



REPUBLIC OF ARMENIA

**“RIO+20”
NATIONAL ASSESSMENT REPORT**

YEREVAN 2012

The report is developed within the frame of preparation of the Republic of Armenia to the UN Conference on Sustainable Development Rio + 20 in Rio de Janeiro, June, 2012.



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REPUBLIC OF ARMENIA

Yerevan, 4 June, 2012



The Earth Summit on sustainable development held in Rio de Janeiro in 1992 was the first high-level forum for Armenia where our country participated as a newly-independent state striving to establish democracy and predominance of universal values. Despite geopolitical issues inherited from past and difficulties typical to the transition economies, in the course of its further 20-year modern history Armenia was always guided by Rio principles and fundamental concepts in the process of elaboration of future country programs and strategies. The Rio process became a turning point for modern global civilization.

In 2002, a National Council on Sustainable Development was established in Armenia that ensured important contribution to the process of elaboration of state programs and implementation of legislative reforms.

Rio goals aimed at sustainable development, the implementation and application thereof, required and still do require close cooperation among and collective efforts by the international community. Natural resources are not evenly distributed among nations and states. Some enjoy these resources in abundance, while others have to strive for their everyday survival. All of us have to realize that this planet is our common home, and we all have to use and multiply its resources for the future generations. Unfortunately, in the modern world natural resources are ruthlessly exploited, guided by narrow selfish and perishable interests, at the expense of universal interests of humanity. From this standpoint, Rio+20 Conference can significantly contribute to all the countries in the world, since it can reveal their recorded achievements and challenges faced during the past 20 years, meanwhile allowing to compare the paths they have passed.

The international community already acknowledges that a mere consumer approach is devastating for the future of humanity and may result in irreversible consequences. I am confident that Rio+20 Conference on Sustainable Development will give renewed impetus to the process that commenced 20 years ago, and will equip the citizens of Earth with new solutions in order to jointly establish a “green economy” and a “green planet”, where everybody will have equal opportunities and equal responsibilities.

A handwritten signature in black ink, appearing to read 'S. Sargsyan'.

SERZH SARGSYAN
PRESIDENT OF THE REPUBLIC OF ARMENIA

STRUCTURE

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Introduction

It is well acknowledged that 1992 was a breakthrough year for the modern history of humanity. Building upon the results of the United Nations workshop held in 1972 in Stockholm and devoted to environmental issues, 1992 Earth Summit in Rio de Janeiro laid foundation for the shift of the modern civilization toward sustainable (harmonious, balanced, concomitant) development at all levels – global, regional, national, and local.

The “Rio+10” (Stockholm+30) 2002 World Summit on Sustainable Development organized in Johannesburg by the United Nations assessed achievements and problems recorded in the preceding decade in the areas of sustainable production and consumption, harmonization of economic development with social equity and environmental security. At the World Summit, plans for the near future were specified, and years 2005-2015 were declared as the Decade of Education for Sustainable Development (DESD).

The newly independent Republic of Armenia actively participated in the 1992 Summit, and throughout the subsequent twenty years, in harsh conditions of transition and blockade, the country put forth efforts toward meeting, to the extent possible, its commitments, and introducing sustainable development principles in the country.

In June 2012, United Nations “Rio+20” (Stockholm+40) Conference on Sustainable Development will be held in Rio de Janeiro with a focus on two main themes:

- Green economy for sustainable development and eradication of poverty;
- Strengthening the institutional framework for sustainable development.

Summit objectives include the following:

- to secure renewed political commitment to sustainable development;
- to assess progress towards internationally agreed goals on sustainable development and the gap between the agreements and implementation thereof;
- to describe and address new and emerging challenges.

In order to ensure the country’s decent participation in the World Summit, a National Steering Committee responsible for the preparatory work was established by the Republic of Armenia (RA) Prime Minister’s Decree No. 685-A (July 19, 2011). The Committee is co-chaired by the Ministers of Foreign Affairs and Nature Protection.

The task of the Committee, comprised of representatives of state agencies, civil society and academia, was to ensure implementation preparatory activities related to the participation of the Republic of Armenia in “Rio+20” World Summit.

Elaboration of a National Report is an important component of the preparatory activities carried in Armenia; the Report will focus on the assessment of the country’s achievements toward sustainable development and existing problems/challenges that raise concerns. Taking into account the main themes of Rio Summit, the current report specifically highlights national level issues related to the mentioned themes.

