EU4Environment

Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

A partnership for
green development in
Armenia

Action implemented by:

OECD BETTER POLICIES FOR BETTER LIVES

UNECE

UN environment programme

UNIDO

WORLD BANK GROUP

A partnership for green development in **Armenia**

Greening Armenia's economy is urgently needed as the current models of growth continue to erode the stocks of natural assets and undermine the integrity of ecosystem services o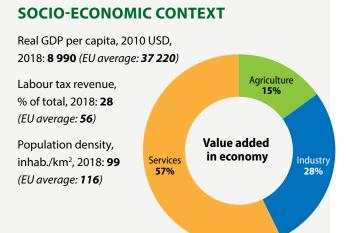n which economic activity depends. This decade is decisive for boosting the resilience of societies and economies in the context of urgent climate and environmental challenges. This means imminently changing the current models of growth. The shift becomes even more pertinent in the context of the global health emergency of the coronavirus (COVID-19) pandemic.

The EU-funded "EU4Environment" Action, launched in 2019, helps Armenia, as well as five other partner countries – Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine – preserve their natural capital and increase people's environmental well-being, by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts.

EU4Environment integrates in a single strategic framework initiatives to achieve: greener decision making, sustainable economy and green growth, smart environmental regulations, ecosystem protection and knowledge sharing.

How can Armenia benefit from greener growth?

As part of its co-operation with the European Union, Armenia has made commitments to green economy. This is reflected in the Eastern Partnership Summit Declarations and the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) (2017). In Chapter 3 of the CEPA, Armenia commits to strengthen cooperation on environmental issues, thereby contributing to the long-term objective of sustainable development and greening the economy.

Investing into greener growth will bring benefits to Armenia while failure to adequately manage natural capital will result in increasing costs of substituting the services it provides:

Reducing air pollution will make people healthier: Currently, welfare costs associated with air pollution by fine particles (PM2.5) represent about 8% of GDP equivalent in Armenia, compared to 3.8% on average in the EU. The mean population exposure to PM2.5 is three times higher than the WHO guideline (33 vs 10 μg/m³).
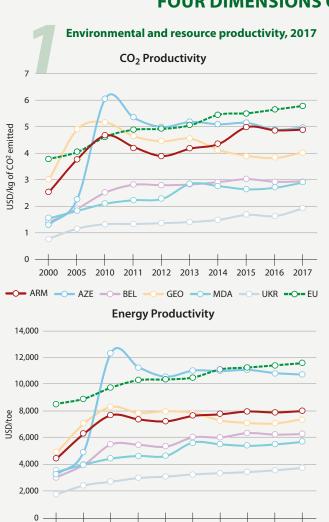
A less wasteful, more resource-efficient approach will make the economy more competitive: Industry makes up an important share of Armenia's economy (28%) with the mining sector being a key contributor. Despite some improvements, Armenia's CO_2 and energy productivity remains below the EU levels, indicating room for further improvement in energy efficiency and production processes.

Greening will open new employment and economic growth opportunities: With a population of 2.95 million, the country faces the highest unemployment rates among

SOCIO-ECONOMIC CONTEXT

Real GDP per capita, 2010 USD, 2018: **8 990** *(EU average: 37 220)*

Labour tax revenue, % of total, 2018: **28** *(EU average: 56)*

Population density, inhab./km², 2018: **99** *(EU average: 116)*

Value added in economy

Agriculture **15%**

Industry **28%**

Services **57%**

the EaP countries (17.7%). The majority of businesses in the country are Small- and Medium-Sized Enterprises (SMEs), responsible for nearly 80% of all jobs. The SMEs generate only 27% of GDP but have considerable aggregate environmental footprint. Armenia's agriculture accounts for only 15% of GDP but provides 33% of employment. There are opportunities for making Armenia's agriculture more environmentally aware as Armenia's big export market is the EU where consumers increasingly take environmental considerations into account.

A safeguarded ecosystem, restored land and forests will provide economic and ecological services: Nearly 12% of Armenia's territory is covered by forest. Armenia's rich natural resources are under pressure, mainly from the mining sector. The Development Strategy for 2014–25 identifies four main areas of environmental concern related to economic growth: 1) environmental risks associated with the expansion of the mining industry; 2) illegal forest logging; 3) overexploitation of water resources; and 4) increased desertification risk.

