

ASSESSING THE ATTRACTIVENESS OF THE INVESTMENT MARKET IN THE REPUBLIC OF ARMENIA

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Abstract

Due to the global financial and economic crisis that began in 2008, the Armenian economy found itself in a period of deep decline and, naturally, as expected, both domestic and foreign investment fell sharply. In the post-crisis years, as the economy gradually began to emerge from the crisis and gradually recover from the positive dynamics of macroeconomic indicators, however, no significant increase in investment flows was recorded; the investment market is still characterized by low activity.

To clarify the impact of gross domestic investment and net foreign investment on the gross domestic product of Armenia in the period under review. In this regard, we considered it necessary to assess the correlation between gross domestic investment (GDP) and net foreign investment (GDP). It is clear from the construction of the cross-correlation matrix that the growth of the RA GDP in 2000-2020. The impact of gross domestic investment has been greater than that of net foreign investment. This is partly due to the fact that their volumes were not large, especially in the period after the financial and economic crisis, they had a very fluctuating trend, they were directed mainly to the extraction and sale of raw materials in the mining sector, in which case the surplus value was quite low.

In parallel with the analysis of the assessments of the international structures on the attractiveness of the RA investment field, which particularly refer to the assessment of political risk, we also used the assessment of the RA investment environment on the basis of expert surveys. The experts were offered to assess the investment field of the Republic of Armenia within the framework of the options presented in the questionnaire.

From the analysis of the survey results, we can conclude that regardless of the assessments of the investment situation in Armenia by various international organizations, which emphasize the existence of political risk, however, according to expert assessments, it is quite attractive. Of course, the investment situation is far from

perfect, but in case of administration, modernization of management institutions, improvement of legislation, elimination of bureaucratic hassles, it will be possible to make the investment environment even more perceptible and accessible for foreign investors.

Keywords and phrases: investment market, gross domestic investment, foreign direct investment, expert assessment.

**ՀԱՅԱՍՏԱՆԻ ՀԱՆՐԱՊԵՏՈՒԹՅԱՆ ՆԵՐԴՐՈՒՄԱՅԻՆ ՇՈՒԿԱՅԻ
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ԼԵՎՈՆ ՀՈՎՆԱՆՅԱՆ

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Հայաստանի պետական տնտեսագիտական համալսարանի
միջազգային տնտեսական հարաբերությունների ամբիոն,
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Համառոտագիր

2008 թ-ին սկիզբ առած համաշխարհային ֆինանսատնտեսական ճգնաժամի հետևանքով ՀՀ տնտեսությունը հայտնվեց բավականին խորը անկման շրջանում ու, բնականաբար, ինչպես և սպասվում էր, թե՛ տեղական, թե՛ օտարերկրյա ներդրումների ծավալները կտրուկ կրճատվեցին: Հետճնաժամային տարիներին, թեև տնտեսությունն աստիճանաբար սկսեց դուրս գալ ճգնաժամից և հետզհետե վերականգնել մակրոտնտեսական ցուցանիշների դրական դինամիկան, այնուամենայնիվ ներդրումների հոսքերի էական աճ չարձանագրվեց և ներդրումային շուկան մինչ օրս բնութագրվում է ցածր ակտիվությամբ:

Պարզաբանելու համար, թե ուսումնասիրվող ժամանակահատվածում համախառն ներքին ներդրումները և օտարերկրյա զուտ ներդրումներն ինչ ազդեցություն են ունեցել ՀՀ համախառն ներքին արդյունքի վրա, անհրաժեշտ ենք համարել համախառն ներքին ներդրումների և ՀՆԱ-ի, ինչպես նաև զուտ օտարերկրյա ներդրումների և ՀՆԱ-ի միջև կոռելացիոն կապը գնահատել: Քրոսս-կոռելյացիոն մատրիցի կառուցումից հստակ երևում է, որ ՀՀ ՀՆԱ-ի աճի վրա 2000-2020 թթ. ընթացքում համախառն ներքին ներդրումների ազդեցությունն ավելի մեծ է եղել, քան օտարերկրյա զուտ ներդրումներինը: Սա թերևս պայմանավորված է այն հանգամանքով, որ վերջիններիս ծավալները մեծ չեն եղել, հատկապես ֆինանսատնտեսական ճգնաժամից հետո ընկած ժամանակահատվածում ունեցել են խիստ տատանողական շարժընթաց և ուղղվել են հիմնականում հանքարդյունաբերության ոլորտում հումքի արդյունահանմանն ու

