



UN Tourism

UNITED NATIONS
WORLD TOURISM ORGANIZATION

TOURISM DOING BUSINESS
INVESTING IN



TOURISM COMMITTEE
MINISTRY OF ECONOMY OF
THE REPUBLIC OF ARMENIA

ArMEniA
The Hidden
Track





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Tourism Doing Business – Investing in Armenia

ISBN, printed version: 978-92-844-2577-8

ISBN, electronic version: 978-92-844-2578-5

DOI: 10.18111/9789284425785

Published by the World Tourism Organization (UN Tourism), Madrid, Spain.

First published: 2024

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Citation:

World Tourism Organization (2024), *Tourism Doing Business – Investing in Armenia*, UN Tourism, Madrid, DOI: <https://doi.org/10.18111/9789284425785>.

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Acknowledgements:

Tourism Doing Business – Investing in Armenia was developed by Laura Gasca, Senior Project Specialist in the Innovation, Education, and Investments Department of United Nations Tourism, under the supervision of Antonio López de Ávila, Director of Innovation, Education, and Investments, and Natalia Bayona, Executive Director of United Nations Tourism, in collaboration with Cordula Wohlmuther, Regional Director for the Europe Department, and Sandra Carvão, Director of the Market Intelligence, Policies and Competitiveness Department.

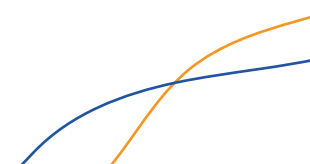
We extend our sincere gratitude to the Tourism Committee of the Republic of Armenia and Enterprise Armenia for their invaluable support and contributions.

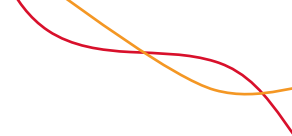
The report was designed by Gerson Cayo Bustamante.



Nikol Pashinyan

PRIME MINISTER
REPUBLIC OF ARMENIA





Beyond its economic significance, tourism in Armenia is perceived as a crucial conduit for intercultural dialogue and people-to-people contacts and an effective catalyst for fostering international cooperation. It stands as an unparalleled instrument for promoting values of tolerance, mutual respect, and a culture of peace on a global scale.

As the Prime Minister of Armenia, it is with immense pride and unwavering determination that I present our nation's bold vision for the future of tourism. This is a vision where every visitor to Armenia leaves not just with memories and a desire to return again, but with a deeper understanding of our values, our history, our millennia-old cultural heritage, and our aspirations.

This is a call to action for all who believe in the power of tourism to shape a better future. Together, we aim to create a tourism industry that is not only economically vibrant but also socially inclusive and environmentally sustainable—a true reflection of Armenia's enduring spirit and boundless potential.

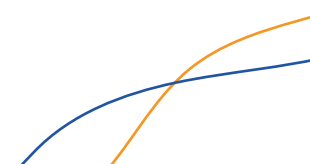
Here in Armenia, there are no strangers, just a family you haven't met yet. This simple yet profound belief embodies the very essence of our culture and hospitality. It reflects our deep commitment to valuing every person who walks through our doors, ensuring they feel not just welcomed, but truly at home.

Nikol Pashinyan
Prime Minister
Republic of Armenia



Gevorg Papoyan

MINISTER OF ECONOMY
REPUBLIC OF ARMENIA



Armenia is a land of untapped potential and extraordinary opportunity. With its millennia-old civilization, rich historical and cultural heritage, breathtaking landscapes, and hospitable people, Armenia holds a unique and distinguished position in the global tourism market, offering unparalleled and authentic travel experiences. Tourism in Armenia is more than just a sector—it's a transformative force championed by the Government of Armenia. As one of the fastest-growing sectors in the country, tourism plays a pivotal role in driving socio-economic development along the whole value chain, generating employment, and enhancing the quality of life for our communities.

In recent years, the Government has streamlined processes, incentivized growth, and engaged with stakeholders to ensure that every opportunity is harnessed to its fullest potential. By doing so, we are not only enhancing Armenia's appeal but also fostering an ecosystem where creativity and entrepreneurship can thrive. We are committed to attracting both domestic and international investors who share our vision of a vibrant and innovative tourism industry.

The international market's interest in Armenia is increasing dynamically, as evidenced by the unprecedented number of incoming tourist arrivals in 2023, registering a 22% growth compared to 2019. With a remarkable average annual growth rate of 10% in incoming tourists, the demand for authentic and enriching travel experiences in Armenia is soaring. This surge presents a unique opportunity for visionary investors to partake in Armenia's dynamic tourism landscape, where innovation meets tradition, and potential meets prosperity.

Armenia's tourism sector offers a dynamic array of opportunities, leveraging the country's unique assets and historical depth. The four primary investment niches within the Armenian tourism industry targeted by the Government are Cultural Tourism, Nature-Based Tourism, Adventure Tourism (including Winter Tourism), and Gastronomy Tourism (including Cuisine and Wine Tourism). These niches present distinct prospects for development and growth, appealing to diverse investor interests and catering to various types of travelers.

At the same time, Armenia boasts significant potential and the essential foundations to expand beyond its four primary tourism niches. The country is poised to excel in additional sectors, including Rural (Agro) Tourism, MICE (Meetings, Incentives, Conferences, and Exhibitions) Tourism, and Healthcare (Medical and Wellness) Tourism, among others.

With the new Tourism Law effective from September 2024, Armenia is set to redefine state policy and sector requirements to foster sustainable and responsible tourism development. Furthermore, the substantial budget increases for marketing and promotion, the creation of an advanced official tourist website, and the launch of the "Armenia, The Hidden Track" brand underscore our commitment to positioning Armenia as an attractive, sustainable, safe, secure, competitive, and accessible tourist destination.

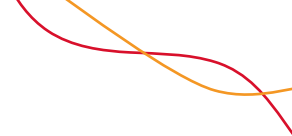
The key efforts prioritized by the Government include expanding direct flights, pioneering infrastructure development, attracting top-tier international hotel brands, maximizing tourism's local economic impact, and enhancing industry skills and service quality. As you explore the opportunities outlined in this publication, we encourage you to envision the possibilities that Armenia holds and look forward to embarking on a journey together, one of collaboration, innovation, and persistent effort.

Gevorg Papoyan
Minister of Economy
Republic of Armenia



Susanna Hakobyan

ACTING HEAD OF THE TOURISM COMMITTEE
MINISTRY OF ECONOMY REPUBLIC OF ARMENIA



Armenia's tourism potential is a treasure waiting to be discovered by travelers seeking unique and enriching experiences. Nestled in the heart of the South Caucasus region, the country boasts a rich tapestry of history, culture, and natural beauty, making it a compelling destination for tourists from around the world.

Armenia's warm hospitality and vibrant cultural scene add to the allure of the country. Visitors are warmly welcomed by locals who take pride in sharing their traditions, customs, and delicious cuisine. Festivals, traditional music, and dance performances offer insights into the nation's vibrant cultural identity.

Tourism is a key sector fueling Armenia's economic growth. Investments in the tourism sector not only create direct employment opportunities but also lead to the growth of associated industries, such as hospitality, transportation, and retail. The influx of visitors contributes to increased revenue streams for local businesses, driving economic development and prosperity across regions.

Investments in tourism infrastructure and services enhance Armenia's appeal as a tourist destination, making it more competitive on the global stage. From modern hotels and resorts to improved transportation networks and world-class attractions, these developments elevate Armenia's position as a sought-after place to visit and invest.

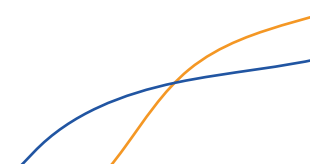
Overall, Armenia's tourism potential continues to thrive as the country welcomes travelers to discover its hidden treasures. Through strategic investments and a commitment to sustainability, Armenia is positioning itself as a compelling and responsible tourism destination on the global stage. As the nation further explores its tourism potential, the world can anticipate a journey of discovery and authentic experiences in the captivating land of Armenia, The Hidden Track.

Susanna Hakobyan
Acting Head of the Tourism Committee
Ministry of Economy Republic of Armenia



Levon Ohanesyan

GENERAL DIRECTOR
ENTERPRISE ARMENIA



Unlocking Armenia's Tourism Potential: A Gateway for Investment

Armenia, a country nestled at the crossroads of Europe, Asia, and the Middle East, offers an unparalleled blend of natural beauty, rich history, and cultural heritage, making tourism here not just a visit, but a captivating experience. This exceptional combination provides tourists with a one-of-a-kind experience that cannot be found anywhere around the globe.

Indeed, with its unique geographic positioning bridging East to West, Armenia is becoming a convenient destination for tourists worldwide. With a visa-free policy for citizens of approximately 70 countries, travelers can enjoy seamless entry into Armenia via direct flights from over 50 cities across Europe, the Middle East, and Asia. In 2023 alone, the country impressively hosted 2.3 million tourists from these regions and beyond. Moreover, Armenia boasts an average of 2,700 hours of sunshine per year, a disposition that not only enhances the appeal of our natural landscapes but also supports sustainable tourism initiatives.

When we talk about tourism in Armenia, we're highlighting more than just historic monuments and breathtaking landscapes. The sector encompasses a broad spectrum of experiences, including excellent accommodation services, luxurious resorts, gastronomic, wine and extreme tourism activities. Among these, for instance, famous hotels like "Courtyard" by "Mariott" and "Wyndham" have chosen Yerevan driven by the developments of the sector.

A shining example of Armenia's commitment to tourism is the newly established "Myler" ski resort in the Aparan region, a premier destination for winter sports enthusiasts. As a cluster project, Myler encompasses a ski resort along with spas, restaurants, and hotels. The Armenian government is committed to supporting more such projects,

contributing to regional sustainable development. Projects like "Vorotnaberd" and "Ballet 2021" integrate various aspects, including cultural components, and are supported from Enterprise Armenia.

Investment opportunities in the tourism sector in Armenia are beyond promising, especially due to Armenian government's welcoming stance toward foreign investments. This stance is clear from the country's strong legal infrastructure and active involvement in international agreements. Specifically, the Law of the RA on Foreign Investments allows for unrestricted foreign capital participation in local businesses at any location throughout the country. Armenia's investment legislation is further bolstered by a wide array of incentives and government support programs designed to foster business development. These include providing infrastructure in exchange for investment, offering customs duty exemptions for importing technological equipment in the sector, and subsidies for loans or leasing of new machinery.

Enterprise Armenia plays a key role in facilitating these investment opportunities. As the primary agency responsible for promoting and supporting investments in Armenia and functioning on a "single-window" principle, Enterprise Armenia provides comprehensive assistance to investors looking to enter the tourism sector and beyond. Our services include providing detailed market insights, offering support in navigating regulatory requirements.

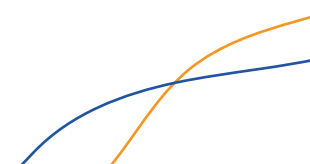
As we look to the future, Enterprise Armenia is committed to fostering a welcoming investment climate. We believe that by partnering with visionary investors, we can build a tourism sector that not only boosts our economy but also preserves and celebrates the essence of Armenia.

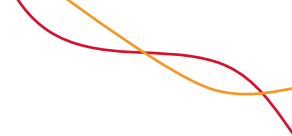
Levon Ohanesyan
General Director
Enterprise Armenia



Zurab Pololikashvili

SECRETARY-GENERAL
UN TOURISM





Armenia's rich cultural heritage, strategic location, and promising economic trajectory create a fertile ground for tourism investment. And so it is with great enthusiasm that I present the "Tourism Doing Business – Investing in Armenia" guide, which outlines the substantial opportunities for investors in the country's vibrant tourism sector.

Armenia, nestled in the prosperous South Caucasus region, offers a blend of ancient history, breathtaking landscapes, and a hospitable population. The nation's dedication to economic reforms, infrastructure development, and the promotion of foreign direct investment has positioned it as the fastest-growing economy in Europe. This remarkable GDP growth and its record of foreign direct investment inflows underscore Armenia's commitment to fostering a conducive environment for international capital.

This guide provides a comprehensive overview of Armenia's macroeconomic context, highlighting the significant strides the country has made in recent years. The increasing inflow of foreign investments into the tourism sector, including international hotel chains and luxury accommodations, reflects a growing confidence in Armenia's market.

The government's supportive policies and infrastructure advancements further bolster the country's appeal as both a tourist destination and an investment hotspot.

The detailed insights presented in this guide will equip potential investors with the knowledge needed to navigate the Armenian market successfully. By emphasizing the country's strategic advantages and supportive investment climate, we hope to inspire and encourage more investments that will contribute to Armenia's sustainable development and economic prosperity.

I invite you to explore the opportunities that Armenia has to offer and to join us on the journey to make Armenia a premier destination for tourism and investments.

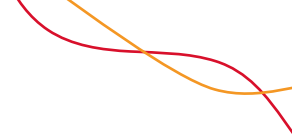
Sincerely,

Zurab Pololikashvili
Secretary-General
UN Tourism



Natalia Bayona

EXECUTIVE DIRECTOR
UN TOURISM



It is with great pride that I introduce the "Tourism Doing Business – Investing in Armenia" guide, an essential resource for investors exploring opportunities within Armenia's dynamic tourism sector.

Armenia, at the intersection of history and modernity, offers a unique blend of rich cultural heritage and strategic economic initiatives. This guide highlights the nation's significant progress in creating a robust environment for tourism investment, driven by comprehensive reforms and infrastructure enhancements.

Recent years have seen Armenia exhibit remarkable economic resilience and growth. The UN Tourism Barometer shows a notable 22.3% increase in tourist arrivals in 2023 when compared to 2019, while the arrival of investments across all sectors further illustrates the confidence in Armenia's tourism potential. This guide provides a detailed analysis of these developments, offering valuable insights into macroeconomic trends and investment opportunities.

Armenia's tourism sector is diverse, catering to a wide range of interests. Its unique gastronomy, deep historical roots, and stunning natural landscapes offer an unparalleled experience for visitors. Whether through traditional cuisine, ancient monasteries, or adventure tourism in its rugged mountains, Armenia presents numerous niches ripe for investment.

Our goal is to provide a comprehensive understanding of Armenia's strategic advantages, from supportive government policies to vibrant market dynamics. This guide is designed to assist investors in navigating the landscape effectively, with the confidence that their contributions will not only yield returns but also support the prosperity of Armenia and the wider region.

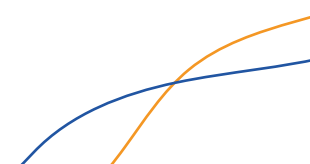
Warm regards,

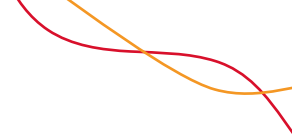
Natalia Bayona
Executive Director
UN Tourism



Cordula Wohlmuther

REGIONAL DIRECTOR FOR EUROPE
UN TOURISM





Armenia recognizes the vital role of tourism in its economic development and cultural preservation. The government's strategic program for 2021-2026 places a strong emphasis on fostering a thriving tourism sector that also safeguards the nation's natural and cultural heritage. By prioritizing sustainable practices, community engagement, and the protection of cultural treasures, Armenia is dedicated to building a tourism industry that benefits both visitors and residents, ensuring the long-term health and prosperity of its destinations.

Strategic investment in Armenia's tourism sector is pivotal for achieving sustainable growth, expanding economic horizons, and creating a pathway towards prosperity. By channelling investments strategically, Armenia can transform its abundant natural and cultural resources into captivating and sustainable tourism experiences that benefit both local communities and visitors while preserving its unique heritage for generations to come.

This publication, "Tourism Doing Business – Investing in Armenia," serves as a comprehensive guide for those interested in contributing to Armenia's growing tourism industry. It offers detailed insights into the country's investment climate, regulatory framework, and opportunities across various tourism segments, acting as a valuable resource for investors and stakeholders alike. By facilitating informed decision-making and fostering collaboration, this report will undoubtedly play a crucial role in helping Armenia achieve its vision of a sustainable and thriving tourism sector.

Cordula Wohlmuther
Regional Director for Europe
UN Tourism

INTRODUCTION

Tourism Doing Business – Investing in Armenia

This publication showcases the country's main strengths and attractions that make it a promising destination for tourism investment. Situated in the South Caucasus region, Armenia is a captivating small country with a remarkable cultural heritage and a history spanning thousands of years. Featuring ancient monasteries, stunning natural landscapes, and a vibrant cultural scene, Armenia is a compelling destination for tourists. In recent years, Armenia's tourism industry has experienced steady growth, attracting a growing number of visitors eager to explore the country's unique culture, rich history, diverse natural landscapes, and the warm hospitality of its people.

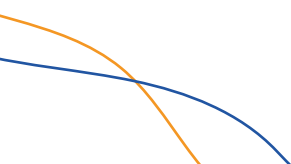
Moreover, the country's strategic location as a bridge between Europe and Asia, combined with its robust infrastructure and supportive government policies, enhances its appeal as a tourist destination and an investment hotspot.

Chapter One outlines Armenia's macroeconomic context, highlighting a significant GDP growth rate of 8.7% in 2023, a forecast of 6% for 2024 by IMF¹, positioning it as one of the fastest-growing economies in Europe, and even a higher growth forecast by the Government of the Republic of Armenia. The country has embraced economic reforms to attract foreign investments and foster a conducive business environment.

Chapter Two focuses on investments, detailing the remarkable increase in foreign direct investment (FDI) inflows, which surged to nearly USD 1 billion in 2022, marking a historical record. In 2023, FDI inflows reached USD 443 million². This growth reflects Armenia's strategic initiatives to simplify business procedures, enhance transparency, and protect investor rights, making it an attractive destination for international capital. The tourism sector has benefited significantly from these investments, with notable projects including international hotel chains and luxury accommodations.

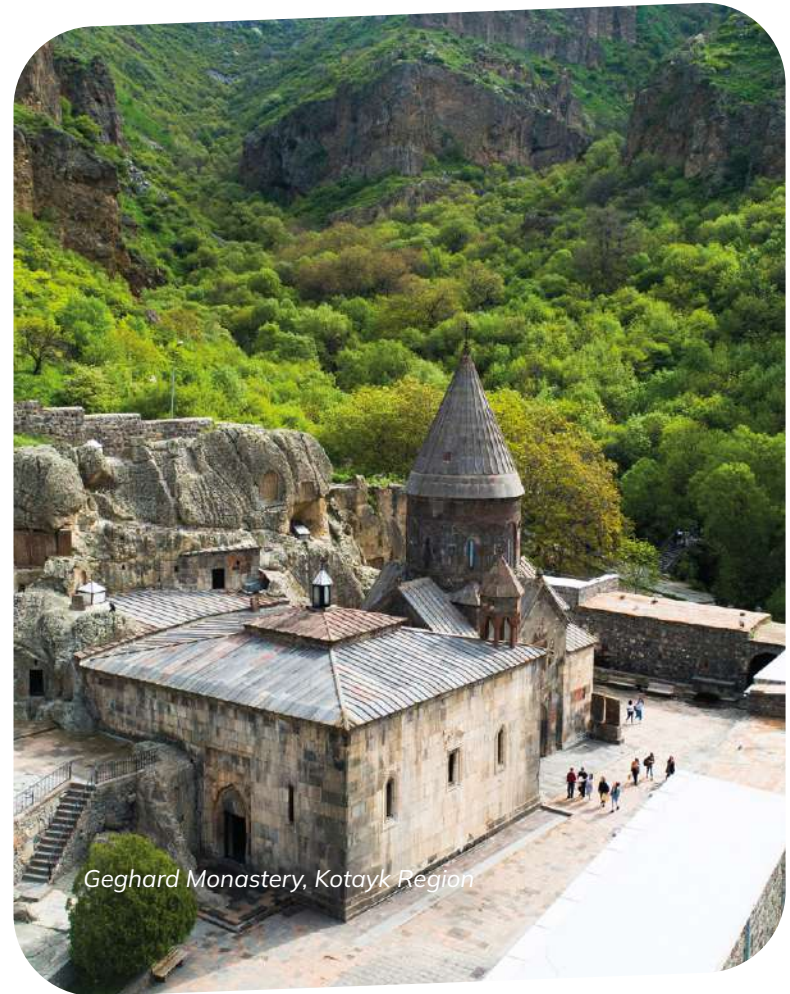
Chapter Three presents Armenia's value proposition for attracting tourism investments, emphasizing the country's strategic location, well-developed infrastructure, and business-enabling investment ecosystem. Armenia's rich cultural and natural assets, coupled with its commitment to fostering entrepreneurship, create an ideal environment for foreign investments in the tourism sector.

Chapter Four focuses on Armenia's four main niches in tourism: Cultural Tourism, Adventure Tourism (including winter tourism), Gastronomy and Wine Tourism and Nature-based tourism. Other directions such as MICE tourism, medical, and wellness, are also dynamically developing. The government's supportive policies and infrastructure developments further bolster these niches, enhancing the country's tourism offerings.



The guideline concludes with an overview of Armenia's competitive landscape in the tourism industry, reflecting accelerated sector growth in visitor arrivals and higher daily spending by tourists. These trends highlight the significant positive impact of tourism on various sectors, generating employment and fostering economic growth.

By presenting these detailed insights, "Tourism Doing Business – Investing in Armenia" aims to provide potential investors with a comprehensive understanding of the country's investment opportunities, underpinned by its strategic advantages and supportive investment climate.



Geghard Monastery, Kotayk Region



OVERVIEW OF ARMENIA

The Republic of Armenia (hereinafter referred to as Armenia) has a population of approximately 3 million³. It is situated in Central and Eastern Europe and occupies the northeastern part of the Armenian plateau – between the Caucasus and Nearest Asia (the inter-river territory between the middle flows of the rivers Kur and Araks)⁴. It was ranked as the fastest-growing economy in Europe, with a GDP growth of 8.7% in 2023.⁵ Inflation was low at 2.0% in 2023 and 3.1% expected in 2024. See below these indicators over time:

- *Average GDP growth between 2005 and 2023: 5.2%*⁶
- *Average inflation between 2005 and 2023: 4.0%*⁷

It is worth noting that in 2023, 1 USD was equivalent to 392 AMD. The Armenian dram is issued by the Central Bank of Armenia.

In 2023, the main sectors contributing to the gross domestic product (GDP) of Armenia included⁸:

- Services** (59%)
- Industry** (17%)
- Taxes on products** (less subsidies) (10.7%)
- Agriculture, forestry and fishing** (8.4%)
- Construction** (6.9%)
- FISIM** (Financial Intermediation Services Indirectly Measured) (-2%)^a

Over the past six years, the services and construction sectors have increased their share of Armenia's GDP, while the contributions of agriculture, forestry, fishing, and industry have declined.

Armenia, boasting a rich cultural and historical heritage, offers visitors a unique experience, encompassing both historical sites and breathtaking natural landscapes. The country serves as an ideal destination for cultural tourism, where the diverse architectural heritage and vibrant cultural events create an immersive atmosphere. Additionally, the mountains, valleys, and other natural wonders make Armenia a perfect setting for ecotourism and adventure enthusiasts. Beyond its historical and natural attractions, Armenia also entices visitors with a distinctive gastronomy, celebrated for its traditional dishes, and its prestige as one of the birthplaces of winemaking presenting a culinary journey that stands out among the best in the region of the Caucasus and globally.

While agriculture, particularly in rural areas, and industry remain vital to the economy, Armenia has embraced a growing technology sector, positioning itself as a regional tech hub. The country's Information Technology (IT) industry, including software development and engineering, has experienced significant growth, fuelled by a skilled workforce and a commitment to innovation. Additionally, Armenia has been actively implementing economic reforms to attract foreign investment, promote entrepreneurship, and diversify its economic base.



