

REPORT 2008



SME
DEVELOPMENT
NATIONAL
CENTER
OF ARMENIA

REPORT

ON ACTIVITIES OF “SMALL AND MEDIUM ENTREPRENEURSHIP DEVELOPMENT NATIONAL CENTER OF ARMENIA” FUND IN 2008

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2008 was a year of special developments in small and medium entrepreneurship sector having substantial impact on almost all components of economic structure of the country.

Currently, small and medium enterprises contribute 41.7% to GDP, 42.1% to employment, 28% to taxes, duties and other obligatory payments made to the state budget. The SME Development Index in Armenia calculated by the UN methodology constituted 544.0 in 2008, which is 9 times as much as that of 2002.

Activities aimed at SME sector development focusing on creation of favorable business climate, including the simplification of administrative procedures and ensuring their transparency, as well as the establishment of public private partnerships and implementation of contemporary programs and mechanisms of addressed SME support have created sustainable basis for further growth of small and medium entrepreneurship and formed a distinct starting point for qualitatively new developments.

I am confident that in this context establishment of support infrastructures for business, innovations, free economic zones and regional entrepreneurship development and implementation of new program mechanisms get high significance for resolution of economic problems emerging at the current stage of country development.

Nerses Yeritsyan

**Minister of Economy of the RA
Chairman of SME Development National Center of Armenia's Board of Trustees**



In 2008 the SME Development National Center of Armenia has ensured the sustainability and expansion of implemented programs introducing new mechanisms and directions of SME support.

SME investment needs assessment has been continuously implemented in the marzes starting from the beginning of the year. Based on the findings of this assessment equity financing pilot program has been executed, the positive results of which created a solid basis for its further consistent development. The Center has undertaken a number of activities to increase the awareness of SMEs on amendments in tax legislation and provision of respective consulting. In order to assure a fast response to the enquiries raised by SMEs a working procedure has been developed with the State Revenue Committee under the Government of the Republic of Armenia and starting from July 2008 the “hot line” has started to function at the Center.

Starting from 2008 Enterprise Europe Network correspondence center in Armenia hosted by the SME Development National Center has also commenced its activities. The EEN provides an opportunity to Armenian businessmen to conduct market researches and find business partners, implement testing and commercialization of innovative initiatives as well as establish new business cooperation in Europe, which was not available to every one until recently.

I would like to make a special emphasis on the input in the aforementioned developments of our partners - foreign and international organisations, local governance bodies, state and public structures, the cooperation with which is to be further extended in the coming years.

Ishkhan Karapetyan

**Executive Director
of the SME Development National Center of Armenia**

About SME Development National Center of Armenia

“Small and Medium Entrepreneurship Development National Center” Fund (SME Development National Center of Armenia) was established by the Government of Armenia in 2002. SME Development National Center is authorized to provide state support to small and medium entrepreneurship (SME) in the country. The support is provided through implementation of

Annual SME State Support Programs with resources allocated from State budget.

SME Development National Center of Armenia is governed by Board of Trustees headed by the Minister of Economy.

SME Development National Center of Armenia carries out its activities through well developed network of regional branches and representative offices covering all marzes of Armenia coordinated by the Central office in Yerevan.

SME Development National Center of Armenia’s activities are targeted at:

- Ensuring a dialogue between SMEs and state
- Increasing efficiency and competitiveness of SMEs
- Ensuring availability of business development services for SMEs
- Expanding financial opportunities for SMEs
- Promoting innovations and R&D activities of SMEs
- Assistance to establishment of new SMEs
- Supporting internationalization of SMEs’ activities

The SME Development National Center of Armenia provides support to SMEs through the following technical and financial assistance programs:

Technical assistance

- Provision of information on all the aspects of doing business in Armenia
- Provision of business consulting and training
- Sales promotion
- Supporting Start-ups
- Supporting R&D activities

Financial assistance

- Provision of loan guarantees
- Equity financing
- Seed capital
- Partial subsidizing of credit interest rates

SME Development National Center of Armenia provides its services mainly through specialized private companies selected by tender procedures. Services provided to SMEs are co-financed by SME Development National Center of Armenia.

In order to evaluate the effectiveness and further improve the support activities implemented by the SME Development National Center of Armenia the monitoring is periodically carried out at the supported SMEs by the Center's specialists.

Enterprise Europe Network Correspondence Center in Armenia

Starting from 2008 SME Development National Center of Armenia has become a member of Enterprise Europe Network as a result of the tender announced by European Commission to select partner organizations and currently acts as Enterprise Europe Network Correspondence Center in Armenia.

Enterprise Europe Network covers:

- 44 member states
- 600 partner organisations
- 4000 experts

Enterprise Europe Network goals

- Support to the establishment of business and technological cooperation among SMEs
- Support to development of SMEs innovation potential and skills
- Increase the awareness of businessman on European Union policy, legislation, standards, financial and business cooperation opportunities, as well as other general EU related issues

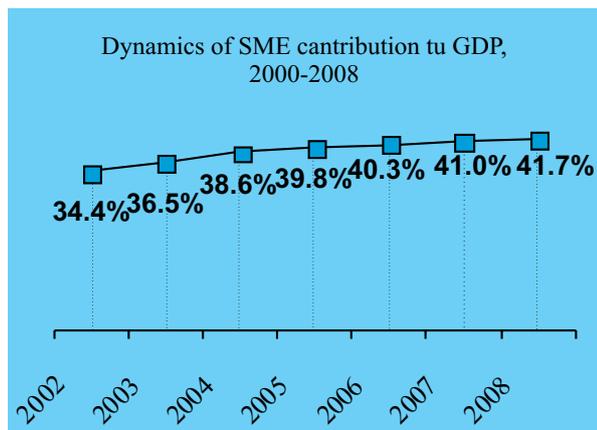
Enterprise Europe Network services

- Supporting SMEs to identify new directions for business cooperation, conduct market researches and find potential business partners,
- Support to negotiations and cooperation agreements signing processes,
- Supporting SMEs to evaluate their potential and opportunities for cross-border business activities,
- Assisting innovative SMEs in R&D activities and commercialization of their innovative initiatives.

All services of Enterprise Europe Network are provided free of charge.

1. SME development trends in Armenia

1.1 Brief overview of SME sector in Armenia



As a result of consistent policy pursued with regard to SME state support a dynamic growth of indicators defining SME sector has been recorded in the recent years. In **2008, the SME sector contribution to the gross domestic product (GDP) of the country has made 41.7%** in comparison with 41% of 2007 and is twice as much as the same indicator of 1999. **The SME sector input in the country's export volume has also increased and made 17% in 2008,** versus 16.9% recorded in 2007 and 14.3% in 2003.

SME sector has a significant contribution to creation of new jobs in the country as well. **The number of registered SMEs has made more than 20 ths in 2008, as a result of which about 27.1 ths of new jobs have been opened, comprising 51.7% or 14 ths in marzes and 48.3% or 13.1 ths in Yerevan.**

The SME Development Index, calculated by the UN methodology, constituted 544.0 in 2008, which is 9 times as much as that of 2002.

Dynamics of SME Development Index in Armenia in 2002-2008

Year	Share of private sector in economy (%)	Share of SME sphere in GDP (%)	Share of SME employees in total number of employed people (%)	GDP per capita (USD)	SME Development Index (For income per capita against GDP)
2002	81	34.4	28.2	739.9	58.1
2003	83	36.5	31.0	873.4	82.0
2004	84	38.6	32.9	1104.4	117.8
2005	84	39.8	34.0	1513.0	171.9
2006	84	40.3	35.1	1996.0	237.2
2007	84	41.0	40.7	2744.0	398.6
2008	84	41.7	42.1	3689.0	544.0

1.2 SME State Policy benchmarks in Armenia

Considering the role of small and medium entrepreneurship in new jobs creation, improvement of the population standard of living, formation of the middle class, ensuring social and political stability, the SME sector development becomes one of the main priorities for economic growth of the country.

The SME State Support Programs are based on key principles of economic policy pursued by the Government of Armenia. The Programs are directed to accomplishment of *economic*, *social* and *political* objectives of SME sector development.

In the context of subsequent sustainable economic growth ensuring policy the SME sector development is called to guarantee such sustainability, imparting innovative orientation and flexibility to the country economy. Based on these benchmarks, in order to transfer the SME development to the qualitatively new stage the SME state support in the frameworks of the overall economic policy will be directed to:

- Improvement of investment climate, particularly to the elimination of barriers and other negative displays in relations between economic entities and tax and customs systems, and other state control bodies;
- Integration to European information and SME support infrastructures;
- Introduction of new instruments of financial support to SME, which will create new financial opportunities for innovation;
- Development and implementation of sector specific SME support programs, based on peculiarities of economic development of target regions;
- Creation of up-to-date SME support infrastructures, such as business incubators, techno-parks, innovation centers and business-angels networks;
- Improvement of the quality of products manufactured by SMEs, bringing it into conformity with international requirements and creation of export opportunities.

In order to effectively manage and direct the processes of SME development in the country the works will be executed for deepening of state-private sector cooperation. The targeted selection of beneficiary SMEs will serve for directing their potential to the economic development processes, providing management instruments for economic growth sustainability.

SME State Support Annual Programs are elaborated and carried out in Armenia since 2002, including broad scope of activities targeted to expanding and developing entrepreneurship in the country. SME State Support Programs are financed by the resources allocated from the State budget.

The Small and Medium Entrepreneurship Development National Centre (SME Development National Center of Armenia) was established in the frameworks of SME State Support Program 2002 by the Government Decree (No 282, 19.03.2002) as a main body implementing SME State Support in Armenia.

