

The Issues on the Improvement of the Investment Policy in Armenia in the Context of Investment Market Development

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Ներդրումային քաղաքականության բարելավման հիմնախնդիրները ՀՀ-ում ներդրումային շուկայի զարգացման համատեքստում

Հովհաննյան Լևոն Ա.

ՀՀ ԳԱԱ Մ. Քոչանյանի անվան տնտեսագիտության ինստիտուտ ասպիրանտ (Երևան, ՀՀ)

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Ամփոփագիր. Հայաստանի տնտեսության մեջ նոր ներդրումներ ներգրավման, ինչպես նաև ընթացիկ ներդրումների պահպանման ու ընդլայնման նպատակով անհրաժեշտ է շարունակական կերպով բարելավել ներդրումների ներգրավմանն ուղղված միջոցառումների արդյունավետությունը Այս առումով մեծապես կարևորվում է ներդրողներին ներդրումային պարբերաչափի բոլոր փուլերում միջազգային չափանիշներին համապատասխան սպասարկող ծառայություններ մատուցումը, ինչը մեր երկրին կտրամադրի լուրջ մրցակցային առավելություններ ներդրումների ներգրավման ոլորտում: Այսպիսով, Հայաստանի ներդրումային շուկայի զարգացման ուղղությամբ պետական քաղաքականության վերանայումը, ներդրումային միջավայրի նկատմամբ ներդրողների վստահության մակարդակի բարձրացումը դրական ազդեցություն կունենա ներդրումային շուկայի զարգացման և տնտեսական կայուն աճի ապահովման վրա:

Հանգուցաբառեր՝ պետական ներդրումային քաղաքականություն, միջոցառումներ, զարգացում, ներդրումային շուկա

Проблемы совершенствования инвестиционной политики в Армении в контексте развития инвестиционного рынка

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Аннотация. В целях привлечения новых инвестиций в экономику Армении, а также сохранения и расширения текущих инвестиций необходимо постоянно повышать эффективность мер по привлечению инвестиций в сфере привлечения. Таким образом, пересмотр государственной политики развития инвестиционного рынка Армении, повышение уровня доверия инвесторов к инвестиционной среде окажут положительное влияние на развитие инвестиционного рынка и обеспечение устойчивого экономического роста. .

Ключевые слова: государственная инвестиционная политика, меры, развитие, инвестиционный рынок.

Introduction

From 2000 to the financial and economic crisis of 2008, during the period of active growth of the world economy, Armenia recorded up to double-digit economic growth, 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, as expected, both domestic and foreign investment fell sharply. In the post-crisis years, when the economy gradually began to emerge from the crisis and gradually recover the positive dynamics of macroeconomic indicators, however, no significant increase in investment flows was recorded; the investment market in our country is still characterized by low activity.

At present, the adoption of an effective and consistent state investment policy is of key importance for the development of the investment market in the Republic of Armenia. The policy should focus on the creation of favorable conditions for investors in the investment market.

It should be noted that in recent years the Government of Armenia has implemented a number of reforms aimed at improving the country's investment environment and increasing investment attractiveness. However, the lack of active cooperation with the business sector and the uncoordinated nature of the measures have hindered the creation of a favorable investment environment in the country and the development of the investment market.

Literature Review

The development of a market economy in any country is impossible to imagine without a syste-

matic and effective state regulation of market relations. For the effective operation of the market mechanism, the state with its regulatory functions ensures the freedom of economic activity of independent entities of the market economy, defines the rights and responsibilities of market participants, implements the principle of economic freedom, ensures the protection of economic entities and guarantees the fulfillment of obligations of market entities [3].

Some economists describe investment policy as an integral part of public economic policy aimed at ensuring overall economic growth or investment efficiency [4], or as a policy whose strategic goal is to modernize the national economy, which can ensure its effective economic development [1].

According to the OECD framework conditions [5] and the set of recommendations proposed by the United Nations Conference on Trade and Development [6], a complex of state measures aimed at promoting investment activity should ensure the correct formulation of public investment policy and the normal functioning of certain sectors of the economy (financial, social and other sectors).

Strategic and tactical priorities are set for the collection of investment resources (national, foreign and transnational) aimed at the organization of the reproduction of material and material goods in the society through the state investment policy. At the expense of attracting investors, supporting the implementation of investment projects, coordinating the investment activity of investment entities, cooperation with foreign governmental and non-governmental organizations [2].

