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A GENERAL ANALYSIS OF INDICATORS AFFECTING THE INVESTMENT ENVIRONMENT IN THE REPUBLIC OF ARMENIA

Generally, the conditions and factors that influence investment decisions, shape the investment environment. At the same time, a favorable investment environment is considered significant for economic growth and development. The article discusses the main factors affecting the investment environment of the Republic of Armenia, including political stability, macroeconomic stability, legal and regulatory frameworks, infrastructure, human capital and technological progress.

Attracting foreign direct investment (FDI) usually promotes accelerated economic growth, job creation and technological advancement, especially in developing countries. FDI also greatly contributes to the more significant participation of the countries involved in global value chains, and ultimately to the smooth integration of these countries into the global economy.

For each of the factors affecting the investment environment, a corresponding set of indicators was selected, including the years 2010-2021, and, in terms of availability, 2010-2022. The analysis of the dynamics of the above-mentioned indicators allowed us to estimate the sensitivity of the investment environment of Armenia to certain factors affecting it.

KEYWORDS: *Investment environment, investment climate, foreign direct investment (FDI), Armenia, factors, indicators*

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INTRODUCTION. In recent times, developing countries have learnt that FDI can boost economy, promote efficiency, generate jobs, and support technology development. Developing nations gain various involvement options through FDI which has positive outcomes on economic growth.

Nevertheless, one should remember that there are many difficulties to overcome and suitable policies that need to be applied for achieving this goal. In order to have inflow of FDI into developing countries, there is need to establish an appropriate environment for investment that should be politically stable, well-regulated, infrastructurally developed, to possess skilled human capital, and good governance among others. Also, policies ought to be enacted for a fair distribution of FDI benefits towards national development.

Meanwhile, by focusing on such factors, as political, economic, legal-regulatory, infrastructure, human capital, and technological elements, developing countries can have an enabling entrepreneurial ecosystem for FDI that will improve the economy and lead to job creation.

LITERATURE REVIEW. Studies of the elements forming the investment environment have shown that many different factors can influence investment decisions and outcomes.

Numerous empirical studies have confirmed the crucial role of financial development in the relationship between foreign direct investment (FDI) and economic growth. The studies conducted by Aggarwal and Fogarty (2004), Noorbakhsh et al. (2001), Asiedu and Lien (2011), Borensztein et al. (1998), Mayer and Sinani (2009), Kong et al. (2020), Nwachakwu and Ezeh (2018), Liu et al (2019), Park and Haider (2021), Nguyen (2022) have all supported this assertion. Most of them found a positive impact of foreign direct investment on economic growth. These studies indicate that the positive effect of FDI on economic growth is amplified in the presence of an efficient financial system. Specifically, financial development may enhance the efficiency in the allocation of resources as well as promote technology and knowledge transfers that also contribute to enhanced productivity growth. The increased efficiency in the financial intermediation process also helps the host country deal with information asymmetry as it absorbs FDI. Consequently, policy makers ought to include a financial development policy among other means through which to draw more FDI into the economy.

In order to address the issues that hinder these countries to enjoy more investment and create a better investment climate, some steps have been taken by affected (economically vulnerable) countries, especially African countries, the least developed countries (LDCs), the landlocked developing countries (LLDCs), and middle-income countries (MICCs). Among these measures the investment climate enhancement, investment promotion and facilitation, provision of fiscal incentives, establishment of special economic zones, and setting up specialized investment promotion agencies can be considered. Such efforts are essential for creating a conducive investment environment (United Nations, 2017) demonstrating the commitment of those vulnerable countries to attract investment and promote economic growth.

The Agenda calls on the global society to give support to these countries in formulating appropriate strategies and plan implementations effectively.

RESEARCH METHODOLOGY. The grouping of the chosen indicators based upon factors influencing investments was done by the author in a logical way. Anyway, it is important to note that these groupings do not constitute an exact classification because of the existence of some cases when the same indicator impacts on multiple factors simultaneously. For instance, the relevance of the government efficiency index in relation to political and market factors' influence can be assessed as follows.

A mixed methods approach as applied within the article analyzed the variables that influence the investment climate in order to comprehensively grasp the subject matter.