Garni Temple, Kotayk Region

REASONS TO INVEST IN ARMENIA

Haghartsin Monastery, Tavush Region

1



OPEN, SAFE, AND STABLE INVESTMENT DESTINATION

Armenia offers a liberal investment climate, actively encouraging foreign participation without significant restrictions. The country's dedication to maintaining a business-friendly environment is reflected in its standings in various economic rankings. In 2023, Armenia was ranked 47th out of 184 countries in the Economic Freedom Index by The Heritage Foundation⁹, and in 2022 it secured the 9th position among 83 countries in the OECD FDI Regulatory Restrictiveness Index¹⁰. The political stability of Armenia further adds to its attractiveness for long-term investments, complemented by favourable credit ratings from major agencies like Moody's, Fitch Ratings, and S&P Global. Specifically, Armenia holds a BB- rating from Fitch Ratings with a stable outlook, a BB- rating from S&P Global Ratings with a stable outlook, and a Ba3 rating from Moody's, also with a stable outlook. These ratings reflect the robust economic policies Armenia has implemented, making it a safe and reliable environment for investors. Additionally, Armenia boasts a highly educated workforce, with an adult literacy rate of nearly 99.8% and about 50% having tertiary education, ranking second in the CIS region. The employee gender ratio in Armenia is also balanced, with 51.3% female and 48.7% male, showcasing a diverse and inclusive workforce¹¹.

2



BRIDGING CULTURES AND ECONOMIES BETWEEN CONTINENTS

Armenia's strategic geographical location positions it as a significant economic bridge linking the European Union and the Eurasian Economic Union. This is enhanced by Armenia's robust legal and economic framework, which supports international law, market economy principles, and fair competition. Armenia's tourism sector benefits from its rich cultural heritage and historical significance, including three UNESCO World Heritage sites and over 25,000 historical monuments. Additionally, Armenia's large diaspora of 7 million people fosters vibrant cultural exchanges, further strengthening its tourism sector. The nation's membership in the Eurasian Economic Union provides access to a single market of roughly 185 million citizens¹², while its relationship with the European Union is bolstered by the EU-Armenia Comprehensive and Enhanced Partnership Agreement and its ongoing updates.

3



ENHANCED FOCUS ON INFRASTRUCTURE AND CONNECTIVITY

Recognizing that robust infrastructure is fundamental to economic growth, Armenia has prioritized upgrades in transportation, digital networks, and energy systems. The country features two international airports, Zvartnots in Yerevan and Shirak in Gyumri, with a combined capacity to handle over 4 million passengers annually. These airports are serviced by numerous international airlines, ensuring Armenia's accessibility to a global audience. Armenia has made notable progress in improving its road network, which spans 7,548 km, and continues to develop its railway and metro systems. Additionally, Armenia boasts the longest reversible cableway in the world (5752 m), recorded in the Guinness Book of Records, the modern ski resort "My Ler" in Yeghipatrush and ski resort Tsaghkadzor, highlighting the country's commitment to expanding its leisure and adventure offerings.

4



GOVERNMENT SUPPORT AND INCENTIVES FOR THE TOURISM SECTOR

Armenia prioritizes tourism with targeted incentives, such as VAT exemptions for tourism services and tax exemptions for operators of tourist houses and related services. Additionally, the country offers significant support across various sectors, including wage and capital investment reimbursements, favorable tax conditions in Free Economic Zones, and subsidies for the agricultural, IT sector among others. These measures collectively enhance Armenia's appeal as an investment destination, with tourism playing a central role in driving growth and innovation.



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Acronyms, abbreviations and special notes

AMD - Armenian Dram

ANIF - Armenian National Interests Fund

CEU – UN Tourism Commission for Europe

CEPA - EU-Armenia Comprehensive and Enhanced Partnership Agreement

CIS - Commonwealth of Independent States

CJSC – Closed Joint Stock Company

EAEU - Eurasian Economic Union

EBRD- The European Bank for Reconstruction and Development

ECOS - Economic and Trade Office

EU - European Union

EUR – European Union Euro

EFSD+ - European Fund for Sustainable Development Plus

FEZ - Free Economic Zone

FDI - Foreign Direct Investment

GDP - Gross Domestic Product

GIZ - Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)

GFC - Green Climate Fund

GET - Green Economy Transition

GSP - Generalized System of Preferences

LEID - Local Economy and Infrastructure Development Project

LLC - Limited Liability Company

HDI - Human Development Index

IDA – International Development Association

IMF - International Monetary Fund

IT - Information Technology

OECD - Organisation for Economic Co-operation and Development

NGO – Nongovernment organization

PSD-TVET: Private Sector Development and Technical and Vocational Education and Training

RAO - Research and Production Corporation

R&D - Research and Development

SMEs - Small and Medium-sized Enterprises

TIFA - Trade and Investment Framework Agreement

TRIP - Tourism and Regional Infrastructure Improvement Project

TTDI – Travel and Tourism Development Index

UNESCO - United Nations Educational, Scientific and Cultural Organization

USD - United States Dollar

VAT - Value-Added Tax

VET - Vocational, educational and training

WEF - World Economic Forum

Note: In this document, when referring to Europe, we specifically mean the 41 Member States of the UN Tourism Commission for Europe (CEU): Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, France, Georgia, Germany, Greece, Hungary, Israel, Italy, Kazakhstan, Kyrgyzstan, Lithuania, Malta, Monaco, Montenegro, Netherlands, North Macedonia, Poland, Portugal, Republic of Moldova, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

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1

ECONOMIC OUTLOOK

1.1 Global Economic Outlook

After achieving 3.2% growth in 2023, the International Monetary Fund (IMF) forecasts the global economy will sustain the same growth level in 2024 and 2025. This consistent growth can be attributed to various factors, including the normalization of supply chain bottlenecks and a faster-than-expected control over inflation levels, coupled with robust demand¹³.

Global inflation, though declining from its peak in 2022, remains high. The IMF projects global inflation to decrease from 6.3% in 2023 to an average of 5.1% in 2024. Central banks worldwide are maintaining a cautious stance, balancing the dual objectives of curbing inflation and supporting economic growth. The United States of America's Federal Reserve, the European Central Bank, and the Bank of Japan are expected to maintain tight monetary policies, with potential interest rate adjustments contingent on ongoing inflation trends and economic performance. In the Eurozone, inflation is projected to average 3.5% in 2024, while Japan holds an inflation rate of 3.2%.

However, the landscape remains complex and uncertain, with escalating conflicts and geopolitical risks. Furthermore, the urgent need to advance towards sustainable development through digital transformation and the energy transition poses a significant challenge, especially in the context of fiscal constraints in many economies.

Despite these challenges, a historic opportunity presents itself for the region. The shift toward sustainability and digitalization is pivotal, shaping the future. Nations are actively diversifying their economies, investing in modernization, and transitioning toward eco-friendly practices. Tourism plays a vital role, serving both as a source of economic diversification and a tool for stability. It drives economic, social, and cultural development at both national and local levels.

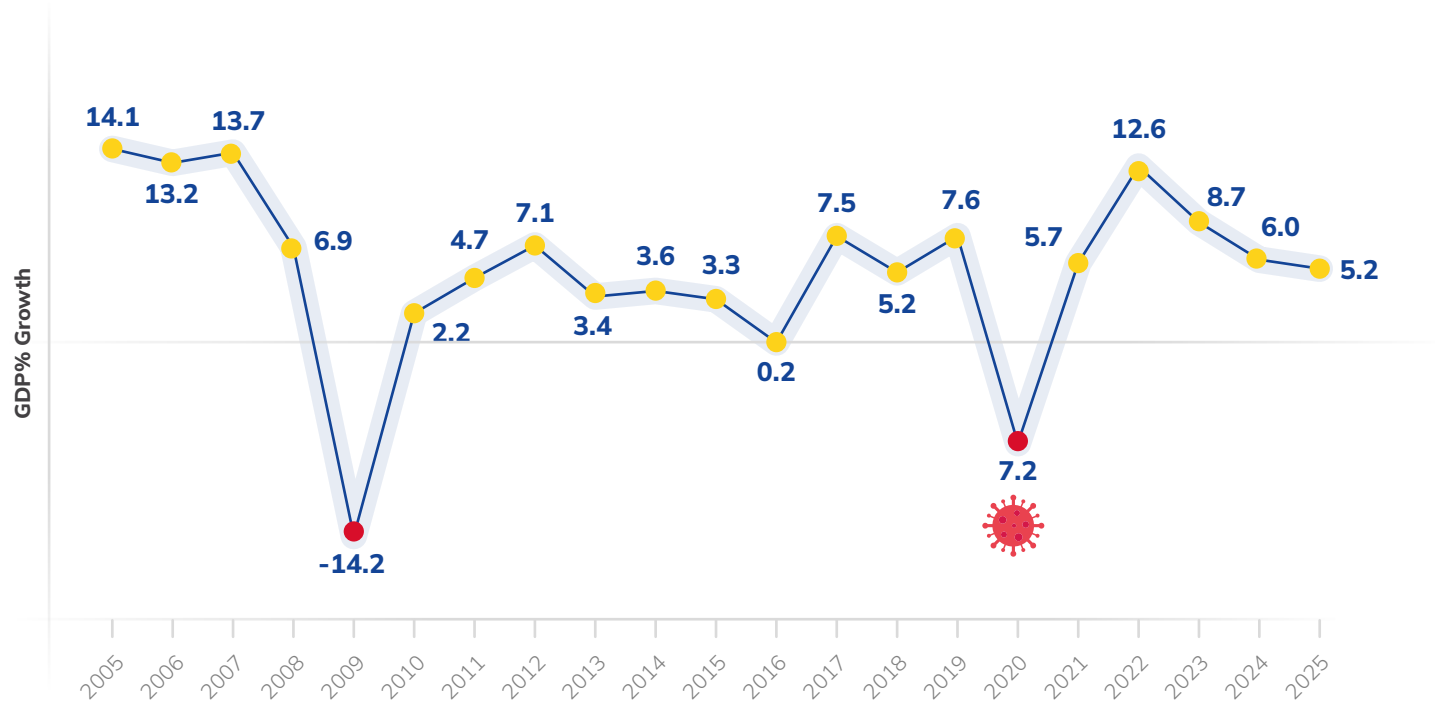


1.2 Macroeconomic Context of Armenia

In 2022, Armenia's economy experienced a substantial growth of 12.6%, significantly influenced by increased foreign investment, partly prompted by regional shifts in investment patterns due to the Ukraine-Russian Federation conflict, a post-pandemic recovery, and robust export performance. Despite this rapid expansion, Armenia's gross domestic product (GDP) moderated to 8.7% in 2023. These developments indicate a shift towards more sustainable economic

conditions, underpinned by ongoing public and private sector investments¹⁴. Moreover, prudent macroeconomic policies, including inflation targeting, fiscal responsibility, and financial sector oversight, have contributed to sustaining a favourable economic environment¹⁵. For the periods of 2024 and 2025, the IMF has projected a growth of 6.0% and 5.2%, with the Armenian Government indicating a higher expected growth.

Figure 1.1: Gross Domestic Product (GDP) Growth, 2005 – 2025p
(Share)



Note: 2025 value is presented as a projection.

Source: International Monetary Fund (2024), World Economic Outlook Database, April 2024 Edition, IMF, Washington, D.C., available online: <https://www.imf.org/en/Publications/WEO/weo-database/2024/April> [16-04-2024]

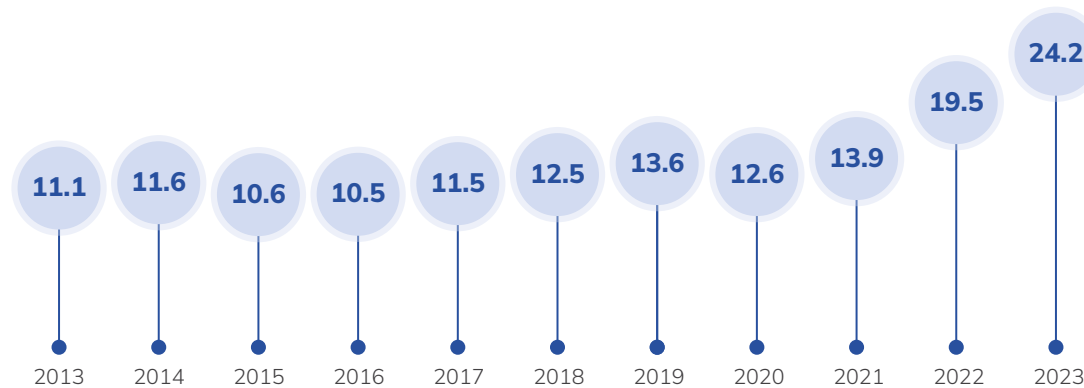
Armenia's achievements extend beyond economic performance. Armenia's transition from an International Development Association (IDA) recipient to a donor in March 2023, just nine years after graduating from recipient status and four years after achieving upper-middle-income country status, showcases its significant developmental progress. This transformation underscores Armenia's commitment to reforms across various sectors, such as justice, healthcare, and social protection systems¹⁶.

Armenia's commitment to sound macroeconomic policies is another factor contributing to its favourable outlook. The government has implemented a strategy of active inflation targeting, alongside adherence to fiscal responsibility¹⁷. This prudent approach has resulted in low inflation rates, with 2.0% recorded in 2023 and a projected increase to 3.1% in 2024, which remains close to the central bank's target.¹⁸ This low and stable inflation environment fosters economic predictability and encourages sustained growth, which explains the increase in GDP, reaching USD 24.2 billion in 2023. This inflation level is very low if compared to Europe, which had in 2023 a pondered inflation of 6.8. Finally, the unemployment rate has achieved its lowest level in the past decade, standing at 12.5% in 2023, accompanied by a rise in salaries that has positively influenced the poverty line¹⁹. Notably, the unemployment rate for individuals with advanced education reached a historic low of 9% in 2022²⁰.



Gyumri, Shirak Region

Figure 1.2: GDP Current Prices, 2013 - 2023,
(USD Billions)



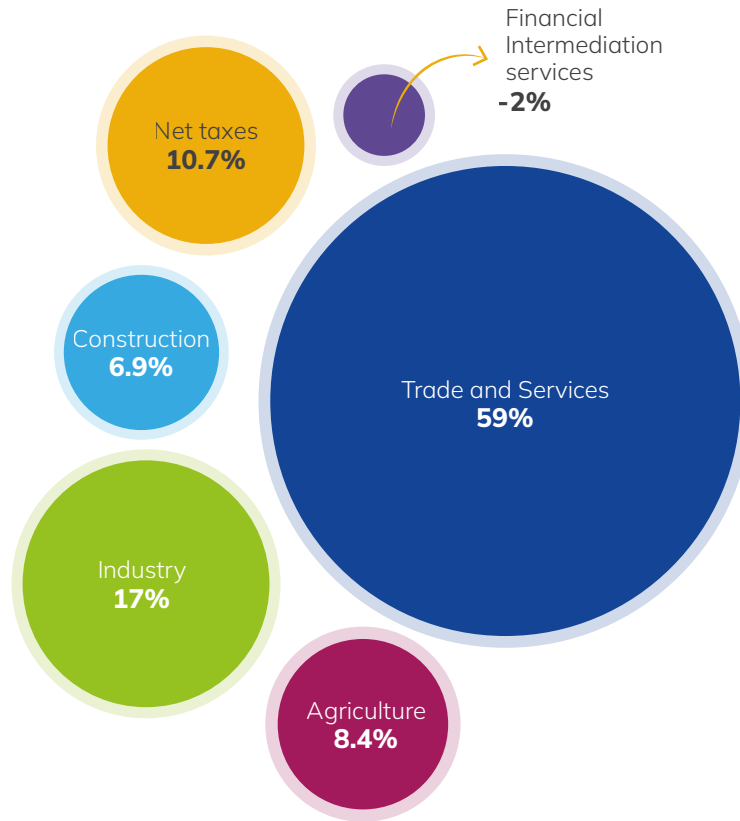
Source: Statistical Committee of the Republic of Armenia. (2024). National Accounts. Available online: <https://www.armstat.am/en/?nid=202> [10-05-2024]

Armenia's GDP in current prices reached USD 24.2 billion in 2023. This is the highest value in the last decade by far surpassing the pre-pandemic value of USD 13.6 billion in 2019.

In Armenia, the Trade and Services sector is the largest contributor to GDP, accounting for 59% of the total, underscoring the vital role of commerce and service-related industries in driving economic growth

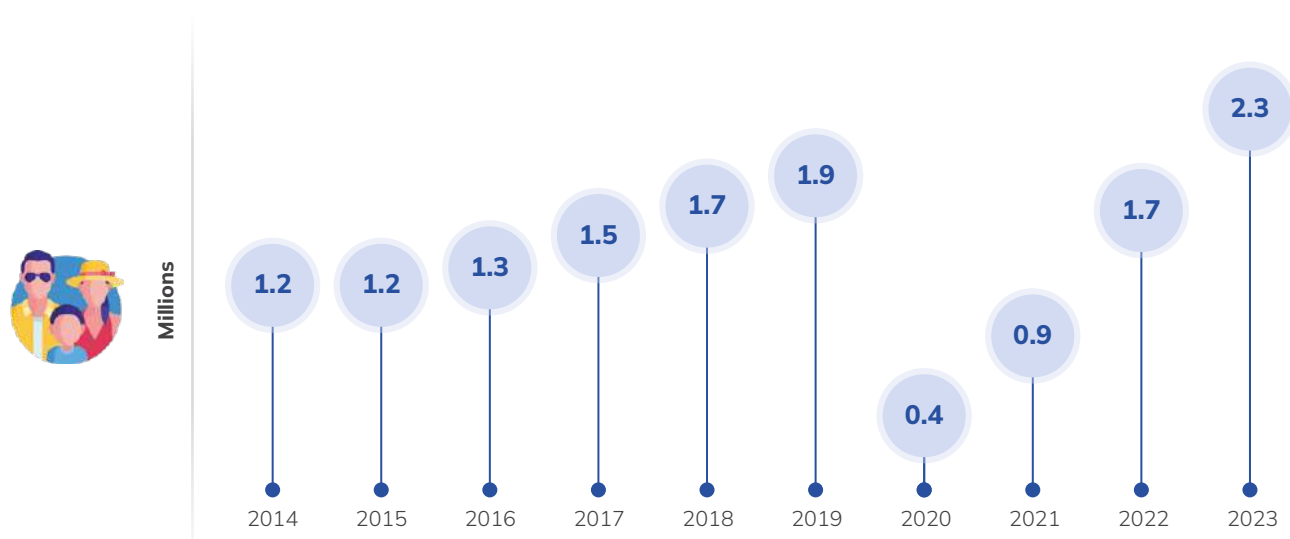
and employment. The Industry sector follows with a 17% contribution, reflecting Armenia's manufacturing and production strengths. Agriculture, traditionally a cornerstone of the economy, remains relevant with an 8.4% share of GDP, even amid modernization and diversification efforts. Meanwhile, the Construction sector, contributing 6.9%, highlights the ongoing activity in infrastructure and real estate development.

Figure 1.3: Contribution of the different sectors to the GDP, 2023 (Share)



Source: Ministry of Economy of the Republic of Armenia. (n.d.). Available online: <https://www.mineconomy.am/en> [04-07-2024]

Figure 1.4: International Tourist Arrivals in Armenia 2014-2023,
(Millions)

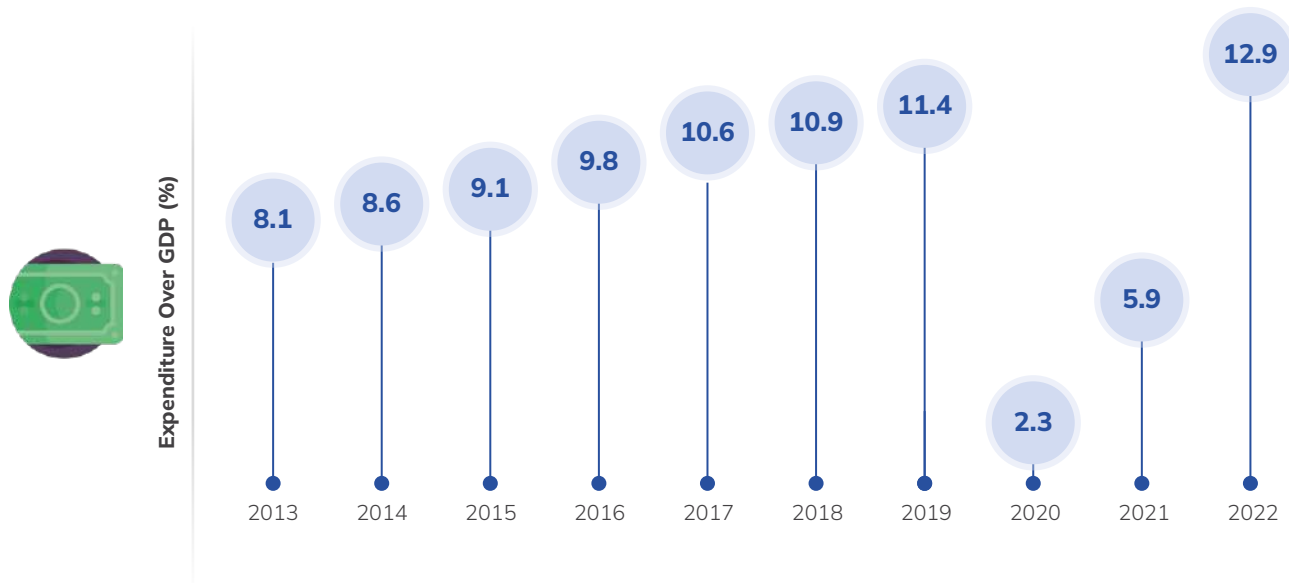


Source: Statistical Committee of the Republic of Armenia. (2024). National Accounts. Available online: <https://www.armstat.am/en/?nid=202> [10-05-2024]

Due to the significant weight of the services sector in the economy, tourism is becoming increasingly important, bolstered by the steady growth in tourist arrivals. In 2014, there were 1.2 million international tourist arrivals, a figure that remained steady through 2015 and 2016. In 2017, the number increased to 1.5 million, followed by another rise to 1.7 million in 2018. The upward trend continued in 2019, reaching a peak of 1.9 million. However, in 2020, there was a significant drop to about 0.4 million due to the impact of the coronavirus pandemic. In 2021, the number of arrivals began to recover, rising to 0.9 million, followed by a further increase to 1.7 million in 2022. The recovery continued in 2023, with tourist arrivals reaching 2.3 million.

Armenia has demonstrated a significant recovery in tourism, with a 22.3% increase in total arrivals in 2023 compared to 2019. This strong performance is particularly impressive when contrasted with the Central and Eastern European average, which remains below pre-pandemic levels at -25.5% for the same period. Armenia's recovery not only surpasses the regional trend but also underscores a robust rebound in its tourism sector. Additionally, in the first quarter of 2024, Armenia recorded a 19.6% recovery from pre-pandemic levels, further highlighting its positive trajectory in tourism²¹.

