

# Armenia: MDG National Progress Report



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## Abbreviations

AMD	Armenian Dram
AD	Administrative Data
ADHS	Armenia Demographic and Health Survey
CBA	Central Bank of Armenia
CDM	Clean Development Mechanism
CEE	Central and Eastern Europe
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
EU	European Union
FSU	Former Soviet Union
FDI	Foreign Direct Investr
GDP	Gross Domestic Prodl
GHG	Greenhouse Gas
HCFC	Hydrochlorofluorcarb
ILCMS	Integrated Living Conc
ICT	Information and Comm
IT	Information Technologies
LFS	Labor Force Survey
MDG	Millennium Development Goals
NEAP	National Environmental Action Plan
NSS	National Statistical Service
NGO	Non-governmental Organization
ODS	Ozone Depletion Substances
OECD	Organization for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership Co-operation Agreement
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
RA	Republic of Armenia
SDP	Sustainable Development Program
SPNA	Specially Protected Natural Area
STIs	Sexually Transmitted Infections
SWC	State Water Cadastre
UN	United Nations
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNSD	United Nations Statistics Division
UNFCCC	United Nations Framework Convention on Climate Change
USD	United State Dollars
WB	World Bank



Survey  
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## Millennium Development Goals and Targets Achievability Rating Scale Used in the Report

*	Unlikely to achieve
**	Hard to achieve
***	Likely to achieve
****	Easy to achieve
...	No data/Not applicable

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## Introduction

Armenia joined the United Nations Millennium Declaration adopted by 189 countries at the Millennium Summit in September 2000. By signing the Millennium Declaration, these countries expressed their common responsibility and endorsement of the principles of “human dignity, equality and equity at the global level”. The Millennium Development Goals (MDGs) were nationalized to correspond to the country-specific priorities of poverty reduction and human development reflected in the main development policies and strategies of the country, especially the PRSP. The former Armenian PRSP (approved in August 2003) addressed the specific development challenges and priorities of the country in all aspects of human development and poverty reduction, emphasized in the MDGs.

The first national MDG status Report published for Armenia and tracked the state and progress. This MDG Progress Report is the second state of progress in achieving the MDGs in this Progress Report to update and reflect. Some changes were made in the list of corresponding changes in the National MDG framework achieving the MDGs in the country, assessing the main trends and the current status of the nationalized MDGs took place challenges of the country more precisely. Goals and indicators, which called for corresponding remarks on the main challenges in achieving the MDGs in the country and gives special attention to the impact of the current economic downturn on the further progress towards achieving the MDGs in the country. In this regard, the Report contains a special chapter analyzing the post-crisis economic and fiscal situation in the country and discussing different scenarios for further development.



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Thus the Report is organized into chapters corresponding to the analysis of the economic situation and to each of the MDGs to be achieved by 2015:

- *Global Economic Crisis: Worsened Economic Conditions and Possible Scenarios for Economic Development in the Medium to Long-term Perspective*
- *Eradicate Extreme Poverty and Hunger*
- *Achieve Universal Secondary Education*
- *Promote Gender Equality*
- *Reduce Child Mortality*
- *Improve Maternal Health*
- *Combat HIV/AIDS, Malaria and other Diseases*
- *Ensure Environmental Sustainability*
- *Develop a Global Partnership for Development*

In each chapter of the Report, the status and trends of progress toward goals and corresponding monitoring indicators are analysed and, based on this, challenges and priorities are revealed. Taking into account the current uncertainties around how the economic recovery will finally occur, development trends and the state of a supportive environment (particularly the willingness and commitment of the Armenian authorities towards the achievement of the MDGs) in the country, the possible achievability of each MDG target is forecasted in the Report.

## Global Economic Crisis: Worsened Economic Conditions and Possible Scenarios for Economic Development in the Medium to Long-term Perspective

The global economic crisis that started in September 2008 influenced the Armenian economy from the fourth quarter of that year. This influence substantially deepened in the first, second and third quarters of 2009. On the contrary to the developed countries, where the crisis started in the financial sector which in turn affected the real economy, in Armenia the crisis immediately hit the real sector, while the banking sector<sup>1</sup> remains relatively resilient.

**Table 1. Quarterly Dynamics of GDP by change**

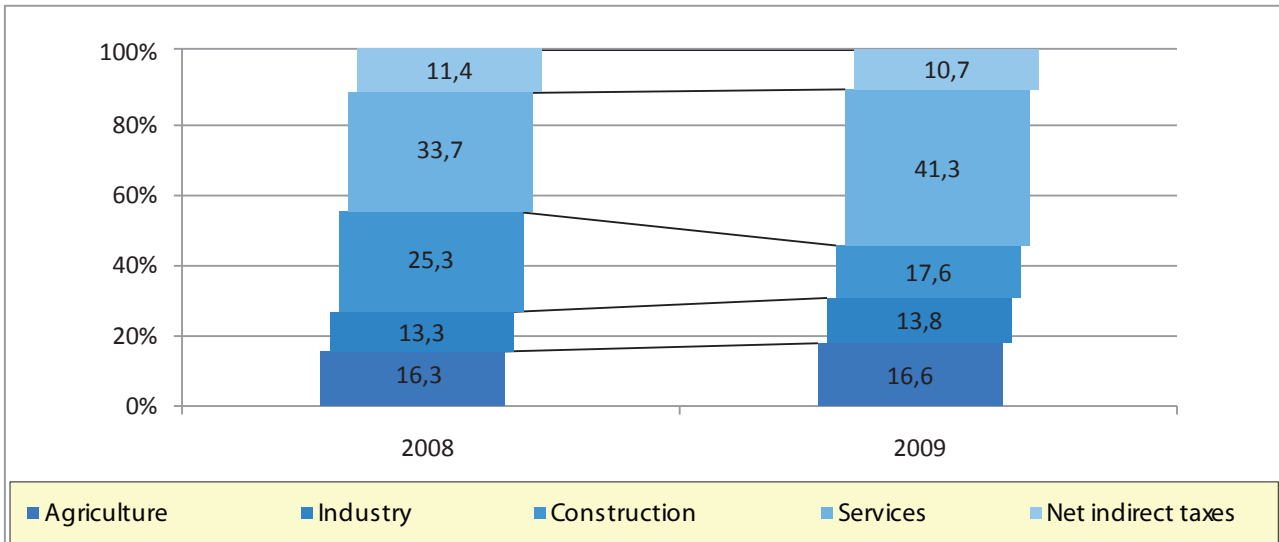
**Trade in 2008 - 2009, year-on-year %**

	Q1	2009							
		Q4	Q1	Q2	Q3	Q4			
Gross domestic product (GDP)	13.0	5.9	-6.1	-17.9	-19.8	-8.4			
Net indirect taxes	31.6	4.1	-16.0	-27.9	-20.0	-18.5			
Total value added	10.0	7.1	-4.2	-16.5	-19.8	-7.1			
Value added in agriculture	-0.2	15.6	13.4	-14.8	-0.9	-2.0	0.6	-2.0	
Value added in industry	3.3	-1.5	-0.5	6.7	-8.8	-9.9	-13.0	0.1	
Value added in construction	17.8	12.5	33.1	-14.5	-18.8	-49.4	-51.6	-26.5	
Value added in services	14.3	5.1	6.2	-2.1	0.1	0.0	-2.2	1.9	
Exports*	1.2	-2.7	-0.6	-27.3	-47.0	-44.0	-31.8	-6.4	
Imports*	31.5	47.4	47.6	20.6	-21.4	-31.8	-29.4	-17.6	

\*Note: as per trade statistics.

Source: National Statistical Service of the Republic of Armenia.

**Figure 1. Structure of GDP by Sector in 2008 and 2009, % of total**



Note: Agriculture – A+B; Industry – C+D+E; Construction – F. Source: National Statistical Service of the Republic of Armenia.

As may be seen from Table 1, the recession in the Armenian economy started in the fourth quarter of 2008, and deepened during the first, second and third quarters of 2009, showing all signs of a profound economic crisis and affected all macroeconomic sectors (with the exception of services) and

<sup>1</sup> The largest part of the financial sector, accounting for about 90% of its assets.

external trade. The biggest drop was in construction – greater than two-fold and exports – about two-fold. For the first time since 2004, there was a substantial decline in the volume of imports. These developments resulted in a substantial change in the GDP structure, reflected in an increased share of services in the GDP to 41.3% in 2009, up from 33.7% recorded in the previous year. At the same time, the share of construction substantially decreased and amounted to 17.6% in 2009, down from the 25.3% recorded a year earlier. One of factors that may explain the different pattern of developments by sector in 2009 is the demand-side behavior of economic agents. Analysis of GDP by use shows that the final consumption expenditures were affected to much lesser extent (2.6% decline in 2009, as compared to 2008) than gross capital formation (decrease by 34.4% in 2009, as compared to 2008).

Meanwhile, based on official statistics the sector crisis is taking place rather slowly. The number of employed as of June 2009 was 1,096.1 thousand employed in January-June 2009. The number of employed increased from 74.6 thousand in January-June 2008 to 76.6 thousand in January-June 2009, or from 6.3% of the economically active population to 6.6%.



the employment adjustment to the real economy reported an insignificant decrease in the number of registered unemployed in January-June, 2008 to 1,096.1 thousand. Similarly, the number of registered unemployed increased to 1,100.1 thousand in June 2009, or from 6.3% of the economically active population to 6.6%.

The slow adjustment of employment in response to the crisis may be explained by the high level of informal employment<sup>2</sup> in the Armenian economy, which is not fully captured by the official employment statistics and the low motivation to officially register as an unemployed person due to the low level of unemployment benefit<sup>3</sup>, as well as the small share of registered unemployed people (30% of registered unemployed as of June 2009) participating in the state employment programs as a result of the insufficient funding of those programs. As in many developing countries, a large share of informal employment in the Armenian economy (particularly, in the non-agricultural sector) may be explained by the intention of firms and workers to minimize their interaction with different state regulatory institutions, the high cost of operating formally as it may be considered by firms and/or workers (e.g. labor taxes, including social security contributions), the low motivation of workers to operate formally due to inadequate social protection mechanisms and a dissatisfaction with government services in general.

On the other hand, limited corporate governance practices in the private sector, weaknesses in tax administration and in enforcement mechanisms in general are also important issues. In these circumstances, with the decrease of the volume of production, workers to be fired first are likely to be those employed informally, because of the zero firing costs that is not captured by the employment statistics based on establishment surveys.

According to the official statistics, the ongoing economic downturn has so far not affected the labor incomes of the population. The average monthly salary in the period from January to June 2009 comprised AMD 96.3 thousand, which represents an increase of 11.5% in nominal terms and 8.6% in real terms (adjusted by the consumer price index). The reason for this may be the possible relative increase in the level of formal employment after the mass firing of the informal employees. Moreover, decisions regarding wages for 2009 in the public sector in the majority of cases (particularly for public services directly or indirectly funded from the budget) were made at the end of 2008, when expectations for the economic performance for 2009 were not so pessimistic.

<sup>2</sup> Informal employment as a term covers those not officially registered as employed and working on the basis of an informal agreement with employer. For example, according to the labor force survey conducted by the NSS in July 2008, the total number of the employed in the non-agricultural sector of the economy was estimated at 703.7 thousand, of which employment in construction sector was 87.2 thousand. According to the same survey, the level of formalization (i.e. the ratio of the formally employed to the total number of employed in the sector) in industry comprised 76%, in construction – 34%, in services – 48% and in the non-agricultural sector in total – 71.3%.

<sup>3</sup> Monthly unemployment benefits comprise 60% of the minimum wage and in 2009 amounted to 18,000 drams.

According to data from the CBA, there was about a 20% decrease in the net private transfers to Armenia in January 2009 compared to January 2008 (from USD 55.8 million to USD 44.4 million). According to IMF projections<sup>4</sup>, a substantial deterioration of the current account balance was expected in 2009, comprising -13% of GDP<sup>5</sup> mostly due to a decrease in the volume of the inflow of the net foreign transfers and FDI. The external position of the country is expected to deteriorate further in 2010 also, with the projected improvements in the following years.

One of the main responses of the authorities to the unfolding crisis was the return to the floating exchange rate on 2 March 2009, resulting in the immediate nominal depreciation of the national currency by about 20% against the US dollar. Since then, the exchange rate has stayed relatively stable.

The economic crisis resulted in the subsequent efforts of the authorities to keep the deficit. According to the data for the first period of 2008 decreased by 13.5%<sup>6</sup>, 34.1% of the GDP as compared to 26.1% in the first half of 2007. To avoid cuts in expenditure, especially in the social services, the authorities resorted to borrowing, bringing the budget deficit to 1.2% of the GDP in the first half of 2008.



state budget revenues and the subsequent decline by the increase of the actual budget revenues compared to the same period in 2008. The expenditure increased by 11.7%, comprising 34.1% of the GDP as compared to 26.1% in the first half of 2008. To avoid undesired consequences, the authorities were forced to increase external borrowing, bringing the budget deficit to 1.2% of the GDP, compared to the operational surplus of 0.8% of the GDP in the first half of 2008.

In the first half of 2009, the major negative contribution to the behavior of the state budget revenues (in nominal terms, 13.5% decrease on a year-on-year basis) came from the tax revenue side (-18.2% on a year-on-year basis or -14.7 percentage points in overall decline), while official transfers and other (non-tax) revenue had an overall positive contribution. The biggest drop in tax revenues was recorded in the receipts from three major items of indirect taxes (value added tax, excises and customs duties), which declined by 23.8%. In particular, in January-June 2009 revenues from value-added tax (VAT) decreased by 26% compared to the same period in 2008<sup>7</sup>, explaining nearly 73% of the decline in overall tax revenues. One of key factors that led to such a sharp decline in VAT revenues is the substantial decrease of imports (in the first half of 2009, nearly -30% year-on-year), as almost 65% of VAT revenues is collected from imported goods and services. As for revenues from the two major items of direct taxes, namely enterprise profit tax and personal income tax, they were characterized by a different pattern: in the first half of 2009, revenues from enterprise profit tax decreased (-2.7% year-on-year), while receipts from personal income tax showed an increase of 12.6% on a year-on-year basis that could be explained by increased wages, particularly in the public sector.

On the expenditure side, due to a shortage of domestic revenues, the authorities were forced to reconsider their spending priorities (in some cases, by deferring expenditure - particularly capital expenditure - on economic services) to safeguard the increasing needs of social spending. In the short and medium-term perspective, with the restoration of economic growth (which is anticipated starting from 2010, but at a much slower rate) the public expenditure strategy will be based on the fine-tuning of spending priorities, based on the increase of revenue collection rates, combined with a higher level of borrowing, compared to the scenario anticipated by the Sustainable Development Program (SDP) and other long and medium-term pre-crisis documents of the Government.

However, it is obvious that due to the global economic crisis and its rather serious impact on the Armenian economy, the macroeconomic and fiscal projections of the SDP and other pre-crisis documents will not be achieved and the Government will be forced to adjust medium-term projections and

<sup>4</sup> Armenia. IMF Country Report No 09/214, July 2009.

<sup>5</sup> Compared with -11.3% of the GDP estimated for 2008.

<sup>6</sup> In nominal terms.

<sup>7</sup> In the first half of 2009 9.4% of GDP compared with 10.7% of GDP in the first half of 2008



targets of public spending. This in turn will probably affect the estimates of the achievability of most of the goals in the Armenian National MDG Framework.

To realistically estimate the levels of achievability of the Armenian national MDG framework in the new conditions of the current economic crisis and restored post-crisis economic growth there is a need to build post-crisis medium and long-term macroeconomic and fiscal frameworks, to take into account the new factors, which will most probably shape future developments in Armenia.

Three scenarios of medium-term development (for 2009-2015)<sup>8</sup> are considered in this report: baseline, low case and high case scenarios, correspondingly. The baseline scenario is designed taking into account the mid-term macroeconomic projections agreed between the Government and the IMF in July 2009 and short-term macroeconomic projections set by the 2010 Budget Law (approved by the National Assembly of the Republic of Armenia) and the 2010 Budget Message of the Government of the Republic of Armenia. The high case scenario is built on the assumption that the country will return to the growth path predicted in the 2010 Budget Law and other pre-crisis documents starting from 2012. The low case scenario most probably will be realized if the GDP contraction in 2009 is predicted at the level of -15.6% and in the high case and baseline scenarios



**Table 2. GDP and Growth Rates in 2009-2015: Pre- and Post-Crisis Projections in Different Scenarios**

	2009	2010	2011	2012	2013	2014	2015
	<i>in billion drams, 2008 constant prices</i>						
Baseline scenario	3,079	3,116	3,225	3,371	3,522	3,681	3,846
High case scenario	3,079	3,156	3,314	3,546	3,794	4,060	4,344
Low case scenario	2,917	2,952	3,055	3,193	3,336	3,486	3,643
SDP projections	4,011	4,352	4,700	5,047	5,395	5,748	6,108
	<i>year-on-year percentage change</i>						
Baseline scenario	-15.6%	1.2%	3.5%	4.5%	4.5%	4.5%	4.5%
High case scenario	-15.6%	2.5%	5.0%	7.0%	7.0%	7.0%	7.0%
Low case scenario	-20.0%	1.2%	3.5%	4.5%	4.5%	4.5%	4.5%
SDP projections	9.2%	8.5%	8.0%	7.4%	6.9%	6.5%	6.3%

Source: Sustainable Development Program, Armenia: IMF Country Report No. 09/2014 and new projections in different scenarios.

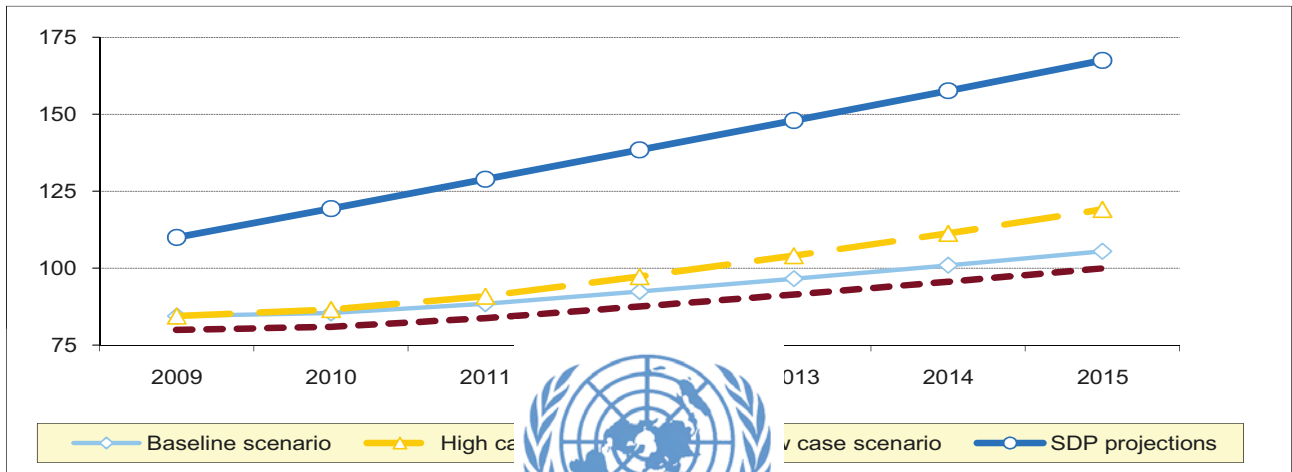
Based on recent projections, it could be concluded that the 2008 GDP level may be achieved in the baseline scenario in 2014, in the high case scenario in 2013, and in the low case scenario in 2015 correspondingly.

<sup>8</sup> All forecasts presented in this report were made in 2009 and were based on the factual data available at that time.

<sup>9</sup> In addition to differences in assumptions related to economic growth rates considered under those three scenarios, there are differences in expectations and assumptions on the budget framework which are detailed below in the text.



**Figure 2. Real GDP Index (2008 =100): Pre- and post-crisis Projections in Different Scenarios**



Source: Sustainable Development Program, Armenia, 2014 and new projections in different scenarios.



Report No. 09/2014 and new projections in different scenarios.

Taking into account the specifics of the Armenian labor markets (high share of informal employment, which worked as an adjustment tool for contraction and expansion of the labor market and is not fully captured by the administrative statistics) there is no big difference between new projections in different scenarios for expected developments on the employment side. However, compared with pre-crisis scenarios, due to the much higher rates of economic growth, anticipated before the crisis, new projections suggest lower employment by nearly 100 thousand persons.

**Table 3. Employment in 2009-2015: Pre- and Post-Crisis Projections in Different Scenarios, thousand persons**

	2009	2010	2011	2012	2013	2014	2015
Baseline scenario	1,098	1,101	1,109	1,119	1,132	1,144	1,157
High case scenario	1,099	1,105	1,116	1,131	1,151	1,171	1,192
Low case scenario	1,086	1,089	1,097	1,106	1,119	1,131	1,144
SDP projections	1,154	1,171	1,187	1,199	1,212	1,228	1,249

Source: Sustainable Development Program and new projections in different scenarios based on statistics from administrative register.

In the short to medium-term, one of the major challenges for the government fiscal policy will be to ensure the provision of critical public services and social protection, while maintaining fiscal sustainability. The profound economic contraction occurring in 2009, as it was shown above, strongly affected public revenues and forced the Government to increase external borrowing to avoid painful cuts in expenditures, especially in social spending.

