



**REPUBLIC OF  
ARMENIA**



Development Foundation  
of Armenia

# INVEST IN ARMENIA

YOUR GATEWAY TO MAJOR MARKETS



**WHAT ABOUT ARMENIA?**

# COUNTRY OVERVIEW



AREA: 29.7ths km<sup>2</sup>  
POPULATION: 3.0 mln  
CAPITAL: YEREVAN  
OFFICIAL LANGUAGE: ARMENIAN  
MAIN NATIONALITY: ARMENIANS (98%)



CURRENCY: ARMENIAN DRAM (AMD)  
GDP 2015: \$ 10.53 bln  
GDP 2015 PER CAPITA : \$ 3,504  
GNI PER CAPITA PPP \$ 8,720  
MAIN SECTORS OF ECONOMY: AGRICULTURE, TRADE, INDUSTRY



INFLATION RATE 2015 (EOP): -0.1%  
UNEMPLOYMENT RATE 2015: 18.5%  
AMD/USD EXCHANGE RATE (SEPT 2016): 475

**B1**  
(STABLE  
OUTLOOK)

MOODY'S

**B+**  
STABLE

FitchRatings

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# ARMENIA PROFILE

Semi-presidential system of  
governance - during  
last 25 years

Restored its independence  
from the Soviet Union in 1991

Changing from **semi-presidential  
system** to a **parliamentary republic**  
during the 2017-18 electoral cycle

## GOVERNMENT

**The Government welcomes foreign investment and continuously works on improving the business environment**



**35<sup>th</sup>** economy out of 189 by **ease of doing business** in the world,  
WB Doing Business 2016



**Moderately free country** by 2016 Index of Economic Freedom,  
Heritage Foundation (ranked as 54<sup>th</sup>)

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# ARMENIA PROFILE

Acts as a **gateway to major markets**

Member of **Eurasian Economic Union (EEU)** since 2015 with access to single market of more than 180 million

Very **open economy**

## ECONOMY

**Strong human capital** and a well educated population

Historically strong political and economic relations with **Iran**

Relatively **open investment and trade policy**

**Stable macroeconomic environment.** Armenia over-performed majority of the countries in the region by macro indicators in 2015

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**COMING TO ARMENIA**



**INFRASTRUCTURE**



# INFRASTRUCTURE

The water supply and sanitation system has been significantly upgraded

## Water and sanitation



Total Length of roads - **7,568 km**  
Under construction: North-South Road Corridor - **556 km**, to provide high-speed road connection **between Iran and Georgia**

## Roads



Total length of Armenian Railways is **1,328.6 km**  
Yerevan metro length is **12 km**

## Railway



## Gas Supply

**96%** gasified Main Pipelines

- Iran-Armenia, diameter - **700 mm** capacity - **2.3 bcm** (by 2019)
- **Russia-Georgia-Armenia** pipeline



# INFRASTRUCTURE



## Communication

Mobile, Landline Telephone and High speed internet coverage on the whole territory.  
Landline subscribers - **582 ths**  
Mobile subscribers - **3.6 mln**  
Internet users ~ **2 mln**



## Airports

Zvartnots, Yerevan

- Best in the region
- About **4 mln passenger** capacity
- **10,000 m<sup>2</sup>** warehouse territory

Shirak, Gyumri

- Mainly flights to Russian cities



## Energy infrastructure

Diversified energy production

- 100% electric network coverage

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**WHY ARMENIA ?**

# WHY ARMENIA?

## Macroeconomic Stability

## Financial Sector Stability

- Stable CPI and AMD exchange rates

## Gateway to Major Markets

- **Favorable location and relations** with Russia and Iran
- **Duty Free access to EEU**
- **Favorable trade conditions** with global players
- **Interest from Iran and China in projects** in Armenia

## Favorable and Improving Business Environment

- Favorable conditions for **doing business**
- Leading positions in **Ease of starting a business** and **registering property**
- **Reliable partner** for international institutions

