



UNECE

The impact of COVID-19 on the trade and business development prospects of female-owned enterprises in the Republic in Armenia



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PREFACE

As the coronavirus (COVID-19) pandemic continues to spread, its disruptive impact is becoming more pronounced, posing unprecedented challenges for all countries. Governments have seen their priorities shift overnight towards upscaling public health preparedness and emergency support measures to cater for the vulnerable segments of their populations. The challenges facing Governments are further complicated by supply chain disruptions, which have left enterprises struggling to survive. Pay cuts and furloughs have been increasing, so that losses in lives are compounded by a livelihood crisis.

If anything, countries across the globe are suffering setbacks that are akin to complex humanitarian emergencies associated with disasters. Businesses and State agencies have been exhausting their coping strategies, with lingering effects on productive capacities, institutional flexibility and business confidence. It, therefore, stands to reason to avoid treating the pandemic as a temporary shock whose impact can be swiftly reversed once normality is attained.

The implication is that any attempt to assess the impact of COVID-19 must proceed from a clear understanding of the development challenges that occupied Governments' agendas at the eve of the pandemic and ground the analysis in the context of economic vulnerability. For if there is one lesson to draw from development experiences, it would be that disasters aggravate deep-seated structural weakness. Without an understanding of these weaknesses, relief and development efforts might miss the target.

It is from this perspective that the impact of the pandemic on Armenian female-owned micro, small and medium-sized enterprises (MSMEs) is assessed. Consistent with the UNECE's Steering Committee on Trade Capacity and Standards mandate¹, the assessment traces the way non-tariff measures (NTMs) governing trade in goods combined with lockdown measures in Armenia and partner countries to influence these enterprises' end-to-end supply chains and long-term development prospects. The assessment also highlights the aggravating effect of political instability since September 2020². It also provides action-oriented recommendations to bolster women's participation in economic activities.

The assessment is based on a survey of agricultural and manufacturing female-owned MSMEs with active engagement in international trade. The focus on MSMEs is consistent with their important role in driving the Armenian economy. According to the latest official statistics, MSMEs represented 99 per cent of active enterprises in 2017, with microenterprises representing the largest segment (94 per cent of total MSMEs).

¹See https://www.unece.org/fileadmin/DAM/trade/documents/ToR_SCTCS_Appendix5.pdf.

²The Nagorno-Karabakh crisis (28 September-10 November 2020) caused losses of life, displacement and destruction. It also caused political instability. See United Nations Resident Coordinator's Office in Armenia, different reports, available at: <https://armenia.un.org/index.php/en/132322-nagorno-karabakh-crisis-response>.

²While this assessment focused on capturing the way in which safety measures and NTMs deployed by Armenia and trade partners affected the female-owned MSMEs, the owners interviewed also highlighted the effects of the Nagorno-Karabakh crisis on their supply chain operations. The owners drew attention to the resulting political instability and described conditions of increased economic uncertainty, which, among other things, make it difficult to plan.

They accounted for 66 per cent of total employment, 62 per cent of total turnover and 60 per cent of total value-added generated by the enterprise sector during the said year³.

However, despite Armenia's impressive progress in achieving gender equality, female-owned enterprises, defined by the Government as enterprises managed by women⁴ (i.e., enterprises with women in senior management roles) or at least 30 per cent owned by women, constituted a limited segment of the MSME sector. Around 15 per cent of registered enterprises were owned by women in 2019, and another 19 per cent were managed by women.⁵

The assessment was carried out over the course of January-February 2021. It used a comprehensive questionnaire that was developed by UNECE, with a view to informing gender responsive trade policies. The questionnaire drew on the knowledge gained from the UNECE COVID-19 impact assessment, "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises" (2020)⁶, and it was pilot-tested in December 2020. In total, 155 female-owned MSMEs from across the country participated in the survey, the majority of which were export-oriented.

The results were discussed with a representative sample of the MSME owners who participated in the survey during an online workshop on 22 September 2021. UNECE shared the report with the Ministry of Labour and Social Affairs of Armenia and development partners on 21 January 2022 during an online consultative meeting, which was organized by the national Gender Thematic Group that is co-chaired by the Ministry of Labour and Social Affairs and the United Nations Development Programme. UNECE also shared the report with United Nations Resident Coordinator Office in Armenia to inform the United Nations Country Team (UNCT) planning processes.

The findings of this assessment will be reported to UNECE member States during the 2022 session of the Steering Committee on Trade Capacity and Standards to form the basis for discussions over future activities in the area of trade. In addition, the report will be shared with United Nations Department of Economic and Social Affairs (UNDESA) as part the UNECE contribution to the United Nations effort to address the pandemic.

³See https://www.armstat.am/file/article/eng_print_version+.pdf.

⁴Government of Armenia Decision No. N 1443-L of August 7, 2020 on "Approving the SME Development strategy for 2020–2024 and Action Plan for 2020–2022", which entered into force on September 4, 2020; available at: <https://www.arlis.am/DocumentView.aspx?DocID=145707>.

⁵World Economic Forum, The Global Gender Gap Report 2020, Geneva.

⁶The studies are available at: <https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>.

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ABBREVIATIONS

AMD	Armenian dram
ARMSTAT	National Statistical Service of Republic of Armenia
AYWA	Armenian Young Women's Association
BCP	Border-crossing point
CEPA	Comprehensive and Enhanced Partnership Agreement
CIS	Commonwealth of Independent States
CoO	Certificate of origin
EAEU	Eurasian Economic Union
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
GSP	Generalized system of preferences
ICT	Information and communication technology
ISO	International Organization for Standardization
NTM	Non-tariff measure
RCA	Revealed comparative advantage
SDG	Sustainable Development Goal
UNECE	United Nations Economic Commission for Europe
UNICEF	United Nations Children's Fund
USD	United States dollar
VAT	Value-added tax
WTO	World Trade Organization

EXECUTIVE SUMMARY

This report assesses the impact of the COVID-19 pandemic on the development prospects of Armenia's female-owned MSMEs. It traces the way that NTMs governing trade in goods combined with lockdown measures in Armenia and partner countries to influence the female-owned MSMEs' end-to-end supply chains and their long-term development prospects.

The report is based on a survey of 155 female-owned MSMEs involved in agriculture and manufacturing from across the country. The majority were export-oriented and led by opportunity-driven entrepreneurs, who ventured into business to capitalize on emerging opportunities. The female MSME owners saw obstacles as challenges to overcome, were persistent in the face of adversity and exhibited a strong sense of social responsibility. The owners were assisted by family, friends, women's organizations and the Armenian diaspora.

The assessment shows that, despite the Government's limited use of trade restrictions, upscaled trade-facilitation measures and sweeping relief measures, the female-owned MSMEs were hard hit by the pandemic and, since September 2020, by political instability. Many were operating at a loss and were unsure as to their ability to maintain operations.

1. Trade disruptions

Just like all the Armenian enterprises, the female-owned MSMEs surveyed saw their supply chain operations disrupted by lockdown measures, the special arrangements at border crossing points (BCPs), both in Armenia and in partner countries, and, since September 2020, by political instability. The impact of these factors was compounded by capacity shortfalls within State agencies, which manifested themselves in the form of non-tariff barriers. These barriers acted as negative transmission channels, which amplified supply chain disruptions by creating the operational bottlenecks set out below:

- **Lack of clarity over trade-related regulations and administrative procedures being applied.** Most of the owners surveyed were not familiar with these regulations and procedures. This meant that they were unable to adjust their supply chain operations in a timely manner.
- **Extended wait time for obtaining trade documents.** The issuance of trade documents was slowed down by continued reliance on paper-based procedures as the Government has yet to fully transition to a paperless trading environment.

- **High product-certification costs.** Enterprises had to obtain conformity certificates from abroad at a high cost, since certificates issued by Armenian conformity-assessment bodies were not recognized internationally.

The above supply chain bottlenecks are not specific to the female-owned MSMEs surveyed. They were also reported by male-owned MSMEs surveyed as part of the UNECE previous COVID-19 impact assessment, who lamented the resulting delays and additional costs. However, the female-owned MSMEs are less resilient, with greater lingering effects, which can only be reversed by addressing the gender specific bottlenecks identified in this assessment.

2. The impact of trade disruptions

Around 28 per cent of the enterprises had suspended export activities altogether by December 2020. Another 23 per cent saw their export earnings plummet, with 14 per cent experiencing up to 90 per cent losses in export earnings compared to 2019 and another 9 per cent experiencing up to 50 per cent losses. These losses were caused by a downscaling of exports, which was triggered by:

- **Lost subcontracting arrangements with regional and multinational companies.** The adverse conditions caused significant damage to the MSMEs' subcontracting arrangements. Many reported losing such longstanding arrangements.
- **Supply shortages.** These were caused by the closure of non-essential businesses in partner countries, delayed deliveries and increased prices. The owners reported experiencing difficulties in finding new international suppliers.
- **Inflated transport costs.** The female-owned MSMEs faced inflated road transport costs as freight forwarders increased their fees to cover additional operating cost that were out of their control. Shipment by air also became more expensive.
- **MSMEs that saw their exports rebound were unsure as to their ability to maintain exports.** This was the case for 36 per cent of the MSMEs surveyed that regained their pre-pandemic earning levels in 2020. Another 13 per cent registered up to 50 per cent increases in export earnings, or more in relation to 2019. Enterprises belonging to this group were occasional exporters who sold small volumes and were able to find new international buyers with the support of the Armenian diaspora. However, the majority were operating at a loss in September 2021. They were unsure of their ability to maintain exports, with the inflated transport costs placing a strain on their budgets and aggravating supply shortages.

3. The ripple effects of trade disruptions

The impact of supply chain disruptions was compounded by the MSME owners' coping strategies. Only a limited segment used growth enabling coping strategies, such as production repurposing and e-commerce, with many held back by gender specific obstacles.

- **Reduced productive capacity:** The majority of the female-owned MSMEs surveyed reduced production under the weight of dwindling demand and supply shortages.
- **Limited production repurposing:** Production repurposing was pursued by about 35 per cent of female-owned MSMEs surveyed, which belonged to the clothing and jewellery industries. Of these, 10 per cent repurposed towards existing production lines. The remainder repurposed towards new products to address supply shortages.
- **Limited engagement in e-commerce:** Only 22 per cent of the MSMEs surveyed reported using e-commerce for boosting exports. The remainder were not engaged in e-commerce. The limited appetite for e-commerce in Armenia, coupled with the dwindling domestic and international demand, have created disincentives to venturing into e-commerce.
- **Export expansion plans cancelled or put on hold:** This was the case for around 56 per cent of MSMEs, the majority of which were planning to increase exports to traditional markets.

4. Income fallout

Many of the MSME owners suspended exports in February 2021 and were operating at a loss. Their situation deteriorated in subsequent month. Female MSME owners who participated in online stakeholder workshop of September 2021 drew attention to the heightened degree of uncertainty since September 2020, which makes it difficult to plan. These adverse conditions were compounded by the owners' erosive coping strategies, which are outlined below. These strategies increased the enterprises' economic vulnerability and undermined the welfare of owners' families.

- **MSMEs that saw their exports rebound were unsure as to their ability to maintain exports:** This was the case for 35 per cent of the female-owned MSMEs surveyed that regained their pre-pandemic earning levels in 2020. Another 7 per cent registered up to 50 per cent increases in export earnings in relation to 2019. MSMEs belonging to this group were occasional exporters who sold small volumes and were able to find new international buyers with the support of family and friends. However, the majority were operating at a loss in March 2021. They were unsure of their ability to maintain exports, with the inflated transport costs placing a strain on their budgets and aggravating supply shortages.

- **Sharp increase in the MSMEs' debt burden:** Some of the MSME owners and managers were able to mitigate the stress on their wage bill and other operating costs by borrowing from relatives or using their spouses' income. These coping measures appear to be insufficient, with around 24 per cent of the MSMEs surveyed postponing business payments over the period January 2020-February 2021, particularly salaries and loan repayments. In addition, around 23 per cent laid off staff and another 18 per cent introduced pay cuts. Still, another 26 per cent put their staff on furlough.
- **Marked deterioration in the living conditions of the MSMEs' households:** Around 65 per cent of the owners also used personal savings to maintain operations over the period January 2020-February 2021. This came at the expense of their families' welfare.
- **Dire need of government support:** In February 2021, around 66 per cent of the MSMEs emphasized the need for Government assistance to maintain operations. Of this group, 40 per cent struggled to maintain operations for more than six months, having effectively depleted their personal savings.

5. Growth bottlenecks

The assessment shows female-owned MSMEs as being challenged by ongoing, deep-seated growth bottlenecks:

- Lack of skilled staff
- High exploratory costs
- Lack of adequate warehousing facilities
- Weak production capacities
- Lack of extended hour childcare at a reasonable cost.

These bottlenecks, which are specific to female-owned MSMEs, have translated into high production costs, which, combined with the prevalence of counterfeits, have been undermining MSMEs' ability to compete in domestic markets, let alone to boost exports. The current conditions have aggravated these bottlenecks with adverse consequences for the MSMEs' development prospects and the welfare of their families and communities.

6. Policy implications

There is no doubt that the return to normality will breathe new life into the Armenian economy and female-owned MSMEs. However, the course of recovery is dependent on addressing the lingering effects of the pandemic. The double crisis generated by the pandemic and political instability has not only exhausted the MSME owners' coping strategies but has also aggravated the enterprises' deep-seated growth bottlenecks. Section 7 provides action-oriented recommendations for the Government's consideration as it forges ahead in rebuilding stronger and more resilient female-owned MSMEs. The recommendations aim at:

- Addressing the MSMEs' financial crisis
- Reducing the MSMEs' trade-related exploratory costs
- Bolstering the MSME owners' participation in trade policymaking processes
- Supporting the female-owned MSMEs' business growth
- Further enabling the MSME owners to strike a work-family balance
- Supporting knowledge generation for gender-responsive trade policies

The recommendations comprise emergency-support measures for improving the MSMEs' resilience and strategic measures for addressing the enterprises' structural weaknesses. The emphasis is on expanding the range of support services available to female-owned MSMEs through leveraging existing women's and enterprise support organizations. This will enable the Government to ensure a high level of outreach and create dynamic synergies between relief and long-term development objectives.

The proposed recommendations support the successful implementation of Armenia's "Strategy and Action Plan for the Implementation of Gender Policy in the Republic of Armenia for 2019–2023". Specifically, priority 2: "Increase women's economic opportunities through overcoming gender discrimination in the socioeconomic sector".

In addition, the recommendations directly contribute to the achievement of SDG 5 (gender equality) and stimulate spill over effects in support of SDGs 4 (quality education), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 16 (peace, justice and strong institutions) and 17 (partnerships for the Goals).

UNECE stands ready to assist the Government in implementing the recommendations in collaboration with the United Nations Resident Coordinator Office in Armenia, United Nations agencies and international development partners.

1. INTRODUCTION

Located in the South Caucasus region, Armenia is a small upper-middle-income landlocked country with real gross national income (GNI) per capita reaching USD 4,680 in 2019.⁷ The country, which shares borders with Georgia to the north, Azerbaijan to the east, Turkey to the west and the Islamic Republic of Iran to the south, is endowed with rich mineral resources, particularly gold.

Trade development has been at the centre of the Government's reforms. It is emphasized as an important vehicle for generating the much-needed economies of scale and scope. Armenia is a World Trade Organization (WTO) member and is linked with global markets through bilateral free trade agreements and regional cooperation arrangements. Armenia is also a member of the Commonwealth of Independent States (CIS) and, since January 2015, of the Eurasian Economic Union (EAEU), which includes as members Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.

Trade reforms are pursued as part of multifaceted development approach, in that it is complemented by targeted efforts to improve the overall business environment and support enterprise development (Annex 1). As shown below, while reforms to date have borne fruit, the Government is still faced with significant challenges, which were compounded by the pandemic and the lack of political stability.

1.1 Reform achievements and pre-pandemic challenges⁸

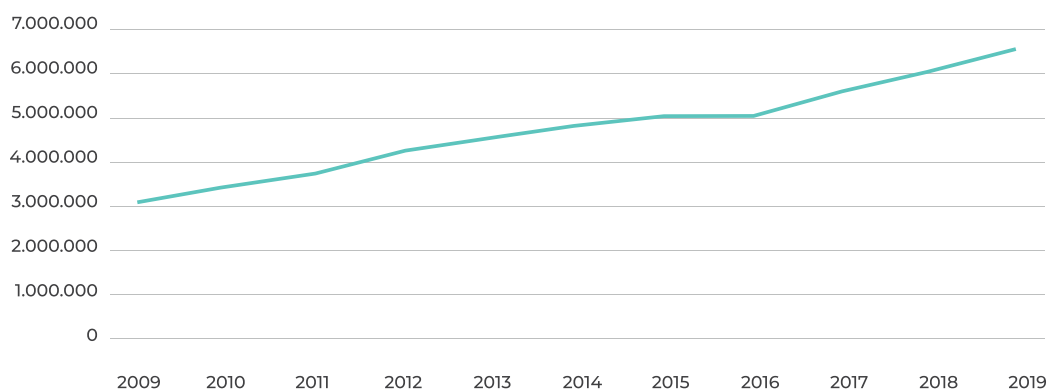
Reform achievements find their strongest expression in the economy's accelerated income gains, with gross domestic product (GDP) registering persistent growth over the past decade (Figure 1.1). However, the eve of the pandemic saw the Government facing significant challenges. The Armenian economy was still unable to generate enough jobs for its growing labour force. Unemployment stood at around 18 per cent in 2019,⁹ so that working abroad continued to constitute an integral part of Armenian labour-market dynamics.

⁷World Bank database (see <https://data.worldbank.org/country/armenia?view=chart>).

⁸This section draws on the analysis provided in UNECE COVID-19 impact assessment "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's Survey of Micro, Small and Medium Enterprises", available at: <https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>.

⁹Armstat, Socio-Economic Situation of Republic of Armenia, January-June 2020 (see www.armstat.am/en/?nid=81&id=2280).

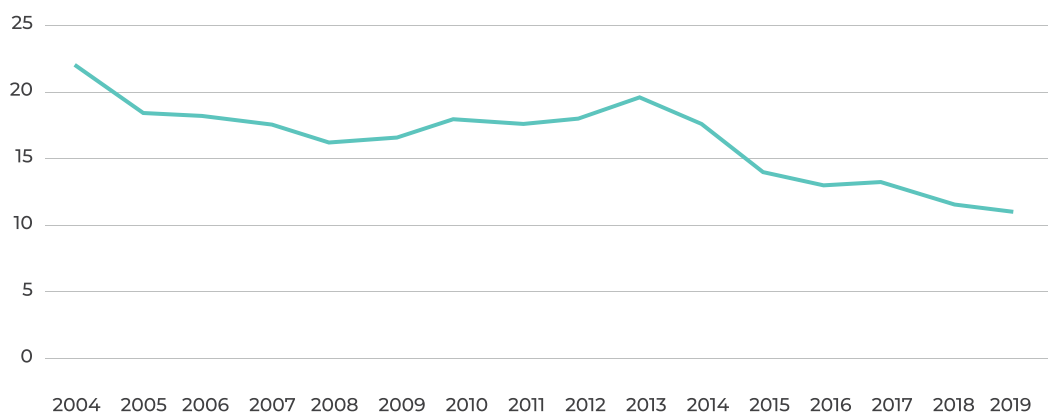
Figure 1.1 - Armenia's GDP, 2009-2019 (in millions of Armenian drams)



Source: Statistical Committee of the Republic of Armenia

While the remittances of these workers have been on a declining trend over the past few years, at 11.2 per cent of GDP in 2019 (Figure 1.2), they remain an important contributor to income generation, ranking Armenia among the top 20 remittance-receiving countries worldwide.¹⁰

Figure 1.2 - Remittances contribution to Armenia's economy (percentage of GDP)



Source: World Bank Database

The economy was also unable to generate enough savings for financing investments. The share of savings in GDP was on a declining trend, reaching 11 per cent in 2019, down from 16.3 per cent in 2017, and the share of investments in GDP decreased from 22.4 per cent in 2018 to 17.4 per cent in 2019.¹¹

¹⁰World Bank Database (see <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=AM>).

¹¹International Monetary Fund (IMF) Armenia Country Report, May 2020; see <https://www.imf.org/en/News/Articles/2020/05/18/pr20219-armenia-imf-execboard-concludes-2ndrev-under-sba-augments-access-address-impact-covid19>).

At the same time, as shown in Annex 1, the economy was not generating enough exports to finance imports, and it suffered an expanding trade deficit that reached around USD 2.9 billion in 2019.¹² These structural weaknesses meant that the Government ran a fiscal deficit and suffered a debt burden that represented 53.6 per cent of GDP in 2019.¹³

Addressing these weaknesses was complicated by Armenia's limited access to international transport routes. The borders with Turkey, which make up around 82 per cent of Armenia's total border length, are closed, as are shared borders with Azerbaijan. Cargo traffic is routed via Georgia and Iran, which increases trade costs.¹⁴

Further complicating the manufacturing enterprises' participation in international trade is the fact that Armenia shares only one BCP with Iran. The Upper Lars highway, the country's sole overland conduit to the Russian Federation (Armenia's main trade partner) and to Europe via Georgia, has a difficult terrain. Armenia's underdeveloped transport infrastructure is another detrimental factor. The country has only one active international railway line, which passes through Georgia, and its road network is in poor condition (Annex 1).

Thus, despite its impressive growth record, the Armenian economy was too vulnerable to withstand the economic effects of the pandemic. It exhibited a significant reliance on remittances for income generation; was dependent on a limited range of trade partners; and had limited access to international transport routes.

Armenia also suffered structural poverty, with 23.5 per cent of the population living below the national poverty line in 2018,¹⁵ against a backdrop of a persistent urban-rural income disparity.¹⁶ These persistent trends cannot be understood in isolation from the high level of informal work and the skills mismatch in the labour market, which hinder workers' mobility across sectors.¹⁷ Moreover, and as shown below, despite the progress made in bridging the gender gap, there remains room for increasing women's participation in economic activities.

1.2 Women's participation in economic activities

Armenia has been registering continued progress in achieving gender equality. As shown in Figure 1.3, both female and male human development index (HDI) scores have registered continued improvement. This enabled Armenia to maintain its position in the high HDI category in 2019,¹⁸ and resulted in a gender development index of 0.982, compared to 0.969 in 2017. Armenia also improved its score on the gender inequality index in 2019; it ranked 54th among the 189 countries and territories covered.

¹²Armstat (see <https://www.armstat.am/en/?nid=81&pthid=exa&year=2020&-submit=Search>).

¹³IMF Armenia Country Report, May 2020.

¹⁴For further details on this, see UNECE (2019), Regulatory and procedural barriers to trade in Armenia: Needs assessment; available at <https://unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-452E.pdf>.

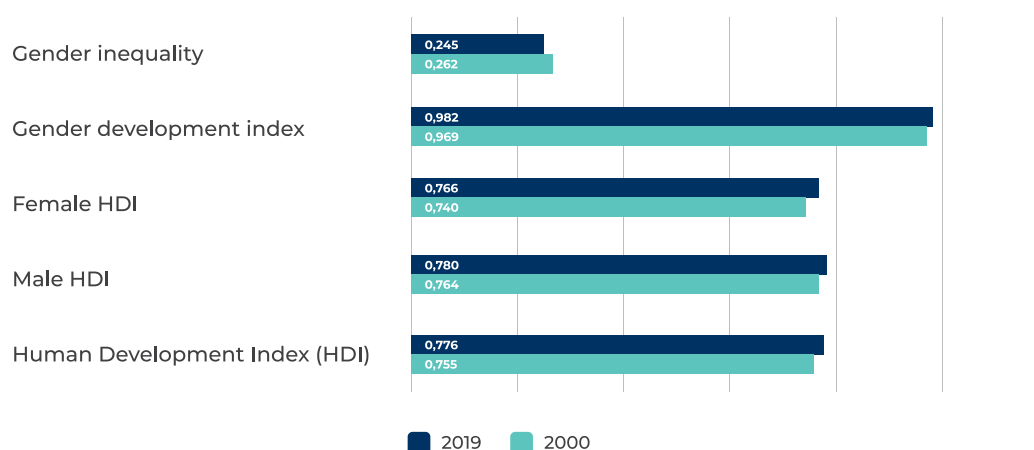
¹⁵World Bank Development Indicators (see <https://data.worldbank.org/country/armenia>).

¹⁶Armstat, Households' Integrated Living Conditions Survey (2018), anonymized microdata database.

