

## **CONCEPT**

### **On Investment Policy of the Republic of Armenia**

The concept of Investment policy of RA (hereinafter concept) expresses general approaches and strategy of investment policy and presents a combination of issues, principles and goals.

Investment policy of RA is one of the most important components and directions of RA government's economic policy. The purpose of it is to discover competitive advantages of country, involve necessary investment volumes and, based on latter, provision of economic development.

The further processes of industrial and scientific-technological development of country are mostly conditioned by investment policy elaboration and its effective realization.

#### **Premises**

Promotion of investments is one of the key directions of economic policy of RA Government. It is fixed in activity program of RA Government.

Investment Policy of RA has been formulated and it is realized on liberal principles and has purposed to integration of RA into world economy.

With the aim of efficient realization of this provision of the policy, RA has declared and is realizing an "Open doors" policy to investments, which has been secured by law "On Foreign Investment" in 1994, and will be confirmed by new law of RA on Investments. The latter is aiming contribute to development of equal, sustainable and predictable legislation regulating investments and business environment, both for local and foreign investments.

For effective realization of investment policy it is necessary to have effective working in institutions and infrastructures concern with the issues on support and promotion, as well as on protection of investments and investors.

These functions are realized by following state institutions.

**Ministry of Trade and Economic Development of RA** is responsible for elaboration and realization of investment policy, improvement of investment climate and increasing of investment rating of RA.

**Business Support Council** is responsible for continuously improvement of administrative procedures related to entrepreneurship activity implementation, reducing

of administrative barriers and regulation of common issues rising in front of businessmen in RA.

**Armenian Development Agency** is responsible for implementation of investment policy. It provides services to investors by “one stop shop” principle.

**Securities Commission of RA** provides protection of investors, formulation and maintenance of fair pricing system of securities market, necessary conditions for securities market fair, transparent, confident, regulated, normal activity and development.

### **The goals of investment policy**

The main goal of investment policy of RA is:

*Ensuring of sustainable economic growth, increasing prosperity of population and protection of environment via increasing of economic activity, formulaton of favourable investment climate, growth of investment volume.*

The main goal of investment policy should be realized via:

- Formulating of favourable investment climate
- Finalizing of legal framework regulating investments
- Removing of administrative barriers
- Attracting of investments
- Formulation of optimal system of state government bodies regulating investment sector
- Development of investment promoting infrastructures.

### **The principles of investment policy**

The min principles of investment policy are:

- Maintenance sustainability of legislation regulating investments
- Accordance of equitable, non-discriminatory conditions for economic activity both to foreign and local investors
- Guaranteeing of national and more favourable regime to foreign investments and investors
- Implementation of liberal principles for economic activity in investment sector
- Protection of interests of investments and investors
- Acceptance and implementation of international legal norms and practices regulating investments.

### **Tasks of investment policy**

Promotion and support of investments is the principal and primary task of economic development of RA. The solution of the task mostly depends on development of effective investment promotion system in a country.

Ensuring growth of investment solves a number of important issues, such as creation of work places, attraction of know-how– general and financial management, marketing, new technologies, skills etc. special to market economy, opening of new markets, accessibility and possibility of entrance to that markets, etc.

Realization of goals of investment policy supposes solution of fundamental issues of sphere, without which it's impossible implementation of effective investment policy, ensuring growth of investment volumes and sustainable economic development of country.

### **Legal framework**

Legislation regulating investments must reflect Government's attitude to investments and give importance to the accelerating role of later on economic growth and increasing of employment level. Sustainability and predictability of legal framework regulating investments are important factors for formulating of favourable investment climate, which supposes legal guarantee of full protection of investments.

In this regard following gets importance:

- Improvement of legal framework regulating investment sphere of RA
- Realization of process on signing of international multilateral and bilateral agreements on “Reciprocal promotion and protection of investments”.
- Realization of process on acceding to international agreements and conventions regulating investment sphere.
- Separate classification of property rights.

### **Administrative barriers**

Overcoming of administrative barriers is important issue, which affects to development of favourable investment climate and growth of foreign and local investments volumes.

In this regard following gets importance:

- Continuously improve business and investment environment of RA via development of administrative mechanisms, increasing of effectiveness and simplification of administrative procedures necessary during the registration, location of companies and realization of their activities.
- Continue realization of juridical reforms in juridical system; simplify the development of arbitration processes and system.

## **Institutional issues**

The combination of numerous conditions and components are necessary for the purpose of investment volume's growth, diversification their directions and structure, which will enable creation of an appropriate environment for investor. The policy of investment promotion and presence of institutional framework have exceptional importance among them. International experience shows that those developing countries, which in coordinated manner implemented efficient investment policy and formulated appropriate supporting infrastructures contributing implementation of that policy, have succeeded and provided fast growth of economy.

Fully formed and with whole capacity operating infrastructures engaged in issues of promotion and support to investments, as well as protection of investments and investors, are necessary for effective realization of investment policy.

For this reason following are important:

- Assistance to market infrastructures relating to investment sphere
- Elaboration of policy document reflecting present status of market infrastructures, barriers and opportunities of development, which will provide effectiveness and consolidation of efforts,
- Introduction of high standards of corporate governance
- Development of secondary market with the assistance of infrastructures of securities market.

## **Paramount measures of investment policy**

Promotion of investment's attraction, presence of sufficient volumes of investments in the economy was and is very decisive for providing acceptable dynamics and volumes to development of RA economy. For this reason should be realized a number of primary steps on legislatively determining policy to investment, improvement of investment climate and promotion of investments.

- New "Law on Investment" should be adopted, legally providing equal legal framework for local and foreign investors. Adoption of new law and, as a result regulating norms necessary for its effective enforcement, will increase certainty of legal framework regulating investment and will reduce possibilities of administrative barriers.
- Continuation of the process on signing of intergovernmental investment agreements will create additional guarantees for foreign investors. These agreements are especially important for countries with high rate risks, to which Armenia belongs yet.
- Contribute to formulation of system of trade representatives of RA abroad, one of the main tasks of which should be attraction of foreign investments.

- Complex measures on investment promotion should be realized in country's regions in order to avoid territorial unbalance development of country's economy (economic infrastructures, development of communications, application of effective system of promotion and support). It is necessary to elaborate and realize comprehensive program of territorial development.
- Taking into consideration modern tendency of foreign direct investments, increase of investment volumes in scientific branches, it's necessary essentially change the structure of comparative advantages of the country, in which role of natural resources and cheap labour should be gradually decreased and at the same time 'created assets' such as high-qualified specialists, scientific institutions, developed infrastructure should be decisive. Special attention should be on development of information technologies and its large-scale application, which is one of the main directions of country's comparative advantages and should be classified among strategic issue of the state development policy.
- It is necessary to activate and make purposeful cooperation with Diaspora, formulating reciprocally trusting and beneficial environment.
- Declare priority sectors for investments and determine state attitude to development and investments made in that sectors.
- Develop insurance system in accordance with the international standards in order to insure investments against possible risks.
- Continue purposeful works with the authoritative international organizations, which are according investment ratings.
- Effectively realize obligations of RA resulting from international nature-protection conventions, creating favourable conditions for foreign investment and financial support.

## **Conclusion**

Implementation of strategy, presented in the concept paper of investment policy of RA, will support to formulation of favorable investment climate in RA, growth of investment volumes, provision of sustainable economic development of country.