

# 1<sup>ST</sup> PACKAGE OF MEASURES TO ALLEVIATE THE CONSEQUENCES OF COVID-19 OUTBREAK

## 1. General Objective of the Measures and Support

1. The general objective of the program is to support separate business entities operating in the Republic of Armenia to solve possible liquidity issues resulted by the Covid-19 outbreak.
2. The aim of the support is to provide business entities with temporary access to finance to respond to the changing conditions of demand, to resist external challenges and thus, to continue their operations or to reposition themselves to adapt to the changing economic situation and take measures to refine their economic development strategies.

## 2. Targeted Business Entities

3. Any resident private commercial organization and individual entrepreneur (except for banks, credit organizations, pawnshops and insurance companies, currency exchange points, organizations dealing with the purchase and sales of securities, investment organizations, investment funds, gambling businesses and other similar organizations), who have been doing business in Armenia at least for the past one year, have a good credit history, more specifically, the size of their overdue tax liabilities for the full reporting period in the past 365 days has not exceeded 1% of the liabilities paid during the past 365 days but is not more than 50 thousand AMD, shall be considered a business entity within the meaning of this program.

## 3. Types of Support Mechanisms

4. The support is provided through co-financing or refinancing or interest rate subsidizing of the targeted loans provided to business entities by licensed banks or credit organizations operating in the territory of the Republic of Armenia. The support mechanisms will help business entities to:

- **Co-financing:** solve issues related to the insufficient level of securities to be provided for a loan, to the partial neutralization of the foreign currency risks, as well as to the partial decrease of expenses related to loan interests;
- **Refinancing:** solve issues related to the full neutralization of the foreign currency risks, as well as to the partial decrease of expenses related to loan interests;
- **Subsidizing:** significantly decrease the loan interest rates.

5. Each business entity shall receive only one type of support described above.

#### **4. Purpose of the Loan to be Provided Under Support Mechanisms**

6. Loans with support mechanisms shall be provided to business entities to cover expenses in one of the following directions:

1. Salaries of the staff of business entities or payments equal to them, as well as payment of taxes thereof (not more than 500,000 AMD per month for each employee and for not more than three months) (hereinafter referred to as staff loans)
2. Payment of taxes, duties mandatory fees to the state or community budget for maximum three months (hereinafter referred to as tax, duty and mandatory fees loans)
3. Purchase or import of raw materials (in those cases when the entire volume of the raw materials is used to produce finished products in Armenia, and the borrower has the necessary and required production capacities) (hereinafter referred to as raw material loans)
4. Import of devices and equipment (including for agricultural purposes) (in those cases when these pieces of equipment are used in production or increase of production capacities in Armenia) (hereinafter referred to as equipment loans),
5. Payment of electricity, water and heating costs (not more than 5,000,000 AMD per month for each service and for not more than three months) (hereinafter referred to as utility loans)
6. Food import by trading companies (in those cases when the purchased or imported goods are consumed in Armenia) (hereinafter referred to as food loans),

#### **5. Requirements of Loans Under Support Mechanisms and Institutions Providing Loans**

7. Loans provided under the support mechanisms shall meet the following criteria:

1. Currency: AMD, in case of co-financing, the amount provided by a financial institution may also be in foreign currency
2. Term: up to 24 months
3. Maximum loan amount: equal to 500 mln AMD, but the maximum amount of co-financing or refinancing cannot be more than 250 mln AMD
4. Procedures to use credit funds: only non-cash, bank transfers
5. Maximum integral interest rate: from 0% to 6% annually (not more than 6%) depending on the support mechanism selected

6. The loans will be provided throughout the Republic of Armenia by all commercial banks and credit organizations operating in the territory of the Republic of Armenia.
7. The procedures to apply the support mechanisms will be stipulated in a Government decision, which will define the details of the criteria for the financial institutions and business entities receiving support, as well as the procedures to fulfill the obligations before the state and the obligations of targeted use of the financial support, as well as the monitoring mechanisms for the above.

#### **6. Description of the Content of Support Mechanisms**

10. Any business entity who meets the requirements of this package of measures may apply for a loan to a financial institution and, upon receiving the loan and as agreed with the borrower, shall receive support in the form of:

1. **Co-financing:** equal to a certain amount of the loan principal, for the same loan term, at 0% interest rate for co-financing, taking over a partial risk for the principal return, or
2. **Refinancing:** equal to a certain amount of the loan principal (in certain cases set in this program\_ fully), for the same loan term, at 0% interest rate, without sharing the risk of loan return, or
3. **Subsidizing:** partially (in certain cases set in this program \_ fully) covering the loan interest rates, for the entire term of the loan, without sharing the risk of loan return.

11. The proportions of the support depend on the loan objective and are described in Table 1:

Table 1

Support Proportion Depending on the Loan Objective

Loan Purpose	Co-financing	Refinancing	Interest Subsidizing
Staff	50%	100%	Fully*
Taxes, duties, mandatory fees	50%	100%	Fully*
Raw materials	40%	50%	6%**
Equipment	25%	50%	5%**
Utility	45%	90%	10%*
Food	30%	50%	8%**

\*With the condition that the maximum integral interest rate on the loan provided by the financial institution is 12% and the currency of the loan is AMD.

\*\*With the condition that the maximum integral interest rate on the loan provided by the financial institution is 12% in case the loan is in AMD, and 9% in case the loan is in foreign currency.