վաճառքին, ինչի պարագայում ձևավորված հավելյալ արժեքը բավական ցածր է եղել:

ՀՀ ներդրումային դաշտի գրավչության մասին միջազգային կառույցների գնահատականների վերլուծությանը զուգահեռ, որոնք մասնավորապես վերաբերում են քաղաքական ռիսկի գնահատմանը, կարևորել ենք նաև ՀՀ ներդրումային միջավայրի գնահատումը՝ փորձագիտական հարցումների հիման վրա: Փորձագետներին առաջարկվել է գնահատել ՀՀ ներդրումային դաշտը՝ հարցաթերթում ներկայացված տարբերակների շրջանակներում:

Հարցման արդյունքների վերլուծությունից կարող ենք եզրակացնել, որ անկախ միջազգային տարբեր կառույցների կողմից ՀՀ ներդրումային իրավիճակի մասին գնահատականներից, որտեղ առավելապես շեշտադրվում է քաղաքական ռիսկի առկայությունը, այնուհանդերձ փորձագիտական գնահատականների համաձայն՝ այն բավականաչափ գրավիչ է: Անշուշտ, ներդրումային իրավիճակը հեռու է կատարյալ լինելուց, սակայն վարչարարության և կառավարման ինտիտուտների արդիականացման, օրենսդրության կատարելագործման և բյուրոկրատական քաջքշուկների բացառման դեպքերում հնարավոր կլինի օտարերկրյա ներդրողների համար ներդրումային միջավայրը դարձնել էլ ավելի ընկալելի և հասանելի:

Բանալի բառեր և բառակապակցություններ. ներդրումային շուկա, համախառն ներքին ներդրումներ, օտարերկրյա ուղղակի ներդրումներ, փորձագիտական գնահատական:

ОЦЕНКА ПРИВЛЕКАТЕЛЬНОСТИ ИНВЕСТИЦИОННОГО РЫНКА В РЕСПУБЛИКЕ АРМЕНИЯ

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Аннотация

Из-за мирового финансово-экономического кризиса, начавшегося в 2008 году, экономика Армении оказалась в периоде глубокого спада и, естественно, как и ожидалось, резко сократились как внутренние, так и иностранные инвестиции. В посткризисные годы, по мере постепенного выхода экономики из кризиса и постепенного восстановления положительной динамики макроэкономических показателей, однако, существенного увеличения инвестиционных потоков не фиксировалось, инвестиционный рынок по-прежнему характеризуется низкой активностью.

Для уточнения влияния валовых внутренних инвестиций и чистых иностранных инвестиций на валовой внутренний продукт Армении за рассматриваемый период и ВВП мы сочли необходимым оценить соотношение между валовыми внутренними инвестициями (и ВВП) и чистыми иностранными инвестициями (и ВВП). Из построения кросс-корреляционной матрицы видно, что на рост ВВП РА в 2000-2020 гг. влияние валовых внутренних инвестиций было больше, чем влияние чистых иностранных инвестиций. Отчасти это связано с тем, что их объемы были невелики, особенно в период после финансово-экономического кризиса, имели весьма изменчивую направленность, были направлены в основном на добычу и реализацию сырья в горнодобывающей отрасли, и в этом случае прибавочная стоимость была довольно низкой.

Параллельно с анализом оценок международных структур инвестиционной привлекательности РА, в частности, касающихся оценки политического риска, мы также использовали оценку инвестиционной среды РА на основе экспертных опросов. Экспертам было предложено оценить инвестиционное поле Республики Армения в рамках вариантов, представленных в анкете.

