



# Armenia

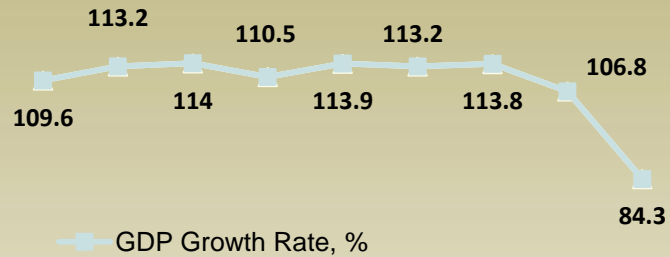
Country Presentation

Ministry of Economy

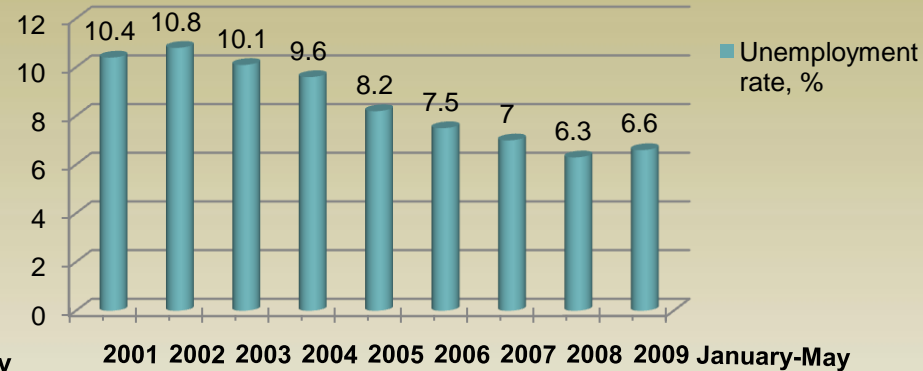
Yerevan 2009

# Rapid Development Before Crisis

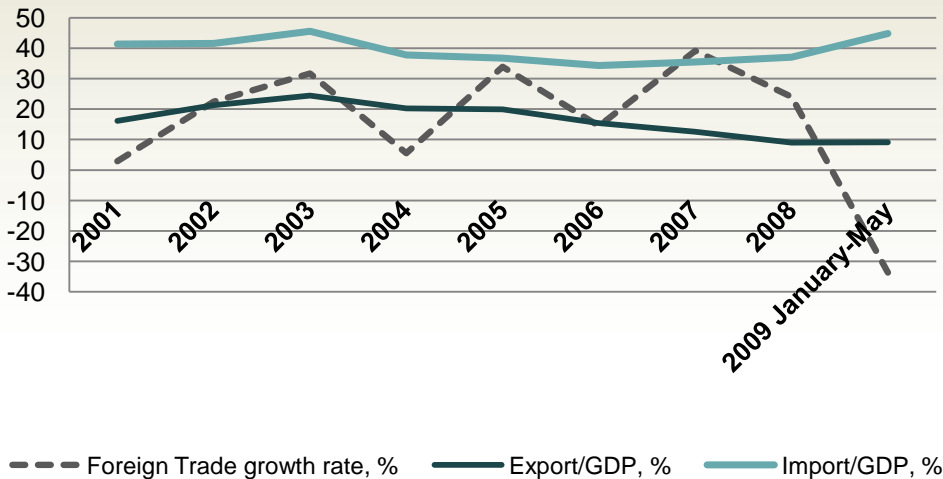
## GDP Growth Rate 2001-2009, %



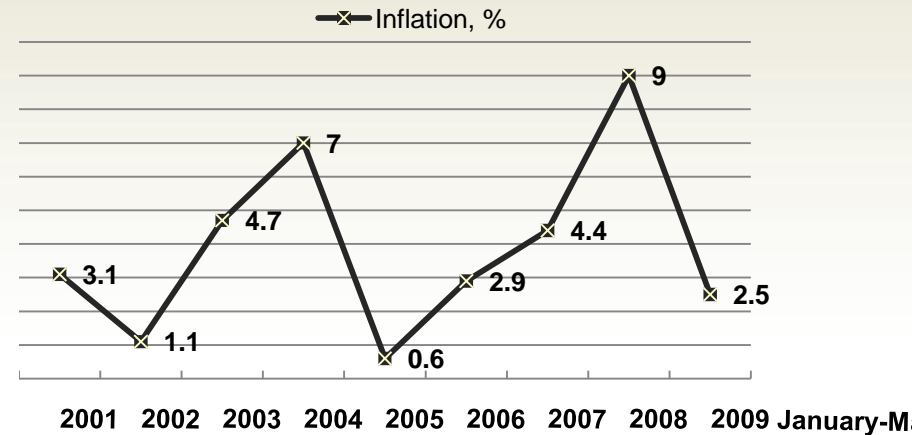
