



**MARKET ANALYSIS AND NEEDS ASSESSMENT
ON THE PROVISION OF BUSINESS AND LEGAL
SERVICES AMONG NEWLY NATURALIZED PERSONS,
ASYLUM SEEKERS, AND REFUGEES
IN ARMENIA**

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Disclaimer

This market analysis and needs assessment (hereinafter referred to as “study” “report” or “needs assessment”) was carried out by Elen Manukyan and commissioned by the Armenian Representative Office of the American Bar Association Rule of Law Initiative (ABA ROLI). The statements and analysis expressed are solely those of the authors, and have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and do not represent the position or policy of the American Bar Association. In the preparation of the report, key actor institutions and organizations were researched. During the study, target groups were interviewed and consulted concerning relevant areas. The author neither expresses an opinion nor makes any form of assurance regarding the interviewees’ opinion, data, accuracy, or logic. The information provided in this report is valid as of October 2016, but new information may now be available or the situations noted may have changed. This study was made possible by the support of the United States Department of State Bureau of Population, Refugees and Migration.

TABLE OF CONTENTS

I.	EXECUTIVE SUMMARY	1
II.	INTRODUCTION.....	1
	<i>a. Needs Assessment Respondent Profile.....</i>	<i>2</i>
	<i>b. Needs Assessment Findings</i>	<i>3</i>
III.	METHODOLOGY	3
IV.	CONCLUSIONS AND RECOMMENDATIONS	4
	<i>a. Gender-specific needs.....</i>	<i>4</i>
	<i>b. Recommendations</i>	<i>5</i>

I. EXECUTIVE SUMMARY

This Market Analysis and Needs Assessment on the Provision of Business and Legal Services Among Newly Naturalized Persons, Asylum Seekers, and Refugees was conducted to inform and enrich the trainings and legal services provided to newly naturalized persons, asylum seekers, and refugees (hereinafter referred to as respondents or program beneficiaries) during ABA ROLI's Legal Assistance Program for Displaced and Conflict-Affected Persons in Armenia ("Legal Assistance Program"), which began on September 1, 2016 with funding from the United States Department of State Bureau of Population, Refugees, and Migration ("PRM"). ABA ROLI's Legal Assistance Program uses an integrated approach to provide protection, assistance, and sustainable solutions for program beneficiaries in the Republic of Armenia ("RA") and to enable them to play a greater role in promoting economic development. This study reviewed the key industries in which program beneficiaries were seeking to form small businesses; the attractiveness, dynamics and sustainability of these industries in the Armenian context; the profitability of these industries; and the level of competition as well as the strengths, weaknesses and challenges of operating in such industries in Armenia.

II. INTRODUCTION

Refugees and displaced persons have been a part of the Armenian fabric since before its independence in 1991, when approximately 360,000 persons of Armenian descent were displaced from Azerbaijan.¹ Armenia has also seen refugees and displaced persons from Iraq, Ukraine and Iran, from some African countries, and displaced persons from Nagorno-Karabakh following the escalation of the Armenia-Azerbaijan conflict over that disputed territory in April 2016.

Armenia has also received and continues to receive a significant number of persons displaced due to the conflict in Syria.² Starting in 2011, the civil war in their home country forced many Syrians to flee the life-threatening eruption of violence by migrating to Armenia. Of the approximately 20,000 persons displaced from Syria to Armenia,³ some have returned or moved on to third countries, leaving some 17,000 in the country.⁴ Some of the latter still hope to be able to move to a third country. The majority of these refugees have ethnic ties to Armenia but nevertheless face enormous challenges to integrate in their new domicile economically. Most of these persons are in Armenia for the first time in their lives and due to cultural, language, and business differences face a host of challenges. Local integration by virtue of establishing livelihoods is an essential step to a durable solution for most.

Finding a job in Armenia that provides a decent living income is difficult for program beneficiaries. The Armenian labor market is rather limited and there is often a shortage of employment opportunities for highly qualified professionals in the country. Starting a business is,

¹ UNHCR Fact Sheet: http://www.un.am/up/library/UNHCRArmeniaFactSheetDec2015_Eng.pdf

² UN website: <http://www.unhcr.org>

³ Armenpress, "Hranush Hakobyan: The state needs Diaspora assistance for integration of Syrian-Armenians", 24 February 2016, <https://armenpress.am/eng/news/837125/hranush-hakobyan-the-state-needs-diaspora-assistance-for-integration-of-syrian-armenians.html>.

⁴ Armenian Ministry of Diaspora

therefore, often perceived as the best option to earn a living, but banks and credit organizations consider refugees a high-risk group and are reluctant to provide credit to them. Loans without collateral are particularly non-accessible for Syrian-Armenians, who usually neither possess bankable securities nor are able to find local guarantors owning acceptable collateral.

