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INVESTMENT ATTRACTIVENESS OF RA FROM THE POTENTIAL INVESTOR'S POINT OF VIEW

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RA investment policy is an integral part of the RA government's general economic policy. The main goal of the policy is to create a favorable investment and business environment, accompanied by an increase in the transparency of the regulatory environment, the identification of the country's competitive advantages, the volume growth of investments, and the development of infrastructure and human capital.

Despite the high level of emigration and unemployment in the RA regions, the results of the survey conducted among potential investors show that Armenia is most attractive in the fields of tourism, intensive agriculture, and energy supply.

At the same time, according to potential investors, the main challenges to attracting investments in Armenia are related to complicated business establishment procedures (compared to other countries in the region), unstable political and economic systems, as well as the lack of necessary resources (including human capital) in the regions of Armenia.

In recent years, Armenia has improved its position in the evaluations carried out by various international organizations. In particular, according to the 2023 report of the World Intellectual Property Organization, Armenia ranks 72nd among 132 countries, improving by 8 positions in 2022 compared to the year¹. Also, Armenia's economic freedom score is 64.9, making its economy the

¹ World Intellectual Property Organization. (2023). Global innovation index 2023: Innovation in the face of uncertainty (p. 84). https://www.wipo.int/global_innovation_index/en/2023/

47th freest in the 2024 Index of Economic Freedom. Its rating has decreased by 0.2 points from last year, and Armenia is ranked 26th out of 44 countries in the Europe region. With this indicator, RA is second only to neighboring Georgia among neighboring and CIS countries.²

Despite some positive trends, the RA investment environment faces various challenges that affect its stability and investment attractiveness. The country's geopolitical position, regional conflicts, and dependence on the Russian economy pose great political risks that negatively affect the country's image. In addition, the country's small market share and limited industry diversification make the country vulnerable to economic fluctuations and external shocks. RA also faces a number of challenges related to the lack of a number of infrastructures, limited human capital, and a low level of technological development.

TABLE 1

GDP indicators in the regions of the Republic of Armenia and Yerevan in 2022 ³ (%)			
RA regions and Yerevan city	GDP structure by regions and Yerevan city	GDP per capita in relation to the RA average	GDP per employee compared to the RA average
Yerevan	57.4	155.7	208.9
Aragatsotn	2.5	59.4	48.6
Ararat	6.2	71.7	62.0
Armavir	5.6	62.5	46.3
Gegharkunik	3.3	43.2	46.5
Lori	4	55.7	45.2
Kotayk	6.7	79.3	70.6
Shirak	3.7	48.0	45.2
Syunik	7.6	165.2	132.0
Vayots Dzor	1.1	67.0	61.8
Tavush	1.9	46.8	46.4

As can be seen from the results of the analysis of the GDP structure, the concentration of economic activity is noticeable in Yerevan (57% share in the total GDP). Such a situation emphasizes the role of economic and commercial dominance of Yerevan, especially in the fields of services and industry. RA Syunik (7.6 %), Kotayk (6.7 %), and Ararat (6.2 %) are the regions with the next highest GDP indicators, where the high rate of GDP is due to agriculture, mining, and industry. At the same time, Aragatsotn (2.5%), Vayots Dzor (1.1%), and Tavush (1.9%) regions stand out for their small shares in GDP.

² The Heritage Foundation. (2023). 2023 index of economic freedom: Armenia. Retrieved November 3, 2024, from <https://www.heritage.org/index/pages/country-pages/armenia#:~:text=Updated%20October%202023&text=Armenia's%20economic%20freedom%20score%20is,countries%20in%20the%20Europe%20region>


³ Data in the table were collected and compiled by the authors. Data source: Statistical Committee of the Republic of Armenia, Publications, Regions of the Republic of Armenia and the city of Yerevan in numbers, Industry Sector, https://armstat.am/file/article/marzer_2023_6.pdf



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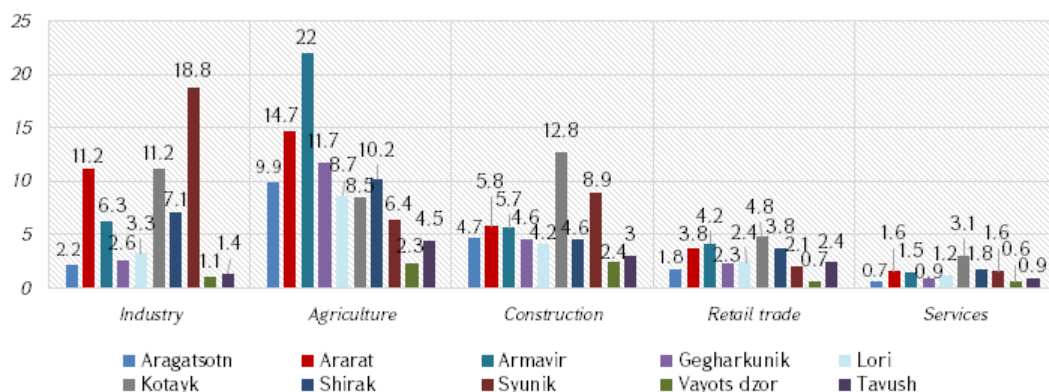


FIGURE 1

Shares of the main sectors of the economy of RA regions in the total volume in 2022⁴ (%)

Now let us try to understand the general structure of different branches of the economy in the regions according to their respective shares in the country's GDP.

