



# Armenia at the Crossroads of East and West: Trade and Investment Opportunities

*Development Foundation of Armenia  
National Authority for Trade,  
Investment and Tourism*



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Why to Invest in Armenia

Investor Profile in Armenia

Sectorial Overview

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# Why to Invest in Armenia

## 1 Political, Social and Economic Environment



## 3 Taxation and Incentives



## 2 Legal and Regulatory Environment



## 4 Trade Regimes and Market Access Opportunities



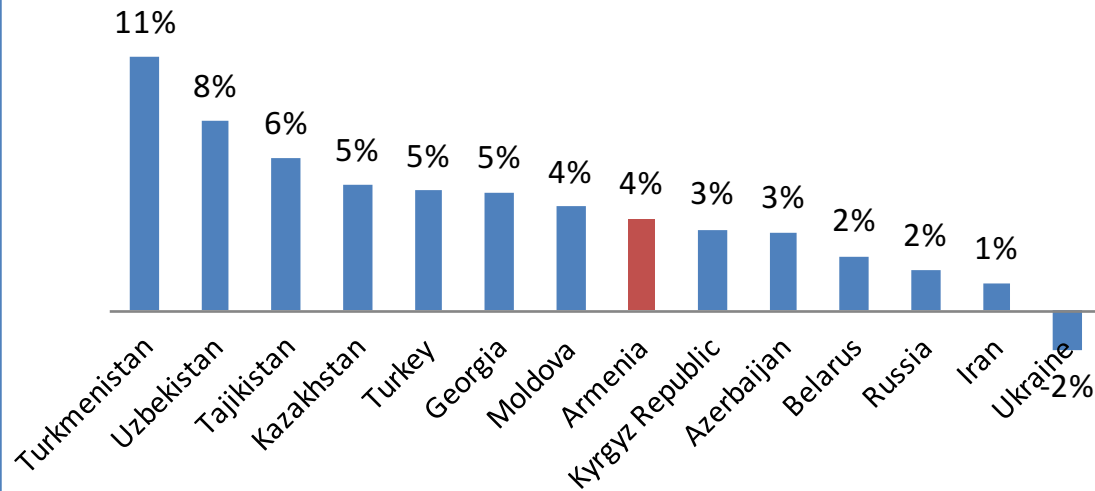
## 1

### Political, Social and Economic Environment

- Stable political institutions and functional democracy
- Strong commitment to build open economy and create attractive trade and investment opportunities
- Political commitment to continuous reform of the business environment and providing robust macro-economic fundamentals
- Pro-business values, norms, customs, practices and behaviors by a society at large
- Natural attitude towards literacy, education, creativity and innovation
- Importance or place of women in workforce and societal norm for equal status and equal wages for female workers
- High rankings on the World Bank Doing Business Index
- The most liberal economy in the CIS countries

# Macroeconomic Stability

## Peer Average Real GDP Growth Rate 2010-2015



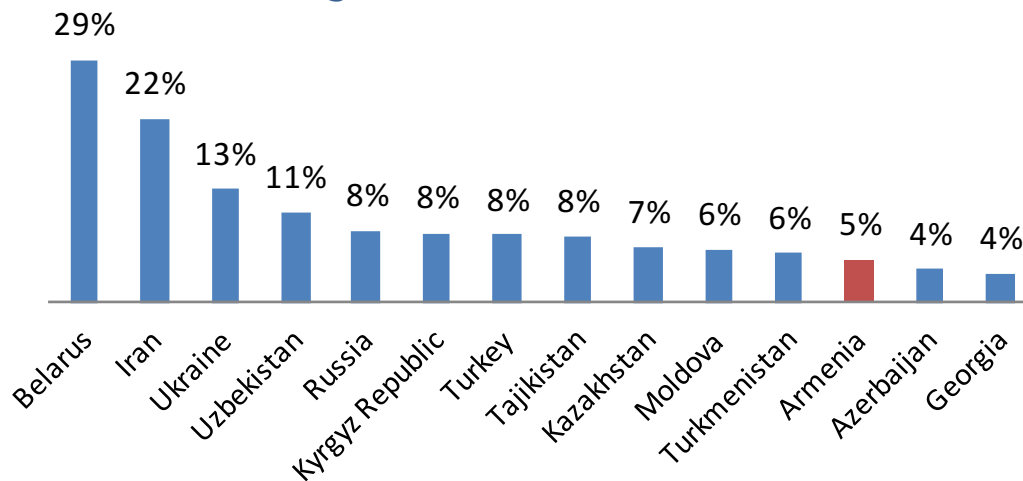
With a 5 year compound annual growth rate of 4.2% outpacing peer countries.