- *Literature Review:*

Through a critical review of literature the author established the basis for the study. It entailed searching the various available literature both online and in print that covered the factors impacting the business environment.

This phase assisted in determining areas uncovered or not addressed by the existing literature and where the present study would be focusing on.

- *Data Collection:*

The article also utilized secondary data collection from existing sources like government reports, industry publications or academic studies.

- *Variable Identification:*

Some of the significant determinants influencing the investment climate derived from the literature review. Among them are political stability, economic indicators, regulatory framework, infrastructure quality, human capital and technology.

- *Statistical analysis:*

It is possible to study patterns of economic growth and political stability, among others, using statistical analysis of data on the issues that determine the main trends and potential causal relations.

ANALYSIS. For developing countries with relatively small and particularly landlocked economies such as the Republic of Armenia, investment is crucial for economic development. While structuring a favorable investment environment can redound to economic growth stimulation, foreign direct investment attraction, infrastructure improvement, human capital development, diversification of the economy, and poverty reduction.

Investment has multi-layered and multi-level positive impact on the recipient countries which is manifested as follows:

- ***Promotion of economic growth:*** Investment promotes the creation of new businesses and expansion of the existing ones, it boosts economic activity and employment opportunities. Having access to funds, businesses can invest in research and development, modernize their equipment and facilities, and improve productivity, leading to increased economic growth.
- ***Increased foreign investment:*** Foreign investment can help to stimulate economic growth by increasing the availability of funds for investment, creating jobs, and encouraging the transfer of technology and skills. Developing countries such as Armenia rely heavily on foreign investment to finance their economic development projects.
- ***Improved infrastructure:*** Investment can be directed toward infrastructure development such as transportation, communication, and energy, which are essential for economic growth. Improved infrastructure attracts more investment and improves the competitiveness of the economy.
- ***Human capital development:*** Investment in education and training can help to improve the skills and knowledge of the workforce, leading to increased productivity and competitiveness. This, in turn, can attract more investment, creating a virtuous cycle of economic growth.
- ***Diversification of the economy:*** Investment can help diversify the economy by promoting the growth of new industries, reducing reliance on a single sector, and creating a more balanced economy. This can make the economy more resilient to external shocks and reduce the risk of economic downturns.
- ***Overcoming poverty:*** Investment can help to reduce poverty by creating employment opportunities and increasing incomes, leading to improved living standards and reduced inequality.

Table 1 shows the indicators characterizing the level of investments in the Republic of Armenia during 2010-2021, the analysis of which proves that the most favorable year for the country in terms of attracting investments and their significance for the economy was perhaps 2008, when the absolute volume of foreign direct investment (FDI) in the RA amounted to 0.94 billion US dollars, which in turn provided an 8.09% share in the structure of the GDP. For the considered period, 2008 was also the most favorable for capital investments, the maximum volume of which was 5.59 billion US dollars, providing 47.94% in the GDP structure, respectively, the highest level ever.

At the same time, the study of the presented indicators also reveals some strange trends. In particular, in the global volume of FDI, as well as in the structure of GDP, a relatively tangible share of FDI in the RA (8,79%) was ensured in 2009, when the volume of FDI in absolute terms was inferior to the best indicator of the previous year by more than 19%. In 2009, the share of the RA in the structure of global FDI was 0.06% (for comparison, let us note that for 2019-2020, the share of the RA was only 0.01%). Nevertheless, such asymmetry has a very simple justification: the problem was the sharp drop in GDP worldwide caused by the global financial crisis of 2008-2009, and Armenia was not spared from it. In 2009, the decline of the world GDP was -1.3%, while the decline of the world GDP per capita was estimated at -2.5%, during the same period, in the CIS countries a decline of -5.1% was recorded (Chandy L., Gertz G. and Linn J., 2009). In the declined volume of GDP, even reduced investments can have a more tangible share, especially in cases where the volume of FDI has decreased to a smaller extent.

