



Armenia

Population ¹	2,944,809
Area (km ²) ¹	29,740
GDP per capita (USD) ¹	3,914.50
TPES (Mtoe) ²	3.03
Energy intensity (toe/10 ³ 2010 USD) ²	0.26
CO ₂ emissions - energy (MtCO ₂) ²	4.90

Sources:

1. The World Bank 2017

2. ©IEA 2018, www.iea.org/statistics

Armenia's overall risk level against the assessed areas is **low**.

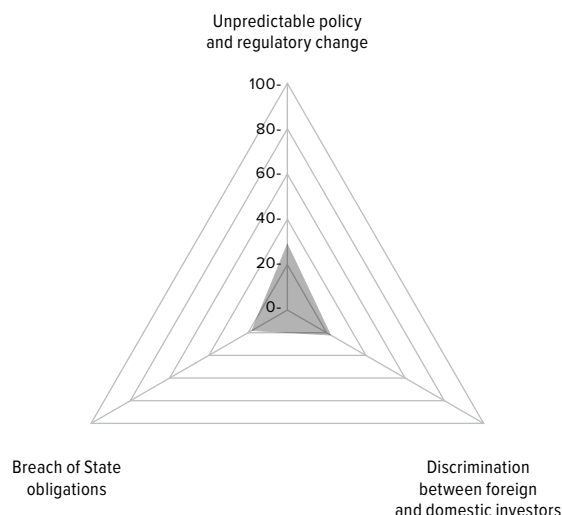
Among the three EIRA risk areas, *breach of State obligations* and *discrimination between foreign and domestic investors* are lower compared to *unpredictable policy and regulatory change*.

Armenia's performance is very good on two of the EIRA indicators, and it is good on two indicators. It has received 82 points on the indicator *rule of law*. On *regulatory environment and investment conditions* it has retained a very good score of 81. *Management of decision-making processes* is once again at 70 points. The performance on *foresight of policy and regulatory change* has improved by a point and stands at 63.

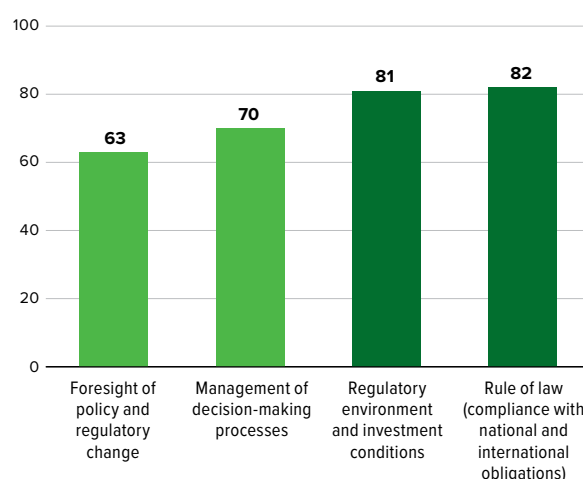
On a more detailed level, Armenia's overall sub-indicator performance is good. The highest scoring sub-indicator is *restrictions on FDI* with 90 points. It is followed by *transparency* and *respect for property rights*, both with 83 points. On *communication of vision and policies* (82) it has retained the score from last year. The sub-indicator *management and settlement of investor-State disputes* is at 80. The scores for *regulatory effectiveness* (72) and *institutional governance* (56) are the same as in 2018. *Robustness of policy goals and commitments* is the lowest-scoring sub-indicator, though it has improved from 41 to 44 points.

Armenia provides attractive conditions for investors and is working in the right direction. Attention should be given to increasing the robustness of its policy goals and commitments.

RISK LEVEL



INDICATOR PERFORMANCE

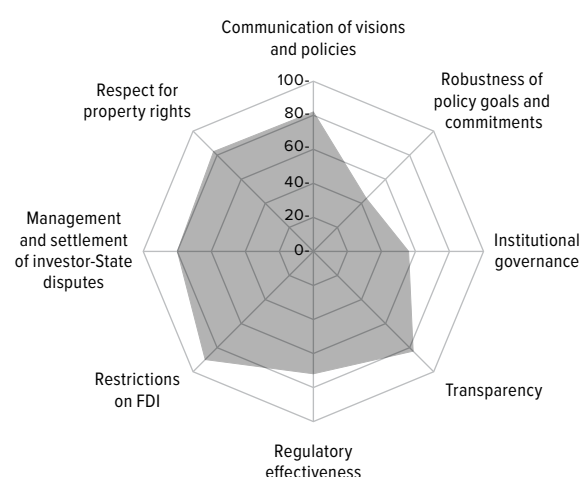


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019
Unpredictable policy and regulatory change	29	29
Discrimination between foreign and domestic investors	22	22
Breach of State obligations	18	18

