ARMENIA INVESTMENT MAP

Consulting

YEREVAN, 2009

Contents

1. General Information

Fast facts	
Full name:	The Republic of Armenia
Population:	3.2 million
Capital:	Yerevan
Area:	29.743 sq km (11.484 sq miles)
Major languages:	Armenian (native), Russian, spreading English
Major religion:	Christianity
Life expectancy:	68 years (men), 75 years (women) (UN)
Monetary unit:	Armenian dram (AMD)
Exchange rate	Average for 2008: 307.8 AMD/USD As of April 1, 2009: 370 AMD/USD
Main exports:	Metal products, foodstuff, processed diamonds, machinery.
GDP, current USD	11,8 billion USD (2008, NSS)
GDP per capita, PPP:	6,759 (current international $, EV Estimate, 2008)
Internet domain:	.am
International dialing code:	+374

Sovereign Country Ratings	
Moody's	Ba2 (April 14, 2009)
Fitch (country ceiling)	BB+ (July 3, 2008)

Armenia's stand in international rankings	
Ease of Doing Business (The World Bank):	44 (Rank, 2009, out of 181 countries)
Index of Economic Freedom (Heritage Foundation):	31 (Rank, 2009, out of 179 countries)
Human Development Index (UNDP):	83 (Rank, 2008, out of 177 countries)
Global Competitiveness Index (World Economic Forum):	97 (Rank, 2008-2009, out of 134 countries)

a. Geography and natural resources

The Republic of Armenia is a small country located at the crossroads of Europe and Asia in the northeast of Asia Minor (Armenian Plateau), bordering Azerbaijan, Iran, Turkey and Georgia. With an area of 29,800 square kilometers, the country is about the size of Belgium or Maryland.

The capital city, Yerevan, lies on the Hrazdan River, and is home to some 1.1 million people. The next three largest cities are Gyumri (pop. 147,000), Vanadzor (pop. 105,000) and Abovyan (pop. 45,000). Another important city is Echmiadzin, located some 15 kilometers west of Yerevan, which is the seat of the patriarchate of the Armenian Apostolic Church.

The majority of Armenia is mountainous (about 2,000 meters above sea level), while one-third is pastureland. Forest and woodland cover 12 percent of the country, arid land - some 18 percent, and permanent crops cover 3 percent. The highest elevation is 4,095 meters (Mt. Aragats) and the lowest point is 400 meters above sea level (Debed River). One of the largest mountain lakes in the world, Lake Sevan, is about 2,000 meters above sea level.

The climate in Armenia is continental, with lower temperatures and more precipitation in higher elevations. In the central plateau temperature varies widely with cold winters and hot summers. Armenian mountains are rich in iron, molybdenum, gold, lead, silver, clay, limestone, as well as semi-precious and ornamental stones. Armenia possesses strategic deposits of molybdenum.

b. Population

Based on current official estimates, Armenia's population is 3.2 million with a moderate annual natural growth rate of 0.35%. Ethnically, Armenia is homogeneous country with 95% Armenians. While after the collapse of Soviet Union, many Armenians left the country, the negative migration trend turned into positive since 2006.

Labor Force

The total labor force was 1.2 million as of January 1 2009. Many Armenians emigrated during 1990-2006, mostly to Russia as migrant workers.

The Armenian population has a high rate of literacy (99%) with a relatively high rate of primary (110%), secondary (89%) and tertiary enrollment (34%) in 2007. The official unemployment rate decreased to 7% in 2008 due to high growth rates of economy, intensive growth of labor intensive sectors such as construction, tourism and reopening of large mining companies.

Armenian Diaspora

The Armenian Diaspora estimated at around 6 mln people is spread in over 85 countries with major concentrations in Russia (2.3 million), United Sates (1.4 million), Georgia (0.46 million) and France (0.45 million). In the beginning of the 1990s, the Armenian Diaspora played a crucial role in the process of rebuilding the homeland after the collapse of the Soviet Union, transportation blockade, power shortage and conflict with Azerbaijan. Beyond the humanitarian, development work and political support, the Diaspora played an active role in attracting foreign investments through leveraging its potential to attract global companies such as HSBC, Coca Cola, Marriott, Golden Tulip, KPMG, National Instruments, Synopsis and Virage Logic.

c. Education

Education continues to be one of the key values in the Armenian society. Today, there are about 90 state and private universities with more than 110,000 students. Twenty two of the universities are state owned and eight are foreign including the American University of Armenia (AUA), French University, European University and several Russian Universities. Armenia is strong in information technology, medical and engineering (architecture, construction) education. There are more than 4,000 foreign students mostly from Georgia, Russia, Iran, India and Syria. The general quality of the education in Armenia is still perceived to be far from international best standards and there have been signs of decreasing quality especially at secondary education system in recent years. However, strong positive trends are also gradually taking shape due to growing international contacts and emerging collaboration between universities and private sector (particularly in IT with Synopsis and Sun Microsystems participation).

d. Political system

Politics of Armenia takes place in a framework of a semi-presidential republic. According to the Constitution of Armenia, the President is the head of the executive power, the government. Legislative power is vested in the parliament. In fact, the Republican Party headed by President Serge Sargsyan controls the majority of voting power. Nevertheless, the government has been formed in coalition with Prosperous Armenia and Orinats Yerkir parties. The only opposition party in the parliament is the Diaspora Armenian led Zharangutyun (Heritage) party. A strong opposition force has been formed by the former president Levon Ter-Petrosyan after the presidential elections in February 2008 alleging the authorities for falsification and misrepresentation of the results of elections.

e. Geopolitical environment

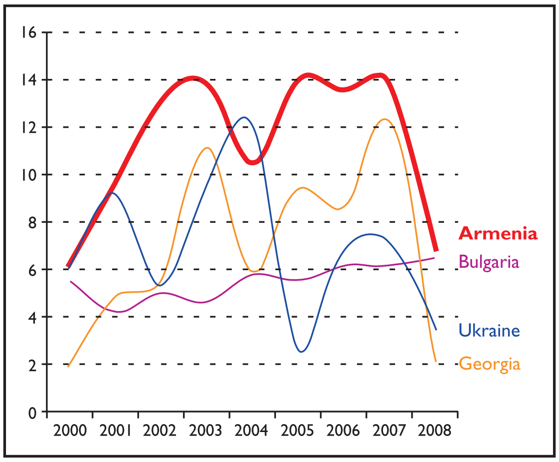
The geopolitical situation around Armenia is greatly influenced by the interplay of different interests of large global geopolitical players. Russia, United States, as well as European Union are very active in the region to maintain and increase their influence. While Georgia is strongly pro-western, Azerbaijan is trying to play between the West and Russia. Armenia in recent years is increasing its ties with Russia, especially in military and energy supply areas, while also maintaining good relations both with the US and EU. Few years ago, the United States built in Armenia the biggest US embassy in the region investing some $95 million. Armenia is one of the largest recipients of US assistance on per capita basis. Armenia has good relations with Iran and Georgia, and the relations and economic cooperation with these countries are developing. With the other two neighbors – Turkey and Azerbaijan, relations are tough. The modern Turkey denies the genocide of about 1.5 mln Armenians committed by Ottoman Turkey in 1915-1923. Although there are no diplomatic relations with Turkey, there is substantial volume of trade (the imports from Turkey have increased by more than twice to 270 million USD in 2008 compared to very moderate volumes of exports: about 1.8 million USD). There are no trade relations with Azerbaijan. The so-called Minsk Group of OSCE, represented by the US, Russia and French diplomats is mediating the negotiations between the two countries towards resolving the conflict between Armenia and Azerbaijan around Nagorno Karabagh, the historical province of Artsakh of Armenia.

