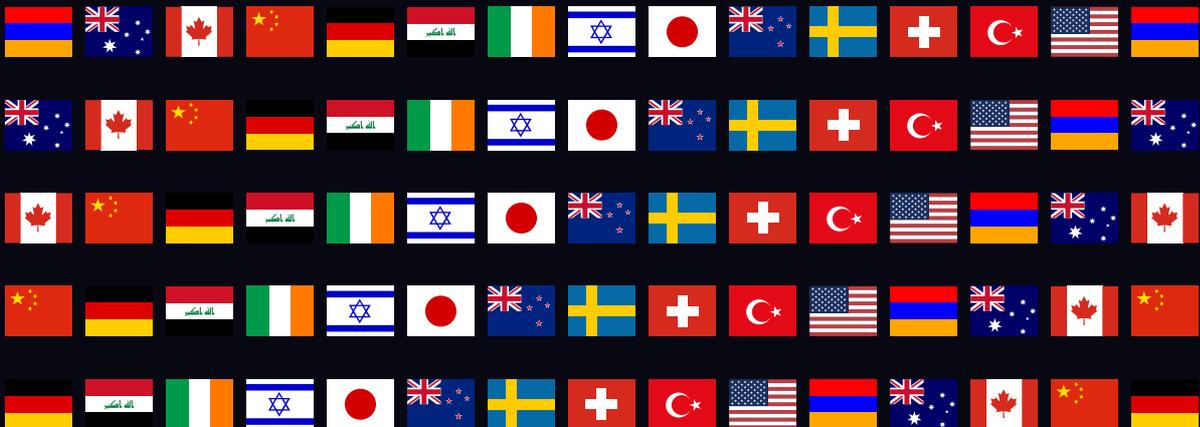


# CONSTRUCTION

## Armenia



# Construction

Consulting editors

**Robert S Peckar, Michael S Zicherman**

*Peckar & Abramson PC*

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Quick reference guide enabling side-by-side comparison of local insights on foreign entry into the local market; licensing procedures; competition and bribery considerations; contract and insurance matters (including PPP and PFI; joint ventures; tort claims and indemnity); labour and closure of operations; rights to payment; force majeure and acts of God; dispute resolution mechanisms; environmental law; applicable investment treaties, tax treaties, currency controls, and revenue, profit and investment removal controls; and recent trends.

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# Table of contents

## **LOCAL MARKET**

Foreign pursuit of the local market

## **REGULATION AND COMPLIANCE**

Licensing procedures

Competition

Competition protections

Bribery

Reporting bribery

Political contributions

Compliance

Other international legal considerations

## **CONTRACTS AND INSURANCE**

Construction contracts

Payment methods

Contractual matrix of international projects

PPP and PFI

Joint ventures

Tort claims and indemnity

Liability to third parties

Insurance

## **LABOUR AND CLOSURE OF OPERATIONS**

Labour requirements

Local labour law

Labour and human rights

Close of operations

## **PAYMENT**

Payment rights

'Pay if paid' and 'pay when paid'

Contracting with government entities

Statutory payment protection

## **FORCE MAJEURE**

**Force majeure and acts of God**

## **DISPUTES**

**Courts and tribunals**

**Dispute review boards**

**Mediation**

**Confidentiality in mediation**

**Arbitration of private disputes**

**Governing law and arbitration providers**

**Dispute resolution with government entities**

**Arbitral award**

**Limitation periods**

## **ENVIRONMENTAL REGULATION**

**International environmental law**

**Local environmental responsibility**

## **CROSS-BORDER ISSUES**

**International treaties**

**Tax treaties**

**Currency controls**

**Removal of revenues, profits and investment**

## **UPDATE AND TRENDS**

**Emerging trends**

## Contributors

### Armenia



**Artur Hovhannisyan**  
artur.hovhannisyan@dialog.am  
*Concern Dialog Law Firm*



**Karen Margaryan**  
karen.margaryan@dialog.am  
*Concern Dialog Law Firm*



## LOCAL MARKET

### Foreign pursuit of the local market

If a foreign designer or contractor wanted to set up an operation to pursue the local market, what are the key concerns they should consider before taking such a step?

If a foreign designer or contractor intends to establish an operation in Armenia, they should consider the following aspects: the business structure; obtaining a work permit for non-residents; obtaining licences if required; and knowledge of local technical norms in the sphere of construction.