Selected green growth indicators

FOUR DIMENSIONS OF GREEN GROWTH

1

Environmental and resource productivity, 2017

CO$_2$ Productivity

USD/kg of CO^2 emitted

ARM — AZE — BEL — GEO — MDA — UKR — EU

Energy Productivity

USD/toe

2

Natural asset base
CROPLAND, 2015: **57%** of total land area
(EU average: 41%)

WATER, 2015: **4%** of total land area
(EU average: 3%)

Total renewable water resources: **2 574 m³** per inhab./year *(countries under 1 700 m³ are considered water-stressed)*

FOREST STOCK: **41 mln. m³**
(EU average: 950 mln. m³)

3

Environmental dimension of quality of life
Deaths from PM2.5, 2017: **694** per 1 mln inhab. *(EU average: 402)*

Welfare cost associated with PM2.5 pollution, 2017: **8%** of GDP *(EU average: 3.8%)*

Population with access to improved drinking water sources, % of total, 2017: **86.5%** *(Euro area average: 98.1%)*

4

Economic opportunities and policy responses
Environment-related technologies, 2016: **3.7%** of total (EU average: **10.8%**)

Fuel end-user price, 2010 USD per litre, 2018: **1.68** (petrol), **1.58** (diesel)

Electricity price, 2010 USD per kWh, 2018: **0.19** (residential), **0.16** (industry)

Fossil-fuel subsidies, 2014: **0.4%** of GDP

* To support policies in aligning economic and environmental priorities and to monitor progress towards green economy, the OECD developed a measurement framework which consists of a set of green growth indicators that can capture progress in four areas of green growth: **https://www.oecd.org/greengrowth/green-growth-indicators/**
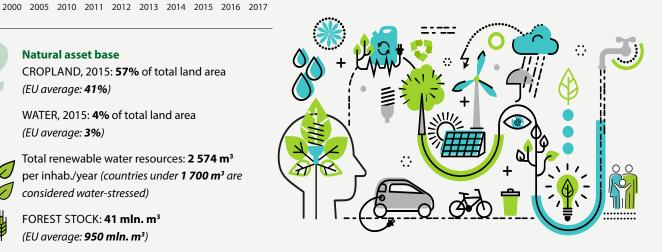
How does the EU help?
Areas of cooperation within EU4Environment in Armenia

Greener decision making

OBJECTIVE: Make political leaders, civil servants and the general public aware and supportive of green growth and promote economic and environmental policy integration.

This work is implemented by UNEP and UNECE.

WHAT IS THE BASELINE IN 2019?

- Development Strategy for 2014-25, with provisions for legislative and normative priorities of environmental policy, adopted

- Yerevan Green City Action Plan until 2030 adopted (2017)

- Law on Environmental Impact Assessment (EIA) and Environmental Expertise adopted (2014)

- Pilot Strategic Environmental Assessment (SEA) applied to National Strategic Development Plan, Roadmap and Investment Plan for Solid Waste Management

WHAT WILL BE ACHIEVED BY 2022?

- A functional green planning and decision-making system established and civil servants trained to apply green economy concepts in their work

- Green economy courses available on-line for all interested stakeholders

- 4 million people reached across the EaP region by communication campaigns

- Green investment needs assessed in priority sectors

- Law on EIA and Expertise amended and aligned with the UNECE and EU legal instruments, and complemented with the guidance on transboundary EIA

- Pilot SEA applied to new plans or programmes

DID YOU KNOW? Armenia is a Party to the UNECE Convention on EIA in a Transboundary Context (Espoo Convention) and its Protocol on SEA. The EU's EIA and SEA Directives are aligned with these treaties. The EU-Armenia CEPA Article 46 and Annex III foresee approximation with the EU EIA and SEA Directives. Reinforcement of structures and procedures for environmental assessments is among the objectives in the EU-Armenia Action Plan.

Circular economy and new growth opportunities

OBJECTIVE: Scale-up public and private action on circular economy and sustainable production and lifestyles.

This work is implemented by UNEP and UNIDO.

WHAT IS THE BASELINE IN 2019?

- Green principles incorporated into SME Development Strategy 2016-18

- Resource Efficient and Cleaner Production (RECP) Clubs created in Ararat, Dilijan, Hrazdan, Vanadzor

- Creation of a Green Economy Center envisaged in the State Development Strategy

WHAT WILL BE ACHIEVED BY 2022?

- RECP assessments conducted for 15 SMEs in priority sectors (including food and plastics producers)

- Awareness raised on Circular Economy among SMEs

DID YOU KNOW? The Government of Armenia is pursuing a policy of boosting energy efficiency in all sectors of the economy. Approved in 2017, the "Second phase of the Energy Efficiency Action Plan for Armenia 2017-18" targeted an estimated 37% reduction of energy consumption. Armenia can consume up to 600 million m3 of natural gas less per year by promoting and investing in energy efficient technologies and practices.

