

## Armenia's Government programs to address the economic impact of COVID-19

Following a strong performance in 2019, the Armenian economy was hit significantly by the COVID-19 pandemic. Armenia's government has proactively responded to the crisis adopting widespread containment measures while supporting vulnerable social groups and most affected sectors of economy including trade. These have been introduced through rounds of adopted economic and social stimulus measures to curb the negative impact of the pandemic. The measures/programs are underway.

### Measures/Programs to address the economic impact of COVID-19:

#### ACTION 1

- **Target:** Determined by the purpose of the loan
- **Beneficiary:** Resident economic entity with a sound credit and tax record
- **Form of assistance:** Interest rate subsidy
- **Basic conditions:**
  - **Currency:** dram or foreign currency (the instrument of subsidizing loans in foreign currency can only be applied if the borrower boasts sufficient foreign currency income to service the loan through its business activities).
  - **Term:** up to 60 months, but the subsidy provided under this program is to be used for a period of up to 24 months of the loan; in case of foreign currency loans - for a period of up to 6 months
  - **Grace period:** up to 6 months; for foreign currency-denominated loans - up to 3 months
  - **Maximum amount** of the subsidized part of a loan provided to one economic entity under this instrument is AMD 250 million; in the case of foreign currency-denominated loans - the equivalent of AMD125 million
  - **Procedure for using the funds borrowed under this instrument:** only non-cash transactions and bank transfers
  - **Maximum actual interest rate:** 12% per annum for AMD-denominated loans and 9% per annum - for loans in foreign currency

The rate of subsidy for AMD-denominated loans is as follows, depending on the purpose of the loan:

<b>Purpose of Loan</b>	<b>Rate of Subsidy</b>
Employees	In full
Taxes, duties and mandatory payments	In full
Raw materials	7%
Equipment	6%
Utility bills	10%
Food	8%

The rate of subsidy for foreign currency-denominated loans is as follows, depending on the purpose of the loan:

<b>Purpose of Loan</b>	<b>Rate of Subsidy</b>
Employees	In full
Taxes, duties and mandatory payments	In full
Raw materials	6%
Equipment	5%
Utility bills	8%
Food	6%

Those businesses that will invest more than 25 million drams in their authorized capital in 2020 can use the full amount of the preferential lending toolkit described in this chapter, regardless of the fact of having previously benefited from a program approved by this decision, the volume and the terms of lending.

Those economic entities having invested over 25 million drams in their authorized capital in 2020 shall enjoy the following privileges:

- Subsidy is provided for a period of up to 30 months; in the case of foreign currency loans - for a period of 9 months.

- The maximum amount of the subsidized part of the loan is set at 300 million drams; in case of foreign currency loans - the equivalent of 150 million drams.
- Subsidy rates shall increase by 0.25% (except for full subsidies).

Those economic entities having invested over 50 million drams in their authorized capital in 2020 shall enjoy the following privileges:

- Subsidy is provided for a period of up to 36 months; in the case of foreign currency loans - for a period of 12 months.
- The maximum amount of the subsidized part of the loan is set at 400 million drams; in case of foreign currency loans - the equivalent of 200 million drams.
- Subsidy rates shall increase by 0.5% (except for full subsidies).

Those economic entities having invested over 100 million drams in their authorized capital in 2020 shall enjoy the following privileges:

- Subsidy is provided for a period of up to 48 months; in the case of foreign currency loans - for a period of 24 months.
- The maximum amount of the subsidized part of a loan provided as part of the assistance mechanism specified in subparagraph 4 of paragraph 7 of this annex is 500 million drams; in case of foreign currency loans - the equivalent of 250 million drams.
- Subsidy rates shall increase by 1% (except for full subsidies).

Increase in the authorized capital must be made at the expense of investments in the form of monetary funds. Moreover, no decrease in the authorized capital is allowed during the subsidy period.

In the event of violation of this condition, the loan provided to the economic entity is subject to immediate repayment after disclosure, and the subsidies paid by the state are subject to repayment at the rate of twice the subsidized amount.

Applications have to be filed with banks and other lending institutions involved in the Program.

## **ACTION 2**

Target: Agriculture

Beneficiaries:

- a) Such natural persons operating in the field of agriculture in the territory of the Republic of Armenia that boast a good credit record;
- b) Individual entrepreneurs or legal entities with a good credit and tax record, except for agricultural cooperatives with up to 365 days of registration;

Form of Assistance: Co-financing of targeted loans / leasing and / lending / leasing interest rate subsidy.

The basic terms and conditions may vary depending on the purpose of the loan / leasing facility provided under the program, as well as on the beneficiary's legal status.

