

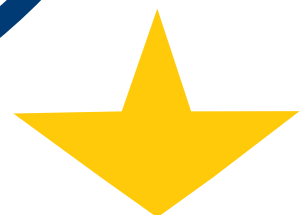


EU4Business

SME POLICY TRENDS

NOVEMBER 2021 BULLETIN

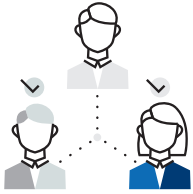
ARMENIA



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TRENDS IN SME DEVELOPMENT

IN ARMENIA



Total SMEs in Armenia

41,624

Of which

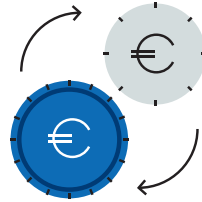
388

export

compared with

43,498

in 2019



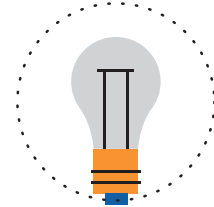
Government Resources supporting SMEs in 2021

€22.91

million

0.23%

of GDP



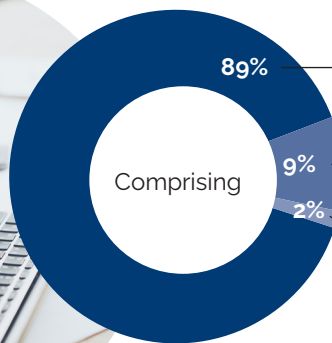
Annual Change in SMEs':

(2020 vs 2019)

Incomes **-7.0%**

Employment **-6.1%**

Exports **-10.9%**



Micro

37,122

Small

3,808

Medium

694

SMEs supported by EU

amounted to

7,029

16.9%

of total in Armenia

in 2020

Estimated Annualised EU support SMEs in Ukraine

€13.72

million

(annualised budgets available in 2020)

Performance of EU supported SMEs in 2020, Annual Change:

Incomes **+6.99%**

Employment **+7.34%**

Exports **-0.15%**

GOVERNMENT OF ARMENIA CURRENT SME POLICY

LATEST POLICY DEVELOPMENTS ON ARMENIAN SME POLICY

THE MAIN POLICIES FOR DIRECT SUPPORT OF SMES ARE THE FOLLOWING:

The Government plans actively support the development of SMEs, by aiming to increase the share of SMEs in GDP to 55% within 5 years.

Increase in the share of SMEs in GDP, will be implemented with the following target goals:

- Promoting innovative initiatives and programs
- Business capacity building
- Ensuring market access
- Promoting the productivity of enterprises
- Ensuring access to finance

Planned measures:

- Encouraging SMEs, by increasing the availability of financial resources and capacity building
- Network for the promotion of technology
- Establishing the Made in Armenia brand, to increase the level of recognition of Armenian producers in international markets
- The "Produce in Armenia" concept will be developed, it will be promoting the involvement of foreign companies
- Creating a social innovation center
- Steps to improve the social system through training and renovation for inclusive workforce
- Combining the involvement of women in various sectors of the economy, particularly work and motherhood.
- Measures will be taken in the villages to acquire non-agricultural skills
- Establishing, development and establishment of sectoral associations

Link [The Program of the Government of the Republic of Armenia 2021-2026 \(Government of the Republic of Armenia, Adopted on August 18, 2021, Decision N1363\)](#)



SME DEVELOPMENT STRATEGY

OF ARMENIA 2021-2025

PUBLISHED 27.08.20

OBJECTIVES

- Contribute to the development of entrepreneurship, increase the productivity of SMEs, support access to domestic and international target markets, introduction of production technologies and innovative approaches.
- Main directions are the following:
 - Increasing the accessibility of financial resources
 - Capacity building of SMEs and development of business culture
 - Ensuring the accessibility of markets for SMEs
 - Providing a favourable institutional and legal environment for SME development