¹⁷For a concise analysis of Armenia's labour market dynamics, see the International Labour Organization (2020), "Rapid assessment of the employment impact and policy responses of the COVID-19 pandemic on Armenia"; see https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-moscow/documents/publication/wcms_762029.pdf.

¹⁸In 2019, Armenia ranked 81st out of the 189 countries and territories covered. In 2017, the country ranked 83rd among the 189 countries and territories covered. See United Nations Development Programme, Human Development Index Report, at <http://hdr.undp.org/en/data>.

Figure 1.3 - Armenia's human development index values, key indicators (2000, 2019)



Source: United Nations Development Programme, Humand Development Data

However, there remains a gender gap in economic activity. Female labour-participation rates lag behind those of men, and working women are concentrated in a narrow range of economic activities. In 2019, female labour participation stood at 49.6 per cent, compared to 71.7 per cent for men, and the majority were engaged in the services sector. Services absorbed 65 per cent of the female labour force in 2019, followed by agriculture (24 per cent) and the industrial sector (10.5 per cent).¹⁹

A closer examination of available statistics reveals that women are significantly more present than men in education and in human health and social work (Table 1.1). They are also more present than men in agriculture and the hotel industry, entertainment, other services and in households' production activities, and are less present in the remaining sectors.

Table 1.1

Sectoral distribution of Armenia's labour force by gender, 2019
(percentage shared, European Community Nomenclature of Economic Activities)

Sector	Men	Women
Agriculture, forestry, and fishing	20.3	24.6
Mining and quarrying	1.6	0.2
Manufacturing	10.3	9.6
Electricity, gas, steam, and air conditioning supply	3.0	0.8
Water supply; sewerage, waste management and remediation activities	0.4	0.3
Construction	16.2	0.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	12.2	11.7

¹⁹Armstat, Labour Market in Armenia-2020, available at <https://armstat.am/en/?nid=82&id=2348>.

Table 1.1

Sectoral distribution of Armenia's labour force by gender, 2019
(percentage shared, European Community Nomenclature of Economic Activities)

Sector	Men	Women
Transportation and storage	6.7	1.5
Accommodation and food service activities	2.4	3.2
Information and communication	2.5	1.7
Financial and insurance activities	1.2	2.0
Real estate activities	0.2	0.3
Professional, scientific, and technical activities	1.1	2.0
Administrative and support service activities	0.5	0.5
Public administration and defence; compulsory social security	11.2	5.7
Education	3.7	19.4
Human health and social work activities	1.3	9.7
Arts, entertainment, and recreation	1.6	2.0
Other service activities	3.0	3.4
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.2	0.8
Activities of extraterritorial organizations and bodies	0.4	0.3
Total	100	100

Source: UN-Women and Armstat (2020), Analysis of the gender pay gap and gender inequality in the labour market in Armenia.

Furthermore, women are more willing to accept part-time jobs. In 2019, 43 per cent of the employed women worked part-time, compared to 24 per cent the corresponding figure for men.²⁰ Hence, the persistent gender inequalities in the labour market, which, as shown in Table 1.2, manifest themselves in the form of:

- A gender employment gap which was estimated at 11.1 percentage points in 2020 and was the widest for women aged 35–44 and 55–64 years old.
- A gender unemployment gap, which was the widest among women aged 15–34.
- A gender inactivity gap, which was estimated at 37.4 per cent in 2020 and which was pronounced among women across all age groups.

²⁰World Economic Forum, 2020, The Global Gender Gap Report 2020, Geneva.

Table 1.2

The gender gaps in Armenia's labour force, 2020

Age Group	Men	Women
Employment rates		
All	50.8	39.3
15–24	22.8	17.9
25–34	59.5	45.1
35–44	61.1	49.2
45–54	57.5	51.0
55–64	51.8	40.7
Unemployment rates		
All	20.2	21.7
15–24	33.9	41.1
25–34	19.8	27.3
35–44	19.9	21.0
45–54	17.0	15.4
55–64	17.0	13.9
Inactivity (non-participation rates)		
All	24.3	48.0
15–24	58.2	67.2
25–34	10.9	48.3
35–44	10.5	35.6
45–54	14.8	37.6
55–64	28.3	51.7

Source: UN-Women and Armstat (2020).

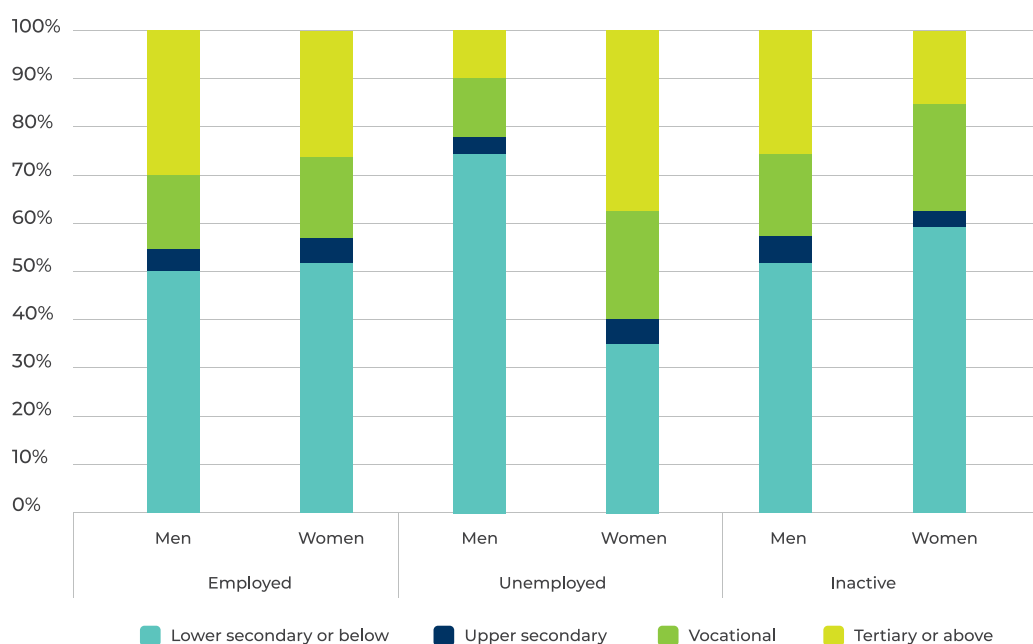
Furthermore, men tend to outpace women in leadership roles in the enterprise sector. In 2019, around 15 per cent of registered enterprises were owned by women and another 19 per cent were managed by women. This represents a decrease from 2018, which saw women owning 34 per cent and managing around 24 per cent of registered enterprises.²¹ Men also earn more than women, with recent estimates putting the raw (unadjusted) gender pay gap at 23.1 per cent in 2020. When taking into account the hours worked, the raw gender pay gap jumps to 40 per cent.²²

²⁰World Economic Forum, 2020, The Global Gender Gap Report 2020, Geneva.

²¹UN-Women and Armstat (2020), Analysis of the Gender Pay Gap and Gender Inequality in the Labour Market in Armenia; see https://armstat.am/file/article/analysis_of_the_gender_pay_gap_armenia_en.pdf.

Thus, women have lower labour participation rates than men; are concentrated in a limited range of economic activities; tend to work fewer hours; occupy lower-ranking positions; and accept lower pay. These trends have been driving the gender gap in economic activity. They have persisted even though Armenian women outnumber men in their pursuit of higher education²³ and, as shown in Figure 1.4, unemployed women still rank considerably better in terms of formal education than both unemployed men and employed women.²⁴

Figure 1.4 - Armenia's labour force by educational attainment (2020)



Source: UN-Women and Armstat (2020).

Research to date attributes Armenia's gender gap in economic activity to socially constructed gender roles. Indeed, evidence shows that women tend to devote more time to attending to their families, as society leans towards holding men responsible for supporting their families and deems family caregiving as the primary role of women.²⁵

The Government is actively seeking to bridge this gap. It has undertaken extensive legislative reforms,²⁶ and is implementing a "Strategy and Action Plan for the Implementation of Gender Policy in the Republic of Armenia for 2019–2023". As shown in Table 1.3, the strategy focuses on improving the national health and education systems; increasing women's participation in decision-making processes; promoting women's entrepreneurship; and, addressing discrimination against women as prerequisites for achieving gender equality.

²³Around 20 per cent of Armenian women have a postgraduate degree, while the figure for Armenian men is around 8 per cent. See Armstat, Women and Men in Armenia, 2020, available at: <https://www.armstat.am/en/?nid=82&id=2322>.

²⁴UN-Women and Armstat (2020), Analysis of the Gender Pay Gap and Gender Inequality in the Labour Market in Armenia; see https://armstat.am/file/article/analysis_of_the_gender_pay_gap_armenia_en.pdf.

²⁵Armstat, Women and Men in Armenia 2020; <https://www.armstat.am/en/?nid=82&id=2322>. See also Asian Development Bank, 2019, Armenia – Country gender assessment, available at: <https://dx.doi.org/10.22617/TCS190601-2>.

²⁶Armenia has ratified the United Nations Convention on the Elimination of All Forms of Discrimination against Women; the United Nations Convention on the Nationality of Married Women; the United Nations Educational, Scientific and Cultural Organization Convention against Discrimination in Education; and the International Labour Organization Equal Remuneration Convention and Discrimination (Employment and Occupation) Convention. In addition, Armenia adopted several laws for promoting gender equality. Recently adopted laws include the law on "Ensuring Equal Rights and Equal Opportunities for Women and Men" in 2013, and a new Constitution in 2015 that ensures gender equality and prohibits gender-based discrimination. Furthermore, the country's new Electoral Code, which entered into force in June 2016, incorporates gender-sensitive quotas for gradually increasing the quota for women's representation in elective bodies to 30 per cent by 2021.

Table 1.3

Armenia's strategic priorities for achieving gender equality in 2019- 2023

Priority area	Goals
1. Improve the national framework for women's advancement, including equitable involvement of men and women in decision-making positions	<ul style="list-style-type: none"> 1) Establishing institutional mechanisms for supporting gender policy development and implementation. 2) Ensuring full participation of women in all spheres of public life and civil society. 3) Overcoming the under-representation of women in legislative, executive, and other decision-making processes.
2. Increase women's economic opportunities through overcoming gender discrimination in the socioeconomic sector	<ul style="list-style-type: none"> 1) Decreasing the socioeconomic disparities between men and women through: <ul style="list-style-type: none"> a. reducing the level of gender discrimination in professional work; b. establishing favourable conditions for balancing work and family duties; and, c. protecting women's labour rights, especially those from vulnerable categories. 2) Increasing women's competitiveness in the labour market through: <ul style="list-style-type: none"> a. promoting women's entrepreneurship and developing enterprise owners' business skills; b. expanding women's economic opportunities in the field of agriculture; and, c. increasing women's employment rates, particularly those among the poor.
3. Ensure equal opportunities for full and effective participation of both women and men in the fields of education and science	<ul style="list-style-type: none"> 1) Cultivating an engaged, proactive, and inquisitive society. 2) Ensuring balanced gender representation throughout the education system. 3) Integrating gender issues into national curriculum at all levels. 4) Promoting gender-sensitive education methods. 5) Overcoming gender inequality in the field of education and science; reducing discriminatory manifestations and increasing women's participation in scientific research.
4. Ensure equal opportunities for women and men in the field of health	<ul style="list-style-type: none"> 1) Improving the health of women and men, including the prevention of diseases that cause premature death of men and women. 2) Improving the quality, availability, and accessibility of health-care services, including in the field of reproductive health. 3) Ensuring gender-sensitive health care services through mandatory training.

Priority area	Goals
5. Prevent gender discrimination	<ol style="list-style-type: none"> 1) Developing gender-neutral techniques in the country's economic, social, and political arenas, analysing the situation of women and men, and highlighting the disparities in their status. 2) Overcoming gender stereotypes, raising awareness about the prospect of equal participation of men and women in the solving of the country's political challenges, and achieving long-term economic progress. 3) Developing and implementing gender sensitive budget tools. 4) Maintaining gender-differentiated, systematic and unified statistics, including on groups receiving public services. 5) Reducing the sex disproportion of newborns in the country. 6) Ensuring the inclusion of all groups of women and girls. 7) Increasing the gender sensitivity of the mass media, including the inclusion of a gender component in the process of professional training of journalists. 8) Establishing State support mechanisms for the prevention of violence against women and victims of violence. 9) Raising public awareness about the achievement of gender equality in all socio-political, socio-economic spheres by the State. 10) Overcoming gender stereotypes. 11) Promoting women's participation in sports.

Source: Government of Armenia, "Strategy and Action Plan for the Implementation of Gender Policy in the Republic of Armenia for 2019-2023".

1.3 COVID-19 induced economic crisis

The outbreak of the COVID-19 pandemic dealt a strong blow to the Armenian economy; the impact of which was compounded by the political instability that engulfed the country since September 2020.²⁷ GDP is estimated to have plummeted by 7.6 per cent in 2020 in relation to 2019,²⁸ and the recession could have been more severe had it not been for the Government's sweeping relief and support measures.

As of August 2021, the Government had launched 22 packages, which involved, among other things: subsidized loans for affected businesses; direct cash injections to help businesses cover their wage bills; and, lump-sum transfers to the vulnerable segments of the population, including to individuals who lost their jobs.²⁹ These packages were complemented by expansionary monetary and fiscal policy in the form of tax relief and interest-rate cuts. The Government also increased the threshold requirement for creditor-initiated bankruptcy proceedings in September 2020 from AMD 1 million to AMD 2 million, with the aim of alleviating the enterprises' financial burden.³⁰

²⁷The Nagorno-Karabakh crisis (28 September to 10 November 2020) caused substantial loss of life, displacement, and destruction. It also resulted in political instability. Detailed, up-to-date analysis of the impact of the crisis is provided in reports by the United Nations Country Team in Armenia; <https://armenia.un.org/index.php/en/132322-nagorno-karabakh-crisis-response>.

²⁸World Bank Development Indicators; see <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=AM>.

²⁹Government of Armenia; see <https://www.gov.am/en/covid-19-cragrer/>.

³⁰UNECE (2020), The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises; see https://unece.org/sites/default/files/2021-01/Impact_COVID-19_Armenia.pdf.

The above measures helped mitigate the impact of the pandemic and political instability on the labour market, with recent estimates by the International Labour Organization (ILO) showing unemployment as increasing from 18.8 per cent in 2019 to 20.2 per cent in 2020.³¹ However, relief measures placed a strain on the Government's debt burden, which is expected to account for 64.1 per cent of GDP in 2020, up from 53.6 in 2019.³²

1.4 Scope of the assessment

The assessment draws on a survey of 155 female-owned manufacturing and agricultural MSMEs from across Armenia. It captures:

1. The transmission channels of the COVID-19 pandemic effects and the influence of NTMs governing trade in goods therein.
2. Supply chain disruptions and their impact on trade activities.
3. The MSMEs' coping strategies, understood in terms of the way they used their assets to maintain operations.³³
4. The ripple effects of the pandemic on the development prospects of female-owned MSMEs, particularly those generated by the owners' coping strategies.

1.5 Report outline

This report is organized in seven sections. The introduction is followed, in section 2, by the profile of the female-owned enterprises surveyed. Section 3 describes the transmission channels of the pandemic's effects. It shows how NTMs and lockdown measures deployed by the Government of Armenia and partner countries have combined to create supply chain disruptions, and highlights the aggravating impact of political instability since September 2020.

Section 4 traces the ripple effects of these disruptions on the female-owned MSMEs surveyed and highlights the aggravating impact of the owners' coping strategies. This sets the context, in section 5, for a discussion on the MSMEs' income losses and the resulting impact on the welfare of their families. Section 6 highlights the MSMEs' growth bottlenecks. Section 7 provides recommendations for addressing the female-owned MSMEs' emergency and long-term development needs, with a view to bolstering their exports and supporting an increased and wider participation of women in economic activities.

³¹ILO, ILOSTAT database; see <https://ilostat.ilo.org/data/>

³²International Monetary Fund, Armenia Country Report, May 2020.

³³Development experiences show that coping strategies often aggravate economic vulnerability by transforming assets into liabilities, as is the case when loans become unmanageable.

³³To arrive at a clear understanding of economic vulnerability, the capital base in the broadest sense must include financial capital, natural capital (e.g., land), physical capital (i.e., infrastructure), human capital (i.e., skills), and social capital (social networks). For a concise overview of vulnerability analysis, see, for example, Cannon, Terry (2008), Reducing People's Vulnerability to Natural Hazards: Communities and Resilience, UNU-WIDER Research Paper No. 2008/34.

2. PROFILE OF THE MSME OWNERS

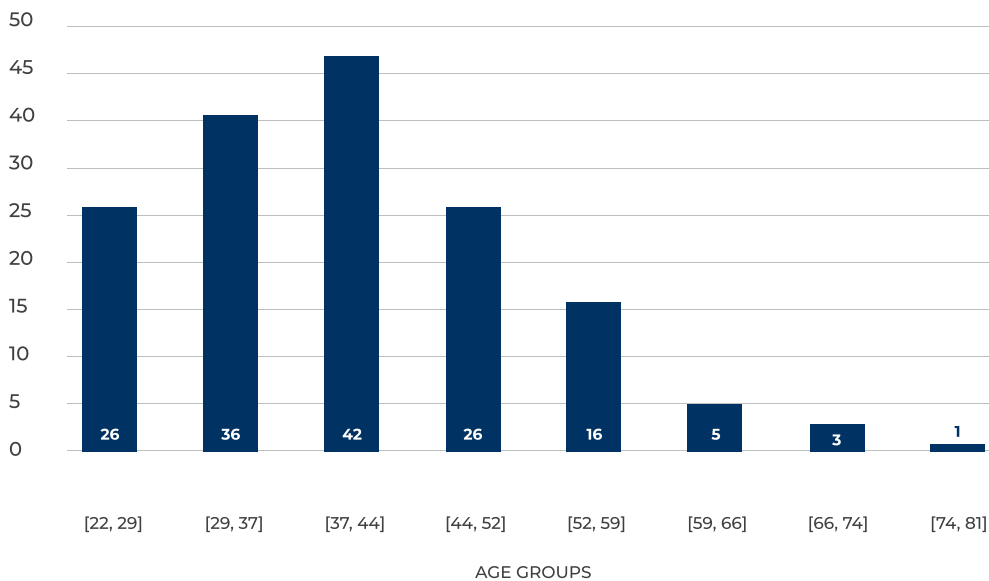
The assessment saw the participation of 155 female-owned MSMEs from across Armenia, which belonged to the textiles and apparel industry as well as jewellery, handicrafts, cosmetics and food production and were dominated by micro-enterprises (Annex 2).

As shown below, the owners ventured into business to strike a work-family balance. They were highly educated with a strong sense of social responsibility, and the majority were export-oriented and major contributors to their households' income.

2.1 Ventured into business to strike a work-family balance

The MSME owners surveyed first ventured into business due to the lack of job opportunities that allowed for striking a work-family life balance. The majority were aged between 29 and 44 years old (Figure 2.1) and about 63 per cent were married with at least one child. Another 12 per cent were divorced or widowed with children, and the remaining 25 per cent were single with no children.

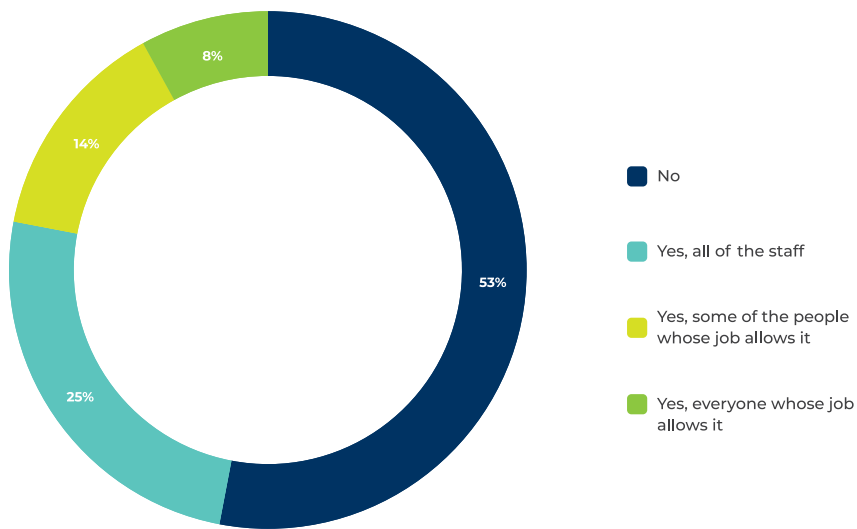
Figure 2.1 – Breakdown of the MSME owners by age group (Number of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

About 53 per cent worked from home before the outbreak of the pandemic, and this was particularly the case of those engaged in manufacturing jewellery and clothes, while the remainder implemented flexible working arrangements. As shown in Figure 2.2, these arrangements included a work-from-home policy that was extended to all staff, except for those involved in production. Thus, the owners were well versed in working from home, and this enabled them to maintain operations during the lockdown period.

Figure 2.2 - MSMEs implementing a work-from-home policy before the pandemic (Percentage of respondents)

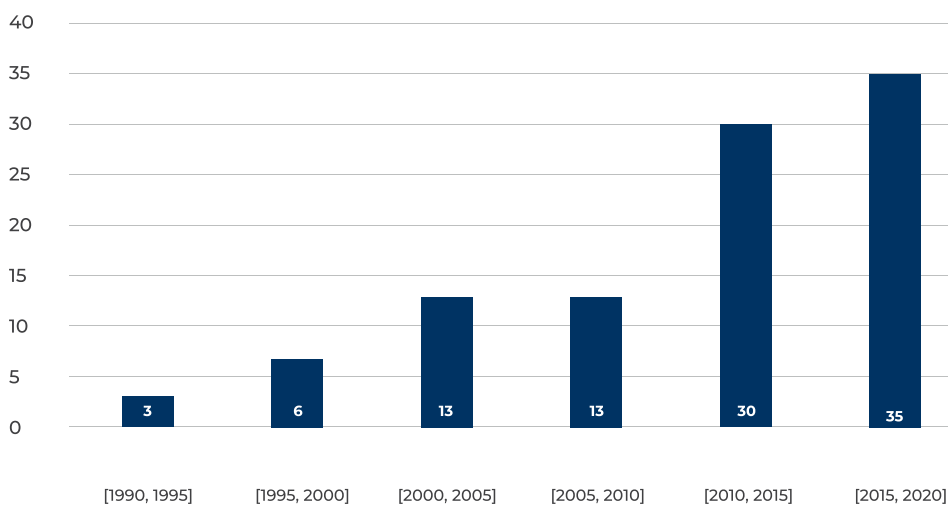


Source: UNECE Survey of Armenian female-owned MSMEs.

2.2 Opportunity driven with a strong sense of social responsibility

About 70 per cent of the owners surveyed were opportunity-driven, in that they sought and embraced business opportunities and change.³⁴ Many of the opportunity-driven owners ventured into business between 2013 and 2018 (Figure 2.3), reflecting the optimism that was generated by the Government’s renewed regional-integration efforts (Section 1.1).

Figure 2.3 – Breakdown of the MSME owners by establishment date (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

³⁴The definition of opportunity-driven entrepreneurs was coined by Peter Drucker, who argued that “entrepreneurs see change as the norm and as healthy. Usually, they do not bring about the change themselves. But — and this defines entrepreneur and entrepreneurship — the entrepreneur always searches for change, responds to it, and exploits it as an opportunity”. Drucker, P. (1985) *Innovation and Entrepreneurship: Practice and Principles*. New York: Harper & Row, p. 28. The concept of entrepreneurship has taken on several meanings under the weight of the various definitions, with each bringing forward certain attributes and traits that characterize successful entrepreneurs. Drucker’s definition stresses management skills, foresight, discipline and hard work and considers entrepreneurship as the bedrock for innovation. These traits were also highlighted by Joseph Schumpeter who attached more importance to the role of entrepreneurs as driving the “creative-destructive” process of modernity through venturing into innovative activities. The literature on entrepreneurship points to learning by doing, with entrepreneurs evolving through successes. This is the view taken in the review, which, following Lall, S. (1992), sees entrepreneurs as graduating into entrepreneurs in the Schumpeterian sense and transforming their enterprises into centres of innovation. For further details on Schumpeter’s views on entrepreneurship, see, for example, Becker, C.M., Thorbjørn, K. and Richard, S. (eds.) (2011) *The Entrepreneur: Classic Texts by Joseph A. Schumpeter*. Stanford, California: Stanford University Press.

