MINISTRY OF ECONOMIC DEVELOPMENT AND INVESTMENTS

INVESTMENT POLICY DEPARTMENT

Invest in Armenia 2017

CONTENT OUTLINE

SOCIO - ECONOMIC OVERVIEW

MARKET & TRADE OVERVIEW

TAXATION & INCENTIVES

PROMISING SECTORS

INVESTMENT OPPORTUNITIES

REPUBLIC OF ARMENIA

YEREVAN
THE CAPITAL CITY

Currency – Armenian Dram (AMD)
Currency rates / 2016 average
1 USD - 480,5 AMD

POPULATION
3,000,000 (approx.)

TOTAL AREA
29.800 sq./km

GOVERNMENT
Parliamentary Republic

LANGUAGE
Armenian
(English and Russian languages widely used)

TIME & DOMAIN ZONE
UTC /GMT +4:00
.AM

REPUBLIC OF ARMENIA

GEORGIA

10 REGIONS (MARZES)

866 VILLAGES

12 DISTRICTS OF THE CAPITAL CITY

48 CITIES AND TOWNS

IRAN

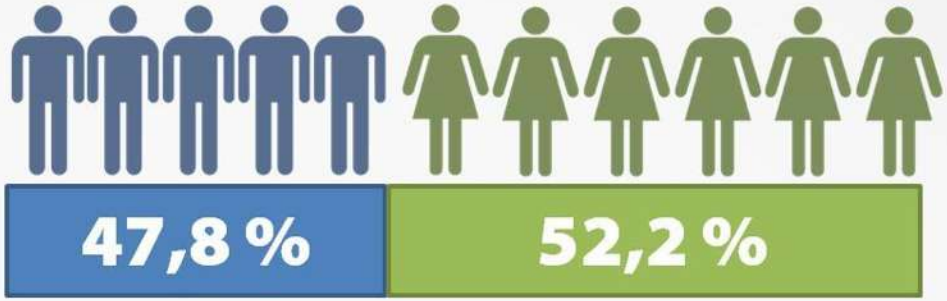
DEMOGRAPHIC STATISTICS

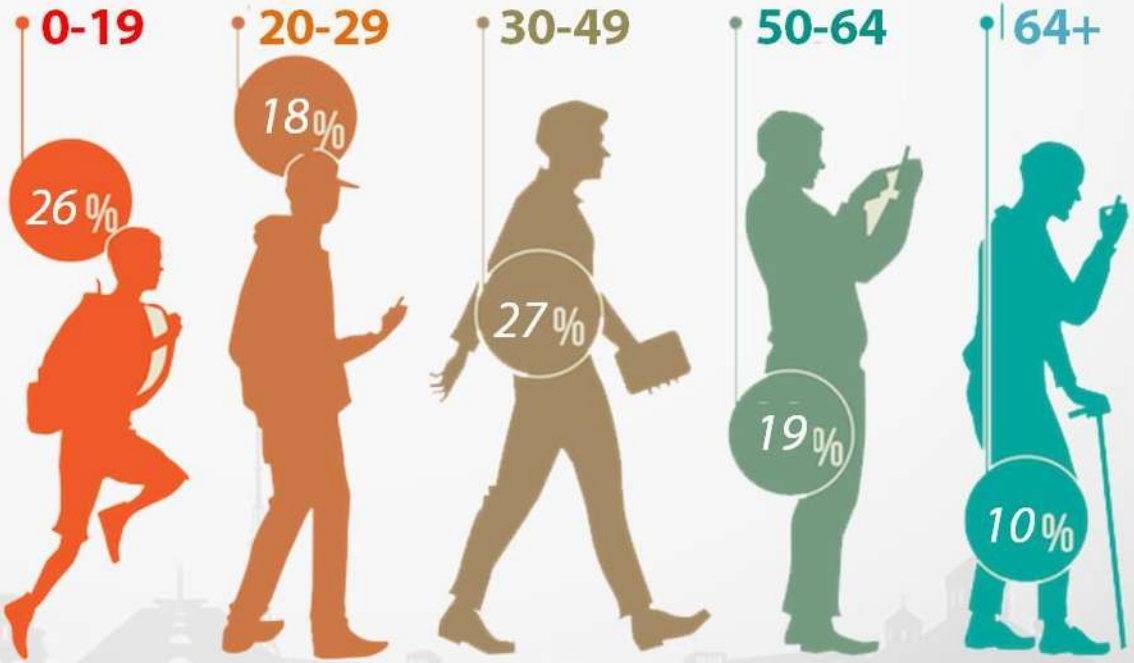
TOTAL POPULATION
2.998.600

URBAN
1.907.400
RURAL
1.091.200

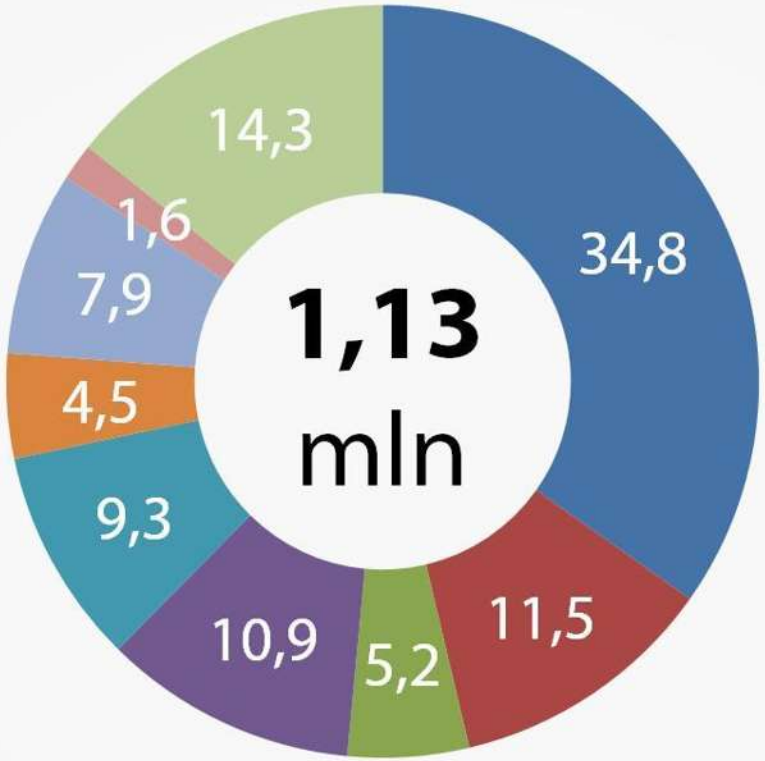
PENSION AGE

63





EMPLOYMENT IN ARMENIA



63,9%

ECONOMIC ACTIVITY
RATE

50,9%

EMPLOYMENT
RATE

18,5%

UNEMPLOYMENT
RATE

AVERAGE SALARIES

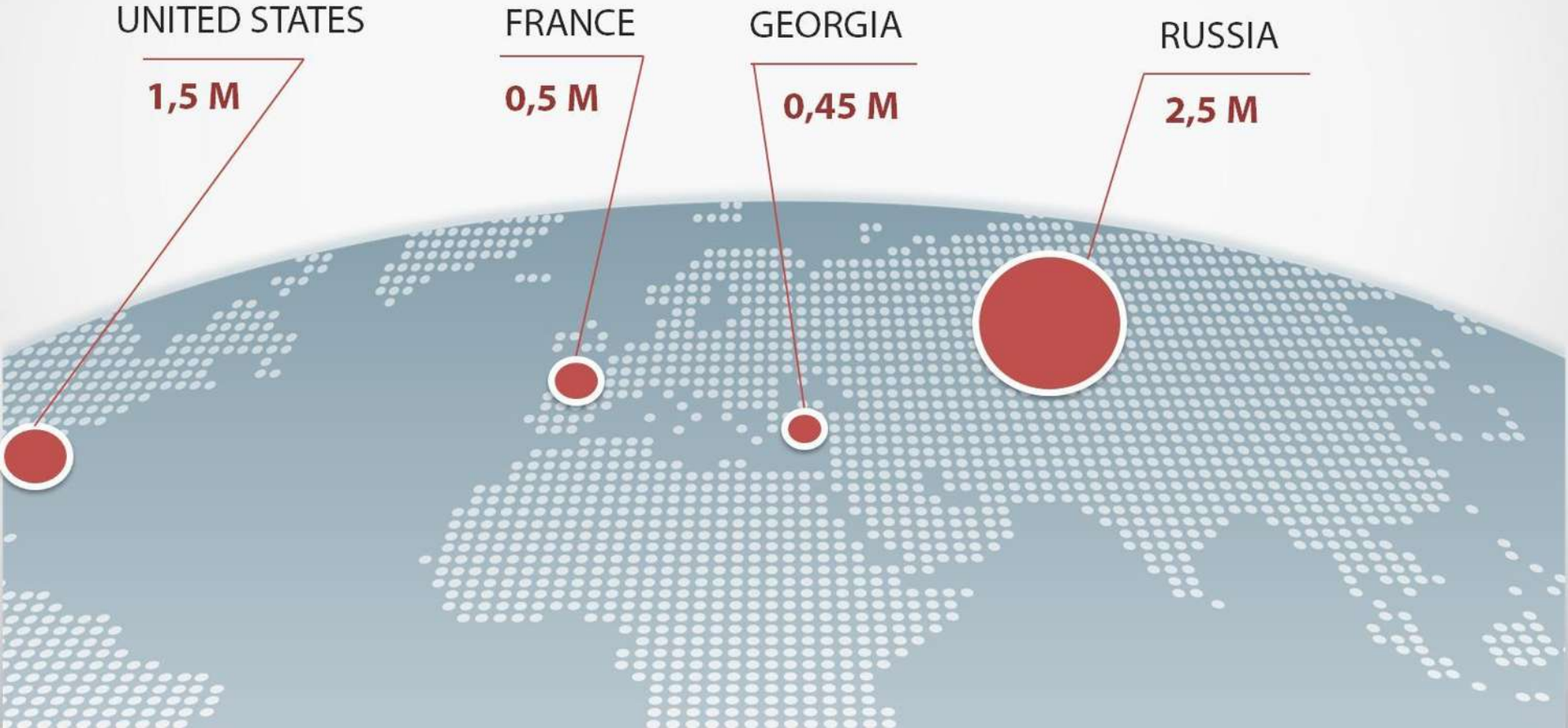
- Agriculture
- Mining
- Processing Industry
- Energy
- Construction
- Trade
- Telecommunications
- Finance & Insurance
- Public Administration
- Healthcare
- Education
- Services