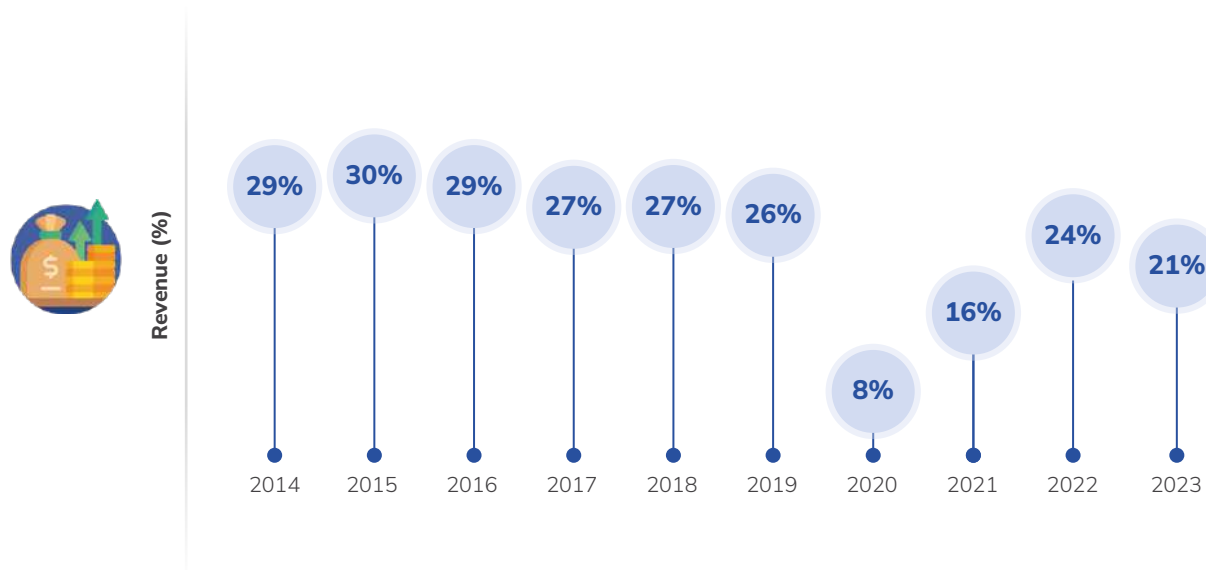
Figure 1.5: Inbound tourism expenditure over GDP 2013-2022
(Share)



Source: UN Tourism (2024), 'UN Tourism Data Dashboard', UN Tourism, Madrid, available online at: <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance> [15-05-2024].

Inbound tourism plays a crucial role in consolidating the services sector as a significant employer and a generator of remittances. In 2013, inbound tourism expenditure accounted for 8.1% of GDP. This figure consistently increased, reaching its peak in 2019 at 11.4% of GDP. However, 2020 saw a sharp decline, with expenditure falling to 2.3% of GDP due to global challenges. The recovery began in 2021, with expenditure rising to 5.9% of GDP, and continued into 2022 with a substantial increase to 12.9% of GDP.

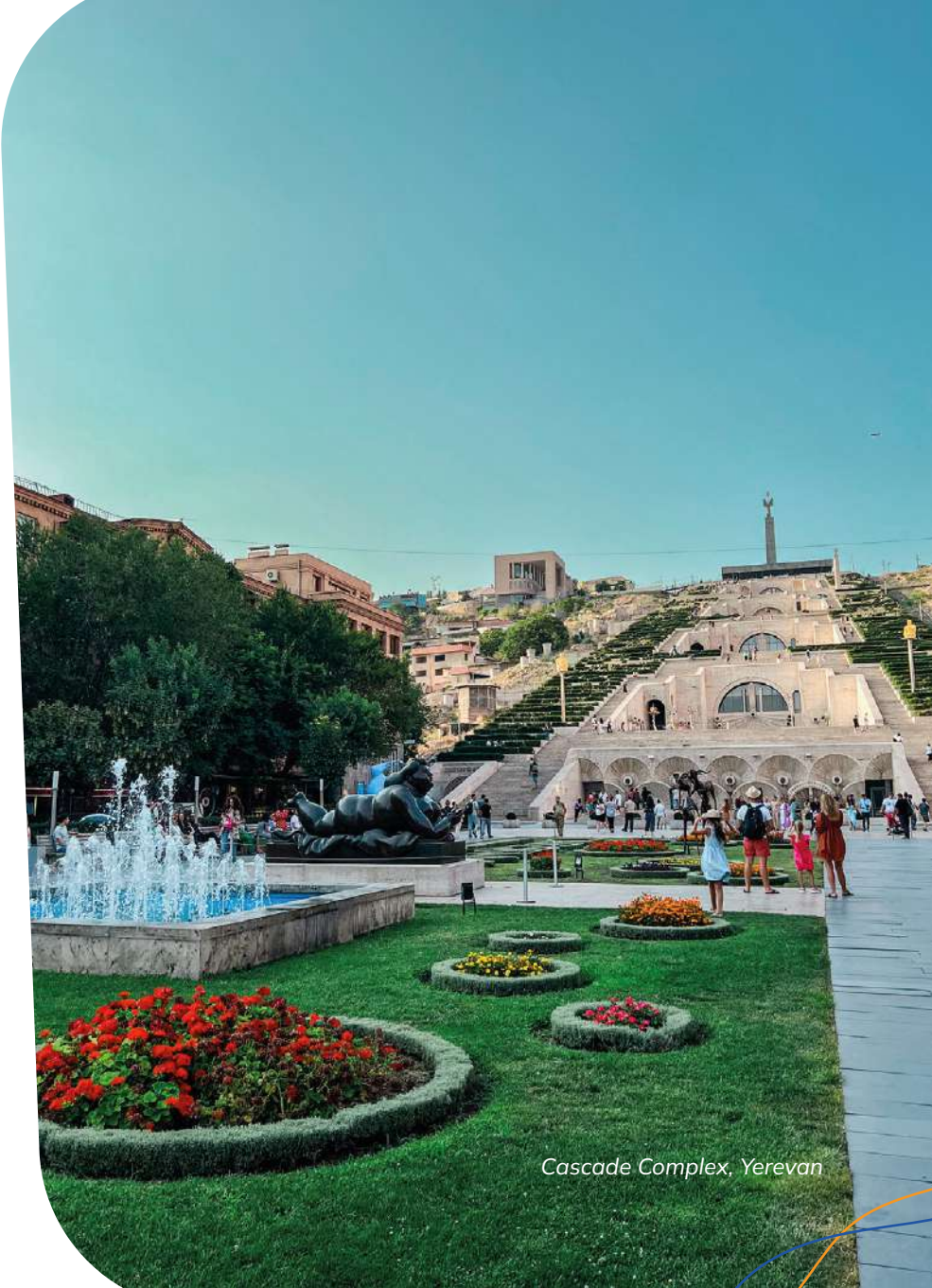
Figure 1.6: Inbound tourism expenditure over exports of goods and services, 2014 – 2023
(Share)



Source: Central Bank of Armenia. (2024). RA Balance of Payments ("Travel" exports in "Goods and Services") Available online: <https://www.cba.am/en/sitepages/sta-texternalsector.aspx> [10-05-2024]

The same trend is seen in the behaviour of the revenue as a percentage of service exports. In 2023, the contribution of international tourism revenue to Armenia's service exports was 21%, reflecting a slight decrease from the 24% recorded in 2022. The year 2021 saw a rebound to 16% after a significant drop in 2020, where it reached a low of 8% due to global events impacting travel. Looking further back, the contribution was relatively stable, holding at 26% in 2019, and slightly higher at 27% during both 2017 and 2018.

The behaviour of both trends—the inbound tourism expenditure over GDP and the international tourism revenue as a percentage of goods and services exports—where recovery does not match arrivals, even with an equal recovery in expenditure, can be explained for several reasons. As the economy expands rapidly, other sectors such as technology and finance are growing faster with a high inflow of investments, diluting tourism's share in service exports. Additionally, increased tourist spending often reflects higher costs and inflation rather than increased profitability. Factors such as residents' disposable income, exchange rate fluctuations, and other spending priorities also affect the inbound tourism expenditure impact on the economy.



Cascade Complex, Yerevan

Figure 1.7: Armenia macroeconomic context, 2019 vs 2023





History Museum of Armenia, Yerevan

2

INVESTMENT OUTLOOK

2.1 Foreign Direct Investment (FDI) Flows and Stocks in Armenia

In 2023, global Foreign Direct Investment (FDI) experienced a slight decrease of 2% compared to the previous year, amounting to USD 1.3 trillion. This overall figure was notably influenced by significant fluctuations in financial flows through several European conduit economies. Excluding the impact of these conduit economies, global FDI flows fell by more than 10% compared to 2022²⁶.

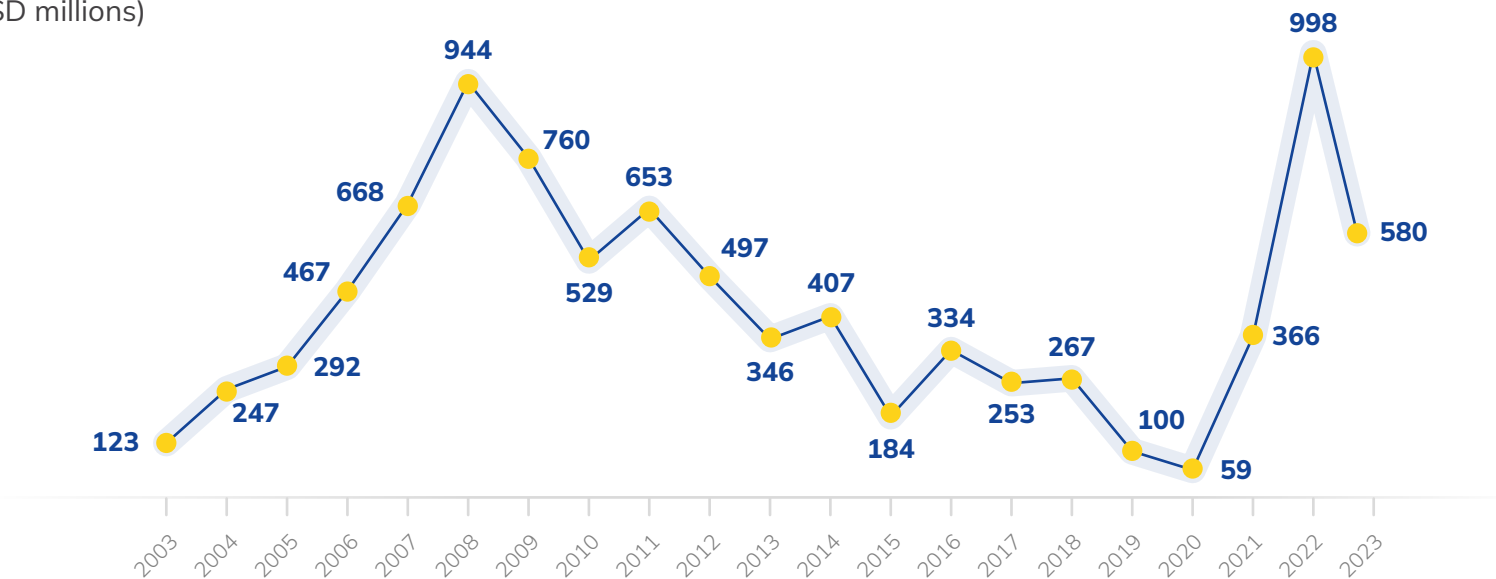
FDI flows in Europe saw a remarkable turnaround, increasing from a negative USD 106 billion in 2022 to a positive USD 16 billion, primarily due to volatility in intermediary economies²⁷.

The significant increase in Foreign Direct Investment (FDI) in Armenia in 2022, totaling nearly USD 1 billion, marks a pivotal milestone in the country's economic trajectory, reflecting an increase of almost three times from the previous year. This surge not only underscores a resilient recovery post-pandemic but also signals growing investor confidence, driven by progressive reforms and an increasingly favorable business environment. However, it is important to recognize that this spike in FDI was also influenced by extraordinary outflows of capital from neighboring countries due to geopolitical tensions, with Armenia being perceived as a safe destination for their investments. As a result, the 2022 figure stands as an outlier, with FDI in 2023 settling at USD 580 million*, a figure more aligned with underlying economic trends and reflective of Armenia's sustained appeal as an investment destination.

*FDI figure update for 2023 was provided by the Statistical Committee of the Republic of Armenia.

Figure 2.1: Evolution of foreign direct investment (FDI) in Armenia, 2003 – 2023

(USD millions)

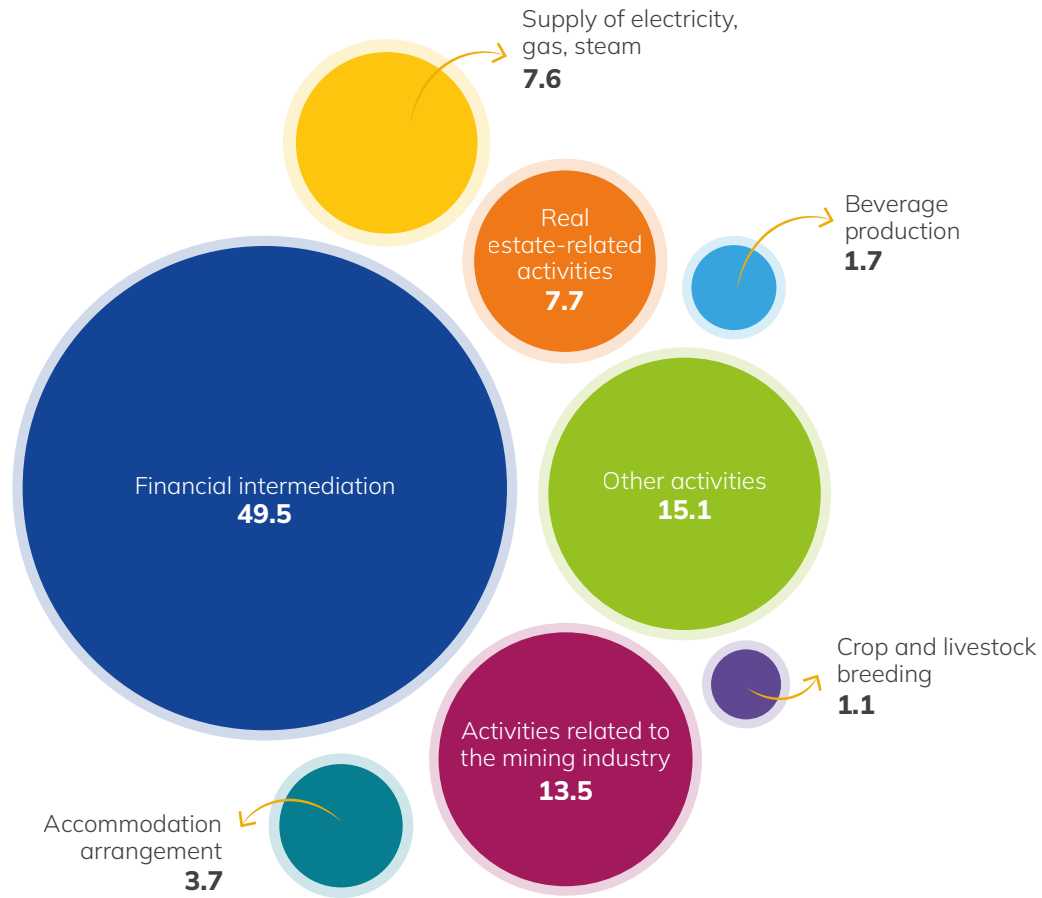


Source: United Nations Conference on Trade and Development (2023a), World Investment Report 2023, UN, Nueva York, available online: <https://unctad.org> [11-03-2024]. FDI figure update for 2023 provided by the Statistical Committee of the Republic of Armenia. Main Statistical Indicators. Available online <https://arm-stat.am/en/?nid=203> [28-08-2024].

Nevertheless, this significant rise in FDI underscores Armenia's developing reputation in the region as a center for innovation and opportunity, particularly in the fields of information technology, renewable energy, and tourism. The government's initiatives to simplify business procedures, increase transparency, and protect investor rights are yielding discernible results, positioning Armenia as an increasingly attractive destination for international capital. These strategic efforts continue to enhance the country's economic profile, fostering a conducive environment for sustained investment and growth²⁸.

Foreign Direct Investment (FDI) in Armenia from 2016 to 2023 has been allocated across various key sectors. The financial intermediation sector attracted the largest share of FDI, making up about 49.5% of the total. This is followed by the Other activities sector, which accounts for 15.1%. Mining-related activities received 13.5% of the FDI, while real estate and the supply of electricity, gas, and steam both received around 7.7% and 7.6%, respectively. Sectors with smaller FDI shares include beverage production (1.7%), crop and livestock breeding (1.1%), and accommodation arrangement (3.7%), reflecting a more modest investor interest in these areas.²⁹ The telecommunications sector is excluded from this analysis as it experienced outflows rather than inflows.

Figure 2.2. Foreign Direct Investment (FDI) by Economic Sector, 2016-2023
(Share)



Source: Central Bank of Armenia. (2023). Press Release: 2023 Q4. Available online: https://www.cba.am/stat/stat_data_arm/PRESS%20RELEASE-2023-Q4.pdf

The net inflow of investments during the period from January to December 2023 was predominantly concentrated among four key partner countries: the United Arab Emirates, Canada, France, and Luxembourg³⁰. Net inflows refer to the total capital entering a country, including all forms of investment such as portfolio investments and other financial assets. Foreign direct investments, on the other hand, specifically refer to investments where a foreign entity gains a significant degree of influence or control over the management of a domestic enterprise, usually through ownership of a substantial percentage of the company's shares or assets.

In the context of foreign direct investments, it is noteworthy that during the same period, the inflow was primarily driven by investments from the United Arab Emirates (USD 257.1 million) and Luxembourg (USD 103.5 million)³¹.

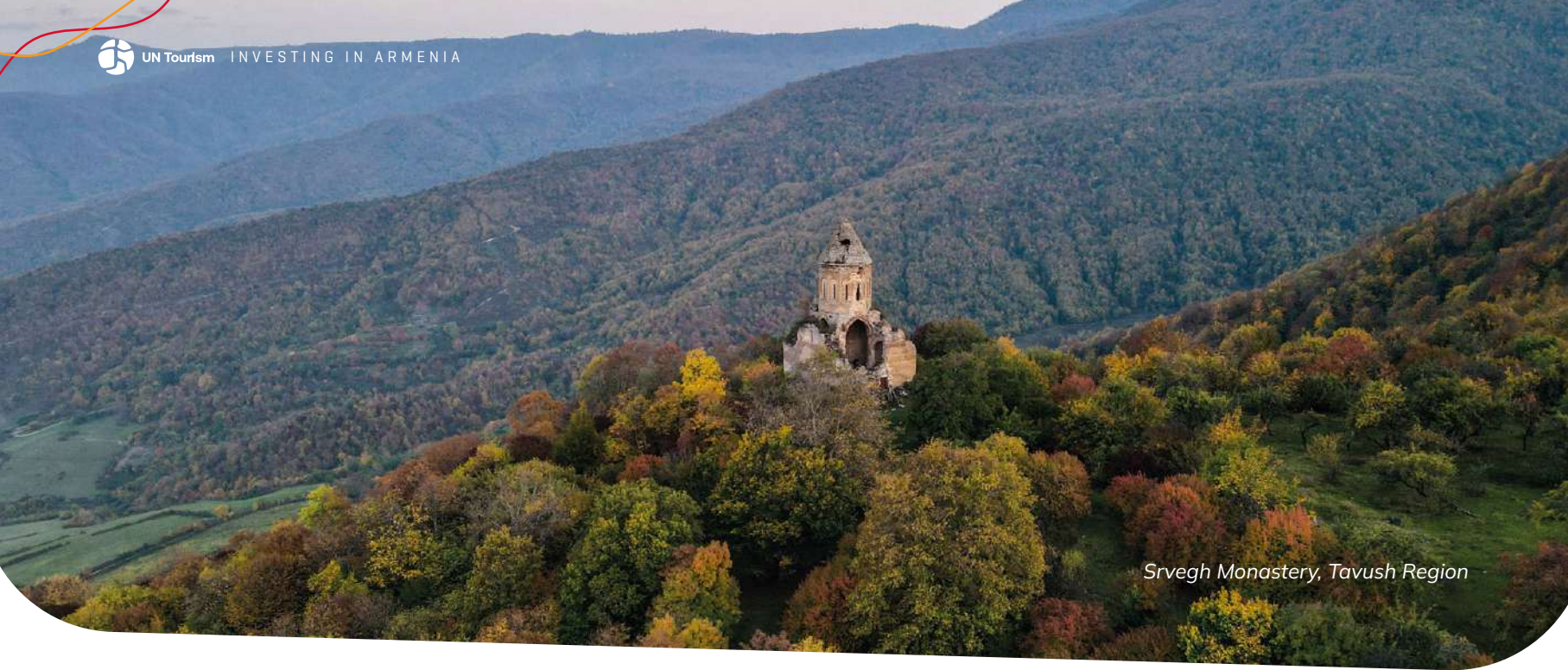
Conversely, net repayments of direct investments were observed primarily from Russian Federation (USD 95.9 million), Cyprus (USD 151.1 million), the Netherlands (USD 30.2 million), the United Kingdom (USD 21.1 million), and the British Virgin Islands (USD 23.8 million).

Furthermore, by the end of December 2023, investments by residents of the Russian Federation accounted for 16.1% of total investments and 27.4% of direct investments in the real and financial sectors, amounting to USD 2,265.9 million and USD 2,058.2 million, respectively. Cyprus contributed 6.1% of total investments and 10.2% of direct investments, Luxembourg accounted for 5.4% in both categories, Switzerland for 4.3% and 7.6%, and the United Kingdom for 3.6% and 5.3%, while international organizations represented 4.8% of total investments and 2.3% of direct investments³².



Figure 2.3. Top Investors by Net Inflows in 2023





Srvegh Monastery, Tavush Region

2.2 Tourism investment in Armenia

Foreign direct investment in the tourism sector plays a pivotal role in boosting Armenia's economy by creating jobs, increasing foreign exchange earnings, and promoting cultural exchange. Tourism-related investments also help in enhancing infrastructure and service quality, which are crucial for attracting more visitors and elevating the country's profile as a prime travel destination.

Notable investments in the sector include the development of international hotel chains such as Courtyard Yerevan by Marriott, and Wyndham in Tsaghkadzor. These investments signify confidence in Armenia's tourism market and contribute to its growth and international appeal.

Additionally, high-segment luxury hotels like The Alexander, a Luxury Collection Hotel in Yerevan, and Seven Visions Resort and Places, the Dvin, further enhance the luxury accommodations available in Armenia. Other international hotel brands present include Armenia Marriott Hotel in Yerevan and Tsaghkadzor Marriott Hotel, DoubleTree by Hilton, Grand Hotel Yerevan, Holiday Inn and Holiday Inn Express, Ibis Yerevan Center by Accor, Ramada by Wyndham in Yerevan, and 4 Best Western Hotels in various parts of Armenia. Another hotel chain worth mentioning is the Tufenkian Heritage Hotels, the first Armenian boutique hotel chain.

Some of the most interesting investment projects that have taken place in the past are:

The Alexander Hotel (Yerevan)

The Alexander Hotel is a hotel of the world-famous hotel chain The Luxury Collection, owned by Marriott International, built in accordance with international standards. The hotel has 114 rooms. All the property and equipment of the hotel were imported by leading companies in the field of hotel construction in Italy, Germany, England, Austria, the Czech Republic, and other European countries.

Ramada Hotel & Suites by Wyndham (LLC, Yerevan)

The American hotel chain Wyndham Hotels & Resorts presents its four-star brand Ramada Hotel & Suites in Armenia. The Ramada Hotel & Suites by Wyndham Yerevan includes 202 rooms, 5 conference rooms, restaurants, and a fitness center. To start the company's activities, the state provided budget loans in the amount of about USD 30 million.

Holiday Inn Express (LLC, Yerevan)

The Holiday Inn Express Hotel is part of the world-famous IHG hotel chain. The investment project was implemented by the founder and president of Harmony International LLC, Gukas Grigoryan. The construction of the hotel lasted three years, investments of USD 10 million were made, and 50 new jobs were created. The Holiday Inn Express Hotel has 130 rooms, as well as an equipped conference room.

Tufenkyan Hospitality (LLC, Yerevan)

The traditional Tufenkian Hotel chain is the first luxury boutique hotel chain in Armenia. Four hotels of the Company are located in Yerevan, Dilijan, Sevan, and Lori.