As can be seen from the data in Figure 1, RA regions have distinct development potential in the field of agriculture. In particular, Armavir, Ararat, and Gegharkunik regions stand out in terms of the level of agricultural development, and the existing potential for the development of industry is noticeable in Syunik, Kotayk, and Ararat regions.

Despite the fact that RA regions have a unique development potential in many different sectors of the economy, in the upcoming essay we will try to present in more detail the investment potential of regions according to different sectors of the economy, as well as the results of a summary analysis of investors' opinions on the investment attractiveness of regions.

It should be noted that the results of a survey conducted among representatives of various sectors showed that the openness of the investment environment and the provision of equal starting conditions (in 40% of cases), the favorable legislative framework, including tax and customs privileges, are most conducive to making investments in RA. (in 70% of cases), as well as the level of trust in the RA government (less than 30%

of cases). It should be noted that among potential investors, Armenia is mostly perceived as a country with an unstable economy. As a result, the RA investment environment is not always favorably perceived by potential tourists, as a result which the latter prefer to invest in other countries.

At the same time, the main obstacles to investing in Armenia, according to potential investors, are mainly related to the following factors:

- difficulties in entering the market,
- lack of necessary resources (including lack of appropriate human resources),
- lack of necessary level of scientific and technical development,
- political instability,
- lack of tax benefits,
- Armenia's membership in international structures,
- lack of human capital in regions (brain drain from regions),
- presence of security issues.

Based on the data in Figure 2, it can be stated that from the point of view of potential tourists, the most attractive areas for investing in RA are production, agriculture, tourism, energy supply, water supply, as well as the real estate market. However, to give the most comprehensive assessment of investment attractiveness in RA, it is also nec-

⁴ Data in the table were collected and compiled by the authors. Data source: Statistical Committee of the Republic of Armenia, Publications, Regions of the Republic of Armenia and the city of Yerevan in numbers, Industry Sector, https://armstat.am/file/article/marzer_2023_6.pdf

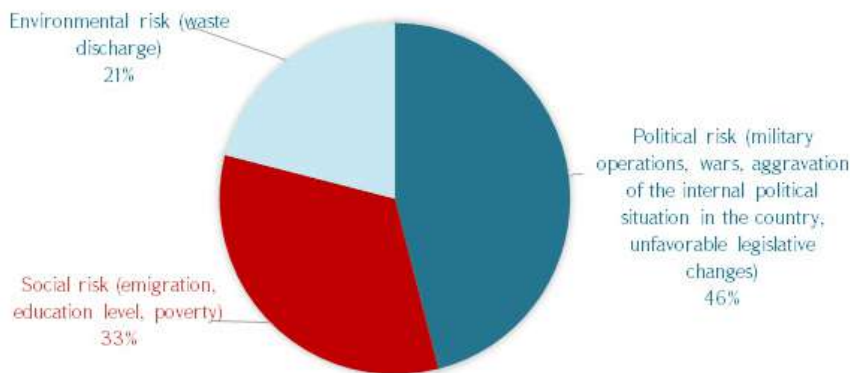


FIGURE 2
Factors affecting the RA investment environment according to potential investors (the assessment was carried out on a 1-5 point scale)⁵

TABLE 2
The main directions of the development of RA regions and the results of the survey conducted among investors

