

Industrial Policy and SME

1. Industrial Policy

Introduction

Considering the peculiarity of the industrial policy field, the screening of legal acts was not carried out in this field.

In the field of industrial policy the European Union does not stipulate legally binding requirements for acceding countries since this field mainly includes industrial competitiveness policy guidelines¹ and action plans based on these guidelines², which are of political nature and are not subject to legislative approximation. However, during the accession process the candidate countries are recommended to draft their industrial policy apart from the general economic policy based on the European principles adopted by the Lisbon European Council in 2000, which relate to privatization, reconstructing, improvement of industrial competitiveness, direct investments, creation of a favourable economic environment for development of business and a number of other issues.

To support the implementation of these principles on a national level, the European Union drafted the Council Decision No. 96/413/EC on the implementation of a Community action programme to strengthen the competitiveness of European industry, which covers provisions relating to the encouraging of intangible investments, industrial cross-border cooperation, ensuring the competitiveness in the industrial policy and a number of other issues.

Although the EU provisions of the industrial policy field are partially reflected in the policy papers or legislative acts of different fields of Armenia³, however, it is necessary to draft an industrial development strategy plan and annual plans ensuring its implementation, which shall be mainly aimed at efficient implementation of privatization, restructuring of branches, creation of a favourable investment and business environment, ensuring competitiveness, etc.

¹ Commission Communication "Industrial Policy in an Enlarged Europe" - [COM\(2002\) 714 final](#) of 11.12.2002, Commission Communication "Fostering structural change: an industrial policy for an enlarged Europe" - [COM\(2004\) 274 final](#) of 20.04.2004.

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² Council Decision 96/413/EC of 25 June 1996 on the implementation of a Community action programme to strengthen the competitiveness of European industry

³ For example in the Armenian legislation provisions ensuring competitiveness presented in the guidelines are provided for in the Armenian Law on the Protection of Economic Competition and other legal acts.

Policy Approximation

0	1	2	3	4	5	6
NN	Measure	EU Legal Source	Responsible Institution	Submission Date	Necessary Resources (man/day)	EU Technical Assistance
2007						
1.	Elaboration of an industrial development strategy programme	Conclusions of the Lisbon European Council European guidelines for industrial policy	Ministry of Trade and Economic Development of Armenia	3 rd quarter	50	Consultancy
TOTAL					50	
2008						
2.	Elaboration of annual programmes ensuring the implementation of the strategy programme	European guidelines for industrial policy	Ministry of Trade and Economic Development of Armenia	4 th quarter	40	Consultancy
TOTAL					40	
2009						
3.	Elaboration of reports on the compliance of industrial policy with EU principles	-	Ministry of Trade and Economic Development of Armenia	2 nd quarter	30	
TOTAL					30	
TOTAL					120	

2. SME

Introduction

According to the screening results, the relevant Armenian legislation is almost in full non-compliance with that of the EU.

The EU legislation regulating the field of small and medium-sized enterprises defines the classification of small and medium-sized enterprises; concepts of autonomous, partner and linked enterprises, as well as the procedure for determining the number of employees.⁴ The relevant issues in Armenia are regulated by the RoA Law on State Support for SMEs⁵, which, however, does not completely cover the scope of the mentioned issues. Particularly, the Armenian legislation does not stipulate other standards for the classification of SMEs except for the number of employees. Neither does the legislation cover definitions of autonomous, partner and linked enterprises and the procedure for determining the number of employees.

The EU legislation in this field includes the Council Directive on the collection of statistical information in the field of tourism⁶, which determines the list of statistical information in the field of tourism provided to the European Commission by Member States, as well as the procedure for data collection, compilation, transmission and confidentiality. In Armenia these issues are regulated by the Decision of State Council on Statistics of Armenia on “Approving the tourism state statistical report Form No. 1 on international and internal tourism and the procedure of its completion”⁷, which mainly regulates the scope of these issues, meanwhile the list of information required, submission date of the report differ. The Armenian legal act does not cover a number of issues relating to the information collection, compilation and transmission.

