

Small and Medium  
Entrepreneurship  
Development Center

Republican Union  
of Employers  
of Armenia

International  
Labour  
Organization



# Women Entrepreneurship Development Assessment in Armenia

Implemented by the "Small and Medium Entrepreneurship Development Center" NGO by the support of the International Labour Organization.

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## ABBREVIATIONS

<b>ADA</b>	Armenian Development Agency
<b>AMD</b>	Armenian Dram
<b>CCI</b>	Chamber of Commerce and Industry
<b>CEDAW</b>	Convention on Elimination of any Kind of Discrimination Against Women
<b>DAO</b>	Data access object
<b>EU</b>	European Union
<b>GDP</b>	Gross domestic product
<b>ILO</b>	International Labour Organization
<b>ISO</b>	International Organization for Standardization
<b>JSC</b>	Joint Stock Company
<b>LE</b>	Legal entity
<b>LLC</b>	Limited Liability Company
<b>MIn</b>	Million
<b>MSEs</b>	Micro and Small Enterprises
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>NBFI</b>	Non-bank financial institution
<b>NGO</b>	Non-governmental organization
<b>NSS</b>	National Statistical Service of Armenia
<b>PRSP</b>	Poverty Reduction Strategic Program
<b>RA</b>	Republic of Armenia
<b>RUEA</b>	Republican Union of Employers of Armenia
<b>SARM</b>	National Institute of Standards
<b>SDP</b>	Sustainable Development Program
<b>SLC</b>	Supplementary liabilities company
<b>SMEs</b>	Small and Medium sized Enterprises
<b>SMEDC</b>	“Small and Medium Entrepreneurship Development Centre” (sectoral association of RUEA)
<b>SMEDNC</b>	Small and Medium Entrepreneurship Development National Centre (in the Ministry of Economy)
<b>SP</b>	Sole Proprietor
<b>Ths</b>	Thousand
<b>UN</b>	United Nations
<b>UNIFEM</b>	United Nations Development Fund for Women
<b>USAID</b>	United States Agency for International Development
<b>VAT</b>	Value added tax
<b>WE</b>	Women Entrepreneurship
<b>WED</b>	Women Entrepreneurship Development

## EXECUTIVE SUMMARY

There are 125264 registered organizations operating Armenia, of which 98% are micro, small and medium sized enterprises, 2% are large. According to 2008 indicators, the 41.7% of GDP was elaborated through SMEs.

Among officially registered legal entities in Armenia there are only 700 women owned organizations.

### **The current survey objective was to:**

*Assess the opportunities of women entrepreneurship development in Armenia* based on previously implemented analytic reports, political-legal and normative basis, opportunities and issues in the conditions of current legislation.

- Describe the differences (if there are) of business environment influence towards men and women, who manage or own an enterprise.
- Discover the existing differences or risks in the field of women or men entrepreneurship.

In the field of doing business, there is equal legislative environment for both women and men. However, the women's participation in the state governance, economical and public life is still unbalanced in some indexes.

Women's and men's participation in political and contemplative positions is still unbalanced on the executive levels. Actually, only 2 of the 18 ministers, 2 of 65 vice-ministers, 1 of 10 mayors, 1 of 21 vice-mayors, 2 of 10 regional councils' employees are women.

In the same time it should be mentioned that actually there are no specific conditions or support mechanisms in the legislation in force for women and young businesspeople.

In the result of previous assessment, the answer to the question "Why women and men want to become a deputy?" showed that the majority of men is incited by the immunity status acquisition, the "roof" of his own business, the reputation and personal success. And what concerns women, they are intended to be self-realized, to make the state policy fairer and more human, to change the political atmosphere, to solve social issues.

The current Project survey was implemented through focus group discussions and by individual questioning on the basis of generic survey questionnaire provided by the ILO. It was localized to correspond to the business environment of Armenia, and included 28 questions. Due to the ILO Guide and the Terms of Reference of the Project, the survey was carried out in Yerevan, the capital of Armenia, as well as in urban and rural areas in Marzes (regions).

Considering the specifications of SME issues in regions, 67 SMEs in Yerevan (instead of 50) and 70 SMEs in Marzes (instead of 60) have been selected for the implementation of the survey.

Taking into account the variety of Marzes, 5 in total have been selected: Aragatsotn, Lori, Vayots Dzor, Gegharkunik, Tavush.

The following topics were analyzed:

- Problems of SMEs, that were observed before and disclosed by this survey, from the point of view of political, legal and normative base;
- Statistic data relevant to women business activity in RA;
- The survey's results in the following domains, based on the focus group discussion and 137 questionnaires:
  - SME crediting and financing
  - communication with the government
  - administrative systems and administration
  - corruption
  - shady economy / unfair competition
  - information sources on business
  - SME future development intentions
  - proposed reforms

In the result of the survey, the conclusions and recommendations are presented in the 3 main groups: Institutional/Policy Barriers, Supply-Side (Financial Institutions) Barriers, Demand-side (SMEs) Problems, which include important points below:

- *Government Strategy*: obtain national strategy (strategic program) of SME and, particularly, women entrepreneurship development for providing sustainable growth of SME sector
- *Monopolies*: implementation of equal competition policy in domestic market will stimulate SME development
- *Information asymmetry*: Creation of SME's data base centre will help to perform market research, segmentation and forecasting; improve quality of available statistics on SME's
- *Decentralization*: create effective mechanisms to enhance the development of SMEs outside of Yerevan to spread SME development to various regions
- *Specialization of financial institutions*: supporting the financial institutions highly specialized on the SME financing, including women
- *Educational opportunities*: develop appropriate training on entrepreneurship, SME management, marketing, international trading and finance. Particularly providing more wide training and technical assistance program for SMEs directed towards upgrading SME accounting capabilities and ability to create financial statements and business plans acceptable to local commercial banks, as well as towards the ability to make creditworthiness self-assessment to apply for a bank loan

# 1. INTRODUCTION

## 1.1. Background information

Transfer of the Republic of Armenia to market relations under conditions of economic structure reforms brought to new situations occurrence for labour relations in the sphere of employment. Transitional processes which define social and economic and social and political situation with its consequences are the same for all former Soviet countries.

Armenia has a strong history of sustained economic reform, the results of which have been an impressive growth record. Armenia has had the highest policy reform (CPIA) ranking of all IDA countries for the past several years, with its average economic cluster rating at 5.5. Economic growth accelerated after 2000, helped by a positive external environment and an improving business environment. Annual average growth rates of 12 percent were achieved from 2001 through mid-2008, which led to a fall in poverty from over half of the population in 1999 to about 25% and an even sharper fall in severe poverty from 21% to around 3%:

It is important to state, that in the situation of crisis, the Government has undertaken a range of temporary decisions in the Program of RA Government and in the verified main strategy, which is considered to be the main social-economic development platform – the Sustainable Development Program. Particularly, taking into account the influence of world economic crisis on RA's economy and population, the Government finds necessary to review some programs, as well as the Sustainable Development Program.

Economic branches at the transitional stage need to have such employees which will be able to carry out multifunctional jobs. Newly developing jobs and branches require higher level of skills from employees.

Women have certain psychological barriers to enter the entrepreneurship sphere. The attention and care of women entrepreneurship development will impact on women's integration into business and women employment, which will strengthen the role of women in the society, in the scope of gender equality.

As well as in other transitional economies as in Armenia unemployment level is especially high among youth (at the age of 15-24) in particular among women of this group and as well as women over 45.

The situation is particularly difficult for young women, whose unemployment level is twice more the unemployment among men (World Bank and NSS 2006). Due to NSS statistics, women unemployment is 3 times more than among men (women 56100, men 18800 in 2008).

At same time, employment statistics of NSS in 2008 are almost equal for women and men (women 546700, men 570900).

Duration of unemployment in Armenia is still huge, it takes about one year or more to find a job for two thirds of the unemployed. In 2006 more than 70% had status of unemployed within 12 months and average period of unemployment made 14.5 months, which points to depressive unemployment. Long-term unemployment is a serious issue, as the most unemployed looking forward to job are becoming passive, which in its turn brings to human capital loss and additional burden on social foundations and families.

Among officially registered legal entities in Armenia there are only 700 women entrepreneurs in the total number of 125264.

## 1.2. Survey objective

The development of women's enterprise contributes to:

- Economic growth: because of women's increasing prominence in the small-scale sector. Increasing the profits and efficiency of women's enterprises is therefore essential to growth within the small-scale sector and the economy as a whole.
- Poverty alleviation and employment creation: because women are generally poorer than men, spend more of their income on their families, and run more labour-intensive enterprises.
- Economic, social and political empowerment for women themselves through increasing women's access to and control over incomes and working conditions. This gives them greater power to negotiate wider economic, social and political changes in gender inequality.

### **The current survey objective was to:**

*Assess the opportunities of women entrepreneurship development in Armenia* based on previously implemented analytic reports, political-legal and normative basis, opportunities and issues in the conditions of current legislation.

- Describe the differences (if there are) of business environment influence toward men and women, who manage or own an enterprise.
- Discover the existing differences or risks in the field of women or men's entrepreneurship.

In the result of implemented studies and analysis, the women entrepreneurship development opportunities and issues in micro and small enterprises were assessed: Recommendations were provided in the scope of efficient directions of SME development, increase of SME competitiveness and creation of more workplaces, especially through women entrepreneurship development.



### 1.3. Implementing Organization

The survey, analysis and development of the final report is implemented by “Small and Medium Entrepreneurship Development Centre”, which represents the SME sector of the Republican Union of Employers of Armenia.

SMEDC has wide experience in SME development in Armenia, providing consultancy and training for start-ups and already operating businesses. The 70% of its members are women entrepreneurs, and this is why SMEDC has good understanding of women entrepreneurship issues (organization and starting of business, issues related with taking credit, etc) and can promote the development of the entrepreneurship culture among women.

### 1.4. Methodology

Taking into account the extent of the question studied, assessment of issues of different sectors, the following methodology has been implemented:

- Based on information provided by the National Statistical Service of Armenia (NSS), the current scale, size of enterprises, and breakdown of enterprises in Yerevan and in regions, sector belonging, as well as dynamic of changes by year in the scope of WED.
- Analysis of previously implemented reports, including those implemented by: the World Bank, UN's different establishments, USAID, EU, as well as local analytical centre, NGOs of women, employers associations, and Chamber of Trade and Industry.
- Analysis and assessment of business environment
- Assessment of economic situation and analysis of anti-crisis program thesis.
- Analysis of World Bank's *Doing Business* yearly reports and state governing quality assessment reports.
- Selection of information sources, elaboration and analysis of obtained information
- An analysis of political, legal and normative basis has been carried out to find out if women are equal participants of the business environment.
- A survey among women entrepreneurs based on a special questionnaire developed by ILO (see Appendix 1) through face-to-face interviews.
- With the help of specially developed questionnaires 135 respondents have been studied, representing women entrepreneurship operating more than two years in Yerevan and four regions (Aragatsotn, Gegharkunik, Lori, Vayots Dzor)
- Summary and analysis of opinions of consultants, involved in the survey and focus group discussion.
- Meetings with state, public and private institutions and their representatives, collect of opinions and recommendations.
- Collect of necessary materials from different publications (books, journals, periodicals, web-sites, newspapers)

## 1.5. Acknowledgements

SMEDC would like to thank the representatives of ILO Moscow office for financial contribution and collaborative human effort in the course of the implementation of the Project. We also want to thank ILO National Coordinator in Armenia for support and kind cooperation.

SMEDC also extends out thanks to numerous officials and representatives from the Government of Armenia and non-governmental bodies, RUEA and its staff, international and local organizations and the private business sector for the information provided during meetings, discussions and interviews.

## 1.6. Definitions

The SME units in Armenia are classified by the number of employees due to the Law on “Small and Medium Entrepreneurship State Support”.

*SME classification criteria*

Sphere	SMEs (by number of employees)		
	Micro	Small	Medium
Industry and other sectors of production	5	50	100
Construction and Power engineering	5	25	50
Science and education	5	25	50
Transport, trade and services	5	15	30

## 1.7. Relevant background information

Different materials and opinions have been used during the survey, in order to attach a complete meaning to the subject of the study and to support the précising of issues. They were collected in the results of meetings or telephone interviews with local government authorities, representatives from RA Government and ministries.

## **2. OVERVIEW OF THE NATIONAL BUSINESS ENVIRONMENT OF ARMENIA**

### **2.1. Government System in Armenia**

#### **The President**

The President of the Republic of Armenia is the head of State. The President ensures adherence to the Constitution and provides for regular functioning of legislative, executive and judicial authorities. The President is the guarantor of Republic of Armenia's sovereignty, territorial integrity and security. The President of Republic is elected by the citizens of the Republic of Armenia for a five year term of office.

#### **The Executive Power**

Executive power is exercised by RA Government. The Government is composed of Prime Minister and Ministers. Based on consultations held with National Assembly factions, the President of Republic appoints the person nominated by the parliamentary majority to be Prime Minister or - where impossible - the person nominated by the largest number of NA membership. The President of the Republic appoints and discharges members of government on Prime Minister's proposal.

#### **The Legislative Power**

The single-chambered National Assembly is the supreme legislative authority of the Republic of Armenia. The National Assembly consists of 131 deputies /75 of which are elected on the basis of proportional representation and 56 - majority representation/. The National Assembly is elected through general elections for a term of five years. Parliamentary elections were last held in 2003.

#### **The Judicial Power**

In the Republic of Armenia justice shall be administered solely by the courts in accordance with the Constitution and the laws. The courts operating in the Republic of Armenia are the first instance court of general jurisdiction, the courts of appeal, the Court of Cassation, as well as specialized courts in cases prescribed by the law. The highest court instance in the Republic of Armenia, except for matters of constitutional justice, is the Court of Cassation, which shall ensure uniformity in the implementation of the law. The Constitutional Court shall administer

the constitutional justice in the Republic of Armenia. The independence of courts shall be guaranteed by the Constitution and laws. The Constitution and the law shall define the procedure for the formation and activities of the Council of Justice. The Office of the Prosecutor General in the Republic of Armenia represents a unified, centralized system, headed by the Prosecutor General. The Office of the Prosecutor General shall operate within the powers granted by the Constitution and on the basis of the law.

## **2.2. RA Constitution, ratified conventions and other legal documents**

The Constitution of the Republic of Armenia guarantees the equality of Armenian people before the law. Any discrimination based on any ground such as sex, race, color, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or other personal or social circumstances shall be prohibited by RA Constitution, Articles 14; 14.1; 35.

The Republic of Armenia has ratified UN Convention on the “Elimination of All Forms of Discrimination Against Women”, as well as the Optional Protocol to the Convention.

During last years, The Republic of Armenia has ratified also a range of conventions of the European Council and of the International Labour Organization (ILO), such as conventions on Forced Labour, Minimum Wage-Fixing, Protection of Wages, Equal Remuneration, etc. The full list of conventions ratified by Armenia is presented in Appendix 4.

In 2007, Armenia presented the 3rd and 4<sup>th</sup> reports on the developments during 2002-2008 to the Committee on the “Elimination of All Forms of Discrimination Against Women”.

Any discrimination based on sex ground is prohibited also by the RA Labour Code, such as same salary for the same or equivalent work, same criteria on the work system qualification etc.

The above-mentioned analysis confirms that actually there is not certainly any element that will contribute to the discrimination against women in RA at the legislative, legal or normative levels. However, the women participation in the state governance, economical and public life is still unbalanced in some indexes.

**In the same time it should be mentioned that actually there are not specific conditions or support mechanisms in the legislation in force for women and young businesspeople.**

### 2.3. SME issues in Armenia

In 2008, the Department of Statistics recorded 125264 SMEs registered in Armenia, which comprise 98% of all legal entities and private entrepreneurs, and produce about 42% of country's GDP.

In Armenia, as in many other CIS countries, there are a number of challenges in the overall business operating environment which affect all economic agents and in particular SMEs. The major points of concern can be highlighted, as follows.

***Political and legal environment*** – The entire system is flawed, from initial drafting of laws to actually getting a ruling enforced. Enormous concerns are raised regarding the level of education and training of judges and court officials, interpretation of the Law, independence of the judiciary, corruption of justice, low capacity, and inability to enforce fair, binding and timely rulings. In such a setting, the population and especially MSMEs distrust the courts and prefer to operate in an informal fashion, avoiding government. There are few incentives for going legal.

***Unfair Competition*** – Because of the high cost of compliance and strong tendency to operate informally, those SMEs that try to operate legally, if only partly, suffer from unfair competition: where a competitor is able, by bribery or fraud, to avoid the costs of complying with the laws and official rules and thus can undercut those who try to comply.

***Shadow Economy*** – Most Armenian SMEs are having some legal operations and some in the shadows; few, if any, are wholly legal. The environment is not conducive to legalization. The Armenian economy is generally made up of very large concerns and micro, marginal enterprises, there is no real medium size enterprise segment. And those who are successful have political connections and protection.

***Access to Finance*** – SMEs are typically owner-managed and started with funds from friends and relatives, and this limits their growth potential. Many donor programs have looked at bridging various gaps to increase SMEs' access to finance. This includes various SME lending programs, micro financing, credit organizations etc. However, lenders demand more collateral for loans and impose onerous bureaucracy and high costs, particularly on new SMEs and start-ups.

***Human Resources Development*** – Armenia enjoys a relatively well-educated population, but the system fails to supply the skills necessary in a modern, market-driven economy. SMEs also rely on friends and family for their staffing needs, which can further constrain growth. Donor organizations, such as KfW, BFC, etc. are also working on providing various business skills, but usually lack coordination in their programs.

***Information*** – SMEs have poor access to information, either because they do not know where to find it or because there are vested interests against their accessing information. Often, SMEs are limited in their vision, being concentrated on a single buyer or seller or looking merely at

their local market and one product or service. There is lack of industry analysis and other comparative data publicly available for SME.

***Government Communications*** – There is no avenue for SMEs to voice their joint concerns or promote their joint interests. While there are various associations and SME supporting organizations, their activities are mostly fragmented and not coordinated. Government is generally deaf to business, except where personal connections exist. Government devises policy and laws in isolation, rarely consulting the community therefore failing to build understanding or support.

***Rural Specifics*** – All the above factors worsen as the distance from the centre increases. In the regions, problems are also recorded with rural space security, rural infrastructure, and rural production information. With a combined population of 768,000, rural territory represents nearly 25 percent of the entire population of Armenia.

***Infrastructure and Communication*** – Infrastructure is also a common problem and represents a significant burden to the supply chain. The highly urbanized and concentrated networks make those in the rural areas truly isolated. With poor roads, limited irrigation, communication means or low quality of internet and often no power, these areas are disenfranchised and unlikely to develop.

The low quality roads affect on movement in trade, so it is mainly concentrated in small areas, so businesses do not expand or develop to other areas. The low quality of internet and communication means affect on marketing, obtainment of information about business environment and legislation, creation of networks, etc.

### ***Supporting Start-up Businesses***

Most start-ups cannot afford to pay for support services, especially in developing and transition countries. They hope that their basic level of knowledge and their initial resources will be enough, however often it is not. There is a high risk of failure in start-up businesses, which could be mitigated with start-up support. Because SMEs cannot afford the services they need, Governments worldwide often enter the market to subsidize information and training for businesses that cannot afford it. Besides this, numerous donor projects provide some kind of business advisory and training services to SMEs.

### ***Government support to SME***

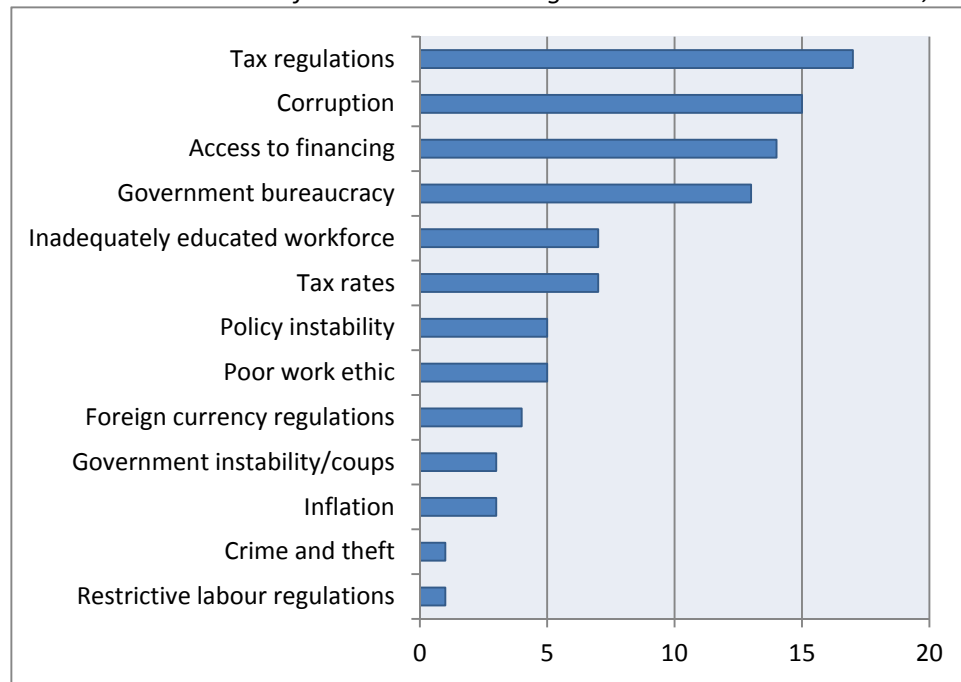
In Armenia, SME Development National Centre (SME DNC) of Armenia was established by Government in 2002 to promote a wide range of support services for start-up businesses, encourage self-employment and SME opportunities in areas of social or economic concern, and target growth in new markets. These government supported activities lower the costs of obtaining the knowledge and skills necessary for success. SME Development National Centre of Armenia's activities are targeted at:

- Ensuring a dialogue between SMEs and state
- Increasing efficiency and competitiveness of SMEs
- Ensuring availability of business development services for SMEs
- Expanding the financial opportunities for SMEs
- Promoting innovations and R&D activities of SMEs
- Assistance for establishment of new SMEs
- Supporting internationalization of SMEs' activities
  - Forming of favourable legal environment,
  - Promote creation and development of infrastructures,
  - Informational and consultative support,
  - Promoting external economic activity,
  - Supporting investment of modern technologies and innovations
  - Implementation of a favourable tax policy
  - Training of personnel
  - Creation of a simplified system for statistical and accountability reports

## **2.4. Analysis of previous assessments and reports**

The Government has carried out economic reforms based on a range of recommendations formed in the result of based on the analyses, conferences, workshops and social partnership projects (particularly projects implemented by RUEA with the support of ILO, “Capacity Building for Employers’ Organizations in Productivity and Competitiveness”, “Towards a national strategic plan for youth employment in Armenia”). In that regard, the business registration and licensing procedures have been improved, as well as the business legal environment, but it has changed the current administration insignificantly (still high bureaucracy, corruption, unequal competition), that is why the business environment seems difficult, especially for SMEs. Moreover, many SMEs have been in an unequal position relative to large enterprises, because of application of law on “Simplified tax” adopted in January 2009. Consequently, a share of SMEs has been gained by the large enterprises, which is favoured by the limitations of internal market. Various surveys have outlined the following issues:

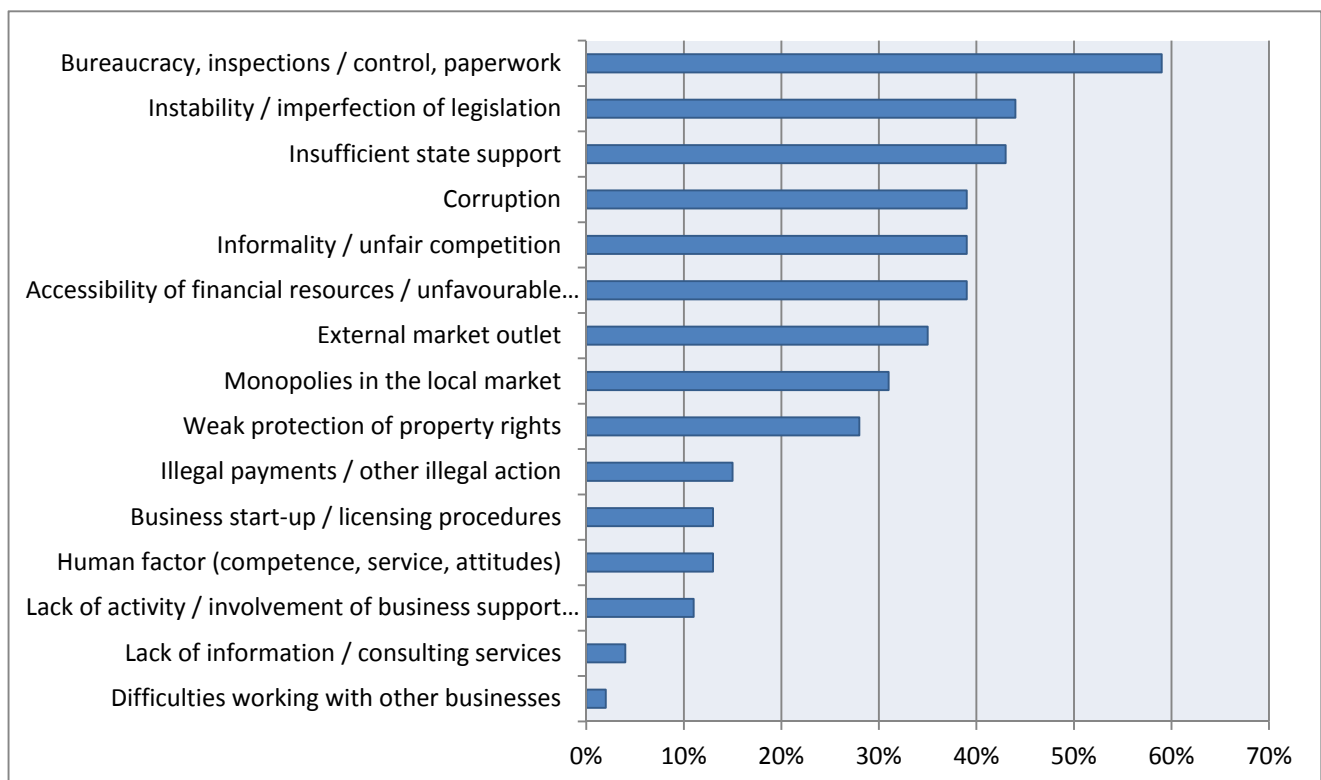
*Most Problematic Factors for Business According to the World Economic Forum, 2005*



Source: E&V / WEF

Among factors supporting business, the following have been underlined: business information, legal environment, customs and tax tariffs, qualification of personnel, etc.

Another survey shows other main obstacles of business. Again, bureaucracy, the legal framework, corruption and finance top the charts.





## 2.5. Summary of Business Environment

The summary of business environment in Armenia is presented below.

<b>Opening hours and days</b>	Most businesses operate five days a week. The usual opening hours for financial institutions, commercial organizations are from 9.00 am to 6.00 pm with a one hour lunch break at 1.00 pm. Retail stores' opening hours vary from their location and size but they usually open from 8.00 am to 9.00 pm on a 5 or 6 days basis.
<b>Holiday compensation</b>	When a public holiday falls on Saturday, companies close on the following Monday to compensate
<b>Tax year</b>	The tax year is the calendar year.
<b>Accounting reports</b>	<p>The presentation and preparation of financial statements should be performed in accordance with the Law on Accounting. The full package of financial statements includes:</p> <ul style="list-style-type: none"><li>➤ the balance sheet</li><li>➤ the income statement</li><li>➤ a statement of changes in equity</li><li>➤ a cash flow statement</li><li>➤ notes to financial statements.</li></ul>
<b>Accounting regulation bodies</b>	Government of the Republic of Armenia Central Bank of the Republic of Armenia
<b>Publication requirements</b>	All organizations with minor exceptions are required to submit their annual financial statements to the tax inspectorate.
<b>Certification and auditing</b>	<p>The "Auditing Standards" are based on International Auditing Standards which have been approved in 2001.</p> <p>For Joint-Stock companies, banks and insurance companies, the annual financial statements have to be audited by an independent auditor.</p> <p>For other companies, this step is not required</p>
<b>Nature of the tax</b>	Value Added Tax
<b>Tax rate</b>	20%
<b>Reduced tax rate</b>	According to the Law, some transactions and operations are exempt from VAT and some are rated at zero per cent. The difference between exemption and zero rating is that exemption does not compensate a seller for VAT paid and incorporated at earlier stages of the distribution chain; it only exempts the value added by the seller.