## Diverse Investment Sectors

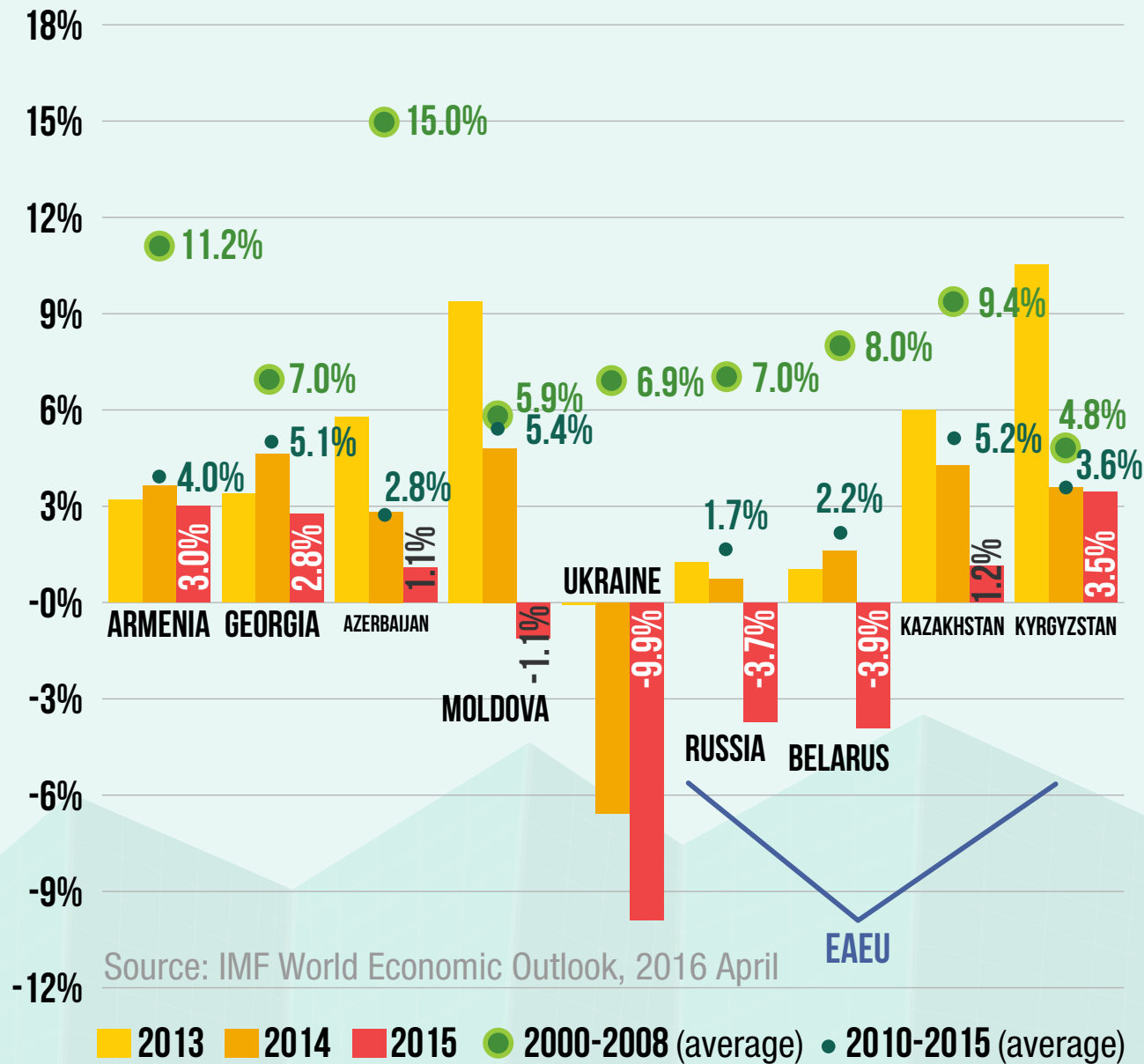
- Agri-food, IT, Finance and banking, Energy, Tourism and hospitality, Mining, Connectivity, Pharmaceuticals