The remaining owners (30 per cent) were driven by necessity.³⁵ They had to step up to provide for their families following divorce, their spouses' unemployment, or the death of their households' primary breadwinner. This group includes 15 owners who ventured into business in 2020 to provide for their families following their spouses' unemployment or a death during the political unrest. Also belonging to this group are women who lost their jobs after the pandemic, most of these coming from the hotel industry.

Both the opportunity- and necessity-driven owners sought to address unmet demand (Annex 3, Table A3.1). Some were keen on providing environmentally sound products, and a few have taken steps to transition to green production (Annex 3, Table A.3.2). The owners also exhibited a strong sense of social responsibility. They wanted to create jobs, particularly for the less-advantaged women and individuals with disabilities, and several were members of charitable organizations.

2.3 Highly educated but lack business skills

Both the opportunity- and necessity-driven owners were highly educated, with about 87 per cent holding university degrees. The remainder were pursuing a university education (8 per cent) or were educated up to the secondary level (5 per cent). While the owners said that the skills gained through formal training constituted an important asset, only 10 per cent had formal training in their respective sectors.

The assessment shows that family support, rather than formal training, constituted a major asset both during the start-up phase and in subsequent years. Many relied on the moral support and encouragement of their families to realize their personal ambitions, which, in most cases, were born from hobbies. The support and encouragement of family, as well as friends, helped the owners build the confidence for venturing into the business world. Still others drew on the know-how passed down from generation to generation. This was particularly the case of owners engaged in the jewellery sector, who complemented this knowledge with specialized training.

However, the majority did not have prior business experience in their respective sectors, which meant that they lacked adequate business networks, management skills, and intimate knowledge of the development opportunities and competitive threats facing their enterprises.³⁶ Around 51 per cent started their enterprises without prior business experience. This group comprised former teachers, civil servants and non-governmental organizations' employees, along with a handful of former bank and insurance employees.

³⁵For an informative discussion of opportunity and necessity entrepreneurs, see, for example, Robert W. F., and Fossen, M.F. (2018) "Opportunity versus Necessity Entrepreneurship: Two Components of Business Creation", IZA – Institute of Labor Economics Discussion Paper No. 11258; available at: <http://ftp.iza.org/dp11258.pdf>.

³⁶For a brief discussion of the importance of prior business experience for start-up activities, see, for example, Politis, D. (2008) "Does prior start-up experience matter for entrepreneurs' learning? A comparison between novice and habitual entrepreneurs". *Journal of Small Business and Enterprise Development* 15 (3), pp. 472–489.

While the remaining 49 per cent had prior business experience, only 18 per cent had experience in their respective sectors, which they gained through previous jobs in the fields of production and marketing. The remaining 31 per cent had prior experience in the fields of sales, accounting, and marketing/promotion, which they gained from previous jobs in domestic and international enterprises.

This lack of prior business experience, coupled with their limited resources, explain the owners' reliance on family members. About 63 per cent said that unpaid family members accounted for the lion's share of their staff.³⁷ While the owners succeeded in bringing their ideas to fruition, for many, their ability to grow their business was undermined by, among other things, insufficient business skills (Section 6).

2.4 Relentless business networkers

The MSME owners surveyed were relentless networkers, with memberships in business support organizations and partnerships with domestic and international enterprises through subcontracting arrangements. As shown below, the owners used these networks to build their knowledge and integrate their enterprises into domestic and regional value chains.

Memberships in business-support organizations

For 31 per cent of the owners, networking took the form of multiple memberships in business support organizations, and half of these owners held leadership positions as part of the board of directors. As shown in Annex 4, these memberships enabled the owners to:

- Establish partnerships with domestic and international suppliers and buyers
- Improve their entrepreneurial skills
- Familiarize themselves with modern production methods
- Access external sources of funds, including bank loans and grants (public and donor funded)
- Learn from the successful and unsuccessful experiences of other enterprises
- Engage in policy advocacy through common proposals for submission to the Government

At issue, lamented the owners, was the lack of continuity in the above services since enterprise-support organizations are donor-dependent. The owners also drew attention to the ad hoc nature of public-private consultations and to Government's slow endorsement of their proposals, noting that many remain unimplemented.

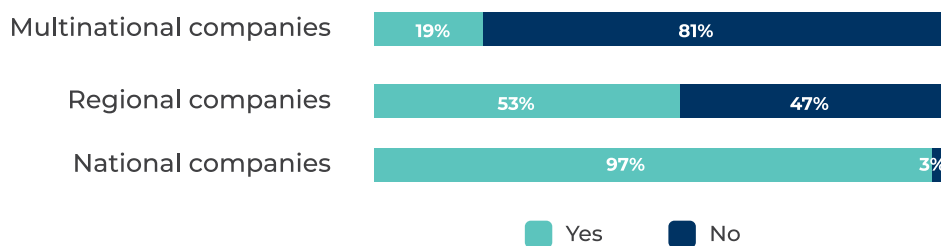
³⁷To be more specific, 44 per cent reported that family members constituted over half of their workforce. The remaining 23 per cent were completely reliant on the support of family members, and these were predominately sole proprietorships.

Subcontracting arrangements

The owners' networking efforts also involved entering subcontracting arrangements to link their enterprises with national, regional and multinational companies. This was the case of 51 per cent, who reported being engaged in multiple arrangements before the pandemic. These arrangements were predominantly with national enterprises (Figure 2.4).

Some arrangements involved the owners assuming the role of the contracting party for the purpose of assigning part or all the production process to other enterprises. Other arrangements were launched by national, regional and international enterprises, with the surveyed MSMEs assigned part or all the production process as the subcontracted party (Figure 2.5).

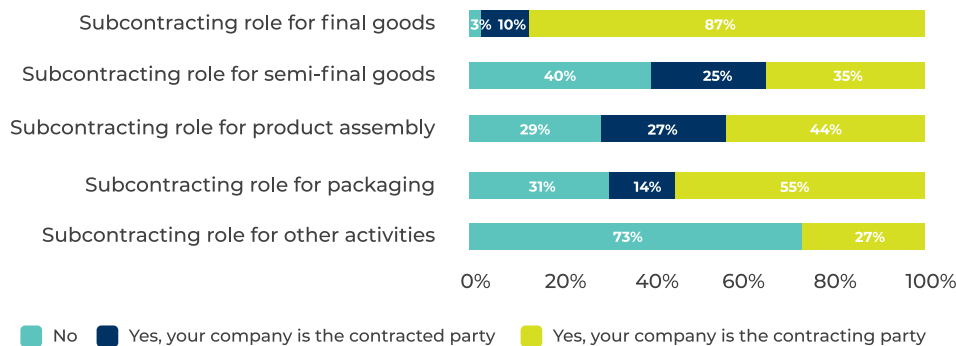
Figure 2.4 - Female-owned MSMEs' prepandemic subcontracting arrangements (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

Some of the owners also had standing orders with local suppliers and buyers. This was particularly the case of those belonging to the food and handicraft industries, who reported holding multi-year standing purchase and sales orders with retail stores, restaurants, museums, souvenir shops, hotels and schools.

Figure 2.5 - Tasks assigned to the female-owned MSMEs under subcontracting arrangements with national, regional and international enterprises (percentage of responses)



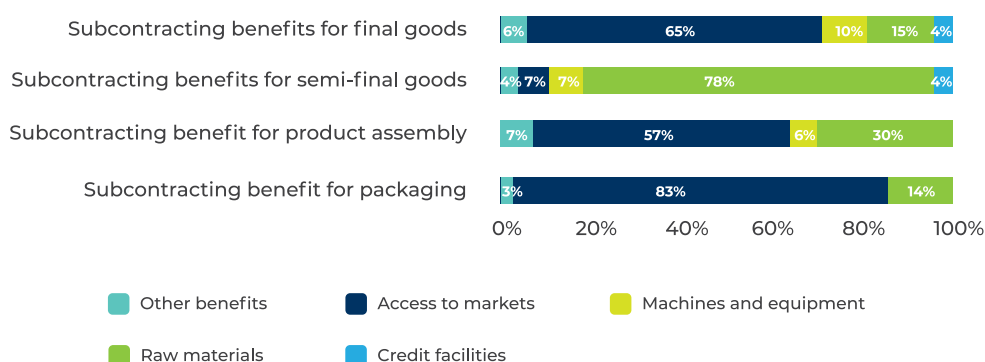
Source: UNECE Survey of Armenian female-owned MSMEs.

Subcontracting arrangements with regional and international enterprises were spearheaded and facilitated by the Armenian diaspora. Family members, friends, and acquaintances abroad took it upon themselves to identify international buyers and assist the owners in negotiating and concluding subcontracting arrangements.

These subcontracting arrangements played an important role in improving the MSMEs' market access. As shown in Figure 2.6, the owners cited, among the main benefits, access to export markets and sourcing quality raw material at reasonable prices. However, the arrangements offered limited contribution to the MSMEs' development. Only a few received credit lines and/or new machines, and none of the enterprises surveyed received assistance (e.g., advice or training) to achieve compliance with regulatory requirements in export countries.

Owners not engaged in subcontracting arrangements relied on the advice and support of major domestic retailers to market their products abroad. These owners noted that it is difficult to find international retailers that are willing to take a chance on them. In contrast, the domestic retailers are always ready to assist and provide them with the opportunity to export.

Figure 2.6 - Benefits from subcontracting arrangements (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

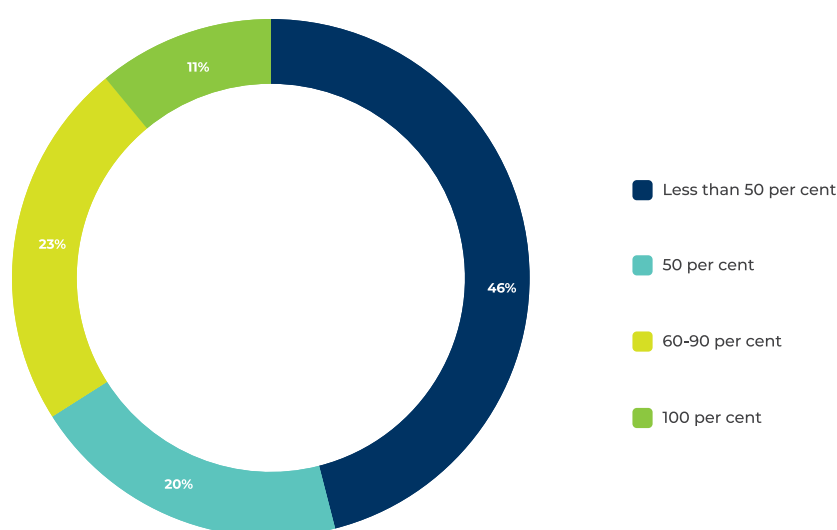
2.5 Export-oriented and major contributors to their households' income

All the opportunity-driven owners were export-oriented, something which they considered as a necessity, in view of the small size of domestic markets. The majority were occasional exporters, however, who sold small volumes on a sporadic basis. They were eager to grow into well-established exporters, with a broad range of recurring international buyers from across the globe. The well-established exporters were also eager to expand their client lists, which remains limited to neighbouring countries, particularly the Russian Federation.

In contrast, the necessity-driven owners were predominantly inward-looking. This is to be expected, given that they were preoccupied with making ends meet. While they were all interested in engaging in exports, the majority were unsure as to their ability to attract international buyers and were not familiar with export-related regulations and procedures.

Irrespective of their target markets, the female owners leading the MSMEs surveyed were major contributors to their households' income. As shown in Figure 2.7, the majority generated at least 50 per cent of their household's income before the outbreak of the pandemic, and this was particularly the case of those engaged in the cosmetics, fabricated metal, furniture and food industries.

Figure 2.7 - MSME owners' contribution to their households' income (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

3. TRADE DISRUPTIONS

The period since the outbreak of COVID-19 has seen Governments across the globe introduce nationwide lockdown measures and special health and safety control arrangements at BCPs³⁸ to contain the spread of the pandemic, in line with the World Health Organization (WHO) safety guidelines.³⁹ These measures were implemented in parallel with restrictive NTMs, mainly temporary export restrictions, to hedge against supply shortages. In addition, many Governments introduced temporary customs duties and value-added tax (VAT) exemptions to ease the financial burden on enterprises.⁴⁰

³⁸See <https://wiki.unece.org/display/CTRBSBC/Observatory+on+Border+Crossings+Status+due+to+COVID-19+Home>.

³⁹See <https://wiki.unece.org/display/CTRBSBC/Armenia>.

⁴⁰See <https://www.macmap.org/COVID19>.

The Government of Armenia adopted similar measures. It introduced a nationwide lockdown on 16 March 2020, which was eased in May 2020 and lifted on 11 September 2020 (Annex 5). It also established special health and safety arrangements at BCPs. It kept NTM restrictions to the minimum and upscaled trade facilitation measures, as advanced under the World Trade Organization (WTO) Trade Facilitation Agreement,⁴¹ to mitigate supply chain disruptions.

3.1 Transmission channels

The Government of Armenia used restrictive NTMs on a limited basis to hedge against supply shortages. These measures comprised temporary export permits on personal protective equipment (PPE) and on certain pharmaceutical products as well as temporary export bans on certain food items.⁴² The Government also established special safety arrangements at BCPs, which involved strict control over inbound trucks from highly affected countries and reducing physical contact to the minimum.⁴³ Furthermore, goods originating from/transiting through Iran were subject to trans-shipment at the Agarak-Norduz BCP,⁴⁴ unless accompanied by the State Revenue Committee's written permission.

Otherwise, the Government focused on generating financial savings for supply chain actors through temporary customs duties exemptions on imported PPE, certain pharmaceutical products (over the period 16 March-30 September 2020⁴⁶) and essential food items (over the period 13 April-30 June 2020⁴⁷). It also reinforced trade facilitation measures⁴⁸ as follows:

- *Transparency in trade was ensured* through online publication of health-protection measures⁴⁹ and applicable customs procedures.⁵⁰ In addition, trade partners were kept abreast of changes in NTMs through prompt submission of notifications to the WTO⁵¹ and the UNECE Observatory on Border Crossings.⁵² Mechanisms were also provided to enable enterprises to submit enquires online (through the Customs Service Hotline⁵³) and to approach customs officials for guidance and advice (through the State Revenue Committee's Call Centre⁵⁴).

⁴¹The Agreement on Trade Facilitation clarifies and improves on, among other things, the General Agreement on Tariffs and Trade articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation), and X (Publication and Administration of Trade Regulations). These articles correspond to the following chapters of United Nations Multiagency Support Team (UN/MAST) NTM classification system (<https://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-Classification.aspx>): sanitary and phytosanitary measures (Chapter A); technical barriers to trade (Chapter B); pre-shipment inspection and other formalities (Chapter C); price control measures, including additional taxes and charges (Chapter F); finance measures (Chapter G); measures affecting competition (Chapter H); distribution restrictions (Chapter J); government procurement restrictions (Chapter M); rules of origin (Chapter O); and, export-related measures (Chapter P).

⁴²The export permits and export bans were introduced in March 2020. The export bans on food products were lifted on 20 June 2020 (see <https://www.macmap.org/COVID19>).

⁴³Commandant of the State of Emergency order No. 30 on "Strict control over the process of transporting goods by vehicles transported to Armenia from high-risk countries"; see <https://wiki.unece.org/display/CTRBSBC/Armenia>.

⁴⁴The Meghri-Norduz is the only land BCP between Armenia and Iran.

⁴⁵See <https://wiki.unece.org/display/CTRBSBC/Armenia>.

⁴⁶State Revenue Committee of Armenia; see <https://www.petekamutner.am/covidNews.aspx?sid=cs&nid=7394>.

⁴⁷The temporary tax exemptions were introduced at the Eurasian Economic Union level (see <https://www.macmap.org/COVID19>).

⁴⁸A more detailed account of these measures is provided in UNECE (2020) "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises"; see <https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>.

⁴⁹See <https://www.gov.am/en/covid19/>

⁵⁰See <https://www.petekamutner.am/covidNews.aspx?sid=csroot>.

⁵¹See https://www.wto.org/english/tratop_e/COVID19_e/trade_related_goods_measure_e.htm.

⁵²See <https://wiki.unece.org/display/CTRBSBC/Armenia>.

⁵³See <https://www.petekamutner.am/Content.aspx?itn=ContactUsHotLine>.

⁵⁴See <https://www.petekamutner.am/covidNews.aspx?sid=src&nid=7245>.

- *Submission of the preferential certificate of origin (CoO) for products destined to the EU (Form A) was simplified.* Since 1 January 2018, Armenia has been applying its new electronic “Registered Exporter System” within the GSP+ framework, which has contributed to the streamlining and simplification of export procedures to the EU. Moreover, the requirement of providing the original certificate at BCPs (as part of customs clearance procedures) was lifted.⁵⁵
- *Border control continued within the context of an integrated border management system and was risk-based.*⁵⁶
- *Transit traffic continued to be facilitated by UNECE international transport conventions and protocols.*⁵⁷

However, the assessment shows the female-owned MSMEs’ supply chain operations as being severely disrupted by lockdown measures in Armenia and partner countries, the special arrangements at BCPs, and, since September 2020, the lack of political stability in the country. The Government’s incomplete trade reforms was another complicating factor, as it meant trade facilitation efforts were undermined by capacity shortfalls within State agencies.

As shown in Box 3.1, these shortfalls, which affected all the enterprises operating in the country, manifested themselves in the form of continued reliance on paper-based procedures and overreliance on physical inspection at BCPs, so that trade disruptions were complicated by non-tariff barriers. These barriers acted as negative transmission channels, which amplified supply chain disruptions with harmful effects on the MSMEs’ resilience and business development prospects.

Box 3.1

Non-tariff barriers caused by Armenia’s incomplete trade-related reforms

- Issuance of trade documents was slowed down by continued reliance on paper-based procedures as the Government has yet to fully transition to a paperless trading environment.
- Conformity certificates were issued with significant delays and were not recognized internationally, which increased trade costs since products were retested in destination countries to verify compliance with applicable health, safety and environmental protection regulatory requirements.
- Border control was slowed down by continued overreliance on physical inspection, which amplified the delays caused by the special health and safety arrangements for containing the spread of virus.

Source: UNECE (2020), “The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE’s survey of micro, small and medium enterprises”.

⁵⁵See <https://wiki.unece.org/display/CTRBSBC/Armenia>.

⁵⁶For a detailed overview of this system, see UNECE study on regulatory and procedural barriers to trade in Armenia, Chapter 3.

⁵⁷Idem.

3.2 Impact on the female-owned MSMEs' supply chains

The above-mentioned disruptive factors created serious operational bottlenecks throughout the supply chains of the female-owned ones. As shown below, most of these obstacles were also reported by male-owned MSMEs.⁵⁸

3.2.1 Lack of clarity over applied trade-related regulations and procedures (specific to female-owned MSMEs)

The female MSME owners surveyed noted that while the State agencies publish information on applied trade-related rules and associated administrative procedures online, they experience difficulties in piecing together the information from different sources. The owners also noted that they are unable to grasp the implications, since most State agencies do not publish explanatory materials. As such, many owners rely on freight forwarders for obtaining information on applicable rules and their implications for supply chain operations.

While the owners were satisfied with the information received, several expressed a desire to reduce their “dependence” on freight forwarders. Having access to new/revised rules before their entry into force, as opposed to obtaining such information on demand, is critical for proper planning. The pandemic has highlighted the importance of such access, as the owners found themselves ill-equipped to adapt their activities in a timely manner and were unable to identify alternative supply sources and export markets. Owners familiar with applicable trade-related rules formed a minority. These accumulated their knowledge through learning-by-doing at a high cost, in the form of errors in submitted documents and time lost in navigating applicable rules and associated administrative procedures.

3.2.2 Delays in obtaining trade documents

Armenia's continued reliance on paper-based procedures meant that the female-owned MSMEs were faced with extensive documentary requirements. The resulting delays were often compounded by high fees, particularly for products that should be accompanied by conformity, health and phytosanitary certificates, since these documents require product testing. The owners surveyed singled out the below documents as the most difficult to obtain:

- Preferential certificates of origin for exports, in view of the extensive documentary requirements. These include, among other things, technical product description sheets and proof of origin for raw materials used in the production process;⁵⁹

⁵⁸UNECE (2020), “The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises”.

⁵⁹See UNECE study on regulatory and procedural barriers to trade, Table 3.2, page 30 (<https://unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-452E.pdf>). For a detailed overview of rules of origin applicable to the EU GSP, see the EU Commission guide at https://ec.europa.eu/taxation_customs/sites/default/files/resources/documents/customs/customs_duties/rules_origin/preferential/guide-contents_annex_1_en.pdf.

- Export permits for the export of jewellery, in view of the extensive documentary requirement. This is so because permit applications should be accompanied by the certificate of origin;⁶⁰
- Phytosanitary certificates, in view of the wait-time for obtaining laboratory test results;
- Conformity certificates, in view of the wait-time for obtaining laboratory test results. Several owners said that they were unable to obtain the certificate for failing to meet the regulatory requirements, something which cannot be understood in isolation of their weak productive capacity (Section 6.4). Those who were exporting products that meet regulatory requirements lamented having to obtain conformity certificates from abroad at a high cost, since certificates issued by Armenian conformity-assessment bodies are not recognized internationally. The owners were faced with higher testing fees and, in many cases, assumed the shipping costs.

3.2.3 Inflated transport costs

The female-owned MSMEs surveyed said that their engagement in trade was hampered by the special health and safety measures at the main BCPs in target markets. Shipments by truck meant making long detours to avoid border closures, while airlines had to adjust flights to national travel restrictions. Air transport, which was the transport mode of choice for many of the MSMEs surveyed, was also affected by the policies adopted by major international airlines. Armenia, like other small countries, is typically served by a limited number of non-stop flights to/from key trading partners.⁶¹ These flights were heavily affected by capacity cuts, as major international airlines, which haul the lion's share of Armenia's commercial cargo, cancelled flights to/from the country.⁶²

The lack of political stability since September 2020 has made it difficult for international airlines to reverse their policies. MSME owners reported that their export shipments were delayed by up to three months. These delays were compounded by increased costs, as Armenia's national postal operator⁶³ hiked shipment fees by 300 per cent in November 2020. Under such conditions, many suspended export activities (Section 5).

3.2.4 Export losses

The impact of the above-mentioned disruptions was compounded by dwindling international demand under the weight of COVID-19-induced recessionary pressures. The majority of the MSMEs surveyed lost their traditional international clients, particularly in the Russian Federation and the United States of America (Figure 3.1).

⁶⁰Ibid.

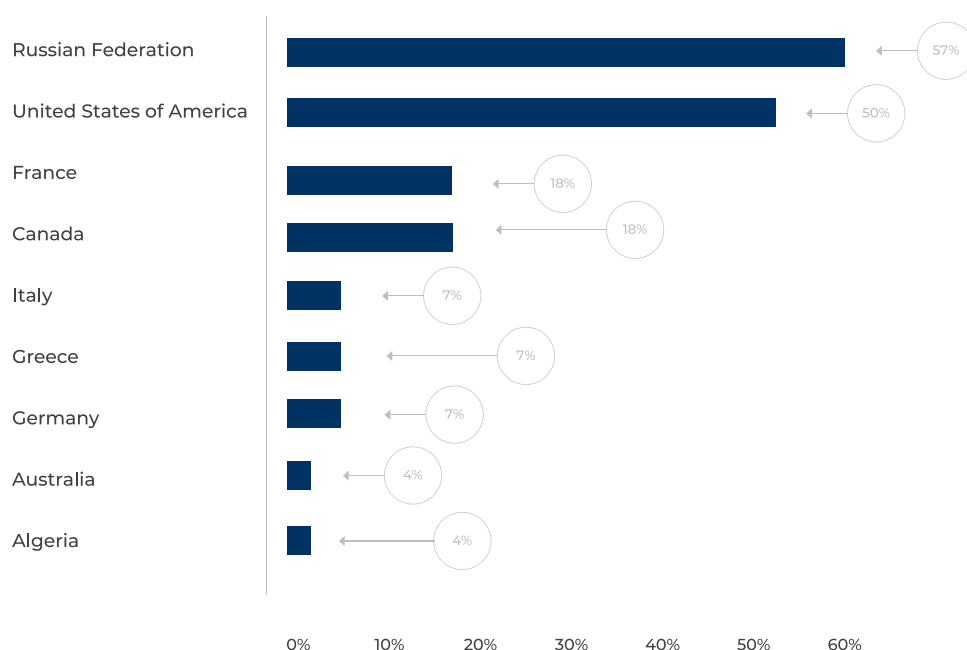
⁶¹Armenia has two international airports: Shirak Airport (Gyumri) and Zvartnots Airport (Yerevan). Zvartnots is the largest airport and handles 100,000 tons of cargo annually (see <http://zartnots.aero/HY/Content/Cargo>). Updates on flight schedules are published at Zvartnots' institutional website: <http://www.zvartnots.aero/EN/News>.

