



հայաստան համահայկական հիմնադրամ
The Armenia Fund



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Rural Development Program

DATE: October 5, 2007
FROM: RURAL DEVELOPMENT PROGRAM
IMPLEMENTATION OFFICE
SUBJECT: RURAL DEVELOPMENT PROGRAM UPDATE

Following the official launch of the Rural Development Program on September 18, 2007, we have now moved on to specifying the preliminary agreements we had reached during the initial phase of the project, concerning the economic development component of the Program.

The key component of the Rural Development Program economic facilitation initiative is bringing in the private sector to the villages included in the Program. To achieve that task, we are defining the economic potential and presenting the private sector entities the comparative advantages of the villages in the cluster.

FOOD PROCESSING

On Tuesday, October 2, we visited Alishan plant. Founded in 2003, Alishan is a large food and vegetable processing center located in the city of Masis. It has considerable demand for raw vegetables and fruits for the processing purposes. We had a meeting with the plant owner Serjik Movsisian concerning his involvement in the economic facilitation component of Khashtarak cluster villages.



He plans to rent five hectares of land from one of the villages in the cluster to test out the potential and capacity of growing different types of crops such as garlic, squash, corn, potato, onion etc. The villagers will be employed in all the phases of the project. They will undergo trainings and learn the technique of planting and growing specific crops.



The aim of the current project is to physically show the villagers the cost of and return from growing a certain kind of vegetable. Having that information, they will make the choice, whether to plant that vegetable in their land or not. The end result will be the establishment of the interested community members as suppliers of Alishan Company and thus partially solve the cluster's problem of the detachment from markets.

MILK COLLECTION

Next on our economic development agenda we had a number of meetings concerning the establishment of a Milk Collection Unit in the Khashtarak cluster village of Azatamut. First in line was the meeting with CARD. Center for Agribusiness and Rural Development (CARD) is an organization with a vast experience in developing milk marketing cooperatives in different regions of Armenia. During the meeting, we talked about our decision to move the Unit from the initially selected location near Ditavan village to Azatamut.

The shift was partially influenced by the proposition of Azatamut community, which was the last one to be included in the Khashtarak cluster, to contribute to the Program by providing three large buildings for the project implementation purposes. After assessment of the buildings by the Fund's experts, we made a decision to use these buildings to house not only the MCU but also a number of other economic facilitation components. We also talked about the type of ownership of the MCU: after research and consultations we came to a conclusion that the previously practiced mechanism of creating cooperatives, which was employed during attempts at creating a similar enterprise by other organizations, was not effective in the long term perspective. Instead, we made a decision to establish a MCU that will be a bonafide business and will be run as business with proper ownership, taxes and profits. We see this variant as the optimal solution.

The main purpose of the meeting was to involve CARD, as an experienced player in the field in provision of a package that would contain all the details on establishing of the MCU: the financial, logistical, operational and other details, as well as to ensure CARD's participation in physical implementation of the project. The CARD was eager to cooperate. In preparing the necessary data, they will collaborate with the engineers of the Armenia Fund.

We also met with the representatives of Ashtarak Kat, which is one of major dairy production companies in Armenia. The company has constructed milk collection stations in five regions of Armenia: Aragatsotni, Lori, Shirak, Gegharkunik, Syunik. It cooperates with 4500 farms, located in 55 villages. Ashtarak Kat is interested in buying any quantity of milk from the Milk Collection Unit in Azatamut. They will discuss the more specific mechanism



of collaboration with the future owner of the Unit. The owner will not be in any way constricted to cooperating with one processor as a number of major dairy processors have already expressed interest in being involved in the process.

According to the preliminary agreement, Ashtarak Kat will buy the milk from the Milk Collection Unit and transfer it to its processing facilities. In its own turn, the Unit will buy the milk from the members of the communities and sell it at mark up to ensure the sustainability of the enterprise. Another potential sphere of cooperation is organizing training courses for the Unit workers by Ashtarak Kat experts.

We will keep you updated on all the developments in the program implementation process. Please contact us with your questions and suggestions.