Emphasising the role of SME sector in regional economic development of Armenia and taking into consideration the necessity of support availability provision in the marzes (regions) of the country, SME Development National Center regional branches were created in all marzes of Armenia in 2003-2005.

Year by year, mechanisms for SME state support are enhanced and scopes of provided support are extended, both by development and introduction of new program directions and by improvement of existing ones. Budget allocations are being increased along with that (in 2002 they have made 20 mln, in 2003 – 250 mln, in 2004 – 234 mln, in 2005 – 300 mln, in 2006 – 350mln, in 2007 – 400mln and in 2008 – 450mln AMD). More than 2 billion AMD has been allocated from the State budget for implementation of 2002-2008 State Support programs, about 20ths start-up and operating SMEs have received the support.

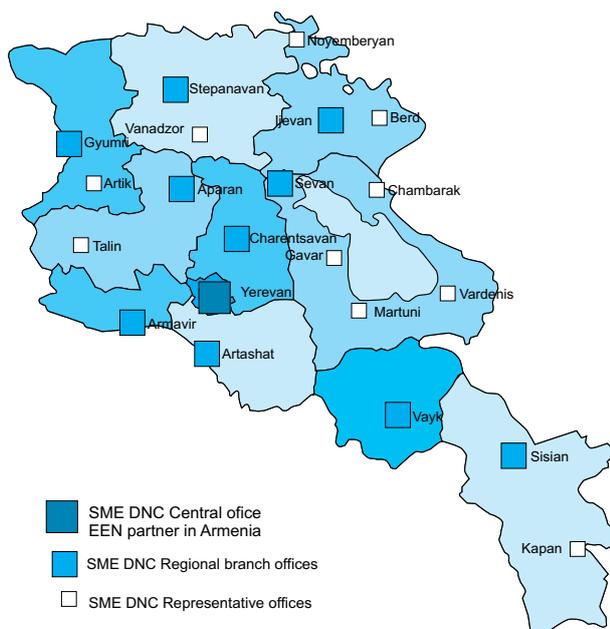
2. Activities of SME Development
National Center of Armenia, carried
out in the framework of the “Small
and Medium Entrepreneurship” State
Support Program for 2008

The steps undertaken by SME DNC of Armenia in 2008 have been directed towards the implementation of SME sector development programs and corresponding state support activities, enhancement of mechanisms for the realization of the mentioned above, as well as towards elaboration and implementation of new programs.

450 mln AMD have been allocated from the RA State budget 2008 for the implementation of Small and Medium Entrepreneurship State Support Program 2008. Besides, about 102.8 mln AMD have been attracted in the frameworks of cooperation with international, foreign organizations and local self governing bodies.

In the framework of SME State Support

Program 2008 4,538 start-up and operating SMEs have received the support from SME Development National Center of Armenia, 1,226 of which received the support by more than one direction. The support has been provided in loan guarantees provision, support to start-up businesses, goods and services market promotion, introduction of innovations and modern technologies, training, information and consulting directions. 73% of SMEs (or 3,312 units) have received the support of the SME Development National Center of Armenia for the first time. In total 8,617 support applications by above mentioned directions were satisfied by the SME Development National Center of Armenia.



**SME DNC of Armenia's
branch offices network**

Support direction	Number of support applications satisfied in 2006	Number of support applications satisfied in 2007	Number of support applications satisfied in 2008
Information and consulting support	3,842	7,365	7,210
Training support	427	535	844
Start-up businesses support	131	201	200
Start-up businesses financial support	6	35	41
Goods and services market promotion	187	236	231
Innovations and modern technologies introduction support	10	16	6
Partial subsidizing of credit interest rates	-	12	5
Loan guarantees provision	87	94	56
Support provided in the framework of Enterprise Europe Network Correspondence Center activities	-	-	24
Total	4,690	8,494	8,617

Out of the mentioned quantity 9.9% of SMEs operate in Yerevan, and 91.1% in the marzes of Armenia, of which 76% function in remote and boundary rural and urban communities out of the SME Development National Center of Armenia branch offices location cities.

Sector distribution of the supported SMEs is the following: manufacture – 22.8%, services – 26.5%, trade – 46.1%, construction – 4.6%.

The results of the monitoring carried out among 558 regional SMEs received support in the framework of 2008 SME State Support Program directions on loan guarantees provision, support to start-up businesses, goods and services market promotion and consulting indicate that the programs implementation has contributed to creation of 481 new jobs and 193 new products introduction in the market. The amount of taxes, duties and other obligatory payments implemented by the SMEs received the support in 2008 has constituted more than 564 mln AMD.

2.1 Strengthening the capacity of SME Development National Center of Armenia central and regional branch offices and expansion of their activity

Activities on raising the logistical support of SME Development National Center of Armenia central and branch offices, development of professional skills of branch offices staff, as well as towards enhancement of cooperation with business support organizations in marzes, projects implemented by international organizations and local self governing bodies have been carried out in 2008.

During the reporting period representative office of the SME Development National Center of Armenia has been established in Artik city of Shirak marz. In the scope of cooperation with Organization for Security and Cooperation in Europe (OSCE), the representative office of the SME Development National Center of Armenia has been established in Kapan city of Syunik marz as well.

Certificate on ISO 9001:2000 Quality Management System Introduction has been awarded by TUV to SME Development National Center of Armenia in 2008.

Audit of financial activity of SME Development National Center of Armenia has been conducted in March 2008 and corresponding conclusion was provided.

In cooperation with marzpetarans the SME Development National Center of Armenia has implemented selection of investment projects in all marzes of Armenia taking into consideration social-economic development perspectives of the regions. Investment projects were presented to the Government of Armenia, according to the Decree of the Prime Minister. In case of positive appraisal by the Operative Staff established by the Government, the possibilities for financial support provision will be considered.

Starting from 23 June, 2008 the “Hot-line” functions at the central office of the SME Development National Center of Armenia, which enables entrepreneurs and tax payers to present complains, requests and proposals. In order to increase the effectiveness of the “Hot-line” services for processing complains, requests and proposals on tax legislation and administration the working procedure has been designed in cooperation with State Revenue Committee.

In order to raise awareness of SMEs on anticipated amendments in tax legislation for simplification of their activities, the SME Development National Center of Armenia in

cooperation with State Revenue Committee has organized group discussions in all marzes of Armenia with the representatives of business community, NGOs representing interests of SMEs, mass media and local self governance bodies in July-August 2008.

During the meetings the representatives of the SME Development National Center of Armenia, State Revenue Committee, Ministry of Finance and Ministry of Economy have presented and clarified the package of planned amendments to the laws and legislative acts of the Government of Armenia aimed at improvement of tax legislation and administration.

Periodical meetings with the directors of branch offices and branch offices staff members responsible for separate program directions implementation in the marzes have been organized once a month at the SME Development National Center of Armenia Central office, in order to clarify mechanisms and details of implemented programs, analyze the process of their implementation and discuss the works to be executed for solution of main problems of SME sector development existing at the regional level. During the reporting period, about 90 discussions have been organized by branch offices of SME Development National Center of Armenia in urban and rural communities of the marzes with operating and start-up SMEs, local governance bodies, business services providing organizations, representatives of banks and other structures, during which support programs implemented by SME Development National Center of Armenia and procedures for benefiting from them have been presented, where SMEs have also been provided with information materials and corresponding consulting support.

Representatives of SME Development National Center of Armenia central and branch offices have participated in the training courses, conferences and workshops held in Japan, Ukraine, Netherlands, Russia, Belgium, Ireland and Italy.

The official launching event of the Enterprise Europe Network Correspondence Center in Armenia was organised on June 20, 2008 by the SME Development National Center of Armenia at the office of the Delegation of the European Commission to Armenia. Representatives of the Government of Armenia, international/foreign organizations and diplomatic missions, as well as representatives of business community were present at the event.

The opening speeches were made by the Head of Delegation of the European Commission to Armenia, Minister of Economy and SME Development National Center of Armenia Executive Director.

The main objectives and opportunities provided by Enterprise Europe Network activities in Armenia were represented to business community.

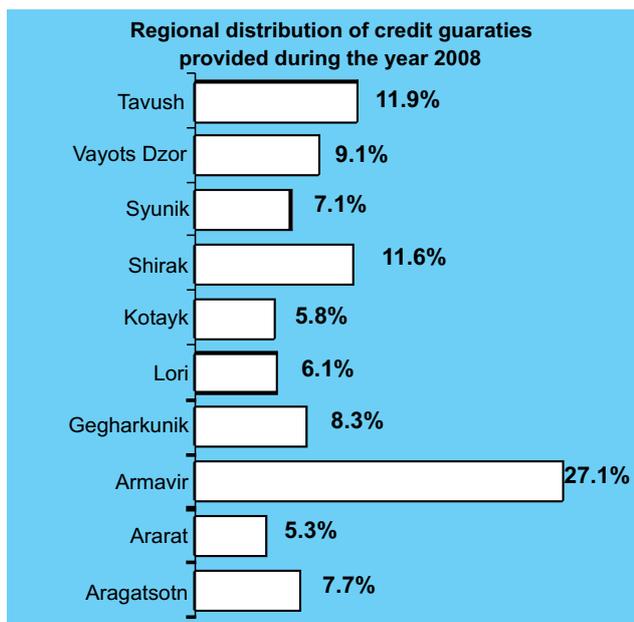
In the scope of cooperation with the United Kingdom Department for International Development (UK DFID) "Investment environment of Tavush marz and main accomplishments in SME sector development" forum was held on December 5, 2008 in Ijevan city of Tavush marz at marzpetaran the conference hall. The main objective of the forum was presentation of business environment and economic potential of Tavush marz, summarizing of accomplishments and discussion of investment projects implementation prospects.