The process of establishing a business structure in Armenia has been simplified. It can be accomplished by forming a legal entity such as an LLC or CJSC, or by acting as an individual entrepreneur. Additionally, a foreign legal entity has the option to open a representative office or branch in Armenia. If standard documents such as the charter of a legal entity and decision on establishment are utilised, the registration process for a legal entity can be completed within a few days.

The general rule is that a work permit is required; however, it is worth mentioning an exception in this context. According to the 'On Foreigners' Law, the following individuals can work in Armenia without obtaining a work permit:

- founders and executive heads of commercial organisations in Armenia with foreign capital, wherein the statute provides for more than half of the voting rights, for the purpose of working within said organisations;
- employees of foreign state commercial organisations working in branches or representative offices located within Armenia; and
- those who are covered under the applicable international agreements of Armenia (countries of Eurasian Economic Union).

As per the provisions stipulated in the law on licensing, it is mandatory for the developers of urban planning documents and parties implementing construction works to obtain a licence to conduct business operations in Armenia under specific circumstances.

Finally, to ensure a seamless process devoid of administrative setbacks, it is important to have knowledge of the local construction regulations and technical norms. It has been observed that certain scenarios may arise where the international standards do not align with the domestic technical norms of Armenia. In such situations, large entities may engage the services of a local consultant to address this issue.

*Law stated - 23 May 2023*

## REGULATION AND COMPLIANCE

### Licensing procedures

Must foreign designers and contractors be licensed locally to work and, if so, what are the consequences of working without a licence?

This requirement is applicable to all individuals and companies (whether domestic or foreign) engaging in operations within Armenia. The activities necessitating a licence include:

- elaboration of engineering sections of urban planning documentation;
- assessment of urban planning documentation;
- execution of construction works (except for small-scale buildings); and

- technical quality control of construction.

Conducting licensable activities without the requisite licence may lead to administrative consequences, such as an administrative fine of 300,000 Armenian drams or a tax-relative fine of at least 500,000 Armenian drams, wherein the damages incurred by the state, equivalent to the fees stipulated for obtaining the licence, shall also be factored in. There is also criminal liability: a fine will be imposed as a punishment, and the maximum possible term of imprisonment is three years.

*Law stated - 23 May 2023*

## Competition

Do local laws provide any advantage to domestic contractors in competition with foreign contractors?

There is no such regulation. In any case, when it comes to public procurement, standard practice is to allow any entity, including foreign ones, to apply for participation in the tender. Nevertheless, the Armenian government may accept specific exceptions related to national security concerns.

*Law stated - 23 May 2023*

## Competition protections

What legal protections exist to ensure fair and open competition to secure contracts with public entities, and to prevent bid rigging or other anticompetitive behaviour?

These are primarily offered through the Law on Procurement and other decisions established by the government in accordance with that law. The procurement process adheres to the following principles as per the law: competitive, transparent, proportional, public and non-discriminatory organisation of process with standardised regulations; widened participation to encourage competition for contract conclusion; and equity.

*Law stated - 23 May 2023*

## Bribery

If a contractor has illegally obtained the award of a contract, for example by bribery, will the contract be enforceable? Are bribe-givers and bribe-takers prosecuted and, if so, what are the penalties they face? Are facilitation payments allowable under local law?

A contract concluded by a representative of one party with the other party in a malicious conspiracy can be declared void by a court upon the application (claim) of the aggrieved party.

While there is no direct provision in the law regarding the implementation of the agreement after such circumstances, the legal consequences of any unlawful actions committed by either the customer or participant during the procurement process are determined by the Law on Procurement. This law also obligates officials to report any such unlawful actions to law enforcement state bodies upon receiving such information. Additionally, private sector representatives may also bring up such issues through appeals in the procurement process.

Procurement-related contracts contain provisions allowing the unilateral termination of the contract by the state authority in the event of the discovery of illegal actions, including bribery. This termination would not require the state

authority to provide any further compensation or payments. The law also establishes that individuals, or their representatives of the executive authority, who have been convicted of bribery, giving a bribe or crimes related to intermediation in bribery within five years prior to the date of application, do not have the right to participate in procurement procedures, except in cases where the conviction has been extinguished or cancelled in accordance with the law.

The law imposes criminal liability in the form of imprisonment for those who give, receive or act as intermediaries in receiving bribes, whether in the private or public sector. The minimum sentence for this offence is two months of imprisonment, while the maximum sentence may be up to 12 years, depending on the amount of the bribe and other circumstances.