In the case of another indicator, net portfolio equity inflows, the recorded trends are completely different from the trends shown by other indicators. Portfolio equity includes net inflows from equity securities other than those recorded as direct investment and including shares, stocks, depository receipts, and direct purchases of shares in local stock markets by foreign investors. The net inflows of portfolio equity of the Republic of Armenia reached their highest level of 7.41 million USD in 2010, while the positive values of the net inflows are not always maintained: net outflow of portfolio investments was observed in 2013 (-1.89 million USD), 2017 (-3.25 million USD) and 2019 (-4.60 million USD).

The overall volume of global portfolio equity net inflows in 2021 was estimated at 1,313,510 million US dollars. Luxembourg has emerged as the world's leading country in terms of portfolio equity net inflows. As of 2021, portfolio equity net inflows in Luxembourg were 546,948 million US dollars, which represents a substantial share of the global total of such inflows, at 41.64%[1].

Table 1

Investment indicators in the Republic of Armenia during 2010-2021[1]

Year	*Foreign Direct Investment, billion USD*	*Foreign Direct Investment, percent of GDP*	*Percent of World Foreign Direct Investment*	*Capital investment, billion USD*	*Capital investment as a percent of GDP*	*Net portfolio equity inflows, million USD*
2010	0.53	5.72	0.03	3.59	38.81	7.41
2011	0.65	6.44	0.03	3.24	31.92	2.63
2012	0.50	4.68	0.03	2.62	24.68	2.30
2013	0.35	3.11	0.02	2.46	22.15	-1.89
2014	0.41	3.50	0.02	0.42	21.28	0.68
2015	0.18	1.74	0.01	0.42	20.73	4.01
2016	0.33	3.17	0.01	0.42	18.02	3.57
2017	0.25	2.19	0.01	0.42	18.42	-3.25
2018	0.27	2.14	0.03	0.42	22.40	0.47
2019	0.10	0.74	0.01	0.42	17.41	-4.60
2020	0.06	0.46	0.01	0.42	19.66	0.59
2021	-	2.65	-	0.42	20.69	-

[1] World Data Atlas, Portfolio equity net inflows in current prices. https://knoema.com/atlas/topics/Economy/Balance-of-Payments-Capital-and-financial-account/Portfolio-equity-net-inflows [Date of access: 06.04.2023]

[1] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php?strsixmnt [Date of access: 22.03.2023]

Foreign Direct Investment (FDI) is closely linked to the investment environment of a country. A favorable investment environment that provides a stable and predictable regulatory framework, access to finance, low levels of corruption, and protection of property rights can attract foreign investors. FDI can bring significant benefits to a country, including increased capital inflows, technology transfer, employment opportunities, and access to new markets. On the other hand, a poor investment environment can discourage FDI, leading to reduced economic growth and development.

Studies of professional literature served as a basis for grouping the factors forming the investment environment, identifying a group of the most characteristic indicators for each of the groups. The investment environment is the set of conditions and circumstances that affect the investment decisions of individuals, businesses, and governments. These factors can be broadly categorized into the following main areas:

1. Political Factors: *Political factors are a critical aspect of the investment environment. A stable political environment that guarantees the protection of property rights, a transparent legal system, and a predictable regulatory framework is essential for attracting both domestic and foreign investment. In contrast, political instability leads to uncertainty, which makes investors hesitant to invest in a particular country.*

The analysis of indicators characterizing the political environment of the Republic of Armenia (Table 2) shows that the position of the country in the political stability index is rather weak, especially during the last years. The index of Political Stability and Absence of Violence/Terrorism (-2.5 weak; 2.5 strong) measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.

Table 2

Political Environment Indicators in the Republic of Armenia[2]

Year	Political stability index (-2.5 weak; 2.5 strong)	Economic globalization index (0-100)	Social globalization index (0-100)	Political globalization index (0-100)	Globalization index (0-100)
2010	0.07	68.82	65.99	54.13	62.98
2011	-0.06	69.77	66.79	54.76	63.77
2012	0.15	69.14	66.30	66.38	67.27
2013	0.11	69.18	66.60	66.21	67.33
2014	-0.30	70.61	66.75	66.07	67.81
2015	-0.25	67.73	66.17	70.21	68.04
2016	-0.66	68.51	65.77	70.54	68.27
2017	-0.62	69.41	65.82	70.57	68.60
2018	-0.44	69.98	65.97	69.31	68.42
2019	-0.41	69.61	66.15	69.32	68.36
2020	-0.76	66.00	65.00	69.00	67.00
2021	-0.84	-	-	-	-