It should be mentioned that the field of SME, as a chapter of “*acquis communautaire*”, mainly covers state policy papers, the reference document of which is the Charter for Small Enterprises. The Charter includes list of measures promoting the development of small enterprises. Particularly, the Charter covers provisions relating to the education and training for entrepreneurship, cheaper and faster start-up facilities, better legislation and regulation, availability of skills, access to information technology, single market for the benefit of small enterprises, taxation and financial matters, strengthening of the technological capacities of small enterprises, making use of successful e-business models and developing top-class small business support, developing stronger, more effective representation of small enterprises’ interests at the Union and national level.

Apart from the Charter for Small Enterprises, the European Commission started a systematic dialogue on enterprise policy with the candidate countries in 2001 for policy making in the field of business. The result of this dialogue was the “Report on the Candidate Countries’ Measures to Promote Entrepreneurship and Competitiveness,” better known as the CC BEST report. It includes a series of action points to promote small and medium-sized enterprises; i.e. education and training for entrepreneurship, access to the financial market for small enterprises at an earlier stage of development

⁴ Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (notified under document number C(2003) 1422) (2003/361/EC)

⁵ HO-121, 05.12.2000

⁶ Council Directive 95/57/EC of 23 November 1995

⁷ No 35, 04.04.2001

and for hi-tech firms, access to research and innovation, improving the visibility of support services for SMEs, enhancing public administration, improving employment and working conditions.

Among the papers concerning the chapter “SME”, it is worth to mention the Council Decision of 20 December 2000 on a multi-annual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises, which ensures the implementation of 10 provisions of the Charter for Small Enterprises. This Decision provides for establishment of financial and consulting institutions, as well as cooperation between the European Commission and Member States to achieve the objectives of the Charter.

The first paper on state support for SMEs in Armenia is the Government Protocol on provisions of SMEs development policy and strategy in Armenia⁸, where the main directions of implementation of SME development policy and strategy are legal reforms, settlement of financial issues, promotion of production, regional development, expanding access to innovations, provision of consultancy and technology, increase of social rate of the enterprise, education and training for entrepreneurship. The state policy stipulated in this paper is carried out through Annual Programmes of state support for SMEs⁹ defined by the RoA Law on State Support for SMEs.

The provisions of the above-mentioned papers mainly comply with those of the EU policy, however the implementation measures are different. Particularly, for strengthening of the financial (investment) capacities of target SMEs, the “National Centre for Development of SMEs” Foundation¹⁰ provides credit guarantee under the Credit Guarantee Programme, which cannot exceed 70% of the credit liability and 10 million AMD, while in the EU, in addition to guarantee foundations, there are other instruments such as establishment of “Business Angels” network¹¹, provision of credit lines to SMEs, partial repayment of commercial credit by the Government, etc.

Based on the abovementioned, as well as the provisions of the Charter for Small Enterprises, it is necessary to draft a support programme for small and medium-sized enterprises by implementing the experience of EU Member States and candidate countries in the field of SME.

Y2007

The approximation of the Armenian legislation shall be based on the Council Directive 95/57/EC of 23 November 1995 on the collection of statistical information in the field of tourism.

⁸ No 32, 03.08.2000

⁹ Government Decree No 1736-N of 2 December 2004 on the Approval of 2005 state support programme for SMEs.

¹⁰ Government Decree No 282 of 19 March 2002 on the Establishment of “National Centre for the development of small and medium-sized enterprises in Armenia” Foundation

¹¹ ‘Business angels’ - informal investors, which mainly finance small and medium-sized enterprises in the initial stages of their establishment for having excess profit in future. The difference from venture foundations underlies in the fact that they utilize their own and not invested financial means and if they finance an enterprise they take part in the management of that enterprise by transferring the own experience to start-up businessmen.