2. Economy

a. Macroeconomic environment and trends

i. Economic growth

GDP Growth (Annual %)

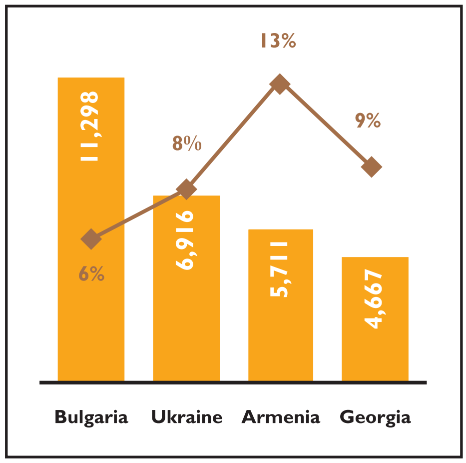


The fastest GDP growth rate within CIS and CEE in 2000-2008 (except for some oil rich countries).The growth rate slowed at the end of 2008 due to the emerging negative effects of the global economic crisis.

Key drivers of the growth:

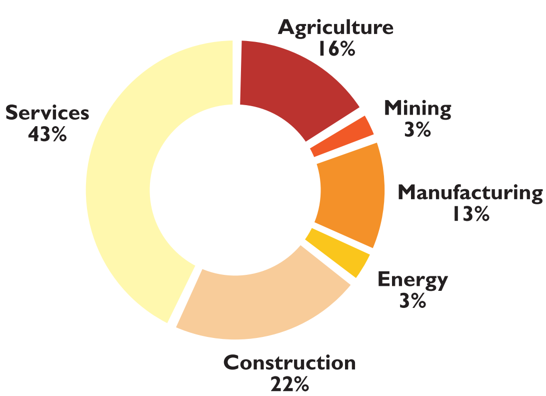
- Construction fueled by private transfers from the Diaspora and donor-funded large infrastructure projects
- Large scale investments and expansion in mining
- Import substitution by traditional sectors of economy (agriculture, food processing)
- Fast growing service sectors (ICT, tourism, retail, financial intermediation)

GDP per capita, PPP (current international $, 2007) **and CAGR** (constant 2000 $, 2000-2007)



- Armenia is ranked the first by GDP per capita growth rates among CIS and CEE countries
- Armenia moved to the group of middle income countries, according to the World Bank classification.

GDP by Sectors of Economy, 2008

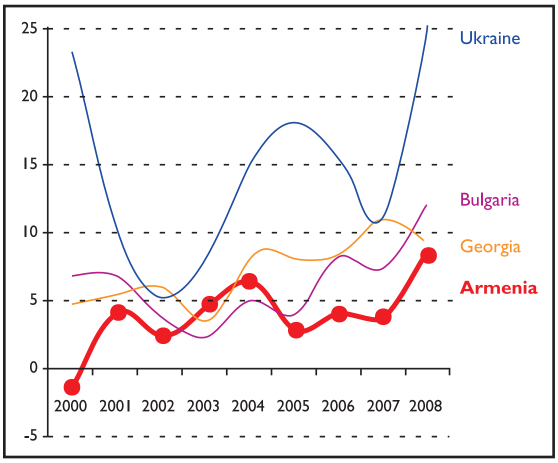


Recent trends:

- Continuous shift towards services
- High growth rates in construction, mining, retail, food processing, ICT, financial intermediation
- Declining sectors: diamond cutting, textiles
- Construction and mining sectors were affected hardly by the economic crisis in 2008 and beginning of 2009

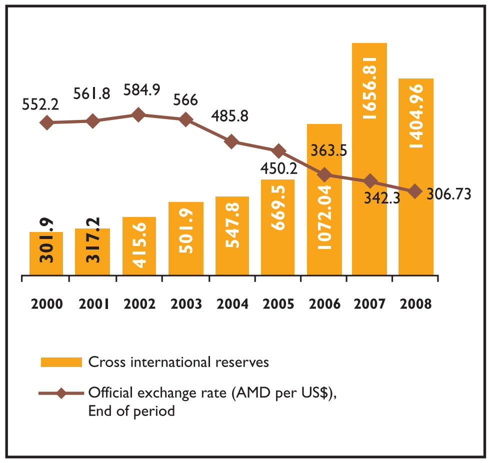
ii. Inflation / currency / country debt

Inflation, 2000-2008, in %



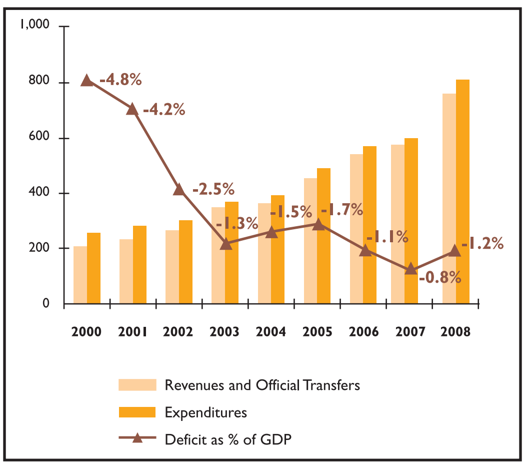
- Price stability is the main target of the Central Bank of Armenia, one of the most professional public institutions in Armenia
- Consistently strict monetary policy with the long term development strategy
- Very low level of inflation during the last decade; it increased in 2008 due to high prices for major imported commodities during the first half of the year, but is still low compared to CIS peers.

Gross International Reserves in million USD and Exchange Rate, 2000-2008



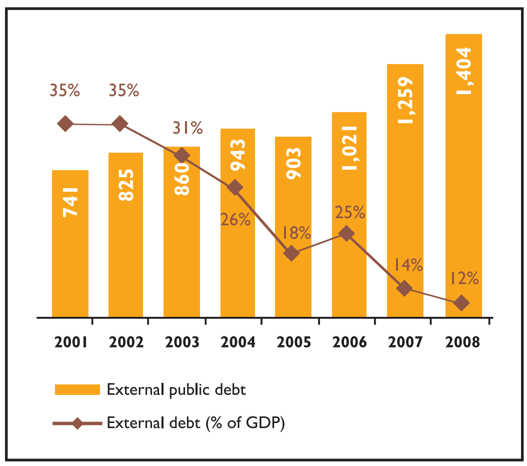
- The investment of Diaspora in real estate and private transfers supported the appreciation of Armenian Dram since 2000.
- The sharp depreciation of AMD in February 2009 by 20% was a result of decreased exports and private transfers - implications of the economic crisis
- The foreign reserves have doubled during the last two years despite limited interventions of CBA

Public Finance, in million AMD



- Low state budget deficit, being less than 2% of GDP since 2003
- Increasing public spending on education, infrastructure enhancement and health care, but still moderate in absolute numbers
- Introduction of program budgeting to increase the efficiency of public spending
- Increasing transparency of public procurement
- Growing budget revenues due to economic growth and improving tax administration

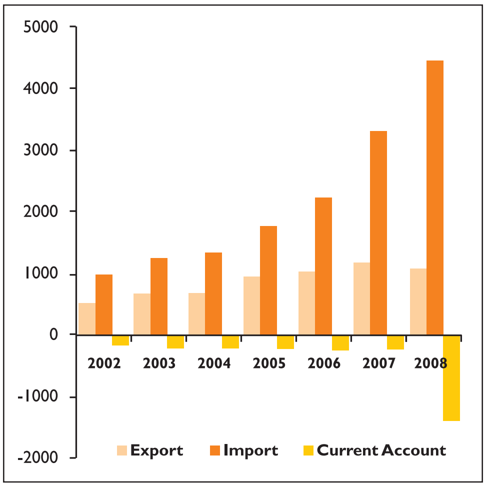
External Public Debt, in million USD



- Armenia is a low indebted country according to WB classification
- The total amount of the debt and the service is relatively low and manageable
- The significant share of the debt is lending of multi- and bilateral donors with privileged conditions
- Main financing areas are defense, education, physical infrastructure, health care and reforms of public administration