⁶²UNECE (2020) "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises".

⁶³See <https://haypost.am/am>.

Some of these traditional clients were forced to suspend production or shut down, while others were lost to the inflated transport cost and this was particularly the case of American clients. Several owners noted that exporting under the current conditions of inflated shipping fees made no business sense, as these come in addition to the significant costs associated with obtaining trade documents. Covering these costs could only be possible at a loss, and the products will not be competitive.

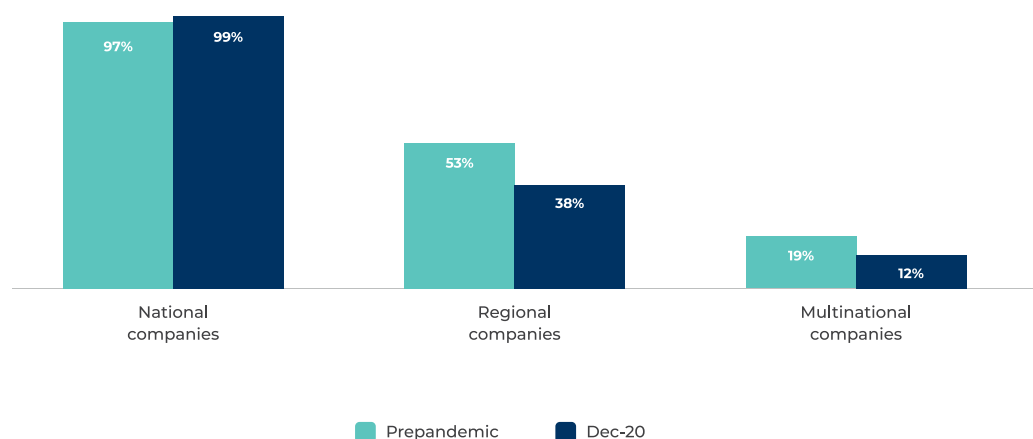
Figure 3.1 - Most-affected export destinations (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

The above losses were also caused by the disruptions in the MSMEs' subcontracting arrangements with regional and multinational companies. As shown in Figure 3.2, this was particularly the case of subcontracting arrangements with the Russian Federation.

Figure 3.2 – Changes in the female-owned MSMEs' subcontracting arrangements (percentage of responses)

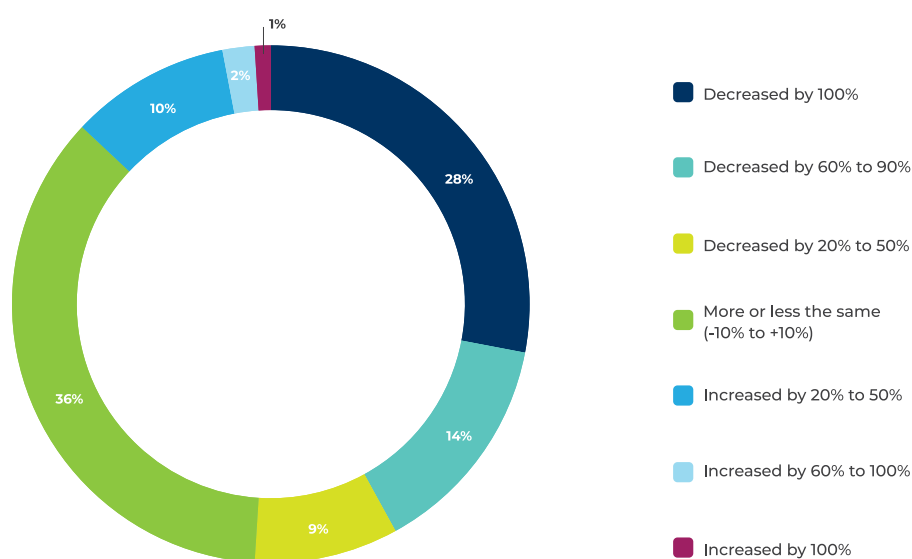


Source: UNECE Survey of Armenian female-owned MSMEs.

Under such conditions, around 28 per cent of the MSMEs suspended export activities by December 2020 (export earnings decreased by 100 per cent). Another 23 per cent saw their export earnings plummet, with 14 per cent experiencing up to 90 per cent losses in export earnings compared to 2019 and another 9 per cent experiencing up to 50 per cent losses (Figure 3.3).

The remaining MSMEs regained their pre-pandemic export earnings levels by December 2020 (36 per cent of the MSMEs surveyed) or registered up to 50 per cent increase in export earnings (10 per cent) or more (3 per cent). Enterprises belonging to this group were occasional exporters who sold small volumes and were able to find new international buyers with the support of the Armenian diaspora. However, the owners were sceptical as to their ability to maintain exports. Many were operating at a loss, having absorbed the shipment costs to avoid passing them on to consumers.

Figure 3.3 - Changes in MSMEs' export sales earnings, year-over-year, 2020 (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

4. THE RIPPLE EFFECTS OF TRADE DISRUPTIONS

The impact of trade disruptions was amplified by the coping strategies of the female-owned MSMEs surveyed. Most notable was the scaling-down of production activities in the face of dwindling demand and supply shortages. The majority reported having depleted their raw-material inventories. They were unable to find alternative international sources at reasonable costs, especially since many traditional suppliers suspended their production. Several MSME owners also lamented that international suppliers had raised their prices, rendering sourcing from abroad prohibitively expensive.

Sourcing from domestic markets was either expensive, since materials are sourced from abroad, or impossible due to supply shortages. For enterprises located in the border communities of the southernmost region of Syunik, sourcing from domestic markets is rendered more expensive by transport costs, as the raw materials must be transported from other parts of the country, usually from the capital city of Yerevan.

The above conditions meant that most of the owners were unable to engage in growth-enabling coping strategies, such as e-commerce and production repurposing. For many, the scaling-down of production and high degree of uncertainty generated by the pandemic and political instability also meant putting their export development plans on hold.

4.1 Limited engagement in electronic commerce

Most of the female-owned MSMEs admitted to having little interest in engaging in e-commerce before the outbreak of the pandemic, given the modest appetite for e-commerce in Armenia. Consumers prefer shopping at physical stores, and it is difficult to find international buyers. These realities, combined with the female-owned MSMEs' lack of adequate information and communications technology (ICT) systems, have created disincentives to engaging in e-commerce.

The above factors meant that only 22 per cent of the MSMEs surveyed were engaged in e-commerce, and these belonged to the jewellery, handicrafts and clothing industries. The majority had well-established experience in e-commerce, with a successful track record in attracting international buyers. For the majority, this successful track record took years to establish. The owners adopted a gradual approach, which involved assessing international demand by selling on social-media platforms before placing products on global online marketplaces. The owners noted that joining such platforms is the natural path to follow, given their modest export volumes, which do not merit establishing own e-commerce platforms.

Several also outsourced the management of online sales and e-commerce marketing activities to specialized companies, even as this came at a significant cost. As explained by one of the owners, e-commerce is a complex and time-consuming endeavour, which requires not only ICT skills but also advanced knowledge of the legal and promotional aspects of online marketplaces. Acquiring these skills necessitates hiring additional staff and upgrading the existing ICT management systems, which, given the modest export volumes, makes no business sense.

However, the owners said that their online sales had not increased significantly, owing to the inflated shipping costs. In many cases, the shipping costs exceeded the value of the product, causing international buyers to cancel orders or refrain from placing new ones. A case in point is a handicrafts manufacturer, who lost many of her online clients as the costs for shipping only two kilograms of ceramic increased from AMD 7,000 in 2019 to AMD 29,000 in February 2021.

Only a handful of MSMEs engaged in e-commerce focused on selling domestically. The owners, who sold their products on social-media platforms, said that they were unable to leverage e-commerce given the current conditions of falling income. They were hesitant to sell globally, given their limited experience in e-commerce. Many also noted that they experienced difficulties in ensuring compliance with the quality and regulatory requirements in regional and global markets. There are also the logistical challenges that need to be overcome, and the high transport costs, which makes leveraging e-commerce to boost exports risky.

Many of the MSMEs surveyed, including export-oriented enterprises and those selling domestically, were of the view that a more effective approach would be to assist enterprises in selling their products on online marketplaces dedicated to promoting Armenian products. In this respect, several mentioned the Buy Armenian site,⁶⁴ which was created in April 2021 by an Armenian family in the diaspora as a successful example for helping Armenian MSMEs leverage e-commerce to boost exports (Box 4.1).

The point was also made that leveraging e-commerce requires expanding the range of available online payment systems. The existing systems do not adequately support cross-border e-commerce and need to be improved to include at least one of the most widely used international online payment systems.⁶⁵

⁶⁴<https://buyarmenian.com/>

⁶⁵Available online payment systems mainly support domestic e-commerce activities. These systems include the ArCa card unified payment system; the Idram and the Mobidram systems. The use of PayPal was made available as of 2014 through the Idram system under special arrangements, which enables Armenian sellers with PayPal accounts to receive international payments (via PayPal) and then transfer the amounts, after converting into ADM, to their Idram accounts.

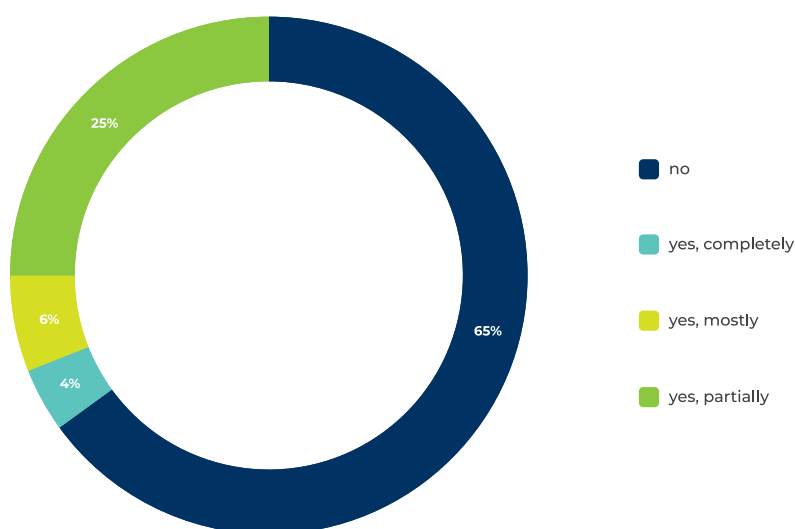
- **Launch date:** 11 April 2021.
- **Managed by a professional team.** As of 6 October 2021, the team comprised an operations manager, a general director, a search engine optimization specialist, a marketing expert, IT and web developers and customs service agents to help the enterprises join the marketplace. The team outsourced the legal and accounting functions to professional firms (one law firms and one accounting firm).
- **Vision:** to become the Armenian equivalent of ETSY or Amazon.
- **Number of participating enterprises as of 6 October 2021:** 950 enterprises, with Armenian enterprises constituting the largest segment (over 90 per cent). The remaining enterprises represented, among others, Canada, France, Germany, Lebanon, the United Kingdom and the United States.
- **Number of products placed on the marketplace as of 6 October 2021:** 7,000 products, which were dominated by clothing and apparel (35 per cent) followed by arts and handicrafts (25 per cent), home goods and food (with a 15 per cent each), cosmetics and beauty products (10 per cent).
- **Number of orders placed as of 6 October 2021:** 800 orders from across the globe
- **Number of items sold as of 6 October 2021:** 3,500 items, with food items representing the largest segment (60 per cent) followed by cosmetics and beauty products (20 per cent), clothing and apparel (15 per cent) miscellaneous consumer goods (5 per cent).
- **Milestone for the coming 3–5 years:** Attract 10,000 Armenian enterprises from across the globe, feature 100,000 products, process an average of 5000 orders per month and sell 25,000 items per month.

Source: Information provided by Buyarmenia.com management.

4.2 Limited production repurposing

Production repurposing was pursued by about 35 per cent of MSMEs surveyed (Figure 4.1), the majority of which belonged to the clothing and jewellery industries. Of these, 10 per cent repurposed towards new production lines. The remainder repurposed towards existing lines.

Figure 4.1 - MSMEs' production repurposing activities (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

The enterprises' repurposing activities were aimed at addressing supply shortages (Box 4.2) and did not involve significant investments. Only a handful reported purchasing new machines and equipment, which involved modest amounts of less than USD 10,000, and which were financed from personal savings and, to a limited extent, from retained earnings. Only two owners reported higher amounts (up to USD 20,000). The first drew a bank loan, while the second partnered with a domestic investor.

Box 4.2

Examples of the female-owned MSMEs' repurposing activities

- Apple juice and apple vodka was launched to use the surplus of apples, which became unsuitable for producing chips. The owner purchased machines for infusing apple juice with oxygen and obtained pure vodka without using sugar.
- Healthy organic food was launched instead of baklava, which faced dwindling demand since sweets are not considered essential goods. The owner sourced the ingredients from small domestic producers.
- Cloth face masks were launched through repurposing part of the production line, before repurposing entirely to sleeping bags for those who lost their homes to the conflict.
- Sportswear products were launched by repurposing the entire production line from beach wear.

Source: UNECE Survey of Armenian female-owned MSMEs.

MSME owners who did not engage in production repurposing emphasized that their decision was dictated by prudence. The high degree of uncertainty generated by the pandemic and political instability have rendered any engagement in new activities too risky. They also cited supply shortages as another complicating factor, which effectively block repurposing. These conditions appear to be also threatening the sustainability of the MSMEs' repurposing activities, with the majority casting doubt on their ability to maintain their new production lines.

4.3 Export expansion plans cancelled or put on hold

The above-mentioned conditions forced many of the female-owned MSMEs surveyed to cancel or suspend their pre-pandemic export development plans (Table 4.1). This was the case of around 56 per cent of MSMEs; the majority of which were planning to increase exports to traditional markets, particularly to the Russian Federation (Figure 4.2).

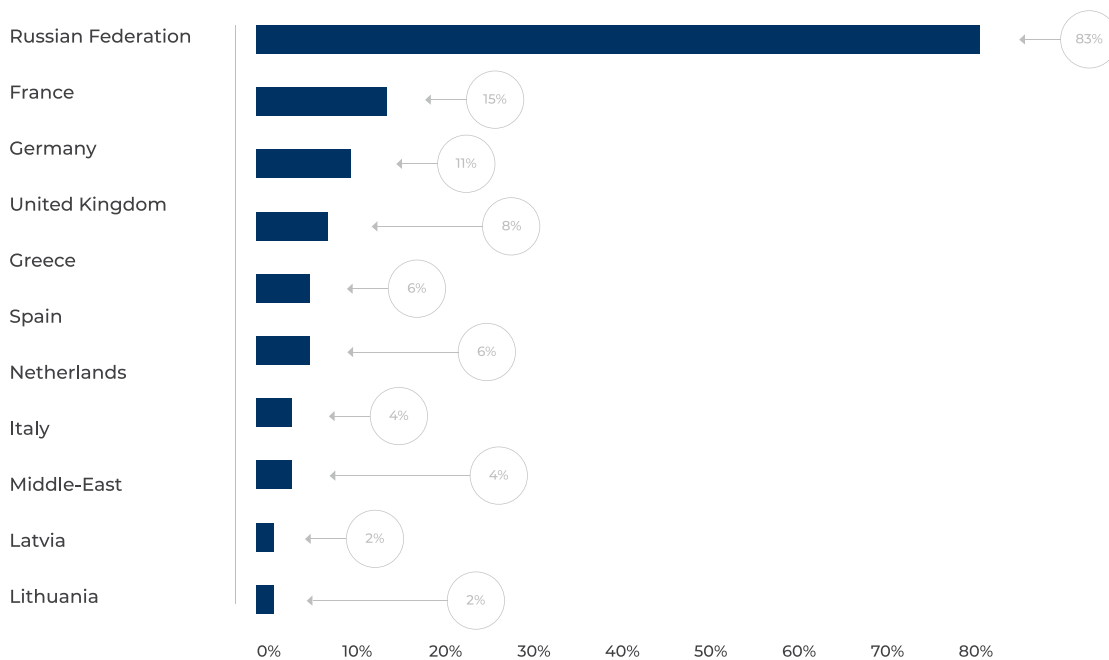
Table 4.1

Examples of postponed and cancelled export development plans

Industry	Postponed/cancelled plans
<p>Clothing</p>	<p>Terminated negotiations with 16 retail stores in the Russian Federation, as a result of the closure of non-essential businesses in the country.</p> <p>Postponed plans to export dresses to Canada due to the inflated shipping fees.</p> <p>Postponed plans to export sportswear to the United States of America due to the inflated shipping fees.</p>
<p>Food</p>	<p>Lost an opportunity to export Armenian pastries to the USA, following the suspension of a donor-funded project.</p> <p>Lost an opportunity to export honey to China, Kuwait, Qatar, Saudi Arabia and the United States due to supply shortages. The manufacturer was no longer capable of producing the agreed-upon amounts and had to cancel the sales contracts.</p>
<p>Handicrafts</p>	<p>Lost an opportunity to export handmade jewellery and silk scarves to the United Kingdom, the United States and the Russian Federation after the suspension of activities under the "Made in Armenia" initiative.</p>
<p>Furniture</p>	<p>Postponed plans to export furniture to the Russian Federation given the lack of political instability (arranging transport by road became difficult).</p>
<p>Jewellery</p>	<p>Silver jewellery manufacturer was planning to export to the Russian Federation, but because road transportation was blocked, they abandoned their efforts.</p>

Source: UNECE Survey of Armenian female-owned MSMEs.

Figure 4.2 - MSME owners' export expansion plans on the eve of the pandemic by destination (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

The owners cited supply shortages, the lack of funds and the high degree of business uncertainty as the main reasons for cancelling their export expansion plans. Many said that they have found ways to cope with the new realities of the pandemic. However, the heightened degree of uncertainty since September 2020 was making it difficult to undertake daily operations, let alone to engage in long term-planning.

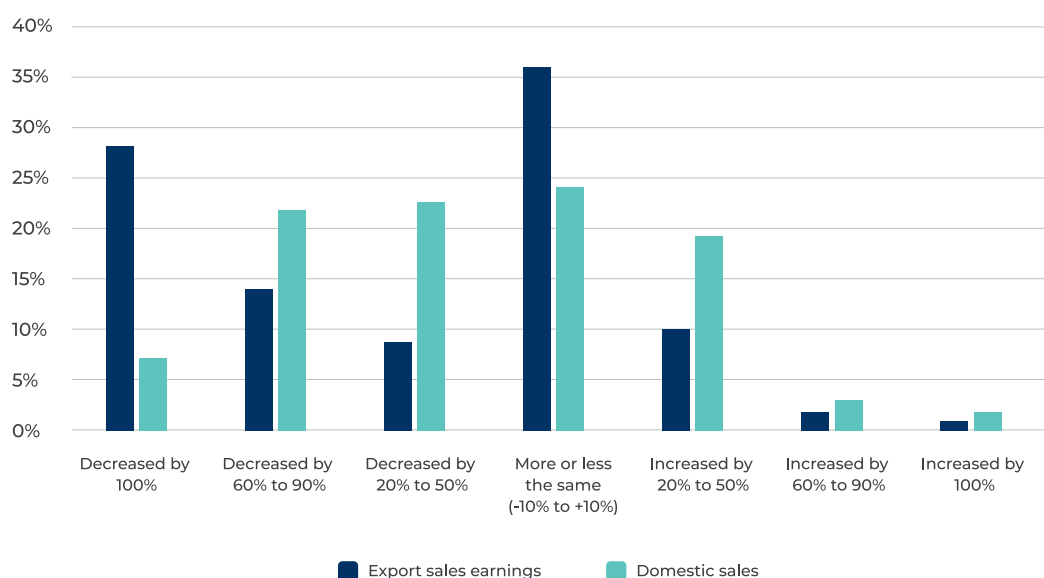
For many owners, at issue is also the demoralizing effect of uncertainty. They are finding it difficult to keep their willpower to move forward. These heightened conditions of uncertainty come in addition to the deep-seated growth bottlenecks, which further undermine the owners' ability to take full advantage of emerging export opportunities (Section 6).

5. INCOME FALLOUT

The conditions of dwindling international demand increased the importance of the domestic market for revenue generation. However, the pandemic-induced crisis and conditions of political instability have resulted in inflated production costs, while exerting downward pressures on demand. As such, about 29 per cent of the MSMEs reported losing their entire income (100 per cent) in 2020, and another 19 per cent lost up to 50 per cent of their total income compared to 2019.

Figure 5.1 compares losses in export sales earnings with domestic losses. It shows that almost all the MSMEs surveyed experienced losses in domestic sales earnings in 2020 compared to 2019. It shows that about 52 per cent of the MSMEs saw their domestic sales plummet, of which 22 per cent lost up to 90 per cent of their pre-pandemic levels. Figure 5.1 also highlights the devastating blow dealt to the export-oriented MSMEs. These enterprises registered a significant deceleration in revenues, with the losses in export sales earnings exceeding domestic sales losses.

Figure 5.1 - Changes in female-owned MSMEs' export and domestic sales earnings, year-over-year, 2020 (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

MSMEs that regained their pre-pandemic domestic sales earning levels (24 per cent) and those reporting increased domestic earnings (24 per cent) attributed their success to production repurposing and the help of women's and enterprise-support organizations, which launched free consultancy services to help them find new buyers. Several food and apparel manufacturers also reported receiving a lifeline from the United Nations Children's Fund (UNICEF), which, in line with its established policy, continued sourcing domestically.

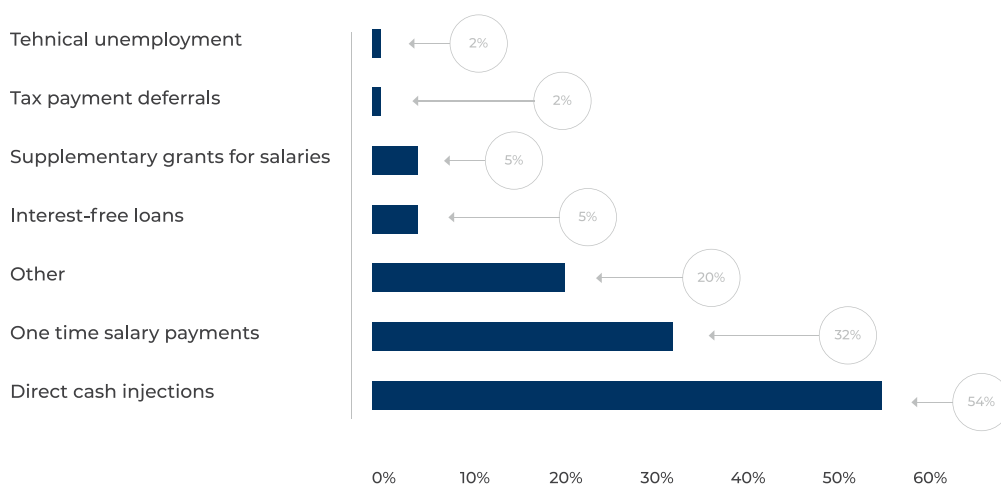
However, as previously mentioned, the majority were struggling to maintain operations in February 2021, due to supply shortages, and many owners were struggling with their wage bills. Around 23 per cent laid off staff, with the production assuming the brunt of such measures over the period January 2020-February 2021. Another 18 per cent, or 27 MSMEs, introduced pay cuts (Table 5.1), which targeted production, marketing and promotion staff. Still, another 26 per cent put their staff on furlough (unpaid or semi-paid leave).

Table 5.1		Salary cuts introduced by the female-owned MSMEs surveyed (January 2020- February 2021)	
Responses	Number of MSMEs		
10% or less	5		
11-20%	5		
21-30%	4		
31-40%	2		
41-50%	4		
51-60%	3		
61-70%	0		
71-80%	2		
81% and more	2		
Total	27		

Source: UNECE Survey of Armenian female-owned MSMEs.

Some owners mitigated the stress on their wage bill and other operating costs by borrowing from relatives or using their spouses' income. In addition, as of February 2021, around 36 per cent reported receiving Government support during, mainly in the form of cash injections and wage support schemes (Figure 5.2).