The budget deficit in 2009 rose to above 7.6% of GDP from just 0.7% in 2008 and by the end of 2009 public debt was close to 35% of GDP from 13.2% in 2008. While it is projected that with restoration of economic growth in 2010-2015 the revenue-to-GDP ratio will also increase in all the considered scenarios (in the baseline scenario at an average of +0.3 percentage points per year, and at +0.4 and +0.1 percentage points per year in the high case and low case scenarios respectively), in nominal terms these increases will probably not create enough fiscal space to finance social spending as was targeted in the pre-crisis government programs, mainly due to the need of lowering the public deficit


**Table 4. Aggregated Fiscal Framework in 2009-2015: Pre- and Post-Crisis Projections in Different Scenarios**

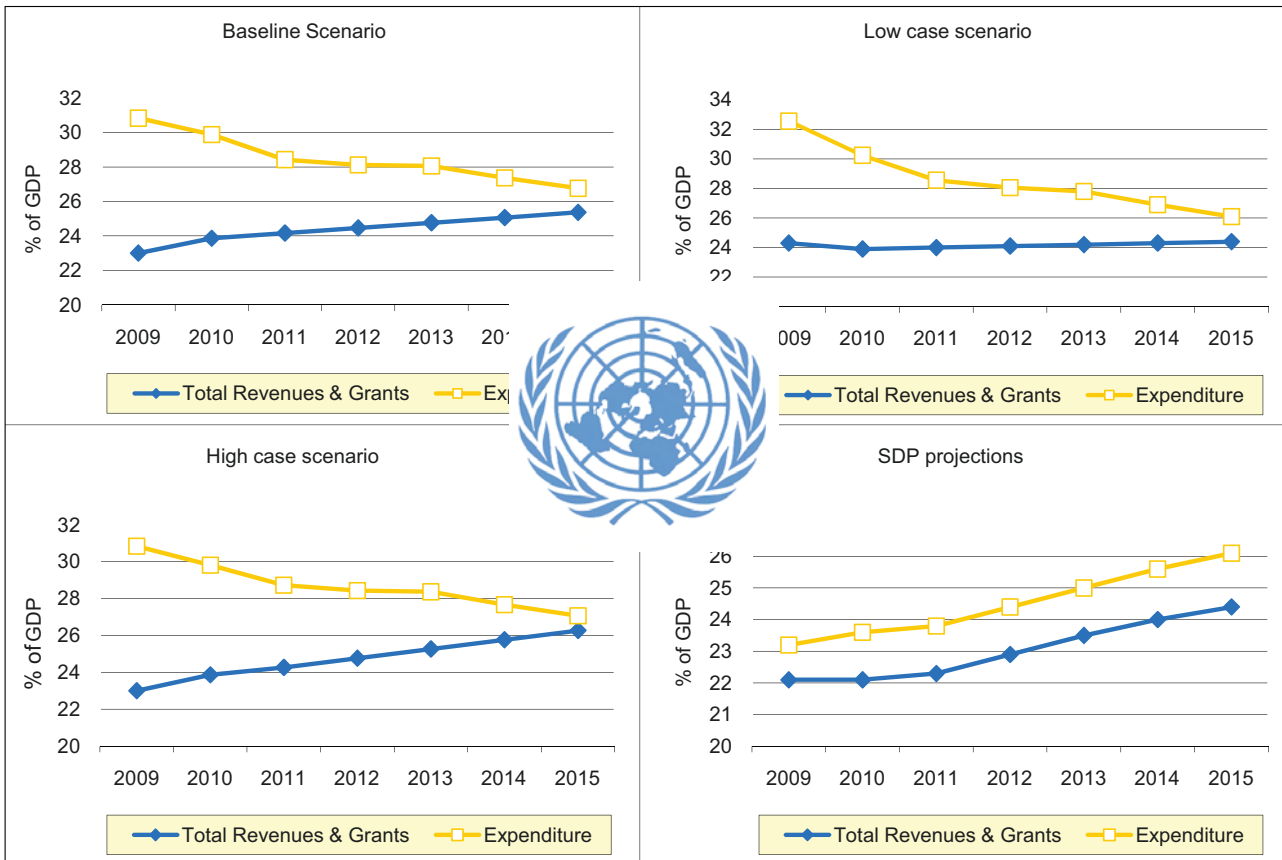
	2009	2010	2011	2012	2013	2014	2015
	<i>in billion drams at current prices</i>						
<b>Total revenues and grants</b>							
Baseline scenario	717.0	767.2	817.9	891.4	971.4	1,058.3	1,152.9
High case scenario	717.0	777.0	859.2	968.0	1,079.9	1,204.5	1,343.4
Low case scenario	717.0	727.4	778.7	841.7	909.7	983.2	1,062.6
SDP projections	921.4	1,039.4	1,177.6	1,350.5	1,525.8	1,709.9	1,912.4
<b>Total expenditure</b>							
Baseline scenario	961.0			1,037.5	1,114.3	1,169.4	1,231.1
High case scenario	961.0			1,124.7	1,236.8	1,329.5	1,433.4
Low case scenario	961.0			980.1	1,045.1	1,088.4	1,136.7
SDP projections	967.3			1,439.0	1,623.2	1,823.9	2,045.6
<b>Overall balance</b>							
Baseline scenario	-244.0			-146.2	-142.9	-111.1	-78.2
High case scenario	-244.0			-156.8	-157.0	-124.9	-90.0
Low case scenario	-244.0	-193.4	-148.1	-138.5	-135.4	-105.2	-74.1
SDP projections	-45.9	-70.5	-79.2	-88.5	-97.4	-114.0	-133.2
	<i>% of GDP</i>						
<b>Total revenues and grants</b>							
Baseline scenario	23.0	23.9	24.2	24.5	24.8	25.1	25.4
High case scenario	23.0	23.9	24.3	24.8	25.3	25.8	26.3
Low case scenario	24.3	23.9	24.0	24.1	24.2	24.3	24.4
SDP projections	22.1	22.1	22.3	22.9	23.5	24.0	24.4
<b>Total expenditure</b>							
Baseline scenario	30.8	29.9	28.4	28.1	28.1	27.4	26.8
High case scenario	30.8	29.8	28.7	28.4	28.4	27.7	27.1
Low case scenario	32.6	30.2	28.6	28.1	27.8	26.9	26.1
SDP projections	23.2	23.6	23.8	24.4	25.0	25.6	26.1
<b>Overall balance</b>							
Baseline scenario	-7.8	-6.0	-4.6	-4.0	-3.6	-2.6	-1.7
High case scenario	-7.8	-5.9	-4.6	-4.0	-3.6	-2.6	-1.7
Low case scenario	-8.3	-6.4	-4.6	-4.0	-3.6	-2.6	-1.7
SDP projections	-1.1	-1.5	-1.5	-1.5	-1.5	-1.6	-1.7



Source: Sustainable Development Program, Armenia: IMF Country Report No. 09/2014 and new projections in different scenarios.

As seen in Table 4 and Figure 3, between 2009 and 2015 in relative terms the biggest contraction of public expenditures is anticipated in the low case scenario by 6.5 percentage points of GDP, followed by the baseline (decrease by 4.1 percentage points of GDP) and high case (decrease by 3.8 percentage points of GDP) scenarios. At the same time, even in the high case scenario, where public expenditures-to-GDP ratio in 2015 are projected at a level with 1 percentage point higher than the ratio targeted by the SDP in 2015, in nominal terms public expenditures will still be lower by 30% than was targeted by the SDP. The same calculations for the baseline scenario show that public expenditure in nominal terms will be lower in 2015 by more than 39% compared to the SDP targeted value.

**Figure 3. Aggregated Fiscal Framework in 2009-2015: Pre- and Post-Crisis Projections in Different Scenarios, in % of GDP, current prices**



Source: Sustainable Development Program, Armenia: IMF Country Report No. 09/2014 and new projections in different scenarios.

Table 5 shows the public social expenditure forecasts for the different post-crisis scenarios. For all scenarios, the main underlying assumptions are that in 2010-2015 the shares of public expenditure on health and education to GDP will be at least as outlined in the SDP and the Government Program for 2008-2012, while pensions and social benefits in nominal terms will be financed fully and according to the original SDP projections, with the exception of the 2010 fiscal year<sup>10</sup>. According to projections, compared with pre-crisis forecasts, the shares of social expenditure are higher in all post-crisis forecasts, and the highest are in the low scenario. According to the baseline scenario, in 2015 the share of social expenditure in the consolidated budget will grow from 45% in 2009 to 61% in 2015, leaving less room for other budget expenditures.

This means that there is a need for reconsidering the existing public spending priorities, especially in the non-social spheres, which in particular will force the elaboration of new strategies for public administration development, public funding of the economy, defense, national security and other issues, taking into account the much lesser volume of public resources available which may be dedicated to these spheres.

<sup>10</sup> Social protection expenditures for the 2010 fiscal year are projected according to the 2010 Budget Law approved by the National Assembly of the Republic of Armenia in December 2009.





**Table 5. Public Social Expenditures, Estimates of Growth Scenarios for 2009-2015 (in billion drams in current prices)**

	2009	2010	2011	2012	2013	2014	2015
<b>Education</b>							
Baseline scenario	120.0	114.0	123.4	132.8	146.9	162.4	184.0
High case scenario	120.0	114.0	128.0	142.4	161.3	182.6	211.8
Low case scenario	120.0	114.0	116.9	125.8	139.1	153.8	174.3
SDP projections	139.2	156.1	179.0	212.3	240.2	270.7	313.5
<b>Health</b>							
Baseline scenario	56.5	55.1	67.2	79.3	89.3	100.4	115.0
High case scenario	56.5			85.1	98.1	112.9	132.4
Low case scenario	56.5			75.1	84.6	95.1	108.9
SDP projections	64.0			126.8	146.1	167.4	195.9
<b>Social Transfers</b>							
Baseline scenario	252.1			345.6	373.8	403.7	454.4
High case scenario	252.1			345.6	373.8	403.7	454.4
Low case scenario	252.1			345.6	373.8	403.7	454.4
SDP projections	248.4			355.8	397.3	446.5	493.9
<b>of which Pensions</b>							
Baseline scenario	185.0	178.0	220.8	251.2	291.7	327.9	374.6
High case scenario	185.0	178.0	220.8	251.2	291.7	327.9	374.6
Low case scenario	185.0	178.0	220.8	251.2	291.7	327.9	374.6
SDP projections	173.8	204.6	234.0	264.4	299.9	342.8	383.5
<b>Total social expenditure</b>							
Baseline scenario	428.6	411.5	488.9	557.6	610.0	666.5	753.3
High case scenario	428.6	411.5	496.1	573.0	633.2	699.2	798.6
Low case scenario	428.6	411.5	478.9	546.5	597.6	652.6	737.6
SDP projections	451.5	522.7	602.4	695.0	783.6	884.7	1003.3
<i>Memorandum item</i>							
<b>Social expenditure as % of total consolidated budget expenditure</b>							
Baseline scenario	44.6	42.8	50.2	53.7	54.7	57.0	61.2
High case scenario	44.6	42.4	48.6	50.9	51.2	52.6	55.7
Low case scenario	44.6	44.7	51.7	55.8	57.2	60.0	64.9
SDP projections	46.7	47.1	47.9	48.3	48.3	48.5	49.0

Source: Sustainable Development Program and new projections in different scenarios.

The forecasts presented in this report were made in 2009 and are based on the data available and expectations formed at that time. However, the actual developments allow for more optimism: it is likely that the restoration of the economy will occur sooner than expected. In particular, this may happen as a result of the Armenian Government's anti-crisis policies. The Armenian Government tried to avail of all the anti-crisis tools available in the international practices, applying both financial and non-financial toolkits (implementation of anti-cyclic taxation and budget policies coordinated with the monetary and credit policies maintained by the Central Bank of A; extending loans to fundamental enterprises, as well as to economic entities dealing with the exchange of exports and imports; improvement of the tax and customs administration, etc.)

However, the changes related to the state budget decrease due to the crisis and post-crisis developments, as well as the need for redistribution according to the new spending priorities will inevitably affect the levels and estimates of achievability of the Armenian national MDGs, including poverty, access to education and health services, etc. These new estimates of achievability of the national MDGs are presented in the report.



# MDG 1.

**Eradicate Extreme Poverty  
and Hunger**





## MDG 1. Eradicate Extreme Poverty and Hunger

The national Target 1 of the Goal<sup>11</sup> is aimed at reducing the poverty level to lower than in 1990 by 2015<sup>12</sup>, while Target 2 and its monitoring indicators fully correspond to the Global MDG Framework<sup>13</sup>.

Target 2.A: "Achieve full and productive employment and decent work for all, including women and young people" has been added to the list of the National Targets of MDG Goal 1 in accordance with the changes made in the updated Global MDG Framework<sup>14</sup>.

Target 1												
By 2015, Reduce to				Lower than in 1990								
INDICATORS	1999	2004	2			2008	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment	
			2	2	2							
1	Proportion of population below 4.30 USD (PPP adjusted) per day, %	80.0	73.4 <sup>15</sup>	62.6	52.0	46.9	47.7	11.0	21.9	<20	***	S
2	GDP per capita compared to EU average per capita, %	...	13.0	14.7	16.3	18.0	18.8	35.0	19.9	>30	*	S
3	Family allowance budget expenditure to poverty gap ratio, %	33.0	18.3	24.5	34.3	...	...	80.0	71.0	>50	***	S
4	Income in the poorest quintile to the income of the richest quintile	1/32	1/11	1/10	1/8	1/8	1/8	1/9	1/9	>1/5	*	G
5	Ratio of poverty level outside capital to poverty level in capital	...	1.5	1.6	1.7	1.5	1.4	1.9	1.5	<1.2	*	G


<sup>11</sup> See "Millennium Development Goals: Nationalization and Progress", National Report, Yerevan, 2005.

<sup>12</sup> The national Target 1 reflects Armenia's national development needs and corresponds to Target 1.A: "Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day", in the list of the Global MDG Targets.

<sup>13</sup> Target 2 in National MDG framework corresponds to the Target 1.C in the list of the Global MDG Targets.

<sup>14</sup> Corresponds to Target 1.B in the list of the Global MDG Targets.

<sup>15</sup> The WB estimation for 2005 PPP (\$1=178.6 AMD) is applied for the 2004-2008 data. Source: "Social Snapshot and Poverty in Armenia", NSS, 2009.

Target 2												
Halve, between 1990 and 2015, the Proportion of People who Suffer from Hunger												
INDICATORS		1999	2004	2005	2006	2007	2008	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
6	Prevalence of underweight children under five years of age, %	2.6 (2000)	...				...	1.9	1.9	<1.4	*	S
7	Proportion of population below minimum level of dietary energy consumption, %	21.0	6.4				4.6	4.1	3.8	3.1	1.6	2.3

## Status and Trends

In recent years, Armenia experienced a substantial reduction in poverty. The proportion of the population living below the national poverty line<sup>16</sup> decreased more than two-fold from 1999 to 2008, from 56.1% to 23.5%. Nevertheless, nearly a quarter of the population in Armenia was poor in 2008. The proportion of the population below the minimum level of dietary energy consumption<sup>17</sup> decreased more sharply - 6.8 times during the same period. In 2008, only 3.1% of the population was below the national poverty food line, while in 1999 this figure was 21%. However, this means that approximately 100,000 people in Armenia suffered from inadequate daily calorie intake in 2008<sup>18</sup>.

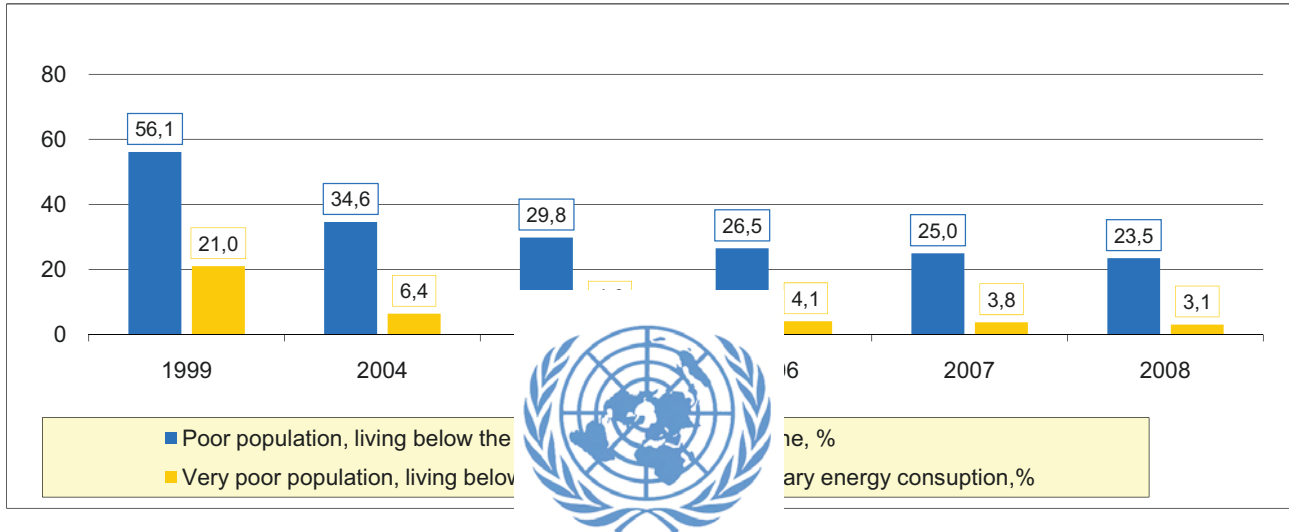
<sup>16</sup> The national general poverty line is defined through the Integrated Survey of Living Standards as the minimum subsistence level in the country. It includes the value of food and non-food products necessary for the satisfaction of basic needs. The general poverty line was defined at 2,188 AMD per adult equivalent, per month for 2008.

<sup>17</sup> Very poor population, living below the national poverty food line, as defined through the Integrated Survey of Living Standards as a value of the minimum food subsistence level. It corresponds to a daily consumption of 2,232 kcal of energy. The poverty food line was defined at 17,232 AMD per adult equivalent, per month for 2008.

<sup>18</sup> Social Snapshot and Poverty in Armenia, National Statistical Service, Yerevan, 2009.



**Figure 1.1. Reduction of Proportion of Population below the National General and Food Poverty Lines in 1999-2008, %**

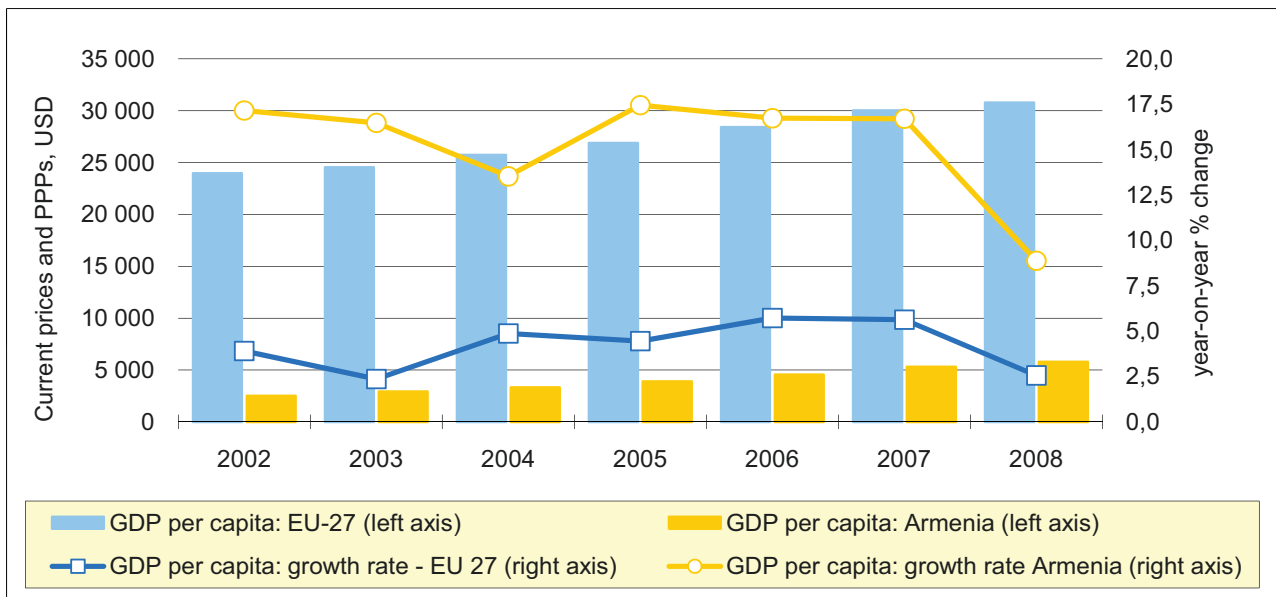


Source: National Statistical Service of the Republic of Armenia

In accordance with these positive trends, the proportion of the population below 4.30 USD (PPP adjusted) per day declined by 1.7 times (by 40.4%) from 1999 to 2008. Nevertheless, about 48% of the population in the country was below this poverty line in 2008. The per capita GDP level in the country more than doubled during the same period and comprised 5,789 PPP USD in 2008<sup>19</sup> which was 18.8% of the EU-27 average for the same year.