Megerian Carpet Armenia (OJSC, Yerevan)

Megerian Carpet was founded in 1917 in New York City. Initially, the Company was engaged in the repair and processing of new and antique handmade carpets, as well as the purchase and sale of handmade carpets. In 2000, through the efforts of the Megerian family, the plant belonging to the former Aigorg company was renovated and re-equipped in Armenia, and former production branches were reopened in the regions of Armenia. The Megeryans have expanded the production of carpets in Armenia using various types of design and traditional style. The company has an exhibition hall in Yerevan, where free guided tours are organized. In 2014, a museum was opened at the Megerian Carpet factory, which displays the oldest carpet of the 17th century. The museum-exhibition hall presents ancient Armenian carpets, which are more than a hundred years old.



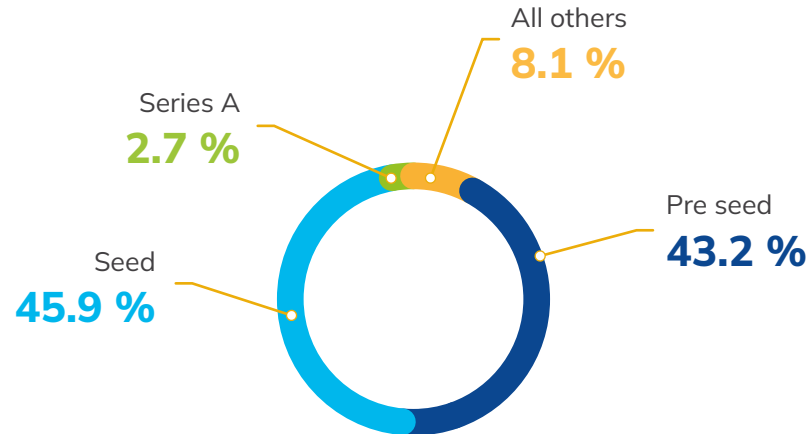
TUMO Center for Creative Technologies, Yerevan

2.3 Investment in Innovation and Startups Ecosystem in Armenia

The efforts of the Armenian government to harness the transformative potential of startups have been instrumental in driving economic progress and fostering significant growth within this sector. Recognizing the importance of innovation, the government has implemented several initiatives to enhance the startup ecosystem. These include the establishment of the High-Tech Industry Development Fund (managed by the Ministry of High-Tech) and the introduction of favourable tax incentives, which have created a conducive environment for both local entrepreneurs and foreign investors.

The positive impact of these measures is reflected in Armenia's substantial advancement in the startup Blink ecosystem ranking, where Armenia climbed three positions in 2023³³. It now stands as a leader in the Caucasus region with a score twice as high as its nearest competitor. Armenia is ranked 15th in the Eastern Europe Regional Ranking and 51st globally, based on the quality, quantity, and business environment of its startups³⁴.

Figure 2.4 Venture Capital across all sectors 2018-2023,
(Share)



Source: Crunchbase. (2024). Available online: <https://www.crunchbase.com/lists/> [11-07-2024]

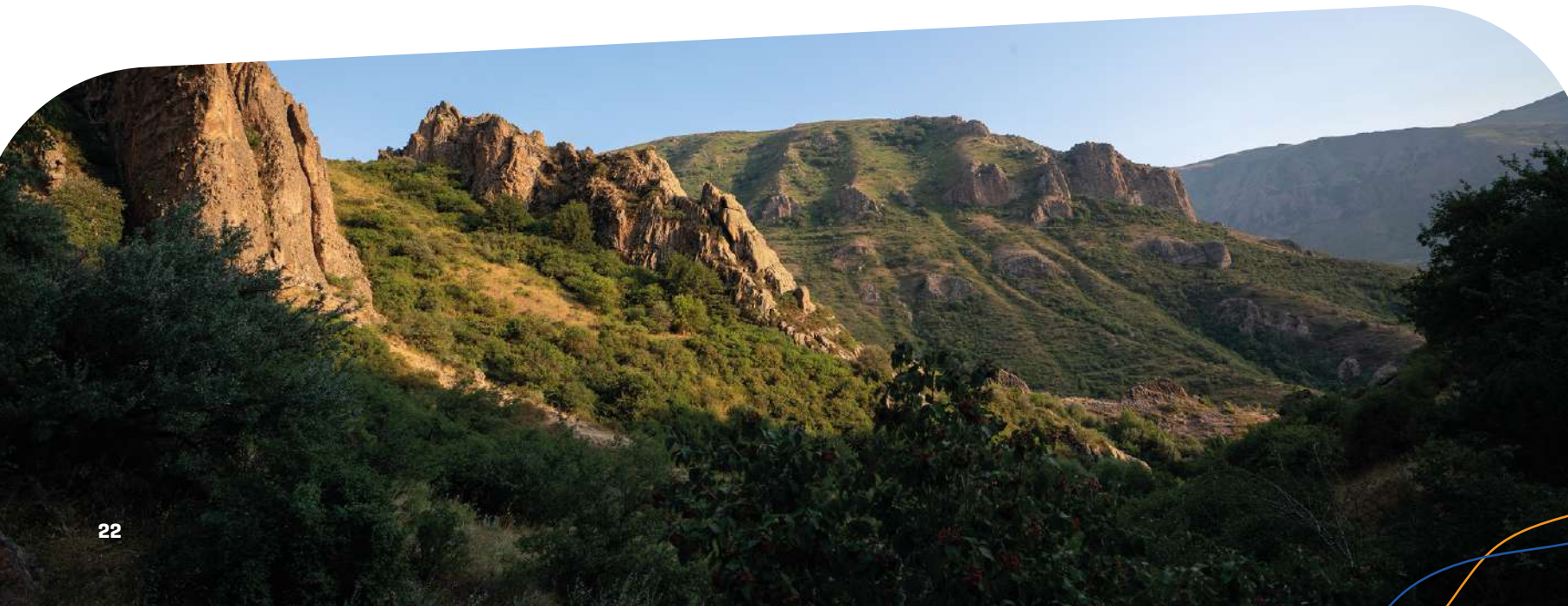
These government actions are complemented by a vibrant startup ecosystem supported by accelerators and incubators such as Hero House, Impact Hub Yerevan, and SmartGateVC, which offer critical support, mentorship, and resources. As a result, Armenian startups have raised USD 29 million from 2018 to 2023, focusing on high-growth sectors like software for businesses, FinTech, and MedTech³⁵ representing a total of 37 venture projects. Armenia's venture capital landscape is heavily concentrated in early-stage funding, with 89.1% of investments directed towards Pre-seed and Seed stages, reflecting strong support for nascent startups. However, the limited share of Series A and later-stage funding highlights a gap in growth capital, which could hinder the scale-up of promising ventures and underscores the developing nature of Armenia's young venture capital ecosystem³⁶.

Moreover, in 2023, the IT sector experienced a significant growth of 52%³⁷ compared to the previous year, attracting a rising number of international companies that chose to open offices in Armenia and employ its skilled workforce³⁸. This dynamic growth exemplifies Armenia's commitment to enhancing its technological landscape, showcased through major industry events like the World Congress on Information Technology in 2019 and the STARMUS Festival in 2022.

Green investments

Armenia is prioritizing green investments to foster sustainable economic growth and environmental resilience, leveraging international support to advance its green technology sector and promote energy efficiency. Armenian businesses can now access a USD 10 million (EUR 9.3 million) loan from the EBRD (The European Bank for Reconstruction and Development) and Green Climate Fund (GCF) for green technologies, with the EBRD providing USD 7.5 million (EUR 7.0 million) and the GCF contributing USD 2.5 million (EUR 2.3 million). These funds, channeled through Inecobank under the EBRD's Green Economy Financing Facility (GEFF), support investments in thermal insulation, solar panels, heat pumps, electric vehicles, and efficient irrigation systems. The GEFF is part of the EBRD's Green Economy Transition (GET) approach, which promotes sustainable energy and water use. Inecobank, as a key partner, will facilitate broad access to these funds for corporates and SMEs across Armenia.³⁹

In addition to this, the EBRD and the European Union are enhancing funding for Armenian micro, small, and medium-sized enterprises (MSMEs) focused on sustainable development through a collaboration with Acba bank. The EBRD is providing a EUR 25 million unfunded risk-sharing instrument, covering up to 50% of the credit risk for EUR 50 million in new financing from Acba bank, supported by the EU's European Fund for Sustainable Development Plus (EFSD+) guarantee programme. Acba bank, a long-term partner of the EBRD, will also offer consultancy services to help firms expand into export markets. To date, the EBRD has invested over EUR 2 billion in Armenia, driving private-sector development and the green economy transition.⁴⁰



These financial initiatives are complemented by government efforts with the involvement of the Tourism Committee. The Government of Armenia, in collaboration with the World Bank, the European Union, and the United Nations Development Program, has launched the "Growth and Recovery for the Strengthening, Upgrading and Prosperity of Armenia" platform. This initiative is designed to support Armenia's sustainable development, green recovery, and growth⁴¹. It aligns with the Government's five-year action plan for 2021-2026, focusing on strengthening anti-corruption measures through a comprehensive framework that includes a whistleblowing system and a gift monitoring mechanism for public servants. Additionally, it aligns with the Paris Agreement by supporting government reforms in key areas, including climate change mitigation and adaptation, enhancing the regulatory framework for environmental management, promoting equity, developing human capital, and improving the efficiency of the justice sector⁴².

Finally, Armenia's commitment to sustainability is further demonstrated by its efforts to obtain the Green Key label, with the official launch of Green Key Armenia in 2024. The Green Key certificate is the leading standard for excellence in environmental responsibility and sustainable operations within the tourism industry. This prestigious certification signifies a commitment by businesses to adhere to the stringent criteria set by the Foundation for Environmental Education. High environmental standards are maintained through rigorous documentation and frequent audits. Green Key certification is available for hotels, hostels, small accommodations, campsites, holiday parks, conference centres, restaurants, and attractions.





3

VALUE PROPOSITION OF ARMENIA

Alexander Spendiaryan Statue, Yerevan

3.1 Reasons to Invest in Armenia

01

3.1.1

Open, Safe, and Stable Investment Destination



Armenia presents a liberal investment climate that actively encourages foreign participation without significant restrictions. This openness is reflected in the country's impressive standings in various economic rankings, highlighting its dedication to maintaining a business-friendly environment. Notably, in 2023, Armenia was ranked 47th out of 184 countries in the Economic Freedom Index by The Heritage Foundation, which evaluates tax burden, government spending, and investment freedom⁴³. Additionally, Armenia secured the 9th position among 83 countries, including all OECD countries and the G20, in the OECD FDI Regulatory Restrictiveness Index, further emphasizing its commitment to transparent regulatory processes and minimal bureaucratic hurdles⁴⁴.

The political stability of Armenia adds another layer of attractiveness for long-term investments, providing a safe and reliable environment for investors. The country's credit ratings from major agencies highlight its economic stability and creditworthiness. Fitch Ratings and S&P Global Ratings both assign Armenia a BB- rating with a stable outlook. Similarly, Moody's rates Armenia at Ba3, also with a stable outlook. These ratings indicate that, while Armenia is considered to have speculative elements and face some risks, its stable outlook reflects confidence in the country's ability to manage its economic policies and maintain financial stability in the near term. These ratings reflect the robust economic policies Armenia has implemented and its favourable investment environment.

Further boosting Armenia's investment appeal is its highly educated workforce, nurtured by a strong educational system that has produced a labour market filled with skilled professionals. According to World Bank data, Armenia boasts an adult literacy rate of nearly 99.8%, and about 50% of its labour force has tertiary education, ranking second in the CIS region behind the Russian Federation. The country also engages in various training and expertise exchange programs, enhancing the skills of local workers and integrating Armenian technology sectors into the global tech community more effectively⁴⁵.

Additionally, Armenia's continuous investment in education and training is evident in its performance in the Global Innovation Index of 2023⁴⁶, where it ranked 72nd among 132 economies. This ranking highlights Armenian talents in creative inputs, knowledge, and technology outputs, and the strength of its institutions, reinforcing the country's position as a dynamic participant in the global innovation landscape. Furthermore, Armenia stands out for its inexpensive but highly skilled labour force, ranking 79th on the Human Development Index (HDI)⁴⁷.

02

3.1.2

Bridging Cultures and Economies Between Continents



Akhtala Monastery, Lori Region

Armenia's tourism sector presents a compelling investment opportunity, driven by its rich cultural heritage and historical significance. Armenia, the first country to adopt Christianity as its state religion and home to over 25,000 historical monuments, offers a profound cultural experience that attracts visitors from around the world.

Armenia is also a central gathering place for its large diaspora of 7 million people⁴⁸, providing a vibrant cultural exchange that further strengthens its tourism sector⁴⁹. This extensive historical tapestry not only enriches the visitor experience but also serves as a foundational element of Armenia's identity as a cultural nexus between continents.

In addition to its cultural appeal, Armenia's strategic geographical location enhances its potential as a pivotal economic connector in the region. This role is enhanced by Armenia's robust legal and economic framework which supports international law, market economy principles, and fair competition. These elements create a favourable environment for investors and contribute to the nation's growing economic potential⁵⁰.

The nation's membership in the Eurasian Economic Union allows access to a single market of roughly 184 million citizens, promoting the free movement of goods, services, capital, and labor. Armenia continues to strengthen its relationship with the European Union through the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA), along with regular updates to the partnership agenda⁵¹. Concurrently, Armenia maintains a robust network of bilateral treaties on investment and free-trade agreements with various countries, including Georgia and several Commonwealth of Independent States (CIS) members. Furthermore, Armenia enjoys the advantages of Generalized System of Preferences (GSP) schemes with the United States, Japan, Canada, Switzerland, and Norway, covering about 3,500 different products⁵². In addition, it is worth noting that Armenia has a Trade and Investment Framework Agreement (TIFA) With the United States of America.

03

3.1.3

Enhanced Focus on Infrastructure and Connectivity



Great Bridge of Hrazdan, Yerevan

Recognizing the importance of robust infrastructure for economic growth and competitiveness, the Armenian government has prioritized upgrades in transportation, digital networks, and energy systems. These enhancements facilitate smoother business operations and better global market connections.



Air connectivity

Armenia has two international airports that have improved connectivity in the last years, Zvartnots International Airport in Yerevan and Shirak Airport in Gyumri. Zvartnots airport is conveniently located between North, East, and West. In October 2013, Armenia introduced the Open Skies Policy in the field of aviation. This policy aims to liberalize the aviation sector by removing restrictions on international air services. The key objectives of the Open Skies Policy were to enhance competition, improve air connectivity, and attract more airlines to operate in Armenia.

In November 2021, Armenia and the European Union signed the Common Aviation Area Agreement, further advancing the objectives of the Open Skies Policy. This agreement allows EU airlines to operate direct flights from any EU country to Armenia and vice versa, removing all limitations on flights between Armenia and the EU. It also ensures the implementation of high standards in aviation safety, security, and environmental regulations, aligning Armenia's aviation laws with EU standards⁵³.

Armenia's connectivity is showcased through an extensive network of direct flights encompassing key regions and highlighting Armenia's strategic location as a crossroads between continents.

Among the airlines operating in the country are Austrian Airlines, Air France, Brussels Airlines, Lufthansa, Aegean Airlines, Lot Polish Airlines, Wizz Air, Fly Dubai, Air Arabia, Qatar Airways, Armenian Airlines, Armenia Airways, Flyone, Air Cairo, Aeroflot Russian Airlines and Air Baltic⁵⁴.

Road network



Armenia boasts a well-developed transportation network, with significant investments in road infrastructure. The country has made notable progress in improving its road network, which totals 7,548 km.

Between 2018 and 2023, the government has focused on repairing, reconstructing, and constructing roads, totaling an impressive 2,094.8 kilometers.

In 2022, the nation rehabilitated 301.5 km and repaired 153.0 km of roads. Furthermore, the ongoing construction of the North-South highway, which will span approximately 556 kilometers, aims to establish a secure and efficient transportation corridor for goods between the Persian Gulf countries and Europe. Upon completion, this highway will significantly enhance connectivity, linking Armenia's southern border with the Georgian border and extending to the Black Sea ports, thereby boosting regional trade and tourism⁵⁵.

Additionally, the construction of the southern section of the Sisian-Kajaran road is financed by the EBRD in the amount of EUR 236 million. This is the largest road infrastructure project ever financed by the EBRD in Armenia. It was previously complemented by technical cooperation funding provided by the European Union (EU). These funds were used to undertake the feasibility study as well as the environmental and social impact assessment⁵⁶.

Railroad Infrastructure



The Armenian rail network spans approximately 707 km with 69 active stations, managed by “South Caucasus Railway” under a 30-year concession. This network connects to Black Sea ports such as Batumi and Poti, and discussions are ongoing for a new railroad extension.

Telecommunications



In terms of telecommunications, Armenia is well-equipped with three mobile network operators: Viva-MTS, Team, and Ucom, all offering 2G, 3G, and 4G services. According to the International Telecommunication Union (ITU), Armenia had a fixed-line broadband penetration rate of 18.4 percent and a mobile broadband penetration rate of 102 percent in 2022⁵⁷.

Additionally, 78.6 percent of individuals had internet access in 2021, an increase from 76.5 percent in 2020⁵⁸. Fourth generation-plus (4G+) technology now covers 100 percent of settlements, based on data from Armenia’s Public Services Regulatory Commission (PSRC) in 2020.



Other public-private initiatives:

In addition to public investments, the government has partnered with the World Bank on the *Local Economy and Infrastructure Development (LEID) Project*⁵⁹.

The LEID Project, funded by a World Bank loan and managed by the Ministry of Economy and its Tourism Committee, is implemented by the Armenia Territorial Development Fund. Overseen by the Project Steering Committee chaired by the Deputy Prime Minister, the project aims to improve infrastructure services and institutional capacity to boost tourism's contribution to the local economy in selected regions. Finally, the LEID Project ensures no investments are made in environmentally sensitive areas to protect natural and cultural heritage⁶⁰.

Key components of the project include:

1

Heritage Hub Regeneration and Tourism Circuit Development: This sub-component finances urban regeneration in historic towns and heritage villages. By the first quarter of 2024, twenty (20) sub-projects have been completed, including the restoration of Gyumri Kumair's historic center, the renovation of residential houses in Goris, the improvement of public infrastructure in the mountain spa town Jermuk, and the improvement of the Khor Virap monastery area, among others.

2

Public-Private Investment (PPI): This sub-component provides public infrastructure to attract private investments. It supports private businesses by offering necessary public infrastructure like roads, water supply, gas supply systems, telecommunications systems, and drainage systems adjacent to investment sub-projects. The PPI model does not finance businesses directly but ensures public infrastructure development to encourage private investments. The investment ratio required is at least 4:1, with a minimum private investment threshold of AMD 200 million (approximately USD 515,600). Currently, there are four (4) sub-projects under this component, with three in the construction phase and one in the tender process, all set to be completed by December 2024.

The "*Tourism and Regional Infrastructure Improvement Project*" (TRIP), a loan by the World Bank, will commence in 2025. This project aims to develop 20 tourist clusters and restore 50 historical and cultural monuments. The initiative is part of the Government's efforts to enhance tourism and regional infrastructure, fostering economic growth and cultural preservation in the targeted areas.

04

3.1.4

Government Support and Incentives for the Tourism Sector



Swan Lake during Vardavar celebrations, Yerevan

The Armenian government places significant emphasis on tourism as a state-level priority, reflecting this commitment through ongoing institutional reforms, development of tourist infrastructure, diversification of tourism products, global market promotion, increasing direct flights, and improving visa policies. As one of the fastest-growing sectors in the Armenian economy, tourism has benefited from effective state policies that have expanded the diversity of tourist arrivals and attracted investments throughout the tourism value chain.

The Government Programme 2021-2026 aims to enhance Armenia's recognition and competitiveness in the tourism sector, with a target of 2.5 million international visitors by 2026. Key objectives include institutionalizing the tourism sector, raising Armenia's profile, and intensifying cooperation with foreign countries and international organizations.

In alignment with these efforts, the Tourism Committee of Armenia presented the draft of the 2025-2029 Tourism Development Strategy to the Prime Minister's Office. The specific goals of this strategy are to:

- Contribute to the national economy, balanced and inclusive regional economic development, increased living standards of the local population, poverty alleviation, and job creation.
- Enhance the positioning and awareness of Armenia and its tourism offerings by strengthening the Republic of Armenia's reputation. This will be achieved by showcasing Armenian tourism through four key pillars: Cultural Tourism, Adventure Tourism (including winter tourism), Gastronomy and Wine Tourism and Nature-based tourism.
- Improve the quality of tourism services provided in Armenia.

The targets set for 2029 include:

- Achieving approximately 3 million tourist visits and generating tourist expenditures equivalent to around USD 3 billion.
- Reaching approximately 3 million domestic tourist visits.
- Ensuring the availability of enhanced tourism infrastructure to support the industry's growth and development, including the establishment of 10 tourism clusters.
- Developing Destination Management Organizations (DMOs), with the DMO qualification system actively developing in Armenia. According to the Tourism Law, certification of DMOs will be mandatory starting July 2025.

Additionally, a new Tourism Law was adopted on 22 December 2023. This law regulates the fundamentals of state policy in the tourism sector and the requirements for individuals carrying out activities in this sector, as well as recreation and tours for natural persons. Effective 1 September 2024, all tourism service providers, including hotels, tour operators, travel agents, and guides, must comply with the notification requirements outlined in the Law 'On Notification of Carrying Out Activities.

A significant part of the 2025-2029 strategy focuses on developing regions with high-quality tourist potential but lacking modern accommodations, restaurants, and services. International partners have recommended developing hotels and guesthouses to a standard that can attract and host international tourists. Consequently, the government has developed investment master plans around strategic corridors. Of particular interest are the scenic yet underdeveloped southern regions of Syunik and Vayots Dzor, as well as Gyumri and Dilijan in Armenia's north.⁶¹

To achieve the goals of the programme and enhance the sector, the government has increased the budget of the Committee 7-fold in 2024 for marketing, promotion, and branding in comparison with 2022. Armenia has launched several promotional campaigns and forged

international collaborations to elevate its profile as a premier travel destination.

Among the significant achievements were the creation of the official tourist promotional website of the Tourism Committee www.armenia.travel, as well as the launch of a new brand, "**Armenia, The Hidden Track**," highlighting the country's heritage, nature, and hospitality. Created with AHA collective and supported by the European Union and BMZ⁶², the brand aims to position Armenia as a unique travel destination. It emphasizes Armenia's cultural and natural richness, combining historical depth with contemporary experiences in gastro and adventure tourism. The brand features a dynamic visual identity and a tagline that evokes surprise and discovery, aiming to boost Armenia's visibility in the international tourism market⁶³. Efforts also focus on attracting international hotel brands and food outlets, expanding direct flights to at least 25 new destinations by 2025, and increasing the number of gastro and wine festivals in Armenia.

To further support tourism education and employment, the government has introduced **training and capacity-building programs** aimed at enhancing the skills of professionals within the industry. These initiatives ensure high standards of service and contribute to a memorable experience for visitors, which is vital for the success of tourism enterprises. The development of Work-Based Learning (WBL) programs in Armenia, supported by the National Council for VET (Vocational Education and Training) Development (NCVD) and the European Training Foundation (ETF), plays a critical role in enhancing specific niches like gastronomy tourism and agritourism within the tourism industry. By implementing dual education programs and specialized training courses, these initiatives ensure that professionals in tourism and related fields acquire practical skills and industry-specific knowledge⁶⁴. This not only improves service quality but also enhances the overall visitor experience, making Armenia a more attractive destination for tourists. The emphasis on tourism within these educational frameworks highlights the sector's priority status and its potential to drive economic growth through well-trained, competent professionals.

