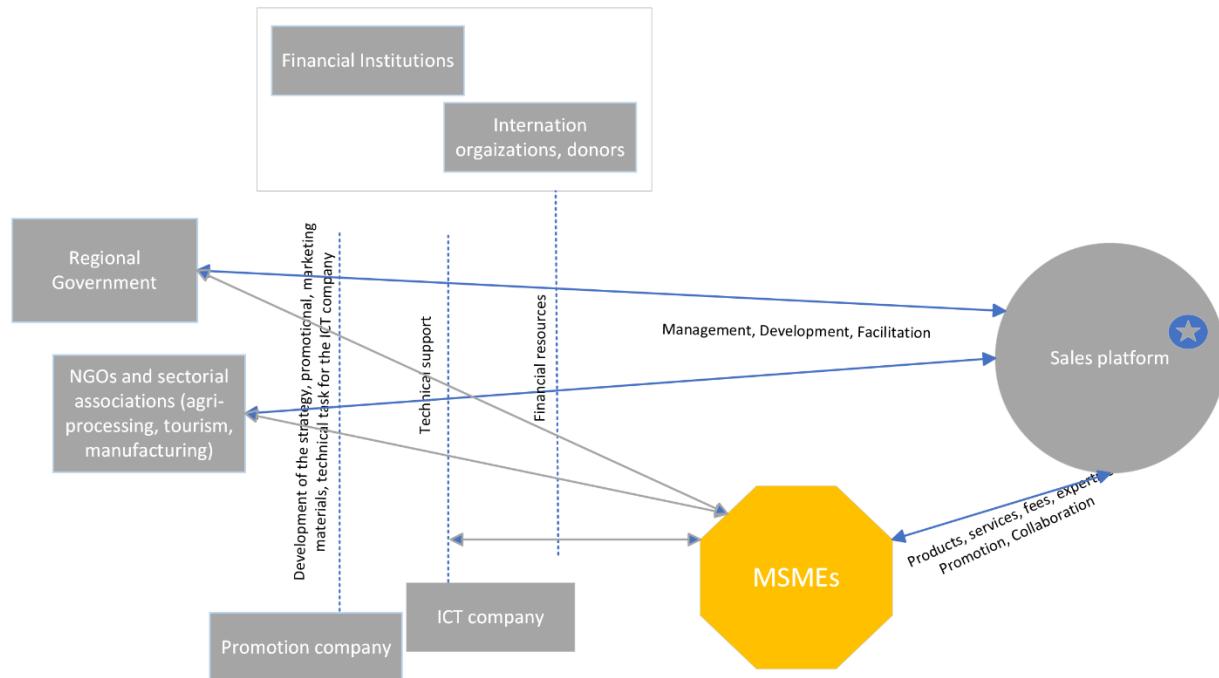
Moreover, recognizing the interconnectedness of various sectors, there is a broader vision to create a unified brand and sales platform encompassing manufacturing, agro-processing, and tourism. This collaborative effort aims to create a centralized platform where businesses from different sectors in Syunik can showcase their products and services. The envisioned platform not only addresses the challenges of branding, marketing, and visibility but also strengthens local partnerships, fostering a sense of community among diverse local businesses. The proposed model suggests that associations, potentially with government support, could lead this initiative, resulting in shared ownership by associations, NGOs, or regional government entities. Such a platform would serve as a dynamic marketplace, benefitting MSMEs by providing increased visibility, market access, and opportunities for collaboration across sectors. The platform will also raise awareness about the goods and services of Syunik.

INTERVENTION 2 Empowering Syunik's Business Ecosystem through Unified Marketing & Sales Platform

The Change: This intervention addresses the common challenges faced by manufacturers, agro-processors, and tourism MSMEs in Syunik by establishing a unified marketing and sales platform. The goal is to overcome limitations in marketing expertise, visibility, and collaboration, creating a vibrant marketplace that promotes synergy across diverse sectors.

The Partners: At the forefront are MSMEs, serving as the driving force actively engaged in the platform, where they showcase an array of offerings. Sector Associations, representing manufacturers, agro-processors, and tourism providers, play a crucial role in advocating for sector-specific needs and ensuring that platform functionalities cater to the unique requirements of each industry. They will also advocate for gender and social inclusion. The Government acts as a facilitator and catalyst, providing initial funding, regulatory support, and promotion for the platform. The Private Sector contributes valuable expertise, with technology providers and marketing agencies offering insights into platform development, digital marketing, and e-commerce solutions. NGOs play a vital role by building capacity, and fostering inclusivity through training programs, outreach initiatives, and community engagement, contributing to the collaborative success of this transformative endeavor.

The Model: The proposed model envisions a comprehensive online sales platform led by associations, potentially with government support. The platform's ownership could be shared among associations, NGOs, or regional government entities or owned by private sector representatives. It will serve as a centralized hub where businesses from the manufacturing, agro-processing, and tourism sectors showcase their products and services. This collaborative effort not only addresses branding, marketing, and visibility challenges but also fosters a sense of community among local businesses. Revenue generation can occur through minimal fees charged to businesses for platform use and potential government subsidies for MSMEs.



Barriers: Securing initial capital for development, ongoing maintenance, and essential training is vital. Bridging the Digital Divide between tech-savvy and less proficient businesses is crucial. Effective change management is needed to secure buy-in from diverse stakeholders. Sustainability relies on developing a viable revenue model for long-term operation and growth beyond initial funding or grants. It is also crucial to think beyond, the sales platform sales mechanism, delivery, etc.

Facilitation: Facilitation includes dedicated funding for platform development, digital literacy initiatives to bridge the technological divide, engaging change management for stakeholder participation, and collaborative efforts to develop a sustainable revenue model. The facilitation also includes creation of linkages and communication among stakeholders to join their resources and establish the platform. This approach ensures systematic addressing of barriers and promotes the initiative's long-term success. Collaborative workshops and awareness campaigns will foster a sense of community and shared vision among local businesses.

Figure 18 Business model for Empowering Syunik's Business Ecosystem through Unified Marketing & Sales Platform intervention

Exit Strategy: The success of the platform will be showcased through success stories and economic impact assessments. The eventual goal is to transition the platform's management to a locally representative board or a private sector representative, ensuring long-term sustainability and self-governance. The model's scalability will be emphasized to encourage different MSMEs from all the communities of Syunik to be presented on the platform. The initiative can also become a role model for similar initiatives in other regions.

By establishing a unified marketing and sales platform, this intervention strives to break the chains restraining economic potential in Syunik. It aims to unlock the boundless potential within the region's diverse and dynamic sectors, fostering collaboration, innovation, and economic growth.

Limited awareness about the benefits of a Green Future with Renewable Energy and Energy Efficiency

Syunik stands as a promising hub for green economy development, with abundant solar, wind, and hydro resources. The region's potential (250+ sunny days in a year)²¹ for solar, wind, and mini-hydropower projects is accentuated by the Armenian government's renewable energy targets, supported by policies like feed-in tariffs and investment incentives. However, challenges persist, such as low awareness about the benefits of renewable energy, financial barriers, and a traditional mindset.

The benefits of this shift extend beyond just clean energy. Utilizing renewable materials like solar panels not only aligns with environmental goals but also provides substantial cost savings for businesses. This creates expansion opportunities and generates new jobs in marketing, sales, and other roles, forming a positive cycle of employment that significantly benefits the target groups, particularly in rural areas.

Syunik's strategic location, bordering Iran and intersected by major highways, adds another layer of advantage. Existing gas pipelines and a strong hydroelectric power presence, with the Vorotan cascade playing a key role, lay a solid foundation for further development. The recent policy allowing any consumer to become an independent power producer opens exciting possibilities for local communities²².

However, challenges remain. A low level of awareness about the benefits of renewable energy and energy-efficient construction hinders progress. Many residents and businesses lack information about the cost savings, environmental impact, and health benefits of green solutions. This knowledge gap is even wider in rural areas, where traditional practices and cultural expectations can create social barriers to adoption.

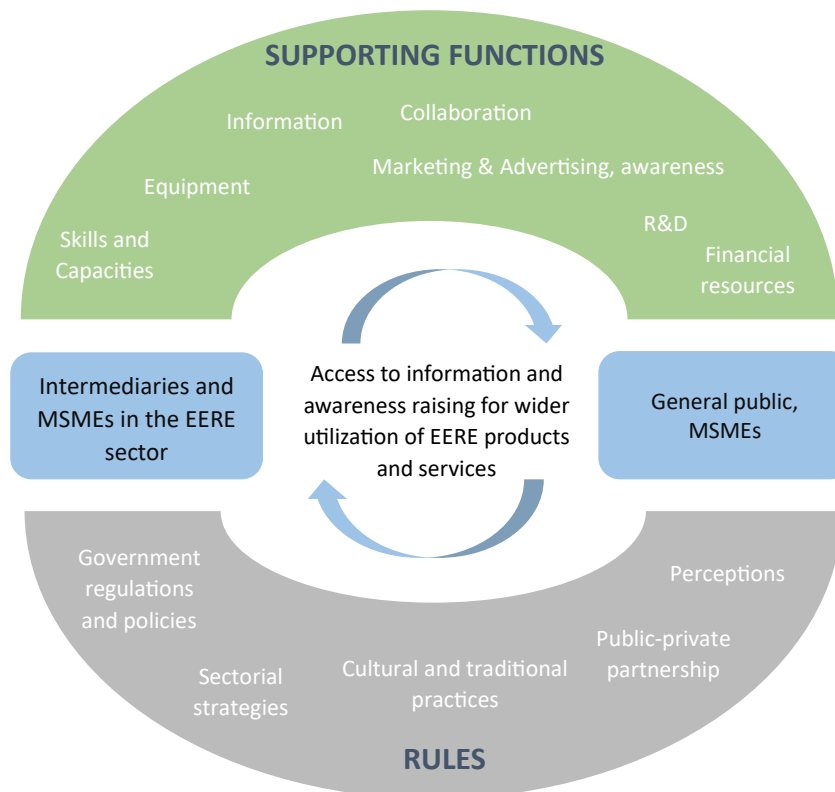
Limited resources for awareness campaigns, technical terminology, and misconceptions about cost and effectiveness further exacerbate the issue. Green energy providers struggle to reach potential customers due to limited marketing budgets, while the cultural stigma surrounding wind turbines and skepticism about long-term benefits add to the complexity.

Resistance to change in established practices, lack of understanding of adapting traditional practices with green solutions, and limited investment in research further limit the potential. Transitioning to eco-friendly agriculture and convincing older generations to adopt new technologies present additional hurdles.

²¹ World Weather Online: <https://www.worldweatheronline.com/sisian-weather-averages/syunik/am.aspx>

²² [Changes and Amendments to the Law "On Energy" of the RA, \(June 04, 2021\)](#)

Outdated energy infrastructure and weak business networks add another layer of complexity. Upgrading infrastructure is crucial to unlock the sector's full potential and generate income and jobs. Inadequate training programs and a shortage of qualified professionals in EERE design and technologies further dampen progress.



