



# Doing business with the EU: an assessment of Eastern Partnership SMEs





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# Introduction

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East Invest is an initiative of the European Union and coordinated by EUROCHAMBRES, which aims at promoting investment and economic cooperation between the EU and Eastern Partnership (EaP) countries. The programme offers concrete cooperation tools for the business communities from both sides, in a context of ongoing negotiations for EU Trade and Association Agreements. A strong focus is put on strengthening business representative organisations in the six EaP countries, and offer direct support to SMEs to develop business with the EU.

85 business organisations – Chambers of Commerce and Industry, Industry Federations, SME Agencies, etc. – take part in the programme, creating the East Alliance. Together, they wish to offer better support services to companies, but also make an impact on the conditions for doing business.

In this context, a survey has been organised among 200 SMEs from the six EaP countries, who took part in a training programme around internationalisation and EU *acquis*. They were asked to share their perceptions on EU integration, barriers to trade and investment and other factors which hamper their competitiveness.

The present publication presents the results of this survey. Above all, it reflects great expectations from the EaP business community towards further integration with the EU. Most companies believe that it will increase competition and will have a beneficial effect on the conditions for doing business in their home country. Companies recognise, however that there are significant barriers to success, in terms of access to relevant information, access to finance, and others.

Above all, the survey confirms that more work needs to be done to support the SME community – and their representative organisations – in the Eastern Partnership region. EUROCHAMBRES and the members of the East Alliance are committed to do so now and in the years to come.



*Arnaldo Abruzzini  
Secretary General  
EUROCHAMBRES*

# Executive summary

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The present report outlines the results of a survey that was conducted with some 200 SMEs from the six Eastern Partnership countries in the frame of a series of training sessions they attended around internationalisation and EU acquis.

The participating SMEs came from the six East Invest priority sectors, with a strong prevalence of companies from the agrifood sector (over one third of respondents). The second biggest sector represented in terms of participants was the tourism sector, the smallest one textiles.

With view to the economic picture of the six EaP countries and the varying SME definitions, it was decided that an SME would be a company with 100 employees maximum. Over two thirds of responding SMEs are micro (1-10 employees) or small companies (11-50 employees) with a turnover below 1.5 million EURO. Over half of respondents have no or little experience with exporting their goods and/or services, as the share of exports in their annual turnover is less than 10%. To the question as to what they export – goods or services – a majority of respondents replied services. Yet the answers are to be viewed with some caution as a number of companies chose both options in their replies.

Market research for export is mainly done in house via internet and via publications, even though it was noted that the respondents often rely on a combination of tools. International conferences/trade fairs are also an important means for them. The local Chamber of Commerce ranks third. This rating is identical for the assessment of the efficiency and effectiveness of the means used. Looking at these results from a country perspective, some variations can be observed.

Access to financial resources is crucial for the daily operations of an SME, and even more when it comes to exporting. For their daily operations, the respondents from the six EaP countries rely primarily on own resources (one third of them), one quarter operate with commercial banks and some 13% rely on friends and family. Other financing sources score much less.

The picture is somewhat different for the financing of export operations. Here respondents rely on a broader panel of means as the different potential sources of finance are more evenly spread out. Still, over half of the respondents rely on own resources, commercial banks and international donors (in order of importance). The presence of international donors in the top three ranking can be explained by the fact that the international donor community (the EU, USAid, World bank) and also EU national development organisations (the German GIZ or the Dutch CBI for instance) have started investing in the six Eastern Partnership countries to enhance their economic performance at home and abroad.

The assessment of the degree of difficulty in accessing finance from the different financial channels reveals that International financial institutions and international donors are most difficult to access. Public financing schemes are also judged quite difficult.

EU integration of the six Eastern Partnership countries is viewed positively, with the positive results outweighing by far the potential negative effects. The respondents rate benefits in the financial field highest with better access to European capital markets and bigger inflows of foreign direct investment. On the long term they

consider that access to the EU internal market will help strengthening their competitiveness and thus are not afraid of possible unemployment increases further to bankruptcies. The reforms they would most like to be put in place by their respective public authorities are funding schemes for export promotion and assistance with technical standards and certification. They are also asking for reforms in competition policy and quality control. The reduction of administrative burdens is the last of the top five needs expressed by the participating SMEs.

Based on the survey results, there is average awareness among respondents about the different requirements needed to access the EU internal market, as they acknowledge that they receive some information, but it is not enough for them to be well or even very well informed. This result clearly calls for more action on the information and preparation side. Business support organisations, as independent private bodies, can play an important role in that respect, by informing their members about the different requirements needed to access the EU internal market, and guiding them through the adaptation process.

Complying with the EU legislation is overall linked with additional work for the respondents, and a reduced level of difficulty. Competition rules, quality control and technical standards and certification are the indicators for which the highest degree of difficulty is expected, compared to the others. Still they are pretty confident about their capacity to adapt, and foresee minor issues in the financial field mainly.

For the first point, technical standards and certification, the lack of mutually recognised certification bodies is considered to be the major issue, closely followed by the fact that national certificates of conformity are not according to EU standards. These top issues have a direct influence on the cost of the products and the amount of administrative work SMEs have to deal with. Cutting red tape is very important for companies, and particularly SMEs, as it results in gain of time, human resources and thus money.

Labelling, quality control and IPR issues appear to be less important subjects than technical standards and certification, as the overall averages are somewhat lower than for the previous category. Still they range above the average note (3) indicating that the surveyed companies are confronted with the issues in their daily operations. Quality control questions are the most important ones for the surveyed companies.

For customs procedures, the most important issues are bureaucratic, time-consuming and expensive customs clearance procedures. The poor computerization of customs procedures is the least of their worries.

Last but not least, the surveyed SMEs were invited to indicate the obstacles that European companies would have to deal with when investing in their countries.

The top five obstacles are considered to be quite serious, as on the rating scale from 1 to 6 they score above 4.

Lack of macro-economic stability is the biggest obstacle, followed by economic and regulatory policy uncertainty. Corruption ranks third, just before non transparent/ arbitrary legal system/conflict resolution. Cost of finance is the last of the top five ranking.

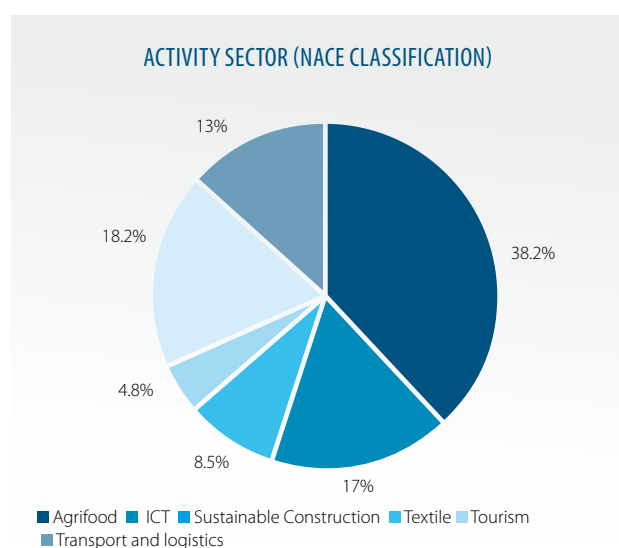
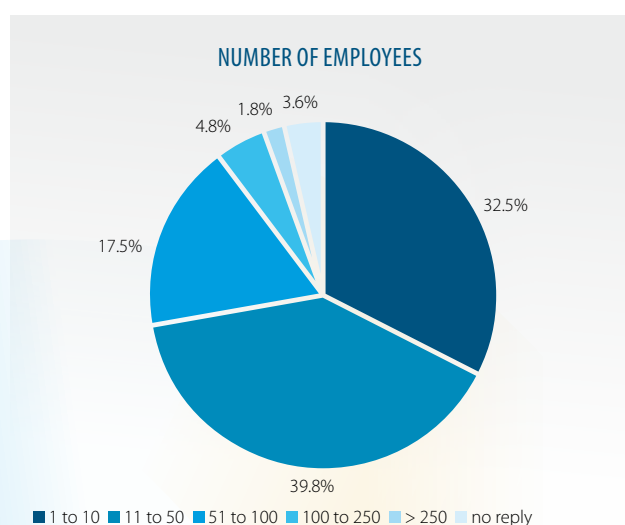
# Presentation of results

## COMPANY PROFILE

In the six Eastern Partnership countries, the definition of an “SME” varies from country to country and in some of the countries from sector to sector. For the sake of coherence and in order to streamline the SME activities in the frame of East Invest, it was decided that for all six priority sectors (agrifood, ICT, sustainable construction, textile, tourism, transport and logistics) an SME would be a company with a maximum of 100 employees. As shown in after-mentioned graph, nearly two thirds of the participating companies had less than 50 employees, thus belonging to the category of so-called micro and small companies.