The average per capita GDP year-on-year growth rate in 2004-2008 was estimated at 14.6% in Armenia, which was much higher than the EU-27 average growth rate (see Figure 1.2). However, in 2008, the growth rates both in Armenia and EU-27 nearly halved.

**Figure 1.2. GDP per capita in Armenia and EU-27, 2002-2008 (at current PPPs, USD and year-on-year % change)**



Source: UNECE Statistical Database.

<sup>19</sup> At current PPPs, Source: UN Economic Commission for Europe (UNECE) Statistical Division Database, <http://www.unece.org>.





The main factor of poverty alleviation in Armenia was the consistent economic growth during the pre-crisis period<sup>20</sup>. The impact of the economic growth on poverty reduction had been mostly expressed by the more rapid increase of labor incomes from employment, self-employment and farming among the poor and very poor population. Redistribution, social protection and social assistance mechanisms (including pensions and family allowance) had a large impact on poverty reduction, especially in the case of reducing the number of people suffering from inadequate dietary energy consumption. Due to social transfers, the poverty rate in the country reduced on average by 8.7, and extreme poverty rate by 9.3, percentage points during 2004-2007. The family allowance system had the largest impact on poverty reduction. The impact of the family allowance system was effective for 36 percent of the country's "net" extremely poor population moving them beyond food poverty and for 5.8 percent of the country's pre-benefit "net" population moving them to overcome poverty in 2005<sup>21</sup>. The family allowance budget expenditure increased largely during the recent pre-crisis years and comprised 34.3% in 2004.



**Table 1.1. Regional Dynamics of Poverty (Relative to the National Poverty Line) in Armenia, 1999-2008**

	1999	2005	2006	2007	2008
Poverty rate (poor population), %					
Yerevan, the capital	58.4	29.2	23.9	21.0	20.0
Other (medium and small) towns	65.5	43.9	37.8	35.8	29.8
Rural areas	48.2	31.7	28.3	23.4	25.5
<b>Armenia, total</b>	<b>56.1</b>	<b>34.6</b>	<b>29.8</b>	<b>26.5</b>	<b>23.5</b>
<i>Including: Population below the minimum level of dietary energy consumption, %</i>					
Yerevan, the capital	24.8	6.1	3.6	3.5	3.2
Other (medium and small) towns	27.4	9.2	7.2	6.6	6.1
Rural areas	14.1	4.4	3.2	2.4	2.3
<b>Armenia, total</b>	<b>21.0</b>	<b>6.4</b>	<b>4.6</b>	<b>4.1</b>	<b>3.2</b>

Source: National Statistical Service of the Republic of Armenia.

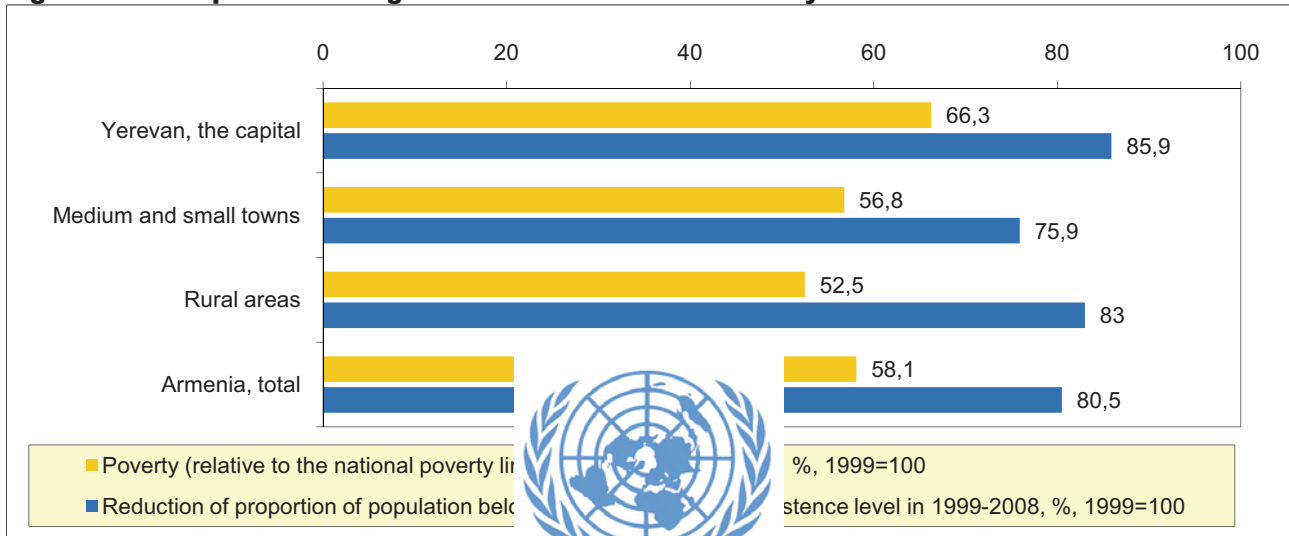
Despite these positive changes, there are significant regional disparities in the representation of the poor population across the country, which are explained by the regional territorial/geographical and demographic peculiarities and differences in economic development and infrastructure. Unlike the majority of countries with high levels of poverty, in Armenia poverty is more prevalent in urban areas (except the capital city, Yerevan), rather than in rural areas.

<sup>20</sup> The growth-poverty elasticity was estimated at 0.6 for 2004-2007, which means that for each percentage point of growth, the overall poverty incidence declined by 0.6 percentage points.

<sup>21</sup> Sustainable Development Program, Yerevan, October 2008.



**Figure 1.3. Comparison of Regional Characteristics of Poverty Reduction in 1999-2008**



Note: Calculations are based on data from the National Statistical Service of the Republic of Armenia.

Thus, only 1.7% of the rural population was below the minimum food subsistence level in 2008, which was 1.8 times lower than the national average of 3.1%. People living in the small and medium towns are the most deprived in terms of common standards of minimum general and food subsistence levels in the country. Irrespective of recent trends in poverty reduction at all regional levels, the disparity mentioned was persistent from 1999 to 2008 and the reduction of poverty in these urban areas has had the lowest rate.

Yerevan has constantly been in the most favorable situation regarding poverty since 2004. The reduction of poverty had a faster rate in Yerevan during the period from 1999 to 2008, which was due to rapid economic growth here. The ratio of the poverty level outside the capital to that in capital increased during this period, which indicated growing regional disparities in poverty levels in favor of Yerevan.

Despite the high economic growth, inequity was not reduced as quickly as poverty from 1999 to 2007. The income Gini coefficient of inequality reduced by 37.8% during this period and comprised 0.371 in 2007 against 0.597 in 1999, while poverty incidence decreased by 55.4%. At the same time, another indicator of inequality characterizing the gap between the shares of monetary income captured by the poorest 20% and richest 20% of population narrowed 3.7 times in 1999-2007<sup>22</sup>.

The most deprived (in terms of material poverty) age category in Armenia consists of children in the age group of 0 to 5 years old. Poverty incidence among children under 5 years of age was higher than the national average and comprised 33.2% (vs. 25%) in 2007. Moreover, 6.7% of them were below the minimum level of dietary energy consumption in 2007, which was 1.8 times higher than the national average of 3.8%. Thus, despite the fact that poverty incidence dropped in all age groups of population from 1999 to 2007 and an equalization of poverty levels took place among them, children under 5 years of age have constantly higher incidence of poverty and the poverty reduction in 1999-2007 for this age group had the lowest rate (47.6% vs. the average of 55.4% at the country level). According to the ADHS, the prevalence of underweight children under 5 years of age was estimated at 4% in 2005, while the same indicator for 2000 was 2.6% and 2.7% in 1998<sup>23</sup>.

Moreover, households with 3 or more children in Armenia are at a much higher risk of poverty. About

<sup>22</sup> Source: Calculated based on the data published in "Social snapshot and poverty in Armenia", NSS, Yerevan, 2006 and 2008.

<sup>23</sup> Source: Demographic and Health Survey, Armenia. Yerevan, 2000 and 2005. Data source for 1998: WHO Statistical Information System (WHOSIS, <http://www.who.int/whosis/database>). The percentage of children underweight is the percentage of children under five years who have a weight-for-age below minus two standard deviations of the NCHS/WHO reference median



45% of households having 3 or more children were poor and 12.6% were very poor in 2007<sup>24</sup>. Nevertheless, it should be mentioned that during the period from 1999 to 2007 the poverty incidence among these families considerably decreased and this took place largely due to social assistance programs (including the family benefit program), aimed at children and poor families with many children.

Analysis of poverty incidence rates by gender during the whole period from 1999 to 2007 shows that there are no significant gender disparities in poverty in the country. However, households with children headed by women are at a higher risk of poverty. The members of these households comprised about 23% of the poor in 2007 and poverty incidence among them was estimated at 33.2%<sup>25</sup>.

## Main Challenges and the Social Environment



The analysis above shows obvious positive changes during the crisis period. In the pre-crisis national strategy and social sector policies) it was envisaged that the population below minimum level of population below the 4.30 USD per day economic growth during the recent pre-crisis period and on the implementation of policies ensuring the significant expansion of public expenditure in the social sector.

poverty reduction in Armenia during the pre-crisis period (including the SDP or PRSP, MTEF and other policies) has reduced the shares of the poor population to 10.1%, and the very poor to 1.6%<sup>26</sup> and the proportion of the population below the minimum level of income. These projections were based on the robust economic growth during the recent pre-crisis period and on the implementation of policies ensuring the significant expansion of public expenditure in the social sector.

However, the economic decline initiated in the fourth quarter of 2008 will largely affect the poverty alleviation process in Armenia, and the mentioned pre-crisis forecasts regarding the MDGs are not likely to be met. As a result of the economic downturn labor incomes and remittances of families on the one hand and the fiscal revenues on the other hand have dropped. This means that possibilities of families to cope with poverty as well as the fiscal space serving the poor and vulnerable have been largely restricted. Meanwhile, the progress towards the achievement of the MDGs largely depends on the public spending and redistribution through social transfers. In particular, the achievability of MDG targets around poverty is highly co-related to the implementation of targeted and efficient social protection and social assistance policies. Thus, all post-crisis scenarios assume preservation of the nominal levels of social transfers (pensions and family allowance), which means an increase of their share in the nominal GDP (much lower than the GDP level according to the pre-crisis scenario) by 2.3-4 percentage points compared to the pre-crisis estimations. In 2015, social protection expenditures will consume nearly 37% of the total public expenditures in the baseline scenario, and 32% and 40% in the high case and low case scenarios respectively. Taking into account the narrowed fiscal space, implementation of this approach will be one of the biggest challenges for the Government during the coming years.

<sup>24</sup> Source: Social Snapshot and Poverty in Armenia, National Statistical Service, Yerevan, 2008.

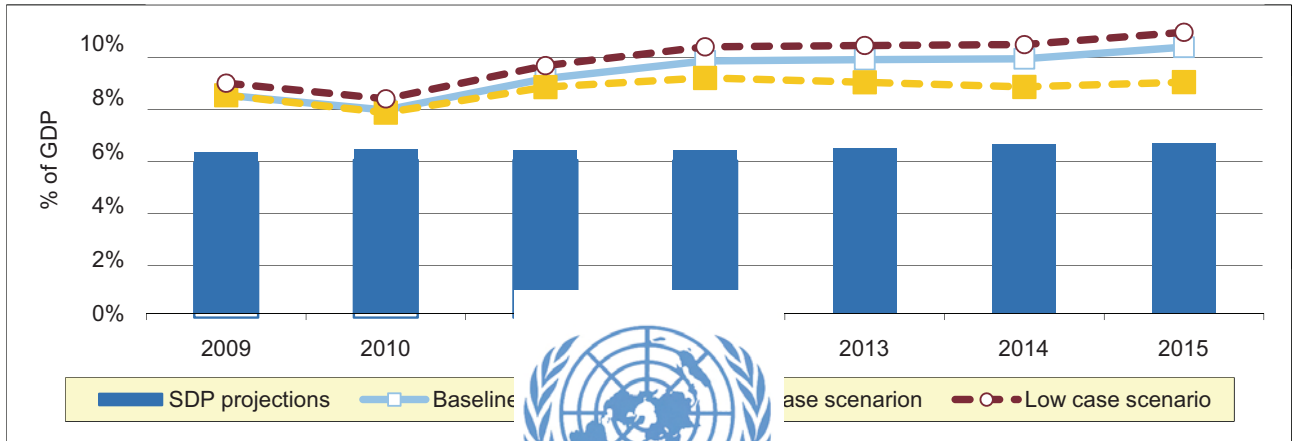
<sup>25</sup> Source: Social Snapshot and Poverty in Armenia, National Statistical Service, Yerevan, 2008.

<sup>26</sup> Sustainable Development Program, Yerevan, October 2008.





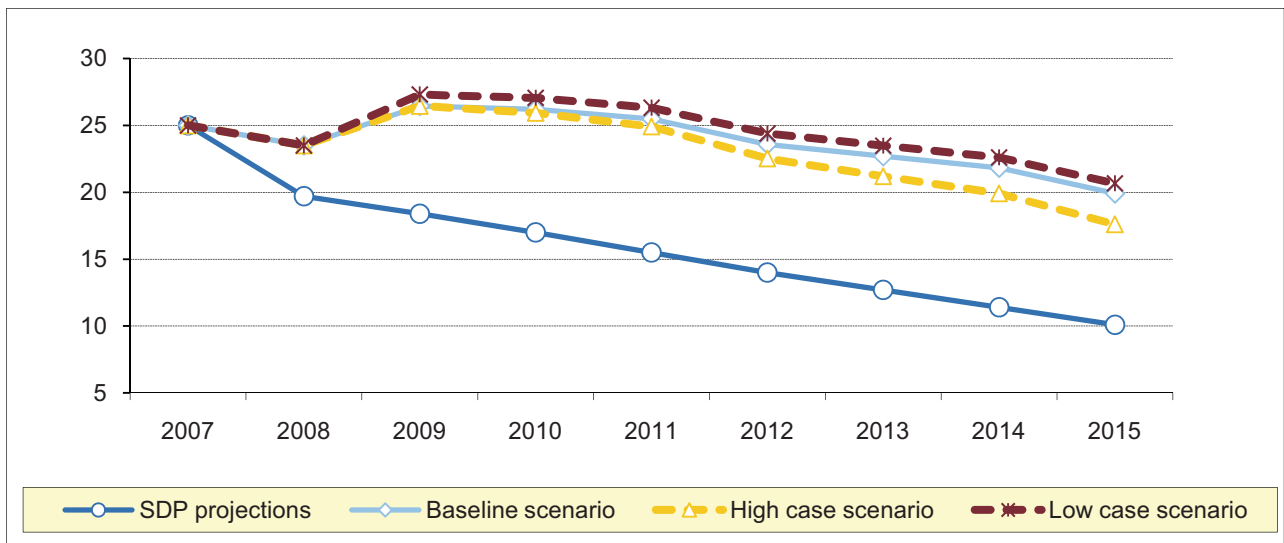
**Figure 1.4. Social Protection Expenditure as Percentage of GDP in 2009-2015: Pre- and Post-crisis Projections in Different Scenarios**



Source: Sustainable Development Program and new projections in different scenarios.

According to all post-crisis scenarios, the **poverty rate** will significantly impact the poverty rates in the country compared to the pre-crisis estimates. Thus, at best, in the high scenario the estimated poverty rate will be higher than the SDP forecast by 6.5 percentage points in 2015 and 17.6% of population will live in poverty. At worst, in the low scenario, the estimated poverty rate will be higher than the SDP forecast by 9.7 percentage points in 2015 and 20.7% of population will live in poverty.

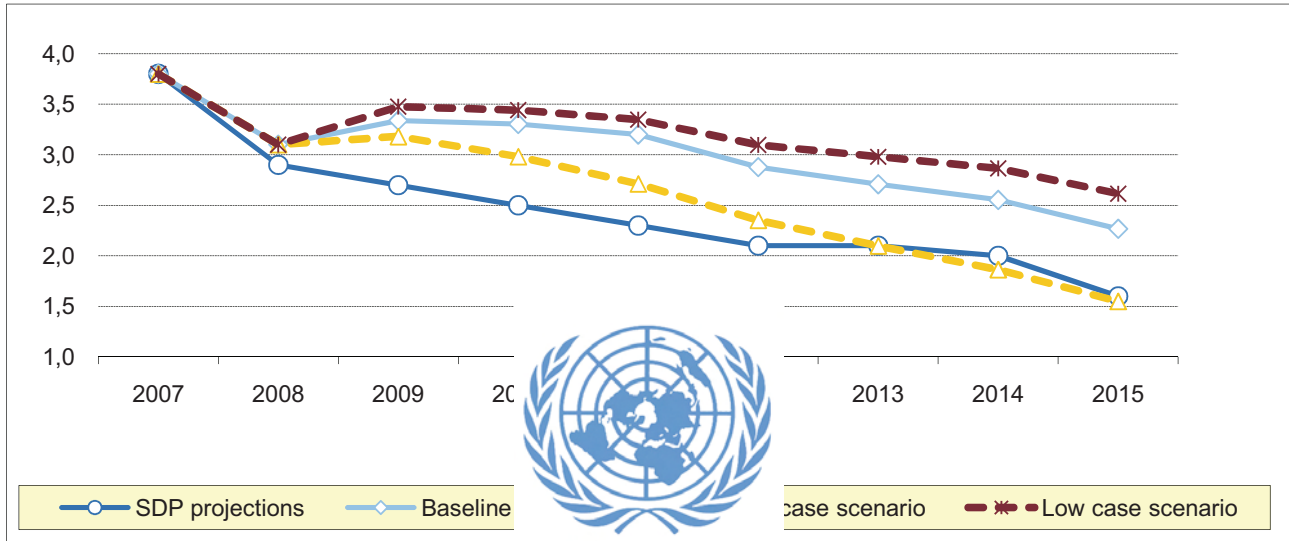
**Figure 1.5. Poverty Headcount Index: Pre- and Post-crisis Projections in Different Scenarios, 2007-2015, %**



Source: Sustainable Development Program and new projections in different scenarios.

However, the preservation of social transfers in nominal terms to nearly the same as they were predicted in the pre-crisis scenarios would allow keeping the extreme poverty rates to a relatively low level. At best, in the high scenario, the estimated extreme poverty rate will be nearly the same as the SDP forecast in 2015. At worst, in the low scenario, the estimated extreme poverty rate will be higher than the SDP forecast by 0.9 percentage points in 2015.

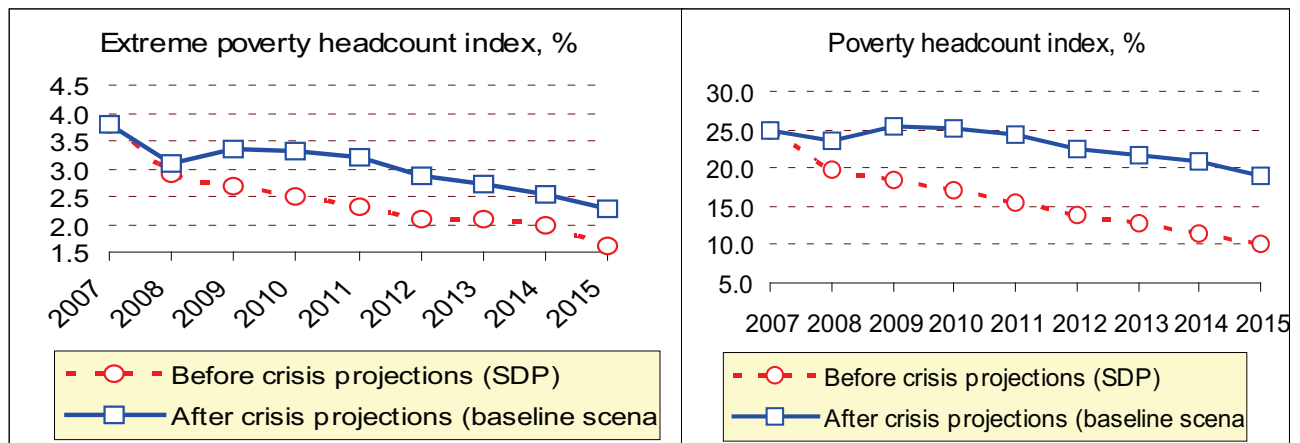
**Figure 1.6. Extreme Poverty Headcount Index: Pre- and Post-crisis Projections in Different Scenarios, 2007-2015, %**



Source: Sustainable Development Program and new projections in different scenarios.