## 2015

\$11 billion GDP  
\$3,515 GDP per capita

\$24.3 billion GDP (PPP) \$8,070  
GDP (PPP) per capita

## Peer Average Inflation Rate 2010-2015



## CPI

Armenia has one of the lowest inflation rates in the region with a 5 year average annual inflation rate of 5%.

No major fluctuations.

# Ease of Doing Business



Out of 189 countries

Armenia	Rank
Starting a business	5
Dealing with construction permits	62
Getting electricity	99
Registering property	14
Getting credit	42
Protecting minority investors	49
Paying taxes	41
Trading across borders	29
Enforcing contracts	28
Resolving insolvency	71

- Armenia is continuously improving its positions in the ranking of WB on the ease of doing business.
- By the ease of doing business Armenia ranked 43th in 2010, while in 2016 the country is the 35<sup>th</sup>.



# Ease of doing Business Main Highlights

Armenia is one of the leading countries in the world **by starting a business**. The registration of a business longs **up to 3 days** and costs about **USD 35**. Meantime, there are no any requirements for minimal paid-in capital.

**Dealing with construction permits** in Armenia longs **up to 84 days**, while in Europe & Central Asia the same indicator is about 176 days in average.

**Cost for property registration** is about 0.2% of property value.

The **credit bureau covers information** for **94.1% of adults** and **50%** of operating companies

Total tax rate in Armenia is **19.1%**. There are **7 types of regular taxes**. The payments of 3 taxes out of 7 can be proceed online and the number of tax payments is **10** annually.

For exporting or importing goods **border & documentary procedures** longs about 5 hours.

**Cost of claim** of commercial contracts in Armenia is much more affordable (14% of claim), than the same indicator in European and Central Asian countries in average (26.2% of claim).