Из анализа результатов опроса можно сделать вывод, что независимо от оценок инвестиционной ситуации в Армении со стороны различных международных организаций, где больше всего подчеркивается наличие политического риска, тем не менее, по экспертным оценкам, она достаточно привлекательна. Конечно, инвестиционная ситуация далека от совершенства, но

при администрировании, модернизации институтов управления, совершенствовании законодательства, устранении бюрократических хлопот можно будет сделать инвестиционную среду еще более ощутимой и доступной для иностранных инвесторов.

Ключевые слова и словосочетания: инвестиционный рынок, валовые внутренние инвестиции, прямые иностранные инвестиции, экспертная оценка.

1.Introduction

In the conditions of a modern market economy, the development of the economy and society largely depends on the opportunities to attract private investment. At present, in any country, the level of investment has a significant impact on socio-economic processes, it is reflected in the corresponding change in key macroeconomic indicators. At the macro level, investments ensure the country's competitiveness, sustainable economic growth, raising the living standards of the population, as well as the sustainable development of certain sectors of the economy through the continuous modernization of production and the introduction of new technologies.

A prerequisite for investment promotion is the existence of a developed investment market, the creation of a favorable investment environment, the provision of an appropriate level of protection of investors' interests, which contributes to increasing the attractiveness of the economy from the point of view of foreign and local investors.

The analysis of investment flows in the Republic of Armenia shows that they have been decreasing over the last decade, which is due to the insufficient development of our country's investment market, low attractiveness of the investment environment, low efficiency of public investment policy.

After the achieving of independence, appropriate institutions began to be formed in Armenia, which are typical of a liberal economic system, as well as the adoption of the so-called "open door policy" of attracting investments. In this context, a number of reforms were carried out to ensure the necessary conditions for doing business and to develop economic infrastructure. In 1994, the Supreme Council of the Republic of Armenia adopted the Law on Foreign Investments, which was an important precondition for the establishment, investment and development of the investment market[1].

We can agree with the assertion that "since 1992, the economic reforms aimed at building a market economy have been carried out mainly due to debt inclusion, budget inflation, effectively depleting neither the credit issue nor the large foreign investments that could be attracted through large-scale investment projects." Making the most of the opportunities of the Diaspora. ”

From 2000 until the financial and economic crisis, during the period of active growth of the world economy, up to double-digit economic growth was registered in Armenia, which was accompanied by a significant activation of investment flows. However, due to the global financial and economic crisis that began in 2008, the Armenian economy found itself in a period of deep decline and, naturally, as expected, both domestic and foreign investment fell sharply. In the post-crisis years, as the economy gradually began to emerge from the crisis and gradually recover from the positive dynamics of macroeconomic indicators, however, no significant increase in investment flows was recorded; the investment market is still characterized by low activity.

2.Literature review

In a market economy, the investment process is carried out through the investment market, which is a complex, multi-layered economic category. The investment market, as an institution, is characterized by a certain ratio of demand, supply, price level, level of competition, investment volume[2]. The attractiveness of the investment market is determined by assessing the investment climate. The latter generalizes the external environment, the current situation, the relevant conditions under which the investments are made[3]. The investment environment can be considered as a set of political, socio-economic, financial, socio-cultural, organizational-legal-geographical factors specific to a certain country, region, economic sector or branch, which attracts or repels investors[4]. Sometimes, the term "investment environment" is used as an equivalent to investment attractiveness, which, in our opinion, is not so true, as the investment environment is a broader concept; degree, investment market attractiveness and magnitude of investment risk. The investment climate is measured by input parameters such as capital inflows, outflows, inflation rates, interest rates, gross domestic product (GDP) savings, and output parameters that reflect the country's investment potential and risk levels.

Thus, the country's investment market attractiveness and the investment climate in general is characterized by a set of factors that reflect investment opportunities, stimulating investment flows, expanding the scope of investors' activities to make effective investments, and creating new jobs. It follows from the above that any investment process is influenced by the investment environment, as a result of which it can be transformed into improving or deteriorating features that characterize the effectiveness of that process.

