

2021 SME COUNTRY FACT SHEET

ARMENIA

Brief introduction

- The global pandemic, combined with the policy decisions taken in response to it, have profoundly impacted Armenia's economy. In 2020, Armenia's GDP dropped by an estimated 7.1%. The GDP of the *accommodation and food services* sector dropped by 45.5% and in the *transportation and storage* sector it fell by 27.5%.
- SMEs play a particularly important role in the 'non-financial business economy' of Armenia. In 2019, they generated 65.4% of value added and 69.7% of employment, exceeding the respective EU averages of 53.2% and 65.0%. In contrast, the *information and communication* sector, performed strongly in 2020, with GDP growing by an estimated 10.7%.
- The average productivity of SMEs, defined as value added per person employed, was only EUR 12 600 in 2019, far below the EU average of EUR 42 600. SMEs in Armenia employed an average of 3.3 people, slightly fewer than the EU average of 3.7.

SME DEVELOPMENT 2018-2019



These data are based on data provided by the Statistical Committee of the Republic of Armenia.

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
SMEs (0 -249 persons employed)	74 574	99.8%	247 002	69.7%	3.108	65.4%
LARGE ENTERPRISES (250+ persons employed)	135	0.2%	107 360	30.3%	1.647	34.6%

Data for 2019. The data are based on data provided by the Statistical Committee of the Republic of Armenia.

SME-RELATED STRENGTHS AND CHALLENGES






KEY STRENGTHS

- According to the World Bank's Ease of Doing Business index, it is relatively easy to start a business in Armenia. It only takes 4 days – significantly below the EU average of 12 days – and requires only 3 procedures – 2 less than the EU average.
- Armenia has a vibrant entrepreneurial environment. According to a Global Entrepreneurship Monitor report, the country doubles the EU average in total early-stage entrepreneurial activity, both in general and for female entrepreneurship. Approximately 3 out of 10 Armenians intend to start a business in the next 3 years.
- Despite significant improvement needed in reducing the administrative burden linked to tax payments, the number of hours it takes to pay taxes in the country has declined steeply over the last decade. In 2020, the country introduced a favourable tax regime for micro and small businesses, as well as for the IT sector – reducing their tax burden, as well as associated administrative burden.

KEY CHALLENGES

- According to the SME Financial Forum Centre, SMEs in Armenia suffer from a financial gap of 10.8% of GDP. Difficulties experienced by SMEs in obtaining credit from financial institutions are related to credit history requirements or the lack of access to the required collateral.
- The value added generated annually by the average SME employee in Armenia is almost 2.5 times lower than the average in OECD countries, as reported in the OECD's SME Strategy report 2020-2024. According to Armstat data, productivity in SMEs is 30% lower compared to large companies on average.
- Although approximately 1 out of 4 Armenian SMEs (27.4%) is engaged in foreign trade, there is a clear imbalance in terms of exporting/importing – as reported by Armstat. Only 6.2% of SMEs are engaged in exporting activities. However, the number of importing SMEs is almost four times higher.

OTHER KEY SME-RELATED BRIEF INSIGHTS

 IMPACT OF COVID-19 CRISIS ON SMES	<p>The government launched several support measures targeting SMEs, mainly in the form of grants, lending/refinancing and other financial support, as well as some other measures directed in particular at the <i>tourism, transport and grape processing</i> sectors.</p>	 REGULATORY BURDEN	<p>According to the Global Competitiveness Report, Armenia performs better than the EU average in terms of burden of government regulations. In addition, an in-depth assessment of the current administrative burden and the development of a package of solutions are expected as part of the government's SME Development Strategy 2020-2024.</p>
 DIGITALISATION OF SMES	<p>According to a World Bank survey, the adoption of digital technologies in Armenian SMEs is lower than the EU average. However, a digitalisation strategy for 2020-2025 was being prepared during 2020 and is expected to be published soon.</p>	 ACCESS TO FINANCE	<p>Despite the fact that access to finance is one of the main challenges mentioned by SMEs, Armenia performs above the Eastern Partnership Countries' average in this area – according to the OECD's SME Policy Index 2020.</p>
 GREEN TRANSITION OF SMES	<p>According to the OECD's SME Policy Index 2020, Armenia performs below the Eastern Partnership Countries' average in terms of the green transition. Action will be taken to raise Armenian SMEs' awareness of the opportunities related to the green transition.</p>		