As of 2016 the average monthly salary in Armenia is 187,000 AMD

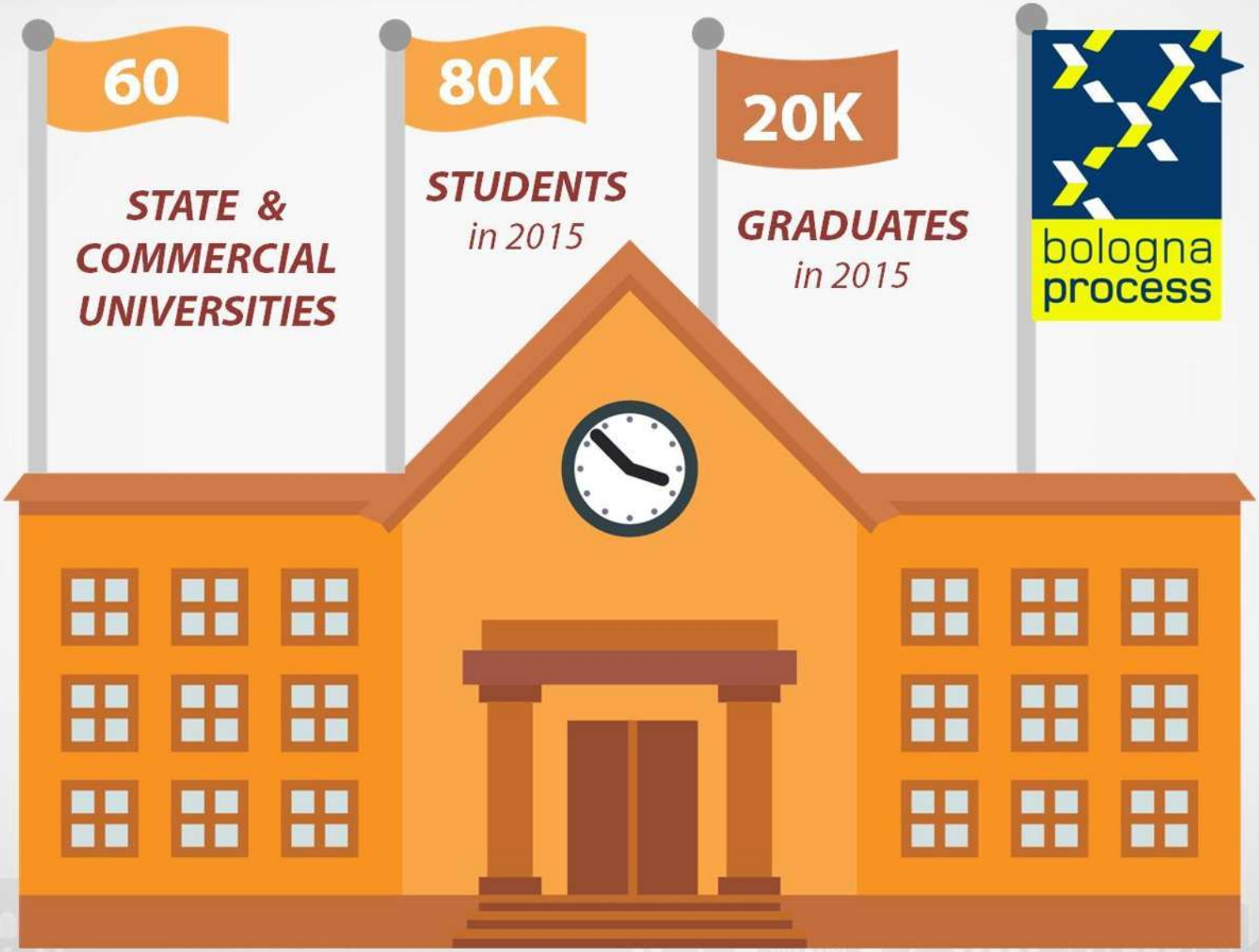
ARMENIAN DIASPORA

Estimate of Armenian Diaspora

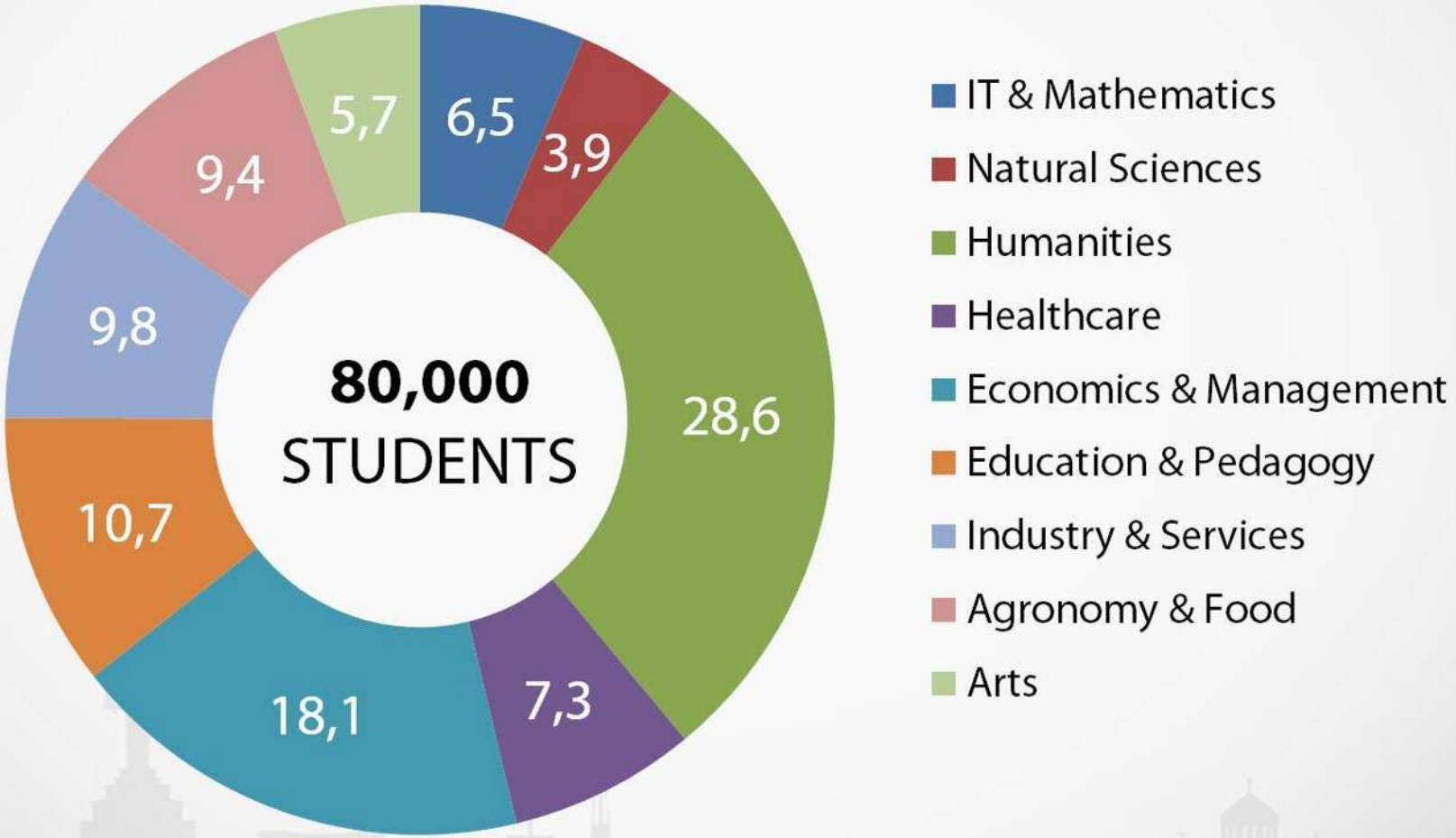
– 8,000,000 –



EDUCATION IN ARMENIA



STUDENTS BY SPECIALITY



RESEARCH & DEVELOPMENT

Microsoft
INNOVATION CENTER ARMENIA

Sun microsystems
DEVELOPMENT & TESTING LABORATORY

ARMENIAN-INDIAN CENTER FOR EXCELLENCE IN ICT

TUMO
CENTER FOR CREATIVE TECHNOLOGIES

TECHNOPARKS , FREEZONE, INCUBATOR

VTC Vanadzor Technology Center

GTC Gyumri Technology Center

ENTERPRISE INCUBATOR FOUNDATION

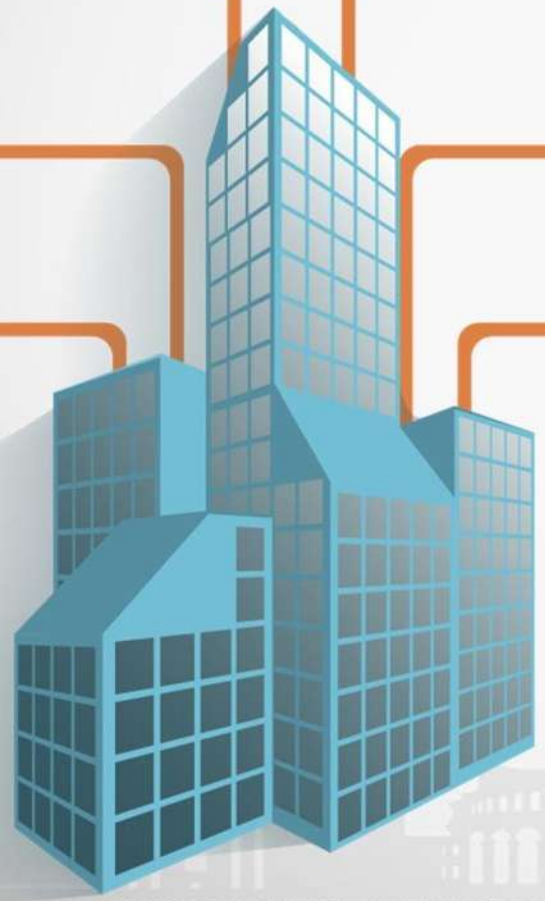
ALLIANCE FREE ECONOMIC ZONE OF ARMENIA

INTERNET ACCESS

2,2
MLN. USERS

98%
COUNTRY COVERAGE

1$
PER 1 MBPS
/ MONTH



Sources: Akamai, Bandwidthplace.com, Numbeo

*Average internet speed in Mbps**

E-SOCIETY

GOVERNMENT

Legal databases, visas, tracking the progress of letters, applications, requests

WWW.E-GOV.AM

REGISTER

System allows online registration of legal entities in a matter of minutes

WWW.E-REGISTER.AM

CADASTRE

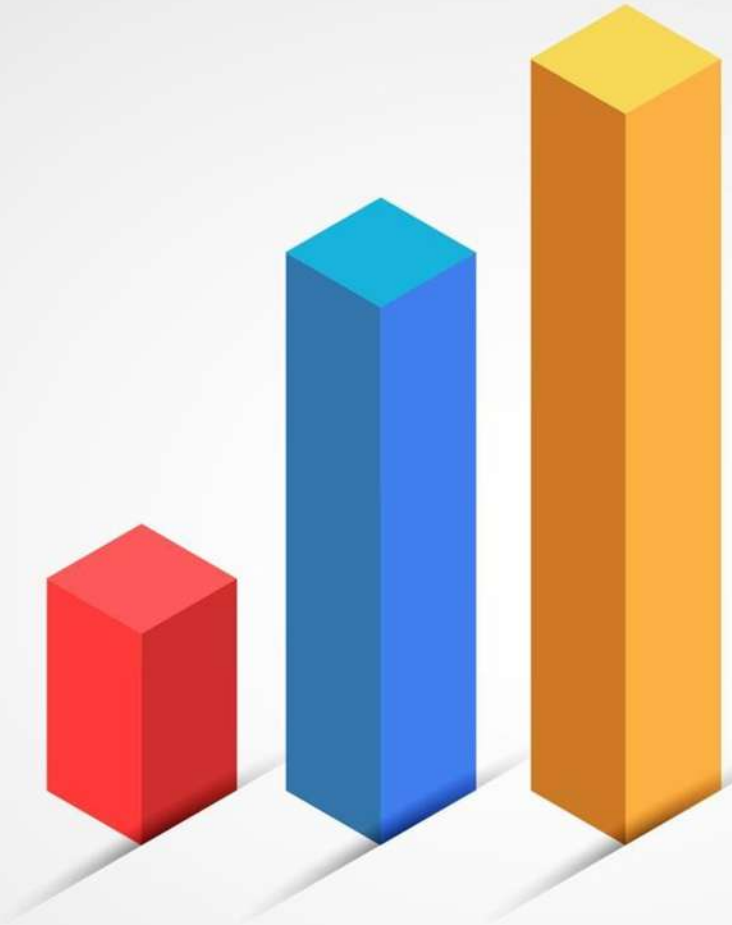
Online submission of requests for registering rights over real estate and movables

WWW.E-CADASTRE.AM

PAYMENTS

Online payments of duties, fees and administrative fines collected for services delivered by state or local government bodies.