Gender inequality is another hurdle, with women significantly underrepresented in the sector due to stereotypes and limited opportunities. Architectural companies in Yerevan highlight the challenge of effectively demonstrating the benefits of energy-efficient buildings to end consumers and MSMEs, emphasizing the need for enhanced awareness raising and showcases to visually present positive outcomes. Another stakeholder mentioned that buildings constructed with energy-

efficient materials have the potential to save up to 60% of energy. However, there is a significant problem in raising consciousness, changing perceptions, and building confidence among stakeholders. This significant divide between EERE MSMEs and the public is further fueled by fragmented information dissemination, technical terminology, and cultural expectations. Government agencies, EERE MSMEs, educational institutions, NGOs, and community organizations all have crucial roles to play in bridging this gap.

Developing clear and accessible communication strategies, collaborating with local media, showcasing local success stories, organizing workshops, and prioritizing information accessibility are key steps to unlocking the power of informed action. By overcoming these challenges and fostering open communication, Syunik can pave the way for a sustainable green future powered by locally owned and driven EERE solutions. Integrating EERE materials in building construction emerges as a beneficial strategy for MSMEs across all sectors, contributing to both environmental sustainability and economic growth.

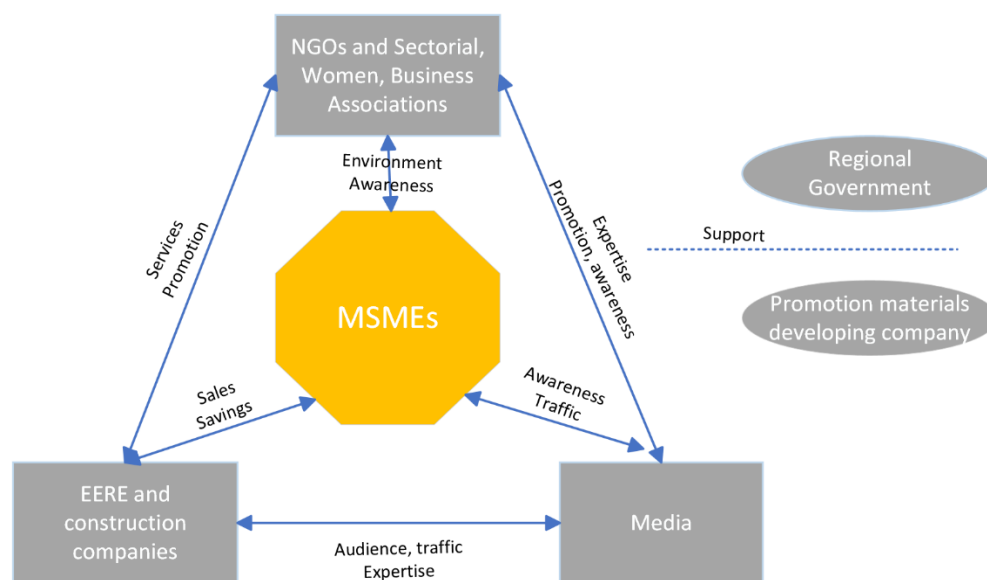
INTERVENTION 3 Awareness raising on EERE and green practices and their efficiency on MSMEs

The Change: The proposed intervention seeks to bring a transformative change in Syunik by addressing the limited awareness regarding the benefits of renewable energy and energy-efficient construction. The objective is to instigate a mindset shift, especially in rural areas, breaking down barriers to the widespread adoption of green practices among MSMEs and the public.

The Partners: Government agencies will act as facilitators, playing a central role in formulating and implementing clear communication strategies. Collaborating closely with local media outlets and influencers will guide them to disseminate information about the advantages of green solutions. EERE MSMEs will actively participate, showcasing success stories, organizing workshops, and providing tangible demonstrations of the benefits of renewable energy and energy-efficient construction. NGOs and community organizations will bridge the information gap, offering tailored support to disadvantaged groups, and empowering them to make informed decisions about green energy adoption.

The Model: The awareness-raising model will encompass targeted campaigns, local success showcases, and workshops. Targeted campaigns will focus on highlighting the cost savings, environmental impact, and health benefits of green solutions. Local success showcases will involve events and initiatives that demonstrate the positive outcomes of embracing renewable energy and energy-efficient practices. Workshops and training programs will educate residents, businesses, and MSMEs about potential savings associated with energy-efficient materials and renewable energy sources. Media engagement will be a key component, with active collaboration with local media to provide coverage of green initiatives. They will develop awareness-raising materials in collaboration with the sectorial associations, NGOs and EERE, and construction companies to develop clear, accessible language, and address cultural perspectives.

Figure 19: Business model for Awareness raising on EERE and green practices and their efficiency on MSMEs intervention



The Barriers: Addressing the scarcity of resources for awareness campaigns and the use of technical terminology will be a priority. Seeking diversified funding, including government grants, private-sector partnerships, and potential advertising opportunities, will be crucial. Overcoming cultural stigma and skepticism will involve targeted campaigns addressing misconceptions and building trust in sustainable solutions. Additionally, addressing resistance to change will necessitate a collaborative approach.

Facilitation: The facilitation process will include regular consultations with each partner to ensure alignment with specific needs. A dedicated team will coordinate workshops, campaigns, and other awareness activities, emphasizing active involvement from all partners and establishing continuous feedback loops for improvement. The raised awareness will lead to an increase in demand for EERE products. MSMEs will benefit by using the materials and saving resources. The project will facilitate the creation of linkages among interested stakeholders to develop and disseminate appropriate awareness-raising campaigns.

Exit Strategy: The intervention's gradual transition to user-driven funding will be facilitated by the increasing success and impact of awareness programs. As awareness grows and the demand for green solutions increases, the intervention will aim to become self-sustaining. Ownership and management responsibilities may transition to the local government bodies, media, associations NGOs, and private sector MSMEs, ensuring continued knowledge sharing.

By implementing this collaborative awareness campaign, Syunik can overcome the knowledge gap, address cultural barriers, and create a thriving green economy. Engaging all stakeholders, utilizing diverse communication channels, and adapting to local contexts will be key to unlocking the region's full renewable energy and energy-efficiency potential. Integrating EERE materials in building construction further strengthens this vision. By promoting their benefits across all sectors, Syunik can not only achieve environmental sustainability but also pave the way for economic growth and job creation.

8.2 Sustainability Matrix

Table 5: Sustainability Matrix

Function	Who does	Who pays	Who will do	Who will pay	Role of Women/ Socially Excluded
Access to Opportunities and Resources	Municipalities and NGOs provide limited information on available opportunities, in many cases, the information is being disseminated among the	Public institutions pay for the information to be available in the municipalities, and international organizations, and donors pay	Through the partnership of public agencies, international organizations, NGOs, and the private sector (ICT companies) a platform and mechanism will be created for the on-stop information flow about business development	Public funding and development projects will pay for the announcements, (international organizations, NGOs, implementing companies), and advertisement	Women and young people face challenges in being informed about the opportunities in the sector as men usually have the network and access to information. The project will support to creation of an

	same SMEs who participate in many projects. MSMEs, who have internet access, learn about the opportunities also in online platforms, and social media.	for the advertisement in social media, webpages, or online platforms of partners.	opportunities in the sector. BSOs will support MSMEs in applying to the programs and will provide them with business support services.	companies will pay for having ads on the platform.	equal access opportunity for everyone to the information about the opportunities.
Marketing collaboration for better reach and service provision	MSMEs separately do marketing campaigns and sales activities. Some of them collaborate with distributors, who are responsible for the sales later. Limited collaboration and trade among MSMEs.	Consumers pay by buying products/services. The local government pays by having information about the MSMEs in public documents and media. Distributors pay for sales.	Regional governments, associations, and NGOs will facilitate the creation of the platform with the support of ICT companies and branding/marketing companies. Financial institutions and donors will support financially and with their expertise. MSMEs will provide their information and expertise.	Regional governments, associations, and NGOs will pay for the sales platform development, financial organizations, and donors will pay for the portal development, and MSMEs will pay less for a wider reach.	The multilanguage portal will give chance to women and socially excluded groups access to opportunities, and products. New vacancies will be created, associations will associate for the inclusive job creation.
Access to information and awareness raising on EERE benefits	Media, NGOs, and Associations provide some awareness-raising campaigns about EERE benefits, which are mainly at the levels of either being too global, about country news or being sales-oriented financed by the private sector companies, e.g.	The government and some Donors only pay for broadcasting or disseminating information on global news, tendencies, and new projects launched. Private companies pay for limited ads, and they also do SMM campaigns which are	Media, NGOs, and Associations with the engagement of private sector companies in EERE, and construction companies will develop awareness-raising materials (offline and digital) to have a wider outreach on the EE/RE construction benefits. There will be an increase in awareness about EE/RE products producers/providers and products, which will lead to an increase in the volume of sales, on the other hand, we	EE/RE and construction companies pay for ads. The construction sector, Associations, and Sponsors support the awareness-raising campaign development. They also strengthen their SMM campaigns. Private sector companies also pay influencers for wider outreach.	Disadvantaged and vulnerable groups such as individuals from low-income backgrounds, rural communities, and persons with disabilities may lack access to information about the EERE benefits, and products. Active involvement of women and socially excluded groups in public awareness campaigns and outreach activities

	EE/RE products producers/providers.	mainly for the population with access to information technologies and internet connection.	will have journalists, presenters in the media, and associations, who will be educated about the advantages and opportunities of EE/RE.	Associations, and NGOs co-finance awareness-raising campaigns for better outreach for women, youth, people from Artsakh and disadvantaged people.	will be encouraged. More young people will have access to information and awareness on the topic will be raised.
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9. Stakeholders and Their Interests

This section examines key market players and stakeholders with a focus on the function they fulfill and their interests (or incentives) to improve how the market system functions.