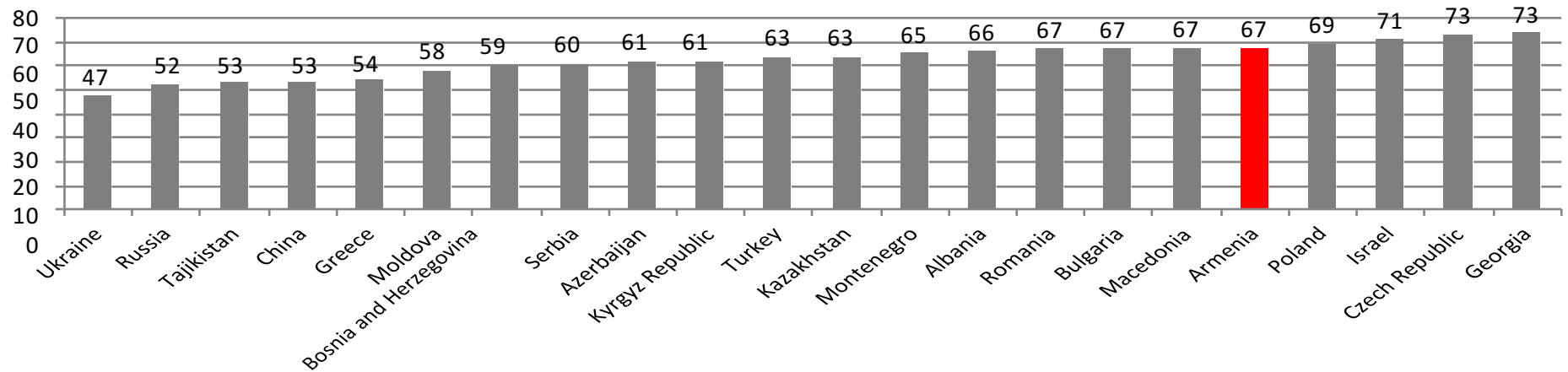
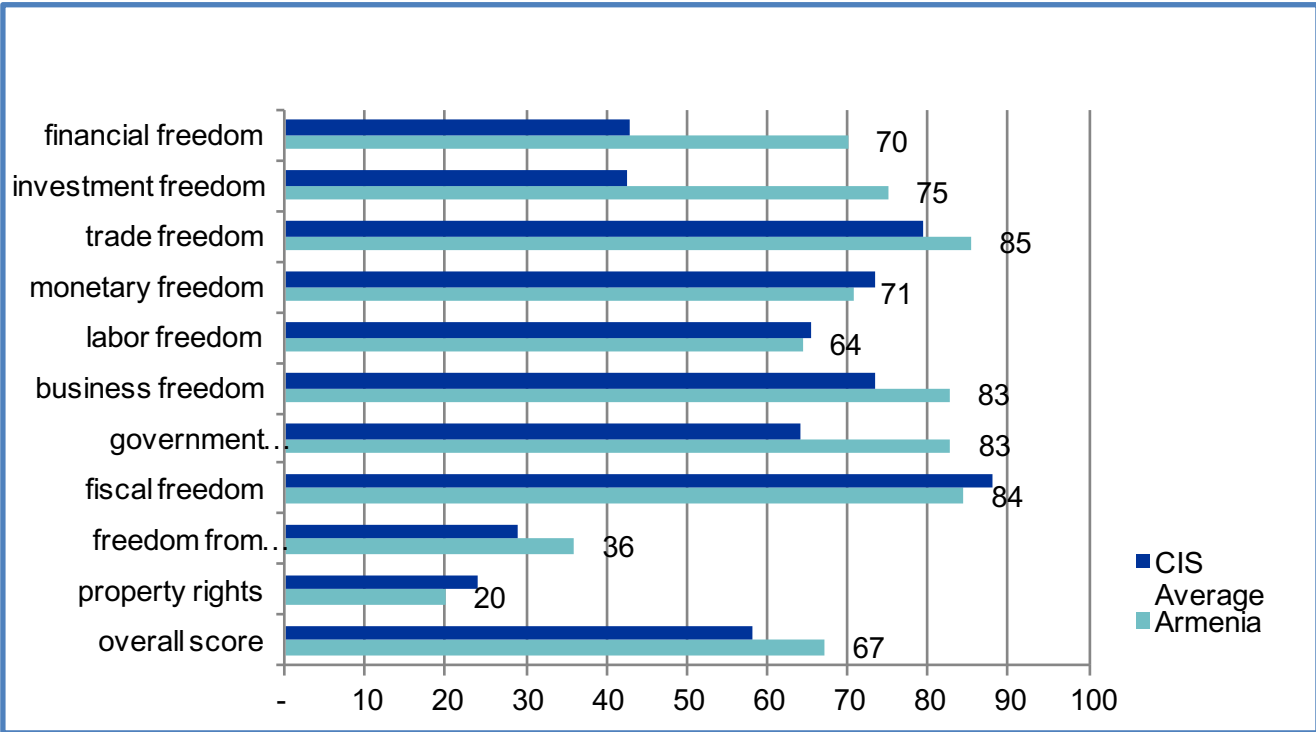
**The extent of director liability index** in Armenia is stronger (6 out of 10 point), than the same indicator in European & Central Asian countries in average (4.9) or even in high income OECD countries (5.4).