Significant pilots have been conducted:

- Within the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)-funded Private Sector Development and Technical and Vocational Education and Training (PSD-TVET) project, 15 long-term dual VET programs in tourism, enotourism guidance and IT/precision engineering were implemented across 13 VET institutions in Armenia. Additionally, five short-term dual VET courses were piloted in four VET colleges, involving over 600 students.
- The 'Skills for Jobs' project (EU4Youth - SAY YES initiative by World Vision Armenia) developed short-term curricula for four professions: cheese-making, winemaking, agro-machinery maintenance, and veterinary.
- An EU-funded project by the Strategic Development Agency NGO revised and piloted two agricultural professions -veterinary and milk and dairy technology- according to the WBL approach.



Noravank Monastery, Vayots Dzor Region



Lake Sevan, Gegharkunik Region

4

INVESTMENT INCENTIVES AND TAX SYSTEM OVERVIEW

Armenia offers targeted incentives to stimulate growth in high-potential sectors, further enhancing its attractiveness as an investment destination.



The government provides a range of attractive financial incentives to encourage tourism investments. These incentives include tax breaks, low-interest loans, and grants for businesses engaged in tourism-related activities such as hotels, restaurants, tour operators, and travel agencies.

Tourism services offered to foreign tourists, along with agency services provided by travel agencies, are exempt from VAT when the trips, travels, and excursions take place within the Republic of Armenia. Additionally, individuals operating tourist houses and related services, including food services directly associated with these accommodations, can qualify as micro-entrepreneurs. These individuals, who are not sole proprietors, are exempt from income tax, VAT, and sales tax.

Armenia is committed to enhancing its appeal as a premier investment destination by offering targeted incentives across various high-potential sectors. The government provides tax breaks, low-interest loans, and grants to stimulate growth in other key multisectoral areas such as agriculture, infrastructure, technology, renewable energy, and education.

Tourism Infrastructure

For tourism infrastructure and services, there is an accelerated depreciation period, which is particularly favourable for hotels, sanatorium*, and educational institutions, facilitating investment in these sectors. Micro-entrepreneurship is also supported, with entities exempt from profit tax, VAT, and turnover tax if their turnover remains below a specified limit.

*Health and wellness resort that focuses on rehabilitation, preventive care, and therapeutic treatments.

Infrastructure in Exchange for Investment

The Armenian government actively supports infrastructure development as part of its investment incentives program. For investments up to AMD 500 million (approximately USD 1.3 million), the government will fund 10% of the total investment amount for the construction of essential infrastructure, including roads, water supply systems, electricity supply, gas supply systems, drainage systems, and telecommunications systems. For volume of AMD 500 million (approximately USD 1.3 million) or more, this support increases to 20%. In certain border settlements, the support can reach up to 40%. This incentive ensures that investors benefit from improved infrastructure, thereby reducing the initial costs of setting up operations and enhancing operational efficiency.

Requirements:

- 1** The investment program must be implemented in areas outside the first and second cadastral zones of the city of Yerevan.
- 2** Eligible fields include:
 - Agriculture, forestry, and fishing
 - Manufacturing industry
 - Warehousing and auxiliary transport activities
 - Organization of accommodation and public catering
 - Data processing, posting information on the network, and related actions, including actions related to web portals.
- 3** The beneficiary must have a registered right of ownership, development, use, or lease in relation to the territory.
- 4** Additional requirements may apply.

Subsidized Credit and Leasing for New Equipment

The subsidy program provides financial support for various types of leasing and loans. For the leasing of machinery and their components, the subsidy is 10% (8% in foreign currency) with loans subsidized at 8% (6% in foreign currency), capped at AMD 1 billion (approximately USD 2.6 million).

For leasing capital construction, the subsidy is 10% (8% in foreign currency) with loans at 8% (6% in foreign currency), up to 30% of the machinery price. For leasing software for business digitalization, the subsidy is 10% (8% in foreign currency) with loans at 8% (6% in foreign currency), capped at AMD 400 million.

The loan/leasing term is 120 months with a 6-month preferential repayment period and a 42-month subsidy period. The maximum subsidized amount for each entrepreneur is five times the investment in statutory capital, up to AMD 10 billion (AMD 5 billion in foreign currency). This privilege excludes entities in sectors D (Electricity, gas, steam, pure air supply) and F (Construction).

Supported sectors include:



Manufacturing Industry



Mining Industry and Exploitation of Open Pits



Supply of Electricity, Gas, Steam, and Good Quality Air



Information and Communication



Construction



Technical Maintenance and Repair of Cars



Transportation and Storage Economy



Accommodation Organization (excluding Yerevan administrative districts)



Professional, Scientific, and Technical Activity



Rental and Leasing



Education



Healthcare and Social Services



Creative, Art, and Performance Activity

Reimbursement for Manufacturing Economic Complex Products

The capital investment reimbursement for this incentive has the following eligibility requirements:

Administrative and Bankruptcy Status:

To qualify for support, a commercial company must not have faced administrative proceedings for tax obligations in the previous 365 days and must not be involved in bankruptcy proceedings or have any bankruptcy applications filed against it.

Investment and Sales Requirements:

The company must have invested at least AMD 1 billion (approximately USD 2.6 million) in capital directed towards establishing or expanding the production of economically complex products. Additionally, at least 30% of the annual sales turnover must come from economically complex products and sales in foreign markets.

Stages of State Subsidization

1. Start-up Support:

This support amounts to 10% of the real value of assets created from the capital investments in the investment program.

2. One-time Support:

This support is 5% of the real value of the assets created from the capital investments in the investment program.

3. Flow Support:

Annually, this can be up to 100% of the profit tax and 50% of the income tax paid by the company to the state budget, based on the previous year's results. The total flow support during the investment contract term cannot exceed 20% of the real asset value created by capital investments, with a cap of AMD 40 million (approximately USD 103 thousand) for real estate investments, excluding infrastructure investments.

Application Procedure

To participate, businesses must apply to the Ministry of Economy with their investment project concept and additional documents. After being recognized as beneficiaries, they must submit an annual report to the Ministry by September 30 each year. Financial statements and an audit report from approved auditing organizations (BDO Armenia, Grant Thornton, Ernst & Young, PricewaterhouseCoopers Armenia, or KPMG Armenia) must also be submitted annually.

This structured support framework ensures that companies meeting stringent investment and operational criteria receive phased financial assistance to promote economic complexity and market expansion.

State Support Programs

Armenia's state support programs provide substantial incentives to stimulate business growth and innovation. These programs include:

Information Technology (IT)



The IT sector in Armenia is heavily incentivized to promote technological advancement and innovation. These incentives include the refund of 50% of personal income tax in the sector.

According to the "**Law on State Support in the Field of Information Technologies**," licensed tech startups receive a 10% reduction in income tax on employees' salaries.

To qualify for this benefit, the following requirements must be met:

- The number of employees must not exceed 30 people.
- Business entities must apply for certification within three months from the date of state registration.

Agriculture



The agricultural sector receives substantial support through various subsidies and tax exemptions, provided certain requirements are met. Subsidized loans with interest rates between 0-2% are available for the purchase of agricultural machinery and equipment, enhancing productivity and modernization in the sector. Additionally, up to 50% reimbursement is offered for capital investments in specific agricultural sectors, such as crayfish production, encouraging investment and growth in niche markets.

Loans for greenhouse setups, intensive horticulture, modern irrigation systems are also subsidized, promoting sustainable agricultural practices and increasing the efficiency of agricultural operations. Low-interest loans for cattle breeding and agricultural procurements are available, with a maximum interest rate of 3%. Greenhouse setups are further encouraged with subsidies of up to 10%. Subsidized loans for purchasing agricultural raw materials are also offered, with interest subsidies ranging from 10-14%, enhancing the agricultural sector's competitiveness.

The structured approach of the program, with its clear eligibility criteria and generous subsidies, significantly enhances the financial viability of agricultural enterprises, particularly in border communities. This support not only fosters the growth of these enterprises but also contributes to the overall economic development of the agricultural sector.

These incentives significantly enhance opportunities in various niches of tourism in Armenia. The IT sector's benefits can be leveraged to develop cutting-edge digital tourism platforms and smart tourism solutions, attracting tech-savvy travellers. Agricultural subsidies and tax exemptions support the growth of agritourism, offering visitors unique experiences in sustainable farming and eco-tourism. These targeted incentives position Armenia as a versatile and attractive destination for diverse tourism investments, fostering innovation, sustainability, and growth across the tourism industry.

Free Economic Zones in Armenia

Armenia promotes economic growth and investment through the establishment of Free Economic Zones (FEZs) where businesses can enjoy a 0% rate on VAT, profit tax, property tax, and customs duties. These zones are strategically created to boost specific sectors by offering favourable tax conditions and streamlined regulations, enhancing Armenia's attractiveness as an investment destination. Armenia currently has four Free Economic Zones:

Figure 3.1 Free Economic Zones in Armenia

Meghri Free Economic Zone

Officially launched in 2017 in the Meghri region near the border with Iran, was established to attract both non-resident and resident companies in agriculture, trade, transport, processing, and tourism sectors. Meghri FEZ offers the widest industry coverage among Armenia's free economic zones. Its strategic location, combined with enhanced commercial and logistics opportunities, serves as a trade bridge between Armenia, Iran, EU countries, and the EAEU.

ECOS Free Economic Zone

The "ECOS" Free Economic Zone was established in Hrazdan, Kotayk region, on January 21, 2019. This FEZ focuses on manufacturing and high-tech industries, particularly in information technologies. Its goal is to create favourable conditions for export-oriented companies, attract highly qualified specialists, and build a unique network of high-tech enterprises. Plans include developing a complete ecosystem for high-tech and IT industries, featuring an accelerator, educational, and research cluster. The FEZ is set to operate for 25 years.

Alliance Free Economic Zone

Launched on August 1, 2013, focuses on the production and export of high-tech and innovative sectors. These include electronics, precision engineering, pharmaceuticals, biotechnology, information technology, alternative energy, production design, and telecommunications (covering the design and production of technological equipment, systems, and materials for data transfer). It also supports the production of goods not manufactured elsewhere in the Republic of Armenia. The initial operation period of the free economic zone is 12 years, with the possibility of extension.

Meridian Free Economic Zone

The Meridian Free Economic Zone, established in 2014 in the heart of Yerevan, specializes in jewelry, diamond cutting, and watchmaking. It serves as an effective platform for non-resident individuals and legal entities looking to establish jewelry, diamond, or watchmaking businesses in Armenia. A key advantage of this FEZ is the duty-free import of raw materials.

Tax overview

Armenia's taxation system is structured to support economic activity while ensuring equitable revenue distribution. The standard Value-Added Tax (VAT) rate is 20%, with a turnover tax ranging from 1.5% to 20%, incentivizing business operations and increasing tourism-related investments. The profit tax is competitive at 18%, aligning with global corporate tax trends. Property tax rates are minimal, set between 0.05% and 1.5%, with a higher rate for agricultural land at 15%. Excise tax is levied on specific goods such as alcoholic products, cigarettes, and fuels. Personal income tax is applied at a flat rate of 20%, ensuring simplicity and predictability for individuals.⁶⁵

Regarding personal income tax, a flat rate of 20% is applied, ensuring simplicity and predictability for individuals, with net salaries amounting to 75% after taxation. Pension fund payments are mandatory, with a rate of 5% for salaries below AMD 500,000 (approximately USD 1,289) and a differential rate of 10% for higher salaries, demonstrating a commitment to social security.

Armenia's tax regime extends beyond the mainstream corporate and personal income taxes to include specific taxes and exemptions that reflect the government's strategic priorities and environmental considerations. A 10% tax rate applies to royalties, alienation of property, and rent, while dividends are taxed at a more favourable rate of 5%. Road tax is determined based on vehicle weight and usage of public roads, and there's an environmental tax rated from USD 0 to USD 200 for emissions, alongside a vehicle property tax rate per horsepower.

Continuous reforms indicate a dynamic approach to taxation, aiming to foster a business-friendly environment while maintaining fiscal responsibility and supporting social welfare. This balanced tax structure positions Armenia as a competitive environment for both local entrepreneurs and international investors.

Registering a business in Armenia as an investor

Registering a company in Armenia is free of charge, takes only 20 minutes and requires no minimum capital.

Armenia offers a streamlined business registration process through its online portal, enabling companies and entrepreneurs to register, reserve a name, and acquire a tax ID in a matter of minutes. Corporate bank accounts can be established within 1-10 days, with no minimum capital threshold for starting a business. The cost of registration is nominal, highlighting Armenia's commitment to fostering an entrepreneurial environment.⁶⁶

Foreign citizens planning to invest in or establish a business in Armenia may qualify for various residency permits, including temporary residence status with a validity of one-year, permanent residence status valid for five years, and special residence status valid for ten years.

These residency permits are issued as follows:

Temporary residence status: Issued in the form of a card with a validity of 1 year.

Permanent residence status: Issued in the form of a card with a validity of 5 years.

Special residence status: Issued in the form of a passport with a validity of 10 years.



Mount Gutanasar, Kotayk Region

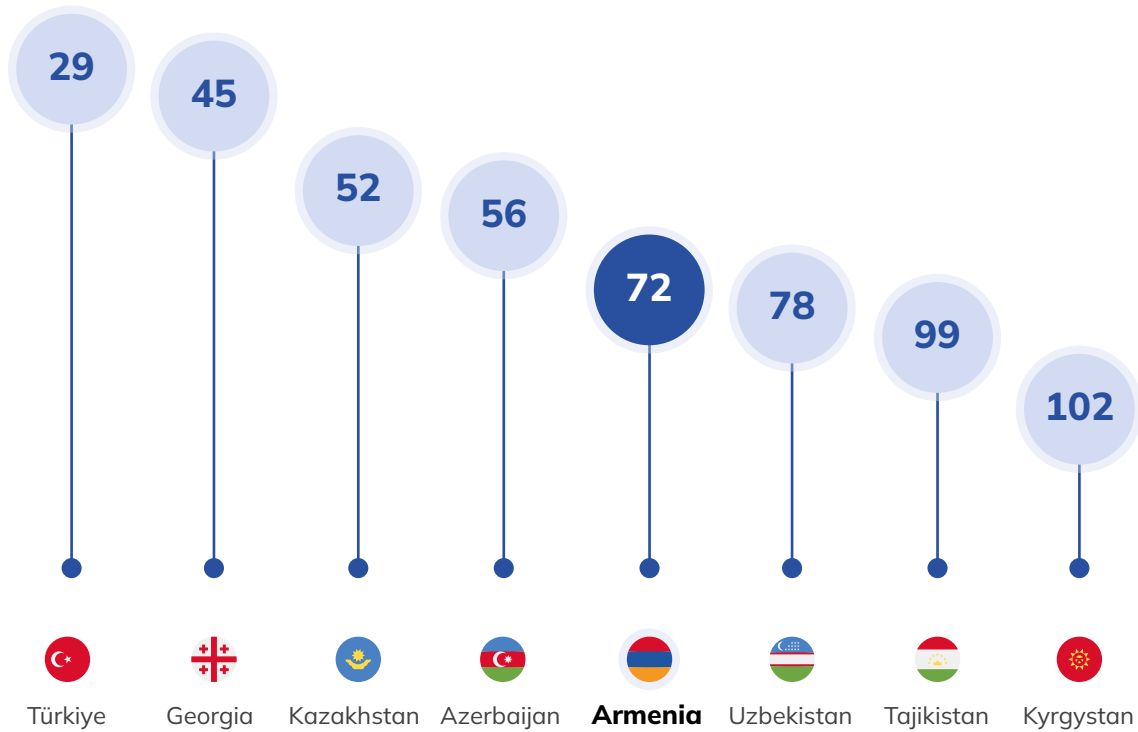
5

COMPETITIVENESS OUTLOOK

5.1 Country Benchmarking

According to the World Economic Forum's 2024 Travel & Tourism Competitiveness Report (TTDI), Armenia ranked 72 out of 117 countries, showcasing its competitive edge in several key areas within a regional comparison.

Figure 5.1: Regional Ranking according to the Travel & Tourism Development Index, 2024



Source: World Economic Forum. (2024). Travel & Tourism Development Index 2024. World Economic Forum. Available online: <https://www.weforum.org/publications/travel-tourism-development-index-2024/interactive-data-and-economy-profiles-afaa00a59c>

The report highlights Armenia's top performance in Travel & Tourism demand pressure and impact, where it leads the region by indicating strong and sustainable tourism demand without overwhelming local resources and infrastructure. In prioritization of travel and tourism, the country's government places a high priority on the travel and tourism sector, reflected in robust policy support and investment. Armenia also ranks high in health and hygiene standards, ensuring safety and well-being for tourists and boosting its appeal as a safe destination. The

country excels in human resources and labour market, benefiting from a skilled workforce and efficient labour market, which supports the tourism industry's needs effectively. Additionally, Armenia's favourable business environment, characterized by ease of doing business and supportive regulations, encourages tourism-related investments and operations⁶⁷.



Geghard Monastery, Katayk Region

Figure 5.2: UN Tourism Central and Eastern Europe Regional Commission Heat MAP Travel and Tourism Development Index 2024

	Business Environment	Safety and Security	Health and Hygiene	Human Resources and Labour Market	ICT Readiness	Prioritization of Travel and Tourism	International Openness	Price Competitiveness	Air Transport Infrastructure	Ground and Port Infrastructure	Tourist Service Infrastructure	Natural Resources	Cultural Resources	Non-Leisure Resources	Environmental Sustainability	Socioeconomic Resilience and Conditions	T&T Demand Pressure and Impact
Georgia	4.9	6	5.4	4.8	5.4	4.2	4.9	6	3	4	5.1	1.9	2.2	1.7	4.3	4.5	3.9
Azerbaijan	4.8	5	5.4	5.1	5.1	3.8	2.9	5.9	3	4.4	2.6	1.6	3	1.6	4.1	4.7	4.1
Armenia	4.3	6	5.5	4.3	5.1	4	4.5	6	2.7	3.2	3.7	1.5	2	1.5	3.9	4.7	4.6
Kazakhstan	3.5	5.1	5.6	4.3	5	4	2.4	6.6	2.9	3.1	3.1	3.4	2.2	2.3	3.6	4.8	4.2
Tajikistan	3.9	5.5	4.7	4.1	3.5	3.4	2.2	5.8	2.3	3.3	1.8	2.2	1.9	1.1	4	3.7	4.4
Kyrgyz Republic	3.2	5.2	4.9	4	4.2	3.1	3.4	6.1	2.7	3.5	3.1	2.1	2.2	1.6	3.9	4.4	4.1
Sub-Region Average	4.1	5.5	5.3	4.4	4.7	3.8	3.4	6.1	2.7	3.5	3.1	2.1	2.2	1.6	3.9	4.4	4.1

Source: World Economic Forum. (2024). Travel & Tourism Development Index 2024. World Economic Forum. Available online: <https://www.weforum.org/publications/travel-tourism-development-index-2024/interactive-data-and-economy-profiles-afaa00a59c>

Delving into the specifics of the index dimensions and scores, Armenia's business environment is rated at 4.3, reflecting a stable and supportive framework for tourism enterprises. The country's safety and security is notably strong, with a score of 6, highlighting a secure environment for tourists, a critical factor in attracting and retaining visitors. Additionally, in the health and hygiene dimension, Armenia achieves a score of 5.5, underscoring the effectiveness of its healthcare services, which are essential for ensuring the well-being of visitors.

The human resources and labor market dimension also scores 5.5, indicating the availability of a skilled workforce vital for delivering high-quality tourism services. In terms of ICT readiness, Armenia scores 4.3, suggesting that the country's digital infrastructure is adequately developed to support tourism activities, including internet accessibility and the adoption of modern technologies.

The prioritization of travel and tourism is evident with a score of 5.1, reflecting the sector's significance to the government and stakeholders, who have devoted considerable resources to its development. However, the infrastructure dimension presents a mixed picture: while air transport infrastructure scores a relatively strong 4.5, ground transport is rated much lower at 2.7, and tourist services score 3.2, indicating areas that require significant improvement to enhance accessibility and the overall visitor experience.

Armenia's natural resources score 3.7, showcasing the country's strong natural attractions. However, cultural resources receive a low score of 1.5, pointing to substantial untapped potential in promoting and utilizing Armenia's rich cultural heritage. Lastly, in environmental sustainability, Armenia scores 4.1, reflecting a moderate commitment to preserving the long-term viability of its tourism sector, ensuring that tourism growth aligns with sustainable development objectives.



Zorats Karer, Syunik Region

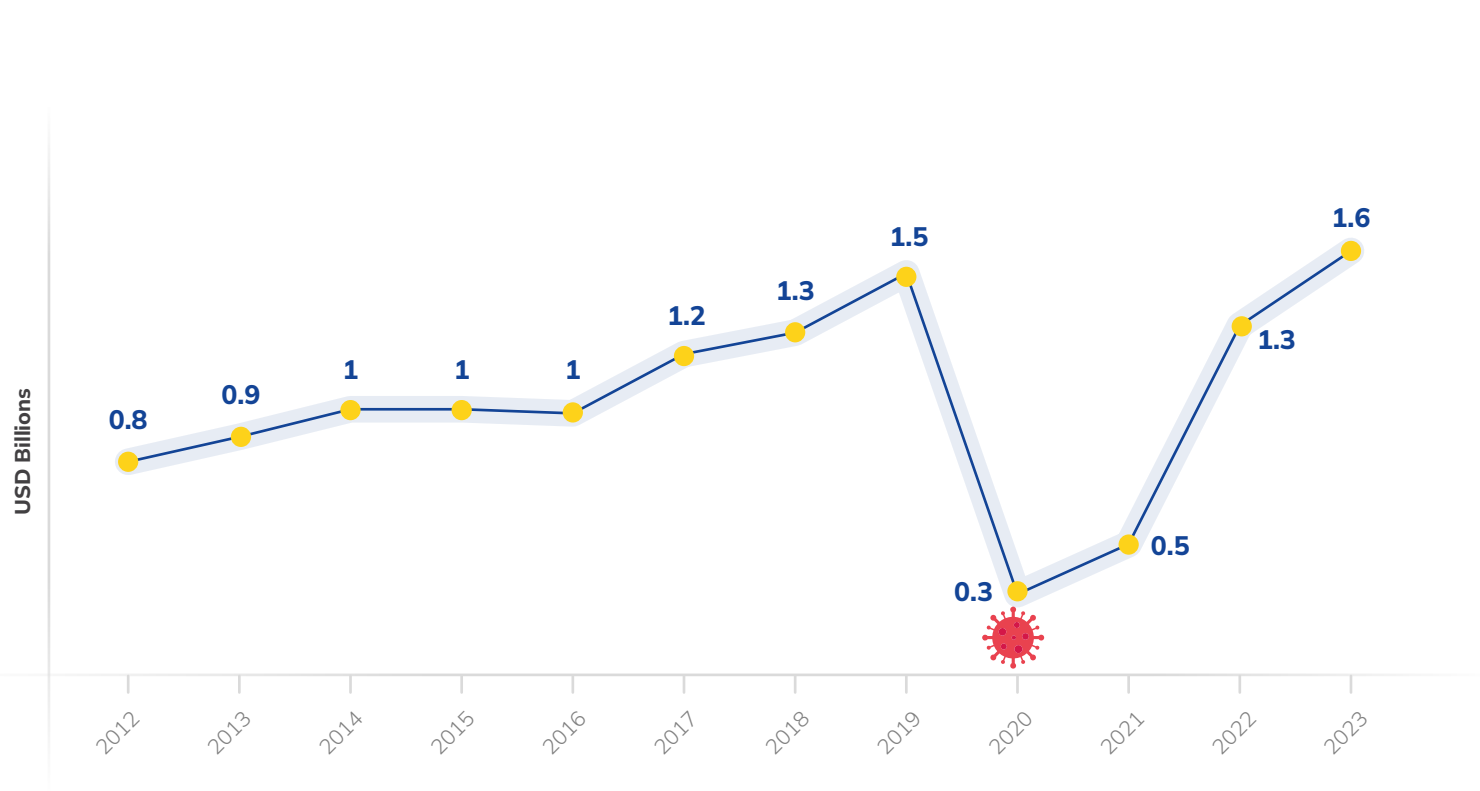


Zvartnots Temple, Armavir Region

5.2 Tourism Cluster Overview

Tourism plays a vital role in Armenia's economy, significantly contributing to its service sector. Starting at USD 0.8 billion in 2012, tourist expenditures showed an upward trend, rising to USD 1.3 billion in both 2018 and 2019. The year 2020 saw a decrease to USD 0.3 billion, likely due to the economic impact of the COVID-19 pandemic. In 2021, expenditures recovered slightly to USD 0.5 billion. Subsequent years showed a robust recovery, with expenditures increasing to USD 1.3 billion in 2022 and reaching USD 1.6 billion in 2023, the highest in the period analysed.

