Agribusinesses in Armenia Get a Boost from Improved Regulations

PROJECT AT A GLANCE

COUNTRY/REGION    ARMENIA/EUROPE AND CENTRAL ASIA
PRODUCT            INDUSTRY-SPECIFIC INVESTMENT CLIMATE/AGRIBUSINESS

From 2009–2011, investment climate teams of the World Bank Group worked with the Armenian government to reduce regulatory barriers to business creation, operation, and growth. As a result, the Bank Group was asked to continue its investment climate work from 2011 to 2014 through a new project that aims to simplify regulatory procedures for firms in Armenia’s agribusiness sector.

RESULTS AND IMPACTS

• Forty-six recommended laws and procedures related to tax, inspections reform, trade logistics, and food safety were adopted, and 54 reports were submitted.

• Tax reforms have generated around $9 million in compliance cost savings for the private sector.

CONTEXT

In Armenia, an inefficient regulatory and administrative system and high operating costs constrain firm competitiveness. Trade across borders, taxes, and inspections remain particularly burdensome. Trade barriers, such as inefficient customs and technical control procedures, impede business growth. Risk-based controls are not widely used for imports and exports, and most cargo is physically checked. Medium-sized businesses spend 636 hours per year trying to comply with tax legislation. Business inspections are complicated...
by myriad regulators — 18 official inspecting agencies, a number of licensing or permit-issuing agencies, and local authorities with inspection powers but often unclear or overlapping mandates. Exaggerated requirements and an outdated inspection system in food safety legislation hinder the growth of Armenian food business operators and are especially devastating to small and medium-size businesses.

**OUR ROLE**

Investment climate teams of the World Bank Group have been working with the Armenian government to address regulatory constraints to effective taxation, business inspections, trade logistics, and food safety. In order to simplify regulatory procedures for agribusinesses, the teams are helping the government:

- Revise food safety legislation to align with international best practice.
- Introduce a risk-based inspection system.
- Improve the tax regime.
- Streamline administrative procedures.
- Reduce transaction times for import and export.

As a result, the government has developed procedures for the border inspection of imported food, and it has drafted laws on food safety that comply with international standards. Adoption of these laws will contribute to improved food safety in Armenia, ensuring the health of Armenian consumers, increasing the competitiveness of Armenian food producers, and enhancing access to new markets.

In order to assist the State Service for Food Safety in introducing a risk-based inspection system, the Bank Group helped draft risk criteria as well as a methodology for inspecting both imported and domestically produced food, and created 12 food safety inspection checklists. Implementing risk-based inspections will result in more effective inspections, saving time and money for food producers.

Practical guidelines for implementing good manufacturing practices (GMP) and good hygiene practices (GHP) in all areas of food production were published. In addition, similar guidelines will be published for producers of dried fruit and vegetables to ensure compliance with international hygiene requirements, thus improving food safety. Over 100 business owners and state representatives, mostly employees of the State Service of Food Safety, were trained on the requirements and implementation of GMP, GHP, and the hazard analysis and critical control points system, which is an international standard for food testing and safety.

The project developed a brochure on customs valuation methods and procedures, as well as an export map, which is a brief description of the costs, procedures, and regulations related to export. A number of the recommendations for fruit and vegetable exports, including reduced documentation requirements, improved certification procedures, customs formalities, and customs valuation procedures, were implemented.

“Women in our community are encouraged by the changes taking place in the business environment in Armenia. Now it is much easier to register a new business, obtain a certificate of origin to export their dried fruits, and file accounting reports and taxes electronically, which saves time and effort and limits the need for face-to-face communication with state agencies that many women were avoiding due to cultural perceptions.”

VERA ZAKARYAN
Founder and Director of Tamar Tatik LLC

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