By a decision of the Steering Committee, an editorial board and thematic working groups on sustainable development aspects were established. The thematic working groups, co-chaired by representatives of governmental bodies and the non-governmental sector, elaborated the respective chapters of the National Report focusing on the assessment of processes underway in the last decade, since in 2002 a “Rio+10” National Assessment Report was already presented to the public inside and outside of the country.

As a result of taking into consideration comments and recommendations voiced during wide and rather intense public debates and discussions in the framework of the National Council on Sustainable Development chaired by the RA Prime Minister, the current report was elaborated. The Report content proves that in the transition period for Armenia the main focus was on priorities of restoring the economy and ensuring economic growth, often to the detriment of the environment. Nevertheless, the necessity to apply sustainable development principles has gradually become a priority; this process was also reinforced by the country’s accession to a number of international conventions and agreements as well as by active collaboration with United Nations agencies, such as UN Development Programme and UN Environment Programme.

The sustainable development principles were specifically reflected in legislation and programmes aimed at socio-economic development and environmental protection adopted in the country in recent years. These processes were vigorously supported through activities carried out by the National Council on Sustainable Development; the local civil society played an extremely important role as well.

The group of authors of the “Rio+20” National Assessment Report has put efforts to develop a document of utmost objectivity and is confident that the upcoming World Summit will live up to the innumerable and multifaceted expectations of the humanity, will fulfil its mission of a platform of consensus on the ways and criteria of the civilization’s sustainable development, and the Republic of Armenia will have its decent contribution to that extremely important process.

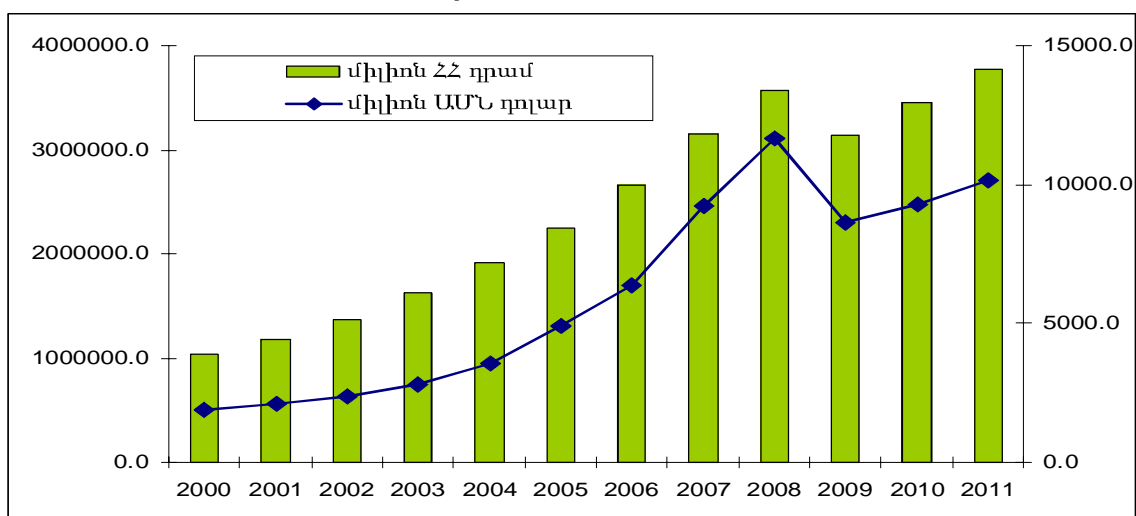
1. Initiatives undertaken during the last decade toward ensuring sustainable development

1.1 Socio-economic situation

1.1.1. Trends of the development of economy. Changes in GDP and GDP structure

The first decade of the 21st century was a period of high rates of economic growth in Armenia. Significant growth in almost all sectors of the economy contributed to two-digit increases in gross domestic product (GDP) in the course of 2004-2008; in average – 11.6 percent (Annex 1). The global economic crises, however, seriously jeopardized the country's economic stability. The crisis was clearly reflected in the economic figures for the last quarter of year 2008. In 2009, a 14.1 percent decline of the economy was recorded, higher than the 11 percent decline forecasted by the World Bank. Despite the fact that in 2010 a 2.1 percent GDP growth was recorded in comparison with the previous year, a number of leading sectors of the Armenian economy were still in deep crisis. It has to be noted that the mentioned figure was higher than forecasted due to the impact of the Government's set of anti-crisis measures.