## Young, skilled and competitively priced labor force

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# MACROECONOMIC AND FINANCIAL STABILITY

# MACROECONOMIC AND FINANCIAL STABILITY



**Stable growth** rate of GDP:  
 11.2% - 2000-2008:  
 (2<sup>nd</sup> in region)  
 4.0% - 2010-2015:  
 (2<sup>nd</sup> in EAEU)

**Quite diversified economy:**  
**Agriculture is the leading sector** with 17.3% share in GDP

**IT and Finance and insurance sectors** are the main drivers of service sectors

**Most stable consumer prices** and currency in 2014-2015 in the region and not only

**Significantly improved CAB to GDP:** CAB/GDP 7.3% (2014), 2.6% (2015)

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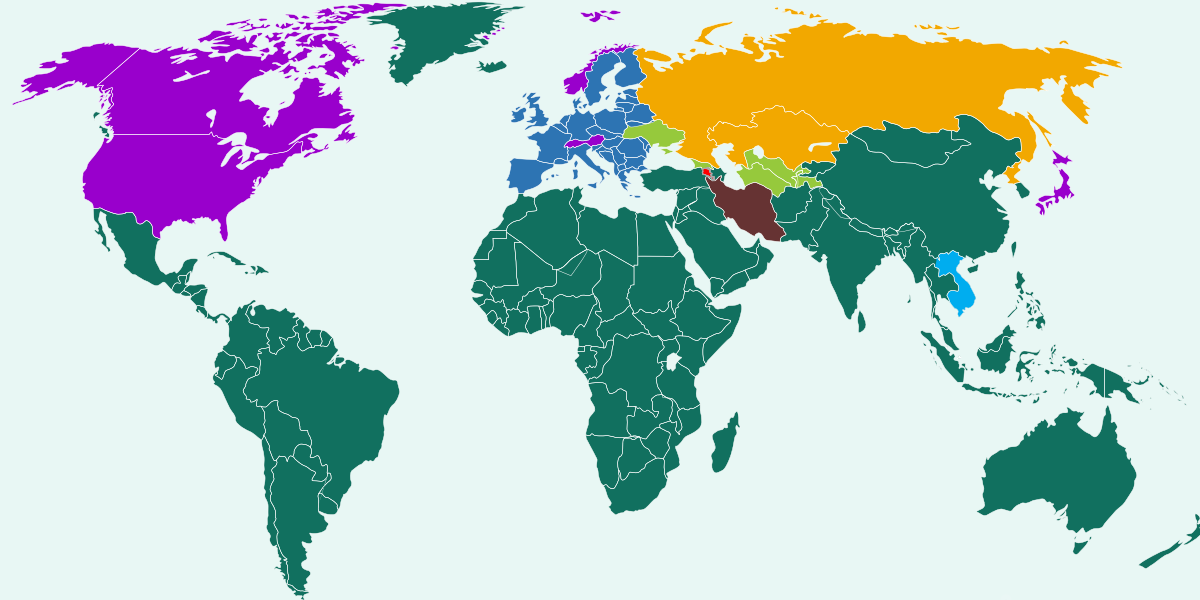
# ACCESS TO MAJOR MARKETS

# TRADE POLICIES

## Map of Armenia's Preferential tax regimes:

Encompassing **45 countries** across the world with **GDP over \$ 42 trillion**

- ARMENIA
- GSP
- EEU
- CIS FTA
- GSP+
- EEU FTA
- in discussion to sign EEU FTA



### Customs Code: in line with EEU countries

- ✓ No custom procedures for export and import to/from EEU
- ✓ Lower custom duties compared to EEU for some products by 2019/2020
- ✓ No quantitative restriction on import and export
- ✓ No customs tariffs on export
- ✓ No VAT on export