Region	The main direction of the region's development	The investment attractiveness of the region by sectors (results of a survey conducted among potential investors)
Ararat	The manufacturing industry has a share of about 94% of the total industry (tobacco, food, beverages). The leading directions of the industry are the production of food, tobacco products, beverages, basic metals, as well as other non-metallic mineral products. Tourism resources also play a role in the development of the region's economy. Thousands of tourists visit Khor Virap, Paruyr Sevak House-Museum, and other places every year.	From the point of view of potential investors, the region is mostly considered within the framework of the development of the intensive agriculture sector. The region is also perceived as one of the regions with the potential for processing agricultural products (production of cans, processing of meat products, processing of fruits and vegetables, production of dairy products, flour, beverages, etc.).
Armavir	According to the data of 2022, the priority sectors of the economy in the largest and most densely populated region of Armenia are agriculture and industry. Despite the size of the area, the geographical location and climatic conditions of the region are favorable for the development of crop and animal husbandry. In addition, more than 40 percent of agricultural land is arable land. ⁶	From the point of view of future investors, Armavir is also considered as a region with potential for intensive agriculture development, where investors give priority to the directions of introducing smart livestock farms and drip irrigation systems.
Aragatsotn	The basis of the region's economy is industry and agriculture. The region's economic-geographical position, its proximity to the capital, and the distance from the Armavir and Kotayk regions have a significant impact on the development of the industry, which is 51.2% higher than the RA average.	Potential investors consider the Aragatsotn region in the direction of development of winter tourism, eco-tourism, adventure tourism, and resort tourism. Aragatsotn region, like Ararat and Armavir, is considered a priority in the fields of organic agricultural products production, development of organic agriculture, as well as grain production. From the point of view of a potential investor, the region can be attractive for investment in the field of livestock breeding (cattle breeding, sheep breeding, poultry breeding).

⁵ The information has been compiled and summarized based on the results of the investors' survey.
⁶ Statistical Committee of the Republic of Armenia, Publications, socio-economic characteristics of the regions of the Republic of Armenia and the city of Yerevan, https://armstat.am/file/article/marzer_2023_23.pdf

Kotayk	The most developed in the field of industry of the region is the processing industry, in which the largest shares are the production of food and beverages. The production of jewelry products also tends to develop in the region (in 2022, the production volume of the latter was about 12% of the total production volume). The province is also specialized in poultry farming. The city of Tsaghkadzor in the region is a center of tourism, resort, and mountain skiing. The region is the second in RA in terms of accommodation and public catering sector, after Yerevan.	From the point of view of investors, Kotayk is mostly considered a region with potential in the fields of organic agricultural production, horticulture, and dry goods production. At the same time, the region's attractiveness among potential investors is due to the availability of tourism resources. The province is also attractive in the field of agriculture, as well as in the production of fish feed and fish processing. From the point of view of a potential investor, the region also stands out in the fields of glass and glass products, and cement production.
Lori	Lori region is notable for the presence of large cities, education, and health centers in the region, as well as the development of adventure and resort tourism.	In the Lori region, potential investors envision investments mostly in winemaking, ecotourism, adventure tourism, cultural and historical tourism, rural tourism, cave tourism, resort tourism, beekeeping, as well as organic agricultural production.
Tavush	The region is one of the prominent agricultural regions of RA. Cattle breeding and pig breeding are the leading sectors in animal husbandry, and in plant breeding - grain crop cultivation and viticulture. Fruit growing has been developing in recent years. In recent years, orchards have also been established, dominated by figs and oranges. Beekeeping is also developing every year. The leading sector of the region's economy is the processing industry, in particular, the food industry and woodworking. Wines, preserves, mineral water, stone and wood, and recently also textile products are exported from the industrial products produced in the region.	In addition to the development directions of ecotourism, rural tourism, winemaking, and dry goods production, the region is also considered a region with investment potential in the fields of grain, potato, and milk production.
Shirak	The leading industries of the Shirak region are the production of food, beverages, and non-metallic products. Artik tuff and pumice are well-known. Cargo transportation is carried out in the region. Shirak Airport and Bavra customs office are located in the region.	Among potential investors, the region is mostly considered in the fields of food industry, potato production, organic agricultural products production. The region also has investment attractiveness in the fields of beekeeping, goat breeding, poultry breeding, beef breeding, as well as sheep breeding. Investors in the region do not exclude the development of winter tourism and the realization of possible investments in that direction.
Gegharkunik	Gegharkunik region is one of the leaders in the context of the comparison of RA regions in terms of the total share of livestock breeding. The agricultural sector in the region is mainly oriented towards the production of grain, potatoes, and livestock products. At the same time, Gegharkunik region is the supplier of fresh fish in RA. Compared to other branches of the economy, the service sector is the least developed in the region.	From the point of view of investors, the region has the greatest development potential in the fields of agricultural food processing, fruit and vegetable processing, and dairy products. fish freezing, drying), a region highly oriented towards fish feed production as well as agriculture.
Vayots Dzor	Agriculture dominates the total volume of the region's economy. The production of "Jermuk" mineral water and grape wine is mainly developed in the low-lying parts of Vayots Dzor region, and the foothill zone of the region is considered one of the 4 regions of RA viticulture.	From the point of view of potential investors, the region is most attractive in the fields of organic agricultural production, food industry, dry goods production, as well as potato and meat production. Investors in the region are also considering the development of animal husbandry and beekeeping. Cave tourism has also been considered as a direction of development in the region.