There is no legal provision for payments intended to encourage public officials to perform their duties more efficiently.

*Law stated - 23 May 2023*

### **Reporting bribery**

Under local law, must employees of the project team members report suspicion or knowledge of bribery of government employees and, if so, what are the penalties for failure to report?

No. Such a requirement or type of responsibility is not defined by Armenian legislation.

*Law stated - 23 May 2023*

### **Political contributions**

Is the making of political contributions part of doing business? If so, are there laws that restrict the ability of contractors or design professionals to work for public agencies because of their financial support for political candidates or parties?

Pursuant to the Civil Code, it is illegal to provide donations to any state employees or officials of local self-government bodies in relation to their official capacity or the performance of their official duties.

According to the law, any kind of legal entity, including foreign legal entities and international organisations, as well as anonymous individuals, is prohibited from making donations to political parties. The term 'donations' should be interpreted broadly to include any type of contribution, and not limited to the transfer of property.

It is important to note, however, that this practice is not considered a legitimate form of conducting business operations in Armenia.

*Law stated - 23 May 2023*

### **Compliance**

Is a construction manager or other construction professional acting as a public entity's representative or agent on a project (and its employees) subject to the same anti-corruption and compliance rules as government employees?

In the context of the Law on Procurement, it should be noted that the procedures aimed at preventing conflicts of interest and corruption in relation to developers or their representatives are not carried out in the same manner as for public servants (declaration of property, income, interest and expenses for public servants is regulated by law).

For instance, developers are not required to make a declaration regarding their property and income. However, during public procurement, contractors are obligated to provide UBO declarations (any legal entity that intends to participate in the procurement process) and declare any conflicts of interest they may have.

In any case, if the construction manager or other specialist is an employee of a state body and is a public servant under the public service law, then he or she is subject to the same anti-corruption and compliance rules.

*Law stated - 23 May 2023*

### **Other international legal considerations**

Are there any other important legal issues that may present obstacles to a foreign contractor attempting to do business in your jurisdiction?

Armenia has adopted an open-door policy towards foreign investment. This means that the government welcomes and encourages foreign investment in accordance with the applicable laws and regulations governing foreign investment in Armenia. There are no legal obstacles or hidden dangers that would prevent the implementation or transfer of a business by a foreign contractor in Armenia. However, a foreign contractor may encounter technical or professional challenges when conducting business in Armenia, which they should consider.

*Law stated - 23 May 2023*

## **CONTRACTS AND INSURANCE**

### **Construction contracts**

What standard contract forms are used for construction and design? Must the language of the contract be the local language? Are there restrictions on choice of law and the venue for dispute resolution?

In the context of public procurement, the regulatory and coordination aspects of the procurement process are approved by the authorised body, which is the Ministry of Finance. The Ministry of Finance approves the standard forms of procurement process documents, such as invitations and announcements. The procurement notice package includes the form of contract along with all other essential terms and annexes, if applicable. FIDIC contracts are usually used (or serve as a basis) for concluding construction contracts for major infrastructure projects.

Procurement-related documents are prepared and published in Armenian and Russian, and procurement announcements, including pre-qualification announcements, are also published in English. Applications for participation can also be submitted in English or Russian, in addition to Armenian.

In the private sector, the parties are guided by the principle of freedom of contract and are free to negotiate and define the terms of the contract, as long as they comply with the mandatory provisions of the Civil Code. The contract must be at least in a simple written form.

While it is not mandatory to conclude contracts in Armenian, it is recommended to have at least a bilingual version of the documents, including Armenian text.

In any case, in international matters, including provisions of foreign law in a contract is both possible and frequently employed: when dealing with a foreign party, one can choose the applicable law and mechanism for dispute resolution.

In accordance with the exclusive jurisdiction of the courts of Armenia in cases with foreign individuals or entities, disputes related to rights over immovable property situated within the territory of Armenia can only be resolved by the courts of Armenia. If the parties have agreed on an alternative dispute-resolution mechanism in their contract, the

affected party may still initiate legal proceedings in an Armenian court if the opposing party owns immovable property in Armenia.

However, if both parties involved are residents of Armenia, it is generally recommended that Armenian law govern the contract, although there may be differing opinions among other experts.

*Law stated - 23 May 2023*

## **Payment methods**

How are contractors, subcontractors, vendors and workers typically paid and is there a standard frequency for payments?

