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2019

TEA PRODUCTION SUPPORT PROGRAMMES IN ARMENIA

Yerevan 2019

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Contents

INTRODUCTION.....	3
GLOBAL MARKET OF TEA AND ARMENIA	3
ASSISTANCE PROVIDED TO ARMENIAN TEA PRODUCERS BEFORE 2019.....	6
State support programmes.....	6
Support provided by the European Union.....	7
ON-GOING OR UPCOMING ASSISTANCE PROGRAMMES/PROJECT FOR ARMENIAN TEA PRODUCERS.....	11
State support programmes.....	11
EU programmes/projects.....	17
Support from other donors	23
ABBREVIATIONS	26
Annex 1. Support provided to Armenian tea producers by SME DNC of Armenia in 2016-2019....	28



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INTRODUCTION

For over 7000 years, the tradition of gathering and consumption of wild herbs and flowers in different ways, including making teas as a natural means of maintaining health, has been an integral part of the daily lives of the Armenian people. This is mainly based on local herbs cultivated and collected from different regions of Armenia. With over 2500 varieties of medicinal herbs and berries growing wild in its high mountainous regions, Armenia was famous in the area of herbal medicine production.

In ancient times, medicinal herbs of the Armenian highland were well reputed and were exported to the East and to several countries in the West. Ancient and Arabian writers such as Herodotus, Strabo, Xenophanes, Tacitus, Pliny the Elder, Galen, Ibn Sina and al-Biruni, when discussing Armenia, mentioned its natural herbs and their usage for medicinal purposes.

Currently there are around 23 manufacturers (mainly small and medium-size enterprises) specialized in the production of herbal teas from medicinal, spicy and aromatic herbs, six of which have certificate of organic production.

Main plants harvested in Armenia include wild herbs and wild berries. These are later translated into herbal teas, spices and essential oils and distributed in internal market or exported to foreign countries, including the European Union (EU).

GLOBAL MARKET OF TEA AND ARMENIA

Herbal tea global market is witnessing an impressive growth over the last few years. This is attributed to the rising health conscious of people both in developed and developing economies: a large part of the population now prefers herbal tea over caffeinated forms of tea. Since, herbal tea is free of caffeine the market is experiencing heavy demand in the current times. Similar growth is reported in herbal sector in general, particularly for organic spices and herbs. Herbal tea has a higher percentage of antioxidants compared to other form of tea and increasing number of cardiovascular diseases and obesity cases are anticipated to further fuel the sales of herbal tea during next several years.

The global herbal tea market could be segmented into Europe, North America, the Middle East and Africa, Latin America, and Asia Pacific. Asia Pacific is expected to witness the highest growth rate over the coming years. Tea is the most preferred hot beverage in these countries (mainly in India, Japan, and China) and the growing demand is mainly a result of market growth in this region. North America and Europe are considered as largest consumers of herbal tea as well.

According to researches carried out by key players of beverages market and research institutions¹ global tea market was valued at around USD 49,456.52 million in 2017 and is expected to reach approximately USD 73,132.82 million by 2024, growing by around 4,5% from 2018 to 2024. Most popular herbal teas include peppermint tea, chamomile tea, cinnamon tea, dandelion tea and hibiscus tea as well as ginger tea, lemongrass and tea from fruits. The cinnamon segment holds

¹ <https://www.marketwatch.com/press-release/herbal-tea-market-analysis-2018---global-demand-size-share-industry-trend-top-key-players-gross-margin-and-fast-forward-research-2018-10-15>; <https://worldteadirectory.com/global-tea-market-analysis-forecast-2024/>



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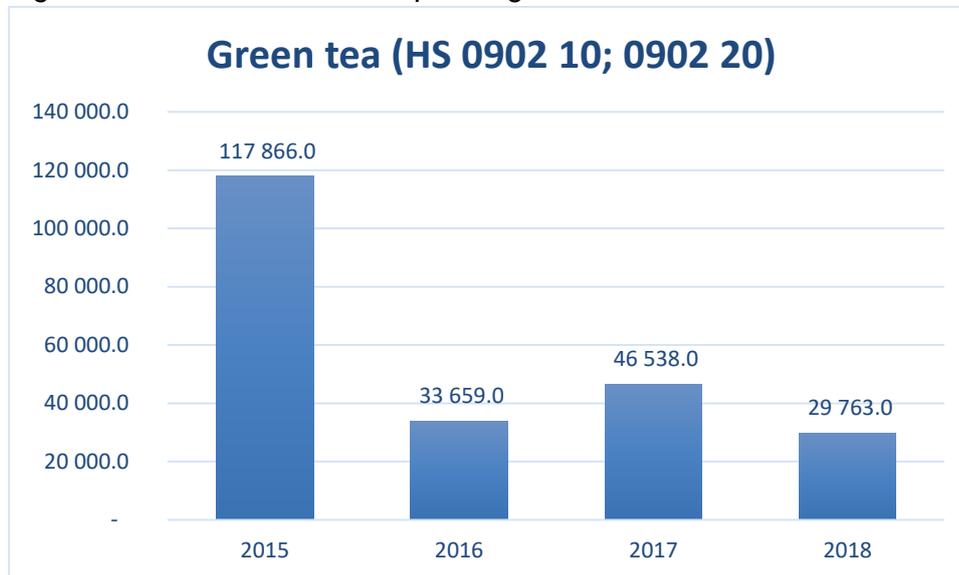
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the major market share followed by the dandelion. On the basis of the product type, the market is segmented into syrups, premixes, powdered ready to drink and liquid ready to drink. As to the packaging type, loose tea, paper pouches, tea bags, carton packs and can packaging are dominant. Tea bags segment leads the tea market and is expected to continue its dominance, as it is easy to store and consume.

Tea production sector is not a developed sector in Armenia and the share of teas of Armenian origin is not big in the global market (export of Armenian green tea was ranked 87th in 2016). Limited operational capacities of Armenian tea producers and concentration mainly on the wild harvesting does not allow to expand production and respond to increasing demand for the products. That is why currently small amounts are exported to some niche markets of herbal green teas.