Armenia has a very distinguished system of shareholders' rights protection. **The extent of shareholder right index** in Armenia is 9 out of 10.

# Economic Freedom Index

**Economic freedom overall score: Armenia vs. CIS**

- Economic Freedom Score: 67.0
- Economic Freedom Status: Moderately Free
- Global Ranking: 54th
- Regional Ranking in Europe: 23rd
- CIS Ranking: 1st





# Economic Freedom Index - Main Highlights

Armenia is considered **moderately free country.**

Armenia is fully free country by **trade, fiscal, government and investment freedoms.**

Armenia is the most economically free country in the CIS.

Armenia is less corrupted than Iran, Azerbaijan, Kazakhstan, Belarus, Kyrgyzstan, Uzbekistan, Ukraine and Russia.

**Extent of Investment freedom** in Armenia is more distinguished, than in other peer countries, except Georgia.

**Trade freedom** is the most distinguished freedom in Armenia.

# Global Terrorism and Global Peace Index

**INSTITUTE FOR  
ECONOMICS  
& PEACE**

*Global Terrorism index 2015,  
Institute For Economics & Peace*

Country	Rank
Armenia	116
Azerbaijan	93
Georgia	71
Iran	39
Turkey	27
Belarus	77
Russia	23

- Armenia is one of the safest and terrorism neutral countries in the region and amongst 162 countries in the world.

*Global Peace index 2015,  
Institute For Economics & Peace*

Country	Rank
Armenia	91
Azerbaijan	132
Georgia	79
Iran	138
Turkey	146
Belarus	110
Russia	152

- Armenia is one of the most peaceful countries in the wider region.
- It outperforms all its peers in CIS and Eurasian Region

# Robust Financial System

- tax concessions to investment funds (0.01% of NAV, management service of the fund is exempt from VAT)
- Opportunity to establish any type of fund in Armenia
- A well-developed securities market infrastructure
- The securities and cash accounts held by Central Depository of Armenia with Clearstream make the foreign securities market fully accessible to those investing in Armenia
- No special permit to the foreign investor is required for investing.
- Sound and developed banking system operates in compliance with the Basel 3 standards
- In the event of any changes to the laws regulating the investment regime, a foreign investor is given the opportunity to follow the former terms in the next 5 years

# Doing Business- Regional Outlook

	Armenia	Iran	Russia
Number of procedures to start a business	2	8	4.4
Time to register a business entity (days)	3	15	10.5
Cost to register a business (USD)	32	133	128
Time for dealing with construction permits (days)	84	97	263.5
Number of procedures to register a property	3	7	3
Cost of registering a property (% of property value)	0.2	6.1	0.2
Total tax rate (% of profit)	19.9	44.1	47
Time to export: Border compliance (hours)	3	107	96
Time to export: Documentary compliance (hours)	2	159	43
Cost to export: Border compliance (USD)	0	565	1125
Cost to export: documentary compliance (USD)	150	143	500

## 2

## Legal and Regulatory Environment

- National treatment at pre and post establishment of investments
- No horizontal or sectorial restrictions
- No limitations on the conversion and transfer of money
- Free repatriation of capital and earnings in a freely convertible or usable currency at the market rate of exchange prevailing on the date of transfer
- No controlled foreign corporation (CFC) rules
- Foreign investments can not be directly or indirectly nationalized, confiscated or expropriated
- 100% foreign ownership is allowed
- Full protection of property rights

## 3

### Taxation and Incentives

- Low and attractive statutory tax rates
- Fiscal and non-fiscal incentives for investors, including fEZs

# Tax Rates & Incentive Schemes

## Taxation

Number of taxes	9
VAT*	20%
Profit tax	20% or 0% if exports exceed about 100 mln USD
Personal income tax	Average 30%
Excise tax	Depends on good, but not more than 50%
Property tax	Up to 0.55%

\* Agriculture is exempt from VAT

Deferrals and exemption from custom duties

## Support Schemes

Export Support and Grant Schemes

Trade Show Participation Support

Co-funding of certification costs in source markets

Export Insurance

Co-funding of distributors' visits

# Free Economic Zones

VAT- 0%,  
Profit tax -0%,  
Custom duties – 0%,  
Property tax – 0%.