A limited number of big companies was admitted to the training based on the information received from the six countries that the training would be useful for them and that the companies were in need of it.

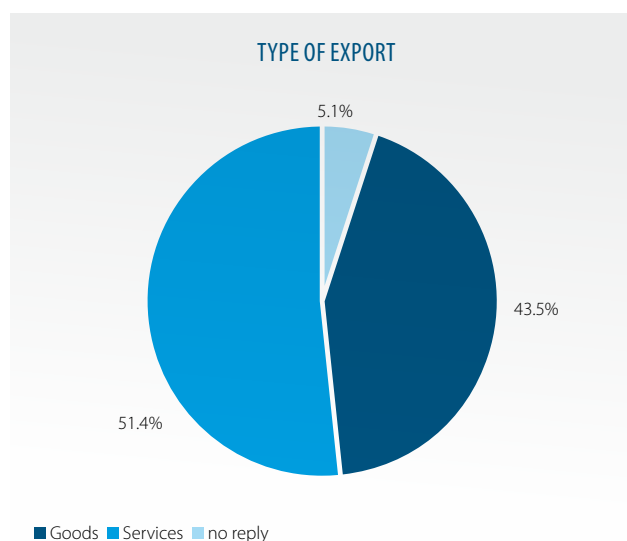
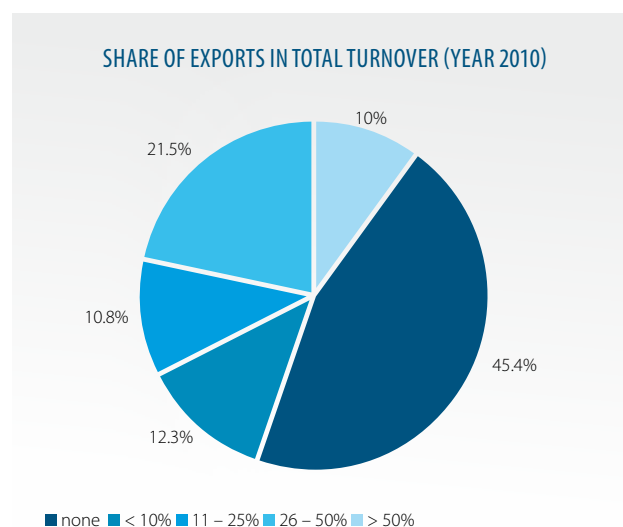
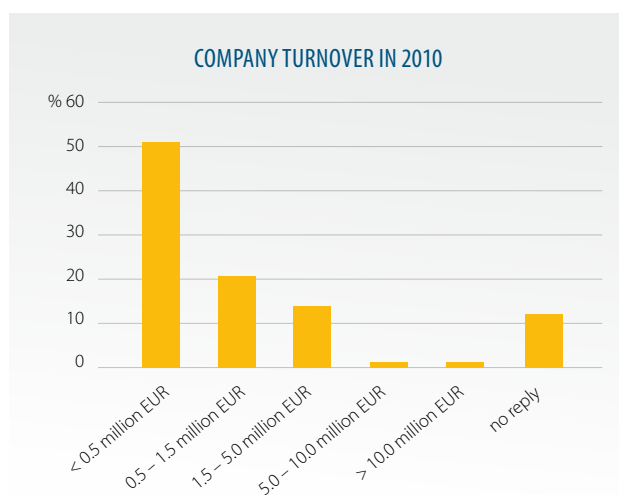
In terms of activity, the agrifood sector is predominant, with over one third of the participating SMEs, followed by the tourism and the ICT sectors. Sustainable construction and textile companies are much less represented.



From the companies that answered the question relating to their annual turnover, well over half of the participants indicated that their 2010 turnover had been below 0.5 million Euros, while about one quarter indicated that their 2010 turnover was between 0.5 – 1.5 million Euros. Consequently, only a limited number of companies were above the 1.5 million Euros mark, with less than 3 % going beyond 5 million Euros.



When referring to the share of exports in their 2010 turnover, over 45% of companies indicated that it was below 10%. These companies rely predominantly on the domestic market for their products /services and are exposed considerably to domestic economic/political turbulences. Over one fifth of respondents indicate that the share of exports in their 2010 turnover exceeds 50%. These companies are clearly targeting foreign markets for their products and services.



The graph relating to the type of export has to be viewed with some caution, as some respondents indicated that they export both goods and services. Looking at the results from a country perspective, in four out of six countries (RA, AZ, GE, MD) the number of goods exporters among the respondents is higher than the number of services exporters, while in the remaining two countries (BY, UA) there are more service exporters among the respondents than goods exporters.

The companies were furthermore surveyed as to the foreign language capacities of their employees. Almost one quarter of respondents indicate that their staff speaks more than one foreign language, while over 40% indicate that all their key employees are able to work (speak and write) in one foreign language. Well over one quarter indicate that they have few employees that are able to work in a foreign language, and 5% who admit that they have no employees with foreign language skills.

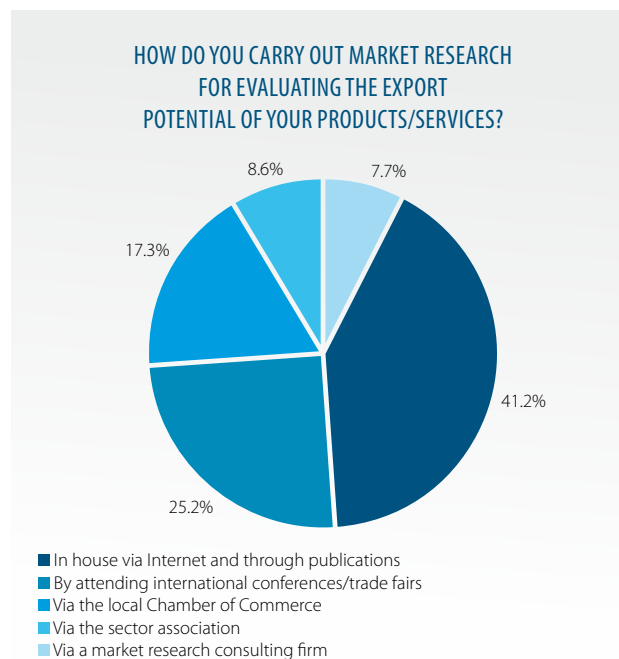
Among the respondents it is widely acknowledged that training staff is important, as less than 1% of respondents indicate the contrary. Over half of the respondents indicate that they offer a wide variety of training to their staff, and about one quarter indicate that currently no training is offered, but that they consider offering free courses on trade/export related subjects to their employees.

## EXPORT PROMOTION

The second section of the questionnaire was dedicated to export promotion and the means that companies from the six Eastern Partnership countries use to evaluate the export potential of their products/services. They were furthermore invited to rate the efficiency and effectiveness of the different information sources.

For the first question related to the means for carrying out market research, multiple answers were possible and from the number of replies it became clear that companies tend to combine different means. The top three are in house research via internet and publications, the attendance of international conferences and trade fairs, and via the local Chamber of Commerce.

The two options that appear to be least used are research via sector associations and via market research consulting firms.



Respondents from five out of six countries mention internet and publications as the most frequently used source. Only the Azeri respondents show a preference for international conferences/ trade fairs.