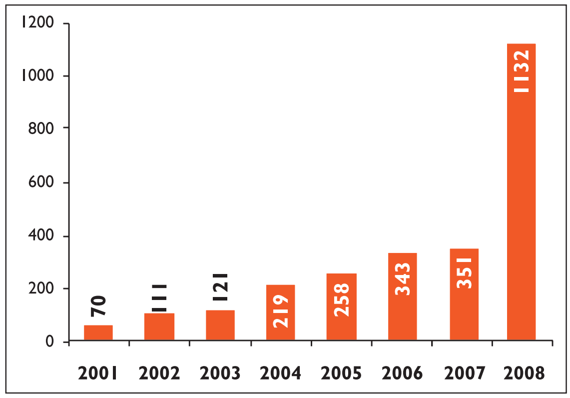
iii. Foreign trade & investments

Foreign Trade and Current Account, in million USD



- Export and import volumes have doubled in the last 5 years
- The balance of trade and current account is negative and is increasing, reaching the record level in 2008 due to high and steady growth of imports
- The recent export growth was mostly driven by base metals due to the increase of metal prices in international markets till mid of 2008. The recent significant fall of international prices will challenge Armenia in keeping this trend in the future
- Despite the large merchandise trade deficit the current account deficit is lower due to positive service trade (tourism receipts and private transfers)

FDI Inflow, in million USD

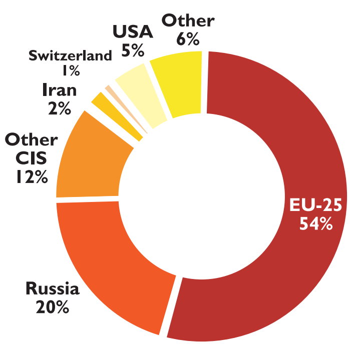


- Increasing volumes of FDI in the last 3 years driven by large privatization deals in mining, investment in telecom and airport infrastructure.
- The 70% of FDI in 2008 was originated from Russia and went to energy and railway infrastructure.

Main investment targets are:

- Telecommunications
- Mining
- Food processing
- IT and R&D
- Tourism
- Airport infrastructure
- Energy generation and distribution

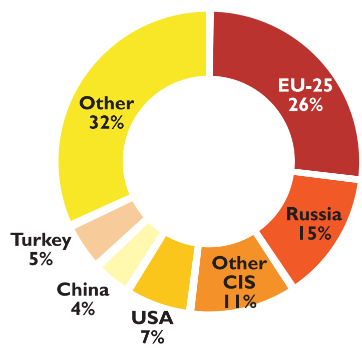
Export, 2008



Note: The numbers may not sum up to 100 due to rounding.

- Armenia's export is quite concentrated in several product groups: base metals (copper, molybdenum, gold) and cut diamonds, food and beverages (canned and fresh food, brandy).
- High tech exports comprise 1% of total exports (2008).

Import, 2008



- Main import commodities are natural gas, petroleum, tobacco products, foodstuffs, diamonds, machinery and equipment.
- The share of equipment, machinery and technologies is increasing, as a result of modernization in selected industries.

b. Business environment

i. Trade regime

Armenia has a liberal foreign trade regime with a simple two-band import tariff (at 0 and 10 per cent), no taxes on exports and no substantial quantitative trade restrictions. Import, export and domestic production licenses are required only for health, security and environmental reasons. There are no limits on hard currency imports. Excise taxes are charged at various rates on the import or production of some luxury goods (including alcohol, tobacco, caviar, petrol, precious stones and furs).

Since the end of 2002 Armenia has been a member of WTO. A **free trade regime** is in force with CIS countries. Being included in the EU Neighborhood policy, Armenia received a favorable trade regime GPS+ for Armenian exporters to EU in December 2008.

Although the customs legislation in general is compliant to WTO requirements, there are still loop-holes in administration, such as customs valuation of imported goods (the invoice value is applied in very rare cases).

ii. Fiscal / tax regime

The businesses mainly operate under general tax scheme.
Fixed (presumptive) tax is applied to specific types of businesses (for example, small retail outlets, restaurant and hotel, car service center, transportation, gambling business, taxi and other services). This tax also substitutes VAT and profit or income tax.

Type	Rate
Profit Tax (corporate income tax)	20%
Income Tax (personal income tax)	10-20%
Value Added Tax	20%

Other taxes:

Property tax; excise tax (oil, spirits, wine, beer, etc.); land tax; social security payments.

Total tax rate as a percent of profit according to WB's Doing Business, 2009:

Armenia	Eastern Europe and Central Asia	OECD	Georgia	Bulgaria	Ukraine
36.6	48.1	45.3	38.6	34.9	58.4

iii. Investment regime

The government of Armenia is highly promoting foreign investments and carrying out "open door" policy, including:

- Equal treatment for both foreign and domestic investors
- 100% foreign ownership is permitted
- No limitations on size and type of foreign ownership (except for the rights to own land by foreign citizens)
- Special investment incentives for foreign investors (customs duty exemptions for capital goods imported as contribution to share capital)

- Alternative dispute resolution mechanisms for foreign investors (ICSID)
- Guarantees for legislative changes (five-year "grandfather-clause")
- No restrictions for capital and revenue transfer and repatriation
- Liberal regime on employment of foreign workforce

The Armenian Government has signed investment protection and promotion treaties with 37 countries, including USA, Germany, Russia, and France, which provide additional guarantees for foreign investment. Additionally, to avoid the double taxation of incomes and property, Armenia has signed bilateral treaties with 29 countries.

iv. Monetary regime

The Central Bank of Armenia is responsible for the monetary policy in Armenia and is relatively free in policy decisions. The main policy target of CBA is the price stability in Armenia. The CBA is conducting freely floating foreign exchange rate policy.

v. Monopolies and market regulation

The competitive environment varies across the industries. Beyond the natural monopolies regulated by the Public Services Regulatory Commission (PSRC), there are sectors where a few large players control the market, including import of petrol, sugar and wheat, production of salt, tobacco, cement and mobile telecom. However, the majority of the economic sectors, especially service and export sectors are enjoying competitive environments. While there is a quite developed legislative (Law on Protection of Economic Competition adopted in 2000) and institutional framework (State Commission on Protection of Economic Competition), there has been limited success in enforcing measures aimed at promoting competitive environments in some industries.

vi. Business stimulation / subsidies

According to the Armenian legislation, the tax privileges are provided only by the law. There are very few tax incentives and subsidies (e.g. the exception from import duty of the imported goods intended for the increase of the statutory capital, subsidized pricing for gas). Currently, the Armenian Government's support to private sector is provided under SME development and innovation promotion schemes. While the scheme is endowed with limited resources, it has been enhanced by the recent commitment of the Government to provide full scale support to competitive companies to negate the impact of the global economic crisis.

vii. Physical infrastructure

The physical infrastructure in Armenia, especially roads (with major international and Diaspora-funded programs), electricity supply, telecommunications (including fix line telephony and IPS) and air transportation, have improved significantly in the past 10 years. Mobile telecom is booming after the monopoly on mobile phone services has been removed in 2005. However, there are still considerable bottlenecks, such as Internet penetration rate, railroad infrastructure, as well as outward transportation routes (Armenia is connected to the world only through land routes via Georgia and Iran), the development of which is currently driven by several large investment projects. iCON company, established in late 2007 with Diaspora-originated investment and Cornet (Russian-Armenian JV), introduced WiMAX technologies in Armenia and currently provides broadband high quality wireless internet services. ADC, an Armenian-Norwegian joint venture continues to expand the fiber optic network in Yerevan and Marzes.

viii. Administrative infrastructure

The Armenian Government has successfully reformed the regulatory framework for the business. The simplified procedures for state registration and licensing have significantly reduced the time and efforts spent by companies. For standard cases, the state registration can be done within a day and license receipt - within 3 days. The number of activities requiring licensing has been radically reduced to a limited number of economic activities, such as telecommunication, transportation and construction services, food processing, health care services and pharmaceuticals, banking and insurance, energy generation and utilities.