Monitoring of SME Development National Center of Armenia support programs has been initiated and carried out.

2.2 Financial and investment support to SMEs

Loan guarantees provision program, Program for partial subsidizing of credit interest rates and Equity financing pilot program were implemented in 2008 in the frameworks of Financial and investment support provision.

2.2.1 Loan Guarantees Provision Program



In the framework of the Loan guarantees provision program in 2008 loan guarantees in total amount of 213.0 mln AMD were provided to 56 SMEs, ensuring 391.2 mln AMD credit portfolio. Total amount of credit obligations for 56 SMEs received support has made 488.1 mln AMD.

The average amount of the loans provided to SMEs in the framework of the program has made 7 mln AMD, the average amount of the loan guarantee has made 3.8 mln AMD, the average interest rate of provided loans has made 15%. The average security of guaranteed loan obligations provided to SMEs in the framework of the program has made 47.2%. The loan guarantees have been provided

through the following partner banks of SME Development National Center of Armenia: ACBA-Credit Agricol bank (25), Anelik bank (12), Ardshininvestbank (3), Inecobank (7) and Unibank (7), VTB-Armenia (2). Regional distribution of provided guarantees is as follows: Aragatsotn – 4, Armavir – 13, Gegharkunik – 4, Lori – 3, Kotayk – 3, Shirak – 12, Syunik – 6, Vayots Dzor– 6, Ararat – 2, Tavush – 3.

111 SMEs have submitted applications to receive support in the framework of the Loan Guarantees Provision Program in 2008. The classification of received applications according to sequential stages is described below:

Applications, which are met and received loan guarantees¹	56
Applications rejected by bank and consequently by credit commission	2
Applications rejected by SME Development National Center of Armenia and sent for additional clarifications ²	16
Applications presented by beneficiaries, who afterwards refused from further crediting ³	9
Applications in the processing stage ⁴	31
Total number of applications	114

In the frameworks of Loan Guarantees Provision Program cooperation agreements were signed in 2008 with VTB-Armenia Bank and Haybusinessbank, increasing the number of partner banks up to 7.

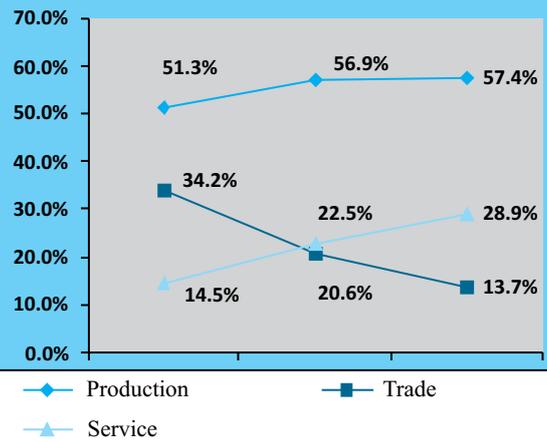
In the frameworks of Loan guarantees provision program 1.16 bln AMD have been provided to 300 SMEs in the period of 2004-2008, ensuring 2.17 bln AMD credit portfolio. Total amount of credit obligations for 300 SMEs received support has made 2.69 bln AMD.

The results of monitoring carried out at SMEs received support in the framework of Loan guarantees provision program in 2004-2008¹ demonstrate that 463 new jobs have been

¹Monitoring for 2008 has been implemented among 231 supported SMEs as of 01.09.2008

established in 231 SMEs, of which 182 in 2008. In SMEs received support in 2004-2008 the fixed assets have been increased by 1.32 bln AMD or 77%, floating assets by 1.04 bln AMD or by 55%. The average growth of incomes has made 29%, in tax payments 15%, at monthly average constituting 22.6 bln AMD. About 113 new product items have been presented to market.

Sector distribution of SMEs received loan guarantees (2006-2008)



Loan guarantees provision program indicators

Regional distribution of provided guarantees in 2008

Marz	Quantity	Loan	Loan obligation	Guarantee	% of security	Average credit interest rate	Average term (month)
Gegharkunik	4	30,500,000	37,533,112	17,700,000	45.1%	15%	36
Aragatsotn	4	20,250,000	25,380,415	16,337,068	64.0%	16%	33
Armavir	13	100,200,000	122,427,102	57,700,000	49.7 %	15%	31
Lori	3	26,000,000	33,626,868	13,000,000	35.4%	16%	36
Syunik	6	25,800,000	32,484,827	15,087,083	46.2%	16%	36
Kotayk	3	19,000,000	23,313,336	12,300,000	51.0%	14%	36
Shirak	12	42,000,000	52,072,754	24,700,000	47.3%	15%	35
Vayots Dzor	6	41,500,000	52,334,934	19,443,750	37.7%	15%	36
Tavush	3	69,900,000	89,505,310	25,488,976	41%	16%	36
Ararat	2	16,000,000	19,453,333	11,200,000	54.3%	14%	36
Total	56	391.150.000	488.131.991	212.956.877	47.2%	15%	34

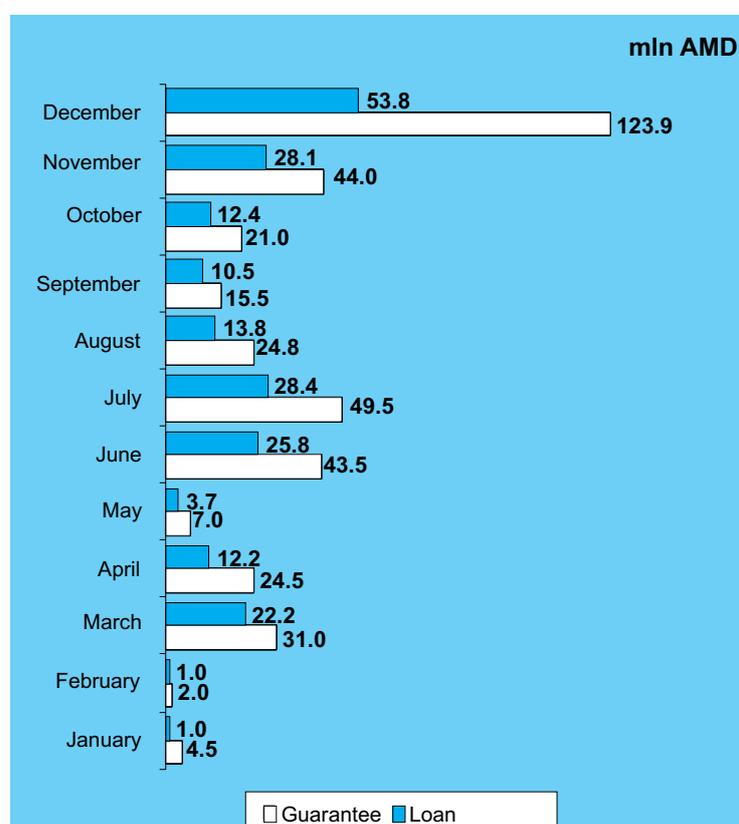
Yearly breakdown of provided guarantees

	2004	2005	2006	2007	2008
Guarantees	25.5	197.6	342.2	375.7	213
Loan	47.3	366.1	628.1	722.7	391.1

Provided Guarantees according to partner banks in 2008

Bank	Quantity	Credit	Loan obligation	Guarantee	% of security
ACBA – Credit Agricola bank	25	202,200,000	257,741,122	91,700,000	42%
Anelik bank	12	53,500,000	65,551,726	32,000,000	47.6%
Unibank	7	57,000,000	69,529,333	32,500,000	45.3%
Ineco bank	7	48,200,000	57,523,492	33,700,000	60.8%
Ardshininvestbank	3	16,750,000	20,848,021	12,448,021	53.9%
VTB-Armenia bank	2	13,500,000	16,938,297	10,608,856	60.0%
Total	56	391,150,000	488,131,991	212,956,877	47.2%

Monthly breakdown of guarantees provided in 2008



2.2.2 Program for partial subsidizing of credit interest rates

A pilot program for “SME lending promotion through partial subsidizing of credit interest rates in the settlements stipulated by the decree N 1017-N of the Government of Armenia dated 14.07.05 on “Defining the lists of remote, boundary, high mountainous, mountainous, having up to 1000 habitants rural settlements” was implemented in Gegharkunik, Tavush, Aragatsohn, Lori, Shirak, Syunik and Vayots Dzor marzes. 5 applications for subsidizing were presented

to SME Development National Center of Armenia all of them were satisfied, 2 from Tavush, 1 from Gegharkunik, 1 from Shirak, 1 Vayots Dzor. Total amount of subsidy will constitute 1.23 mln AMD.

The program is fully financed from incomes generated by the SME Development National Center of Armenia activity and is applied as additional instrument for SME crediting stimulation. The program does not have wide-scale application character.

2.2.3 Equity Financing Program

In accordance with the decision of the SME Development National Center of Armenia Board of Trustees works on Equity Financing Program have been started in 2008, in the frameworks of which 18% of shares of “Instigate” CJSC have been purchased for 45 mln AMD. Program implementation mechanisms were developed in the reporting period. Financial analysis and possible risks evaluation has been implemented in cooperation with “Grant Thornton Amyot” LLC. A contract has been signed with “Instigate” CJSC and acquired shares have been registered at Central Depository of Armenia. Taking into consideration that the company has developed its product and is ready to sell it to European company, an issue of SME Development National Center of Armenia exit is being reviewed presently.