Figure 1: Value of Armenian export of green tea in 2015-2018



Source: Data from UN Comtrade database

The fluctuations from one year to another can be explained by the availability of wild herbs caused by favourable weather conditions as well as global economic condition and interest in foreign markets towards Armenian teas.

About 96% of green/herbal tea exported from Armenia goes to Russian Federation (UN Comtrade Data 2018). In general, geography of export of Armenian green herbal teas is not diversified. Russian Federation was considered as the main market of Armenian green herbal teas because of several reasons: big Armenian diaspora, free circulation of goods as a member of the same economic union (Eurasian Economic Union), historical links etc. Prices of herbal teas of Armenian origin is not high: the export price varies from 6-7\$ per kg, which is quite competitive.

In any case, the export of herbal teas can be quite promising, especially in the light of high demand in foreign markets. Trade data assessment on the UN Comtrade database and, particularly, analysis of import of green tea by the EU market show that the EU can be considered as a large prospective market for Armenian herbal tea exporters, given that the Armenian producers meet the



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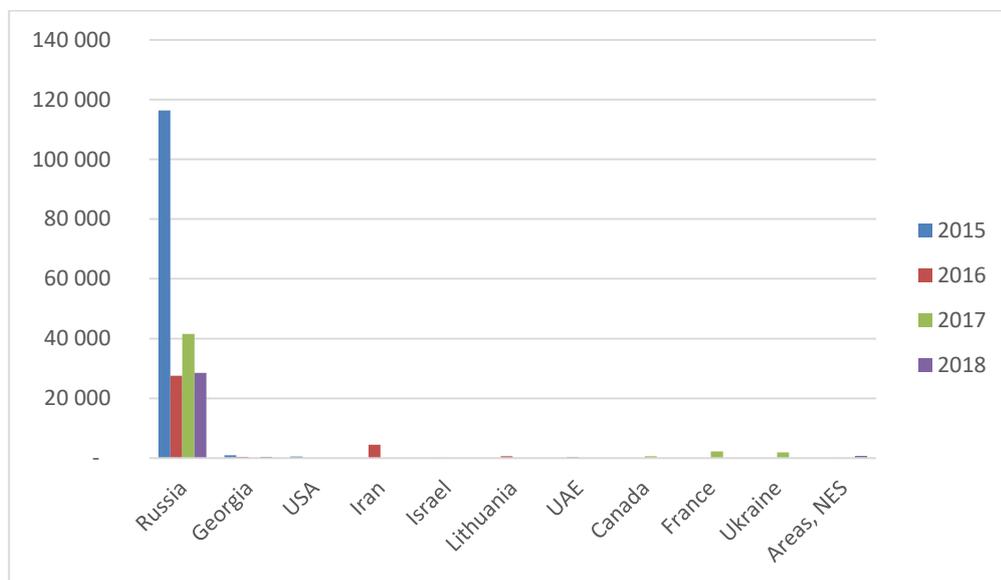
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food safety requirements for the EU market and especially, if producers have organic certification. Import of green teas by the EU countries was around EUR 71 mln, with around 4% growth compared to 2017.

Organic spices and herbs are products, which have continuously growing demand in the global market. The global market trends of wildy collected products are essential for development of the tea production sector in the country.

The Global organic spices & herbs market is segmented into North America, Europe, Asia Pacific, and rest of the world. Asia-Pacific region is estimated to dominate the market with 76% in the year 2017 followed by North America with 9% share².

Figure 2. Export of Armenian herbal green teas per country (2015-2018)



Source: Data from UN Comtrade database

Another promising exporting product is black tea of Armenian origin. Export of this product is continuously growing, which shows the highest interest in the partner markets toward the product. Despite of the tremendous decline registered in 2016, export growth of Armenian black teas constituted around 7% on average in 2016-2018. Though Russian Federation is the main exporting market, geography of export of this product is more diversified and includes Georgia, USA and Serbia.

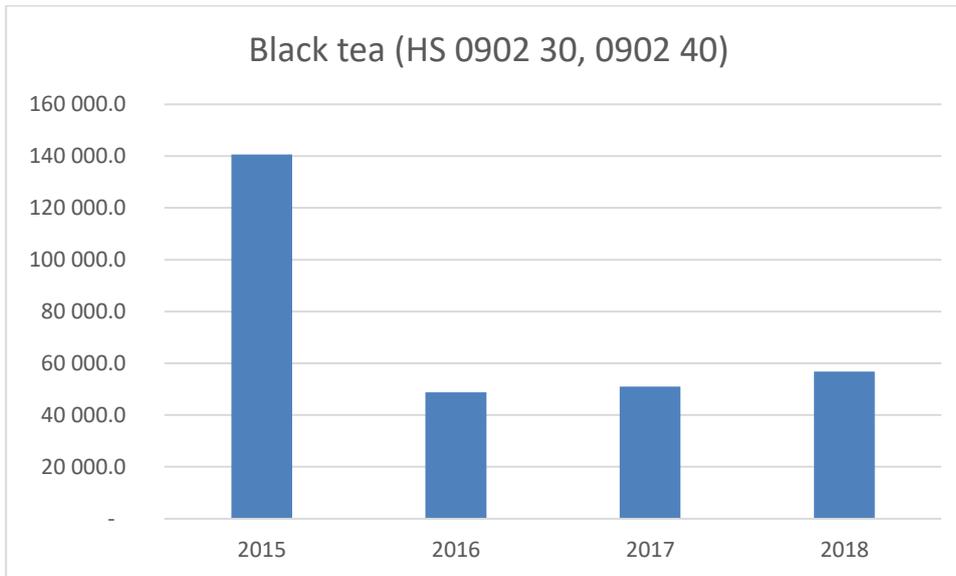
Figure 3. Value of Armenian export of black tea in 2015-2018

² <https://www.reportbuyer.com/product/5376943/global-organic-spices-and-herbs-market-research-report-forecast-to-2023.html>



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Source: Data from UN Comtrade database

Another products having export potential are extracts, essences and concentrates, as well as teas and other products prepared on the basis of these extracts, essences or concentrates. These are quite new products for Armenian producers, but already showed very high demand in foreign markets and growth potential. Export of these kind of products started in Armenia in 2017 (around USD 10 thousand), but already in 2018 it registered growth by more than five times. Main export markets are Ukraine, Russian Federation and Georgia. EU is considered one of potential markets of this products, with the total import value around EUR 70 mln in 2018, with the annual average growth of 3% from 2016 to 2018. USA, Russian Federation, China and Mexico are potential markets of these products.