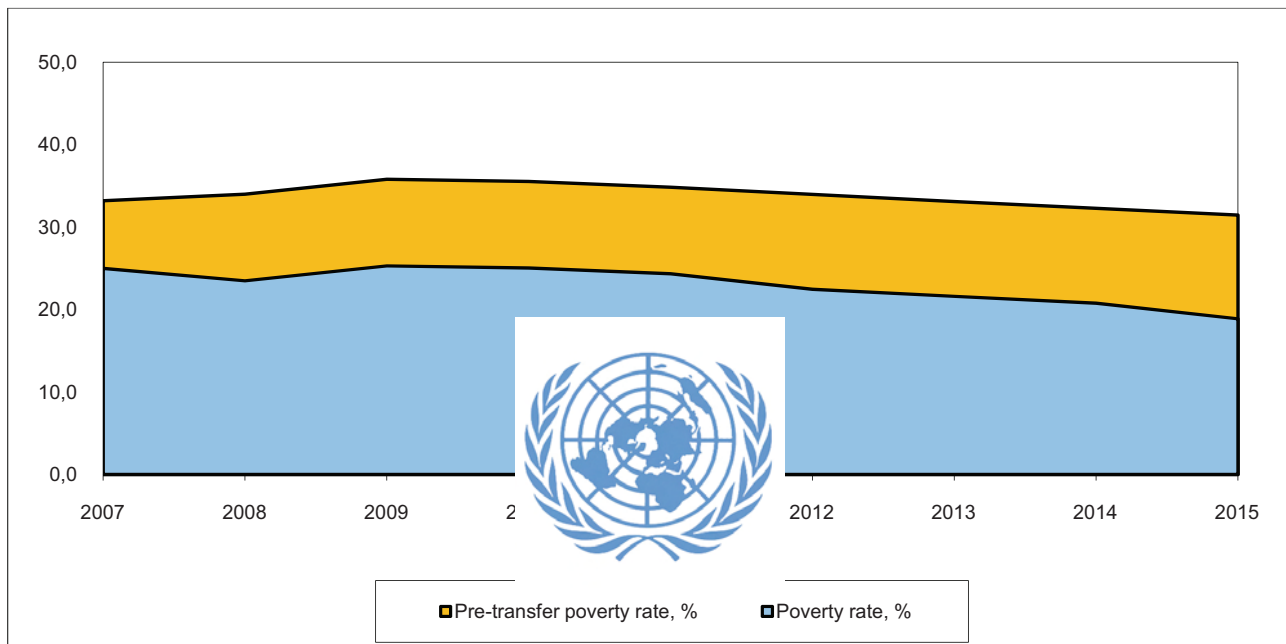
The post-crisis baseline scenario envisages that the poverty rate forecasts will be significantly higher compared to the pre-crisis estimations and the pre-crisis forecasted poverty rate for 2010 will not be achieved in 2015. According to the forecasts of the baseline post-crisis scenario, approximately 660 thousand people in the country will be below the national poverty line in 2015, which exceeds the pre-crisis forecast by 325 thousand. The post-crisis forecast of the population numbers below the minimum level of dietary energy consumption in 2015 corresponds to the pre-crisis estimate for 2011. Additionally, according to the baseline post-crisis scenario forecasts, approximately 75 thousand people in the country will be below the national food poverty line in 2015, which exceeds the pre-crisis forecast by 22 thousand.

**Figure 1.7. Poverty and Extreme Poverty in Armenia: Pre-crisis Projections and Post-crisis Estimates in the Baseline Scenario**



Source: Sustainable Development Program and new projections.

Social transfers will have a significant impact on poverty alleviation in the country according to the baseline post-crisis scenario and will constantly lower the poverty rate by nearly 11 percentage points during the period from 2009 to 2015. It also will make the MDG target value, regarding the ratio of the family allowance budget expenditure to the poverty gap, achievable. Thus, it is crucial to keep the social expenditures at the planned pre-crisis nominal values to achieve poverty reduction targets.

**Figure 1.8. Impact of Social Transfers on Poverty Reduction in the Post-crisis Baseline Scenario, %**

It should be mentioned that in case of preserving the pre-crisis planned proportion of social transfers to the dropping GDP, the poverty rate in the country will be higher compared to the baseline scenario by 1.5 percentage points on average.

According to the baseline post-crisis scenario, compared to the level in 1999, the proportion of the poor population will be reduced by 65% (instead of 82% according to the pre-crisis scenario) and the proportion of population below the minimum level of dietary energy consumption by 89% (instead of 92.4% according to the pre-crisis scenario) in 2015. In the baseline post-crisis scenario, the MDG target value for 2015 regarding the proportion of the population with less than 4.30 PPP USD per day is likely to be achieved, despite the fact that its projected value for 2015 exceeds the pre-crisis estimation by nearly two times (21.9% vs. 11% for the pre-crisis scenario).

According to the pre-crisis projections, poverty will be substantially reduced in all regions of Armenia, as well as in the small and medium towns and rural areas. Nevertheless, the pre-crisis estimates indicated that the disparities among the poverty levels in Yerevan and outside will grow, if a territorial development policy is not implemented. The economic downturn will result in lower growth of these disparities and their equalization to some extent. However, the establishment and implementation of a territorial development policy and the harmonization of the policy at the regional and community levels through the development of regional and community level development programs is one of the main challenges for the reduction of regional disparities in poverty in the country.

The other challenge is the alleviation of the inequality within the country. Based on pre-crisis forecasts, the income Gini coefficient is estimated at 0.343 in 2015, which is higher than the average Gini of 0.314 in the EU-27 countries in 2005, but lower than the Gini in 34% of those countries (including, for example, Greece, Poland, the Baltic republics, etc.). The gap between the shares of monetary income captured by the poorest 20% and richest 20% of population will continue narrowing, but at an insufficient rate. In the baseline post-crisis scenario, these inequality trends are anticipated to remain the same. In order to reduce inequalities in the society, it will be important to make basic social services accessible for all, especially for those who are the most deprived and vulnerable.

One of the biggest challenges in the country is the reduction of poverty in the most deprived and vulnerable groups of the population, including those under 5 years of age and disabled children.

Special attention must be given to ensure that all children, especially those under 5 years of age, will be healthy and well nourished. The recorded increase of prevalence of underweight children under 5 years of age indicates the importance of the implementation of the special social policies and allowances aimed at increasing the living standards of families with children less than 5 years of age. Taking into account that the crisis narrowed the fiscal space for these special social assistance policies, the achievement of the MDG 1 target values for 2015 will be at risk.

*Thus, in Armenia the national MDG 1 Targets 1 and 2 of reducing poverty level to lower than in 1990 by 2015 and halving, between 1990 and 2015, the proportion of people who suffer from hunger will be hard to achieve.*

INDICATORS		Achieve Full and Productive Employment					Decent Work for all, including Women					
		1999	2004	2005	2006	2007	2008a	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
8	GDP per person employed, in constant 2005 PPP 1,000 USD	...	10.2	11.4	13.0	15.2	16.4	31.0	19.4	>31	*	S
9	Employment to population ratio for persons aged 15 years and over, % <sup>b</sup>	51.5	44.8	44.2	42.6	42.7	42.0	50.0	42.1	>50	*	G
9a	Employment to population ratio, female, % <sup>b</sup>	45.0	39.4	39.5	38.9	38.8	39.2	45.0	38.5	>45	*	G
9b	Employment to population ratio, male, % <sup>b</sup>	59.4	46.0	46.1	45.4	45.4	45.8	56.0	48.0	>56	*	G
9c	Youth (age 15-24 years) unemployment rate, % <sup>b</sup>	65.6 (2001)	57.6	54.6	55.9	57.6	53.4	30.0	45.1	<30	*	G
10	Proportion of employed population living in poverty (national poverty line), %	48.6	29.4	30.1	26.7	20.8	18.0	5.0	12.6	<5	*	S
11	Proportion of informally employed in total non-agricultural employment, %	26.7 (2002)	18.9	22.9	24.8	20.5	...	15.9	18.1	<16	**	G

a. Preliminary data.

b. Source: official statistic

## Status and Trends

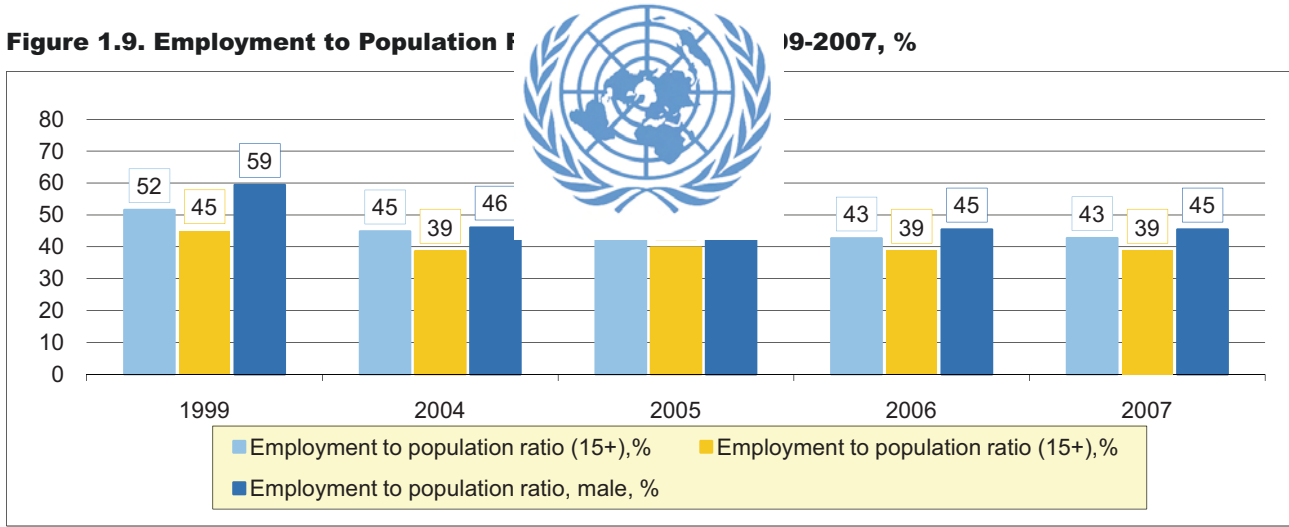
The achievement of full and productive employment and decent work is one of the main preconditions for reducing poverty and ensuring sustainable development. The employment to population ratio, which indicates the ability of an economy to create jobs in the country, decreased largely



during the period from 1999 to 2007 and comprised 42.7% in 2007. That is, only less than a half of the working-age population are employed and a large share of the country's productive potential remains unused for desirable or undesirable reasons. As a comparison, one could mention that the average indicator was much higher for EU and Developed Economies (56.5%) and even for non-EU Central and South Eastern Europe and CIS countries (53.8%) in 2006<sup>27</sup> and did not have a downward trend. The employment to population ratio is especially low among women. It comprised 38.8% in 2007, which was 14.5% lower than men.

The economic activity of the total working-age population was estimated at 60.6% in 2006 in the country. During the period from 2002 to 2006, the economically active population decreased by nearly 4%<sup>28</sup>, which is specific for almost all countries in the region and those of Eastern and Central Europe.

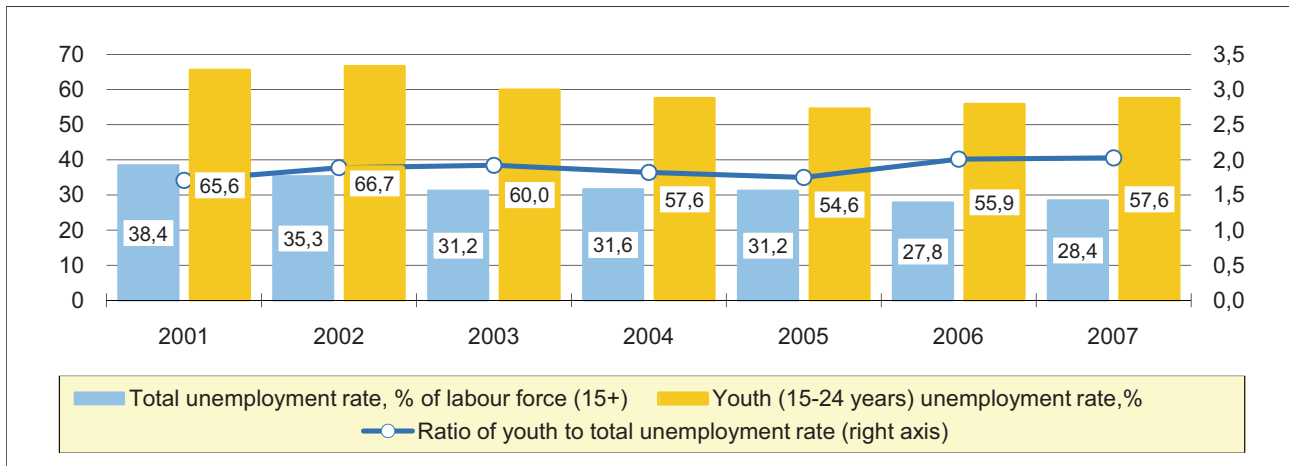
**Figure 1.9. Employment to Population Ratio, 1999-2007, %**



Source: National Statistical Service (data from administrative register).

The youth (15-24 years old) employment to population ratio is low - around 19%<sup>18</sup>, which is explained by their high level of involvement in education at the secondary and tertiary levels.

**Figure 1.10. Total and Youth Unemployment Rates in Armenia, 2001-2007, %**



Source: "The labor force in Armenia in 2001-2006", NSS, Yerevan 2007 and "Social Snapshot and Poverty in Armenia", NSS, Yerevan 2008 (based on data from the Integrated Survey of Living Condition (ISLC) carried out by the National Statistical Service of the Republic of Armenia).

<sup>27</sup> Source: "Key Indicators of Labor Market (KILM)", Fifth Edition, ILO, Geneva, 2007

<sup>28</sup> Source: "The Labor Force in Armenia in 2001-2006", NSS, Yerevan 2007



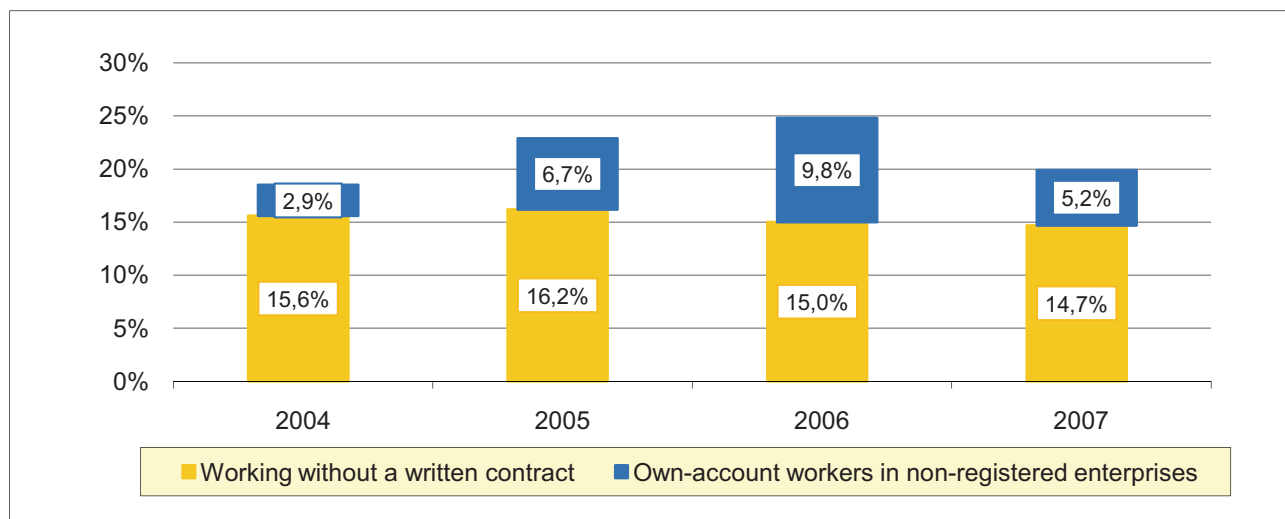
Taking into account the forthcoming process of the formation of a 3-year high school, this indicator cannot be improved and does not reflect the real problems in the country related to the inclusion or introduction of youth to the labor market. Thus, it was considered preferable to include the indicator of real unemployment rate of the youth in the list of the monitoring indicators of the MDG Target 2.A. The real unemployment rate of young people in Armenia is about two times higher than the total unemployment rate for persons aged 15 years and over (source: ILSMS, NSS, RA). Thus, young people have about two times greater difficulty in entering the labor market and gaining employment. At the same time, the officially registered unemployment figures do not reflect the real situation with unemployment in the country, particularly related to the youth. The officially registered unemployment rate comprised 7.0% in the country in 2007, while for young people in the age group of 16-30 it was 5.4 times lower at only 1.3%<sup>29</sup>.

Employment in Armenia is an important country largely affects the living standards and incomes. The share of the working population has shown a continuous downward trend - it declined more than 10% since 1999. In 2007, 14.7% of the employed in Armenia were living in poverty, which is relatively low remuneration, but also by the presence of children and the elderly, presence of unemployed members, etc.) in which the working poor live.



poverty risk. Economic growth in the country through the labor market and labor market (below the national poverty line) demonstrates an obvious downward trend from 1999 to 2007. However, about 21% of the population living in poverty in 2007. This fact can be explained not only by their low income, but also by their large households (average number of dependants is 4.5) in which the working poor live.

**Figure 1.11. Informal Employment (Non-Agricultural) in Armenia, 2004-2007, % of employed**



Social Snapshot and Poverty in Armenia, NSS, Yerevan 2006, 2007, 2008.

Decent employment is not limited to the level of labor remuneration; it also includes such important components as formality and security. In this regard, the increase of formal employment becomes of great importance, especially in non-agriculture employment<sup>30</sup>. Considering the informal employment in non-agricultural sectors as a share of persons employed: a) without a written contract, b) unpaid family workers in family enterprises and cooperatives and c) own-account workers and employers working in non-registered enterprises in the total number of employed, the proportion of the informally employed in the total of non-agricultural employment comprised 20.5% for 2007. The indicator had not changed considerably during the previous 3-4 years, while compared to the 2002 level (26.9%) it had decreased by almost 23%, demonstrating a certain degree of improvement.

<sup>29</sup> Source: Statistical Yearbook of Armenia, NSS, 2008

<sup>30</sup> Taking into account the fact that the prevailing share of the employed in the agriculture sphere in Armenia does not comply with the major indicators of formal employment.



Labor productivity, especially in non-agricultural sectors, in recent years has been one of the major sources of increase of the incomes from employment and poverty reduction. The labor productivity growth in Armenia in the period from 2004 to 2007 comprised around 40%. Nevertheless, the labor productivity level in Armenia falls behind the level of CIS countries, forming around 80% of their average indicator<sup>31</sup>.

## Main Challenges and the Supportive Environment

The Target 2.A and its monitoring indicators were recently added to the National MDG Framework in accordance with the changes made in the updated Global MDG Framework<sup>32</sup>. The national set of indicators reflects the main challenges and decent work for all. The analysis about the working poor population and informal employment trends in the employment to population indicators were set in accordance with the programs, including the SDP.



*The post-crisis forecasts in the baseline*

*cannot be achieved by 2015, as a consequence of the crisis.* The economic downturn will result in a reduced growth rate of GDP per person employed. On the other hand, the ability of the economy to create jobs in the country will stagnate both for men and women. The overall tension in the labor market will have the biggest negative influence on the ability of the young labor force to enter the market.

*t the absolute majority of these targets*

According to the pre-crisis estimations, it was envisaged to reduce the risk of poverty for the employed, so that by 2015 the share of the employed poor would comprise no more than 5%. The post-crisis baseline scenario estimations show that the overall economic and social situation during the crisis will more than double this forecasted value. It was envisaged in the pre-crisis development programs that the degree of formality of non-agricultural employees would grow by 2-3% per annum, which would lead to a decrease in informal employment in non-agricultural sectors to 16% in 2015%. However, post-crisis estimations show that although the formality in employment will grow, it will do so at a lower rate, leading to a decrease in informal employment to only 18.1%.

<sup>31</sup> Source: World Development Indicators, WB 2008 and "The MDG report 2008", UN, 2008

<sup>32</sup> See The Millennium Development Goals Report, UN, New-York, 2008



## MDG 2.

**Achieve Universal High Quality  
Secondary Education**





## MDG 2. Achieve Universal High Quality Secondary Education

The Global MDG Goal 2: “Achieve universal primary education” and the Target of the Goal were nationalized<sup>33</sup> to reflect Armenia’s specific development needs and priorities in the sphere of education. The Goal and the list of the monitoring indicators are being changed, taking into account recent developments in the country.

Target 3												
Ensure that, by 2015, Every Child will be Able to Complete a Full Course of High Quality Secondary Schooling												
INDICATORS	1999	2004	20			2008	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment	
			20	20	20							
12	Gross enrollment ratio in basic school, %	92.8	92.2	93.6	95.9	...	...	99.4	99.0	>99	****	S
13	Gross enrollment ratio in upper secondary school, %	80.0	74.0	80.0	83.2	...	...	95.0	83.0	>95	*	S
14	Annual state budget expenditures on education to GDP, %	2.9 (2000)	2.3	2.7	2.8	3.0		4.0	4.0	>4.5	**	S
15	Ratio of pupils and students possessing knowledge corresponding to the criteria set by the national and international education quality assessment system, %	...	...	...	...	...	...	...	...	...	...	G
16	Gross enrollment ratio of poor population to the gross enrollment ratio of non-poor population in professional education programs	...		0.26	0.23	...	...	0.30	0.26	>0.3	**	G

<sup>33</sup> See: “Millennium Development Goals: Nationalization and Progress”, National Report, Yerevan, 2005. The Target 3 of the nationalized Goal corresponds to the Target 2.A: ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary education in the list of the Global MDG Targets.

