



## STDF PROJECT PREPARATION GRANT (PPG)

### APPLICATION FORM

The Standards and Trade Development Facility (STDF) provides Project Preparation Grants (PPGs), up to a maximum of US\$50,000, for the following purposes (or a combination thereof):

- application of SPS-related capacity evaluation and prioritization tools;
- preparation of feasibility studies that may precede project development to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or
- preparation of projects proposals that promote compliance with international SPS requirements, for funding by the STDF or other donors.

Applications that meet the STDF's eligibility criteria are considered by the STDF Working Group, which makes the final decision on funding requests. Complete details on eligibility criteria and other requirements are available in the *Guidance Note for Applicants*. The completed application should be submitted through the [STDF online application system](#).

<b>PPG Title</b>	<b>Apply the P-IMA framework in Armenia to promote export of agricultural products to the EU and other non-EEU markets</b>
<b>Budget requested from STDF</b>	USD 45,920.0
<b>Full name and contact details of the requesting organization(s)</b>	"Economic Research and Development Support Center" Non-Governmental Organisation (ERDSC)  Address: 7 Agatangeghos street, 0010, Yerevan, Republic of Armenia  Telephone: +374 (11) 202 155  E-mail: <a href="mailto:info@erdsc.am">info@erdsc.am</a>
<b>Full name and contact details of contact person for follow-up</b>	Mr. Ruben Sarukhanyan (Executive Director)  Telephone: +374 (11) 202 155  E-mail: <a href="mailto:info@erdsc.am">info@erdsc.am</a>

### I. BACKGROUND AND RATIONALE

**1. What is the purpose of this PPG? Explain whether it is requested to: (i) apply an SPS-related capacity evaluation or prioritization tool; (ii) prepare a feasibility study (prior to project development) to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or (iii) prepare a project proposal for consideration by the STDF or other donors?**

The purpose of this Project Preparation Grant (PPG) is to support the preparation of a project proposal focused on promotion of export of agricultural products from Armenia to the EU and other countries through identification, assessment and addressing weaknesses in SPS capacities of Armenian primary agricultural product producers, processors and exporters by using the P-IMA framework.

P-IMA is a very important tool for Armenia, as it will allow decision makers and institutions involved in food safety and agricultural policy development to analyse and identify possible SPS investment needs, through engagement of all possible stakeholders.

The usage of the P-IMA will allow the project team to prioritise SPS related needs and develop a project proposal that will support to overcome bottlenecks hampering export of agricultural products from Armenia to the EU and other countries, to identify and overcome key barriers that reduce market access potential of Armenian exporters. The project proposal, developed on the basis of this PPG and the applied P-IMA framework, will also provide an action plan to implement the necessary activities for solution of existing trade related problems.

The PPG could provide means to have in-depth discussions with all stakeholders on the design and implementation of the project. It will enable the stakeholders to discuss the existing opportunities and needs, discuss and agree on the key elements of the project including the objective, logical framework, timeframe, their specific roles and responsibilities, as well as specifics of their involvement in the project.

**2. Explain the key SPS problems and/or opportunities to be addressed. Clarify why these issues are important, with attention to market access and poverty reduction. Describe, if relevant, how these issues relate to SPS priorities in the Enhanced Integrated Framework's Diagnostic Trade Integration Studies (DTIS), the findings of SPS-related capacity evaluations, national poverty reduction strategies, sector development strategies or policies, etc. See Qn. 7. (b) – (d) of the Guidance Note.**

The agricultural sector is considered as one of the most important sectors of the economy of Armenia with a contribution of about 15% to the country's GDP and 40% to employment in the country (FAO, 2020). Despite of this importance and ability of the Armenian agriculture sector to grow thanks to several competitive advantages, it still is in low level of development with need in innovation, efficiency in production and clear legal environment.

Among the key factors hampering development of Agriculture sector in Armenia are:

- low resource efficiency, meaning low revenues generated per unit of inputs. This is attributed to non-compliance of agricultural products to internationally recognised food safety and SPS standards, with outdated cultivation systems and equipment, fragmented land plots, scarcity of post-harvest infrastructure, low rate of adopting modern technologies by farmers;
- shortages or inadequate quality of natural assets (e.g. degraded soil, depleting non-renewable water resources, polluted water bodies and air);
- risks associated with adverse environmental factors such as climate change, drought, frost and hail damage;
- social factors including low paying capacity of poor farmers, insufficient involvement of youth and women in agriculture.

The Government of Armenia has adopted a strategy on main directions of agriculture development in 2020-2030 (hereinafter Agriculture Strategy of Armenia). The vision of the Government for the next ten years is to have sustainable, innovative, high value-added agriculture in a harmony with the environment, ensuring care of natural resources, producing organic products and creating conditions for well-being of the people living in the village.