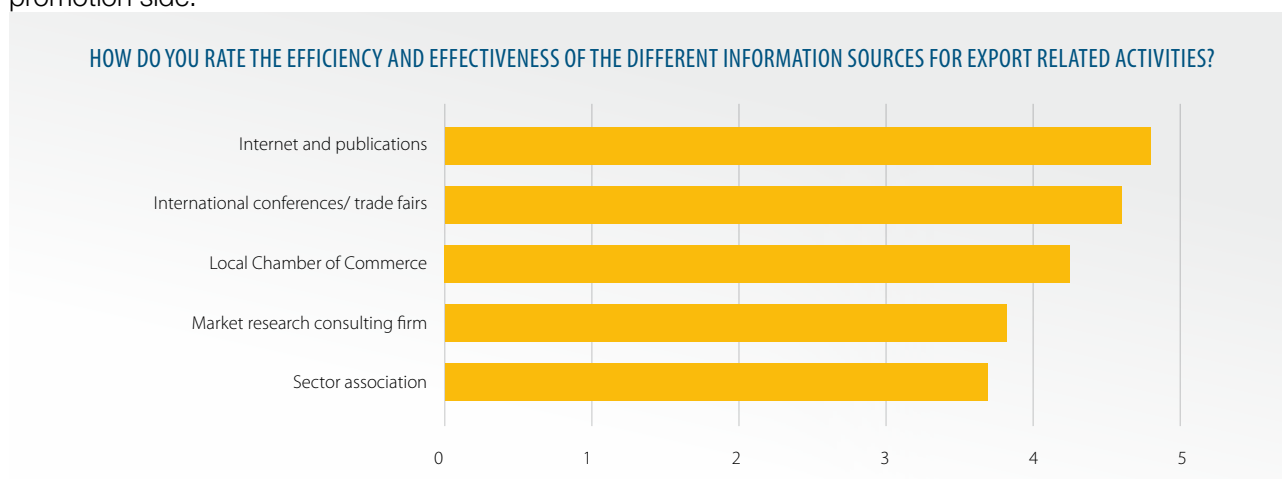
HOW DO YOU CARRY OUT MARKET RESEARCH FOR EVALUATING THE EXPORT POTENTIAL OF YOUR PRODUCTS/SERVICES?

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Total
In house via Internet and through publications	35.3%	30.0%	55.6%	43.8%	40.7%	39.0%	41.2%
By attending international conferences/trade fairs	25.0%	36.7%	29.6%	20.8%	29.6%	15.3%	25.2%
Via the local Chamber of Commerce	19.1%	23.3%	5.6%	10.4%	16.7%	28.8%	17.3%
Via the sector association	10.3%	10.0%	5.6%	12.5%	5.6%	8.5%	8.6%
Via a market research consulting firm	10.3%	0.0%	3.7%	12.5%	7.4%	8.5%	7.7%

In a second step, respondents were invited to rate the efficiency and effectiveness of the different information sources. The rating went from poor (1) to excellent (6), and they had the possibility to give one score per information source available.

The evaluation of the results across the region shows that the most preferred means for doing research are also considered to be the most efficient and effective. Internet and publications score highest with an average score of 4.8, followed by international conferences/trade fairs with 4.6 and the local Chamber of Commerce with 4.25.

It is to be noted that none of the sources reached the “excellent” mark among the participating companies. In some countries, the top source was considered as “very good”, bringing the final average close to 5. For the others, the rating was more in the “good” (4) and “average” (3) categories. Considering the average score that the local Chamber of Commerce reaches, there is room for improvement on the export promotion side.



The countries overview shows that in Armenia, Azerbaijan, Belarus and Georgia, Internet and publications are rated as most efficient and effective information sources, while Moldovan respondents prefer most international conferences/trade fairs. Ukrainian respondents consider that the local Chamber rates highest in terms of effectiveness and efficiency.

**HOW DO YOU RATE THE EFFICIENCY AND EFFECTIVENESS OF THE DIFFERENT INFORMATION SOURCES FOR EXPORT RELATED ACTIVITIES?**

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Internet and publications	5.16	3.47	5.34	5.00	4.52	4.50	4.80
International conferences/ trade fairs	4.96	3.07	4.94	4.87	4.88	4.07	4.60
Local Chamber of Commerce	4.48	2.93	4.31	4.13	4.32	4.63	4.25
Market research consulting firm	4.56	3.07	4.00	3.67	3.52	3.57	3.82
Sector association	3.85	2.87	4.07	3.75	3.50	3.57	3.69

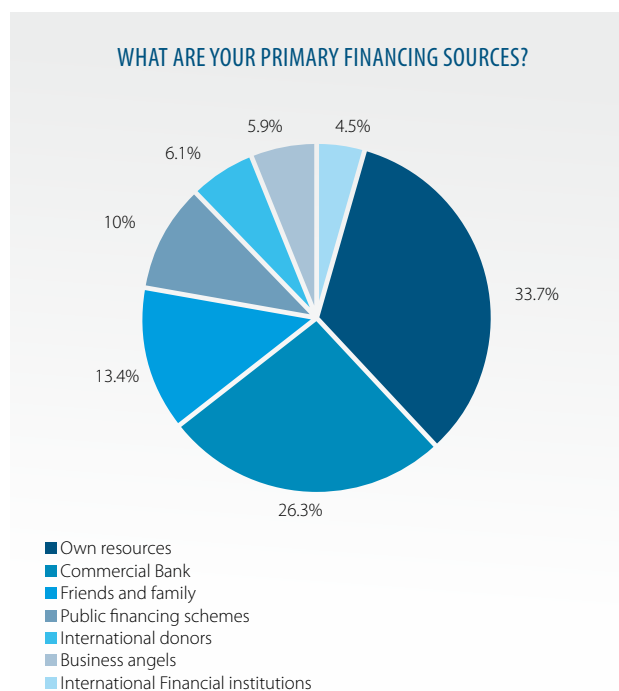
## ACCESS TO FINANCE

Access to finance is crucial for the daily operations of an SME, and even more when it comes to exporting.

The question relating to access to finance was double: first respondents were invited to indicate their primary financing sources, and then indicate where they would seek finance for their exporting operations.

In both cases, respondents were invited to choose the 3 most important ones, rating them from 1 (=least important) to 3 (most important). The after-mentioned graphs offer a general overview, besides the country results.

Overall, respondents indicated that own resources were their most important financing source, followed by commercial banks and friends and family. This trend is shared in five out of the six Eastern Partnership countries. Only Armenian respondents consider commercial banks to be more important than own resources.



### WHAT ARE YOUR PRIMARY FINANCING SOURCES?

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Total
Own resources	23.8%	50.0%	37.8%	27.9%	28.7%	44.1%	33.7%
Commercial Bank	31.3%	24.1%	23.1%	23.5%	26.5%	28.5%	26.3%
Friends and family	19.0%	14.8%	12.8%	12.8%	12.7%	10.1%	13.4%
Public financing schemes	6.8%	0.0%	11.5%	10.1%	13.8%	10.6%	10.0%
International donors	5.4%	5.6%	3.8%	11.7%	6.1%	3.4%	6.1%
Business angels	8.8%	5.6%	7.7%	6.7%	3.9%	3.4%	5.9%
International Financial institutions	4.8%	0.0%	3.2%	7.3%	8.3%	0.0%	4.5%

Public financing schemes are in the middle with about 10%. It is to be noted that in Moldova and Ukraine, respondents rather use public financing schemes than money from friends and family. In the frame of an access to finance dedicated survey (which goes beyond the scope of East Invest), it may be interesting to investigate what singles out these two Eastern Partnership countries in terms of public financing schemes.

The same applies to the other three financing sources that obtained little scores: international donors, business angels and international financial institutions. It may be interesting to investigate the reasons for the low scores.



When it comes to financing export operations, the sources of finance are more evenly spread out, as shown in the graph. Own resources and commercial banks still come first, but then they are followed by international donors, and friends and family score least.

The presence of international donors on the third place can be explained thanks to the development initiatives that have been / are being implemented in the six Eastern Partnership countries by the international donor community (the EU, USAid, World bank, GIZ to name only a few), and companies are more aware of the opportunities that these projects offer to them. The backside of this awareness is the fact that companies may access different funding streams without having the necessary capacity to engage in international trade and becoming sustainable after the donor money stops.

For exporting operations, international financial institutions score better than for the primary financial resources, and the same applies to international donors and business angels.

When looking at the countries' perspectives, the picture is much more heterogeneous than for the primary financing sources. In Armenia, commercial banks still come first, and the Moldovan respondents would also seek financing foremost from their bank. In Georgia, international donors come first, while in Azerbaijan, Belarus and Ukraine own resources still play a predominant role.