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Electronics  
Precision engineering  
Information technologies  
Jewelry

Accelerated depreciation on  
capital assets

No restrictions on currency convertibility  
or repatriation of capital & profit

Loss carry forward for corporate  
tax purposes (5 years)



## 4

### Trade Regimes and Market Access Opportunities



- Since 1 of January 2015 Armenia is a full member of EAEU
- Free access to the EEU single market based on the freedom of movement of people, capital, goods and services
- Access to Government Procurement of the EEU single market
- Since 2006, Armenia is a beneficiary country of EU GSP+
- Access to 0% duty trade on 66% of all tariff lines.



- Armenia is a beneficiary country of US GSP with access to duty free export of thousands products to USA



- Armenia is a beneficiary country of the US Trade and Investment Framework Agreement
- Access to Government Procurement of the WTO GPA Members
- Access to International arbitration instruments



- A strong network of 42 double tax treaties and 31 bilateral investments protection treaties
- A 2.2% average tariff rate and very few non-tariff barriers



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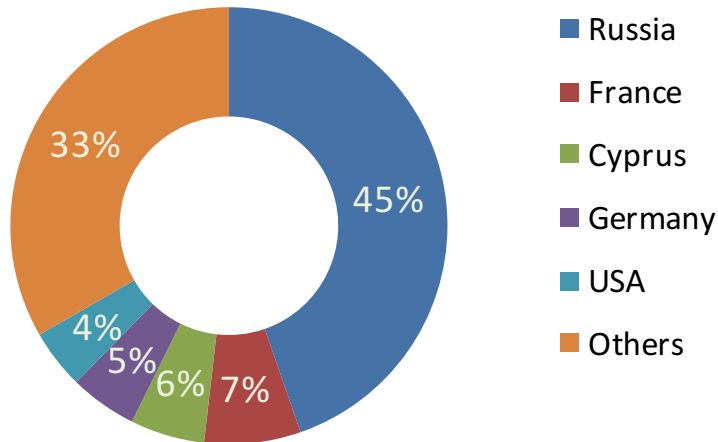
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- Energy and Energy Efficiency
- Mining and Minerals
- Transport and Logistics
- IT and Engineering
- Financial Services
- Health and Pharmaceuticals
- Agribusiness
- Tourism and Hospitality

Russia has the largest presence in Armenian economy with 45% share in FDI's mainly in Energy, and Telecommunication sectors.

FDI Inflow – 2015: \$404 million  
 Y.O.Y Increase – 6%  
 5-year compound monthly salary ~ USD380

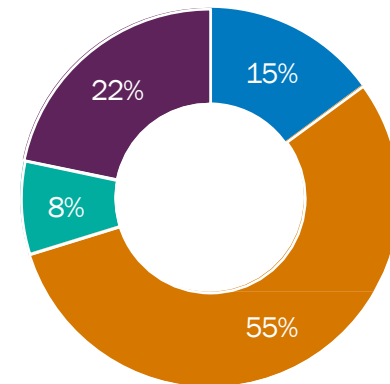
# Investments Supported by the €BRD

## At a Glance

Number of operations to date	<b>148</b>
Net cumulative Bank Investment	<b>€1,041.7 million</b>
Cumulative disbursements	<b>€739.5 million</b>
Portfolio	<b>€345.8 million</b>
Number of active portfolio operations	<b>58</b>
Operating assets	<b>€271.8 million</b>
Private share of portfolio	<b>86%</b>
Equity share of portfolio	<b>23%</b>
Number of operations YTD	<b>15</b>
Bank Investment YTD	<b>€138.4 million</b>
Disbursements YTD	<b>€81.7 million</b>

