



# **European Business Association Armenia ANNUAL REPORT 2016**

**WORKING FOR THE FUTURE!**

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**Yerevan, Armenia 2017**



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Message of the Honorary President of the European Business Association in Armenia  
Head of the European Union  
Delegation to the Republic of Armenia,  
EU Ambassador Extraordinary and Plenipotentiary  
**Dr. Piotr Antoni Świtalski**

The relations between the European Union and the Republic of Armenia have always been experiencing a very consistent way of development throughout our cooperation history. The growth and the development of the EU - Armenia partnership proceeds in various directions including three main EU priorities within private sector development, public administration reform and justice sector reform.

The establishment of European Business Association (EBA) in Armenia has come at an appropriate time to occur with the above-mentioned developments and support European business community in the country, to nurture bilateral relations and economic interactions between the EU and Armenia.

The EBA likewise intends not only to introduce the best practice for business environment improvement and business development solutions, but also to perform as a platform for PPD and trade facilitation. In this context, the EBA has its crucial role in business advocacy process.

The EU warmly welcomes the EBA's efforts towards the business environment improvement, drawing foreign investments and the foreign trade in Armenia.

I strongly believe that EBA will stimulate the improvement of business related legislation and the environment in Armenia and provide the rich ground for the further achievements in the EU – Armenia cooperation.

I wish the EBA and its members the further success and achievements in the 2017 year.

## ABOUT EBA ARMENIA

The European Business Association (EBA) was founded in October 2015 under the support of the European Union Delegation to the republic of Armenia. The EBA is the union of legal entities that brings together more than 120 foreign and local Companies from different sectors.

The main objective of EBA is to support representatives of Business Community in Armenia and facilitate the integration and cooperation between Armenia and the European Union, as well as to improve business environment, encourage foreign investments and improve corresponding legislative framework. The EBA is functioning as a voice of EU businesses in Armenia to direct their needs toward Armenian authorities and advocating their interests for the elimination of corresponding obstacles. The EBA is promoting fair, open and productive relationship between business and the government. As a result it provides enhancement of competitiveness of the private sector through company capacity strengthening, increasing the transparency of governance and the business environment. At the same time the EBA is increasing the level of integration and cooperation of Armenian and European companies through conducting appropriate activities for enlarging business connections, distributing information on corresponding requirements (certificates, quality control and standards, licensing, etc.) and other activities. The EBA periodically organizes conferences, seminars business meetings, networking events for local and EU businesses operating in Armenia. EBA Armenia is a part of a global network (European Business Organization World Wide Network) – representing 34 countries outside the EU including Australia, Brazil, China, India, Kazakhstan, Korea, Malaysia, Russia, Singapore and others.

### MISSION

**The EBA Armenia is a business hub  
for Armenian and foreign entities aimed at:**

- facilitating domestic and foreign trade;
- improving business climate through different communication platforms;
- bolstering foreign investments;
- promoting business activities between EU and Armenia.

### VISION

To enable & drive the establishment of European business practices and values in Armenia in order to promote economic growth and prosperity of the country.



# EBA BOARD

**LEVON ISRAELYAN**  
EBA Chairman

Executive Director of Armenian-Italian  
Association for Commerce and Industry



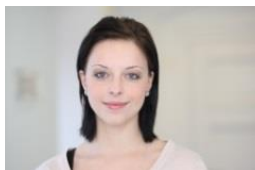
**GEORGE BLEKAS**  
EBA Deputy Chairman

Executive Director of Intracom Armenia LLC



**ARMINE ISRAYELYAN**  
EBA Board Member

Executive Director of Armenian British Business Chamber



**INGA MARKWART**  
EBA Board Member

Executive Director of German Business Association



**ELODIE BIOLAY**  
EBA Board Member

Executive Director of French-Armenian  
Chamber of Commerce



## EBA NEW DIRECT MEMBERS





## EBA TEAM



Diana Sarumova  
Executive Director



Garegin Galustov  
Business  
Development  
Manager



Vardan Marutyan  
Chief Accountant



Arman Zakaryan  
IT manager



Anna Mikaelyan  
Lobby & Policy  
Expert



Anna Pepanyan  
Intern



Karine Khumaryan  
Intern

# LOBBY AND ADVOCACY ACTIVITIES

**EBA is lobbying interests of foreign and local business community in Armenia through reviewing the main impediments for business and working together with the government to make business environment more friendly and attractive.**