In the absence of any provision in the work contract for advance payment for work performed or individual stages thereof, the customer is obliged to pay the contractor the agreed price upon the final transfer of the work results, provided that the work has been properly completed within the agreed period or earlier, with the customer's consent.

The contractor may request an advance payment or a deposit only in certain cases and in the amount indicated by law or the work contract.

Payments under a contract should be made in a non-cash form, such as bank transfer.

*Law stated - 23 May 2023*

## **Contractual matrix of international projects**

What is the typical contractual matrix for a major project in your jurisdiction in terms of the contractual relationships among the various construction project participants?

According to the Civil Code, unless there is a legal obligation or a provision in the construction contract requiring the contractor to perform the work personally, the contractor is allowed to engage third-party individuals or entities (subcontractors) to fulfil their contractual obligations. In such cases, the contractor assumes the role of a general contractor.

In large-scale projects, the contractual relationships are typically structured in accordance with the project owner–general contractor–subcontractors matrix. This framework involves the project owner contracting with a general contractor to oversee and manage the project, while the general contractor may then contract with various subcontractors to perform specific portions of the work. The roles and responsibilities of each party are typically defined in the contract, which may include provisions regarding payment, timelines, quality standards and dispute resolution mechanisms.

*Law stated - 23 May 2023*

## **PPP and PFI**

Is there a formal statutory and regulatory framework for PPP and PFI contracts?

Armenia enacted the Law on the Public-Private Partnership on 28 June 2019, with the objective of establishing a legal framework for PPP relationships, outlining implementation criteria and procedures, setting up an institutional framework of governance and defining applicable principles.

With respect to PFI, there is currently no specific legal framework in place.

**Joint ventures**

Are all members of consortia jointly liable for the entire project or may they allocate liability and responsibility among them?

As per the provisions of the Law on Procurement, it is possible for participants to take part in the procurement process as a joint activity, which is commonly referred to as a consortium. The procedure for participating in the procurement process as a consortium is determined by the invitation to participate in the procurement process. In such a scenario, all the consortium members bear joint and equal responsibility for the performance of the contract, including the obligations arising from the procurement process. The agreements for public procurement should include regulations, that the withdrawal of a consortium member from the joint activity may result in the unilateral termination of the contract between the client and the consortium, and the imposition of contractual liabilities on the remaining consortium members.

Law stated - 23 May 2023

**Tort claims and indemnity**

Do local laws permit a contracting party to be indemnified against all acts, errors and omissions arising from the work of the other party, even when the first party is negligent?

According to the Civil code, if non-performance or improper performance of an obligation occurred by fault of both parties, the court shall accordingly reduce the amount of liability of the debtor. The court shall also have the right to reduce the amount of liability of the debtor if the creditor intentionally or by negligence facilitated an increase in the amount of losses caused by the non-performance or improper performance or did not take reasonable measures to reduce it.

Law stated - 23 May 2023

**Liability to third parties**

Where a contractor constructs a building that will be sold or leased to a third party, does the contractor bear any potential responsibility to the third party? May the third party pursue a claim against the contractor despite the lack of contractual privity?

According to the Civil code, a debtor (owner) shall be liable for non-performance or improper performance of an obligation by third parties (contractors) to whom performance was entrusted, unless a statute establishes that the liability is borne by the third person who is the direct performer.

The rule states that the seller is responsible to the buyer, making the seller the defendant in such cases.

Law stated - 23 May 2023

**Insurance**

To what extent do available insurance products afford a contractor coverage for: damage to the property of third parties; injury to workers or third parties; delay damages; and damages due to environmental hazards? Does the local law limit contractors' liability for damages?

The contract for construction work may provide for a duty of the party upon whom lies the risk of accidental loss of or accidental harm to the object of construction, material, equipment and other property used in construction or liability for causing harm to other persons during the conduct of construction to insure the respective risks. The types can be:

- construction works;
- installation work;
- construction site equipment;
- construction equipment;
- any property included in construction works;
- objects belonging to the insured or the customer located on the construction site or near it;
- cleaning costs;
- liability to third parties; and
- life and health of workers from accidents.

The maximum liability amount (insurance amount) can be defined by the contract.

*Law stated - 23 May 2023*

## LABOUR AND CLOSURE OF OPERATIONS

### Labour requirements

Are there any laws requiring a minimum amount of local labour to be employed on a particular construction project?

There are no specific requirements in place for hiring domestic workers in the implementation of large projects. However, in practice, there may be agreements or understandings that a certain percentage of the labour force should be sourced from the domestic market.