ASSISTANCE PROVIDED TO ARMENIAN TEA PRODUCERS BEFORE 2019

We have identified a few state and donor financed programmes/projects implemented in Armenia before year 2019 from which several herbs wild collectors (or groups) and tea producers have benefited. These are the programmes/projects that have been completed before the date of the current report. The programmes/projects that are on-going or will start in near future are described in the next section.

State support programmes

Main state institution, which provided assistance to farmers and small and medium entrepreneurs in 2016-2018, was SME Development National Center of Armenia (SME DNC). The organization was responsible for the implementation of SME state support programmes, aiming to help start-ups and already functioning SMEs to develop their capacities and knowledge. Support to SMEs was



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provided by different assistance tools, some of which with assistance of the donor community (see Annex 1). Programme implemented by the SME DNC to support start-ups is the following:



The Loan Guarantees Provision programme

Implementing organisation: SME Development National Center of Armenia

Location: All marzes/regions of Armenia

The Loan Guarantees Provision programme supports SMEs that lack collateral and have low liquidity for loans. The programme allows entrepreneurs to qualify for loans by guaranteeing up to 70% of the principal of the loan and the interest rates for up to 5 years. The maximum amount guaranteed cannot exceed 15 million Armenian drams.

The loan guarantees are provided to SMEs operating in the regions with low level of economic activity (close to the border and rural areas, disaster zone, former industrial and scientific sites) in manufacturing, services provision and trade sectors. They should be involved in import substituting activities or be and exporting SMEs or have an export potential. Only SMEs that introduce and use new technologies and innovations are considered. Detailed information and procedures are available on <https://smednc.am>.

In 2016-2018, only one tea producing organization received a loan guarantee from the SME DNC.

Support provided by the European Union



The European Neighbourhood Programme for Agriculture and Rural Development (ENPARD)

EU contribution: € 5 000 000 (plus EUR 20,000,000 as a budget support)

Implementing organisations: Ministry of Agriculture of the Republic of Armenia, the United Nations Industrial Development Organization, United Nations Development Programme and the Food and Agriculture Organization of the United Nations, local authorities and farmer groups.

Duration: October 2014 – September 2018

Location: All marzes/regions of Armenia

ENPARD started in Armenia in October 2014. Aim of the project was to improve agricultural institutions, encourage the development of farmers' associations and improve access to more affordable food.

In the framework of the Programme, the United Nations Industrial Development Organization, United Nations Development Programme and the Food and Agriculture Organization of the United Nations provided technical support to the Government of Armenia in close cooperation with the Ministry of Agriculture, local authorities and other stakeholders.



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The purpose of the project was to strengthen and establish primary producers groups within the targeted value chains in selected regions of Armenia, improve their capacity and actively engage in value addition and provide direct assistance within the selected value chains that will benefit not only stakeholders of those value chains but also Armenian consumers locally and nationally.

Two production groups involved in harvesting of wild herbs have been involved in the project.

1. **“Dprabaki Gyughatntes Mayrer”** a woman-led cooperative in Gegharkunik marz, comprised of 4 women and 2 men beneficiaries of the project. ENPARD provided drying machine, vacuum packaging equipment for drying and packaging of dried wild herbs and berries, organized expert trainings on Good Agricultural Practices on innovative technology of fruit and herb drying and linked women group to the cooperative “Antaram”, who used to organize the marketing of the collected wild herbs and berries. At the end of the project the group dried about 1000kg of wild herbs, part of which was sold to cooperative “Antaram” and the other part was sold at the harvest festivals and Pan Armenian Expo. “Ritea” tea producing cooperative is now one of the partners of this group.
2. The ‘Ritart Group’, has been producing and selling herbs since 2014 under the ‘Ritea’ label, but only in Yerevan and Russia. Registering as an agricultural cooperative in 2016 and becoming an ENPARD beneficiary, they have received support from ENPARD and opened up new opportunities. ENPARD enabled the cooperative to upgrade their production facility and make necessary repairs. The dried fruit and herb production facility was opened in the village of Geghard in Kotayk marz. Now the cooperative is a famous tea producing company and its production is in line with the technical and sanitary-hygienic European standards.

In general, ENPARD has supported more than five dried fruit and herb value chains (cooperatives), located in several regions of the country.



EU Organic Agriculture Support Initiative (OASI)

Total budget: € 3 300 000, **EU contribution:** € 2 800 000

Implementing organisation: Austrian Development Agency (ADA)

Duration: 42 months | September 2015 – March 2019

Location: All marzes/regions of Armenia

The EU Organic Agriculture Support Initiative project was launched in September 2015 and aimed at promoting organic agriculture in Armenia. This project specifically aimed at increasing local value-added of Armenian organic products as well as assisting higher efficiency of relevant public and private institutions. Supporting the Ministry of Agriculture with creation of a clear and enabling legal environment for organic producers and processors in line with international standards was one of the objectives of the project.

Activities of the project included promotion of organic extension services, raising awareness of organic production and products, and increasing market access for the producers. The OASI



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Project has also provided 45 beneficiary farmers and processors with financial assistance of about 1 million euros to start or expand their organic production. Moreover, nearly half-a-million euro worth export has been registered as a result of the continued participation at the international exhibitions.

“Darman”, “Ritea”, “Antaram”, “Agrolog”, “Bizon-1”, “Mountain Tea” are the not full list of tea producers who benefited from the OASI support. The support provided by the OASI included provision of machinery and equipment, design and packaging, marketing, participation in exhibitions and trade fairs as well as assistance for organic certification.