- Q1**
- EBA is established by four leading National Chambers and Business Associations and launched its activities in February 2016.
  - EBA has been approved as a member of SME Development Council under the Government of RA chaired by Prime Minister.
  - EBA is establishing its networking with EU Member State Embassies and Business Community.
- Q2**
- EBA hold an official meeting with the First Deputy Minister of Economy Mr. Garegin Melkonyan. during which it was agreed to conduct further collaboration with the Ministry.
  - EBA has conducted its first activity for the members (Policy changes for Armenia in the context of regional and global Economic Shocks) in collaboration with Resident representative of International Monetary Fund in Armenia Ms. Teresa Daban.
  - EBA in cooperation with the Ministry of Transportation and Communication of Armenia supports the European Transport Companies to resolve the issue with the entrance and exit of track trailers with different numeration.
  - EBA has commenced a business survey for more than 140 companies to find out main impediments and solutions for business development in Armenia.
  - EBA has initiated the signing of Memorandum of Understanding between 14 Business Associations of Armenia. The main subject of Memorandum were five major problematic areas: Customs Clearance procedures; Tax administration; Equal rights, Competition and Monopoly; Public Procurement and transparency in judicial system.
  - EBA Armenia became a member of the European Business Organizations World Wide Network and attended regular Annual Meeting at DG Grow Brussels. Main discussed topics: SMEs internationalization, SME networking and matchmaking promotion, support to European investors in third countries, EU Commission projects to support SME development, etc. EBA was discussing Eastern Partnership perspectives at the European Parliament.



**Q3**

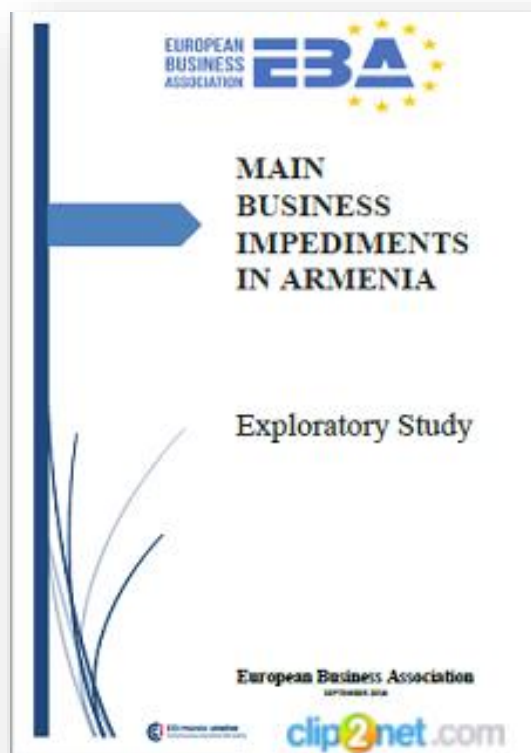
- EBA jointly with the Business Community and the European Diplomatic Community in Armenia conducted a business forum on ‘Business perspectives (impediments and opportunities) for foreign and local companies/investors doing business in Armenia’.
- EBA continued its involvement in the ongoing discussions between the EU and Armenian government on Public Procurement procedure improvement that should be applied by the Government to make the process more efficient, transparent and fair.
- EBA has initiated the cooperation with the State Revenue Committee of Armenia and agreed to work on the legislative amendments as well as on the improvement of tax inspections and customs procedures.
- The Public-Private Dialog was organized by EBA; the commitment of the government was received to cooperate with business associations in the direction of creation of better business and investment climate in Armenia.
- Memorandum of Understanding signed between 14 Armenian and European Business Associations was presented to the Government of RA. The main objective of MOU is to emphasize the most important areas for business environment improvement in Armenia and to demonstrate willingness to work together to eliminate main obstacles for business development.