Persons displaced from Syria frequently bring with them vocational skills, business culture, and often entrepreneurial experience, but refugee businesses suffer from Armenia's totally different business environment, limited exposure to the global market, the difficulties of starting a new business, and the complexity of the Armenian legal framework.

In line with the goal of ABA ROLI's Legal Assistance Program to provide protection, assistance and sustainable solutions for refugees, newly naturalized citizens, and asylum seekers in Armenia, the market analysis and needs assessment involved two components: analyze the existing situation (market analysis) and survey program beneficiaries (needs assessment) pursuant to the below areas:

- the capacity of program beneficiaries to navigate the business environment in Armenia;
- the key industries in which program beneficiaries are seeking to form small businesses;
- the attractiveness, dynamics and sustainability of these industries in the Armenian context;
- the strengths, weaknesses and challenges of operating in such industries in Armenia;
- program beneficiaries' business acumen and knowledge;
- program beneficiaries' familiarity with their legal rights and obligations;
- program beneficiaries' ability to overcome challenges in the business environment;
- program beneficiaries' ability to access markets;
- the sufficiency of training, consultation and advice, and informational support being provided to program beneficiaries.

Altogether, the study was designed to inform and enrich the trainings and legal services provided in ABA ROLI's Legal Assistance Program as well as identify additional interventions needed to help program beneficiaries establish sustainable livelihoods in their new country of Armenia.

a. Needs Assessment Respondent Profile

The overall number of respondents reached was 234. The surveyed population included urban and rural communities, with 211 respondents from Yerevan (90%; urban), 18 from the Kotayk region (8%; rural), and 5 from the Lori region (2%; rural). Of the respondents, 100 (43%) were male and 134 (57%) were female. In addition, 29% of respondents were aged 18-29, 44% were between the ages of 30-49, and 27% were 50 years old and older. In terms of respondents' education level, 26% of respondents had a university education, 36% had a secondary vocational education, and 38% had a secondary school background. Sixty-five per cent of respondents were unemployed, 22% were self-employed/entrepreneurs, and 13% were employed. The largest sector for employment among the respondents was the service industry (56% of responses), followed by trade (25%) and production (19%). For the 13% of employed persons, the majority of their employers' enterprises (67.0%) had operated for more than one year.

b. Needs Assessment Findings

The overall needs assessment survey, consisting of 22 semi-open questions, assessed the main obstacles to running a business, issues hindering enterprise activity, the most important business and legal services needed, the business service directions that are most important for enterprises, the barriers to obtaining needed legal services, and preferences regarding the provision of legal and other relevant services. The majority of respondents reported high taxes and social payments as the main obstacle to starting or running a business. The next most reported obstacles were: credit acquisition problems; tax administration and report submission difficulties; lack or unavailability of required knowledge; and supply/raw material acquisition problems.

Among the most important business services frequently mentioned by respondents were: marketing (advertisements, support in identifying and participating in relevant exhibitions, creation of business contacts and so on), financial management, accounting, consultations on finance and tax issues, enterprise development/business planning, and exports. Among the most important and wanted legal services were support for respondents' issues related to health care and education, liability for credit acquisitions, credit payments and contracts, the purchase, sale, or rent of real estate, and state allowances and pensions.

A separate questionnaire targeted focus groups for vulnerable populations, specifically women and children, to focus on specific issues that may affect them disproportionately, such as employment discrimination, sexual and gender-based violence, and the broader spectrum of domestic violence manifestations (economic abuse, isolation, etc.). The majority of respondents (97%) stressed that they have never been subjected to physical, sexual, psychological or economic abuse, while the rest (3%) refused to answer. When asked who they would turn to in such a situation, 45% of respondents said the police, 25% said lawyers, another 15% said relatives or neighbors, and the rest said they would consult a psychologist or try to resolve the issue by themselves. When asked whether they had ever sought help concerning gender-based violence, 99% of respondents answered no. The 1% of respondents who did seek such help mentioned that the support they received was not sufficient.

III. METHODOLOGY

Since no gender-profiling statistics were available, respondents were selected using a combination of stratified and judgmental sampling methods. The selection was based on the data and databases available at different partner organizations. Since most of the target population resides in Yerevan, most of the respondents were surveyed in Yerevan during in-person or telephone interviews. All interviews were conducted by a group of Syrian-Armenians who were trained on the questionnaire and methods for conducting the interviews. After the survey was finished, the completed data were submitted to the Consultant for processing and analysis.

The survey process was carried out between September– October 2016 in three stages: data collection, data processing, and data analysis. Data entry and tabulation was carried out by ABA ROLI staff using MS Excel. The statistical analysis was performed by SPSS Statistics software and complemented with the market analysis.