	<p>The list of deductions and exemptions can be consulted at the following website:</p> <p><a href="http://www.armeniaemb.org/BusinessEconomy/TaxCustoms/Taxes/IndirectTaxes.htm">http://www.armeniaemb.org/BusinessEconomy/TaxCustoms/Taxes/IndirectTaxes.htm</a></p>
<b>Other consumption taxes</b>	<p>Excise Tax: It is charged on the import of spirits, beer, wine, tobacco substitutes, crude oil, and carbohydrate gases (except natural gas). The tax is calculated on the basis of the quantity (volume), according to the rates mentioned in the Customs Code. However, the following categories are exempt from excise tax:</p> <ol style="list-style-type: none"> <li>1. goods imported into and further exported from the RA.</li> <li>2. goods which are imported by citizens in amounts that do not exceed the limits specified by the law on excise tax.</li> </ol>
<b>Company tax</b>	<p>20%.</p> <p>5% for non residents.</p>
<b>Main allowable deductions and tax credit</b>	<p>Many deductions exist in the Armenian corporate taxation system although the situation is going to change as the government tries to limit deductions possibilities.</p> <p>Still, the following expenses can be deduced for the calculation of the corporate tax:</p> <ul style="list-style-type: none"> <li>➤ material expenses</li> <li>➤ payments on the obligatory social insurance</li> <li>➤ depreciation allowances</li> <li>➤ insurance premiums</li> <li>➤ interest on loans and other borrowings</li> <li>➤ payment on guarantees, letter of guarantees and credit and other banking services</li> <li>➤ advertisement, representative and business trip expenses</li> <li>➤ expenses on staff recruitment, on audit, legal and other consulting, information and administrative service</li> </ul>
<b>Other corporate taxes</b>	<p>The main taxes in the Republic of Armenia are Profit tax (corporate income tax), Income tax (personal income tax), value added tax and excise tax.</p>

## Individual taxes

<b>Tax rate</b>	Monthly taxable income: AMD 0 to 80,000	10%
	Monthly taxable income: more than AMD 80,000	8,000 AMD + 20% of the amount exceeding 80,000 AMD.
<b>Allowable deductions and tax credit</b>	<p>Individual tax payers are subjected to the following deductions:</p> <ul style="list-style-type: none"> <li>➤ Personal allowance: 30,000 AMD is deducted from personal monthly gross income before calculating tax,</li> <li>➤ Income of military personnel is tax free,</li> <li>➤ Grant, property and cash received as inheritance, dividends, income from realization of agricultural productions, and insurance compensation are not taxed,</li> <li>➤ Contributions made to religious, public and other non-profit organizations (total contribution not exceeding 5% of the taxable income) are exempted from tax,</li> <li>➤ Scholarship and stipends paid to students and monetary &amp; non-monetary gains from lotteries are not taxed.</li> <li>➤ For royalties, leasing and interest income the income-tax rate is 10% without taking into account the deductions specified above</li> </ul>	
<b>Special expatriate tax regime</b>	<p>Income tax for foreigners is set as follows: 5% on insurance compensation and income from transport (freight), 10% on income from royalties, interests, lease payments, increase in value of property and other income received from Armenian sources.</p>	

## Intellectual Property

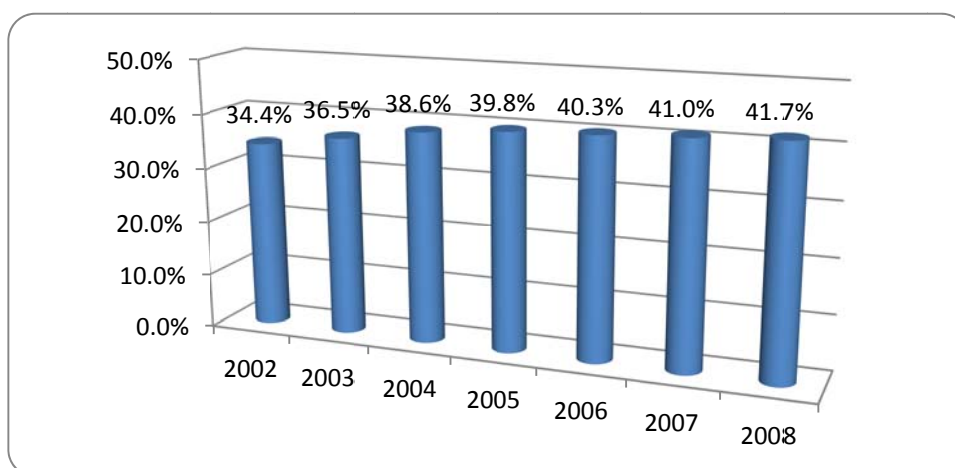
National organizations	The authority protecting the intellectual rights in Armenia is called <a href="#">Intellectual Property Agency</a> . It was established in March 2002 and works under the Ministry of Trade and Economic Development
Regional organizations	Armenia has signed regional and international agreements in terms of intellectual property such as the <a href="#">Paris Convention for the Protection of Industrial Property</a> , the <a href="#">Eurasian Patent Organization</a> , the <a href="#">WIPO Copyright treaty</a> , among others.
National regulation and international agreements	
Patent	20 years, when the patent was granted on a basis of a substantive examination (principal patent), or for 10 years, when it was granted without carrying out of a substantive examination (preliminary patent).
Law on Patents, 1999	

Trademark Law on Trademarks, Service Marks and Appellations of Origins	10 years initial period
Design Law on Patents (Industrial Property Legislation)(1999)	15 years.
Copyright Law on Copyright and Neighbouring Rights (2006)	The author's economic rights shall run for the whole life of the author and for 50 years after his death. The economic rights of the author holding copyright can be transferred by inheritance
Industrial Models Law on Patents	10 years.
National standards organizations	<a href="#">National Institute of Standards</a>
Integration in the international standards network	<p>The <a href="#">National Institute of Standards</a> (SARM) is a joint-stock company operating under the Ministry of Trade and Economic Development. Works on development and examination of Armenian (AST) and Interstate (GOST) standards, classification (AC) as well as scientific and methodological works in the field of standardization are carried out by the Institute.</p> <p>Activities on standardization and conformity assessment are performed according to the law on Standardization adopted by the Parliament in 1999, amended in 2004 and "On Conformity Assessment" adopted by the Parliament in 2004.</p> <p>In accordance with the Law, the national standards are voluntary, but a part of them contains mandatory requirements. SARM is a member body of ISO since 1996.</p>
Classification of standards	<p>In the Republic of Armenia, standards are classified into two types, those mandatory and those voluntary.</p> <p>For the preparation and application of standards, SARM follows the <a href="#">WTO agreement on Technical Barriers to Trade (TBT) Code of Good practice</a>.</p> <p>The greater part of the standards applied in Armenia are international and regional standards (GOST). GOST refers to mandatory standards applied in the former Soviet Union.</p>

### 3. OVERVIEW OF WOMEN ENTREPRENEURSHIP DEVELOPMENT

#### 3.1. Overview of SME sector

As a result of consistent policy pursued with regard to SME state support a dynamic growth of indicators defining SME sector has been recorded in the recent years. In 2008, the SME sector contribution to the gross domestic product (GDP) of the country has made 41.7% in comparison with 41% of 2007 and is twice as much as the same indicator of 1999. The SME sector input in the country's export volume has also increased and made 17% in 2008, versus 16.9% recorded in 2007 and 14.3% in 2003.



SME sector has a significant contribution to creation of new jobs in the country as well. The number of registered SMEs has made more than 20 ths in 2008, as a result of which about 27.1 ths of new jobs have been opened, comprising 51.7% or 14 ths in marzes and 48.3% or 13.1 ths in Yerevan.

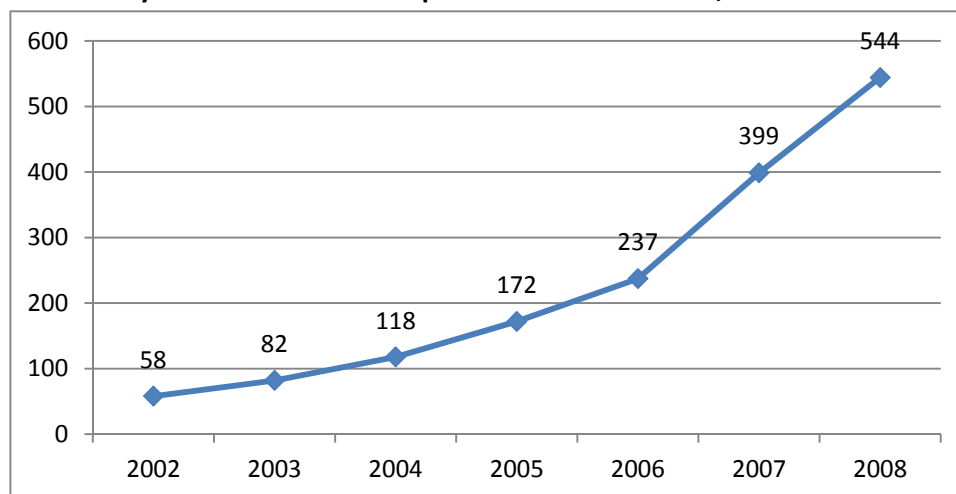
The SME Development Index, calculated by the UN methodology, constituted 544.0 in 2008, which is 9 times as much as that of 2002.

*Dynamics of SME Development Index in Armenia in 2002-2008*

Year	Share of private sector in economy (%)	Share of SME sphere in GDP (%)	Share of SME employees in total number of employed people (%)	GDP per capita (USD)	SME Development Index (For income per capita against GDP)
2002	81	34.4	28.2	739.9	58.1
2003	83	36.5	31.0	873.4	82.0
2004	84	38.6	32.9	1104.4	117.8
2005	84	39.8	34.0	1513.0	171.9
2006	84	40.3	35.1	1996.0	237.2
2007	84	41.0	40.7	2744.0	398.6
2008	84	41.7	42.1	3689.0	544.0

There is lack of specific data regarding WED in Armenia. The related data is presented in general statistics along with other indicators, but there is no specific chapter or part devoted to WED.

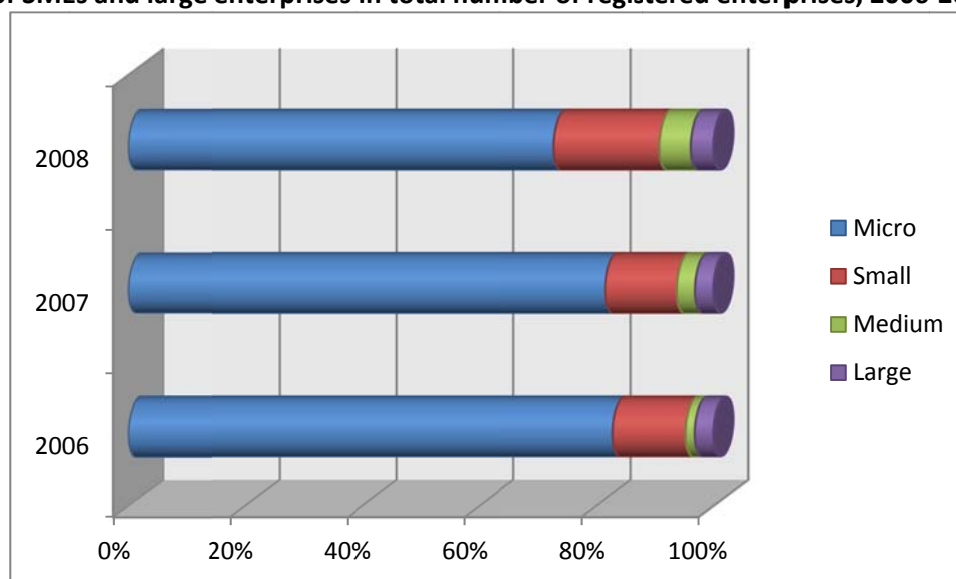
**Dynamics of SME Development Index in Armenia, 2002-2008**



**Distribution of registered SMEs by marzes, in percent, 2008**



### Dynamics of SMEs and large enterprises in total number of registered enterprises, 2006-2008

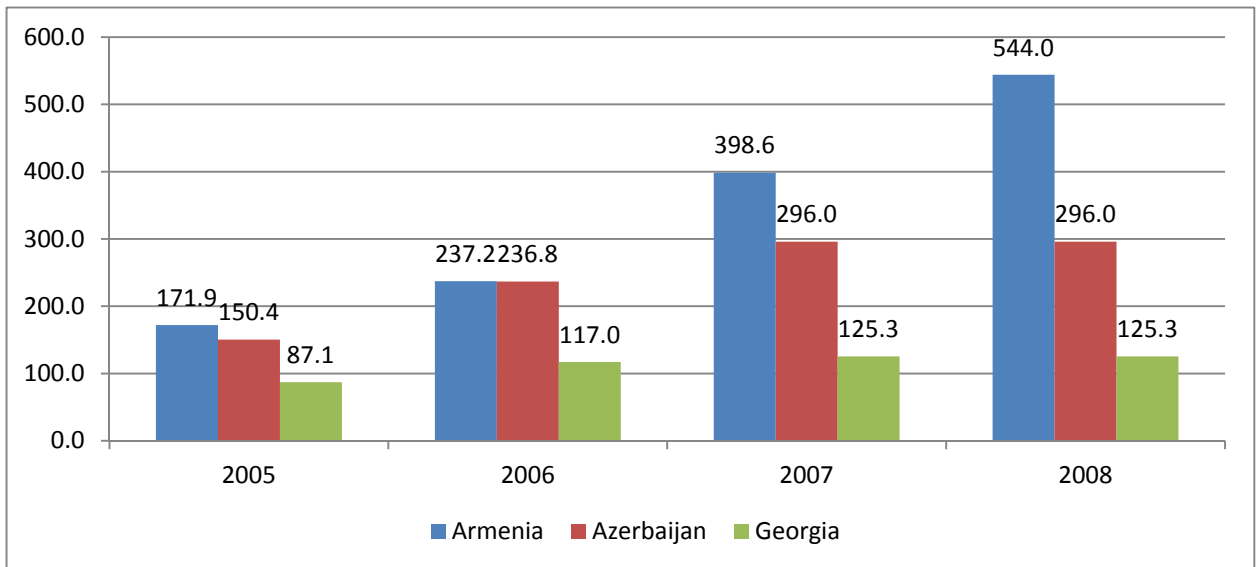


### Basic indicators of SME sphere in Armenia and in number of developing countries and/or countries in transition, 2006

Country	Share of private ownership in economy <sup>1</sup> (%)	Share of SMEs in GDP (%)	Share of the labour force of SMEs in the total labour force of the country (%)	GDP per capita (USD)	SME Development Index (Expressed in terms of GDP per capita)
Slovenia	65	56.5	62.6	17 000	4 208
Estonia	80	73.7	55.6	10 230	3 353
Lithouania	75	63.0	70.0	7 647	2 529
Croatia	60	56.0	65.0	8 750	2 229
Slovakia	80	45.3	66.0	8 796	2 103
Latvia	70	58.2	69.3	6 869	1 939
Hungary	80	36.9	56.8	10 811	1 812
Czech Republic	80	32.7	56.7	12 097	1 794
Armenia	84	40.3	35.1	2 844	398
Romania	70	55.0	21.0	4 544	367
Bulgaria	75	30.0	42.2	3 454	327
Azerbaijan	60	41.3	40.0	2 389	296
Georgia	70	29.4	32	1 776	125

### Dynamics of SME Development Index in Armenia, Azerbaijan and Georgia, 2005-2008

<sup>1</sup> EBRD "Transition Report 2006" Businesses in Transition

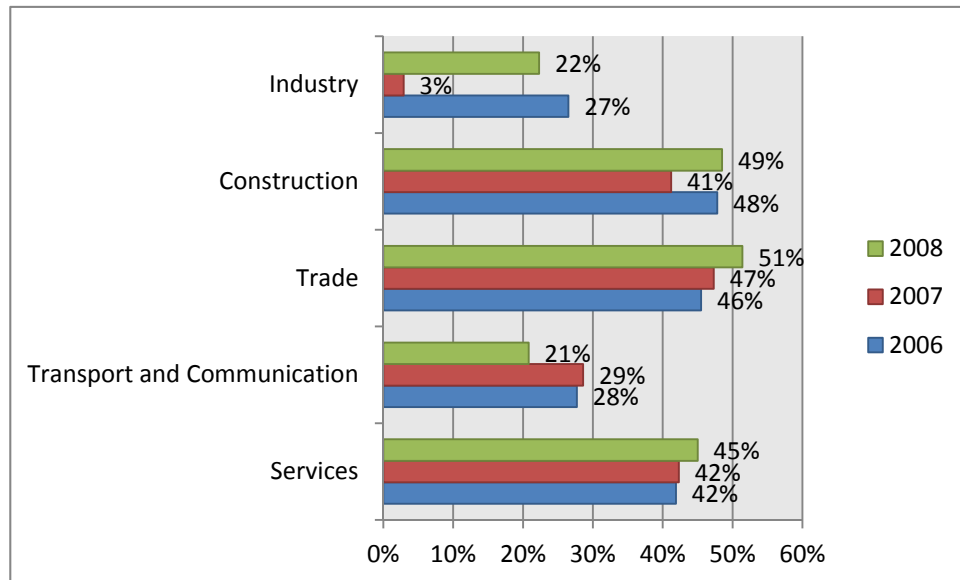


There are 125264 enterprises operating in RA, of which 98% are micro, small and medium enterprises. In 2008, the 41.7% of GDP was elaborated through SMEs.

The number of women entrepreneurs is around 700 (founded mainly by women entrepreneurs), which operate in Yerevan and regions. Their main field activities are: food production, trade and services, tourism and hotels, employment private agencies, power engineering (hydro-electro stations), etc.

As we can see in the table below, the SMEs are more active in trade, where the share of newly registered organizations is 90%.

***The share of SMEs in GDP in various sectors of economy, 2006-2008***





The share of SMEs is also high in the spheres of industry, agriculture and construction. Due to statistical information, we can state that the share, their importance and their influence on RA's economy is growing.

### **3.2. SME Development Priorities**

A range of conceptions for development of economic sectors are being adopted and implemented by the RA Government. In the scope of SME development policy, the role of conceptions on information technologies, tourism and the reconstruction of technopark<sup>2</sup> in Gyumri is important, as it is connected with SMEs. Besides, in the IT and tourism fields, there is great number of women entrepreneurs, who are both employers/sole proprietors and employees. This is why the Government of RA has declared the IT and the tourism sectors to be priorities, and supports the development of the sectors. It is planned to accent the development of ITC sector during 2009-2011.

#### **Information and Communications Technology Sector Development**

The Government considers development of an innovative and competitive knowledge-based society in the country among its highest priorities for the coming decade. Given Armenia's limitations in trade in goods due to its geographic position and its strength in human capital and high tech industries, such a strategy makes great senses so as to seize a portion of the global market of over \$200 billion in trade of IT services. In order to take advantage of this opportunity, the Government is conscious of the need to make dramatic improvements to its telecommunications infrastructure. This will require implementing policies aimed at strengthening the local IT and high-tech industries, while at the same time promoting the delivery of electronic services to businesses and the population at large. All these would constitute the pillars of the country's future e-society strategy, currently under design. Further improvements to the telecom sector should generate significant economic benefits, since good quality and affordable telecom services are essential both for promoting the global competitiveness of Armenia's economy and development beyond its main urban centers. Hence, part of the Government's e-society strategy will involve promoting the deployment of a national broadband backbone network to reach deep into the country, complemented with a universal service strategy to facilitate access to services in rural areas.

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<sup>2</sup> [www.ada.am](http://www.ada.am), [www.mineconomy.am](http://www.mineconomy.am)

### 3.3. Doing Business in Armenia, SME in Figures

Armenia ranking in Doing Business in 2009 and 2010

Ease of...	Doing Business 2010 rank	Doing Business 2009 rank	Change in rank
<b>Doing Business</b>	43	50	+7
<b>Starting a Business</b>	21	65	+44
<b>Dealing with Construction Permits</b>	72	75	+3
<b>Employing Workers</b>	62	57	-5
<b>Registering Property</b>	5	6	+1
<b>Getting Credit</b>	43	41	-2
<b>Protecting Investors</b>	93	88	-5
<b>Paying taxes</b>	153	151	-2
<b>Trading Across Borders</b>	102	136	+34
<b>Enforcing Contracts</b>	62	61	-1
<b>Closing a Business</b>	49	49	0

By the provisions of the year 2010, Armenia had a certain progress in the term of the business promotion: it raised to the 43<sup>rd</sup> place, instead of the 50<sup>th</sup>, the index of the previous year. Despite that, the trends of employment increase have been weak. It's worth mentioning, that official statistics of unemployment were 3-4 times less than the data provided by surveys implemented by the methodology of ILO. That is why, in developing countries ILO has launched the Decent Work programs, one of which priorities is the improvement of employment policy. In Armenia, the Decent Work has been launched for 2007-2011.

A progress has been registered in some categories as well. Armenia took the 65<sup>th</sup> place in 2009 in the term of doing-business. For the coming year, it is expected to raise this index to the 21<sup>st</sup> place. In the same time closing a business is also difficult: Armenia is in the 49<sup>th</sup> place, and there are not any positive changes envisaged for the next week.

Real successes were registered in the enterprises registration and licensing processes in Armenia, during last years. The advancement in the "Doing Business" rating system is conditioned by the basic reforms implemented in this sector. Although the business registration facilitated mechanism gives the possibility to form the principle of providing services through one window, there are still obstacles during a business registration, especially in the villages. Although on January 2009 the RA Civil Code reforms led to the implementation of a principle of cooperation regulated by civil-legal agreements (which means that the agreement registration in the village government office is sufficient), nevertheless, many abuses are registered, for example during the village co-operative societies registration. The imperfectness of the relevant legislation and the non clear definitions cause different interpretations that include other corruption risks. In the same time, contrary to the organizations registration

process, the organizations dissolution is more difficult and requires many resources. According to the RA legislation, an organization cannot be considered as dissolved without the examinations implemented by a relevant territorial fiscal body. This is a real obstacle, because the implementation of examinations takes long time, especially in case of small and medium enterprises. This also includes real risks of corruption. The RA legislation does not define within how many working days after receiving the request of dissolution, the examination should be implemented that makes difficult the business environment development

The working groups developed recommendations for legislative and administrative reforms to address the problems identified in the rounds of consultations, the most significant of which was Armenia's cumbersome taxation system. (Currently, a business spends an average of 958 hours each year preparing the required tax documents, according to the *Doing Business 2009* survey.)

### 3.4. Women Entrepreneurship Assessment

The importance of gender equality and equilibrium is really emphasized in Armenia, as due to the current assessment results, women entrepreneurs can play vital role in the development of Armenia's economy, especially in rural areas and regions. The Government has adopted a range of policies and international

"Gender equality is more than a goal in itself. It is a precondition for meeting the challenges of reducing poverty, promoting sustainable development and building good governance".

Kofi Annan

7th Secretary-General of the United Nations

conventions to establish gender equality, one of them is the Conception on Gender Policy (February 11, 2010 at Governmental meeting headed by Prime Minister). The Conception includes chapters on (1) governance policy and decision making, (2) social-economic, (3) education, (4) health, (5) culture and (6) trafficking. But it does not include a chapter on WED.

The right to equality is perhaps the most important human right. It is defined by all international agreements relevant to human rights. Contrary to the opinion widespread in the Armenian reality, it is important to underline that the gender equality refers not only the women. Instead of being concentrated on women or men-specific issues, gender equality refers both to the inequality between men and women. Thus, the gender equality is addressed to assure equal conditions both for men and women to make use of their rights. It is intended also to provide equal possibilities to participate in political, economical, social and cultural development and to equally use its results.

It is necessary to note that equality between women and men is one of the most fundamental principles of the United Nations Organizations. The UN Charter's main purpose is to reestablish the confidence toward the human basic rights, the individual dignity and value, man and women equal rights. The UN Charter's clauses relevant to equality between women and men were developed in many international documents on human rights.

Below are listed some Conventions relevant to gender issues:

- Convention on Maternity protection
- Convention on the night work of women
- Convention on equal payment
- Convention on discrimination (employment and occupation sector)
- Convention on workers with family responsibilities
- Convention on part time work
- Convention on home-made work

The Republic of Armenia has ratified two of the UN Conventions relevant to gender equality in world of work, as well as other relevant conventions: The Equal Remuneration Convention (No. 100), 1951 and the Discrimination (Employment and Occupation) Convention, 1958. It is important to note that the special agreements relevant to human rights and work are legal documents.

In addition, in 2000, the importance of gender equality was emphasized among the UN Millennium Development 8 goals and 18 term targets. Thus, the 3<sup>rd</sup> goal of the Millennium Development is addressed **to empower the gender equality and to promote women** and the 5<sup>th</sup> goal is addressed to maternal health. The existence of this goal proves that the international community has seen that gender equality and women's empowerment is essential for future and sustainable development. The 3<sup>rd</sup> goal of the Millennium Development is connected with all 8 goals, as gender inequality makes the implementation of the other goals impossible. In the practice, the implementation of these goals is impossible without eliminating inequality between women and men in terms of equal opportunities and treatment.

In addition, the Beijing declaration and Platform For Action (BFPA) adopted at the 4<sup>th</sup> World Conference on women in 1995 a primary strategy document for women's empowerment and gender equality. This document is addressed to eliminate all factors that create obstacles for women participation in economical, social, cultural and political domains, in the social and private life and on decisions making. This implies the necessity to define a principle on joint power and duties between men and women, which will function in the family, workplace and in the interstate and international context.

Although the creation of an authorized institution relevant to gender equality, the RA Labour Code and Social issues department on family, women and children issues, created in 1997, the mechanisms and legislation in force have seen no improvement. The reasons could be the ignorance toward the issues. Besides, in 1997-1998 it went parallel with presidential elections and other events, which did not promote the raise the issue. Then, starting from 2000 the Government much concentrated on entrepreneurship development in general: improvement of legislation, development of economy, etc.

Later, by the decision of the RA Prime minister, adopted in 29 December 2000, a Council relevant to women issues adjacent to the RA government was established. It functions on voluntary bases and is a consulting institution. Authorized persons of RA different ministries, RA NA deputies, representatives of state institutions and private and social sectors are among the Council members.

The most important measure undertaken for assuring women's rights in RA (April 2004) was the adoption of an Actions National Project (NP) relevant to women situation improvement and women role increase in the society during 2004-2010, The National project includes principles, priorities and directions relevant to RA women policy and is intended to solve the social-economical issues and to assure women and men equal rights and possibilities. The National Project consists of the following 8 parts:

- The assurance of women and men equal rights and possibilities at the level of decision-making and in social political life
- The improvement of women's socio-economic situation
- Education for girls and women
- The improvement of women health
- The elimination of violence against women
- The role of mass-media and cultural institutions on women's relevant issues cover and it the formation of model image of women
- The elimination of trafficking of women and girls
- Institutional reforms

In order to implement the National project, RA interested ministers, vice-ministers representatives of institutions adjacent to the RA government and regional vice-governors are appointed as NP representatives.

RA legislation, including RA Labour Code, RA Family Code and law on RA citizenship include some clauses that define women and men equality in the employment, payment, family sectors. But Armenia has not a special law what will define the general circle of gender equality and equal rights in all domains of the private and public life and at all levels.

Thus, from the legal point of view, RA legislation is based on the equality principles, which is guaranteed by RA Constitution. A range of international conventions relevant to women rights ratified by RA legislation, dominates to the national legislation clauses. But it is desirable not to leave the equality on paper, but to make it a reality.

There are many things to do in RA in order to assure women participation and presentation in the political domain. The women number in the legislative, executive and judicial powers is very small. Women account 8,6% of the RA National Assembly deputies. The same situation is in the executive institutions where there are only 2 women ministers and 3 women vice-ministers (only the 5 % of all ministers and vice-ministers) and 1 women in the position of a regional vice

governor. According to RA data in 2008, there was a women specific weight decrease among RA president and government staff. There are also time differences accorded by a woman and man in the employment different sectors. An Armenian woman allocates over 1 hour 44 minutes a day to the profitable (payable) work and a man about 5 hours 18 minutes. There are also differences on house work (non payable): a woman allocates over 6 hours per day, and a man over 1 hour 45 minutes. It is important to note that the situation is the worst in total communities, where the inequality is more evident even in cases when the men and women participation in the processes for getting money for the family is not strictly separated. In addition, credits are less available to women, due to the fact that their family properties belong or are registered to the men.

Women's participation in the business activity is low. The successful business women are in general not married or have a business registered on their name, but are not aware even of its activity nature. It was mainly stated by loan officers of bank and non-bank institutions, that specific credits designed for women run business only are took by women, but exhausted by men.

This is conditioned by a not united approach toward the persons correlated by the legislation. This is the case when the legislation should implement a clear and fair approach, in order not to create obstacles for women's business activities and not to violate their rights. These cases are present especially in the population services provision and in the retail trade sectors.

In the business sectors, women account the 16 % of all owners and directors. We should not forget also that in many cases it is conditioned by the presence of the correlated person institute. This means, that in the reality, the business is registered on a woman name, but she is not aware even of its activity nature.

Actually, the UN Yerevan office (UNIFEM<sup>3</sup>) implements researches in the scope of the „Gender budgeting, principles and tools” project. The project is addressed to implement the gender budgeting necessity in RA in the future.

In RA reality, women have serious economical and social problems. Although, no limitations are defined by the legislation. In the same time, there are not legislative privileges for women or young people. In these terms, the only clause defined by RA legislation is “to assist young participation in the political, economical and social life”.

*The fact that the national project aimed to improve women's situation and to raise their role in the society during 2004-2010 was adopted by the government without creating the necessary national mechanism and financial resources for its implementation, creates obstacles for the gender equality promotion. Many years ago, this question was discussed in CEDAW committees (Convention on elimination of any kind of discrimination against women) and in many NGO's analyses, but the government undertook nothing for it.*

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<sup>3</sup> United Nations Development Fund for Women

But it is necessary to note that there are not any precise mechanisms in Armenia to assist young people. Even business supporting projects don't include any clause relevant to women or young people privileges.

*The statistic data of 2008 mentioned below are the gender inequality confirmation*

	Proportion to total		Distribution by sex	
	W	M	W	M
Wage earner (employee)	55.4	64,0	41.1	58.9
Employer	0,1	0,9	10,3	89,7
Own-account worker	36.2	31,7	48,0	52,0
Contributing family Member	8,2	3,1	67.8	32,2
Member of producer cooperative	0,0	0,1	4,8	95.2
Other	0,1	0,1	38.4	61,6
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>44.7</b>	<b>55,3</b>

According to data provided by RA Justice Ministry's State Register, 59192 juridical persons (including all kinds of organizations) and 66122 individual entrepreneurs were registered. There is no specific data available on women entrepreneurship statistics.

The number of women-owned enterprises reaches around 700, which are mainly operating in trade and services sectors, meanwhile men-owned business make around 5700 enterprises.

The individual product volume, produced during 2008, formed 658.6 milliards AMD, the 77.7% or 511.6 milliards AMD of which is the share of the big organizations. The portions gained by small, medium and very small organizations were correspondingly 6%, 14.7% and 1.5%. The big organizations that formed the 5.4% of the organizations total number, assured over 70% of the

*"...Women have become the engines of global growth over the past decade, according to the Economist magazine. This is especially true in East Asia... In the Philippines, 89 percent of companies have women in senior management positions. China, Hong Kong, Indonesia, Taiwan, and Singapore follow closely in terms of women in top jobs. Even in India, where more than half of all girls and women are illiterate, a higher share of women hold senior management positions than women in countries such as Germany, the Netherlands and Portugal. In Europe, the percentage of women on corporate boards remains in single"*

Source: [http://blog.doingbusiness.org/women\\_in\\_business/](http://blog.doingbusiness.org/women_in_business/)

employment in the industry sector and the 78% of the released product. The portions gained by small, medium and very small organizations were correspondingly 94.6%, 30% and 22%<sup>4</sup>.

In 2007, women accounted the 48.1% or 530.1 thousand people of the employed people's total number. Women employment level varies between 8.4% (electricity, gas, water production and distribution) to 76.3% (Health protection and social services provision).

According to the data of the year 2007, men's leaders' nominal salary was 189298 AMD, and women's salary was 106108 AMD.

<sup>4</sup> Social-economic situation of RA, 2008 January – December, RA NSS, 2009, page 17

According to the summarized results, men formed 53.6% and women 46.4% of the economically active population. The same indexes in the rural communities are correspondingly 61.7% and 38.3%.