**Q4**

- EBA continued its Public-Private Dialog to resolve Reference Price (transaction value method) issue, which was identified as one of the most important for EBA members and majority of companies operating in Armenia. EBA had its first success story on this matter, however continues to follow up and keep the focus on the further development.
- EBA developed European Business Association Exploratory Study report 2016 on the ‘Main Business Impediments in Armenia’. Main objective of the study conducted by the EBA was to reveal major impediments of business activity in Armenia, to raise those issues at the public-private level and to conduct corresponding joint actions for overcoming those challenges.
- EBA together with the European Delegation to the Republic of Armenia conducted a meeting for its members and Ann-Sophie Dupont, DG Competition (Brussels) to present main competition issues that businesses face in Armenia.
- During Anticorruption coalition meeting with the Representatives of the State Revenue Committee, EBA presented main corruption issues relevant to business environment in Armenia, particularly Corruption in Tax and Customs procedures, Corruption in Public Procurement.

- EBA became a Board Member with the voting right of the Revenue Administration reform Council under the State Revenue Committee of Armenia.
- EBA Became a Board Member of the Income Policy Improvement council under the Ministry of Finance.
- EBA members participated the Business Breakfast with the Head of the European Delegation to the Republic of Armenia, EU Ambassador H.E. Mr. Piotr Antoni Switalski. European Businesses expressed their appreciation of EBA's active efforts to improve business environment in Armenia.
- EBA in Armenia has initiated a discussion/round table at the State Revenue Committee on the main issues related to transportation and customs procedures.
- EBA initiated a round table discussion on the main topics in the new Tax Code that are related to businesses as well as updates on the current and future improvements in the customs regulations. More than 50 German, French, British, Italian, Swedish, Swiss, Armenian and other business representatives attended the round table/discussion.
- EBA Armenia attended EBO WVN regional meeting in South Korea.
- EBA made a speech and emphasized main impediments for the Investment Climate improvement in Armenia at the National Assembly Hearings of the Republic of Armenia related to the Foreign Investment climate improvement issues.
- The Project for the 'Whistleblowers Institute Development in the Business Area of Armenia' was launched under the GIZ SMEDA project financed by EU. "The evidence-based reforms advocacy" grant agreement with a joint consortium of the European Business Association, Armenian Lawyers Association and the Union of Information Technology Enterprises has been signed. The idea has been also presented to the government.

## EBA'S MAJOR ACCOMPLISHMENTS IN 2016



### MAIN BUSINESS IMPEDIMENTS IN ARMENIA, EXPLORATORY STUDY

European Business Association conducted exploratory study ‘Main Business Impediments in Armenia’ with the main objective to reveal major impediments of business activity in Armenia, to raise those issues at the public- private level and to conduct corresponding joint actions for overcoming those challenges.

For the purpose of this research, a semi-structured questionnaire was administered to a sample of 140 selected businesses throughout Armenia. Respondents were mainly asked to identify those major challenges and difficulties that they constantly face in their business activity, and which impede the growth and development of their companies.

Study results witness that the MSME representatives’ perceptions of the overall state of the business environment of the Armenian economy are quite critical, especially in such areas as Capability to fairly run business, Customs & Tax fees and procedures, Competitive environment and Access to finance.