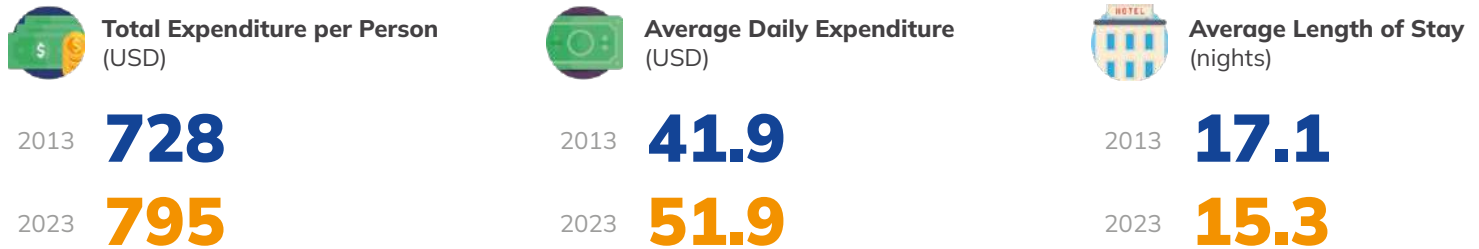
Figure 5.3: Tourism expenditures in Armenia, 2012-2023 (USD billions)



Source: World Tourism Organization (2024), 'UN Tourism Data Dashboard', UN Tourism, Madrid, available online: <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance> [08-02-2024].

This data on overall expenditure is supported by a notable increase in total expenditure per person, rising from USD 728 in 2013 to USD 794.9 in 2023⁶⁸. This increase reflects an enhanced perception of Armenia as a valuable travel destination, possibly due to improved infrastructure, services, and marketing strategies. Furthermore, the average daily expenditure has surged from USD 41.9 to USD 51.9, suggesting that tourists are willing to spend more on daily activities and experiences⁶⁹.

Figure 5.4 Trends in Tourist Expenditure and Length of Stay in Armenia, 2013 vs 2023



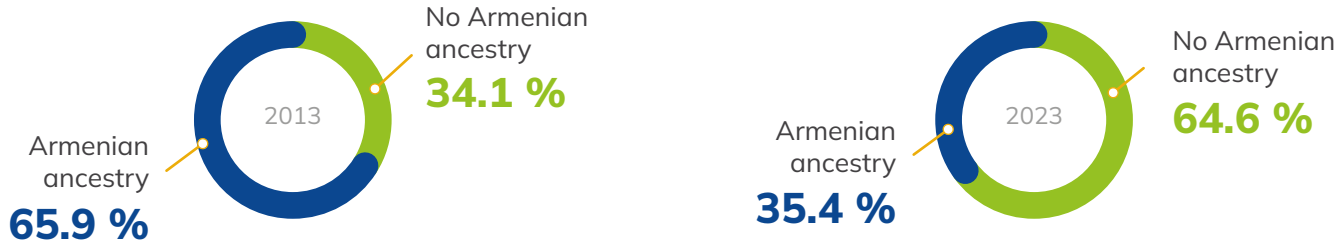
Source: Armenian International Visitor Survey, Statistical Committee of the Republic of Armenia. (2024).



Conversely, the average length of stay has slightly decreased from 17.1 nights in 2013 to 15.3 nights in 2023. This reduction could imply a shift in travel patterns, where tourists prefer shorter, more intensive stays rather than extended visits. This trend calls for continued strategic adaptation by the tourism sector to maximize economic benefits from shorter stays by focusing on targeted high-value offerings and experiences.

Accompanying this improvement in expenditure, there has been a significant diversification in the origin of tourists. Notably, in 2022, the top seven countries accounted for 85% of the visitors. By 2023, this diversity expanded further, with the top nine countries contributing to make the same share⁷⁰. There has been a marked increase in visitors from Europe and the Americas. Actually, between 2013 and 2023, there was a shift in the composition of visitors to Armenia. In 2013, 65.9% of tourists had Armenian ancestry, while 34.1% did not. By 2023, these proportions had reversed, with 64.6% of visitors having no Armenian ancestry and 35.4% having Armenian ancestry. This change indicates a growing international interest in Armenia beyond the diaspora.

Figure 5.5 Visitors to Armenia with or without Armenian ancestry. Comparison 2013 vs. 2023
(Share)



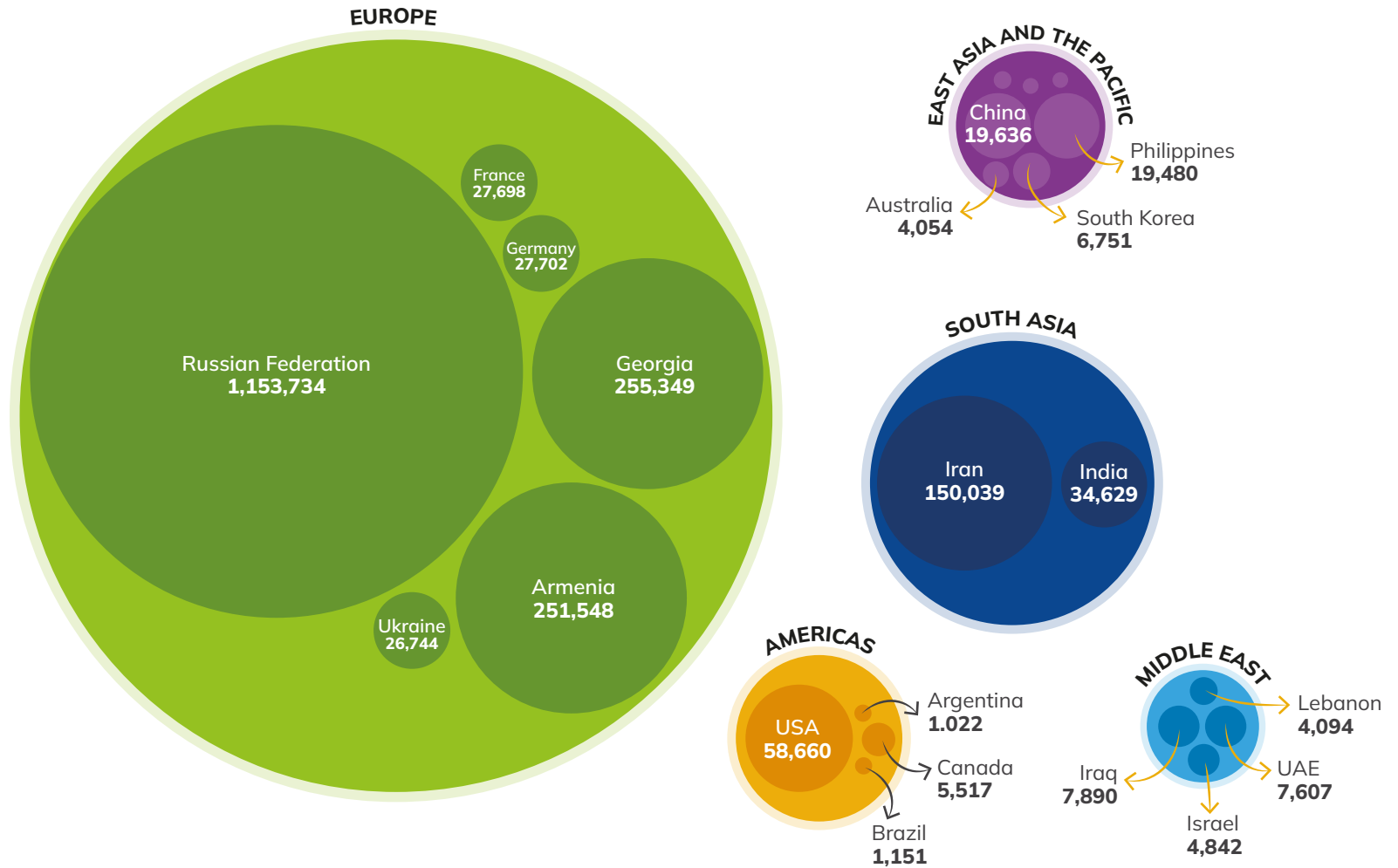
Source: Armenian International Visitor Survey, Statistical Committee of the Republic of Armenia. (2024). Available online: <https://www.armstat.am/en/> [27-07-2024]

In summary, the 2023 visitor trends to Armenia highlight Europe and South Asia as the top contributing regions, with Russian Federation (1,153,734 visitors) and Iran (150,039 visitors) leading the respective visitor numbers. East Asia and the Pacific, along with the Americas, show moderate contributions, with significant numbers from China (19,636 visitors), the Philippines (19,480 visitors), and the United States of America (58,660 visitors). The Middle East and Africa, while contributing smaller numbers, reflect important regional engagements, particularly from Iraq (7,890 visitors), the United Arab Emirates (7,607 visitors), and South Africa (3,075 visitors). These trends underline Armenia's diverse appeal and its growing prominence as a global tourist destination.

According to this goal, the draft of the 2025-2029 Tourism Development Strategy identifies several target countries for strategic and marketing initiatives aimed at activating these markets. The primary target countries include Germany, France, Russian Federation, Iran, Georgia, the United States of America (particularly the Armenian Diaspora), Italy, and the United Arab Emirates.

Additionally, the strategy recognizes several countries with significant potential, including India, China, Japan, Great Britain, Spain, and the Gulf countries.

Figure 5.6: International visitor arrivals by region and country main nationality 2018- 2022

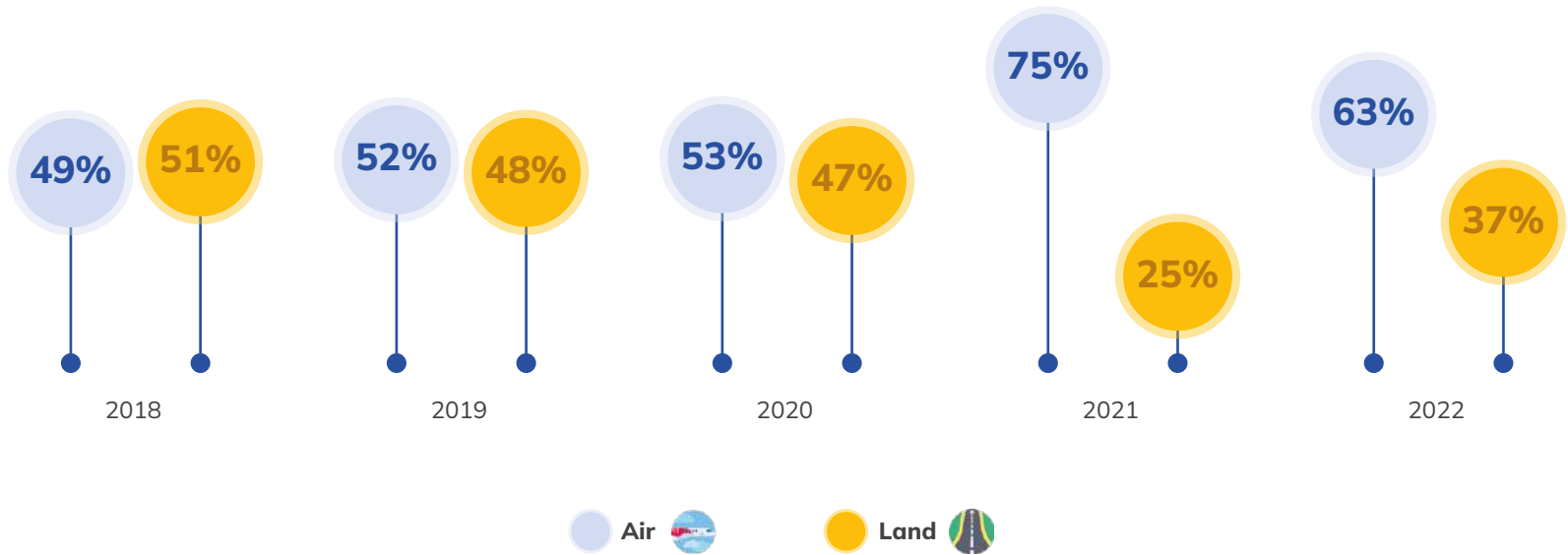


Source: Statistical Committee of the Republic of Armenia. (2024). Available online: <https://www.armstat.am/en/?nid=202> [08-06-2024].

Over the past few years, significant changes in visitor arrival patterns to Armenia have corresponded with broader geopolitical dynamics and public health measures. In 2018, the distribution of visitors was almost evenly split between air and land travel, with 49% arriving by air and 51% by land. This balance persisted into 2019 and 2020, with air travel slightly increasing to 52% and 53%, respectively. However, the onset of the COVID-19 pandemic in 2020 brought shifts. By 2021,

stringent land travel restrictions were imposed to curb the spread of the virus, resulting in a significant rise in air travel, with 75% of visitors arriving by air. As the pandemic-related restrictions began to ease in 2022, there was a move towards normalization. The distribution of visitor arrivals began to balance out, with 63% arriving by air and 37% by land.

Figure 5.7: Visitors by border entry type, 2018- 2022
(Share)

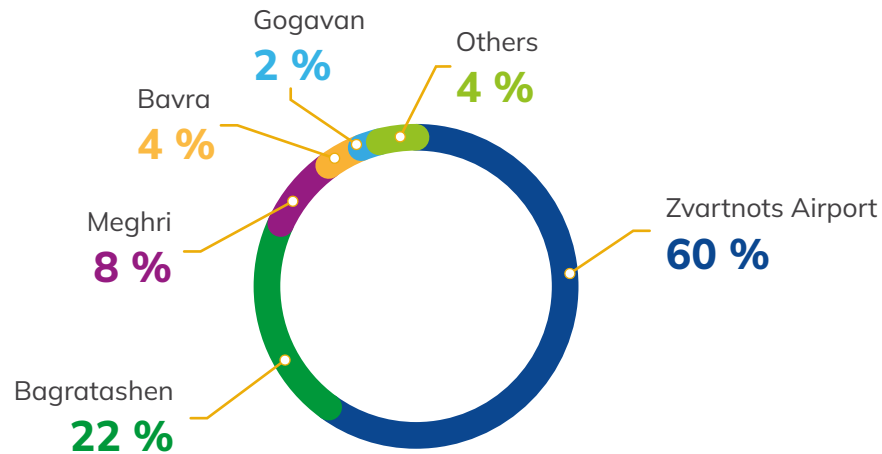


Source: UN Tourism (2024), 'UN Tourism Data Dashboard', UN Tourism, Madrid, available online: <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance> [08-02-2024].

In 2023, these trends remain similar, with the main border entry being Zvartnots Airport, accounting for 60% of the total share of visitors. This dominance highlights the airport's critical role as the primary gateway for international tourists entering Armenia. Following Zvartnots Airport, Bagratashen accounts for 22% of the visitor share, indicating

significant land border activity. Meghri, which serves as the border entry from Iran, captures 8% of the visitor share, highlighting its importance for regional tourism. Bavra and Gogavan, both entry points from Georgia, account for 4% each. Other border crossings collectively represent a smaller fraction, with 2%.

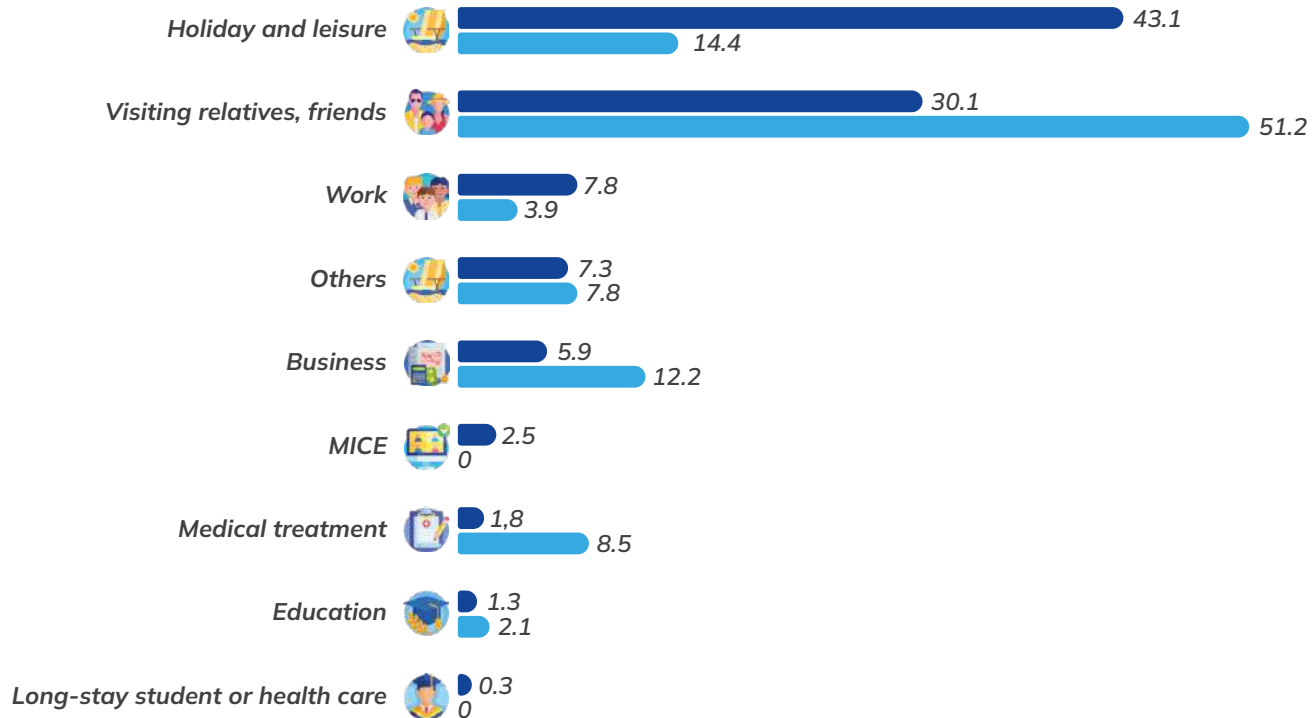
Figure 5.8: Visitors by border crossings, 2023
(Share)



Source: Armenian International Visitor Survey, Statistical Committee of the Republic of Armenia. (2024).

Over the last decade, the primary reasons for visiting Armenia have evolved. In 2013, 51.2% of tourists visited to see relatives and friends, while only 14.4% came for holidays and leisure. By 2023, holiday and leisure travel surged to 43.1%, while visits to relatives and friends decreased to 30.1%. Work-related visits increased from 3.9% to 7.8%, and business travel saw a slight decline from 12.2% to 5.9%. Medical tourism dropped significantly from 8.5% in 2013 to 1.8% in 2023.

Figure 5.9: Visitors by motivation of the trip, Comparison 2013 vs 2023
(Share)



Source: Armenian International Visitor Survey, Statistical Committee of the Republic of Armenia. (2024).

Note: Business trips are short-term stays without local payment, while work trips are longer with compensation from local entities.

To complement this information, the Statistical Committee of Armenia, through its annual survey, identified the main reasons tourists visit Armenia in 2023 with more detailed categories. Historical and cultural heritage emerged as the primary attraction, drawing 29.6% of tourists. Nature and sightseeing followed closely, attracting 22.4% of visitors. Experience and gastro-tourism accounted for 20.3% of the tourist inflow, reflecting a growing interest in Armenia's culinary and

experiential offerings. Other significant reasons included participation in events (6.2%), adventure tourism (6.0%), and special public events (2.0%). Additionally, regional tours (1.8%), ski tracks (1.2%), religious tourism (1.1%), and agritourism (0.6%) contributed smaller percentages. Meanwhile, 8.8% of tourists visited for other reasons.

Figure 5.10: Reasons for choosing Armenia among tourists 2023
(Share)



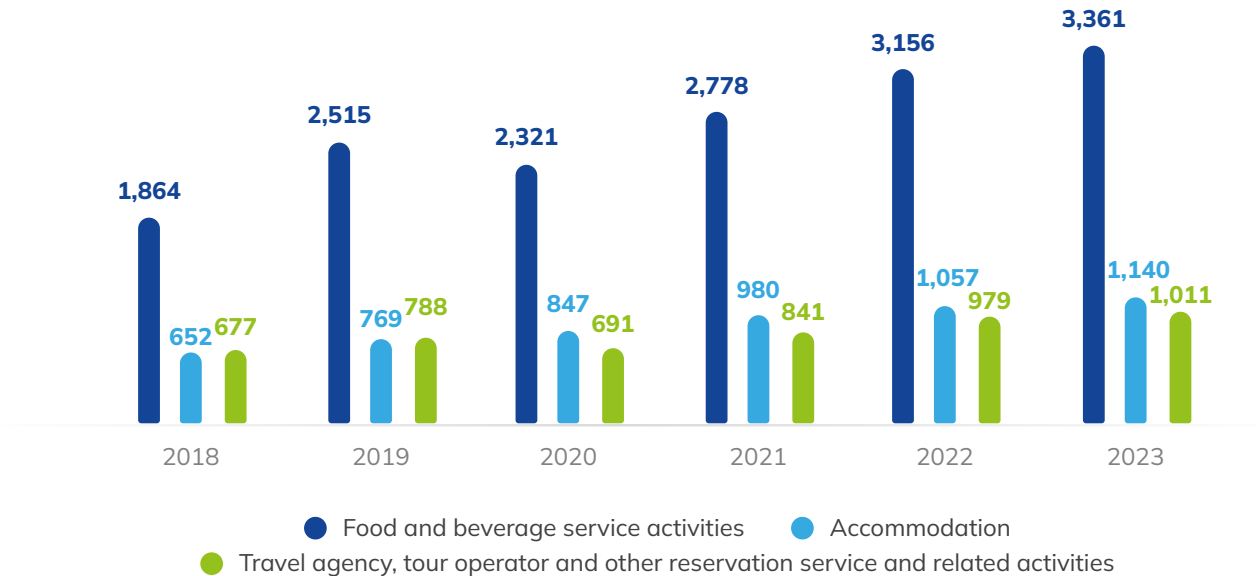
Source: Armenian International Visitor Survey, Statistical Committee of the Republic of Armenia. (2024).

The tourism sector in Armenia has significantly impacted several key industries, demonstrating resilience and growth from 2018 to 2023. The number of entities in food and beverage services, accommodation, and travel agencies has steadily increased, reflecting Armenia's proactive efforts to enhance its tourism infrastructure.

In 2023, the food and beverage service sector led with 3,361 establishments, followed by 1,140 accommodation facilities, and

1,014 travel agencies and related services. The steady growth across key sectors not only supports the tourism industry but also enhances the overall visitor experience. Armenia's rich cultural heritage, stunning landscapes, and high-quality services make it an increasingly attractive destination for tourists. As Armenia continues to develop its tourism infrastructure, it stands out as a destination that offers a unique blend of history, natural beauty, and warm hospitality, ensuring a memorable and fulfilling travel experience for all visitors.