The following definitions are derived from the important approach to the general targeting of public investment policy, which assumes economic growth

at the expense of private investment. Moreover, in terms of state investment policy, terms such as "investment efficiency", "promotion of investment activity" and "economic growth" is noteworthy. Thus, the main goal of the state investment policy, according to the above description, is to stimulate the activities of private investors to increase the efficiency of investment activities in order to ensure economic growth.

Research Methods

During the research conducted in this article, the methods of economic research were used: systemic, statistical, econometric, comparative, causal, analytical-comparison methods.

Analysis and Results

Analyzing the dynamics of gross domestic investments in Armenia, we can see that since 2000 they have shown stable growth trends, reaching a maximum of 5591.1 million dollars in 2008. However, in the aftermath of the global financial and economic crisis of 2008, gross domestic investment since 2009 has shown a steady downward trend in the long run, with the latter growing slightly in 2018 but falling again to \$ 2385.6 million in 2019 and declining again in 2020, amounted to 2178.1 million dollars [7].

Referring to the net foreign direct investments in Armenia, it becomes clear that, like the gross domestic investments, they have shown stable growth tendencies since 2000, reaching a maximum of \$ 943.7 million in 2008. However, in the aftermath of the global financial and economic crisis of 2008, net foreign investment since 2009 has shown a steady downward trend in the long run or some increase over the years. In 2020, this figure was \$ 113.7 million, which is the lowest in the period under review (Figure 1).

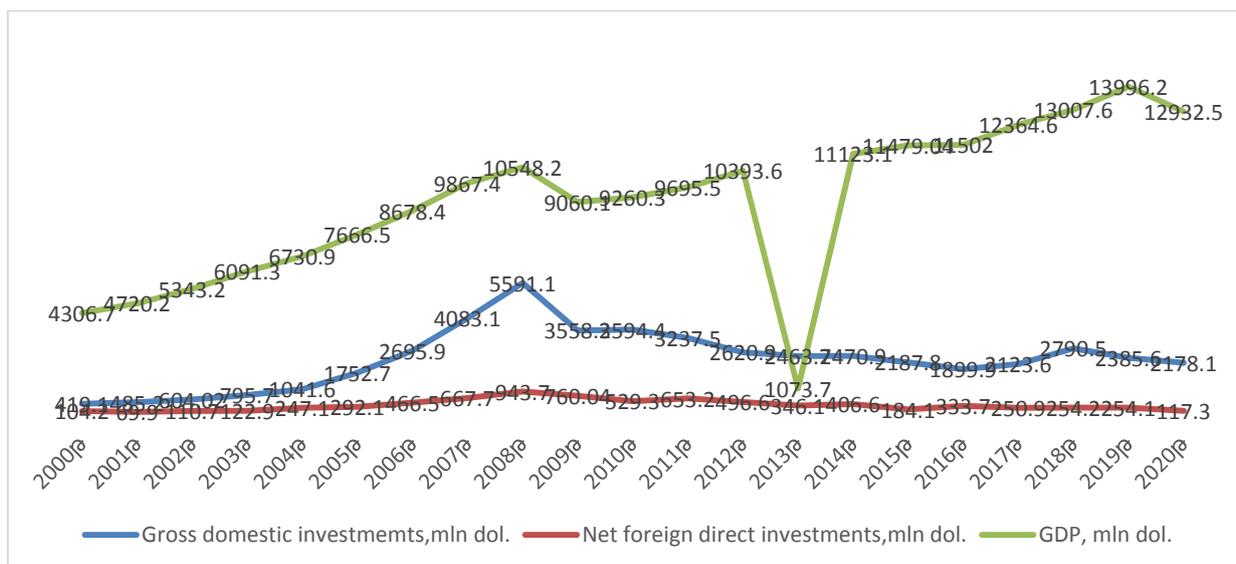


Figure 1. Gross domestic product, gross domestic investments and net foreign direct investments in Armenia, mln US dol. [8]

In fact, as we see, from 2000 to the financial and economic crisis of 2008, 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 since 2008, the Armenian economy found itself in a period of deep decline and, 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 inter-crisis dynamics, the steady growth of investment flows is still not visible.