- *Data not available*

[2] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 22.03.2023]

The overall Globalization index covers the economic, social, and political dimensions of globalization. The economic globalization index is measured by actual economic flows and restrictions to trade and capital. Actual economic flows in turn include data on trade, FDI, and portfolio investment. During 2015-2021 the political globalization index itself was characterized by the highest level among the three dimensions, directing the growth of the overall index at the expense of its growth (Table 2).

Table 2

***Political Environment Indicators in the Republic of Armenia*[3]**

Year	*Political stability index (-2.5 weak; 2.5 strong)*	*Economic globalization index (0-100)*	*Social globalization index (0-100)*	*Political globalization index (0-100)*	*Globalization index (0-100)*
2010	0.07	68.82	65.99	54.13	62.98
2011	-0.06	69.77	66.79	54.76	63.77
2012	0.15	69.14	66.30	66.38	67.27
2013	0.11	69.18	66.60	66.21	67.33
2014	-0.30	70.61	66.75	66.07	67.81
2015	-0.25	67.73	66.17	70.21	68.04
2016	-0.66	68.51	65.77	70.54	68.27
2017	-0.62	69.41	65.82	70.57	68.60
2018	-0.44	69.98	65.97	69.31	68.42
2019	-0.41	69.61	66.15	69.32	68.36
2020	-0.76	66.00	65.00	69.00	67.00
2021	-0.84	-	-	-	-

- *Data not available*

2. *Legal and Regulatory Factors:* *The legal and regulatory frameworks of a country also affect the investment environment. A transparent, predictable, and efficient legal system that protects property rights, enforces contracts and resolves disputes is essential for attracting investment.*

If civil liberties in Armenia have been assessed at the same level for 20 or more years, the same cannot be said about the index of political rights (based on three categories: electoral process, political pluralism and participation, and the functioning of government), which after some improvements in 2010-2018, has gone backward since 2019.

Although, the Rule of law (-2.5 weak; 2.5 strong), reflecting the degree of trust, respect, and obedience to public order, was consistently below average in Armenia, a significant improvement in the index has been observed in recent years. Indexes of Government Effectiveness and Regulatory Quality decreased since 2019, while a noticeable improvement was noted in the case of the Control of Corruption and Corruption Perceptions Index (Table 3).

[3] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 22.03.2023]

Table 3

Legal and Regulatory Factors Affecting Investment in the Republic of Armenia[4]

Year	*Political rights index, 7 (weak) - 1 (strong)*	*Civil liberties index, 7 (weak) - 1 (strong)*	*Rule of law index (-2.5 weak; 2.5 strong)*	*Regulatory quality index (-2.5 weak; 2.5 strong)*	*Government effectiveness index (-2.5 weak; 2.5 strong)*	*Control of corruption (-2.5 weak; 2.5 strong)*	*Corruption Perceptions Index, 100 = no corruption*
2010	6	4	-0.48	0.27	-0.17	-0.70	26
2011	6	4	-0.44	0.25	-0.11	-0.66	26
2012	5	4	-0.42	0.33	-0.03	-0.59	34
2013	5	4	-0.34	0.24	0.09	-0.53	36
2014	5	4	-0.42	0.16	-0.25	-0.57	37
2015	5	4	-0.45	0.20	-0.28	-0.58	35
2016	5	4	-0.14	0.21	-0.28	-0.64	33
2017	5	4	-0.19	0.24	-0.22	-0.61	35
2018	5	4	-0.18	0.36	-0.14	-0.39	35
2019	4	4	-0.16	0.26	-0.20	-0.20	42
2020	4	4	-0.10	0.25	-0.27	0.02	49
2021	-	4	-0.10	0.15	-0.25	0.07	49

- *Data not available*

[4] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 22.03.2023]

