

1. *Armenian authorities state that our economy becomes more diversified; share of construction within GDP has decreased, while share of industry has grown. Do you think that the economy became more diversified?*

The Armenian economy has certainly become less dependent on construction, with industry becoming more relevant. However, we do not observe any material increase of the number of products that Armenia produces and exports. Armenia's exports continue to be highly concentrated. For example only five categories (copper, molybdenum, brandy, diamonds and aluminum foil) account for around two thirds of total Armenian exports.

2. *What are the major obstacles for further development of the economy?*

We have a positive assessment of economic performance. Output is increasing, inflation is decreasing, the fiscal situation is being brought under control, the banking system remains sound, and the business environment is moderately improving.

I would like to highlight are two key obstacles for further development: the various ways in which fair economic competition is restricted, and the low level of tax collection that does not allow the government to improve fundamental public goods for development like infrastructure, education and health.

3. *One of the recommendations is to attract Diaspora capital for Armenian economy needs. You have also provided such advice. Do you think that this policy is currently implemented effectively now?*

Diaspora resources (human and financial) are an absolutely fundamental asset for this country going forward. However, without underplaying the important role of reaching out to the Diaspora, the key effort in this regard is to continue to improve the situation of the business environment. As strong as patriotic drive of Diasporans may be, most of them will not be not be drawn to an economy that lacks a dynamic and competitive business environment and in which some of their potential competitors are given preferential treatment.

4. *What is your assessment of current tax policy in Armenia?*

Legislation regarding taxes is satisfactory but has still significant room to be improved. I understand the government will develop an action plan to address those shortcomings over the next three years, including closing important loopholes and certain exemptions

Regarding the implementation of the legislation regarding taxes, there has been a lot of progress but more needs to be done. Some taxpayers being pursued with excessive zeal and being required advanced payments and others never required many payments at all. SRC is now incorporating a risk-based approach to customs, tax audits and refunds of VAT that holds the promise of improving this situation if pursued appropriately.

5. *All international donors stress the need to address the issue of shadow economy more rigorously. However, according to the rating of Doing Business, situation with tax collection in Armenia has aggravated. What are the major problems in this area and what steps should be taken by the authorities in order to improve the situation?*

It has recently become easier to comply with paying taxes, and the new 2012 Doing Business rankings have actually reflected that. This should increase the incentive to pay taxes. For example, taxes are expected to be paid with lower frequencies, filings can be done electronically, the taxpayer can recur to state-of-the-art tax service centers, the taxpayer can recur to an independent appeals committee if he or she perceives unfairness from the SRC. In addition to this, we understand the government will undertake further efforts next year in the tax administration area regarding reducing the size of the shadow economy.