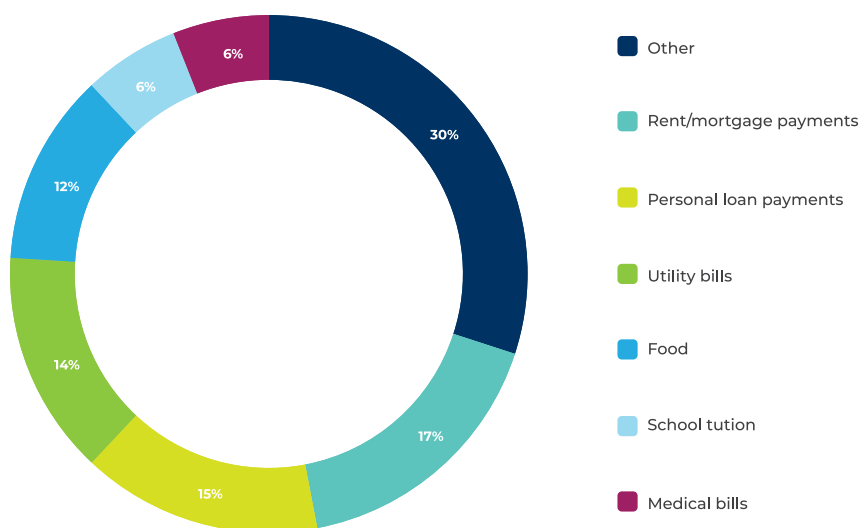
Figure 5.2 - Types of support received by the female-owned MSMEs from the Government, January 2020-February 2021 (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

The above measures were insufficient to keep the MSMEs afloat. About 65 per cent of the owners used personal savings to maintain operations at the expense of their families' welfare. As shown in Figure 5.3, the owners postponed household payments, including rent, personal loans, and utility bills, in addition to cutting back on food expenses, medical bills and home improvements (e.g., renovations).

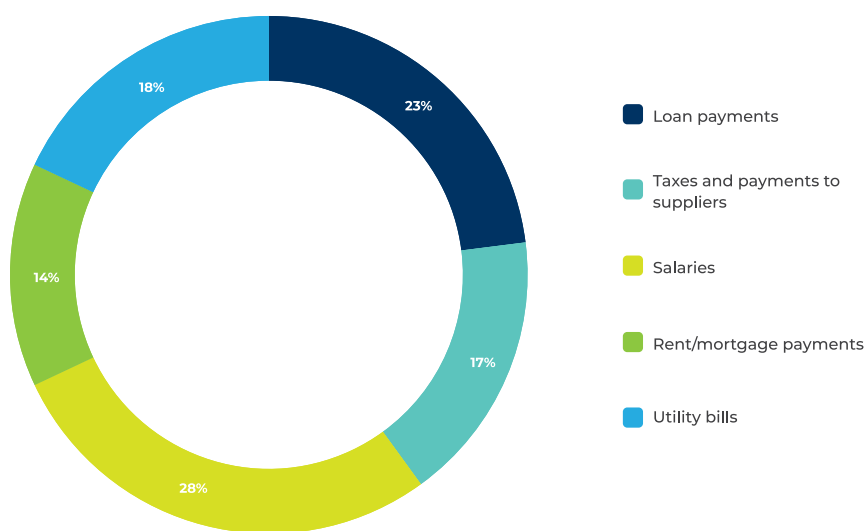
Figure 5.3 - The female-owned MSMEs' deferred household payments, January 2020-February 2021 (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

Some owners appear to have exhausted the above coping measures. This was the case of 24 per cent of the owners, who postponed business payments, particularly salaries and loan payments (Figure 5.4).

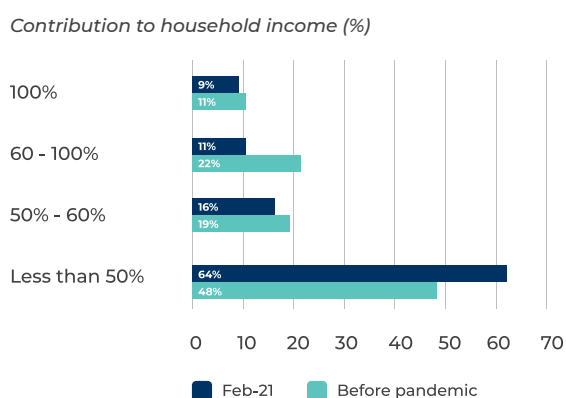
Figure 5.4 - The female-owned MSMEs' deferred business payments, January 2020-February 2021 (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

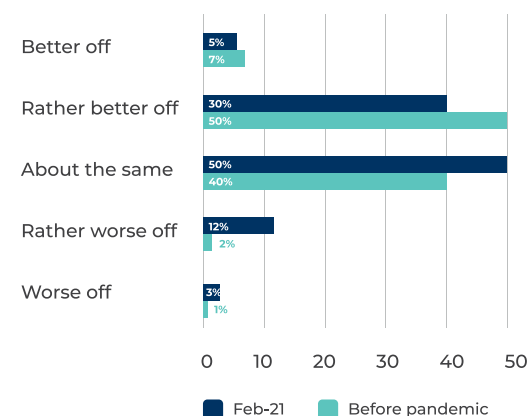
The impact of the MSMEs' income fallout finds its best expression in the owners' reduced contribution to their households' income (Figure 5.5) and their worsened perceptions of living conditions in February 2021 compared to the pre-pandemic period (Figure 5.6).

Figure 5.5 - Changes in the owners' monthly contribution to household income (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

Figure 5.6 - Changes in the owners' perceptions of living conditions (percentage of respondents)



Source: Source: UNECE Survey of Armenian female-owned MSMEs.

Under such conditions, about 66 per cent emphasized the need for government assistance to maintain operations (Figure 5.7). Of these, 40 per cent were struggling to maintain operations for more than six months, having effectively depleted their personal savings.

Figure 5.7 - The female-owned MSMEs' urgent needs to maintain operations, February 2021 (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

The assessment also shows that more needs to be done to familiarize female-owned MSMEs with government support programmes and the procedures for accessing this support. As previously mentioned, only 36 per cent of the MSMEs surveyed benefited from government support. Many said that they were not familiar with or unaware of Government support programmes, and some reported that they failed to meet the eligibility criteria. In this respect, the MSME owners noted that the government programmes tend to feature a special emphasis on support to the agricultural sector and the tourism industry. While this focus is understandable, as these sectors were the hardest hit, it means that the remaining sectors are left without adequate support.

Even as they stressed the need for government support, almost all of the owners surveyed drew attention to the limits of such support in keeping them afloat. They argued that, without a surge in demand, it would be difficult to avert bankruptcy. In addition, many lamented that they remain ill-equipped to compete in domestic and global markets (Section 6).

6. GROWTH BOTTLENECKS

The results of the survey show the female-owned MSMEs' development prospects as being undermined not only by non-tariff barriers and transport connectivity problems, but also by deep-seated internal growth bottlenecks. Most notable is the lack of experienced staff and warehousing facilities, which undermine their ability to improve their productive capacities. The MSMEs also face high exploratory costs; something which is attributed to the lack of experienced staff and the owners' limited business skills. Moreover, owners with pre-school-age children lamented the lack of childcare facilities and noted that existing facilities did not offer extended hour childcare services. As shown below, these bottlenecks, combined with the prevalence of counterfeits, have been undermining the owners' resilience. Only a limited segment of the female-owned MSMEs surveyed resorted to growth enabling strategies, such as engaging in, upscaling of, e-commerce activities; something which they were only able to do thanks to the support of the Armenian diaspora.

Most importantly, these bottlenecks also mean that the female-owned MSMEs are ill-equipped to develop their businesses and boost exports once political stability and normality are attained. The bottlenecks, described below, have also rendered these enterprises uncreditworthy borrowers for banks. Most of the female-owned MSMEs said that they were incapable of meeting the bank's lending requirements. The adverse conditions generated by the pandemic and political instability have aggravated this constraint, leaving the MSME owners with high debt levels and a liquidity squeeze so that they are unable to cover running expenses.

6.1 Lack of adequate skills

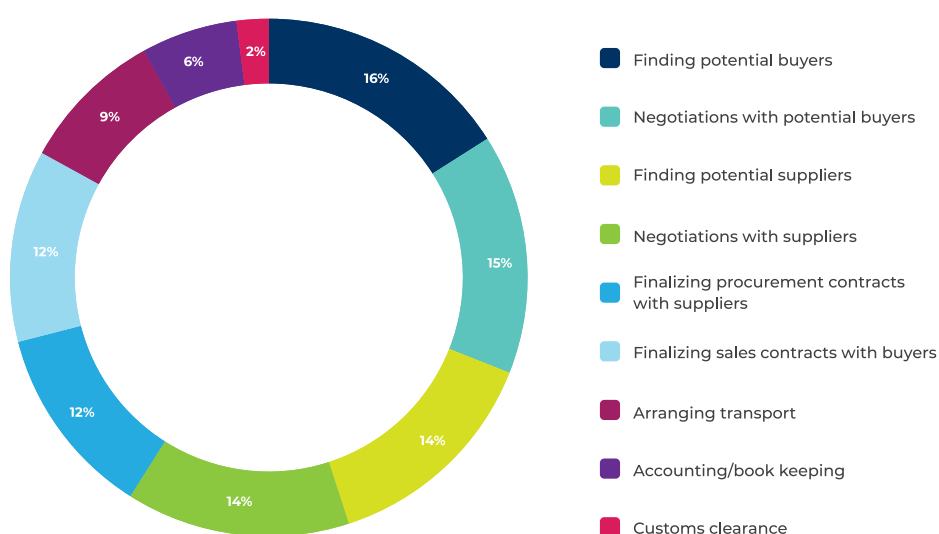
As previously mentioned, a main factor contributing to the MSMEs' success during the start-up phase was their reliance on unpaid family members (Section 2.1). This enabled them to not only cut costs, but also to receive the encouragement they need to outgrow their modest beginnings.

However, these advantages came with a drawback, as family members do not necessarily have all the required skills. Owners who relied exclusively on paid employees (37 per cent of the MSMEs surveyed) also suffered from a lack of skilled staff, since most of their employees worked on a seasonal or temporary basis. The lack of skilled staff meant that owners must attend to the day-to-day business operations. As shown in Figure 6.1, the owners spent most of their time finding potential suppliers and buyers and negotiating sales and purchase contracts. Several also acted as promotional officers, which they combined with production activities.

This means that the owners have limited time for strategic management decisions, including setting out plans for, among other things, optimizing operations, improving existing production processes, and launching new product lines. This time constraint comes in addition to the owners' limited business skills.

Many owners said that they did not have essential skills in the areas of supply chain management, ICT, marketing and promotion. They noted that training courses are insufficient for acquiring these skills and suggested combining training with coaching to enable the female business owners to gain specific knowledge and experience through learning by doing.

Figure 6.1 - Activities performed by owners of surveyed MSMEs (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

The lack of political stability has only aggravated the MSMEs' skills shortages, with many owners reporting that they lost skilled staff who left the country in search of better, and more secure, job opportunities.

6.2 High exploratory market access costs

An immediate manifestation of the MSMEs' skill set is the high trade-related exploratory costs owners accrue daily. These costs place an additional strain on the owners, who reported invested considerable time in:

- Piecing together information on applied trade-related rules and procedures

- Navigating international laws pertaining to trade, sales contracts and dispute settlement
- Exploring emerging consumer preferences in domestic and international markets
- Identifying appropriate machinery and equipment
- Finding skilled staff at reasonable costs.

The MSME owners surveyed said that many of their challenges could be alleviated by expanding the focus of government development and export promotion initiatives. For example, export promotion programmes tend to focus on a limited range of industries, particularly agriculture and the food industry. This means that enterprises belonging to other sectors are put at a disadvantage, as they have to cover the costs of participating in international trade fairs. These costs are significant as they include, in addition to the participation fee, renting space, travel and shipping products. The MSMEs also assume the challenge of finding potential partners, a burden that would have been lifted had their respective sectors been included in export promotion programmes.

6.3 Lack of adequate warehousing facilities

As previously mentioned, many of the owners worked from home to strike a work-family balance. However, this flexibility came with a major drawback, as it meant limited storage areas. Only a few owned small storage facilities, which could not accommodate additional machinery and large volumes of raw material and final products. Below are the main problems caused by the lack of adequate warehousing facilities:

- Additional production costs – the owners must order smaller quantities and, in so doing, forgo bulk and quantity discount prices
- Inability to meet demand – the lack of adequate storage areas meant that the MSMEs have to produce on demand on a first-in-first-out basis
- Compromised product quality – the lack of modern machinery and equipment has been undermining the MSMEs' ability to improve product quality. For dried-fruit producers, at issue is the lack of sorting and packing equipment, while food producers lamented that lack of greenhouses and cold storage facilities
- Disincentive to investment – in view of the above, expanding production does not make good business sense.

6.4 Weak production capacities

The majority of the MSMEs surveyed lamented their inability to comply with the quality requirements of international buyers. They also said that they find it difficult to navigate and comply the health, safety and environmental conservation requirements in export countries.

The owners were keen on addressing this shortfall. However, none of the MSMEs surveyed reported implementing international or regional harmonized standards, which provide detailed blueprints for improving business planning, management, modernizing production facilities and transitioning to circular production methods. These standards also play an important role in improving access to international market, enabling enterprises to achieve compliance in regulatory requirements in target countries and earn the trust of potential buyers.

However, only one owner reported implementing a regional harmonized standard, which involved a significant effort that she undertook on her own without any support (Annex 3, Table 3.1). Otherwise, the majority were not familiar with international standards, and some considered the approval of major domestic retailers as a testament to the high quality of their products. Those familiar with international standards said that they were at a loss when it came to choosing relevant standards and the practical steps for successful implementation.

6.5 High production costs

The above bottlenecks translated into high production costs, which undermined the MSMEs' ability to compete in domestic and global markets. For the owners, at issue are the high costs of raw material and machinery equipment, which are difficult to reduce. Sourcing raw material and equipment from abroad at a reasonable cost, which was a major challenge during the pre-pandemic period, has become extremely difficult under the current conditions of inflated transport costs.

At issue are also high payroll taxes, which place a high strain on retained earnings and set the limits to the enterprises' ability to hire staff. Almost all the MSMEs surveyed, including those eligible for corporate tax exemptions, singled out payroll taxes as a major growth bottleneck (Box 6.1).

Box 6.1

Tax exemptions and payroll taxes in Armenia

Tax exemptions accorded to micro and small enterprises by law

Micro-enterprises are exempt from the corporate income tax and the value-added tax. These exemptions do not apply to most service enterprises and traders located in the capital city of Yerevan.

Small enterprises with annual sales below AMD 115 million pay a turnover tax (between 1.5 per cent and 5 per cent of total sales) in lieu of the corporate income tax (18 per cent) and the value-added tax (20 per cent).

Payroll taxes and other charges

As of 2021, employers are subjected to a flat personal income tax (PIT) rate of 20 per cent, irrespective of the amount of employment income (including salaries and benefits such as, for example, bonuses, temporary disability compensation, and maternity leave). This rate will be gradually reduced to 20 per cent over the next few years.

In addition to PIT, employers are required to withhold social security payments at the rate of 5 per cent (for income up to AMD 500,000) or 10 per cent (income in excess of AMD 500,000). The maximum amount of salary subject to social security payments is currently capped at AMD 1,020,000 and the social-security payment rate is set at 3.5 per cent (for 2021) and 4.5 per cent (for 2022) for salaries of up to AMD 500,000.

Source: Tax Code of the Republic of Armenia and subsequent amendments⁶⁶.

6.6 Counterfeits

The female MSME owners cited the prevalence of counterfeits as another debilitating factor, since it takes away from their sales. This growth obstacle reflects the broader capacity shortfalls in the areas of market surveillance as well as at the border control processes. They also point to the need for furthering collaboration with border-control agencies in neighbouring countries.

7. CONCLUSION AND RECOMMENDATIONS

This assessment traced the way that NTMs deployed by the Government of Armenia and its trade partners combined with health protection measures to influence female-owned MSMEs' trade activities and development prospects. In so doing, it brought into focus the growth dynamics driving these enterprises. Most notable is their entrepreneurship spirit. The majority of the female-owned MSMEs surveyed were opportunity-driven, able to take advantage of chances and were major contributors to their households' income.

The owners were assisted by their families, the Armenian diaspora and business support organizations, which helped them improve their knowledge, network with domestic and international enterprises and keep going in the face of the adverse conditions created by the pandemic and political instability. However, most of the MSMEs surveyed have seen their resilience weakened by the owners' erosive coping strategies. These strategies not only increased the MSMEs' debt burden, but also harmed the welfare of the owners' families.

⁶⁶See <https://www.arlis.am/DocumentView.aspx?docid=145780>.

The need to alleviate the female-owned MSMEs' financial crisis cannot be over-emphasized. However, unless complemented by targeted efforts to address the enterprises' growth obstacles, scaling up financial support would yield limited results. The MSMEs lack the business skills, staff, machinery, and warehousing facilities to optimize and further develop their supply chains. They also lack clarity over applicable trade regulations and procedures.

This section provides action-oriented recommendations for the Government's consideration. The recommendations, provided in Table 7.1, comprise emergency support measures for improving the MSMEs' resilience and strategic measures for addressing the enterprises' structural weaknesses. The emphasis is on expanding the range of support services available to female-owned MSMEs, through leveraging existing women's and enterprise support organizations with the support of donors. This will enable the Government to ensure a high level of outreach and to create dynamic synergies between relief measures and long-term efforts to increase the participation of women in economic activities.

The proposed recommendations support the successful implementation of Armenia's "Strategy and Action Plan for the Implementation of Gender Policy in the Republic of Armenia for 2019–2023". Specifically, priority 2: "Increase women's economic opportunities through overcoming gender discrimination in the socioeconomic sector". In so doing, they directly contribute to the achievement of SDG 5 (gender equality) and stimulate spill-over effects in support of SDGs 4 (quality education), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 16 (peace, justice and strong institutions) and 17 (partnerships for the Goals). The recommendations can also be used for mainstreaming gender into the current SME development strategy (Annex 6).

The recommendations could only yield the expected results if complemented by targeted efforts to address capacity shortfalls within State agencies in the areas of trade facilitation and quality infrastructure. The Government is committed to addressing these shortfalls following UNECE recommendations, which were developed in consultation with the relevant agencies in 2020 as part of the COVID-19 impact assessment "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises". These recommendations, reproduced in Annex 7, involve targeted measures for:

- Bolstering transparency in trade
- Supporting a transition to a paperless trading environment
- Improving border control

- Developing the transport sector
- Strengthening regional cooperation
- Improving conformity assessment and metrology
- Increasing and diversifying MSMEs' exports.

In addition, the surveyed female MSME owners exhibited marked entrepreneurial. They could serve as role models for expanding the pool of female entrepreneurs. An example of international support in expanding and strengthening the entrepreneurial spirit within a country is UNCTAD's Empretec programme (Box 7.1).

Box 7.1

Empretec programme

Continuous training and support will be necessary to enhance entrepreneurial skills, financial literacy and to help to bridge the gender gap among SMEs and entrepreneurs. UNCTAD offers the Empretec programme to support capacity-building to promote entrepreneurship, especially among MSMEs in developing and transition economies. It facilitates business expansion towards sustainable and inclusive development, including small supplier development, and social and green entrepreneurship. Consisting of a network of national centres in 40 countries, the programme offers core products that include the Entrepreneurship Training Workshop, which promotes entrepreneurial development, specifically through efforts targeted towards vulnerable groups such as women and youth. According to the 2020 report of the United Nations Secretary-General reviewing progress in the implementation of General Assembly resolution 73/225 on entrepreneurship for sustainable development, an impact assessment of Empretec in the Russian Federation found that 87 per cent of participants found Empretec training "helpful in overcoming their current business challenges".⁶⁷

Source: UNECE, based on UNCTAD, <https://empretec.unctad.org>.

UNECE stands ready to assist the Government in implementing the recommendations in collaboration with the United Nations Resident Coordinator Office in Armenia, United Nations agencies and international development partners.

⁶⁷United Nations Secretary General (2020), Entrepreneurship for sustainable development: report of the Secretary-General, A/75/275, 27 July 2020.

Table 7.1

Proposed measures for increasing the resilience of Armenia's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to SDGs
Emergency Measures			
Financial support	Female-owned MSMEs are experiencing shortages in working capital	<p>Scale up efforts to familiarize female-owned MSMEs with available Government support schemes through partnering with women's and support organizations targeting female-owned enterprises.</p> <p>Launch subsidized loan schemes and scale up micro loans to enable female-owned MSMEs to address shortages in working capital (especially, raw materials and shipping costs) and publish detailed information on eligibility criteria and application procedures.</p> <p>To this end, consider leveraging existing women's and enterprise support organizations, as these are well placed to facilitate female-owned MSMEs' access to finance. Specifically:</p> <ul style="list-style-type: none"> - Women's organizations could act as credit guarantee agencies within the context of loan guarantee schemes. These organizations could be assigned the role of intermediaries between potential borrowers and the banks, which manage the credit schemes. The women's organizations would disseminate information to their members, screen borrowers, provide them with coaching and advisory services, and monitor their performance to ensure timely loan repayments. - Women's organizations could also help MSME owners, particularly micro enterprises in rural areas, organize themselves in self-help groups to obtain loans without collateral. 	<p>SDG 5.6a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws</p> <p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>
Trade-related exploratory costs	Female-owned MSMEs are not familiar with trade-related rules and administrative procedures	<p>In addition to upscaling online publication of up-to-date information on trade-related regulations and administrative procedures (Annex 7), priority should be given to familiarizing female MSME owners with applicable regulations and procedures and their implications for supply chain operations and business development. This will also put the owners in a better position to contribute to trade policymaking processes.</p> <p>Support could take the form of not only user-friendly explanatory material, but also online training courses and tailored in-person training programmes. In this respect, it is important to strengthen existing women's organizations, with additional capacity (e.g., experts and training facilities) so that they could integrate training as part of their services.</p>	<p>SDG 5.6c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG: 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements</p> <p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p>

Table 7.1

Proposed measures for increasing the resilience of Armenia's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Emergency Measures			
Participation in trade policymaking processes	Female-owned MSMEs' participation in trade policymaking processes tends to be erratic	<p>Create mechanisms for ensuring continuous participation of female-owned MSMEs in public/private-sector consultations on trade policy reforms. While such consultations are held by women associations, they tend to be organized on an ad hoc basis given the lack of funds.</p> <p>In this respect, there is a need to:</p> <ul style="list-style-type: none"> -Elaborate a clear vision of the respective roles of central, regional and local authorities in supporting female-owned enterprises. - Define mechanisms for co-ordinating donor and Government funded initiatives. - Accord a clear role for women's and enterprise support organizations targeting female-owned MSMEs, so as to ensure effective integration of the enterprises' needs into policymaking processes. This would enable policy-makers to gain clarity over the specific needs of this segment of the enterprise sector, and allow for building up knowledge on success stories and best practices for supporting female-owned MSMEs. <p>Donors could consider mainstreaming targeted public-private sector consultations, i.e., focused on female-owned MSMEs, as an integral part of technical assistance and capacity-building projects.</p>	<p>SDG 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p> <p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p>

Structural Measures for Supporting the MSMEs' Development

Enterprise support	MSMEs are experiencing difficulties in finding new international buyers and suppliers	<p>Equip women's organizations with the required capacity to establish sector-specific market-intelligence services to help female-owned MSMEs identify export opportunities and efficient supply sources. As a starting point, these organizations could focus on sectors exhibiting significant presence of female-owned MSMEs.</p>	<p>SDG 5.6c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p>
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Table 7.1

Proposed measures for increasing the resilience of Armenia's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Enterprise support	MSMEs are experiencing difficulties in finding new international buyers and suppliers	<p>Support women's and enterprise-support organizations targeting female-owned MSMEs in their efforts to scale up networking initiatives. This could be achieved through sector-focused programmes for linking these enterprises with potential international suppliers and buyers. Such programmes should also help owners negotiate and obtain favourable growth enabling terms under sub-contracting arrangements.</p> <p>Launch dedicated support programmes for facilitating the female-owned MSMEs' participation in international fairs.</p>	<p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors</p>
	MSMEs are ill-equipped to meet regulatory requirements in destination countries	<p>Develop training programmes on standards implementation as part of the support services for female-owned MSMEs.</p> <p>To ensure sustainability beyond the international funding cycle, these programmes need to be housed in women's and enterprise-support organizations targeting women and complemented by mentoring and coaching programmes to complement training on standards implementation.</p> <p>The below UNECE standards are of particular relevance for enabling female-owned MSMEs, and all the Armenian enterprises, comply with regulatory requirements in export countries:</p> <p>(i) UNECE free of charge online self-paced training programme of studies on standards implementation for MSMEs, also available in Armenian, provides enterprise support organisations and associations with a practical tool for familiarising MSMEs with international standards with practical guidelines and case studies to help MSMEs choose and prepare plans for the implementation of standards, which often involve significant investments.</p>	<p>SDG 5.6c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>

Table 7.1

Proposed measures for increasing the resilience of Armenia's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
	MSMEs are ill-equipped to meet regulatory requirements in destination countries	<p>(ii) UNECE agricultural quality standards, which cover a wide spectrum of products belonging to: fresh fruit and vegetables; dry and dried produce; seed potatoes; meat, eggs and eggs; and cut flowers. The standards are intended for adoption as national standards. To date over 100 commercial quality standards have been adopted, providing a common terminology and harmonized regulatory requirements.⁶⁸</p> <p>In addition, female-owned MSMEs stand to benefit from the UNECE online training course for producers and traders on agricultural quality standards and food loss and waste reduction in supply chains, which will be launched in the second half of 2022.⁶⁹</p>	
	MSMEs lack warehousing facilities	Launch initiatives aimed at helping female-owned enterprises establish joint production and warehousing facilities through financial support and professional advice, including on the choice of equipment as well as on legal and financial matters. This will reduce costs and enable enterprises, particularly those faced with low demand, to gradually increase production.	<p>SDG 5.6c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors</p>
	MSMEs lack experience in supply chain management	Equip existing women's organisations, as well as enterprise-support organizations targeting female-owned MSMEs, with the required capacities to diversify their services. This includes additional expertise skills and training materials, so that they could offer training services in the areas of entrepreneurship, modern ICT management information systems, marketing, strategic planning, and supply chain management. This will help the female-owned MSMEs grow and facilitate their access to bank loans.	<p>SDG 5.6b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</p> <p>SDG 5.6c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors</p>

⁶⁸UNECE agricultural quality standards are available at: <https://unece.org/trade/working-party-agricultural-quality-standards-wp7>.