WWW.E-PAYMENTS.AM

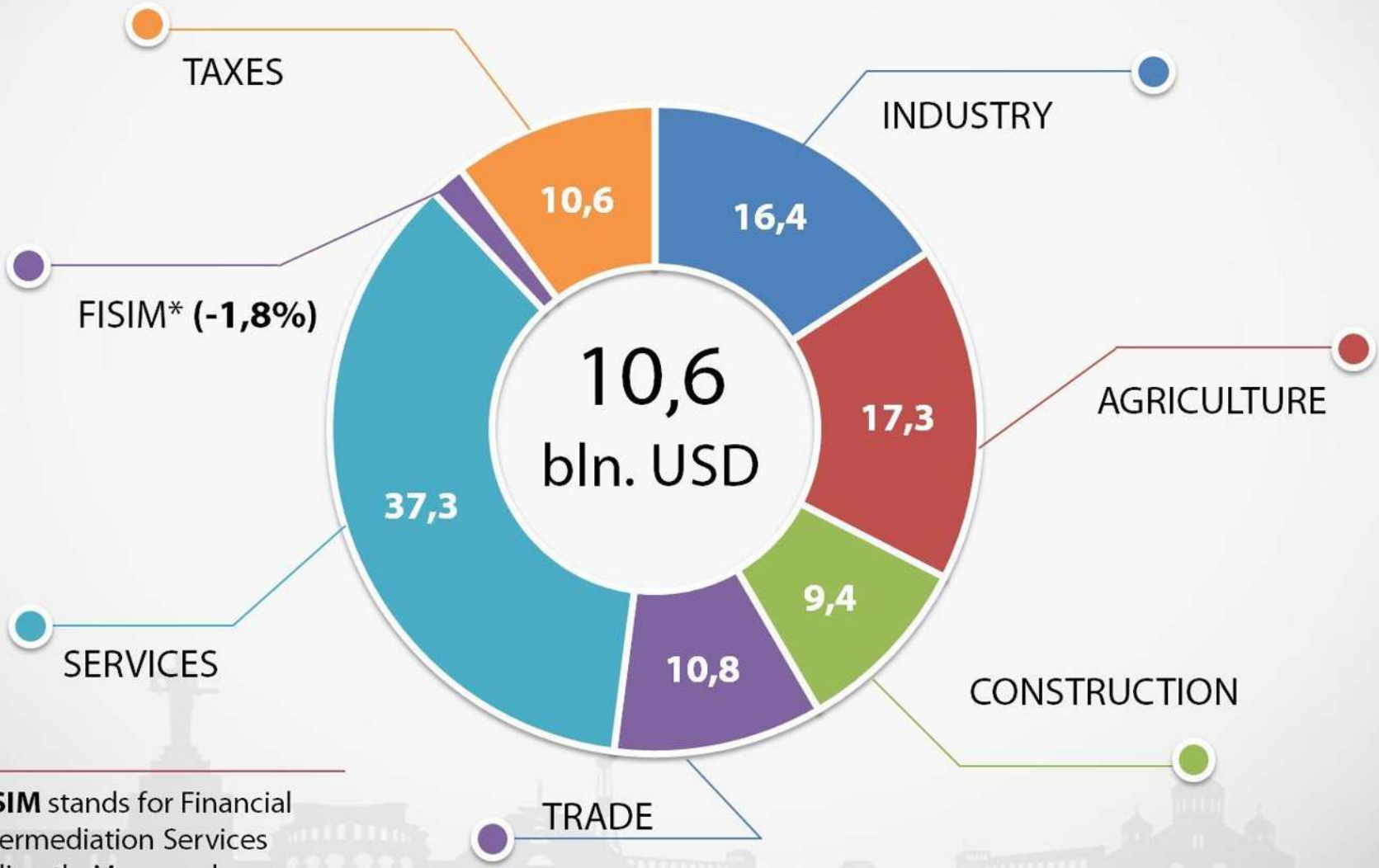


MACRO ECONOMIC PERFORMANCE

GDP GROWTH

10,6
2015 GDP
BILLION USD
8
7
6
5
4
3
2
1
0
2.2
4.7
7.2
3.3
3.5
3.0
2010
2011
2012
2013
2014
2015

GDP STRUCTURE



FISIM stands for Financial Intermediation Services Indirectly Measured

GDP STRUCTURE BY YEARS

	2010	2011	2012	2013	2014	2015
INDUSTRY	15.4	17.1	16.0	16.3	16.2	**16.4**
AGRICULTURE	17.0	20.3	17.9	18.4	18.5	17.3
CONSTRUCTION	17.3	13.0	11.7	10.5	9.2	**9.4**
TRADE	12.9	12.6	12.1	12.0	11.7	10.8
SERVICES	27.9	28.5	33.8	33.7	35.2	**37.3**
TAXES	11.2	10.9	10.7	11.1	11.3	10.6
FISIM	-1.9	-2.5	-2.2	-2.0	-2.1	-1.8