The 34.7% (96.8 thousand people) of 279000 women employed in the private sector were hired employees, 0.3% (700 people) were employers; the 37.4% (or 104300 people) were self-employed, and 27.7% (or 77200 people) were a family member without a payable work. Unfortunately, the actual information does not give the possibility to have an idea on women's employment, by rural and urban communities and employment status.

The main difficulties for women while setting up their own business may be the capital and credits acquisition, lack of the experience, legal field imperfectness, maintenance of the new technologies, territory and its leasing, the lack of qualified and experienced personnel etc.

Numerous studies implemented by RA Economy ministry, showed that the women business activity is developing rapidly. The total number of men individuals entrepreneurs, officially registered is 74%, and for women, this index rates to 26.0%. Women's main activity is implemented in Yerevan.

It is difficult to determine whether businesswomen are working in the economy's formal or non formal sectors. This refers especially to self-employment. According to the NSS researches analyze, only 5.2 thousand among 182.2 thousand self-employed women are working in a formal sector, and 176.3 thousand women are in a non formal sector. It is necessary to note that the main part of self-employed women is involved into agricultural production.

Small and medium enterprising activity is still in the development process in RA, there are no favourable conditions for the business activity development, an effective fiscal and legal field is missing as well. All these factors impact the women economical possibilities promotion. The factors that create obstacles for women business development are the following: the imperfectness of the financing and crediting mechanisms and investments system, the presence of gender prototypes, and the absence of interest from the authority part toward the women business activity development, the corruption and the administrative abuses. The administrative staff has a negative disposition to women's business, because the state authority is mainly formed of men staff, and there is a psychological pressure while accepting a bribe from the women. It is difficult for a woman to offer a bribe to the above mentioned persons as well.

Taking into account the above mentioned issues, RA government is intended to expand women's business activity. Especially, it was proposed to:

- Implement appropriate measures in order to promote small business development by providing them with the international donor organizations resources and by organizing special business trainings for women;



- Implement projects on women poverty reduction, especially micro-crediting projects with privileged conditions, in order to assist women small and medium business promotion;
- Implement projects intended to assist the house-working and craftsmanship promotion in rural communities, as well as to stipulate women participation in social economical development processes in the villages;
- To implement projects addressed to the poverty reduction of women in villages, in the scope of the sustainable development/poverty reduction strategic paper project, especially micro-crediting projects with privileged conditions.

It is necessary to note that women's business activity is developed and implemented in sectors that traditionally have a "feminine" nature. Actually, it is difficult to determine the real scales of women's business activity, as the majority of business women are working in non-formal sectors. **Although the legislative field is the same both for men and women's business activity development, businesswomen are confronted with discrimination, especially in regions.**

The discrimination against business women has the following levels or expressions:

- Partners (other performers of the business community) attitude. In this case, representatives of different business sectors have discriminative attitude: no cooperation with business women, no provision of credits. etc
- Consumer/client attitude: this is the case when there is a real contact with the consumer. Employees have sometimes prejudices when a man does not like working with a woman.
- Discrimination from the state representatives' part. Very often, representatives of fiscal, custom or other institutions don't want to cooperate with business women, create obstacles for them etc.

The imperfectness of the legal base, financing and crediting mechanisms, investments system, the presence of gender prototypes, the absence of interest from the authority part toward the women business activity development are real problems for women business development<sup>5</sup>. In RA, the legislation field and other condition are far to function perfectly, in order to assist business activity development (shady economy, patronage, monopoly). From this point of view, both men and women have the same difficulties, but as it was stated above, there is a special factor that impact women business promotion: the existing prototype on woman role in the society and the lack of favourable social environment for the woman business promotion, which is expressed by the negative attitude from both from the state authority and the

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<sup>5</sup> G. Hovhannisyan "Gender issues of labour market", N21, 2005, page 133

corresponding financial and other institutions, and by a non confidence toward the women entrepreneurial skills<sup>6</sup>.

The property right both for men and women are equal in RA Constitution, but in the reality, the father, brother or husband possess the property which legally belongs to the woman. In case of having no property, it is impossible to take a credit or to set up a private business without father's or husband's permission.

The researches implemented in some RA regions showed, that business women have difficulties to get the necessary information, they are not aware of their rights and possibilities (training, credits availability). The activity of state personnel engaged in the employment issues is very superficial. Both employed and unemployed women criticized the organized training courses, because they were superficial, theoretical and useless<sup>7</sup>.

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<sup>6</sup> Gender equality and possible expansion of rights of women and men in Armenia, RA Institute of Labour and Social Studies, 2008, page 66

<sup>7</sup> Strengthening and collaboration of women, OSCE, Yerevan, 2007

## 4. THE POLICY, LEGAL AND REGULATORY FRAMEWORK

### 4.1. Registration of Business

#### Legislative aspects of starting a business

In order to launch an entrepreneurial activity in the Republic of Armenia, an entrepreneur should be registered as a commercial legal entity (LE) or sole proprietor (SP).

In Armenia the most common types of commercial companies are individual entrepreneurs - with other word sole proprietor (SP) -, limited liability companies (LLC) and joint stock companies (JSC). In addition to these, according to Civil Code of RA legal form of the entrepreneurial activities might be also general partnership, limited partnership and commercial cooperative. According to Armenian legislation, an enterprise or entrepreneur may not conduct business without a registration certificate from the State Registry. An entrepreneur should be registered as a sole proprietor (SP) or a commercial legal entity (LE).

**An Individual Entrepreneur/Sole Proprietor** - is a person who has the right to implement activities, independently on his/her behalf and at his own risk, without forming a legal entity, the main purpose of which is to gain profit (income) from using property, selling goods, performing works or delivering services.

Individual entrepreneurs can be the citizens of the Republic of Armenia and foreign citizens with capability, as well as those persons without citizenship, whose right of being engaged in entrepreneur activities is not limited by law.

**A Limited Liability Company** - is a company founded by one or several persons with a Charter Capital divided into shares in amounts as determined by the company's charter LLC is a commercial organization with status of a legal individual. It should have a separate property in ownership and shall be liable for its obligations with this property; it may acquire and exercise property and personal non-property rights, bear duties, be a claimant or respondent in court.

**A Joint-Stock Company** is a commercial organization, a business entity the equity of which is split into a certain number of shares certifying the right of shareholders. JSC is a legal entity, which has property that is separated from that of its shareholders. It may obtain and realize, on its behalf, property and personal non-property rights, bear responsibilities, and act as a claimant or respondent in court.

To start the process of **SP registration**, there is a need to pay 3,000 Armenian Dram (AMD) as a state duty to the appropriate account in any bank. This should be followed by the steps of filling in and submitting the registration application; the application form can be received at the State Register Agency of Legal Entities (State Registry) of the Ministry of Justice. After considering the application, the state register can refuse or accept the registration. In the case of refusal, the State Registry should give a written explanation during one working day after receiving the

application; in case of acceptance, ratification should be made during two working days, after which the registration certificate is handed over.

In order to start the **LE registration** process, there is a need to pay 5,000 AMD to any bank as a state duty to register the name of the company, as well as to pay 12,000 AMD to the appropriate account to register the company at the State Registry. Decision on the acceptance or refusal of the company name is made during two working days. Thereafter, the application form, the charter sample, and the sample of the foundation protocol of the founders' meeting can be taken from the State registry.

Using the exemplary forms of the documents mentioned above, there is a need to convene a founders' meeting, to adopt a decision about the establishment of a LE, to make the protocol of the meeting, as well as to prepare the foundation document the charter. The minimum amount of Charter Capital is not determined for commercial company registration.

Having obtained all necessary documents, a registration application must be submitted to the State registry, after which, during no more than five working days, either the company's registration certificate should be given or the written response about the registration refusal and the reasons of it.

The laws mentioned above have been analyzed to their implications on women and men and there are no gendered aspects in registration processes.

The legal foundations of the commercial enterprises of the RA are established by the Civil Code of the RA (adopted on 28 July, 1998, effective from 1 January 1999). The legal and procedural norms have been established in more detail in the following pivotal legal acts of RA:

- The law on "Sole Proprietorship"
- The law on "Limited Liability Company"
- The law on "Joint stock companies"
- The law on "Firm Names of companies"
- The law on "On state registration of legal entities"
- The law on "Licensing"

According to the RA Code of Administrative Violations, illegal entrepreneurship is fined by 15 to 30 times of the minimum monthly salary (article 169); as well as according to the RA law on "Taxes" it is fined at the rate of the half of the profit generated in the result of illegal entrepreneurship (article 26).

## **The organizational-legal types of company registration**

The current survey showed that main legal types that are present in women entrepreneurship are presented below.

According to the RA legislation, a citizen wishing to engage in entrepreneurship is entitled to create companies or participate in their activities. The citizen is also entitled to engage in entrepreneurial activity without establishing a LE if he/she has already been registered as a SP.

The SP is a person who has the right to engage in entrepreneurial activities independently, on his/her behalf, at his/her own risk without establishing a LE. The SP has full liabilities, namely, the SP is accountable for his/her liabilities with his/her property.

The LE can be viewed from different standpoints based on certain criteria. The purpose of the LE activities, composition of the founders, and nature of the participants' right can be considered as such criteria.

The LE-s, according to their purposes, includes for-profit or commercial organizations and not for-profit ones that do not distribute the generated profit among the shareholders or non-commercial organizations.

**LE as commercial organizations** can be established in the form of commercial partnerships and companies. To be considered as a commercial partnership or company, a commercial organization should own its authorized share capital consisting of the shares of the founders. The property created due to the deposits of the participants, as well as obtained or produced in the course of the activity of the commercial partnership or company belongs to the latter on principle of ownership. Commercial partnerships can be created in the form of limited or full partnership. Commercial companies can be established in the form of limited companies or ones with supplementary liabilities, as well as joint stock companies.

**Cooperatives**, depending on the nature of their activities, can be for-profit or not for-profit organizations.

Despite that the agribusiness was not in the scope of the current survey, we would like to mention that the current legal types can be particularly interesting for women entrepreneurs operating in agriculture sphere.

**The commercial partnerships are as follows:**

- In the basis of establishment of a **full partnership (FP)** lies the wish of several persons and LE-s to unite and run their activities jointly; an important point is that it must be done by uniting the capital and establishing independent commercial companies, namely, the FP participants can be only the SP-s and/or commercial organizations. The latter can only be part of one FP.
- **Limited partnership (LP)** is also a type of unification of several persons and their capital. The participants of this type of partnership consist of two groups - full partners and contributors. The former engage in entrepreneurship on behalf of the partnership and

are accountable for the partnership's liabilities with their whole property; it means that the legal regime of the participants of this group completely corresponds to that of the participants of the FP. The second group, the contributors make their deposits and carry the risks connected with the partnership activities to the extent of their investment, not participating in entrepreneurship activities implementing by the company.

## Companies

- **Limited liability Company (LLC)** is the most widespread type of entrepreneurship at present. The LLC is a company founded by one or several persons the authorized share capital of which is divided into shares according to the rates established by the company statute. The founders of a VUC can be both persons and LEs. The LLC can be established either by one or by several persons. The number of the participants should not exceed 49 people. Otherwise, in the course of one year it should be restructured into a joint stock company; after that period it is subject to dissolution by a court decision. The LLC is characterized by a number of features. For instance, the participants are not accountable for the companies responsibilities and carry the risks connected with the company's activities to the extent of their investments; hence the name "limited liability, derives from this nature. As a LE with limited liabilities the LLC becomes the owner of the assets contributed by the founders in the form of investments. As soon as the participants make their investments in the company's authorized share capital, they lose their ownership rights toward these assets.
- **Supplementary liabilities company (SLC)** is established by one or several persons, and its authorized share capital is divided into shares according to the proportions stipulated in the company statute. The SLC is different from the LLC due to the nature of liabilities of the participants; if the company assets are not enough to meet the demands of the debt owners, the participants of the SLC can be additionally held solitary. However this type of responsibility has its boundaries. It does not refer to the whole property of the participants but only to a part of it; as specified in the company statute, the level of responsibility is equal for everyone and defined by the same multiplier applied to all investments. The founders can be both persons and LEs. In general, if we push aside the liability characteristics of the SLC, this form of companies can be viewed as a type of LLC, since, by definition, it is the LLC legislation that is applied to SLCs.
- **Joint Stock Company (JSC)** is a commercial organization type of company the authorized share capital of which is divided into a certain number of shares assuring the liability commitment towards the company. The participants of the JSCs are not liable for the company's responsibilities and carry the risks connected with the activities of the company to the extent of the value of their shares. A JSC can be established by or consist of one person in case if all shares have been obtained by one of the shareholders. The JSCs can be classified in two types – open joint stock companies (OJSC) and closed joint stock companies (CJSC). The OJSC launches the processes of open subscription for and free sale of their shares. The shares of CJSC are distributed

among its shareholders only, the transfer of shares to other individuals being prohibited.

- **Production cooperative** is a commercial organization engaged in entrepreneurship. It is a voluntary alliance based on the membership of citizens and LEs and created to meet the material and other needs of its participants through the unification of the members' share payments in the form of assets. A specific trait of the cooperative is that it is not only an alliance of capital but, rather, a union of people aimed at joint activities. The management of the cooperative is based on the principle "one member – one vote" which means a complete equality for all members in the matters of governance. The top management body of the cooperative is the general meeting of its members. If the cooperative suffers losses in the result of its activity, the members have to cover these losses by additional payments within two months after approving of the yearly balance. In case of failing to discharge this liability the cooperative can be dissolved by a court decision through the demand of the debt owners.

In the Republic of Armenia the most wide-spread types of commercial organizations are LLC and JSC. Foreign individuals and LEs can establish companies and participate in them on equal terms with the citizens and LEs of the RA. The foreign investors register their companies/activities in the RA mainly in the form of LLC and JSC.

Registration of commercial organizations is carried out according to the RA law on "State registration of juridical persons", adopted on 03.04.2001. The list of necessary documents and actions is provided in the booklet "How to register your business", from page 12 - 17.

Registration and accounting of the commercial organizations' firm names are carried out, according to RA law on "Firm names", adopted on 10.06.2008. According to Article 7, the claim for a firm name registration is presented to the State Register.

*The firm name registration claim includes*

- 1) the firm name, its abbreviation or brief form(if any), the name or nomination of the applicant, his location (address)
- 2) the explanation of the firm name, in case it is not clear in Armenian language

*The following documents need to be attached to the claim*

- 1) the name (full name, its brief form or pseudonym) of an famous (well-known, popular) person can be used in the firm name only if it's agreed with that person or his/her heirs, in case of his/her death.
- 2) Letter of attorney, if the claim is presented by a person authorized by the applicant
- 3) The payment order of the state taxes, as defined by the law

A commercial organization can promote separate kinds of activities, the list of which is defined by the RA law on "Licensing", adopted on 30.05.2001. In case the commercial organizations charter or its state registration certificate, as well as the individual entrepreneur's state registration certificate do not include information on its activity kind, this fact cannot be a reason to reject the claim for getting the license.

Activities, liable to be licensed, can be given the following licenses:

1. license given by a simple procedure
2. license given by a compound procedure

The analysis of Armenian legislation on legal types and the current survey showed that LLC (limited liability company) is more objective-convenient for WED, as it provides more opportunities to get credits from banks, as well the liabilities are limited. The EBRD BAS (Business Advisory Services) program for WED gives preference to LLC.

There are no specific challenges for women in registering business by Armenian legislation, but other issues could be present such as collateral, required document obtainment (husbands being owners of properties do not support or issue permits), etc.

## 4.2. Licensing

In order to engage in some types of activity, the SPs, individuals and commercial LEs should obtain a license - an official permit confirming the right of conducting the given type of activity as well as an official document verifying that right. The license is valid for the whole RA territory. The RA Civil Code has specified certain fields of activity in which a LE can engage only in case of obtaining a special permit (license).

The types of activity subject to licensing are defined by RA Law "On licensing," adopted on May 2001 except for the sphere of mining which is regulated by the RA subsoil assets legislation and the law "On granting the right for research and mining of mines-and-carriers for mineral wealth exploitation" (on granting concession).

According to RA law "On licensing," there are two forms of license for activities subject to licensing:

- a. licenses granted by a simple procedure (simple license)
- b. licenses granted by a compound procedure (compound license)

In 21 spheres of economy, 111 types of activity defined as subject to licensing are classified.

A **simple license** is a permit for engaging in a certain type of activity. It defines the requirements and conditions to be considered during this activity. Control over the



consideration of these requirements is implemented by the Laws of licensing and relevant fields.

Only 13 from 111 types of activities subject to licensing are licensed by a simple procedure. At the same time it is evident these 13 types of activities in practice cover a significant part of the economic life.

Simple licenses are given by the RA Ministry of Finance and Economy, according to the procedure and conditions defined by the RA Law "On licensing":

- The simple license is granted within three days after submitting required documents,
- The simple license is granted everlastingly,
- The simple license is granted without a decision from the licensing committee,
- The licensee is entitled to engage in the activity subject to licensing only on condition that the necessary requirements and conditions of the license are considered.
- Before engaging in activity subject to licensing, the individual granted a simple license is obliged to send a written message indicating the name and location of the licensee LE, the first name, surname and address of the licensee person or SP, as well as the location of their activities subject to licensing (there should be mentioned if, according to the law, the activity subject to licensing should be conducted only in an appropriate area) as well as the terms of license validity, and the launching day of the activity subject to licensing to appropriate bodies defined by RA government.

**Compound license** is a permit granted according to the licensing procedures established by RA government for engaging in a certain type of activity; it defines the binding requirements and conditions to be considered during this activity. The control requirements is implemented by the laws on licensing and others regulating different spheres of activity, "The cases of license abolitions" (article 36), "On the discontinuing of license" (article 37).

The essential difference between the simple license and the compound one is that the procedure of granting the latter requires the discretionary decisions made by the sphere licensing committee.

The list of bodies in charge of granting Compound licenses is defined by the RA law "On licensing," and the granting of the absolute majority of the licenses is subject to this procedure. The Compound licenses are given according to the following requirements and conditions defined by the RA law "On licensing":

- Within 30 days after submission of all necessary documents (if there are no other statutory requirements by the Law),
- They are granted everlastingly (if there are no other statutory requirements by the Law),
- In cases specified by the RA law "On licensing" the compound can be given by a competition held in conformance with the existing standards of licensing,

- The compound licenses are given on the basis of decisions made by the F:' licensing committees of appropriate licensing bodies (established by RA Law "On licensing"),
- Decisions of the licensing committees should be made and presented according to the quite detailed procedural rules and subsequently in conformance with the maximum detailed standards worked out by the licensing committees, as defined by RA Law "On licensing."

Application for a simple license can be rejected in a written form within three days following the record of the application at the licensing committee. The written rejection of the application for a compound license can be given within no more than 30 days after the record of the application at the licensing body only if there are no other statutory specifications. The decision to reject the license application should clearly indicate the legal grounds of the rejection.

According to RA Law "On licensing," if the license application is not rejected within the specified time and the applicant paid the state tax by regulations stipulated by the law in accordance with established procedure and represented the verifying payment document to licensing body, so the latter is obliged to give the license to the applicant within 5 days, and after that the applicant has a right to start the activity.

### 4.3. SMEs and women's promotion strategies description

In the Republic of Armenia, the relations in the SME sector are regulated by RA law on "SME State Support", adopted on December 2000. This law regulates the criteria on small and medium business institutions, the main directions of the state support and the principles of the state policy implementation. Despite the support, still many women entrepreneurs and SMEs are not aware of their rights and they are not successful in enforcing them. That is why the current survey emphasized the issues of informing women entrepreneurs. From the other hand, the consulting services and lawyers are costly; anyway SME supporting organizations (such as SMEDNC) provide some co-financing or free support.

The belonging of organizations involved in many activities to the SME institutions is defined by the criteria of the dominant activity. Credit, insurance and investments organizations, pawnshops, professional participants of the market currency, casinos and institutions involved in the winnings games activity, as well as subsidiary and suspended economical companies are not included into SME institutions.

**Social goals:** The SME situation directly influences on the social situation and on the social policy of the state, as the 20% of employees are employed in micro and small enterprises. MSMEs provide the 41.7% of GDP.

**Political goals:** The policy carried out by the state in all domains pursues certain political purposes and has relevant consequences. Especially, SME domain development will directly influence on the formation and reinforcement of the middle section of RA population as a sustainable guarantee of the civil society. The business development will lead to the reinforcement of the economical potential, to the increase of the state international reputation. The implementation of a territorial economical policy will reinforce the Armenia frontier regions.

SME development state policy is based on the basic principles of the RA economical policy. According to the RA law on "SME State Support", the government develops annual projects, financing from the RA budget. According to the same law clauses, "SME Development National Centre of Armenia" established in 2002, assumes the responsibility of these projects implementation. This is a non commercial state organization, having the status of a juridical person. These projects are intended to increase gradually the SME role in the social-economical life and in the territorial sustainable development.

SMEDNC participates to the SME domain coordination and regulation processes, implemented by the state, by presenting relevant proposals to the RA government. The centre implements the following projects for the SME institutions, defined by the RA law on "SME State Support" financial and investments assistance to SMEs, credits guarantees provision function, assistance

to SMEs on leasing services; provides consulting and information services, develops educational projects, organizes and implements trainings and formation for the SME domain personnel

The commercial organizations and individual entrepreneurs, included among the list of the SME institutions, defined by RA law on “SME State Support” can make use of the credit guarantees. The credit guarantees maximum deadline is three years. The crediting guarantees sum, provided to the SME institutions cannot exceed the 70% of the credit obligations (credit sum and percentages) and 10 million AMD.

In the scope of the SME state assistance annual projects, the preference is given to the assistance of SME institutions, involved in the production domain, using innovations and high technologies, with foreign potential, as well as to young people, women etc. Besides, the projects main part is implemented outside of Yerevan, in RA regions, especially for SME institutions in far and frontier residences.

The RA SME DAO branches are established in RA all regions, by forming a regional network of SME DAO, and some representatives in regions, based on their regional specificities and significance. In order to assist the innovations and new technologies investment, that have a particular significance under the marketing economy conditions, a techno park has been established in Yerevan, in 2004. The techno parks are very convenient for the SME institutions involved in the industrial or high technologies domains where the usage of new technologies and new scientific developments is very important for the production or industrial processes improvement. This is mutually profitable both for scientists and businesses in terms of experience exchange and skills, when the scientific projects can be invested in the entrepreneurial activity, and businessmen can make use of the scientific developments.

### **SME Development National Centre of Armenia**

“Small and Medium Entrepreneurship Development National Centre” Fund (SME Development National Centre of Armenia) was established by the Government of Armenia in 2002. SME Development National Centre is authorized to provide state support to small and medium entrepreneurship (SME) in the country. The support is provided through implementation of

Annual SME State Support Programs with resources allocated from State budget. SME Development National Centre of Armenia is governed by Board of Trustees headed by the Minister of Economy. The Board consists of 13 persons (each has equal rights), of which 2 are women. SMEDNC carries out its activities through well developed network of regional branches and representative offices covering all marzes of Armenia coordinated by the Central office in Yerevan.

**SME Development National Centre's activities are targeted at:**

- Ensuring a dialogue between SMEs and state
- Increasing efficiency and competitiveness of SMEs
- Ensuring availability of business development services for SMEs
- Expanding financial opportunities for SMEs
- Promoting innovations and R&D activities of SMEs
- Assistance to establishment of new SMEs
- Supporting internationalization of SMEs' activities

The SME Development National Centre of Armenia provides support to SMEs through the following technical and financial assistance programs:

**Technical assistance**

- Provision of information on all the aspects of doing business in Armenia
- Provision of business consulting and training
- Sales promotion
- Supporting Start-ups
- Supporting R&D activities

**Financial assistance**

- Provision of loan guarantees
- Equity financing
- Seed capital
- Partial subsidizing of credit interest rates

SME Development National Centre of Armenia has implemented a range of projects in Yerevan and RA regions for the SME business development, collaborating with different international donor organizations (see Appendix 2).

From 2004 SMEDNC started the publication of an annual reference book "SME domain in Armenia". The rich analytical materials of the book present this domain development dynamic and tendencies; this is also an important source of statistic data and indexes on SME institutions activity. The book includes the legislative issues relevant to the doing business activity in RA and the elements of the economical environment that give the possibility to have an idea on issues relevant to an economical activity development.

In order to include beginner businessmen into the Beginner businessmen support project, the RA SME DNC cooperates with "Employment state service" agency of the RA Labour and Social issues ministry.

The role of the Armenian Development Agency, established in 1009, is very important in terms of stipulating foreign investments in SME domain and implementing the encouragement policy

of SME institutions' products and services export. ADA base purpose is to disclosure Armenia economy long-term domains, to stipulate investments in these domains, to protect investors' interests, as well as to support local producers to find exports markets, by implementing marketing surveys and by looking for new partners for Armenian businesspeople. Besides, ADA implements the RA Business Support Council and RA Information technologies secretary ships, leaded by RA prime minister

“Enterprises Incubator Foundation”, established in the scope of “Information Technologies enterprises Incubator” 5-year crediting project, implemented in the result of an agreement signed between RA government and the International Bank, is among the organizations that have a great role in the SME domain development. EIF provides serious support to the institutions involved in the IT domain, especially providing small grants. There 200 IT companies in Armenia, of which 10 are owned by women. The EIF provides services to every IT company independent to owner's gender. In fact, it's interesting that the 45% of employees in the 200 companies are women, so by helping these organizations EIF indirectly supports women too.

EIF collaborates closely with SMEDNC. The collaboration of these two institutions leaded to the creation of a Technopark in Gyumri. The business incubators provide territory and business services to the newly created or developing SME institutions create more favorable conditions for making use of the marketing infrastructures and other technical support. Favorable conditions and joint cooperation possibility are created for the SME institutions listed among the Business Incubators that considerably facilitate their implementation and further effective activity.

#### **4.4. Reporting in tax and customs departments**

Tax code an 8 characters number, its presence is mandatory on the seal of the tax payers and on the recalculations documents, as defined by the government. In RA, bank accounts for organizations and individual entrepreneurs are opened only if they have Tax code.

2. A juridical person is required also to be registered in the fiscal territorial department as an insurer, who makes social mandatory payments, according to law on „Compulsory social insurance”, adopted on 06.07.2000. For the registration, it is necessary to present copies of the state registration certificate and the charter to the fiscal territorial department, to complete the registration form provided by the department. If all necessary documents are presented, the registration is made the same day when providing the package.

3. If juridical persons carry out export and import activities, they need to be registered in the territorial custom houses of RA State Revenue committee, according to RA Custom code, adopted on 25.12.1997.

Thus, it is necessary to note that there are no limitations or privileges for women in enterprises registration, license, fiscal registration or other fields.

#### **4.5. Finance and credit policies, laws and regulations: SME access to finance**

SMEs, whether start-ups or existing entities, need either capital or access to working capital to be able to grow. Capital can be in the form of internally generated funds (such as profits or retained earnings in the company) or external funds such as a capital contribution of some type. Working capital can come from a number of sources, including loans, credit extended by suppliers, sale of assets, or internally generated profits.

Access to financial services, is defined as an absence of price and non-price barriers in the use of financial services. Improving access means improving the degree to which financial services are available to all at a fair price.<sup>8</sup>

In Armenia, numerous business representatives express as their primary concern that loans for working capital and new investment are difficult to get and that rates are too high. SMEs' primary source of funds usually comes from family or individual capital. This heavy reliance on personal sources of funding is in great part due to a perceived or actual inability to obtain affordable financing from banks, microfinance and credit institutions, leasing companies, and other institutions that provide loans or credit.

The community of financial institutions, however, claims that there are numerous lending programs in the market place to fund inventory, capital expenditures, and even start-up businesses. The major obstacles from the some lenders perspective are the lack of credit history, poor skills and know-how in SME funding and necessity to educate the public that financing is available.

Various international donor institutions, such as EBRD, World Bank, IFC, KfW, are currently collaborating with the local banks in Armenia to provide SME lending. There has also been increased competitive pressure, for example from one of the original micro-credit banks – ProCredit. Thus, there is now some competition for SME loans, and at the same time some of the lenders have proven to the banks that these loans are profitable, and can spread the overall lending risk for a bank into a broader base.

On the demand side, specific borrowers' problems for SMEs and WEs include:

- Long lead time between application and disbursement: decisions may take only couple days, but documents require up to two weeks, a long time in SME terms.

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<sup>8</sup> Malhotra, Mohini, et al. 2006. "Expanding Access to Finance: Good Practices and Policies for Micro, Small, and Medium Enterprises," Washington, D.C. : World Bank.

- Over securing of the loans: because of the lack of risk information, heavy collection costs in case of default and CBA stringency, banks are overly cautious and demand high collateralization; in some cases, this is done for consistency even when the project is sound and the borrower well known.
- SMEs often experience difficulty in obtaining information on financing programs and services and most SME borrowers are not skilled in the proper method of seeking a loan and supplying the bank with enough quality financial information and plans, also very often SMEs cannot afford consultancy services for efficient business organization.

On the supply side, Armenian banks and credit organizations lack a number of basic and critical tools to extending loans:

- The Credit Bureau in Armenia is still in its infancy, and in some cases it cannot ascertain the credit history of a borrower or potential borrower.
- In many banks loan officers and administrative staff are not trained and skilled in making SME loans.
- Poor risk evaluation and loan pricing mechanisms hinder local banks and NBFIs to evaluate inherent risks and appropriately price the SME loans.
- Courts and procedures required to adjudicate lending disputes are sometimes corrupt, and almost always a very lengthy and costly method of enforcing the banks' rights.

Despite the issues, the banks are not sensitive to women entrepreneurship, but the non-bank financial institutions (financial foundations) offer products to WEs, especially in the commercial field.

#### **4.5. Labour laws and regulations**

The Republic of Armenia has ratified the (revised) European Social Charter's articles on Working rights, Working fair conditions rights, Safe and healthy working conditions, Fair payments rights, the Declaration of Working Principles and Rights of the International Labour Organization (ILO), as well as ILO conventions on "Equal Remuneration" (C100), "Discrimination (Employment and Occupation)" (C111), "Workers' Representatives" (C135), etc. All ILO conventions ratified by Armenia are listed in Appendix 4.

RA working relations are regulated by RA Constitution, RA Labour and Civil Code, other relative laws. RA president decrees and orders that contain working rights norms, RA government and RA prime minister decisions.