9.1.1 Market Players and Stakeholders, Functions

Table 6: Stakeholder Summary

Stakeholder Category	Stakeholder	Current Function(s)	Desired Function(s)	Relevance to identified sectors
Public Sector	Ministry of Economy	Promote economic development, attract investment, and support business growth,	Provide targeted incentives and support schemes for agriculture, tourism, and manufacturing sectors. Facilitate regulatory reforms to foster sectoral growth.	Agriculture, Tourism, Manufacturing
	Tourism Committee	Develop and promote tourism in the region, attracting visitors and supporting tourism-related businesses.	Implement sustainable tourism practices and initiatives to preserve natural and cultural heritage. Collaborate with stakeholders to enhance tourism infrastructure and experiences.	Tourism
	Local Governance Bodies (Syunik Regional Government, Municipalities, Communities)	Provide infrastructure, services, and regulations. Implement development projects.	Enhance coordination and collaboration among local governance bodies to streamline regulatory processes and facilitate business development. Allocate resources efficiently to address sector-specific needs and priorities. Provide access to information to businesses	Agriculture, Tourism, Manufacturing
	Food safety and quality control agencies	Ensure compliance with food safety regulations and quality standards across the value chain.	Strengthen monitoring and enforcement mechanisms to uphold food safety and quality standards. Provide technical assistance and capacity building programs for stakeholders in the	Agriculture, Tourism, Manufacturing

			agriculture, tourism, and manufacturing sectors.	
	Customs and border control agencies	Regulate imports and exports, controlling product quality and trade flow.	Implement efficient customs procedures and trade facilitation measures to expedite cross-border transactions for agricultural, tourism, and manufacturing products. Ensure compliance with international trade regulations and standards.	Agriculture, Tourism, Manufacturing
Primary producers	Smallholder farmers, MSMEs, Cooperatives	Grow and produce fruits, vegetables, livestock, and other agricultural products.	Adopt sustainable farming practices, improve quality and yields, diversify production. Strengthen farmer organizations and cooperatives to improve market access and bargaining power.	Agriculture
Food Processors	Dairy, fruit & vegetable, Meat, Winemakers)	Transform raw materials into finished food products.	Modernize processing facilities, adopt innovative technologies, develop value-added products, and expand market reach.	Agriculture
Agricultural Inputs & Services	Seed & fertilizer suppliers, machinery providers, veterinary services, irrigation	Support primary producers with essential inputs and services: provide seeds, fertilizers, and other agricultural inputs necessary for crop production, equipment for ploughing, planting, harvesting, etc. Veterinary services contributing to livestock production and food safety.	Improve service quality and accessibility, offer innovative solutions, and adapt to changing needs.	Agriculture
Distribution & Sales Actors	Wholesale markets, retailers, restaurants, hotels	Move and sell food products to consumers through various channels. Restaurants and hotels utilize local food products in their menus.	Strengthen distribution networks and market linkages to enhance market access for locally produced goods. Source local products, support sustainable practices, and	Agriculture, Tourism

			offer diverse options to customers.	
Tourism	Hotels, guesthouses, homestays	Offer accommodation and hospitality services to tourists (varying in size and service level).	Enhance service quality and infrastructure to meet evolving traveler preferences and expectations, promote sustainable practices, and collaborate with local communities.	Tourism
	Tour operators, travel agencies	Design and facilitate travel experiences within the region	Offer diverse and responsible tour packages, promote local culture and heritage, and collaborate with local businesses.	Tourism
	Restaurants and cafes	Offer food and beverage services to tourists, primarily Armenian cuisine	Source local ingredients, offer diverse culinary experiences showcasing local specialties, collaborate with local producers, and adopt sustainable practices.	Tourism
	Tourism entertainment service providers	Offer entertainment services and experiences catering to tourists (cultural shows, adventure activities, etc.).	Create immersive and interactive experiences that showcase the region's cultural heritage and natural beauty. Diversify offerings to cater to different tourist interests and budgets, collaborate with local communities, and promote sustainable practices.	Tourism
	Local guides, transportation providers	Provide information and logistical support to tourists, enhancing their experience.	Enhance quality of services, offer diverse tour options, adopt sustainable practices (e.g., electric vehicles), and collaborate with local communities.	Tourism
Destination Management Organizations	Regional & local DMOs	Develop & implement tourism strategies, promote the region, coordinate with stakeholders	Facilitate collaboration among stakeholders to develop tourism infrastructure and experiences. Implement destination branding and marketing campaigns to	Tourism

			attract visitors and increase destination awareness.	
Financial Institutions	Commercial banks, microfinance organizations, leasing companies	Provide traditional banking services (loans, credit cards, investments), and leasing services.	Offer specialized loan products and financial services tailored to farmers, MSMEs, and tourism businesses.	Agriculture, Tourism, Manufacturing
	Government loan programs	Offer subsidized loans and grants for specific development initiatives or crisis response	Expand access to affordable financing options for sectoral development projects and investment in infrastructure and technology upgrades.	Agriculture, Tourism, Manufacturing
Insurance Companies	Crop insurance providers, livestock insurance providers, property insurance providers, tourism operator insurance	Offer risk management solutions for crop failures, livestock loss, property damage, and tourism business interruptions	Develop innovative insurance products tailored to specific risks faced by local farmers, entrepreneurs, and businesses.	Agriculture, Tourism, Manufacturing
Education and training providers	Vocational training centers, universities, colleges, training providers	Offer academic, practical skills training programs	Develop and deliver specialized training programs relevant to local needs in agriculture, tourism, and manufacturing, focusing on innovation and sustainability. Strengthen industry-academia partnerships to facilitate knowledge exchange and skills development.	Agriculture, Tourism, Manufacturing
ICT Companies	Software/apps, e-commerce platforms, digital marketing, data analytics	Create tools & solutions for various sectors	Develop sector-specific digital solutions to address operational challenges and capitalize on emerging opportunities. Provide training and technical support to ensure effective utilization of digital tools.	Agriculture, Tourism, Manufacturing
Media & Communications	Local/national media, publications, social media influencers	Cover sector news and provide information	Enhance sectoral visibility and promote market access opportunities through targeted communication	Agriculture, Tourism, Manufacturing

			strategies and advocacy efforts.	
Sectorial and Women Associations	Farmer cooperatives, tourism industry associations, women entrepreneurs, and business associations	Support individuals and MSMEs through collective bargaining, knowledge sharing, and market access.	Strengthen their capacity to advocate for their members' interests, facilitate collaboration, and promote innovation and knowledge sharing.	Agriculture, Tourism, Manufacturing
Donors	International organizations, private foundations	Provide funding & technical assistance for projects in agriculture, tourism, infrastructure, & development initiatives	Prioritize investments in sustainable development projects that promote inclusive growth, environmental conservation, and resilience-building in vulnerable communities.	Agriculture, Tourism, Manufacturing
Business Service Providers	Financial/loan consultants, marketing/branding agencies, legal/accounting firms, business consultancy services	Offer professional services to businesses.	Provide affordable and accessible services tailored to the specific needs of farmers, MSMEs, and tourism businesses in Syunik. Support MSMEs in accessing specialized expertise and services to enhance operational efficiency, market competitiveness, and compliance with regulatory requirements.	Agriculture, Tourism, Manufacturing
Hubs	Technology hubs, agricultural technology hubs, creative industries hubs	Incubate & accelerate innovative startups, provide support for tech & creative entrepreneurs	Foster collaboration among stakeholders to drive innovation and entrepreneurship in agriculture, tourism, and manufacturing sectors. Provide access to resources and networks to support business growth and scalability.	Agriculture, Tourism, Manufacturing
NGOs, CSOs (environmental, agricultural, community)	Environmental NGOs, agricultural NGOs, community NGOs	Work on conservation, resource management, pollution reduction; provide	Collaborate with other stakeholders to develop and implement comprehensive,	Agriculture, Tourism, Manufacturing

community development)	development NGOs	training & support to farmers for sustainable practices; address social & economic challenges in rural communities	sustainable development strategies for Syunik.	
Investors	Venture Capitalists, individual investors	Provides investment financing for startups and innovative ventures, business establishment/expansion	Invest in ventures aligned with Syunik's development priorities, prioritizing sustainable practices and social impact alongside financial returns.	Agriculture, Tourism, Manufacturing

In many stakeholder groups, women's representation is limited, and socially disadvantaged groups often face barriers to participation. Addressing these barriers requires stakeholder cooperation, policy changes, targeted programs, and tailored outreach efforts to ensure equal access, representation, and participation.

9.1.2 Stakeholder Capacities, Incentives, and Interests

In assessing key stakeholders with the potential to drive change within the Agriculture, Tourism, and Manufacturing market systems, it is imperative to examine their capacities, incentives, governance interests, and potential to promote inclusivity.

Public Sector: Government ministries wield significant authority in policy formulation and regulation as influential drivers of change. Their human and institutional capacities enable them to shape the overarching environment for market system operations. The Ministry of Economy spans agriculture, tourism, and manufacturing, using resources to drive economic growth through investments, job creation, and attracting foreign investments. Priorities include creating a business-friendly environment and advocating for policy changes, with a focus on inclusiveness for women and socially excluded groups in entrepreneurship. The Tourism Committee, dedicated to regional economic growth, allocates resources for tourism development, emphasizing job creation and local business support. Governance interests involve strategy development and policy advocacy, with a willingness to adapt rules for improved tourism performance. The Ministry of Economy, with significant resources, leads agricultural change by implementing policies for sustainability, food security, and rural development. Motivated by economic incentives, it actively shapes regulations for quality and safety, advocating for rule changes. Local Governance Bodies, including the Syunik Regional Government and Municipalities, are crucial for supporting businesses in agriculture, tourism, and manufacturing. With financial capacities and regulatory powers, they provide essential infrastructure and services for market development. Economic incentives focus on local economic growth, improved living standards, and addressing social and environmental challenges. Their governance interests involve implementing community-benefiting projects, enforcing regulations, and creating a conducive business environment. Despite a willingness to collaborate, surveys and discussions reveal limited partnerships. Enhancing public-private partnerships is essential to address this gap, fostering increased collaboration for inclusive market development.

Financial Institutions: Financial institutions like microfinance organizations and smaller banks play a crucial role, in supporting MSMEs and smallholder farmers with tailored financial products. Government loan programs target rural development, technology adoption, and tourism infrastructure, aiming to address regional challenges and promote inclusiveness. Specialized agricultural insurance, particularly for crops and livestock, is essential, while affordable options for micro-enterprises can enhance resilience. By adapting their offerings to Syunik's specific needs and priorities, these financial actors can drive positive change across key sectors. While ACBA, InecoBank, and others offer broader financial services, microfinance organizations like FINCA Armenia and Aregak UCO cater specifically to smaller players. Government programs like the "Rural Economic Development Grant Scheme" target key sectors, while some insurance companies provide crucial risk management solutions for agriculture, tourism, and manufacturing through specialized products like crop hail insurance, etc.

Vocational Training Centers, Universities, Colleges, and Training Providers: Human resources development institutions play a crucial role in driving change by providing academic and practical skills training in different sectors. With expertise and educational resources, they contribute to building a skilled workforce. Economic incentives involve enhancing employability and entrepreneurship. Governance interests include aligning training programs with industry needs and fostering collaborations with businesses. These institutions demonstrate a willingness to adapt curricula to address evolving market demands, contributing to inclusiveness by providing targeted training programs for women and socially excluded groups in agriculture, tourism, and manufacturing. Goris State College and Sisian State College equip students with practical skills in agriculture, tourism, and manufacturing, while specialized training providers like the American University of Armenia's Open Education Center in Goris offer targeted courses in hospitality and digital skills. Specialized training and a push for new curricula in sustainable agriculture and cultural tourism can bridge the gap between education and real-world needs. Digital training courses may add another layer, preparing graduates for the evolving market.