3.Research methodology

The research was based on scientific works by various authors on various issues related to the development of the investment market, the improvement of the investment environment, the legal framework governing investment relations, which is part of the state policy to regulate the investment market, and data published by the Statistical Committee of RA.

4.Analysis and Results

Analyzing one of the important indicators characterizing the investment activity in the economy, the investment / GDP ratio in 2000-2020. We see that the latter grew smoothly in Armenia in 2000-2008, and in the period following the global financial and economic crisis had a steady downward trend, despite the slight positive dynamics recorded in some years (Figure 1):

Figure 1. Investment / GDP ratio in Armenia 2007-2020 (%) [5]

Thus, in 2008, the investment/GDP ratio had an unprecedented high value, amounting to 46.83%. Naturally, such a high index in the Armenian economy was conditioned by large-scale investments in the non-export sector, especially in the construction sector. In 2009, when the Armenian economy was already in a state of crisis, the investment/GDP ratio was still relatively high, amounting to 42.88%, which can be called the "residual result" of previous investment activity. In the following years, starting from 2010, this indicator has smoothly decreased, reaching 39.37%, and the lowest level 15.80% was recorded in 2019, the highest indicator in the post-crisis sector was recorded in 2011 23.6%. The downward trend in the investment / GDP ratio was maintained throughout the post-crisis period until 2020, when the investment / GDP ratio was 16.6% decreased by 32.20% compared to 2008.

Referring to the gross domestic investment in Armenia, we can see that since 2000 they have shown stable growth trends, reaching a maximum of \$ 5591.1 million in 2008 (Figure 2).

Figure 2 Dynamics of Gross Domestic Investments in Armenia in 2000-2020, USD mil. [6]

However, in 2008 In the aftermath of the global financial crisis, gross domestic investment since 2009 has shown a steady decline in the long run, with the latter growing slightly in 2018 but falling again to \$ 2385.6 million in 2019 and decreased again in the year 2020, amounting to 2178.1 million dollars.

In 2000-2020, the growth dynamics of gross domestic investment in Armenia showed a highly fluctuating trend. If in 2006 it was 33.7%, in 2007 the growth rate of gross investments sharply decreased to 18.16%. In the following years, the downward trend was maintained, reaching the lowest index in 2009 amounting -25.4% [7].

Until 2014, the growth rates of gross investments still had a negative value, and in 2015, a growth of 2.5% was recorded. The sharp decline of that indicator in 2016 (-11.4%) in 2017. The highest index of the post-crisis period - 9.7%. In 2018 & 2019, the growth rates decreased again, making 4.8% & 4.4%, respectively, and in 2020, it sharply decreased, making 8.6%.

The analysis of the trend of net foreign direct investment in Armenia in 2000-2020 shows that, similar to gross domestic investment, they have shown steady growth trends since 2000 (Figure 3). In 2008, the maximum index of domestic investments was registered - 943.7 million dollars. 2008 The impact of the global financial and economic crisis has led to a long-term steady decline in net foreign direct investment since 2009, although some growth has been recorded in some years. In 2020, this figure reached a value of 113.7 million dollars, which is the lowest in the period under review.

Figure 3 The trend of net foreign direct investment in Armenia 2000-2020, mln dol. [8]

It is obvious that there is a direct connection between investments and "GDP indicators". Therefore, from the point of view of evaluating the efficiency of investments, we were able to clarify what impact the gross domestic investments, net foreign investments, had on the gross domestic product of the Republic of Armenia. In this regard, we considered it necessary to assess the correlation between gross domestic investment (GDP) and net foreign investment (GDP).

Correlation-regression analysis. The indicators selected for the analysis are: gross domestic investment (GDP, GDI), gross domestic product (GDP), foreign direct investment (FDI), foreign trade (turnover) & export. Consider the following interdependencies:

- GDP - GDP,
- GDP,
- Trade turnover - MNF,

- Trade turnover-FDI,
- Export-GDP,
- Export-FDI.