According to the Article 32 of the RA Constitution, "Every person has the liberty of choosing a job. Every employee has the right to have a fair salary, no lower than the minimum rate defined by the law, safe and healthy working conditions. Compulsory work is forbidden"



**The Labour Code defines:**

1. labour code use domains, purpose and principles
2. the legal basis of working rights execution
3. the order and conditions of concluding and implementing collective and working agreements, as well as the parties' responsibilities according to their duties
4. work payment order and conditions
5. the maximum duration of work and the minimum duration of rest
6. the minimum degree of privileges, rewards, guarantees
7. the main norms and rules of employees' health protection and safety assurance
8. the rights, obligations and responsibilities of trade unions, employers' unions, their representatives
9. the legal basis of working discipline assurance
10. the conditions and degree of material responsibility
11. the main clauses of labour code observance control and suppression

**The Article 2 of the RA Labour Code defines the Labour Code purposes which are the following:**

1. to define the state guarantees of working rights and liberties of RA citizens, foreign citizens, persons having no citizenship, hereinafter called as citizens,
2. to contribute to the creation of favourable working conditions,
3. to protect employees' and employers' rights and benefits

**The Article 3 defines the Labour Code main principles:**

1. work liberty, including working right (everyone chooses freely or agrees freely), the right to possess his working skills, to choose his professional and working activity
2. the prohibition of any kind of compulsory work and violence against employers
3. the legal equality of working relations parties, irrespective of their sex, race, nationality, language, origin, nationality, social state, religion, marital and familial status, age, convictions or opinions, adhesions to parties, trade unions or public organizations, other factors no related to the employee's practical skills
4. the assurance of every employee's right to work in a decent conditions, including safe and healthy conditions, rest right
5. the employees' rights and possibilities equality
6. the assurance of every employee's rights to the fair salary payment, fully and in time, no lower than the minimum rate defined by the law
7. the assurance of the employers' and employees' rights to be freely unified, in order to protect their working rights and profits, including the right to create trade unions and employers unions or to their adhesion
8. the stability of working relation

9. the liberty of collective negotiations
10. the responsibility of collective and labour agreement parties, according to their duties

The Republic ensures working rights execution, according to RA Labour Code and other laws' clauses. Working rights can be limited only by the law, if it is necessary for the state or public order, society health and dispositions, others rights and liberties, honour and good reputation protection.

#### **4.6. Property Rights**

In RA the right of property and entrepreneurial activity is regulated by RA Constitution, RA Civil code, other laws and legal acts.

1. According to Article 8 of RA Constitution, "RA recognizes and protects the property right. RA guarantees the economical activity liberty and free economical competition".
2. According to Article 14.1 of RA Constitution, "All people are equal before the law. The discrimination of sex, race, color, ethnic or social origin, genetic skills, language, religion, points of view, national minority belonging, property, birth, disability, age or personal or social factors, are strictly prohibited".
3. According to Article 31 of RA Constitution, "Every person has the right to possess, to own, to use and to will his/her? property by his/her? own discretion. The execution of the property right should not damage the environment; violate the rights and legal profits of other persons, society and republic. Nobody is authorized to deprive of the property, except the court, in cases defined by the law. Foreign citizens and persons having no citizenship don't have the right of land property, except the cases defined by the law. The intellectual property right is protected by the law.
4. According to Article 33.1 of RA Constitution, "Every person has the right of business activity, not prohibited by the law".
5. According to Article 33.1 of RA Civil Code, „The Civil Code is based on the principles of the participants equality, which are considered as participants of relations, regulated by it, volition self-government and property independence and immunity, agreement liberty, non permission of any intervention to personal affairs, free execution of political rights, protection of violated right restoration, their juridical protection.
6. According to Article 166 of RA Civil Code, "The right of all owners is protected equally".
7. According to Article 167 of RA Civil Code, "Citizens and juridical persons are authorized to own any property, except separate kinds of, defined by the law, that can not belong to citizens and juridical persons, according to the law.

After the jointly discussions with banks and government, the idea of creation of register for portable collateral: equipment, raw materials, semi-finished products, ready products, etc.

## 4.7. Taxation system

The RA taxation system consists of direct taxes, including those that depend upon the results of the taxpayer's activities (income tax and profits tax) and those that do not depend upon the results of the taxpayer's activities (land tax and property tax), indirect taxes (value-added tax, excise tax) as well as of payments substituting taxes (simplified tax which substitutes the value-added tax, income tax or profits tax for the taxpayers; fixed payments which substitute the value-added tax, excise tax and - for some of the taxpayers - the income tax and profits tax).

The RA system of direct taxes has undergone some amendments during the recent years. Efforts have been made towards an extension of tax base due to decreasing the level of tax exemptions and tax benefits through synchronized lowering of the marginal rate of tax and raising of the income tax threshold, as well as due to the alleviation and redistribution of the tax burden. Introduction of the simplified tax supported the removal of the administrative barriers for those who used to pay "small" taxes; it also helped the simplified tax payers the overwhelming majority of them being SME units – to run the accountancy of their own companies without possessing deep professional knowledge.

SME units can face the following tax types during their activities:

The **value added tax (VAT)** is an indirect tax which is produced during the delivery of goods and services, gratuitous or partly gratuitous delivery of goods and services, import transactions through free circulation customs regimes.

The rate of VAT is 20% or 16.67% of the general transaction turnover. There are three regimes of VAT assessment: transactions that are taxed in the regime of 20% or 16.67% rate of VAT, transactions exempted from the VAT, transactions that are taxed at the 0% rate of the VAT.

The **profits tax** is a direct tax the taxation object of which is the taxed profit of legal entities. The taxed profit is tantamount to gross incomes minus costs, losses and other deductions. In order to deduct costs from the gross profit and to define the taxed profit, it is necessary to possess compelling documents; and, the costs are an indispensable precondition for having income. The rate of the profits tax on the taxed profit is 20%. The accountability period for the profits tax is the calendar year. During the year of account, the LEs are obliged to make profits tax prepayment, a sum equal to the 1/16 of the last year's profits tax to be paid for each month; if the positive difference between 1% of the last month's realization turnover and amortization of fixed assets exceeds the 1/16 of the last year's profits tax (this difference, however, should not be less than 0.5% of the last month's realization turnover), prepayment of profits tax for that month is made at the rate of that 1%.

The **income tax** is a direct tax which is levied from the persons who are citizens of the RA as well as the foreign persons whose source of income is in Armenia. For the RA citizens there is a classification of income tax rates according to the types of income. Incomes paid in the form of interest as well as incomes paid as rent are taxed at the 10% rate. For other types of income,

the income tax rate is 10% for the amount below 80,000 AMD; if the income is more than 80,000 AMD, the taxation rate is AMD drams plus 20% of the amount exceeding 80,000 AMD. For non-resident, the following rates are applied to income taxation: insurance indemnities, incomes in the form of freight payments are taxed at the rate of 5%, while the rest of the income types are taxed at the 10% rate.

When paying incomes to individuals, the LEs assume the role of taxation I inspectors, namely, according to the law, they have to take on the responsibility of collecting the income taxes at appropriate rates and paying I them to the budget.

According to the rules of income tax assessment, the taxed income is equal to [the gross income subtracted costs and personal deductions. For the RA citizens, the amount of monthly personal deductions is 30,000 AMD. SPs pay income taxes according to the results of their yearly activity are at the rate as follows: if the taxed income is below 960,000 AMD, the income tax is equal to i 10% of the taxed income; if the latter exceeds 960,000 AMD, the tax is tantamount to 96,000 AMD plus 20% of the amount exceeding 960,000 AMD.

### **The concept of the property tax and its taxpayers**

The **property tax** is a direct tax on assets - belonging to the property tax payers by ownership and subject to taxation - paid to local budgets according to the : statutory standards and rates.

The property tax payers include the organizations created in the RA and foreign states, international organizations, the RA and foreign nationals, and individuals without citizenship who own assets on the territory of the RA j| subject to taxation, except for the RA state institutions.

### **The object of the property tax and the tax base**

The assets subject to the wealth tax are the buildings - including the ones intended for dwelling, public or production functions, garages, buildings under construction - as well as automobile transport, including automobile vehicles, water transport and motorcycles. The base of the wealth tax is the value or the physical size. Besides, the tax base for the buildings is the cadastre value defined by existing standards; assessment (reassessment) of buildings is done over the period of three years by a body in charge of fixed assets registration. The tax base for the transportation means the pulling engine power of a transportation means subject to taxation. The wealth tax assessment is done on the basis of me statutory tax base and rates.

### **The concept of the excise tax**

The **excise tax** is an indirect tax on the importation of the below-mentioned goods, or on the sale of these goods in the territory of the RA by their producers, collected according to statutory standards and rates and paid to the budget.

The products subject to excise tax are beer, wines made of grape or other wines, wine raw products, spirit, beverages, industrial tobacco substitutes, cigarillos with tobacco or tobacco substitutes, gasoline, raw oil, oil products, diesel fuel, oil gas and gas-like hydrocarbons (except for natural gas). The LEs and persons importing or producing the above-mentioned goods are subject to the excise tax.

#### **The object of the excise tax and the tax base**

The objects of the excise tax are importation of goods subject to the excise tax into the RA by the "import for free circulation" customs regime as well as sale of goods subject to the excise tax in the RA territory by the producers. The tax base is the quantity (volume) of the goods subject to the excise tax, this quantity being reflected in the statutory physical units of measurement towards which the excise tax assessment is done according to the statutory standards and rates. The excise tax does not extend to the export of the goods subject to the RA excise tax taxation if there is a copy Of the customs entry filled out by the customs statutory standards with the note "the pass is allowed,- to the goods subject to the excise tax exported from and imported into the customs territory of the RA according to the customs regimes specified by the RA customs legislation, different from the "import for free circulation" customs regime, as well as to the goods subject to the excise tax and imported into the RA territory by persons other than SPs the quantity and value of which do not exceed the allowable customs quantity and value defined by the customs legislation.

#### **The concept of the fixed payment**

The **fixed payment** is a payment substituting the main taxes, used instead of the VAT and/or profits or income taxes. For persons, the fixed tax substitutes the VAT and/or income tax, for the LEs - the VAT and/or profits tax.

In the general amount of the fixed payment, the extent of the VAT is counted at the rate of 60%.

#### **The object and base of the fixed payment**

The following types of activity are subject to fixed payment: shops commercial surface of which does not exceed 30 square meters, commercial activity carried out through booths, actions towards construction of a commercial place, catering, delivery of automobile transportation, haircut services, photography laboratories, auto servicing stations, gasoline and diesel fuel retail stations, parking services, industrial fishery, as well as currency exchange, dealer currency exchange, casinos management activity, management of gambling machines with money prize, organization of computer games, lottery, billiards, bathes and shower-bathes, automobile gas stations, video recorders and video cassettes rent.

The tax base for the fixed payment is the total of initial data and adjustment I coefficients as defined for different types of intended activity, in money terms.

The assessment of the amount of the fixed payment is done by the business owners themselves.

### **The concept of social payments and the units subject to it.**

The **social payments** are obligatory payments by the employers for funding the state program of mandatory social security.

In the territory of the RA, the LEs and persons who are in employer-employee relationships with the RA citizens, as well as the hired employees have to make social payments. The social payments are made by employers, hired employees, SPs and notaries.

Foreign nationals and individuals without citizenship, as well as employers using their hired labour, who are engaged in entrepreneurship or other activities in the RA, are exempted from the responsibility to make social payments.

### **Calculation objects and rates of social payments as well as standards of their calculation and payment.**

Calculation objects of social payments are the money directed by the employers toward the remuneration of labour and the incomes made equal to that money, the salary of persons used as hired labour and the incomes made equal to the salary, as well as the yearly gross income of the SPs.

The employers make social payments for each of the employees at the following rates:

The monthly rate of the calculation object of social payment	The amount of social payment
Below 20,000 AMD	7,000 AMD
From 20,000 to 100,000 AMD	7,000 AMD plus 15% of the amount exceeding 20,000 AMD
More than 100,000 AMD	19,000 AMD plus 5% of the amount exceeding 100,000 AMD

Besides, every employer calculates the amount of social payments with no regard to the mandatory social security payments made by another employer for the same employee. The hired employees make social payments at the rate of 3% of their salary and the incomes made equal to the salary, these deductions being sent to the RA mandatory social security budget by the employers.

The SPs make social payments at the following rates:

The monthly rate of the calculation object of social payment	The amount of social payment
Below 1,200,000 AMD	15% but no less than 60,000 AMD
More than 1,200,000 AMD	180,000 AMD plus 5% of the amount exceeding 1,200,000 AMD

The SPs has to make minimum social payments each month equal to 5,000 AMD till the 15th day of the following month. The employers transfer the calculated social payments for each month to the mandatory social security budget before the twentieth day of the month following that of account.

According to the monthly results, the employers submit a statement of social payments to an authorized body before the twentieth day of the following month.

The social payments calculated for the whole year are sent by the SPs to the RA mandatory social security budget no later than March 1 of the following year.

### **The Customs System for SMEs**

The Customs legislation of RA consists of the Customs Code as well as of laws and legal acts regulating relations associated with Customs affairs.

In Armenia, a state authorized body, currently State Revenue Committee under RA Government, implements administration, organization, and control of customs affairs.

The RA customs bodies consist of a superior body, regional customs houses, and customs points. 6 customs houses, 10 customs points out of which Margara and Akhurik are ready for exploitation but are not operating yet, are subordinate to the Customs State Committee. The customs houses of the RA are as follows:

According to the RA Customs Code the customs regimes defined in order to implement the Customs affairs are as following:

- Import for free circulation,
- Re-import,
- Transit shipment,
- Import to Customs warehouse,
- Import to duty free shop,
- Temporary import for processing,
- Temporary import,
- Temporary export,
- Import to free customs warehouse,

- Temporary export for processing,
- Export for free circulation,
- Re-export,
- Renunciation of the ownership right to the State benefit,
- Destruction,
- Import to free economic zone.

*The selection of the Customs regime is implemented by a declarant, i.e. the physical person or company (legal entity or sole proprietor), which implements export (import) transaction.*

The Customs formality of exported (imported) goods by the RA legal entities and sole proprietor is implemented in the customs house of the region in the activity zone of which the company is located.

In case of export transactions the RA legislation stipulates 0 tax and state duty rates. In case of an export transaction, only the customs fee is levied, which does not depend on the value of the exported. It is a fee for the services provided by the customs body.

In case of an imported transaction, as per External Economic Activity Commodity Codes relevant customs fees are levied. These are:

- customs duty,
- customs fees,
- excise tax,
- fixed fee,
- value-added tax,
- road fee for using automobile roads,
- nature preservation fee.

Customs duties are mandatory payments levied on behalf of the State Budget pursuant to the procedure and in the amounts stipulated for transportation and import of goods through the Customs border.

The customs duty rates in the RA are 10% and they are levied in accordance with External Economic Activity Commodity Codes affiliation.

**The transactions implemented in the following regime are exempted from customs duties:**

- transit shipment
- temporary import
- temporary export
- temporary import for processing
- temporary export for processing
- import to customs warehouse



- import to free customs warehouse
- destruction
- import to duty free shop
- re-import and re-export, with the exception of those cases stipulated by the Customs Code.

Both for tax and custom systems, there are no women specific approaches or implications.

## 5. ADMINISTRATIVE SYSTEM

### 5.1. Access to information

In RA, the availability of information to women and men is not limited any way. The main sources of the information are the web sites of the Government, the corresponding ministries or state agencies, nongovernmental organizations. The more often used sites are these of RA National Assembly, the Government, the National statistical agency, Irtek that presents the legislation. Besides, the information best sources are the web-sites of Employers' Associations (RUEA) with its branches, Chamber of Commerce and Industry, Armenian Chamber of Commerce, SMEDNC and other business associations, forums, exhibitions and other measures.

The information on banks and financing can be found in banks web-sites, and its brief summary in [www.banks.am](http://www.banks.am).

Another way to get more information is the web-site of Spyur's Yellow pages ([www.spyur.am](http://www.spyur.am)) where the information is classified by business sectors.

The information on RA investments is located in the web-sites of RA Development Agency ([www.ada.am](http://www.ada.am)), the reports of national competitiveness and information by years and fields, in Economy and Values Research Centre web site ([www.evconsulting.am](http://www.evconsulting.am)).

The information on products offered by banks is sometimes complicated in their web-sites. They mainly provide general information, so you have to contact the banks for further details. On the other hand, WEs in rural areas do not have access to internet or ITC resources, which makes harder to access the information. They can get the required information directly from the banks by visiting the branches, which are mainly located in central cities of the regions.

### 5.2. Gender Policy: National and Other Supporting Organizations

#### 5.2.1. Gender policies

- RA government has undertaken real activities to develop a RA gender policy only during 1996-1997. This is explained by the fact that a range of critical issues were stand up after the declaration of RA independence (1991): paralyzed situation of the economy, economical and energetic blockade, military actions etc.
- The situation was changed in 1996, and the government has undertaken the development policy in different domains. In 1997, together with RA Social Security ministry and UNDP, the Gender Policy Development project in RA was developed. By the Prime minister decision N360, adopted on 06.08.1991, a corresponding commission was created. It is necessary to note that representatives of NGO's, engaged on women's or gender issues,

were not included into the commission at that time. Due to the Conception on Gender Policy (11 February, 2010 adopted by Government) the issues will be reconsidered. Within 6 months the Government will present gender policy action program for 2011-2015.

- In order to define the main directions of the state policy on women protection, the RA government adopted in 1998 the main clauses of the project, addressed to improve RA women situation (decision N242, adopted on 15.04.1998). Further, the RA government confirmed the “National project aimed to improve women’s situation and to increase their role in the society, in RA, during 1998-2000”. In 2004, the RA government adopted “National project aimed to improve women’s situation and to increase their role in the RA society and its time schedule”<sup>9</sup>.
- The above mentioned project defines the state policy principles to solve women’s issues in RA, their priorities and main directions. In the same time, other projects, measures and procedures include different issues related to women. From this point of view, the role of the Poverty Reduction Strategy Paper is really emphasized. This project will be discussed in the next chapters.
- However, it is necessary to note that the fact that the national project, aimed to improve women’s situation and to increase their role in the society during 2004-2010, was adopted by the government without creating the necessary national mechanism and financial resources for its implementation. Many years ago, this question was discussed in CEDAW committees (Convention on elimination of any kind of discrimination against women) and in many NGO’s analyses, but the government undertook nothing for it<sup>10</sup>:
- Actually, the gender policy conception project was presented by RA Labour and Social issues ministry. It should be ratified by the RA government.
- The implementation of gender researches has also a certain complication, due to objective data acquisition. The possibilities to get statistical data on gender problems are very limited in RA. There is a certain disagreement between data, presented by state and public organizations<sup>11</sup>.
- The public budget does not include a social classification according to the population groups, which will allow defining the women and men’s status changes, based on the budget policy. In the RA law „On budget”, there are no records or gender orientation that will prove the financial support of equal rights and equal possibilities<sup>12</sup>:

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<sup>9</sup> Decision of Ra Government, 08.04.2004.N645-N:

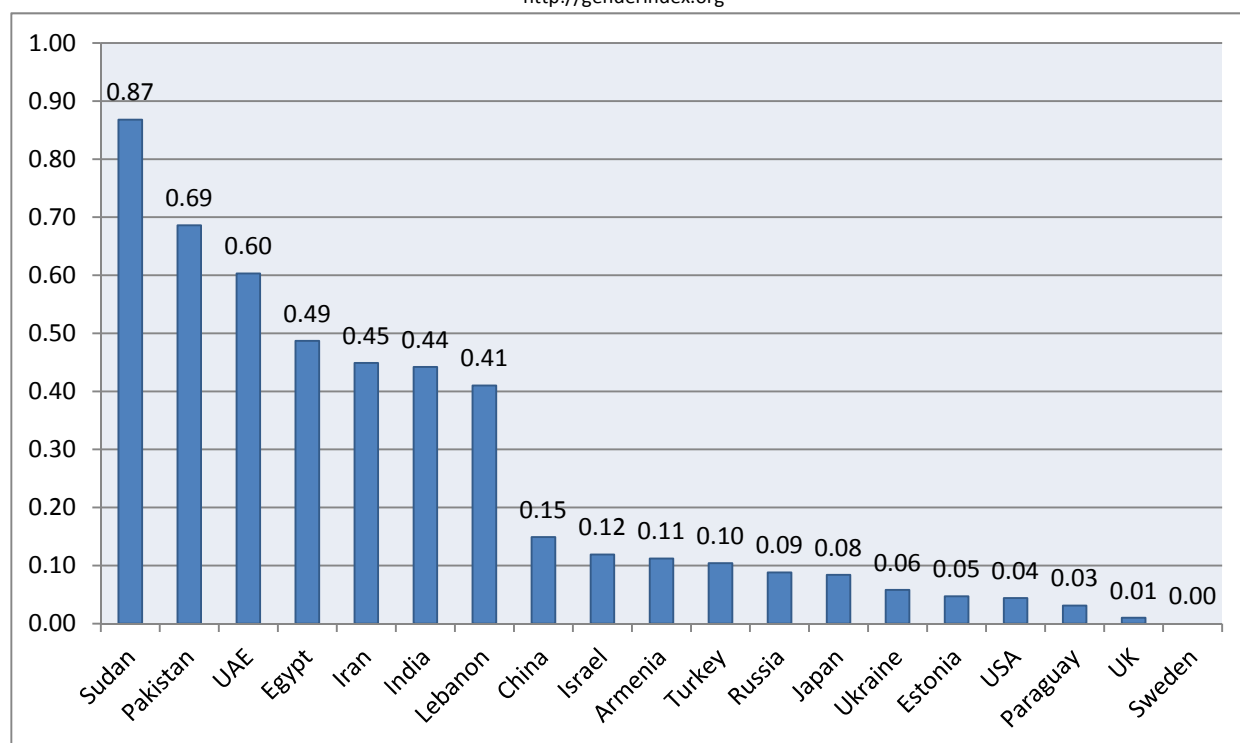
<sup>10</sup> Women reinforcement and cooperation in RA”, after the example of Syunik region. The report is made for the OSCE Yerevan office, 2007, page 6.

<sup>11</sup> „Women reinforcement and cooperation in RA”, after the example of Syunik region. The report is made for the OSCE Yerevan office, 2007, page 6.

<sup>12</sup> G. Hovhannisyan, Gender budget in the Republic of Armenia, Yerevan, 2008

### *Social institutions and gender index indicators*

<http://genderindex.org>



According to Social institutions and gender indexes records, reflecting the gender equality, and developed on the base of the Organization of economical cooperation and development (OECD) data (0 - low gender inequality, 1 – high gender inequality), Armenia took the 55<sup>th</sup> place among 123 countries (Armenia's index value is 0,112). The diagram N7 presents the more interesting data of the developed index.

This index is composed of 5 sub indexes: Family (early marriages, inheritance and parents' power); Physical violations, preferences to men, civil liberties and property possessing (land property, other property possessing, credit availability).

The property possessing question is more interesting from the point of view of this research. Women and men have the same rights to the land property, according to RA legislation. In 1991-1992, during the land privatization process, land privatization took place among households members. The land was given to the family leader, the man, and woman became land owner during the absence of the family leader<sup>13</sup>.

The self-employment (individual entrepreneurs and other categories) is considered an important index of the entrepreneurial activity. If we compare self employment between

<sup>13</sup> <http://genderindex.org/country/armenia>

women of the ex Soviet Union and RA different regions (table 1), it is evident that women's enterprising activity in RA is really passive<sup>14</sup>.

Women self-employment index, with regard to the total (%)

<http://www.unece.org/stats/gender/pubreps.htm>

County	Self-employed women, by %
Moldova	52.1
Georgia	50.0
Rumania	48.9
Russia	43.9
Kirghizia	43.8
Latvia	42.0
Macedonia	40.7
Croatia	38.5
Bulgaria	37.0
Greece	34.3
Belarus	34.0
Turkey	33.9
Estonia	32.6
Israel	29.7
Cyprus	28.1
Armenia	26.9

## 5.2.2. Institutions engaged in gender equality process, assistance to women's business activity, women's participation in public and private sectors.

### State bodies

The gender equality (the assistance of women and men equal rights and equal possibilities in all fields) was recognized by the RA government as a potential main issue, in the activity measures project for 2008-2012.

The RA Labour and Social affairs Ministry<sup>15</sup> is responsible for the family, women and children issues' policies development and implementation. A corresponding administration functions under the Ministry work personnel structure. We can also mention the RA Work and social researches national institute that functions under the Ministry system and has implemented many gender researches.

The topics of the current chapter are discussed by the Permanent Commission on Social issues that functions under the RA National Assembly.

<sup>14</sup> Costanza Giovannelli, Hrund Gunnsteinsdottir, Angela Me. The status of statistics on women and men's entrepreneurship in the UNECE region. Social and Demographic Statistics Section, UNECE, 2003. <http://www.unece.org/stats/gender/pubreps.htm>

<sup>15</sup> <http://www.mss.am>

### **Women council adjacent to the RA Prime minister**<sup>16</sup>

The council was created by the prime minister decision, taken on 29 December 2000. It is a consulting institution that functions on social bases. Its purpose is to closely examine women's main issues, to find out effective ways for its solution. The council has 223 members, including responsible officials of NGO's, creative unions, private companies, as well as of the RA government work personnel, corresponding ministries and departments (mainly women).

One of the council's functions is to implement projects aimed to ensure women employment and develop propositions focused on adjacent entrepreneur's assistance.

**The council includes also a working group engaged in questions on women's employment support. This institution needs to become the main dialogue field of the state policy for women. The organizations presented in the council should act as an umbrella institutions and present the general opinions of NGO's, engaged in women related issues. Unfortunately, this council does not operate actively.**

Since 2000 the Government has concentrated on entrepreneurship development (in general), and economy development, that is why the women entrepreneurship issues were ignored. In February 2010 Conception on Gender Policy was adopted by Government which is to stimulate the attention on gender issues.

### **Business support council**

This council was established by RA president decree, adopted on 31 December, 2000, with the purpose to support business, to stipulate investments and to eliminate bureaucratic obstacles. The chief consultant of RA president, engaged in economical issues (council vise-president), RA ministers of the Commerce and Economy departments, Ministers of finances and economy, Yerevan mayor, ADA executive director, Chamber of Commerce and Industry president, and business community representatives are included into the council structure. Their individual structure is formulated by a rotation order (44 businessmen). The rotation is implemented every one semester, by RA prime minister decision.

**The list of business community representatives consists of over 50 organizations leaders, included in the Council every 6 month by rotation principle. Five businesswomen are included among the 50 leaders.**

Here it is important to mention, that the Council deals with business obstacles and barriers. The issues are considered for individual companies or in general. So, both businessmen's and businesswomen's issues are considered.

During the Council sessions, different kind of issues are discussed, including issues relating to the fiscal and duty reforms, small and medium enterprises (for example, issues relating to the

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<sup>16</sup> <http://www.gov.am>

simplification and reduction of the RA statistical reports, presented by SME during the session of 21.04.2005), enterprising activity crediting, working relations regulations etc.

So, we can conclude that the women entrepreneurship issues are also considered in this council in the context of the small and medium enterprises issues.

### **Non-governmental organizations**

From 2001 up to now, the foundation day of the RA Justice ministry State Register, 2726 organizations were registered. However, only 76 women organizations are registered which is the 2,8 % of the total number of all registered organizations (this in the case when women are the 51,8 % of the earth population). Certainly, it is difficult to define and classify women's organization criteria, but in any case this index is the proof of low index of women's participation in politics, their self-discipline and movement.

However, some organizations need to be presented because their activity has a certain social sonority.

### **Association of University Women NGO**

This association is a non-profit, non-governmental organization and has 35 branches in Yerevan and regions. The association is the member of UNDPI (UN Department of Public information) and IFEW (International Federation of University women).

The association has the missions to:

1. contribute to the democratic and civil society formation in RA
2. support human rights protection initiatives, women and men equal rights and equal possibilities, women status increase, women's active participation in political, civil life, gender discrimination and gender prototypes overcoming

web site <http://www.aawue.am> – take mission

### **RA Young Women Association NGO**

This association is a non-profit, non-governmental public organization, established in 2004.

The main issues are: to contribute to the solution of RA, especially young women and girls' issues, to assist young women and girls health protection, to contribute to the national values maintenance among women, their employment increase, small and medium enterprises development, to support peace and stability reinforcement in the region.

The association has 3 centres in Yerevan and its regions.

Web-site: <http://www.aywa.am>

**In general, it is necessary to note that women involvement in NGOs is very high. However, the civil society development level in RA does not give the possibility to NGO to coordinate fully with the government.**

The participation of NGO is often speculated by political and business sectors. Sometimes, the NGO activity is a secret “business”, and the main purpose is to assure profit and job for the organizations’ members by different grant projects.

**Information on about 66 organizations, engaged in women issues discussion in RA is provided in the web-site of an NGO, called „Professionals for social society”** <http://www.ngo.am/arm/index.asp?page=dir#>. Around 10 organizations have gender specific services to support WED, mostly trainings.

### **5.2.3. Other structures and projects supporting women business activity, small and medium business**

#### **Sustainable Development Program (previously Poverty Reduction Strategic Program (PRSP))**

The third main strategic priority of SDP is to promote the effectiveness of state government in all governance fields, including emphasizing anticorruption strategy (17) and its consistent implementation, increasing the public participation in decisions making procedures, supporting gender equality through increasing the population awareness, giving equal rights and possibilities to women and men, developing social participation, as well as through implementing e-governance systems.

In Armenian reality, women assume a great responsibility of the family and its works. So, there is significant gender difference between possibilities to combine the profitable employment and private life.

In the PRSP 4<sup>th</sup> chapter, it is stated that „the self-employment and small business encouragement through micro crediting systems implementation” is a priority to reduce the poverty among women, unemployed persons, refugees and deportees, forming the more vulnerable groups.

The PRSP envisages some indexes that fully correspond to „Millennium Development Goals”, planned to achieve in 2015 (promote the gender equality and reinforce women positions) and are reflected in PRSP.



Women have formal equality and higher educational level, but are inferior to men in the average earnings rate (in 2001, women's revenue formed the 69% of men's revenue). For this purposes, the government should encourage women's inclusion in the profitable, especially, in the small business fields, for example, through micro crediting systems.

The Civil cooperation Council of the SDP includes 31 organizations' representatives, 18 of which are women<sup>17</sup>.