Although enforcement of regulatory framework has also been improved, it is still far from being satisfactory. The business still complains about the cases of bureaucratic delays, non-efficient and not independent court decisions, red tape and unfair treatment in tax and customs.

3. Key investment and value creation themes by sector

a. Agriculture[1]

Industry Snapshot

Sector size[2]	
Absolute size[3]	~ $2,073.2 million
Percent to GDP	15.6%
Number of employees	434,200/36.5% of workforce
Number of large players	around 15
Exports	$20.8 million
Key trends – Growth rates[4] (2006-2008)	
Sector	3.8%
Export	23.03%
Import	53.97%
Major players and selected recent major transactions	
Fruit growing	Domestic animals
Fruitful Armenia, Max Fruit (Max Group)	**Poultry and Egg**
	«X-Group» (Yerevan and Arax Poultry Factories), Arzni Poultry Factory, Max Group (Lusakert Poultry Factory), Getamej Poultry Factory, Ashtarak Dzu
	Fish
	Arqa dzuk, Aquatic, Bakss, Akvatekhavtomatika

The sector is growing dynamically, experiencing considerable fluctuations in the same time. The sector is very fragmented with a large number of micro and small farms and enterprises, though a few large players emerged in the market in recent years. Eduardo Ernekian (an Argentinean-Armenian entrepreneur who manages Armenia's Zvartnots airport) has signed an agreement (2005) with the local Max Group, to invest $25 mln in fruit orchard and grapevine plantings on an area of 3,000 hectares. The project includes a processing plant, an advanced irrigation system, supply of modern agricultural machinery & equipment and a quality control laboratory. The project would build the capacity to process up to 50,000 tons of high quality fruit, which will considerably enhance the supply chain of the major consumer industry – food processing sector, currently suffering from the improper supply mechanism

There are several poultry and egg producers and a number of fish and crayfish producers. The fish and

[1] Only selected sectors are presented in this document, for further more comprehensive overview of different sectors, please contact EV Consulting.

[2] Hereinafter in the text absolute size is in value added terms for 2008, if not otherwise mentioned.

[3] Excluding fishing

[4] Hereinafter in the text growth rates are Average Annual Growth Rates (AAGR) for the past 3 years, if not otherwise mentioned.

egg demand in Armenia is almost totally covered by local producers. The local consumers have an inherent preference towards the locally produced meat products, while the emerging fried chicken fast food chains are becoming major consumers of imported poultry meat due to price considerations. The pork meat supply experienced brisk decrease in 2008, as a result of "hog cholera" outbreak and the significant decrease of pig livestock (by 40%). The fish market has been experiencing the most rapid pace of price increment, with the average annual growth rate of 38% during 2003-2008, reasoned by the abrupt limitations on fish supply from Sevan Lake. Crayfish is exported to CIS countries and Europe in limited scope.

The greenhouses are dynamically developing in recent years. Medium and large size greenhouses, with more than 5,000 sq.m., make up about 1/3 of total greenhouse territories totaling about 60-70ha. The majority (60%) of local greenhouses are specialized in vegetable growing (tomato, cucumber) and the rest (40%) in floriculture (cut flowers). There are considerable export opportunities to Russia for flowers but is currently limited by the under scaled capacities of individual greenhouses.

Alongside with consumer sophistication and the stricter requirements towards agricultural products, the accumulated best practice of the sector is expected to lever the level of sophistication of business processes, as well. The emergence of strong players in the market, with heavy investments in the modernization of production facilities and the effectiveness of overall business processes are prerequisites for the industry further development.

b. Food Processing

Industry Snapshot

Sector size	
Absolute size (output)	~$769 million
Percent to GDP	5%
Number of key players	around 20
Exports	$176.3 million
Key trends – Growth rates (2006-2008)	
Sector	6.1%
Export	24.2%
Import	34.8%
Major players and selected recent major transactions	
Alcohol producers	Canned food production and dairy products
Yerevan Brandy Company (YBC), Noy, MAP, Great Valley, Vedi Alco, Proshyan Brandy Factory	Euroterm, ArtFood, Sardarapat, Alishan, SIS Natural, Tamara, Ashtarak Kat, Marianna, BioKat, Borodino, MAP

Food processing might be subdivided to canned food production and alcohol production, which mainly uses local grapes for wine and brandy production.

The market of alcoholic beverages recorded an impressive average annual growth of 25-30% within 2003-2008. The alcohol consumption per capita (of legal drinking age) accounts for 8 liters vodka and 1.5 liters wine annually.

The flagman of the industry - Yerevan Brandy Company, privatized to Pernod-Ricard in 1999, is producing famous Armenian cognac, since 1887. Other companies, including Yerevan Ararat Brandy-Wine-Vodka Factory and Great Valley are also successfully competing in export markets. 90% of the cognac production is exported (mostly to Russia).

The wine industry is more fragmented with many small wineries and vineyards competing in offering great variety of wines.

Canned food industry, including canned vegetables (tomato, pickles, egg plant, etc) and fruits (apricots, peaches, whole nuts, apples, etc.), is also export oriented. The local industry is structured by 4-5 major local producers. Canned food is especially popular in the Armenian communities abroad. There are also companies freezing fresh fruits and vegetables. The canned product market has an untapped potential in Armenia, as the need for the product is mainly being satisfied based on the homemade products, which has a decreasing trend.

Dairy products segment is quite competitive with the major focus on domestic market. There are successful cases of cheese exports.

The global economic crisis has imposed a further challenge for the local players of food processing industry, which can be confronted only by the means of increased competitiveness. The market is expected to reshuffle in favor of the local producers and restructure, with mid-to-lower-end segments gaining more weight in relation to premium segments.

Investment Opportunities (Agriculture and Food Processing)

Comparative advantages	Issues
Quality soil for high value fruit production	Low quality and culture of workforce
Armenian and US governments (Millennium Challenge Account (MCA)) investments in rural infrastructure	Outdated production assets and simple technologies in some companies
Availability of large and cheap workforce	Lack of established effective supply chains
Favorable tax and customs regime	Scantiness of advertising budgets

Investment Rationale
Acquisition of food processors and meat producers, introducing new technologies in production. Establishment of efficient productions achieving considerable economies of scale with attractive export opportunities.

c. Mining and Quarrying

Industry Snapshot

Sector size	
Absolute size	~$342.4 million
Percent to GDP	2.9%
Number of employees	11,124 / 1% of workforce
Number of key players	6-7
Export	$174.2 million
Key trends – Growth rates (2006-2008)	
Sector	3.7%
Export	21.7%
Major players and selected recent major transactions	
Zangezur Copper Molybdenum Company – mining, one of the biggest tax payers	
Agarak Copper Molybdenum Company – mining (copper and molybdenum)	
Armenian Gold Recovery Company - mining and smelting (gold)	
Armenian Copper Program (ACP) – smelting and mining (cooper and gold)	
Pure Iron Factory – smelting (iron and molybdenum)	
Metal Prince – mining (cooper)	

Armenia has metal deposits of gold, copper, molybdenum (estimated at 7% of the world reserves) and some other rare metals. There are several large mines and enrichment factories, as well as a number of smaller mines. The industry was growing rapidly during the recent years, mainly driven by expanded capacities and high export prices. Several large investment projects have been undertaken in recent years. Sale of shares of Zangezur CMC (copper and molybdenum extraction) to German Chronimet in 2004 was the second largest privatization deal after Armenian telecom privatization. The contract amount was $132 million.