*Law stated - 23 May 2023*

### Local labour law

If a contractor directly hires local labour (at any level) for a project, are there any legal obligations towards the employees that cannot be terminated upon completion of the employment?

Harm caused to the life or health of an employee in the performance of contractual duties shall be compensated according to the rules provided by the Civil Code unless a statute or contract provides for a higher measure of liability.

Upon termination of an employment contract, and after it, the employer is obliged to make such compensations with the employee.

*Law stated - 23 May 2023*

### Labour and human rights

What laws apply to the treatment of foreign construction workers and what rights do they have?  
What are the local law consequences for failure to follow those laws?

The law on foreigners applies to foreign construction workers, particularly with respect to obtaining residency permits

on the basis of obtaining work permits. Foreigners who are exempt from the requirement to obtain work permits under relevant international agreements may work in Armenia without a work permit (these are mainly citizens of the Eurasian Economic Union countries).

One of the principles of the Labour Code is the equality of parties to labour relations, regardless of their gender, race, nationality and so on.

Therefore, from a legal standpoint, a foreign worker has the same rights as a local worker.

Specific requirements have been defined by the law in connection with obtaining a work permit and conducting processes based on it to obtain residency permits for legal residence in Armenia, the violation of which may result in administrative liability and annulment of the person's visa, and may also be the basis for state authorities to initiate deportation proceedings against the foreigner.

*Law stated - 23 May 2023*

### **Close of operations**

If a foreign contractor that has been legally operating decides to close its operations, what are the legal obstacles to closing up and leaving?

If we apply the reasoning that the foreign contractor has a legal entity or representative office established in Armenia, then the following factors must be considered.

According to Armenian legislation, companies may stay inactive without any time limitations. At the same time, the government has twice enacted an 'inactive company amnesty, which states that any company or individual entrepreneur that is not providing tax reports according to the records and does not have any property may be automatically dissolved, and any tax obligations of up to 10,000 Armenian drams (approximately US\$25) shall be considered as resolved. At the same time, during both processes only separate companies and entrepreneurs were subject to the process, but not the branches or representative offices (separated subdivisions).

The closing of a legal entity shall be undertaken in the form of liquidation. The process will take three to four months.

The main aspects of this process are:

- start of the liquidation process: shareholder's authorised person or body resolution on liquidation;
- the period for the submission of claims by creditors;
- expiry of the two-month term and drawing up the interim liquidation balance sheet;
- satisfaction of the claims of creditors;
- drawing up a liquidation balance sheet; and
- registration of the company's liquidation.

*Law stated - 23 May 2023*

## **PAYMENT**

### **Payment rights**

How may a contractor secure the right to payment of its costs and fees from an owner? May the contractor place liens on the property?

According to the Civil Code, the performance of obligations may be secured by a pledge, penalty, retention of property of the debtor, surety, guaranty, prepayment or other means provided by a statute or contract. In any case, the

occurrence of a pledge is not specifically defined by law, and therefore the parties are entitled to include such conditions in the contract.

Payments are often made in stages or through a prepayment arrangement.

Terms may include the payment schedule, the amount and method of payment, the time frame for payments and any penalties for late payments.

*Law stated - 23 May 2023*

### **'Pay if paid' and 'pay when paid'**

Does local law prohibit construction contracts from containing terms that make a subcontractor's right to payment contingent on the general contractor's receipt of payment from the owner, thereby causing the subcontractor to bear the risk of the owner's non-payment or late payment?

According to the Civil Code, the general contractor is liable to the customer for the consequence of non-performance or improper performance of obligations by the subcontractor, in accordance with articles 351 and 419 of the Civil Code, and is liable to the subcontractor for non-performance or improper performance by the customer of obligations under the work contract.

Therefore, it is not possible to establish the payment options under Armenian legislation for the considered scenarios.

*Law stated - 23 May 2023*

### **Contracting with government entities**

Can a government agency assert sovereign immunity as a defence to a contractor's claim for payment?

The law does not provide such protection measures. Procurement relations are considered civil law relations and are regulated by the legislation governing such relations in Armenia. In accordance with the provisions of the Code of Civil Procedure, the state and communities possess equal standing and are treated on a par with individuals and legal entities in matters governed by the code.

*Law stated - 23 May 2023*

### **Statutory payment protection**

Where major projects have been interrupted or cancelled, do the local laws provide any protection for unpaid contractors who have performed work?