## Other Government initiatives facilitating trade:

- Treaties for the avoidance of double taxation with 42 countries
- Trade and Investment Framework Agreement signed in 2015 with USA

## Results:

- External trade turnover reached \$ 6.0 billion in 2014 (by 48% higher than in 2009)
- Export grew by 2.2 times during last 5 years

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# TRADE POLICIES

Long standing strategic partnership with **Russia**

## Cooperation within EEU:

- Free movement of goods, capital, services and people
- Common transport, agriculture and energy policies

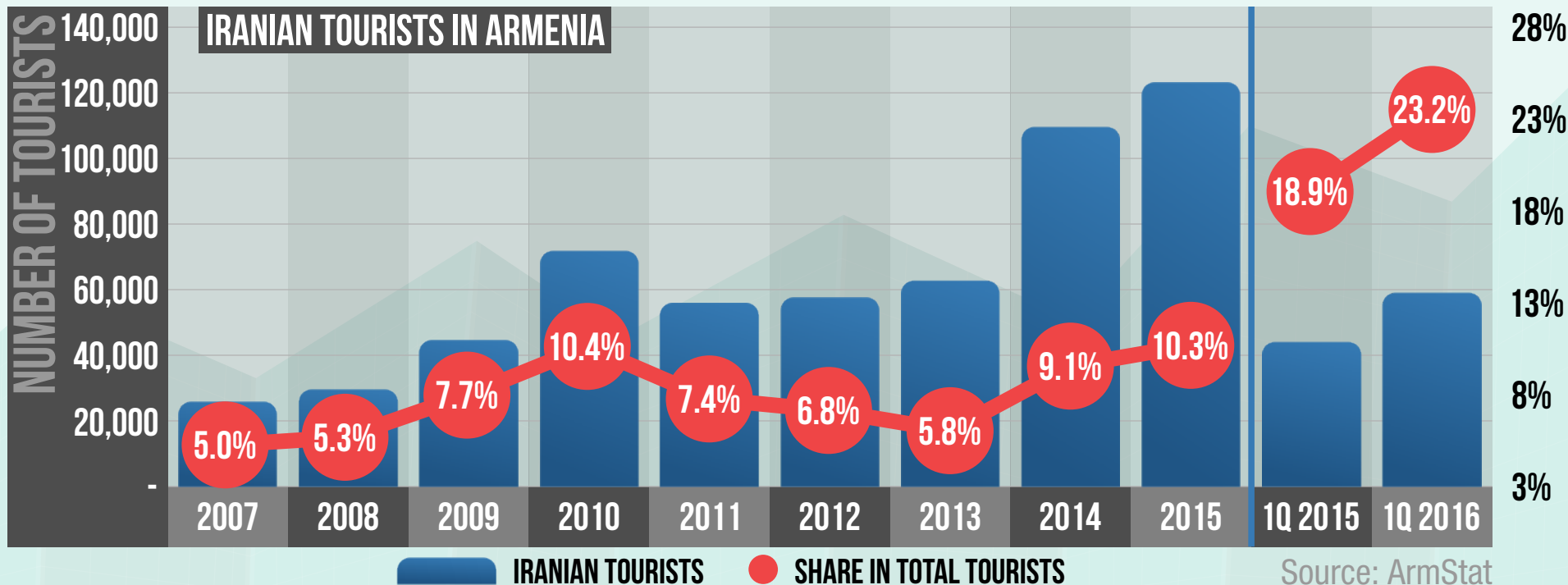
# RELATIONS WITH RUSSIA AND IRAN

Continued close cooperation with Iran during the Western sanctions:

- Energy security (Natural gas vs. Electricity)
- Tourism

Armenia acts as **one of the gates to Iranian economy** after lifting of sanctions:

- Reciprocal Visa-free regime
- Activated all spheres of economic relations
- Plans to construct a railroad for Iran through Armenia



Source: ArmStat

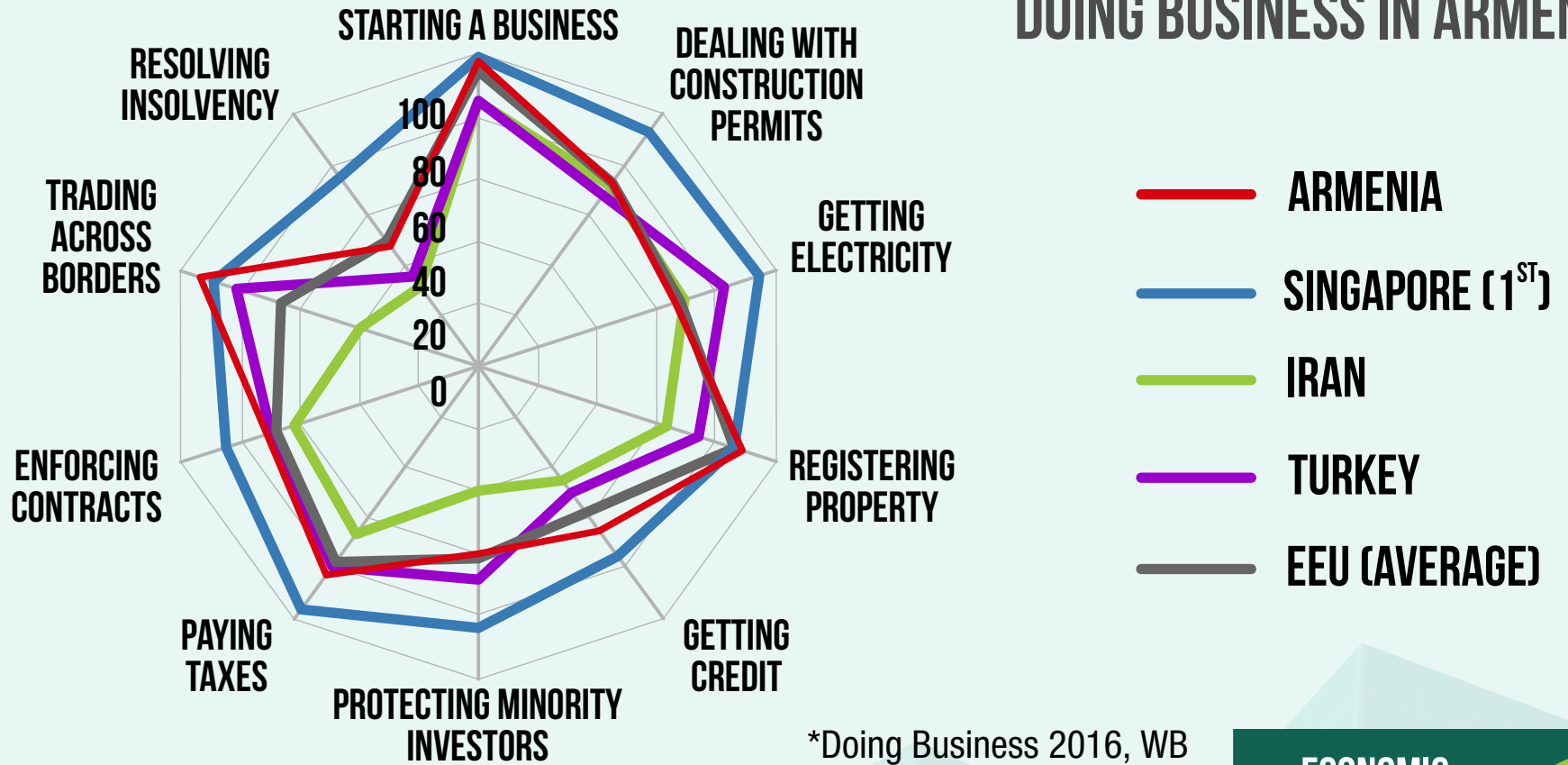
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**FAVORABLE BUSINESS  
ENVIRONMENT**