ICT Companies: ICT companies, specializing in sectorial software/apps, e-commerce platforms, digital marketing, and data analytics, drive change through technology solutions in agriculture, tourism, and manufacturing. With technological expertise, they enhance market efficiency and connectivity, driven by economic incentives from market demand and opportunities for business growth. Governance interests include staying updated on technological advancements and regulatory compliance. ICT companies show adaptability to market needs, contributing to inclusiveness by designing user-friendly solutions for diverse stakeholders, including women and marginalized groups. Limited adoption of ICT products and services by Syunik's MSMEs leaves them lagging in a world increasingly driven by digital solutions.

Agriculture sector representatives: Smallholder farmers, MSMEs, and cooperatives are essential in agriculture, bringing vital expertise in cultivating crops and livestock. Economic incentives focus on securing livelihoods, increasing yields, and contributing to food security. Dairy, fruit & vegetable, meat, and winemakers play a vital role in transforming raw materials into finished products. With substantial

capacities, they contribute significantly to the agricultural value chain. Governance interests involve compliance with food safety regulations and industry standards. Food processors adapt to market trends and collaborate with primary producers for a stable supply of raw materials. Providers of agricultural inputs and services, including seed & fertilizer suppliers, machinery providers, and veterinary services, offer critical support to primary producers. With expertise and financial capacities, they enhance agricultural operations. Wholesale markets, retailers, restaurants, and hotel's role is to connect agricultural products with consumers. Economic incentives involve meeting consumer demand, optimizing supply chains, and maximizing profits. Governance interests include compliance with market regulations and quality standards. Syunik's agriculture struggles with fragmented supply chains, limited processing capacity, and access to modern technologies for farmers, hindering full potential and income growth. Despite strong individual expertise, these gaps restrict value chain efficiency and market reach.

Tourism sector representatives: Accommodation Providers (Hotels, Guesthouses, Homestays) offer diverse lodging options, enhancing the overall visitor experience. With significant resources, they cater to economic incentives by meeting tourist needs and ensuring revenue generation. These providers actively adapt to travel trends, collaborating with local communities for authenticity. Tour Operators, Travel Agencies, Restaurants, Cafés, and Tourism Entertainment Service Providers contribute to tourism growth by attracting visitors and promoting local attractions. Economic incentives include job creation and strategic collaboration. They adapt to market demands, offering diverse packages and collaborating with local guides and transportation providers. Local Guides and transportation Providers enhance visitors' experiences. With essential capacities, they promote economic incentives by offering quality services. Destination Management Organizations (DMOs) contribute to shaping and promoting tourism in the region. With expertise and financial resources, they play a central role in strategic planning and coordination. Economic incentives involve attracting tourists, maximizing revenue, and enhancing the region's tourism appeal. Governance interests include collaborating with stakeholders and advocating for policies that support tourism development. DMOs demonstrate a willingness to adapt strategies to changing market dynamics and inclusiveness by promoting diverse tourism offerings and engaging with local communities, including women and marginalized groups. Syunik's tourism shows promise with its unique landscapes and cultural heritage but struggles with limited marketing and infrastructure, particularly outside Goris. Homestays, Restaurants, Cafés, and Tourism Entertainment Service Providers collectively offer authentic experiences, but lack of standardized quality control hinders wider appeal. While tour operators exist, fragmented offerings and limited online presence restrict reach. The nascent DMO holds potential but needs stronger collaboration with local communities and strategic marketing efforts to unlock Syunik's full tourism potential. Goris and Tatev currently see the most activity, while rural villages require further development and support.

NGOs, CSOs: NGOs working in environmental, agricultural, and community development focus on conservation, sustainable practices, and addressing social and economic challenges. With capacities for project implementation, outreach, and community engagement, they contribute to positive change.

Economic incentives involve grant funding for projects aligned with their missions. Governance interests include advocating for sustainable practices and addressing social and environmental challenges. NGOs demonstrate a willingness to collaborate with stakeholders, adapt strategies, and advocate for policy changes, contributing to inclusiveness by supporting initiatives that benefit women and socially excluded groups in agriculture, tourism, and community development.

Business, Sectorial and Women Associations, Alliances (Farmer Cooperatives, Tourism Industry Associations, Women Entrepreneurs' Associations): Sectorial and women associations play a crucial role in supporting individuals and MSMEs through collective bargaining, knowledge sharing, and market access. With capacities for advocacy and community engagement, they contribute to sector development and female business growth. Economic incentives involve promoting the interests of their members and fostering collaboration. Governance interests include advocating for policy changes and supporting the implementation of inclusive practices. These associations demonstrate a willingness to adapt strategies to address emerging challenges, contributing to inclusiveness by providing a platform for women and socially excluded groups in agriculture, tourism, and manufacturing.

Media & Communications: Media and communication channels are pivotal in disseminating information and shaping perceptions. With significant reach and influence, they contribute to market awareness and promotion. Economic incentives involve covering sector news, attracting advertisers, and promoting products and services. Governance interests include ethical reporting and adherence to journalistic standards. Media and communication channels demonstrate a willingness to collaborate with businesses, showcasing their offerings and contributing to market development. While showcasing local businesses is commendable, inclusivity requires featuring diverse stories and actively promoting enterprises led by women and disadvantaged groups, an area currently needing more attention.

Business Service Providers offer essential services such as financial consulting, marketing, and business consultancy. With expertise in respective fields, they contribute to the growth and sustainability of businesses. Economic incentives involve providing specialized services, attracting clients, and generating revenue. Business service providers demonstrate a willingness to adapt their services to evolving market needs, contributing to inclusiveness by offering tailored solutions and guidance to diverse stakeholders, including primary producers, processors, and MSMEs. Consulting firms are primarily present in Goris, offering basic support in accounting and legal matters. However, specialized services like business, marketing, and financial consulting for niche sectors like agriculture and tourism are scarce. Encouraging local startups and attracting established providers through incentives could bridge this gap, empowering MSMEs with tailored solutions.

Hubs: Hubs serve as incubators and accelerators for innovative startups, providing support for tech and creative entrepreneurs. With capacities for mentorship, networking, and resources, they play a crucial role in fostering innovation. Economic incentives involve supporting successful startups, attracting investors, and contributing to economic growth. Governance interests include creating a supportive ecosystem for

entrepreneurs. Syunik's startup scene shows promise, with Impact Hub Syunik playing a crucial role in Goris. They offer incubation programs and mentorship, particularly focusing on social impact ventures in agriculture and tourism. However, the lack of similar initiatives in other parts of the region limits accessibility and hinders broader innovation potential. Building networks with universities and establishing smaller satellite hubs in key communities could bridge this gap, fostering a more vibrant and inclusive startup ecosystem across Syunik.

Donors: Donors, including international organizations and private foundations, provide funding and technical assistance for projects in defined sectors, and development initiatives. With significant financial resources and expertise, they play a critical role in driving positive change. Economic incentives involve supporting sustainable development and achieving specific project goals. Governance interests include ensuring accountability and the successful implementation of funded projects. Donors demonstrate a willingness to adapt their focus areas based on evolving needs, contributing to inclusiveness by supporting initiatives that benefit women and socially excluded groups in the identified sectors.

Investors: Investors, including venture capitalists and individual investors, provide crucial investment financing for startups and innovative ventures. With financial capacities and risk-taking appetites, they play a critical role in fueling entrepreneurship. Economic incentives involve obtaining returns on investments and supporting successful ventures. Governance interests include assessing risks and ensuring a viable business model.

This completes the stakeholder analysis for all the identified categories, including primary producers, food processors, agricultural inputs & services, distribution & sales actors, tourism stakeholders, financial institutions, insurance companies, human resources development entities, ICT companies, consumer organizations & NGOs, media & communications, sectorial and women associations, donors, intermediaries, business service providers, hubs, NGOs involved in environmental, agricultural, and community development, and investors. These stakeholders possess the necessary human, financial, and strategic capacities to instigate change. Their incentives align with economic gains, growth, and innovation, making them influential advocates for formal and informal rule changes.

Information about potential stakeholders and partners, who were interviewed in the frames of the current research is presented below:

Ministry of Economy fosters collaboration between businesses and state policies and implements various business support programs. As a number of programs include financial assistance (subsidiaries, guarantees), cooperation can be established with the ministry to create synergic results within state support programs and project intervention ideas.

The Tourism Committee, a subordinate body to the Ministry of Economy, is the main responsible institution for tourism strategy development in RA. Tourism strategy has been drafted by the Tourism Committee which is currently under review and approval process. The substantial budget increase for

2023 and 2024 allocated for marketing and brand awareness, underscores a robust commitment to promoting Armenia as a tourism destination. As one of the intervention ideas includes the development of brand image of the Syunik region as an appealing tourism destination, cooperation can be established within the project in this regard. Moreover, as the main regulatory body, the Committee should be appropriately informed about the designed interventions specific to the tourism sector.

Syunik Region Government (marzpetaran): Constant communication and cooperation with the marzpetaran is essential, as the latter is the main local government representative. The Regional Government can assist the project with data and details on local MSMEs, facilitate interaction with the latter and act as an information dissemination platform,

Chamber of Commerce and Industry: The main mission of the Chamber is to facilitate SME development, advocate the interest of enterprises and support the integration of local businesses into the global business economy. The Chamber of Commerce and Industry of RA has a representation office in the Syunik region, located in Kapan. From the project perspective, the regional office can be considered as a leverage for information dissemination and awareness raising. Moreover, the Chamber, with legal standing, can support market access for MSMEs by leveraging its status to endorse high-quality local products and initiate connections with foreign chambers resulting in export prospects.

RUEA (Republican Union of Employers of Armenia): RUEA is one of the largest business unions in Armenia uniting around 14,000 Armenian enterprises. The union can contribute to the project by investing its diverse expertise, research facilities, data, and information, as well as acting as an effective catalyst for dialogue with the private sector.

DICA Development and Investments Corporation of Armenia, Syunik branch serves as a crucial hub for fostering economic transformation in the region by providing consulting services, addressing the need for business renewal, and supporting technological advancements across various sectors. Engaged in consulting services, the Syunik branch facilitates connections between businesses and information, addressing inquiries on investments, and credit obligations, and promoting Ministry of Economy programs.

Armenian Caritas, present in Syunik since April 2020, has been dedicated to supporting displaced people from Artsakh. Their multifaceted program addresses both living conditions improvement and income generation through the provision of tools and mini-grants for small businesses. Recognizing the importance of social harmony, Caritas expanded its assistance to include vulnerable residents, contributing to the overall well-being of the community. Cooperation with Caritas's Syunik office can be in the frames of the social inclusivity component of the project.

Women's Resource NGO Centers (Goris, Meghri, Kapan): The Women's Resource Centers (soon to be renamed as Winnet Development Foundations), support women's economic empowerment through different initiatives. Resource Centers have extensive expertise and experience in business development projects locally, in the Syunik region. Moreover, through years of operation, the centers have accumulated

a huge network of women entrepreneurs, which can be leveraged for intervention purposes to assure gender inclusivity. The Resource Centers expressed their interest in collaborating within the R2D project in various directions, including the establishment of local business support organizations in the region.