## Status and Trends

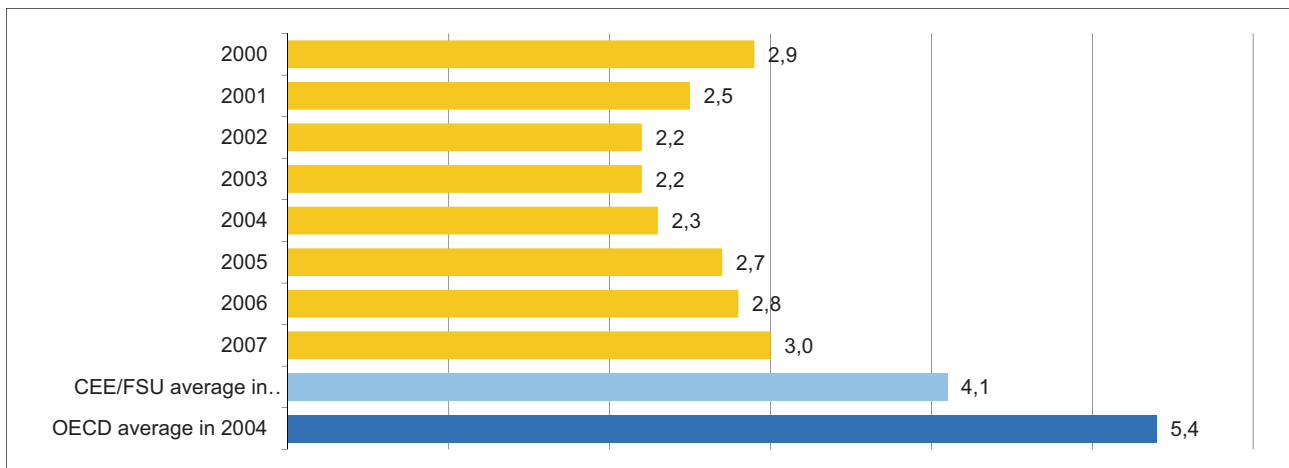
The right to education is one of the fundamental human rights empowering human capital and increasing human capabilities. Armenia has well-educated human resources in this regard. According to the NSS, the illiterate population and people with complete or incomplete elementary/primary education comprise just 3.1% of the population. Additionally, about 30% of the population aged 10 and over in Armenia has some degree of tertiary/professional education or some specialization<sup>34</sup>. The adult and youth literacy rates in the country comprise about 99% and there are no significant gender disparities in this regard.

Despite the growing trend in the period from 2000 to 2007, the share of educational expenditure in the GDP comprised only 3% in 2007, which is still lower than the average for CEE and FSU countries and about half the average for OECD countries (around 71%) of public expenditures on education in the social sector, while professional educational expenditures comprise 13% of the total. The share of public expenditures on general secondary education has been continuously increasing during the period from 2003 to 2007 in order to improve the quality and accessibility of secondary education.



During the period from 2000 to 2007, the share of educational expenditure in the GDP comprised only 3% in 2007, which is still lower than the average for CEE and FSU countries and about half the average for OECD countries (around 71%) of public expenditures on education in the social sector, while professional educational expenditures comprise 13% of the total. The share of public expenditures on general secondary education has been continuously increasing during the period from 2003 to 2007 in order to improve the quality and accessibility of secondary education.

**Figure 2.1. The Dynamics of Public Expenditures on Education, 2000-2007, % of GDP**



Note: Calculations are based on data from the Ministry of Finance of the Republic of Armenia, NSS, Education at Glance 2007 OECD publications.

Nevertheless, in the secondary education level, expenditure levels per student are still very low. In 2006, this was estimated to be 111,667 AMD, which corresponds to an annual amount of 625 PPP USD. In the OECD countries, this figure was about 10 times higher<sup>35</sup> in 2004. Per student expenditures in the secondary education level comprised 13.8% of per capita GDP in 2006 (for the purpose of comparison, the OECD average comprised 24% of per capita GDP in 2004). Such low public expenditure levels per student in the secondary school hamper the provision of high quality educational services.

According to the official data provided by the NSS, the gross enrolment ratio in the general secondary education (I-X grades of the secondary school) comprised 92.8% in 2006 and has been continuously growing since 2000. The proportion of pupils starting grade one who reach grade four<sup>36</sup> was estimated at 99% on average for the period from 2004 to 2006; thus the dropout ratio after the

<sup>34</sup> Note: Calculated based on the Integrated Living Conditions Measurement Survey 2006, NSS

<sup>35</sup> Source: Ministry of Finance of the Republic of Armenia, NSS, Education at Glance 2007, OECD, and authors' calculations.

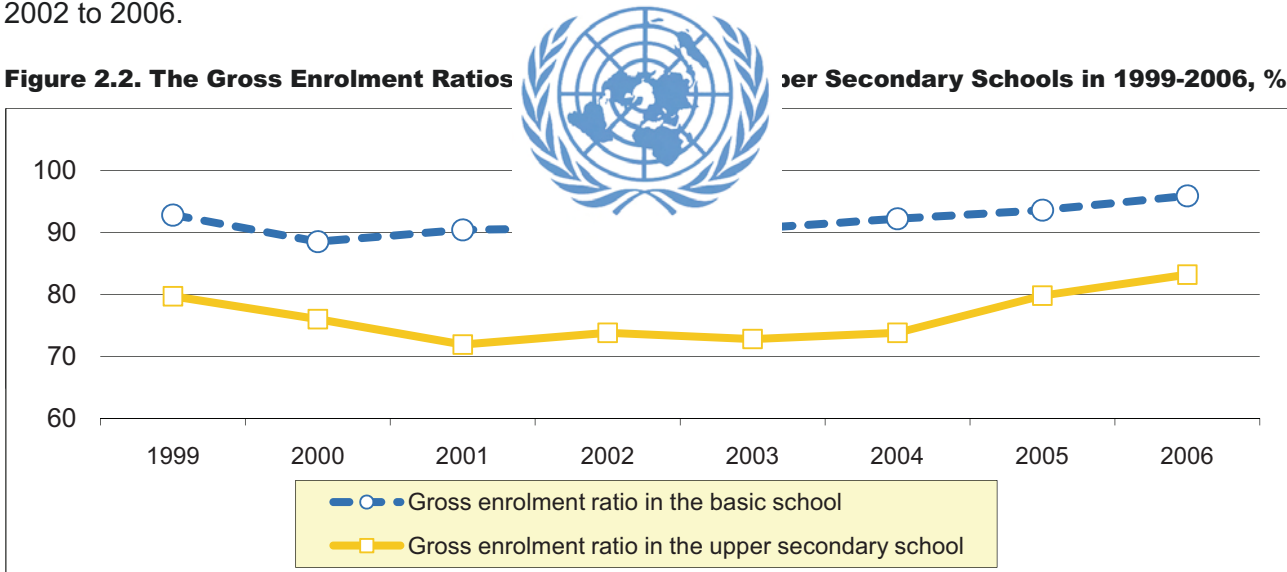
<sup>36</sup> This is the first grade of the next education level (middle school: IV-VIII grades) after the completion of primary education (I-III grades).



completion of primary education (or pupils not surviving up to the fourth grade) is very low - about 1%. However, according to some studies<sup>37</sup>, the dropout and repetition rates have been growing annually. Analysis of the issues related to dropout shows that in the past 3 years, the probability has increased of younger students in lower grades (7-13 years old) dropping out.

The gross enrolment in the basic education (I-VIII grades of secondary school) comprised 95.9% in 2006, and was quite homogeneous in terms of regional, gender and poverty groups. In general, it could be stated that basic education is universally accessible to all population groups and there are no significant disparities in this regard. Thus, the universal enrolment of children in basic education in Armenia is set. At the same time, the gross enrolment ratio in the upper secondary (high) school was much lower - 83.2% in 2006, although it has been continuously growing during the period from 2002 to 2006.

**Figure 2.2. The Gross Enrolment Ratios in the Basic and Upper Secondary Schools in 1999-2006, %**



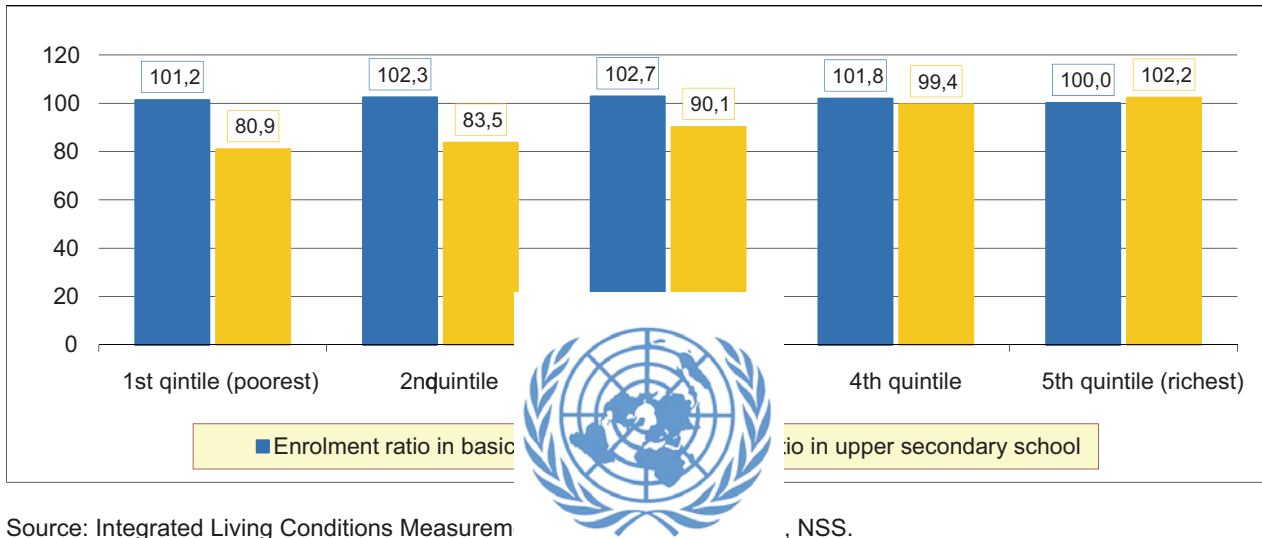
Source: National Statistical Service of the Republic of Armenia (data from administrative register).

The dropout ratio after the completion of basic education is higher - on average 8.5% for the period from 2004 to 2006, although it has a tendency to decrease. According to the NSS data, only 6% of the 8<sup>th</sup> grade graduates had left school in the 2004/2005 academic year (excluding cases of migration). During the period from 2003 to 2005, this indicator has consistently improved, comprising 10.4% in the 2002-2003 and 9.3% in the 2003-2004 academic years respectively.

There is a significant inequality in the enrolment levels of the poor and non-poor population in the upper secondary (high) school, while their enrolments in the basic education are quite high and homogeneous. The gross enrollment in high school is 1.3 times higher in the richest quintile, compared to the poorest. Thus, those who leave the education system after graduating from the basic school are mainly the poor.

<sup>37</sup> See, e.g., School Wastage Study Focusing on Student Absenteeism in Armenia, by Dr. Haiyan Hua, UNICEF, Armenia, 2008

**Figure 2.3. Gross Enrolment Ratios in Basic and Upper Secondary Schools by Consumption, Quintiles, %**



There are considerable shortcomings related to the quality of secondary education in the country. The school students are forced to seek private tutors (instead of attending classes at school) in order to obtain the knowledge that fits standard requirements and to gain entry to the next level of education. A certain part of students in the upper secondary (high) school (about 1.5%) is forced to work (instead of attending school classes). The poor students are the most deprived, because their families cannot afford private tuition fees, especially those aimed at admission to higher education institutions, which are considerably more expensive. And this is reflected in the significant inequality of professional education (including at higher education level) with corresponding differences in enrollment indicators for the poor and non-poor populations.

**Table 2.1. Gross Enrolment Ratio in Professional Education Programs, %**

	Gross enrolment ratio in professional education programs (preliminary and special vocational, higher and post-graduate education), %	of which: gross enrolment ratio in higher and post-graduate education only, %
Total	38.4	28.5
Non-poor	48.8	37.3
Poor	12.9	6.9
of which: very poor	6.2	4.8

Source: 2005 ILCMS data.

Despite the fact that the indicators of enrolment in professional education programs have constantly grown since 2001, they still remain quite low compared to the average for CEE and FSU countries. The gross enrolment indicator at the higher and post-graduate education level was around 28% in 2006 against 21.3% in 2003 (the average for the CEE and FSU countries was 43% in 2004). The combined gross enrolment in all levels of professional education programs (including vocational, higher and post-graduate) is higher - around 38%. The level of inclusion of the poor, especially the extremely poor in the professional education system is much lower compared to the non-poor population, and the main reason for this is that the accessibility and affordability of higher education is very low for the poor population.



## Main Challenges and the Supportive Environment

Education is stated in Armenia as one of the preconditions of sustainable human development, and the development of this sphere is one of the top priorities of the country.

In order to ensure universally accessible and good quality, high standard education and to increase the efficiency of the education sphere, strategic programs aimed at the reform of this sector and its sub-sectors were developed in the country. Strategies and concepts for the development of pre-school, general secondary school, vocational education and higher education have been approved by the Government and currently are in the implementation stage. Nevertheless, one of the biggest challenges in the sector is the harmonization of these sub-sectoral policies and strategies, especially at the secondary, vocational and higher education levels.

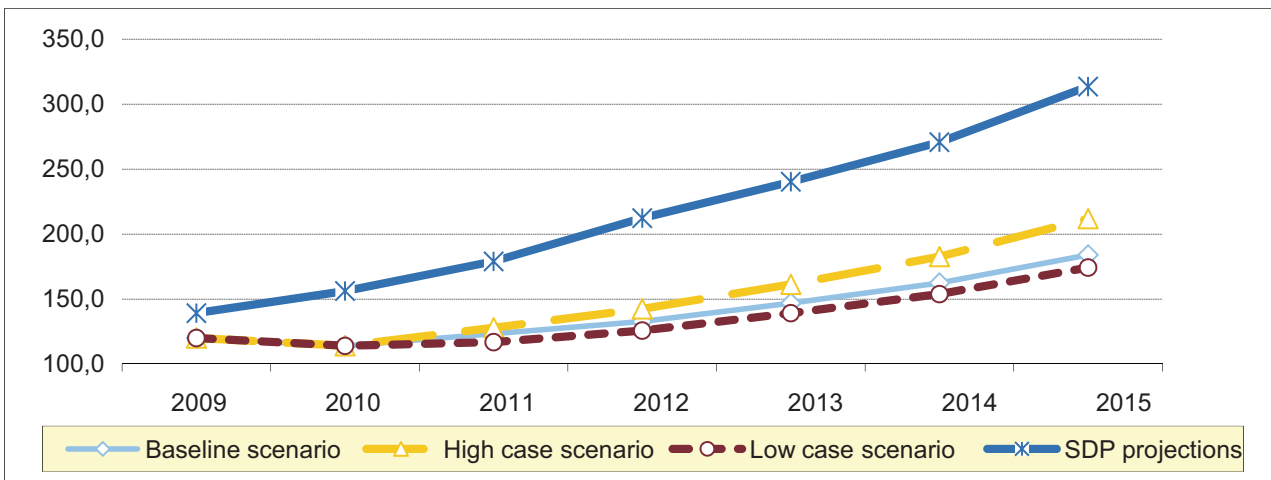


In order to increase the accessibility and quality of education, the enlargement of public spending on education was envisaged in the country's development programs. It was expected to increase steadily the share of public expenditure on education in the growing GDP and to reach the benchmark 4% of GDP in 2015. In non-crisis scenario, it was expected to reach approximately a 5-fold increase in annual expenditures on education (internationally defined as general secondary education and professional education programs) as compared to 2006. The economic downturn, shrinking GDP growth rate and narrowing the fiscal space, limit the possibility of keeping education expenditures in nominal terms as they were planned in the pre-crisis programs. It will even be a challenge for the Government to keep the 4% proportion of education expenditures to the post-crisis GDP in 2015 (which is assumed in all the post-crisis scenarios). This approach in the baseline post-crisis scenario assumes the decrease of those expenditures by nearly 130 billion drams in 2015, as compared to the pre-crisis (SDP) scenario. Keeping this education expenditures-GDP ratio would allow increasing the expenditure level per student enrolled in the I, II and III levels of education only by nearly two times according to the baseline post-crisis scenario.

on, the enlargement of public spending on education was envisaged in the country's development programs. It was expected to increase steadily the share of public expenditure on education in the growing GDP and to reach the benchmark 4% of GDP in 2015. In non-crisis scenario, it was expected to reach approximately a 5-fold increase in annual expenditures on education (internationally defined as general secondary education and professional education programs) as compared to 2006. The economic downturn, shrinking GDP growth rate and narrowing the fiscal space, limit the possibility of keeping education expenditures in nominal terms as they were planned in the pre-crisis programs. It will even be a challenge for the Government to keep the 4% proportion of education expenditures to the post-crisis GDP in 2015 (which is assumed in all the post-crisis scenarios). This approach in the baseline post-crisis scenario assumes the decrease of those expenditures by nearly 130 billion drams in 2015, as compared to the pre-crisis (SDP) scenario. Keeping this education expenditures-GDP ratio would allow increasing the expenditure level per student enrolled in the I, II and III levels of education only by nearly two times according to the baseline post-crisis scenario.

At best, the high case scenario assumes a decrease in education expenditures by nearly 100 billion drams, and at worst - in the low case scenario - by 139 billion drams in 2015 as compared to the SDP projections. Nevertheless, this will be a significant constraint for the implementation of ongoing reforms in the education sector.

**Figure 2.4. Consolidated Budget Expenditures on Education from 2009 to 2015 - Pre- and Post-Crisis Projections in Different Scenarios, billion AMD**



Source: Sustainable Development Program and new projections in different scenarios.



There are different challenges in this sphere and its sub-sectors regarding inequalities in the access to education as well as the quality and efficiency of the system. Recognizing that general secondary education is a fundamental step in the educational process, the country gives it the top priority within the sector.

Through the implementation of sectoral policies it will be possible to have permanently high levels of enrollment in basic education. Nevertheless, there are some major challenges in reaching this goal. One of the main ones is to ensure equal accessibility of secondary general education for all groups of the population, especially at the upper secondary (high) school level. The increase of enrolment of the poor in the upper secondary (high) school level, is very important in the context of the currently envisaged reforms here. Transition to a new secondary education system as well as the introduction and separation of the upper secondary (high) school level, may maintain the risk of reducing the enrolment of the poor and increasing the existing risks. The Government of Armenia is undertaking general education is considered. Taking several measures to mitigate the risk of a possible decrease in the number of schools and their concentration in a certain number of communities. In particular, according to the decision of the Government of Armenia for the Establishment of Upper Secondary (high) School System (approved on 27 March 2008), for those communities where there is a only secondary school, it will continue its operation in the same status and will have general classes of the upper secondary (high) school programs. This measure is particularly aimed at the mitigation of possible risks that may result in a lower physical (geographical) access to high school education in small, remote, mountainous, border and isolated rural communities (which are, as a rule, poor and vulnerable). On the other hand, the financial possibilities for upper secondary school the establishment of high schools in fact will be very limited during the upcoming years and the reform will be implemented in very difficult circumstances



In this regard, during the further nationalization of the MDGs, indicator 13 was added to the list of MDG Target 3 monitoring indicators, in order to capture the situation related to the problem of dropping of the enrollment ratio at the upper secondary school level. The target value for this indicator in 2015 corresponds to the pre-crisis estimations. The post-crisis baseline scenario indicates that the target value is unlikely to be reached by 2015.

The other biggest challenge in all sub-sectors of the education system is the improvement of the quality of education, which requires the development and introduction of a unified system for knowledge assessment in all levels of education. The introduction of a quality assurance system is especially crucial for the secondary education sector. It will ensure the appropriate quality of secondary education and will thereby enlarge the capacities and opportunities of all students to gain entry to higher levels of education. In the vocational and higher education, it will establish a conformity with international standards and contribute to the Bologna process. Although it is of high priority in the agenda, a unified system for knowledge assessment has been introduced only recently and a system of common monitoring indicators has not yet been established.

The other major challenge is the inequality in enrollment of the poor and non-poor population in professional education, including vocational and higher education. In this regard, the development of schemes for the provision of public subsidies (scholarships, student loans and grants) to the most talented graduates and students that have displayed outstanding academic progress, especially for students from vulnerable and poor families, is an important factor. The implementation of such steps will ensure an increase in the enrolment of the poor at professional education levels and their increased ability to cope with poverty. Therefore, indicator 16 was added to the list of indicators in the process of further nationalization of the MDGs, instead of indicators 11a and 11b, to reflect this challenge more precisely. The target value for this indicator corresponds to the pre-crisis forecasts and the post-crisis estimations show that it is unlikely that the target will be achieved.





*Despite strong national support and recent positive trends, the fiscal tension and main challenges of the post-crisis period make this MDG Goal difficult to achieve*





# MDG 3.


**Promote Gender Equality  
and Empower Woman**





## MDG 3. Promote Gender Equality and Empower Woman

Target 4 of the Goal has been nationalized<sup>38</sup>. Indicator 19 was changed during further nationalization of the MDGs, taking into account the recent developments in the country.