The Strategy has been designed to meet the nation's needs for safe food supply, commercial production. A top priority for the Government is to modernize the agriculture sector in a manner that fully meets sustainable practices and achieves food security and better livelihoods for all people. The "transition from traditional small-scale production towards modern, technology-enabled,

market-driven and value-added agriculture” of the agricultural sector is part of the Government’s overall vision.

The strategy is based on seven principles:

- **Commercialisation:** support export-focused growth and private sector investment into more commercial activities, re-orientation to high value export markets, and emphasis on value-added activities
- **Orientation to quality:** focus on improving, monitoring and promoting the quality of Armenian agriculture products and pursue upmarket positioning emphasizing the unique qualities of Armenia’s environment
- **Youth engagement:** include young people in all agriculture development activities – from policy making to production, processing and marketing activities
- **Diversification and risk management:** promote product and market diversification, introduce risk management measures ranging from hail protection systems to universal access to high quality agricultural insurance
- **Climate change adaptation, resistance and environmental sustainability:** increase focus on climate change awareness, adaptation and mitigation strategies
- **Technology focused modernisation:** invest in agricultural sector digitalisation, mechanisation/automation, irrigation, the greenhouse sector and post-harvest sector development
- **Aggregation:** support to aggregation of small holdings and promotion of farmer-to-farmer and farmer-to-agribusiness linkages.

These principles were translated into numerous concrete objectives, among which are:

- Increase the average income of a farmer from AMD 0.6mln in 2019 to AMD 5mln in 2029
- Increase the productivity of farmer from 3% in 2019 to 100% in 2029
- Increase degree of diversification of agricultural food exports (10% more foreign markets), etc.

Enhanced SPS standards can also contribute to trade promotion. Armenia has a high potential for cultivating fruits and vegetables for not only domestic use but for export as well. Developing this sector and improving the quality and safety of fruits and vegetables produced in Armenia can significantly increase export, potential income of farmers and can generate new employment opportunities in rural areas. This relates also to meat processing and dairy production sectors. Though there are numerous meat- and milk processing companies, export of these products is very low. Export of products of animal origin is prohibited to the EU and other markets, due to safety requirements and non-compliance of safety standards. Sometimes export restrictions are applied to meat and dairy products of Armenian origin in the market of Eurasian Economic Union, again due to non-compliance with food safety requirements.

Our analyses have shown, that main export market of Armenian agricultural products, particularly fruits and vegetables is Russia (and countries of the Eurasian Economic Union, EEU). Share of these products in export of commodities to Russian market continuously grows. For example, export of fresh tomatoes and fruits increased in 2018 by more than 40% compared to 2017.

Unlike Russia and member countries of the Eurasian Economic Union, export of agricultural products to the EU accounted only 1,9% in 2019 (compared to 3% in 2018). Studies and expert assessments show that Armenian agricultural products have low competitiveness and, consequently, weak opportunities in export markets, especially in non-Soviet markets. This is explained by non-compliance with the EU safety requirements: high level of pesticide contamination, non-proper food safety protection measures, etc. The quality and safety of fruits and vegetables produced in Armenia suffer from improper pesticide and fertilizer use. In general, this is related to outdated methods and practices present in primary agriculture sector.

Poor post-harvest practices and absence of relevant infrastructure result in loss of fresh fruits and vegetables. Lack of awareness of the importance of SPS requirements and lack of knowledge among farmers and producers, inadequate testing facilities and limited certification practices against recognised SPS standards reduce export potential of Armenian agricultural products.

However, it is worth to mention, that these are only expert assessments. There isn't any special tool developed by public authorities of Armenia for regular analysis of SPS weaknesses that impede export of agricultural products. Short-term assessments and interviews with limited number of stakeholders on specific issues does not provide a whole view on SPS capacity building and investment needs of the country. This is why we ask for the STDF's support to implement the P-IMA framework in Armenia. The Framework will allow to identify and prioritize investment and capacity-building options in the country and thus to plan and process targeted policy measures and support programmes.

The proposed project will contribute not only to the implementation of the Agriculture Strategy of Armenia but also will provide necessary solutions to the problems existing in the agriculture sector of Armenia and enhance trade with the EU and other countries. The project will support the government to closely work with the entire spectrum of stakeholders, from producers to exporters in the SPS area, to address related capacity constraints and take advantage of market opportunities. Beneficiaries of this project are considered small farmers and other participants in the value chain from farm to export market.

The SPS priorities identified through the implementation of P-IMA framework and information gathered during the project would be used to develop relevant action plans and strategic documents for solution SPS related issues and to make the state and donor support more targeted.