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Boosting competitiveness of regional SMEs

Total budget: € 1 604 808, **EU contribution:** € 1 123 370

Implementing organisations: “Small and Medium Entrepreneurship Development National Center of Armenia” (lead) and its partners: “Strategic Development Agency” NGO, “Armavir Development Center” NGO, “Spitak-Farmer” NGO and “Syun” NGO

Duration: 2016 - 2019

Location: Lori, Syunik, Armavir (regions) of Armenia

The overall objective of the project is to boost the competitiveness of regional SMEs and to create employment opportunities in Lori, Syunik and Armavir regions of Armenia, focusing on the sectors of food processing and tourism. It promotes the development of entrepreneurship by creating business opportunities for progressive young people, equipping start-ups and growing SMEs with contemporary business skills and competences, facilitating access to finance and markets, providing relevant skills and promoting sustainable employment.

Three group of activities are involved in the project:

1. **Establishment of a Road Side Station (RSS) in Lori region**, as a marketing infrastructure for local products and services. The RSS is a multi-functional sale and rest facility on the highway, facilitating the development of local production and tourism, and includes a local brand shop, an information/training centre, and a rest station. Market research in the food processing and tourism sector was conducted for the planes RSS.
2. **Entrepreneurship promotion:** A special toolkit for start-ups “Successful Start” was implemented in target regions of Armenia. In the framework of this assistance, operating SMEs and start-ups received targeted business trainings contributing to business skill development. The toolkit included also a loan guarantee facility: the most viable business plans received during the successful start campaign had an opportunity to apply for SME DNC’s loan guarantee facility for start-ups.
3. **Job promotion:** to address the issues of the mismatch between job seekers’ skills and required qualifications on the labour market, the project organised a series of sector specific and general business trainings for young job seekers.



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Though the project is ongoing, main “soft” activities have been implemented and the project partners are now involved in construction of the RSS.

One tea producing company benefitted from the project by receiving marketing support.



Enterprise Europe Network (EEN): Scaling up for grow

Total budget:

Implementing organisations: SME Development National Center of Armenia

Duration: 2017 - 2018

Location: All regions/marzes of Armenia

The main objective of the project was to boost regional scaling up SMEs in further grow and internationalization.

Main supporting tools included:

- Thematic trainings,
- Individual consultancy,
- International partner search by EEN tools

Target groups of the project were scaling up SMEs operating up to 5 years in food processing sector.

Seven tea producers participated in trainings and received support on business management, marketing, internalization, food safety standards.



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ON-GOING OR UPCOMING ASSISTANCE PROGRAMMES/PROJECT FOR ARMENIAN TEA PRODUCERS

In fact, there are not any support programmes, which provide assistance specifically to herbs wild collection or herbal tea production. However, there are several state and donor financed programmes/projects which support SMEs or agriculture development in Armenia. In the following paragraphs we will describe the support programmes/projects from which either herbs wild collectors (or groups) or herbal tea producers can benefit or have already benefited from.

State support programmes



Subsidizing interest rates of loans provided to agricultural sector

Implementing organisation: Ministry of Economy of the Republic of Armenia

Location: All marzes/regions of Armenia

Overall objective of the programme is contribute to improve capacities of business operators involved in agricultural sector, introduce modern technologies and increase agricultural productivity by through the partial subsidization of interest rates of loans provided to business operators by financial institutions.

In the framework of the programme, the interest rate of agricultural loans is defined 0% for beneficiaries of border-line communities³, 3% for agricultural cooperatives and 5% for other economic operators. The amount of the loan is AMD 3-15 mln. The loan term is maximum 5 years depending on the direction of the investment.

For the implementation of the programme, the government works with the following financial institutions:

- ACBA-Credit Agricole Bank CJSC
- Armbusinessbank CJSC
- Converse Bank CJSC
- “CARD AgroCredit” Universal Credit Organisation CJSC
- “Farm Credit Armenia” Universal Credit Organisation Commercial Cooperative
- “Kamurj” Universal Credit Organisation CJSC
- “Aniv” Universal Credit Organisation LLC
- Agroleasing LLC
- “Development and Investment Cooperation of Armenia” Universal Credit Organisation CJSC

³ The list of settlements is defined by the Decree of the Government No. 1444-N of 18 December 2014; <https://www.arlis.am/DocumentView.aspx?DocID=127275>



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To be entitled to benefit from the programme the business operator should have relevant certificate provided by the Ministry of Economy. The Application procedure is available on the website www.minagro.am.

Detailed information can be obtained also from the Agriculture Development Programmes Department of the Ministry of Economy, tel.: +375 11 525 232.



Subsidizing interest rates of loans provided for the purchase of agricultural raw materials

Implementing organisation: Ministry of Economy of the Republic of Armenia

Location: All marzes/regions of Armenia

Overall objective of the programme is increase the loan accessibility level for business operators engaged in processing of agricultural products in the territory of the Republic of Armenia.

The annual interest rate of loans provided in the framework of the programme should not exceed 12%, 9% of which will be subsidized by the Government. For businesses, operating in border-line communities ⁴ the interest rate of mentioned loans is 0% (fully subsidised by the Government).

The balance of the principal amount of loan cannot exceed AMD 1.5 billion, the maturity date is up to one year. Loans subject to subsidy should be targeted solely on the payment of the harvested agricultural raw materials.

In the framework of the programme, the government works with the following financial institutions:

- ACBA-Credit Agricole Bank CJSC
- Ameriabank CJSC
- Ardshinbank CJSC
- Armbusinessbank CJSC
- Armeconombank CJSC
- Armswissbank CJSC
- Biblos Bank Armenia CJSC
- Converse Bank CJSC
- Evocabank CJSC
- HSBC Bank Armenia CJSC
- Inecobank CJSC
- VTB-Armenia Bank CJSC
- "CARD AgroCredit" Universal Credit Organisation CJSC
- "Development and Investment Cooperation of Armenia" Universal Credit Organisation CJSC
- "Farm Credit Armenia" Universal Credit Organisation Commercial Cooperative

⁴ The list of settlements is defined by the Decree of the Government No. 1444-N of 18 December 2014; <https://www.arlis.am/DocumentView.aspx?DocID=127275>



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In order to benefit from the programme the business operator should sign the raw material procurement contract with relevant farmers (template is available at www.minagro.am), fill in the application form and submit the documents to relevant financial institutions. Detailed information can be obtained from the Agri-processing Development Department of the Ministry of Economy, tel.: +375 11 230 180.