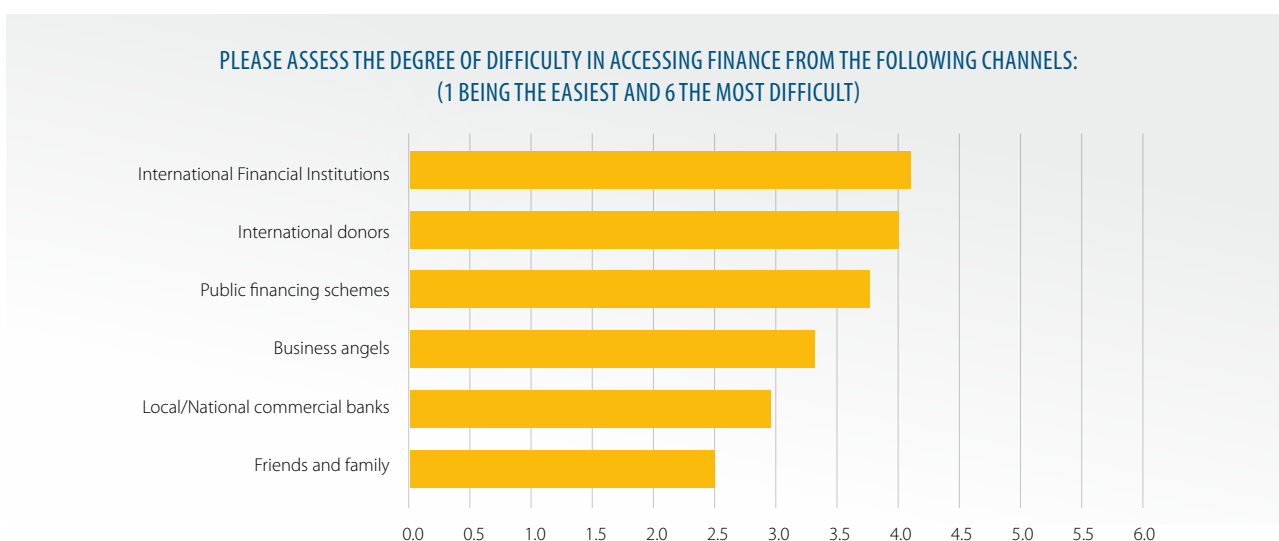
#### FOR FINANCING YOUR EXPORT OPERATIONS, WOULD YOU ASK/ USE

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Total
Own resources	18.8%	61.4%	27.6%	9.8%	18.2%	26.3%	22.3%
Commercial Bank	25.0%	20.5%	20.5%	11.1%	27.1%	24.6%	21.8%
International donors	13.3%	6.8%	8.7%	26.8%	12.2%	12.0%	14.2%
Business angels	9.4%	4.5%	18.1%	15.0%	11.0%	12.6%	12.6%
International Financial institutions	8.6%	0.0%	5.5%	20.3%	15.5%	8.6%	11.4%
Public financing schemes	10.2%	0.0%	13.4%	9.8%	10.5%	9.7%	10.0%
Friends and family	14.8%	6.8%	6.3%	7.2%	5.5%	6.3%	7.7%

After stating their most important sources of financing, the respondents were invited to assess the difficulty in accessing finance from the different channels.

International financial institutions and international donors come first, with the highest degree of difficulty. Local/national commercial banks and friends and family are the easiest sources of finance.

When observing the scores, it is to be noted that none of the financial channels were assessed to be most difficult (6). The top three “difficult” channels obtain scores that are very close to each other, for the other channels, the gap between scores increases, showing that there appears to be an increasing degree of ease in obtaining financing from these channels.



Armenian, Belarus and Georgian respondents are in line with the general trend, stating that international financial institutions are the most difficult channel, and Belarus respondents appear to be particularly affected as their score is close to (5). For the Azeri, Moldovan and Ukrainian participants, international donors are the most difficult financial channel.

**PLEASE ASSESS THE DEGREE OF DIFFICULTY IN ACCESSING FINANCE FROM THE FOLLOWING CHANNELS**

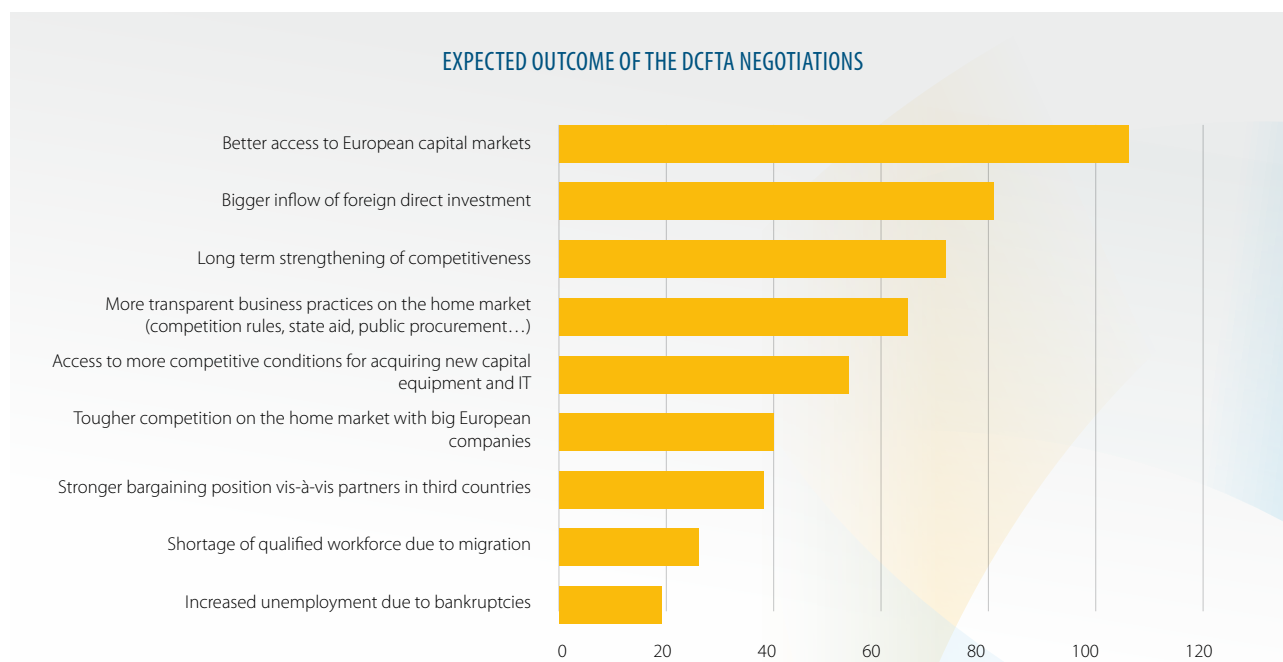
	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Average
International Financial Institutions	4.45	4.13	4.95	4.23	3.83	4.33	4.12
International donors	3.73	4.27	4.50	4.00	4.08	4.64	4.02
Public financing schemes	3.71	2.93	4.35	3.78	3.88	4.41	3.78
Business angels	2.57	3.00	4.31	3.64	2.83	4.08	3.33
Local/National commercial banks	3.07	2.73	2.67	2.54	2.71	3.53	2.97
Friends and family	2.33	2.40	2.21	2.38	2.71	2.86	2.51

## TRADE WITH THE EU

One of the main objectives of East Invest is to enhance economic cooperation between the European Union and the six Eastern Partnership countries, and foster exchanges between the target countries. The European Commission has started deep and comprehensive free trade agreements (DCFTA) negotiations with four of the six countries. Thanks to the DCFTAs, trading with the EU will become easier for the six Eastern Partnership countries, but prior to reaching that stage, a vast reform process is needed in the six countries for their goods and services to correspond to European standards (be in line with the so-called *acquis communautaire*).

Respondents were asked what they expected from the DCFTA negotiations, prior to assessing the reform needs of public authorities and their own level of information regarding the different EU requirements in various fields. Afterwards, they were invited to state how much efforts their company would have to make to be in line with the EU requirements, and how complex the adaptation process would be. They finished that section of the survey by stating the importance of different EU *acquis* related issues that would have an influence on their way of doing business.

For the first question on the expected outcome of the DCFTA negotiations, multiple replies were possible and the results added up to obtain the totals for the different points. Overall, respondents expect the outcome of the DCFTA negotiations to be positive for them, with better access to European capital markets, bigger inflow of FDI and a long term strengthening of competitiveness most of all. They believe that they will also benefit from more transparent business practices on the home market rather than face tougher competition with big European companies that would do business in their countries.



The situation country by country is a little more nuanced. Still the expected advantages outweigh by far the possible negative effects.