## Unemployment rate 2001-2009, %



## Foreign Trade Dynamics 2001-2009

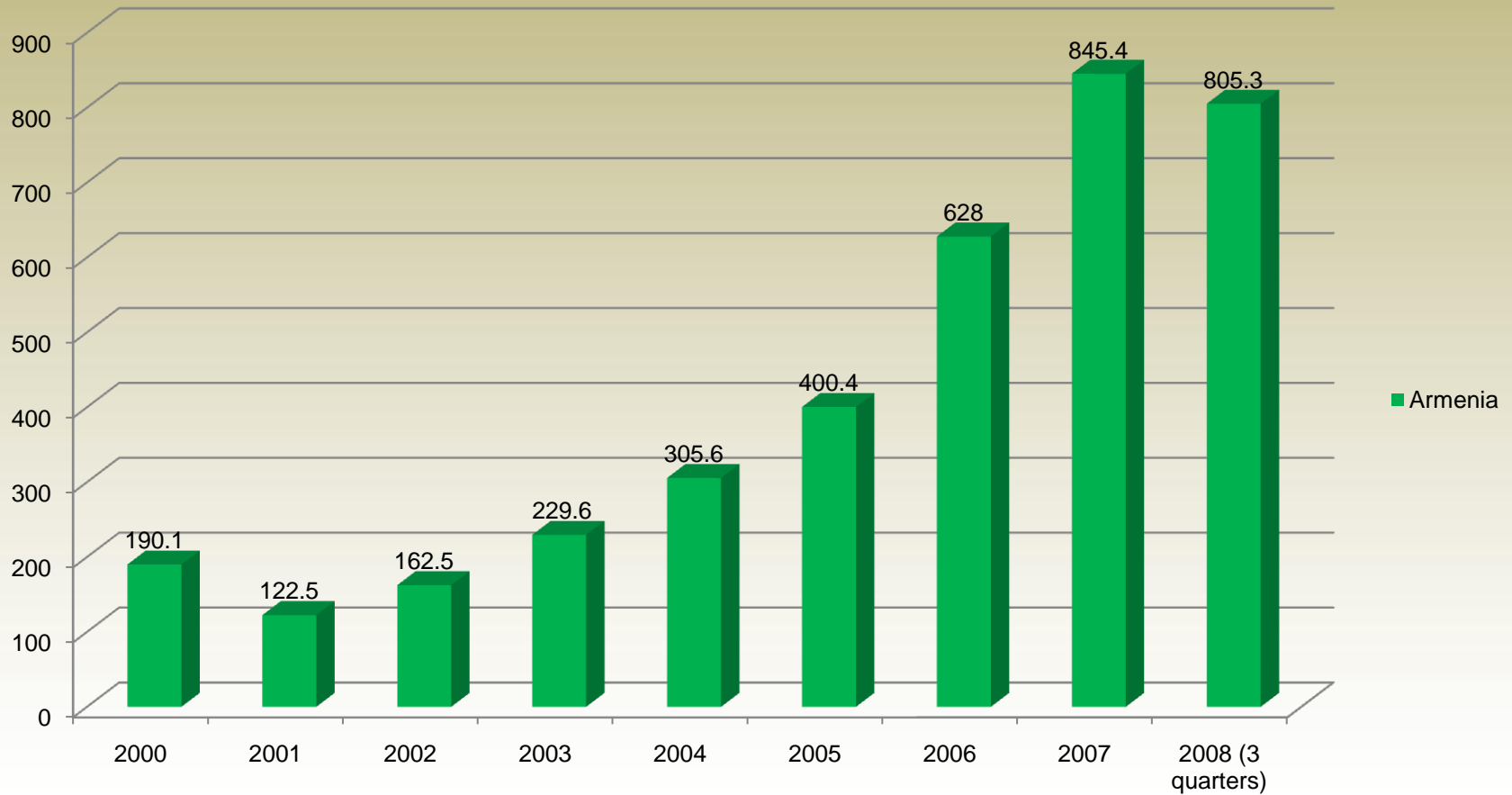


## Inflation 2001-2009, %





# Investments in 2000-2008



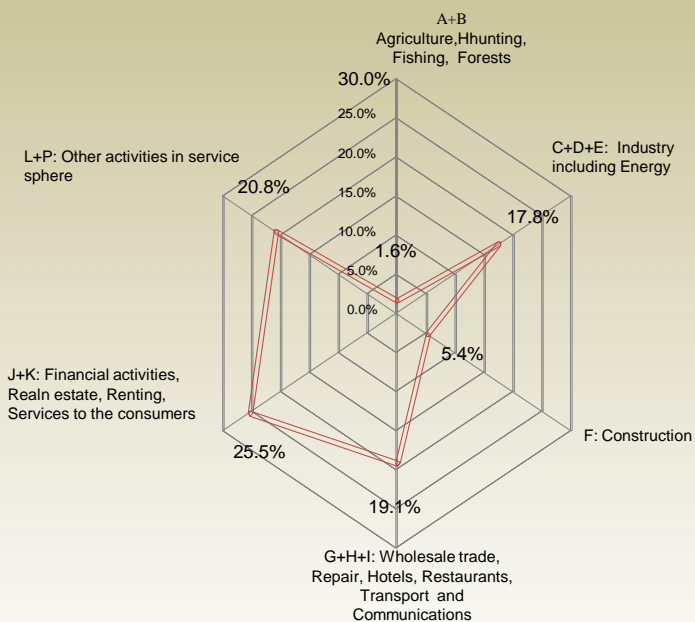


# Government's 5 national level programs

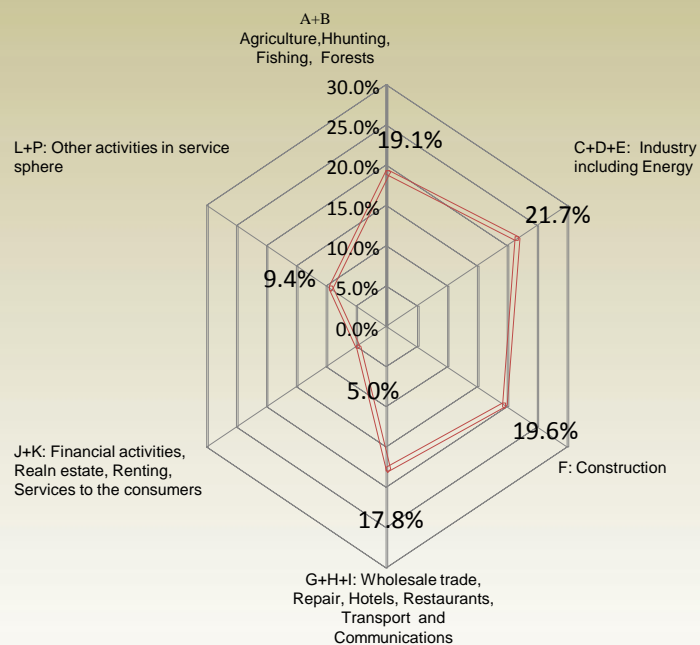
- ❖ Armenia will be the most competitive place to conduct business in the region.
- ❖ Armenia will introduce e-governance with the aim of having one window transactions for the investors in 5 years and with 80% of government services being provided online.
- ❖ Armenia will become one of the most popular travel destinations worldwide.
- ❖ Armenia will become a regional financial center.
- ❖ Armenia will become a regional health center.