INFLATION RATES

ECONOMIC RATING

DOING BUSINESS INDEX 2017

Among 190 countries

WORLD BANK GROUP

ECONOMIC FREEDOM INDEX 2017

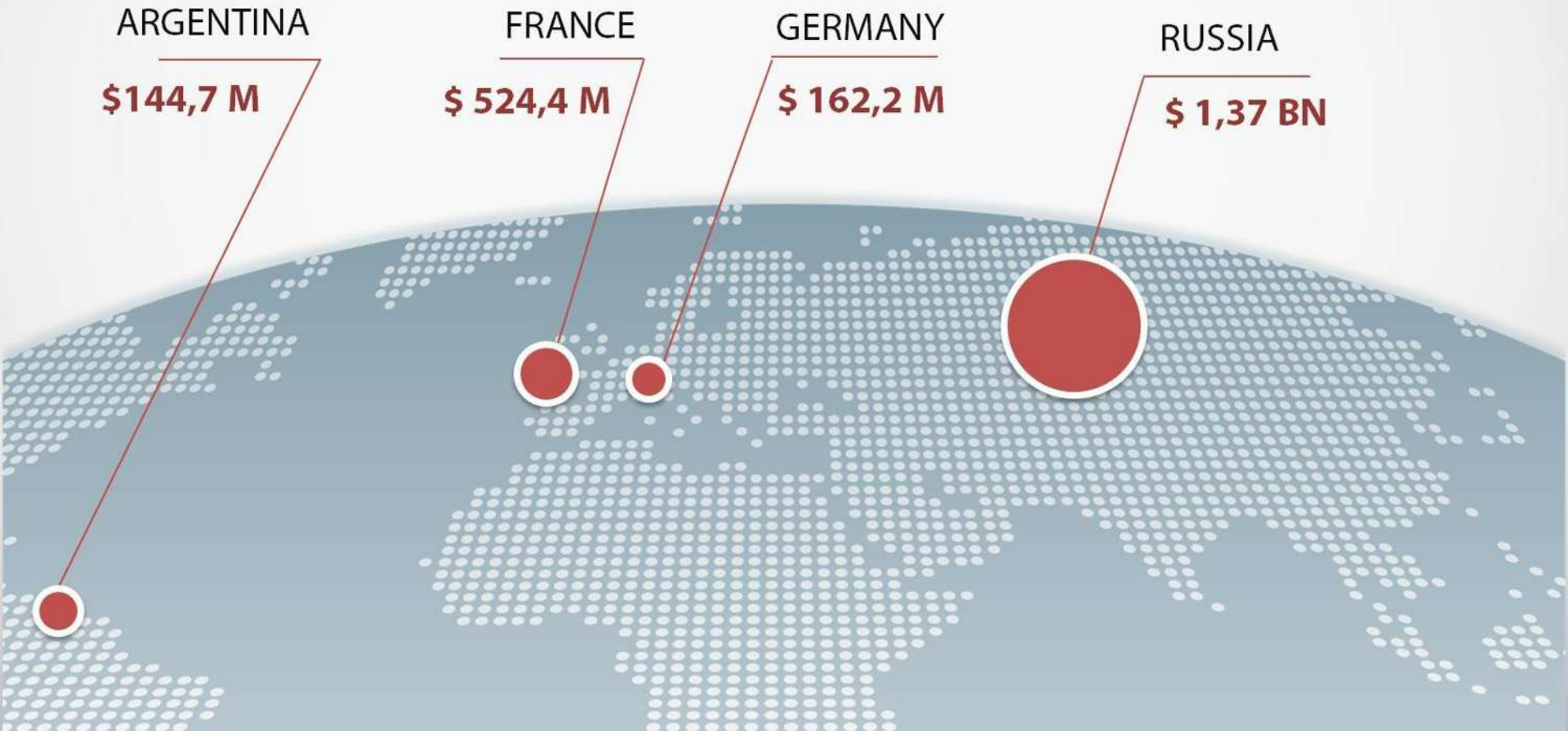
Among 186 countries

The Heritage Foundation

FDI INFLOW

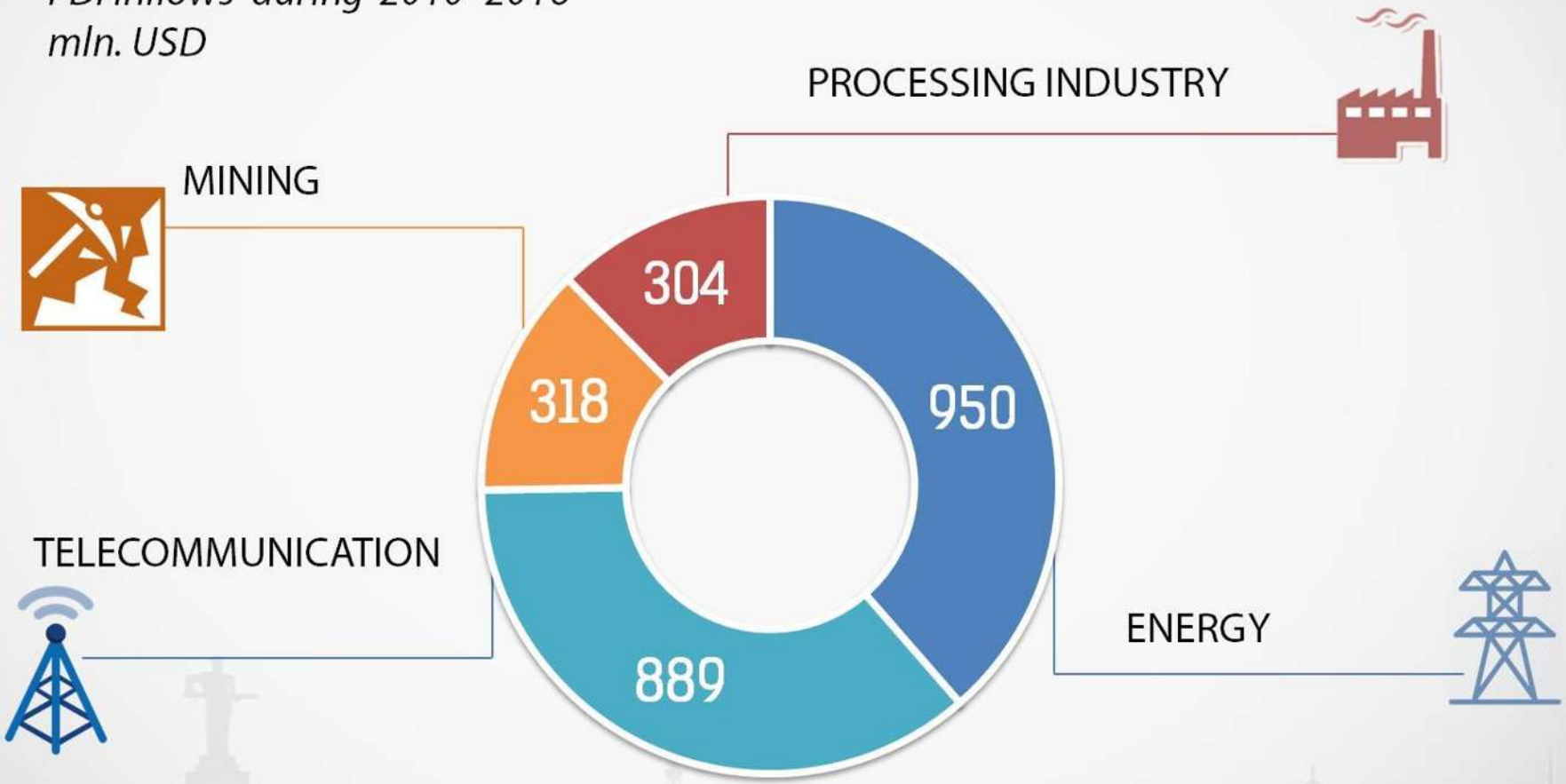
Cumulative FDI in 2010 -2016

– $ 3,100,000,000 –



FDI STRUCTURE

FDI inflows during 2010 -2016
mln. USD



LATEST INVESMENTS

4 STAR HOTEL IN YEREVAN
BY DOUBLE TREE HILTON

AMULSAR GOLD MINING PROJECT
LYDIAN INTERNATIONAL

UWC INTERNATIONAL SCHOOL
IN DILIJAN

HYDROPOWER STATION
BY U.S. CONTOUR GLOBAL

LAW ON FDI

100% OWNERSHIP PERMITTED

STABILIZATION CLAUSE
Guarantees against changes of legislation on investments for 5 years

NO RESTRICTIONS
Unrestricted access to any sector and geographic location within country

EQUAL TREATMENT
Legal regime no less favorable than that of nationals, unless a more favorable regime is provided by a respective treaty

- Free exchange of foreign currencies
- No restrictions on remittances
- Free repatriation of profit
- No restrictions on staff recruitment

LAND OWNERSHIP
