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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), FDI inflows to Armenia stood at USD 998 million in 2022, almost three times the level recorded the previous year. The total stock of FDI was estimated at USD 7.1 billion, around 36.5% of the country's GDP. The electricity and gas supply sector lead the sectoral distribution of FDI flows into the real economy, accounting for 58% (USD 578 million), followed by the mining and real estate sectors, accounting for 15% and 7%, respectively. Russia remained the most prominent investor in Armenia, with approximately 70% of the FDI inflow, amounting to USD 697 million, ahead of Cyprus (7%) and Jersey (4.6%). According to data from the Ministry of the Economy, the volume of foreign direct investment in 2023 was about USD 350 million.

Armenia ranks first among CIS countries in terms of FDI appeal, according to the World Bank. The Government has recently introduced conditions and laws favorable to foreign investment, and, because of its economic dynamism, the country has earned the nickname 'The Caucasian Tiger'. These measures include free economic zones for high-tech industries that provide companies with preferential treatment on corporate profit tax, VAT, property tax, and customs duties (UNCTAD). Armenia has strong human capital and a well-educated workforce. It does not impose restrictions on foreign control and rights to private ownership and establishment (except for the media and commercial aviation sectors), and business registration procedures are fast. FDI is also promoted through the EU-Armenia Comprehensive and Enhanced Partnership Agreement. Following the conflict in Ukraine, some multinationals with operations in Russia have moved their offices to Armenia, while an influx of Russian émigrés to the country has brought in new qualified workforce. However, the country remains strongly dependent on the economic health of the Russian and EU economies for FDI, it has a small domestic market and corruption is still widespread. In general, Armenia's competitive landscape is showing signs of enhancement. However, numerous businesses have highlighted the need for comprehensive reforms encompassing judicial, tax, customs, health, education, military, and law enforcement institutions to consolidate these advancements. Armenia ranks 72nd among the 132 economies on the [Global Innovation Index 2023](#) and 47th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	59	366	998
FDI Stock <i>(million USD)</i>	5,229	5,629	7,124
Number of Greenfield Investments*	3	8	24
Value of Greenfield Investments (million USD)	45	896	263

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Armenia	Eastern Europe & Central Asia	United States	Germany
Index of Transaction Transparency*	7.0	7.5	7.0	5.0
Index of Manager's Responsibility**	6.0	5.0	9.0	5.0
Index of Shareholders' Power***	8.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN ARMENIA

Strong Points

The attractiveness of the country is linked to its sustained economic growth over the last ten years and a series of reforms. We can also mention the following elements:

- Political stability
- Its geographical position, allowing access to the former Soviet republics
- Good integration into the world economic order: regional (a member state of the European Union and Eurasian Economic Union) and intercontinental
- A skilled and relatively inexpensive labour force
- A developing economy with sectors requiring foreign investment (such as telecommunications)
- Controlled inflation at a low level
- A desire to normalise relations with Turkey, suggesting a possible opening of the border
- A safe and advanced financial and banking sector
- Significant mineral resources (molybdenum, copper, gold)

Weak Points

The main obstacles to Armenia's economic development are:

- A small domestic market
- High transport costs (all goods must transit through Georgia because of the embargo imposed by Turkey and Azerbaijan)
- High risk of nepotism and interferences at the State authority level
- Strong dependence on the economic situation in Germany and Russia
- High public debt slowing down necessary investments, particularly in infrastructure
- Risk related to natural disasters (earthquakes)
- The poverty of the population is also a negative factor, especially in times of crisis, because the social climate and domestic consumption can be undermined.
- High external debt (USD 11.9 billion in 2019 - World Bank, latest data available)

Government Measures to Motivate or Restrict FDI

The Armenian government is conscious of the need to create a more inviting business environment and has made targeted efforts to encourage foreign investment, required for the development of the economy. The law on the reduction of poverty and corruption, as well as other reforms specifically linked to the business environment, have come into force. In particular, we can name:

- [Equal treatment for foreigners](#)
- [No limitation on foreign ownership](#)
- [Freedom to repatriate profits](#)
- [Limited state intervention and deregulation](#)

The high-tech and information and communication technologies sectors have attracted foreign investment in recent years. Many international companies have established offices in Armenia to recruit qualified human resources and experts in these disciplines. Finally, in 2015, the government created the Development Foundation of Armenia to encourage foreign investment, promote tourism and develop exports, and which has been functioning under the new name [Doing Business Armenia](#).

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Armenia

[Globaltenders](#), Tenders & Projects from Armenia

[DgMarket](#), Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

[Business Armenia](#)

[Ministry of Economy of the Republic of Armenia](#)

Other Useful Resources

[Invest in Armenia \(Global SPC\)](#)

[Doing business in Armenia \(Ministry of Foreign Affairs of the Republic of Armenia\)](#)

[Invest in Armenia](#)

Doing Business Guides

[Doing Business Report on Armenia \(World Bank\)](#)

[Doing Business in Armenia \(Grant Thornton\)](#)

[Armenia Tax Guide, Deloitte](#)