**3. Which government agencies, private sector, academic or other organizations support this PPG request? Letters of support from each of these organizations would be advantageous (Appendix 1). See Qn. 7. (e) of the Guidance Note.**

The Food Safety Inspection Body (FSIB) under the Government of the Republic of Armenia is responsible for carrying out the state legislative regulation of food safety and compliance evaluation and supervision in the sphere of veterinary and phytosanitary, taking disciplinary actions in the mentioned spheres on behalf of the Republic of Armenia. For implementation of its activities, FSIB cooperates with all state institutions and provides guidance and recommendations to all business operators involved in the food industry. Thus, this request for PPG is supported by the Food Safety Inspection Body under the Government of the Republic of Armenia.

The PPG request is developed on the basis of the recommendation provided by the FAO. In particular, during the discussion with FAO on the first proposal submitted in 2019 ("Introduction of Food Business Operators Rating System in Meat and Milk Sectors for Increasing the Quality and Safety of Products"), in order to avoid possible overlapping with the ongoing "Strengthening food safety and animal health capacities in risk assessment and management project", it was recommended by FAO to "consider a focus on the support that would eventually increase the market share of Armenian products in the targeted markets."

The proposal is reviewed and updated based on recommendations of the STDF secretariat. Particularly based on the analysis of the submitted proposal and online discussions, it was suggested to use P-IMA framework for identification of SPS issues and capacity building needs of the country to promote export of food and vegetable to the foreign markets.

Letter of support, provided by the Food Safety Inspection Body under the Government of the Republic of Armenia is attached (see appendix 1).

**4. How does this PPG complement and/or build on past, ongoing and/or planned national programmes and/or donor-supported projects? See Qn. 7. (f) of the Guidance Note.**

Increasing overall export orientation, quality aspirations and diversification through entry into new high-value markets (e.g., the EU, Middle East, Japan, and North America) via government investments into export promotion and investments, into modern food safety standards,

phytosanitary enforcement, and modernised traceability and certification systems and practices are considered as one of key ambitions of the Agriculture Strategy of Armenia.

Increase of human capacity across all agriculture market segments and levels, reform of educational and vocational training system to engage youth and improve farmer skills and training the next generation of Armenian agronomists, agricultural technologists, and entrepreneurs is strategic goal of the government for coming 10 years.

The EU funded "EU Green Agricultural Initiative in Armenia (EU-GAIA)" project, which is implemented by Austrian Development Agency and co-implemented by UNDP will contribute to achievement of these strategic goals of the Government of Armenia. The specific objective of the EU-GAIA project is to "facilitate the development of sustainable, innovative and market-driven agribusinesses in a green and inclusive manner, offering region-specific solutions and an improved enabling environment". Though the EU-GAIA project foresees to support agribusinesses in achieving access to infrastructure, green technologies, good agricultural practices and markets, its activities will be mainly implemented in three regions of Armenia.

The P-IMA will contribute to achieving the strategic agricultural goals of the government, by contributing to the identification and development of a detailed SPS capacity building plan, with defined and justified priorities. It will enable the state authorities of Armenia, in collaboration with the private sector and experts, to use the identified data for informed decision-making, particularly with regard to the allocation of resources in future programmes and projects.

Likewise, it will contribute to the work of other institutions related to sanitary and phytosanitary measures in the country such as the Food Safety Inspection Body. Letters of support, provided by the Food Safety Inspection Body under the Government of the Republic of Armenia, SME Cooperation Association NGO and Association of Meat, Feed Producers and Breeders are attached.

In addition, the results of this tool could also be used by donor organisations and any other cooperation agency in the development and implementation of support and investment programmes.

**5. Have you discussed this PPG request – or funding for the project proposal which would result from it – with any potential donors (bilateral, multilateral, Enhanced Integrated Framework, etc.)? If so, provide details below and indicate potential sources of funding for the resulting project. See Qn. 7. (g) of the Guidance Note.**

This request has not been discussed with any potential donor organisation yet. As it was mentioned earlier, the idea came from the discussion with the FAO and their recommendations, the STDF secretariat, and is based on the trade policy and export market analysis experiences of ERDSC. The project team will initiate negotiations with donor community to find relevant support for implementation of mentioned idea and to promote export of Armenian products based in results of implementation of P-IMA framework.

**6. Briefly explain how gender and environmental issues are relevant for this PPG and, if appropriate, how they will be addressed.**

The proposed project will have a positive impact on the environment. Particularly, if this PPG is approved and followed by a successful project, it is believed that the producers will introduce sustainable agricultural practices and food safety management systems in their production (based on results of P-IMA framework), which will have a positive impact on the environment: less emission, low level of pesticide contamination, appropriate food safety protection measures, sustainable and comprehensive waste management.