New mines are being explored, one of them a big copper mine in Teghut to be developed by ACP, which negotiates with Russian VTB bank to attract a $198 million loan. ACP's smelting factory (the only big one) in Alaverdi is smelting copper from concentrates, supplied from other companies. All the production is being exported to Germany.

The sector attracted investors from US, Russia, Europe and India.

There are also stone mines in Armenia rich with travertine, granite, Armenian tuff and other stones, demanded both in Armenia and abroad. Several local (Multi Stone) and Diaspora investors made considerable investments in the field, introducing modern technologies.

Due to instability in prices in international markets many of the companies reduced the output at the end of 2008 and beginning of 2009, however, the long-term prospects of the sector remain sufficiently attractive.

Investment Opportunities

Comparative advantages	Issues
Rich metal deposits Favorable commodity prices Availability of qualified workforce Strong R&D institutes Favorable tax and customs regime	Government bureaucracy for licensing (max. 25 years) Increasing environmental concerns Need for new generation of engineers and geologists

Investment Rationale

Commercialization of new deposits/consolidation of individual mines into larger entities, introduction of advanced enrichment and metal extraction technologies (e.g. hydrometallurgy).

d. Energy[1]

Industry Snapshot

Sector size		
Absolute size (output)	~$445 million	
Absolute size (value added)	~$199 million	
Percent to GDP	4%	
Number of employees	35,597 / 3.2 % of workforce	
Number of players	around 40 (7 large players)	
Key trends – Growth rate 2007-2008		
Sector	3.7%	
Major players and selected recent major transactions		
Nuclear PP	Hrazdan Thermal PP	Vorotan Hydro PP
Yerevan Thermal PP	International Energetic Corp.	Dzora Hydro PP
Lori 1 Wind PP	30 Small Hydro PPs	Armrusgasprom

Energy sector consists of large energy production and small, mainly hydropower production. Large generating capacities are either state owned (Vorotan Hydro PP), or under management of Russian state-controlled companies (Nuclear PP) or ownership (Hrazdan Thermal PP, Hrazdan Hydro PP).

Small hydropower (SHPP) and wind stations account for less than 5% of total electricity production, with plans to increase to some 15% in 10 years. There are 30 old and new SHPPs currently operating, some 45-50 projects are underway (some already approved by Public Services Regulatory Commission) with the potential of constructing 270 SHPPs. In this segment the players are relatively small. The Government is providing incentives for the development of this sector by fixing tariffs for new SHPPs at 5.4 cents for one Kwt of produced energy including VAT. There is a German Armenian Renewable Energy project, funded by German KfW bank, which provides technical and financial assistance to SHPPs both for renovation and new construction. Such projects need from $1 to $10 million approximately depending on the volume (about $1,000 per KWt).

The Government is also active in hydropower energy development; several projects are being negotiated with the Iranian government, for example, construction of Meghri HPP on Arax River (140 Mwt). Two other big HPP projects are Lori-Berd on Debet River (60 Mwt) and Shnokh (75 Mwt). A wind power station in Pushkin, Lori was recently constructed by Iranian counterparts.

There are also a few small players in alternative energy, including solar technology development (e.g. Solaren established by an American -Armenian investor Gerard Cafesjian) and wind power plants.

Gas import from Russia and recently from Iran is controlled by Armrusgasprom, an Armenian-Russian company with state participation and with Russian domination. There are around 450,000 natural gas users, while the number of electricity user households is 715,000.

[1] The figures include electricity, gas and water supply

Investment Opportunities

Comparative advantages	Issues
Fixed rates and purchase of produced electricity for 15 years Availability of hydro and wind resources Availability of local expertise for construction and set up Cheap labor available for operations International (German) technical assistance available	Large electricity, gas and water companies belong either to Russian companies or are state owned and have political context Government bureaucracy for licensing Quality equipment is expensive and need to be imported

Investment Rationale
Construction of hydropower and wind stations, non-traditional energy research and commercialization. Several big hydropower projects are also available with capacity of up to 100 Mega Watts and requiring up to $100 million investments.

e. Construction and Real Estate

Industry Snapshot

Sector size	
Absolute size (output)	~$2,740 million
Percent to GDP	23%
Number of employees	91,400 / 7.7% of workforce
Number of key players	around 20
Key trends – Growth rates (2006-2008)	
Sector	19.5% (1.7 over 2007)
Major players and selected recent major transactions	
Renco	Construction of residential and commercial property (incl. hotels)
Elite Group	Development of residential and commercial property in RA
Glendale Hills	Development of mixed use property in Yerevan
Hovnanian Int.	Community development (Vahakni Residential Community)

The sector is booming and is the major contributor to the economic growth in recent years. The growth is driven by local and Diaspora private investments, as well as the Government's program to rebuild the center of Yerevan, coupled with international programs on infrastructure development in rural areas. The boost was provided by large-scale road reconstruction program financed by Diaspora and international funds followed by private investments. There are several big players in the field, as well as number of smaller ones, constructing just one or two residential buildings. Increased demand internally and from Diaspora fostered the development of construction at about 20% annual growth rates during the recent three years. The residential real estate comprises about 50% of the overall real estate developments in the country. The sector recorded up to 1.2mln sq.m. completions throughout 2006-2008.

The most significant state-purported real estate project so far has been Northern Avenue project with GBA of 167,000 sq.m., launched in 2005. Also, Cascade area, Main Avenue and Hrazdan Gorge surroundings are among some of the most extensive development clusters in the city. The currently dominating real estate format is the mixed use type of projects, which include commercial areas in the first floors, with the rest being dedicated to residential areas. The initial boom of elite class projects in the modern format real estate developments is gradually transforming to business and lower classes.

Despite the recent decline in the number of transactions in the market and the halt of new projects due to the economic crisis, the sector is still seen to have the highest investment absorption potential in the long-run. Moreover, the crisis can serve as a consolidating force for the market, pushing out the numerous "single project" developers and leaving the more powerful market players only. The state purported new massive urban development projects, such as Yerevan City, Mars and Tichina, might serve as a driving force for the market in the long term perspectives. The sector further development prospects are also seen as quite favorable due to the improving living standards of local population in longer-term perspective and consistent demand for dwelling spaces, presented by Diaspora.

Investment Opportunities

Comparative advantages	Issues
Long-term positive demand outlook Lucrative underdeveloped segments Large-scale state-purported urban development projects	Crisis impact on short-term dynamics Current unstable situation in the market, low level of transactions A notable fall in real estate prices for residential space in the beginning of 2009

Investment Rationale
Development of modern format retail /office real estates, residential construction, infrastructure development

f. IT and Telecom

Industry Snapshot

	IT		Telecom
Sector size			
Absolute size (output)	$110 million		~$537 million
Percent to GDP	1.02%		5%
Number of employees	5,000 / 0.37% of workforce		5,500 / 0.5 % of workforce
Number of users	N/A		Mobile: 1,850,000 (2007) Fixed line: 623,700 (2007)
Number of players	170		3
Exports	$70 million		N/A
Key trends			
Growth Rates	30%		54% over 2005 (13.5% over 2007)
Export Growth	29.4%		N/A
Major players and recent major transactions			
	IT		Telecom
Synopsis	Microsoft	Sun	Armentel – BeeLine
National Instruments	Virage Logic	iCON	K-Telecom – Vivacell-MTS France Telecom - Orange

Information Technologies

IT & Telecom is the most (labor) productive sector of the Armenian economy. The Government has declared the IT sector as a priority and is supporting it through various support institutions, such as IT Development and Support Council chaired by PM and Enterprise Incubator Foundation backed by the World Bank funding. The industry already attracted global brands such as Synopsis, which located considerable part of their development functions in Armenia. Recent high up entries are of Microsoft's and Sun Microsystems'. Currently the industry is comprised of about 170 companies. Most of the foreign owned companies are involved in off-shore programming, serving foreign HQs. The consumption of IT services in Armenia is rising, though from a very low base.