INDICATORS	2018	2019
Foresight of policy and regulatory change	62	63
Management of decision-making processes	70	70
Regulatory environment and investment conditions	81	81
Rule of law	82	82

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The primary policies governing Armenia's energy sector are the Concept Note on Ensuring Energy Security 2013, the Strategic Program of Prospective Development of the Republic of Armenia for 2014-2025, the National Program on Energy Saving and Renewable Energy 2007, and the Long-Term Development Pathways (up to 2036) for the Energy Sector 2013.

Law no. HO-31-N/2019 "On Amendments and Additions to the Law On the Government Structure and Activity" (Law on Government Structure 2019) became effective on 1 June 2019. This Law merges the Ministry of Energy Infrastructures and Natural Resources with the Ministry of Territorial Administration and Development. The Ministry of Territorial Administration and Infrastructure is now responsible for developing energy policies.

STRENGTHS

The Government policy places emphasis on attracting further investment in the energy sector and increasing energy security. Implementation measures are currently being taken to meet the targets set for enhancing energy efficiency, power reliability, renewable energy and integration into the regional energy system. In the last years, electricity generation from solar power has increased exponentially. Given its substantial potential, the Government has introduced attractive guarantees and feed-in tariffs for power generated from renewable sources.

Monitoring and evaluation mechanisms for the energy policies are in place. Law no. HO-253-N/2018 "On the Government Structure and Activity" stipulates that the Prime Minister shall monitor the implementation of the domestic and foreign policy. It requires the Government to periodically inform the President of the Republic of Armenia on the progress made. The Ministry of Territorial Administration and Infrastructure recently produced the Summary of the Report on the Results of Implementation of the Action Plan and Priorities of the Government of the Republic of Armenia for the Year 2018.

AREAS FOR IMPROVEMENT

Data collection and monitoring of the energy priorities should be conducted by an authority that is independent of the lead ministry. Similarly, individual programmes and projects should be evaluated by entities not involved in their management or implementation. This will provide greater credibility and robustness to the monitoring mechanisms.

A review of the strategic documents should be conducted to evaluate their relevance, and to eliminate any potential duplication or contradictions. With changes being introduced to the governance of the energy sector, the Government should also consider updating all relevant legislation, including Law no. HO-148/2001 "On Energy".

Management of decision-making processes

QUICK FACTS

In 2019, the Ministry of Economic Development and Investments was renamed as the Ministry of Economy.

Business Armenia, established in 2015, acts as a single window for specific investment projects and provides information on the energy sector.

Law no. HO-11-N/2003 "On Freedom of Information" ensures that the public has access to information held by governmental authorities.

STRENGTHS

In the last year, significant efforts were made to improve public administration and decision-making in the country. To this end, the number of ministries was reduced and their portfolios revised accordingly. Measures were also taken to optimise the functioning of the local self-governments. The Government took various legislative initiatives in the energy sector. It has presented an ambitious plan of action for 2019-2023, which includes decisive steps towards the liberalisation of the electricity market. Moreover, in April 2019 the National Assembly adopted, in the second reading, the Law no. HO-127-N/2019 "On Amendments to Law on State Registration of Legal Entities, State Registry of Separated Subdivisions of Legal Entities, Institutions and Individual Entrepreneurs" and Law no. HO-26-N/2019 "On Amendments and Addendum to the Law on Public Service". The revisions aim at enhancing transparency in mining rules by identifying the real owners of mining ore and companies.

Armenia has a well-established system for accessing legal information. The websites, including on Legal Information System and the Electronic Governance of Armenia, contain an exhaustive database of documents including unified registries of enacted laws, Presidential and Government decrees and the Government session agendas. Ministries also publish the relevant data available with them. For instance, the Ministry of Territorial Administration and Infrastructure published in 2018 the Monitoring Report on Transparency, Public Accountability and Participation. In October 2018, the Government adopted a Decree on the procedure for organising and conducting public hearings. The Fourth Action Plan of Open Government Partnership Initiative of the Government of the Republic of Armenia (2018-2020) was approved in November 2018. These initiatives reinforce the country's commitment to make the public administration transparent and accountable.