Companies registered by a foreigner in Armenia have the right to buy land. Foreign citizens can have long-term lease contracts.

INTERNATIONAL TREATIES

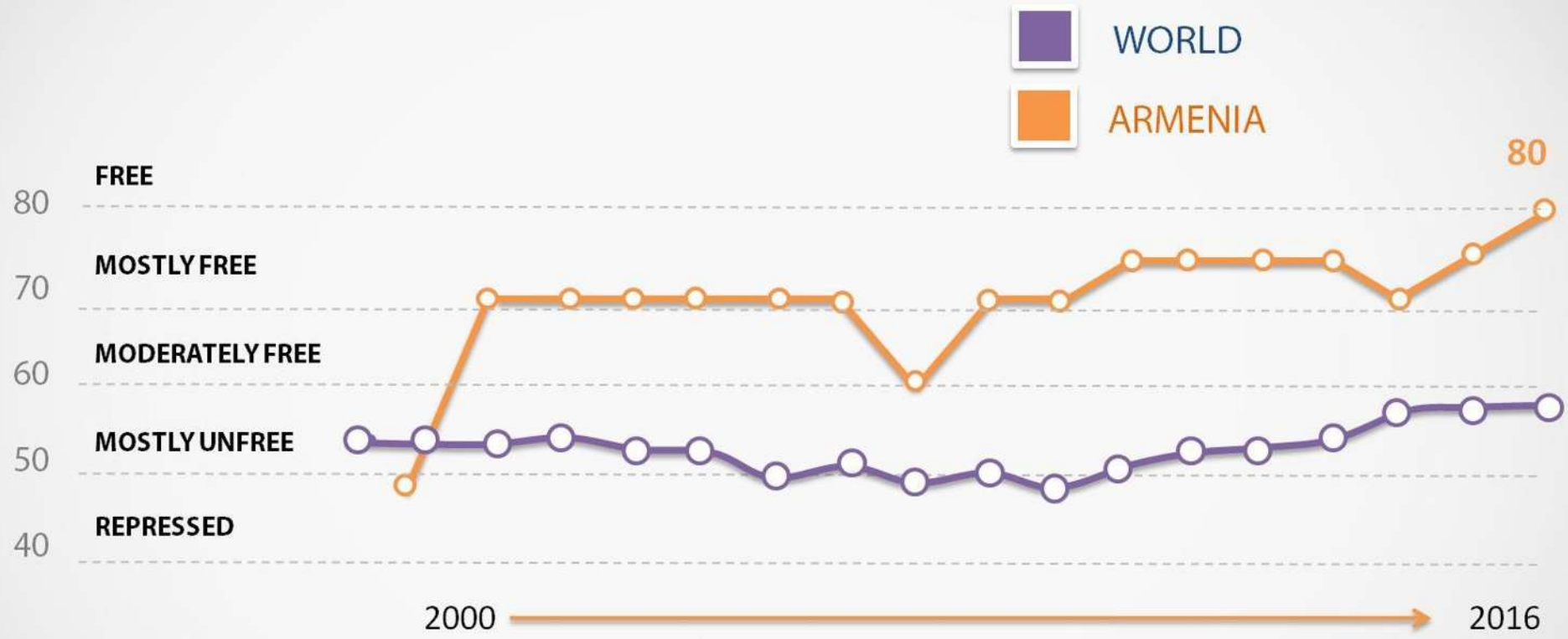
PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS

Argentina, Austria, Belgium and Luxemburg, Belarus, Bulgaria, Canada, China, Cyprus, Egypt, Finland, France, Georgia, Germany, Greece, India, Iran, Iraq, Israel, Italy, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Netherlands, Qatar, Romania, Russian Federation, Sweden, Switzerland, Syria, Tajikistan, Turkmenistan, Ukraine, UAE, UK, USA, Uruguay, Vietnam

DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION

UK, UAE, Austria, Belgium, Bulgaria, Belarus, Canada, Switzerland, China, Cyprus, Czech Republic, Estonia, Spain, Finland, France, Georgia, Greece, Croatia, Hungary, India, Iran, Italy, Kazakhstan, Lebanon, Lithuania, Luxembourg, Latvia, Moldova, Netherlands, Poland, Qatar, Romania, Russian Federation, Syria, Thailand, Turkmenistan, Ukraine, Germany, Ireland, Kuwait, Slovenia, Indonesia, Tajikistan, Serbia

INVESTMENT FREEDOM INDEX



The Heritage Foundation

IN 2017 ARMENIA'S SCORE OF INVESTMENT FREEDOM IS 80 POINTS.