⁶⁹The online training course will be published at: <https://unece.org/trade/working-party-agricultural-quality-standards-wp7>.

Table 7.1

Proposed measures for increasing the resilience of Armenia's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
	MSMEs' ability to participate in e-commerce is undermined the lack of adequate online payment systems	<p>Expand available online payment systems for cross-border e-commerce.</p> <p>Consider distinguishing between major and occasional exporters. Given their modest export volumes, it would be more effective to help occasional exporters sell products on regional and international online marketplaces. Major exporters could be assisted through targeted financial support. For example, as part of the loan schemes (see above), a special credit line could be established to help MSME owners to obtain the required equipment and IT systems to bolster their online presence.</p> <p>Equip women's and enterprise-support organizations targeting female-owned MSMEs with the required capacity to help owners navigate e-commerce laws.</p>	
	MSMEs have limited access to bank loans	<p>Scale up lending schemes targeting female-owned MSMEs, so as to enable them to invest in modernizing their production facilities. To facilitate the owners' access, consider providing these loans within the context of guarantee schemes in collaboration with women's organizations (see above).</p>	<p>SDG 5.6a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws</p> <p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>
Work-family balance	Owners with pre-school-age children are struggling with the limited supply of childcare services	<p>Reopen childcare facilities for pre-school-age children.</p> <p>Attach priority to establishing new childcare facilities and encourage existing ones to offer extended hour childcare services.</p>	SDG 4.2: By 2030 ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
Knowledge generation for gender-responsive trade policies	The lack of statistical and non-statistical systems for capturing and monitoring the specific challenges facing female-owned enterprises	<p>Strengthen the Statistical Committee of the Republic of Armenia with the required capacity to generate gender-disaggregated data on enterprises.</p>	SDG 5.6c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of women and girls at all levels

Table 7.1

Proposed measures for increasing the resilience of Armenia's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Knowledge generation for gender-responsive trade policies	The lack of statistical and non-statistical systems for capturing and monitoring the specific challenges facing female-owned enterprises	<p>Develop mechanisms for building up knowledge on the successful experiences of female-owned enterprises and on good practices for supporting female-owned enterprises in Armenia. These mechanisms could include, among other things, qualitative surveys and case studies, with data-gathering and analysis assigned to research institutions working closely with women's and enterprise-support organizations targeting female-owned enterprises.</p> <p>Establish monitoring and evaluation systems for capturing the growth obstacles facing female-owned enterprises and tracking progress in addressing the identified obstacles. These systems could be based on periodical surveys by the Statistical Committee of the Republic of Armenia.</p>	

ANNEX 1 - COUNTRY BACKGROUND⁷⁰

A1.1 Trade and economic reforms

A World Trade Organization (WTO) member since 2003,⁷¹ Armenia is linked with regional and global markets through bilateral free trade agreements (including with Belarus, Georgia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, Tajikistan, Turkmenistan and Ukraine)⁷² and regional cooperation arrangements. The country is member of the Commonwealth of Independent States (CIS) and, since January 2015, of the Eurasian Economic Union (EAEU), which includes as members Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.

In addition, Armenia is a beneficiary of the Generalized System of Preferences (GSP) programmes of Canada, Japan, Norway, the United States of America, and Switzerland. It also enjoys a GSP+ status with the European Union (EU),⁷³ and is a signatory to a Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU.⁷⁴ The agreement, which entered into provisional force in 2018, is slated to generate important efficiency gains for Armenian enterprises given its emphasis on removing non-tariff trade barriers.⁷⁵

The Government considers trade development a prerequisite for transitioning to a knowledge-based economy. Trade is emphasized as a vehicle for generating the much-needed economies of scale and scope and is complemented by targeted efforts to ensure macroeconomic stability, to support enterprise development, and to improve the country's overall business environment.⁷⁶

A1.2 Economic structure

The past two decades have seen the Armenian economy move away from construction and agriculture towards an increased specialization in services. However, services remain in their early stage of development, and are mainly driven by the budding ICT industry.⁷⁷ This is reflected in figure A1.1, which shows the services sector's share in GDP increasing from 35 per cent of GDP in 2008 to 53 per cent in 2020. By contrast, the share of construction decreased hugely over the said period (from 25 to 7 per cent of GDP), as did agriculture (from 16 to 11 per cent).

⁷⁰ This section draws on the analysis provided in UNECE COVID-19 impact assessment "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's Survey of Micro, Small and Medium Enterprises"; available at: www.unece.org/trade/studies-regulatory-and-procedural-barriers-trade.

⁷¹ Armenia became a member of the WTO on 5 February 2003.

⁷² WTO's Trade Policy Review of Armenia, 2018; available at: www.wto.org/english/tratop_e/tpr_e/s379_e.pdf.

⁷³ The GSP+ scheme grants Armenian enterprises zero or reduced tariffs market entry for 6,400 tariff lines. For further details, see the Official Journal of the European Union, Regulation (EU) No 978/2012 (see www.trade.ec.europa.eu/doclib/docs/2012/october/tradoc_150025.pdf).

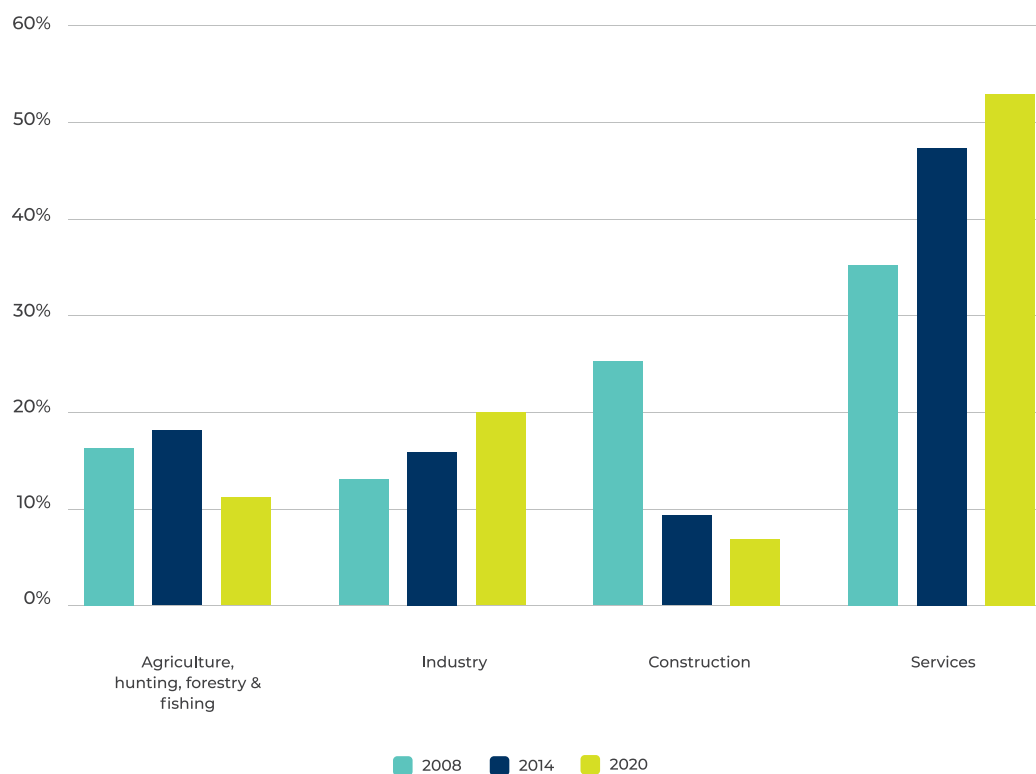
⁷⁴ CEPA was signed on 24 November 2017 and entered into provisional force on 1 June 2018.

⁷⁵ Trade-related provisions are based on the WTO Technical Barriers to Trade (TBT) and the Phytosanitary Measures (SPS) Agreements. CEPA also features special emphasis on the exchange of experience and best practices.

⁷⁶ Armenia's Development Strategy for 2014–2025" available at: www.eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf.

⁷⁷ For further details, see, for example, World Bank (2020), Realizing Armenia's High-Tech Potential (www.openknowledge.worldbank.org/bitstream/handle/10986/33027/Realizing-Armenias-High-Tech-Potential.pdf?sequence=8&isAllowed=y).

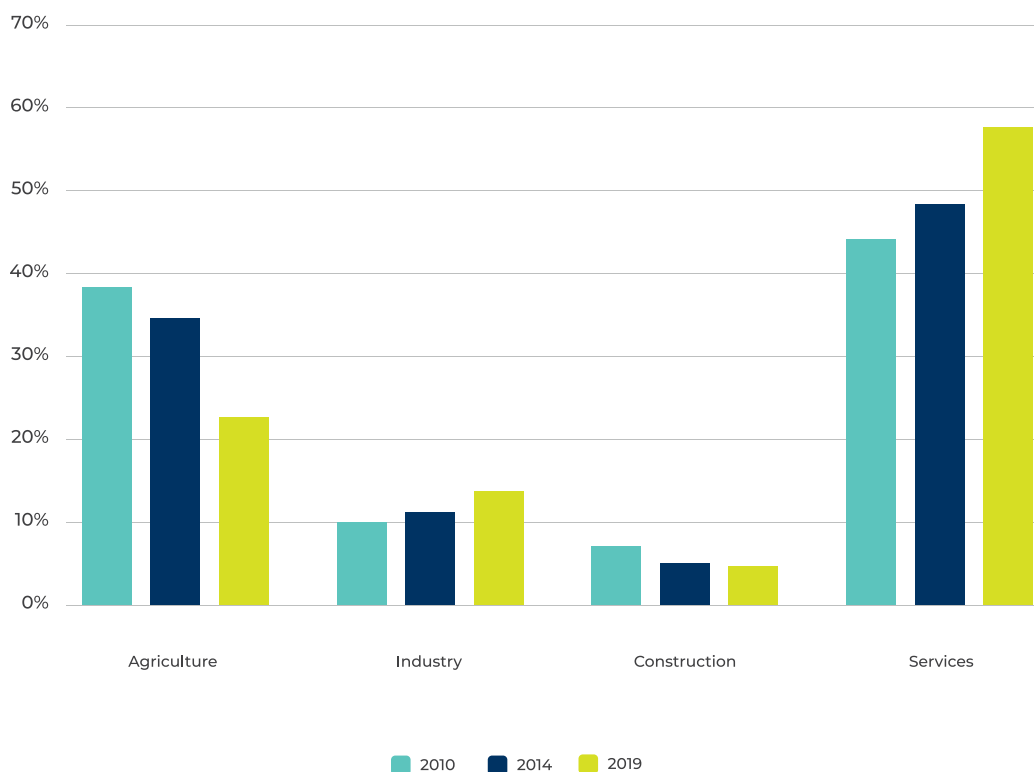
Figure A1.1 - Armenia's GDP by sector, 2008-2020 (percentage share in GDP)



Source: Armstat.

The services sector also registered an impressive job-creation record, creating 58 per cent of total employment in 2019, up from 44 per cent in 2010 (Figure A1.2). In contrast, the share of construction in total employment decreased by almost a third (from 7 per cent in 2010 to 5 per cent in 2019), while agriculture retained its importance as the second-largest contributor to job creation, albeit a lower share (23 per cent in 2019, down from 39 per cent in 2010).

Figure A1.2 - Armenia's employment by sector, 2010-2019 (percentage share of total employment)



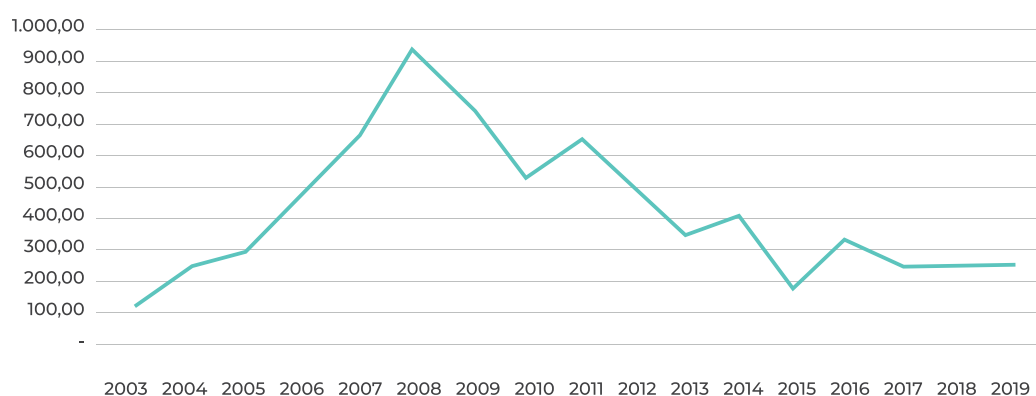
Source: Armstat.

This structural transformation was underscored by a noticeable improvement in the industrial sector's contribution to income generation and job creation, stimulated by the new opportunities generated by regional-integration efforts. As shown in figures A1.1 and A1.2, the industrial sector's share of GDP stood at 20 per cent in 2020, up from 13 per cent in 2008, while its share of total employment reached 14 per cent in 2019, up from 10 per cent in 2010.

However, the industrial sector continues to be driven by extractive activities. The manufacturing sector is still evolving and is yet to achieve increased specialization in activities with high value-added, reflecting at once the limited role of ICT in driving innovation;⁷⁸ enterprises' weak technological capabilities; and the country's limited access to international transport routes. The manufacturing industries' modest share in foreign direct investment (FDI) inflows is another factor. In 2019, FDI inflows were yet to regain their pre-financial crisis levels (Figure A1.3), and remained concentrated in mining, tourism and real estate, and public utility services.

⁷⁸ For further details, see, for example, World Bank (2020), *Realizing Armenia's High-Tech Potential* (www.openknowledge.worldbank.org/bitstream/handle/10986/33027/Realizing-Armenias-High-Tech-Potential.pdf?sequence=8&isAllowed=y).

Figure A1.3 - FDI inflows to Armenia (USD in millions)



Source: World Bank Database.

Under such conditions, working abroad continued to constitute an integral part of Armenian labour-market dynamics. Armenians still seek employment elsewhere, particularly in the Russian Federation, not only in view of the lack of job opportunities in domestic markets but also for improving the living conditions of their households.⁷⁹

A1.3 The trade sector

As shown in table A1.1, the period since 2015, which marks Armenia's access to the Eurasian Economic Union (EAEU), has seen many manufacturing branches register an impressive export performance record. Exceptions were the textiles sector and the food industry, particularly meat and dairy producers, which registered a marked decrease in exports, suggesting difficult market access (in the case of meat producers) or fierce competition.

Table A1.1	Export growth since accession to the EAEU			
	Products (HS 4)	2016 (USD thousand)	2019 (USD thousand)	Change
	Railway or tramway locomotives, rolling stock and parts thereof	5.4	826.9	15213%
	Aircraft, spacecraft and parts thereof	43.2	4475.4	10260%
	Explosives; matches; certain combustible preparations	7.1	600.8	8362%
	Cork and articles of cork	1.6	56.9	3456%
	Wood pulp or of other fibrous cellulosic material, waste and scrap paper or paperboard	16.9	156.7	827%
	Umbrellas, seat-sticks, whips, riding-crops and parts thereof	55.4	487.1	779%
	Silk	3.2	22	588%

⁷⁹ Armstat, Household's Integrated Living Conditions Survey (2018), anonymized microdata database (see www.armstat.am/en/?nid=205).

Table A1.1

Export growth since accession to the EAEU

Products (HS 4)	2016 (USD thousand)	2019 (USD thousand)	Change
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	9061.2	55787.7	516%
Live animals	1204.4	7410	515%
Fertilizers	2.5	14.7	488%
Cocoa and cocoa preparations	3296.3	18428.4	459%
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	1730.9	9388.8	442%
Straw products	0.1	0.5	400%
Miscellaneous chemical products	318.1	1466.2	361%
Inorganic chemicals; elements radioactive and isotopes	268.8	1134.8	322%
Rubber and articles thereof	309.4	1269.6	310%
Chemical staple fibres	111.8	419.4	275%
Other manufactured textile articles; sets; worn clothing and worn textile articles	592.4	2181.1	268%
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	9008	27683.9	207%
Fish and crustaceans, molluscs and other aquatic invertebrates	10157.8	26900.9	165%
Essential oils, perfumery, cosmetic or toilet preparations	882.7	2306.3	161%
Prepared meat, fish or crustaceans, molluscs or other aquatic invertebrates	3083.4	8016.4	160%
Knitted clothes and clothing accessories	16183.2	41455	156%
Headwear and related parts	221.9	552.6	149%
Ferrous metals	62293.5	149670.3	140%
Cereals	5.8	13	124%
Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes	196.8	429.1	118%
Prepared feathers and artificial flowers	5.3	10.8	104%
Paper and paperboard; articles of paper pulp	497.4	965.6	94%
Salt; sulphur; earths and stone; plastering materials, lime and cement	4748.7	8954.2	89%
Toys, games and sports requisites; parts and related accessories	440.4	812.4	84%
Edible fruit and nuts; peel	30097.7	55043	83%
Vehicle other than railway and related parts	15337.2	26103.8	70%
Clock and watches and related parts	23675.6	40289.4	70%
Glass and glassware	5893.3	9929.8	68%

Table A1.1

Export growth since accession to the EAEU

Products (HS 4)	2016 (USD thousand)	2019 (USD thousand)	Change
Products of the milling industry; malt; starches and other	84.5	141.1	67%
Alcoholic and non-alcoholic beverages and vinegar	175960.8	293073.5	67%
Ores, slag and ash	400501.5	665129.5	66%
Tools, cutlery, spoons and forks, of non-precious metal	248.6	407.3	64%
Pharmaceutical products	14107.2	23102	64%
Textile clothes and clothing accessories	76680.7	124164	62%
Miscellaneous foodstuffs	2351	3778.9	61%
Electrical machinery, equipment, parts there of sound recorders and reproducers and parts and access	12006.9	16945.9	41%
Preparations of vegetables, fruit, nuts or other parts of plants	19065.1	26452.1	39%
Tobacco and manufactured tobacco substitutes	209590	290458.6	39%
Plastics and related articles	8968.7	12368.4	38%
Edible vegetables and certain roots and tubers	28688.3	39125.7	36%
Wadding, felt and non-twine, cordage, ropes and cables and woven articles; special yarns	233	316.5	36%
Articles made of ferrous metals	1852	2490.9	34%
Articles made of leather and articles of animal gut	5828.5	7797.5	34%
Natural or cultured pearls, precious or semiprecious stones, precious metals	336939.6	414775.1	23%
Live trees and other plants; bulbs, roots and the like	6173.4	7516.8	22%
Aluminium and articles thereof	84907.9	99578.5	17%
Albuminoidal substances; modified starches; glues; enzymes	336.9	392.2	16%
Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial or medical plants	416.2	475.2	14%
Coffee, tea and spices	3874.6	4367.3	13%
Fuels, petroleum products bituminous substances; mineral waxes	65899.7	68877.3	5%
Dyes, pigments and colouring matter; varnishes; inks, other	944.1	972.1	3%
Organic chemicals	310.2	319.3	3%
Photographic or cinematographic goods	1	1	0%
Ceramic products	875.2	817.8	-7%
Carpets and other textile floor coverings	450.9	409.2	-9%
Special woven fabrics; lace; tapestries; trimmings; embroidery	37.1	32.7	-12%

Table A1.1

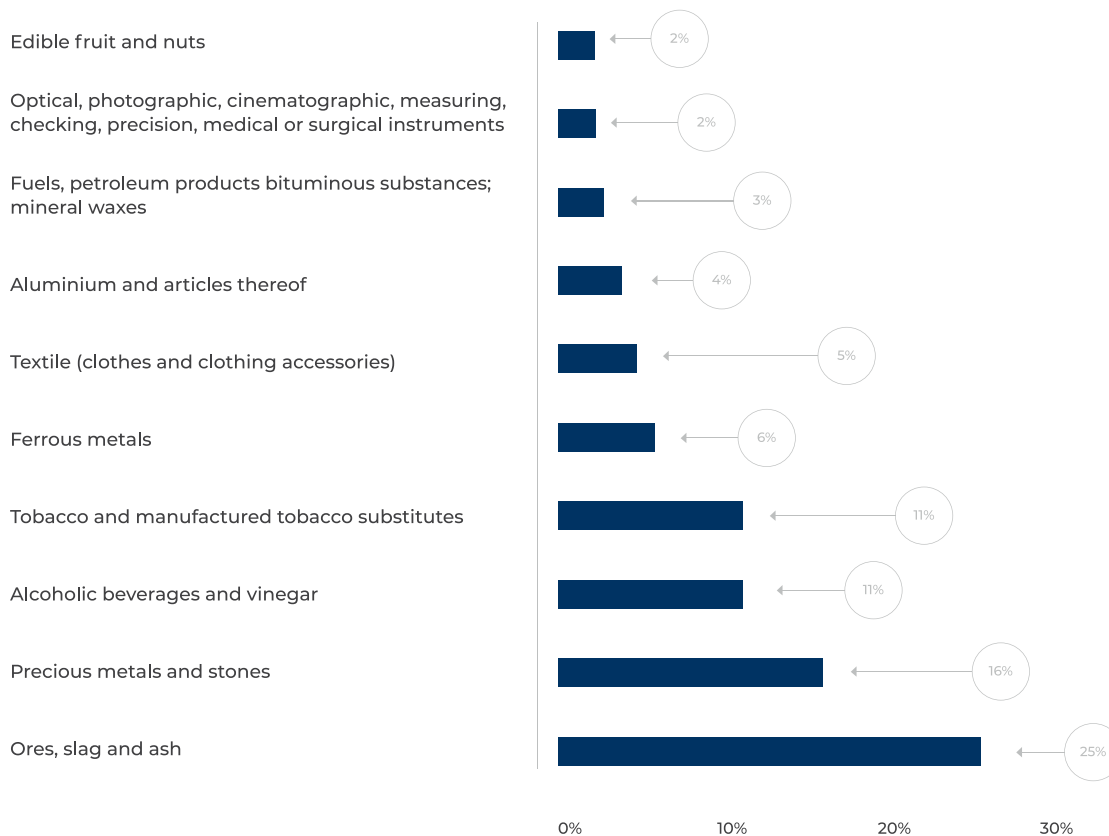
Export growth since accession to the EAEU

Products (HS 4)	2016 (USD thousand)	2019 (USD thousand)	Change
Miscellaneous articles of non-precious metal	1606.4	1412.4	-12%
Meat and edible meat by-products	10087.7	8266.5	-18%
Preparations of cereals, flour starch or milk; pastry products	1409.7	1116.6	-21%
Chemical filaments	172.3	127.6	-26%
Sugar and sugar confectionery	1180.6	855.4	-28%
Footwear, gaiters and the like	2158.1	1546.7	-28%
Products of animal origin, not elsewhere specified or included	71.3	50.3	-29%
Wood and articles of wood; wood charcoal	1545.5	1063.5	-31%
Milk and dairy products; birds' eggs; natural honey; edible products of animal origin	13176	8716.3	-34%
Articles of stone, plaster, cement, asbestos, mica or similar materials	8474.4	5218.3	-38%
Leather and leather raw materials	1386.9	792	-43%
Coated, covered or laminated textile fabrics; textile articles of kinds suitable for industry	82.5	37	-55%
Works of art, collectors' pieces and antiques	1204.8	495.9	-59%
Books, newspapers, pictures and other products of the printing industry	922.5	266.9	-71%
Musical instruments; parts and accessories of such articles	20.9	5.4	-74%
Miscellaneous manufactured articles	15337.9	3037.7	-80%
Zinc and articles thereof	43.5	5.7	-87%
Cotton	643.3	78.5	-88%
Copper and articles thereof	65396.5	7463.8	-89%
Knitted or crocheted fabrics	1592.8	157.3	-90%
Fur, skins and artificial fur manufacture	889.8	82.3	-91%
Animal and vegetable fats and oils and by-products; prepared edible fats, animal and vegetable	625	54.6	-91%
Residues and waste from the food industries; prepared animal fodder	626.5	51.2	-92%
Other non-precious metals, related articles	5853.5	2	-100%
Tin and related articles	0	84	
Vegetable-based textile material; paper yarn and woven	0	41.7	
Wool, fine or coarse animal hair; horsehair yarn and woven fabric	0	3.6	

Source: Armstat.