It is obvious that there is a direct link between investments and GDP. Therefore, in order to assess this connection, it is necessary to find out to what extent the gross domestic investments, net foreign investments, contributed to the growth of Armenia's gross domestic product in the years 2000-2020.

In other words, it is necessary to find out what correlation there is between the gross domestic investment's GDP μ as well as the net foreign investment μ GDP taken separately.

Using the correlation method of gross domestic investment 2000 GDP 2000-2020. For the corresponding indices, we get the following image: correlation coefficient r : $r = 0.444$. The relationship between the studied parameters is direct, the interdependence is moderate, the dependence of the corresponding values of the observed indicators is statistically significant.

As for the existing dependence of net foreign investment μ on GDP, using the same correlation method we get the following picture: the correlation coefficient r value for the mentioned indicators is 0.214. The relationship between the parameters under study is direct, the interdependence is weak, the dependence of the values of GDP on net foreign investment is not statistically significant.

We can conclude from the above that the growth of the gross domestic product in Armenia was moderately contributed by the domestic investments, and the impact of the foreign direct investments was rather weak. This is due to the fact that long-term foreign direct investment in the real sector of the economy is relatively small, which indicates the low attractiveness of Armenia's investment climate for foreign investors. As a result, their multiplier effect on economic growth will increase.

Therefore, it is necessary to stimulate foreign direct investment in science-based sectors that add value to the Armenian economy through targeted public investment policy, which will ensure the latter's multiplier effect on economic growth rates.

Based on the analysis of the negative factors in the Armenian investment market and the urgency of its development, it is expedient to carry out reforms of the state investment policy in the following main directions:

1. Improving Armenia's investment climate, including:

- *Increasing the level of investor protection;*
- *Development of effective conditions for investment promotion;*
- *Improving institutional mechanisms for the attraction, servicing and support of investments;*
- *Development of an effective dispute settlement system;*
- *Development of sustainable value chains for commercial logistics systems between foreign investors and local companies.*

2. Development of effective operational measures and introduction of new approaches to investment attraction, in particular:

- *Establishment of a coherent state system to support investment attraction;*
- *Establishment of close cooperation with investors and providing post-investment services for investors;*
- *Establishment of an effective investor feedback system.*

3. Promotion of free economic-industrial zones, expansion of state investments and increase of their efficiency, promotion of investment flows within the framework of public-private partnership, in particular:

- *Improving the mechanisms of operation of free economic and industrial zones;*
- *Increasing of state investments in strategic and innovative sectors of the economy;*
- *Promotion of public-private investment within the framework of state - private sector partnership.*

Favorable conditions for attracting investments in any country, including Armenia, are considered from geopolitical, economic, social, environmental and other perspectives. We believe that the geopolitical situation has a primary role in terms of the attractiveness of the Armenian economy. Evidence of this is the extremely low level of investments flows since its independence. Therefore, according to world market experts, the most important factor in increasing the country's investment attractiveness is the establishment of political and economic security. It is known that investments are very sensitive to the instability of the political climate in this or that region or country. Democracy, good-neighborly relations with the countries of the region, and sustainable economic growth significantly increase the level of confidence in foreign investments is a country's investment market. It is no coincidence that the vast majority of

global investment flows traditionally take place in developed countries, which are characterized by a high level of democracy and developed economic relations.

The upgraded legal framework for investment relations, availability of effective mechanisms for investment promotion, increased levels of transparency and predictability of the state investment policy are the important tools in strengthening investor confidence in the investment environment. Therefore, the consistent fight against corruption should be emphasized in this context, combined with the implementation of the improved legislation, as well as the enhanced mechanisms for cooperation with investors.

It is indisputable that ensuring an adequate level of investor protection is a precondition for increasing investment flows and maintaining existing investments. Ensuring a proper implementation of the main guarantees for the protection of investors' rights within the framework of the legislation will greatly contribute to the activation of investment flows to Armenia. To increase the level of investor protection, it is essential to ensure the rule of justice and equality in relations with investors, establish more favorable rules for investment activities, protect property rights, guarantee the free movement of capital as well as establish effective mechanisms for settling investment disputes.