<p>Syunik</p>	<p>The per capita industrial output of the region is about 4 times higher than the national average, in the same way. Agriculture - about 2 times, construction - about 1 time. The predominant economic sectors in the Syunik region are industry (18.8%), agriculture (6.4%), and construction (8.9%). The main sector of the region's industry is mining, food, and electricity production, under the conditions of which the majority of the electricity produced in the region goes to the Vorotan hydroelectric power station.</p>	<p>Investors generally believe that the region has great potential in the fields of agriculture, production of organic agricultural products, grain production, as well as winemaking, meat products, and milk production. Very few potential investors have considered mining as an investment destination. The region has also been considered by investors as having the potential to develop cave tourism.</p>
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essary to compare the results of the survey conducted among potential investors with the current level of development of RA regions and upcoming opportunities.

Thus, the results of the conducted analysis allow us to conclude that the main obstacles to the implementation of investments in the regions of the Republic of Armenia are related to weak infrastructure, inadequate human and financial resources, and a number of other problems.

At the same time, the results of the survey conducted among potential investors allow

us to identify the main sectoral directions in which the latter target regions as attractive investment centers.

As the data in Table 2 show, the perceptions of potential investors of the RA regions generally coincide with the development potential of the regions.

In particular, the potential investors consider the regions of the Republic of Armenia mainly in the directions of development of intensive agriculture, production of organic agricultural products, food industry, eco-tourism, and cave tourism.

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ՀՀ ՆԵՐԴՐՈՒՄԱՅԻՆ ԳՐԱՎՉՈՒԹՅՈՒՆԸ ՊՈՏԵՆՑԻԱԼ ՆԵՐԴՐՈՂԻ ԱԶԲԵՐՈՎ

ՀՀ ներդրումային քաղաքականությունը ՀՀ կառավարության ընդհանուր տնտեսական քաղաքականության բաղկացուցիչ մասն է: ՀՀ ներդրումային քաղաքականության հիմնական նպատակը ներդրումային և գործարար բարենպաստ միջավայրի ձևավորումն է, որն ուղեկցվում է կարգավորող միջավայրի թափանցիկության բարձրացմամբ, երկրի մրցակցային առավելությունների բացահայտմամբ, ներդրումների ծավալային աճով, ենթակառուցվածքների և մարդկային կապիտալի զարգացմամբ: Վերջիններս էլ, իրենց հերթին, ձևավորում են տնտեսական կայուն աճի հիմքեր: Չնայած ՀՀ մարզերում արտագաղթի և գործազրկության բարձր մակարդակին՝ պոտենցիալ ներդրողների շրջանում անցկացված հարցման արդյունքները ցույց են տալիս, որ Հայաստանն առավելապես գրավիչ է զբոսաշրջության, ինտենսիվ գյուղատնտեսության, ինչպես նաև էներգամատակարարման ոլորտներում: Միաժամանակ, պոտենցիալ ներդրողների կարծիքով, Հայաստանում ներդրումների ներգրավման հիմնական խոչընդոտները կապված են բիզնես հիմնելու բարդ ընթացակարգերի (տարածաշրջանի մյուս երկրների համեմատ), քաղաքական և տնտեսական անկայուն համակարգերի, ինչպես նաև ՀՀ մարզերում անհրաժեշտ ռեսուրսների բացակայության (այդ թվում՝ մարդկային կապիտալի) հետ:

Հիմնաբառեր. ՀՀ մարզեր, ներդրումային գրավչություն, պոտենցիալ ներդրող, հարցումներ

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ARMENIA И МИР

ИНВЕСТИЦИОННАЯ ПРИВЛЕКАТЕЛЬНОСТЬ РА С ТОЧКИ ЗРЕНИЯ ПОТЕНЦИАЛЬНОГО ИНВЕСТОРА

Инвестиционная политика РА является неотъемлемой частью общей экономической политики правительства РА. Основной целью политики является создание благоприятной инвестиционной и деловой среды, сопровождающейся повышением прозрачности нормативно-правовой среды, выявлением конкурентных преимуществ страны, ростом объемов инвестиций, развитием инфраструктуры и человеческого капитала.

Несмотря на высокий уровень эмиграции и безработицы в регионах РА, результаты опроса, проведенного среди потенциальных инвесторов, показывают, что Армения наиболее привлекательна в сферах туризма, интенсивного сельского хозяйства и энергоснабжения.

В то же время, по мнению потенциальных инвесторов, основными проблемами привлечения инвестиций в Армению являются сложные процедуры создания бизнеса (по сравнению с другими странами региона), нестабильная политическая и экономическая системы, а также отсутствие необходимых ресурсов (в том числе человеческого капитала) в регионах Армении.

Ключевые слова: *регионы РА, инвестиционная привлекательность, потенциальный инвестор*