## **Organization of Security and Cooperation of Europe**

### **Centers established through OSCE Yerevan office assistance**

OSCE Yerevan office carries out RA Syunik region's women economical reinforcement project (2009-2012).

Project partners are: women's resources centre in Meghri, Goris, Kapan, Women entrepreneurs group in Sisian. Project stakeholders are the lead women entrepreneurs in Syunik region. The above mentioned resources centers unit representatives of women NGO's, business women and women leaders. The centre gives a possibility to women to create non formal networks, to cooperate with local authority representatives.

#### **1. Meghri Women's Resources Centre**

The Centre was established in 2008 by OSCE Yerevan office assistance. There are 9 members on the board of the centre, representing different NGO's.

The main goals are:

- to enhance the role of women in political, public and economic life
- to further enhance!!!! women's participation in democratic processes
- to discuss gender issues
- to struggle against women's rights violations and discrimination
- to assist entrepreneurial and unemployed women

#### **2. Women's Development Resource Center Foundation of Goris**

The centre was established in May, 2009. There are 9 members on the board of the foundation, representing regional NGO.

Main goals are:

- to support the creation of democratic and legal state
- to stipulate the civil society creation

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<sup>17</sup> <http://www.prsp.am>

- to enhance the role of women in the economic life in the Syunik region
- to support the collaboration among the organizations addressing women's issues
- to develop women entrepreneurial activity
- to promote the prevention processes of trafficking and migration

The centre implements "Women economical development" project. The goal of the project is to assist women business activity development, to train business skills for women.

### **3. Kapan Women's Resources Center**

The centre was established in April, 2009. There are 3 members on the board of the centre.

Main goals are:

- to assist the disclosure and development of women potential
- to assist women's participation and inclusion
- to support gender equality policy implementation
- to assist women's employment
- to encourage women's own business
- to assist tourism development in the region
- to stipulate women's cooperation networks development
- to realize training etc

The centre implements "Women's role development in Kapan region". The project goal is to increase women's role in the community by enhancing their potentials and by including them into business activity.

### **Chambers of Commerce and Industry**

In accordance with RA law on „Chambers of Commerce and Industry“, adopted in 2001, the system of Chambers of Commerce and Industry in RA were regulated, including the Chamber of Commerce and Industry of the Republic of Armenia (CCI RA) and Regional Chambers of Commerce and Industry (regional chambers).

The Chambers assist the detailed and harmonious development of all business activities, the formation of an effective business environment, information and consulting services provision to individual entrepreneurs, commercial organizations, and the promotion of information infrastructures.

Women's participation in CCI is also very low. For example, all presidents of the 10 regional and Yerevan Chambers are men

Chambers of Commerce and Industry of RA

Web-site : <http://www.armcci.am/>

### **Union of Manufacturers and Businessmen of Armenia (UMBA)**

The union was established in 1995. Within the scope of its constitutional charter purposes and issues, the union assists to the business development, market infrastructures creation, fiscal policy improvement, participates in the legal acts' projects development, addressing to the business activity promotion, and its independent examination works. The union issues include also the personnel formation for the entrepreneurs and small and medium enterprises management, corresponding to the liberal economic requirements.

The union has about 540 enterprises' representatives. 9 of the 540 members are women.

The Union Presidium consists of 23 male members and 1 female member

Web-site: <http://umba.info.am>

### **Republican Union of Employers of Armenia**

Social-economic issues and legal situation raised a necessity to establish the "Republican Union of Employers of Armenia" on 15 November 2007, in accordance with the "Labor Code of RA" and the requirements of the law on "Employers Unions" (adopted in February 2007).

RUEA unites 6 territorial and 9 sectoral unions and has about 1000 members (including members of UMBA).

#### **Union's mission**

To be formed as a powerful and influential structure assuring improvement of business environment and advocacy of business community.

#### **Union's objectives are:**

- To coordinate its member sectoral and territorial association's activity.
- Legal base continual improvement in social partnership sphere.
- Decent work encouragement, in the scope of social partnership, as an important part of country's social –economic policy.

- Within the framework of social partnership, support employment promotion, development of national strategy and state policy, particularly, in the field of youth employment.
- To contribute to the development of education-labour cooperation.
- To introduce its members' interests and protect them in labour and social economic relationships, which are directly connected with labour issues.
- To become a member of International Organisation of Employers and similar international organizations.
- In the scope of social partnership, to manage the accord of employers and employees in collective agreements.
- Promote SMEs', and particularly, women's entrepreneurship development through continual improvement of business environment.
- Support export promotion and increase of productivity and competitiveness.

On 27<sup>th</sup> of April in 2009 a republic collective agreement has been signed between the Government of RA (by Prime Minister), The Confederation of Trade Unions of RA and RUEA.

The Sides of Collective Agreement agree that the social partnership is the main measure of interests' equilibrium, safety of social solidarity and effective ways of decision, problems solution. The Social Partners and ILO jointly implement the 2007-2011 Decent Work Program.

Website: [www.employers.am](http://www.employers.am)

#### **"Small and Medium Enterprise Development Centre" NGO (RUEA's sectoral association)**

SME DC NGO has been operating since 1998 and during its activity has implemented a range of projects on entrepreneurship development and business environment improvement.

The mission of the Organization is the creation of a favorable business environment for SMEs.

SMEDC has wide experience in SME development in Armenia, providing consultancy and training for start-ups and already operating businesses (recently has won a grant of World Vision for implementing trainings for start-ups in Aragatsotn region for 80 participants). The 75% of its members (150 members) are women entrepreneurs, and this is why SMEDC has good understanding of women entrepreneurship issues, and can promote the development of the entrepreneurship culture among women.

So RUEA and its sectoral association SMEDC serve the needs of WEs. SMEDC WEs have sufficient voice in the Board of the association 19 of 20 are women. From other viewpoint it not surprising, since its main activity is directed to WED.

### **Competitive Private Sector in Armenia, CAPS**

The CAPS project is a five year program of assistance funded by the United States Agency for International Development (USAID). The CAPS is based on a cluster approach focused on the business environment improvement and cooperation stipulation among enterprises in a particular industry sector.

CAPS has selected information technologies (IT) and tourism sectors as initial clusters, but will work with up to four others during project implementation.

CAPS has also other tools at its disposal to support private sector growth to promote gender equality, expand Diaspora linkages and encourage information sharing on relevant topics with a wide range of stakeholders.

CAPS delivers consulting and training to managers of association and think tanks, assists in developing new fee-based member services, expand and build capacity in public relations.

Web-site: <http://www.caps.am>

### **Business Advisory Services (TAM/BAS in Armenia, EBRD Financing and Support program)**

The BAS Programme in Armenia was established in 2003 with funding from the European Union (EU). Further funding has been provided by Canada (CIDA), Early Transition Countries Fund (ETC), Tapei China and United States of America. To the end of 2008, BAS in Armenia has undertaken a total of 538 projects for small and medium enterprises (SMEs), engaging 82 consultants.

In 2003 the TAM Programme started its operations to support local small and medium enterprises in Armenia and since then has utilised some of the world's most experienced business leaders in projects to advise companies on how to modernise their management practices and improve turnover and productivity at no cost to the company itself. A total of 13 projects have been completed in a wide variety of sectors and industries. Each company was individually screened to assess eligibility for TAM Assistance and in its final stage was assessed against objectives agreed at the start of the project.

BAS is not only for WEs, it support entrepreneurship in general. BAS for women various projects have been implemented (Women in Business initiative (2009-2010), Training women in accounting and self-confidence building (2008)).

To date, there have been several TAM projects for women-run or women-owned SMEs, aimed at strengthening their wealth-creating capacity, creating innovative and effective changes in their business culture as well as building strategic alliances and affiliations.

[www.bas.am](http://www.bas.am)

#### **5.2.4. Other business unions**

Below is the brief description of some business unions, with the assistance of “Competitive private sector project”. The activity of these unions includes most used sectors of women’s business activity. By being involved into these unions, business ladies will have the possibility to increase their business activity.

##### **Union of in-going tour operators**

This union unites companies that assure the 70% of RA in going tourism business. They propose tourism products including historical, cultural and agricultural excursions.

##### **Union of Information Technologies Enterprises (UITE)**

The union was established by private sector representatives, aimed to unit industrial problems for profits presentation and protection, to facilitate business activity and to encourage researches in information and communication technologies domain. Small companies, as well as international organizations of RA are included among the union members.

##### **Armenian Hotels Association**

The association includes 8 hotels, 2 of which are the branches of international hotel complexes. The association purposes are to improve the political environment of the hospitality business and clients services, as well as to create possibilities for Armenian hotels professional development, information and marketing.

##### **Armenia Restaurants Association**

The association was established by Armenian leading restaurants, like Club, Square One, Bravo, Jazzve, Cafe Central and by Alfa Food Agency, as well as Marriott Armenia and Tuffenkyan hotels, restaurants. This business unit is in the registration process.

### **American University in RA, Women business activity developing projects implemented by Special trainings department**

The American University in RA organizes Women business activity intensive trainings in different cities, with 1 week duration, in order to assist women business activity. The trainings are organized for women intended to start their own business or understand business skills.

The trainings are sponsored by Armenian Women International Organization<sup>18</sup>.

Web-site: <http://www.aua.am/extens.htm>

### **Academy for Educational Development**

The Academy has the status of non-profit, non-governmental organization with the financial support of USAIDA. Over 11 000 men and 12 000 women in RA participated to the training courses organized by the Academy during last 12 years.

Women business development trainings are the more interesting among all trainings (2004). The purpose of the project was to assist women, already business ladies or preparing to it, to enhance the mutual contacts.

Business ladies had the possibility to visit the above mentioned organizations and to get acquainted with business implementation rules.

On Gyumri Economical Consulting Company initiative, projects participants were provided by consulting services on business plan writing. Business ladies were presented 11 business plans, they got also preliminary arrangements on business collaboration

Web-site: <http://www.aed.am>

### **Foundation of Small and Medium Business**

This foundation is a non-profit, non-commercial organization, established in 1998. It supports small and medium enterprises and has the mission to provide international training and consulting, conformable to small and medium business western criteria, as well as to create information cooperation between foreign and local small and medium enterprises.

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<sup>18</sup> <http://www.aiwa-net.org/>

One of the activities of the foundation is to support women business activity. The foundation implements “3 steps toward business society for refugees women” project, 2003:

Web-site: <http://www.fsmb.am>

#### **5.2.5. Other NGOs**

##### **Armenian Association of Cooperation with the Society**

This association implements the USAID project “Force out the corruption from our life”, aimed to increase the awareness of the society, mass-media and business sector on their rights protection legal mechanisms in front of the corruption.

Journalist will participate to the court procedures on corruption and then cover them. There will be separate sectors in some information web-sites ([www.panorame.am](http://www.panorame.am) and [www.aysor.am](http://www.aysor.am)) regarding corruption’s issues. A widespread media trip will be implemented.



## 6. NATIONAL ORGANIZATIONAL SYSTEM ARRANGEMENTS FOR WED

### 6.1. Participation of business women in the government and private sectors

#### **Women's participation in political procedures and state governance**

The RA Electoral Code provides a certain quota degree to women in the RA National Assembly elections' proportional list, intended to increase women role in RA political life. The women minimum quota degree in the candidates list proposed by the political parties increased up to 15%, which resulted to the women number growth by 4,1% in the parliament in 2007, compared with the year 2003. Actually, women are the 8.6% among RA Parliament deputies.

Women and men's participation in political and contemplative positions is still unbalanced at the executive level. Actually, only 2 of the 8 ministers, 2 of 65 vice-ministers, 1 of the 10 mayors, 1 of the 21 vice-mayors, 2 of the 10 regional councils' employees are women.

In comparison with the year 2004, women number's increase has been registered in all positions of the civil services during 2007. However, unequal participation between women and men is evident in the civil services' lead and chief positions, where women are represent 11% and 35%. The same situation is in the lead positions of municipalities and local governance bodies.

The existing unequal situation is conditioned by a range of obstacles; even in case the discrimination against women is eliminated on the constitutional level. Especially:

- The absence of a national project to assure women development, as well as of a state centre for gender research.
- The deep rooted historical tradition in the political institutions activity and in human conscience, that a man "leader" is the person who follows the traditions of many centuries, and a woman leader strays from the tradition.
- The absence of free competition etc

Women's participation in the RA National Assembly elections of 2007 was examined in detailed by the Association of University Women. There are very interesting facts that can be observed while comparing women political involvement and business sector activity. The analyze of the professional employment of the women candidates presented for the National Assembly delegation showed that 25% are employees of the educational sector, than come employees of different parties (women who are working in party structures, 13,2%): Women working in state structures are 10%, and business ladies or enterprises leaders formed the 2,4%. The same is different for men entrepreneurs. This index proves that women entrepreneurs section is not consolidated and plays no role in the political life.

There have been changes in the Election Code of the National Parliament, due to which the quota of women's involvement have been increased from 5% to 15%.

The analyze of information on women's "working" positions in parties shows that women are very far to influence on the parties' politic and on decisions making<sup>19</sup>:

"Improvement of women's conditions and increase of their role in the society in Armenia" national program has been launched for 2004-2010. Due to the program the numbers of civil-service workers have been increased and presently it is 48.5% of total.

Another interesting fact is the analyze of the correlation of the answers and the society's expectations on the survey "Why women and men want to become a deputy?". The survey showed that the majority of men is incited by the immunity status acquisition, the „roof" of his own business, the reputation and personal success.

And what about women, especially they are intended to be self-realized, to make the state policy fairer and more human, to change the political atmosphere, to solve social issues. It seems that the motivation to develop their business is missing<sup>20</sup>.

## 6.2. Social dialogue

The Social dialogue in women's entrepreneurial activity is realized by the Women Council adjacent to the RA Prime minister and the Republic Collective Agreement signed On 27<sup>th</sup> of April in 2009 between the Government of RA (by Prime Minister), The Confederation of Trade Unions of RA and RUEA. In this case, business ladies interests are protected through RUEA.

Separate discussions on issues relating to women's business activity have never taken place, but this kind of issues, as global issues of SMEs, are periodically represented in the social dialogue context, as well as in the scope of Business Support Council.

## 6.3. Government Support in the times of Crisis

### Program of Emergency Action

The Government of the Republic of Armenia has taken urgent measures to possibly mitigate the negative impact and overcome the adverse consequences of the global financial and economic crisis.

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<sup>19</sup> A. Khaghyan, On the level of women's decision making. The gender equality in the society and in the family. Harmonie and tolerance. Materials manual of students and young researchers' 7<sup>th</sup> republican summit, Asoghik, Yerevan, 2008, page 21.

<sup>20</sup> Women's political participation in parliament elections 2007, Association of University Women NGO, Yerevan, 2007

The Program of Emergency Action of the Government of the Republic of Armenia was introduced by RA Prime Minister Tigran Sargsyan in his November 12 address to the National Assembly of the Republic of Armenia. By Protocol Decree N49 of December 4, 2008, the RA Government approved the Anti-crisis Action Plan stemming from the above-stated Prime Minister's address.

### **Tax Reforms**

Tax revenues provide the major contribution to the state budget in present as well as during the upcoming period. To solve these problems the State Tax Service has developed its comprehensive mission, strategy, objectives and the plan of respective measures for achieving them.

### **Operation staff**

- The government assistance to the enterprises already functioning or in the process, by encouraging the competitiveness' increase and the creation of new workplaces. The following measures are undertaken for these purposes:
  - Provision of the state guarantees
  - Usage of the subsidizing tools
  - State participation in the organizations capitals

## **7. THE VIEWPOINT OF WOMEN ENTREPRENEURS OF ARMENIA ABOUT THE BUSINESS ENVIRONMENT**

### **7.1. Analysis of the focus group discussions**

In 21 October 2009, a discussion hold on women business activity issues with a focus group.

13 business ladies and 3 employees who registered the opinions participated to the discussion. A record device was also used.

The participants were informed in advance on some characteristic points on business environment, which is the political, legal and normative base (of enterprises registration, licensing, SME promotion, current legislation, property right etc), on administrative systems, especially the marketing promotion, the gender strategy, women participation in business structures, their adherence (in the business associations, Chamber of Commerce etc).

The participants were the representatives of different business sectors: production, services (certification, consulting organizations, tourist agencies, beauty and health salons, hospitality organizations services), as well as the Analytical center on SME issues, NGO assisting the women business activity from RA region, commerce and an accountant (as an expert), The discussions lasted 3 hours. After the welcome speech, the group leader presented the meeting purpose. He expressed his gratefulness to be present for the discussion and introduced the group members, then passed to the necessary questions discussion using the ILO guide book on relevant issues.

#### **1. Policy, legal and regulatory framework**

##### **1.1. Business registration and licensing**

3. What are the most important agencies for a business to register with?
4. Why do you consider these the “most important”?
5. What are the benefits of registration and licensing?
6. What are the benefits of choosing not to register?

In RA, the engagement in a business activity without being registered is illegal. The law violation is punished by a penalty. There is not an alternative. Self-employed persons should pay a fixed sum for children care, house cleaning and for other functions. Before being engaged in a business activity, the business should be first registered in RA State Register, then being accounted as tax payer and as an insurer in RA Tax Department. In case the business activity requires a license, the applicant should apply to the appropriate licensing commissions. A certain tariff is defined by RA Government for all phases of that procedure. The payments should be done in banks. This procedure is defined by RA law. In the reality, according to the focus group, the defined tariffs are not followed up, and the system is corrupted especially in regions.

It was proposed to minimize the contacts with state employers and to implement the registration via Internet, in order to prevent the corruption. It was proposed also to use the one window system, taking into consideration the Internet connection unavailability in some regions and the lack of computer skills. This leads to the creation of business assistance centers that will provide the elementary knowledge to beginner entrepreneurs, especially to the women entrepreneurs on business implementation and developing skills, because it will be very difficult to deceive the person who is aware on his/her rights.

The knowledge is necessary to avoid financial and time losses, failures, especially in regions, because Yerevan is full of possibilities for getting needed information. For these purposes, a range of measures is carry out by SME DNC, SME DC. But as the corruption still exists, and a women has difficulties in business implementation, these measures should be taken on the state level.

It was also proposed to add information on the registration procedure, the needed documents list, steps' succession, names of organizations, contacts information in web-sites of RA tax services, State Register's, in order to avoid the above mentioned issues.

In order to assist the society, web-sites of different ministries were opened, like [www.taxinfo.am](http://www.taxinfo.am), [www.taxservice.am](http://www.taxservice.am). However, they have often preventative nature, are not available to the society because of lack of technical skills or ignorance of sites addresses.

## **1.2. Small enterprise promotion policies (including WED)**

- What kinds of support do women in business require?
- What agencies exist to support women in business?
- What are the main challenges faced by women in business or women who want to start a business? How can the government address these?

During 1990, a range of crediting foreign organizations in RA was funding only women entrepreneurs with small credits or with 70/30 correlation giving the priority to women. That's why the women involvement into a business activity was false, just because they need this sum to support their business husbands.

Women are supported by NGO's, established especially for business women, SME DO NGO, SME DAO, NGO's, intended to protect women's rights.

RA legislation does not suppose any discrimination between women and men in all domains. Everything is enclosed in our mentality. This is not only the man who suggests himself that he is in the lead position, but there is a “genetic memory” in the society, that means that after the marriage, a woman does everything for her husband success, although they were always good organizers, activists in the kindergarten, in the schools and universities. This is really very good, but not mutual, taking into account women’s intellectual and other skills. In this sense, there

are positive changes in Yerevan; but the situation is not the same in regions. Some women still believe that “women do not have the right to take decisions”, husband does it instead. The participants suggested that the problem should be found in women themselves: they need to change their mentality, to be active participants where needed, to persist and to promote. The society is not used to seeing a women being leaders. Armenian woman have a physiological barriers; when they overcome it, the society will immediately accept the new reality.

In this sense, women in RA need to expand their knowledge related to business legislation, training courses on business organization and management. There are no training centres with a defined orientation or they are few, there is no free consultation in order to provide additional business information conformable to the time.

**In RA, the laws on business, especially on tax laws, are changing very often.** So, the entrepreneurs, even experience accountants have difficulties to work in these conditions.

#### Suggestions

1. The laws should not change so often, because it does not give the possibility to entrepreneurs to plan their future activity
2. If the law changes anyway, an appropriate time should be provided for making it public. The law project should be presented to the business sector discussion in advance (over 8 months before), be posted in web-sites, newspapers, by business unions, NGO's, in order to take into consideration business men's proposals and comments before being adopted. In this case, the business sector will be ready to adopt and implement it, to conform his activity to its requirements and have no difficulties.
3. In case the new law was adopted, the sanctions for it non observance or incomplete observance should be applied after 8-12 months.

Otherwise, we can conclude that changes in laws are done in order to create difficulties for the businessman, to force them to pay penalty. Sometimes, the law enters into force earlier, than the necessary measures for its observance. We can then have the impression that laws are intended to punish, to damage the businessman and not the contrary.

A female entrepreneur, especially a start-up, does not manage to apply the legislation, which is frequently changed. The entrepreneurial activity then becomes difficult and not clear. These factors lead to disappointment and don't encourage woman in business activity promotion.

#### **Finance and credit policies, laws and regulations**

- Have you ever applied for credit or a loan from a commercial bank? If not, why not?
- Assuming you have applied for credit or a loan from a commercial bank: Were you successful in this application? What were the reasons for this success or lack of success?

- Are your experiences in obtaining credit or a loan typical of women in business?
- Is it harder for a woman to get credit or a loan compared with a man or easier? Why is this?
- Have you ever obtained informal credit or loans for your business?

The financial system for the small business can be considered as unreachable, because.

- the provided sums are small and with short term
- the % are very high with an annual percentage of 15-24 % (it's impossible to compete with the large business),
- mortgaging of caution presence: the pledge is not accepted in the regions, because its value is very low
- many documents are requested, finally are rejected without reasoning. There are private funding organizations, that provide also small loans to guaranteed groups

#### **Labour laws and regulations**

- Do you employ any workers in your business?
- Are these workers formally employed or informally?
- Do you employ any family members?
- What are the steps you must go through to formally employ a new worker?
- What are the steps you must go through to dismiss a worker?

According to the participants, the RA Labour Code needs to be revised, because of the following reasons:

- Employer's interests are not protected, both for woman and man entrepreneurs
- More privileges are provided to the employee. The discharging process from the employer part is a real problem for him, sometimes impossible, if an agreement for indefinite period is concluded with the employee, even if he has caused a real damage to the employer. In order to avoid this kind of situations, it will be better to:
  - Conclude a short term agreement with the employee
  - Review the Labour Code, especially the part relating to the employers.

In general, an employer's interests, especially, SME interests, are violated in RA in all domains and on all levels,.

### **Property rights**

- Do any of you own property in your own name?
- Is it difficult for a woman to own property in her own name? If so, why?
- Is property ownership a concern for you when running your business?

In terms of becoming an owner of land property, Yerevan Cadastre employees are more cautious, as they don't know whose wife, girl or lover she might be. In regions, there is a mentality problem.

### **Administrative systems for women's entrepreneurship development**

- Where do you obtain the information you require on government policies and programs?
- If you think you've been poorly dealt with by a government official how would you address this? (Would you complain? Who would you complain to? Why would you not complain?)
- Have you ever been harassed or asked to pay a bribe by an official?
- Where do you get information on new business opportunities?

The necessary information is provided by the messages sent periodically by SME foundation, SMEFO NGO and RUEA, published in newspapers,.

In cases the state authorities try to extort money, nobody protests. The appeals have no result, as the court protects state authority's interest. The appeals are considered as waste of both time and money. Even one of the women stated: "The corruption is a payable and fast justice".

### **National organizational arrangements for women's entrepreneurship development**

- Are you involved in any business membership organizations, such as a chamber of commerce or business association?
- If so, are these for women only or for men and women?
- Assuming the organization is for women and men: What proportion of women and men participate in the organization?
- Are there any women involved in senior management positions in these organizations?
- Does the organization focus on any issues that are of particular concern to women?
- Does the organization participate in formal discussions with government on policy issues?
- If so, do women participate in these discussions?
- Are there any issues concerning women in business raised in these discussions? If so, what were these issues?
- How can women's participation in these discussions be improved?

In general, men occupy lead positions in personnel; women are on the 2<sup>nd</sup> or 3<sup>rd</sup> place.



## Recommendations

1. Implementation of specific policies for WED in Armenia.
2. Support young women entrepreneurs in providing credits for start-ups.
3. Organization of specific training programs for women entrepreneur, specially in management, business organization, business planning and promotion, use of internet, e-commerce, marketing, etc.
4. Tax departments should have separate rooms where the necessary information and consulting will be provided.

## 7.2. Business Survey among women entrepreneurs. 137 respondents

The survey was implemented by individual questioning on the basis of generic survey questionnaire provided by the ILO. It was localized to correspond to the business environment of Armenia, and included 28 questions. Due to the ILO Guide and the Terms of Reference of the Project, the survey was carried out in Yerevan, the capital of Armenia, as well as in urban and rural areas in Marzes (regions). The survey did not cover whether the respondents were married or not.

Considering the specifications of SME issues in regions, 67 SMEs in Yerevan (instead of 50) and 70 SMEs in Marzes (instead of 60) have been selected for the implementation of the survey. Taking into account the varicosity of Marzes, 5 in total have been selected: Aragatsotn, Lori, Vayots Dzor, Gegharkunik, Tavush.

In total, 137 questionnaires were submitted to the survey, of which 4 were invalid, since they did not correspond<sup>21</sup> to any of the following requirements:

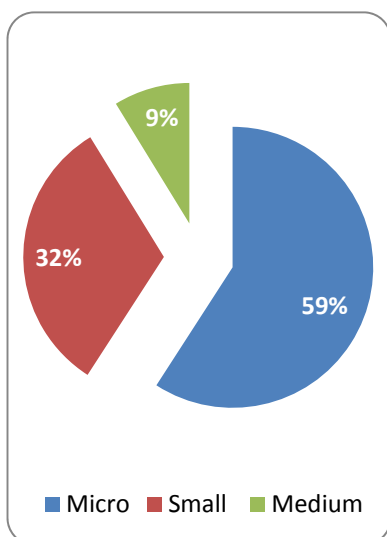
- Is the respondent female?
- Is the respondent an owner of this business?
- Does the respondent have a major role in the management of the business?
- Has this business been operating for at least two years?
- Has the respondent been an owner/manager over this two-year period?

The selection was taken from Yerevan and 5 Marzes. The description of the selection by the size of enterprise, business location and business sector is provided below.

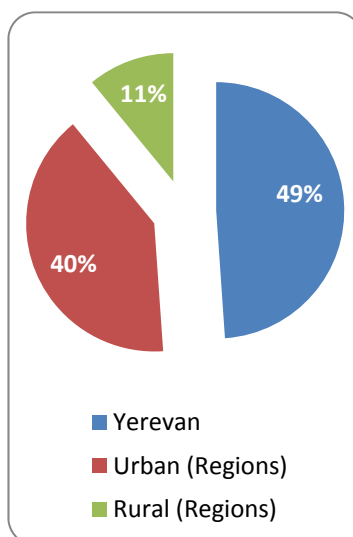
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<sup>21</sup> The respondents answered *NO* to the following questions.

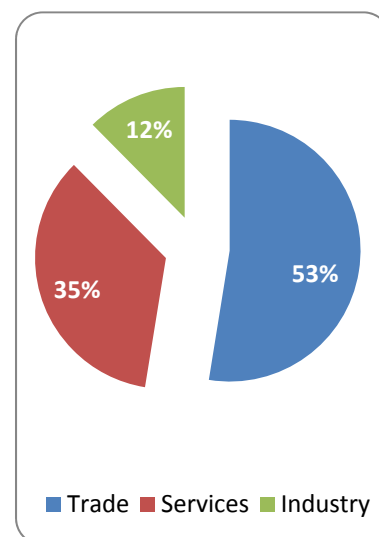
**Size of the enterprise**



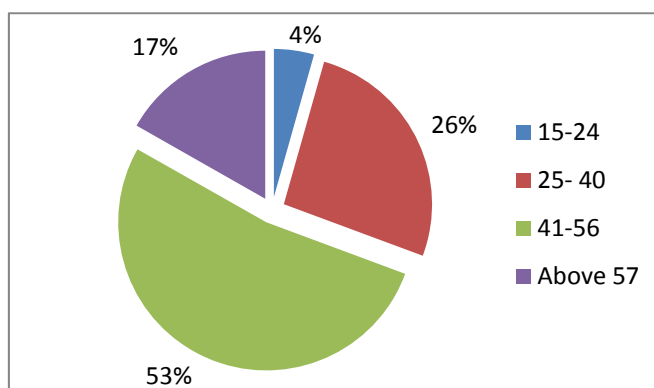
**Business Location**



**Business Sector**

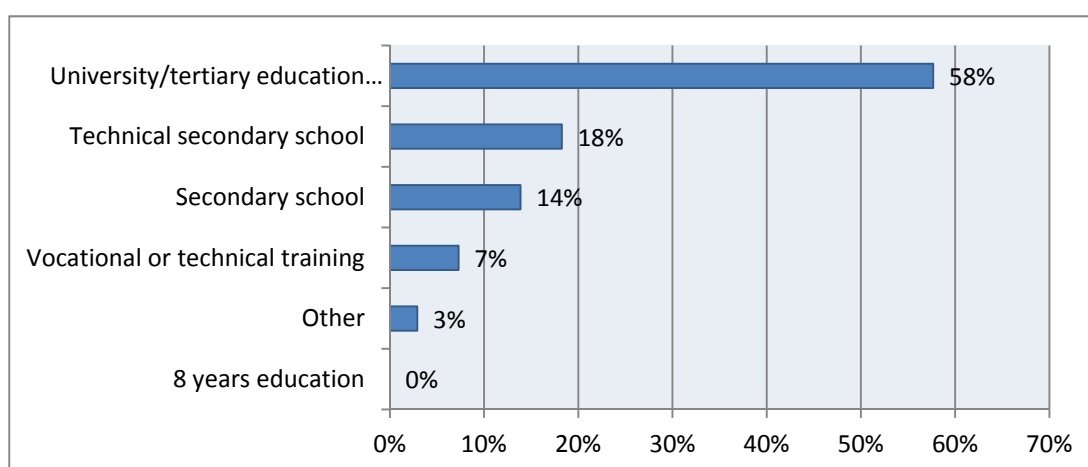


## 1. The Age of Respondents



The weak presence of young women in the business community is a concern. Respondents aged 15-24 years old make 0% in Yerevan and 5.6% in Marzes. Young women are presented weak, since there is a lack of capital for starting own business and other issues related with the age of getting married (18-25).