Loan / leasing facility interest rate subsidy:  
Loan / leasing facility interest rate: 0%  
Maturity of loan / leasing facility - 10 years at maximum  
Grace period for the principal amount - 5 years at maximum

Co-financing:

Agricultural cooperatives - 10-70%;  
Individuals - 10-30% (30% for loans provided under pig, poultry, pedigree cattle, pedigree / non-pedigree sheep and goat breeding projects;  
Leasing of agricultural and agri-food equipment - 10% of down payment, but not more than 10 million drams)  
Legal entities (except for agricultural cooperatives) and self-employed entities - 10-30% (30% for loans provided under pedigree cattle, sheep and goat breeding projects;  
Leasing of agricultural and agri-food equipment - 10% of down payment, but not more than 10 million drams)

Applications have to be filed with those financial institutions involved in the Program.

### **ACTION 3**

Target: SMEs

Beneficiary: resident economic entity with good credit and tax record

Form of assistance: loans of up to AMD 50 million, depending on turnover

#### **Basic terms and conditions:**

Areas: processing industry, accommodation and public catering, transportation & storage, tourism services, other tertiary services, healthcare, preschool education (private kindergartens), sporting activities (sports clubs, swimming pools), entertainment and leisure activities (except for computer games and internet clubs), construction of buildings, civil construction, specialized construction activities.

The applicants shall have:

- Annual turnover for 2019 - AMD 24 million to AMD 500 million;
- Turnover for each quarter of 2019 did not exceed 70% of the annual turnover,
- The maximum loan amount is AMD 50 million, 0% interest rate for the first two years, and 12% - for the third year.
- Good credit record, i.e., according to ACRA information they had no overdue credit terms for more than 30 days or more during the 12 months prior to the application date.
- Good fiscal record, i.e., no administrative proceedings have been instituted against the tax liability incurred during the 365 days prior to the date of submission of the application, or no overdue tax liability as of December 31, 2019 (in the latter case, 1% of the loan amount is charged as a borrower's fee).

Applications have to be filed with the Investment Support Center of the Ministry of Economy

## **ACTION 5**

Target: Effective Job Support

Beneficiary: resident economic entity with 2 to 50 employees,

Potential beneficiaries: more than 12,000 businesses,

One-time grant, in the amount of the salary of every 5th employee,

### **Basic terms and conditions:**

The applicant employed 2 to 50 persons in the period from 01.01.2020 to 01.04.2020, and the actual wage fund did not decrease in the period under review.

The State Revenue Committee will process the application in an automated manner.

## **ACTION 10**

- Target: support for micro-enterprises,
- Beneficiaries, economic entities registered as micro-enterprises,
- Support: one-time assistance in the amount of 10% of the turnover of goods, services provided in the first quarter of 2020, but not more than twice the minimum wage

### **Basic terms and conditions:**

- The applicant was registered as a family business in 2019, or
- The applicant was a natural person not registered as a self-employed entity in 2019, had a tax exemption license, or
- The applicant has been a natural person not registered as a self-employed entity since January 1, 2020; he or she was not registered in the way specified in sub-paragraphs 1 and 2 of this clause, neither were they registered as self-employed entities in the period under review.

## **ACTION 17**

Target: high-tech industry

Beneficiaries: Business entities that meet the criteria specified in the RA Law on State Support in the Sphere of Information Technologies,

Form of assistance: one-time grant to successful entrepreneurs

### **Basic conditions:**

- As of the day of submitting the application, the beneficiaries did not have overdue tax and credit obligations during the last 12 months.
- As of the day of submitting the application, the beneficiaries had not received a grant from the High-Tech Ministry during the last 12 months.
- Beneficiaries should have been registered in Armenia over the past two years as manufacturers, or registered in Armenia for more than 2 years in case of services;  
Or technology companies that will attract documented and approved investments.

## **ACTION 18**

Target: Effective job support,

Beneficiary: such economic entities registered in the Republic of Armenia that had 2 to 100 employees in the period from February 1, 2020 to April 30, 2020;

Form of Support: one-time grant;

Basic Terms and Conditions: the actual income fund calculated by the mentioned economic entities has not decreased during the mentioned period, or the decrease has made no more than 5%.

The State Revenue Committee shall notify the economic entity that it is a program beneficiary, after which the economic entity submits an application to the State Revenue Committee.

## **ACTION 19**

Target: support for competitive business ideas, entrepreneurial ideas developed by beneficiaries seeking to start a business from scratch, promotion of innovative business plans

Beneficiary: Armenia-registered economic entity or individual entrepreneur

Form of Support: 75% of financial resources are provided as interest-free loans with a maturity of 8 years, 25% as grants.

Basic Terms and Conditions:

- compliance with the criteria established by the RA Law on State Support for Small and Medium Enterprises,
- good tax and credit record during the 12 months preceding the day of submission,
- involvement in the regions of Armenia,
- the applicant has not benefited from the Investment Support Center Foundation's startup support facilities;
- for at least 24 months before the date of application, the applicant has benefited from the Investment Support Center Foundation's innovative development support facility.

