

PROGRAM

FOR SMALL AND MEDIUM ENTREPRENEURSHIP STATE SUPPORT FOR 2005

I. Preface

Signifying the role of small and medium entrepreneurship (SME) in economic development of the country, in creation of new work places, in raise of the living standard of the population, in formation of middle stratum of society, in provision of social and political stability, the Government of the Republic of Armenia considers the sphere of SME as one of the prior directions of economic development of the Republic of Armenia and takes steps directed to state support and development of the sphere.

SME is one of the dynamically developing spheres of economy of the Republic of Armenia. It is proved by the fact that during the last three years about 20.000 SME subjects were established, and only in 2003 about 8.000 new SME subjects, providing over 20.000 new work places. Besides the sphere plays significant role in the formation of the gross domestic product (GDP) of the country: according to the data of 2003 the participation of SME sphere in GDP made 38 percent, almost twice exceeding the level of 2000, and presently the index makes about 40 percent.

The development tends of the SME sphere were retained also in 2004. SME state support program for 2004 was implemented, besides the framework of program undertakings directed to the perspective development and state support of the SME sphere is expanded at the expense of finances got from international and foreign donor organizations.

In the framework of SME state support program for 2004 3 more regional branches of the foundation "National center of small and medium entrepreneurship development of Armenia" (SME DNC of Armenia) were established: region of Lori (town of Stepanavan), Aragatsotn (town of Aparan), Kotayk (town of Charentsavan), as well as a techno-park was established in the city of Yerevan based on "Andron" scientific-research institute of complex electro-devices.

In 2004, according to preliminary prognosis, credit guarantees, investment of quality management systems, over 4500 SME subjects in Yerevan and in the regions of RA received training, informational and consulting support.

Over 70 percent of program undertakings of SME state support program for 2004 was directed to the raise of economic activity in the regions of the Republic of Armenia.

Alongside with the development tends of SME sphere the subjects of SME still keep on confronting a number of problems, that are conditioned, particularly, with the unavailability of financial (credit) means for SME subjects, difficulties existing in the provision of business information, consultation and professional training of personnel, problems connected with the progression of the product (services) of SME subjects to markets, absence of substructures supporting SME in a number of regions of Armenia and (or) with their weakness, as well as with the limitation of opportunities of launching entrepreneurial activity for novice businessmen.

Program undertakings that are to be implemented during 2005 are directed to state support and development of SME sphere, improvement of business and investment environment, as well as to surmounting the given problems, which is a significant precondition in the economic growth of the country, in the provision of employment and in the improvement of social state of the society and generally in overcoming poverty.

II. BASIS FOR PROGRAM ELABORATION

Basis for elaboration and implementation of Small and medium entrepreneurship state support program for 2005 (further program) is the law of the Republic of Armenia "On small and medium entrepreneurship state support".

The following also served as basis for program elaboration:

a) The program adopted by the Government of the Republic of Armenia on the activity of the Government of the Republic of Armenia, dated 17 June, 2003
b) The basic provisions of small and medium entrepreneurship development policy and strategy (3-rd point of the protocol N 32 of the Government of the Republic of Armenia, dated August 3, 2000).

c) The program of "Small and medium entrepreneurship state support" for 2004 affirmed by the Decree of the Government of the Republic of Armenia N 1673-N, dated December 11, 2003.

d) The Decree of the Government of the Republic of Armenia "On affirming the program of undertakings of the Government of the Republic of Armenia and the prior problems" N 1930-N, dated December 24, 2003.

e) The program of state middle-term expenditure for 2005-2007 of the Republic of Armenia affirmed by the Decree of the Government of the Republic of Armenia N985-N dated June 17, 2004.

f) The strategic program of poverty overcoming affirmed by the Decree of the Government of the Republic of Armenia N 994-N dated August 8, 2003.

III. OBJECTIVES OF THE PROGRAM AND EXPECTED RESULTS

The objectives of the program are:

- a) formation of relevant substructures of SME subject support,
- b) expansion of financial and investment opportunities of SME subjects,
- c) expansion of innovative and foreign economic activity of SME subjects,
- d) expansion of opportunities of SME subjects in enjoying business information, consultation and training services,
- e) expansion of opportunities to carry on business.

The expected results of program implementation are:

- a) further increase of specific weight of SME subjects in the gross domestic result (GDP) of the country,

- b) increase of number of SME subjects in the regions of the Republic of Armenia and creation of new work places at the expense of the latter,
- c) raise of competitiveness of SME subjects and quantitative and qualitative growth of the product and services provided by them,
- d) raise of business activity in the regions and remote places of residence of the Republic of Armenia, in the framework of the program directing about 70 percent of the provided support to SME subjects operating in these places.