IV. CONCLUSIONS AND RECOMMENDATIONS

The study found a number of key economic challenges facing program beneficiaries:

- inability to afford business start-up costs,
- lack of credit access,
- lack of credit with reasonable and affordable interest rates,
- little to no income;
- absence of or poor business skills and knowledge,
- limited available decent employment opportunities.

Although program beneficiaries have access to the Armenian labor market, they are in a more vulnerable position than native Armenians. This is due primarily to not speaking Eastern Armenian (many Syrian program beneficiaries speak Western Armenian) and lacking established social networks through which to navigate employment opportunities. Program beneficiaries who are not ethnically Armenian face particular difficulties integrating socially and identifying decent employment. In addition, banks and credit organizations are very reluctant to open bank accounts for refugees or asylum seekers, with newly naturalized citizens having a slight advantage in this regard.

The small and medium enterprise sector is the cornerstone of the Armenian economy, however, like the Armenian economy as a whole, it is facing a number of challenges, such as: poor access to finance; inadequate legal and regulatory framework; limited knowledge base / business skills; and limited access to markets (local and international).

These challenges bespeak a number of opportunities for improvement and growth in the Armenian economy, namely:

- inability to afford business start-up costs → assistance for business start-up costs;
- lack of credit access → provision of credit access;
- lack of credit with reasonable and affordable interest rates → provision of reasonable and affordable credit;
- little to no income → welfare funding to help program beneficiaries meet daily needs while establishing a more permanent livelihood;
- absence of or poor business skills and knowledge → provision of business skills and knowledge;
- limited available decent employment opportunities → creation of decent employment opportunities geared towards program beneficiaries.

Respondents' most articulated needs were for marketing services, financial accounting services, legal advice, and tax advice.

a. Gender-specific needs

The study found that, like men, women respondents value diverse forms of assistance, spanning classroom trainings, group discussions, and individual consultations. Comparing women's and

men's responses to the surveys, the main conclusion is that women's needs for business services do not significantly differ from men's needs, and that the relatively depressed Armenian economy, with its low market share and purchasing power, affects women and men program beneficiaries equally. While gender-specific needs were not the primary focus of this survey, further information on this issue can be found in UN and other reports.⁵

b. Recommendations

- **All-inclusive aid should be given to business start-ups.**

Given the host of challenges impeding program beneficiaries' ability to contribute to the Armenian economy, robust assistance is needed for business start-up costs, identifying affordable credit, welfare or subsistence funding, and the development of business knowledge and skills.

- **More effective awareness-raising should be provided to program beneficiaries on Armenian law and administrative procedures around taxation, customs, and business activities.**

Given the frequent changes in Armenian legislation as well as administrative procedures around taxation, customs, and business activities, there is a need to develop and implement an effective method for informing the public at large more generally, and current and prospective business persons more specifically. All such information must be easily accessible, in different languages, and combined with the free and user-friendly provision of necessary consultations by tax and legal experts.

- **Tax, accounting, finance, and marketing services should be provided, as well as assistance with networking and identifying business partners.** Many respondents emphasized the importance of such services.

- **Individual business consultation and mentorship should be provided to program beneficiary entrepreneurs.**

Given that program beneficiaries are not familiar with Armenia's business environment and business practices, it is important to implement programs which incorporate individual guidance and mentorship around introducing them to the business environment and business practices in Armenia.

- **Provide program beneficiaries with long-term, consistent access to legal support and trainings.**

Legal support inclusive of legal trainings and legal consultations should be continuously provided free of charge to program beneficiaries, spanning short- to long-term representation in court or other state bodies. Through long-term programming, program beneficiaries will be best-equipped to protect their rights, improve their awareness and understanding of the Armenian business context, and pursue long-term businesses. The availability of any services for program beneficiaries – whether provided by NGOs or government ministries – should be widely publicized.

⁵See, e.g., ICHD, "Women displaced from Syria seeking safe haven in Armenia", December 2013, <http://ichd.org/?laid=1&com=module&module=static&id=945>; Asian Development Bank, "Armenia: Women's Entrepreneurship Support Sector Development Program," December 2014, <https://www.adb.org/sites/default/files/project-document/151786/45230-001-tacr-04.pdf>.

- **Ensure program beneficiaries know about and are able to access health and education services.**

It is essential to teach program beneficiaries about the healthcare and educational systems in Armenia and help them exercise their rights to such services, as well as to other government benefits including welfare and pension benefits, among others.

- **Provide language courses in Eastern Armenian, Russian, and English to program beneficiaries.** Language trainings (Eastern Armenian, Russian and English) should be provided through customized course offerings and course schedules crafted to ensure maximum attendance by students and adults. Language fluency and communication skills are a major lever in the process of economic integration.