# Long-term goal before the crisis

## EU-15

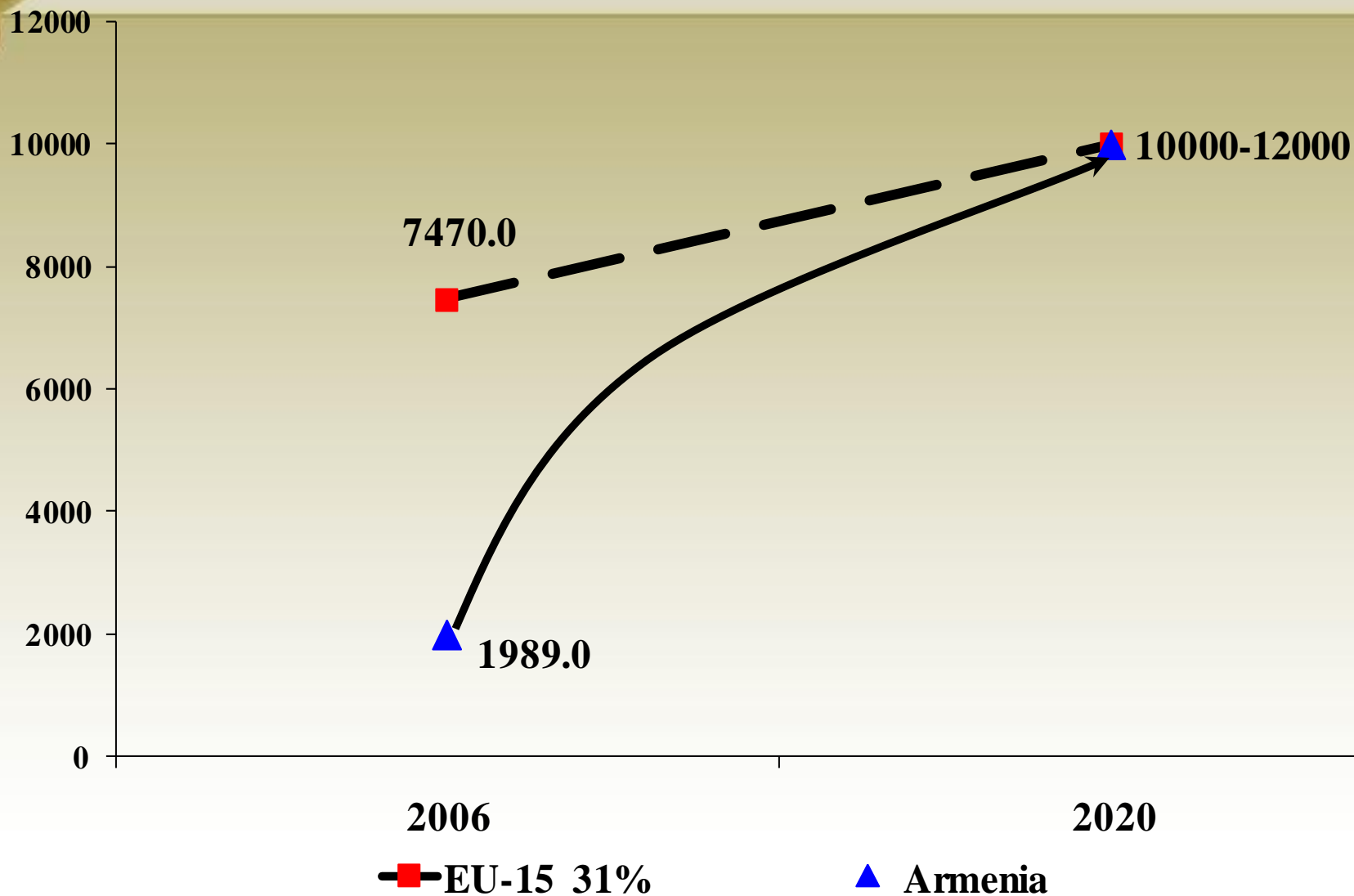


## Armenia



# Long-term goal before the crisis

Per-capita GDP, 2010-2025, USD





# The crisis impact on Armenia

- **First- financial stage of the crisis:** crisis of financial markets have no considerable impact on the financial situation in Armenia
- **Second- economic stage of the crisis:** however, it was impossible to avoid the negative impact of the international economic crisis

## The most essential effects of the crisis are:

- Increase of commodity prices;
- Decrease of international private transfers;
- Reduction of the construction growth rate (as this sphere is mainly financed by foreign investments);
- Decline in the sphere of mining industry (because of the decrease of demand and prices in international markets);