IV. PRINCIPLES OF PROGRAM IMPLEMENTATION

1. The program is implemented through the SME DNS of Armenia and other structures supporting the SME sphere that are foreseen by the given program.
2. In the framework of program implementation priority is given to the support to SME subjects that operate in the sphere of production, subjects that utilize innovations and high technologies and have export potential, as well as to the development of entrepreneurship of beginners, youngsters, women and refugees.
3. Considerable part of program implementation is directed to providing support to SME subjects operating in the regions of the Republic of Armenia.
4. According to the law of the Republic of Armenia "On small and medium entrepreneurship state support" financing of annual programs of SME state support, that is reflected in the state budget of the Republic of Armenia, on a separate line, is performed at the expense of means from the state budget of the Republic of Armenia.
5. In the framework of mutual agreements with international and foreign donor organizations joint programs of SME sphere development will be implemented in 2005 (on the principle of co-financing) in the order defined by the legislation of the Republic of Armenia.

V. SYSTEM OF PROGRAM UNDERTAKINGS

The system of program undertakings foreseen for 2005 involves the following key directions of SME sphere development and state assistance:

1. Establishment of relevant substructures of assistance to SME subjects

Fortification of SME DNS of Armenia and expansion of activity in the regions of Ararat, Armavir, Gegharkounik and Vayots Dzor, establishment of 4 regional branches and fortification of the existing branches.

Taking into account the geographical situation and peculiarities of each region of the Republic of Armenia, as well as the necessity of systematisation of programs (undertakings) implemented by SME DNC of Armenia in the regions of the Republic of Armenia, branches of SME DNC are established in the regions of Shirak, Syounik, Tavush, Aragatsotn, Lori and Kotayk of the Republic of Armenia.

In the framework of the program it is foreseen to establish 4 branches of SME DNC of Armenia in the regions of Ararat, Armavir, Gegharkounik and Vayots Dzor, aimed at providing SME DNC activity in the whole territory of the Republic of Armenia, that will bring the process of formation of the net of SME DNC regional branches to the end.

Alongside with it research will be performed to reveal the necessity of having SME DNC representative (representation) in the regions of the Republic of Armenia.

The activity of regional brunches of SME DNC of Armenia will be directed to the implementation of regional programs of SME development, taking into account the priorities of regional development, the peculiarities of individual places of residence and the existing potential. Here the priority will be given to the implementation of entrepreneurship support programs of SME subjects operating in remote and frontier areas (communities) and novice businessmen.

2. Continuation and expansion of the program of credit guarantee provision to SME subjects aimed at financial and investment assistance to SME subjects

To surmount problems related to financing of SME subjects, to provide financial and investment assistance the program of allocating credit guarantees will be continued and expanded in 2005 in the framework of the program as a program undertaking.

Credit guarantees are provided to SME DNC of Armenia, as a structure implementing the given program to credit SME subjects through partner commercial banks. In this respect SME DNC of Armenia will expand its cooperation with commercial banks implementing credit programs of SME subjects on contractual basis.

Commercial organizations and private entrepreneurs defined by the law of the Republic of Armenia "On small and medium entrepreneurship state support" can enjoy the program providing credit guarantees. Here the priority will be given to usurers operating in the sphere of production or services not-credited due to dissatisfaction of the pawn or its low realization, as well as those that operate in places of residence with low economic activity and to SME subjects substituting import, performing export, having export potential, investing innovations, implementing new technologies.

In the framework of the program the guarantee money allocated to SME subjects can not exceed 70 percent of credit obligation and 10 mln. AMD.

Based on the experience measures will be taken to improve the mechanism and proceedings of providing credit guarantees.

3. Assistance to investing innovations and modern technologies in SME subjects

In conditions of market economy the investment of innovations and modern technologies is rather significant, it promotes the raise of competitiveness of domestic product, the effective utilization of scientific-technical results by SME subjects and the expansion of their export potential.

In the framework of the program assistance will be provided in investing innovations and modern technologies, in implementing scientific elaborations and in expanding utilization opportunities in individual or grouped SME subjects, offering contemporary high-quality information and consultation directed to their technological development, improvement of product quality, utilization of innovations and commercialisation of modern technologies, as well as providing wide opportunities to carry out research in markets of product realization.

It is expedient to implement the given procedures through techno-parks that are among the productive forms of innovative and technological assistance of SME subjects.

4. Assistance to advance products (services) of SME subjects to markets

In the conditions of market economy the main guarantee of launching effective entrepreneurial activity is the proper introduction of the product (services) in the market, the increase of consumption volumes and in general the progression of the products (services) to markets.

Coming from the given in 2005 assistance will be provided in investing international standards of quality management (ISO 9000) in SME subjects, in providing consultation concerning investment of ISO 9001-2000 quality management system, as well as informational and training undertakings will be organized in SME subjects dedicated to investment of quality management (ISO 9000) and other international standards, relevant informational materials will be published.

Among the significant undertakings to advance the product produced by SME subjects is the provision of participation of SME subjects in exhibitions organized in Armenia and abroad. In this respect relevant assistance will be provided in the framework of the program to SME subjects having export potential and perspectives to introduce their product (services) in exhibitions organized in Armenia and abroad.

5. Business information and consultation support to SME subjects

The provision of SME subjects with business information is among the key guarantees of their productive activity.

The program foresees to publish informational and analytical materials (professional and informational business directories, brochures) (they will also be placed in the web site of SME DNC of Armenia), as well as to establish an informational base, that will provide the business community of Armenia with summarized business information (SME subjects, structures supporting entrepreneurship and other institutions introducing the interests of SME subjects).