#### EXPECTED OUTCOME OF THE DCFTA NEGOTIATIONS

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Total
Better access to European capital markets	17.6%	15.4%	15.2%	28.0%	18.6%	29.7%	21.2%
Bigger inflow of foreign direct investment	15.7%	12.8%	19.0%	20.7%	12.7%	15.4%	16.2%
Long term strengthening of competitiveness	11.1%	15.4%	15.2%	15.9%	14.7%	15.4%	14.4%
More transparent business practices on the home market (competition rules, state aid, public procurement...)	9.3%	12.8%	16.5%	13.4%	16.7%	9.9%	13.0%
Access to more competitive conditions for acquiring new capital equipment and IT	13.0%	12.8%	7.6%	7.3%	13.7%	9.9%	10.8%
Tougher competition on the home market with big European companies	7.4%	12.8%	7.6%	7.3%	7.8%	7.7%	8.0%
Stronger bargaining position vis-à-vis partners in third countries	9.3%	5.1%	10.1%	3.7%	7.8%	7.7%	7.6%
Shortage of qualified workforce due to migration	8.3%	7.7%	6.3%	1.2%	5.9%	2.2%	5.2%
Increased unemployment due to bankruptcies	8.3%	5.1%	2.5%	2.4%	2.0%	2.2%	3.8%

Respondents consider that their public authorities need to make progress in all major fields linked to their exporting to Europe. They would clearly like their public authorities to make progress on funding schemes for export promotion. Technical standards also rank high on their “wish” list, closely followed by competition policy matters and quality control.

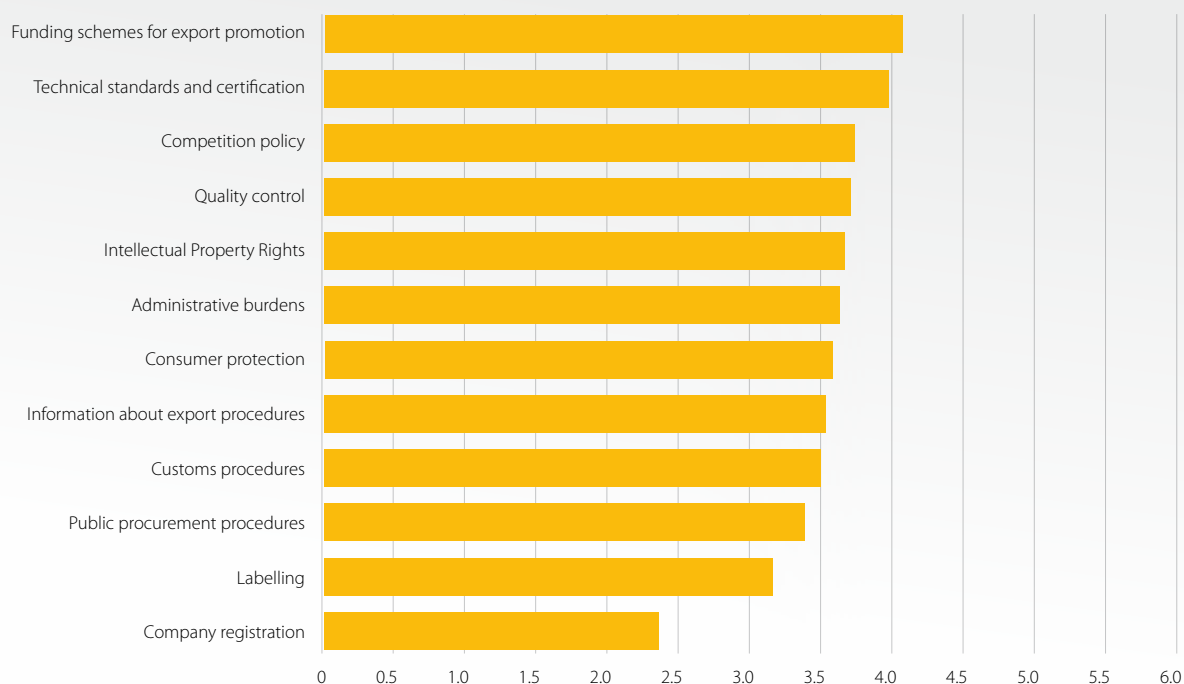
As over 38% of respondents come from the agrifood sector, these priorities can easily be understood.

From a more general perspective it can be said that quite considerable progress is needed from the companies’ point of view, as they indicate values above average (3) for 11 out of 12 points. Company registration is assessed to be quite business friendly, as least progress is needed in five out six countries. In Ukraine companies see least need for progress in labelling, compared to the other points. Still the value is above average.

Considering that Ukraine has been negotiation its association agreement with the EU for quite some time and that it is the Eastern Partnership country that is most advanced in its DCFTA negotiations, companies appear to be well aware of the reform needs for them to be competitive on EU markets.



## NEED FOR PROGRESS BY PUBLIC AUTHORITIES (1 LITTLE - 6 BIGGEST PROGRESS NEEDED)



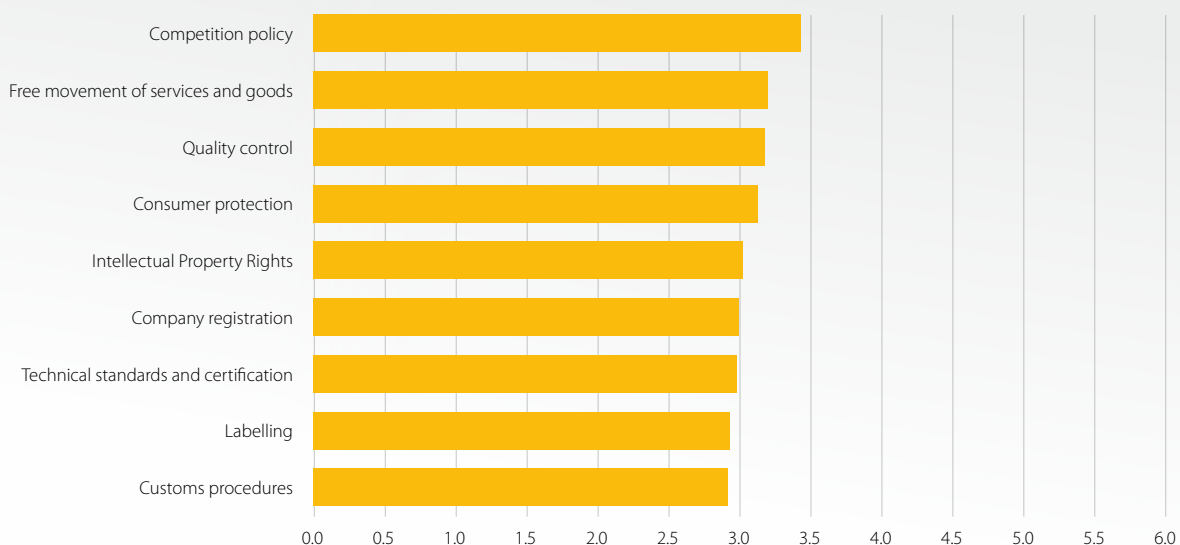
## IN WHAT THEMATIC AREAS DO YOU CONSIDER PUBLIC AUTHORITIES NEED TO MAKE THE BIGGEST PROGRESS FOR YOU TO BE MORE COMPETITIVE AND TO SUCCESSFULLY EXPORT TO THE EUROPEAN UNION?

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Funding schemes for export promotion	4.13	2.00	4.35	4.10	3.96	5.11	4.06
Technical standards and certification	4.80	2.73	3.21	3.72	4.04	4.77	3.97
Competition policy	4.39	2.40	3.14	4.00	3.84	4.19	3.72
Quality control	4.19	2.73	3.27	3.95	4.16	3.86	3.69
Intellectual Property Rights	3.92	1.80	3.90	4.11	3.24	3.75	3.65
Administrative burdens	3.54	2.20	4.50	2.88	3.56	4.32	3.61
Consumer protection	4.15	2.40	3.36	3.88	3.16	3.50	3.55
Information about export procedures	4.12	1.93	3.03	3.65	3.52	4.17	3.52
Customs procedures	3.96	2.40	3.62	2.84	3.28	4.82	3.49
Public procurement procedures	4.09	2.33	3.48	3.28	2.80	3.77	3.37
Labelling	3.92	2.00	2.59	3.06	3.48	3.25	3.13
Company registration	2.62	1.67	2.13	1.56	1.96	3.68	2.33

As indicated in above chart, the respondents from the six countries have divergent views on the matters that need most reform.

There appears to be average awareness among respondents about the different requirements needed to the access the EU internal market, as they acknowledge that they receive some information, but it is not enough for them to be well or even very well informed. In this respect more needs to be done, so that SMEs in the six Eastern Partnership countries know what it means to do business with the EU and can adapt accordingly.