Target 4											
Increase, by 2015, Women's Participation in Political Decision Making											
INDICATORS		1999	2004				2008	2015 (pre-crisis projections)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
17	Proportion of women members of National Assembly, ministers, governors, deputy ministers, %	...	4.0 (2003)	...	...	6.7 (2008)	...	...	>25	*	W
18	Proportion of women community heads, %	...	1.8 (2003)	...	...	2.7	...	...	>10	*	W
19	Ratio of unemployment rate of women to the unemployment rate of men	1.09 (2001)	1.41	1.44	1.54	1.60	...	...	<1.3	*	W

### Status and Trends

Armenia is one of the states party to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)<sup>39</sup>. CEDAW is an international treaty to address fundamental rights for women in politics, health care, education, economics, employment, law, property as well as marriage and family relations. It determines the key principles of equality and an agenda for national action to end discrimination against women. These principles are addressed in the Constitution of RA and in the "National Action Plan for 2004-2010 on Improving the Status of Women in the Republic of Armenia and Enhancing their Role in the Society". In 2007, Armenia ratified the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women and the Convention on the Political Rights of Women. Armenia joined the European Social Charter where enjoyment of social rights without discrimination on the grounds of sex is one of the fundamental principles. The analysis of Armenian Constitution and laws shows, that the fundamental rights of women and gender equality norms are ensured through legislation (for instance, the RA Criminal Code, Article 143, stipulates fines or imprisonment for discriminatory actions, including discrimination on the basis of sex). Nevertheless, there are still some legislative gaps concerning the definition of gender equality and discrimination, discriminatory laws, etc.<sup>40</sup>. Absence of an explicit and comprehensive definition

<sup>38</sup> See: "Millennium Development Goals: Nationalization and Progress", National Report, Yerevan, 2005. Target 4 of the nationalized Goal 3 corresponds to Target 3.A: eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015, in the list of the Global MDG Targets.

<sup>39</sup> CEDAW was adopted by the United Nations General Assembly in 1979. It entered into force on 3rd September 1981. Armenia is included in the list of CEDAW accession countries since September 1993.

<sup>40</sup> See: Concluding observations of the Committee on the Elimination of Discrimination against Women, CEDAW, 2009

of discrimination against women in Armenia's legislation, lack of express and comprehensive legal provisions prohibiting discrimination against women and gender-based violence<sup>41</sup> may lead to the inadequate enforcement of women's rights.

In February 2010 Gender Policy Concept Paper was approved by the Government to become the first ever national strategic document of the primary importance, which defines main directions and general strategy of a state policy with relation to men and women and refers to the equal enjoyment of rights and opportunities by all citizens in all spheres of social life regardless of their sex. The Concept Paper focuses on the main aspects of gender policy embracing all spheres of life, including: management sector and decision-making levels, socio-economic, education, health, culture and public information sectors.

The draft law on State Guarantees for was tabled for discussion in 2009-2010. bat Gender-Based Violence in Armenia Minister becoming an unprecedented demonstrated readiness of the Armenia gender-based violence in the Republic



Equal Opportunities for Women and Men tional Interagency Committee to Comper Decree N 213-A of the RoA Prime t the highest policy-making levels that e concrete steps towards eradication of

Nevertheless, the gender analysis shows that there are major issues regarding the deprivation of women, especially related to their access to human opportunities and their agency i.e., participation of women in all aspects of life and to the development. The existing gap between the legally guaranteed rights and insufficient opportunities to enjoy them in practice hampers the elimination of gender discrimination in Armenian society.

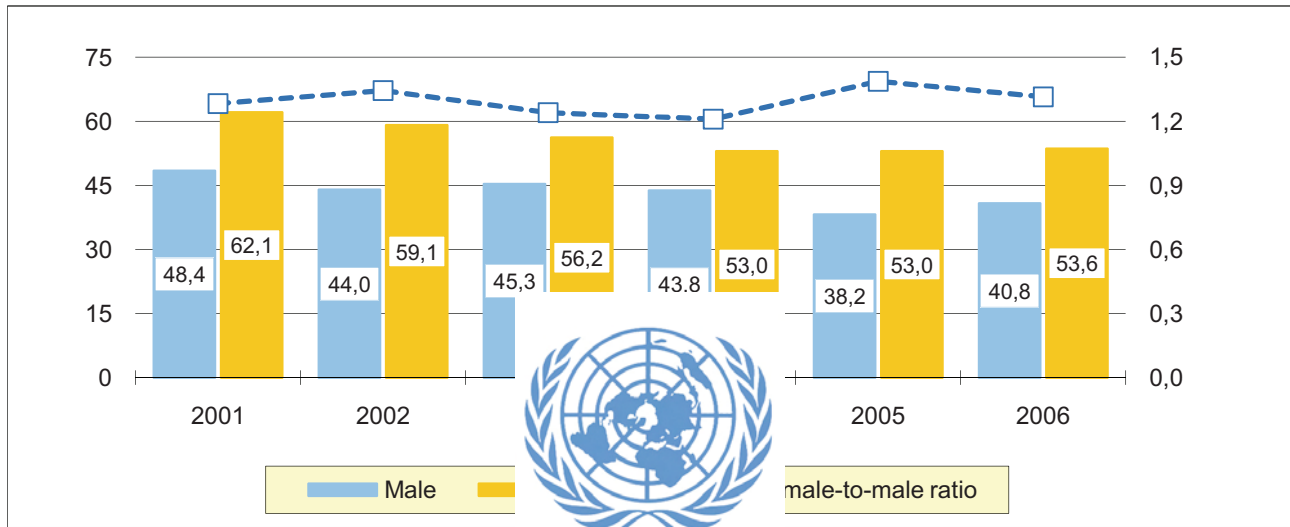
The gender equality of access to education in Armenia is guaranteed by the Constitution and the law on education. Women in Armenia are well educated. In 2006, girls represented 49% of all general secondary school students. In the upper secondary school (IX-X grades) they comprised 52% of all students. Women's enrolment in professional education programs is high: 56.4% of the students enrolled in such programs (preliminary and secondary special, higher and post-graduate education) were women in 2006. As a result, the combined gross enrolment ratios for girls and boys in primary, secondary and tertiary education are almost similar and both are high - 71.3% and 72.3% respectively.

Although women in Armenia have high levels of education and equal capacities for professional productiveness, there is a lack of opportunities for them to utilize their abilities in the labor market and in society.

<sup>41</sup> Compilation prepared by the Office of the High Commissioner for Human Rights in accordance with paragraph 15 (b) of the annex to Human Rights Council, Resolution 5/1, Human Rights Council, Working Group on the Universal Periodic Review, Human Rights Council, p. 3.



**Figure 3.1. Economically Active Female and Male Population (aged 15+) with any Degree of Professional Education, %**



Source: The Labor Force in Armenia in 2001-2006, NSS, Yerevan 2007.

In the situation of the transition to a market economy, gender imbalance in the area of labour and employment has not been overcome yet. The proportion of women in the whole of the economically active population in Armenia was estimated at 45.4% in 2006, vs. 54.6% of men. During the period from 2001 to 2006, the share of women in the economically active population decreased by 1.6 percentage points to the benefit of men. Economically active women have even higher capabilities, i.e., educational/professional characteristics compared to men. Thus, the proportion of those with any degree of professional education among the economically active women in 2006 was about 1.3 times higher compared to economically active men and comprised 53.6% vs. 40.8%.

**Figure 3.2. Unemployment Rate among Economically Active Female and Male Population, %**



Note: Calculated based on “The Labor Force in Armenia in 2001-2006”, NSS, Yerevan 2007 and “Social Snapshot and Poverty in Armenia”, NSS, Yerevan, 2008.

At the same time, the real unemployment rate among the economically active women was 1.6 times higher compared to men in 2007 (35% vs. 21.9%). Despite the downward trend of unemployment during the years from 2001 to 2007, the female/male gap in unemployment rates has been growing over time. The unemployment rate among the economically active male population decreased more sharply- by 40.5% from 2001 to 2007, while among the female population it decreased only by 13%.



It means that the enlargement of opportunities for women in the labor market is more limited, regardless of their greater abilities.

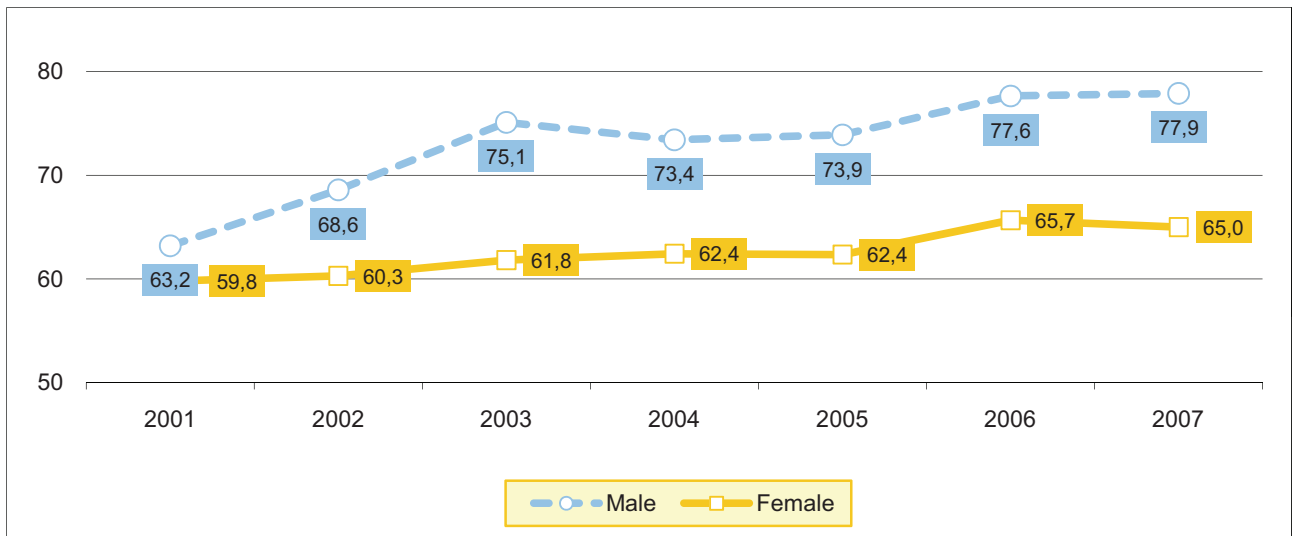
It has to be mentioned that a significant gap exists in the figures for the real unemployment rates mentioned above and the data on registered unemployment. Thus, the registered unemployment rate in the country comprised only 7.0% in 2007, while the real unemployment rate was estimated at 28.4%<sup>42</sup>. This difference is persistent in time and indicates the obvious underestimation of the problem. In this regard, indicator 19 was added to the list of the MDG 3 indicators in the process of further nationalization, instead of the indicator of “Proportion of women in registered unemployed”, to reveal the gender differences regarding unemployment more correctly.

Among the economically active women during the period from 2001 to 2006, 77.9% of economically active men were employed in full-time employment - the share of employed women in full-time employment was 18.8%, while for men this indicator was 9.7% in 2006. In addition, these women earn less due to the



those employed had an upward trend in their employment. For economically active women and 77.9% of men, however, does not have full-time employment - 20 working hours per week was 18.8%, that despite having the same qualifications - their employment.

**Figure 3.3. The Dynamics of Employment Rates for Economically Active Men and Women (15+)**



Note: Calculated based on “The Labor Force in Armenia in 2001-2006”, NSS, Yerevan 2007.

The average monthly nominal wage for women comprised 48,343 AMD in 2006, compared to 81,625 AMD for men. Thus, women’s average wage covers only about 59% of men’s average wage<sup>44</sup>, and there is an obvious deprivation of women, taking into account their high level of competence. Women’s lower wages are predetermined by the specifics of the sectoral and positional (horizontal and vertical) characteristics of their employment.

<sup>42</sup> Source: Labour Market in Armenia 2003-2007) NSS, Yerevan 2008 and Statistical Yearbook of Armenia, NSS, Yerevan 2008

<sup>43</sup> Note: These figures also include the agricultural employment of farmers on their own lands. Source: The Labor Force in Armenia in 2001-2006”, NSS, Yerevan 2007

<sup>44</sup> And 77.6% of the average nominal monthly wage in the country, which was estimated at 62,293 AMD in 2006

The share of women in wage employment in the non-agricultural sector was estimated at 39.8% in 2006<sup>45</sup>, which was lower than the same indicator for men by 20.4 percentage points (60.2%). Compared to 2001, the representation of women in wage employment in the non-agricultural sector decreased by 1.2 times. Women having non-agricultural employment are concentrated predominantly (71.1% of them) in the sectors of education, manufacturing, trade, health and social work (correspondingly 28.6%, 14.6%, 14.1% and 13.9% of all the women employed in the non-agricultural sector). The average wages in these sectors cover 75% of the monthly average wages in the country, with the lowest value of 62% in the healthcare and social work sector. On the contrary, the sectors of the economy with the highest levels of monthly wages - financial intermediation, mining and quarrying, electricity, construction, gas and water supply involved only 4.3% of women having non-agricultural employment. Thus, employed women are concentrated predominantly in the low-paid sectors of the economy. On the other hand, in a number of sectors, significant discrepancies between the remuneration of women and men exist in favor of men. These discrepancies appear in the sectors with the highest levels of average wages: financial intermediation, mining and quarrying.



These discrepancies are largely explained by the concentration of women in these sectors. Thus, there is a significant discrepancy in remuneration among the employed. The managerial positions are occupied predominantly by men. Women represent only 32.2% of this staff, while the majority of managers, 67.8%, are men. Thus, despite having a better education, women cannot overcome the barriers of the vertical hierarchic structure of organizations and acquire relatively higher positions.

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Women are represented only in the lower grades of the economic grading system and are practically deprived of participation in the decision making process concerning major economic issues, and, consequently, from the opportunity of voicing their interests.<sup>46</sup>

Firstly, this can be explained by the non-formal institutions and traditions existing in Armenian society, where as a rule men are the main earners and decision makers. Secondly, as a rule, family-related duties are not equally shared between spouses and women have additional duties related to their families, house work and children, which require the dedication of certain time, considerably limiting the time that could be afforded to employment with greater responsibilities. The vertical and horizontal occupational gender disparities in favor of men, as well as the higher unemployment rates of women contribute largely to the gender imbalance in retirement pensions.

The task of estimating the impact of the crisis on the gender employment situation is very complicated. Nevertheless, it can be stated that, taking into account the sectoral characteristics of women's employment, they will be less affected by the crisis, which will have a larger impact on sectors occupied predominantly by men (such as construction, mining and quarrying, financial intermediation, etc.). However, the ratio of the unemployment rates of women to men will not improve significantly, particularly as a result of the crisis.

<sup>45</sup> The results of Labor Force Surveys, using the ILO methodology, published by NSS in "The Labor Force in Armenia in 2001-2006", NSS, Yerevan 2007

<sup>46</sup> Concept paper on gender policy, approved on February 11, 2010 by the Prime Minister of the Republic of Armenia, p. 12.

**Table 3.1. Average Monthly Nominal Wages for Women and Men, by Branches of Economy, 2006**

	Men to Women Ratio
<b>Total</b>	<b>1.7</b>
Agriculture, hunting, forestry	1.3
Fishing, fish-breeding	1.3
Mining and quarrying	1.8
Manufacturing	1.7
Energy, gas and water supply	1.3
Construction	1.4
Wholesale and retail trade, repair of motor and personal and household goods	1.4
Hotels and Restaurants	1.2
Transport and communication	0.9
Financial mediation	2.0
Real estate, renting and business activities	1.5
Public administration	1.5
Education	1.2
Health and social services	1.5
Community, social and personal activities	1.5



Source: Women and Men in Armenia, NSS, 2007.

This situation in the labor market affects women's participation in the social and political life of society. Despite the measures taken, gender representation in the area of management and decision making remains out of balance. Women are under-represented not only in managerial positions, but also in political and public decision-making bodies. Armenia had its highest female representation in the highest legislative body in the Soviet period in 1980 - 36.5% of the total number of parliament seats were held by women. In the post-Soviet period a significant decrease was registered in the representation of women in the national parliament - 3.6% in 1991, 6.3% in 1995 and 3.0% in 1999. These figures have improved slightly in recent years - 5.4% in 2006 and 8.5% in 2008. Female representation among judges and lawyers comprised only 21% and 35% correspondingly in 2006, among ministers and deputy ministers - only 6%, in the Central Government staff - 39.6%. In 2009, there were only one woman among the 10 Regional Governors and one woman among the 18 Deputy Governors. All the mayors and deputy mayors of the 48 urban communities (excluding Yerevan) are men. Among the mayors of rural communities, women comprise only 2.7%.

The system of human resource training and professional development operates without a precise policy on human resource/staff training, which impedes the accomplishment of gender balance in the area of management, as well as at the level of political decision making. In the staff training process, 61% of women were trained for junior positions, 82% for leading positions, only 32% for chief positions and 22% for the highest positions. The preparation of highly qualified cadres is conducted with no consideration for the gender factor, and does not comply with the urgent demand for the further democratization of the management area. Imbalanced representation of women and men at the level of political decision making impedes social justice in society and the country's further democratic development.<sup>47</sup>

<sup>47</sup> Concept Paper on Gender Policy approved on February 11, 2010 by the Prime Minister of the Republic of Armenia, p. 6.



## Main Challenges and the Supportive Environment

The major challenge of the country in this field is that having legally guaranteed equal basic rights and high levels of competence, women cannot fully utilize them. Women's equal access to opportunities and participation in socio-economic and political life as well as decision making are, in practice, not ensured. Economic dominance and availability of economic and social resources between women and men is not even. Representation of women and men in managerial positions of the economic management sphere is imbalanced both at high government and community levels. The root causes of this situation are related to the lack of political will and the enabling environment, as well as to the non-formal institutions and traditions related to the roles of women and men in family and society.

Although the quotas for the participation of women in the electoral lists of political parties were established in the electoral law (not less than 10% in the National Assembly, ministers, governors and deputy ministers) during the period from 2004 to 2008. Thus, the participation of women in the bodies mentioned above by 2015 cannot serve as a sufficient factor for reaching the target of at least 25% representation of women in decision making is influenced indirectly by the overall level of the political participation of women in the country on the one hand, and by the local traditions related to the roles of women and men in society on the other. Taking into account these recent trends, the enabling environment for reaching the target of at least 10% representation of women among community heads by 2015 is weak.



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Obviously, strong political will, an enabling environment and actual measures are required to develop and implement the strategies ensuring higher participation of women in political and socio-economic decision making. Particularly, it will be necessary to follow closely the recommendations made to the State by the Committee on the Elimination of Discrimination against Women. The Committee urges the State party to enact appropriate national legislation containing the prohibition of discrimination against women (encompassing both direct and indirect discrimination), as well as to accelerate the adoption of the proposed law on gender equality and to raise awareness among government officials, the judiciary and the public.

Furthermore, the Committee recommends that the State party adopts a gender specific approach in its laws, policies and programs. The Committee also stresses the lack of an adequate structure in the national apparatus for the advancement of women in the country as well as limited national capacities to efficiently promote, coordinate, monitor and evaluate national gender equality programs and policies. In order to overcome the stereotypes and cultural practices in Armenian society, the Committee recommends the promotion of awareness-rising campaigns on gender equality and discrimination issues, targeting - among others - community leaders, parents, teachers, officials and young girls and boys.

The achievement of MDG 3 will be impossible without the implementation of the recommendations of the Committee, which actually cover a wider area of concrete measures for the elimination of discrimination against women. *The current situation and the enabling environment cannot ensure the achievement of MDG 3 by 2015.*



# MDG 4.


**Reduce Child Mortality**





## MDG 4. Reduce Child Mortality

Target 5 (corresponding to Target 4.A in the global list of MDG indicators<sup>48</sup>) is relevant for Armenia and therefore was not altered during the nationalization process. The only change made relates to the indicator that deals with the immunization rate, which was modified to cover other major diseases in addition to immunization coverage against measles (specified in the global list of MDG indicators)<sup>49</sup>.

Target 5												
Reduce, by Two-Thirds between						the Under-Five Mortality Rate						
		1990					2008					State of supportive environment
							2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?		
20	Under-five mortality rate, per 1,000 live births	23.8	19.3	13.0	12.3	12.2	9.6 <sup>50</sup>	10.0	<10	**	G	
21	Infant mortality rate, per 1,000 live births	18.3	15.7	11.5	10.8	10.8 <sup>51</sup>	8.2 <sup>52</sup>	8.7	<8	**	G	
22	Proportion of 2 years-old children immunized against measles	95.2	91.1	91.5	92.0	94.5	>96 <sup>53</sup>	>96	> 96	***	G	

### Status and Trends

The infant mortality rate (IMR) is one of the most sensitive and comprehensive indicators of the availability, utilization and quality of healthcare services. IMR is also considered one of the thorough indicators of the overall level of socio-economic development of a country.

Armenia is ranked as a country with average child mortality rates, which are higher than in the Eastern Europe, but lower than the CIS average. During recent years, infant and under-five mortality indi-

<sup>48</sup> Effective 15 January 2008.

<sup>49</sup> Until recently, an indicator describing the status of full immunization coverage was not calculated and reported in Armenia on a regular basis. Therefore, in this report, the indicator for the proportion of 2 year-old children immunized against measles is considered. In the meantime, starting in 2008, the Office of the National Immunization Program of Armenia included full immunization coverage indicators in the list of indicators to be calculated and reported on a regular basis. Taking this into account, this will become a principal indicator to monitor the status of immunization in Armenia under the National MDG Framework in the future.