- Decrease of export volumes;

As a result, decline of the main macroeconomic indicators.

# Main Macroeconomic Indicators 2007-2008, 2009 January-May, Mln. USD

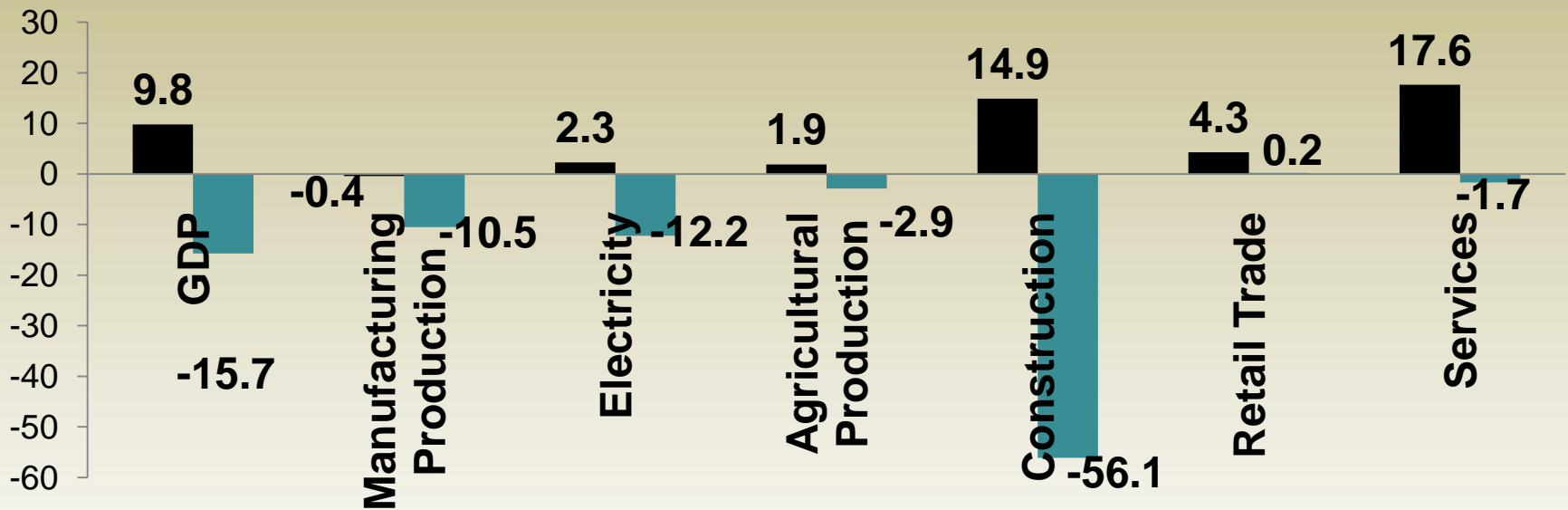
	2007	2008	2008/ 2007, %	2008 January-May, cumulative	2009 January-May, cumulative	2009May/ 2008 May, %
GDP, Nominal	9204.5	11919.3	6.8	3187.6	2437.8	-15.7
GDP, Per capita	2,849.6	3,681.1	29.2	984.4	752.9	-23.5
Unemployment Rate, %	7	6.3	-	6.3	6.6	-
CPI, period average, %	4.4	9	-	8.9	2.5	-
Consolidated Budget Balance	136.5	4.6	-	-36.7 <sup>1</sup>	64.3 <sup>1</sup>	-
Budget Balance/GDP, %	1.5	0.04	-	-1.1	2.6	-
Foreign Trade	4,420.1	5,480.8	24.0	1,979.2	1,312.1	-33.7
Export	1152.3	1,069.1	-7.2	421.3	220.1	-47.8
Import	3267.8	4,411.7	35.0	1,557.9	1092.0	-29.9