We emphasize the need to take the following important steps to minimize the risk of possible disputes due to the non-fulfillment of the obligations to protect the rights of investors between the investors and the state:

- *Development of an electronic system of cooperation with investors, through which investment projects, their current status and development process will be registered.*

- *Introduce an investor tracking toolkit to identify risky investments, systematically identify investor issues, assess emergencies, and provide effective solutions to those issues.*

- *Introduce effective mechanisms for managing investor complaints to protect investor rights, with the account of the best international practices in the field.*

Another important factor that will contribute to the increase of the flow of foreign investment to Armenia could be the implementation of clear, targeted measures to eliminate the existing obstacles and restrictions in this field. The current problems in the field of technological modernization and economic development urge to take appropriate measures to attract qualified human resources, eliminate employment restrictions, simplify migration procedures, and attract highly qualified

managers and scientific and technical staff in the areas of interest for investments. These measures will open additional opportunities for the country's business community to establish active communication with the outside world, to intensify cooperation between our citizens and foreign partners in various fields.

The adoption of an inclusive investment policy by the Government of Armenia can be a significant move forward to ensure a wider involvement of the private sector in the process of drafting legal acts regulating investment activities. In particular, to improve investment legislation and increase predictability, it is expedient to discuss bills related to investment relations in open hearings, with the participation of a wide range of businesses and potential investors, as well as the participation of all stakeholders, which will increase investor trust in the state.

A wide range of investment support tools have been developed in Armenia, nevertheless, the analysis of investment flows and studies of the problems in the investment market show that the latter have not been effective enough to ensure stable investment flows in priority sectors of the economy and increase the country's economic activity. In this light, to increase the efficiency of investment privileges, it will be helpful to first carry out a clear classification of investors according to the spheres, volumes and features of the investments made by the latter. Accordingly, it is expedient to classify investment projects according to the following types:

- *Investment strategic projects,*
- *Priority investment projects in any sector of the economy;*
- *Startup projects;*
- *Reinvestment / double investment / projects.*

The investment strategy should be defined based on the sector and the volume of investments. Accordingly, strategic investment privileges will be provided if the relevant investments are made in one of the strategic areas approved by the Government of the Republic of Armenia.

It is expedient to provide the following privileges to the organizations implementing investment strategic projects: exemption from customs duties, tax privileges, including exemption from VAT, application of 0% profit, property and land tax rates, and exemption from state duties.

As for priority investment projects, which are not included in strategic spheres, but which can be considered as priorities in any sector of the economy, can be considered by the RA Ministry of Economy. The following investment privileges may be granted to organizations investing in such areas: exemption from customs duties, tax benefits,

including the application of a 10% rate of return on income tax, the application of a 0% rate of property tax, exemption from state duties.

The development of the high-tech sector is of great importance for the progressive development of the country's economy, so it is very important for the state to provide active support to start-ups in this field. In particular, the latter may be granted the following investment benefits: exemption from customs duties, tax benefits, including a 50% reduction of profit tax, application of a 10% income tax rate, application of a 0% property tax rate, exemption from state duties.

To ensure a long-term presence of investors in the country, it is necessary to consistently stimulate the implementation of multiple investments in the economy. In particular, reinvesting companies may be granted both all the benefits provided for in the initial investment agreement (if no more favorable investment benefits are provided by the RA legislation at the time of the investment) and new benefits based on the respective investment sector and volume.

The Investment Support Center Foundation (formerly the National Center for SME Development) was established to attract, service and support investments in Armenia. The mission of the Center is to ensure the ongoing support and development of the SME sector, to increase the competitiveness of SMEs, guided by the principles of knowledge-based economy, to become a reliable partner on its way to success of small and medium business by providing high quality business solutions and services [9].

In fact, the Center's activities are mostly aimed at supporting SMEs, rather than serving and supporting investments. It should be noted that within the framework of the Center there is a "single window" service, with the help of which, according to the information reflected on the website, the following services are provided:

- *Providing information on investment opportunities and conditions in Armenia, including information about government incentives and other related procedures;*
- *Guidance through the processes of making investments, assistance in working with state bodies;*
- *Advice on potential resources for investment, including land, other real estate, state-owned property to be alienated, co-financing sources, potential resident partners;*
- *Providing investment programs to potential investors according to the scope of their interests;*
- *Ensuring prompt response to problems arising during the implementation of investments.*

It should be noted that there is still no unified electronic platform for the implementation of the above-mentioned functions. The communication with the Center is ensured through telephone calls or e-mails. In fact, the Center is more focused on the implementation of the SME support programs of the Government of the Republic of Armenia and the support of start-up SMEs, rather than on the support of local and foreign investments and the provision of institutional services. Meanwhile, it would be advantageous if the activities of the Investment Support Center be aimed at supporting investment activities, regardless of the size of the company, including the provision of public services at all stages of the investment life cycle, as well as the provision of information necessary for investment decisions and post-investment services. In this regard, in order to increase the efficiency of the activities undertaken by the Center, the latter should be endowed with broad powers of a national operator in the field of investments, and if necessary, should have both regional branches and foreign representations.