In order to have stationary rows, we switch to logarithmic rows. First we calculate the correlation matrix between the selected indicators (Table 1)

Table 1

Correlation matrix between the selected indicators

Corel.matrix	GDI	GDP	FDI	Trade turnover	Export
GDI	1	0.81	0.87	0.84	0.67
GDP	0.81	1	0.51	0.98	0.96
FDI	0.87	0.51	1	0.56	0.34
Trade turnover	0.84	0.98	0.56	1	0.94
Export	0.67	0.96	0.34	0.94	1

It is clear from the cross-correlation matrix that only the Export-FDI connection is weak, the GDP-FDI and trade-FDI relationship are moderate. That is why we have limited ourselves to describing the nature and strength of the connection. In particular, the connection is direct, that is, the growth of one indicator leads to the growth of another indicator. It should be noted that in the period under review, GDP-FDI indicators showed a parallel trend in 76% of cases.

Let us now consider the regression models of the corresponding pairs.

The following linear regression models are constructed:

$$(3.1.1) \begin{cases} \ln(GDP) = c_1 + c_2 \times \ln(GDI) + \varepsilon_1 \\ \ln(Turnover) = c_3 + c_4 \times \ln(GDI) + \varepsilon_2 \\ \ln(Export) = c_5 + c_6 \times \ln(GDI) + \varepsilon_3 \end{cases}$$

The results of the evaluation are as follows:

$$(3.1.2) \begin{cases} \ln(GDP) = 6.15 + 0.39 \times \ln(GDI) \\ \ln(Turnover) = 2.89 + 0.71 \times \ln(GDI) \\ \ln(Export) = 2.60 + 0.58 \times \ln(GDI) \end{cases}$$

Let's comment on the obtained results.

GDP-GDI. The connection is direct, as evidenced by the correlation coefficient calculated above. The coefficient of elasticity is equal to 1.003, which means that a GDI growth of 1% leads to a GDP growth of 1.003%. The approximation error is 1.88%, which proves the good quality of the approximation. Means the deviation between the actual "approximated values" is on average 1.88%. The coefficient of determination is 0.66, which means that 66% of GDP variation is explained by GDI. The regressor of the model is significant, according to the Student's test, the t-statistic is 6.08, and the corresponding tabular value is 2.43, the observed value is greater than the tabular value, which is significant, and the significance level, P-value, is 0.000132,

respectively. We have a 99% level of reliability. According to Fisher's test, the F statistic is 37.03 and the tabular value is 4.38, the observation is greater than the tabular value, so the model is significant. For the autocorrelation test, use the Darbin-Watson statistic, it is 1.65, so there is no autocorrelation. Let's test the hypothesis about heteroskedasticity using Spearman's rank correlation coefficient. Spearman's rank correlation coefficient is 0.35, let's put a hypothesis that the coefficient is equal to zero, the competitor - the opposite. The critical value is 0.52, and the tabular value is 2.44, the tabular value is greater than the critical one, therefore the coefficient is not significant, that is, the hypothesis about the absence of heteroskedasticity is accepted. The normal residual distribution hypothesis was tested using RS statistics, the RS is 3.1, the range for accepting the normal distribution hypothesis (2.7-3.7) is in the range, then the residues are normally distributed.

Thus, the GDP-GDI relationship is direct, significant, the quality of the model approximation is high, the obtained estimate is the value of the elasticity coefficient applicable.