<sup>1</sup> Data for January-April, 2008 and 2009



# Macroeconomic Scenario in 2009, 1<sup>st</sup> quintile

## Growth Rates of The Main Sectors of Economy



## Branches of Economy

- 2008 January-May
- 2009 January-May



# The Main Directions of the Anti-Crisis Policy of the Government of Armenia

**The decline of the economic activity should be compensated by the increase of state consumption. Targeted programs for vulnerable groups**

- Implementation of Infrastructure Projects;
- Contribution to the companies with temporary problems;
- Assistance to the small and medium-scale business.

All these program directions will simultaneously be combined with the effective social policy of the Government



# 1. Infrastructure Projects

- Road construction;
- Housing construction;
- Modernization of irrigation and drinking water systems;
- Development of Panarmenian bank and Mortgage fund;
- Construction of the new Nuclear Plant and Railroad;



## 2. Contribution to the companies with temporary problems

This direction of anti crisis program should stimulate:

- Creation of new vacancies for work force;
- Reimbursement of import by internal production;
- Export increase;
- Innovational technologies.

These targets should be obtained by :

- Providing state guarantees;
- Subsiding (including agriculture);
- Direct crediting;
- Participation in corporate ownership.

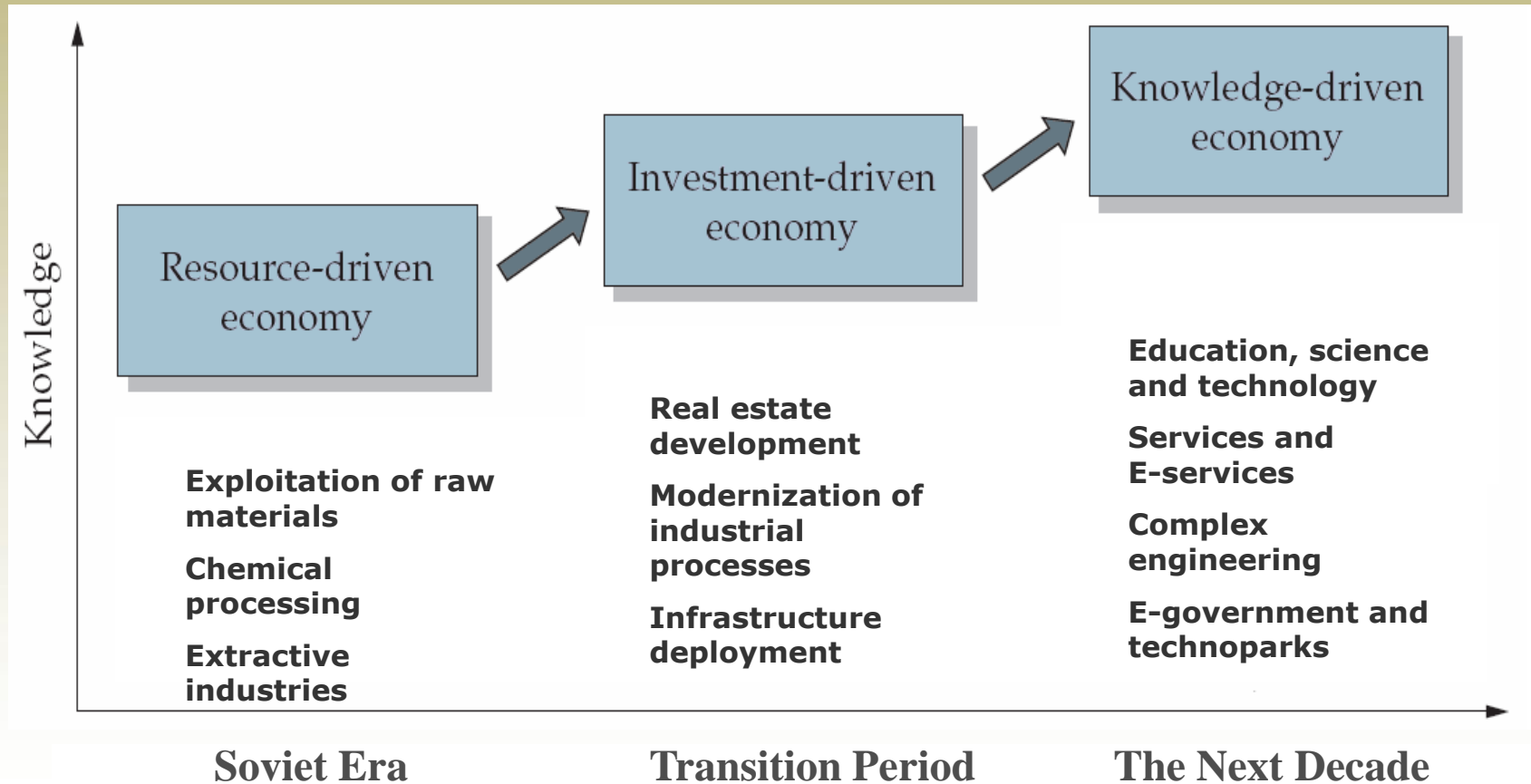


### **3. Assistance to the small and medium scale business**

- Priviledged crediting of the small and medium scale business;