PLEASE ASSESS HOW WELL YOU ARE INFORMED ABOUT THE DIFFERENT REQUIREMENTS NEEDED TO ACCESS THE EU INTERNAL MARKET IN TERMS OF:  
(FROM 1 VERY WELL INFORMED TO 6 HAVE NO CLUE)

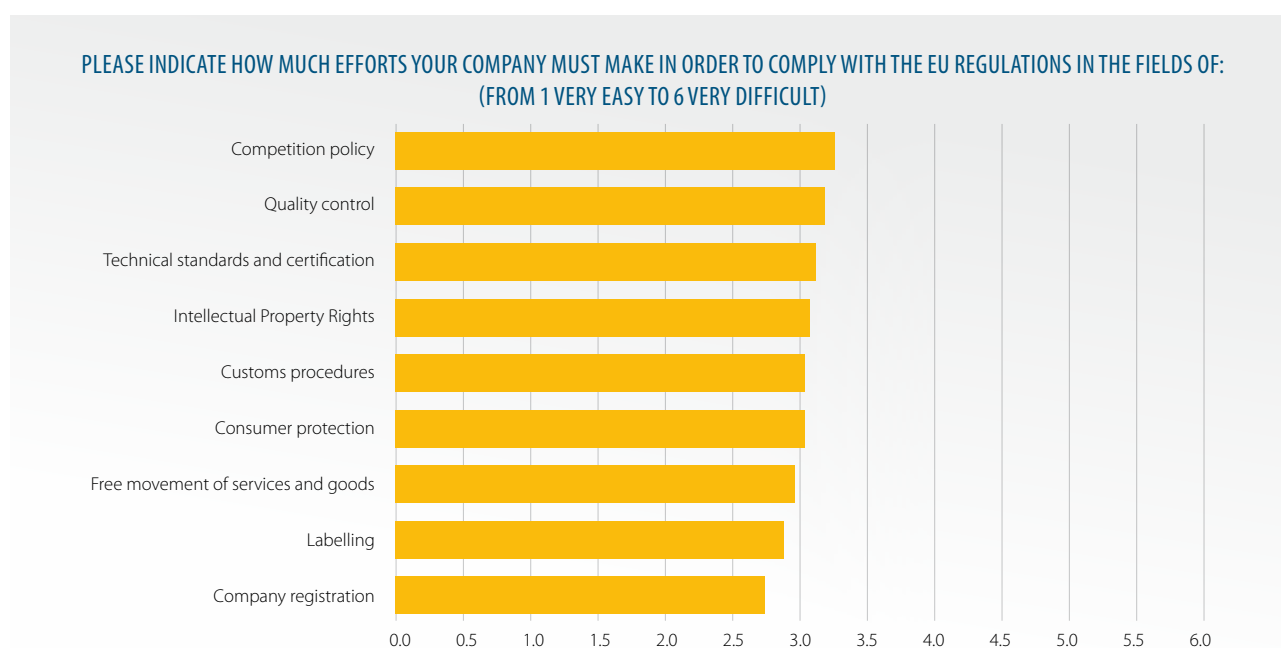


PLEASE ASSESS HOW WELL YOU ARE INFORMED ABOUT THE DIFFERENT REQUIREMENTS NEEDED TO ACCESS THE EU INTERNAL MARKET IN TERMS OF:  
(FROM 1 VERY WELL INFORMED TO 6 HAVE NO CLUE)

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Competition policy	3.97	3.07	2.94	3.29	3.70	3.73	3.42
Free movement of services and goods	3.70	2.93	2.72	3.05	3.32	3.40	3.18
Quality control	3.10	3.07	2.94	3.10	3.52	3.40	3.16
Consumer protection	3.37	3.07	2.93	3.42	3.17	3.52	3.12
Intellectual Property Rights	3.07	2.50	2.77	3.11	3.25	3.41	3.01
Company registration	3.08	1.71	3.26	3.33	3.17	3.71	3.00
Technical standards and certification	3.32	2.57	2.87	2.86	3.39	3.55	2.96
Labelling	3.11	2.21	3.28	3.05	3.39	3.37	2.92
Customs procedures	3.20	2.29	2.89	2.75	3.28	3.63	2.90

For the respondents, complying with the EU legislation in the different fields is overall linked with additional work, and a minor level of difficulty.

The fields where they expect the highest level of difficulty are competition policy, quality control and technical standards and certification. Those where they anticipate a rather smooth transition are company registration, labelling and the free movement of services and goods.



Competition policy is top of the “difficulties” list in Belarus, Georgia and Moldova, while Armenian respondents consider that it will be most difficult for them to comply in terms of customs procedures, Azeri respondents intellectual property rights and Ukrainian respondents technical standards and certification.

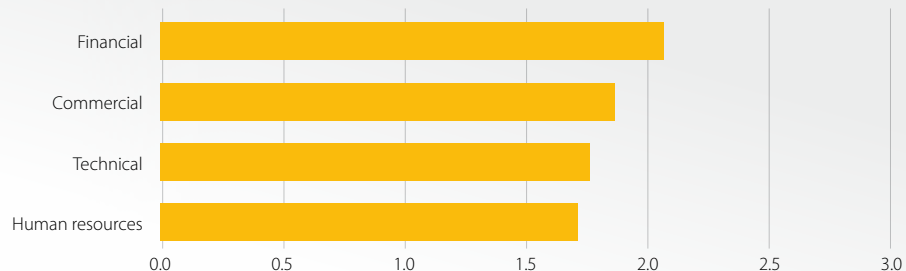
PLEASE INDICATE HOW MUCH EFFORTS YOUR COMPANY MUST MAKE IN ORDER TO COMPLY WITH THE EU REGULATIONS IN THE FIELDS OF:  
(FROM 1 VERY EASY TO 6 VERY DIFFICULT)

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Competition policy	3.35	1.47	3.03	3.53	3.42	3.83	3.24
Quality control	3.08	2.27	2.83	3.19	3.38	3.86	3.16
Technical standards and certification	2.85	2.33	3.00	3.05	3.04	3.93	3.10
Intellectual Property Rights	3.18	2.60	2.78	2.94	3.00	3.63	3.06
Customs procedures	3.78	2.00	2.68	2.37	3.21	3.61	3.02
Consumer protection	3.20	2.33	2.72	3.15	3.13	3.21	3.00
Free movement of services and goods	3.04	1.93	2.59	3.26	2.83	3.50	2.94
Labelling	2.92	2.47	2.52	2.76	3.05	3.30	2.86
Company registration	3.04	2.20	2.85	2.24	2.04	3.50	2.72

A question closely linked to the efforts that companies would have to make in order to comply with a number of EU regulations was that on the complexity of adapting their company. Respondents had the choice between no issues (1), minor issues (2) and serious issues (3).

The results show that respondents are pretty confident about their capacity to adapt and foresee minor issues in the financial field mainly. One can make a link here to the previously raised questions on access to finance for export. Having the necessary financial capacity is ranked highest among the issues that might give reason for concern, still none of the respondents consider the issue to be of major concern.

## OVERALL, PLEASE EVALUATE THE COMPLEXITY OF ADAPTING YOUR COMPANY TO THE EU ACQUIS IN THE FOLLOWING AREAS:



This view is not shared by Azeri respondents who consider that commercial and human resources questions may be more complex to deal with than the financial and technical side.

## OVERALL, PLEASE EVALUATE THE COMPLEXITY OF ADAPTING YOUR COMPANY TO THE EU ACQUIS IN FOLLOWING AREAS:

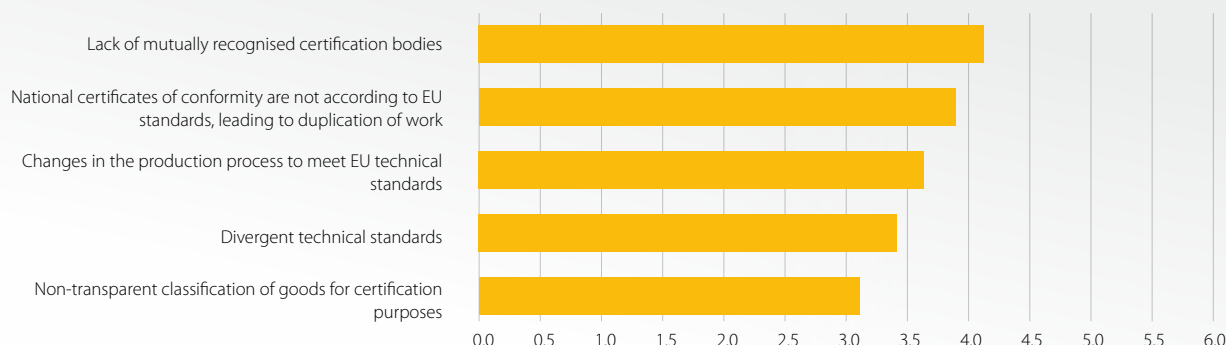
	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Financial	2,23	1,93	2,03	2,13	1,44	2,39	2,05
Commercial	2,06	2,00	1,94	1,83	1,44	1,89	1,87
Technical	1,81	1,87	1,82	1,88	1,25	1,93	1,77
Human resources	1,83	2,00	1,67	1,63	1,40	1,89	1,72

In the following subsection of the questionnaire, respondents were given the opportunity to voice their concern about different EU acquis questions that may have a more direct influence on their operations.