Currently more than 50 investment proposals are collected from all regions of the country, which are planned to be processed in 2009.

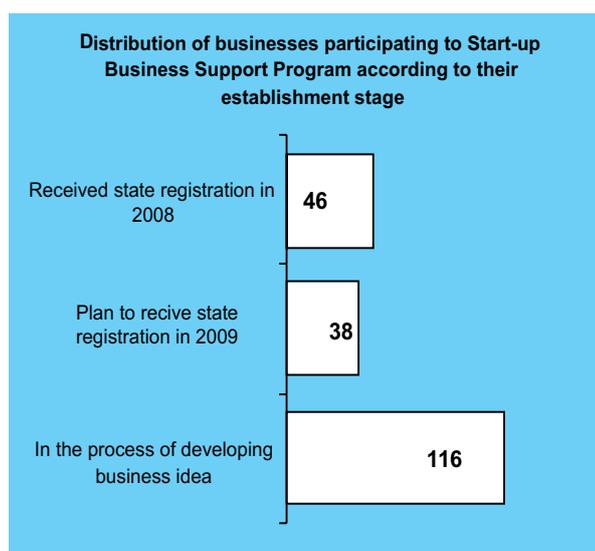
2.3 Support to start-up businesses

12 Start up Business Support Programs² have been implemented during 2008 in all marzes of Armenia, including 2 sector specific programs (B&B and IT). As a result of which support has been provided to 200 start-ups, of which 46 or 23.0% have received the state registration, 38 or 19.0% of them are planning to receive the state registration and start their businesses, and 116 or 58.0% are in the process of development of their ideas.

In total 49 start-ups recieved state registration and started activity in 2008, of which 1 is a participant of the programs implemented in 2005, 2 of 2006 and 46 of the ones implemented in 2008. The main part of the registered - 44 have been registered as sole entrepreneur, and 5 as commercial legal entity.

The sector distribution of start-up businesses is as follows: production - 17 (37.0%), service - 21 (45.7%), trade - 6 (13.0%), construction - 2 (4.3%). The regional distribution of those received support in the framework of the program is the following: Aragatsotn marz - 14, Ararat marz - 12, Armavir marz - 15, Gegharkunik marz - 16, Lori marz - 15, Kotayk marz - 18, Shirak marz - 30, Syunik marz - 27, Tavush marz - 35, Vayots Dzor marz - 18.

In the frameworks of program implementation

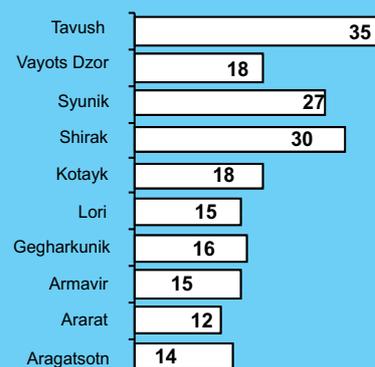


² The programs have been implemented in the frameworks of “Support to SME development in Armenia” UNDP/SME Development National Center of Armenia join project, except for the program implemented in Kapan city of Syunik marz, which was supported by OSCE office in Yerevan.

during 2008 activities have been undertaken to enhance and extend the latter. Trainings have been organized for trainers, thus enabling the specialists of local business service providing organizations to be recruited and involved in program implementation process.

The Revolving Fund established for financial support provision to Start-up Business Support programs participants has been extended in 2008 at the expense of the revenue of SME Development National Center of Armenia gained in 2007 in amount of 1.08 mln AMD, input of the UNDP providing 4.3 mln AMD and 40 mln AMD in the framework of Small and Medium Entrepreneurship State Support Program 2008, thus constituting 81.6 mln AMD.

Regional distribution of supported start-up businesses in 2008



The terms of financial resources provision are the following:

Amount	1 mln AMD maximum
Annual interest rate	12%
Term	3 years maximum
Repayment order	Monthly equal repayments
Collateral	Guarantee provided by SME DNC of Armenia (100%)
Target group	Start up businesses

41⁷ of start-ups presented the most realistic business plans have received financial support. The total amount of provided loans has constituted 37.4 mln AMD, the guarantee of SME Development National Center of Armenia - 44.8 mln AMD. Loans have been provided through ACBA Credit Agricole bank.

The average guarantee amount provided to the start-ups in the frameworks of the program has constituted 1.09 mln AMD, the average loan amount – 912.7 ths AMD, the repayment of loans is 100%.

Regional distribution of financial support provided in the framework of “Start-up Business Support program in 2008

AMD

Marz	Quantity	Loan amount	Guarantee amount
Aragatsotn	3	2,900,000	3,469,380
Ararat	2	1,880,000	2,248,790
Armavir	4	3,920,000	4,689,639
Gegharkunik	6	4,200,000	5,024,550
Lori	4	4,000,000	4,785,341
Kotayk	2	1,900,000	2,273,040
Shirak	3	3,000,000	3,588,963
Syunik	9	8,450,000	10,109,070
Vayots Dzor	4	3,470,000	4,151,360
Tavush	4	3,700,000	4,426,434
Total	41	37,420,000	44,766,567

^{3 7} Out of 41 start-ups received financial support in 2008 1 was a participant of 2005 programs, 2 - of 2006, 4 - of 2007 and 34 - of 2008.

Sector specific programs (B&B and IT) have been implemented in Shirak and Tavush marzes of Armenia.

The IT program has been implemented in Gyumri city of Shirak marz, and B&B program in Tavush marz, in which start-ups from Dilijan and Ijevan regions took part.

35 B&Bs were selected to be included in the cluster and have participated in the training course. As a result of the program implementation cluster development strategy is elaborated, B&B marketing center is established, web site is developed for the center. 5 participants of the program are already certified by the ministry of Economy according to the procedure of hotels certification and starting from 2009 will be presented at www.vrbo.com web site. These 5 participants have received loans.

The results of monitoring of start-up business support programs implemented in 2008, show that 79 new jobs were created at 49 enterprises, of which 43 at the enterprises received the financial support from the SME Development National Center of Armenia.

The results of the monitoring held at 46⁴ enterprises received financial support average monthly income constituted 7.8 mln AMD, the average monthly payments of state taxes, duties and other obligatory payments has constituted 537 ths AMD. Along with that 45.8 mln AMD of fixed assets and 12.3 mln AMD turnover means growth has been registered in 2008. The average monthly salary was 40 ths AMD, 13 new product items were presented to the market by the start-ups operating in the production sector.

2.4 Support to innovations and new-technologies introduction

The works on “Support to research and development works for innovations, new technologies and new products introduction in Small and Medium enterprises” program were continued in 2008⁵.

10 SMEs having innovative ideas and technologies were selected via questionnaires developed in advance, which were provided information, consulting and training support. 1 organisation has received the support for invitation of local and foreign experts for the research and technology development of corresponding innovative idea. In the framework of program training course titled “How to register the innovative idea” was organized, which covered the following topics: evaluation of program viability, commercialization, IP (intellectual property) protection.

After participation in the aforementioned training 5 SMEs presented the most viable ideas have received the support for investment projects development and technological expertise of innovative business ideas.

In order to find potential partners, the most innovative and realistic projects will be presented in the Intranet of Enterprise Europe Network.

2.5 Goods and services market promotion

Packaging, design, labeling, development of web-sites, as well as SMEs participation to exhibitions and fairs were supported in the frameworks of market promotion of goods and services produced by SMEs program direction during 2008. SMEs have been provided with

⁴ Monitoring for 2008 has been implemented among 46 supported SMEs as of 01.09.2008

⁵ The program was implemented in the frameworks of the “Support to SME development in Armenia” UNDP/SME Development National Center of Armenia joint project

consulting support for implementation of products' packaging, design, labeling processes in correspondence with norms defined by the legislation.

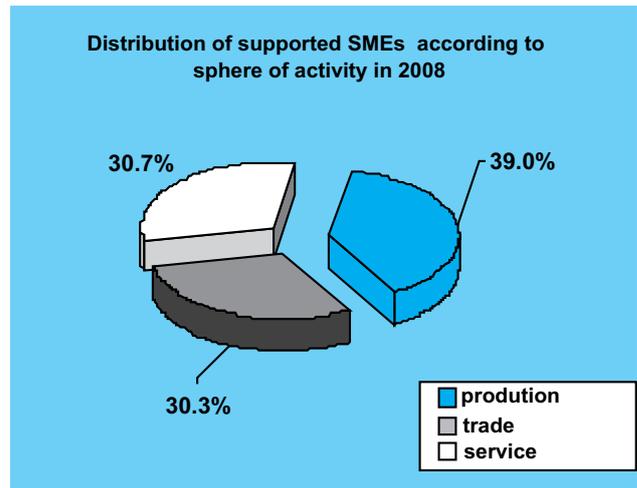
231 SMEs have received support within the framework of the program. The distribution by type of support is the following:

Type of support	Number of SMEs
Product packaging, labeling, design and advertising	169
Development of websites	29
Participation to exhibitions	23
Management information system installation	10
Total	231

Regional distribution of SMEs received the support is the following: Aragatsotn - 27, Ararat - 15, Armavir - 4, Gegharkunik - 23, Lori - 18, Kotayk - 37, Shirak - 19, Syunik - 12, Vayots Dzor -24, Tavush - 35. Yerevan - 17,.

Sector distribution of SMEs received support in this direction is the following: production - 39.0%, services - 30.7% and trade -30.3 %.