TARGETS

- Productivity growth for 2021-2023 averages 3% annually and 7.5% for 2024.
- SME employment growth on average 2.5% annually.
- Global entrepreneurship index 40 (points)

BUDGET COMMITMENTS | MEASURES:

Increasing the accessibility of financial resources

- Expanding the effectiveness of the SME State Support Toolkit
- Development of the legislative-institutional framework related to the use of alternative collateral
- Increasing financial literacy and developing a transparent business culture
- Creating favourable conditions for financial market diversification: investment / venture funds, business angels, alternative financing instruments
- Reforming the bankruptcy system

Market access for SMEs

- Ongoing support for SMEs entering new markets
- Increasing the visibility of SMEs in foreign markets to promote trade and investment
- Technical assistance in the process of meeting the requirements of the target markets
- Establishment of logistics / storage economies
- Creating an environment conducive to the development of e-commerce
- Promote the participation of SMEs in public procurement
- Promote the integration of SMEs in the value chain of large enterprises

Capacity building of SMEs and entrepreneurship culture

- Introduction and application of innovation and development toolkit through state support structures
- Expanding cooperation with public organizations in the SME sector and business development service providers to fill the capacity gaps in SMEs
- Establishment of an environment aimed at raising the qualification of entrepreneurs and SME employees
- Development and implementation of a program to encourage the demand for science, information technologies and technological solutions by SMEs
- Development of business culture
- Increasing the visibility of social entrepreneurship

Creating a favourable institutional and legal environment for SME development

- Establishment and application of private-state dialogue mechanisms
- Capacity building of state support structures, increasing the efficiency and transparency of their activities by introducing corporate governance, accountability mechanisms
- Improving statistics
- Coordinate the SME projects implemented by donors
- Development and implementation of SME impact assessment mechanisms
- Assessment and simplification of tax / customs / other administrative burden for SMEs

MAJOR INSTRUMENTS

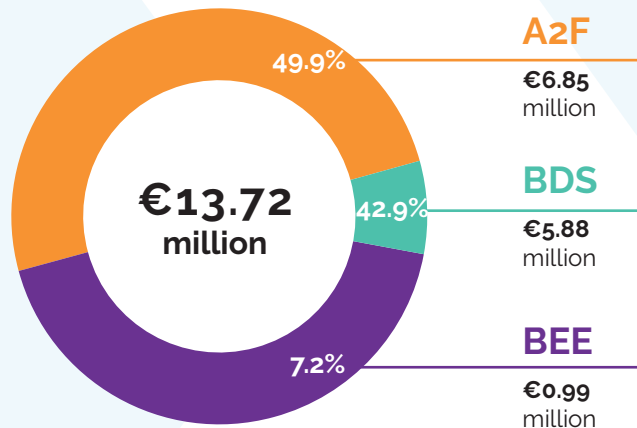
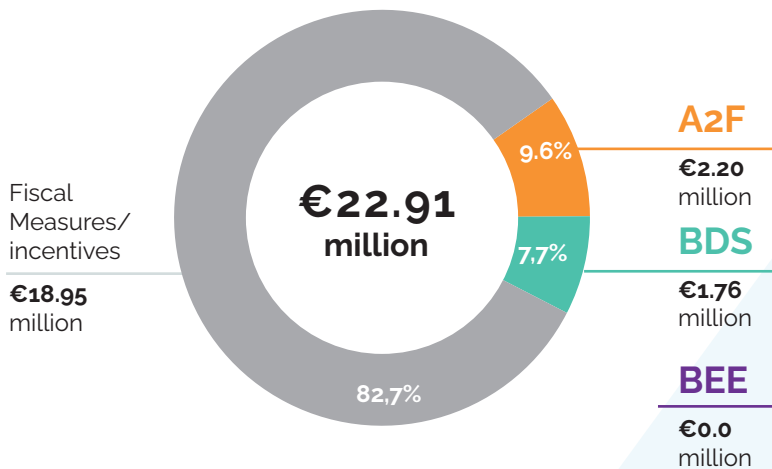
AVAILABLE FOR SMES IN ARMENIA