RANKED AMONG TOP 23 ECONOMIES BY INVESTMENT FREEDOM COMPONENT

FINANCIAL SYSTEM

CENTRAL BANK OF ARMENIA

18 BANKS

35 CREDIT ORGANIZATIONS

9 INSURANCE COMPANIES

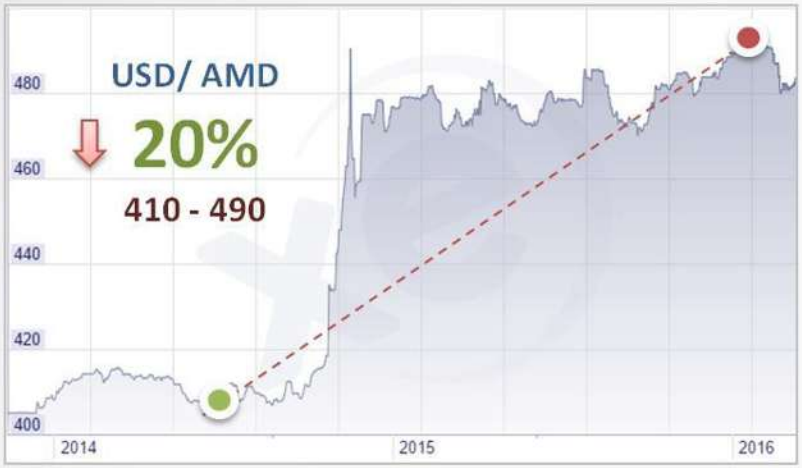
HSBC ACBA-CREDIT AGRICOLE

30 BILLION AMD

Total capital requirement for banks

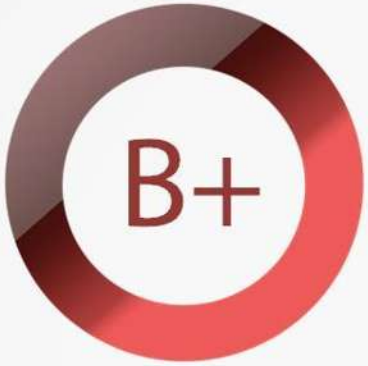
Approx. 62M USD

CURRENCY STABILITY



* *Currency rates/charts - xe.com*

FINANCIAL RATING



with a Stable Outlook

FitchRatings

with a Stable Outlook

MOODY'S

MARKET & TRADE

Armenian
Market of
3,000,000
Consumers

Eurasian Economic Union
Market of
180,000,000
Consumers

WORLD TRADE ORGANIZATION

MEMBER COUNTRY

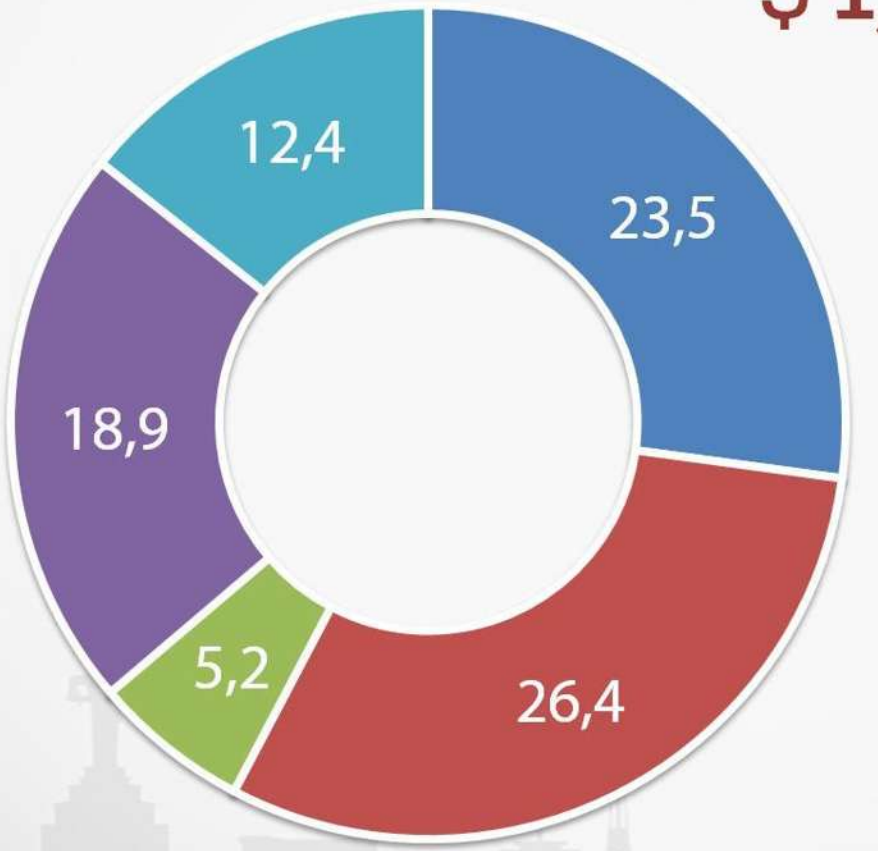
GSP Regime
With USA, Japan, Canada,
Switzerland, Norway
(3500 products)

GSP+ Regime
With EU countries
(6400 products)

MAIN EXPORTS

Total exports in 2016

– $ 1,783,000,000 –

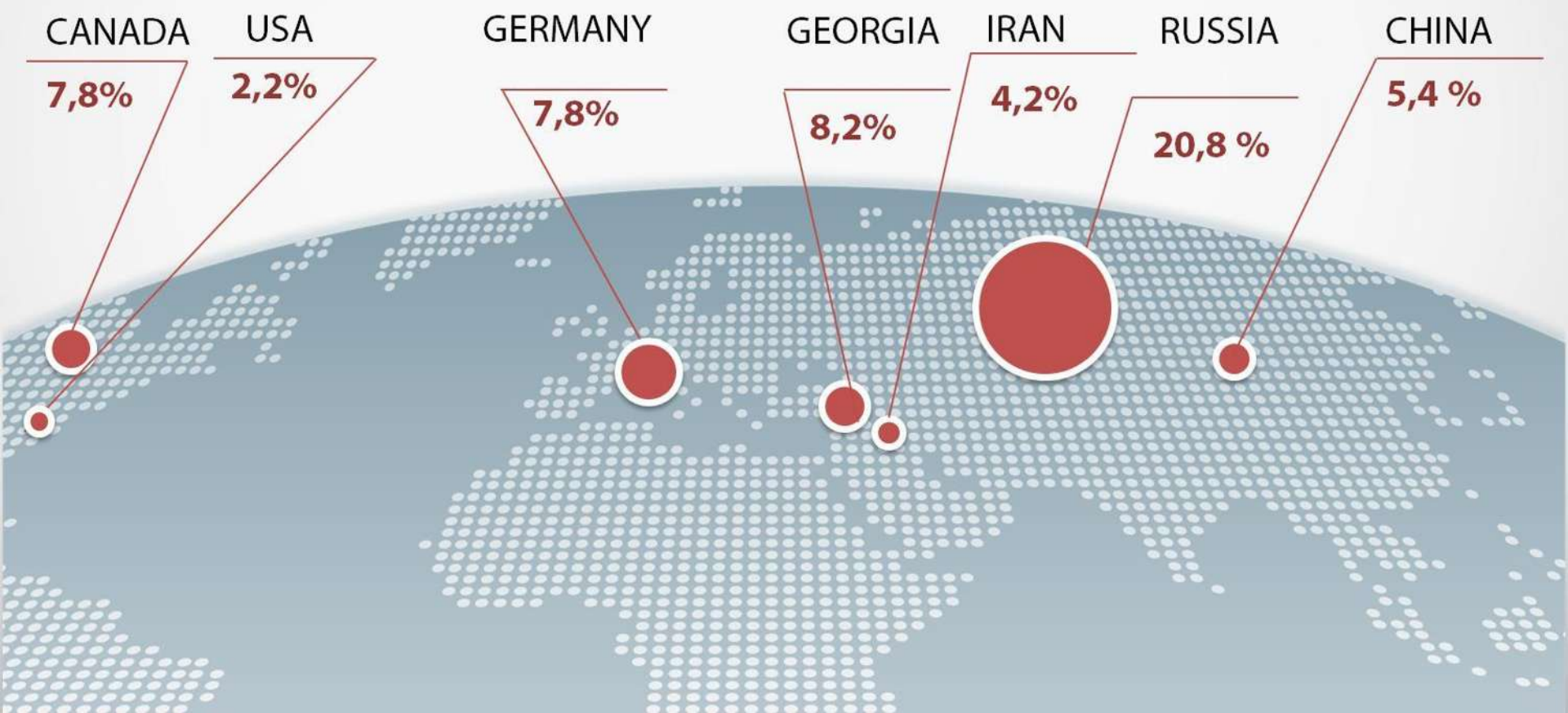


- Processed Food
- Mining Products
- Textile
- Precious, semi-precious stones, metals, articles
- Non-precious metals and articles