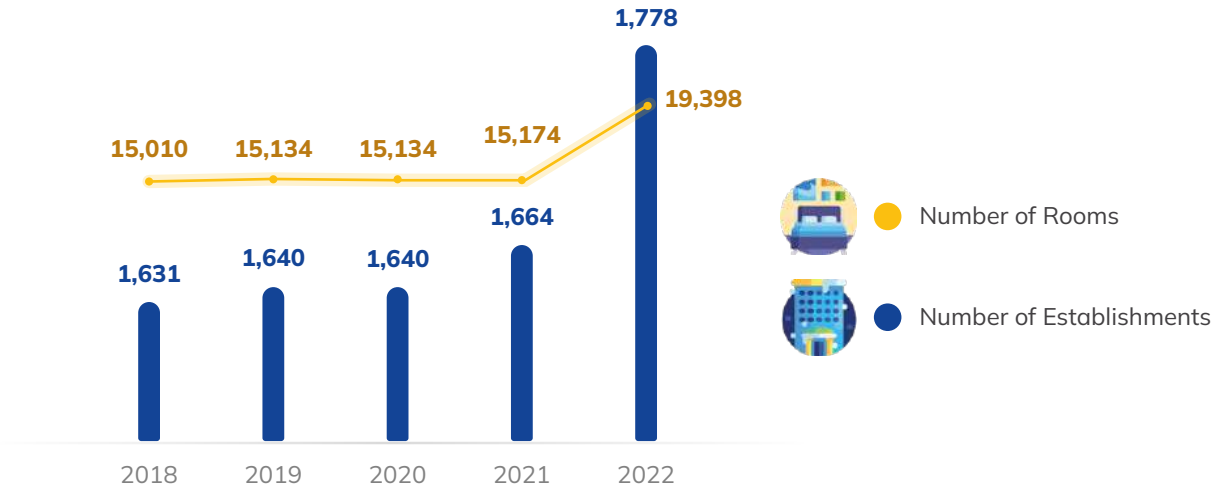
Figure 5.11: Total number of tourism related establishments, 2018 - 2023



Source: UN Tourism (2024), 'UN Tourism Data Dashboard', UN Tourism, Madrid, available online: <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance> [08-02-2024].

The increase in visitor numbers, expenditures, and the diversification and growth of businesses has significantly boosted the expansion of hospitality infrastructure in Armenia. This growth is evidenced by the peak figures of 19,398 rooms and 1,778 accommodation establishments, demonstrating a robust expansion in both categories to meet the rising demand from tourists.

Figure 5.12: Total number of accommodation establishments and rooms, 2018 - 2023

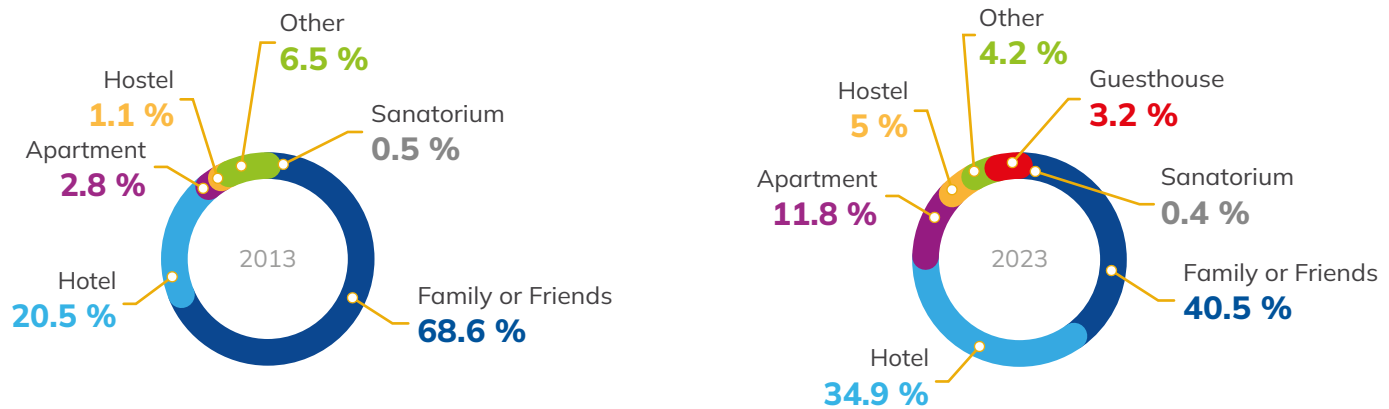


Source: UN Tourism (2024), 'UN Tourism Data Dashboard', UN Tourism, Madrid, available online: <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance> [08-02-2024].

Regarding categories of accommodation, Armenia's tourism landscape has experienced significant changes, mirroring broader trends in visitor preferences and the evolving dynamics of the tourism sector. A comparison of data from 2013 to 2023 reveals a notable shift in the types of accommodations chosen by tourists, with a move away from traditional stays with family and friends towards a more diverse array of options. In 2013, most tourists (68.6%) stayed with family or friends, but this preference dropped to 40.5% in 2023, indicating a shift towards more diverse accommodation options. Hotels have become increasingly popular, with their share rising from 20.5% in 2013 to 34.9% in 2023. Apartments also saw a notable increase, from 2.8% to 11.8%, reflecting a growing trend towards self-catering and longer stays. Hostels, though still a smaller segment, increased from 1.1% to 5%, suggesting a rising popularity among budget travelers. The 'Other' category decreased from 6.5% to 4.2%, while guesthouses, which were not separately categorized in 2013, accounted for 3.2% of accommodations in 2023.



Figure 5.13 Visitors accommodation by type, 2013 vs 2023
(Share)



Source: Armenian International Visitor Survey, Statistical Committee of the Republic of Armenia. (2024). Available online: <https://www.armstat.am/en/> [27-07-2024]

Despite the diversification of accommodation types, the distribution of accommodation facilities highlights the development of Armenia's hospitality infrastructure and the potential for further regional diversification. Currently, 57% of accommodations are concentrated in Yerevan, with the remaining 43% spread across other regions. This centralized yet expanding distribution underscores the tourism industry's focus on Yerevan while also indicating significant regional growth potential. The Armenian government is prioritizing diversification efforts, particularly in the southern corridors. These initiatives aim to boost tourism in less-developed areas, balancing economic benefits and promoting regional development.

Figure 5.14 Accommodation Services Distribution in Armenia, 2022

(Share)



Source: Enterprise Armenia. (2023). Invest in Armenia Tourism and hospitality.



Glamping in the Lori Region



Mount Aragats, Aragatsotn Region

5.3 Key Investment Niches

Armenia offers diverse investment opportunities in its tourism sector, with each region presenting unique attractions that range from historical landmarks and cultural treasures to natural wonders and recreational facilities. This diversity not only enriches the visitor experience but also opens up varied investment possibilities tailored to different interests and market needs.

The 2025-2029 Tourism Development Strategy seeks to position Armenia as a leading destination for year-round tourism. The strategy focuses on leveraging Armenia's ancient cultural heritage, natural beauty, rich culinary traditions, and renowned hospitality to attract a global audience. It also emphasizes the importance of sustainability, safety, and competitiveness in building a resilient tourism sector.

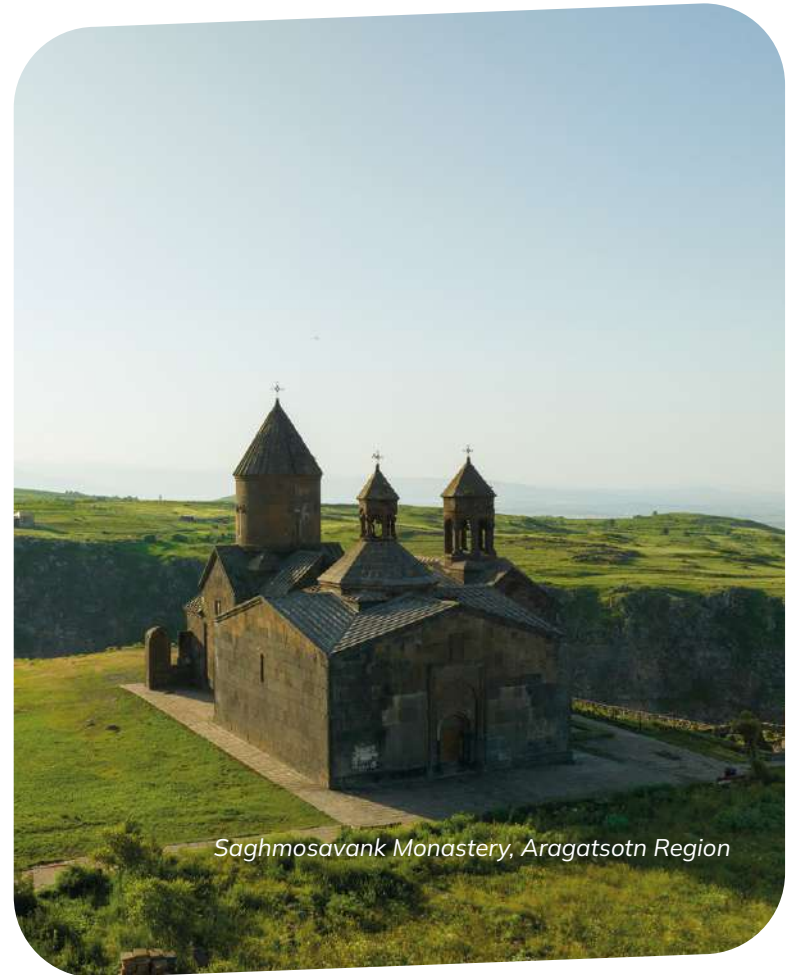
To achieve this vision, the strategy outlines key investment niches within the Armenian tourism industry: Cultural Tourism, Adventure Tourism (including winter tourism), and Gastronomy Tourism (including cuisine and wine tourism). Each of these niches offers distinct development opportunities, providing investors with targeted avenues to contribute to Armenia's tourism growth while meeting the evolving demands of travelers.

Cultural Tourism

Armenia has a millennia-old history and rich culture. There are tens of thousands of monuments in the territory of the Republic of Armenia, 25,000 of which are officially registered. Among these are thousands of unique and irreplaceable monuments built or created during various historical periods, including three properties inscribed on the UNESCO World Heritage list: Cathedral and Churches of Echmiatsin and the Archaeological Site of Zvartnots, Monasteries of Haghpat and Sanahin, and the Monastery of Geghard and the Upper Azat Valley⁷¹. Therefore, cultural tourism is one of the primary interests of tourists, and preservation, development, and proper presentation and promotion of cultural heritage comprise an integral part of the tourism policy development process

Investors can explore opportunities in developing heritage sites, cultural tours, and museums that highlight Armenia's storied past. Restoration and preservation projects for ancient monuments can be coupled with interactive exhibits and technology-driven experiences, such as virtual reality tours, to attract a broader audience. The development of themed accommodations, like boutique hotels in historic buildings, can enhance the cultural immersion experience for tourists.

The creation of digital audio guide service apps in multiple languages, presenting state-controlled standardized-information accessed through QR codes provided on the signboards of the main historical-cultural destinations could further enable the visitors with self-guided, individualized experience, allowing them to explore the destination or attraction at their own pace and according to their preferences and interests.



Sagmosavank Monastery, Aragatsotn Region

Armenia's dedication to preserving its cultural heritage is evident through its numerous sites listed on UNESCO's Tentative List, as well as its rich traditions inscribed in the Representative List of the Intangible Cultural Heritage of Humanity.

UNESCO Tentative List Sites in Armenia:

- **Dvin Archaeological Site**
Ancient capital and cultural center.
- **Yererouk Basilica and Archaeological Site**
One of the earliest Christian monuments in Armenia.
- **Noravank Monastery and Upper Amaghov Valley**
13th-century monastery surrounded by dramatic cliffs.
- **Tatev and Tatevi Anapat Monasteries, Vorotan Valley**
Historic monasteries in a picturesque valley known for its deep gorges.
- **Vishaps and the Cultural Landscape of Tirinkatar**
Unique prehistoric monuments called "Vishaps" or dragon stones.

UNESCO Representative List of the Intangible Cultural Heritage of Humanity:

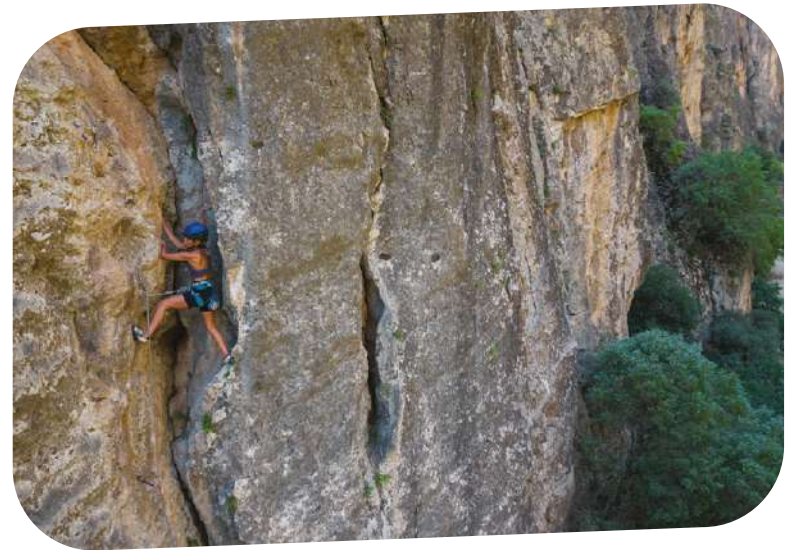
- **Blacksmithing Tradition in Gyumri**
Craftsmanship passed down through generations.
- **Pilgrimage to St. Thaddeus Apostle Monastery**
Religious tradition with deep cultural significance.
- **Armenian Letter Art and Cultural Expressions**
Celebration of the unique Armenian alphabet and its artistic applications.
- **Kochari, Traditional Group Dance**
Energetic dance symbolizing unity and cultural identity.
- **Lavash: Preparation and Cultural Significance**
Traditional bread-making that embodies Armenian hospitality.
- **Performance of the Armenian Epic 'Daredevils of Sassoun'**
Oral tradition narrating the heroic tales of Armenian folklore.
- **Khachkars: Armenian Cross-Stones Art**
Symbolic stone carvings, unique to Armenian culture.
- **Duduk and Its Music**
Melancholic woodwind instrument central to Armenian music.

Adventure -Tourism

Armenia's diverse landscape, which includes mountains, forests, and rivers, provides ample opportunities for adventure and eco-tourism. Activities such as hiking, paragliding, skiing, and mountain biking are popular among tourists seeking active vacations in natural settings. The country's commitment to conservation, seen in protected areas like Dilijan National Park, allows tourists to experience relatively untouched natural environments. This niche attracts not only those seeking physical activities but also visitors interested in environmental sustainability and wildlife.

Armenia offers numerous opportunities for extreme sports enthusiasts as well. The rugged terrain and varied landscapes are ideal for activities such as rock climbing, rafting, paddleboarding, kayaking, and zip-lining. Developing specialized adventure parks, climbing centers, and adventure tour operators can capitalize on this growing market. Infrastructure investments such as improved trails, safety facilities, and training centers for adventure sports can further boost this sector.

On the other hand, eco-tourism in Armenia is supported by its rich biodiversity and conservation efforts. Establishing eco-lodges, guided nature tours, and wildlife observation points can provide sustainable tourism options that appeal to environmentally conscious travelers. Investing in renewable energy sources and sustainable practices for tourism facilities can attract eco-tourists and set a standard for responsible tourism in the region.



Winter Tourism

The rich opportunities provided by nature make Armenia attractive for those who prefer winter tourism. Armenia has winter tourism centers with infrastructure that meets international standards. With investments aimed at developing human resources, Armenia can become a globally significant alternative winter tourism destination. The implementation of certain safety standards will also help make this direction more attractive, secure, safe, and reliable.

Among the operating ski resorts in Armenia are:

MyLer Ski Resort

Located in Yeghipatrush village, Aragatsotn Region of Armenia, Myler Ski Resort is rapidly transforming into a premier destination for ski enthusiasts and investors alike. Significant progress has been made in developing key infrastructure and amenities, ensuring an exceptional experience for visitors.

Currently, there are two operating cable cars, several ski slopes, and a restaurant. Intense construction work is also underway.

Tsaghkadzor Ski Resort

Located about 50 kilometers north of Yerevan, Tsaghkadzor Ski Resort is among the most popular and well-developed ski destinations in Armenia. It features modern facilities and a range of slopes suitable for all skill levels. Tsaghkadzor was once the training ground for the Soviet Olympic Ski team. It is a winter wonderland for avid skiers, offering cozy cottages, fresh snow, luxury hotels, and various local shops and restaurants. Tsaghkadzor is the ideal place for a winter escape, combining excellent skiing and snowboarding with a charming atmosphere for relaxation.

Ashotsk Cross-Country Ski Resort

Located not far from the 2nd largest city, Gyumri, in the Shirak region of Armenia, an ideal area for those seeking a quieter, less commercialized skiing experience.

Transcaucasian Trail (TCT)

The Transcaucasian Trail (TCT) is a thru-hike that links the countries of the South Caucasus and spans over 800 kilometers of Armenian territory, stretching from the country's north to south. This extensive trail takes hikers through lush forests, alpine meadows, and deep gorges, offering breathtaking views of Armenia's rugged mountains. Along the way, trekkers can explore historic monasteries, cultural sites, and interact with local communities, experiencing the rich heritage and natural beauty of Armenia.



Nature-Based Tourism

For most tourists visiting Armenia, nature is one of the most impressive and impactful factors. Therefore, the preservation, rational use, and development of natural resources, as well as the utilization of the potential of specially protected natural areas (national parks, reserves, sanctuaries, and natural monuments) and forests and forest lands, are among the key prerequisites for the development of tourism in Armenia.

Despite its small size, Armenia boasts diverse indigenous flora and fauna, with natural reserves, monuments, and national parks. Visitors can enjoy wild poppy fields near Gyumri, irises around Garni and Voghjaberd, and hiking in Dilijan National Park or Khosrov Forest State Reserve. The Armash Fishponds are ideal for birdwatching, while Gnishik Canyon offers sightings of bezoar goats and bearded vultures. Armenia's varied climate zones and topography support different species of vegetation and wildlife, making it a rich destination for nature enthusiasts.

Armenia offers lush forests, high-altitude lakes, waterfalls, gorges, cliffs, and diverse landscapes, making it a top hiking destination, as noted by CNN.⁷² For hiking enthusiasts, HIKEArmenia, a non-profit NGO, provides extensive resources, including a free hiking app and website that detail trails, accommodations, and guides. Their information center in Yerevan offers personalized advice from professional staff to help plan the perfect hike. With these tools, exploring Armenia's breathtaking trails is accessible and enjoyable for all.⁷³

Visitors can nurture their adventurous spirit with water sports on Lake Sevan, the largest lake in the Caucasus. Activities include kayaking, sailing, SUP boarding, and boat rides, with the best time to visit being July and August when the weather is cooler in Sevan⁷⁴. This experience highlights Armenia's blend of natural beauty and thrilling activities, ensuring lasting memories.



Landscape in the Tavush Region

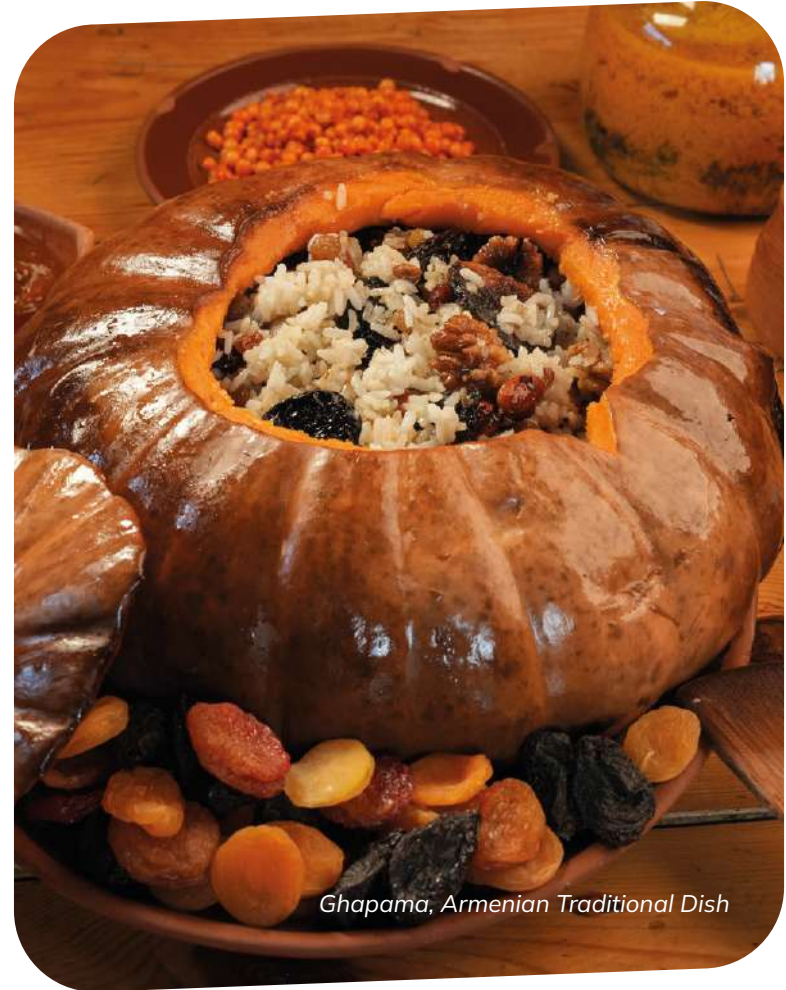
Gastronomy and Wine Tourism

Armenian cuisine and wine always stand out for their rich heritage. Gastronomy tourism and Wine Tourism are among the most popular and primary directions in the global market today. Many elements of Armenian cuisine are known worldwide, attracting tourists while preserving and presenting numerous aspects related to the traditions and lifestyle of the Armenian people. Notably, Armenian lavash has been included in UNESCO's list of Intangible Cultural Heritage of Humanity due to its unique preparation methods and its cultural and national significance⁷⁵.

For millennia, Armenian food traditions were shaped by geographical and climatic conditions, local lifestyle, and different types of mountain vegetation. These recipes are still in use today and are essential to local food practices. However, fine dining and higher cuisine have recently seen a growing popularity in the country.

At the same time, Armenia's ancient winemaking tradition offers a unique attraction for wine enthusiasts. With a winemaking history that dates back over 6,100 years, Armenia has cultivated indigenous grapes in its mountainous valleys, aging them in traditional clay caskets called "Karas"⁷⁶. Modern Armenian vintners continue these time-honored practices, enhancing the country's global wine reputation.

The excavation sites discovered in Armenia are eloquent testimonies to the millennia-old traditions of wine production and winemaking in the region. This discovery enriches not only the history of Armenia but also the history of winemaking. State policy in the field of tourism is also aimed at promoting Armenian cuisine and wine, including through encouraging the organization of various festivals and other events, as well as providing state support.



Ghapama, Armenian Traditional Dish

A notable success story in gastro and wine tourism is the establishment of gastro yards, where tourists can enjoy local Armenian cuisine and wine, as well as learn how the food and wine are being made in residents' homes. On top of visitors' rich learning experiences, these gastro yards have made a positive impact on the local owners through training for hospitality and project/business management and wine-making skills, as well as the provision of equipment needed to make wine.

Currently with the availability of around 300 native varieties⁷⁷ and multiple vineyards around the country, wine tourism in Armenia can encompass vineyard tours, wine-tasting sessions, and cultural events celebrating the nation's rich wine heritage. Investments in wine tours, boutique wineries, and wine festivals can significantly enhance this niche market's appeal.

Additionally, investing in the infrastructure for wine storage, distribution, and export will support the sector's growth and ensure a sustainable future for Armenia's wine tourism industry.