Under the contract for construction work the customer undertakes the duty to create the necessary conditions for the contractor to do the work, to accept the result and to pay the agreed price; that is to say, the responsibility for cancelling or suspending a project in Armenia typically rests with the project owner.

According to the Civil Code, unless otherwise provided by the work contract, the customer may at any time until the submission to it of the result of the work refuse to perform the contract, paying the contractor a part of the established price proportional to the part of the work done until the receipt of notice of the refusal by the customer to perform the contract. The customer shall also be obligated to compensate the contractor for the losses caused by the termination of the work contract within the limits of the difference between the price determined for the whole work and the part of the price paid for the work done.

## FORCE MAJEURE

### Force majeure and acts of God

Under local law are contractors excused from performing contractual obligations owing to events beyond their control?

The Civil Code defines the consequence of non-fulfilment of the obligation in case of force majeure. In particular, unless otherwise provided by a statute or contract, a person who has not performed an obligation or has performed an obligation in an improper manner in the conduct of entrepreneurial activity shall bear liability unless it proves that proper performance became impossible as the result of force majeure (ie, extraordinary circumstances unavoidable in the given circumstances). Such circumstances do not include violation of obligations by contract partners of the debtor, absence in the market of goods necessary for performance, nor the debtor's lack of the necessary monetary assets.

In construction contracts, the description of force majeure and its terms and regulations are typically given a wider scope.

*Law stated - 23 May 2023*

## DISPUTES

### Courts and tribunals

Are there any specialised tribunals that are dedicated to resolving construction disputes?

Construction disputes, like other disputes, are subject to solution in the court of first instance of general jurisdiction, and the decisions of the court can be appealed in subsequent instances – appellate and cassation review. In Armenia, there are no specialised courts or institutions for the resolution of construction disputes.

*Law stated - 23 May 2023*

### Dispute review boards

Are dispute review boards (DRBs) used? Are their decisions treated as mandatory, advisory, final or interim?

In the context of major government projects, the contracts are typically executed in accordance with the provisions of FIDIC, which include the utilisation of DRBs. As such, parties involved in these projects resort to DRBs as a means of small dispute resolution.

Legislation does not provide specific regulations governing the conclusive status of DRB decisions. However, legislation defines decisions made by other bodies that are final (arbitration and judicial bodies).

Consequently, it can be observed that DRB decisions have an advisory character.

*Law stated - 23 May 2023*

## Mediation

Has the practice of voluntary participation in professionally organised mediation gained acceptance and, if so, how prevalent is the practice and where are the mediators coming from? If not, why not?

Typically, in Armenia, including the construction industry, parties do not commonly apply for mediation as a means of dispute resolution, even though a separate law on mediation was enacted in 2018. In Armenia, irrespective of the situation, the court has the power to appoint mandatory mediation lasting between two and four hours if there is a high probability of reaching a mutually acceptable resolution to the dispute.

A licensed mediator, as defined by the Law on Mediation, is a qualified individual who is registered in the register of licensed mediators and has obtained the necessary qualification to act as a mediator. To qualify as a licensed mediator, an individual must be over the age of 25 and have higher education.

*Law stated - 23 May 2023*

### **Confidentiality in mediation**

Are statements made in mediation confidential?

According to the law, it is the obligation of a mediator to maintain confidentiality during the mediation process. Any information disclosed or expressed during the mediation, as well as the content and nature of the mediation, is considered confidential. However, there may be situations where confidentiality can be disclosed in accordance with the law.

There is no explicit definition for the parties regarding confidentiality. However, it can be determined and regulated by the agreement between the parties regarding the appointment of mediation.

*Law stated - 23 May 2023*

### **Arbitration of private disputes**

What is the prevailing attitude towards arbitration of construction disputes? Is it preferred over litigation in the local courts?

When it comes to resolving disputes arising from contracts concluded with standard terms, such internal disputes are predominantly resolved through court proceedings.

However, in the case of megaprojects, where preliminary discussions are held before the conclusion of the relevant agreement, there is a clear preference for international arbitration as the chosen method of dispute resolution.

*Law stated - 23 May 2023*

### **Governing law and arbitration providers**

If a foreign contractor wanted to pursue work and insisted by contract upon international arbitration as the dispute resolution mechanism, which of the customary international arbitration providers is preferred and why?

No standardised practice exists, and the approach in each case is influenced by various factors, including the financial implications of the dispute, the expenses associated with arbitration and other relevant circumstances.