Trade turnover-GDI. The connection is direct, as evidenced by the correlation coefficient calculated above. The coefficient of significance test results is as follows: t statistics are 6-80, tabular t is 2-44, the observed is greater than the tabular, therefore the correlation coefficient is significant. The coefficient of elasticity is equal to 1.01, which means that a 1% increase in GDI leads to a 1.01% increase in trade turnover. The approximation error is 1.88%, which proves the good quality of the approximation. It means that the deviation between the actual "approximated values" is on average 3-28%. The coefficient of determination is 0.71, which means that the variation in trade turnover is explained by 71% by GDI. The regressor of the model is significant, according to the Student test, the statistic t is 6.80, and the corresponding tabular value is 2.43, the observed value is greater than the tabular value, therefore significant, and the significance level, P-value, is 0.0000017, respectively. We have a 99% level of reliability. According to Fisher's test, the F statistic is 46-19, and the tabular value is 4-38, the observed is larger than the tabular, so the model is significant. For the autocorrelation test, use the Darbin-Watson statistic, it is 1.69, so there is no autocorrelation. Let's test the hypothesis about heteroskedasticity using Spearman's rank correlation coefficient. Spearman's rank correlation coefficient is 0.39, let's put a hypothesis that the coefficient is equal to zero, the competitor - the opposite. The critical value is 0.51, and the tabular value is 2.44, the tabular value is greater than the critical one, therefore the coefficient is not significant, that is, the hypothesis about the absence of heteroskedasticity is accepted. The normal residual distribution hypothesis was tested using RS statistics, the RS is 3.2, the range for accepting the normal distribution hypothesis (2.7-3.7) is in the range, then the residues are normally distributed.

Thus, the trade-GDI ratio is direct, significant, the quality of the model approximation is high, the resulting score is the value of the elasticity coefficient applicable.

Export-GDI. The connection is direct, as evidenced by the correlation coefficient calculated above. The coefficient of significance test results are as follows: t statistics are 3.98, tabular t is 2.44, the observed is greater than tabular, therefore the correlation coefficient is significant. The coefficient of elasticity is equal to 1.01, which means that a 1% increase in GDI leads to a 1.01% increase in exports. The approximation error is 4.11%, which proves the good quality of the approximation. It means that the deviation between the actual "approximated values" is on average 4-11%. The coefficient of determination is 0.45, which means that the export variation is explained by 45% by GDI. The regressor of the model is significant, according to the Student's test, the t-statistic is 3.98, and the corresponding tabular value is 2.43, the observed value is greater than the tabular value, therefore significant, and the significance level, P-value, is 0.000804, respectively. We have a 99% level of reliability. According to the Fisher test, the F statistic is 15-83, and the tabular value is 4-38, the observed is larger than the tabular, so the model is significant. Let's test the hypothesis about heteroskedasticity using Spearman's rank correlation coefficient. Spearman's rank correlation coefficient is 0.34, let's put a hypothesis that the coefficient is equal to zero, the competitor - the opposite. The critical value is 0.53, and the tabular value is 2.44, the tabular value is greater than the critical one, therefore the coefficient is not significant, that is, the hypothesis about the absence of heteroskedasticity is accepted. The normal residual distribution hypothesis was tested using RS statistics, the RS is 3.4, the range for accepting the normal distribution hypothesis (2.7-3.7) is in the range, then the residues are normally distributed. Thus, the Export-GDI relationship is direct, significant, the explanatory nature of the model is low, let's accept the relationship estimate, the coefficient of elasticity with reservations.

Thus, the impact of gross domestic investment on the growth of the RA GDP in 2000-2020. has been greater than that of net foreign investment. This is partly due to the fact that their volumes were not large, especially in the period after the financial and economic crisis, they had a very fluctuating trend, they were directed mainly to the extraction and sale of raw materials in the mining sector, in which case the surplus value was quite low.

Studying the structure of foreign investments in Armenia, the ratio of direct-portfolio investments in them, we will try to understand what are the characteristics of gross investments, direct-portfolio investments in the structure of the latter in the post-crisis period. Thus, before the global financial and economic crisis, in 2008 Gross foreign investments totaled \$ 1932.0 million, of which direct investments totaled \$ 1132.4 million and portfolio investments totaled AMD 6.6 million (Table 2):

Table 2

The structure of foreign investments in Armenia in 2008-2020. million US dollars

[9]