Telecom

Armenian telecom market is fully liberalized. One of the largest Russian mobile operators – Vimpelcom, acquired 90% shares of Armentel (the only fixed line operator in Armenia) from Greek OTE for $340 mln in 2006 and the 10% of the Government's share later. Beeline's fixed line customers are about 600,000, while mobile subscribers are about 750,000.

VivaCell-MTS (mobile operator) started its operations on 1 July 2005 and in quite a short period of time managed to build a strong customer base, currently approaching 2 mln.

France Telecom (under the Orange brand) became Armenia's third mobile operator, paying €51.5mln for a GSM and 3G license in 2008. The company is to invest $200 mln in Armenia in two years. Both of currently operating mobile operators have announced the introduction of 3G services.

Internet services sector is experiencing a rapid growth after the long time stalling due to monopoly position of Beeline. Considerable investment plans are underway to build state-of-the-art data transfer infrastructure. Along with WiFi and WiMax technologies, fiber optic-based backbones are constructed (e.g. ADC company, backed by Norwegian venture capital).

Investment Opportunities

Comparative advantages	Issues
Developing cluster, international companies Availability of high quality, easily trainable workforce Availability of good engineering education Low transportation costs Government priority, IT incubator, international technical assistance programs	Education, lagging behind the current requirements Still underdeveloped telecom infrastructure, high prices and quality Narrow diversification of international internet access infrastructure

Investment Rationale
High growth, catch-up phase in telecom and ISP sectors, content development for mobile, introduction of new IT services, offshore/outsourcing programming opportunities, possibility to outsource back-end functions from developed markets, etc.

g. Financial Services

Industry Snapshot

Sector size			
Absolute size	~$320,35 million		
Percent to GDP	2.7%		
Assets (Banking)	$2,599 million		
Equity (Banking)	$591 million		
Assets to GDP (Banking)	22%		
Loans to GDP (Banking)	17%		
Number of employees (Sector)	31,300 /2.6% of workforce		
Number of players (Banks)	22		
Key trends – Growth rates (2006 - 2008)			
Assets (Banking)	13.5%		
Equity (Banking)	18%		
Loans (Banking)	33.5%		
Major players and selected recent major transactions			
HSBC	ASHIB	ACBA – Credit Agricole	VTB
UniBank	Converse Bank	Anelik Bank	Armeconombank
Areximbank	Ararat Bank	Prometey Bank	InecoBank
Mellat Bank	Armswissbank	Cascade Capital Holding	BTA Invest Bank
ADB	Artsakh Bank	AmeriaBank	ABB
ProCredit Bank Armenia		Byblos Bank Armenia	

The financial sector is dominated by the banking sector that owns 92% of the total sector assets. There are currently 22 banks in Armenia.

HSBC, which was the only prime international bank, present for the last 10 years with quite limited activities has considerably expanded its branch network, as well as the range of services in 2008.

The recent major investment deals in Armenian banking sector:

Russian Troika Dialog acquired ArmImpEx bank and setup Ameriabank,

Lebanese Byblos Bank purchased ITB bank,

Russian Gasprombank acquired Areximbank to set up a retail bank.

French Credit Agricole acquired 28% of shares of agricultural cooperation bank ACBA for $40mln.

Several years ago the Central Bank created legislative preconditions for establishing thrift institutions like credit organizations, credit unions, etc. Currently there are 25 credit organizations (including leasing) operating in Armenia.

Insurance and brokerage companies are rather small even for the Armenian market. There are no international brand names at the moment in neither segment. All the insurance companies (currently 18) re-insure the biggest share of their risks in Europe (Lloyds, Munich Re, etc.).

Armenia has national plastic cards payment system – ArCa, established in 2000 with the USAID assistance, currently owned by the Central Bank and commercial banks, which process also Visa and MasterCard. At the moment there are some 428,789 cards issued, 479 ATMs and 2138 POS terminals.

The Central Bank of Armenia pursues proactive stance to attract international leading banks into Armenia, as well as reshape and upgrade the financial markets. In 2008 the Swedish exchange operator OMX (recently acquired by NASDAQ) acquired the Armenian Stock Exchange (ArmEx) and Central Depository. The Central Bank is also trying to activate insurance market by bringing legislation close to European standards to attract international brands. Commercial banks might also get opportunity to offer limited number of insurance products. Another initiative is pension reform, which if implemented will make it possible to accumulate long term money in the country for investing in longer-term instruments (securities).

The banking system has a considerable degree of soundness due to relatively well capitalization and conservative credit policy. This allowed it to overcome the first wave of the financial crisis. The long-term expansion possibilities are seen to be quite promising.

Investment Opportunities

Comparative advantages	Issues
High growth potential of the sector Availability of high quality workforce Transparency and accountability	Underdeveloped capital markets Too strong supervision and anti money-laundering requirements Risk of increasing the share of non-performing loans due to the crisis
Investment Rationale	
Expansion of retail banking, insurance, securities companies and investment banking. Introduction of new services and capturing emerging niches.	

h. Retail and Trade

Industry Snapshot

Sector size	
Turnover	$5,481 million
Percent to GDP	29%
Number of employees	140,162 / 12.6 % of workforce
Number of key players	around 20
Key trends – Growth rates 2006-2008	
Sector	15.0% (4.4% over 2007)
Major players and selected recent major transactions	
Trade	Multi Group, Fleet food, Sil Group, Valletta, Punj, Salex, Flash, Mika, CPS
Retail chains	Star supermarkets, SAS supermarkets, Yeritsyan & sons supermarkets, Yerevan City supermarkets,
Shopping centers/ malls	Tashir, Rossia, Hayastan, Yerevan City, Hayrenik, Pallas
Electronics	VEGA, AG Electronics, ZigZag, Aray

The growing income levels and improving living standards in Armenia have paved the way for the accelerated growth of the retail sector. The annual retail turnover per capita reached the level of 1,100 USD in 2008. The average retail consumption in 2008 increased by as much as 13% compared to 2007. Food retail comprises the major share in total retail turnover, illustrating the structure of consumer spending. Building materials, followed by furniture and clothing dominate in the retail of non-food products. Few big players dominate the import of selected food items such as sugar, wheat, as well as petrol and gas distribution.

Yerevan market of commercial real estate has enjoyed an upsurge in supply of shopping space, with compound annual growth rate of about 17% during 2001-2007. The non-branded retail has substantially decreased; however, the overall sector remains highly fragmented and is yet at premature stage of development. While the large volume of retail (both food and non food) is taking place in bazaars and small stores with many small players, western type supermarkets and trading centers (malls) are currently taking the lead, prompted by the opportunity of economies of scale and the demand sophistication.

The expansion of supermarket chains has been the major consolidating factor of the food retail sector. The sector enjoyed an influx of foreign financing (Star attracted mezzanine funding from EBRD, and SAS acquired a loan from the Black Sea Trade & Development Bank) and application of modern merchandising, procurement and shelving management techniques. The supermarket chains are forecasted to gain further considerable share of the retail sector.

