



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Armenia

An initiative of the European Union





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Introduction



This document presents an overview of the cluster policy in Armenia. Given its importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [World Bank Country Snapshot for Armenia 2020](#).

The “Country Snapshot” is a bi-annual update, highlighting the country’s recent developments, economic outlook and major overview of the World Bank’s partnership with the country.

01

National cluster policy, programmes and initiatives



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1. National cluster policy, programmes and initiatives

Policy type:	Broad Policy
Policy name:	<u>Free Economic Zones ("FEZ")</u> <i>Foreign Trade Policies/internationalisation</i>
<p>POLICY OBJECTIVES</p> 	<p>Strengthening cooperation between companies or industry and RTDI actors</p> <p>Increasing competitiveness and boosting scale up of SMEs</p> <p>Supporting internationalisation activities</p> <p>Fostering R&D activities, technology development and implementation</p> <p>Fostering innovation and strengthening innovation ecosystems</p> <p>Promoting entrepreneurship, start-ups and spin-offs</p> <p>Promoting employment and upgrading skills and competences</p> <p>Connect to global supply chains</p> <p>As stated in the website of the Ministry of Economy of Republic of Armenia, the main goals of the Free Economic Zone are: (1) to contribute to growth of export volumes from Armenia; (2) to create new workplaces; (3) to ensure sustainable economic development through integrating foreign direct investments and introducing new and advanced technologies to the production cycle. Similarly to clusters, FEZ are characterised by geographical concentration of enterprises and organisations engaged in economic activities in the same industry or in related industries. Each FEZ has a specific focus and accepts members that operate in a particular industry or in related industries. FEZ members are encouraged to cooperate in their activities.</p>
<p>POLICY FOCUS</p> 	<p>No specific focus</p> <p>The policy does not focus on any particular sector.</p>



Policy type:	Broad Policy
Policy name:	Free Economic Zones ("FEZ") <i>Foreign Trade Policies/internationalisation</i>
RESPONSIBLE AUTHORITIES 	<p>In charge of drafting</p> <p>In charge of implementation</p> <p>Oversees the implementation</p> <p>The operation of FEZ is ensured through an appropriate legal framework. The main document which regulates the establishment and activities of FEZ is the Law of the Republic of Armenia "On Free Economic Zones". The Law was adopted on May 25, 2011 by National Assembly of Armenia.</p> <p>The Government of the Republic of Armenia (1) implements state policy on FEZ; (2) issues a decree on establishing a FEZ; (3) carries out the selection process of FEZ Operator pursuant to Law "On Procurement" of the Republic of Armenia and applies competitive dialogue method; (4) accepts applications for establishing FEZ on private initiative and creates permanent Interagency Committee to evaluate the bids for becoming FEZ 'Operators' and 'Residents'.</p> <p>FEZ Operator is either selected by the Government through the Law "On Procurement", or, if FEZ is created by initiative of a Private Initiator, the Initiator is recognized by the Government as FEZ Operator. FEZ Operator enjoys the benefits of the FEZ and is accountable in front of the Government for FEZ operation. FEZ Residents are members of the FEZ; they enjoy the benefits of the FEZ but are not accountable in front of the Government for the overall FEZ operation. In order to become FEZ Residents, legal actors should obtain permission from the Government and sign a contract with FEZ Operator.</p> <p>The Ministry of Economy on behalf of the Government: (1) signs an agreement with the selected Operator and controls the execution of the contractual obligations; (2) makes decisions to grant permissions for becoming FEZ Resident; (3) provides permission certificates and carries out control over the requirements specified by the FEZ Resident permission. The Department of Investment attraction and coordination of the Ministry of Economic Development and Investments of Armenia oversees the activities of Armenian free economic zones.</p>
	<p>SMEs</p> <p>Research organisations</p> <p>Start-ups</p>



Policy type:		Broad Policy
Policy name:		<u>Free Economic Zones ("FEZ")</u> <i>Foreign Trade Policies/internationalisation</i>
 BENEFICIARIES		<p>Large firms</p> <p>Technology centres</p> <p>The following two types of entities can become FEZ residents and thus beneficiaries of the initiative:</p> <ul style="list-style-type: none"> • all types of commercial enterprises; • all types of individual entrepreneurs.
INSTRUMENTS 	Financial	<p>Others: FEZ organisers and FEZ residents benefit from full exemption from VAT, profit tax, corporate income tax, customs duty, property tax.</p> <p>All abovementioned exemptions are valid for the full period of functioning of FEZ.</p>
	Technical assistance	<p>Support for networking and partnership building (at national and/or international level)</p>



Policy type:		Broad Policy
Policy name:		Free Economic Zones ("FEZ") <i>Foreign Trade Policies/internationalisation</i>
	Explanation	The Free Economic Zones policy prioritises strongly on financial instruments, while non-financial benefits derive from FEZ operation and are often initiated by FEZ Operators and FEZ Residents themselves ¹ .
HISTORY 	Period	Unlimited period
	Ending year (<i>for policies with limited period</i>)	Not applicable

¹ The Law of the Republic of Armenia "On Free Economic Zones" is the basic regulatory document of FEZ. Aimed at providing tax and customs preferences prescribed by this Law, relevant amendments have also been introduced to:

- Law of the Republic of Armenia "On Value Added Tax" (VAT)
- Law of the Republic of Armenia "On Income Tax"
- Law of the Republic of Armenia "On Profit Tax"
- Law of the Republic of Armenia "On Property Tax"
- Law of the Republic of Armenia "On Currency Regulation and Currency Control"
- Law of the Republic of Armenia "On Licensing"
- Law of the Republic of Armenia "On State Due"
- Law of the Republic of Armenia "On Types of Activities Subject to Licensing in the Territory of Yerevan 'Zvartnots' Airport and 'Yerevan' Free Economic Zone"
- Customs Code of the Republic of Armenia.