SHEN NGO: Operating since 1993 with offices in Sisian and Kapan, SHEN NGO is dedicated to assisting farmers in achieving sustainable incomes and supporting cooperatives. Through collaboration, they actively engage communities in subsidy programs, encouraging participation from women and youth to drive impactful initiatives. Moreover, the organization is engaged in the promotion of the establishment and development of agricultural cooperatives and believes in the value-added of these structures. SHEN NGO has plans to focus its operations on smart agricultural practices and facilitated applications of drones and other modern technology in agriculture.

Jinishian Memorial Foundation: Over the past several years, the foundation has implemented the “Young Entrepreneurs” program for youth-led beginner and operating enterprises in the regions of Armenia. The program includes business training, business consulting, as well as provision of low-interest-rate loans in collaboration with financial institutions. There exists an opportunity for collaboration with the Foundation, particularly in conducting capacity development of local enterprises as well as facilitating access to finance for MSME through established cooperation of the Foundation with financial institutions. Moreover, worth highlighting that in cooperation with microfinance institutions, the Foundation will soon propose special loan conditions for people displaced from Artsakh. Though the foundation currently does not have the intention of physical expansion to the Syunik as their programs are successfully conducted in online format, the organization is very interested in exploring collaboration prospects within the project.

Strategic Development Agency (SDA): SDA empowers Syunik communities through project implementation driving sustainable growth in agriculture and tourism. With ADA financing, SDA has established a comprehensive livestock market in Syunik, offering production, educational, and laboratory services. The MAVETA projects, in collaboration with GIZ and ADA, address specialist availability needs in the region, contributing to economic development. Extensive expertise of SDA in the agricultural sector can contribute to the current project, in case of identified need.

COAF (Children of Armenia Fund): The activities of COAF are oriented towards two main directions; education (children and youth) and economic development. Soon two new Smart Centers will be established in Syunik Region, in the cities of Goris and Kapan, with the financing from the European Union. Besides Smart Centers, the expansion of COAF to the Syunik region implies other projects and initiatives; including establishment of local social entrepreneurship to assure the sustainability of their activities, launch of visitor’s center, utilization of 50-hectare agricultural land and reconstruction and deployment of stadium in Goris. Considering the large spectrum of activities initiated by the COAF in tourism and agriculture sectors, number of cooperation prospects can be discovered within the project.

The Enterprise Incubator Foundation (EIF) has been at the forefront of technological advancement in Armenia through its various initiatives. The organization has plans to establish Kapan Tech Center and a gaming laboratory. Their commitment to fostering innovation is demonstrated through upcoming events like Engineering Week. The organization is also engaged in the facilitation of human capacity development related to IT, aggrotech, and hospitality.

Polytechnic University Kapan branch, established in 1984, has evolved over the years to offer bachelor's and master's degree programs across six specialties, including information technologies, economics, and metallurgy. Despite facing challenges such as a shortage of lecturers and lack of practical teaching methodologies, the branch is committed to enhancing education in the Syunik Region. Efforts are underway to address staffing shortages, attract top specialists, and introduce innovative measures like part-time courses and collaborations with experts to enrich the educational experience.

Syunik Regional State College, established through the merger of two institutions in 2010, offers education in pre-vocational and college tracks with a focus on 10 specialties. The college is actively exploring new frontiers, such as renewable solar energy, although the acquisition of a laboratory for licensing remains a current need.

Goris Real School, inspired by Yerevan Real School, adopts a unique educational approach focusing on practical work and projects. They aim to quickly integrate students into the local market while emphasizing technology mastery, encouraging endeavors like automating greenhouse processes through subjects like robotics.

Goris State University has been a hub for education in various fields, including engineering, economics, humanities, and pedagogy. Recognizing the cultural richness of Goris, the university emphasizes art and culture, and in response to demand, it has introduced master's degree programs in education and tourism management. The recent challenges, including the impact of the COVID-19 pandemic and the war, have influenced the flow of applicants in certain fields, such as tourism management.

The National Agrarian University's Sisian branch is committed to agricultural education, offering both a secondary professional educational program for grades 9-12 and a bachelor's degree program, also through distance learning. The branch embraces innovation in agriculture, trying to incorporate smart farming practices and collaborating with partners to explore cutting-edge technologies in agriculture.

Yeremyan Academy, an initiative by Armenia's largest restaurant chain addresses the demand for skilled personnel in the hospitality industry. With programs approved by ESCS as non-formal education and international certification from Oxford University, the academy offers comprehensive training in 45 HORECA specialties, including chefs, restaurant hosts, operators, managers, etc. In addition to contributing to the local market, the academy demonstrates corporate social responsibility by providing free courses for individuals from Artsakh. There is an opportunity to collaborate with the Academy to support them expand their reach with a branch in the Syunik region.

Syunik DMO was established under the USAID My Armenia program. DMO operates an information center on the first floor of the Goris community administration, established in collaboration with the Tourism Committee. Moreover, Syunik DMO has implemented a number of tourism development projects and activities such as mapping of local tourism companies, development and printing of tourist information guides and maps, etc. The DMO unites 24 tourism sector representatives as members. Currently, there are no membership fees, however, the DMO is considering introducing some fees which will provide them with funds to provide services to its members. During the interview, the DMO expressed its need for capacity building and technical re-equipment for enhanced service delivery.

Impulse Management Company (previously IDEA foundation) plays a pivotal role in boosting tourism, particularly in Tatev consolidated community by the management of one of the main tourism attractions centers in Syunik, Tatever ropeway. Having extensive experience in the Syunik region, the organization can contribute to the implementation of tourism-related interventions.

Impact Hub Yerevan and Impact Hub Syunik, part of an international network, serve as vibrant platforms for entrepreneurship and collaboration. Operating independently in Syunik for already two years, Impact Syunik provides shared workspaces, hosts events, and organizes training sessions. In particular, in 2024, the Hub will dedicate efforts towards advancing women's entrepreneurship, fostering a supportive environment for diverse business discussions and initiatives in the region.

BSC Business Support Center is the first business consulting company in Armenia with 30 years of experience in support of MSMEs through all regions and economic sectors of Armenia. The support mechanism includes training/capacity building on entrepreneurship, management advisory, and research. During the last 3 years, the company acquired expertise in MSME Digitalization, which is crucial for businesses to succeed in the current evolving business environment. BSC has an interest in expanding its business consulting services to the Syunik region.

ABGU (Armenian General Benevolent Union) implements the “Women Entrepreneurs” project, which includes entrepreneurship training, business consulting and the provision of microgrants to support women-led MSMEs. AGBU explores opportunities for the establishment of an AGBU center in Syunik, showcasing a dedication to fostering entrepreneurial skills in the region. ToTs are planned to be conducted to prepare local trainers and consultants.

CARD (Center for Agribusiness and Rural Development) is actively involved in rural development programs, focusing on training, market access, and small grants. Their proposal for optimizing slaughterhouses aligns with potential collaboration with ADA in enhancing the agricultural sector. The other ideas of collaboration include training, capacity building, study visits, support to MSMEs in access to small grants, access to markets, b2b meetings, exhibitions, etc. The extensive experience of CARD in agricultural sector can be incorporated for the project's success.

Kamurj UCO Sisian Branch: Kamurj UCO has a number of financial products designed for the agricultural sector. The UCO has implemented initiatives supporting rural communities and agriculture, emphasizing a group guarantee factor for women. Despite recent challenges, their commitment to empowering women in entrepreneurship continues.

ACBA Federation: ACBA Federation, focusing on rural startup projects, collaborates with Impact Hub Syunik and expresses readiness for potential co-financing initiatives, presenting an opportunity for joint funding with ADA to support entrepreneurial ventures.

Aregak UCO in Goris brings together over 25 years of financial expertise in Syunik and Armenia. With a strong legacy of supporting MSME entrepreneurs, their unified vision focuses on dynamic, financially responsible operations. The organization prioritizes agriculture, micro-enterprises, and small producers, aiming to provide accessible and sustainable financial services to foster economic development.

Aniv Credit Organization, established in 2000, has been a key player in providing affordable SME loans in rural communities, particularly focusing on the Syunik region since 2002, located in Sisian. While it started with limited resources, the organization has shown significant growth and commitment to supporting rural development, with an emphasis on agriculture. They have prioritized their role as a credit organization without offering consumer loans.

FINCA Armenia is a leading microfinance institution that provides financial services to underserved entrepreneurs in Armenia. FINCA Syunik branches predominantly focus on agricultural business financing, with a particular emphasis on supporting individuals with smaller farms. The organization places a significant emphasis on supporting the agricultural value chain. FINCA provides co-financing to farms that form a value chain involving at least three suppliers. The co-financing is extended to the suppliers at a favorable interest rate, creating a collaborative environment. This approach not only facilitates financial support but also encourages cooperative efforts within the agricultural community, fostering both quality improvement and quantitative growth in agricultural production.

UNDP (United Nations Development Programme): UNDP implements a VET employment program offering 3-month paid on-the-job training, incentivizing employers and fostering skilled labor. The project is aimed at addressing the skill gaps in the labor market, particularly related to VET professions. Taking into consideration that the intervention models include addressing the lack of qualified workforce in the Syunik region, potential cooperation and synergies can be created with UNDP under the described project.

USAID (United States Agency for International Development): In 2023 USAID launched a new project in Armenia “Economic Foundations for Resilient Armenia”. The key sectors of the project are ICT, agriculture, and tourism. Considering that the ICT sector within the project serves a supportive and developmental role for other sectors, the selected sectors are fully aligned with the proposed market systems outlined in the MSA. As a result, collaboration opportunities may be identified within the framework of two projects.

The list is not exhaustive and includes organizations, which have been mapped and interviewed within the Market System Analysis. During the implementation phase of the project, new potential partners may emerge to contribute to the effective implementation of the project's intervention ideas.

10. Capacity development plan

After conducting research and assessing the needs for stakeholder capacity development, a comprehensive plan has been formulated to empower and support their engagement in the project implementation. Recognizing common needs across diverse actors, the plan prioritizes key topics essential for effective engagement. Gender Equality and Social Inclusion (GESI) and Environmental Conservation and Compliance (ECC) emerge as critical domains for training and skills development, reflecting their overarching importance in the identified sectors. Special emphasis should be placed on ensuring increased participation and active engagement of women in both local and regional development initiatives. Measures should be integrated into the capacity development plan to address gender disparities, providing tailored opportunities and support to empower women stakeholders. By fostering inclusivity and gender-sensitive practices, the plan seeks to create a more equitable and vibrant environment, ultimately contributing to the sustainable growth and development of the identified sectors.

In addition to technical knowledge and awareness building, the plan places a strong emphasis on nurturing a variety of soft skills. These encompass communication, collaboration, and adaptability, recognizing the multifaceted nature of roles within the sectors of agriculture, tourism, and manufacturing. The capacity development plan delineates specific details tailored to each actor, addressing their unique requirements. By integrating both technical and soft skill components, the plan aims to empower stakeholders, fostering a resilient and collaborative ecosystem for sustainable growth in the targeted sectors.