Alongside with it TV hours will be organized regularly, introducing the advanced experience of SME subjects, as well as problems bothering them and possible ways of their settlement.

Among the main guarantees and significant preconditions of productive activity of SME subjects is the provision of business consultation for SME subjects.

The program foresees to continue state support to SME subjects in providing availability of consultation services.

Consultation assistance will be provided to SME subjects through specialized consulting organizations in elaboration of investment and development programs, analyses of economic activity of enterprises, in realization of economic research, in management, in keeping accountancy, in using innovations and in commercialisation of modern technologies, particularly in investment of international standards of quality management (ISO 9000) in SME subjects, in the protection of intellectual property, according to the claims introduced by SME subjects.

6. Educational assistance to SME subjects

In the framework of the program educational assistance will be shown to SME subjects.

To develop business skills and to raise the level of business awareness training courses will be organized for SME subjects, according to the claims introduced by SME subjects.

But taking into account the fact that business training services are for the most part unavailable to SME subjects, mainly because of their high prices, in the framework of the program assistance will be shown them to participate in the given courses, paying for the courses fully or partially.

Participation in suchlike courses will give the opportunity to novice businessmen to get acquainted with the basis of entrepreneurial activity, and to operating SME subjects to get clarifications and guide-books concerning existing tax and customs systems, accounting (financial) reports, composition of business and development programs, protection of intellectual property, as well as to get relevant professional knowledge in knowledge management, business ethics and other spheres related to entrepreneurship.

To raise the level of professional preparedness training courses will be organized for organizations providing educational services.

In the framework of the program assistance will be provided also to SME subjects to improve their special professional abilities and working skills, according to the claims presented by SME subjects.

7. Assistance to entrepreneurship of novice businessmen

Critical period of establishment and fortification of SME subjects is considered to be three year. The organizations that overcome this period are more seldom considered novice. Most of novice businessmen in the world fail due to the same reasons: lack of knowledge on market, bad planning, especially bad planning of finances, lack of business skills, lack of information, unavailability of business consultation and financial resources and so on. That is why it is necessary to provide relevant assistance to beginners in the very stage of establishment thus reducing the risks of their failure.

To support entrepreneurship of novice businessmen the framework of the program foresees to implement undertakings in Yerevan and other regions of the Republic of Armenia, that will include training, professional consultation, as well as components of information provision. The goal of the undertakings is to promote the establishment of new SME subjects and provide relevant support in the stage of establishment.

In the framework of the program aimed at development of entrepreneurship of novice businessmen assistance will be provided for the latter to participate in the given undertakings. SME DNC of Armenia will carry out long-term cooperation with the most successful ones.

8. Elaboration and implementation of joint programs (on the principle of co-financing) of SME sphere development with international and foreign donor organizations

In 2005 works will be carried on to expand cooperation with international and foreign donor organizations implementing relevant programs (undertakings) aimed at SME sphere development in Armenia, particularly to elaborate and implement programs of SME sphere development (on the principle of co-financing).

VI. FINANCIAL PROVISION OF THE PROGRAM

The program of state middle-term expenditure for 2005-2007 of the Republic of Armenia has defined 300,000.0 thousand AMD as an orienting sum for program implementation. According to the requirements of the article 4 of the law of the Republic of Armenia "On small and medium entrepreneurship state support" the financing of annual programs of Small and medium entrepreneurship state support is performed from the state budget of the Republic of Armenia, on a separate line.

HEAD OF THE STAFF OF
THE GOVERNMENT OF THE
REPUBLIC OF ARMENIA –

MINISTER

M. TOPUZYAN

VII. LIST

OF UNDERTAKINGS OF SMALL AND MEDIUM ENTREPRENEURSHIP STATE SUPPORT PROGRAM FOR 2005

NN	Measures	Executor	Period of implementation
1.	Fortification of SME DNC of Armenia and expansion of activity: establishment of 4 regional branches of SME DNC in Ararat, Armavir, Gegharkounik and Vayots Dzor, fortification of functioning branches	SME DNC of Armenia	4-th term of 2005
2.	Continuation and expansion of the program of credit guarantee provision to SME subjects aimed at financial and investment assistance to SME subjects	SME DNC of Armenia	From the 1-st term of 2005
3.	Assistance to investing innovations and modern technologies in SME subjects	SME DNC of Armenia	During 2005
4.	Assistance to advance products (services) of SME subjects to markets	SME DNC of Armenia	From the 1-st term of 2005
5.	Business information and consultation support to SME subjects	SME DNC of Armenia	From the 1-st term of 2005
6.	Educational assistance to SME subjects	SME DNC of Armenia	From the 1-st term of 2005
7.	Assistance to entrepreneurship of novice businessmen	SME DNC of Armenia	From the 2-nd term of 2005
8.	Elaboration and implementation of joint programs (on the principle of co-financing) of SME sphere development with international and foreign donor organizations	Ministry of trade and economic development of RA SME DNC of Armenia Interested Ministries of RA	During 2005

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