The project of "Dalma Orchards", being developed by the Russian-Armenian owned Tashir Group, is considered to pioneer in the new-generation-format mall. The emerging trend is towards decentralization of shopping centers from the overloaded city center, by the development of massive suburban areas, such as *Mars* and *Tichina*. A significant pool of pending projects in the Small Center of the city are the redevelopment of former TSUM and establishment of Amiryan Plaza. Quality street retail also enjoys impressive expansion paces, especially triggered by the launch of Northern Avenue and other shopping zones of the city. The retail market lacks the popular format of "do-it-yourself" (DIY) retail. While still there are no large format electronic retails, the plans to establish some are underway.

Noteworthy, the retail sector is significantly vulnerable to the changes in consumer preferences and household consumption patterns. Despite the volatilities, the sector has managed to sustain positive growth rates even during the first quarter of 2009 (3,9% during the first quarter of 2009 – compared to the same period of 2008). The most likely consequence of the crisis has already started to reveal - the increasing share of food products in the overall retail.

Investment Opportunities

Comparative advantages	Issues
• Rapidly increasing local prosperity (may be temporarily interrupted throughout the crisis period) • Increasing consumer awareness and sophistication • Still low level of competition in many segments	• Customs bureaucracy • Lack of modern retail formats • Monopolistic or oligopolistic imports in several segments

Investment Rationale

Creation of modern retail formats with application of modern retail management. Attracting international brands and building chains.

i. Health Care

Industry Snapshot

Sector size	
Absolute size	~$313 million (value added)
Percent to GDP	3%
Number of employees	58,957; 5.3 % of workforce
Number of key players	10
Key trends – Growth rates (2006-2008)	
Sector	38%
Major players and selected recent major transactions	
Erebuni Medical Center	multifunctional medical center
Shengavit Medical Center	multifunctional medical center
Republican Medical Center	multifunctional medical center
Nairi Medical Center	multifunctional medical center
Nork Marash Medical Center	cardiology hospital
National Oncology Center	cancer research and treatment center

Health system in Armenia is undergoing state purported development, overall improvement and optimization. The state expenditures within the sector are gradually increasing, with average growth rate of about 20% throughout 2002-2008. The structural optimization of the system has resulted in a great number of mergers of various medical institutions and in the decreasing number of hospital beds. The low affordability of medical services in Armenia predetermines a considerably lower level of primary healthcare consumption, accompanied with high rate of self-medicine, which increases the necessity of inpatient treatment.

The health care system in Armenia is divided into three administrative layers: republican (some tertiary care hospitals and an epidemiological service), regional (hospitals) and municipal/community (primary healthcare service providers). The key players are privatized large hospitals. Among medical directions, heart surgery, therapy, dental and others are developed. Some hospitals (Nairi and Shengavit) have recently considerably upgraded their facilities.

Nork Marash Cardiology Center headed by a well known Diaspora cardio-surgeon has become a leading international center for cardio surgery with many patients from CIS and Middle East countries. International assistance (particularly with the Diaspora involvement) and exchanges significantly contribute to the upgrade of skills and introduction of new treatment methods.

Yerevan Medical University has the largest number of international students in Armenia. The medical insurance still plays a marginal role in health care, while out-of-pocket payments to doctors dominate.

Investment Opportunities

Comparative advantages	Issues
• Regional expansion opportunities in selected areas • Availability of highly professional doctors in selected areas • Advanced medical education • Intense connections with leading clinics in the West through Diaspora • Crisis-resistant nature of the industry	• Low level of medical insurance of local population • Low level of usage of medical services by the local population on per capita basis

Investment Rationale

Commercialization of existing assets, international expansion.

j. Tourism

Industry Snapshot

Sector size			
International Tourism Receipts	$333 mln (2007, estimate)		
Percent to GDP	~3.5%		
Number of players	large number of small players		
Number of visitors	558,443 (2008)		
Key trends – Growth rates			
Sector	26.7% (CAGR for 2001-2007)		
Number of visitors	9.4% increase on 2007		
Major players and selected recent major transactions			
Golden Palace Hotel	Tufenkian Hospitality	Ani Plaza Hotel	Multi Rest House
Golden Tulip Hotel	Marriott Armenia Hotel	Congress Hotel	Harsnaqar

Tourism is one of the most vibrant industries in Armenia driven by ethnic, culture and historic tourism segments. The gradual improvement of hospitality sector in Armenia has resulted in stable growth dynamics of international tourist arrivals to the country, demonstrating a compound annual growth rate of 22% during 2003-2008. Notably, the sector has grown by 9% in 2008 (compared to 2007).

Besides Yerevan, the following locations are the key attractions in Armenia.

Tsakhkadzor	Four chair lifts were installed and operated by Leitner (Italy), which required some $7 mln investment. Tsakhkadzor is currently one of the most demanded places in Armenia; it attracts tourists and sportsmen from Russia and Europe. The real estate market here is as liquid as in Yerevan; prices for one square meter of land reach $100.
Jermuk	Ski resort and health resort – Jermuk is going to become the second ski resort, as the Government intends to build chair lifts in Jermuk (the project is in the process of implementation), as well. Jermuk is famous with its natural mineral healthy waters and sanatoriums.
Dilijan	Nature and health resort – Dilijan is also developing in recent years. In Soviet times it attracted tourists from other Soviet Republics, the Union of Cinematographs of USSR had its recreation center here.
Lake Sevan	Summer resort – Lake Sevan is one of the most popular summer resorts for Armenians; it's quite close to Yerevan (60 km). A great number of hotels and rest houses, as well as different attractions such as water world, scooters, restaurants are available in Sevan now.

Armenia is famous with its mountains and historical monuments (ancient churches, the first nation to adopt Christianity in 301CE). The food is also very delicious, especially in summer when fresh fruits (apricot, peaches, apples, etc.) and vegetables (tomato, cucumbers, etc.) are available.

Due to several supporting activities undertaken by the Government, such as nationwide celebration of cultural anniversaries, participation in high-class international expos, advertising, establishment of development and information agencies, the country's awareness is increasing, as an emerging cultural tourism destination.

The local tourism industry is expected to be challenged by the global economic recession. Given the weakening economies and rising unemployment rates, the tourism budgets are expected to decrease worldwide. However, the several state initiatives, such as State Tourism Policy 2007-2030 has set quite bold long-term development targets, based upon the observed development trends within the industry. The policy claims the level of about 3mln international tourist arrivals and 1.5mln in-home tourists to be a realistic target to be reached by 2030.

Investment Opportunities

Comparative advantages	Issues
• Growing tourist inflow, especially from Diaspora (expected to be less affected by the crisis) • Availability of well trained workforce • Sightseeing, ski resort, summer resort, excellent weather in Spring and Autumn • Natural advantages, opportunities of developing adventure, nature, ecology tourism • New international airport	• Still high prices for air transport • Regional touristic and transportation infrastructure needs to be developed • Seasonality fluctuations

Investment Rationale

Creation of modern resorts and affordable hotels in country side, business hotels and conference facilities in Yerevan. Developing non-traditional tourism sectors, such as ethno and agro-tourism.

4. Entry points, opportunities and risks

a. Greenfield projects

Greenfield investment projects may be effective in mining, agriculture, real estate, tourism, energy sectors. While the risks are limited here, the major disadvantage might be time, spent on getting state licenses and approvals, as well as recruiting and training the personnel.

b. Minority stakes

Investments resulting in minority stakes may be feasible in high growth businesses in retail, finance, tourism, IT, manufacturing, with transparent and advanced management and proven track of record. The potentially major risks might relate to minority shareholders' rights protection. Management professionalism and integrity, effective corporate governance mechanisms are crucial for the success of such types of investments. In most cases buying a blocking minority (25%+1 shares) is practiced to hedge against possible risks.

c. Majority stakes

While consolidation through acquisition of majority stakes is an option suitable for any sector, it is recommended for construction, retail, mining, manufacturing and tourism. Proper financial and legal due diligence is recommendable to avoid possible risks.

d. Venture projects

As the venture capital financing is very limited in Armenia; the first mover advantage may provide greater benefits to the new entrants through availability of the best innovative sector projects. In addition to the risks specific to this type of financing in Armenia, they will face also with the difficulty of exit through IPOs. On the other hand innovative sectors are less exposed to internal competition and intervention by power groups.

e. Co-investment

This alternative might be quite useful for investments in large real estate developments, such as community development or construction of large scale malls. The major challenge is the choice of the right and reliable partner, development of a legally clear and streamlined structure. Management integrity and professionalism are also key success factors.