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross foreign investments	1932.0	2555.4	1555.8	1735.9	1633.7	990.2	612.9	809.5	1215.0	400.3	807.3	1504.3	485.5
of which: direct investments	1132.4	906.2	706.9	906.3	725.2	370.2	404.3	178.5	338.0	249.8	254.1	254.0	117.3
Share of direct investments, %	58.6	35.5	45.4	52.2	44.4	37.4	66	22.1	27.8	62.4	31.5	16.9	24.2
Portfolio investments	6.6	11.0	12.23	0.0	1.95	694.5	-40.1	262.2	56.3	-56.8	-18.9	103.0	-5.9
Share of portfolio investments, %	0.34	0.43	0.78	0	0.12	70.1	-6.54	32.4	4.6	-14.2	-2.3	6.85	-1.2
Other investments	793.0	1638.2	836.7	829.6	906.58	-74.5	248.7	368.8	820.7	207.3	572.1	1147.2	374.1
Share of other investments, %	41.1	64.1	53.8	47.8	55.5	-7.5	40.54	55.5	67.6	51.8	70.8	76.3	77

In 2009, despite the wide spread of the impact of the financial and economic crisis, the inflows of foreign investments in the Armenian economy (including those received through the public administration and banking system) increased. In January-December amounted to 2470.8 million dollars, which in 2008 increased by 27.9% compared to the same period last year. At that, the inflow of direct investments made 840.7 mln. USD (decreased by 25.8%), portfolio investments - 6.7 mln. USD (increased by 1.3%), other investments - 1623.4 mln. dollars (increased about 2 times). 2009 The outflow of funds from the republic in the form of investments (excluding interest paid, dividends, loan repayments) by resident legal entities of the Republic of Armenia amounted to 171.6 mln. dollars. In 2010-2014, gross foreign investment gradually decreased from USD 2555.4 million to USD 612.9 million, ie more than quadrupled, while direct investment decreased but halved during the same period. 2015- 2016 Gross foreign investment increased to \$ 809.5 million and \$ 1215.0 million, respectively, and in 2017 it more than doubled to \$ 400.3 million.

In 2018, gross foreign investment almost doubled to \$ 800.3 million, and in 2019, it increased by about 88% to 1504.3 million drams. In 2020, due to the effects of the epidemic, the gross foreign investment index again fell sharply by about 310% to only 485.5 million drams.

With regard to foreign direct investment, it should be noted that the latter had an unstable trend during the period under review, but in some years without sharp changes, in contrast to gross foreign investment (Figure 4).

**Figure 4. Gross foreign direct investment trends in Armenia in 2008-2020
(million dollars) [10]**

In particular, in 2008-2009 there was a significant increase in gross foreign investment in the country by about 32.2%, but the latter was not accompanied by such a sharp increase in direct investment, on the contrary, the latter decreased by about 20%. Moreover, except for 2011, when direct investments were almost equal to 2009.

They tended to decrease smoothly throughout the period. Looking at the movement of FDI in recent years, we see that their volumes have been quite low, amounting to 254.1 million USD in 2018-2019, and in 2020 they decreased by more than doubled to 117.3 million USD, which is the lowest indicator of the observed period. The main reasons for such a decline are, first of all, the forced closure of the Amulsar mine, which naturally had a negative impact on Armenia's international investment rating, increasing investment risk, and the reduction recorded in 2020 was due to economic constraints in the fight against the epidemic.

Analyzing the volume ratio of foreign direct portfolio investments, we see that the latter also had a downward trend in the post-crisis period. However, during the period under review, direct investments significantly exceeded portfolio investments, except in 2013, when portfolio investments reached an unprecedented high of \$ 694.5 million (Figure 5). The highest share of direct investments in gross foreign investment in the period under review was recorded in 2014 - 66%. In 2020, this figure was only 24.2%. As for the share of portfolio investments, the highest rate of the latter - 70.1% was recorded in 2013, and in 2020 it was only 1.2%. Naturally, these indicators speak of both a decrease in foreign investment flows and a decline in the attractiveness of the investment market.

Figure 5 Volume ratio of foreign direct portfolio investments in Armenia, 2008-2020, million dollars. [11]

Thus, the main indicators characterizing the inflows of investments in the Armenian investment market had a rather stable growth before the financial and economic crisis that began in 2008, which was conditioned by economic overactivity both in the world and in Armenia, especially the significant activation of the construction sector.