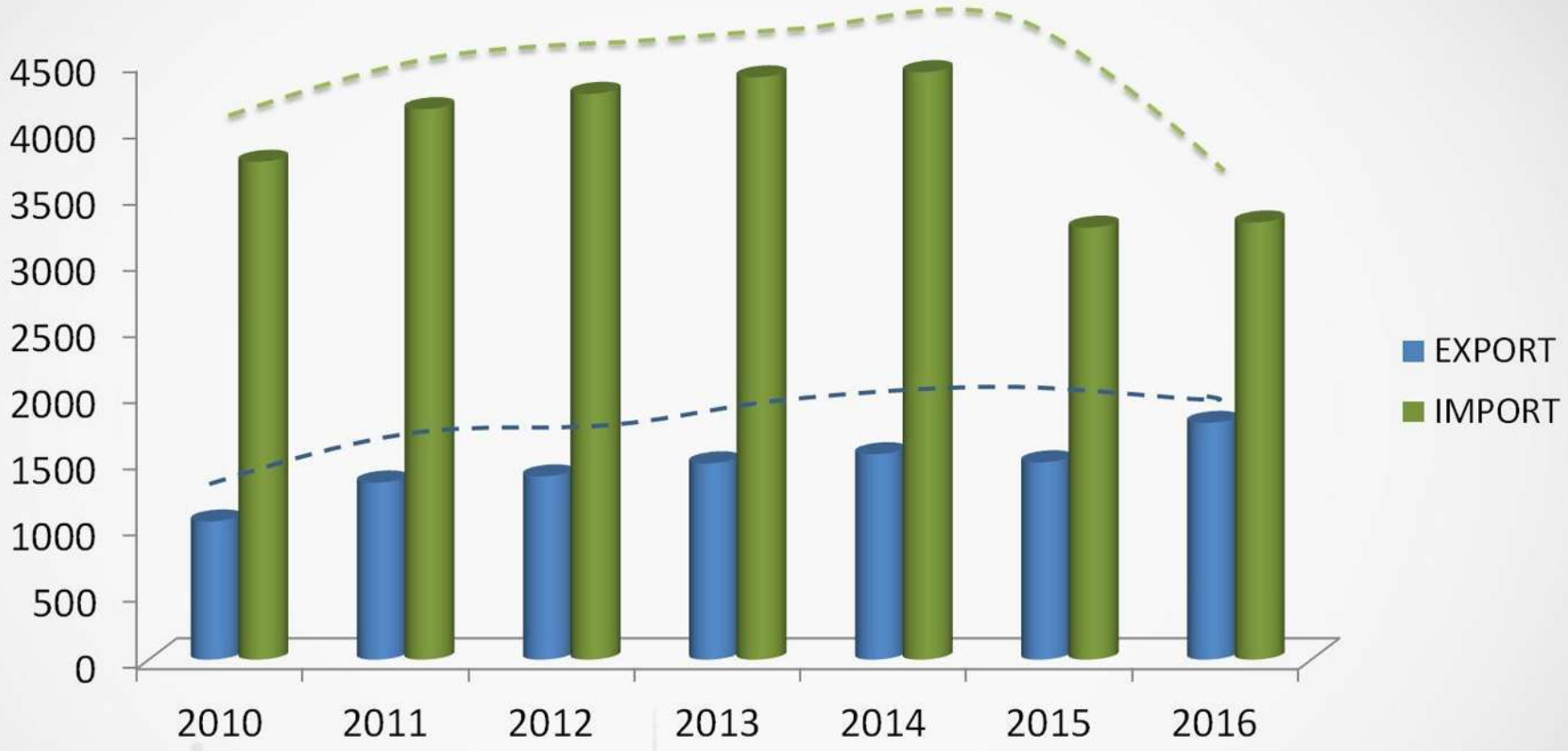
MAJOR EXPORT DESTINATIONS

Total exports in 2016

– $ 1,783,000,000 –



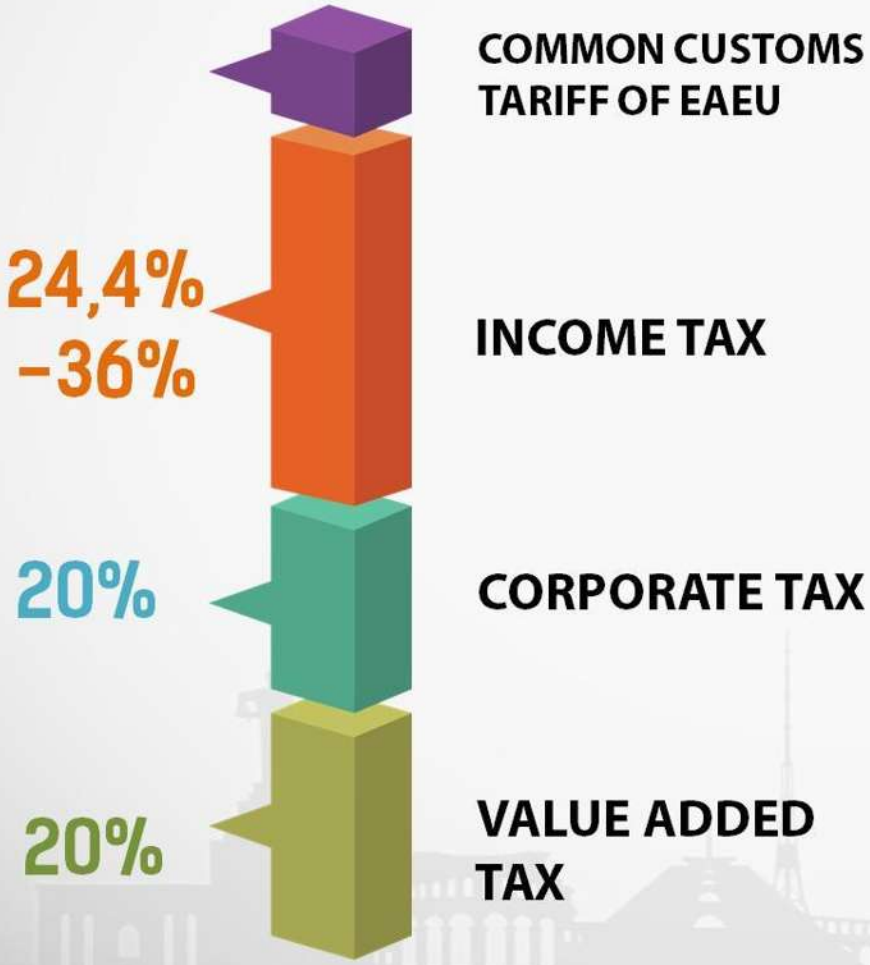
EXPORT / IMPORT VOLUMES



mln. USD	2010	2011	2012	2013	2014	2015	2016
EXPORT	1041	1329	1380	1478	1547	1486	1783
IMPORT	3749	4151	4261	4385	4424	3254	3292
BALANCE	-2708	-2811	-2881	-2907	-2877	-1768	-1509

TAX SYSTEM

General taxation regime



Simplified taxation regime

3,5% – 10%

ON TURNOVER

- *Replaces Value Added Tax and Corporate Tax for SMEs.*
- *Reduces the amount of data to be filed by the taxpayers with the tax authority.*
- *The tax rate is differentiated based on the type of income.*
- *Taxpayer's turnover from the previous calendar year should not exceed* ***AMD 115 million (around 240.000 USD)***

TAX INCENTIVES FOR INVESTORS

FREE ECONOMIC ZONES

TAX EXEMPTIONS

- *In border areas of Armenia*
- *In Dilijan city and bordering areas*

VAT PAYMENTS

postponement for up to 3-year period for importing equipment and goods within the scope of investment projects.

TAX EXEMPTIONS

for IT start-up companies

PROFIT TAX

privileges for large exporters

CUSTOMS DUTY

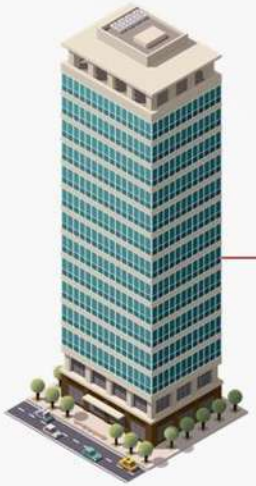
exemption within the scope of investment projects.

FREE ECONOMIC ZONES

JEWELRY

MERIDIAN FEZ
OFFICE AND INDUSTRIAL PREMISES

2
FREE ECONOMIC ZONES



HI – TECH

ALLIANCE FEZ
OFFICE PREMISES

ALLIANCE FEZ
INDUSTRIAL PREMISES

Free Economic Zones are located in Yerevan.