The results of monitoring carried out in the framework of the program for Goods and services market promotion demonstrate, that 45 new jobs have been established at 231 SMEs received the support in 2008. At the same time, SMEs received support have diversified their products and produced new ones, presented to market about 55 new product items. Though one will not record a significant progress in exporting, some of enterprises received support in this direction, due to development of production and presentation to market in conformity with international standards, have already got verbal agreements to export their products. Particularly, 6 of them have already extended their external activity, establishing new cooperation with Russian Federation, Netherlands, USA and Georgia.



Along with that 58 SMEs operating in the marzes have entered both other marzes, and Yerevan market, which is the evidence of the rise of their production competitiveness and inter-marz cooperation development.

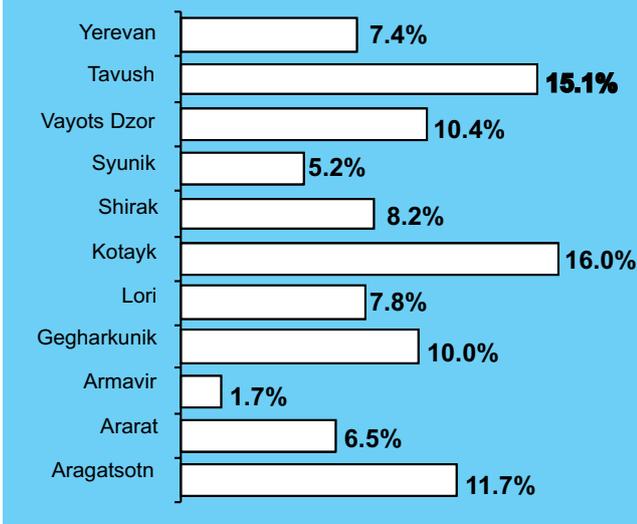
Out of SMEs received the support 52 have not been operating before and started their activity in 2008. In SMEs received the support in the framework of Goods and services market promotion program 2008, the average turnover growth has made more than 20%.

At the enterprises received the support paid taxes and other obligatory payments increased by 6%, in comparison with the same period of the previous year, constituting about 17 mln AMD monthly.

2.6 Information and consulting support

In the framework of the program necessary information and consulting support on legislative amendments, implementation of foreign economic activities, acquiring of production lines and equipment, introduction of innovations and new technologies, search for partners, attraction and management of financial resources, intellectual property protection, licensing, standardization, conformity certification, elaboration of business and investment plans, accounting, customs procedures and submission of reports have been provided in 2008.

Regional distribution of supported SMEs in 2008



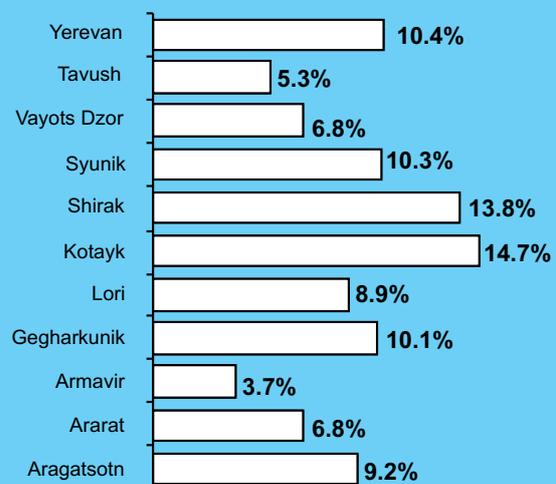
During the reporting period, 7210 applications of start-up and operating SMEs received in the frameworks of information and consulting support program have been satisfied, 50 of which required specialized consulting services. The regional distribution of SMEs received the support is the following: Aragatsotn - 665, Ararat - 488, Armavir - 270, Gegharkunik - 726, Lori - 643, Kotayk - 105,7, Shirak - 996, Syunik - 740, Vayots Dzor - 493, Tavush - 383, Yerevan - 749. Sector distribution of SMEs received the support is as follows: trade - 47.9%, production - 20.5%, services - 26.3%, construction - 5.2%.

Required information on business related laws and legal acts and corresponding

amendments to them were continuously provided to SMEs during the reporting period. In the scope of information support program, corresponding materials on amendments made in Armenian business related legislation have been periodically developed based on institutional normative acts and official bulletins and provided to SMEs since January 2008.

In order to provide necessary clarifications on tax legislation and procedures related issues “open doors” events were periodically organised by the SME Development National Center of Armenia branch offices, with participation of respective representatives of territorial tax inspections according to corresponding Government decision. Entrepreneurs have received an opportunity to present tax related enquiries and get necessary clarifications, as well as obtain necessary consulting support according to SME Development National Center of Armenia working procedures. Regional businessmen were periodically informed on planned “open doors” events through corresponding regional mass media sources.

Regional distribution of supported SMEs in 2008



1,108 enquiries/issues were received by the SME Development National Center of Armenia during the reporting period through “hot line” and “open doors” initiatives. Out of the aforementioned number 815 calls were referring to tax legislation and procedures, 51 to customs legislation and procedures, 242 to other business related issues.

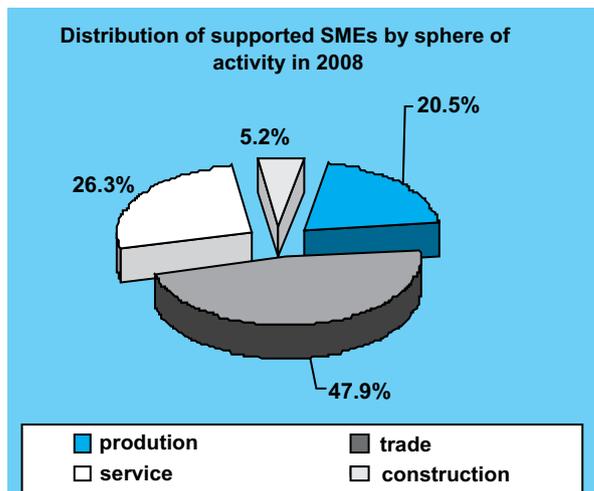
The SME Development National Center of Armenia and Enterprise European Network new web site was developed in the reporting period, which will be launched in January 2009. The changes incorporated in the new web

site of the SME Development National Center are aimed at clarifying and widening of its information provision capacity. Besides, due to new design the programs implemented by SME Development National Center of Armenia are presented by new menu. Particularly, the following new instruments are added to the web site:

- **Blog of the SME Development National Center of Armenia** – this section is foreseen for discussion of various ideas, presentation of diverse issues.
- **Yellow pages of the SME Development National Center of Armenia** – all start-up and operating SMEs ever cooperated with the Center are to be presented at this section
- **Business internationalisation** – the visitors of the section can get acquainted with the programs on external trade and economic activity extension and business internationalisation, implemented by the SME Development National Center of Armenia in the frameworks of cooperation with international and foreign organisations, as well as receive other related information.
- **Events calendar** – visitors can find information on all significant events, related to SME sector.
- **Section foreseen for “SME bulletin” TV programs series** is to incorporate TV programs on activities of SME Development National Center of Armenia in small format, to make them available for everyone.
- **Polling** – this section is foreseen for voting for and evaluation of various issues related to amendments to tax legislation, changes in separate types of taxes, etc.
- **Success stories** – one of the most important sections, envisaged for presentation of examples of successful cooperation with the Center.
- **Banner section** – with logos of partner organisations and corresponding links.

Business related enquiries received through interactive consulting instrument (forum) incorporated in the web site of the SME Development National Center of Armenia have been continuously responded to during 2008. About 30 questions have been received from entrepreneurs, the main part of which was referring to tax, customs and labor legislation. About 12,100 visits to the website have been registered during 2008, of which 32.5% from Armenia, 67.5% from other countries.

4-th edition of the reference book on “Small and medium entrepreneurship support programs and business service provider organisations”, “Small and medium entrepreneurship in Armenia in 2006-2007” Statistical reference book in English and Armenian, simplified guidebook “Interpreting the main standing orders of amendments to number of laws of the RA” and 2009 Tax calendar have been developed and published in the reporting period. In



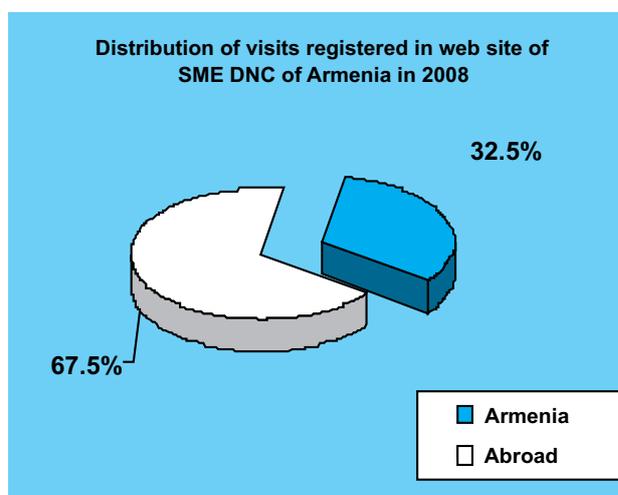
the frameworks of cooperation with UNDP “Report on activities of SME Development National Center of Armenia Fund implemented in 2007” in Armenian and English, as well as number of other informational materials have been published in the reporting period.

22 new TV programs and 12 TV programs rebroadcasts of “SME bulletin” series of programs were developed and broadcasted on H2 Armenian TV channel in 2008. Programs covered the activities of SME Development National Center of Armenia, its basic program directions, success stories resulting of cooperation, as well as the changes taken place in Armenian tax legislation and other important SME related events.