DOWNLOAD THE FILE

[http://eba.am/wp-content/uploads/2016/11/EBA\\_MAIN-BUSINESS-IMPEDIMENTS-IN-ARMENIA-Exploratory-Study\\_2016-ENG.pdf](http://eba.am/wp-content/uploads/2016/11/EBA_MAIN-BUSINESS-IMPEDIMENTS-IN-ARMENIA-Exploratory-Study_2016-ENG.pdf)

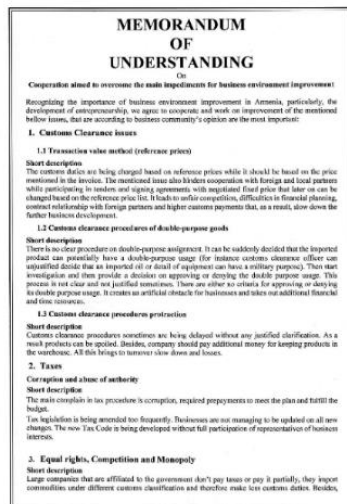


## “Business Perspectives, Impediments and Opportunities in Armenia” Business Forum

On July 7 European Business Association jointly with the Business Community and the European Diplomatic Community in Armenia conducted a business forum on “Business Perspectives, Impediments and Opportunities” for foreign and local companies/investors doing business in Armenia. More than 140 participants were present at the event.

His Excellency Prime Minister Hovik Abrahamyan, His Excellency Ambassador, the Head of the European Union Delegation to the Republic of Armenia Mr. Piotr Antoni Świtalski, Minister of Economy Artsvik Minasyan, Head of the State Revenue Committee Hovhannes Hovsepyan and Director of Armenian Development Foundation Garen Mikirditsian attended the forum and conducted active discussions and answered questions of business representatives.

European Business Association presented main impediments in Armenia, particularly: Tax, Customs, Public Procurement, Monopoly, Equal Rights, Fair Competition issues and the judicial system issues in Armenia. The opportunities for improvements and potential solutions of those issues were discussed. Prime Minister confirmed the willingness of the Armenian Government to cooperate and assist in the process of business environment improvement. The importance of developing the Public-Private Dialogue platform in Armenia was highlighted. Representatives of European Business presented their organizations and shared experience of doing business in Armenia as well as provided advices for business environment improvement.



## MEMORANDUM OF UNDERSTANDING BETWEEN 14 BUSINESS ASSOCIATIONS

14 leading Business Associations of Armenia have signed Memorandum of Understanding. The main objective of MOU is to emphasize the most important areas for business environment improvement in Armenia and to demonstrate willingness to work together for the elimination of the major obstacles for business development. The central subject of the Memorandum focuses around issues in the five major areas that, according to the business community, hinder business development in Armenia:

1. Customs Clearance procedures
2. Tax administration system
3. Equal rights, Competition and Monopoly
4. Public Procurement time limits and transparency
5. Judicial system



## Revenue Administration Workshop

In November 2016, European Business Association initiated a round table discussion on the awareness campaign and main topics in the new Tax Code that are related to businesses as well as updates on the current and future amendments in the customs regulations. More than 50 German, French, British, Italian, Swedish, Swiss, Armenian and other business representatives attended the round table discussion. Head of Administration of the Methodology, Procedures and Service Department of the State Revenue Committee, Mr. Arman Poghosyan presented main topics in the Tax Code that are relevant to local companies and foreign investors. He also provided clarifications to those issues that were critical for foreign investors. USAID TRP tax expert Ms. Anzhela Mesropyan presented the chapter of the new Tax Code on transfer pricing. Head of Customs Supervision Department Mr. Gevorg Saghoyan presented current and upcoming activities on improvements, amendments of customs clearance procedures, Eurasian Economic Union issues and transit procedures. Business representatives pointed out the importance of such awareness campaigns in the scope of new legislative changes. More sessions and discussions on the new Tax Code are planned to take place in 2017.





## FOREIGN INVESTMENT CLIMATE IMPROVEMENTS PARLIAMENTARY HEARINGS

In December 2016, the European Business Association attended Parliamentary hearings concerning the Foreign Investment climate improvement issues at the National Assembly of the Republic of Armenia. European Business Association executive director Diana Sarumova made a speech and emphasized main impediments for the Investment Climate improvement in Armenia, suggesting constructive solutions on specific issues, promoting the interests of those foreign companies that are already operating in Armenia.