State support for leasing: Financial lease of agricultural equipment in agri-food sector of the Republic of Armenia

Implementing organisation: Ministry of Economy of the Republic of Armenia

Location: All marzes/regions of Armenia

The main objective of the programme is to provide support to business operators involved in agri-food sector of the country, by supplying equipment on affordable terms, particularly with the use of financial leasing mechanisms. It is expected, that this assistance will create prerequisites for increasing the volumes of agricultural primary production and processing, as well as to produce qualitative and safe products according to international standards and increase competitiveness of Armenian agricultural products in foreign markets.

In the framework of the programme, the equipment is provided in following sectors:

- Livestock breeding, including cattle breeding, sheep breeding, pig farming, poultry farming, beekeeping, fish breeding, industrial animal husbandry;
- Crop production, including greenhouses;
- Cold storages, including for milk;
- Sorting, packaging of fresh fruit and vegetable;
- Slaughterhouse
- Agri-processing
- Other activities in agri-food sector

Leasing is given in Armenian drams, with the maturity term of up to 8 years and annual interest rate of up to 11%, up to 7% of which is subsidised by the Government (final annual interest rate for the business operator should be 4%). For businesses, operating in border-line communities⁵, the interest rate is 0% (fully subsidised by the Government).

The total amount of the equipment obtained in the framework of programme should not exceed AMD 400mln.

In order to benefit from the programme, the business operator should select a supplier organisation, together with whom submits a financial leasing application to selected financial institutions. As soon as the applicant pays the prepayment (20% of the price of equipment); the

⁵ The list of settlements is defined by the Decree of the Government No. 1444-N of 18 December 2014; <https://www.arlis.am/DocumentView.aspx?DocID=127275>



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financial institution signs delivery agreement with supplier organisation and provides equipment to the applicant, as soon as it is imported to Armenia.

The following financial institutions are involved in the programme

- Ameriabank CJSC
- Armeconombank CJSC
- Armswissbank CJSC
- Converse Bank CJSC
- “ACBA Leasing” Credit Organization CJSC
- “CARD AgroCredit” Universal Credit Organisation CJSC
- “Development and Investment Cooperation of Armenia” Universal Credit Organisation CJSC

Detailed information can be obtained from the Agri-processing Development Department of the Ministry of Economy, tel.: +375 11 230 180.



The Loan Guarantees Provision programme

Implementing organisation: SME Development National Center of Armenia

Location: All marzes/regions of Armenia

The Loan Guarantees Provision programme supports SMEs that lack collateral and have low liquidity for loans, which is particularly specific for the SMEs operating in remote and border-line regions of Armenia. The programme allows entrepreneurs to qualify for loans by guaranteeing up to 70% of the principal of the loan and the interest rates for up to 5 years. The maximum amount guaranteed cannot exceed 15 million Armenian drams. The annual interest rate for the loans provided by the SME DNC of Armenia partner banks through Loan Guarantees Provision programme is up to 15%.

Main criteria for provision of Loan Guarantees are the following:

- SMEs should operate in manufacturing, services provision and trade sectors
- SMEs should operate in the regions with low level of economic activity (close to the border and rural areas, disaster zone, former industrial and scientific sites)
- SMEs are involved in export activities or have export potential
- SMEs introduce and use new technologies and innovations

The loan guarantees are provided for the loans provided by the SME DNC of Armenia partner banks:

- Unibank CJSC
- Inecobank CJSC
- Ardshinbank CJSC
- Armbusinessbank CJSC
- Armswissbank CJSC



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- Converse Bank CJSC
- VTB-Armenia Bank CJSC
- “Development and Investment Cooperation of Armenia” Universal Credit Organisation CJSC

The applicant SME have the right to select the bank or financial institution.

THE PROCESS OF LOAN GUARANTEE PROVISION

If the bank decides that the collateral provided by the business is not sufficient for the requested loan, the business can apply for loan guarantee. Main steps of the process is the following:

Step 1: Submission of the Application for the Loan Guarantee Provision

The applicant SME should prepare and submit to the SME DNC of Armenia the required package of documents. SME DNC discusses the submitted applications within two workdays and informs the applicants about the result.

Step 2: Decision of the Board of Trustees of the SME DNC

SME DNC (qualification committee) discusses the provided documents. The Loan Guarantee Application with positive conclusion of Qualification Committee in two workdays is presented to the Board of Trustees of the SME DNC of Armenia for its final decision.

Step 3: Contracts Signing and Guarantee Provision

After making the final decision, the SME DNC of Armenia signs the Guarantee Contract with the applicant SME and provides the Guarantee which should be submitted to the bank for final decision and provision of the loan.



Start-up Business Support Programme

Implementing organisation: SME Development National Center of Armenia

Location: All marzes/regions of Armenia

The aim of the programme is to establish new SMEs and new workplaces in Armenia. In the framework of the programme, support is provided to start-up entrepreneurs to help in the implementation of their business ideas.

The programme involves components of training, professional consulting, provision of information, and financial support. Consequently, start-up entrepreneurs acquire skills in business planning, marketing, management, production, financial planning, and more. Over the course of seven months, start-up entrepreneurs - with the assistance of professionals - develop their individual business plans and undertake its implementation.



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The target groups of the programme are individuals who have realistic business ideas, start-up entrepreneurs with up to three years of state registration.

By participating in the programme participants will be able to develop their business plans and implement the business under the continuing guidance of consultants.

The programme is divided in several steps:

- **STEP 1. Selection of participants** – includes submission of an application and interview with representatives of SME DNC;
- **STEP 2. Training/Consultancy** - forming training groups, one month training and individual consulting courses to develop business plans. The courses contain basic knowledge on marketing, production management, financial planning etc. Meanwhile, participants are also informed of state registration procedures and RA tax related issues.
- **STEP 3. Presentation of business plans** - the business plans developed in Step 2 are presented to the members of evaluation commission, consisting of representatives from SME DNC of Armenia and partner organizations. The evaluation commission selects applicants, who can benefit from SME DNC's financial assistance;
- **STEP 4. Financial support** - Business plans, which receive the highest scores, can apply for loans, provided by SME DNC partner banks. The maximum amount of the loan, provided by financial institutions is AMD 5mln. with the annual interest rate of 10%. The loan is provided for 5 year on the basis of 100% guarantee provided by SME DNC of Armenia;
- **STEP 5. Coaching** - Experts from SME DNC of Armenia accompany and assist start-up entrepreneurs over the next six months by refining their business plans, providing individual consultations and offering additional assistance based on individual needs.