Video materials about SME Development National Center of Armenia have been broadcasted also by “H1”, “Kentron”, “Yerevan”, “AR”, “ArmNews” TV companies. During the reporting period, articles on SME Development National Center of Armenia have been published in “Hayastani Hanrapetutyun”, “Golos Armenii” periodicals, as well as in “Panorama.am”, “Banks.am” electronic newspaper. “Arka”, “Armenpress”, “Arminfo”, “Media Max”, “Noyan tapan”, “Regnum” and other informative agencies have disseminated information both in press and in their web sites.

The part of consulting support requiring specialized professional skills has been carried out through business service providing organizations selected by tender procedure.

50⁶ SMEs were supported in the frameworks of the specialised consulting services provision program, according to the presented support applications. The regional distribution of supported SMEs is as follows: Aragatsotn – 4, Ararat – 2, Armavir – 2, Gegharkunik – 8, Lori – 4, Shirak – 3, Syunik – 3, Tavush marz – 16, Yerevan - 8.



<i>Type of support</i>	<i>Number of SMEs</i>
Development of business and investment plans	11
Financial analysis	3
Management	1
Marketing	6
Tax and accounting consulting	25
Consulting on obtaining the qualification of B&B	4
Total	50

In the frameworks of consulting support program “Model investment program on tourism development support infrastructures (toilet, cafe/restaurant, souvenirs and local agro-products shops) establishment (by example of Geghard)” was developed. The outline proposal for the aforementioned infrastructures has been developed as well. The implementation of this Model program will support the tourism sector development in Armenia.

The results of the monitoring carried out in the framework of Consulting Support provided to

⁶ 4 SMEs from Tavush marz have received the support in the frameworks of the Contracts signed in the scope of cooperation with the UK DFID.

SMEs during 2008 demonstrate, that out of 50 SMEs required specialised consulting services and received consulting support, 175 new jobs have been established in 2008. Sales volumes have been increased for about 40% in SMEs received support in this direction. The number of new products has increased by 22 items. Taxes, duties and other obligatory average monthly payments amount has constituted 6.9 mln AMD. At the same time, average monthly wages per employee has increased by 28%, constituting 40 ths AMD.

2.7 Training support

844 SMEs have received the support in the framework of training support program in 2008, 642 of which were participants of 22 training courses on amendments to tax legislation held in August-September 2008 in Yerevan and all marzes of Armenia.

Training topics	Number of participants
Clarifications on the Tax legislation of the RA	92
Clarifications on Labor code of the RA	40
Management basics	15
Financial management	16
Marketing and sales	9
Accounting and financial reporting	18
Training for tour guides	12
Amendments to tax legislation	642
Total	844

The regional distribution of supported SMEs is the following: Aragatsotn - 48, Ararat - 55, Armavir - 52, Gegharkunik - 77, Lori - 133, Kotayk - 81, Shirak - 61, Syunik - 104, Vayots Dzor - 69, Tavush - 97, Yerevan - 67. The support has been provided through organizations selected by tender procedures, in accordance with applications submitted by SMEs.

Training on amendments to tax legislation has been also organised for SME Development National Center of Armenia partner organisations operating in the marzes and Yerevan city in order to raise their professional qualifications and improve the quality of provided services. 21 organisations have participated to the trainings.

The results of the monitoring carried out in the framework of training support program demonstrate that SMEs, received support, highly appreciate the applicability of knowledge got as a result of participation in the training. According to the evaluation scale (1-5) developed for the purpose of monitoring, the training participants assessed gained knowledge applicability, practical importance of received materials, contents and methodology of the trainings, discussions organised during the trainings and correspondence to their expectations by 4.6 in average, qualification of trainers and general assessment of trainings constituted 4.7.

The results of the survey implemented by SME Development National Center of Armenia in November 2008 for program efficiency evaluation indicate that 87.9% of participants have gained and developed new knowledge and skills as a result of participation in the training. Participants mention that received knowledge and skills they apply in practical work, particularly for improvement of management system, for keeping the books by themselves, for solving the issues arising in relations with state bodies and so on. The program is positively evaluated by almost all participants. At the same time they have presented some suggestions on trainings

organization and topics choice.

As main results of the trainings, the participants mention the reduction or abolition of issues related to accounting/financial reporting (66.8%), as well as fines for taxes, duties and other obligatory payments to State budget of Armenia (50%), adjustment of labour contracts and other related paperwork, improvement of their documentation procedures (35.3%), clarification of perspective directions of their companies' activities (11.6%), clarification of relationships with state officials as a result of acquired knowledge on legal issues, settlement of concerns relating the reports submission and etc.

2.8 Elaboration and implementation of joint projects directed to SME development in cooperation with international and foreign donor organizations

In order to expand the scope of activities foreseen by state support program directions, during 2008 SME Development National Center of Armenia has developed and implemented joint programs with *United Nations Development Program (UNDP)*, *Japanese International Cooperation Agency (JICA)*, *Organization for Security and Cooperation in Europe office in Yerevan (OSCE)*, *United Kingdom Department for International Development (UK DFID)*, *Dutch "Centre for promotion of Imports from developing countries" (CBI)* and *Dutch Agency for International Business and Cooperation (EVD)*. Besides works were continued in the frameworks of Enterprise Europe Network Correspondence Center.

In general, a contribution equal to approximately 102.8 mln AMD has been received from partner organizations during 2008 for the purpose of increasing the efficiency of SME State Support Program 2008 implementation.

United Nations Development Program (UNDP)

In the framework of "Support to SME Development in Armenia" SME Development National Center / UNDP joint project 2008 "Development of SME support mechanisms and strengthening the capacity of SME Development National Center of Armenia", "Cluster development and improvement of knowledge and business skills of start-up SMEs" and "Provision of information, consulting and promotional services to the SMEs at central and regional levels" activities have been implemented, which are included in the report according to separate directions of the program.



Enterprise Europe Network Correspondence Center in Armenia

Starting from 2008 SME Development National Center of Armenia has become a member of Enterprise Europe Network as a result of the tender announced by European Commission in 2007 to select partner organizations and currently acts as the Enterprise Europe Network Correspondence Center in Armenia.

The official launching event of the Enterprise Europe Network Correspondence center in Armenia has taken place on 20 June, 2008, which was accompanied by wide advertising campaign, including TV programs and video materials broadcasting at central TV channels and information dissemination through other printed and electronic media sources, aiming to



make the opportunities granted by the this initiative available to the possible largest number of SMEs. Moreover, in order to increase the awareness of SMEs on Enterprise Europe Network activity, it was presented at “Digitech” business forum, IT fair, Ministry of Economy, “Union of manufacturers and businessmen (employers) of Armenia” during the meeting with representatives of business service providers, at the “Investment climate of Tavush marz and main accomplishments in SME sector development” Forum, where the Enterprise Europe Network mission and activity were presented in details. As a result of wide information campaign more than 300 SMEs have received the information on Enterprise Europe Network activity in Armenia and the opportunities granted by it.

In the reporting period works have been done on Enterprise Europe Network electronic support tools more comprehensive application. Business cooperation application form has been developed.

About 700 business proposals have been circulated in the Enterprise Europe Network in the reporting period, which were mainly referring to the search of trade intermediaries, partners and producers, as well as to establishment of joint ventures. About 200 business proposals from European businessmen have been directed to Enterprise Europe Network correspondence center in Armenia, which were distributed among interested parties.

Starting from August 2008 Enterprise Europe Network correspondence center in Armenia has joined to Enterprise Europe Network Intranet, receiving opportunity to use its IT tools for provision of business cooperation and technology proposals applications circulation. 24 business cooperation profiles have been placed in Intranet, another 25 are in the process of development.

Starting from end of August 2008 “Brokerage events management tool” (BEMT) has become available in Intranet, which is foreseen for presenting information on brokerage events planned by Enterprise Europe Network members. Another tool is “Performance Enhancement System” which has been incorporated in Intranet since 26 September 2008. It is a management system proposed by European Commission and Executive Agency for Competitiveness and Innovation (EACI) for monitoring of EEN functioning.

Enterprise Europe Network correspondence center in Armenia three years work plan has been developed and put in Intranet on 13 October, 2008. The work plan contains activities foreseen for reporting three years period.

The first issue of the electronic newsletter of EEN correspondence center in Armenia has been released on 01 November, 2008, which contained information of events taken place abroad, business cooperation proposals directed to Armenian businessmen and other business related information.

Organisations from Germany, England, Slovenia, Netherlands, Turkey and other countries have expressed interest towards 15 proposals put in the Network. 16 businesses have exchanged the contact information and are in the process of business negotiations for establishment of partnerships.

Japanese International Cooperation Agency (JICA)

In the framework of the project for “Development of Human Resources in Small and Medium Enterprises of Armenia” implemented jointly by Japanese International Cooperation Agency and SME Development National Center of Armenia in 2005-2007, the delegation of Japanese experts visited Armenia on March 5-13, 2008 to summarize the joint activities of the organizations and to



discuss further cooperation perspectives. Representatives of Ministry of Economy of RA and SME Development National Center of Armenia were included in the evaluation committee from Armenian side.

In the frameworks of the works of Armenian-Japanese evaluation committee meetings with representatives of business service provider (BSP) organisations participated in the Program were organised for the assessment of the Program efficiency. Visits to 6 SMEs participated in the Program were organised as well, including those operating in marzes.

The results of cooperation in the framework of the Program implemented in 2005-2007 were highly appreciated by commission during bilateral discussions. High appraisal was also given to the level of professional knowledge and skills development of BSPs and SMEs participated in the Program.

Meeting minutes were signed on 13 March, 2008 at the central office of SME Development National Center of Armenia between SME Development National Center of Armenia and JICA to summarize joint appraisals of Armenian-Japanese bilateral evaluation committee.