Furthermore, the integration of business management and entrepreneurship is considered in this overarching plan. This involves addressing business planning, financial management, human resources, marketing, and general business operations. This inclusion ensures stakeholders gain a well-rounded understanding of the intricacies involved in business management, planning, and sustainable development within the targeted sectors.

Recognizing the common need for English and other language proficiency, as well as computer literacy, the capacity development plan envisages provisions for language training and basic computer skills. This acknowledges the importance of effective communication and technological competence in today's interconnected and digital business environment. The plan aims to enhance the participant's ability to engage in global and digital platforms, ensuring that language and computer literacy serve as foundational skills for successful participation in the identified sectors. The capacity development interventions outlined in the MSA, and this capacity development plan encompass a multifaceted approach, incorporating various strategies such as training, discussions, and study tours. These initiatives aim to familiarize stakeholders with best practices, fostering a dynamic and informed community within the targeted sectors of agriculture, tourism, and manufacturing.

Table 7: Capacity development plan

Stakeholders	The needed directions for capacity building	Specific areas
Project implementation staff	Approaches, and Methodologies for Project Facilitation	Market System Development Approach Partners' engagement Conflict Sensitivity Monitoring and Results Measurement
	Soft skills	Soft skills e.g. negotiation, communication, multitasking, time management, etc.
Primary producers (Smallholder farmers, MSMEs, Cooperatives)	Production Enhancement & Efficiency	Sustainable Farming Practices Familiarity with Technology & Innovation Post-Harvest Management & Value Addition Business & Financial Management Marketing
Food Processors (Dairy, fruit & vegetable, Meat, Winemakers)	Processing Techniques & Quality Control	Food Safety Standards & HACCP Implementation Processing Technologies & Equipment Optimization Product Diversification & Innovation
	Market Access & Branding	Market Research & Target Audience Identification Brand Development & Marketing Strategies Digital Marketing, Digital Tools Distribution Channels & Partnerships
Agricultural Inputs & Services (Seed & fertilizer suppliers, machinery providers, veterinary services, irrigation)	Technical Expertise & Product Knowledge	Improved Seed Varieties & Fertilizer Application Advanced Machinery Operation & Maintenance Animal Health & Disease Management Irrigation Efficiency & Water Conservation Workshops on IT solutions
	Business Management & Outreach	Financial & Risk Management Skills Customer Service & Marketing Techniques Access to Financing & Business Development Services
Distribution & Sales Actors (wholesale markets, retailers, restaurants, hotels)	Supply Chain Management & Logistics	Inventory Management & Forecasting Quality Control & Traceability Systems Cold Chain Management & Food Safety Digitalization: E-commerce, online sales, digital marketing
Tourism (Hotels, guesthouses, homestays)	Hospitality Management & Service Quality	Customer Service & Communication Skills Housekeeping & Hygiene Standards Safety & Security Procedures Digital marketing, SMM, E-commerce

	Sustainable Tourism Practices	Environmental Awareness & Eco-friendly Operations Cultural Heritage Preservation & Community Engagement Responsible Tourism Principles & Marketing
Tourism (Tour operators, travel agencies)	Product Development & Packaging	Niche Market Identification & Tour Design Itinerary Planning & Customer Experience Management Digital Marketing & Online Booking Systems
Tourism (Local guides, transportation providers)	Language Skills & Local Knowledge	Effective Communication & Storytelling Techniques Historical & Cultural Heritage Awareness Emergency Preparedness & First Aid Training
	Business Management & Professionalism	Customer Service & Complaint Handling Financial Management & Pricing Strategies Marketing & Branding Techniques
Destination Management Organizations	Destination Management & Planning	Market Research & Visitor Analysis Product Development & Branding Strategies Sustainable Tourism Implementation & Monitoring
	Stakeholder Engagement & Collaboration	Public-Private Partnerships & Networking Community Engagement & Local Development Advocacy & Policy Influence on Tourism Sector Digital marketing
Financial Institutions, Insurance companies	Understanding of Agribusiness & MSMEs	Risk Assessment & Loan Approvals for Farmers & Processors Financial Literacy & Capacity Building Programs
Training providers	Training Needs Assessment & Curriculum Development	Adult Learning Principles & Methodologies MSDA & Inclusive Training Approaches Digitalization of training Monitoring & Evaluation of Training Programs Dual education practices
CSOs	Advocacy & Policy	Communication & Public Awareness Campaigns organization, PR & Marketing Gender & Social Inclusion Strategies
Media & Communications	Market-Sensitive & Inclusive Reporting	Understanding of MSDA & Value Chains Storytelling & Communicating Complex Issues
Sectorial and Women Associations	Membership Management & Resource Mobilization	Advocacy & Policy Dialogue Training & Capacity Building for Members Organization of Information Sharing & Networking Platforms/Events

Business Service Providers	Tailored Consulting Services for Rural Markets	Consulting services in Agriculture, manufacturing, Tourism MSME development Technology and innovation adoption Business Automation
NGOs (environmental, agricultural, community development)	Sustainable practices and conservation techniques	Promoting environmental conservation, sustainable agriculture, and community development Community engagement and empowerment

It is important to note that the capacity development plan may not be exhaustive and is subject to change and adaptation based on new information that may emerge during the project implementation.

11. Baseline indicators

Based on the kickoff meeting with the ADA project team, in addition to the three main objectives described in the TOR of the assignment, baseline indicators for Outcome 1 of the project were developed. The most recent data available was obtained, which includes:

Table 8: Baseline Indicators

Indicator	Baseline data	Source of information
Number of MSMEs in the Syunik region	4,070	The Statistics Committee of Armenia, 2022
Number of MSMEs in the selected sectors	1,048	Publications of Statistics Committee of Armenia consolidated with the data provided by State Revenue Committee of RA, 2022
Share of MSMEs in the selected sectors in the gross regional product	29%	Publications of Statistics Committee of Armenia consolidated with the data provided by State Revenue Committee of RA, 2022
Share of women-owned/ women-led MSMEs in the selected sectors	34%	Survey results, data provided by the consolidate community administrations
Number of business development, consulting and training service providers offering relevant advice/training for the region	11	Desk study

Share of MSMEs in the selected sectors that utilize business development, consulting and training services	16%	Survey results
Share of women-owned/ women-led MSMEs involved in professional networks	7%	Survey results

Annexes

Annex 1. Key Informant Interviews Questionnaire

This interview is conducted within a framework of Team Europe Initiative Armenia: Resilient Syunik R2D Syunik: Recovery, Resilience, Development for Syunik Program implemented by the Austrian Development Agency and financed by the European Union.

One of the goals of the project is to improve the business environment for MSMEs and enhance private sector competitiveness in the Syunik region.

Your insights are crucial for understanding the inclusive market systems in the Syunik region. The analysis will serve as a basis for the development of the interventions within the project as it reveals the root causes, which might be addressed. The interview will also lead to the stakeholder mapping and identification of potential partners with the market systems.

Section 1 for educational institutions in the Syunik region: Information on the interviewee and the stakeholder organization

- 1.1. Expert's name _____
- 1.2. Expert's position _____
- 1.3. Please introduce your educational programs. Which are the most and least demanded ones? In your opinion, why and why not?
- 1.4. Could you please present statistics on the number of applicants and students?
- 1.5. With which stakeholder organizations (public, international private, civic) does your institution partner, and in which aspects?
- 1.6. Does the university/college partner with private sector businesses in regard to:
 - Assessing the needs and requirements of the private sector to integrate those in the educational programs. If yes, was there any experience when the educational institution has responded to those needs and introduced a new subject or modified the programs?
 - Bringing the students with the private sector for the creation of job opportunities.
- 1.7. Does the university/college have a career center? What are the main functions of the center?

Section 1 for financial institutions: Information on the interviewee and the stakeholder organization

- 1.1. Expert's name _____
- 1.2. Expert's position _____
- 1.3. What financial products/services does your organization offer to MSMEs in the Syunik region?
- 1.4. Please provide details on the terms and conditions of the financial products, target sectors, and target communities.
- 1.5. What size and sector companies do mostly apply for business loans and for what purposes?

- 1.6. Does your institution partner with the government or international organizations for the provision of subsidized loans?
- 1.7. Does your organization provide any non-financial support services to MSMEs?
- 1.8. Does your organization collaborate with any stakeholder institutions (public, private, civic) for the outreach of MSMEs and/or the provision of services?
- 1.9. How would you assess the effectiveness of working with the local businesses in the Syunik region?
- 1.10. What are the main challenges while working with local MSMEs?

Section 1 for governmental institutions: Information on the interviewee and the stakeholder organization

- 1.1. Expert's name _____
- 1.2. Expert's position _____
- 1.3. Could you please present the main approaches and principles of the state business support programs?
- 1.4. Could you please present the government strategy regarding the development actions in the Syunik region? What are the key priorities and objectives?
- 1.5. Could you present the government policy regarding MSME development specifically in the Syunik region? With which public acts and programs these activities are regulated?
- 1.6. What are the priority sectors for the government in the Syunik region? Why?
- 1.7. What other projects, initiatives, and/or activities do the government institutions implement in the Syunik region regarding the development and competitiveness of the region? Please provide details on the main objectives, target market systems, target communities, and achieved results.
- 1.8. Which are the designated governmental bodies involved in the implementation of the described actions?
- 1.9. With which other organizations (international, private, civic) does the government collaborate for the implementation of these actions?
- 1.10. How do you ensure the dissemination of information about the programs among target beneficiaries within the private sector?
- 1.11. What are the main challenges, lessons learned, and best practices of the described actions?

Section 1 for international organizations, NGOs, and foundations implementing business support initiatives in the Syunik region: Information on the interviewee and the stakeholder organization

- 1.1. Expert's name _____
- 1.2. Expert's position _____
- 1.3. What projects, initiatives, and/or activities does your organization do (or have done) in the Syunik region to support MSME development and competitiveness? Please provide details on the main objectives, target sectors, target communities, and achieved results.

- 1.4. How do you ensure the dissemination of information about these projects among target businesses that can benefit from the project activities?
- 1.5. With which stakeholder organizations (public, international, private, civic) you have collaborated for the implementation of these projects?
- 1.6. What were the main challenges, lessons learnt and best practices of the described project(s).

Section 2: Overview of the current economic state of the Syunik region and promising sectors

- 2.1. From your perspective, what is the current economic state in the Syunik region?
- 2.2. What do you think are the current leading and/or future promising market systems/sectors in the Syunik region? Please specify per each consolidated community.
- 2.3. Why do you think so, what are the strengths and opportunities of those sectors?
- 2.4. What are the main sub-sectors within the mentioned sectors and which ones have shown significant growth in the recent years?
- 2.5. Which market systems do you believe show promise for a) gender b) social c) environmental inclusivity and sustainable development?

Section 3: Market failures, gaps, and root causes within the system(s)

- 3.1. In your assessment, what are the main challenges and gaps within the market hindering the development of the discussed sectors?

