

REPUBLIC OF ARMENIA

INVESTMENT POLICY AND REGULATORY FRAMEWORK

DEVELOPMENT

FOREWORD:

The investment policy of the Republic of Armenia and the support to the investments are one of the core directions of economic policy of the Government. Having the objective to effectively implement the investment policy, Armenia has announced and is carrying out the policy of “Open Doors”. Armenia has one of the most open investment regimes among CIS countries, having bilateral investment promotion and protection treaties in place with over 40 countries. There are attractive investment conditions and simplified procedures created for doing business, equal treatment for local and foreign investors, free expatriation of capital, no limitation on foreign ownership, no export duties, a highly skilled and cost competitive labor force, many other attractive enabling environment features and favorable investment opportunities. In the recent years the Government of Armenia has undertaken a number of initiatives to stimulate economic growth, to improve the business climate and to attract foreign direct investments. Thanks to deep and comprehensive reforms of the business environment Armenia has improved its positions in World Bank “Doing Business 2017”, ranking 38th in the list of 190 countries. Armenia tends to improve its positions in WB Doing Business ranking by at least 4 positions in upcoming year. Even more remarkable results Armenia have achieved this year in the Index of Economic Freedom 2017 by jumping up 21 positions and according to the report is ranked 33rd across 186 countries.

In order to generate a more effective, attractive, transparent and investment-led dynamic environment in the coming years the Government is focusing on following directions:

1. INSTITUTIONAL INITIATIVES

CSI:

This year Government of Armenia established the Center for Strategic Initiatives (CSI). The Center will serve to promote key reforms, contribute to the growth of exports, as well as create stable environment to attract long-term foreign investments. The Center’s objective is to develop a long-term strategy of economic development. It is a public-private partnership, and should become an effective platform for the government and private sector to talk about reform policies. Focuses of the Center include public administration, information and high technologies, tourism, agriculture and processing industries, education, tax and customs sectors and many more.

DFA:

In recent years, the Government of Armenia has paid increasing attention to attraction and promotion of investments. The Development Foundation of Armenia was established with a mandate covering three policy areas: investment services and aftercare, export and tourism promotion. The EU twinning project, “Strengthening the investment promotion and investment policy institutional

framework of Armenia”, in cooperation with Business France, has provided significant input to improve DFA’s investment promotion activities and to establish aftercare services.

Currently the Foundation is actively broadening its scope abroad by appointing official representatives, which aims to identify potential foreign investors, establish ties with the decision makers of their resident countries, support investment projects, and find new markets for Armenian producers.

INVESTMENT PROJECTS:

Implementation of investment projects are of great importance for Armenia and that is why an online platform (investmentprojects.am) has been launched to promote those opportunities. The aim of this platform is to present the existing projects in Armenia to potential investors and to contribute to the implementation of those.

To support the implementation of different investment projects the Pan-Armenian Investment Fund has been created, which will serve as co-financier.

DIASPORA:

The Diaspora has become Armenia’s competitive advantage. Compatriots from the Diaspora have great experience, knowledge and skills in various sectors and utilization of those in Armenia can lead to the formation of new ideas, introduce a new working culture and create competitive products and services. The involvement of the Diaspora will also help enrich and develop the business culture, enhance the country’s image and attractiveness by making it more recognizable in the world. Working group formed within the Ministry of Diaspora is acting as a one-stop-shop for investors of Armenian Diaspora.

BUSINESS OMBUDSMAN:

In order to improve the effective protection of the interests of business in the country the institute of the Business Ombudsman was announced and relevant legislation has been elaborated.

ECONOMIC DIPLOMACY:

Steps have been made to develop economic diplomacy. Armenia has around fifty diplomatic missions abroad, but not each of them has trade representative or economic section. Therefore, the main goal is to strengthen the economic component in the embassies. In this regard, the Government of Armenia has approved the relevant decree which aims to contribute to the efficiency of the foreign economic policy, the involvement of embassies and diplomatic representatives in the process of attracting investments.

2. LEGISLATIVE REFORMS:

Works to further improve the investment climate are being carried out in three major directions:

- New Law on Foreign Investments has been drafted in line with international best standards. The new law sets national treatment and most favoured nation principles, minimum standards of treatment, specifies guarantees.

- Legislative framework regulating the operation of free economic zones (FEZ) is also constantly improving. With the new edition of the law the regulations of operating free economic zones are becoming more well-ordered, transparent and simplified.
- Steps have been made to develop legislative and institutional regulations for public private partnership, which will create a balanced regulatory environment in order to ensure more efficient and sustainable provision of public services and infrastructure. In cooperation with EBRD the policy paper has been introduced and legislative changes to follow shortly.

The Government has adopted a new investment policy concept under the current Government Programme 2017-2022. The new approach pays particular attention to improve the investment climate. Within this framework it is planned to get included in the OECD FDI Regulatory Restrictiveness Index, which measures statutory restrictions on foreign direct investment.

3. FOREIGN ECONOMIC POLICY AND MARKET ACCESS

Armenia has adopted a multi-vector policy format, which means on the one hand, integration to the Eurasian Economic Union (EAEU) that gives Armenia a favorable access to the market of EAEU countries, historically developed good relations with Iran, the Middle East countries, on the other hand, constantly evolving and expanding relations with EU, and as a result of which negotiations for a new “Comprehensive and Enhanced Partnership Agreement” with EU has been successfully concluded.

All of this indicates that Armenia goes beyond its geographical dimensions.

Armenia is one of only ten countries in the world and the only CIS country which enjoys the Generalized System of Preferences plus (GSP+) trade regime with the EU. Under the GSP+, more than 6,000 types of goods of Armenian origin can be exported to the EU with zero or reduced customs duties.

Armenia also benefits GSP trade regime with US, Canada, Switzerland, Norway and Japan, which reduces customs duties on certain goods of Armenian origin exported to these countries. In addition, Armenia has free-trade agreements with the CIS countries which grant duty-free access to a market of 270 million people.

Moreover, beginning from January 1, 2018 Armenia will join the Registered Exporter System (REX) of the European Union, which will enable businessmen to carry out up to 6 thousand euros worth of exports without a certificate of origin each time. This will make the European market more affordable for SMEs and will cut the expenses for receiving additional certificates of origin.