In the framework of the Program 5 representatives of BSPs and one representative of SME Development National Center of Armenia took part in the training for trainers organized in Japan on 12-29 February, 2008. Program summary report has been presented to the 2006-2007 participants of the program at the central office of SME Development National Center of Armenia on 29 April, 2008 in order to exchange knowledge and experience got from trainings.

In cooperation with JICA project coordinator Hideo Sonoda works have been implemented in the direction of organization of the Program final stage (March-September 2008) activities.

Particularly, trainings on “Production management” (15 participants), “Marketing” (16 participants), “Human resources management” (9 participants) have been organised at the SME Development National Center of Armenia in May-June 2008. The trainings have been implemented by Program participants trained by Japanese methodology and by Japanese experts Mr. Kazuchika Sato and Mr. Hideo Sonoda. The participants have received corresponding training materials and certificates.

The summarizing of the evaluation forms of the Program implemented by SME Development National Center of Armenia and JICA filled in by the participants of TOT and short-term secondary transfer seminars held in the marzes shown that the participants have highly appreciated the results of the trainings.

The final workshop of Armenian-Japanese joint program “Human Resource Development of SMEs in Armenia” took place at SME Development National Center of Armenia on September 12, 2008. Representatives of SME Development National Center of Armenia and JICA as well as 2006-2008 program participants were present at the event. Successful participants of “Production management”, “Marketing”, and “Human resources management” trainings have received corresponding diplomas. Particularly were mentioned the representatives of those companies, which have supported to the successful implementation of this program. In order to fix the results of the three stages (2005-2008) of program implementation presented at the final workshop the meeting minutes were signed by two parties on 12 September, 2008.

Perspectives of future cooperation between JICA and SME Development National Center of Armenia are in the process of discussion currently.

“Small and Medium Entrepreneurship Support programs and Business Services Providing Organizations in Armenia” reference book 4th edition, “Small and Medium Entrepreneurship sector in Armenia in 2006-2007” reference book in Armenian and English, “How to register your business” guidebook 3rd edition, simplified guidebook on “Interpreting the main standing orders of amendments to number of laws of the RA” and Tax calendar for 2009 have been developed and published in cooperation with OSCE office in Yerevan.



In the scope of cooperation with OSCE office in Yerevan the new web site of SME Development National Center and Enterprise Europe Network has been developed.

In the framework of cooperation with OSCE office in Yerevan the representative office of SME Development National Center of Armenia has been opened in July 2008 in Kapan city of Syunik marz, which is located at the branch office of OSCE Yerevan office in Kapan.

In the framework of this cooperation “Start-up business support program” has been implemented in Kapan city of Syunik marz. As a result of which 15 start-ups were supported, 12 of which developed and presented business plans, 5 of them are already registered and operating SMEs.

United Kingdom Department for International Development (UK DFID)

In 2008 works have been continued in Tavush and Gegharkunik marzes according to the contracts signed in 2006 both in the direction of extension of the program activities and implementation of the new ones.



On December 5, 2008 “Investment climate in Tavush marz and main accomplishments in SME sector developments” forum was conducted in Tavush region. The main purposes of the forum were presentation of Tavush marz business climate and economic potential of the region, summarizing of results of the works implemented for SME development and discussion of the possibilities of implementation of the developed investment proposals. More than 150 entrepreneurs, representatives of international organisations, business associations and state bodies have participated to the event. The event was covered by local and Yerevan mass media.

Dutch Agency for International Business and Cooperation (EVD)

In the frameworks of Development Cooperation Matchmaking Facility (MMF) initiated by Dutch Agency for International Business and Cooperation (EVD) works have been executed by SME Development National Sector of Armenia for involvement of small



and medium enterprises operating in different sectors of Armenian economy into MMF in 2008. The Facility provides an opportunity for local SMEs to find reliable business partners abroad and establish business cooperation in international market.

13 of 22 enterprises operating in Armenia selected according to the requirements of the program presented to the Dutch side by the SME Development National Center of Armenia will participate in the further stages of the program. In case of finding a partner the Armenian enterprise will receive a voucher for 5 ths Euro, in the scope of which a research will be implemented by Dutch consultants, a visit of Armenian entrepreneurs to Netherlands will be organised and joint action plan will be developed. Interest towards 3 of the enterprises participating in the program - “Arthur and Edita” LLC, “Agat 777” LLC and “Kanakaner sewing factory” LLC, has been expressed by the Dutch partners and mentioned SMEs received the vouchers and currently are in the stage of establishment of business cooperation.

Dutch Centre for the Promotion of Imports from Developing Countries (CBI)

2 representatives of the staff of SME Development National Center of Armenia have participated in the “Export marketing promotion” training course held in Rotterdam, Netherlands in the frameworks of Dutch Centre for the Promotion of Imports from Developing Countries (CBI) activities in 2008.



In the frameworks of these visits the representatives of SME Development National Center and CBI have discussed the options for future cooperation and have achieved several agreements. Particularly, it is planned to organise trainings for SMEs staff responsible for export promotion and TOT courses for business services providing organisations, which will be implemented by Dutch specialists. It is planned also to provide complex consulting by international experts at several Armenian enterprises, as a result of which the companies and their products will be brought into conformity with EU market entrance requirements. Besides, agreements were achieved on integration of some components of the organisations web pages; particularly, reach information data base of CBI web page will be included in SME Development National Center of Armenia web site.

3. Summary of activities implemented in the marzes of Armenia in the framework of SME State Support Program 2008

3.1 Aragatsotn marz



SME Development National Center of Armenia's Aragatsotn branch office (city Aparan) has been founded in the framework of SME State Support Program 2004 as a program activity.

Brief description of SME sector development in Aragatsotn marz

4,411 SMEs have been registered in Aragatsotn marz as of January 1, 2009, comprising 3,4% of the total number of SMEs registered in the country. Only during 2008 672 SMEs have been registered in Aragatsotn marz, ensuring 817 new jobs. The number of registered SMEs per 1000 inhabitants has made 31 in Aragatsotn marz.

Implementation process of SME State Support Program 2008 in Aragatsotn marz

During 2008, 763 applications of start up and operating SMEs were satisfied by Aragatsotn branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of SMEs received the support is the following: production – 18.0%, service – 21.5%, trade – 47.2%, construction – 13.3%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 16.3 mln AMD have been provided to 4 SMEs operating in Aragatsotn marz in 2008, ensuring 25.4 mln AMD credit portfolio. In the framework of Start-up Business Support Program 14 start up businessmen have received the support. As a result of program implementation 3 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 2.9 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 3.5 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	4
Support to start-up businesses	14
Financial support to start-up businesses	3
Goods and services market promotion	27
Information/consulting support	665
Training support	48
Support in the framework of EEN	2
Total	763

3.2 Ararat marz



Ararat branch office of SME Development National Center of Armenia (city Artashat) has been founded in the framework of SME State Support Program 2005 as a program activity.

Brief description of SME sector development in Ararat marz

7,786 SMEs have been registered in Ararat marz as of January 1, 2009, comprising 6% of the total number of SMEs registered in the country. Only in 2008 1,340 SMEs have been registered in Ararat marz, ensuring 1659 jobs. The number of registered SMEs per 1,000 inhabitants has made 28 in Ararat marz.

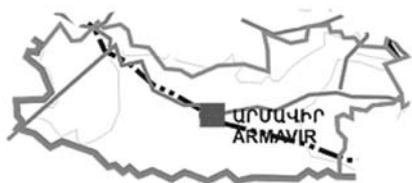
Implementation process of SME State Support Program 2008 in Ararat marz

During 2008, 574 applications of start up and operating SMEs were satisfied by Ararat branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of supported SMEs is the following: production – 26.6%, service – 34.6%, trade – 38.1%, construction – 0.7%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 11.2 mln AMD have been provided to 2 SMEs operating in Ararat marz in 2008, ensuring 19.5 mln AMD credit portfolio. In the framework of Start-up Business Support Program 12 start up businessmen have received the support. As a result of program implementation 2 start-up entrepreneurs presented the most realistic business plan has received loan in amount of 1.0 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 1.2 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	2
Support to start-up businesses	12
Financial support to start-up businesses	2
Goods and services market promotion	15
Information/consulting support	488
Training support	55
Total	574

3.3 Armavir marz



Armavir branch office (city Armavir) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2005 as a program activity.

Brief description of SME sector development in Armavir marz

8,285 SMEs have been registered in Armavir marz as of January 1, 2009, comprising 6.3% of the total number of SMEs registered in the country. Only during 2008, 1,805 SMEs have been registered in Armavir marz, ensuring 2,079 new jobs. In 2008, the number of registered SMEs per 1000 inhabitants has made 29 in Armavir marz.

Implementation process of SME State Support Program 2008 in Armavir marz

During 2008, 360 applications of start up and operating SMEs were satisfied by Armavir branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of the supported SMEs is the following: production – 35.3%, service – 29.8%, trade – 34.0%, construction – 0.9%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 57.7 mln AMD have been provided to 13 SMEs operating in Armavir marz in 2008, ensuring 122.4 mln AMD credit portfolio. In the framework of Start-up Business Support Program 15 start up businessmen have received the support. As a result of program implementation 4 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 3.9 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 4.7 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	13
Support to start-up businesses	15
Financial support to start-up businesses	4
Goods and services market promotion	4
Information/consulting support	270
Training support	52
Support in the framework of EEN	2
Total	360



3.4 Gegharkunik marz

Gegharkunik branch office (city Sevan) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2005 as a program activity. In the scope of cooperation with the United Kingdom Department for International Development (DFID) representations of SME Development National Center of Armenia has been established in Gavar, Vardenis and Martuni cities of Gegharkunik marz in 2006.