## 2. Education of respondents

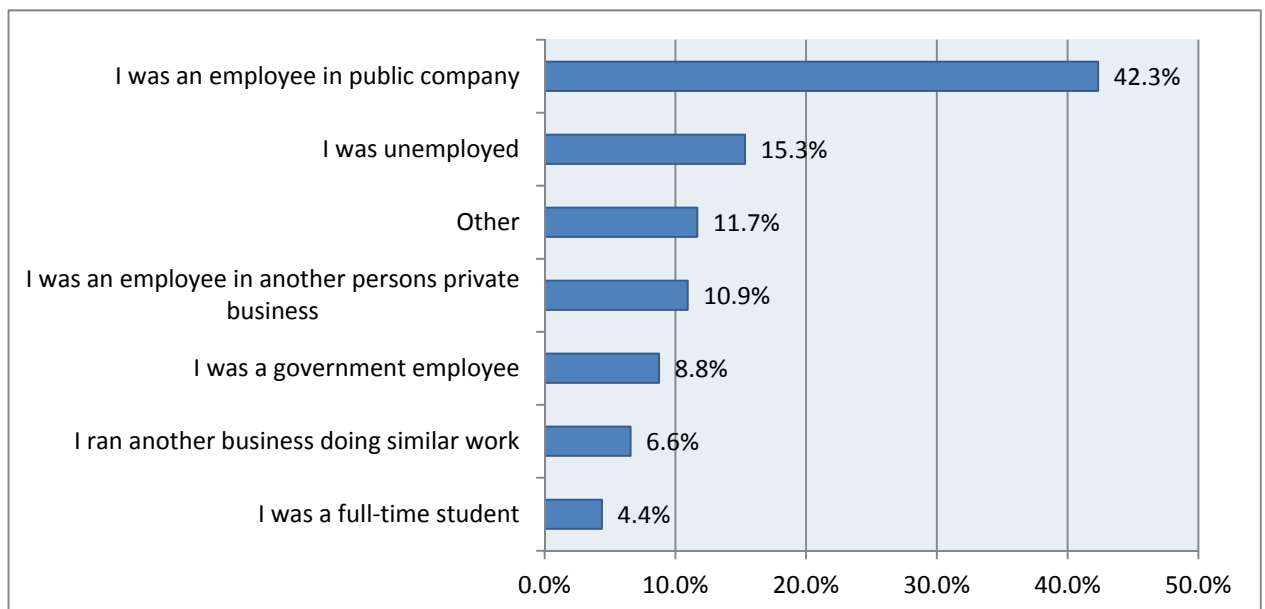


Women with university education or technical (vocational) education have made correspondently 58% and 18% in the selection. The number of respondents with 8 years education is 0.

Internationally, there are several research papers that point to correlation between enterprise development and relatively high education levels. Also, women entrepreneurs tend generally to have employment experience before starting a business and are often over 35. The current survey results in Armenia coincide with other similar data.

### 3. What were you doing before you began this business?

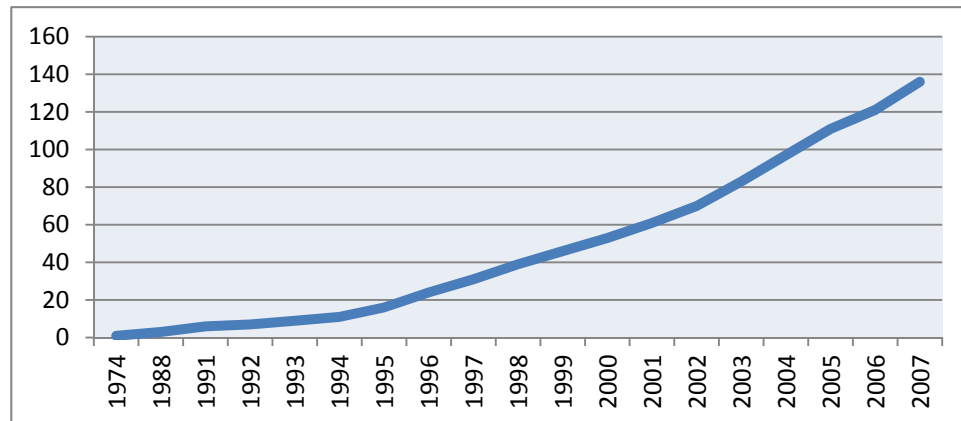
About 51% of women interrogated have been previous government or public (governmental) company employees and had decided to begin business. This comment is reasonable, because 69.4% of respondents were at age of over 40, so most of them must have worked in various governmental organizations during Soviet times. Of course, the rest of the respondents have worked in governmental system after the independence of Armenia.



The next another high rate is the number of previously unemployed (15.3%). The 10.9% of the respondents had worked in another persons' private company.

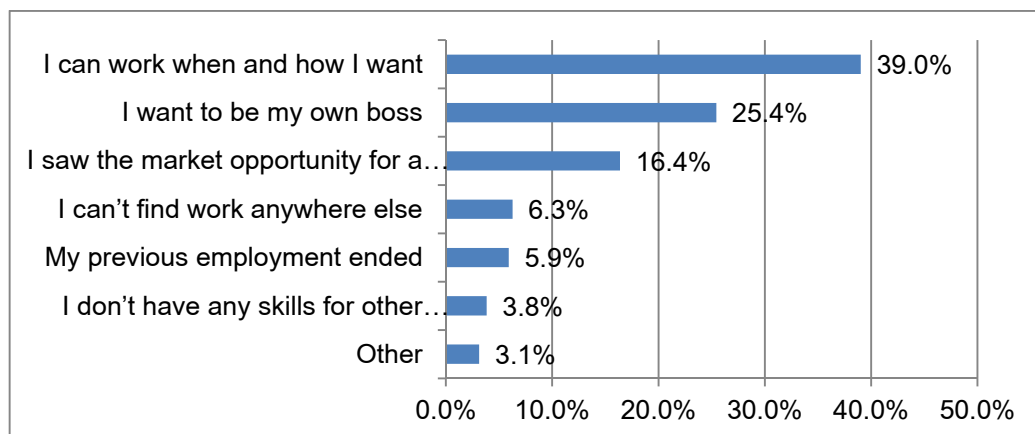
Working for the state 'pushes' women into starting their business, because it provides women with entrepreneurial characteristics, so they get more skills to work with documents (preparing and accessing documentation, preparing reports, dealing with state agents' documents), they get familiar with legislation and information.

#### 4. The year of starting business



The majority of respondents (about 60%) have created their business after 2001.

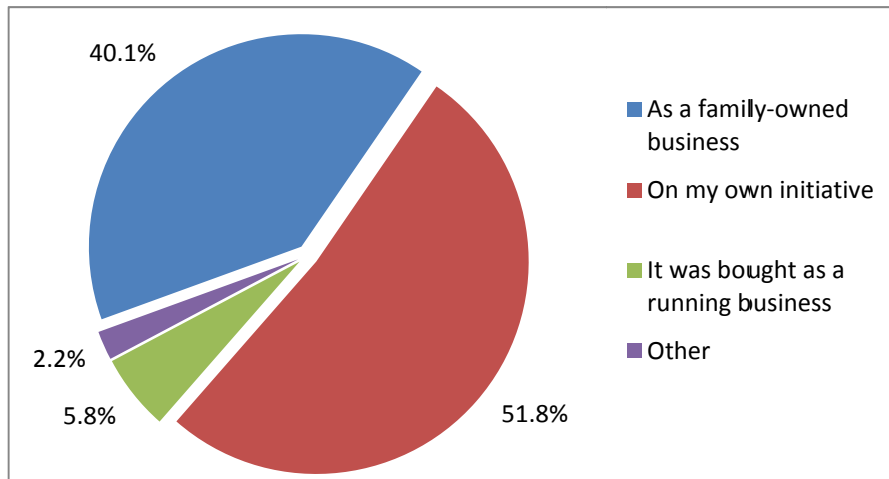
#### 5. The reasons for being in business



The results of this question are interesting, as in some point they confirm the fact that women have diligence or ambition in self-establishment, despite of absence of inequality against women in the legislation. But in some point, they are moved into a second level by men. The hypothesis is confirmed by the responds "I can work when and how I want" and "I want to be my own boss", which together make 64% of total. The share of more businesslike responds made 16% ("I saw the market opportunity for a profitable business"). Those who had lost their jobs or who had been unemployed together made 12%.

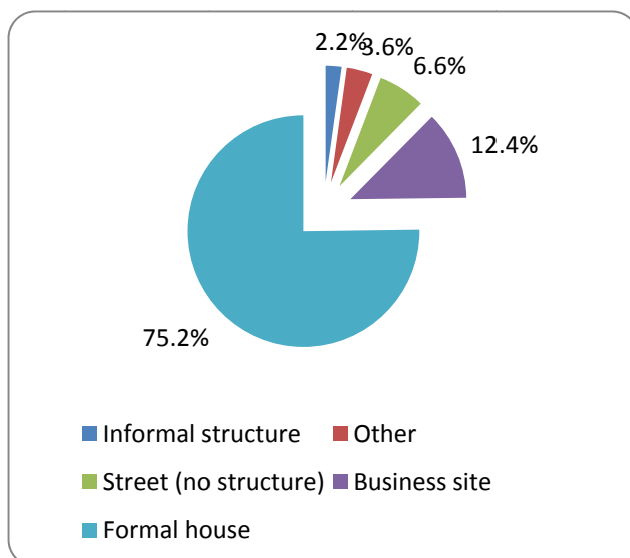
The 3.1% responded "other", who meant they wanted be occupied or had interest to experience themselves in doing business.

## 6. How was this business started?



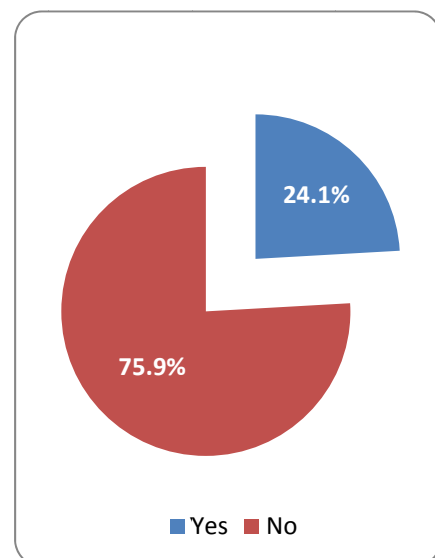
Generally, the creation of businesses was carried out as a family-owned business (40.1%) or on their own initiative (51.8%), which jointly makes 91.9%. The 5.8% bought a running business.

## 7. From where does your business operate?



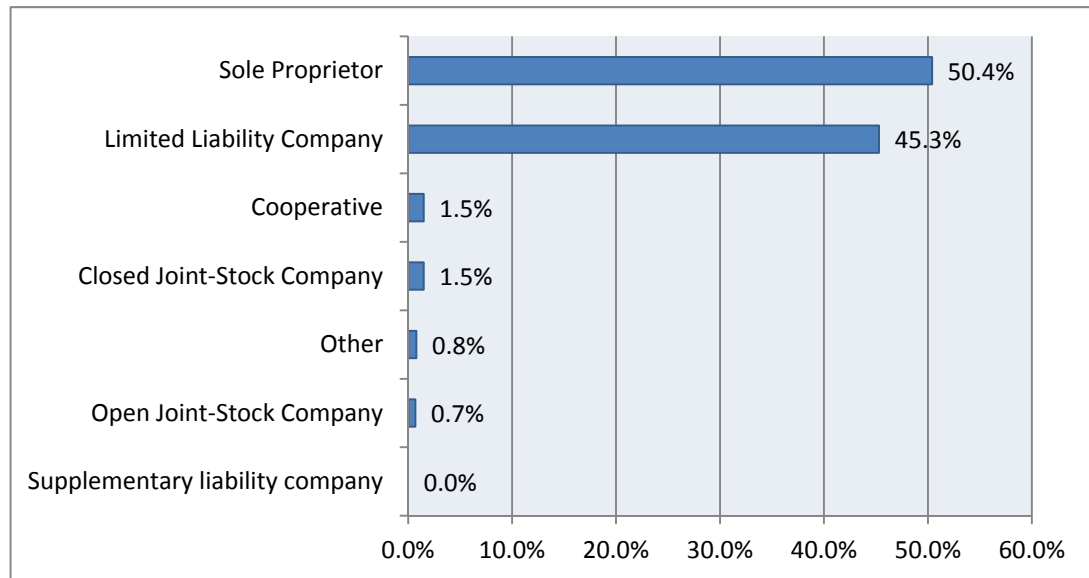
In general, which is a matter of appraisal; the 75.2% of companies operate their business in formal houses. The 2.2% operate in informal structures.

## 8. Do you own the business premises?



The majority of respondents (75.9%) don't have their own premises (other than own houses).

## 9. Type of legal structure of the businesses



Since most of the respondents are micro and small enterprises, then it is likely that the most convenient and low-cost legal structures would be Sole Proprietor (50.4%) and Limited Liability Company (45.3%).

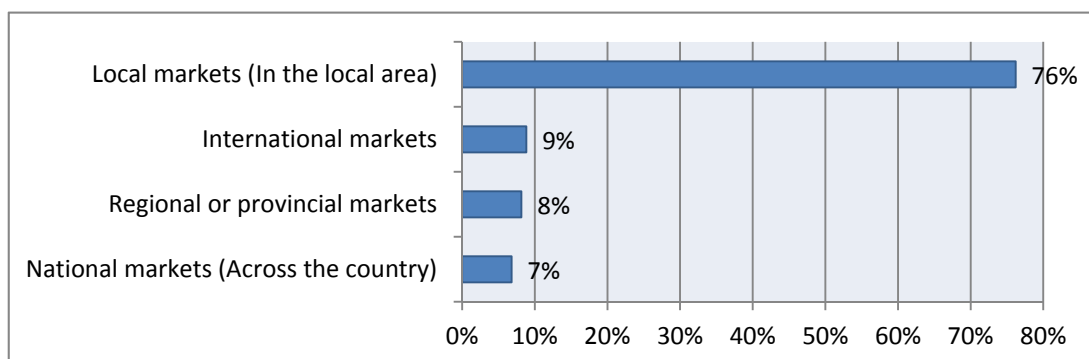
## 10. How many owners (i.e. partners, directors) are there in this business and what sex are they?

The majority of the respondents have women partners/owner (or managers) (82%), the 18% have men partners.

## 11. Employment in business

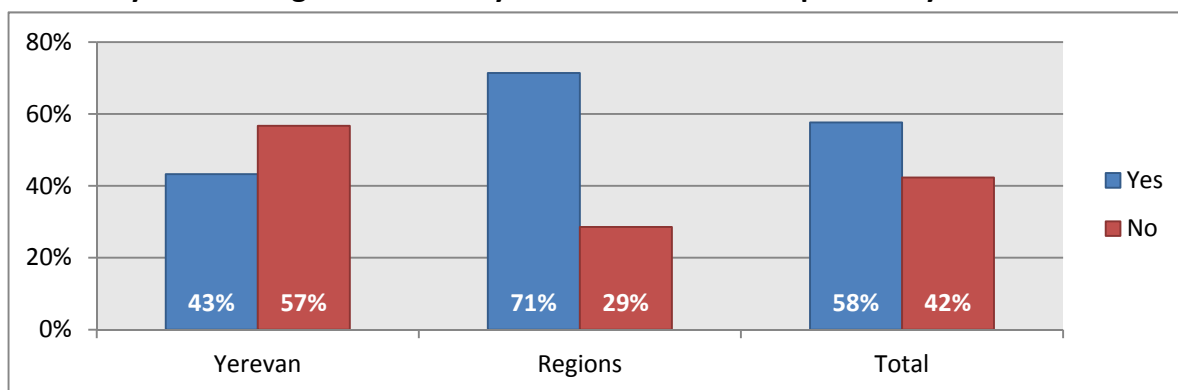
The greater part of respondents is micro enterprises, so the number of respondents having 1-5 permanent female workers is 97 in total 133. The number of male workers in the same companies makes 37. It occurs that women employ more women (97 respondents).

## 12. At which markets do you sell most of your products/services?



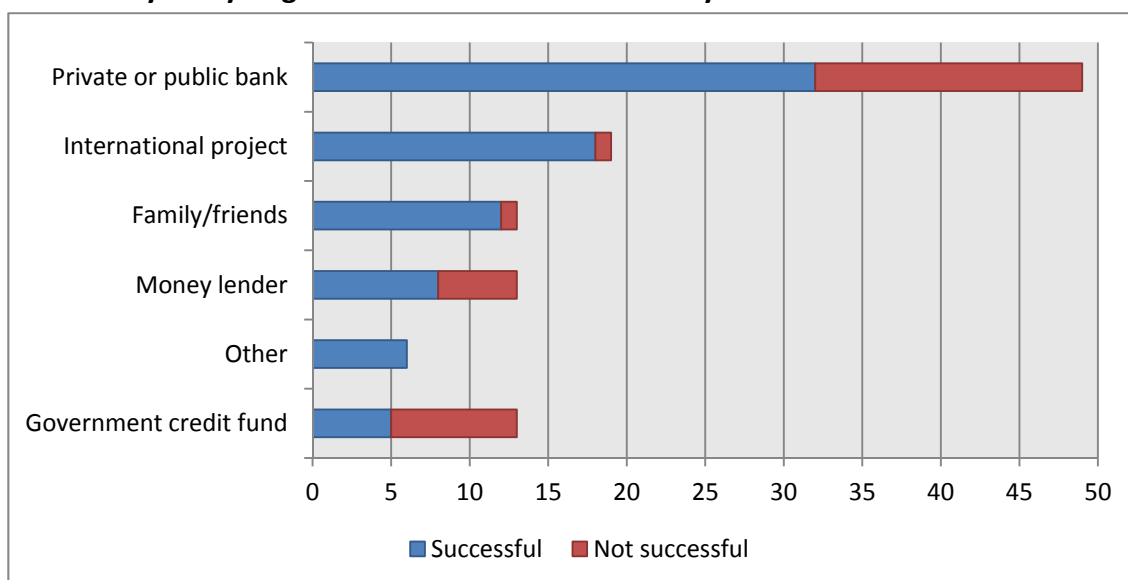
Generally, they're localized in local markets/areas (76%).

### 13. Have you tried to get finance for your business over the past two years?



Mainly, the companies have tried to get finance from banks. The 43% in Yerevan and 71% in Marzes have applied for financing.

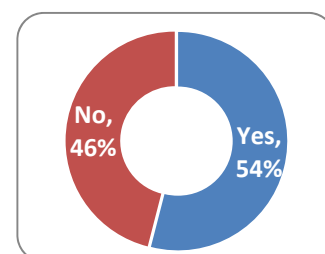
### 14. Where did you try to get the business loan and were you successful?



The analysis of this question shows that in comparison with previously implemented surveys, the situation has a positive change. The confidence of banks in financing women entrepreneurs has increased, and among applicants, 55 respondents have gained credit from private banks or international projects.

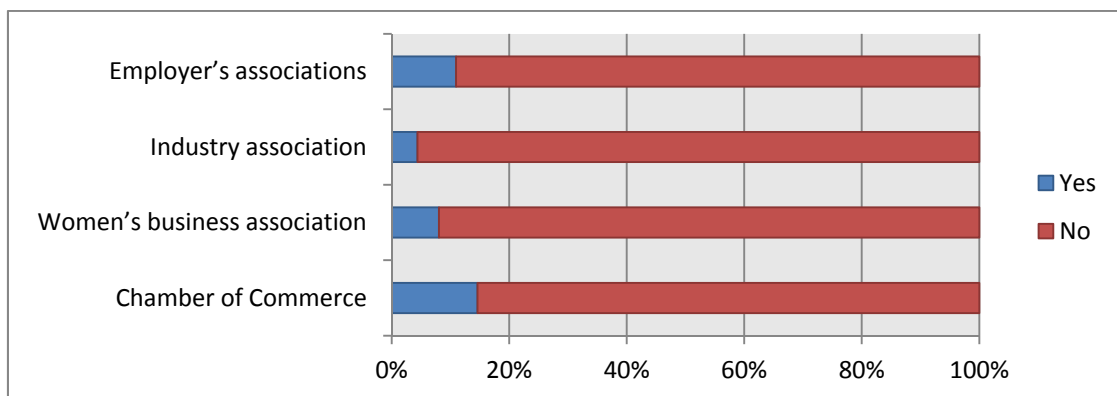
### 15. Do you have a bank account specifically for your business?

The 54% of the companies has a bank account; the 46% of them do not. This refers to the fact, that most of them are micro businesses and operate in local markets/areas.



### 16. Are you a member of any of the following organizations?

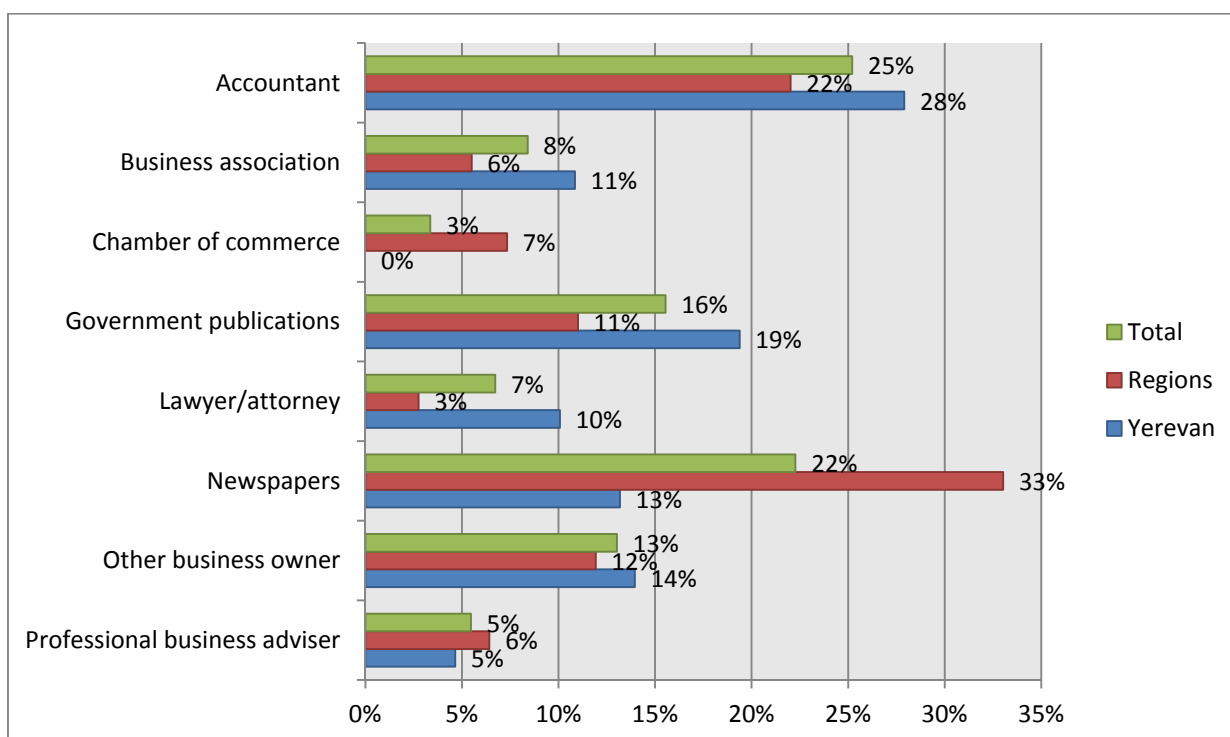
Due to given responses, 9% are member of Chamber of Commerce, Women's business association, Industry association, Employer's associations. The other 91% are not.



### 17. How do you normally get your information and advice on business and legal matters?

The 33% of respondents in regions get information from newspapers (in Yerevan – 13%) and the 22% from accountants (in Yerevan 28%). Information or consultancy from business or professional organizations get only the 20%<sup>22</sup> from regions and 16% from Yerevan, which is reasoned by the fact that respondents are not member of business associations or the Chamber of Commerce.

It is striking that a research<sup>23</sup> carried out in 2005 among SMEs had discovered the importance of business information on the first place. In spite of that, the current survey shows that respondents do not benefit from the Chamber of Commerce or the Employers' Association. Instead, they prefer to read newspapers and to consult with their accountants.



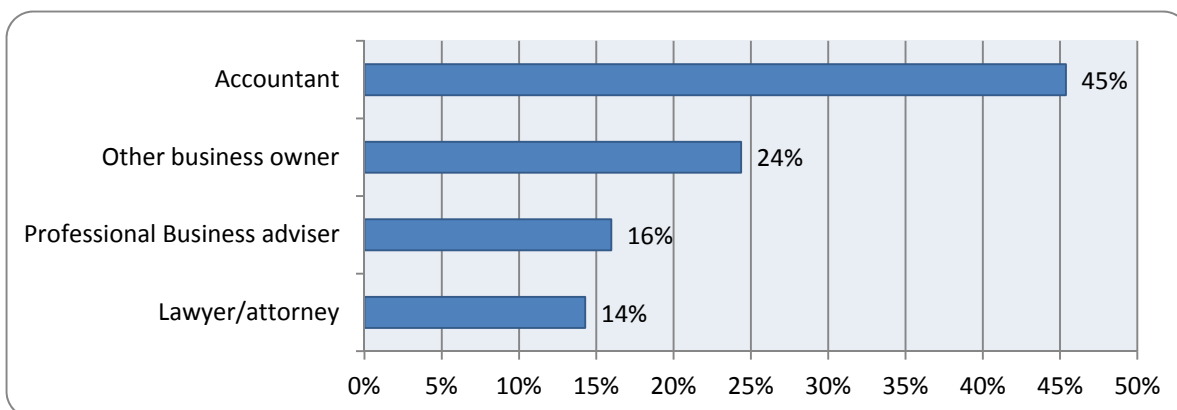
<sup>22</sup> "Professional business adviser", "lawyer/attorney" and "business association" taken altogether

<sup>23</sup> *Capacity Building for Employers' Organizations in Productivity and Competitiveness*, Union of Manufacturers and Businessmen of Armenia, 2005



### 18. During the past two years have you obtained advice about your business from...

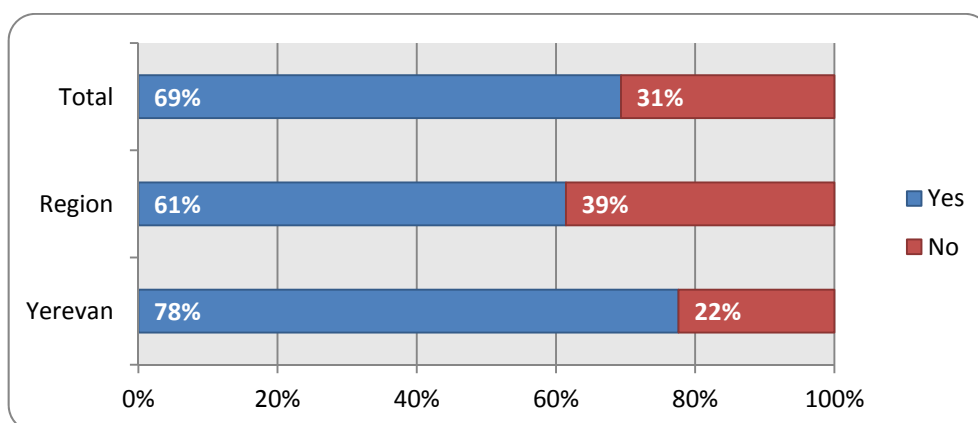
Among those who mentioned that have obtained advice (89% of total), the greater part of them has obtained advice from consultants (45%). The 30% got advice from professional business advisers or lawyers/attorneys. The breakdown of sources, where respondents got advice from, is presented below.



The results of this question confirm the comments given in the previous question – the low intention to consult with professional structures. Obviously, the reason is the lack of financial resources or the weak understanding about the importance of business consultancy.

### 19. During the past two years have you ever had a government official visit to your business?

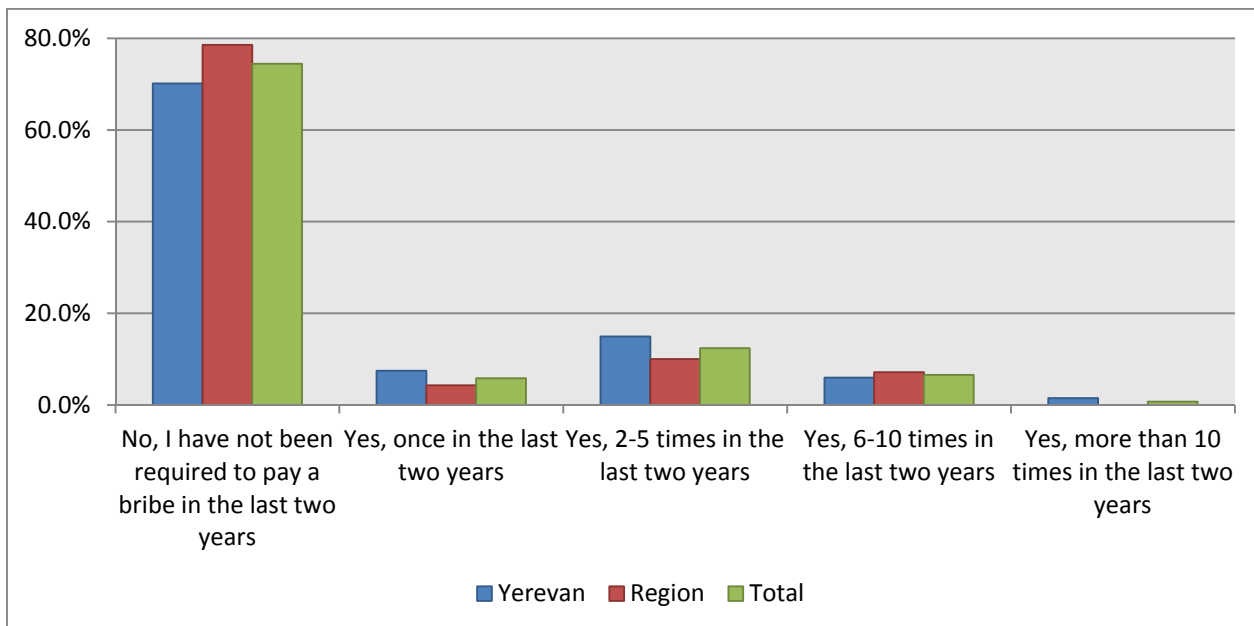
Government officials have visited the major part of the respondents for different reasons (in Yerevan 78%, in regions 61%), which, of course, brings up some corruption risks and discontent among enterprises.