Graphic 1.1. GDP trends



Legend: million Armenian drams; million US dollars

In 2011, compared with the previous year, a 5.9 percent increase in the **indicator of economic activity** (IEA)¹ was recorded. It is noteworthy that all sectors of the economy, except construction, contributed to economic activity in the country. Processes of post-crisis rehabilitation point out that the Armenian model of economic growth has been enhanced and will continue changing in the coming years. In particular, the construction sector, which kept growing up until 2008 due to the inflow of private remittances from abroad, will gradually lose its leading position to more exportable sectors of the economy. The latter currently act as one of the driving forces behind economic restoration, mainly influenced by the high rates of growth in the mining sector.

Nevertheless, there is still a lot to be done in terms of enlargement of export base, which is especially important from the viewpoint of securing external stability. The above mentioned proves that the macroeconomic policy implemented since 2009 up to nowadays has been reasonable for the absorption of external shocks and ensuring macroeconomic stability.

In the course of recent years **consumer prices** mainly have remained stable and have not exceeded the range of 4+/-1.5 percent. Perhaps the only exception was year 2010 when the end-of-year 12-month inflation rate (December 2010 in comparison with December 2009) reached 9.4 percent. The high inflation rate was mainly due to factors affecting supply: particularly, the agricultural sector was in a collapse, which caused unprecedentedly

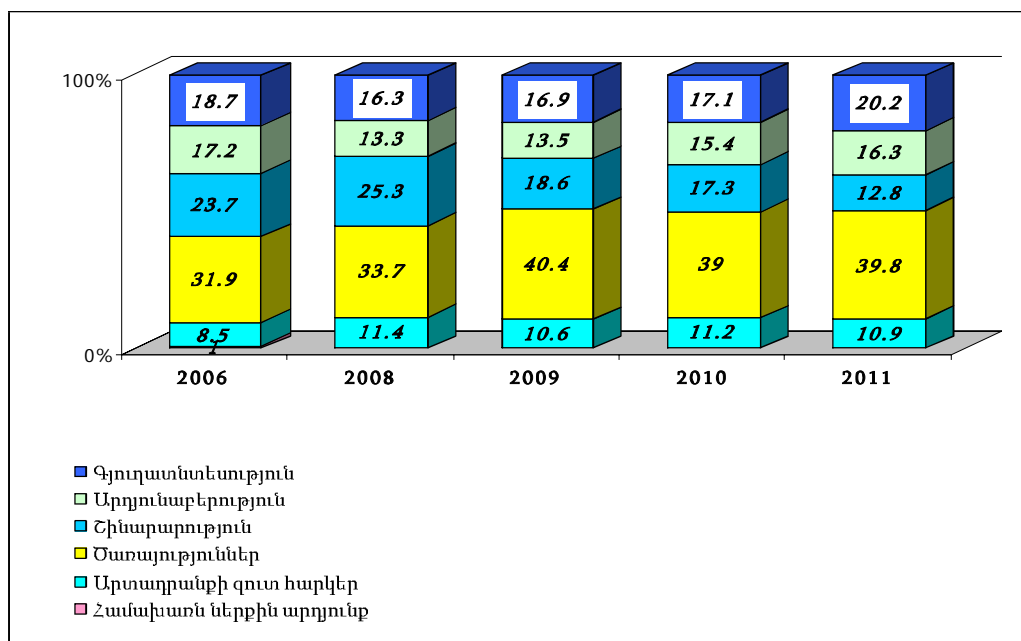
¹ Starting from 2011, the National Statistical Service of the Republic of Armenia has shifted from the calculation of monthly GDP to IEA measurement. In contrast to the GDP figure calculated using the methodology of national accounts (on quarterly and annual bases), the monthly indicator of economic activity describes the change in the production volumes of goods and services in an economy, rather than the change in value added tax. In addition, monthly indicator of economic activity does not include net taxes on products and financial intermediation services indirectly measured (FISIM), which are included in quarterly and annual GDP calculated using the production method.

high prices for agricultural products. In 2012-2014 the forecasted 12-month inflation rate is expected to maintain the target level of 4 percent (+/-1.5 percent) within the allowed range of fluctuations.

As a result of economic and foreign exchange policies implemented in 2002-2008, main indicators of the **current account** of Armenia considerably improved, but this was followed by negative impacts of the global financial crisis that caused reduction of private remittances and factor incomes inflowing the country as well as external demand for goods produced in Armenia. Consequently, in 2009 the current account deficit reached 15.8 percent of the GDP, thus exceeding the highest level recorded in 2000. In the framework of anti-crisis measures, the Government of Armenia policy aimed at export promotion brought about positive results since 2010: the improvement of the external sector of the economy was reached faster than expected (Annex 1).