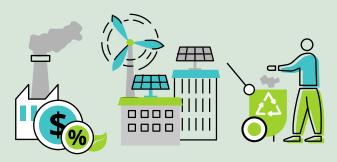# Environmental level playing field

OBJECTIVE: Improve incentives and governance mechanisms that aim at correcting market failures related to the environment, thus ensuring a level playing field in the context of intensified economic exchange with the EU.

This work is implemented by the OECD.

WHAT IS THE BASELINE IN 2019?

- Approximation of the Armenian national legislation to the EU launched, including two Directives on air pollution – EU Industrial Emission Directive and the EU Medium Combustion Plant Directive

- A new draft law on air pollution, which includes elements of Best Available Techniques (BAT), developed

- First comprehensive inventory of energy subsidies conducted (2017)

WHAT WILL BE ACHIEVED BY 2022?

- Roadmap for development of BAT requirements prepared

- Environmental compliance assurance strengthened and equipped with more effective compliance promotion instruments and non-compliance responses

- Linkages between the mining sector and green SMEs supported

- A green economy-related public investment programme designed and launched

- Inventory on subsidies updated and data published on line in the OECD Fossil-Fuel Subsidies Database

- Debt capital financing for green investments (including through green bonds) mobilised

- Administrative capacity of public environmental administration strengthened and new capacity building activities designed and carried out
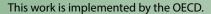
DID YOU KNOW? Armenia Development Strategy for 2014-25 aims to improve the public administration system by 2025, targeting to reach percentile rank of 90 out of 100 in government effectiveness, voice and accountability; 92 – in regulatory quality; 80 – in political stability, rule of law and control of corruption.

Monitoring progress at environment-economy nexus

OBJECTIVE: Facilitate regional knowledge sharing and coordination, monitor progress towards green economy.

This work is implemented by the OECD.

WHAT IS THE BASELINE IN 2019?

- A development of national set of green growth indicators launched (2016)

- Increasing demand from industry and public for better environmental reporting

WHAT WILL BE ACHIEVED BY 2022?

- National set of green growth indicators updated and published

- Policy makers equipped with up-to-date regular measurement tools to assess progress in greening the economy

- The public engaged in evaluating greening the economic growth of Armenia

DID YOU KNOW? Data on selected green growth indicators for Armenia is also collected by OECD and is also available in the OECD statistical database OECD.stat: **https://stats.oecd.org**

About
EU4Environment

Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

Action funded by the European Union

- **Budget:** about EUR 20 million for the six EaP countries (with EUR 19.5 EU contribution)

- **Duration:** 2019-2022

- **Implementing agencies:** OECD, UNECE, UNEP, UNIDO and the World Bank.

- **Overall guidance:** European Commission.

- **Key national partners in Armenia:** Ministry of Environment and Ministry of Economy.

By bringing together environmental and economic actors, EU4Environment helps to deliver policy and legislative changes, making planning and investment greener, stimulating the uptake of innovative technologies, adopting new business models, and creating green jobs. It also promotes better environmental governance, improved management of protected areas and forests, and sustainable trade.

The scope of the Action was defined in cooperation with all partner countries. It targets both public and private sector actors, aiming at creating a critical mass of capacity for greener growth.

It ensures continuity of engagement of the European Union within the Eastern Partnership and builds on political engagements of the partner countries since the Eastern Partnership's establishment in 2009 and the results achieved.

It also provides a vehicle for implementing the European Green Deal, a new green growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy as well as the Joint Communication "Eastern Partnership Policy Beyond 2020: Reinforcing Resilience – An Eastern Partnership that Delivers for All".

The EU4Environment Programme builds on important achievements of past cooperation programmes, such as Greening Economies in the Eastern Neighbourhood (EaP GREEN), the Forest Law Enforcement and Governance (FLEG), and the Emerald Network, which were completed in 2017-18. See more in EaP GREEN brochure and Infographic.

EU4Environment architecture

RESULT 1: Greener decision making

RESULT 2: Circular economy & new growth opportunities

RESULT 3: Environmental level playing field

RESULT 4: Ecosystem services & livelihoods

RESULT 5: Regional knowledge sharing & coordination

Sources: OECD Green Growth Indicators database, Environment at a Glance - OECD Indicators, World Bank Development Indicators database, Eurostat, EU4Business, Green Growth Knowledge Platform, EU4Environment inception report, EUWI+ inception report, EaP GREEN Brochure, OECD report *Inventory of Energy Subsidies in the EU's Eastern Partnership Countries* (2018), OECD report *Measuring green transformation of the economy: Guide for EaP countries* (2016).

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