## Portfolio Composition

€ million at reported rates

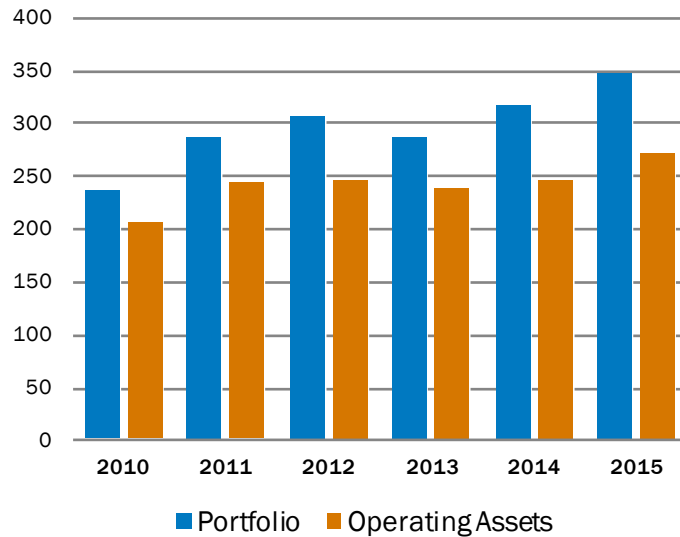


- Portfolio Energy
- Portfolio - Financial Institutions
- Portfolio - ICA
- Portfolio - Infrastructure

# Investments Supported by the €BRD

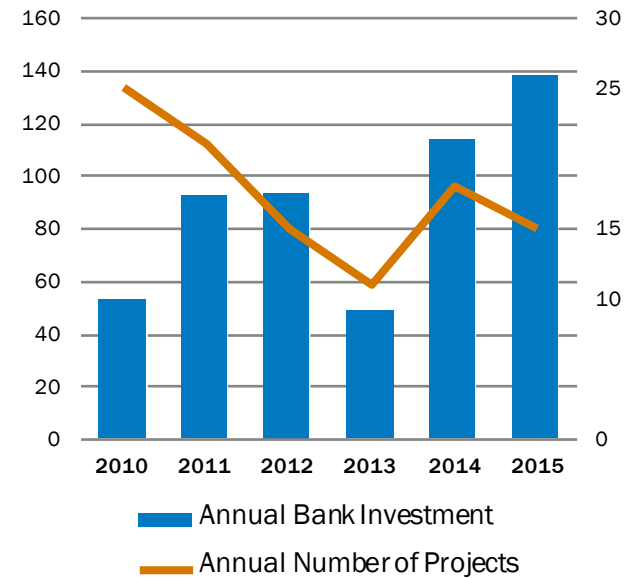
## Portfolio and Operating Assets

€ million at reported rates



## Annual Bank Investment and number of projects

€ million at reported rates



# Investments Supported by the ADB

**Table 2. Armenia: Cumulative Lending, Grant, and Technical Assistance Approvals<sup>a, b</sup>**

Sector	No.	Total Amount (\$ million) <sup>c</sup>	% <sup>c</sup>
Energy	3	62.70	7.40
Finance	7	105.60	12.46
Multisector	3	80.50	9.50
Public Sector Management	5	51.38	6.06
Transport	12	470.22	55.50
Water and Other Urban Infrastructure and Services	4	76.90	9.08
<b>Total</b>	<b>34</b>	<b>847.30</b>	<b>100.00</b>

<sup>a</sup> Grants and technical assistance include cofinancing.

<sup>b</sup> Includes sovereign and nonsovereign loans and technical assistance.

<sup>c</sup> Total may not add up because of rounding.