It is worth noting that the International Chamber of Commerce (ICC) has played a significant role as an arbitrator in numerous prominent disputes that have come to our attention.

Arbitration and the objective of avoiding conflicts of interest play a crucial role in determining the appropriate jurisdiction for the resolution of legal disputes.

*Law stated - 23 May 2023*

### **Dispute resolution with government entities**

May government agencies participate in private arbitration and be bound by the arbitrators' award?

Yes.

*Law stated - 23 May 2023*

### **Arbitral award**

Is there any basis upon which an arbitral award issued by a foreign or international tribunal may be rejected by your local courts?

Armenia recognises and enforces the decisions of arbitral tribunals from other states party to the New York Convention, and vice versa. The application may be rejected based on the following grounds:

- against whom it is invoked, if that party furnishes to the competent court where recognition or enforcement is sought proof that:
  - a party to the arbitration agreement has been under some incapacity as per the law applicable thereto; or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made;
  - the stated party was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present his case, etc;
  - the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration by arbitration agreement can be separated from those not so submitted, that part of the award which contains decisions on matters not submitted to arbitration may be set aside;
  - the composition of the arbitral tribunal or the arbitral procedure has not been in accordance with the arbitration agreement of the parties or, failing such agreement, has not been in accordance with the law of the country where the award was made; or
  - the award has not yet become binding on the parties or has been set aside or its enforcement has been suspended by a court of the country in which, or under the law of which, that award was made; or
- if the court finds that the award would be contrary to the public order of Armenia, or the subject matter of the dispute is not capable of settlement by arbitration under the law of Armenia.

*Law stated - 23 May 2023*

### **Limitation periods**

Are there any statutory limitation periods within which lawsuits must be commenced for construction work or design services and are there any statutory preconditions for commencing or maintaining such proceedings?

Yes, the concept of the statute of limitations generally applies with a standard time frame of three years. However, the specific duration varies for different types of claims, ranging from as short as 10 days or one month to as long as 10 years.

Regarding claims related to the inadequate quality of work performed under a construction contract, the statute of limitations is one year. For claims concerning buildings and constructions, the limitation period is three years.

If the client has accepted the work results in parts as specified in the contract, the limitation period for claims begins from the date of full acceptance of the completed work.

It is important to note that the statute of limitations only bars the initiation of a dispute if the opposing party raises the objection within the prescribed time frame. If no such objection is made, the courts will proceed with the case.

*Law stated - 23 May 2023*

## ENVIRONMENTAL REGULATION

### International environmental law

Is your jurisdiction party to the Stockholm Declaration of 1972? What are the local laws that provide for preservation of the environment and wildlife while advancing infrastructure and building projects?

Armenia has not signed or ratified the specific declaration in question. However, Armenia has accepted and adopted other international treaties that are based on the principles outlined in the declaration.

In light of this, the Ministry of Environment is actively engaged in collaboration with international partners, such as UNP-UNEP, to align national legislation with the resolution of current environmental challenges.

Regarding construction and nature conservation, this sector is subject to various regulations, including a legal requirement to conduct an environmental impact assessment (EIA) prior to commencing construction in cases prescribed by law. The law defines relevant cases for an EIA, taking into consideration factors such as the scale of construction, the nature of the intended project and the location of the construction site.

An EIA is mandatory for any construction activity within specially protected environmental areas.

*Law stated - 23 May 2023*

### Local environmental responsibility

What duties and liability do local laws impose on developers and contractors for the creation of environmental hazards or violation of local environmental laws and regulations?

In terms of obligations, the Law on Urban Development and the regulatory legal acts and orders adopted on its basis, which establish technical regulations, regulate the duty of individuals engaged in urban development activities, including environmental obligations.

Furthermore, prior to engaging in any activities within specially protected natural areas, individuals are obliged to

conduct an EIA. In the event of a positive conclusion, only the intended activity may be carried out.

The responsibility is determined by the Code on Administrative Offences and the Criminal Code, respectively, in the form of an administrative fine or criminal liability.

*Law stated - 23 May 2023*

## CROSS-BORDER ISSUES

### International treaties

Is your jurisdiction a signatory to any investment agreements for the protection of investments of a foreign entity in construction and infrastructure projects? If so, how does your model agreement define 'investment'?

Armenia has engaged in bilateral agreements with 42 countries concerning the promotion and mutual protection of investments, and this process is ongoing.