<sup>50</sup> SDP projections.

<sup>51</sup> UNICEF's The State of the World's Children report, 2009 presents higher figures for infant and under-five mortality rates for 2007 - 22 and 24 respectively. These figures represent the best estimates available at the time this report was produced and are based on the work of the Inter-agency Group for Child Mortality Estimation, which includes UNICEF, WHO, WB and UNPD. An unprecedented decrease in infant and under-five mortality rates registered in 2007-2008 partially might be attributable to the under-reporting of infant (mainly, early neonatal) deaths in the official reporting system as well as the improper implementation by health facilities of the WHO's newly adopted standards on live births and stillbirths. The Ministry of Health, Ministry of Justice, National Statistical Service and UNICEF have acknowledged the problem and a joint rapid assessment of the application of WHO definitions on live birth and stillbirths as well as issues related to under-registration is currently in process.

<sup>52</sup> SDP projections.

<sup>53</sup> 2006-2010 National Immunization Program of the Republic of Armenia targeted to achieve 95% or higher immunization rates against major diseases in 2007.

cators have shown a tendency to decline in general. According to official (administrative) statistics, in 2008, the under-five mortality rate was 12.2 per 1,000 live births, down from 23.8 per 1,000 live births recorded in 1990. Under-five mortality indicators for boys were to some extent higher compared to the corresponding indicators for girls (in 2008, 13.9 and 10.2 per 1,000 live births, respectively).

During the period from 1990 to 2008, administratively reported infant mortality (which during recent years accounted for nearly 88% of under-five deaths) also decreased from 18.3 per 1,000 live births in 1990 to 10.8 per 1,000 live births in 2008. However, this decreasing trend was largely attributable to a considerable decline in post-neonatal mortality rates (in 1990 and 2007, 9.4 and 2.6 per 1,000 live births respectively), while little change has been recorded for neonatal mortality (8.9 and 8.3 per 1,000 live births respectively).

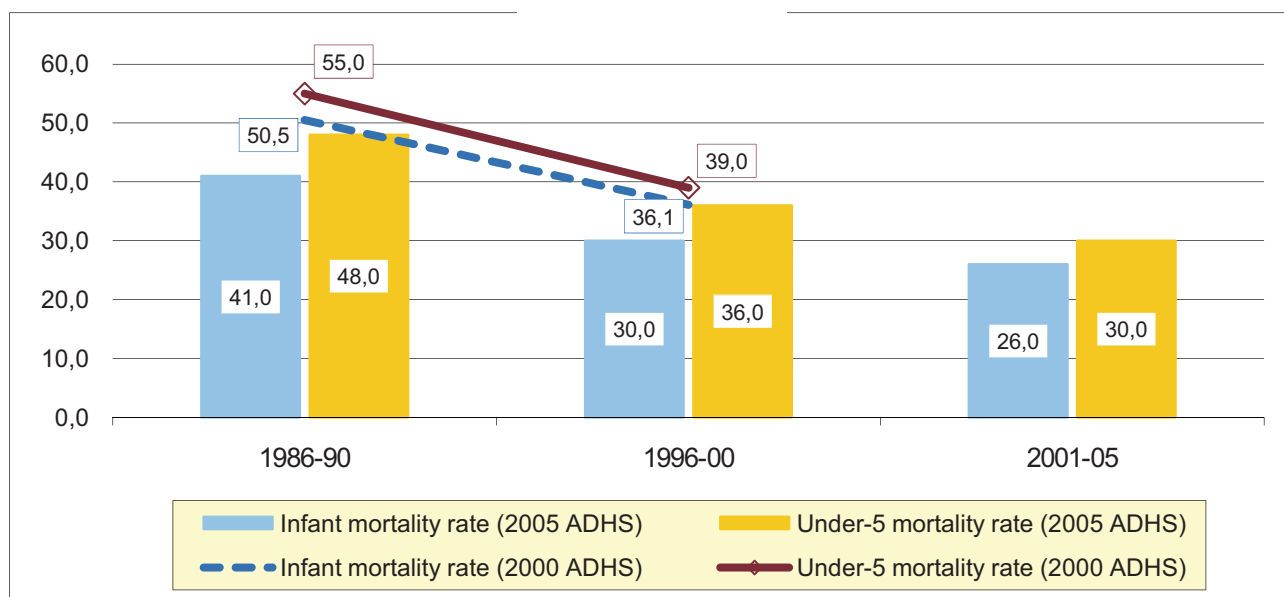
The tendency to decrease has also been observed from sample surveys<sup>54</sup>, though the survey rates are generally higher compared to the corresponding official data.



When considering the corresponding data obtained from sample surveys, it is noted that survey rates are generally higher compared to the corresponding official data.

**Figure 4.1. Under-Five and Infant Mortality Rates (per 1,000 live births)**

**1986-2005, ADHS Results (per 1,000 live births)**



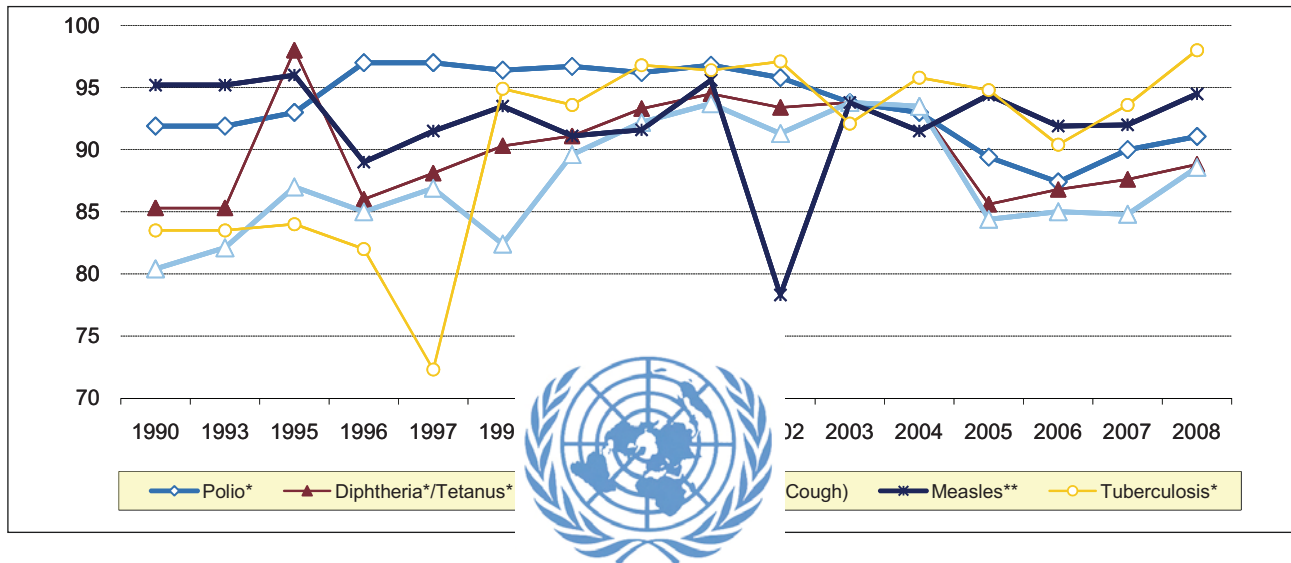
Source: Armenia Health and Demographic Surveys 2000, 2005.

Data from administrative sources shows that the immunization rates against major diseases in Armenia are high (close to 90% or higher). There was a decline observed from 2002 to 2005, but the coverage rates showed a tendency to increase from 2006 to 2008 (Figure 4.2).

<sup>54</sup> Particularly, Armenia Demographic and Health Surveys (ADHS) for 2000 and 2005.



**Figure 4.2. Immunization Rates in Armenia, 1990-2008 (% of children covered)**



\* Polio, diphtheria, tetanus, pertussis, tuberculosis – children aged 0-11; \*\* measles – children aged 0-2.

Source: National Institute of Health of the Ministry of Health of the Republic of Armenia.

However, despite high immunization rates, there are particular issues related to the timing and drop-out rates for vaccination. The Immunization Coverage Survey conducted for the first time in Armenia in 2006 jointly by the Ministry of Health, UNICEF and WHO revealed that timely (date of earliest recommended dose plus six months) valid coverage, which is the basic index characterizing vaccination coverage in the country, was significantly low. DTP<sup>55</sup> coverage was only 60.4% on the country level with variations by region from 41.7% in Syunik Marz to 67.8% in Vayots Dzor Marz. MMR<sup>56</sup> coverage was 80.3% on the country level, varying between 72.1% in Yerevan to 87.7% in Lori Marz.

According to the survey, in 2006 the DTP drop-out rates (i.e. the percentage of those who received the first dose, but have not received the third dose) were very high on the national (35.4%)<sup>57</sup> as well as on the regional level (28.2%-55.6%). The BCG<sup>58</sup>-MMR1 drop-out rates (the loss level) were also high varying between 8.2% to 22.7% in 2006.

It should also be mentioned that in accordance with the administrative statistical reporting on the immunization coverage losses, the share of children that were left out of the third dose of DTP made 8%, while the BCG-MMR1 drop-out rate was 3.6% (in both cases the target index makes no more than 10%).

## Main Challenges and the Supportive Environment

The issues of child health are one of the priorities of the government policies in the sector, which is documented in national level programs (including the first PRSP and the SDP), as well as in the sectoral policy documents. This prioritization is clearly reflected in the corresponding increase of budget funding directed to child healthcare programs both on the primary and hospital levels. Currently the 2010-2015 National Immunization Program is being implemented. It aims at reducing the level of manageable infectious diseases, prevention of death cases resulting from such diseases and ensuring the non-susceptibility of the population towards infectious diseases, and also targets

<sup>55</sup> DTP (diphtheria, tetanus, and pertussis).

<sup>56</sup> MMR (measles, mumps, and rubella).

<sup>57</sup> Armenia Demographic and Health Survey (ADHS) conducted in 2005 reported DPT drop-out rate at 24% on the country level for 2005.

<sup>58</sup> BCG (Bacille Calmette-Guérin), a vaccine against tuberculosis.



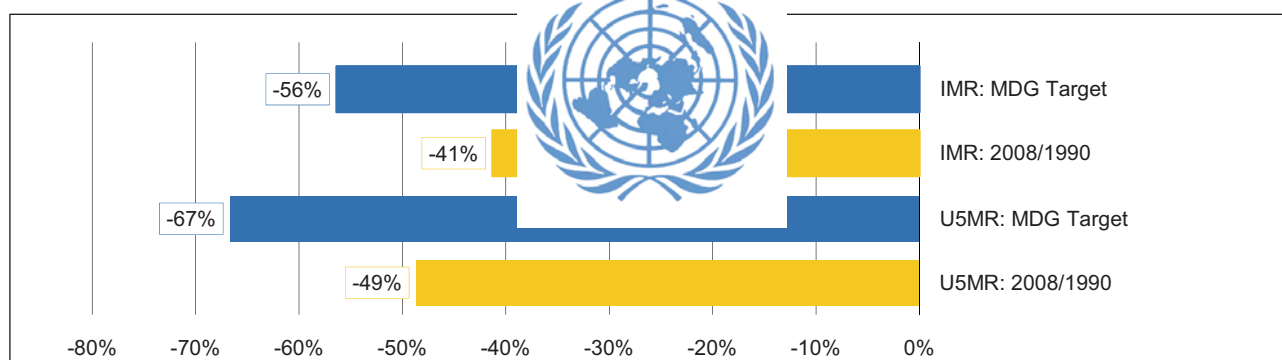
the achievement of 95% and higher immunization rates against major diseases.

By 2015, Armenia is planning to achieve the targets for under-five and infant mortality rates at levels below 10 and 8 per 1,000 live births, respectively, which are quite close to the corresponding average indicators for the group of EU new members (EU-12) in 2006<sup>59</sup>.

In spite of the positive achievements recorded during recent years, infant and child mortality rates remain high and the ambitious targets which the Armenian Government envisages to achieve in the medium to long term (which are, in general, in line with the MDGs) will require considerable efforts in implementing a targeted policy to improve the situation further.

**Figure 4.3. Under-Five and Infant Mortality Rates**

**Progress towards Achieving MDG Targets**



Source: National Statistical Service: data from administrative register.

As indicated above, during recent years the registered decline of infant mortality is mostly attributable to the decline of post-neonatal mortality, with neonatal deaths accounting for about 77% of infant deaths in 2007, compared to 60% in 2000 and less than 50% in 1990. On the other hand, there has been an increase recorded in the number of infants with a low birth weight (LBW)<sup>60</sup> - according to the administrative statistics of the Ministry of Health, in 2008 the share of newborns with LBW among the total number of live births amounted to 7.4%, up from 6.5% recorded in 1990. This means that the main efforts should be concentrated on the design and implementation of measures towards the improvement of prenatal healthcare services and the reduction of neonatal mortality, which is currently one of priorities in the Armenian health sector. However, reduction of neonatal mortality is very difficult, particularly for developing countries with limited resources allocated to the health sector, as is the case in Armenia. The issue could be aggravated further given the possible consequences of the economic downturn that puts serious constraints on the planned expansion of the budgetary funding of the health sector in general, and child and maternal health programs in particular (for preliminary analysis on the topic see Box 1).

An important factor that may significantly contribute to improved child health and reduced child mortality is greater parental education on child health, nutrition, development and recognition of the danger signs of diseases. According to the Armenia Demographic and Health Survey (2005), there are significant differences in infant mortality rates based on the education levels of mothers, and there is also a low awareness by mothers of child health issues.

The issue of access to the corresponding services by the poor is very relevant in this context. The Armenia Demographic and Health Survey (2005) shows that there are notable differences between child mortality indicators by population wealth quintile. According to the survey, in the period from 1996 to 2005, the under-five mortality rate per 1,000 live births for the lowest quintile amounted to 52, compared to 23 for the highest quintile.

<sup>59</sup> WHO - Health for All Database (July, 2008).

<sup>60</sup> Less than 2.5 kilograms.





Although access to immunization in all the regions and in Yerevan is high, compliance (timeliness, validity and completeness of immunization schedule) is low and there is a significant share of infants in Armenia who are at risk of infection by one or more vaccine-preventable diseases. The further improvement of the immunization status in the country, at national and regional levels, will require measures to enhance capacities and improve the motivation of health care providers, improve efficiency in the management of the immunization program as well as address the problem of access to services in remote areas.





# MDG 5.

**Improve Maternal Health**

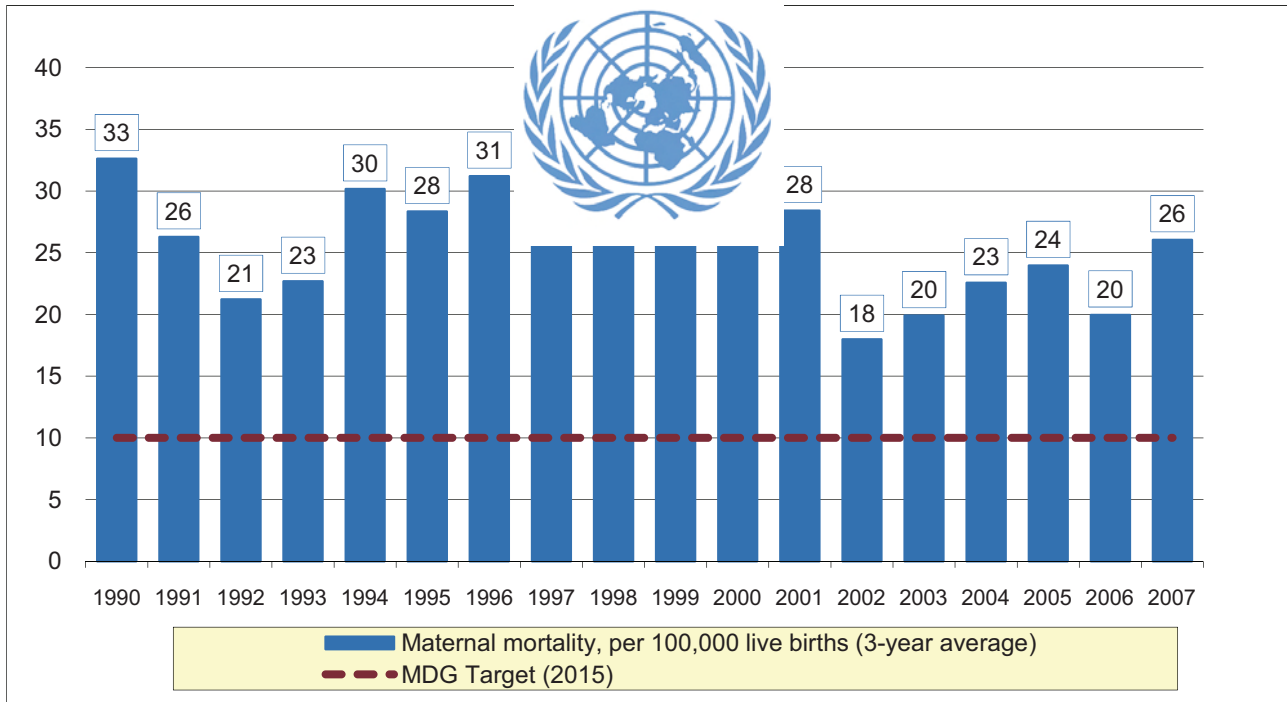




## Status and Trends

Maternal mortality in Armenia on a 3-year average basis has reduced from 32.6 deaths per 100,000 live births in the period from 1989 to 1991, to 26 deaths per 100,000 live births in the period from 2006 to 2008<sup>64</sup>. Despite this decrease in the maternal mortality ratio in Armenia (being relatively lower than the corresponding 3-year average indicator in the CIS (27.5 maternal deaths per 100,000 live births in 2005), it remains high and exceeds the average rates for EU new member states (less than 10 maternal deaths per 100,000 live births), and is noticeably higher than in the group of the EU-15 countries (less than 6 maternal deaths per 100,000 live births)<sup>65</sup>.

**Figure 5.1. Maternal Mortality in Armenia in 1990-2007 per 100,000 live births (3-year average)**



Source: National Statistical Service: data from administrative register.

According to recent survey data (2005 ADHS), almost all births (98%) were attended to by skilled health personnel, a slightly higher percentage compared to the corresponding indicator reported by the 2000 ADHS for the period 1996-2000. In the meantime, the 2005 ADHS reports that almost 96.5% of all births were delivered at a health facility<sup>66</sup>, and the proportion of births delivered at home declined from 8.5% in 2000 to 2.2% in 2005. The data are quite homogenous across all of the regions, with the exception of Aragatsotn and Gegharkunik, where proportions of all births delivered at a health facility were significantly lower than the country average (88.5% and 84.2%, respectively) with corresponding higher proportions of all births delivered at home (11.4% and 13.5%, respectively). Another issue to be addressed in the regional context is the difference in access to corresponding services in rural areas. In particular, in 2005 the percentage share of births in rural areas delivered at home amounted to 5.5%, compared to 0.2% in urban areas. In the meantime, both of those indica-

<sup>64</sup> Calculations are made on the basis of a 3-year average and are based on absolute numbers of live births and maternal deaths, as they are published by the National Statistical Service of the Republic of Armenia. Based on the data from the same source, a lower level of the indicator has been observed for the period from 2005 to 2007 (20 maternal deaths per 100,000 live births). In the meantime, the State of the World's Children report, 2009 provides slightly higher figures for the maternal mortality ratio for the period from 2000 to 2007 (27) and considerably higher adjusted rates for 2005 (76). These figures are estimates based on the work of the WHO/UNICEF/UNFPA/WB inter-agency group.

<sup>65</sup> Source: Health for All Database (HFO), WHO/Europe, July 2008.

<sup>66</sup> Reference period: 2001-2005.



tors improved (particularly the indicator describing the situation in the rural areas) compared to corresponding indicators for the period from 1996 to 2000 - according to the 2000 ADHS, from 1996 to 2000 15.9% of births in the rural areas and 1.3% of births in the urban areas were delivered at home. The global list of MDG indicators (effective January 2008) has included a new target, and corresponding indicators, dealing directly with reproductive health issues. The target is relevant to Armenia and the corresponding indicators have been added to the National MDG framework as they are critical to measure both maternal and reproductive health issues.

According to the National Statistical Service administrative records, the adolescent birth rate declined from 69.1 (in 1990) to 25.7 (in 2008) live births to women aged 15-19 per 1,000 women in the same age group. Although there are some differences between the corresponding indicator when stratified by the urban/rural criterion (in 2008, adolescent birth rate in urban areas was equal to 21.1 and in rural areas was equal to 32.6 live births to women aged 15-19 per 1,000 women in the same age group, respectively), these differences are not statistically significant and do not differ in the international context<sup>67</sup>.



Two of the other newly added indicators are related to antenatal care and the analysis of those indicators shows that progress has been made during the period from 1996 to 2005. In particular, according to the 2005 ADHS, antenatal care coverage (at least four visits) on the country level increased from 65% in the period from 1996 to 2000 to 71% in the period from 2001 to 2005. However, there is a huge discrepancy between the corresponding indicators when seen through an urban/rural disaggregating criterion (in the period from 2001 to 2005 antenatal care coverage - at least four visits - in rural areas was only 53% compared to nearly 82% in urban areas) and this aspect should be one of the major focuses for policy interventions in the future.