Detailed information is available on the website of SME DNC: <https://smednc.am>.



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EU programmes/projects



Enterprise Europe Network

Implementing organisations: SME Development National Center of Armenia

Duration: since 2016

Location: All regions/marzes of Armenia

The Enterprise Europe Network is a European initiative, aimed at providing innovation and business support to all businesses across the European Union and beyond. The EEN comprises of around 600 partners in more than 60 countries offering a wide range of services to businesses.

Starting from 2016, the Small and Medium Entrepreneurship Development National Center of Armenia in consortium with the National Academy of Science of the Republic of Armenia, hosts the Enterprise Europe Network in Armenia.

The activities of EEN in Armenia are directed to the internationalization of Armenian entrepreneurship and to development of their capacity for entering the European market. Main services offered by the EEN Armenia include:

- Sharing information on European legislation, policies, standards, possible sources of financing, business cooperation opportunities and other EU issues,
- Supporting SMEs to identify potential business partners and to establish new business cooperation in the European market,
- Dissemination of business and technological profiles of Armenian businesses in foreign countries,
- Provision of information and consultation on intellectual property rights and further commercialization issues,
- Organization of business cooperation events and support in organization of meetings with potential partners.

In order to promote the international cooperation, the Enterprise Europe Network periodically organizes regional, national and European level events. Information on these events can be found here: <http://een.ec.europa.eu/tools/services/EVE/Event/ListEvents>.

Detailed information on EEN activities in Armenia can be found on the official website of the project "Enterprise Europe Network Armenia" <http://eenarmenia.am/>.

Already 10 tea producers benefited from the programme in Armenia.



Green Agriculture Project

Total budget: € 11 700 000, **EU contribution:** € 9 700 000

Implementing organisation: Austrian Development Agency

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Duration: 2019 - 2022

Location: Northern marzes/regions of Armenia

The expected start of the project is September 2019, aiming to create high-value agriculture ventures and develop capacity of agricultural stakeholders, establish quality infrastructure for increasing efficiency and sustainability, and enhance export opportunities in agriculture and irrigation sector. The project will be implemented in three northern regions of Armenia: Lori, Shirak and Tavush.

Main support foreseen by the project include:

- Capacity building activities for agricultural stakeholders,
- Improvement of machinery and post harvesting infrastructure,
- Support to VET in agricultural sector
- Provision of small grants
- Marketing support and awareness raising.

Currently the project does not have any sectoral preference. Sectors of further assistance will be decided after implementation of value chain analysis. However, harvesting of herbs and production of organic herbal teas are considered as one of possible sectors, where the project will intervene.



EU4Business – Eastern Partnership: Ready to Trade

Total budget: € 6 000 000

Implementing organisation: International Trade Centre

Duration: 2017 – 2020

Location: All marzes/regions of Armenia

The overall objective is to enhance the international trade of SMEs from the six Eastern Partnership countries, in particular with the EU, strengthening SME competitiveness and building up value chains in each country.

The project helps small and medium-sized enterprises from Eastern Partnership countries integrate into global value chains and access new markets with a focus on the European Union. The intervention will assist SMEs in producing value-added goods in accordance with international and EU market requirements; while linking them with buyers from global value chains and markets. As part of this process, the assistance will improve sector specific services to SMEs along the selected value chains by strengthening the capacity of local business support organisations.

In Armenia, the project primarily supports the agro-processing sector, focusing on **processed fruits and vegetables, dried fruits and vegetables, and herbs/teas**, assisting exporting and export-ready SMEs along the whole value chain. The support will be directed to helping companies access the EU market through targeted capacity-building, advisory services and market access activities.

Activities of the project include, but not limited to:

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- Conducting analysis of the selected value chains and identifying constraints and opportunities for SME competitiveness, based on public-private consultations;
- Identifying potential target markets, including EaP countries, outlining market opportunities and market requirements for selected product groups;
- Drafting and finalizing project roadmaps for each country, including country specific technical assistance interventions, to enhance international competitiveness;
- Conducting awareness-raising and information events on key issues critical for trade success in global markets with a focus on the European market (including corporate social responsibility and core labour standards);
- Developing doing-business guides for targeted product groups together with other tools, such as business, market (access) and import/export intelligence studies, in order to provide tailor-made information to SMEs;
- Providing coaching, training and business advisory services to a pilot group of SMEs in the areas identified and outlined in the roadmaps developed;
- Identifying potential buyers in the EU, and other potential markets, including EaP countries and undertaking in-depth market opportunities studies in which specific buyers requirements will be detailed;
- Preparing SMEs for participation in trade fairs and upgrade their skills on marketing and sales strategies through training and advisory services etc.

In 2018-2019 four tea producing companies have received technical and financial support to participate in SIAL 2018 (3 companies) and BIOFACH 2019 (1 company) international food exhibitions.

Detailed information about the project is available at <http://www.eu4business.eu/project/eastern-partnership-ready-trade-eu4business-initiative>.



Advice for Small Businesses

Total budget: € 16 000 000

Implementing organisation: European Bank for Reconstruction and Development (EBRD)

Duration: 2010 – 2019

Location: All marzes/regions of Armenia, other Eastern Partnership Countries

The programme aims to promote good management in the small and medium-sized enterprise sector by providing technical assistance and consultancy, helping them to grow their businesses.

Objectives of the programme are:

- Contribute to improved access to finance for SMEs and enhance competitiveness of assisted SMEs.
- Strengthen and improve sustainability of local business advisory services infrastructure



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The activities of the programme include:

- Provision of a business advice through international advisers and local consultants. This includes teaching and mentoring activities as well as the dissemination of commercial and technical know-how to key managers;
- Organisation of study visits;
- Provision of financial support.