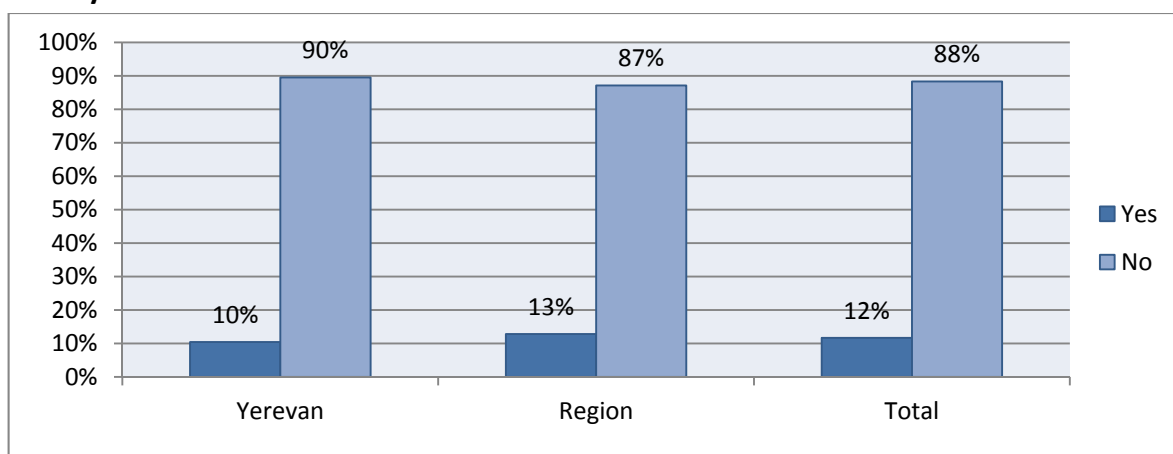
### 20. Have you ever been required to pay a bribe or unofficial fee in the last two years?

The responses to this question sound unconstructive to the previous questions, which relates to the fear discovered during the survey. The 75% of respondents state that within last two years

nobody asked to pay a bribe. In spite of that, another opinion exists. Since the majority of inspection body representatives are men, they avoid taking bribe from women or they simply do not want to openly admit that they take bribe from anyone.



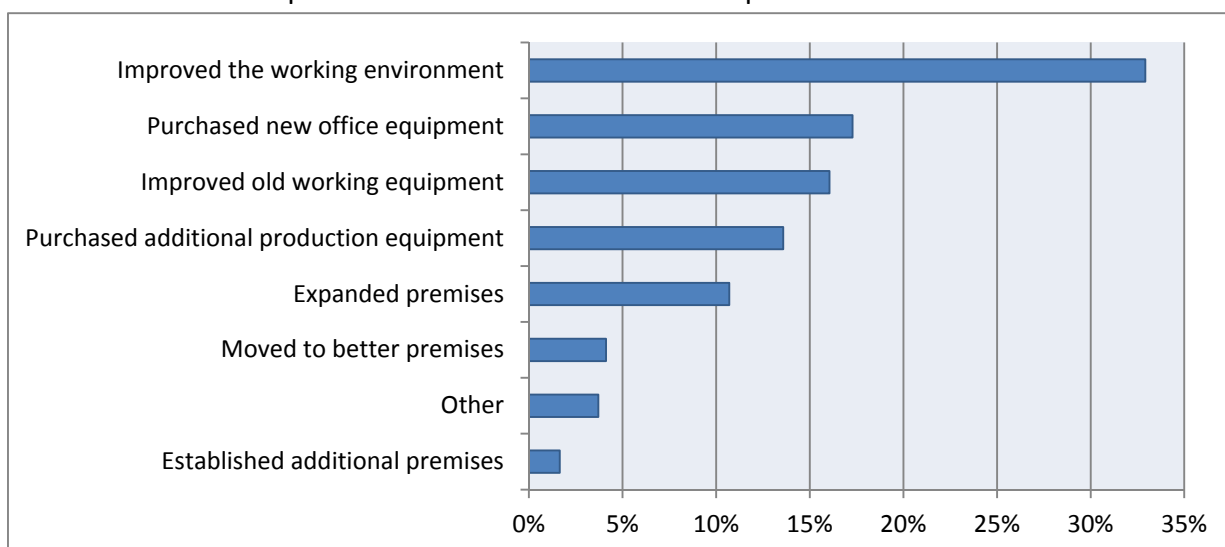
**21. Have you been subjected to any other kind of harassment by a government official in the last two years?**



The 88% has stated that they have not been of any subject of harassment. This may be of a reason of fear; respondents were not sincere in their responses. So, we can say that they may not have wanted to divulge such sensitive information

## 22. Over the last two years have you made any of the following investments in your business?

The breakdown of responses about investments made is presented below.



The 33% of investments were made for improvement of working environment, which is a matter of appraisal in the point of view of Decent Work Program and Occupational Health and Safety.

## 23. Over the last two years, how have the following factors influenced your decisions regarding investment in your business?

The investments in Question 22, are related with several important positive factors, presented below.

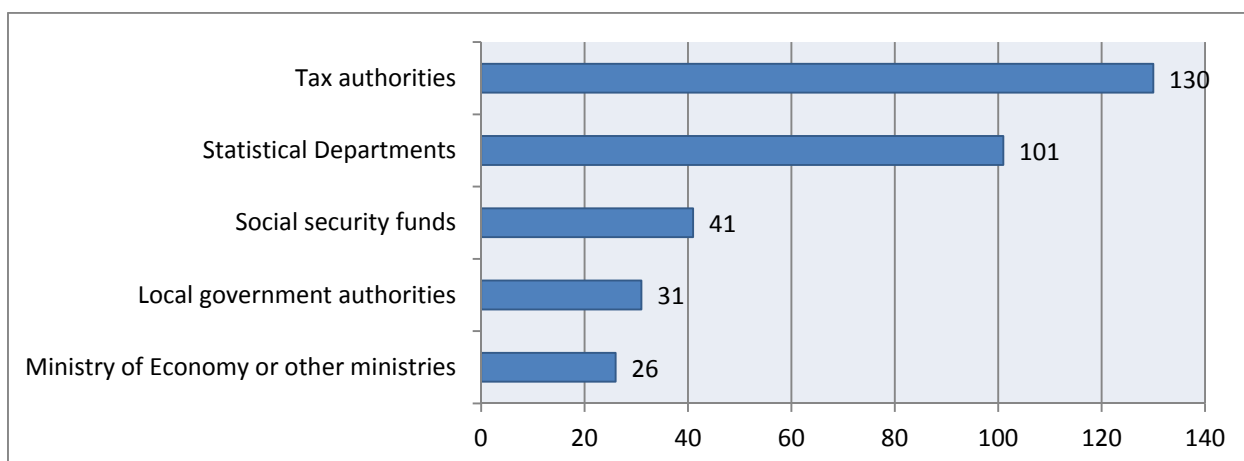
	Positive and strong positive		Negative and strong negative		No influence	
	Yerevan	Regions	Yerevan	Regions	Yerevan	Regions
The markets	62,5%	52,5%	14,3%	17,2%	19,6%	28,3%
Your business premises	44,4%	41,1%	7,4%	6,3%	40,7%	48,4%
Payments to workers	41,5%	26,6%	3,8%	4,3%	50,9%	66,0%
Access to finance	26,9%	31,2%	9,6%	10,8%	53,8%	51,6%
Export to other countries	18,0%	12,0%	2,0%	1,2%	44,0%	37,3%
Taxation	21,2%	16,1%	48,1%	49,5%	25,0%	31,2%
Government policies	5,8%	6,5%	32,7%	33,7%	53,8%	54,3%
Advice given by others	51,9%	44,0%	1,9%	1,1%	42,3%	52,7%

However, the most 4 positive factors are markets, business premises, payments to workers and access to finance.

## 24. Are you registered with any of the following agencies?

Only 7 of interviewed organizations are not registered in tax bodies, which is weird. Due to the legislation of Armenia, all companies are subject to taxation and must be registered in tax bodies. Probably, there is a misunderstanding of the question.

Only 101 respondents are registered in the National Statistical Service, because it is not obligatory.



In the Social Security Fund 41 are registered, in Local Government Authorities and in the Ministry of Economy or Other Ministries the registered are not much – correspondently 31 and 26.

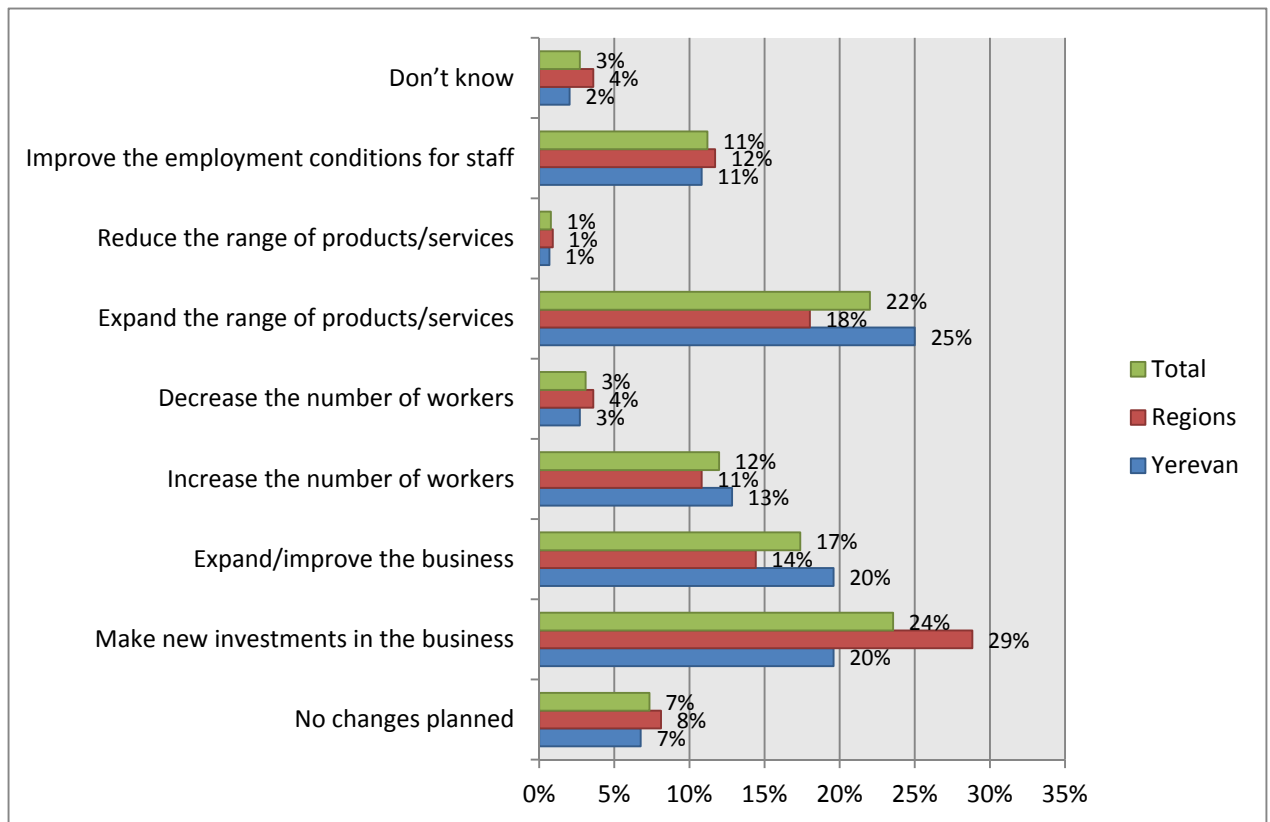
**25. To what extent have the following factors influenced your decision to register/not to register with any or all of these agencies?**

	Strong positive		Strong negative		No influence	
	Yerevan	Regions	Yerevan	Regions	Yerevan	Regions
Costs	34,9%	14,8%	20,9%	29,6%	44,2%	55,6%
Time	13,5%	17,8%	32,4%	37,8%	54,1%	44,4%
Information	34,2%	28,0%	5,3%	20,0%	60,5%	52,0%
Reporting requirements	37,8%	42,0%	18,9%	18,0%	43,2%	40,0%
Government support	10,0%	37,0%	10,0%	2,2%	80,0%	60,9%
Legal status	74,0%	84,5%	2,0%	5,2%	24,0%	10,3%
Insurance and protection	11,5%	63,2%	11,5%	0,0%	76,9%	36,8%
Access to capital/resources	43,8%	76,2%	0,0%	2,4%	56,3%	21,4%
Tendering and exporting	43,5%	11,5%	0,0%	57,7%	56,5%	30,8%
Fines and harassment	46,2%	28,6%	25,6%	28,6%	28,2%	42,9%

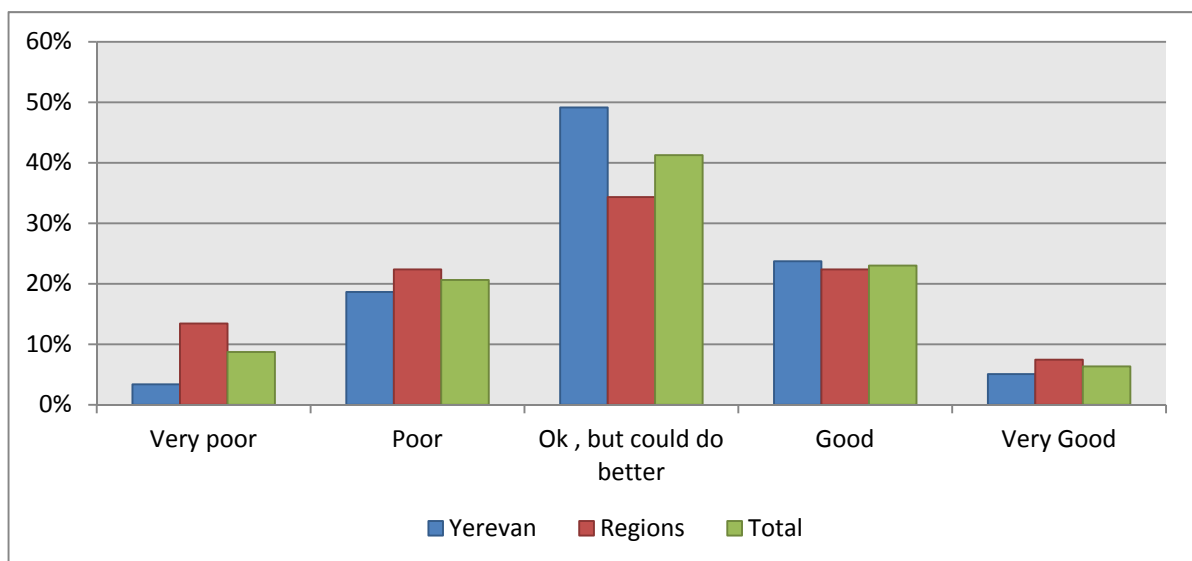
In the factors, the following are outlined: reporting requirements, legal status, access to capital/resources, fines and harassment, because due to the legislation of Armenia, some points are obligatory, so they can create penalty or corruption risks.

## 26. How do you expect to continue your business over the next year?

The respondents have optimistic visions about their business for coming years. Reduce of range of products or cut of personnel was mentioned 1% and 3% correspondently. Instead, expand of range of products, increase of personnel and expansion of business made 75% together. 7% of responds indicate that there are no changes planned.



## 27. How do you expect your business to perform in the next two years, compared to how it did in the past two years?

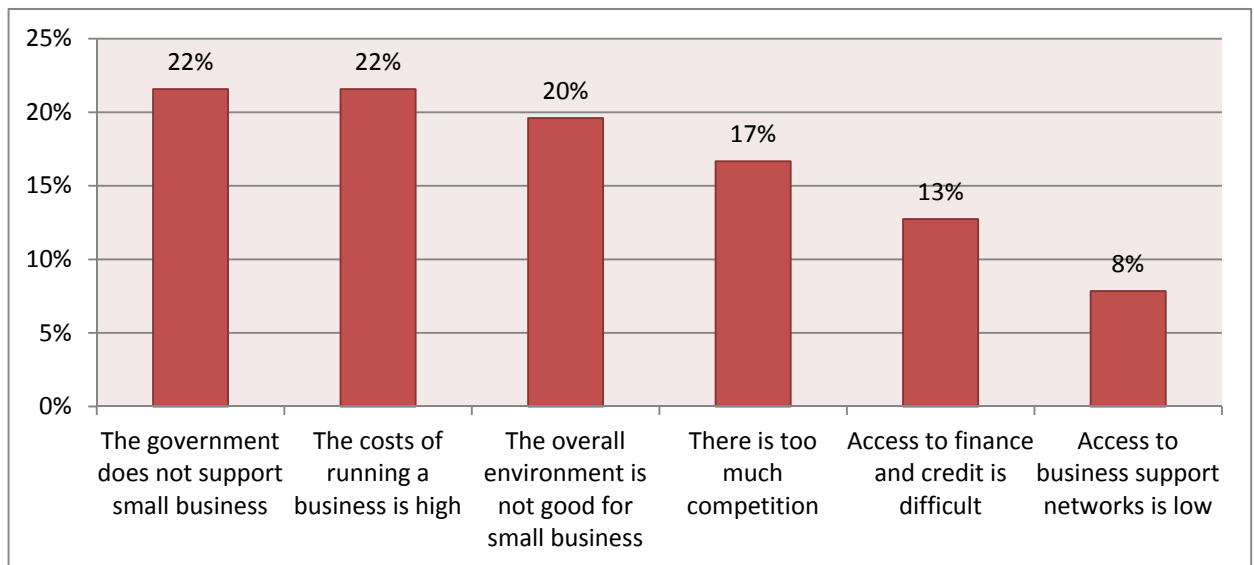


The positive intentions dominate in the responses given. “Very good”, “good” and “Ok, but could do better” responses together make 70%. The other 30% make “Poor” and “Very poor”, and should be taken into attention regarding SME sphere improvement.

The comments on the worst scenario are provided in the first part of Question 28.

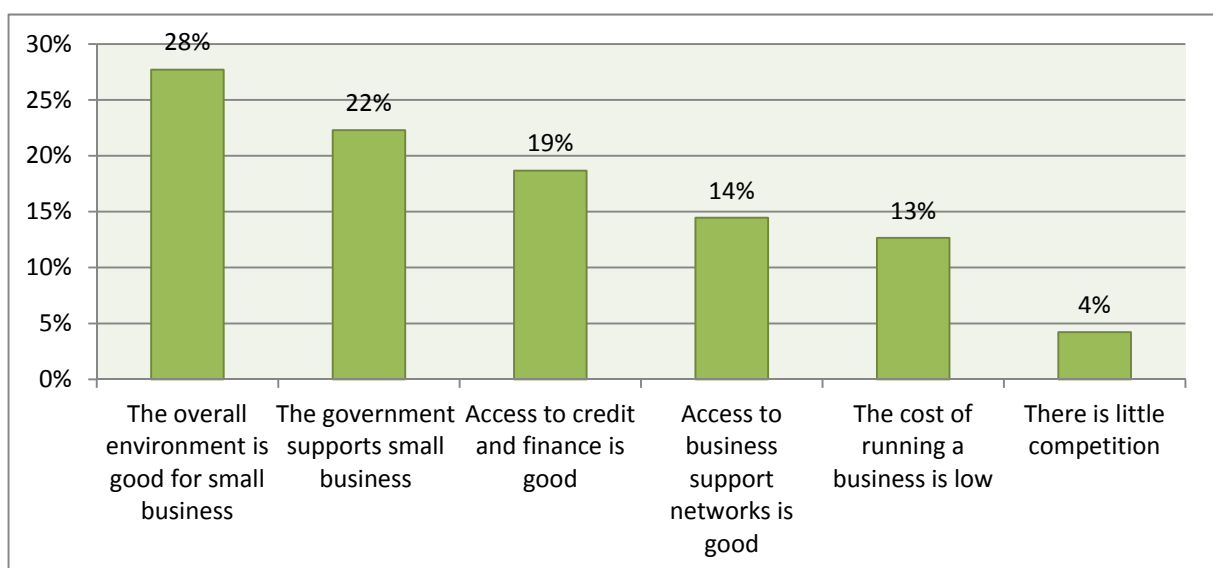
## 28. Do any of the factors listed below lead you to have these expectations?

### Pessimistic Expectations



Among the reasons, significant are the high costs or running a business (22%), Government’s weak support to the SMEs (22%) and the unfavourable environment for small businesses (20). The 3 factors’ rates altogether make 64%. Besides, the competition also badly influences (17%).

### Optimistic Expectations



The main expectations are related with the favourable business environment (28%), support from Government (22%) and access to finances (19). The 3 factors' rates altogether make 69%. Besides, the access to business support networks is 14%.

### **7.3. Preliminary discussion of the implemented analyses, focus group and surveys in the scope of a round table**

*Location: RUEA office*

*Date: 11 November, 2009*

The round table participants were experts having an initial participation to the analyses, representatives of state and private institutions supporting SME, of RUEA, of NGO's and business women, who have participated to the surveys or to the focus group works. CEOs of RUEA sectoral and regional associations, representatives from SME Foundation, SMEDC CEO and members, SMEDNC and from other organizations have been present. Overall 18 persons participated to the discussion, of which 4 men and 14 female.

The round table was intended to summarize the main issues and development possibilities relevant to the SME and women business activity based on the analytical and received results, and to form a package of proposals and guarantees in order to include them into the survey's final report.

The following topics were discussed during the round table:

- problems on SME, that were observed before and disclosed by this survey, from the point of view of political, legal and normative base
- statistic data relevant to women business activity in RA
- the survey's results in the following domains, based on the focus group discussion and 137 questionnaires:
  - SME crediting and financing
  - communication with the government
  - administrative systems and administration
  - corruption
  - shady economy / unfair competition
  - information sources on business
  - SME future development intentions
  - proposed reforms

The results were presented by the project coordinator SMEDC NGO president. All participants expressed their opinions; the following issues were especially emphasized:

- Difficulties conditioned by the frequent changes of laws in the SME sector and their implementation issues.
- the in-equal competitiveness in the SME sector
- the lack of business and management skills, especially in regions
- still the low level of state assistance to the SME sector
- the necessity of special trainings for women business activity promotion and the activity of consulting organizations
- the psychological obstacles among women and the necessity of a psychological preparation to overcome it
- the non clear definitions of the basic directions of SME development in regions and communities
- the absence of a relevant financing funds and crediting institutions
- the presence of SME especially in cities: the micro-enterprises involved only in trade are dominant in villages.
- It was especially mentioned about the corruption risks which exist during the registration of enterprises.
- The dissolution of enterprises is a difficult and long time process that becomes more difficult because of the enterprises obligations pay-off. The enterprises can be considered as dissolved only in case if they have paid off their obligations (fiscal etc).
- The state (village) registration in communities is accompanied by non state payments.

**The following package of proposals was formed:**

- 1 window principle formed for the enterprises registration
- To clarify the SME dissolution process, in order to make it a possible mechanism for its improvement. To get free of the large number that doesn't function in principle and are only in a written form.
- The credits provided by the government under the economical crises conditions created a certain competition with respect to banks. In the result, the banks started to lower the percentages, propose to the government to improve the conditions of credits provision, (percentages, duration etc).
- To empower the state projects intended to assist SME, especially in regions and villages.
- To prolong the implementation of fiscal legislation changes, by giving possibilities to SME to be prepared to them during 6-12 months. To inform about the changes via mass-media, by giving them a possibility to receive feedbacks and to publish final editions.
- The employer's interests are violated, that's why it was proposed to empower the relevant articles in the RA Labour Code.
- To provide a supplementary support of crediting or financing to SME, by increasing the foundations of the same kind in regions especially. To contribute to the improvement of crediting possibilities where there are poor conditions of mortgages.



- To define privileged fiscal rates in order to assist the business improvement in villages and in the frontier regions, because these territories are left due to the unfavourable conditions and workplaces absence.

There were no outstanding differences between findings of the desk study and the survey.

In November 12, the members of the Sustainable Development Project (formerly PRSP) coordinated council discussed the government actions plan for 2009-2011, together with the International Bank experts group. SMEDC and RUEA presented one part of this survey's results on SME registration and dissolution. The 1 window principle on the registration was included into the actions plan. What about the dissolution process, it was planned to develop a necessary mechanisms for it.

Besides, on November 13, the above mentioned issues were discussed by European SME experts and RA Economy ministry in the scope of the "The Commercial Circle Proposed to implement with the European Union". SMEDC RUEA's sectoral association emphasized the above mentioned issues in presentation on "European Union, Opinion from the Business Community". It was decided to define a list of urgent issues, in order to periodically discuss them.

## 8. CONCLUSIONS AND RECOMMENDATIONS

### 8.1. Conclusions

#### WED related:

- There is lack of specific data regarding WED in Armenia. The related data is presented in general statistics along with other indicators, but there is no specific chapter or part devoted to WE.
- Women entrepreneurs are not a homogenous group in Armenia, since WED involves other issues other than entrepreneurship generally. Many women were abandoned by their husbands during recent years, so they had to take care of their families and children. Besides, there are gender inequality issues in the country, which also affects to WED.
- Among services provided by BDS for business and SME development, there are no specific ones for women. There are a few that emphasize the issue, such as EBRD/BAS program, which has a WED component.
- Despite the agriculture is a large sector within the country, but due to the TOR of the current survey it was not emphasized to be studied. This is why, the survey recommendations do not include specific recommendations to the sphere.
- The women entrepreneurs are mainly operating in sectors that are traditionally classified as 'female', such as trade and commerce.

#### Institutional/Policy Barriers:

- *Absence of Government Strategy related to SME and WED assistance and development concept and corresponding action plan:* uncoordinated and abrupt steps of government
- *Weak Judicial, Legal and Regulatory Frameworks and Lack of Property Rights:* legal and regulatory inefficiencies prevent the smooth development of the SME sector and unequal rights for all market players
- *Bureaucratic system:* bureaucratic barriers and lack of the enabling environment create different obstacles and risks for SME and WE development
- *Corruption:* public and private sector corruption prevents the effective development of the SMEs
- *Monopolies:* unequal competition and strong concentration of certain industries prevent SME development.

- *Tax administration*: regular tax inspections are increasing time-cost of SME's spent on paper work. Also frequent changes in tax legislation create barriers and misunderstanding for its implementation.
- *Accounting and Reporting*: In many cases Micro and SMEs are not able to comply with all accounting and reporting requirements
- *Market polarization*: production, services and markets have regional concentration, which inhibits SME development in certain parts of the country
- *Economic instability*: volatile economic situation, exchange rate and other fluctuations disrupt the effective development of the SME's
- *Business Infrastructure*: under developed and a weak business infrastructure is increasing direct and non-direct expenses of SME's and decreases their efficiency
- *Access to information*: It is sometimes difficult to obtain business information, since some governmental/state web-sites are carrying an official meaning, and do not provide full or updated information. The current survey showed that the majority of women entrepreneurs acquire information from their accountants or newspapers.

#### **Difficulties of Financial Institutions, SME problems**

- *Financial sector inefficiencies*: lack of the appropriate financial tools (in terms of duration and price) and limited financing opportunities of financial institutions hinder the development of SME sector
- *Lack of expertise*: some of the local banks and other non-bank financial institutions lack appropriate expertise in SME lending
- *Reluctance to finance start-ups*: banks prefer to finance already operating companies rather than start-ups that cannot prove their financial solvency
- *Lack of transparency*: borrowers have 'black accounting' and are usually reluctant to disclose the actual figures to a financial institution
- *Lack of the financial history*: inability to forecast future cash flows and financial stability of SME's
- *Lack of industry analysis*: poor statistics and lack of the evaluation mechanisms for industry trends leads to inability to properly assess creditworthiness of the SME customers
- *Poor risk valuation and loan pricing mechanisms*: local banks and NBFIs often lack appropriate expertise to evaluate inherent risks (FX, etc.) and appropriately price the SME loans
- *Problems with assessing credit risks*: due to low trustworthy information provided by SMEs
- *Lack of financial resources in Armenian Drams*: Banking system's deposits are highly dollarized and not available to provide financing in national currency

- *Lack of long-term financial resources:* Banks' liabilities are mostly short-term or even on demand that leads to shortage of long-term financing for SMEs
- *Duration of the loan approvals:* Approval/rejection processes are too long.
- *Lack of appropriate skills and educational opportunities:* poor education and lack of appropriate training in SME development and management leads to a high rates of close-downs
- *Information asymmetry:* difficulty in obtaining information on financing programs and services
- *Lack of business running skills, lack of financial background:* heads of SME's often don't understand how much funding they really need
- *Lack of consultancy services:* SME's often cannot afford consultancy services for efficient business organization
- *Lack of availability of collateral:* SME's often do not have sufficient collateral, especially in the case of women, since the property is mostly registered to their husbands.
- *Poor quality business plans:* Lack of expertise in business planning and management
- *Lack of working capital:* full disclosure of financial data ('white accounting') is not enough to receive the loan financing
- *Difficulties of doing market research:* there is lack of information on SME's for market research.
- *Low productivity of business:* inefficient use of credit resources leads to lower outputs for business enterprises

## 8.2. Recommendations

### WED Related:

- NSS or other statistical/analytical centres should take into attention the WED issues and be able to provide separate information on it.
- Necessity to increase the effectiveness of implementation of laws, policies and programmes that impact on WED, as well as improve the monitoring schemes by social partners and NGOs.
- The ease of access to information is a broad problem. The educational programs should concentrate on providing business related information resources, through necessary literature or internet resources.
- Women entrepreneurs should be encouraged to participate in decision making in business forums, conferences, round-tables, discussion with different state and non-state institutions, etc.