In the assessments of various international organizations, the investment environment of the Republic of Armenia is assessed as rather risky. Considering in particular the ratings of the Belgian Export Credit Agency (ONDD), which include short-term, medium-term and long-term political risks, as well as risks related to trade,

business environment, political violence, seizures and government actions. In this rating, political risks are rated from 0 to 7 points.

In the mentioned rating, the medium-long-term political risk of Armenia was assessed 6 points. For comparison, among the post-Soviet countries in Lithuania and Estonia, this indicator is estimated at 2 and 1, respectively, in fact, the high political risks that exist in the Republic of Armenia are obvious. Moreover, with this index Armenia is behind Azerbaijan and Russia, where it is estimated at 4 points. Naturally, this is a telling enough fact to get an idea of the high political risks that the investor may face in investing in the Armenian economy in the medium or long term.

According to the data provided, the risks of political violence's seizure are quite high in our country, which is largely due to the imperfection of investment legislation, the lack of effective guarantees to protect the interests of investors, and effective mechanisms to ensure them.

To get a complete picture of the level of political risks in Armenia, let us refer to the international sovereign rating of our republic, which, among other factors, is formed as a result of the influence of political factors. The data reflected in the respective rating reports clearly show that even in the period of stable economic growth, Armenia's international sovereign rating did not exceed 45 points, and in the rating system 50 points lower (Ba1 or BB + and lower ratings, respectively) correspond to non-investment-speculative ratings with high risks arising from it. This is obviously a bad signal for potential investors, especially in terms of long-term investments.

In parallel with the analysis of the assessments of the international structures on the attractiveness of the investment field of the Republic of Armenia, which particularly refer to the assessment of political risk, we also used the assessment of the investment environment of the Republic of Armenia based on expert surveys. Based on our questionnaire, we conducted expert surveys on the investment climate with a clear opinion of 19 experts. Officials of leading banks, insurance companies, leading companies in the field of industry, as well as experienced scientists in the field of academia were involved in the survey as experts. The results of the surveys were presented according to the sequence of questions in the questionnaire.

The experts were offered to assess the investment field of the Republic of Armenia within the framework of the options presented in the questionnaire.

1. 50% of the experts think that the domestic market of Armenia is attractive for investment, but there are some obstacles, 22% consider it quite attractive, one expert found it difficult to answer, and 28% or five respondents think that The investment field of the Republic of Armenia is not attractive.

2. The most important factor in increasing the attractiveness of the investment field, 56% of the experts consider the modernization of the administration, management institutions, improvement of the legislation, elimination of bureaucratic hassles, 39% of the experts pointed out, and 17% used the establishment of democratic institutions.

3. To the question that in terms of the attractiveness of the investment environment in Armenia, which spheres are of interest to foreign investors, 39% of the experts mentioned the financial sector, the industry was also considered to be leading by its attractiveness - 33%, 4 experts find it attractive the agricultural sector, and 3 give preference to trade.

4. Experts are more interested in launching technologies in terms of attracting foreign direct investors in Armenia. This opinion is shared by 44% of respondents, 33% each use the opportunity to create new jobs, the motivation to produce quality products in line with modern market requirements, and two experts believe that attracting foreign direct investment will increase domestic market competition.

5. The answer to the question about the existence of sufficient preconditions for portfolio investments in Armenia was not answered "yes", 33% of the respondents gave a negative answer, 44% found it difficult to answer, only four experts found that the preconditions for attracting portfolio investments are partially present.

5. Conclusion

Thus, we can conclude that regardless of the assessments of the investment situation in Armenia by various international organizations, which emphasize the existence of political risk, however, according to expert assessments, it is quite attractive. In any case, 72% of respondents support this opinion. Of course, the investment situation is far from perfect, but in case of administration, modernization of management institutions, improvement of legislation, elimination of bureaucratic hassles, it will be possible to make the investment environment even more perceptible and accessible for foreign investors. It is clear that stable investment processes in any country determine the introduction of the latest scientific and technological achievements in production, and consequently the high rates of scientific and technological progress, the growth of labor productivity, both at the level of the whole economy and individual sectors, branches and organizations.

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