## Selected Projects

\$500-million for the North–South Road Corridor Investment program - aims to develop an efficient, safe, and sustainable road network for Armenia,

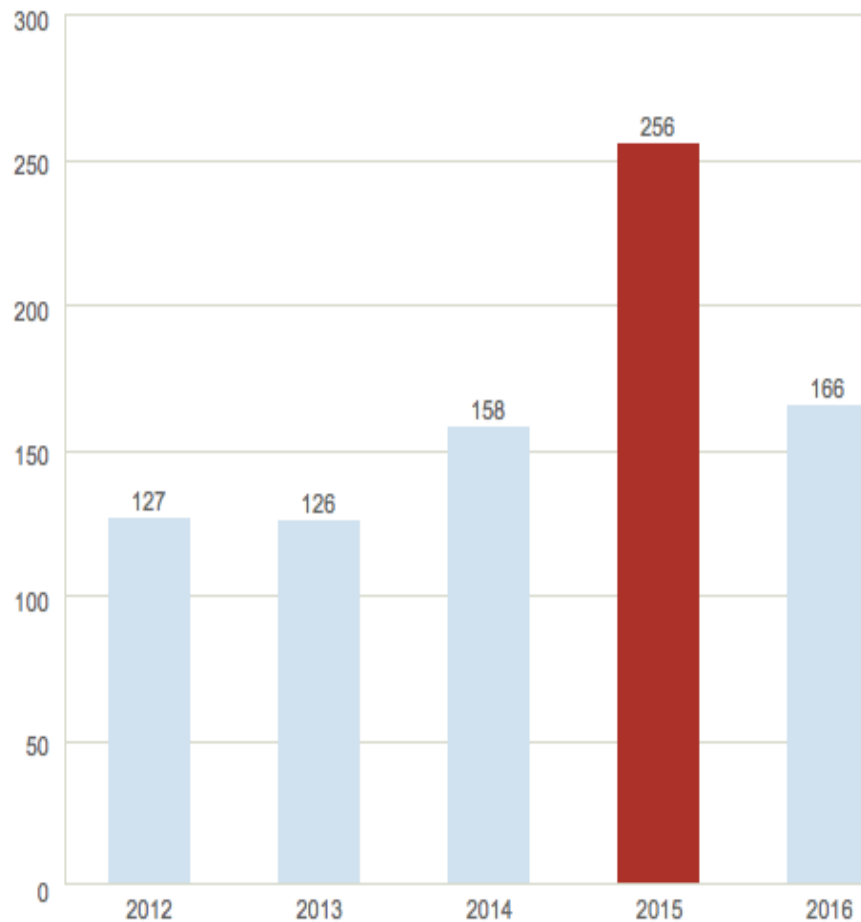
\$400-million for the Sustainable Urban Development Investment Program to upgrade urban transport services and improve living conditions.

\$40 million- Water Supply and Sanitation Sector Project.

\$49-million improvement in management systems in the road transport and water supply sectors.

# Investments Supported by the WB Group

Armenia: Commitments by Fiscal Year (in millions of dollars)\*



\*Amounts include IBRD and IDA commitments

IFC's long-term investment commitments in Armenia totaled \$233 million, 42 projects across financial markets, ICA's, services and mining. More than \$122 million in trade finance.

## Selected IFC Investments in Armenia

Financial year	Project	IFC Financing (\$ million)
2014-2015	FINCA Armenia	7 (in Armenian dram equivalent)
2012-2014	ACBA-Credit Agricole Bank	65
2014	Unibank	10
2013	Noyan	2.5
2012-2013	HSBC Armenia Byblos Bank Armenia	30 (including \$8m from IFC-Canada Climate Change Program)
2012-2013	Byblos Bank Armenia	10
2010	Elite Plaza	5.4
2010	Ameriabank	15