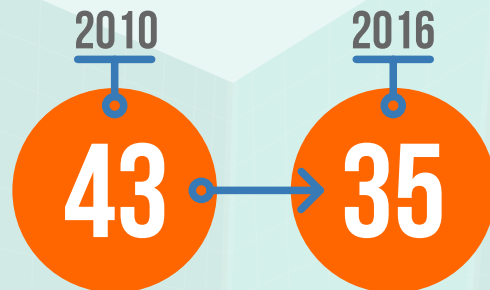
# COUNTRY RANKING

## DOING BUSINESS IN ARMENIA\*



\*Doing Business 2016, WB

### CONTINUOUS IMPROVEMENT IN RANKINGS:



Among 189 countries

- ✓ Ranked 5<sup>th</sup> by Starting a Business
- ✓ Ranked 14<sup>th</sup> by Registering Property

ECONOMIC FREEDOM INDEX 2016

54<sup>th</sup>

23<sup>th</sup>

BY INVESTMENT FREEDOM COMPONENT

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## ARMENIA'S MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS AND UNIONS

Armenia is a member of more than 40 different international organizations



**UNITED NATIONS**    **SINCE 1992**



**COMMONWEALTH OF INDEPENDENT STATES (CIS)**  
**SINCE 1992**



**BLACK SEA ECONOMIC COOPERATION**  
**SINCE 1992**



**WORLD TRADE ORGANIZATION**  
**SINCE 2003**



**EURASIAN ECONOMIC UNION**  
**SINCE 2015**



**INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES**  
**SINCE 1992**

**ARMENIA IS  
CONSIDERED  
A RELIABLE  
PARTNER**

Council of Europe, OSCE, IMF, WB, IBRD, WHO, WIPO, EBRD, ADB, World Tourism Organization, World Customs Organization, International Telecommunications Union and others.

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# TAXATION AND INCENTIVES

VAT	20%
PROFIT TAX	20%
DIVIDEND TAX	5/10%
PERSONAL INCOME TAX	23% / 26% / 36%
EXCISE TAX	DEPENDS ON GOODS
IMPORT DUTIES	DEPENDS ON GOODS
EXPORT DUTIES	FREE OR 0%
PROPERTY TAX	0.1%-1%

## OTHER FEATURES

- ✓ No Profit tax & VAT for small entities, including agriculture
- ✓ Accelerated depreciation on capital assets
- ✓ Loss carry forward for corporate tax purposes (5 years)
- ✓ Special Tax regime for IT start-ups
- ✓ Profit tax privileges for large exporters
- ✓ Tax exemptions in border regions

## FREE ECONOMIC ZONES (FEZ)

- 📊 VAT- 0%
- 📊 Profit tax -0%
- 📊 Custom duties – 0%
- 📊 Property tax – 0%

2

Preferential Economic activities in FEZ:

- 📊 Electronics
- 📊 Precision engineering
- 📊 Pharmaceutical and biotechnologies
- 📊 Information technologies
- 📊 Alternative energy
- 📊 Production design
- 📊 Telecommunication
- 📊 Jewelry, Watchmaking, Diamond cutting
- 📊 Production of goods, currently not produced in Armenia

### ✅ LAW ON FREE ECONOMIC ZONES, JUNE 2011



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## Law on Foreign Investment (1994).