To build higher trust among investors, it is advisable for the Center to be managed by the Board, which will be headed by the Prime Minister of the Republic of Armenia, and the Board members will include representatives of public administration bodies and the private sector.

The activities of the Investment Support Center should be based on long-term, medium-term investment promotion plans to be approved by the Board, as well as an annual plan developed by the company, which will include activities for each year, with measurable key performance indicators.

Based on the above mentioned, the Center should enlarge the range of its functions and include the following activities:

- 1) Discussion of issues related to the implementation of investment projects with investors on behalf of the Government of the Republic of Armenia;
- 2) Operation of a unified investment project management system;
- 3) Introduction of a "single window" for the provision of public services to investors online, providing a common entry channel for investors. The operation of the latter will exclude or at least minimize the need for contacts with investors, representatives of state bodies, excluding administrative hassles and various delays.
- 4) Organization of Initial Public Offering (IPO) of securities issued by investing companies and provision of relevant advice. Considering that the capital market in Armenia is not distinguished by high activity and liquidity, the aforementioned may greatly contribute to the increase of access to

financial resources for investors and to the activation of the capital market.

5) Development of digital investment map, as a primary tool for assessing the investment potential of the country, including its separate regions.

6) Operation of an investor tracking system, through which it will be possible to immediately identify and solve problems that investors face.

7) Carrying out surveys of trust and identifying business needs among investors on a permanent basis in order to identify systemic problems in the investment process.

As part of its commitment to support investors, the Investment Support Center should be committed to provide post-investment services to investors based on close cooperation with government agencies, local governments, and local governments, which will include, in particular, the following types of services:

1) Administrative services, which will facilitate the administration of investors' activities;

2) Operational services which will support the current effective activities of investors;

3) Strategic services, which will contribute to the further expansion of investments in the Republic of Armenia, the operation of new capacities, the development of production processes.

Referring to the protection of investors' rights and the procedures for discussing investment disputes, it should be noted that to date, Armenia has not yet established a specialized body responsible for the protection of investors. This kind of specialized bodies operate in many countries around the world, including post-Soviet countries. According to the current legislation, investors in Armenia have the opportunity to go to court only to protect their rights, which is quite time consuming and in many cases inefficient due to the overload of courts and the lack of specialized judges in the field of investment disputes. Therefore, we consider it necessary to develop and implement effective mechanisms for the protection of investors' rights. In particular, we consider the establishment of the legal institution of the Investment Ombudsman in Armenia, which will contribute to strengthening investors' trust in the investment environment in the country.

Improving the system for investment dispute settlements also requires comprehensive reforms to provide an appropriate legal basis for alternative dispute settlement mechanisms, in particular, for arbitration and conciliation institutions.

The deepening of regional integration processes, including within the Eurasian Economic Union, as well as the launch of the North-South Road Corridor, open new perspectives for Armenia's stronger economic integration in the

region, as well as for position itself as a key trade-transit zone for Europe, Asia and the Middle East.

Given the need to reduce the cost of trade and customs procedures, the improvement and simplification of administrative procedures in this area will be important steps to activate and maintain investment flows, as well as to turn the country into a regional transit, business and logistics hub. We emphasize the following measures in this sphere:

1) Improving the conditions of international trade by simplifying customs procedures, increasing the level of transparency, improving the risk management system, reforming the free transit system, and further harmonizing customs procedures within the Eurasian Economic Union;

2) Modernization of trade and logistics infrastructures, with special emphasis on increasing the competitiveness of logistics systems, in order to reduce the costs of investors in this field, to intensify Armenia's connection with regional and international markets;

3) Development of an intermodal cargo transportation system by establishing specific infrastructures for cargo complexes and logistics centers, introducing international advanced experience in this field and developing telecommunication technologies.