- Increasing the World Bank, European Development Bank and Asian Bank financial assistance to the small and medium scale business;
- Establishment of specialized export organization (mainly in agriculture);
- Decrease of tax liabilities for small and medium scale business;
- Tax burocracy simplification for small and medium scale business.



# Acceleration of development through structural change





# Investment Driven Growth

- Increase Armenia's global competitiveness
- Improve business and investment environment
- Promote the entry of Multinationals
- Extend PPP by building infrastructure
- Form knowledge economy infrastructure



# Doing Business Ratings

Comparison of “Doing Business” Ranks in South Caucasus Countries, 2009  
*The rank in 188 countries*

NO	Indicator	Armenia	Georgia	Azerbaijan
	Ease of doing business	44	15	33
1	Starting a business	66	4	13
2	Dealing with permits and license	42	10	155
3	Employing workers	54	5	15
4	Registering property	5	2	9
5	Getting credit	28	28	12
6	Protecting investors	88	38	18
7	Paying taxes	150	110	102
8	Trading across borders	143	81	174
9	Enforcing contracts	61	43	26
10	Closing a business	47	92	81

Source: World Bank





# FDI RELATED LEGISLATION

- The Constitution of the Republic of Armenia
- The Law on Foreign Investments
- The Customs Code
- The Labor Code
- The Law on Taxes
- The Law on Profit Tax
- The Law on Licensing
- The Law on Currency Regulation and Currency Control