These are instruments that were active in 2021, some of which have ended already

The following instruments to support SMEs are categorised by instrument in line with EU4Business Facility to allow comparison and coherence of EU support in Armenia



Government of Armenia



ACCESS TO FINANCE (A2F) INSTRUMENTS

Armenian programmes

EU support

million

€195.137

A4

55.56%



Providing credit guarantees for loans to startups (19th program) (source: *Investment Support Center (Enterprise Armenia)*); total value of support **€1,223 million**

[Link](#)

A1

Capped Loss Recovery

A3

TA to PFIs

A4

Capped Guarantees

A6

SME Incentive Grants (linked to loans)

A7

44.44%



"From Idea to Business" grants for high tech start-ups (source: *The Ministry of High-Tech Industry*); total value of support **€0,979 million**

[Link](#)

A7

Grants to SMEs

A8

Structured Funds

million

1.72%

A1

€0,118

1.75%

A3

€0,120

2.50%

A6

€0,171

59.55%

A7

€4,079

34.48%

A8

€2,362

BUSINESS DEVELOPMENT SERVICES INSTRUMENTS

		Armenian programmes		EU support	
		million		million	
	1. Consulting and Information Support (Investment Support Center) operations and "National Center of Innovation and Entrepreneurship" State Non Commercial Organization. 2. Also the Ministry of High-Tech Industry supports with consultations. <i>(source: Investment Support Center (Enterprise Armenia), The Ministry of High-Tech Industry)</i> Link	€1,068	B1 60.64%	55,99% B1	€3,292
	Engineering City / The Government provides the land for the Engineering City <i>(source: Enterprise Incubator Foundation/EIF)</i> Link		B4		
B1 Consultancy Services for SMEs	Investment Support Center (Enterprise Armenia) website contains information, resources that support trade. Support is provided also in the frame of Enterprise Europe Network and COSME project.		B5		
B2 Capacity Building of BSOs	2. The Ministry of High-Tech Industry of the Republic of Armenia designed different trade information materials for start-ups. <i>(source: Investment Support Center (Enterprise Armenia), The Ministry of High-Tech Industry)</i>				
B3 Incubators	Link Link			40.04% B2	€2,354
			<1% <1%		
B4 Clusters	Investment Support Center (Enterprise Armenia) conducts such with B2B activities in a bilateral scope, with participation of local and international parties. Support is provided also in the frame of Enterprise Europe Network and COSME project.	€0,693	B6 39.36%		
B5 Trade Information	2. The Ministry of High-Tech Industry has measures for supporting participation of Armenian high tech companies in international expos etc. <i>(source: Investment Support Center, The Ministry of High-Tech Industry)</i> Link Link				
B6 B2B Activities					B3 €0,142
B7 Export Strategies	The Strategy of Export-Led Industrial Policy of RA has been developed by the Ministry which has been approved by RA Government on December 15, 2011 <i>(source: The Ministry of Economy)</i> Link		B7 0%	B5 €0,764	
				2.42% B6	€0,047
				0.80% 0.80%	

FISCAL AND OTHER INSTRUMENTS



"SME Development Council (from The Secretariat of the Council consists of representatives of the Ministry of Economy (MOE) and the Business Support Organization).



Armenia's 2020-2023 business environment program,

1. Paying Taxes,
2. Trading across borders,
3. Starting a business,
4. Dealing with construction permits,
5. Enforcing contracts,
6. Getting credit,
7. Protecting investors,
8. Registration of a property,
9. Closing a business,
10. Employment relations Ongoing improvement no state revenue. (from The Ministry of Economy, State Revenue Committee).