Note for the interviewer: after receiving the informant's answer, below are listed some factors for consideration and discussion:

- Limited access to financial resources
 - Limited access to professional/consulting services
 - Limited access to capacity development programs
 - Insufficient infrastructure development
 - Lack of skilled workforce
 - Capacity and skills of management/ business owner
 - Regulatory and compliance issues
 - Environmental sustainability concerns
 - Gender inequality and inclusivity
 - Limited Market Access
 - Technological constraints
- 3.2. What market failures exist in the system(s)? What are the root causes that contribute to these failures?
 - 3.3. What measures have been taken so far to address the challenges, and by whom? How would you assess the effectiveness of those initiatives?

Section 4: Understanding the functions and interconnections within the market system(s)

- 4.1. Who are the key market actors within the discussed market system(s)? What are their main functions?
- 4.2. What are the main interconnections within these market actors and their functions?
- 4.3. What are the factors driving growth in the discussed sectors (i.e. formal/non-formal rules (policies, regulations), and other factors)?
- 4.4. What are the policy and legal frameworks – to enable private sector participation and job creation in the discussed sectors?
- 4.5. About what other projects in the Syunik region you are aware of that support MSME development?

Section 5: Social, Gender, and Environmental Considerations

- 5.1. In your evaluation, how do you observe the gender dynamics within the discussed sectors (gender distribution in each sector in regard to employment and entrepreneurship, gender roles and expectations)?
- 5.2. How would you assess the women participation and involvement within the sectors?
- 5.3. How easy it is for women to start and run a business in the region?
- 5.4. Do you believe that the market systems offer equal employment and compensation opportunities for men and women in the Syunik region?
- 5.5. Are you aware of any specific initiatives, programs, or policies aimed at promoting the inclusion of women, people with limited abilities, social vulnerability and displaced populations within the sector?
- 5.6. To what extent the local businesses are environmentally responsible and apply environmentally sustainable practices (renewable energy, waste management, energy efficiency, etc)?
- 5.7. To what extent the local businesses are involved in community development or corporate social responsibility practices?
- 5.8. To what extent the local businesses consider displaced populations for employment opportunities within their companies?
- 5.9. To what extent the local businesses consider people with limited abilities for employment opportunities within their companies?
- 5.10. How easy it is to find a job in the sector for the people from the discussed target groups (people with limited abilities, displaced population)?

Section 6: Access to finance and non-financial services

- 6.1. How would you assess the access to finance for local businesses?
- 6.2. What are the main challenges and obstacles in this regard?
- 6.3. In your opinion, do the interest rates and conditions (collateral, guarantee, repayment period, etc.) correspond to the capabilities of the local companies, especially micro and small ones?

- 6.4. What are the key financial institutions that facilitate access to financial resources for the local business?
- 6.5. What are the most essential non-financial services the local businesses within the discussed market systems need (business, legal, financial consulting, marketing, and branding, etc.)?
- 6.6. To what extent do the local businesses utilize these professional services?

Section 7: Capacity Development Needs

- 7.1. In your opinion, what are the main capacity/ knowledge gaps and development needs of MSMEs within the market system?

Note for the interviewer: after receiving the informant's answer, below are listed some capacity development needs for consideration and discussion:

- Marketing and sales
 - Digital literacy and use of digital tools
 - Customer service
 - Financial literacy and management
 - Leadership and human resource management
 - Legal policies, tax system, and regulations
 - Optimization of business processes
 - Soft skills: effective communication, presentation, negotiation skills, time management, etc
- 7.2. What are the main gaps in the current education system, specifically in the Syunik region (universities, colleges) as a result of which the market systems lack a qualified workforce?
 - 7.3. Which are the current most demanded specialists lacking in the discussed sectors?
 - 7.4. Besides local businesses, which are other key market actors that need capacity development to be able to better function within the system and support the MSME development?
 - 7.5. What recommendations do you have for capacity development initiatives that could address the identified gaps?
 - 7.6. What capacity development needs does your organization have to be able to support MSMEs with increased productivity and effectiveness?

Section 8: Vision and intervention ideas

- 8.1. In your view, what would be a credible and effective vision for improving discussed sectors in the Syunik region, considering impact, sustainability, and scale?
- 8.2. What do you see as the most effective entry points for initiating positive change in the market systems?
- 8.3. Based on your insights, what kind of interventions or support mechanisms would be effective in addressing discussed challenges?

Section 9: Partnership Opportunities

- 9.1. What are the key capacities that your organization already possesses to help address some of the challenges that we have discussed?
- 9.2. What partnership opportunities do you envision within the project?
- 9.3. Who are the key stakeholders and players within the market system that could potentially collaborate with the project?
- 9.4. How do you envision coordinating various stakeholders, including the public sector, NGOs, and private businesses, to enhance sectorial development in the Syunik region?

Section 10: Additional Comments

Additional Insights: Is there any additional information or insights you would like to share regarding the market system analysis?

Annex 2. Focus Group Discussion Guide and Questions

This discussion is conducted within a framework of Team Europe Initiative Armenia: Resilient Syunik R2D Syunik: Recovery, Resilience, Development for Syunik Program implemented by the Austrian Development Agency and financed by the European Union.

One of the goals of the project is to improve the business environment for MSMEs and enhance private sector competitiveness in the Syunik region.

Your insights are crucial for understanding the inclusive market systems in the Syunik region. The analysis will serve as a basis for the development of the interventions within the project as it reveals the root causes, which will be addressed.

The discussion outputs will be used solely for research purposes. Your and/or your organization's name and the provided answers will not be published individually, and your data will not be transferred to any third party.

Instructions Guide for the moderator of the discussion

- Ask all the participants to introduce themselves: name, surname, organization.
- Try to create an informal, friendly atmosphere for frank conversation.
- Involve all the participants in the discussion. If you notice that a participant is inactive, you can ask them directly to have their input.
- Handle the dominant participants. If one or more participants dominate the discussion, tactfully redirect the conversation to ensure all voices are heard.
- To get a more in-depth and detailed answer, ask clarifying questions if you see the need for it. Ask follow-up questions to dig deeper into participants' responses. Seek clarification and encourage elaboration.
- In case of need, summarize and/or paraphrase the participant's response for validation purposes.

- Have a neutral position, try not to express your opinion on the topic in order to get more objective answers.
- Keep track of time to cover all planned topics. If the discussion is getting off track, gently guide it back to the main points.
- Guide the participants to listen and not interrupt each other, and respect other opinions.
- Guide the participants to give consent for the discussion to be recorded. Explain the purpose of the recording.
- Sum up the meeting by key points and findings of the meeting.
- Thank the participants for their time and contributions. Reiterate the importance of their insights.

Section 1: Overview of the current economic state of the Syunik region and promising sectors

- What do you think are the current leading and/or future promising market systems/sectors in the Syunik region? Please specify per each consolidated community.
- Why do you think so, what are the strengths and opportunities of those sectors?

Section 2: Market failures, gaps, and root causes within the system(s)

Note for the moderator: below are listed some common challenges and gaps to facilitate discussion in case of need.

- Limited access to financial resources
- Limited access to professional/consulting services
- Limited access to capacity development programs
- Insufficient infrastructure development
- Lack of skilled workforce
- Capacity and skills of management/ business owner
- Regulatory and compliance issues
- Environmental sustainability concerns
- Gender inequality and inclusivity
- Limited Market Access
- Technological constraints
- What are the root causes that contribute to these failures?
- What measures have been taken so far to address the challenges, and by whom? How would you assess the effectiveness of those initiatives?

Section 3: Market actors and functions

- What organizations/ market actors support MSME development in the Syunik region (public, international, private, NGOs)? How would you assess the effectiveness of their functions and activities?
- What are the factors driving growth in the discussed sectors (i.e. formal/non-formal rules (policies, regulations), other factors)?
- How do community leaders and members participate in or contribute to the decision-making and development of local businesses?

- Do you see opportunities for collaboration between the private sector and the local communities to address challenges and enhance benefits?

Section 4: Access to finance and non-financial services

- How would you assess the access to finance for local businesses? What are the main challenges and obstacles in this regard?
- In your opinion, do the interest rates and conditions (collateral, guarantee, repayment period, etc) correspond to the capabilities of the local companies, especially micro and small ones?
- What are the most essential non-financial services the local businesses within the discussed market systems need (business, legal, financial consulting, marketing and branding, etc)?
- To what extent do the local businesses utilize these professional services?

Section 5: Capacity Development Needs

- In your opinion, what are the main capacity/ knowledge gaps and development needs of MSMEs within the market system?

Note for the moderator: below are listed some capacity development areas to facilitate discussion in case of need.

- Marketing and sales
- Digital literacy and use of digital tools
- Customer service
- Financial literacy and management
- Leadership and human resource management
- Legal policies, tax system, and regulations
- Optimization of business processes
- Soft skills: effective communication, presentation, negotiation skills, time management, etc.
- Which are the current most demanded specialists lacking in the discussed sectors?
- Besides local businesses, which are other key market actors that need capacity development to be able to better function within the system and support the MSME development?
- What recommendations do you have for capacity development initiatives that could address the identified gaps?

Section 5: Social, Gender, and Environmental Considerations

- How do you perceive the impact of business activities on the local community of the Syunik region? What are the positive and negative aspects of current business activities related to community development? How the MSME sector affects the employment opportunities and livelihoods in the community
- To what extent the local businesses are involved in community development or corporate social responsibility practices?
- In your evaluation, how do you observe the gender dynamics within the discussed sectors? How would you assess the women's participation and involvement within the sectors?

- Do you believe that the market systems offer equal employment and compensation opportunities for men and women in the Syunik region?
- How would you describe the current environmental impact of business activities in the region?
- To what extent the local businesses are environmentally responsible and apply environmentally sustainable practices (renewable energy, waste management, energy efficiency, etc)?
- To what extent the local businesses consider displaced populations for employment opportunities within their companies?
- To what extent the local businesses consider people with limited abilities for employment opportunities within their companies?

Section 6: Vision and intervention ideas

- What is your vision for the future of the private sector in the Syunik region, considering community well-being, environmental sustainability, and economic development?
- Based on your insights, what kind of interventions or support mechanisms would be effective in addressing discussed challenges?
- What recommendations do you have to improve the relationship between the business sector and the local community?
- Who are the key stakeholders and players within the market system that could potentially collaborate with the project?
- How do you envision the community involvement within the project?

This survey is conducted within a framework of Team Europe Initiative Armenia: Resilient Syunik R2D Syunik: Recovery, Resilience, Development for Syunik Program implemented by the Austrian Development Agency and financed by the European Union. One of the goals of the project is to improve the business environment for MSMEs and enhance private sector competitiveness in the Syunik region.

Your insights are crucial for understanding the inclusive market systems to be able to develop project activities at the highest effectiveness.

