

MEMORANDUM OF UNDERSTANDING

On

Cooperation aimed to overcome the main impediments for business environment improvement

Recognizing the importance of business environment improvement in Armenia, particularly, the development of entrepreneurship, we agree to cooperate and work on improvement of the mentioned bellow issues, that are according to business community's opinion are the most important:

1. Customs Clearance issues

1.1 Transaction value method (reference prices)

Short description

The customs duties are being charged based on reference prices while it should be based on the price mentioned in the invoice. The mentioned issue also hinders cooperation with foreign and local partners while participating in tenders and signing agreements with negotiated fixed price that later on can be changed based on the reference price list. It leads to unfair competition, difficulties in financial planning, contract relationship with foreign partners and higher customs payments that, as a result, slow down the further business development.

1.2 Customs clearance procedures of double-purpose goods

Short description

There is no clear procedure on double-purpose assignment. It can be suddenly decided that the imported product can potentially have a double-purpose usage (for instance customs clearance officer can unjustified decide that an imported oil or detail of equipment can have a military purpose). Then start investigation and then provide a decision on approving or denying the double purpose usage. This process is not clear and not justified sometimes. There are either no criteria for approving or denying its double purpose usage. It creates an artificial obstacle for businesses and takes out additional financial and time resources.

1.3 Customs clearance procedures protraction

Short description

Customs clearance procedures sometimes are being delayed without any justified clarification. As a result products can be spoiled. Besides, company should pay additional money for keeping products in the warehouse. All this brings to turnover slow down and losses.

2. Taxes

Corruption and abuse of authority

Short description

The main complain in tax procedure is corruption, required prepayments to meet the plan and fulfill the budget.

Tax legislation is being amended too frequently. Businesses are not managing to be updated on all new changes. The new Tax Code is being developed without full participation of representatives of business interests.

3. Equal rights, Competition and Monopoly

Short description

Large companies that are affiliated to the government don't pay taxes or pay it partially, they import commodities under different customs classification and therefore make less customs duties. Besides,

they pass customs clearance procedures under the privileged conditions while other companies should suffer from unfair approach. The Smaller enterprises can't afford unfair competition and just run out of business. Equal rights should be provided to all market players. Monopolists are creating inequality for other companies. Thus, unfavorable conditions are being created for local and foreign Small and Medium Enterprises.

4. Public Procurement time limits and transparency

Short description

Public tenders application procedures are not transparent. Announcements are being published sometimes only several days in advance, while companies need more time to prepare and submit bids. Besides, terms of references or technical specifications are not transparent and sometimes are being adjusted to the prior agreed winner. So, it is often almost impossible to win Public Procurement tenders in Armenia.

5. Court System

Short description

The Court system is not independent in fact. Foreign investors don't consider the court system reliable in Armenia. It is very difficult to deal with the local courts without networking, affiliation to the corresponding authorities.

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Yerevan, Armenia

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