

## **Investment policy and regulatory framework development of Armenia**

The investment policy of the Republic of Armenia and the support to the investments are one of the core directions of economic policy and are stipulated in the investment policy program of the Government.

Armenia has 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. Armenia is carrying out the policy of “Open Doors” and has one of the most open investment regimes among CIS countries. 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. On the way of its strategy implementation the Government goes beyond the traditional tools of promotion and fiscal incentives and takes actions to involve industrial well-known companies in Armenian market, to provide the sectoral companies with subsidy for loans, co-financing of certification, marketing information, to promote local products to international markets, as well as organize training and research programs to identify production capacity of new export-oriented products.

Armenia is ranked 47<sup>th</sup> among 190 economies in the ease of doing business, according to the latest World Bank annual ratings and 44<sup>th</sup> among 180 countries in Heritage Foundation’s Index of Economic Freedom 2018.

In this view the necessity of deepening and accelerating Armenia’s business environment reforms is strongly emphasized, which also guarantees the formation of a competitive economy. 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:

### **Legislative reforms**

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

- The Government of Armenia is committed to developing a coherent, systematic approach to Public Private Partnerships, and a robust basis for implementing them in Armenia. In that perspective, Policy Statement on “Public Private Partnerships” was approved on 9 November 2017. The draft law on “Public Private Partnership” was approved by the Government of the Republic of Armenia on 6 September 2018 and sent to the National Assembly. The New Law will provide a clear, comprehensive, self-standing body of rules and procedures applicable to the definition, award and implementation of PPPs in Armenia, which will help to give the new PPP system greater coherence and a clear, robust legal framework. It will govern all

models of PPP, including concessions.

The goal of the Armenian Government is to mobilize the strengths and resources of the private sector in the most favorable ways, consistent with best international practice where possible, to contribute to the economic and social development of Armenia thus encouraging innovations in PPP projects, and advancing transparency and accountability in terms of risk and outcome.

The Government wishes to use and promote PPPs where they can bring greater net benefits to the economy and society than can conventional public-sector projects. PPPs will be used where they can be reasonably shown to bring greater value-for-money than conventional public procurement, or to be the most attractive basis for implementing public-purpose infrastructure and public services in specific circumstances.

- The draft law on Foreign Investments has been approved by the Government. It was drafted in line with international best standards. The new law sets national treatment and most favored nation principles, minimum standards of treatment (fair and equitable treatment, full protection and security, protection against expropriation, specifies guarantees (grandfathering clause, compensation for losses).
- The new FEZ law has been approved by the National Assembly. With the new edition of the law the regulations of operating free economic zones are becoming more well-ordered, transparent and simplified. According to the new draft the law is harmonizing with the EAEU legislation, there will be more favorable conditions for residents, the relations between residents and non-residents are clarified respective to EAEU legislation, the procedures of evaluation, granting the permits and termination are also clarified, and the monitoring system was improved.

## **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 the EU.

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.

Armenia has fully joined to the single services market of the EAEU. A single services market has already been formed and functions in more than forty sectors.

The single services market presupposes exemption of service suppliers from re-registration as legal entity; the opportunity to render services and performance of work on the basis of service delivery permit, issued on the territory of the EAEU member-state, where service supplier is registered; recognition of service suppliers staff's professional skills.

The member-states assumed responsibilities not to apply any discriminatory restrictions and exemptions against the single service market participants. Any participant of the single service market can make its business without any additional registrations, certificates, licenses and other consent documents, if a service supplier was granted such documents by the member-state of his residency.

The Eurasian Economic Union has free trade agreements with Vietnam, Iran and an agreement on trade and economic cooperation with China, currently EAEU is negotiating with Singapore, India, Egypt, Serbia and Israel.

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.

## **Other initiatives**

The Government has adopted a new approach which pays particular attention to improve the investment climate. Within this framework it is planned to get included in the OECD FDI Regulatory Restrictiveness Index by the end of 2019, which measures statutory restrictions on foreign direct investment.

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.

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.

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.