The programme is implemented in all regions of Armenia. As of today, about 76% of assistance was provided to SMEs operating outside of Yerevan. The programme works in almost all sectors of economy. Eligibility criteria of the assistance are:

- **Size:** annual turnover up to EUR 50mln or balance sheet total of less than EUR 43mln. Usually support is provided to companies which have fewer than 250 workers;
- **Ownership:** Businesses established by local Armenian citizens;
- **Operation:** Businesses should be operational two and more years;
- **Sector:** Almost all sectors (except military sector, producers of tobacco, gambling or financial sector).

Detailed information and application forms are available on the EBRD website: <https://www.ebrd.com/work-with-us/advice-for-small-businesses/armenia-overview.html>



Armenia SME Finance and Advice Facility

Total budget: € 15 380 000 (EU funded)

Implementing organisation: European Bank for Reconstruction and Development

Duration: 2017 – 2029

Location: All marzes/regions of Armenia

Started in 2017, the SME Finance and Advice Facility aims to deepen and diversify access to finance for local SMEs by combining technical advisory services with the grant support for equity and other forms of capital investments. The facility will try to improve access to finance for SMEs through a combination of investment projects and technical assistance, and a diversification of sources of finance, ultimately creating jobs, contributing to increased investment, capital market development and diversification of economic activity.

The facility has two pillars:

- Expanding financing options to SMEs in Armenia including equity and quasi-equity (around EUR 11mln is planned to spend for achievement results of this component). Component, including the creation of a private equity fund, expected to make investments in eligible Armenian SMEs over a five-year investment period
- Providing advisory services to SMEs in order to promote competitiveness and innovation and enable businesses to grow and to attract further investment (EUR 4mln will be spent



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under this component). Particular focus will be on investment readiness to help targeted SMEs to access the financing they need to grow.

Beneficiaries of the Facility are SMEs operating in all regions of Armenia.



Erasmus for Young Entrepreneurs

Implementing organisation: SME Development National Center of Armenia (local partner) in partnership with Cambra Oficial De Comerc i Industria De Terrassa, Spain, Camara Oficial De Comercio Indusrria Y Navegacion De Oviedo, Spain, Polska Agencja Rozwoju Przedsiębiorczosci, Poland, Vzdelavacie A Inovacne Centrum - Velmax No-Vic-Velmax, Slovakia, Technologie - Und Grunderzentrum Bautzen GMBH, Germany, Veszprem Megyeil Kereskedelmi Es Iparkamara Tarsadalmi Szervezet, Hungary, Oxalis Scop Sa, France, Voka-Kamer Van Koophandel Oost-Vlaanderen, Camera Di Commercio Industria Artigianato Agricoltura Di Torino, Italy

Duration: 2009 – 2019

Location: All marzes/regions of Armenia

Erasmus for Young Entrepreneurs is an exchange programme for entrepreneurs, financed by the European Union. The general objective of the programme is to facilitate exchanges of experience, learning and networking for new EU entrepreneurs by means of working with an experienced entrepreneur in another EU country.

The programme offers an opportunity to work alongside an experienced entrepreneur in another participating country and strengthen the skills the entrepreneur needs to develop his/her business. The exchange of experience takes place during a stay with the experienced entrepreneur, which helps the new entrepreneur acquire the skills needed to run a small firm. The host benefits from fresh perspectives on his/her business and gets the opportunities to cooperate with foreign partners or learn about new markets.

In order to benefit from the programme, the entrepreneur should pass four phases:

1. APPLICATION PHASE - Interested new entrepreneur and host entrepreneurs apply through an on-line registration tool and establish contact with the intermediary organisations⁶ that they have chosen. The intermediary organisation assesses the application and decides whether applicants are eligible or not.
2. MATCHING PHASE - Once accepted, the intermediary organisation facilitates contacts between accepted new and host entrepreneurs and seek to make matches.

⁶ Intermediary organizations have been officially appointed to establish contacts between new and host entrepreneurs. They are involved in promoting entrepreneurship at European, national or sub-national level. The intermediary organization in Armenia is SME DNC of Armenia



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3. **CONTRACTING AND PREPARATION PHASE** - the parties involved (new and host entrepreneur, intermediary organisation) reach agreement on the Erasmus for Young Entrepreneurs commitment, business/work/learning plan, tasks, responsibilities, financial conditions, legal implications, etc. and sign the necessary agreements. The European Commission gives the final approval of the match. New and host entrepreneur participate in preparatory activities organised by the intermediary organisation responsible.
4. **IMPLEMENTATION PHASE** – The stay abroad needs to be completed within an overall time span of twelve months and should total between one month and six months. Within this time span the stay may be divided into a number of shorter time slots (minimum: one week per slot) which the new entrepreneur actually spends on site at the host entrepreneur’s enterprise. As soon as new and host entrepreneurs complete the stay abroad, they should report on them. The intermediary organisation monitors the value of the activity and evaluates the results.

Any sector of the private economy can participate in the programme. Entrepreneurs participating in the project must come from a micro, small or medium-sized enterprise. New entrepreneurs are defined as entrepreneurs in the early stages. This includes entrepreneurs, who are firmly planning to start their own business based on a viable business plan, and entrepreneurs who have recently started their own business (i.e. been in operation for not more than three years).

Detailed information on the programme and participation requirements can be obtained from the SME DNC of Armenia: <https://smednc.am>



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Rural Economic Development – New Economic Opportunities (RED-NEO) Program

Total budget: USD 4 000 000

Implementing organisation: Center for Agribusiness & Rural Development (CARD), AM Partners Consulting, Armenian Women for Health and Healthy Environment NGO, and Hicks Burnham and Williams LLC

Duration: 2019 – 2024

Location: At least 60 communities in all marzes/regions of Armenia

The RED-NEO project launch was in April 2019. RED-NEO activities will promote inclusive, sustainable economic security and economic growth by supporting at least 100 businesses in at least 60 communities. The program will accelerate the growth of small- and medium-sized enterprises (including farms and cooperatives) in the regions; facilitate market linkages between producers and buyers; and establish networks to promote local economic development. It will foster the development of a competitive agriculture sector by improving the performance of rural businesses and cooperatives, and their ability to meet quality standards.

The project is currently in the stage of identifying target communities and analysing their needs. However, harvesting of herbs and production of organic herbal teas are considered as one of possible sectors, where the project will intervene.