Policy type:		Broad Policy
Policy name:		Free Economic Zones ("FEZ") <i>Foreign Trade Policies/internationalisation</i>
	Starting year	2011
	Explanation	Each FEZ is initially set up for a certain period of time (10 to 50 years, depending on the agreement between the FEZ organiser and the Ministry of Economy of the Republic of Armenia). The FEZ initiative itself does not have an ending year.
BUDGET 	Overall	Information about the budget is not publicly available
	Annual	Information about the budget is not publicly available
	Source of funding	The Government of the Republic of Armenia supports the operation of FEZ by indirect means, through granting FEZ with exemptions from VAT, profit tax, corporate income tax, customs duty and property tax. The activities of the FEZ are directly funded by FEZ operators and residents.
POLICY EVALUATION	Availability	No policy evaluation
	Results	No evaluation of FEZ has been identified
POLICY ALIGNMENT WITH THE EU PRIORITIES		Social inclusion

02

State of play of cluster policy



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2. State of play of cluster policy

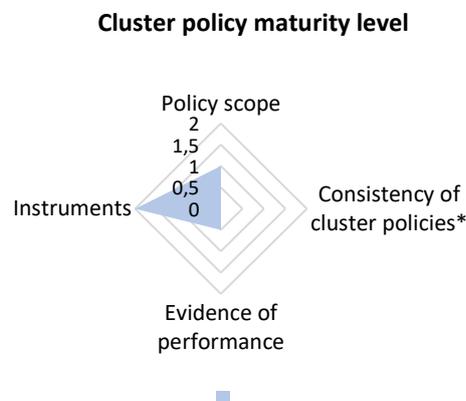
The data below illustrates how the country ranks in terms of maturity of cluster policy. The maturity index is based on a combination of factors presented in Chapter 1 and which are scored based on their existence:

- **Policy scope:** whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies (existence of broader policies = 1 point; existence of targeted cluster policies = 2 points)
- **Consistency of cluster policies:** assessment of the duration and experience of the country in doing cluster policies. This dimension assesses only existing cluster policies and not broader policies (no cluster policies available = 0 points; < 10 years of experience or > 10 years (but interrupted) = 1 point; > 10 years (but with clear continuity) = 2 points)
- **Evidence of performance:** the existence of monitoring and evaluation mechanisms determines the degree of policy development in the country (no evaluations = 0 points; existence of evaluations of past policies or in-itinere = 0.5 points; existence of ex-ante and/or ex-post evaluations = 0.5 points)
- **Instruments:** whether the policies provide any instruments to support the policy implementation, being these financial and/or technical assistance (1 point for each type of instrument available)

It is important to note that the maturity does not reflect the performance of a country, but only the degree of development of their cluster policy at the moment when the data was collected (2020 and 2021). The maturity index illustrates how the country scores for each of these four dimensions (policy scope, consistency of cluster policies, evidence of performance and instruments) compared to the maximum score that they can reach.

	Armenia	Maximum score
Policy scope	1	2
Consistency of cluster policies*	0	2
Evidence of performance	0,5	1
Instruments	2	2

** This dimension is scored solely if the country has a dedicated cluster policy and it assesses only cluster policies*





State of play of cluster policy in the country	
Policy evaluation (for terminated policies)	<p>No policy evaluation</p> <p>Armenia does not have any specific policy targeting cluster creation and/or development.</p>
Policy approach in the country	<p>Specific policies to support cooperation projects</p>
Continuity	<p>In Armenia, there has been strong policy development in recent years targeted at innovation, research, and technology development. Nevertheless, there is still no support or funding mechanism established on national level to support cluster development. There is currently no cluster policy in the country.</p> <p>In 2016, the Action Plan 2017 of the Armenian Government was adopted, which is directed towards fostering university-research cooperation via creation of networking universities and scientific-educational clusters.</p> <p>Since 2002, the Small and Medium Entrepreneurship Development National Centre of Armenia (SME DNC of Armenia) has been in action. This national body implements state support to small and medium-sized enterprises (SME) and programmes directed towards their development, as well as facilitates links between SMEs and other state support organisations.</p> <p>A sector-specific initiative was the establishment of the Enterprise Incubator Foundation (EIF) in 2002 within the framework of the World Bank's "Enterprise Incubator" project. The main mission of EIF is to support the development of ICT sector in Armenia through the creation of a productive environment for innovation, technological advancement, and company growth.</p> <p>While the abovementioned initiatives also have the cooperation component among their goals, FEZ policy was selected for this factsheet due to its broader nature and more direct focus on cooperation among participating actors.</p> <p>The basic regulatory document of FEZ is the Law of the Republic of Armenia "On Free Economic Zones" adopted on May 25, 2011 by National Assembly of Armenia. The policy has been ongoing since 2011 without any reported gaps. The first Armenian FEZ "Alliance" was launched in 2013. The second FEZ, "Meridian", was launched in 2015. The planned duration of both abovementioned FEZ is 10 years. In 2017, "Meghri" FEZ was launched, the duration of which is 50 years. In 2018, ECOS FEZ was set up with planned duration of 25 years.</p>
Consistency	<p>No cluster policy available</p> <p>Armenia does not have a policy that directly targets cluster development. Cluster development is indirectly fostered through creation and support of FEZ. Each FEZ operates as a community that brings together the leading companies in correlated sectors, investors and government figures.</p>

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