It is envisaged to elaborate a draft Government Decree on “The collection of statistical information in the tourism sector”, which shall stipulate the procedure for information collection, compilation and transmission in the tourism sector.

Y2009

The Armenian legislation on small and medium-sized enterprises shall be approximated with the European Commission Recommendation C (2003) 1422 of 6 May 2003.

According to the European Council Recommendation on micro-, small- and medium-sized enterprises, it is envisaged to elaborate a draft law on making amendments to the RoA Law on State Support for Small and Medium-sized Enterprises, which shall include provisions concerning the additional standards for classification of small- and medium-sized enterprises, autonomous, partner and linked enterprises and determining the number of employees.

2.3. Legislative Approximation

0	1	2	3	4	5	6
NN	Measure	EU Legal Source	Responsible Institution	Submission Date	Necessary Resources (man/day)	EU Technical Assistance
2007						
1.	Elaboration of a draft Government Decree on the collection of statistical information in the field of tourism	Council Directive 95/57/EC of 23 November 1995 on the collection of statistical information in the field of tourism	Ministry of Trade and Economic Development of Armenia (National Statistical Service of Armenia)	4 th quarter	15	Consultancy
TOTAL					15	
2009						
2.	Elaboration of a draft law on making amendments to the RoA Law on State Support for SMEs	Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (notified under document number C(2003) 1422) (Text with EEA relevance) (2003/361/EC)	Ministry of Trade and Economic Development of Armenia	1 st quarter	15	Consultancy
TOTAL					15	
TOTAL					30	

2.2 Institutional Capacities¹²

0	1	2	3	4
NN	Institution	Reorganization	Training Needs	Technical Needs
1.	RoA Ministry of Trade and Economic Development National Statistical Service of Armenia	-	Training courses on Statistical information in tourism sector (3 days/ 2007)	Consultancy, provisional expertise
2.	RoA Ministry of Trade and Economic Development	-	Training courses on Small and medium-sized enterprises policy (5 days/ 2009)	Consultancy, provisional expertise

¹² For coordination of legislative approximation activities, relevant EU Integration subdivisions will be established within the responsible ministries and governmental bodies mentioned in this subchapter

2.3 Policy Approximation

0	1	2	3	4	5	6
NN	Measure	EU Legal Source	Responsible Institution	Submission Date	Necessary Resources (man/day)	EU Technical Assistance
2007						
1.	Joining the Charter for Small Enterprises	European Charter for Small Enterprises	Ministry of Trade and Economic Development of Armenia	1 st quarter	15	
2.	Elaboration of SME policy in Armenia based on EU policy papers	Conclusions of Lisbon European Council, Charter for Small Enterprises, other policy papers	Ministry of Trade and Economic Development of Armenia	3 rd quarter	90	Consultancy, provisional expertise
TOTAL					105	
2008						
3.	Elaboration of mid-term programme in compliance with the policy adopted	Council Decision of 20 December 2000 on a multi-annual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises	Ministry of Trade and Economic Development of Armenia	2 nd quarter	50	Consultancy, provisional expertise
TOTAL					50	
2009						
4.	Elaboration of annual reports based on best practices of	"Best" Reports Reports of EU Member	Ministry of Trade and Economic	1 st quarter	50	Consultancy, provisional expertise

	Member States and accession countries, as well as implementation of the Charter	States on the Implementation of Charter for Small Enterprises	Development of Armenia			
5.	Submission of annual reports to the European Council and the Government of Armenia on current activities ¹³	-	Ministry of Trade and Economic Development of Armenia	2 nd quarter	40	Consultancy, provisional expertise
TOTAL					90	
TOTAL					245	

¹³ In case of joining the Charter for Small Enterprises, the Armenian Government shall be committed to submit an annual report on the implementation of provisions of the Charter to the European Commission, in other cases the Body responsible for SME policy in Armenia, i.e. the Ministry of Trade and Economic Development, shall provide the Government of Armenia with a Report on policy elaboration and implementation in the field of SME.