Table 4

***Indicators characterizing the macroeconomic environment in the Republic of Armenia*[5]**

Year	*Economic growth: the rate of change of real GDP*	*GDP per capita, current US dollars*	*GDP per capita, Purchasing Power Parity*	*Exports of goods and services as a percent of GDP*	*Imports of goods and services as a percent of GDP*	*Household consumption as a percent of GDP*	*Government spending as a percent of GDP*	*Government debt as a percent of GDP*	*Inflation: percent change in the Consumer Price Index*	*Unemployment rate*
2010	2.20	3143.03	9068.79	19.75	44.89	86.26	12.04	40.60	8.2	19.01
2011	4.70	3462.68	9551.16	22.52	46.91	88.01	11.91	42.20	7.7	18.44
2012	7.20	3643.72	10289.98	27.56	48.40	85.88	10.91	41.40	2.6	17.30
2013	3.30	3833.16	10677.30	28.35	49.20	86.79	11.94	40.90	5.8	16.18
2014	3.60	4017.23	11105.53	28.56	47.22	85.55	12.09	43.70	3.0	17.50
2015	3.20	3666.14	11506.04	29.73	41.96	77.92	13.11	48.70	3.7	18.26
2016	0.20	3679.95	11580.38	33.74	42.33	76.30	13.45	56.70	-1.4	17.62
2017	7.50	4042.00	12509.64	38.22	48.99	80.03	12.32	58.90	1.0	17.70
2018	5.20	4391.92	13231.43	39.39	53.08	79.80	11.49	55.70	2.5	18.97
2019	7.60	4828.51	14317.55	41.35	54.76	83.44	12.56	53.50	1.4	18.30
2020	-7.20	4505.87	13357.70	29.76	39.72	75.33	14.97	67.40	1.2	21.21
2021	5.70	4966.51	14193.12	35.34	43.83	72.01	15.79	-	7.2	20.9

- *Data not available*

[5] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 25.04.2023]

3. Macroeconomic Factors: *Macroeconomic stability is another critical factor that affects the investment environment. Macroeconomic factors refer to the overall state of the economy, including inflation rates, interest rates, exchange rates, and a balanced budget. A stable macroeconomic environment encourages investment by reducing the risk of economic shocks and financial instability, which can lead to financial losses for investors. In contrast, a volatile macroeconomic environment can lead to financial instability and discourage investment.*

Armenia experienced double-digit economic growth between 2002 and 2007, followed by a period of relatively subdued growth, and economic declines were observed in 2009 (-14.10%) due to the financial crisis and in 2020 (-7.20%) due to the stagnation caused by the coronavirus (see Table 4). It is noticeable that during the whole period of observation GDP at purchasing power parity (PPP) per capita is higher than the standard GDP per capita for the Republic of Armenia. It means that the cost of living in the country is lower compared to other countries with similar levels of economic output. This could be seen as a positive sign for the country, as it suggests that the population's purchasing power is relatively higher compared to other countries. However, it is important to note that a high GDP per capita PPP does not necessarily indicate that a country has a higher overall standard of living, as factors such as income inequality, access to necessities, and quality of life also play a role.

Household consumption in Armenia is the largest share of GDP, followed by imports, exports, and government spending. The composition of GDP can have implications for foreign direct investment (FDI) involvement perspectives in a given country (Table 4).

- If household consumption is the largest share of GDP, this may signal to potential investors that there is a large and growing consumer market in the country, which can be an attractive factor for FDI. Additionally, a large and growing consumer market can suggest a stable and prosperous economy, which can provide a favorable environment for FDI.
- In case imports are a large share of GDP, potential investors may be interested in investing in sectors that produce goods that are currently being imported. This can help reduce the country's reliance on imports, while also providing investment opportunities for foreign businesses.
- Similarly, if exports are a large share of GDP, potential investors may be interested in investing in sectors that produce goods for export. This can help grow the country's export market and improve its balance of trade.
- Finally, if government spending is a large share of GDP, potential investors may be interested in investing in sectors that receive government contracts or subsidies. However, a high level of

government spending may also indicate a high level of government debt, which can make the country less attractive for FDI.

4. Market conditions: *Market conditions, such as the supply and demand for certain investments, can impact investment decisions and outcomes.*

Key indicators characterizing market conditions are shown in Table 5.