German Nature and Biodiversity Conservation Union (NABU): Free Organic Certification

Implementing organisation: NABU and ACBA-CREDIT AGRICOLE BANK

Duration: Annually

Location: All marzes/regions of Armenia



German Nature and Biodiversity Conservation Union and ACBA-CREDIT AGRICOLE BANK signed a cooperation agreement on February 20, 2015. Within its framework a project for the development of organic agriculture is being implemented annually.

The project is aimed for development of organic products' market in Armenia and export promotion. Every year an organic certification contest is being organized.

The support includes assistance for organic certification, as well as in participation in exhibitions and trade fairs.

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The products presented by the applicants for certification pass an expert examination. After the results are summarized, the winners who are recognized as organic food producers in accordance with international standards receive certificates with the financial support of ACBA-CREDIT AGRICOLE BANK and NABU.

During 2015-2018 out of 27 producers of agri-products which have received free organic certification 4 are herbal tea producers, namely "Mega Ararat", "Sari tei", "Antaram" and "Darman tea". "Sari tei" and "Antaram" later, with the assistance of the project, have signed an agreement with German TeeGschwendner on herbal tea export.



European Fund for Southeast Europe (EFSE)

EU contribution: € 5 100 000

Implementing organisation: Kreditanstalt für Wiederaufbau (KfW), Finance in Motion GmbH

Duration: 2009 – 2021

Location: All marzes/regions of Armenia, Eastern Partnership countries

The Fund aims to foster economic development and prosperity in the Southeast Europe and in the European Eastern Neighbourhood regions through the sustainable provision of additional development finance, notably to micro and small enterprises and private households, via qualified local financial institutions.

The fund provides small loans, including in local currency, and assistance to micro (fewer than 10 employees) and small (fewer than 50 employees) enterprises, as well as to low-income private households. Support is available to MSEs in sectors such as agriculture, industry, trade and services.

The EFSE operates through local partner lending institutions, including commercial banks, microfinance banks, microcredit organisations and non-bank financial institutions such as leasing companies. Partner organisations in Armenia are:

- ACBA Credit Agricole Bank CJSC
- Araratbank CJSC
- Inecobank CJSC
- "ACBA Leasing" Credit Organization CJSC

Detailed information and country contacts can be found at <https://www.efse.lu/>



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Women in Business

Total budget: € 5 035 000

Implementing organisation: European Bank for Reconstruction and Development

Duration: 2012 – 2022

Location: All marzes/regions of Armenia, other Eastern Partnership Countries

The objective of the programme is to promote women's entrepreneurship and access to finance, and more broadly women's participation in business, by facilitating access to finance and advice for women-led SMEs.

Programme is specifically focused on women-led SMEs - businesses with fewer than 250 employees and less than €50 million in annual turnover or with a balance sheet total of less than €43 million. For a business to qualify for this programme, overall operational management responsibility for the company should be held by a woman, who may also partially or wholly own the business.

The Women in Business programme helps women-led small and medium-sized enterprises to access the finance and the know-how they need to grow. The EBRD provides access to finance through credit lines to local banks dedicated to develop women-led SMEs, alongside business advice to help businesses become more competitive. The programme also offers training, mentoring and other support to enable women entrepreneurs to share experiences and learn from each other.

The Programme is active in two main areas:

1. Access to finance
 - Dedicated credit lines to participating financial institutions for on-lending to eligible women-led SMEs. Partner financial institutions in Armenia are ACBA-Credit Agricole Bank CJSC, Ameriabank CJSC, Araratbank CJSC, Armeconombank CJSC
2. Access to know-how
 - Business advisory and coaching
 - Training in key entrepreneurial skills
 - Online business diagnostic tool Business Lens
 - Mentoring
 - Networking seminars

There is almost no sector limitation: and women-led businesses in almost every sector and industry can apply for the assistance. The only exception are businesses in banking or financial services, military products or services, gambling or tobacco.

For more detailed information please visit <http://www.ebrdwomeninbusiness.com>



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ABBREVIATIONS

ADA	Austrian Development Agency
AMD	Armenian Dram
CARD	Center for Agribusiness & Rural Development
CJSC	Closed Joint Stock Company
DCFTA	Deep and Comprehensive Free Trade Area
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EEN	Enterprise Europe Network
EFSE	European Fund for Southeast Europe
ENPARD	The European Neighbourhood Programme for Agriculture and Rural Development
EU	European Union
EUR	Euro
GmbH	Gesellschaft mit beschränkter Haftung
HACCP	Hazard Analysis and Critical Control Points
LLC	Limited Liability Company
NABU	Nature and Biodiversity Conservation Union, Germany
NGO	Non-Governmental Organisation
OASI	EU Organic Agriculture Support Initiative
RED NEO	Rural Economic Development – New Economic Opportunities Program
RSS	Road Side Station
SME	Small and Medium Enterprise
SME DNC	Small and Medium Entrepreneurship Development National Center of Armenia
UN	United Nations



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USA	United States of America
USD	United States Dollar
VET	Vocational Education and Training



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Annex 1. Support provided to Armenian tea producers by SME DNC of Armenia in 2016-2019

Programme/Project	Implementing agency	Scopes of the support provided	Number of supported tea producers
State support annual programme	SME DNC of Armenia	Loan guarantees	1
Enterprise Europe Network	SME DNC of Armenia	Support on internalization	10
EEN/Scale-up for grow	SME DNC of Armenia	Seminar and mentoring on business management, marketing, internalization, food safety standards.	7
EEN/Consulting on HACCP standard dedicated to herbal tea producers	SME DNC of Armenia	Mentoring on HACCP	4
EEN Armenia/ ERASMUS for young entrepreneurs	SME DNC of Armenia	Internship opportunities for Armenian young Entrepreneurs	1
EU4Business/Boosting competitiveness of regional SMEs	SME DNC of Armenia	Marketing support	1
EU4Business/Ready to trade	SME DNC of Armenia/ ITC	Technical and financial support to participate in SIAL 2018	3
EU4Business/Ready to trade	SME DNC of Armenia/ ITC	Technical and financial support to participate in BIOFACH 2019	1



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TEAWAY: Promoting tea as the engine of growth for the Black Sea Basin Area/BSB-541

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