# INSTITUTIONAL REGULATION OF FDI<sub>s</sub>

*The Concept Paper on Investment Policy is developed, which contains clear definition of the goals, issues and principles in realization of the investment promotion policy in the country, and defines the state bodies that are functionally responsible for it.*

- **The Ministry of Economy of RA** - responsible for development and implementation of the investment policy, improvement of the investment climate, and raising the investment rating of the country.
- **Armenian Development Agency** – responsible for ensuring the ongoing improvements of the administrative procedures of entrepreneurial activities, reduction of administrative barriers, and regulation of general problems for businesses.
- **Business Support Council** - responsible for the implementation of the investment policy. It serves the investors needs on the basis of one-stop-shop principle.
- **Securities Commission of RA under the CBA** - ensures the protection of investors, formation and provision of the fair pricing system of securities in the market, ensuring necessary conditions for systematized functioning and development of the fair, transparent and confident securities market.



# FDI POLICY

- There are no restrictions to National Treatment. The legislation may only define those areas, wherein the activities of foreign investors and enterprises with foreign investment are limited or prohibited due to requirements of national security.
- No restriction on nationality and/or quantity of members of board of directors and other personnel with specialized knowledge in support of FDI.
- Foreign investors and foreign employees shall be entitled to and shall have the benefit of guarantees to freely export their property, profits (revenue) and other means legally gained as a result of investments or as a payment for labor. Armenia practically eliminated any restriction imposed on the currency exchange and transfer. Also there is no any restriction on the amount of foreign exchange transfer. There is only restriction on the export of cash, the upper limit of which is 10.000 USD or any other currency equivalent to that.



# FDI POLICY

- There were only fiscal type of incentives granted to foreign investors by the secondary law. In according to the Law on Profit Tax if actual foreign investment in the company's chartered capital made after the Januray 01 1998 is no less than 500 mln Armenian Dram then the amount on which the profit tax is to be imposed is exempted by 100 percent during the following two years after the investment, and from the 2<sup>nd</sup> up to the 10<sup>th</sup> year of investment by 50 percent. This provision has a sunset clause up to the January 01 2009, and is no more actual.
- Foreign enterprises registered in Armenia are allowed to acquire ownership of land, and there is no any discrimination about the administrative procedures of registration among national and foreign representatives.
- Titling legislation transparent. Nationalisation possible under strict conditions with fair compensation.



# FDI POLICY

- Since 1993 Armenia is a member of the World Organization of Intellectual Property Rights, and its legislation is in full conformity with the requirements of WTO provisions on intellectual property. The country is also a member of the international conventions on IP protection: Bern, Paris, Rome and Geneva Conventions. There is an official governmental body dealing with the IPRs acting under the Ministry of Economy of RA, i.e. The Agency on Intellectual Property.
- Foreign investments in Armenia shall not be subject to nationalization. Government bodies cannot, also, confiscate foreign investments. Confiscation may be allowed only as an extreme means in case of emergency declared in accordance with the legislation of the Republic of Armenia, and it may be applied only upon the judgment of a court of law and with full compensation. Armenia also is a member of MIGA which allows foreign investors to receive guarantees against political risks.



# FDI RELATED AGREEMENTS

■ **Bilateral Treaties on Investment Promotion and Protection (BITs)** have been concluded with 32 countries including: Argentina, Austria, Belarus, Belgium-Luxemburg economic union, Bulgaria, Canada, China, Cyprus, Egypt, France, Georgia, Germany, Greece, India, Iran, Italy, Israel, Kazakhstan, Kyrgyzstan, Lebanon, Qatar, Romania, Russia, Switzerland, Tajikistan, Turkmenistan, Ukraine, United Kingdom, United Arab Emirates, Uruguay, USA and Vietnam. BITs with Brazil, Czech Republic, Japan, Holland, Macedonia, Morocco, Slovenia and Jordan are under negotiation.

■ Armenia is a signatory to the CIS Multilateral Convention on the Protection of Investor Rights.



Thanke You