There is an interrelation between investments and trade openness or net barter terms of trade. Trade openness refers to the degree to which a country is open to international trade, and net barter terms of trade refer to the ratio of export prices to import prices. Increased trade openness can lead to more investment opportunities as companies look to expand their operations in foreign markets. For example, if a country has a liberalized trade policy and allows foreign companies to invest in its economy, this can create new business opportunities and potential for growth. Additionally, favorable terms of trade can encourage investment by making exports more profitable and potentially increasing demand for products produced in that country. Conversely, unfavorable terms of trade may discourage investment as companies may find it less profitable to export their products. On the other hand, investments can also impact trade openness and terms of trade. FDI, for example, can lead to increased trade by facilitating the transfer of goods, services, and technology between countries. FDI can also help countries to improve their competitiveness by increasing efficiency, productivity, and innovation. Moreover, investments can impact terms of trade by affecting a country's export and import patterns. For instance, if a country invests in industries that produce high-value exports, this can increase the ratio of export prices to import prices and lead to more favorable terms of trade. Overall, the interrelation between investment and trade openness or terms of trade is complex and can vary depending on a range of factors such as government policies, market conditions, and global events.

The cost of starting a business in Armenia as a share of income per capita has improved significantly during 2010-2019 (Table 5). The cost of starting a business indicator includes all official fees for legal or professional services and excludes bribes.

5. Infrastructure Factors: *Infrastructure refers to the physical and organizational structures that support economic activity, including roads, airports, seaports, telecommunications networks, and power grids. Good infrastructure reduces the cost of doing business, enhances connectivity, and improves access to markets, which can lead to increased investment.*

Landlocked Developing Countries (LLDCs) like Armenia face specific challenges that hinder their development efforts. Due to their lack of direct access to the sea, LLDCs face higher transportation and trade transaction costs, which hamper their ability to participate fully in international trade. This makes it difficult for LLDCs to attract investment, as investors may perceive the high transportation costs as a risk factor. In addition, LLDCs often lack the infrastructure needed for economic development, such as roads, railways, and ports. These challenges can limit their ability to export their goods and import the necessary inputs for production. Therefore, LLDCs require specific support in the areas of infrastructure development, trade facilitation, and investment promotion to overcome their challenges and promote their development.

It is noteworthy that among the transport infrastructures of Armenia, air transport infrastructures stand out with the highest quality, while port infrastructures are characterized by low quality (Table 6): in the case of landlocked Armenia, the index assesses the country's ability to use the port infrastructure of neighboring countries. As for information infrastructures, the prevalence of their use is increasing year by year at an unprecedented rate.

- **Human Capital Factors:** Human capital, including education and skills, is also an essential factor that affects the investment environment. A well-educated and skilled workforce can boost productivity, drive innovation, and enhance competitiveness, making a country more attractive to investors. Factors such as access to education, vocational training, research and development (R&D) facilities are crucial for developing human capital. Countries that invest in human capital development are more likely to attract investment as they offer a competitive advantage in the global economy.

The human development index in Armenia has always been at a high level, maintaining stable growth trends during the observed period. The human development index in Armenia has always been at a high level, maintaining stable growth trends during the period under review, although public spending on education does not exceed the limit of 2-3% of GDP. The share of money allocated to education in the structure of public expenditures is more tangible, but since 2005, the indicator has registered a significant decline, from 13.65% to 8.28% in 2021 (Table 7).

The Human flight and brain drain index, which takes into account the economic impact of the displacement of people (for economic or political reasons) and the consequences it can have on the development of the country, is high enough for Armenia, which means, there is a lot of movement of people for similar reasons. A certain reduction in the population outflow in Armenia was observed during 2012-2014, 2016, and 2018, but since 2019, an acceleration of the rate of human flight has been observed again due to the unjustified expectations of people, the war of 2020, and its consequences.

- **Technological Factors:** Technological factors refer to the level of technological advancement in a country, including the availability of advanced technology, research and development facilities, and innovation policies. There is no need to prove that a country that embraces technological advancement and innovation, thus driving productivity and achieving long-term economic growth, is more attractive for investment than a country that lags in technology.