AREAS FOR IMPROVEMENT

The Government may consider expanding the scope of *Business Armenia* to include pre- and post-investment services for investors. The establishment and development of a one-stop shop for foreign investors, as well as an online step-by-step guide on investment procedures, will also assist foreign investors considerably in obtaining accurate information.

Regulatory environment and investment conditions

QUICK FACTS

The Public Services Regulatory Commission (PSRC) is responsible for regulating the energy market.

The State Nuclear Safety Regulatory Committee coordinates activities on the use of nuclear energy.

The State Commission for Protection of Economic Competition deals with competition issues for all sectors.

Law no. HO-115/1994 “On Foreign Investments” grants protection to foreign investment in the country.

STRENGTHS

The energy regulatory set-up in Armenia is robust. Steps have been taken to streamline and restructure the operations of the PSRC and the energy market in general. Amendments to Law no. HO-148/2001 “On Energy” entered into force in 2018. On this basis, the PSRC intends to amend the relevant legal acts and bring changes to the licensing procedures for the power sector and for natural gas import and export activities. Within a period of eighteen months from the date the amendments enters into force, the PSRC will adopt new rules on the wholesale electricity market, new models of electricity wholesale and retail markets contracts, retail market rules, distribution network rules, and network rules for the electricity system. Due to the above-mentioned changes, it plans to develop a new model for the Armenian Electricity Market and introduce new tools for regulating the power sector.

The legislative framework remains favourable to foreign investment. The annual Government Programme, adopted in February 2019, declares attracting FDI as one of its main priorities. Domestic laws accord equal treatment to local and international investors. Foreign investors may hold a majority stake in energy projects and are guaranteed the right to repatriate financial investments.

AREAS FOR IMPROVEMENT

The Government has effected amendments and reforms to its energy laws and policies with the aim of attracting foreign investment in the sector. To ensure these reforms produce the intended results, the necessary pre-conditions should be created for their smooth implementation. This is particularly relevant to the execution of the country’s electricity market liberalisation programme. Further improvements could be made by simplifying the regulatory process for investors in the energy sector. For instance, steps should be taken to reduce the time taken in liaising with State authorities, identify and eliminate redundant licences and permissions as well as clarify contradictory regulations, especially for investments in renewable energy and energy-efficient technologies.

Rule of law

QUICK FACTS

Armenia is a contracting party to the Energy Charter Treaty since 1998.

Armenia ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1992.

Law no. HO-185-N/2006 “On Alienation of the Property with Purpose of Ensuring Prevailing Interest of the Public” defines the basis for the alienation of property for public and State needs.

STRENGTHS

The case management mechanisms continue to be effective. Law no. HO-110-N/2018 “Civil Procedure Code” grants foreign investors the right to bring disputes before domestic courts. Investors can appeal against regulatory decisions, including on the determination of tariffs, to the PSRC or the general courts. Administrative courts are bound to deliver decisions within thirty days from the registration of the petition. Under the Civil Procedure Code, foreign civil judgments are recognised and enforced based on reciprocity. Alternative dispute resolution mechanisms, such as mediation, are encouraged by the Government. Law no. HO-55-N/2006 “On Commercial Arbitration” regulates all disputes of commercial nature arising from the civil relations.

Protection against the expropriation of property is envisaged in the Constitution. There are defined rules in place for undertaking expropriation and for the payment of compensation. The general rule under the Law “On Alienation of the Property with Purpose of Ensuring Prevailing Interest of the Public” is that compensation must be paid in the manner prescribed under the alienation agreement concluded between the owner and acquirer. If an agreement is not signed between the parties within three months, the acquirer must deposit the payment amount to a court or notary within one month. Armenia protects intellectual property rights under the national law and in its BITs. For instance, the BIT signed with the United States of America protects intellectual property as a form of investment.

AREAS FOR IMPROVEMENT

The Government may consider establishing an investment ombudsman authority to which foreign investors can refer disputes with public authorities. As an alternative, the Government may empower *Business Armenia* with mediation functions to settle post-investment disputes amicably or expand the corresponding responsibilities and authorities of the financial mediator.

A more clear definition of public and State needs in the legislation might prevent disputes in cases when the provisions of the law are enforced, and will help to increase the predictability of the decisions of the judiciary.