



Armenia

Population ¹	2,951,776
Area (km ²) ¹	29,740
GDP per capita (USD) ¹	4,212.07
TPES (Mtoe) ²	3.19
Energy intensity (toe/10 ³ 2010 USD) ²	0.26
CO ₂ emissions - energy (MtCO ₂) ³	5.17

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	1 project 4 deals	new project acquisition deals	2m EUR total project CapEx 644m EUR total value of deals

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Armenia is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

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

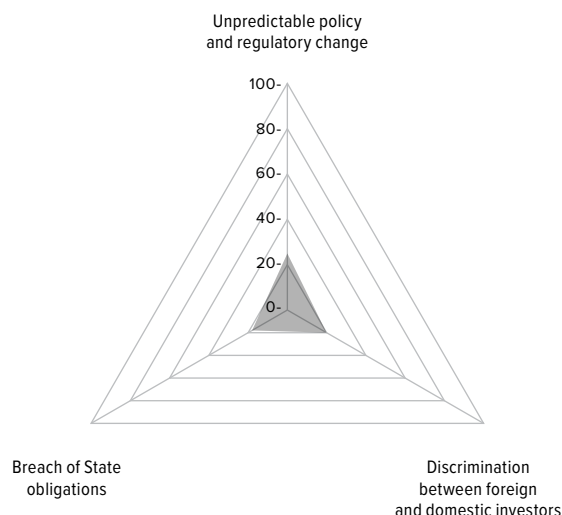
Among the three risks assessed in EIRA, *breach of State obligations* and *discrimination between foreign and domestic investors* are lower compared to *unpredictable policy and regulatory change*.

Armenia's performance is very good on two indicators, and it is good on two indicators. It has received very good scores on the indicators *rule of law* (82) and *regulatory environment and investment conditions* (81). Its score on *management of decision-making processes* has increased by six points and now stands at 76. The country's score on *foresight of policy and regulatory change* is at 63.

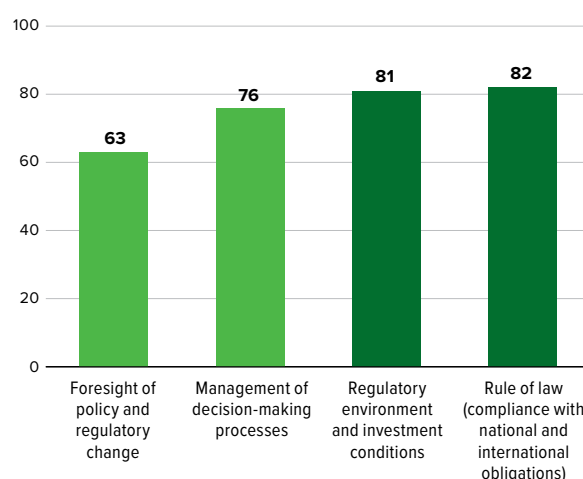
On a more detailed level, Armenia's overall sub-indicator performance is good. The highest-scoring sub-indicator is *restrictions on FDI* at 90, followed by *transparency* and *respect for property rights* at 83. The scores on the sub-indicators *communication of vision and policies* (81), *management and settlement of investor-State disputes* (80), *regulatory effectiveness* (72), and *institutional governance* (69) are the same as last year. *Robustness of policy goals and commitments* is the lowest-scoring sub-indicator at 44.

While Armenia has the relevant policies and measures in place, there is potential for improvement. Attention should be given to increasing the robustness of its policy goals and commitments.

RISK LEVEL



INDICATOR PERFORMANCE

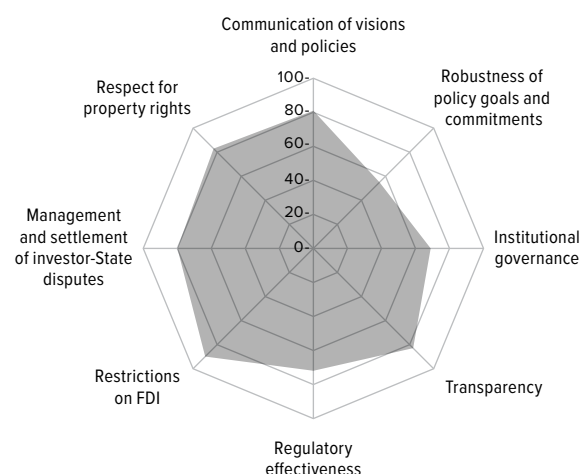


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	29	29	26
Discrimination between foreign and domestic investors	22	22	20
Breach of State obligations	18	18	18

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	62	63	63
Management of decision-making processes	70	70	76
Regulatory environment and investment conditions	81	81	81
Rule of law	82	82	82

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

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

Armenia ratified the Paris Agreement in 2017 and submitted its first NDC.

