
CLIENT NOTE

ARMENIAN GOVERNMENT'S SUPPORT PACKAGE COVID-19



OVERVIEW

There is a famous Russian saying, “trouble never comes alone.” This couldn’t be more accurate regarding the COVID-19 pandemic happening today—the global economic crisis has hit our doors. Some argue whether the first triggered the second or if the two came in independently. Well, we have what we have!

The Armenian Government has responded to the COVID-19 outbreak and is working towards decreasing the negative effects on businesses, especially SME. Here, we present you the Government's latest support package.



This economic crisis is indeed unique (unlike the crisis of 2008) because it has been caused not by an economic or financial event, but by a very aggressive virus¹. It is, therefore, very difficult to predict the future and determine how to prepare for it. The one thing that is clear is that economies need support and, hence, your business does too. In ordinary circumstances, the funding that is required to survive could be received from banks, but, in many cases, banks are not prepared to include your survival on their

balance sheet (and it is not exactly their profile). However, many support instruments have been and will be put in place to help you survive this “perfect storm.”

Notably, a few days ago, the Government of Armenia announced the introduction of a USD 300M. support package which shall be rolled out very quickly and shall include economic stimulus measures. For your benefit, we have summarized the Armenian Government’s draft support package and would like to bring it to your attention for consideration.

Additionally, international development institutions have approved special support frameworks to provide immediate support to companies that are suffering from the impact of the Coronavirus pandemic. For example:



- The EBRD has approved a USD 1B. resilience framework² containing various elements, including the expansion of trade finance and where required, short-term funding through financial institutions (support to SME’s), short term (up to 2 years) working capital facilities, etc.
- The Asian Development Bank has announced a USD 6.5 billion initial response to the COVID-19 pandemic³. The framework involves around USD 1.6 billion non-sovereign support for micro, small, and medium-sized enterprises, domestic and regional trade, and firms directly impacted by COVID-19.

We believe there will be more announcements of special support programs by other development financial institutions, which will include private sector support mechanisms.

¹ Many argue (rightfully) however, that the economic crisis was much “awaited” for the past 2 years, because the global economy has not faced almost 10 “bullish” consecutive years and something had to happen.

² <https://www.ebrd.com/what-we-do/coronavirus>

³ <https://www.adb.org/news/adb-announces-6-5-billion-initial-response-covid-19-pandemic>

Practical steps that are recommended to take:

- (1) read all the information about these programs carefully and make sure your business is eligible for support funding;
- (2) contact the local offices of institutions that have announced the program and discuss the possibility of receiving support;
- (3) have all the documents and information prepared to enable the relevant institution to quickly review your documentation and assess your business and support modalities.

HIGHLIGHTS OF THE ARMENIAN GOVERNMENT'S SUPPORT PACKAGE



The primary purpose of the Support Package is to create opportunities for Armenian businesses and employers to save time for adapting to the recently changed economic conditions due to the pandemic.

- **Beneficiaries**

Economic entities, subject to the assistance, are all organizations (except for financial organizations, gambling companies and other entities similar thereto) and individual entrepreneurs registered and operating in Armenia at least within the last one year and that have positive credit and tax history (meaning that the overdue tax obligations for the past 365 days have not exceeded 1% of the obligations paid within the past 365 days, but no more than AMD 50,000).

- **Assistance | Methods**

Every economic entity is entitled to receive only one of the following methods of assistance, in case it is applying to one of the Armenian commercial banks or credit organizations to receive a loan for specific purposes (to be presented below):

- co-financing at 0% interest rate of a part of the loan principal with the same repayment period provided that State will partially take the risk for the repayment of loan principal;
- re-financing at 0% interest rate of a part of the loan principal (in some cases, it will be applied to the whole loan principal) with the same repayment period; no repayment risk-taking is applicable herein;
- subsidy of a part of loan interests (in some cases, it will be applied to the full loan interest amount) during the whole term of the loan without repayment risk-taking.

- Assistance | Loans

Assistance can be granted solely concerning those loans which are going to be used for financing the following costs:

- payment of salaries or other types of remuneration (no more than AMD 500,000 monthly for a maximum of three months per employee);
- payment of taxes or other state fees;
- purchase or import of material to be used in Armenia for production (provided that the economic entity has the necessary and appropriate facilities);
- import or purchase of new equipment (provided that it shall be used for the implementation or the extension of production in Armenia);
- payment for utility services (no more than AMD 5M. monthly for a maximum of three months per service);
- import of food or medicines provided that the imported product shall be realized in Armenia.

The extended loans shall comply with the following requirements:

Currency	AMD* *In case of co-financing, the part of a credit to be provided by a financial organization may be in foreign currency as well.
Term	Up to 24 months
Amount of total loans subject to assistance	Up to AMD 500M., and up to AMD 250M. – in cases of co-financing or re-financing
Methods for loan use	Non-cash and via bank transfers
Integral interest rate	0% - 6 % annually

- Assistance | Limitations

Loan purpose	Co-finance amount	Re-finance amount	Subsidy amount
Salary payments	50%	100%	full*
State fee and tax payments	50%	100%	full*
Material purchase	40%	50%	6%
Equipment purchase	25%	50%	5%
Utility services payments	45%	90%	10%

Food purchase	30%	50%	8%
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*Provided that the maximum integral interest rate of the financial organization is 12 % and the loan currency is AMD.

** Provided that the maximum integral rate of the financial organization is set at 12% in the case of AMD and 9 % - in the case of foreign currency.

NOTE: This material is for general information only and is not intended to provide legal advice

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