The need for equal rights and fair competition were highlighted as crucial for existing and potential foreign investors, as well as the importance of transparent judicial system to assure investors' confidence. Several European companies that are now experiencing troubles in doing business in Armenia have been mentioned and it was suggested to organize follow up meetings to identify potential solutions (tax penalty issues of Intracom, Coca-Cola, Carrefour, Orange and Sar Capital). On behalf of EBA and its members that have been also invited to the Parliament, the gratitude was extended to the Armenian Government for its willingness to participate in the public-private dialog and readiness to collaborate and find mutual solutions.

## EBA Armenia became a member of European Business Organizations World Wide Network



EBA Armenia became a part of a global network (European Business Organization World Wide Network) – representing 34 countries outside the EU including Australia, Brazil, China, India, Kazakhstan, Korea, Malaysia, Russia, Singapore and others.

<http://www.ebowwn.com/>





## WHISTLEBLOWING PLATFORM DEVELOPMENT

The detection of the business impediments in Armenia will be carried out more effectively through the operation of the new platform for the whistle-blowers in the scope of “Evidence-based Advocacy for Reform” project.

European Business Association jointly with the Union of Information Technology Enterprises (UITE) and the Armenian Lawyers’ Association (ALA) launched the whistle-blowing platform project. The platform, providing 100% confidentiality for the whistle blowers, is a great opportunity for businesses to voice their problems. A whistle-blowing website will enable businesses to register corruption and other issues, which hinder their business development as well as to provide corresponding solutions for business environment improvement.

The Project for the Whistleblowers Institute Development in the Business Area of Armenia is being implemented under the GIZ's “The evidence-based reforms advocacy” grant agreement financed by EU.



## EBA has initiated a meeting for its Members with the Prime Minister Mr. Karen Karapetyan.

Head of the European Union Delegation to the Republic of Armenia Mr. Piotr Świtalski has also attended the meeting.

It is the best examples of the Public-Private Dialogue Platform that gives an opportunity to raise important issues directly to the Prime Minister and get the appropriate solutions. EBA success story has been mentioned as a result of PPD activity, particularly solution of the issues regarding reference prices’ and taxation of dividends, which will be set at the same rate for European businesses as that for the local ones. Other issues have been also mentioned and they are being follow up by the EBA, particularly:

- state procurement
- fair competition
- challenges in the tourism sector



## **The first Annual Joint Meeting of the European Business Association Armenia took place.**

The Prime Minister of the Republic of Armenia has attended the Annual Joint Meeting and made an opening speech. He emphasized importance of activity of the European and Foreign Investors in general and one more time mentioned that the Government is ready to cooperate for business environment improvement. Head of European Union Delegation to the Republic of Armenia Mr. Piotr Switalski became an honorary president of the European Business Association according to the Board Decision.

The president of EBA Levon Israyelyan expressed the gratitude to the Prime Minister and EU Ambassador for active cooperation and support.

The EU Ambassador congratulated the EBA for a successful previous year leading to concrete changes for the business environment and welcomed the Prime Minister's open door policy for European businesses.

EU Member and non-member states HOMs and the whole European Business community has also attended the meeting.



## EBA PUBLIC-PRIVATE DIALOGUE IN ACTION

**EBA became a Board member of the SME  
Development Council under the Government of RA**



**EBA became a member of Income Policy  
improvement council under the Ministry of  
Finance**



**EBA became a Board member with a voting right  
of the Revenue Administration reform Council  
under the State Revenue Committee**





## Other PPD Activities

**EBA had discussion with the State Commission for the Protection of Economic Competition of Republic of Armenia.**



**EBA is initiating closed meeting with Customs Authorities to discuss potential Development Issues**



**Work with the Ministry of Transportation on the issues relevant for transportation companies**



## Professional Networking and Seminars

**Business Lunch of EBA Members and EU Ambassador**



**Business Dinner with the Ambassador of Sweden and Swedish Businessmen in Armenia**



**Armenian-Czech Cooperation Networking event**



**Eastern Partnership Workshop**





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