Annex 3. Survey Questionnaire among MSMEs

The survey results will be used solely for research purposes. Your company name and the provided answers will not be published anywhere, and the data will not be transferred to any third party.

Interviewer _____

Date of the interview _____

Name Surname of the respondent _____

Telephone number of the respondent _____

Position of the respondent in the company _____

Section 2: Company Information

1. **Company name:** _____
2. **Sector of the company:**
 - ☐ Agriculture and Food Processing
 - ☐ Tourism (including food, accommodation, and touristic services)
 - ☐ Manufacturing
 - ☐ Information and Communications Technologies
 - ☐ Other _____
3. **The gender of the owner/head of the company:**
 - ☐ Female
 - ☐ Male
4. **Age of the owner/ head of the company:**
 - ☐ Up to 35 years old
 - ☐ 36-45
 - ☐ 46-60
 - ☐ 61 and over
5. **Select in which consolidated community is your business operating (multiple choice):**
 - ☐ Goris consolidated community
 - ☐ Meghri consolidated community
 - ☐ Qajaran consolidated community
 - ☐ Tatev consolidated community
 - ☐ Kapan consolidated community
 - ☐ Tegh consolidated community
 - ☐ Sisian consolidated community
6. **Your business is located in:**
 - ☐ Urban community
 - ☐ Rural Community
7. **For how many years has your business been operating?**
 - ☐ Less than 1 year
 - ☐ 1-3 years
 - ☐ 4-9 years
 - ☐ 10 or more
- 8.1 **Specify the actual number of permanent employees of the company:**
 - ☐ Up to 3
 - ☐ 4-9
 - ☐ 10-25
 - ☐ 26-49
 - ☐ 50-100
 - ☐ 100+

8.2 Specify the number of seasonal/contractual employees of the company:

- ☐ We do not have seasonal employees
- ☐ Up to 3
- ☐ 4-9
- ☐ 10-25
- ☐ 26-49
- ☐ 50-100
- ☐ 100+

9. By which tax system your company is operating:

- ☐ Microenterprise
- ☐ Turnover tax
- ☐ VAT
- ☐ Other

10. Name 3 products/services offered by the company, which provide the largest share of the company's turnover:

11. Distribution of the company's sales per target customers:

	1-25%	26-50%	51-75%	76-100%
Consumers (B2C)				
Businesses (B2B)				
Government (B2G)				

Section 3: Main challenges and obstacles

12. Which of the following challenges hinders the sustainable development of your company? (*multiple choice- max 3 answers*)

- ☐ Regional conflicts, political instability
- ☐ Lack of qualified workforce
- ☐ High level of competition
- ☐ Inflation
- ☐ Limited access to finance
- ☐ Limited access to consulting services
- ☐ Limited access to capacity building/ training services
- ☐ Legislative gaps
- ☐ Insufficient infrastructure development (roads, gas/ electricity, water)
- ☐ Rapid technological change
- ☐ Limited information, awareness, and communication channels
- ☐ Other _____

13. Choose up to three main areas in which the company most often faces management challenges/obstacles. (multiple choice-max 3 answers)

- ☐ Marketing and Sales
- ☐ Financial Management
- ☐ Legal policies, compliance system, and taxation
- ☐ Business Process Management and Optimization
- ☐ Human Resource Management
- ☐ Customer Relationship Management
- ☐ Other _____

Section 4: Access to finance and business support services

14. Does the company have ever applied for a business loan for the development of the enterprise?

- ☐ Yes, my loan was approved
- ☐ Yes, however, the loan has been rejected
- ☐ No

15. What challenges has your company faced while applying for a business loan: (multiple choice)

- ☐ High interest rates
- ☐ Poor credit history
- ☐ Strict guarantee requirements
- ☐ Strict collateral requirements
- ☐ Short repayment periods
- ☐ Limited offerings in the market
- ☐ We faced no obstacles
- ☐ Other _____

16. Does your company plan to make investments in the business in the upcoming 2 years, if yes, please specify the directions; (multiple choice)

- ☐ No investments are planned in the next 2 years
- ☐ Acquisition and/or renovation of the building
- ☐ Acquisition and/or modernization of technology and equipment
- ☐ Infrastructure improvement (installation of solar panels, electricity, water supply systems)
- ☐ Marketing and branding activities
- ☐ Digitalization of business processes (database management systems, online sales platform, etc.)
- ☐ Increase the number of staff
- ☐ Acquisition of raw materials
- ☐ Other _____

17. Is your company a member of some professional network, membership organization, and/or business association?

- ☐ Yes _____

- ☐ No

18. Are you aware of any business support and capacity development programs/projects implemented by government, NGOs, or international organizations?

- ☐ Yes _____
- ☐ No

19. Has the company ever participated in any business support and/or capacity development program/training?

- ☐ Yes
- ☐ No

20. If yes, how have these programs contributed to the growth and development of your business?

- ☐ Significantly
- ☐ Moderately
- ☐ Minimally
- ☐ They did not contribute to development in any way

21. Has the company ever received a grant from a governmental, local or international organization for the development of its activities?

- ☐ Yes
- ☐ No

22. What type of paid business consulting services has the company ever utilized? (multiple choice)

- ☐ None
- ☐ Marketing and branding
- ☐ Accounting and financial services
- ☐ Legal consulting
- ☐ Technology support
- ☐ Business development consulting services
- ☐ Other (please specify): _____

23. If any, how have these business services contributed to your overall business growth?

- ☐ Significantly
- ☐ Moderately
- ☐ Minimally
- ☐ Did not contribute to development in any way

Section 5: Capacity Development Needs

24. On average, how often does the company staff participate in training/capacity-building programs?

- ☐ The company staff does not regularly participate in any training
- ☐ Once per couple of years
- ☐ Once a year
- ☐ Several times per year

25. In your opinion, what kind of SME development support program/initiatives would be effective to implement in your community? (multiple choice- max 3 answers)

- ☐ Capacity building/training for company management/owner
- ☐ Capacity building/ training for company employees
- ☐ Experience exchange with industry experts and other companies within the sector
- ☐ Provision of business consulting services
- ☐ Direct financial assistance (grants, loans)
- ☐ Non-financial assistance (provision of equipment, machinery)
- ☐ Other _____

26. In what training you or your company employees would like to participate to increase the efficiency and effectiveness of the business performance? (multiple choice- max 3 answers)

- ☐ Marketing and sales
- ☐ Digital literacy and use of digital tools
- ☐ Customer service
- ☐ Financial literacy and management
- ☐ Leadership and human resource management
- ☐ Legal policies, tax system, and regulations
- ☐ Optimization of business processes
- ☐ Soft skills: effective communication, presentation, negotiation skills, time management, etc
- ☐ Other _____

Section 6: Gender, Environmental, and Social Assessment

27. Number of employees from the following targeted groups (comment):

- ☐ Women _____
- ☐ Youth (under age of 35) _____
- ☐ People with limited liabilities _____
- ☐ Refugees/displaced _____
- ☐ Foreigners _____

28. Do men and women receive the same compensation for the same position/ responsibilities in the company?

- ☐ Yes
- ☐ No

29. Does your company apply any environmentally sustainable practices; if yes specify. (multiple choice)

- ☐ No
- ☐ Waste recycling
- ☐ Use of renewable energy (for instance, solar panels)
- ☐ Application of energy-efficient technologies

- Water conservation measures

- Other _____

30. Is your company involved in any community development or corporate social responsibility practices? If yes specify.

- No
- Yes _____

Annex 4: List of Key Informant Interviews

N	Organization	Representative/ Interviewee	Position
1.	RA Ministry of Economy	Hripsime Hovhannisyan	Department of Entrepreneurship, Head of public-private dialogue division
		Tamara Sargsyan	Department of Entrepreneurship, Expert in Policy and Program Development Division
2.	RA Ministry of Economy Tourism Committee	Susanna Hakobyan	Deputy Head of Tourism Committee
3.	Syunik Administration (marzpetaran)	Hayk Karakhanyan	Head of the department for development and implementation of development programs
4.	Chamber of Commerce of RA	Andranik Aleksanyan	Executive Director
5.	UNDP Armenia	Karine Simonyan	Program Coordinator
6.	USAID Armenia	Haikanush Bagratunyan	Economic Development Project Manager
		Gayane Dallakyan	Project Director, Business Enabling Environment
		Gayane Hovhakimyan	Gender and Inclusion Expert
		Hasmik Ghukasyan	Monitoring & Evaluation Director, USAID Economic Foundations for Resilient Armenia
7.	AGBU (Women Entrepreneurs Program)	Tatevik Manukayan	Program Manager
		Astghik Hoveyan	Business Development Advisor
8.	Impact Hub Yerevan	Gevorg Poghosyan	CEO
9.	Impact Hub Syunik	Raisa Aghabekyan	Program Manager
10.	CARD Center for Agribusiness & Rural Development	Sona Telunts	Director of Programs

11.	Enterprise Incubator Foundation (EIF)	Bagrat Yengibaryan	CEO
12.	Jinishian Memorial Foundation	Liana Sargsyan	Deputy Director
13.	Armenian Caritas	Armen Hakobyan	Head of business component at Goris office
14.	Impulse Management Company (IDeA Foundation)	Ani Davtyan	Director of Marketing
15.	Syunik Destination Management Organization NGO	Anush Hayrapetyan	Director
16.	Strategic Development Agency	Mkrtich Ayvazyan	Chairman
17.	Shen NGO	Hayk Minasyan	Chairman
18.	WINNET Armenia Network of Women Resource Centers, Winnet Goris Development Foundation (former: Goris Women's Resource Center)	Anna Aleksanyan	Coordinator
	Kapan Women's Resource Center	Kristina Saghatelyan	President
	Meghri Women's Resource Center	Satik Harutyunyan	President
19.	Republican Union of Employers of Armenia	Gagik Makaryan	President
20.	Children of Armenia Fund (COAF)	Ara Barsam	Global Executive Director
		Liana Ghaltaghchyan	Executive Director
		Shahane Halajyan	SMART Center Education Manager
21.	ACBA Federation	Harutyun Poghosyan	General Manager
22.	Aregak UCO/ Sisian Branch	Garik Mkrtchyan	Branch Manager
23.	Finca UCO/ Meghri Branch	Karen Kandazyan	Branch Manager
24.	Kamurj UCO/ Sisian Branch	Aramayis Ghazaryan	Branch Manager
25.	DICA, Development and Investments Corporation of Armenia, Syunik representation	Davit Amirjanyan	Head of Syunik Representation
26.	Aniv UCO	Edgar Galstyan	Director
27.	Kapan branch of the "National Polytechnic University of Armenia" foundation	Lernik Petrosyan	Acting Director
28.	Goris State University	Tigran Vandunts	Rector
29.	Sisian Branch of National Agrarian University of Armenia	Gagik Khachatryan	Director
30.	Syunik Regional College	Vrezh Badalyan	Acting Director
31.	Instigate, Goris Real School	Artur Khojabaghyan	Director
32.	Yeremyan Academy	Aida Tigranyan	Director