STRENGTHS

Government Decree no. 65-A/2019 approves the 5-year Government Programme, which includes measures for gradually liberalising the electricity market, strengthening energy security, further integrating the country into the regional energy systems, developing renewable energy sources, and commencing the construction of a new nuclear power plant. Government Decree no. 650-L/2019 lists measures for implementing the 2019-2023 Government Programme. It sets out various ambitious initiatives such as preparing an energy sector development programme for 2020-2040, a long-term electricity sector development programme for the next ten years, the draft law regulating the energy sector, and the national programme on energy savings and renewable energy for 2021-2030.

There are mechanisms for monitoring and evaluating energy policies. The Government publishes annual reports on the implementation status of the national priorities and targets. Government Decree no. 199-A/2020 contains a report on the implementation status of the 2019-2023 Government Programme and the progress made until now. Among others, the report highlights the projects and activities listed in the 2019-2023 Government Programme, which the Government completed in 2019.

AREAS FOR IMPROVEMENT

The National Programme on Energy Savings and Renewable Energy covers the period until 2020. The Government should prepare and approve a new programme that sets the priorities and targets for 2021-2030. An action plan, which sets realistic implementation measures and timelines, should accompany this programme.

During 2019-2023, the Government of Armenia plans to increase the country's power generation capacities by developing a new nuclear power plant and stepping up renewable energy production. A comprehensive investment facilitation plan, which outlines strategies and actions for identifying potential investors and donors in these areas, would considerably help the Government in its goal. The investment facilitation plan can supplement the Strategy on Attraction of FDI, which will likely be drafted by December 2020.

Management of decision-making processes

QUICK FACTS

The Ministry of Territorial Administration and Infrastructure develops and implements the energy policies.

Government Decree no. 396/1996 regulates the publication of adopted laws and regulations.

STRENGTHS

In 2019, there were two new entities established to attract investment in the country, namely, the Investment Support Center (ISC) and the Armenian National Interests Fund (ANIF). The ISC is a single-window which provides the public with investment-related information and responds to the inquiries of potential investors, both domestic and foreign. ANIF's objective is to attract foreign investments in the most promising sectors and crucial infrastructure. It aims to create stable and favourable conditions for large and small businesses alike and support job creation in the long-term. ANIF will facilitate the implementation of projects worth almost USD 10 million. The Government has also set up an online platform to inform foreign and local investors on procedures related to starting a business, getting residency, and registering IP and other property rights in Armenia.

The Law on Normative Legal Acts no. HO-180-N/2018 requires the Government to conduct public hearings on draft legislation. It also gives the option to hold discussions on the drafts with citizens and other interested stakeholders. The institutions that draft or adopt legislative bills can initiate public hearings. Government Decree no. 1146-N/2018 regulates the process and procedures of public hearings. There is a dedicated website which publishes draft legal and regulatory acts for public discussions, opinions, comments and suggestions. Law no. HO-18-N/2003 requires that the Public Services Regulatory Commission (PSRC) must announce the place and the time of the public hearings, and it should allow stakeholders to participate in its sittings.

AREAS FOR IMPROVEMENT

The Government may expand the role of the ISC so it can serve as a one-stop shop for investors. Its services could include receiving and approving business registrations, permits, and licences for some energy-related activities. The online system's utility and quality may enhance if it includes a step-by-step guide on the licensing procedures required to undertake energy projects.

English translation of laws, regulations, policies, and action plans should be made available. Government endorsed translations can reduce interpretational inconsistencies, and also help foreign companies understand the country's legal and regulatory framework better.

INDICATOR 3

SCORE
81

Regulatory environment and investment conditions

QUICK FACTS

The PSRC is an independent agency responsible for regulating the electricity sector.

The State Commission for the Protection of Economic Competition deals with competition-related issues across sectors.

The Armenian Law no. HO-115/1994 on Foreign Investments gives legal protection to foreign investment in the country.

STRENGTHS

Armenia has taken a significant step towards completely liberalising the wholesale electricity market by adopting Decision no. 516-N/2019 on Approval of Trade Rules for the Wholesale Market of Electricity of the Republic of Armenia. The updated trade rules streamline the electricity market operations and make them more transparent. Government Decree no. 1010-L/2019 approves the timeline for the liberalisation of the electrical power market and inter-State trade development. It also includes an action plan for gradually implementing the market liberalisation programme.

The Government is implementing an “open door” policy to liberalise economic activities and give foreign investors favourable conditions, in line with international practices. The recently adopted Law no. HO-113-N/2019 on Public-Private Partnership regulates the relations between the State and private investors and sets the corresponding institutional framework. Government Decision no. 45/2015 endorses the action plan, and the timeline, for the Concept for Investment Policy to streamline reforms in the relevant areas. The Government's commitment towards reforming and reinforcing investor rights has resulted in the approval of the investment programme “Masdar Armenia”, and the identification of pre-conditions for an investment project with a total capacity of 400MW.