Brief description of SME sector development in Gegharkunik marz

6,677 SMEs have been registered in Gegharkunik marz as of January 1, 2009, comprising 5.1% of the total number of SMEs registered in the country. Only during 2008, 904 SMEs have been registered in Gegharkunik marz, ensuring 1162 new jobs. The number of registered SMEs per 1000 inhabitants has made 28 in Gegharkunik marz.

Implementation process of SME State Support Program 2008 in Gegharkunik marz

During 2008, 853 applications of start up and operating SMEs were satisfied by Gegharkunik branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of supported SMEs is the following: production – 29.2%, service – 19.1%, trade – 48.5%, construction – 3.2%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 17.7 mln AMD were provided to 4 SMEs operating in Gegharkunik marz in 2008, ensuring 37.5 mln AMD credit portfolio. In the framework of start-up business support program 16 start ups were provided with support. As a result of program implementation 6 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 4.2 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 5.0 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	4
Program for partial subsidizing of credit interest rates	1
Support to start-up businesses	16
Financial support to start-up businesses	6
Goods and services market promotion	23
Information/consulting support	726
Training support	77
Total	853

3.5 Lori marz



Lori branch office (city Stepanavan) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2004 as a program activity. A representation of SME Development National Center of Armenia has been established in Vanadzor city of Lori marz in 2006.

Brief description of SME sector development in Lori marz

9903 SMEs have been registered in Lori marz as of January 1, 2009, comprising 7.6% of the total number of SMEs registered in the country. Only in 2008 1574 SMEs have been registered in Lori marz, ensuring 1981 new jobs. The number of registered SMEs per 1000 inhabitants has made 35 in Lori marz in 2008.

Implementation process of SME State Support Program 2008 in Lori marz

During 2008, 820 applications of start up and operating SMEs were satisfied by Lori branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of the supported SMEs is the following: production – 4.9%, service – 32.9%, trade – 41.6%, construction – 20.6%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 13 mln AMD has been provided to 3 SMEs operating in Lori marz in 2008 ensuring 33.6 mln AMD credit portfolio. In the framework of Start-up Business Support Program 15 start ups have received the support. As a result of program implementation 4 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 4 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 4.8 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	3
Support to start-up businesses	15
Financial support to start-up businesses	4
Support to innovations and new-technologies introduction	2
Goods and services market promotion	18
Information/consulting support	643
Training support	133
Support in the framework of EEN	2
Total	820



3.6 Kotayk marz

Kotayk branch office (city Charentsavan) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2004 as a program activity.

Brief description of SME sector development in Kotayk marz

10487 SMEs have been registered in Kotayk marz as of January 1, 2009, which comprises 8% of the total number of SMEs registered in the country. Only during 2008 1602 SMEs have been registered in Kotayk marz, ensuring 2048 new jobs. In 2008 the number of registered SMEs per 1000 inhabitants has made 38 in Kotayk marz.

Implementation process of SME State Support Program 2008 in Kotayk marz

During 2008, 1200 applications of start up and operating SMEs were satisfied by Kotayk branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of supported SMEs is the following: production – 25.4%, services – 27.3%, trade – 43.5%, construction – 3.8%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 12.3 mln AMD were provided to 3 SMEs, ensuring 23.3 mln AMD credit portfolio. In the framework of Start-up Business Support program 18 start ups have been supported. As a result of program implementation 2 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 1.9 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 2.3 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	3
Support to start-up businesses	18
Financial support to start-up businesses	2
Support to innovations and new-technologies introduction	1
Goods and services market promotion	37
Information/consulting support	1057
Training support	81
Support in the framework of EEN	1
Total	1200



3.7 Shirak marz

Shirak branch office (city Gyumri) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2003 as a program activity. A representation of SME Development National Center of Armenia has been established in Artik city of Shirak marz in 2008.

Brief description of SME sector development in Shirak marz

6773 SMEs have been registered in Shirak marz as of January 1, 2009, comprising 5.2% of the total number of SMEs registered in the country. Only during 2008, 1226 SMEs have been registered in Shirak marz, thus ensuring 1456 new jobs. In 2008, the number of registered SMEs per 1000 inhabitants has made 24 in Shirak marz.

Implementation process of SME State Support Program 2008 in Shirak marz

During 2008, 1125 applications of start up and operating SMEs were satisfied by Shirak branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of SMEs received support is the following: production – 27.8%, services – 23.4%, trade – 46.8%, construction – 2%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 24.7 mln AMD were provided to 12 SMEs operating in Shirak marz in 2008, ensuring 52.1 mln AMD credit portfolio. In the framework of Start-up Business Support program 30 start ups have received the support. As a result of program implementation 3 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 3.0 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 3.6 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	12
Program for partial subsidizing of credit interest rates	1
Support to start-up businesses	30
Financial support to start-up businesses	3
Support to innovations and new-technologies introduction	1
Goods and services market promotion	19
Information/consulting support	996
Training support	61
Support in the framework of EEN	2
Total	1125



3.8 Syunik marz

Syunik branch office (city Sisian) of SME Development National Center of Armenia has been founded in the framework SME State Support Program 2003 as a program activity. In the scope of cooperation with OSCE office in Yerevan representation of SME Development National Center of Armenia has been established in Kapan city of Syuniki marz in 2007.

Brief description of SME sector development in Syunik marz

6591 SMEs have been registered in Syunik marz as of January 1, 2009, comprising 5% of the total number of SMEs registered in the country. Only during 2008, 1005 SMEs have been registered in Syunik marz, ensuring 1275 new jobs. In 2008 the number of registered SMEs per 1000 inhabitants has made 43 in Syunik marz.

Implementation process of SME State Support Program 2008 in Syunik marz

During 2008, 898 applications of start up and operating SMEs were satisfied by Syunik branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of the supported SMEs is the following: production – 22.5%, services – 19.7%, trade – 55.2%, construction – 2.6%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 15.1 mln AMD has been provided to 6 SMEs operating in Syunik marz in 2008, ensuring 32.5 mln AMD credit portfolio. In the framework of Start-up Business Support program 27 start ups were provided with a support. As a result of program implementation 9 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 8.5 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 10.1 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	6
Support to start-up businesses	27
Financial support to start-up businesses	9
Goods and services market promotion	12
Information/consulting support	740
Training support	104
Total	898



3.9 Vayots Dzor marz

Vayots Dzor branch office (city Vayk) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2005 as a program activity.

Brief description of SME sector development in Vayots Dzor marz

2490 SMEs have been registered in Vayots Dzor marz as of January 1, 2009, comprising 1.9% of the total number of SMEs registered in the country. Only during 2008, 373 SMEs have been registered in Vayots Dzor marz, ensuring 451 new jobs. In 2008, the number of registered SMEs per 1000 inhabitants has made 45 in Vayots Dzor marz.

Implementation process of SME State Support Program 2008 in Vayots Dzor marz

During 2008, 616 applications of start up and operating SMEs were satisfied by Vayots Dzor branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of the supported SMEs is the following: production – 31.6%, services – 26.7%, trade – 39%, construction – 2.7%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 19.4 mln AMD were provided to 6 SMEs operating in Vayots Dzor marz in 2008, ensuring 52.3 mln AMD credit portfolio. In the framework of Start-up Business Support program 18 start ups were provided with support. As a result of program implementation 4 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 3.5 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 4.2 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	6
Program for partial subsidizing of credit interest rates	1
Support to start-up businesses	18
Financial support to start-up businesses	4
Goods and services market promotion	24
Information/consulting support	493
Training support	69
Support in the framework of EEN	1
Total	616



3.10 Tavush marz

Tavush branch office (city Ijevan) of SME Development National Center of Armenia has been founded in the framework of SME State Support Program 2003 as a program activity. In the scope of cooperation with the United Kingdom Department for International Development (DFID) representations of SME Development National Center of Armenia has been established in Noyemberyan and Berd cities of Tavush marz in 2007.

Brief description of SME sector development in Tavush marz

5350 SMEs have been registered in Tavush marz as of January 1, 2009, comprising 4.1% of the total number of SMEs registered in the country. Only during 2008 920 SMEs have been registered in Tavush marz, ensuring 1078 new jobs. In 2008 the number of registered SMEs per 1000 inhabitants has made 40 in Tavush marz.

Implementation process of SME State Support Program 2008 in Tavush marz

During 2008, 559 applications of start up and operating SMEs were satisfied by Tavush branch office of SME Development National Center of Armenia in all directions stipulated by SME State Support Program 2008. Sector distribution of the supported SMEs is the following: production – 13.5%, services – 27.8%, trade – 58.5%, construction – 0.2%.

In the framework of Loan Guarantees Provision Program guarantees in amount of 25.5 mln AMD were provided to 3 SMEs operating in Tavush marz in 2008, ensuring 89.5 mln AMD credit portfolio. In the framework of Start-up Business Support program 35 start ups were provided with a support. As a result of program implementation 4 start-up entrepreneurs presented the most realistic business plans have received loans in total amount of 3.7 mln AMD. The guarantee provided by the SME Development National Center of Armenia has constituted 4.4 mln AMD.

<i>Type of support</i>	<i>Number of satisfied applications</i>
Provision of loan guarantees	3
Program for partial subsidizing of credit interest rates	2
Support to start-up businesses	35
Financial support to start-up businesses	4
Goods and services market promotion	35
Information/consulting support	383
Training support	97
Total	559

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