Expanding and deepening the value chains between foreign investors and local companies will be a significant step for the transfer of new technologies, innovations and best practices in the country, which will greatly contribute to the sustainable economic development of Armenia. In this regard, it is necessary to develop a program for the development of effective supply chains in the priority sectors of the economy by foreign investors and local organizations based on the best international practices. Hence, the creation of a unified database of local suppliers in the priority sectors of the economy in accordance with the international standards of local suppliers can play an important role. The latter will be a practical tool for investors to effectively find partners in the local market and establish business contacts.

The development of tools to support foreign investment in targeted areas, as well as the full provision of the relevant international standards and certification requirements, will enable local companies producing services to provide supply conditions in line with international standards.

The development of appropriate conditions and incentives to improve the skills of employees, including in the field of foreign language proficiency, is considered as a priority for the development of the local supply network. In this regard, we believe that the strategic goal for the government in the near future should be to fill the

Armenian labor market with qualified workforce with proper knowledge of foreign languages.

The second direction toward improving the investment policy can be considered the development of the institutional system in the field of attracting foreign investment and the development of new approaches to attract and maintain investment. We estimate that the system of attracting foreign investments in Armenia should have a clear institutional structure, which will proceed from the priorities of investment market development.

We consider that the following 3 levels should be separated in such a system.

1. External level, where the Ministry of Foreign Affairs of the Republic of Armenia, investment advisers at Embassies in foreign countries will be represented.

In the context of attracting investments, the tasks of the structures will include:

1) Organizing meetings with relevant state and private structures operating in different countries;

2) Identification of potential foreign investors for investments in various sectors of Armenia's economy;

3) Organization of visits of potential investors to the Republic of Armenia;

4) Collection of targeted information for investors and organization of special events.

2. Central level, which will involve the Ministry of Economy of the Republic of Armenia and sectoral governing bodies. The Ministry of Economy of the Republic of Armenia as an authorized body for the regulation of the investment sphere, will define the foreign investment attraction policy and strategy, will initiate the reforms of the legislative field regulating this sphere, will coordinate the work of state sphere bodies and organizations, and at the same time will implement investment programs.

3. The regional level, which will involve territorial governing bodies, which, together with the representatives of the Investment Support Center, will work out the investment concept of the region. The concept will set the priority areas for attracting foreign investment in the respective region. The list of investment projects as well as the list of investment projects will be approved.

At the same time, special attention should be paid to the process of supporting and servicing investment programs on the ground, as the final result of the activities aimed at attracting investment is the launch of productions and job creation in specific areas of the country. In this regard, the involvement of territorial administration and self-governing bodies in the process of attracting investments, their servicing,

as well as in the development of sectoral policies for attracting investments is highly emphasized.

To activate investment flows in the regions of the country, we consider it essential to establish regional information centers to support investors in the communities. This measure will provide access to information on community infrastructure, production areas, as well as on property registration issues, etc.

The third direction of investment policy improvement involves also the promotion of free economic zones, industrial zones, expansion of public investment, increase of efficiency, improvement of public-private partnership mechanisms, based on investment attraction priorities.

At present, there are only 4 free economic zones in Armenia, two of which operate in the high-tech sector and two in the manufacturing industry [10].

The limited number of operating free economic zones, as well as the analysis of their activities, indicate a number of systematic problems, which, despite the established privileges, do not allow to use the potential of these important economic structures to activate investment flows and economic development of the country. Among the problems the most crucial ones are the following:

1) rather slow process of infrastructural development of free economic zones, which is a necessary condition for the effective operation of the zones;

2) Lack of professionalism of the governing bodies for the free economic zones and the low efficiency of activities;

3) lengthy wait times for registration of land plots in the regions of the country, which also extends the implementation period of the programs, while, according to international experience, the regime of free economic zones envisages the application of special simplified administration in this sphere.

Taking into account the afore-mentioned, the Government of Armenia, represented by the RA Ministry of Economy, should take serious steps to eliminate the mentioned obstacles.

One of the most effective tools for attracting investment in the real sector of the economy is the creation and development of industrial zones, which allow both enterprises and the state to develop production, by significantly reducing the cost of building the necessary engineering infrastructure.

The activity and conditions of industrial zones in Armenia, including the allocation and return of

territories for the development of the latter, are not regulated by legislation.