Applications to be filed with the Investment Support Center of the Ministry of Economy

## **ACTION 21**

(<https://www.arlis.am/DocumentView.aspx?DocID=143430>)

Target: Effective job support

Beneficiary: Business entities with 2 to 100 employees as of March 1, 2020 through May 31, 2020

Form of assistance: one-time grant, in the amount of the salary of every 5th employee,

Methodology for calculating the amount of support.

In the case of economic entities with up to 5 employees, the total amount of income calculated for May 2020 is divided among the employees in order to determine the amount of assistance provided to the economic entity.

- In the case of businesses with more than 5 employees, to determine the amount of assistance provided to the business entity:
  - a. The amount of the average monthly calculated income of the economic entity in May 2020 is calculated, that is, the number of employees divided by the total amount of income calculated for the month of May 2020.
  - b. One-fifth of the total number of employees is calculated, that is, the total number of employees is divided by 5, rounded down.
  - c. The product of the results of paragraphs "a" and "b" of this sub-item is calculated and rounded up to one point.

The main condition is that the actual income fund calculated by the mentioned economic entities has not decreased during the mentioned period, or the decrease has made no more than 5%.

The State Revenue Committee notifies the economic entity that it is a beneficiary of the program, after which the economic entity submits an application to the State Revenue Committee.

In the 1st event, add the words before the place of application:

The economic entity, in the authorized capital of which 50 million AMD and more were invested in 2020, uses all the following additional privileges:

Subsidizing is carried out for a period of up to 36 months, and in case of foreign currency loans - for a period of 12 months.

The maximum amount of the subsidized part of the loans to be provided is set at 400 million drams, and in case of foreign currency lending, equivalent to 200 million drams.

Subsidy rates increase by 0.5%.

The economic entity, in the authorized capital of which an investment of 100 million AMD and more was made in 2020, enjoys all the following additional privileges:

Subsidies are provided for loans up to 48 months, and in case of foreign currency loans, for a period of 24 months.

The maximum amount of the subsidized part of the loans to be provided under the assistance tool provided for in sub-clause 4 of clause 7 of this appendix is set at 500 million drams, and in case of foreign currency lending, equivalent to 250 million drams; subsidy rates are 1% up.

The increase in the mentioned statutory capital must be made at the expense of investments in the form of funds. At the same time, the reduction of statutory capital is not allowed during the whole period of subsidy.

In case of violation of the mentioned condition, the loan provided to the given economic entity is subject to immediate repayment after the disclosure, and the subsidized amounts paid by the state are subject to double repayment of the subsidized amount through the bank.

\*\*\*\*\*

**In addition to government support programs, the Ministry of Economy of the Republic of Armenia, in cooperation with the Investment Support Center, has developed an information platform for business support. The purpose of the platform is to raise awareness of local and international business support programs, courses, grants and educational activities, as well as to intensify participation in these areas.**

Throughout April 2020, following the declaration of state of emergency, the Ministry, in collaboration with the Business Support Office (BSO) and Investment Support Center (ISC) conducted a series of online webinars intended for small and medium-sized businesses operating in the country. They were aimed at helping entrepreneurs in overcoming challenges they were facing because of the imposed lockdown. More than 20 webinars were held, with a participation of around 3000 entrepreneurs, covering various topics and areas, each accompanied by a survey. According to the survey results, businesses currently require consulting in many different areas, e.g., Strategic Management (32%), Marketing (23%), Taxation (11%), Financial Management (14%), Human Resources (2%), Legal (7%), and others (12%). Based on the reviews, comments and recommendations made by the participants, a new coaching project called *#BusinessagainstCOVID19* was launched by the Ministry. The latter is an online consulting led by top specialists on more than 100 different topics, covering a total of 1000 hours of personalized coaching. Each company can register for up to 2 sessions and get a professional assistance on how to deal with the issues and challenges faced during this period of economic downturn.

BSO, in collaboration with the Ministry, developed the “Business Continuity Planning amid COVID19 in Armenia” Guideline that provides companies with precise recommendations to be followed, and steps to be undertaken in the face of the current economic downturn. The guideline defines Business Continuity Planning (BCP) as *“a process that identifies potential impacts that threaten the company and provides a framework for building resilience and the capability for an effective response which safeguards the interests of its key stake holders, reputation, brand and value creating activities”*. It thus recommends the implementation of the following step-by-step approach:

1. Determination of the business priority.
2. Identification of critical assets and inputs for the priority.
3. Identification of the time-critical operations.
4. Mapping of internal and external disruption risk areas impacting the necessary inputs.
5. Preparation of a set of possible threat scenarios.
6. Designation and validation of the business continuity plan.

Each of the above sections provides a detailed description of the step, including an outline of its use and importance, a set of successive tasks to be carried out to achieve the most effective implementation, as well as examples, tables and cases to better illustrate the approach. Every section ends with the description of the intended outcome.