AREAS FOR IMPROVEMENT

Following the gradual liberalisation of the country's electricity market, the Government should now focus its efforts on simplifying the regulatory process for energy investors and reducing the time needed to liaise with State authorities. Measures in this direction can be pivotal to boosting investments, particularly in renewable power generation and energy-efficient technologies.

The Government of Armenia expects to publish its FDI promotion strategy by the end of 2020. Therefore, it is a timely moment to identify and introduce specific measures in this strategy to attract foreign investments in the energy sector, which has been declared a priority area by the Government.

INDICATOR 4

SCORE
82

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.

The Civil Procedure Code (Law no. HO-110-N/2018) regulates the recognition and enforcement of international arbitration decisions in the Republic of Armenia.

STRENGTHS

Law no. HO-115/1994 on Foreign Investments governs the resolution of disputes between the State and foreign investors. The Civil Procedure Code of the Republic of Armenia sets the rules on the procedural rights and eligibility of foreign entities to apply before the Armenia courts for the protection of their rights and interests. Per the Judicial Code of the Republic of Armenia, the domestic courts should conclude hearings and pronounce decisions within a reasonable time. There is a well-defined mechanism for appealing against regulatory decisions.

The Constitution guarantees protection against the expropriation of property. National laws define the conditions for the payment of compensation in the case of expropriation. For example, compensation should be the market value of the property plus an additional 15% of the price. The Law on Foreign Investment protects the IP rights of foreign investors. The country's legislation does not have provisions limiting or restricting the transfer of technology in the energy sector. Armenia is a member of the WTO since 2003. It has signed BITs with 43 countries of which 41 are in force, and eight treaties with investment protection provisions of which five are in effect.

AREAS FOR IMPROVEMENT

The State can offer an arbitration pledge, which would bind it to participate in arbitration proceedings if the investor so chooses. Additionally, it may give the ISC mediation functions to promote the use of amicable dispute resolution mechanisms. For this purpose, the Armenian Government may seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes. The Instrument aims to assist States in handling investment disputes while keeping in mind their own particular needs and circumstances.

The existing legislation should be updated to define the process for determining compensation in the event of expropriation and set a timeframe for paying compensation to the affected parties.

IMPLEMENTATION STATUS



Armenia

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
2018	Ensure that the authorities implementing the national energy policy are independent of those assessing the implementation progress.	Work ongoing. Data collection is partially undertaken by independent agencies.
2019	Review the energy policies and laws to evaluate their relevance and eliminate any potential duplication or contradictions.	Pending
2020	Prepare and approve a new programme on energy savings and renewable energy that sets the priorities and targets for 2021–2030.	Improvement suggested in 2020. Status will be updated in 2021.
	Develop a comprehensive investment facilitation plan to accompany the Strategy on Attraction of FDI, which will be drafted by December 2020.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 2		
2018	Publish official translations of all relevant energy strategy documents, legislation, and regulations.	Work ongoing. The Translation Centre of the Ministry of Justice issues official translations of legal acts. The relevant State agencies can request these documents from the Centre based on necessity. The translations are available on the Centre's website although the number of translated documents is limited.
	Provide pre- and post-investment services through Business Armenia.	Pending. Business Armenia is not functional anymore.
2020	Expand the role of the Investment Support Center so it can serve as a one-stop shop for energy investors.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 3		
	Strengthen the financial autonomy of the Public Services Regulatory Commission (PSRC).	Pending
2018	Create the necessary pre-conditions for implementing the ongoing energy sector reform.	Work ongoing. The Law on Additions and Amendments to the Energy Law of the Republic of Armenia N100-N dated 7 February 2018 (which came into force on 1 July 2018) sets the pathway towards making the electricity wholesale market competitive. The Concept of the Investment Policy, and the corresponding Action Plan, refers to investments in the energy and allied sectors.
2019	Reduce the time for liaising with State authorities on licencing procedures, identify and eliminate redundant licences and permissions, as well as clarify contradictory regulations, especially those related to investment in renewable energy and energy-efficient technologies.	Partially implemented. The Law on Amendments to the Law on Energy Law no. HO-100-N, dated 7 February 2018, removes licences for some economic activities, including the import and export of electricity. The PSRC adopted Decision N 516-N dated 25 December 2019 that invalidates previous, temporary rules, and streamlines the electricity market rules.
2020	Identify and introduce specific measures in the Strategy on Promotion of Foreign Direct Investments to promote FDI in the energy sector, which is a priority economic area of the country.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 4		
2018	Consider establishing a foreign investment ombudsman authority to resolve conflicts between investors and public authorities.	Pending
	Update the domestic law to define the term “public purpose or in the public interest” in the context of expropriation.	Pending
2020	Consider offering an arbitration pledge which will bind the State to participate in arbitration proceedings if the investor opts for international arbitration to resolve a dispute.	Improvement suggested in 2020. Status will be updated in 2021.
	Develop and approve clear regulations on the process to determine compensation in the event of expropriation and define a specific timeframe for the payment of the compensation.	Improvement suggested in 2020. Status will be updated in 2021.