These agreements provide additional guarantees and protective measures for investors from both parties and their investments, in accordance with international law.

In most of these treaties, the term 'investment' encompasses various types of investments within the territory of one party that are directly or indirectly owned or controlled by nationals or companies of the other party. This includes equity, debt, service and investment contracts. The definition of investment also encompasses:

- tangible and intangible property, including movable and immovable property, as well as associated rights, such as mortgages, liens and pledges;
- ownership of a company or shares of stock, interests in a company or interests in its assets;
- claims to monetary value or claims to performance that hold economic value and are connected to an investment;
- intellectual property; and
- any rights granted by law or contract, as well as licences and permits granted under the law.

*Law stated - 23 May 2023*

### Tax treaties

Has your jurisdiction entered into double taxation treaties pursuant to which a contractor is prevented from being taxed in various jurisdictions?

Armenia has ratified international treaties on the avoidance of double taxation with 51 countries, and this process is ongoing. The rules and regulations vary uniquely for each country. These treaties regulate a wide range of legal relationships, including income derived from contract work (such as dividends). For instance, the tax rate applied to dividends in Armenia is 5 per cent.

*Law stated - 23 May 2023*

### Currency controls

Are there currency controls that make it difficult or impossible to change operating funds or profits from one currency to another?

There is no law restricting the possibility of foreign currency exchange. However, due to geopolitical or other circumstances, there may be some temporary limitations by the Central bank of Armenia or individual banks regarding the determination of the maximum allowable amount for certain currencies. According to the law on foreign investment, foreign investors shall be entitled to open current, settlement or other accounts in the banks of Armenia, authorised by the legislation of Armenia as prescribed by the legislation of Armenia. Foreign investors shall be entitled to use, as prescribed by the legislation of Armenia, their legally gained means on the domestic market of Armenia or for the purpose of obtaining goods.

*Law stated - 23 May 2023*

### **Removal of revenues, profits and investment**

Are there any controls or laws that restrict removal of revenues, profits or investments from your jurisdiction?

According to the law on foreign investment, the profit (income) of a foreign investor shall, after paying the taxes and other fees established by legislation, remain under the disposal thereof. Foreign investors and foreign-recruited employees shall be entitled to and shall be provided with the guarantee to freely export their property, profit (income) and other means legally gained, as a result of investment, in the form of investment outcomes or remuneration for work or compensation provided to the foreign investor.

*Law stated - 23 May 2023*

## **UPDATE AND TRENDS**

### **Emerging trends**

Are there any emerging trends or hot topics in construction regulation in your jurisdiction?

Armenia encountered significant challenges related to development until 2020–2021. The difficulties emerged when a developer involved in a construction contract obtained the necessary administrative permits and commenced construction, and if an individual (such as the owner of an adjacent property or residents of a building) contested the construction permit in court, and if the court accepted the claim for hearing, the construction would automatically be subject to suspension under the force of law.

Before the amendments to the legislation, it was common for most large construction projects to face the issue of legal disputes. This means that regardless of who was challenging the issuance of the construction permit, no construction work should be implemented until the court case is finally resolved. Multiple lawsuits could be initiated for one construction permit, resulting in a complex legal landscape and potential delays in the construction process.

Consequently, numerous projects faced suspension because of these disputes, leading to legal proceedings with a duration of several years.

The matter has now been addressed through legislative reforms, and amendments have been introduced to Armenian legislation to prevent similar issues from arising in the future.

At present, the suspension of construction (which are relatively rare) can only be implemented through a court decision.

*Law stated - 23 May 2023*

## Jurisdictions

	<b>Armenia</b>	Concern Dialog Law Firm
	<b>Australia</b>	Holding Redlich
	<b>Canada</b>	Singleton Urquhart Reynolds Vogel LLP
	<b>China</b>	Shanghai JianLingChengDa Law Firm
	<b>Germany</b>	Heuking Kühn Lüer Wojtek
	<b>Iraq</b>	Al Hadeel Al Hasan Law
	<b>Ireland</b>	Matheson LLP
	<b>Israel</b>	S Horowitz & Co
	<b>Japan</b>	Anderson Mōri & Tomotsune
	<b>New Zealand</b>	Hesketh Henry
	<b>Sweden</b>	Foyen Advokatfirma
	<b>Switzerland</b>	Walder Wyss Ltd
	<b>Turkey</b>	Tahan - Cem Attorney Partnership
	<b>USA</b>	Peckar & Abramson PC