Table 5

Market conditions in the Republic of Armenia[6]

Year	*Terms of trade, base year = 2000*	*Trade openness: exports plus imports as a percent of GDP*	*Shadow economy, percent of GDP*	*Cost of starting a business, % of income per capita*	*Ease of Doing Business*[7]	*Global competitiveness index*[8]
2010	128.28	64.64	40.14	3.10	61.1 DB10-14	3.89
2011	124.64	69.44	38.46	2.90	61.7 DB10-14	3.89
2012	116.84	75.96	35.52	2.50	64.3 DB10-14	4.02
2013	113.70	77.56	34.56	1.10	68.2 DB10-14	4.02
2014	112.60	75.78	34.78	1.00	69.6 DB10-14 (65.5) DB15	4.01
2015	116.10	71.68	35.96	1.00	66.8 DB15	4.01
2016	122.00	76.08	-	0.90	69.1 DB17-21	4.07
2017	129.90	87.20	-	0.90	70.6 DB17-21	4.07
2018	128.92	92.47	-	0.80	71.5 DB17-21	59.90
2019	132.39	96.11	-	0.80	73.2 DB17-21	61.30
2020	139.80	69.49	-	-	74.5 DB17-21	-
2021	-	78.31	-	-	-	-

- *Data not available*

[6] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 06.04.2023]

[7] The ease of Doing Business score calculation methodology has been changed several times during 2010-2021 (DB10-21, DB17-21, and DB17-21), and this creates some disproportion among data. Source: World Bank, Doing Business, Historical data (DB04-DB20). https://archive.doingbusiness.org/en/data [Date of access: 12.04.2023]

[8] World Economic Forum. https://www.weforum.org/search?query=global+competitiveness+index [Date of access: 22.03.2023]

Table 6

***Infrastructure and transport characteristics in the Republic of Armenia*[9]**

Year	Quality of air transport infrastructure, 1(low) - 7(high)	Quality of roads, 1(low) - 7(high)	Quality of port infrastructure, 1(low) - 7(high)	Quality of railroad infrastructure, 1(low) - 7(high)	The volume of goods transported by railways	Internet users, a percent of the population	Fixed broadband internet subscribers per 100 people	Mobile phone subscribers, in millions	Mobile phone subscribers, per 100 people
2010	4.46	3.41	2.87	2.22	346	25.00	3.18	3.87	131.19
2011	4.46	3.34	2.68	2.53	816	32.00	5.48	3.21	109.64
2012	4.68	3.65	3.02	2.62	867	37.50	7.28	3.32	114.01
2013	4.53	3.68	3.05	2.60	851	41.90	8.38	3.35	115.33
2014	4.27	3.71	2.47	2.60	786	54.62	9.44	3.46	119.70
2015	4.01	3.82	2.13	2.60	640	59.10	9.95	3.46	120.35
2016	4.40	3.80	2.40	2.70	658	64.35	10.44	3.43	119.85
2017	4.80	3.70	2.50	2.90	689	64.74	11.06	3.49	122.32
2018	4.40	3.60	2.60	3.10	730	68.25	12.25	3.58	126.18
2019	4.60	3.60	2.40	3.10	860	66.54	13.67	3.62	128.30
2020	-	-	-	-	840	76.51	15.34	3.49	124.35
2021	-	-	-	-	-	-	16.72	3.60	128.96

- *Data not available*

[9] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 26.04.2023]

Table 7

Human Capital Indicators in the Republic of Armenia[10]

Year	*Human Development Index (0 - 1)*	*Human flight and brain drain index, 0 (low) - 10 (high)*	*Public spending on education, percent of GDP*	*Public spending on education, percent of public spending*
2010	0.729	7.00	3.25	12.40
2011	0.733	6.60	3.14	12.59
2012	0.737	6.30	2.77	12.37
2013	0.743	6.00	2.65	11.14
2014	0.746	5.70	2.25	9.37
2015	0.748	6.00	2.81	10.66
2016	0.751	5.90	2.76	10.20
2017	0.758	6.20	2.71	10.40
2018	0.760	6.10	2.26	8.99
2019	0.760	6.40	2.56	10.01
2020	0.776	6.50	2.71	8.83
2021	0.759	6.80	2.77	8.28
2022	-	6.70	-	-