Five regions of Armenia offer favorable conditions for growing grapes and making wines. Each area ensures a distinctive taste of wines based on the location of vineyards and various indigenous and local grape varieties.

Ararat is the sunniest region in Armenia and ensures favorable conditions for growing Mskhali, Milagh, Karmrahyut, and Garan Dmak grape varieties. Here, there are plenty of activities to do: winery visits, bird watching at Khosrov Forest State Reserve, paragliding and hot air ballooning.



Vayots Dzor region, the birthplace of the Armenian red grape variety – Sev Areni is the gem of local wine-making art. Coming in October, you will have a full eno-gastronomic experience thanks to Areni Wine Fest.

Armavir region ensures the majority of white grape production in Armenia. Here Garan Dmak, Mskhali and Kangun white grape varieties turn into alluring wines for dozens of winemakers and wineries. Haghtanak, on the other hand, is a red grape variety and wines from Haghtanak have long aging potential, expressing aromas of dark berries and peppery notes. The must-see in the region is the Cathedral and Churches of St. Etchmiadzin which is on the UNESCO World Heritage Site list.

Tavush region, the greenest area of Armenia, plays a significant role in wine-making. Banants and Lalvari grape varieties from the Tavush region are a unique addition to the local wine-making.

Aragatsotn region is home to dozens of modern wineries also hosting guests to tour and taste local wine. Here is situated the Wine History Museum of Armenia.

The wine tourism potential of Yerevan is also remarkable with its numerous wine bars and wineries, offering urban wine experiences. Moreover, Saryan Street's wine bars provide immersive vinicultural activities, especially during the annual Yerevan Wine Days festival.



Figure 5.15 Wine Regions in Armenia

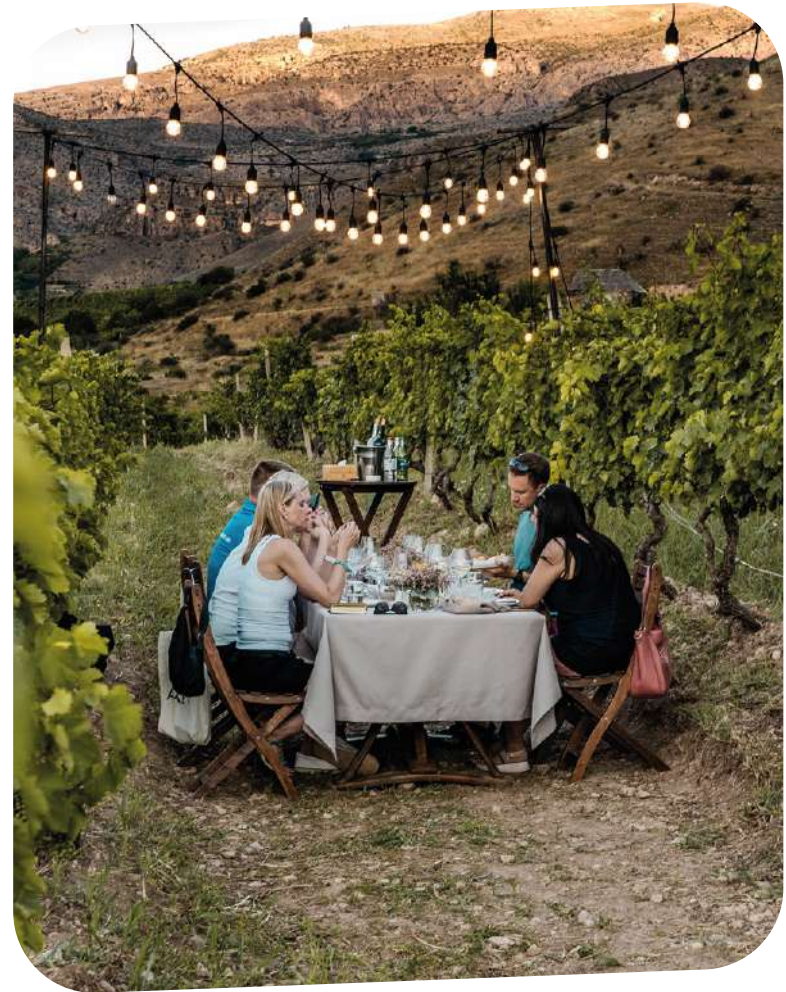


Agro Tourism

Armenia's agro-tourism sector offers visitors a unique opportunity to experience the country's rich agricultural heritage and rural life, all within the framework of its evolving gastronomy tourism. Set amidst Armenia's scenic landscapes, agro-tourism allows tourists to engage in traditional farming practices, participate in seasonal harvests, and enjoy farm-to-table dining that showcases local organic produce. This form of tourism not only highlights Armenia's culinary traditions but also supports sustainable agriculture and fosters meaningful connections between visitors and local communities.

Rural areas are increasingly becoming attractive destinations for those seeking authentic cultural experiences. Guesthouses and homestays provide an intimate glimpse into the rhythms of rural Armenian life, allowing tourists to immerse themselves in the country's culinary heritage. Activities such as farm visits and participation in local food production offer a deeper understanding of Armenia's gastronomic roots.

Agro-tourism also contributes significantly to the economic development of rural regions by creating additional income streams for farmers and helping to preserve local traditions. The diverse climate and terrain across Armenia offer a wide range of agro-tourism experiences, making it a key element of the nation's broader tourism strategy. By integrating agriculture with tourism, Armenia promotes sustainable development while enriching the visitor experience, offering a unique blend of cultural and culinary attractions that resonate with global travelers.



Directions with Development Potential

Beyond its four primary niches, Armenia possesses significant opportunities and the necessary prerequisites for the development of additional sectors, including Healthcare (Medical and Wellness) Tourism and MICE (Meetings, Incentives, Conferences, and Exhibitions) Tourism.

Health and Wellness Tourism

Armenia offers a rich variety of leisure and recreational options, particularly in the enticing regions of Lori, Kotayk, Tavush, and Vayots Dzor, where visitors can enjoy spa hotels and resorts. With over 700 thermal springs, Armenia attracts people worldwide for the healing properties of its hot springs.

Additionally, speleotherapy, a unique wellness activity involving respiratory therapy, can be experienced at Dendropark near Stepanavan and Ijevan, and Avan Arinj's salt mine in Yerevan. Hydrotherapy treatments in Jermuk, Hankavan, and Arzni include natural hot water drinking prescribed by local doctors.

Moreover, Armenia is a prime destination for medical tourism, providing high-quality and affordable healthcare services, including aesthetic and cosmetic treatments, dental work, and surgeries. Combining leisure with medical treatments, Armenia ensures a comprehensive approach to wellness and relaxation for visitors.

Investment opportunities in Armenia's wellness and medical tourism sectors are abundant. Entrepreneurs can explore the development of new spa resorts, wellness centers, and medical facilities that leverage the country's natural resources and existing infrastructure. Investing in the promotion and enhancement of Armenia's unique treatments and therapies, such as speleotherapy and hydrotherapy, can attract a global clientele and boost the local economy.

MICE

In recent years, MICE (Meetings, Incentives, Conferences, and Exhibitions) tourism has been rapidly developing in Armenia. The country offers a range of high-quality conference halls and venues, supported by efficient logistics, which make it an ideal destination for international events.

Armenia's hospitality sector includes numerous high-quality hotels and restaurants, equipped with state-of-the-art technical equipment to meet the needs of any event. The professional staff are well-trained to provide exceptional service, ensuring the smooth execution of conferences and exhibitions. Additionally, Armenia offers organized tours that allow visitors to explore the rich cultural and historical heritage of the region.

Notable recent events include the EBRD Annual Meeting in Yerevan, the 2023 IBA Junior World Boxing Championships, and the 2023 European Weightlifting Championships. Looking ahead, Armenia will host the WCIT in 2024, further cementing its reputation as a premier destination for MICE tourism. Key investments in high-capacity infrastructure, such as state-of-the-art expo centers, convention facilities, and hotels with extensive rooms and amenities, are essential.

Moreover, expanding MICE opportunities beyond Yerevan to regional areas of Armenia is crucial for inclusive economic growth. By decentralizing tourism activities, these investments promote sustainable development across different regions, harnessing local resources and cultural diversity to create unique event experiences. The strategic development of MICE tourism infrastructure will further influence the entire tourism value chain, from hospitality services and transportation to retail and cultural attractions and generate ripple effects throughout the economy by boosting demand for goods and services, thereby benefiting various sectors and supporting small and medium-sized enterprises.



Souvenir Shop in Yerevan



Lake Sevan, Gegharkunik Region

6

PORTFOLIO OF INVESTMENT OPPORTUNITIES

1. MyLer Ski Resort ("MYLER MOUNTAIN RESORT" CJSC)

Find more information in the following link: <https://myler.am/en/>

Description:

MyLer Ski Resort is an ambitious 18-year project planned in three phases. The vision for MyLer Ski Resort is to become a regional and world leader in providing comprehensive skiing and winter activities. The master plan, developed by "Ecosign," a global leader in creative design solutions for ski resorts, includes 16 major lifts with a total capacity of 41,400 people per hour, capable of comfortably supporting 17,000 skiers at one time. The resort will feature two main accommodation zones: the base area with 13,436 units and 72,238 pillows, and resort villages with 4,139 units and 16,792 pillows. In addition to lifts and accommodations, the master plan includes amenities such as magic carpets, a ski school, zipline, snowtubing, alpine coaster, biking, and hiking opportunities.

Investment size:

USD 70 million

Location:

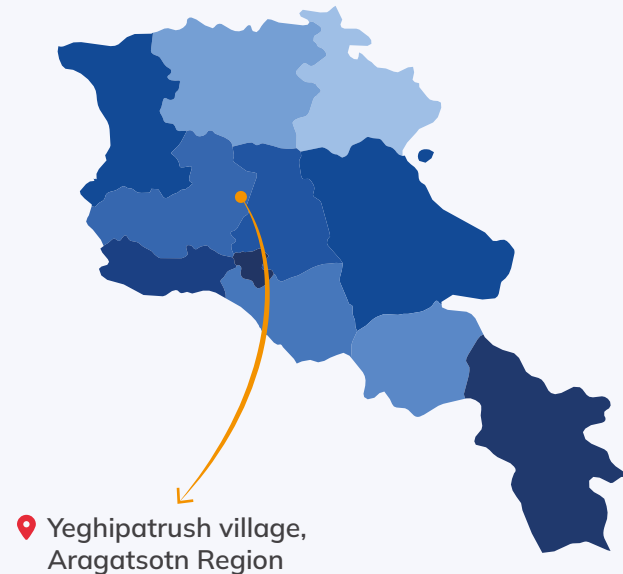
Yeghipatrush village, Aragatsotn Region, Armenia

Type of project:

Ski Resort

Employment:

1,000



2. Crystal Lake Holdings LLC

Description:

Crystal Lake Holdings aims to develop a year-round resort featuring a private beach with a pier and boat dock, restaurants, retail shops, an indoor heated pool, fitness facility, bowling alley, action-packed gaming arcade, and various water and sport activities.

Investment size:

USD 32 million

Location:

Sevan National Park, Gegharkunik Region, Armenia

Type of project:

Tourist complex

Employment:

75



3. Aslanyan Invest LLC

Description:

Aslanyan Invest LLC plans to build an apart hotel in Dilijan, a region known for its picturesque landscapes and growing tourism industry.

Investment size:

USD 5.5 million

Location:

Dilijan, Tavush Region, Armenia

Type of project:

Apart hotel

Employment:

38

📍 Dilijan, Tavush Region



4. FYM LLC

Description:

FYM LLC is set to construct the "Kantar Dilijan" hotel complex in the Dilijan community. This project will focus on family and youth recreation, offering 16 hotel rooms designed to provide modern and comfortable accommodations.

Investment size:

USD 830,000

Location:

Dilijan, Tavush Region, Armenia

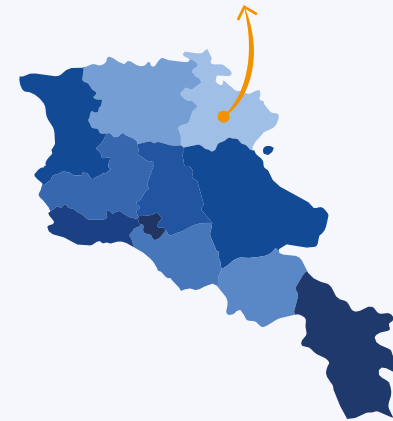
Type of project:

Hotel

Employment:

15

📍 Dilijan, Tavush Region



5. One Way Group LLC

Description:

One Way Group LLC plans to develop a recreation area in Gyulagarak, Stepanavan community. The project will cater to various recreational activities.

Investment size:

USD 1.5 million

Location:

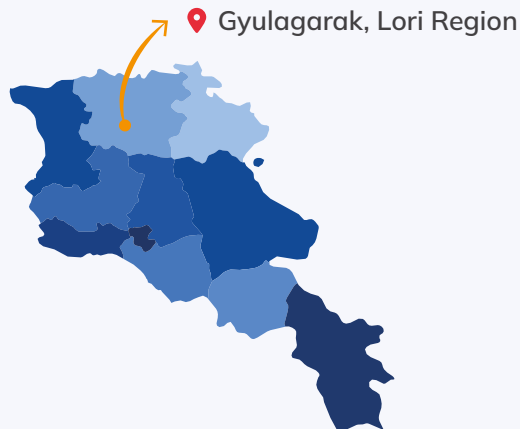
Gyulagarak, Lori Region, Armenia

Type of project:

Recreation area

Employment:

TBC



6. CAPITAL BUILD ESTATE DEVELOPMENT LLC

Description:

Capital Build Estate Development plans to build a multifunctional residential complex in Tsakhkadzor. This complex will offer various residential facilities catering to diverse needs.

Investment size:

USD 40 million

Location:

Tsakhkadzor, Kotayk Region, Armenia

Type of project:

Multifunctional Residential Complex

Employment:

200



7. DCD LLC

Description:

DCD LLC is planning to construct an apart hotel in Dilijan, enhancing the region's accommodation capacity and supporting its tourism growth.

Investment size:

USD 22 million

Location:

Dilijan, Tavush Region, Armenia

Type of project:

Apart hotel

Employment:

127



Key State Bodies Responsible for Investments

Enterprise Armenia:

As Armenia's National Investment Promotion Agency, Enterprise Armenia is dedicated to facilitating foreign direct investment. The agency provides a comprehensive range of services, including support for investors from inception through implementation, detailed information on business opportunities, assistance with market entry, and regulatory guidance. More information can be found on their website: <https://enterprisearmenia.am/>

Tourism Committee, Ministry of Economy of the Republic of Armenia:

This body is actively involved in promoting Armenia as a top tourist destination. It develops forward-looking strategies to boost tourism, collaborates with international tourism partners, and implements projects aimed at enhancing Armenia's tourism infrastructure and services. More information can be found on their website: <https://armenia.travel/>

State Register Agency of Legal Entities, Ministry of Justice of the Republic of Armenia:

Responsible for the registration of all legal entities, this agency ensures that businesses operate in compliance with national legal standards. It provides essential services such as business registration, issuance of legal documents, and maintenance of a public registry. More information can be found on their website: <https://www.moj.am/en/structure/view/153>

Ministry of High-Tech Industry of the Republic of Armenia:

Focused on the development of the high-tech industry, this ministry fosters innovation and technological advancement. It supports both startups and established tech companies with policies conducive to growth and international cooperation. More information can be found on their website: <https://www.hti.am/en>

The Ministry of Economy of the Republic of Armenia:

Is a central body of executive authority that develops the Government's economic policy in the spheres under its jurisdiction. The Ministry is responsible for implementing and assessing the results of economic policy. More information can be found on their website: <https://www.mineconomy.am/en>



Dilijan National Park, Tavush Region

7

CONCLUSIONS

Armenia has demonstrated substantial progress in enhancing its investment climate, particularly within the tourism sector. The strategic initiatives undertaken by the government, coupled with robust infrastructure developments and favourable investment policies, have positioned the country as an emerging hub for tourism and FDI.

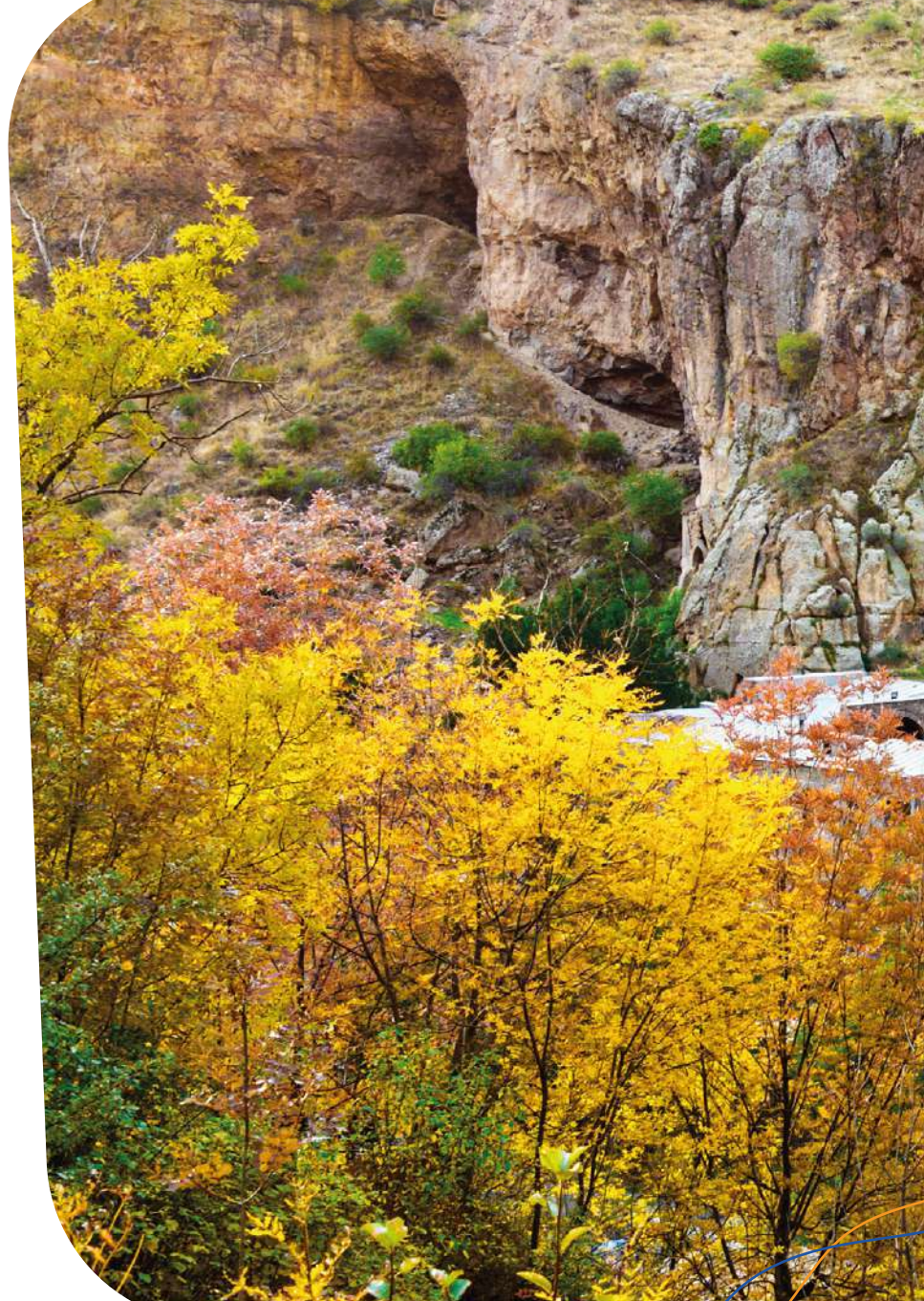
Firstly, the tourism sector has seen significant growth due to Armenia's rich historical-cultural heritage, diverse landscapes, gastronomy and hospitality which have become pivotal attractions for international visitors. The historical and cultural wealth, combined with modern amenities, has driven a notable increase in international tourist arrivals, which in turn has boosted tourism expenditures and contributed significantly to Armenia's GDP. Strategic investments in infrastructure, such as the ongoing construction of the North-South highway and improvements to the road network, are critical in enhancing connectivity and accessibility. These developments are expected to further promote regional trade and tourism by establishing secure and efficient transportation corridors.

Secondly, Armenia's liberal investment climate, characterized by minimal restrictions on foreign participation and substantial government support, has attracted considerable FDI. The country's dedication to maintaining a business-friendly environment is reflected in its impressive standings in various economic rankings. Additionally, targeted incentives in sectors such as IT, agriculture, and high-tech industries, including subsidized credit rates, tax exemptions, and infrastructure support, highlight the government's commitment to fostering a conducive business environment. These measures have positioned Armenia as an attractive destination for international capital.

Thirdly, Armenia is effectively developing niche tourism markets, such as Cultural Tourism, Adventure Tourism (including winter tourism), Gastronomy and Wine Tourism and Nature-based tourism, showcasing adaptive strategies to cater to evolving global travel trends. Government policies and infrastructure developments are further bolstering these niches, enhancing the country's tourism offerings.

Moreover, the diversification of the economy through the promotion of sectors like technology and green investments reflects Armenia's forward-thinking approach. The government has implemented several initiatives to support startups and innovative ventures, driving economic progress and fostering sustainable development. Armenia's IT sector has experienced significant growth, bolstered by a skilled workforce and a commitment to innovation. Green investments, supported by international partnerships, emphasize Armenia's commitment to environmental sustainability and energy efficiency, aligning with global standards and practices. These initiatives are instrumental in positioning Armenia as a leader in sustainable economic development.

In conclusion, Armenia's strategic location as a bridge between Europe and Asia, combined with its diverse tourist offerings and proactive government policies, creates a promising environment for tourism and investment. The ongoing infrastructural projects and targeted incentives will likely continue to attract international investors, driving economic growth and enhancing Armenia's position as a key player in the global tourism industry. The combined efforts of government initiatives and private sector investments are paving the way for a vibrant and sustainable economic future. Armenia's dedication to creating a supportive investment climate will capitalize on emerging opportunities and sustain long-term growth.





Geghard Monastery, Kotayk Region

Institutional relations

UN Tourism- Armenia

Meeting with the Prime Minister of Armenia, Mr. Nikol Pashinyan, on the occasion of Secretary-General Zurab Polikashvili's visit to host the 67th meeting of the UN Tourism Commission for Europe - June 2022.



Meeting with the President of Armenia, Mr. Vahagn Khachaturyan on the occasion of Secretary-General Zurab Polikashvili's visit to host the 67th meeting of the UN Tourism Commission for Europe- June 2022.



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- a. This value reflects the concept that FISIM represents indirectly measured transactions in other industries and households in the economy, rather than a final output. The true contribution of the financial sector to GDP is its net output after accounting for the intermediate consumption of these services. This approach ensures that GDP accurately reflects the value added by all sectors, including the financial sector, without inflating figures through the double-counting of intermediate services like FISIM.
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UN Tourism, a specialized agency of the United Nations, is the leading international organization with a central and decisive role in the promotion and development of responsible, sustainable and universally accessible tourism. It provides a global forum for tourism policy issues and a useful source of tourism expertise. It is composed of 160 countries, 6 Associate Members, 2 permanent observers and more than 500 Affiliate Members.



UN Tourism

UNITED NATIONS
WORLD TOURISM ORGANIZATION

TOURISM DOING BUSINESS

INVESTING IN

ARMENIA

The word 'ARMENIA' is rendered in large, bold, blue capital letters. Each letter is filled with a different scenic photograph from Armenia: 'A' shows a stone tower, 'R' shows a mountain range, 'M' shows a landscape with a river, 'E' shows a colorful hot air balloon, 'N' shows a landscape with a river, and 'I' shows a hot air balloon.