5. Exit options

a. Sale to end-users

One-time residential or commercial real estate projects in most cases involve sale of the property to end users and exit from the business, or retain some management and maintenance functions.

b. Sale to strategic investors

This option is suitable for large and attractive stakes in retail, banking, tourism, manufacturing, and mining. This is one of the options EBRD puts in the contract for its Direct Investment Facility.

c. MBO or MBI

It might be possible to sell the business to management. This can be either to existing management (a Management-Buy-Out or MBO) or new management (a Management-Buy-In or MBI). The option is suitable to businesses in any sector. This option will require a combination of bank debt and private equity finance.

d. IPOs

IPO prospects are seen unclear given the turbulence in global financial markets, however, paradoxically the first IPO on Armenian stock exchange was announced in 2009. The entry of OMX into the market as an operator of the stock exchange may create the necessary premises for the creation of the IPO market as the recovery of the economy begins. Such recovery may open possibilities of doing IPOs in local market for professionally developed and attractive businesses.

6. EV Consulting

a. Identity

EV Consulting is a business development company that specializes in helping companies and industries become more competitive and innovative. It aims at becoming the ultimate source of hands-on knowledge, committed service and innovative solutions for its clients. EV Consulting's research arm, the Economy and Values Research Center (EV), is a think-tank specialized in competitiveness and public policy research and advice. The center is a partner institute of the Global Competitiveness Network of the World Economic Forum and collaborates with Harvard Institute for Strategy and Competitiveness on education and research projects.

b. Services

EV Consulting strives to transcend traditional disciplinary boundaries of typical consulting approaches. Our core competence includes the following three broad practice areas:

Strategy	Competitive strategy design Competitive analysis Business planning Strategy execution (based on Balanced Scorecard methodology)
Investment	Access to private equity and venture capital Investment strategy formulation, investment proposals Financial analysis and planning Feasibility studies, due diligence reports, valuation
Marketing	Market entry and expansion strategies Market positioning Market research and analysis Commercial due diligence
Organization Design	Modeling effective organization structures best suited to corporate strategies Designing efficient cross-functional operational flows Supporting through the implementation processes

c. Clients

EV Consulting serves leading and growing Armenian companies, prospective start-ups, Diaspora investors, as well as international institutional investors. EV Consulting is becoming a key "reference point" for many foreign investors and international organizations for advisory, research and capital attraction functions. We also collaborate with major international financial and development institutions including World Bank, European Bank for Reconstruction and Development and USAID. EV Consulting is especially strong with its wide connections with high net worth Diaspora Armenians.

d. Consulting highlights

Assignment:	Finance sourcing
Client:	Leading Armenian integrated pharmaceutical trader
Description	Supported the company as a financial advisor in attracting 4.4mln euro equity finance from European Bank for Reconstruction and Development aimed at the expansion of modern format retail chain throughout the country and the advancement of its value chain through a state-of-the-art distribution center.
Assignment:	Market Analysis and Brand Benchmarking Studies
Client:	Leading Armenian mobile telecom company
Description:	Research partner of the mobile telecom company. Consults the client on competitive analysis, consumer perceptions and market positioning based on series of intensive benchmarking studies and continuous market monitoring. Tests different brand/marketing concepts.
Assignment:	Capital Attraction, Investment Consulting
Client:	Leading Armenian pharmaceutical producer
Description:	Acted as a financial consultant to the company that raised 1 mln. mixed financing from EBRD. Developed an investment proposal, advised the company throughout the negotiation process and helped closing the transaction.
Assignment:	Acquisition Consulting
Client:	High Net Worth Diaspora Investor
Description:	Found an attractive acquisition target (a leading Armenian internet service provider) for a private Diaspora investor, designed an investment proposal to build a broadband data transfer infrastructure in Armenia and acquisition memorandum.
Assignment:	High and Best Use Analysis; Advise on Development Options
Client:	Jones Lang LaSalle (Moscow office) – subcontractor to the leading international real estate advisor for a large international property developer;
Description:	Conducted a comprehensive assessment of a major re-development project in Yerevan on a mixed used platform. Analyzed all segments of the property market and advised on best use options. Acted as an exclusive subcontractor to Jones Lang LaSalle.

e. Research highlights

Research:	Global Competitiveness Report (GCR)
Partner:	World Economic Forum
Description:	As a partner institute EV assists WEF in producing GCR and other auxiliary reports such as Global IT Report and Travel & Tourism Competitiveness Report.

Research:	Armenian National Competitiveness Report
Partner:	USAID CAPS program, WEF, Harvard Institute for Strategy and Development
Description:	The Report provides detailed assessment of Armenia's competitiveness stand in the context of regional competition. It provides policy recommendations to the government and business sector.

Research:	IT Industry Growth Model
Client:	World Bank, Enterprise Incubator Foundation
Description:	The report developed alternative scenarios of Armenian IT industry based on econometric models. The report provided policy recommendations for the future growth of the Armenian IT cluster.

Research:	The Role of the Diaspora in Generating Foreign Direct Investments in Armenia
Partner:	Eurasia Foundation with funding from the Carnegie Corporation (New York)
Description:	The study examined the impact of the Armenian Diaspora on generating foreign direct investments in Armenia in 1994-2004. The study presented the role of the Diaspora in emergence of mainly export oriented industries in Armenia.

f. Team

EV Consulting is comprised of people with wide experience, skills and at the same time insight and creativity. The associates have experience in both public and private sectors with backgrounds in economics, business administration and finance. EV Consulting has also developed a wide network of affiliated independent consultants and specialists in different areas whose resources are utilized on case-by-case basis.

Manuk Hergnyan
Managing Partner;
Head of Investment & Strategy Advisory Practice

Mr. Manuk Hergnyan is the founding managing partner of EV Consulting and the founding chairman of EV Research Center. Manuk has had consulting experience with the US-based Setrakian Financial Group (head of Yerevan office), Arlex International and KPMG Consulting-Barents Group in Armenia and with Global Investment Union in Russia. He teaches Strategic Management and the Harvard Business School course on Microeconomics of Competitiveness developed by Michael Porter. Manuk holds a Ph.D. from Moscow State University. He has been trained at Cambridge (UK), Harvard (USA) and Central European Universities (Hungary). Manuk is certified by the Palladium Group (founded by Drs. Norton and Kaplan) in Balanced Scorecard execution. He is in charge of general management of the company and directly leads key assignments in strategy advice and capital attraction areas.

Sevak Hovhannisyan
Partner; Head of Market Advisory Practice

Mr. Sevak Hovhannisyan is a Manager with EV Consulting and founding board member of EV Research Center. Sevak has been working more than 7 years for international technical assistance projects funded by German, US governments and EU. At EV Consulting he has managed numerous marketing advisory and research assignments for various companies (from a start-up to the biggest taxpayer). Sevak holds a PhD in International Economics from the Yerevan State University (Armenia), and has been trained in management at the Cambridge University (UK), Aachen University of Technology (Germany) and Mercy Corps (Cambridge, US).

Consulting

123 Hovsep Emin,
Yerevan 0051, Armenia
Tel: +37410 219740
E-mail: info@ev.am,
info@evconsulting.am
www.ev.am
www.evconsulting.am