- *Data not available*

[10] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 06.04.2023]

Table 8

Technological Development Indicators in the Republic of Armenia[11]

Year	Innovations index (0-100)	Research and development expenditure, percent of GDP	Information technology exports, percent of total goods exports	High technology exports	High tech exports, percent of manufactured exports	Patent applications by residents
2010	-	0.24	0.75	4.73	2.32	136
2011	33.00	0.27	0.73	7.45	3.37	121
2012	34.50	0.24	1.26	7.58	2.85	137
2013	37.60	0.22	0.16	9.33	3.03	125
2014	36.10	0.24	0.26	9.31	3.02	121
2015	37.30	0.25	0.15	11.86	5.65	113
2016	35.10	0.23	0.18	21.85	6.14	125
2017	35.70	0.23	0.19	28.24	7.55	107
2018	32.80	0.19	0.32	36.29	7.06	101
2019	34.00	0.18	0.28	45.57	9.79	112
2020	32.60	0.21	0.40	26.51	7.14	63
2021	31.40	-	-	37.56	5.96	-
2022	26.60	-	-	-	-	-

- *Data not available*

[11] Created by the author according to the TheGlobalEconomy.com data. https://www.theglobaleconomy.com/download-data.php [Date of access: 06.04.2023]

The level of technological development in Armenia is still quite low: research and development costs do not even reach 1% of GDP, and information technology exports are an insignificant part of exported goods, although high-tech exports in the structure of exports of manufactured goods in the country have a growing trend (Table 8).

The combination of all the above factors forms the country's investment environment, which is inherently vulnerable to a range of factors that can significantly impact its stability and attractiveness to investors. Policymakers and stakeholders must recognize and address these vulnerabilities in the investment environment. Efforts should be made to foster political stability, maintain a favorable macroeconomic climate, enact transparent and predictable regulations, invest in infrastructure development, promote education and skills training, and embrace technological advancements. By proactively managing and mitigating these vulnerabilities, countries can enhance their investment environment, attract greater investment flows, and foster sustainable economic growth.

CONCLUSIONS. The investment environment is influenced by a range of factors, including political stability, macroeconomic stability, legal and regulatory frameworks, infrastructure, human capital, and technological advancement. A conducive investment environment attracts investment, promotes economic growth, and creates employment opportunities. Governments and policymakers must prioritize the development of these factors to create an environment that is conducive to investment and economic growth.

Overall, the composition of GDP can provide useful information for potential investors, but it is important to consider other factors such as political stability, labor force quality, infrastructure, and legal framework when evaluating FDI involvement perspectives.

Therefore, to attract FDI, policymakers and stakeholders need to create and maintain an attractive investment environment that provides a conducive business climate. This includes implementing policies that promote a stable and predictable regulatory environment, improving infrastructure, strengthening the rule of law, reducing corruption, and protecting property rights. By creating a favorable investment environment, a country can attract more FDI, leading to increased economic growth and development.

The investment environment in the Republic of Armenia is susceptible to various vulnerabilities that can impact its stability and attractiveness to investors. The country's geopolitical location, ongoing conflict with neighboring Azerbaijan over the Nagorno-Karabakh region, and the dependence on the Russian economy pose political risks that can negatively affect investor confidence. Additionally, the country's small market size and limited diversification of industries can make it vulnerable to economic fluctuations and external shocks.

Armenia also faces challenges related to infrastructure deficiencies, limited human capital, and technological disruptions. Inadequate transport infrastructure, insufficient power supply, and slow internet speed can hinder business operations, while a shortage of skilled labor can limit productivity and innovation. Furthermore, the pace of technological adoption has been slow in some sectors, making Armenia less competitive in the global marketplace.

Despite these vulnerabilities, Armenia has made strides in improving its investment climate through reforms and measures to reduce bureaucracy and corruption. The country's strategic location along the Silk Road and its favorable trade agreements with neighboring countries offer the potential for increased investment in sectors such as tourism, agriculture, and IT. However, sustained efforts are needed to address the vulnerabilities and enhance the resilience of Armenia's investment environment.

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