- Women entrepreneurs face discrimination on a number of levels, which comes up with a mentality problem or the image about women entrepreneurs. So, the image about businesswomen should be developed and presented well to the society, through media, movies, talk-shows, etc.
- In the Conception on Gender Policy (11 February, 2010 adopted by Government) a chapter on women entrepreneurship development should be included.
- Women specific trainings should be organized by providing not only knowledge and experience, as well as encouraging and success stories of WEs, which will help to increase the self-confidence and help them overrun the mentality barriers.
- Since the information access is already a problem for WED, then creation of business networks should not be ignored. The majority of WEs are not members of business support organizations, so they are less networked. Both women entrepreneurs and supporting organizations should be eager in creating links. The organizations representing women entrepreneurs should undertake it.
- Creation of a WED training centre in SMEDC Sectoral Association of RUEA

#### **Institutional/Policy Recommendations:**

- *More comprehensive definition of SMEs:* Provide changes in current legislation to have more comprehensive definition of SMEs
- *Creation of the enabling environment:* ease to open and close the business; 'one-stop shop' registration procedures to stimulate SME development
- *Government Strategy:* obtain national strategy (strategic program) of SME and, particularly, women entrepreneurship development for providing sustainable growth of SME sector
- *Strengthening of social partnership institutions, for developing social dialogue in 4 levels (national, regional, sectoral and company) for assuring "Decent Work" in the country through employment promotion and entrepreneurship development.*
- *Legal amendments:* make amendments in the Law of the RA "On State Support of Small and Medium Entrepreneurship" with regard to elaboration and approval of Five-year Strategic Program by Government which should be conducted with annual programs.
- *Bureaucratic system and corruption:* lowering bureaucratic barriers and public/ sector corruption will increase the efficiency of SMEs' functioning and reduce transaction costs. In the viewpoint of women entrepreneurship, it will have a preventing influence on corruption.
- *Monopolies:* implementation of equal competition policy in domestic market will stimulate SME development
- *Tax administration:* developing of simplified tax and accounting mechanisms, tax breaks, limitation of allowed tax inspections

- *Information asymmetry*: Creation of SME's data base centre will help to perform market research, segmentation and forecasting; improve quality of available statistics on SME's
- *Decentralization*: create effective mechanisms to enhance the development of SMEs outside of Yerevan to spread SME development to various regions
- *Business Infrastructure*: evaluate/assess business infrastructure and improve it on the basis of established priorities and national strategy
- *Economic instability*: stimulation of consumption for creating new markets and capacities for SME development.
- Improved access to electricity, water, telephone and IT facilities – countrywide.
- Clarify the activities and responsibilities of inspecting bodies
- Improvement of capacities and skills, that include following policies:
  - Training
  - Technological
  - Development of employment services
  - Entrepreneurship development
  - Development of labour-market institutions'
  - Development of social dialogue

The ratification of 189 Convention (ILO) by RA will promote the development of SMEs and women's entrepreneurship. It will regulate the following issues

- Political-legal framework, which refers to promotion of favourable conditions for growth of enterprises
- Collect and continual analysis of information about SMEs in a national level
- Forming a entrepreneurial spirit/culture
- Forming of efficient infrastructures of servicing, with the aim to develop competitive enterprises and to create employment places

### **Recommendations for financing**

- *Funds from International Donor Organization*: increase and coordinate of financing in AMD from international financial/donor organizations (KfW, GAF, EBRD, IFC, WB, etc.), that are specifically targeting development of SME sector
- *Know-How*: more active steps on enabling international financial/donor organization technical experience and knowledge in SME lending
- *Venture capital funds*: development of the investment mechanisms for early-stage, high-potential, growth companies
- *Specialization of financial institutions*: supporting the financial institutions highly specialized on the SME financing, including women

- *New financial products*: develop leasing and factoring products that do not require collateral
- *Financial decentralization*: make access available to the experienced credit organizations to government supporting programs and international donor organization's financial resources
- *Competition*: creation of the healthy competitive environment in SME lending among the banks and NBFIs
- *Interest rate policy*: support banks and NBFIs to develop efficient risk pricing mechanisms and sound risk management systems
- *Currency risks*: make available financial resources in Armenian Drams to exclude currency risks from credit pricing.
- *Borrowers*: Management skills of women entrepreneurs and all entrepreneurs should be improved to correspond to the requirements of lenders (business transparency, planning, financial data, punctuality and responsibilities, etc)

#### **Improvement Recommendations in financing**

- *State support*: state guarantees, subsidies and other supportive mechanisms (consultancy, information sharing, etc.) are to be directed to sectors selected by the GoA as priorities vs. selected businesses that may give rise protectionism and corruption, specially in the situation of crisis.
- *Educational opportunities*: develop appropriate training on entrepreneurship, SME management, marketing, international trading and finance. Particularly providing more wide training and technical assistance program for SMEs directed towards upgrading SME accounting capabilities and ability to create financial statements and business plans acceptable to local commercial banks, as well as towards the ability to make creditworthiness self-assessment to apply for a bank loan
- *Consultancy services*: providing or financing of consulting services for WED by Government or International financial/donor organizations
- *Information asymmetry*: provide advertising of financial, educational, consultancy, assistance and other opportunities for WED
- *Flexible collateralizing*: improve alternative collateral assessment mechanism
- *Difficulty in doing market research*: governments should regularly finance and publish market research and surveys to reduce transaction costs of SME's
- After the jointly discussions with banks and government, the idea of creation of register for portable collateral: equipment, raw materials, semi-finished products, ready products, etc. The register system needs further implementation and improvement by the Government. It is especially important for SMEs who have collateral barriers for gaining credit.

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# APPENDIX 1. QUESTIONNAIRE OF THE SURVEY

## Questionnaire

**Date of interview:** dd\_\_\_\_\_mm\_\_\_\_\_yy\_\_\_\_\_

**Interviewer's name:**

### RESPONDENT CRITERIA [To be asked by interviewer prior interview]

Please ensure that the respondent meets the following criteria by asking:	Yes	No
Is the respondent female?		
Is the respondent an owner of this business?		
Does the respondent have a major role in the management of the business?		
Has this business been operating for at least two years?		
Has the respondent been an owner/manager over this two-year period?		

If the respondent answers “no” to any of the above questions, then end the interview thanking her/him for their cooperation explaining that it is important that the survey involve only those who could answer ‘yes’ to all of the above questions.

### BACKGROUND INFORMATION [To be filled in by interviewer prior to the interview]

Enterprise size in terms of number of workers*		Business location		Business sector:	
« Micro »		Urban		Trade	1
« Small »		Rural		Service	2
« Medium »				Industry	3

### SME classification criteria

Sphere	SMEs (by number of employees)		
	Micro	Small	Medium
Industry and other sectors of production	5	50	100
Construction and Power engineering	5	25	50
Science and education	5	25	50
Transport, trade and services	5	15	30

## QUESTIONS

### **1. How old are you?**

[Write in age of respondent]

15-24 years	
25-39 years	
40-55 years	
Above 55 years	

### **2. What is the highest educational qualification that you have obtained?**

[Single mention]

8 years education	
Vocational or technical training	
Secondary school	
Technical secondary school	
University/tertiary education (bachelors/masters)	
Other	

### **3. What were you doing before you began this business?**

[Single mention]

I ran another business doing similar work	
I was an employee in another persons private business	
I was an employee in public company	
I was a government employee	
I was unemployed	
I was a full-time student	
Other	

### **4. What year did you start your present business?**

[Write in year]

\_\_\_\_\_

**5. Which of the following best describe your reason(s) for being in business?**

	1st mention	2nd mention
I want to be my own boss		
I saw the market opportunity for a profitable business		
I can't find work anywhere else		
I can work when and how I want		
I don't have any skills for other kinds of work		
My previous employment ended		
Other (specify)		

**6. How was this business started?**

[Single mention]

As a family-owned business	
On my own initiative	
It was bought as a running business	
Other (specify)	

**7. From where does your business operate?**

[Single mention]

Formal house	
Business site	
Informal structure	
Street (no structure)	
Other (specify)	

**8. Do you own the business premises?**

Yes	
No	

**9. What type of legal structure does your business use?**

[Single mention]

Sole Entrepreneur	
Limited Liability Company	
Closed Joint-stock company	
Open Joint-stock company	
Supplementary liability company	
Cooperative	
Other (specify)	

**10. How many owners (i.e. partners, directors) are there in this business and what sex are they?**

Female business partners [Write in number] \_\_\_\_\_

Male business partners [Write in number] \_\_\_\_\_

**11. Employment in business**

		Permanent full-time		Permanent part-time		Casual/ temporary	
		Male	Female	Male	Female	Male	Female
<b>A</b>	Including yourself, how many workers are there in your business at present?						
<b>B</b>	Excluding yourself, how many of these are paid workers at present?						
<b>C</b>	Excluding yourself and any paid workers already counted above (B), how many of your current workers are family members?						

**12. At which markets do you sell most of your products/services?**

[Single mention]

<b>Local markets?</b> (In the local area)	Yes	
	No	
<b>Regional or provincial markets?</b>	Yes	
	No	
<b>National markets?</b> (Across the country)	Yes	
	No	
<b>International markets?</b>	Yes	
	No	

**13. Have you tried to get finance for your business over the past two years?**

Yes	
No	



**14 Where did you try to get the business loan and were you successful?**

[multi-mention]

		Tried to access credit?		Successful?	
		Yes	No	Yes	No
A	Private or public bank				
B	Government credit fund				
C	International project				
D	Family/friends				
E	Money lender				
F	Other (specify)				

**15 Do you have a bank account specifically for your business?**

[A bank account that is separate from your personal account]

Yes	
No	

**16 Are you a member of any of the following organizations? [multi-mention]**

		Yes	No
A	Chamber of commerce or business association (men and women)	1	2
B	Women's business association	1	2
C	Industry association (sector specific)	1	2
D	Employer's associations	1	2

**17 How do you normally get your information and advice on business and legal matters?**

		1st mention	2nd mention
A	Newspapers		
B	Government publications		
C	Chamber of commerce		
D	Business association		
E	Lawyer/attorney		
F	Accountant		
G	Professional business adviser		
H	Other business owner		
I	Other (specify)		

**18 During the past two years have you obtained advice about your business from any of the below:**

[multi-mention]

		Yes	No
A	Lawyer/attorney		
B	Accountant		
C	Professional Business adviser		
D	Other business owner		

**19 During the past two years have you ever had a government official visit your business?** [Single mention]

Yes	
No	

**20 Have you ever been required to pay a bribe or unofficial fee in the last two years? If so, how many times has this occurred?** [Single mention]

No, I have not been required to pay a bribe in the last two years	
Yes, once in the last two years	
Yes, 2-5 times in the last two years	
Yes, 6-10 times in the last two years	
Yes, more than 10 times in the last two years	

**21 Have you been subjected to any other kind of harassment by a government official in the last two years?** [Single mention]

Yes	
No	

**22 Over the last two years have you made any of the following investments in your business?** [multi-mention]

		Yes	No
A	Purchased additional production equipment		
B	Purchased new office equipment		
C	Improved the working environment		
D	Improved old working equipment		
E	Moved to better premises		
F	Expanded premises		
G	Established additional premises		
	Other (specify)		

**23. Over the last two years, how have the following factors influenced your decisions regarding investment in your business?**

[Mark an answer for each option]

		<i>Strong positive influence on my decisions</i>	<i>Positive Influence on my decisions</i>	<i>No Influence on my Decisions</i>	<i>Strong negative influence on my decision</i>	<i>Negative influence on my decisions</i>	<i>Does not apply</i>
1	<b>The markets</b> (Referring to the influence the demands of customers or suppliers had upon your investment decisions)						
2	<b>Your business premises</b> (Referring to whether the size, type or status of your business premises influenced your investment decisions)						
3	<b>Payments to workers</b> (Referring to the influence that the costs for workers had upon your investment decisions)						
4	<b>Access to finance</b> (Referring to the affect that the opportunities you have, or have not had, to obtain finance for your business has had upon your investment decisions)						
5	<b>Export to other countries</b> (Referring to whether the influence of your desire to enter or expand your markets in other countries affected your investment decisions)						
6	<b>Taxation</b> (Referring to the affect that taxation may have had upon your investment decisions)						
7	<b>Government policies</b> (Referring to whether your investment decisions were influenced by government support, restrictions, or attitudes)						
8	<b>Advice given by others</b> (Referring to whether advice given to you by family, friends, colleagues or business association members influenced your investment decisions)						

**24 Are you registered with any of the following agencies?**

[multi-mention]

		Yes	No
1	Ministry of Economy or other ministries		
2	Local government authorities		
3	Social security funds		
4	Statistical Departments		
5	Tax authorities		
6	Other		

**25 To what extent have the following factors influenced your decision to register/not to register with any or all of these agencies?**

[multi-mention]

		Strong positive	No influence	Negative influence
1	<b>Costs:</b> Referring to influence the costs of registration and the regular payment of taxes had upon your decisions to register or not register			
2	<b>Time:</b> Referring to influence the time (such as travelling or waiting) had upon your decisions to register or not register			
3	<b>Information:</b> Referring whether your decision to register or not register was influenced by your understanding of how and when to register			
4	<b>Reporting requirements:</b> Referring whether your decision to register or not to register was influenced by the amount of reporting you must do once registered			
5	<b>Government support:</b> Referring to whether any support from government available after registration affected your decision to register or not register			
6	<b>Legal status:</b> Referring to whether your decision to register or not register was influenced by the type of legal structure your business has			
7	<b>Insurance and protection:</b> Referring to whether the availability of insurance or official protection influenced your decision to register or not register			
8	<b>Access to capital/resources:</b> Referring to whether your possible access to finance or other resources, once registered, influenced your decision to register or not register			
9	<b>Tendering and exporting:</b> Referring to whether your decision to register or not register was influenced by your desire to export to other countries or win government contracts			
10	<b>Fines and harassment:</b> Referring to whether your decision to register or not register was influence by a fear of fines, or harassment by police and other authorities if you were not registered			

**26 How do you expect to continue your business over the next year? [multi-mention]**

	Yes	No
No changes planned		
Make new investments in the business		
Expand/improve the business		
Increase the number of workers		
Decrease the number of workers		
Expand the range of products/services		
Reduce the range of products/services		
Improve the employment conditions for staff		
Don't know		

**27 How do you expect your business to perform in the next two years, compared to how it did in the past two years? [single mention]**

Very poor	answer 28 -1
Poor	answer 28 -1
Ok – but could do better	answer 28 -2
Good	answer 28 -2
Very good	answer 28 -2

**28 Do any of the factors listed below lead you to have these expectations?**

[Read out: circle the three most important factors based on the answer to Question 27]

28.--1	1	2	3
The overall environment is not good for small business			
There is too much competition			
The government does not support small business			
The costs of running a business is high			
Access to finance and credit is difficult			
Access to business support networks is low			
28---2			
The overall environment is good for small business			
There is little competition			
The government supports small business			
The cost of running a business is low			
Access to credit and finance is good			
Access to business support networks is good			

**Thank You**

## **APPENDIX 2. SMEDNC COOPERATION WITH OTHER ORGANIZATIONS**

### **Elaboration and implementation of joint projects directed to SME development in cooperation with international and foreign donor organizations**

In order to expand the scope of activities foreseen by state support program directions, during 2008 SME Development National Center of Armenia has developed and implemented joint programs with United Nations Development Program (UNDP), Japanese International Cooperation Agency (JICA), Organization for Security and Cooperation in Europe office in Yerevan (OSCE), United Kingdom Department for International Development (UK DFID), Dutch “Centre for promotion of Imports from developing countries” (CBI) and Dutch Agency for International Business and Cooperation (EVD). Besides works were continued in the frameworks of Enterprise Europe Network Correspondence Center. In general, a contribution equal to approximately 102.8 mln AMD has been received from partner organizations during 2008 for the purpose of increasing the efficiency of SME State Support Program 2008 implementation.

#### **United Nations Development Program (UNDP)**

In the framework of “Support to SME Development in Armenia” SME Development National Center / UNDP joint project 2008 “Development of SME support mechanisms and strengthening the capacity of SME Development National Center of Armenia”, “Cluster development and improvement of knowledge and business skills of startup SMEs” and “Provision of information, consulting and promotional services to the SMEs at central and regional levels” activities have been implemented, which are included in the report according to separate directions of the program.

#### **Enterprise Europe Network Correspondence Center in Armenia**

Starting from 2008 SME Development National Center of Armenia has become a member of Enterprise Europe Network as a result of the tender announced by European Commission in 2007 to select partner organizations and currently acts as the Enterprise Europe Network Correspondence Center in Armenia. The official launching event of the Enterprise Europe Network Correspondence center in Armenia has taken place on 20 June, 2008, which was accompanied by wide advertising campaign, including TV programs and video materials broadcasting at central TV channels and information dissemination through other printed and electronic media sources, aiming to make the opportunities granted by the this initiative available to the possible largest number of SMEs. Moreover, in order to increase the awareness of SMEs on Enterprise Europe Network activity, it was presented at “Digitech” business forum, IT fair, Ministry of Economy, “Union of manufacturers and businessmen (employers) of Armenia”

during the meeting with representatives of business service providers, at the “Investment climate of Tavush marz and main accomplishments in SME sector development” Forum, where the Enterprise Europe Network mission and activity were presented in details. As a result of wide information campaign more than 300 SMEs have received the information on Enterprise Europe Network activity in Armenia and the opportunities granted by it. In the reporting period works have been done on Enterprise Europe Network electronic support tools more comprehensive application. Business cooperation application form has been developed.

About 700 business proposals have been circulated in the Enterprise Europe Network in the reporting period, which were mainly referring to the search of trade intermediaries, partners and producers, as well as to establishment of joint ventures. About 200 business proposals from European businessmen have been directed to Enterprise Europe Network correspondence center in Armenia, which were distributed among interested parties. Starting from August 2008 Enterprise Europe Network correspondence center in Armenia has joined to Enterprise Europe Network Intranet, receiving opportunity to use its IT tools for provision of business cooperation and technology proposals applications circulation. 24 business cooperation profiles have been placed in Intranet, another 25 are in the process of development.

Starting from end of August 2008 “Brokerage events management tool” (BEMT) has become available in Intranet, which is foreseen for presenting information on brokerage events planned by Enterprise Europe Network members. Another tool is “Performance Enhancement System” which has been incorporated in Intranet since 26 September 2008. It is a management system proposed by European Commission and Executive Agency for Competitiveness and Innovation (EACI) for monitoring of EEN functioning. Enterprise Europe Network correspondence center in Armenia three years work plan has been developed and put in Intranet on 13 October, 2008. The work plan contains activities foreseen for reporting three years period. The first issue of the electronic newsletter of EEN correspondence center in Armenia has been released on 01 November, 2008, which contained information of events taken place abroad, business cooperation proposals directed to Armenian businessmen and other business related information.

Organisations from Germany, England, Slovenia, Netherlands, Turkey and other countries have expressed interest towards 15 proposals put in the Network. 16 businesses have exchanged the contact information and are in the process of business negotiations for establishment of partnerships.

### **Japanese International Cooperation Agency (JICA)**

In the framework of the project for “Development of Human Resources in Small and Medium Enterprises of Armenia” implemented jointly by Japanese International Cooperation Agency and SME Development National Center of Armenia in 2005-2007, the delegation of Japanese experts visited Armenia on March 5-13, 2008 to summarize the joint activities of the organizations and to discuss further cooperation perspectives. Representatives of Ministry of Economy of RA and SME Development National Center of Armenia were included in the evaluation committee from Armenian side.

In the frameworks of the works of Armenian-Japanese evaluation committee meetings with representatives of business service provider (BSP) organisations participated in the Program were organised for the assessment of the Program efficiency. Visits to 6 SMEs participated in the Program were organised as well, including those operating in marzes. The results of cooperation in the framework of the Program implemented in 2005-2007 were highly appreciated by commission during

bilateral discussions. High appraisal was also given to the level of professional knowledge and skills development of BSPs and SMEs participated in the Program.

Meeting minutes were signed on 13 March, 2008 at the central office of SME Development National Center of Armenia between SME Development National Center of Armenia and JICA to summarize joint appraisals of Armenian-Japanese bilateral evaluation committee. In the framework of the Program 5 representatives of BSPs and one representative of SME Development National Center of Armenia took part in the training for trainers organized in Japan on 12-29 February, 2008. Program summary report has been presented to the 2006-2007 participants of the program at the central office of SME Development National Center of Armenia on 29 April, 2008 in order to exchange knowledge and experience got from trainings.

In cooperation with JICA project coordinator Hideo Sonoda works have been implemented in the direction of organization of the Program final stage (March-September 2008) activities. Particularly, trainings on "Production management" (15 participants), "Marketing" (16 participants), "Human resources management" (9 participants) have been organised at the SME Development National Center of Armenia in May-June 2008. The trainings have been implemented by Program participants trained by Japanese methodology and by Japanese experts Mr. Kazuchika Sato and Mr. Hideo Sonoda. The participants have received corresponding training materials and certificates.

The summarizing of the evaluation forms of the Program implemented by SME Development National Center of Armenia and JICA filled in by the participants of TOT and short-term secondary transfer seminars held in the marzes shown that the participants have highly appreciated the results of the trainings.

The final workshop of Armenian-Japanese joint program "Human Resource Development of SMEs in Armenia" took place at SME Development National Center of Armenia on September 12, 2008. Representatives of SME Development National Center of Armenia and JICA as well as 2006-2008 program participants were present at the event. Successful participants of "Production management", "Marketing", and "Human resources management" trainings have received corresponding diplomas. Particularly were mentioned the representatives of those companies, which have supported to the successful implementation of this program. In order to fix the results of the three stages (2005-2008) of program implementation presented at the final workshop the meeting minutes were signed by two parties on 12 September, 2008. Perspectives of future cooperation between JICA and SME Development National Center of Armenia are in the process of discussion currently.

### **Organization for Security and Cooperation in Europe (OSCE Office in Yerevan)**

"Small and Medium Entrepreneurship Support programs and Business Services Providing Organizations in Armenia" reference 4<sup>th</sup> book edition, "Small and Medium Entrepreneurship sector in Armenia in 2006-2007" reference book in Armenian and English, "How to register your business" guidebook 3rd edition, simplified guidebook on "Interpreting the main standing orders of amendments to number of laws of the RA" and Tax calendar for 2009 have been developed and published in cooperation with OSCE office in Yerevan. In the scope of cooperation with OSCE office in Yerevan the new web site of SME Development National Center and Enterprise Europe Network has been developed. In the framework of cooperation with OSCE office in Yerevan the representative office of SME Development National Center of Armenia has been opened in July 2008 in Kapan city of Syunik marz, which is located at the branch office of OSCE Yerevan office in Kapan. In the framework of this cooperation "Start-up business support program" has been implemented in Kapan city of Syunik marz. As a result of which 15 start-ups were



supported, 12 of which developed and presented business plans, 5 of them are already registered and operating SMEs.

#### **United Kingdom Department for International Development (UK DFID)**

In 2008 works have been continued in Tavush and Gegharkunik marzes according to the contracts signed in 2006 both in the direction of extension of the program activities and implementation of the new ones. On December 5, 2008 “Investment climate in Tavush marz and main accomplishments in SME sector developments” forum was conducted in Tavush region. The main purposes of the forum were presentation of Tavush marz business climate and economic potential of the region, summarizing of results of the works implemented for SME development and discussion of the possibilities of implementation of the developed investment proposals. More than 150 entrepreneurs, representatives of international organisations, business associations and state bodies have participated to the event. The event was covered by local and Yerevan mass media.

#### **Dutch Agency for International Business and Cooperation (EVD)**

In the frameworks of Development Cooperation Matchmaking Facility (MMF) initiated by Dutch Agency for International Business and Cooperation (EVD) works have been executed by SME Development National Sector of Armenia for involvement of small and medium enterprises operating in different sectors of Armenian economy into MMF in 2008. The Facility provides an opportunity for local SMEs to find reliable business partners abroad and establish business cooperation in international market. 13 of 22 enterprises operating in Armenia selected according to the requirements of the program presented to the Dutch side by the SME Development National Center of Armenia will participate in the further stages of the program. In case of finding a partner the Armenian enterprise will receive a voucher for 5 ths Euro, in the scope of which a research will be implemented by Dutch consultants, a visit of Armenian entrepreneurs to Netherlands will be organised and joint action plan will be developed. Interest towards 3 of the enterprises participating in the program - “Arthur and Edita” LLC, “Agat 777” LLC and “Kanakaner sewing factory” LLC, has been expressed by the Dutch partners and mentioned SMEs received the vouchers and currently are in the stage of establishment of business cooperation.

#### **Dutch Centre for the Promotion of Imports from Developing Countries (CBI)**

2 representatives of the staff of SME Development National Center of Armenia have participated in the “Export marketing promotion” training course held in Rotterdam, Netherlands in the frameworks of Dutch Centre for the Promotion of Imports from Developing Countries (CBI) activities in 2008. In the frameworks of these visits the representatives of SME Development National Center and CBI have discussed the options for future cooperation and have achieved several agreements. Particularly, it is planned to organise trainings for SMEs staff responsible for export promotion and TOT courses for business services providing organisations, which will be implemented by Dutch specialists. It is planned also to provide complex consulting by international experts at several Armenian enterprises, as a result of which the companies and their products will be brought into conformity with EU market entrance requirements. Besides, agreements were achieved on integration of some components of the organisations web pages; particularly, reach information data base of CBI web page will be included in SME Development National Center of Armenia web site.

## APPENDIX 3. LIST OF PROJECT CONSULTANTS AND PEOPLE MET

No.	Person	Position	Organization
1.	Vahe Danielyan	Deputy Minister	Ministry of Economy
2.	Eghishe Margaryan	Deputy Director	SMEDNC
3.	Aharon Chilingaryan	Head of Department	Central Bank of Armenia
4.	Petros Katsakhyan	Chief specialist	Government of Armenia
5.	Heghine Manasyan	Director	CRRC
6.	Aharon Adibekyan	Director	“Sociometer” Independent Sociologic Centre
7.	Jenya Azizyan	Head of Department	Ministry of Diaspora
8.	Lala Markosyan	President	“ILKA Consulting Centre” LTD
9.	Susanna Khachatryan	Executive Director	Association of Business Women of Armenia
10.	Sona Harutyunyan	Chief	“State Service of Employment” Agency
11.	Gagik Bleyan	Head of Department	Ministry of Labour and Social Issues
12.	Armine Tonashchyan	Head department related with women issues	Ministry of Labour and Social Issues
13.	Margarita Soghomonyan	Director	SME Development Centre of Vanadzor
14.	Gyulnara Hovhannisyan	Director	National Institute of Ministry of Labour and Social Issues
15.	Lilit Asatryan	President of AYWA, Expert of the Project	Armenian Young Women’s Association
16.	Gagik Makaryan	Executive Director	RUEA
17.	Anastas Aghazaryan	Member of State Council on Statistic of Armenia, Project Expert	National Statistical Service of RA
18.	Armine Babayan	Chief specialist, Project Expert	World Vision
19.	Laert Harutyunyan	Statistician / Programmer, Project Expert	National Statistical Service of RA
20.	Hayk Petrosyan	CIM expert	RUEA
21.	Vahan Simonyan	Chief Lawyer	Grand Candy Ltd.
22.	Nune Hovhannisyan	National Coordinator	ILO
23.	Shushanik Barseghyan	Expert on social partnership	RUEA
24.	Narine Mayilyan	Executive Director	SME Foundation
25.	Tatevik Pirumyan	Executive Director	Armenian Association for public connections
26.	Poghos Gabrielyan	President	RUEA regional association in

			Aragatsotn Marz
27.	Pavel Nazaryan	Head of department	Aragatsotn Municipality
28.	Boris Kharatyan	Vice President	Confederation of Trade Unions of RA
29.	Nver Sargsyan	National Project Coordinator (Anti-trafficking project)	ILO
30.	Varos Simonyan	Head of department	Ministry of Economy
31.	Hakobyan Ruzanna	Owner / Executive Director	“Bagira” Employment Agency
32.	Nune Darbinyan	President	Ecoglob NGO
33.	Narine Aghasaryan	Executive Director	Yerkir Nairi Ltd.
34.	Anahit Sahakyan	Executive Director	Magic Laze Ltd.
35.	Zareh Makaryan	Project Expert	SMEDC
36.	Hasmik Barkhudaryan	Owner	Aries Ltd.
37.	Ruben L. Markosyan	Expert	Armenian Young Women’s Association
38.	Garik A.Siroyan	Expert	Armenian Young Women’s Association
39.	Arman S. Udumyan	Expert	Armenian Young Women’s Association
40.	Varuzhan G. Geghamyan	Expert	Armenian Young Women’s Association
41.	Lusine V. Tovmasyan	Expert	Armenian Young Women’s Association
42.	Ruben L. Markosyan	Expert	Armenian Young Women’s Association

## APPENDIX 4. LIST OF CONVENTIONS RATIFIED BY ARMENIA

(Source: ILOLEX - 10. 5. 2010)

ILO Convention	Ratification date
C14 Weekly Rest (Industry) Convention, 1921	27:01:2006
C17 Workmen's Compensation (Accidents) Convention, 1925	17:12:2004
C18 Workmen's Compensation (Occupational Diseases) Convention, 1925	18:05:2005
C26 Minimum Wage-Fixing Machinery Convention, 1928	27:01:2006
C29 Forced Labour Convention, 1930	17:12:2004
C81 Labour Inspection Convention, 1947	17:12:2004
C87 Freedom of Association and Protection of the Right to Organise Convention, 1948	02:01:2006
C94 Labour Clauses (Public Contracts) Convention, 1949	18:05:2005
C95 Protection of Wages Convention, 1949	17:12:2004
C97 Migration for Employment Convention (Revised), 1949	27:01:2006
C98 Right to Organise and Collective Bargaining Convention, 1949	12:11:2003
C100 Equal Remuneration Convention, 1951	29:07:1994
C105 Abolition of Forced Labour Convention, 1957	17:12:2004
C111 Discrimination (Employment and Occupation) Convention, 1958	29:07:1994
C122 Employment Policy Convention, 1964	29:07:1994
C131 Minimum Wage Fixing Convention, 1970	29:04:2005
C132 Holidays with Pay Convention (Revised), 1970	27:01:2006
C135 Workers' Representatives Convention, 1971	29:07:1994
C138 Minimum Age Convention, 1973	27:01:2006
C143 Migrant Workers (Supplementary Provisions) Convention, 1975	27:01:2006
C144 Tripartite Consultation (International Labour Standards) Convention, 1976	29:04:2005
C150 Labour Administration Convention, 1978	18:05:2005
C151 Labour Relations (Public Service) Convention, 1978	29:07:1994
C154 Collective Bargaining Convention, 1981	29:04:2005
C160 Labour Statistics Convention, 1985	29:04:2005
C173 Protection of Workers' Claims (Employer's Insolvency) Convention, 1992	18:05:2005
C174 Prevention of Major Industrial Accidents Convention, 1993	03:01:1996
C176 Safety and Health in Mines Convention, 1995	27:04:1999
C182 Worst Forms of Child Labour Convention, 1999	02:01:2006

Ratified: 29

Conditional ratification: 0

Declared applicable: 0

Denounced: 0