TAX INCENTIVES

PROMISSING SECTORS

01 **INFORMATION TECHNOLOGIES**

02 **JEWELRY & DIAMOND PROCESSING**

03 **BEVERAGES & WINEMAKING**

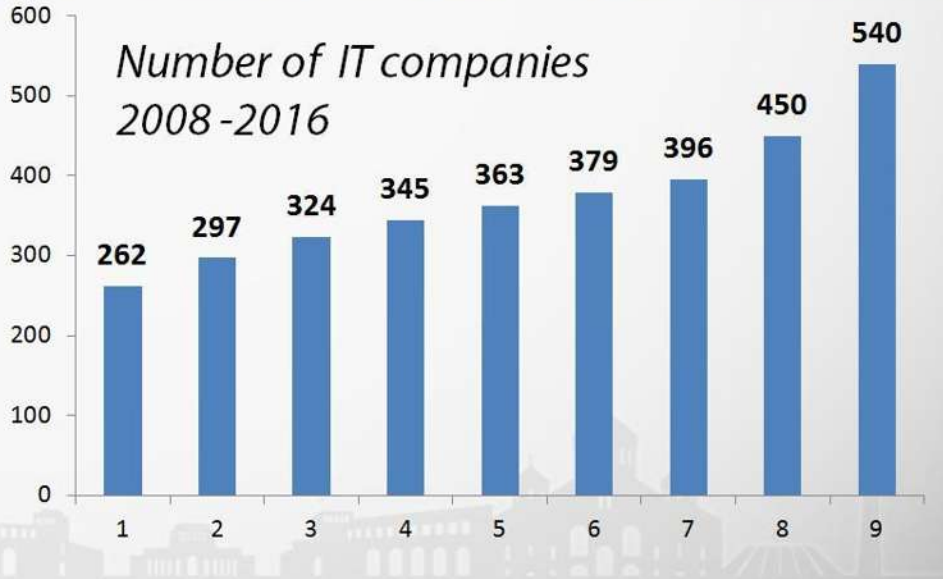
04 **FOOD PROCESSING**

05 **TOURISM & AVIATION**

06 **RENEWABLE ENERGY**

INFORMATION TECHNOLOGIES

- *World-class R&D capabilities in engineering, computer science, physics, and mathematics Well-educated and talented workforce with technical skills and English language proficiency*
- *Strong university programs with specializations in IT and related sciences*
- *Highly competitive labor costs and low operating costs*
- *Solid government support for the sector*
- *Sustainable and continuous growth in the IT sector*
- *Extensive experience with large multinational companies*
- *IP protection laws and regulations meeting international standards*



JEWELRY & DIAMOND PROCESSING

- *Ancient jewelry making traditions in Armenia*
- *Skilled labor force incorporating recently arrived Armenians from Syria, Low labor cost, considerable number of sector players (10000 jewelers)*
- *Strong comparative advantage compared to CIS countries: 2nd exporter after Russia*
- *Positive image of Armenian jewelry in certain export markets*
- *Favorable tax conditions in Armenia (Free Economic Zone)*
- *Absence of duties on import from jewelry items from Armenia in main target markets*

BEVERAGES & WINEMAKING

- *Steady growth of production, sales and exports in the last years*
- ***Strong comparative advantage:*** *Armenia is the 5th global exporter of grape brandy, and the top exporter among CIS region.*
- *Long time tradition, strong know-how, professional education (Wine Academy)*
- *Many producers (farmers) and open market*

FOOD PROCESSING

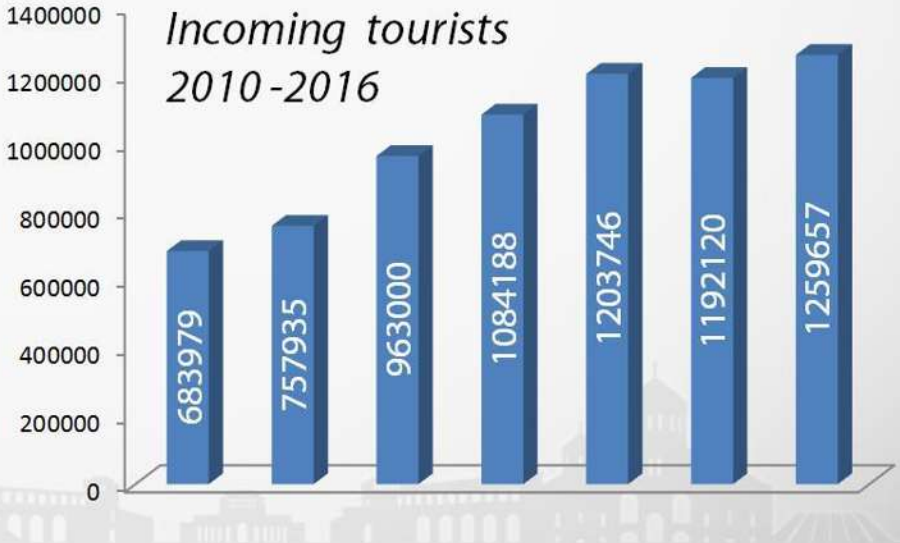
- *Long established tradition of producing high quality processed food*
- *Export oriented and diverse agro-food processing sector*
- *Developed logistic and distribution services*
- *Effective food safety system based on international standards*
- *Favorable and unique soil and climate conditions for growing of agricultural species*
- *Seven research institutions, one higher education institution and eight state colleges offer education and research activities in food processing sector*
- *Estimated to be worth USD 900 million, sector is one of the largest industries in Armenia,* ***directly employing about 21,000 people***

TOURISM SECTOR

- *15-20% annual growth of the number of incoming tourists.*
- *Second home for around 8 million Armenians living in different countries*
- *More than 5000 historical monuments spread around the country, some included in UNESCO World Heritage*
- *The longest ropeway in the World "Wings of Tatev" – 5.7 km*
- *Ski resorts – Tsakhkadzor with modern 6 lifts rope-way*
- *Mineral Spa resorts – Jermuk, Bjni, Dilijan, Arzni*

AVIATION SECTOR

- *Armenia is implementing "Open Skies" policy in the field of civil aviation and air communication.*
- *Reconstructed "Zvartnots" Intl. Airport, the main air gate of Armenia, was recently declared the best airport in CIS countries.*
- *Shirak is the 2nd largest airport located in 120 km from Yerevan. Airport is granted certain tax exemptions and can be cost efficient option specifically for low cost airlines.*



RENEWABLE ENERGY

- *Favorable legislation, fixed feed-in tariffs effective for 20 years, tax incentives*
- *Hydro resources are the most widely used among the renewable energy resources.*
- *Significant solar energy potential. The average annual amount of solar energy flow per sq. m. of horizontal surface is about 1720 kWh (the European average is 1000 kWh).*
- *Number of hydropower, geothermal and solar investment projects are available for PPP implementation*

Renewable Energy Generation Capacity and Production Targets by 2020-2030

	Capacity installed (MW)		Generation (GWh)	
	2020	**2025**	**2020**	**2025**
Small Hydro	377	397	1,049	1,106
Wind	50	100	117	232
Geothermal	25	100	373	745
PV	40	80	88	176
Total	492	677	1,627	2,259

PPP OPPORTUNITIES

1 FREE ECONOMIC ZONE IN SYUNIK REGION

According to the preliminary estimates, the required investment is around ***USD 28 million***

2 COPPER SMELTER PLANT INVESTMENT PROJECT

According to the preliminary estimates the required investment is around ***USD 400-450 million***

PPP OPPORTUNITIES

3 NORTH-SOUTH ROAD CORRIDOR INVESTMENT PROJECT

The preliminary estimated cost of construction works of the North-South Road Corridor Investment program is about ***USD 2-3 billion***

4 YEREVAN'S 33RD DISTRICT INVESTMENT PROJECT

The preliminary estimated cost of construction works of the Investment Program is about ***USD 90 million***

MAJOR BRANDS

REFORMS AND FUTURE ACTIONS

ADOPTION OF THE NEW LAW ON FOREIGN INVESTMENTS

NEW INCENTIVES MECHANISM FOR INVESTORS

PPP POLICY AND REGULATORY FRAMEWORK

ADOPTION OF THE NEW LAW ON FREE ECONOMIC ZONES

SYSTEMIC INVESTMENT RESPONSE MECHANISMS

ESTABLISHMENT OF THE INVESTMENT FUND

STATE SUPPORT ORGANIZATIONS

SME Investments UCO
www.smeinvest.am

Center for Strategic Initiatives
www.reforms.am

Development Foundation of Armenia
www.dfa.am

EXPORT INSURANCE AGENCY OF ARMENIA

Export Insurance Agency of Armenia
www.eia.am

SME Development National Center
www.smednc.am

DEVELOPMENT FOUNDATION OF ARMENIA

DFA

INVESTMENT PROMOTION & SERVICING

- Inform potential investors of overall investment environment and opportunities
- One Stop Shop for investors
- On the ground advice: legal, tax, customs, HR, financing, incentives
- Aftercare services

EXPORT PROMOTION & SUPPORT

- Capacity Building: training, referrals
- Direct Support: loan subsidies, certification support, trade fair participation
- Buyer outreach: distributors trips, Made in Armenia expo, business forums
- Market Research and export regulatory info

WHY **ARMENIA ?**

FAVORABLE INVESTMENT LEGISLATION.
ONE OF THE MOST OPEN INVESTMENT REGIMES.
"OPEN-DOOR" POLICY TOWARDS FOREIGN INVESTORS

HIGHLY EXPERIENCED, CREATIVE, COST EFFICIENT AND WELL EDUCATED WORKFORCE

STABLE MACROECONOMIC & POLITICAL ENVIRONMENT

STABLE BANKING SYSTEM COMPLIANT WITH INTERNATIONAL STANDARDS

COMPREHENSIVE CONTINUOUS REFORMS OF BUSINESS ENVIRONMENT

CONTACT **US**

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