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# SECTORIAL OVERVIEW

**RESOURCE-BASED**

**SKILL-BASED**

**KNOWLEDGE-BASED**



**AGRIBUSINESS**

**JEWELRY, WATCHMAKING &  
DIAMONDS**

**HEALTH & PHARMA**

**TOURISM & AVIATION**

**IT & ENGINEERING**

Output 2010-2014	
Average Annual Growth	Cumulative Growth
10%	87%

Share in GDP	% of total industrial output
20%	24%

Export 2010-2014	
Average Annual Growth	Cumulative Growth
25%	185%

## INVESTMENT OPPORTUNITIES

- ✓ Production and technology
- ✓ Processing and packaging
- ✓ Supply chain management
- ✓ Organics

# TOURISM & AVIATION

Tourist Arrivals 2010-2014	
Average Annual Growth	Cumulative Growth
12%	76%

Share in GDP 2010-2014	
2010	2014
7%	12%

Share of Total Export 2014
20%

## INVESTMENT OPPORTUNITIES

- ✓ Transportation infrastructure including air connectivity
- ✓ Hotel and hospitality
- ✓ Tourism Experiences: winter tourism, health and wellness, cultural and religious tourism, ecotourism etc.





# JEWELRY, WATCHMAKING & DIAMONDS

Output 2010-2014	
Average Annual Growth	Cumulative Growth
19%	117%

Export 2010-2014	
Average Annual Growth	Cumulative Growth
12%	43%

## INVESTMENT OPPORTUNITIES

- ✓ Development
- ✓ Design
- ✓ Assembly
- ✓ Components and accessories
- ✓ Supply chain management



Output 2010-2014	
Average Annual Growth	Cumulative Growth
16%	109%

Export 2010-2014	
Average Annual Growth	Cumulative Growth
25%	200%

## INVESTMENT OPPORTUNITES

- ✓ Healthcare
- ✓ Pharmaceuticals
- ✓ Biotechnology
- ✓ Medical Device Manufacturing



## IT & ENGINEERING

Revenue growth since 2010	Revenues from Own R&D
47%	50%

Workforce	Labor productivity
15,000	\$33,300

Workforce growth since 2010	% foreign labor
32%	56%

- ✓ Number of companies: 400
- ✓ Total revenue: \$500 mln
- ✓ Foreign ownership: USA/Canada (42%), Russia/CIS (14%), Europe (32%)
- ✓ Major specializations: customized software and outsourcing (19% of firms), system design and automation (17%), web design and development (15%), Networking systems and communications (10%)
- ✓ Major export destinations: USA/Canada (78% of exports), Europe (10.5%), and Russia (8.5%)



# IT & ENGINEERING



## INVESTMENT OPPORTUNITIES

- ✓ Hardware engineering
- ✓ Software engineering
- ✓ Smart systems
- ✓ Mobile applications
- ✓ Cloud computing
- ✓ Security
- ✓ Graphics, multimedia and games
- ✓ Research and development

# KEY TAKEAWAYS - 1

- ✓ Robust macro-economic environment and financial fundamentals offering excellent risk-reward opportunities
- ✓ Social and Political Stability
- ✓ Regulatory environment conducive to the starting and operation of a local firm: the “easiest” place to do business in the CIS
- ✓ Open economy with well-defined investment policies based on liberalization and free trade: the most liberal economy in the CIS countries
- ✓ Secure operational environment: one of the safest places in the world
- ✓ Active government investments support and promotion targeting development of skills, transfer of knowledge, know-how technology and innovation
- ✓ Sophisticated financial sector with outsized returns and attractive regulatory and market institutional framework for local, regional and global intermediation
- ✓ Upgraded and modernized infrastructure, transportation facilities, communications and IT networks
- ✓ A skilled and productive work force that attracts foreign investment and enables export-oriented industrial development



## KEY TAKEAWAYS - 2

- ✓ Armenia is a gateway to Iran, Eurasian Economic Union, European Union and USA with freedom of business establishment/incorporation and preferential market access opportunities
- ✓ Armenia is a financial services bridge for regional trade and investment services intermediation
- ✓ Armenia has strong growth in sectors attractive for international investors; follow the money!



THANK YOU

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