The activities, outputs and deliverables of the proposed project will be designed based on the gender sensitive approach. We will seek equal representation of men and women when making selection of stakeholders for involvement in the project activities, discussions, meetings, etc. In addition, active involvement of youth also will be ensured. The materials prepared in the framework of the proposed project, aimed at improving the knowledge of farmers and traders, will be published on websites of involved institutions, allowing all interested people, without any restriction, to visit, download and

learn. The information will be shared and discussed with state institutions and government bodies as well, which will allow them to adopt evidence-based decisions. It will also improve decision making power of state bodies and will be a result the SPS situation in the country, as all activities of state institutions in the SPS field will be based on regular assessments and prioritisation.

As to the project management and experts' involvement, gender equality is ensured by involving in the project representatives of all genders.

Meanwhile the implementation of the project, according to our estimations, will contribute to the export enhancement activities and thus, will increase income of farmers, producers and employers involved in relevant value chains and, as a result, will contribute to the reduction of poverty level in the country in the long-term. It will also improve confidence of local and foreign consumers toward the primary and secondary agricultural products produced in Armenia.

## **II. IMPLEMENTATION & BUDGET**

**7. Who will take the lead in implementing this PPG? If particular national experts and/or international consultants are proposed, attach a copy of their Curriculum Vitae and record of achievements (Appendix 2). If no names are provided, the STDF will provide a shortlist of consultants if the PPG request is approved.**

The project will be implemented by Economic Research and Development Support Center, which had implemented number of projects directed to improvement of food safety level and enhancement of export potential of the country.

The executive director of ERDSC will lead the team of experts, coordinate tasks within the team, will be responsible for management and quality control, will review and comment on all deliverables. The team leader will be responsible to ensure that all documents and reports are submitted on time and are of excellent quality. The project team consisting of national experts together with the international consultant and representatives of the Food Safety Inspection Body will implement the project. Regular meetings and discussions are foreseen with the administration and staff of the Food Safety Inspection Body and other state institutions, donor community, as well as with potential stakeholders of the project.

ERDSC will closely work with the Food Safety Inspection Body and Agriculture Alliance and their experts throughout the implementation of this PPG.

Though currently Armenia does not have national experts and/or consultants who know this tool, the experts below will be involved in the implementation of the PPG. CVs of Key National Experts are attached (See Appendix 2):

Ruben Sarukhanyan, team leader – Executive Director of Economic Research and Development Support Center, with extensive experience of implementing donor supported projects and providing project management and coordination consultancy to state authorities. He is also actively involved in Agricultural sector and export promotion.

Elvira Mirzoyan, expert – Expert working of NTMs and SPS in Armenia, adviser to the Head of Food Safety Inspection Body of the Government of Republic of Armenia.

We would expect also that the STDF secretariat will suggest an international consultant (expert) who will guide the ERDSC and partner organisations during the implementation of the PPG.

**8. In the table below, briefly describe the main activities to be carried out under this PPG and specify who would be responsible. Provide an estimate of the budget required (e.g. for national/international expertise, travel and DSA of consultants, stakeholder meetings or workshops, general operating expenses, etc.).**

<b>Activity</b>	<b>Responsible</b>	<b>Estimated Budget (US\$)</b>
Compilation of available information on SPS capacity-building needs Fees = USD200 x 15 days	<b>ERDSC</b>	<b>3,000</b>
3 online stakeholder workshops to identify the SPS capacity-building needs and define decision criteria/weights Interpretation – 3 days x USD 720 Translation – 100pages x USD 18 Stakeholder identification and mobilization – USD 1,600	<b>ERDSC/FSIB International expert</b>	<b>5,560</b>
Data analysis (which includes compilation of information cards for the SPS capacity building options and development of relevant diagrams), Preparation of the report and discussion with stakeholders (3 online workshops) Translation (of documents and the report) – 200 pages x USD 18 Interpretation – 3 days x USD 720 Mobilization – USD 600	<b>ERDSC/FSIB International expert</b>	<b>6,360</b>
International Expert (including taxes) – contract period max. 20 working days x USD600	<b>ERDSC</b>	<b>12,000</b>
National experts (including taxes) – 2 experts x 25 days x USD 240 Expert 1 – stakeholder identification, participation in defining decision criteria/weights and workshops, participation in development of the proposal and overall management of activities Expert 2 – participation in defining decision criteria/weights and workshops, situation analysis on SPS in Armenia, data analysis, validation of findings and participation in development of proposal	<b>ERDSC</b>	<b>12,000</b>
D-sight software	<b>ERDSC</b>	<b>7,000</b>
<b>Total</b>		<b>45,920</b>

## **Appendices**

**Appendix 1:** Letters of support from each of the organizations supporting this proposal.

**Appendix 2:** Curriculum Vitae and record of achievements for any consultants proposed to implement, Profile of ERDSC.