- 🏆 Declares Most-Favored-Nation Regime
- 🏆 **Bilateral agreements with 41 countries** to promote and protect investments

## Easy Registration

- 🏆 Single window service
- 🏆 Online registration

## Industrial Promotion

- 🏆 The Government adopted an Industrial Strategy in 2011 with the priority industries

## Limits on Foreign Control and Right to Private Ownership and Establishment

- 🏆 No restrictions on currency convertibility or repatriation of capital & profit
- 🏆 No limitations on foreign ownership and control of commercial enterprises
- 🏆 No sector specific restrictions
- 🏆 No screening of FDI

## Investment Disputes

- 🏆 Disputes settles in Armenian Courts unless otherwise specified
- 🏆 Law on Commercial Arbitration (2007) - options for resolving disputes through arbitration
- 🏆 By Constitution Bilateral International Agreements supersede Armenian law

## WTO/TRIMs

- 🏆 Armenia is a member of WTO since 2003
- 🏆 WTO Trade Related Investment Measures (TRIMs)

# LEGAL FRAMEWORK



**LABOR**






**Well educated, skilled and competitive labor force, especially in the field of Science, Technology, Engineering and Math**

## Average monthly wages in Armenia (\$ US), 2016 April

ECONOMY, AVERAGE	391
AGRICULTURE, FORESTRY, FISHING	255
MINING AND QUARRYING	729
MANUFACTURING	365
ELECTRICITY, GAS, STEAM SUPPLY	696
CONSTRUCTION	454
TRADE	314
TRANSPORT & WAREHOUSES	316
HOTELS & RESTAURANTS	262
ICT	884
FINANCE & INSURANCE	787
PROFESSIONAL, SCIENTIFIC SERVICES	353
HEALTHCARE	290

Source: ArmStat

-  Literacy rate in Armenia is close to 100%
-  Armenia is a leading country in South Caucasus by tertiary enrollment with 46.1% rate
  - 60 Universities
  - 80K students
-  Large potential to utilize well-educated qualified professionals in Diaspora

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# ATTRACTIVE SECTORS

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# FDI ATTRACTIVE SECTORS



**IT & ADVANCED TECHNOLOGIES**



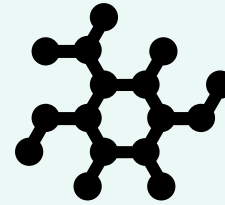
**AGRI-FOOD**



**FINANCIAL AND BANKING**



**METAL MINING**



**PHARMACEUTICAL INDUSTRY**



**CONNECTIVITY**



**SUSTAINABLE ENERGY**



**TOURISM AND HOSPITALITY**

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# ENABLING ENVIRONMENT AND PUBLIC SUPPORT

## DEVELOPED FINANCIAL SECTOR



- Advanced banking system
- Nasdaq-OMX stock exchange
- Equity funds are becoming very active
- No limitation on FX transactions

## TAXATION

VAT	20%
CORPORATE TAX	20%
INCOME TAX	23-36%
PROPERTY TAX	UP TO 0.3%
EXPORT DUTIES	FREE OR 0%

## FREE ECONOMIC ZONES

## ARMENIA, A MEMBER OF WTO, EEU & CIS

- Registration of business at one-stop shop within 2 days
- No restriction on repatriation of capital and profits
- 100% ownership permitted with no limitation on recruitment
- Consistency of legislation with national treatment and most-favored-nation principles of WTO
- Double taxation treaties with 47 countries and preferential trade regimes with 45 countries including EU, EEU, USA and Canada
- #35 per WB “Doing Business 2016”
- #23 by Investment Freedom per Economic Freedom ranking

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# ENABLING ENVIRONMENT AND PUBLIC SUPPORT

## DEVELOPMENT FOUNDATION OF ARMENIA

Your reliable investor care partner in Armenia with free-of-charge tailored services to foreign investors, including:

Provision of information on investment opportunities and relevant legislation

Ground support in organizing site visits for investors

Management of post-visit support

Assistance with investment and export project implementation as well as liaison with governmental institutions



Development Foundation  
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### INVESTMENT PROMOTION & SERVICING

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