Uneven development of sectors of the economy has caused significant structural shifts in the GDP structure (Annex 1). A very high rate of **growth in construction** was especially evident, which secured 39.1 percent of the GDP growth in 2008, and the ratio of the construction sector in GDP structure has increased comprising 25.3 percent. In contrast to this, in 2009 the major decrease (41.6 percent) in construction levels has caused 74.5 percent of the GDP reduction, while its ratio in GDP structure has decreased down to 18.6 percent. In 2010, in comparison with 2009, the growth rate in construction reached 3 percent; its ratio (17.2 percent), however, remained lower than the 2008 rate (25.3 percent).

Graphic 1.2. Structure of Gross domestic product, percent



Legend: Agriculture; Industry; Construction; Services; Net taxes on products; Gross domestic product

In 2006-2008 the national currency, Armenian dram, continued depreciation against US dollar and other foreign currencies; this was, among other reasons, due to increasing volume of foreign currency inflow (in the form of private remittances, state subsidies and foreign direct investments), while in 2009-2010 Armenian dram appreciated as a result of decrease in the volume of private remittances in 2009 and foreign direct investments in 2009-2010. Along with the economic decline, the level final consumption in the economy, calculated as share of GDP, has increased (94.0 percent in 2010, compared with 81.8 percent in 2008). In 2010, the average monthly inflation rate was 8.2 percent.

In 2010 economic growth was recorded in the **industrial sector** as well – 10.5 percent, compared to 6.5 percent decrease in 2009, which contributed, by 1.4 percentage points, to the GDP growth in 2010. On the contrary, in the **agricultural sector**, where the situation in 2009 was comparatively normal, economic decline was recorded (15.7 percent), which was caused by unfavourable climate and weather conditions. This decline, in turn, had its adverse impact, by 2.7 percentage points, on the GDP increase.

A certain level of stability and growth can be observed in the leading industrial area – mining (see the table below, and for more details please refer to Annex 1). These phenomena are more apparent in the sector of mining of nonferrous materials and precious metals. In case of non-metal resources, particularly some types of construc-

tion minerals (stones, sand, etc.), decline trends still continue.

In terms of exporting, growth rates of exports of a number of nonferrous materials and non-metal minerals (except, e.g., molybdenum concentrate, pearlite, etc.) were maintained.

Table 1.1. Mining volumes of a group of solid minerals and losses in the process of mining

	2008		2009		2010		2011	
	Extraction	Losses from exhausted supplies, percent	Extraction	Losses from exhausted supplies, percent	Extraction	Losses from exhausted supplies, percent	Extraction	Losses from exhausted supplies, percent
Gold, kg	720.5	4	498.7	4.0	1946.1	3.3	2735.7	4.9
Silver, kg	44321.8	2.3	10794.5	4.2	21892.4	4.8	25205.1	6.8
Copper, t	28280.3	2.4	32920.4	1.8	40946.1	2.2	43093.7	2.1
Zinc, t	8468.8	4	7238.5	3.2	8971.8	5.8	10492.2	7.9
Copper molybdenum ore, thousand t	13245.8	2	13745.0	1.8	15882.6	1.8	16497.1	1.5
Molybdenum, t	5594.7	2.1	5311.6	1.8	5408.0	1.9	5745.1	1.5
Basalt, cub. m	165276.8	18.7	138497.2	16.7	196222.6	14.0	176688.9	13.3
Tuff, cub. m	154735.5	32.7	115820.2	22.8	118864.6	17.7	122503.4	20.7
Marble, cub. m	468.9	89.5	330.4	87.1	531.0	83.4	83.0	90.0
Travertine, cub. m	38742	19.5	44375.2	19.8	45578.6	23.8	55403.6	11.8
Pearlite, cub. m	129700	19	84142.0	18.7	74200.0	19.0	74627.0	19.0

Table 1.2. Volumes of a number of minerals exported from and imported to the Republic of Armenia, tonne

	2008		2009		2010		2011	
	Export	Import	Export	Import	Export	Import	Export	Import
Copper ore, concentrate	67,715.2	-	81,401.9	-	115,964.3	40.1	118,332.5	0.042
Molybdenum ore, concentrate	783.1	501.1	1,192.6	53.9	300.0	160.5	860.0	136.4
Oil and oil products (petrol, black oil, oil, diesel)	-	399,543.0	571.0	344,487.4	127.8	377,686.1	97.1	357,306.1

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