Based on the analysis of international experience, as well as the need to solve recurrent problems of formation and development of industrial zones, it is expedient to regulate the relations related to the formation and the activity of the zones by law, which should at least provide:

- 1) Setting the functions of the state authorized body in the field of state policy aimed at the creation and operation of industrial zones;
- 2) Regulation of relations related to the formation and operation of industrial zones;
- 3) Establishment of a joint coordination center, definition of the latter's functions, which will simultaneously carry out the planning of industrial zones, project expertise-monitoring;
- 4) Definition of financing mechanisms for the development of infrastructure in industrial zones;
- 5) Establishment of a simplified procedure for land allotment, return, as well as confiscation of irrationally used land plots;
- 6) Setting the functions of management companies.

Taking into account the potential of Armenia's industrial development, the promotion of industrial zones will in turn contribute to the industrial-innovative development of the country, the promotion of small and medium-sized businesses, the attraction of active investment flows, and the increase of employment.

From the point of view of the development of the investment market, the expansion of state investments is of strategic importance. The latter should be aimed at the diversification of the economy, the development of priority sectors of the economy, the promotion of innovations, the increase of production efficiency and competitiveness, the development of human capital.

In this respect, priority directions for state investments are:

- *Modernization and development of production infrastructure facilities essential for the country (transport, information-communication, etc.);*
- *Reconstruction and modernization of utility infrastructure with simultaneous improvement of the quality of services provided by modern energy-saving technologies and costs reductions;*
- *Expanding investments in social infrastructure facilities of national importance, including in the fields of science, education, culture and healthcare, to facilitate the increase of the competitiveness of human capital.*
- *Rending support to investment projects and projects of strategic importance in terms of increasing the competitiveness of the economy;*

- *Financing projects aimed at modernization of the military-industrial complex;*

- *Modernization of the technological base in the field of science, which is of primary importance for the formation of the "new economy", and development and promotion of innovative activities, which will contribute to the innovative development of the main sectors of the economy and the increase of their competitiveness;*

- *Implementation of comprehensive measures for environmental protection ensuring safe living environment.*

The effective use of public-private partnership (PPP) mechanisms is also important for the development of the investment market. It is estimated that the latter will also create significant opportunities for attracting foreign direct investment.

It should be noted that investment flows significantly depend on the availability of services in line with international standards, as well as the development of economic infrastructure, which contributes to the effective integration into both regional and global potential supply chains. In this regard, the process of attracting such investments can be stimulated through active public-private partnership. To promote the partnership, it is essential to develop a new system of institutional support for the selection, preparation and management of respective projects. To this end, it is necessary to improve the legislative framework governing the sector, to establish rigid rules for participation in such projects, including the definition of program management and development competencies and consolidation of PPP project development requirements.

Stronger partnerships between government agencies and the private sector should be built. This kind of partnership will highly qualified professionals who are able to manage complex investment processes and risks. At the same time, it is crucial to identify and eliminate the obstacles to the implementation of projects, improve the servicing process in this area, especially in the case of large infrastructure projects.

Further, to improve the financing mechanisms of PPPs, we suggest to develop long-term financing infrastructure, to improve the budget financing mechanism to support PPPs, which will help create the necessary conditions to promote the participation of potential investors and financing organizations in such projects.

Conclusion

To conclude, it should be noted that the growth of the gross domestic product in Armenia was moderately contributed by the domestic investments, and the impact of the foreign direct

investments was rather weak. This is due to the fact that long-term foreign direct investment in the real sector of the economy is relatively small, which indicates the low attractiveness of Armenia's investment climate for foreign investors. As a result, their multiplier effect on economic growth will increase.

In order to attract new investments in the economy, as well as to maintain and expand current investments, it is necessary to continuously improve the effectiveness of investment attraction measures. At present, the adoption of an effective and consistent state investment policy is of key importance for the development of the investment market in the Republic of Armenia.

Hence, the state policy should focus on the creation of favorable conditions for investors in the investment market and also on both the long-term presence of the investors and the expansion of investments. This can be achieved by providing services to investors in accordance with international standards at all stages of the investment period, which will provide the country with a serious competitive advantage in the field of investment attraction. Thus, the review of the state policy for the development of the investment market of Armenia, the increase of investors' trust in the investment environment and the financial system will have a positive impact on the development of the investment market. The latter

are important conditions to ensure sustainable economic growth of the country.

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