However, the new opportunities generated by Armenia's accession to the EAEU remain insufficient to shift exports away from extractive activities, with copper ore, and gold accounting for the largest segment of Armenia's exports in 2019 (Figure A1.4).

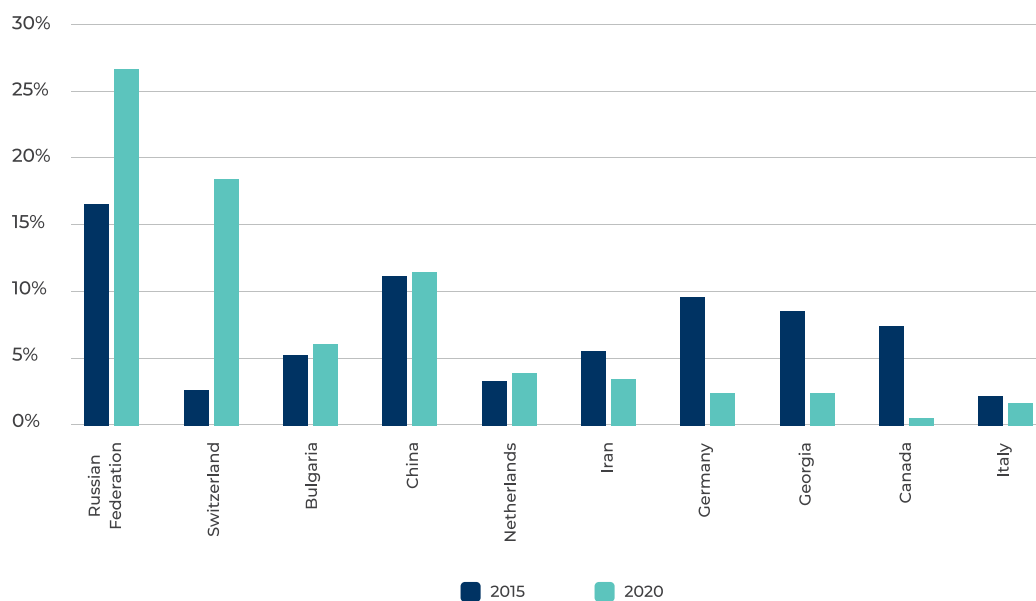
Figure A1.4 - Armenia's top exports (percentage share in total exports)



Source: Armstat.

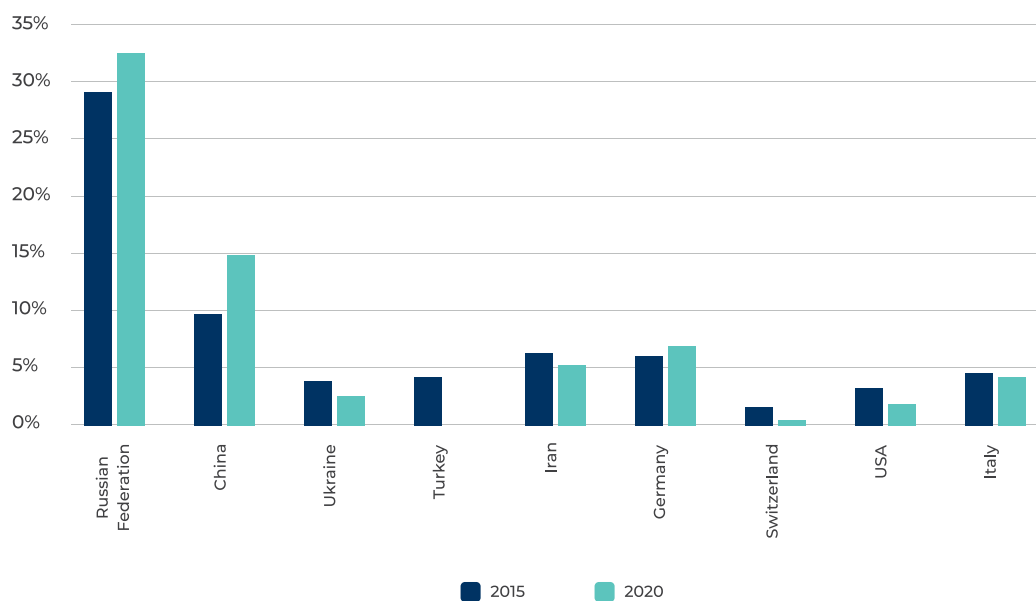
Moreover, trade remains heavily concentrated with a limited number of trade partners, namely China, the Russian Federation and Switzerland. The Russian Federation stood as a main outlet for Armenia's products in 2020, followed by Switzerland, with its share in Armenia's exports increasing by 15 per cent in relation to 2015 (Figure A1.5). The Russian Federation also stood as a main supply source, accounting for the largest segment of Armenia's imports in 2020, followed by China (Figure A1.6).

Figure A1.5 - Armenia's top 10 export markets (percentage of total exports)



Source: Armstat.

Figure A1.6 - Armenia's top ten supply sources (percentage share of total imports)

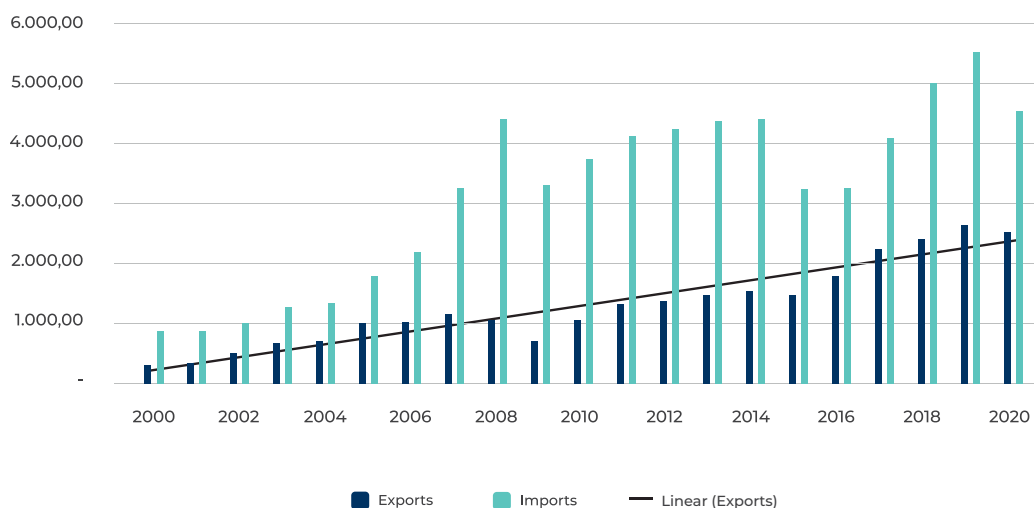


Source: Armstat.

The above conditions of export concentration in low-value-added products, combined with Armenia's heavy reliance on international markets for sourcing raw material, have meant that imports continued to outstrip export growth (Figure A1.7). Armenia's trade deficit stood at around USD 2 billion in 2020, up from USD 1.8 billion in 2015.⁸⁰

⁸⁰ Statistical Committee of the Republic of Armenia: see www.armstatbank.am/.

Figure A1.7 - Evolution of Armenia's exports and imports (USD million)



Source: Armstat.

Armenia's trade performance cannot be understood in isolation of the country's limited access to international trade routes. Armenia shares only one border-crossing point (BCP) with Iran, and has limited options for connecting to the Russian Federation (Armenia's main trade partner) and Europe. Access to these markets is only possible through the mountainous Upper Lars highway, which runs through Georgia and constitutes the country's sole overland conduit to the Russian Federation.

This highway is prone to natural disasters, including avalanches (in winter) and landslides (during the remaining seasons), so that Armenia's cargo traffic is suspended over extended periods. Moreover, Armenian trucks face significant delays at the Dariali-Verkhny Lars BCP between Georgia and the Russian Federation, which constitutes the clearing point for Armenia's imports from non-EAEU members.⁸¹ These delays reflect at once the difficult terrain of the Upper Lars highway and control procedures on the Russian side of the BCP, which feature a heavy reliance on physical inspection.⁸²

Armenia's difficult market access conditions are further aggravated by the country's underdeveloped transport infrastructure. Armenia has only one active international railway line, which passes through Georgia. Using this line involves additional costs, since cargo must be rerouted via Georgia's ports of Poti and Batumi. Transport by air is used on a limited basis, mainly for shipping light parcels, given the high costs involved.⁸³

⁸¹ As established under the EAEU requirements, goods originating from non-EAEU countries should be cleared at the EAEU's external frontier. Since Armenia does not have common borders with the EAEU, goods originating from non-EAEU suppliers are cleared at the Russian side of the Dariali-Verkhny Lars BCP before continuing the remaining leg of the journey via Georgia.

⁸² See UNECE study on regulatory and procedural barriers to trade in Armenia (Chapter 3).

⁸³ UNECE (2019), Regulatory and procedural barriers to trade in Armenia: Needs assessment.

⁸⁴ Around 89 per cent of Armenia's inbound and outbound cargo was shipped by trucks in 2018. Rail was used for transporting 10.5 per cent of total cargo during the said year, with air accounting for the remaining balance of 0.05 per cent (Statistical Yearbook of Armenia 2019; available at: www.armstat.am/en/?nid=586&year=2019).

The road network, the main transport mode connecting Armenia to global markets,⁸⁴ is also underdeveloped. Except for those connected to international networks, primary roads tend to be in poor condition (frequently unpaved and consisting of one lane with poor signage). This is particularly the case of the main road to Iran, described as narrow, steep and in poor repair, rendering freight transport a risky undertaking and especially perilous in winter. Secondary roads are also in poor repair and create unnecessary risks for traders, particularly during winter.⁸⁵

A1.4 Modest steps towards specialization in knowledge-intensive products

Armenia's structural transformation has involved increased specialization in knowledge-intensive products with high value-added. This is reflected in a cursory examination of the country's rankings against the product complexity index (PCI),⁸⁶ which shows a move away from agriculture.

As shown in table A1.2, Armenia's most complex exports belong to fabricated metals (particularly equipment for soldering, brazing or welding), transport equipment and electrical equipment (electrical insulators of any material), which require a certain degree of technological sophistication. Other high-PCI products include watch cases, clocks or watch parts and lamps, which require less-advanced manufacturing processes, while the least complex exports are from agriculture (mushrooms and truffles).

⁸⁵ UNECE (2019), *Regulatory and procedural barriers to trade in Armenia: Needs assessment*. For a detailed, technical assessment of Armenia's transport infrastructure, see, for example, World Food Programme (2019) country report, chapter on logistics infrastructure (see <https://dlca.logcluster.org/display/public/DLCA/Armenia>).

⁸⁶ The PCI infers information about the diversity and sophistication of the productive know-how that went into manufacturing individual products. High-PCI products use technologically sophisticated know-how and advanced manufacturing processes.

Products (Harmonized System, HS4)	Product complexity index
Equipment for soldering, brazing, or welding	1.20
Handicapped carriages, wheelchairs, including motorized	0.84
Electrical insulators of any material	0.81
Watch cases and parts thereof	0.81
Lamps and lighting fittings, illuminated signs, etc.	0.76
Other clock or watch parts	0.74
Clasps, buckles, eyes, etc. for clothing, footwear, bags	0.64
Aluminium foil of a thickness less than 0.2 mm	0.61
Monofilament (>1 mm), rods, etc., made of plastics	0.38
Mushroom, truffle, prepared or preserved, not vinegar	0.36

Source: Observatory of Economic Complexity⁸⁷.

There remains room for further improving the manufacturing sector's productive capacity. Moreover, except for watches and related parts, Armenia does not have a comparative advantage in these products. Available indicators show the country as enjoying a strong revealed comparative advantage in stone, plaster, cement and similar products, fabrics, clocks, watches and related parts, fur/skins and artificial fur, and iron and steel; all of which had a revealed comparative advantage (RCA) higher than one.⁸⁸

⁸⁷ Observatory of Economic Complexity (see <https://oec.world/en/profile/country/arm>).

⁸⁸ Ibid. The RCA indicates whether a country is specializing in products with trade potential. It is based on the idea that, if a country exports more than the global average of a specific product, then the country has a comparative advantage in that product. If the RCA is higher than 1, then the country is said to have a comparative advantage in producing a certain good.

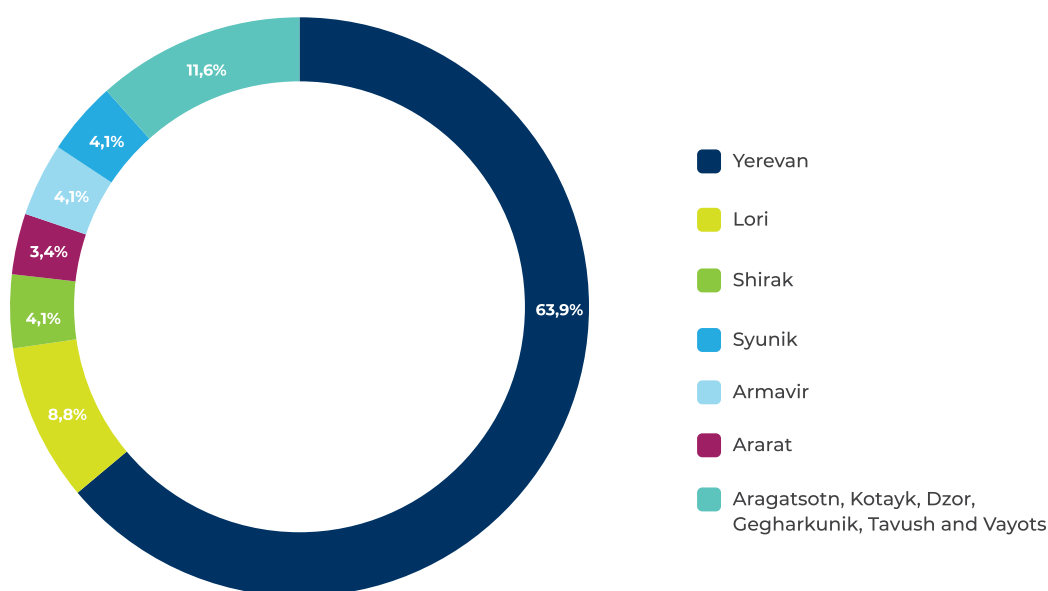
ANNEX 2 - BREAKDOWN OF THE FEMALE-OWNED MSMEs SURVEYED BY LOCATION, SIZE AND ECONOMIC ACTIVITY

The assessment draws on a survey of 155 MSMEs from across Armenia. This annex provides a breakdown of these enterprises by location, size, and economic activity.

A2.1 Location

Mirroring the countrywide spatial distribution of enterprises, the capital Yerevan was home to the largest segment of the enterprises surveyed. The region of Lori accounted for the second-largest share, followed by the regions of Central Armenia (Armavir, Ararat, Aragatson, Kotayk), Southern Armenia (Vayots Dzor and Syunik), and Northern Armenia (Tavush, Shirak). The smallest segment of the MSMEs surveyed was accounted for by the Lake Sevan region (Gegharkunik) (Figure A2.1).

Figure A2.1 - Female-owned MSMEs by location (percentage of respondents)



Source: UNECE Survey of Armenian female-owned MSMEs.

A2.2 Size

The female-owned enterprises surveyed were dominated by micro-enterprises (employing fewer than 10 persons) and small enterprises (employing between 10 and 49 persons). These accounted for 81 per cent and 16 per cent of the MSMEs surveyed, respectively, with medium enterprises (employing between 50 and 249 persons) accounting for the remaining 3 per cent.⁸⁹ Enterprises employing fewer than five persons constitute the largest segment (62 per cent).

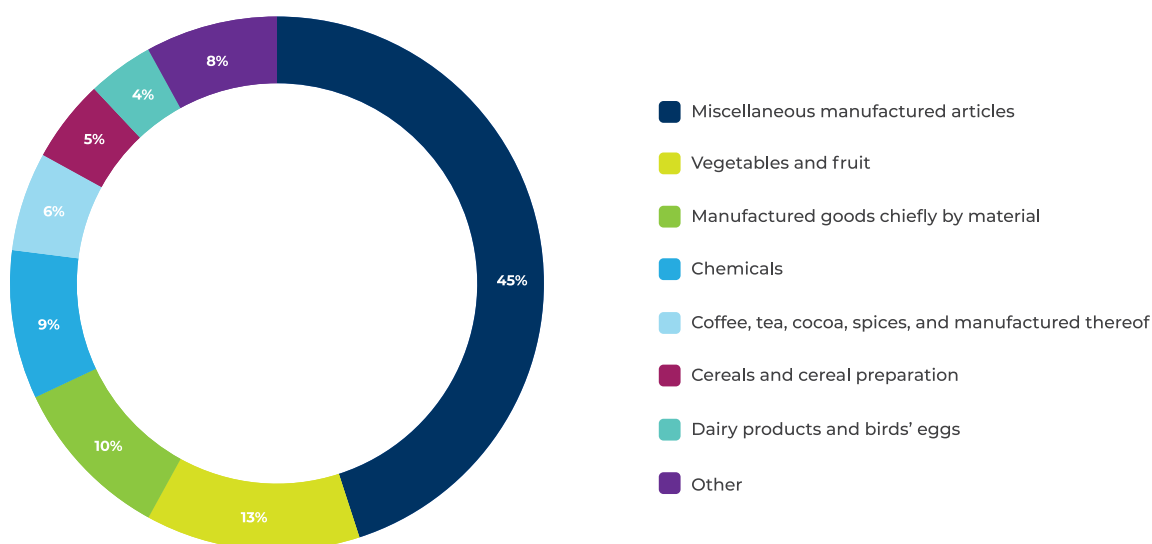
⁸⁹ The classification of MSMEs follows the EU Commission Recommendation 2003/361/EC "Concerning the Definition of Micro, Small and Medium-sized Enterprises".

A2.3 Economic activities

The majority of the MSMEs belonged to the manufacturing sector. These accounted for 91.5 per cent of the enterprises surveyed, followed by those involved in agriculture activities (4.5 per cent); international trade (2 per cent); domestic trade (1.35 per cent), with MSMEs engaged in construction accounting for the remaining balance (0.65 per cent).

As shown in Figure A2.2, most of the manufacturing MSMEs were engaged in the production of miscellaneous manufactured articles; vegetables and fruits; manufactured goods, chiefly materials; chemical products; coffee, tea, cocoa, spices, and manufactures thereof; and cereals and cereal preparation. To be more specific, the MSMEs manufactured 105 products, of which 82 per cent were final (Table A2.1).

Figure A2.2 - Breakdown of the female-owned manufacturing MSMEs by activity (percentage of responses)



Source: UNECE Survey of Armenian female-owned MSMEs.

Table A2

List of products manufactured by the female-owned MSMEs

Product	Final	Semi final	Product assembly	Packaging
Acrylic and silk threads	V			
Animal and vegetable oils	V			
Armenian confectionary	V			
Toys (handmade and souvenir items)	V			
Bath salts	V			
Beans	V			
Beeswax candles	V			
Canvas	V			
Ceramic picture frames	V			
Ceramic plates	V			
Chocolate			V	
Chocolate (vegan)	V			
Clay jewellery	V			
Clay plates and cups	V			
Clothes (women and children)	V			
Confectionary			V	
Copper jewellery (earrings, necklaces, brooches)	V			
Cotton threads	V			
Cushions	V			
Custom-made furniture for children	V			
Dates				V
Decorative ceramic and mosaics from natural stones, exclusively handmade, decorative ceramic mosaics, carpets	V			
Dental care material	V			
Dried apple			V	
Dried apricot			V	
Dried plum			V	
Dried fruits and nuts	V			
Dried herbs	V			
Dried peach (organic)	V			
Eco bags (made of wood and leather)	V			
Eco paints	V			
Embroidered bedding, tablecloths, towels, pillows, sleeping bags.	V			
Eyeglasses (frames)	V			

Table A2

List of products manufactured by the female-owned MSMEs

Product	Final	Semi final	Product assembly	Packaging
Fabrics (synthon, silk)	V			
Fresh bread	V			
Fresh vegetables	V			
Fruit-based chips			V	
Fruit juice			V	
Garlic (organic)	V			
Glass jewellery	V			
Gold jewellery (chains, rings, and other accessories)	V			
Healthy milk drinks	V			
Herbal tea	V			
Herbal tea		V		
Herbal tea			V	
Home decor (made of organic fabrics with embroidery)	V			
Homemade butter	V			
Honey	V			
Jam			V	
Kitchen towels, aprons, tablecloths, mulberries	V			
Knitted shoes for newborns	V			
Leather bags	V			
Leather belts	V			
Leather straps for watch		V		
Maize	V			
Meat		V		
Meat and dough products		V		
Metal threads	V			
Natural leather bags	V			
Natural soap	V			
Natural stones, macrame	V			
Nuts			V	
Organic fertilizers	V			
Organic skin care products (creams, face masks, anti-aging serums, cream-scrubs, natural scrubs)	V			
Paintings	V			
Paints	V			

Table A2

List of products manufactured by the female-owned MSMEs

Product	Final	Semi final	Product assembly	Packaging
Paper bags	V			
Paper games	V			
Paper threads		V		
Pastries	V			
Plant-based essential oils	V			
Plant-based hair-care products	V			
Play mats for children	V			
Roasted nuts (peanuts and almonds)	V			
Rugs	V			
Satin blankets	V			
Satin threads	V			
Shampoo	V			
Shoes	V			
Silk and chiffon threads	V			
Silver jewellery (rings, and other accessories)	V			
Silver jewellery	V			
Skin-care products	V			
Skin-care products			V	
Silver jewellery (earrings, necklaces, brooches)	V			
Spices			V	
Sportswear	V			
Sugar-free candies and biscuits	V			
Tablecloths	V			
Toys	V			
Toy parts			V	
Traditional clothes	V			
Uniforms	V			
Viscose fabrics	V			
Walnuts (organic)	V			
Wine	V			
Wood jewellery	V			
Wood works	V			
Wool threads	V			
Woollen threads	V			

Table A2

List of products manufactured by the female-owned MSMEs

Product	Final	Semi final	Product assembly	Packaging
Yarn			v	
Yogurt (probiotic yogurt containing Lactobacillus acidophilus and Bifidobacterium lactis)	v			
Organic honey			v	

Source: UNECE Survey of Armenian female-owned MSMEs.

