



SmartGateVC and EFSE DF team up to launch a new model for financing early-stage startups and R&D companies in Armenia

Luxembourg and Yerevan, 04 October 2022 - SmartGateVC is partnering with the Development Facility of the European Fund for Southeast Europe Development Facility (EFSE DF) to implement a new financing model for early-stage startups and research and development (R&D) companies. The model is the first of its kind in the market, aimed at fostering innovation and knowledge creation in Armenia.

The new financing model pioneers a recoverable grant system, whereby the recipients of the grants will have to return the grant amount when achieving certain solid milestones. This way the recovered amount will be used for similar grants in the future thus making the same money work for the start-up ecosystem in multiple cycles.

“We believe this pilot is going to be an excellent example of the public-private partnership as we leverage public funding (grants) to mobilize private investments through SmartGateVC for promising start-ups and R&D companies. Upon its successful completion, the program has the potential to facilitate the creation of a larger funding vehicle in order to build a solid tech company pipeline and enable investment de-risking in the region,” says Ashot Arzumanyan, Partner at SmartGateVC and Executive Director at Catalyst Foundation

Thomas Reker, Chairperson of the EFSE Development Facility said, “We are excited about this new project with SmartGateVC as this will enable early-stage as well as R&D companies to tap into their entrepreneurial potential. Small businesses are the backbone of the Armenian economy, and that’s why it is important we create an ecosystem which encourages innovation and provide sustainable financing for these businesses to flourish.”

This matching recoverable grant will mobilise private capital and de-risk SmartGateVC’s investments in very early-stage Armenian companies by providing equity-free co-financing to the entrepreneurs. A total of four recoverable grants amounting to EUR 100,000 in total will match with SmartGateVC’s investments of up to EUR 25,000 recoverable grants for early-stage start-ups and up to EUR 50,000 for R&D companies.

Additional EUR 100,000 funding is dedicated funding in the form of a zero interest VC-loan to support R&D outsourcing companies in their efforts to transform into product companies or generate technology-driven solutions as spin-off companies. The provision of additional liquidity is intended to allow the companies to focus on "side" projects that can become promising start-ups and potential pipeline for



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SmartGateVC and other investors in the Armenian ecosystem. Interested R&D companies are welcome to apply by October 17 and the final selection will be made by a jury panel on in November. The application package is available [here](#).

The grantees will be paired with mentors who will work with them to determine the areas in which they need assistance and develop unique mentoring plans. Setting goals and objectives will be the first step in working with mentors, followed by one-on-one meetings. Aside from having a dedicated mentor, the teams will be able to receive tailored support through individual consultations from external mentors and the SmartGateVC's network.

SmartGateVC previously collaborated with the EFSE DF to launch the 2nd batch of Hero House AI Incubator (implemented in 2021), as well as the 5th batch of Armenia Startup Academy Pre-acceleration Program (implemented in 2020).

About EFSE Development Facility and Entrepreneurship Academy

The Development Facility of the [European Fund for Southeast Europe \(EFSE DF\)](#) was created in 2006 to support the fund's development finance mandate. It deploys effective, targeted, and innovative technical assistance to maximize the impact and extent of the fund's development finance mandate in target countries. The [EFSE Entrepreneurship Academy](#) is an initiative of the EFSE Development Facility that encompasses a range of programs to support local businesses throughout the EFSE target region. By working together with organizations that drive incubation and acceleration projects, the Entrepreneurship Academy provides entrepreneurs with guidance, resources, mentoring, networking opportunities, the chance to receive financial backing, and other means necessary to turn good ideas into successful enterprises. In this way, the Entrepreneurship Academy and its partners help create an environment where entrepreneurs can thrive – driving the spirit of EFSE as “The Entrepreneurship Fund.”

Managed by impact asset manager [Finance in Motion](#), the facility operates independently from the fund in a fiduciary arrangement under Luxembourg law. The Development Facility Committee, comprising members nominated by KfW Development Bank and two independent members, is responsible for assessing and approving all project proposals and providing strategic guidance to the facility.

For more information on the European Fund for Southeast Europe, please visit: www.efse.lu.

For more information on Finance in Motion, please visit: www.finance-in-motion.com

About SmartGateVC

[SmartGateVC](#) is a California and Armenia-based pre-seed venture capital firm backed by seasoned tech investors, entrepreneurs, and professionals. The key focus areas are Artificial Intelligence (AI) infrastructure, AI-enabled SaaS, IoT, and Biotech. For more information, please visit: smartgate.vc. Through [Catalyst Foundation](#), an initiative of SmartGateVC founding partners, the fund is running programs to feed the Armenian startup ecosystem with the relevant skillset and a pipeline of capable



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companies. The Foundation has several initiatives, including [Hero House](#) technology hub (in Yerevan, Armenia, and Glendale, California), [Armenia Startup Academy Pre-acceleration](#) and [Traction](#) programs, [Hero House AI Incubator](#), [Science & Technology Convergence Conference](#) (co-initiative with the National Academy of Sciences of Armenia), [Entrepreneurial Assistant School](#), [Startup Boost Weekends](#), etc.

For more information on the foundation, please visit: catalyst.am

Media contact EFSE

Anne Johnson
Senior Officer, Marketing & Communications
Email: press@efse.lu
Phone: +49 (0)69 271 035-470

Media contact partner

Anna Aleksanyan
Partnerships Coordinator
Email: anna.a@smartgate.vc