For the first point, technical standards and certification, the lack of mutually recognised certification bodies is considered to be the major issue, closely followed by the fact that national certificates of conformity are not according to EU standards. On the third place rank changes in the production process. These top three issues have a direct influence on the cost of the products, and the amount of administrative work SMEs have to deal with. Cutting red tape is very important for companies, and particularly SMEs, as it results in gain of time, human resources and thus money.

It is to be noted that all scores are above 3, showing that they are rather important for the respondents.

IN THE CASE OF TECHNICAL STANDARDS AND CERTIFICATION, WHAT ISSUES DO YOU CONSIDER TO BE THE MOST IMPORTANT ONES:  
(FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)



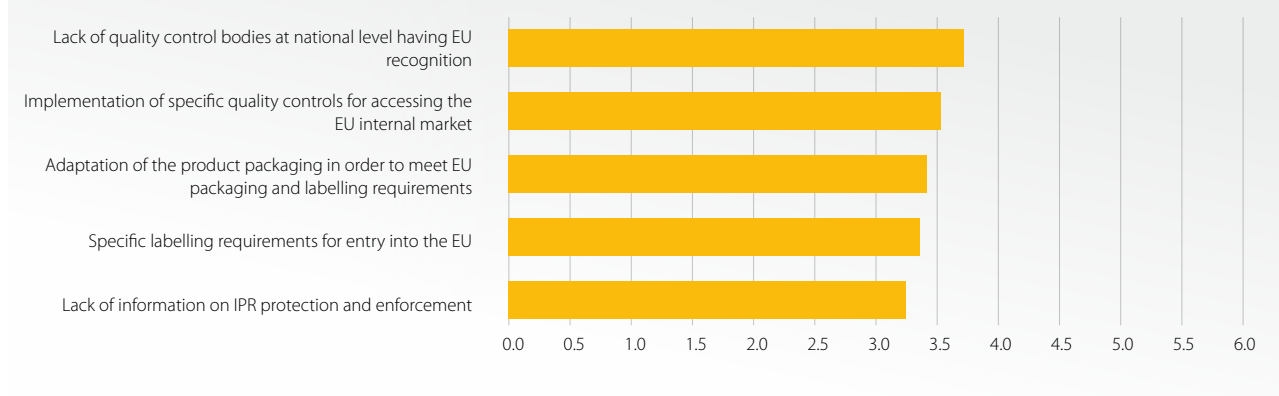
The country results are a little more nuanced. Armenian respondents consider that bringing national certificates of conformity in line with EU standards is the major issue, Azeri respondents are most concerned by divergent technical standards, and the participating companies from Georgia changes in the production process in order to meet EU technical standards.

IN THE CASE OF TECHNICAL STANDARDS AND CERTIFICATION, WHAT ISSUES DO YOU CONSIDER TO BE THE MOST IMPORTANT ONES:  
(FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Lack of mutually recognised certification bodies	4.08	1.80	4.82	4.12	4.50	4.21	4.12
National certificates of conformity are not according to EU standards, leading to duplication of work	4.22	1.60	4.08	3.78	4.35	4.21	3.89
Changes in the production process to meet EU technical standards	3.83	1.67	3.50	4.13	4.00	3.78	3.64
Divergent technical standards	3.40	1.87	3.26	3.61	3.71	3.96	3.42
Non-transparent classification of goods for certification purposes	3.39	1.47	2.81	3.50	3.04	3.63	3.10

Labelling, quality control and IPR issues appear to be overall less important subjects than technical standards and certification, as the overall averages are somewhat lower than for the previous category. Still they range above (3) indicating that the surveyed companies are confronted with the issues in their daily operations. Quality control questions are considered to be most important, as show in the graph, followed by adaptations to the product packaging. Lack of information on IPR protection and enforcement is the least important, compared to the others, yet still of considerable relevance, given the points obtained.

**IN THE CASE OF LABELLING, QUALITY CONTROL, AND IPR WHAT ISSUES DO YOU CONSIDER TO BE THE MOST IMPORTANT ONES:  
(FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)**



The country results are again diverging, and the appreciation of the participants varies, as indicated in after-mentioned table. The Azeri results are to be viewed with caution, as very few companies replied to the question.

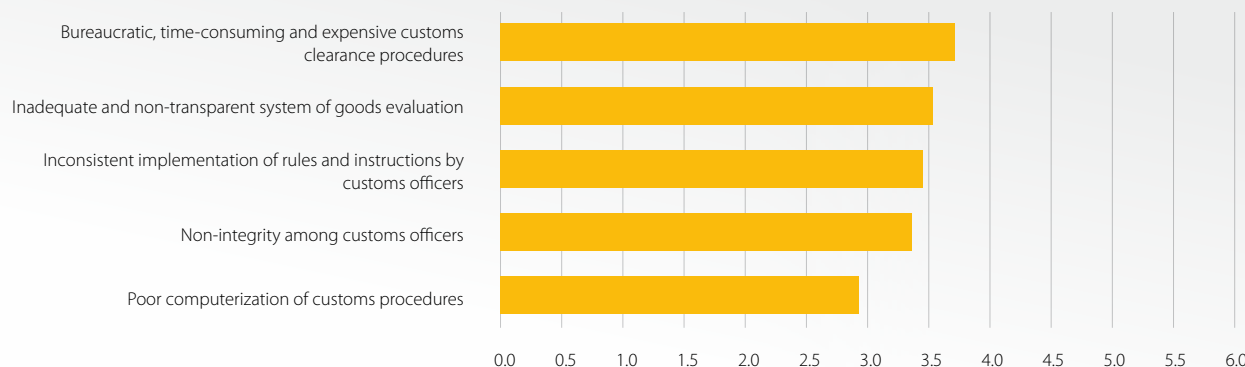
**IN THE CASE OF LABELLING, QUALITY CONTROL, AND IPR WHAT ISSUES DO YOU CONSIDER TO BE THE MOST IMPORTANT ONES:  
(FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)**

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Lack of quality control bodies at national level having EU recognition	3.81	0.27	4.68	2.96	4.57	4.04	3.68
Implementation of specific quality controls for accessing the EU internal market	4.04	0.73	3.67	3.22	4.05	3.96	3.50
Adaptation of the product packaging in order to meet EU packaging and labelling requirements	3.58	0.33	3.94	3.26	3.82	3.80	3.38
Specific labelling requirements for entry into the EU	3.89	0.07	3.75	3.22	4.09	3.35	3.33
Lack of information on IPR protection and enforcement	3.23	0.33	4.04	2.57	4.23	3.56	3.23

For customs procedures, the most important issue are bureaucratic, time-consuming and expensive customs clearance procedures. The second biggest issue are inadequate and non-transparent systems of goods evaluation, followed closely by the inconsistent implementation of rules and instructions by customs officers.

Overall, the only issue that appears to be less important to the respondents is the poor computerization of customs procedures.

IN THE CASE OF CUSTOMS PROCEDURES, WHAT ISSUES DO YOU CONSIDER TO BE THE MOST IMPORTANT ONES:  
(FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)



Customs procedures issues are of most concern to the participating SMEs from Moldova and Ukraine. In Ukraine four out of five scores are well above (4), in Moldova three. Georgian and Azeri respondents have the lowest scores.