ANNEX 3 - EXAMPLES OF BUSINESS OPPORTUNITIES SEIZED BY THE MSME OWNERS

Table A3.1	Examples of business opportunities seized by the MSME owners	
Sector	Business opportunities	Prior business experience
Textile, leather, and apparel	Owner wanted to reduce children's clothing costs by manufacturing double-sided items.	Owner did not have prior business experience.
	After participating in a project for supporting wool-processing enterprises, the owner decided to venture into manufacturing traditional Armenian carpets and rugs. She also considered her enterprise as a tool for promoting Armenian culture, noting that international markets are more familiar with traditional Turkish and Iranian carpets and rugs.	Owner had prior business experience (three years selling handmade rugs in Moscow).
	To occupy herself during the national lockdown, the owner decided to produce homemade bags and posted her products on social media platforms. The products were met with success. She received many orders, and is exploring avenues for increasing production.	Owner transformed her hobby into a business. She did not have prior business experience.
	As a child, the owner enjoyed knitting and dreamed of transforming her hobby into a business.	Owner did not have prior business experience.
	The owner, who started out as a clothing manufacturer, decided to process fabrics. She was quick to realise the difficulties in sourcing raw material from abroad at reasonable costs.	Owner had prior business experience in the fashion industry.
	The owner ventured into producing bags with Armenian ornaments to promote the Armenian culture.	Owner is an art expert. She did not have prior business experience.
Handicrafts	The owner, who left the work force after having her first child. Ventured into producing handmade toys to support her family.	Owner transformed her hobby into a business. She did not have prior business experience.
	To occupy herself during the national lockdown, the owner decided to produce homemade macrame bags and posted her products on social media platforms. The products were met with success. She received many orders and is exploring avenues for increasing production.	Owner used a lifelong skill to start a business. She did not have prior business experience.

Table A3.1

Examples of business opportunities seized by the MSME owners

Sector	Business opportunities	Prior business experience
Jewellery	To create own brand.	Owner was a painter by profession, and was trained by a family member, who is a silversmith. She also had previous business experience in the sector
	After moving back to Armenia, the owner took a jewellery design course and started her own business.	Owner did not have prior business experience.
Cosmetics	The owner launched natural beauty products after experimenting with several receipts to address her skin problems.	Owner did not have prior business experience.
	Owner ventured into producing natural soap after experimenting several receipts with the help of friends with relevant formal training (in chemistry).	Owner did not have prior business experience
Food	During her previous job as a teacher in the village school, the owner developed ecology curriculum. This motivated her to venture into the organic honey drinks. The owner implements CIS interstate standard GOST 32033-2012.	Owner, who had prior working experience in agriculture, did not have any business experience.
	After moving back to Armenia, the owner established a similar business in Armenia (manufacturing traditional pastries).	Owner had prior business experience in the sector.
	The owner started baking fresh bread at home during the lockdown period, and was encouraged by her family to explore selling domestically. Her efforts were met with success, and she is exploring avenues for increasing production.	Owner did not have prior business experience.
	The owner started producing apple chips using the surplus generated from her family's apple orchard. She established her own business after experimenting with several recipes, which she managed in addition to her job as a teacher. She left her job when her business made a profit.	Owner did not have prior business experience.

Source: UNECE Survey of Armenian female-owned MSMEs.

Table A3.2

The female-owned MSMEs surveyed producing green products

Sector	Business opportunities	Prior work experience
Crops	The owner had a dilapidated, unused greenhouse in her backyard, which she used to grow green crops. Following several unsuccessful attempts to obtain loans, she created a cooperative, which enabled her to apply for and obtain a grant.	The owner had 25 years of work experience in agriculture (11 years as a social worker, 11 years as a volunteer) but did not have prior business experience.
Fertilizers	The owner wanted to contribute to closing the environmental loop by producing organic fertilizers from recycled organic waste.	Owner has formal education in the field of biology and in organic agriculture.
Cloth bags	The owner wanted to promote the use of cloth bags, instead of plastic bags.	The owner did not have prior business experience.

Source: UNECE Survey of Armenian female-owned MSMEs.

ANNEX 4 - SURVEYED MSMEs' MEMBERSHIPS IN WOMEN'S ORGANIZATIONS AND BUSINESS ASSOCIATIONS

Table A4	Surveyed MSMEs' memberships in women's organizations and business associations
Name	Support services received
Armenian Young Women's Association	<p>Up-to-date information on new laws and policies with direct impact on business development, delivered through workshops and seminars</p> <p>Guidance and assistance to participate in industry exhibitions and trade fairs in Armenia and abroad</p> <p>Study tours</p> <p>Opportunities to discuss emerging needs and share experiences</p> <p>Opportunities to develop common proposals for submission to the Government</p> <p>Access to funds, including grants for supporting start-ups and existing businesses</p> <p>Exposure to international best practices and experiences through participation in international events (meetings and seminars)</p> <p>Advisory services and coaching</p> <p>Participation in national exhibitions and international trade fairs</p>
Fashion and Design Chamber of Armenia	<p>Training courses on clean production methods</p> <p>Participation in national exhibitions and international trade fairs</p> <p>Networking meetings with potential international buyers</p>
Organic Armenia Agricultural Association	<p>Training courses on clean production methods</p> <p>Advisory services and coaching</p>
Republican Union of Employers of Armenia	<p>Opportunities to develop common proposals for submission to the Government</p>
SME Cooperation Association	<p>Opportunities to discuss emerging needs and share experiences</p>
The Association of Social Enterprises of Armenia	<p>Opportunities to discuss emerging needs and avenues for contributing to the improvement of local communities</p>
Armenian Women for Health and Safety Environment	<p>Training courses on environmental preservation</p> <p>Study tours</p>
"Winnet Armenia" Network of Women's Resource Centres	<p>Training courses on clean production methods</p> <p>Access to funds</p> <p>Advisory services and coaching</p>
Medicine Producers and Importers Union of Armenia (MPI Union)	<p>Opportunities to develop common proposals for submission to the Government</p>

Name	Support services received
Union of Manufacturers and Businessmen of Armenia	Identifying cheaper, high-quality international suppliers
Mantashov Entrepreneurs Union	Opportunities to discuss emerging needs and share experiences
Impact Hub Yerevan	Training courses on clean production methods
Green Lane Agricultural Assistance	Training courses on clean production methods
Agricultural Co-operative Bank of Armenia (ACBA) Federation	Loans
Vine and Wine Foundation of Armenia	Participation in national exhibitions and international trade fairs
Local Farmers' Cooperative	Opportunities to discuss emerging needs and undertake joint action for addressing pressing challenges
Young Professionals for Agricultural Development (YPARD)	Training workshops on clean production methods

Source: UNECE Survey of Armenian female-owned MSMEs.

ANNEX 5 - NATIONAL LOCKDOWN AND HEALTH-PROTECTION MEASURES

Table A5	National lockdown and health-protection measures
Focus	Measure
<p>Travel restrictions</p> <p>16.03.2020–12.09.2020</p>	<p>Entry restrictions on travellers arriving from highly affected countries⁹⁰</p> <p>Armenian citizens and their family members;</p> <p>Foreign nationals with residency permits in Armenia;</p> <p>Representatives of diplomatic missions, consular establishments, international organizations and their family members;</p> <p>Other special cases that may be envisaged by the Commandant based on the epidemiological situation in a specific country (region).</p> <p>Foreign nationals arriving from highly affected countries are denied entry. The list of countries, which is constantly revised, included Australia, Canada, China, Georgia, Iran, Israel, Japan, the Russian Federation, South Korea, Turkey, the United Kingdom, the United States, all EU countries, Iceland, Liechtenstein, Norway, and Switzerland.</p> <p>Easing of travel restrictions⁹¹</p> <p>14 days self-isolation for travellers arriving from highly affected countries.</p> <p>Exceptions to this rule may be applied to travellers who has taken a polymerase chain reaction test for the coronavirus disease (COVID-19) during the period of self-isolation.</p> <p>Self-isolated individuals can only be allowed entry after registering the negative test results in the national database.</p>
<p>Limitations on public gatherings</p> <p>16.03.2020</p>	<p>Bans of public gatherings of more than 20 persons⁹²</p> <p>The measures heavily restricted any public gatherings including protests, religious events, concerts, weddings and funerals.</p>
<p>School closures</p> <p>16.03.2020–11.09.2020</p>	<p>Closure of schools and the transition to distance-learning programmes⁹³</p> <p>As of 11.09.2020, schools were allowed to re-open following Government-mandated guidelines developed by the Health Ministry's Expert Anti-Epidemic Consulting Group for the Fight Against COVID-19 and based on protocols set by the World Health Organization for schools.</p>
<p>Closure of non-essential businesses</p> <p>16.03.2020–18.05.2020</p>	<p>Closure of non-essential businesses⁹⁴</p> <p>Public transport, retail businesses (i.e., hair salons, clothing stores, etc.), gyms, cultural institutions, large retail shops (i.e., malls) and restaurants.</p>
<p>Mandatory face masks and social distancing</p> <p>16.03.2020 -14.08.2020</p>	<p>Face masks and social distancing⁹⁵</p> <p>Face masks are not mandatory in open areas unless activities involve organized group tours. Otherwise, face masks are mandatory. Failure to comply means potential fines of AMD 10,000. Children under the age of 6, as well as individuals exercising or riding bikes, are exempted from this requirement, as are individuals with certain health conditions.</p>

⁹⁰ Government Decision No. 298-N as of 16.3.2020 in effect until 12.09.2020 (www.gov.am/en/covid-travel-restrictions/)

⁹¹ Government Decision No. 298-N as of 13 June 2020 (www.worldaware.com/covid-19-alert-armenia-extends-state-emergency-until-june-13-easing-some-restrictions-may-18)

⁹² Government Decision No. 298-N as of 16.03.2020 until 11.01.2021 (<https://eurasianet.org/armenia-institutes-covid-19-state-of-emergency>) and (<https://www.rferl.org/a/30834006.html>)

⁹³ Government Decision No. 298-N as of 16.3.2020 until 11.09.2020 (<https://oc-media.org/as-covid-19-numbers-stabilise-armenia-goes-back-to-school/>)

⁹⁴ Government Decision No. 298-N as of 16.03.2020 (www.worldaware.com/covid-19-alert-armenia-extends-state-emergency-until-june-13-easing-some-restrictions-may-18)

⁹⁵ Government Decision No. 298-N as of 16.03.2020 (<https://armenpress.am/eng/news/1025002.html>)

ANNEX 6 - ARMENIA'S NATIONAL SME DEVELOPMENT STRATEGY 2020-2024

Table A6	Armenia's National SME Development Strategy 2020-2024	
Priority action	Actions	Brief description
<p>Priority action 1: Improve the SMEs' access to finance</p>	<p>1.1 Expand and increase the efficiency of Government financing support programmes for SMEs</p>	<p>Expand the capital base, financed through the state budget and the donor funded projects, and expand the mechanisms for supporting these programmes. This includes developing risk-sharing schemes and developing, implementing and maintaining a platform for disseminating information on these programmes.</p>
	<p>1.2 Develop the legislative and institutional framework for enabling SMEs to secure business loans against real estate</p>	<p>Develop a reforms agenda for enabling SMEs to use real estate as collateral for business loans.</p>
	<p>1.3 Develop the financial literacy of businesses</p>	<p>Organize awareness-raising campaigns and training to build the expertise skills of businesses</p>
	<p>1.4 Create a conducive environment for diversifying financial services</p>	<p>Promote the launching of new financial services such as investment/venture capital funds and ensuring a robust legal framework.</p>
	<p>1.5 Reform the bankruptcy system</p>	<p>Develop the required legislative and institutional framework for safeguarding borrowers' rights and facilitating a quick rehabilitation and recovery of businesses.</p>
<p>Priority action 2: Develop the SMEs' entrepreneurial and innovative capacity</p>	<p>2.1 Develop new instruments for supporting investments in innovative activities</p>	<p>Improve existing targeted initiative and develop new ones to support innovation and productivity development, and establish innovation centres.</p>
	<p>2.2 Establish collaborative mechanisms between the public sector and business support organizations aimed at developing SMEs' capacity</p>	<p>Develop consultative and mentoring platforms, which engages experts in Armenia and Diaspora for the purpose of helping SMEs.</p>
	<p>2.3 Develop the SMEs' entrepreneurial skills and the skills of their workforce</p>	<p>Develop educational programs that address the emerging needs of SMEs' and enable them to engage in innovative activities</p>
	<p>2.4 Develop the SMEs IT skills</p>	<p>Develop training and capacity-building programmes to support the SMEs' digital transformation.</p>
	<p>2.5 Develop Armenia's entrepreneurial culture and implement targeted educational programmes for women, youth and repatriates to increase the share of female-owned start-ups</p>	<p>Integrate entrepreneurship into education across the curriculum in vocational training centres and universities, and establish collaborative mechanisms between universities and business incubators.</p>
	<p>2.6 Increase visibility of social entrepreneurship</p>	<p>Develop campaigns to raise awareness on social responsibility and promote success stories.</p>

Priority action	Actions	Brief description
Priority action 3: Provision of SMEs subjects to market access	3.1 Ensure continuous support to SMEs in accessing new markets	Improve access to information on trade regulations
	3.2 Increase of visibility of SMEs in international markets, with the aim of promoting investment	Develop an action plan
	3.3. Help SMEs identify international buyers	Develop an action plan for discussion with the private sector
	3.4 Develop the SMEs' logistics capabilities	Develop tools which will support the SMEs in logistics/storage and other services centre establishment.
	3.5 Develop a conducive environment for e-commerce	Assess gaps in existing payment systems and the air shipping industry and develop, if needed, a reform agenda for promoting e-commerce.
	3.6 Promote SMEs' participation in public procurement	Improve the SMEs' access to information on public procurement opportunities and eliminate obstacles to their participation in such opportunities. In addition, explore the possibility of Armenian enterprises' participation in EAEU public procurement.
	3.7 Promote the SMEs' integration into the value chains of large enterprises	Help SMEs identify opportunities for integration into the value chains of large companies, and integrate themselves into these value chains.
Priority action 4: Provide a conducive institutional and legal environment for SMEs development	4.1 Sustain and expand mechanisms for supporting public-private sector dialogue	Develop mechanisms for supporting public/private sector dialogue, including a new work schedule for the SME board and online platforms, for the purpose of developing solutions.
	4.2 Develop State support structures and increase the efficiency and transparency of their services, through corporate management and reporting mechanisms	Strengthen State agencies supporting SMEs as to ensure appropriate support to the start-ups, entrepreneurs and SME skills development.
	4.3 Develop the national statistical system	Implement periodic surveys to identify current challenges facing SMEs, and improve the official statistics, operative information gathering mechanisms.
	4.4 Coordinate the work with donors implementing projects in support of the SME sector	Collaborate with the international community in developing an efficient resource-mobilization process.

Note: the table summarizes the main actions identified in Government Decision No. 1443-L of 3 September 2020 on "Approving the SME development strategy for 2020–2024, and Action Plan for 2020–2022".

ANNEX 7 - PROPOSED MEASURES FOR STRONGER AND MORE RESILIENT ARMENIAN MSMEs

Table A7		Proposed measures for stronger and more resilient Armenian MSMEs	
Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Emergency Measures			
Financial support	MSMEs are experiencing shortages in working capital	<p>Explore avenues with development partners to upscale donor-funded emergency credit schemes and to publish detailed information on application procedures.</p> <p>Expand the scope of existing support schemes to allow for subsidizing shipping costs, and publish detailed information on application procedures.</p>	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Transparency in trade	MSMEs have to piece together information on applicable trade rules and administrative procedures from different information sources	<p>The Customs Service could consider establishing an online trade-information centre that provides up-to-date information on applicable trade rules and administrative procedures; user-friendly explanatory brochures on the new/ revised legislation and their implication for enterprises; and up-to-date information on regulatory requirements in main export countries.</p> <p>The Customs Service could consider establishing a real-time notification system (via email or short message service, SMS) for keeping registered enterprises and forwarders up to date on changes in applicable rules and administrative procedures.</p> <p>Forwarders were of the view that more can be done to improve public/private-sector consultations. They suggested regular consultative meetings with the Customs Service to discuss planned reforms and to take stock of emerging needs and challenges to ensuring compliance with existing regulatory requirements.</p>	<p>SDG 16.10: Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements</p> <p>SDG 17.14: Enhance policy coherence for sustainable development</p>

Table A7

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Emergency Measures			
At border control	Customs clearance is delayed by an over-reliance on physical inspection	<p>Conduct a thorough review of the risk parameters and profiles in the Customs Service integrated information system, with a view to increasing the percentage of cargo assigned to the green channel.</p> <p>Develop support services to enable MSMEs to achieve compliance with the Authorized Economic Operator (AEO) eligibility criteria. Such services could comprise, among others: (a) training programmes (and guidelines) for enabling enterprises to conduct self-assessment and self-policing; and (b) financial assistance to encourage MSMEs to invest in improving their supply chain management skills.</p> <p>Support the Customs Service's efforts to establish testing laboratories.</p> <p>Support the Customs Service's organizational reforms, including restructuring and human resource development, to improve overall efficiency and assume a lead role in the country's transition to a paperless trading environment.</p> <p><i>In the medium term, Armenia needs to develop its risk management system (see below).</i></p>	SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda
Regional cooperation and transit trade	MSMEs are finding it difficult to achieve compliance with Georgia's regulatory requirements	<p>Further develop cooperation arrangements with Georgia to include online exchange of customs information using electronic data interchange (EDI).</p> <p><i>In the medium term, Armenia needs to step up efforts to attain international recognition of its conformity assessment certificates (see below).</i></p>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
	Outbound cargo destined to/transiting through Russian Federation is delayed by congestions at the Russian side of the Dariali-Verkhny Lars BCP	The Customs Service needs to publish detailed information on the EAEU customs transit procedure.	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries

Table A7

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Emergency Measures			
Regional cooperation and transit trade	Exporting via Belarus is complicated by the requirement to submit an EAEU-compliant e-customs declaration	Customs Service needs to be supported in its efforts to achieve compliance with the EAEU revised data structures pertaining to customs and transit declarations and their integral parts; and integrate its information system with the systems of the EAEU member countries.	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
Growth enabling coping strategies	MSMEs' engagement in e-commerce is complicated by the slow processing of e-payments	Further develop Armenia's inter-bank e-payment clearing system.	SDG 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium enterprises, including through access to financial services
Structural Measures			
Trade documents	Trade documents issuance is slowed by the continued reliance on paper-based procedures	Scale up efforts for establishing the national single-window facility through the integration of State agencies involved in issuing trade documents into the single window system. An important step in this direction would be to conduct a detailed business process analysis of the ICT systems of these agencies and administrative procedures underpinning the issuance of trade documents using the UNECE-United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) business process analysis methodology.⁹⁶ This will help the agencies to streamline administrative procedures and detect instances of repetitive submissions of data elements. Consolidate the legal basis for operating the Single Window following UN/CEFACT Recommendation 35.⁹⁷	SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda. SDG 17.8: Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least-developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology

⁹⁶ See <http://tfig.unece.org/contents/business-process-analysis.htm>.

⁹⁷ See www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E_Rec35.pdf.

Table A7

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Structural Measures			
At border control	Customs clearance is delayed by an over-reliance on physical inspection	<p>Refine the risk parameters and profiles registered in the Customs Service central risk-management system to ensure sustained increase in the percentage of cargo assigned to the green channel. This exercise needs to be supported by developing local risk profiles (i.e., for individual customs points) to take into account the specific risk factors proper to each locality. In so doing, the Customs Service is encouraged to use innovative approaches and smart artificial intelligence tools for undertaking risk identification; risk evaluation (i.e., whether the identified risks are acceptable); the preparation of risk indicators; and the creation of risk profiles taking into consideration Decree No. 23/18 of the EAEU Joint Board of Customs Service on the “List of Factors and Signs Used for Management of Local Risks”.⁹⁸ The local risk profiles, as well as the results of their application, could be used for progressively adjusting the central risk management system.</p> <p>Consider increasing reliance on post-clearance audit, especially for enterprises with a good track record. This will reduce reliance on transaction-based control, while allowing for a considered examination of the MSMEs’ commercial records, management systems and business processes. Such an examination is useful for the enterprises (allowing them to improve on their business processes and supply chain management skills) and the Customs Service (for adjusting risk profiles).</p>	SDG 17.8: Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology
Transport development	The road network is under-developed	<p>Consider joining the following UNECE protocols and conventions on road traffic and road safety:</p> <ul style="list-style-type: none"> - Convention on Road Traffic - Protocol on Road Markings - European Agreement supplementing the Convention on Road Signs and Signals 	<p>SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities</p> <p>SDG 3.6: By 2020, halve the number of global deaths and injuries from road traffic accidents</p>

⁹⁸ The list, which was approved on 22 June 2017, stipulates that individual customs control points should continue to use local risk profiles and take steps, to the extent possible, to implement automated systems for establishing local profiles.

Table A7

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Structural Measures			
Transport development	The railway network is under-developed	Establish a new rail linkage for connecting the Zvartnots International Airport Gateway Hub to with the National Transport System	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities
	The development of the air cargo industry is complicated by the limited cargo handling capacity at main airports	Conduct a feasibility study to assess the demand, risks, and optimal approaches for expanding the Zvartnots International Airport and Shirak Airport cargo terminals.	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities.
		Consider the establishment of a national shippers' council to help enterprises, freight forwarders and transport operators obtain favourable terms through cooperation arrangements with, among others, the European Shippers' Council and Global Shippers Alliance.	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Table A7

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Structural Measures			
Conformity assessment and metrology	MSMEs obtain conformity certificates with significant delays and the certificates are not recognized internationally	<p>Accord priority to supporting Armenia's National Accreditation Body (ARMNAB) in its efforts to join the International Accreditation Forum (IAF) Multilateral Recognition Arrangement, the International Laboratory Accreditation Cooperation (ILAC) mutual recognition agreement (MRA) and European Accreditation (EA) Multilateral Recognition Arrangement.</p> <p>Strengthen the National Metrology system:⁹⁹</p> <ul style="list-style-type: none"> - Reinforce the National Institute of Metrology with expertise and skills. - Obtain membership in the International Organization of Legal Metrology. - Obtain membership in the OIML for regular updating of legal metrology, and effective implementation of international best practice in the field of legal metrology. - Accede to the Agreement on Mutual Recognition of Measurement Standards CIPM/MRA. - Upscale participation in comparisons of national measurement standards within the context of the Euro-Asian Cooperation of National Metrological Institutions (COOMET) programmes. • Develop legal metrology: <ul style="list-style-type: none"> - Consolidating the legal requirements for measurement instruments in all areas (industries, health and safety, environmental protection, etc.). - International metrological harmonization -Supervision of regulated products and activities. - Traceability of regulated measurements and measuring instruments. 	SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value-added and labour-intensive sectors.

⁹⁹ See https://metrology.am/page_files/documents/1350-L.pdf.

Table A7

Proposed measures for stronger and more resilient Armenian MSMEs

Area	Challenges	Recommendations	Contribution to Sustainable development goals (SDGs)
Structural Measures			
Enterprise support	MSMEs are ill-equipped to meet regulatory requirements in destination countries	Develop training programmes on international standards implementation to enable MSMEs to benefit from trade reforms.	<p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors.</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	MSMEs are experiencing difficulties in finding new international buyers and suppliers	<p>Establish sector-specific market intelligence services to help enterprises identify export opportunities and efficient supply sources.</p> <p>Equip existing enterprise-support organizations with training facilities, which can offer practical support in the areas of marketing, strategic planning, and choices of appropriate embodied technologies for scaling-up productivity.</p> <p>Consider the development of an online help desk to facilitate the integration of Armenian enterprises into regional and global supply chains. The help desk should focus on further developing existing networking efforts by collaborating with regional and global networking initiatives such as the Global Entrepreneurship Network and Enterprise Europe Network.</p>	<p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.</p>

Source: UNECE (2020) "The impact of COVID-19 on trade and structural transformation in Armenia: Evidence from UNECE's survey of micro, small and medium enterprises".

Impact of COVID-19 on structural transformation in the Republic of Armenia

The disruptive impact of the corona virus disease (COVID-19) on all aspects of everyday life poses unprecedented challenges for all countries. Governments have seen their priorities shift towards upscaling public health preparedness to contain the spread of the highly infectious disease and, later, to mitigate the effects of those measures on the economy and on vulnerable segments of the population. The challenges are further complicated by supply chain disruptions that have left enterprises struggling to survive. Pay cuts and furloughs have become the norm, and some of the steepest drops in output of the past century indicate that an economic crisis is compounding this public health emergency.

This review traces how non-tariff measures (NTMs) governing trade in goods influence end-to-end supply chains in Republic of Armenia and highlights the lingering effects of the pandemic. Undertaken in the context of UNECE's Studies on Regulatory and Procedural Barriers to Trade under the Steering Committee on Trade Capacity and Standards, the assessment uses UNECE's evaluation methodology for designing targeted interventions for rebuilding stronger and more resilient post-COVID-19 economies.

UNECE supports closer economic relations among its 56 member States in the pursuit of the UN Sustainable Development Goals (SDGs) and the 2030 Agenda. Its Trade and Economic Cooperation and Integration programmes assist member States in better integrating their economies into the world economy and in promoting enabling and promoting a better policy, financial and regulatory environment conducive to inclusive economic growth, innovative and sustainable development and higher competitiveness in the UNECE region.

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