[Link](#)



Sector Specific Studies, Analysis, Information on lows, etc. (from Investment Support Center, The Ministry of High-Tech Industry).

[Link](#)



Subsidizing the interest rates on loans, leasing and insurance payments provided within the scope to the agricultural sector support programs. (from Ministry of Economy of the RA); total value of support € 13,56m

[Link](#) [Link](#)



For 2021/ 1. The draft on Amendments to the Tax Code of the Republic of Armenia provides for a new procedure according to which, as a result of reducing the period for the return of VAT reimbursable amounts, it is provided for the provision of working capital of taxpayers and the improvement of the VAT refund mechanism. 2. The bill on Amendments to the Tax Code of the Republic of Armenia provides for the recognition as invalid the provisions related to the suspension of the activities of organizations, individual entrepreneurs on the basis of violations of the rules of operation of cash registers twice or more times.



Actions to address the economic impact of COVID-19: Action 1 (interest subsidy), Action 23 (Provision of a monthly grant for tourism related entities), Action 25 Fulfilment of credit obligations of transport companies serving the tourism sector by subsidizing interest rates on loans operating in commercial banks and credit organizations of the Republic of Armenia. (from Interest Subsidy the Financial Institutions, while guarantees ISC); total value of support € 5,38m

[Link](#)



NATIONAL INSTITUTIONS FOR SME DEVELOPMENT

IN ARMENIA

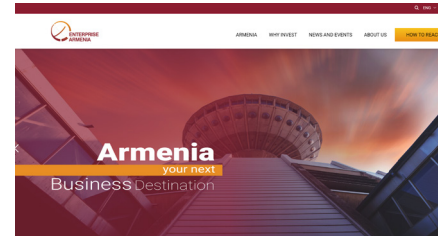
INVESTMENT SUPPORT CENTER (ENTERPRISE ARMENIA)

Established
2002

Annual Budget
€798 752

Staff
26

[Link](#)



GOALS

To promote and facilitate foreign and domestic investments, attract new foreign direct investments, support and provide financing to SMEs.

Provide aftercare services to foreign investors in Armenia and help local exporters to access new markets.

MAIN ACTIVITIES

1. Investment promotion
2. Made in Armenia initiative
3. Investment Aftercare
4. Information on investment laws and regulation, business opportunities, investment projects
5. Bridging with different organizations
6. Promoting investments
7. Investor aftercare
8. Export promotion

NATIONAL CENTER OF INNOVATION AND ENTREPRENEURSHIP

Established
2009

Annual Budget
€269 357

Staff
11

[Link](#)



GOALS

Implementation of innovative and entrepreneurship processes.

Supporting to the preparation and implementation of innovative ideas, projects.

MAIN ACTIVITIES

1. Formation of information resources
2. Interstate exchange of scientific and technical information
3. Provision of scientific and technical information and library services
4. Support to information and advisory services
5. Support to the protection and commercialization of intellectual property
6. Support to entrepreneurs

BUSINESS ADVOCACY MECHANISMS

IN ARMENIA

The following mechanisms are in place to engage in dialogue between private sector and Government on business reform and advocacy in Armenia:

Prime Minister's Office: SME Development Council

[Link](#)

Chair

Deputy Prime Minister: **Mher Grigoryan**

Phone 1: +374 (10) 527-000

Phone 2: 1-17

E-mail: hotline@gov.am

OBJECTIVES

- ▶ Promote the development of the SME business environment through
- ▶ Constructive dialogue between the public and private sectors, by identifying obstacles for the implementation of the activities of SMEs and proposing solutions to eliminate them

MEETING FREQUENCY:

- ▶ At least four sessions per year
(last Council meeting held: February 19, 202;
last Sub-council meeting held: July 26, 2021)

SECRETARIAT:

The Head of Secretariat: Minister of Economy of the RA,

Vahan Kerobyan

Phone: (+374 11) 597 110

Email: vkerobyan@mineconomy.am