IN THE CASE OF CUSTOMS PROCEDURES, WHAT ISSUES DO YOU CONSIDER TO BE THE MOST IMPORTANT ONES:  
(FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Bureaucratic, time-consuming and expensive customs clearance procedures	3.44	3.00	4.15	2.43	4.12	4.63	3.69
Inadequate and non-transparent system of goods evaluation	3.84	3.27	3.25	2.24	3.96	4.42	3.51
Inconsistent implementation of rules and instructions by customs officers	3.96	2.67	3.00	2.19	4.32	4.29	3.45
Non-integrity among customs officers	3.33	2.53	3.35	1.76	4.40	4.42	3.35
Poor computerization of customs procedures	2.86	2.47	2.80	2.05	3.44	3.71	2.91

## ATTRACTION OF FOREIGN INVESTMENT

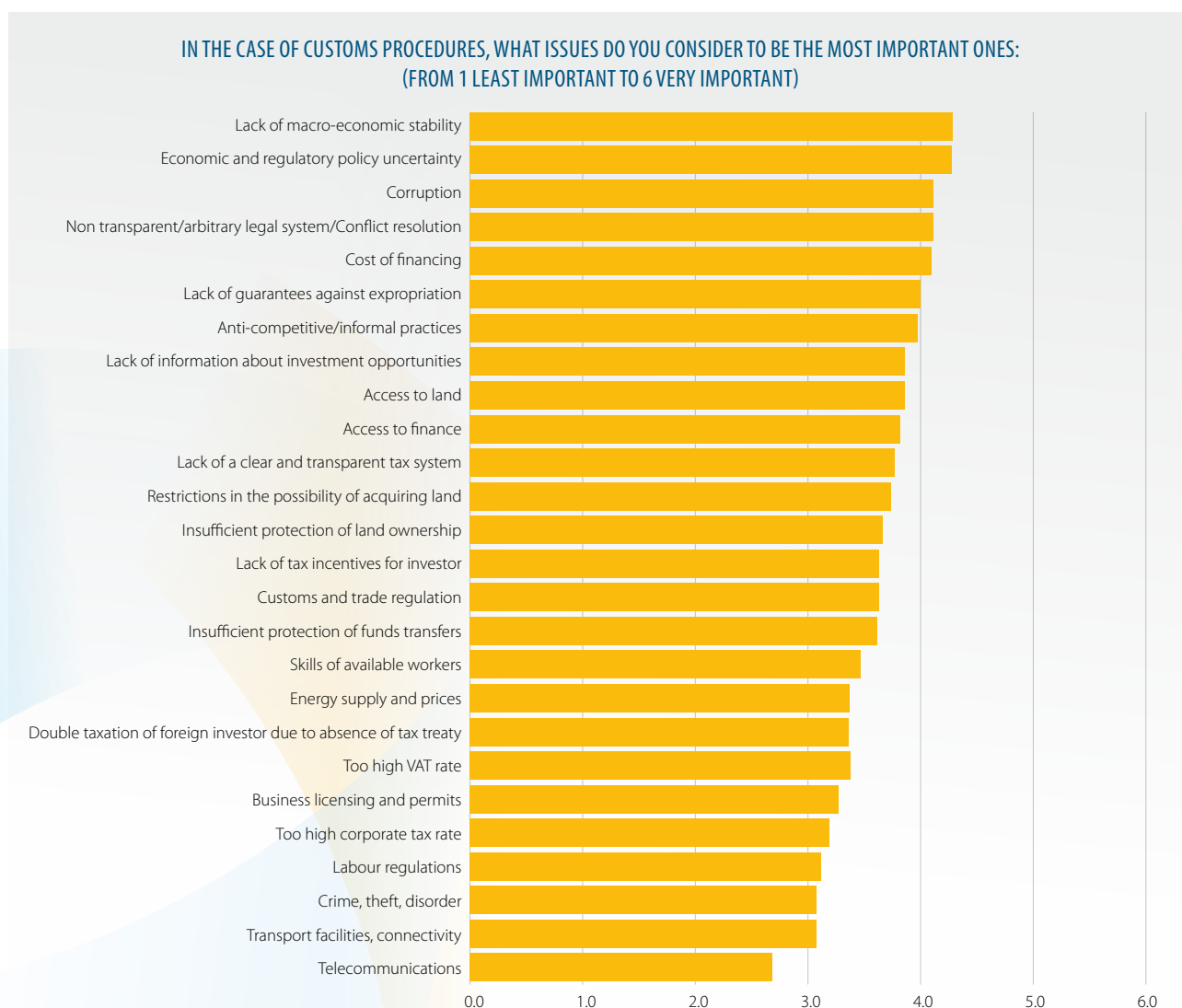
Last but not least, the SMEs were invited to indicate their opinion on what obstacles European companies would have to deal with when investing in their countries, and to rate the obstacles from (1) least important to (6) very important.

Judging from the overall averages, all issues are pretty important, given that all indicators – except the last one – score above 3. The top five obstacles score above 4, indicating that respondents consider that there are serious issues to tackle in these fields.

Lack of macro-economic stability is the biggest obstacle, followed by economic and regulatory policy uncertainty. Corruption ranks third, just before non transparent/ arbitrary legal system/conflict resolution. Cost of finance is the last of the top five ranking.

This ranking is not shared in the participating countries, as shown in below table. Belarus is the only country where the top obstacle is not part of the general top five ranking.

Corruption is the biggest obstacle in Armenia, Moldova and Ukraine according to the respondents, and the situation in Moldova and in Ukraine is most preoccupying as the averages reach 5 and more. With a score of 4.52, Armenian respondents also express their preoccupation, still to a somewhat lesser degree than their colleagues from Moldova and Ukraine.





**IN YOUR VIEW, WHAT ARE THE OBSTACLES FOR EUROPEAN COMPANIES TO INVEST IN YOUR COUNTRY (FROM 1 LEAST IMPORTANT TO 6 VERY IMPORTANT)**

	Armenia	Azerbaijan	Belarus	Georgia	Moldova	Ukraine	Overall average
Lack of macro-economic stability	4.17	2.33	4.90	3.64	4.88	4.82	4.29
Economic and regulatory policy uncertainty	4.14	2.08	4.80	3.87	4.70	4.96	4.28
Corruption	4.52	1.93	4.27	2.53	5.54	5.00	4.12
Non transparent/arbitrary legal system/Conflict resolution	4.09	3.21	4.29	3.06	5.08	4.59	4.11
Cost of financing	4.22	3.57	3.82	4.37	4.43	3.88	4.07
Lack of guarantees against expropriation	3.45	2.71	5.08	3.35	4.17	4.39	3.99
Anti-competitive/informal practices	4.24	2.64	4.07	3.25	4.75	4.25	3.97
Lack of information about investment opportunities	4.31	2.79	3.71	3.75	4.30	3.89	3.87
Access to land	4.38	2.38	4.60	2.82	3.95	4.13	3.86
Access to finance	3.71	3.00	3.63	4.22	4.21	3.89	3.83
Lack of a clear and transparent tax system	4.12	2.67	3.96	3.17	3.64	4.48	3.78
Restrictions in the possibility of acquiring land	2.91	3.23	4.70	2.68	4.32	4.25	3.73
Insufficient protection of land ownership	3.09	2.79	4.81	2.89	3.73	4.07	3.67
Lack of tax incentives for investor	4.14	3.33	3.72	3.11	3.23	4.04	3.64
Customs and trade regulation	3.87	3.00	3.82	2.65	4.04	4.04	3.62
Insufficient protection of funds transfers	3.53	2.64	3.60	2.86	4.04	4.58	3.61
Skills of available workers	3.19	2.93	3.30	3.70	3.96	3.64	3.48
Energy supply and prices	3.12	2.86	2.83	3.05	4.36	4.04	3.37
Double taxation of foreign investor due to absence of tax treaty	3.45	3.00	3.59	2.80	3.19	3.92	3.37
Too high VAT rate	3.68	2.73	3.56	2.83	2.83	4.07	3.36
Business licensing and permits	2.87	2.38	3.39	2.90	4.00	3.79	3.28
Too high corporate tax rate	3.10	2.67	3.48	2.70	3.00	3.81	3.19
Labour regulations	3.08	2.71	3.21	2.95	3.00	3.57	3.13
Crime, theft, disorder	2.70	2.29	2.50	2.84	3.84	4.21	3.09
Transport facilities, connectivity	3.19	2.86	2.45	3.05	3.79	3.29	3.09
Telecommunications	2.80	3.14	2.48	2.30	2.83	2.89	2.70

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**Belarus:**

Belarusian Chamber of Commerce and Industry

**Georgia:**

Georgian Employers' Association (GEA)

**Moldova:**

Chamber of Commerce and Industry of the Republic of Moldova

**Ukraine:**

Kiev Chamber of Commerce and Industry

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