One issue of concern is that, in Armenia, induced abortion remains the main means of fertility control, which is partially attributable to the under-utilization of family planning services and lack of corresponding knowledge. Although the proportion of pregnancies ending in abortion has declined since 2000 by 10%<sup>68</sup>, according to the 2005 ADHS<sup>69</sup> almost half (45%) of all pregnancy outcomes end in induced abortions. Miscarriages compose 7% of all pregnancy outcomes, while stillbirths compose less than 1%. On the other hand, the 2005 ADHS indicates a decrease in the use of both modern and traditional methods of contraception among married women in Armenia, compared to the 2000 ADHS, from 60.5% to 53.1%. In the same period, the prevalence of modern contraceptive<sup>70</sup> use has also declined from 22.3% in 2000 to 19.5% in 2005.

According to the ADHS, the total demand for family planning among all women was 66.7%<sup>71</sup> in 2005, which is lower than the corresponding indicator in 2000 (73.6%). In the meantime, the percentage of satisfied demand was nearly 80%, which is by 4 percentage points lower compared to the corresponding indicator in 2000. In 2005, unmet needs for family planning of married women in Armenia were estimated at 13.3% (of which 3.6% was for spacing and 9.7% for limiting). There is some increase compared to unmet need for family planning recorded in 2000 (11.8%) and this change is mostly attributable to increased unmet needs for family planning for spacing which accounted for 3.6% in 2005, up from 2.6% recorded in 2000. The ADHS indicates also that the unmet need for family planning is higher for married women living in less favorable socio-economic conditions.

<sup>67</sup> For classification, see for example, Susheela Singh and Jacqueline E. Darroch, "Adolescent Pregnancy and Childbearing: Levels and Trends in Developed Countries", *Family Planning Perspectives*, Vol. 32, No. 1, January/February 2000.

<sup>68</sup> Reference period: 1997-2000.

<sup>69</sup> Reference period: 2002-2005.

<sup>70</sup> Modern contraceptives methods include female sterilization, pill, IUD, injections, implants, male condom, diaphragm, foam/jelly and emergency contraception

<sup>71</sup> 15.2% and 51.5% for spacing and limiting, respectively.

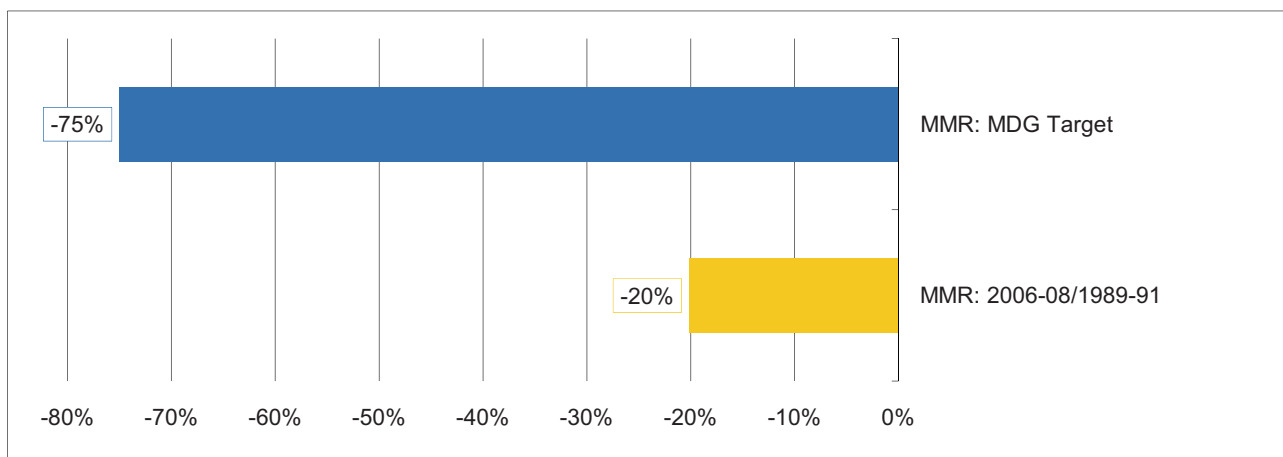
## Main Challenges and the Supportive Environment

The Government projected to achieve the level of maternal mortality of 10.3 maternal deaths per 100,000 live births by 2015<sup>72</sup> which is close to the corresponding MDG target<sup>73</sup> by 2015<sup>74</sup>. However, recent developments show that a projected value for maternal mortality at 10.3 maternal deaths per 100,000 live births is too ambitious and new projections presented in this report assume maternal mortality to reach 11.6 per 100,000 live births in 2015. Given this pattern of recent developments and taking into account the possible consequences of the on-going economic crisis on the financing of the health sector, the corresponding MDG target will be difficult to achieve (Figure 5.2). Moreover, even with upward revisions in the projected level of maternal mortality in 2015, the achievement of that level will require significant efforts : ... .. res to improve quality of and access to the corresponding health services<sup>75</sup>. Th ... .. res to be taken for an improved quality of services at both the primary and ho ... .. h a specific focus on measures for im- proved practices in primary health care ... .. n remote and rural areas).



In the context of reproductive health is ... .. on should be paid to the availability of contraception as the unmet demand (w ... .. l of abortions) is rather high and directly influences maternal health and mortality ... .. factors outside the health care delivery system contributing to maternal mortality should be analyzed in greater detail with particular action to be taken to mitigate them, including such factors as delay in recognition of danger signs during pregnancy (household level) and delay in transportation.

**Figure 5.2. Maternal Mortality in Armenia: Progress towards Achieving MDG Targets**



Source: National Statistical Service: data from administrative register.

Reproductive health issues are in the core of the development agenda of the Armenian Government. In particular, in 2007 the Government of Armenia approved the Reproductive Health National Program 2007-2015. The main targets of the program are consistent with the national MDG goals and targets' framework. The program has been designed based on the sector's priorities as they are documented in the first Poverty Reduction Strategy Paper, later being re-stated in the Sustainable Development Program and reflected in the sectoral prioritization and distribution of public expendi-

<sup>72</sup> SDP projections.

<sup>73</sup> Less than 10 maternal deaths per 100,000 live births.

<sup>74</sup> The Sustainable Development Program targets maternal mortality rates on a 3-year average basis, which is a common and acceptable practice, particularly for countries with populations less than 5 million. This resulted in the reconsideration of the definition of maternal mortality in the National MDG Progress Report as well.

<sup>75</sup> The estimated absolute number of maternal deaths corresponding to the projected value of maternal deaths at 11.6 per 100,000 live births in the period from 2014 to 2016 is 5-6, compared to 10 between 2004 and 2006. Although in 2007 only 6 cases of maternal deaths were recorded, there was an alarming increase in maternal deaths in 2008 with 15 such cases recorded.







# MDG 6.

## Combat HIV/AIDS, Malaria and Other Diseases





## MDG 6. Combat HIV/AIDS, Malaria and Other Diseases

All of the targets under this Goal are relevant for Armenia and the modifications in the MDG National Framework compared to the global list of MDG indicators<sup>78</sup> are on the indicator level only. The decomposition of targets is consistent with the one in the global list of MDG indicators. Target 7.A corresponds to Target 6.A in the global list of MDG indicators<sup>79</sup> and Target 7 in the previous edition of the MDG National Progress Report; Target 7.B has been added in this report and corresponds to Target 6.B in the global list of MDG indicators, while Target 8 in the MDG National Framework corresponds to Target 6.C in the global list of MDG indicators and Target 8 in the previous edition of the MDG National Progress Report.

Have Halted by 2015 and				the Spread of HIV/AIDS							
		1990	2000	200	200	200	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
29	People living with HIV, 15-49 years old, percentage *	...	<0.01	<0.02	<0.02	<0.03	...	...	< 0.04	***	G
30	Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS	...	7 (f) / 8 (m) [a]	22.6 (f) / 15.1 (m) [b]	...	> 95% [c]	...	>80%	**	G	
<b>Target 7.B</b>											
<b>Achieve, by 2010, Universal Access to Treatment for HIV/AIDS for all those Who Need It</b>											
		1990	2000	2005	2007	2008	Projected value in 2010 (pre-crisis estimates)	Projected value in 2010 (new estimates)	Target value in 2010	Will the target value be achieved by 2010?	State of supportive environment
31	Proportion of population with advanced HIV infection with access to antiretroviral drugs	...	...	...	100% [c]	...	100% [c]	...	100%	***	G

\* Estimates for actual numbers and corresponding targets are based on data from the administrative register.

a. UNSD (based on 2000 ADHS data). b. 2005 ADHS. c. National Program on the Response to HIV Epidemic in the Republic of Armenia for 2007-2011.

<sup>78</sup> Effective 15 January 2008.

<sup>79</sup> Effective 15 January 2008.



Target 8											
Have Halted by 2015 and Begun to Reverse the Incidence of Malaria and other Major Diseases											
		1990	1999	2004	2007	2008	2015 (pre-crisis projections)	2015 (new estimates; base-line scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
32	Number of new malaria local cases	0	3	1	1	1	0	0	0	****	G
33	Tuberculosis incidence, per 100,000 population	16.6	4	...	...	...	...	...	< 30	**	G
34	Proportion of tuberculosis cases detected and cured under directly observed treatment short course, percentage	18.5 (1995)	83.0	99.8	100	...	100	100	100	****	G

## Status and Trends

**HIV/AIDS** incidence is low in Armenia, and the HIV/AIDS epidemic is in the concentrated stage occurring mostly among the maximum-risk populations<sup>80</sup>.

As of late 2008, 674 HIV cases were registered in the country, of which 505 (or 74.9%) were males and 169 (or 25.1%) were females. The 674 reported cases included 13 cases of HIV infection among children (1.9%). More than half of all the registered HIV cases were been reported during the past four years. The majority of AIDS diagnoses have been made within the past three years.

The increase in the number of registered HIV and AIDS cases might be partially attributable to the fact that in recent years more Armenian citizens who are HIV-infected or those having clinical symptoms have returned to Armenia from CIS countries. The increase in the number of people living with HIV (PLHIV) with a history of migration has serious implications for the National HIV/AIDS Program in Armenia as nearly 15% households are reported to have someone working abroad<sup>81</sup>. The gains made by the national program in containing HIV transmission within Armenia may be undermined by the large number of Armenians who engage in HIV risk behavior in countries with higher HIV prevalence and who subsequently return home for treatment or to visit their families. HIV prevention efforts for migrants prior to 2007 were not considered a priority for the country. There is a need to implement new strategies and approaches to increase the effectiveness of activities and to expand HIV prevention interventions among migrant workers and especially to focus on migrant women and women in general and provide them with services that will enable and empower them to be protected from HIV and STIs.

On the other hand, the increase in the number of registered HIV and AIDS cases in recent years is also enhanced by the scaling up of laboratory networks, increased access to HIV testing, the es-

<sup>80</sup> E.g. injecting drug users, commercial sex workers, men having sex with men, etc.

<sup>81</sup> In 2004 and 2008, 13.3% and 14.8% of households, respectively reported having household members aged 15+ temporarily living abroad (Source: National Statistical Service, Social Snapshot and Poverty in Armenia, Yerevan 2009).



establishment of a VCT system, strengthening laboratory capacities for diagnostics of AIDS and AIDS indicator diseases, as well as the improved capacities of relevant health care facilities and increasing knowledge of HIV/AIDS among the health care personnel as a result of training provided by the National AIDS Center, among others.

The main modes of HIV transmission in the country are through heterosexual practices (49%) and injecting drug use (43.2%). In addition, there are also registered cases of mother-to-child HIV transmission (1.8%), as well as through blood transfusions (0.3%) and homosexual practices (1.6%). The percentage ratio of the main modes of HIV transmission in recent years has changed. If before 2005, the percentage ratio of transmission through injecting drug use was more than half of all registered cases, since 2006 heterosexual mode of transmission significantly increased. The majority of infected males (58.2%) were infected through injecting drug use, while almost all the females (98.7%) were infected through sexual contact. The majority of cases (46%) was reported in Yerevan.

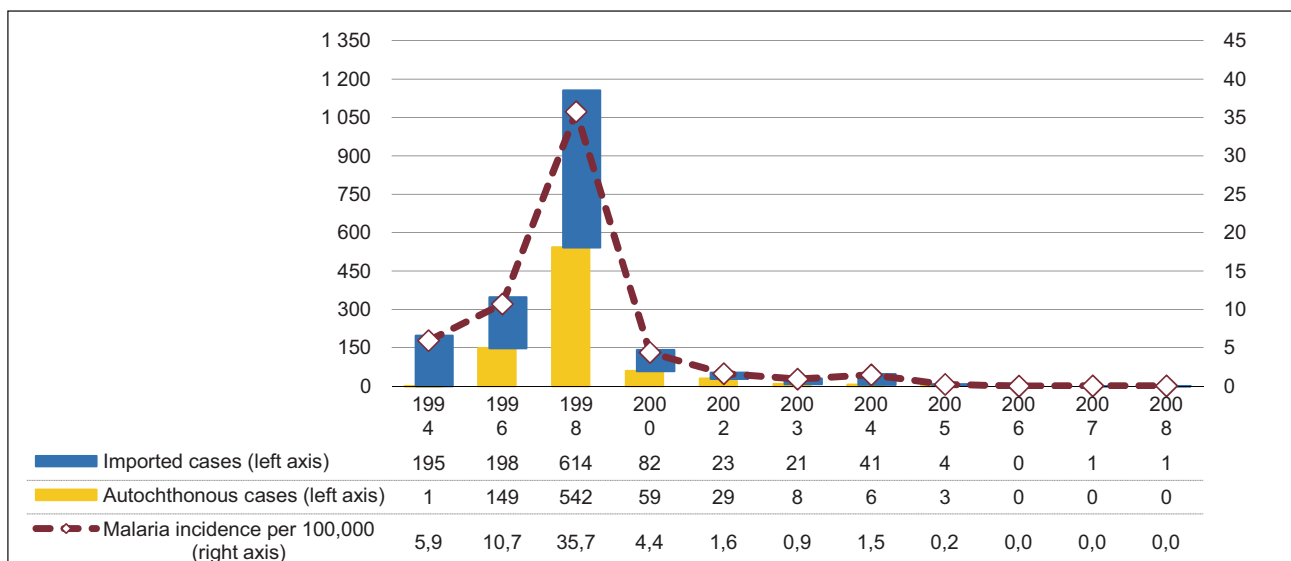


Nevertheless, assessments of the HIV/AIDS situation in the country at the estimated number of people living with HIV in the country is actually around 100,000.

Although the HIV/AIDS incidence in Armenia is low, there is a risk that the issue can be aggravated particularly taking into account the intensive migration flows (specially to high prevalence countries) and the fact that Armenia is located in a region which is characterized by a sharp increase of HIV/AIDS incidence during recent years. Another factor that may contribute to a possible deterioration of the situation in the future is the lack of comprehensive knowledge about HIV/AIDS among the population. According to the 2005 ADHS, only 25.7% of women and 24.3% of men in Armenia had comprehensive knowledge of HIV/AIDS, while in the age group of 15-24 years the corresponding indicators were even lower (22.6% and 15.1% respectively). Thus, measures are needed to improve the knowledge of HIV/AIDS among the general population, particularly the youth. Targeted interventions among high risk groups, including injecting drug users, commercial sex workers and men having sex with men to minimize their risk of getting and spreading HIV infection are specific actions needed to prevent further spread of HIV/AIDS in the country.

In 1963, malaria as a mass-scale disease was eliminated in Armenia. This positive situation was maintained until 1994. In 1994, the first local (autochthonous) case of malaria was recorded. After that, registered cases of malaria (both autochthonous and imported) showed increased trends until 1998 when the total number of newly registered cases reached 1,156 (or nearly 36 per 100,000 population).

**Figure 6.1. Malaria Incidence in Armenia, 1994-2008**



Source: Ministry of Health of the Republic of Armenia, National Statistical Service.





Such a dramatic change was caused mostly by the socio-economic situation in the country in the early 1990s, as well as the lack of capacity and resources in the health sector to respond properly. Since 1999, continuous improvements in the malaria situation have been recorded, and since 2006 there were no local malaria cases registered in Armenia.

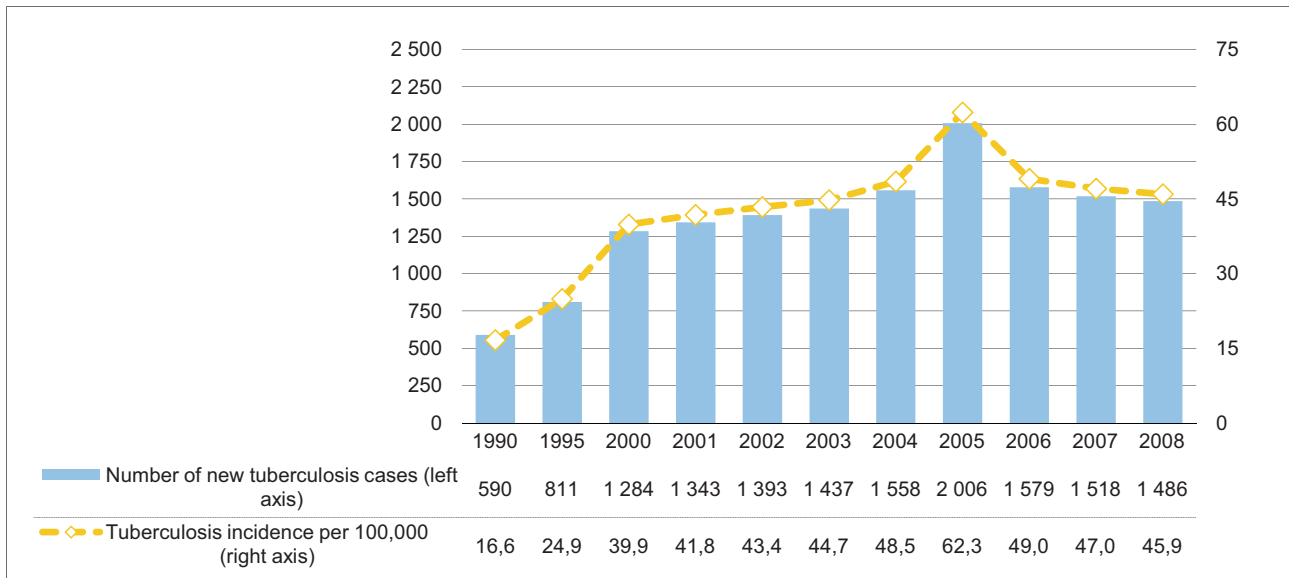
Armenia is one of the first countries in the European region where malaria has been practically eliminated. In 2009, the country applied to WHO requesting it to certify the RA territory as a malaria-free area.

The incidence of **tuberculosis** in Armenia increased significantly during the past 15 years, though at a slower rate than in other CIS countries. Tuberculosis incidence per 100,000 was 46 up from 24.9 in 1995 (the estimated number of TB patients are registered properly). This increase is attributable to the deterioration of socio-economic conditions, as well as accelerated in the 1990s. In 2005, TB incidence per 100,000 reached 62.3, after which a decline was recorded during the following three years. The prevalence of multi-drug resistant TB is estimated at 12-15% for newly registered cases and 40-50% for previously treated patients.



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**Figure 6.2. Tuberculosis Incidence in Armenia, 1990-2008**



Note: For the period from 1990 to 2001, tuberculosis incidence per 100,000 is recalculated using the adjusted population figures published by the National Statistical Service. Source: Ministry of Health of the Republic of Armenia, National Statistical Service.

Directly Observed Treatment (DOTS) short course is currently being implemented nationwide, including the penitentiary system. However, the country needs to improve the quality of DOTS implementation. A number of areas that need improvement include insurance of uninterrupted availability of TB drugs, increased human resource capacity to improve planning, supervision, and TB control data management, as well as a need for motivation of primary health care providers in delivering TB services. The improvement of recording and reporting system dealing with TB control both in outpatient and inpatient settings is another area for reform. Additional actions will be taken to address issues of stigma and discrimination against people with TB.

The low treatment success rate (72% in 2007) reported in Armenia is related to a high treatment default rate and very high treatment failure due to multidrug-resistant (MDR) TB. Current MDR-TB

<sup>82</sup> Ministry of Health of the Republic of Armenia, National Program for Tuberculosis Control, 2007-2015.





interventions are limited to the penitentiary system with small pilot projects in the civilian sector, but there are plans to scale up with financial support from donors.

Armenia is currently improving primary health care (PHC) services based on family medicine approaches. This is a good opportunity for the National Tuberculosis Program (NTP) to decentralize TB detection and treatment follow-up, reducing TB patients' treatment default and thus lowering the development of drug resistance.

## Main Challenges and the Supportive Environment

Achieving the targets stated under MDG 6 related to HIV/AIDS, tuberculosis, malaria and other infectious diseases is a major challenge. The following programs are being implemented:

- National Program for Tuberculosis Control 2005-2011;
- National Program on the Response to HIV/AIDS 2007-2011;
- Malaria Control Program 2005-2011.



Major challenges for policy makers and issues requiring attention at the national level:

1. Limited resources; 2. Weak institutional capacity; 3. Limited political commitment; 4. Limited public financing; 5. Limited community participation; 6. Limited technical assistance; 7. Limited research and innovation; 8. Limited data and information; 9. Limited human resources; 10. Limited infrastructure; 11. Limited access to services; 12. Limited awareness and knowledge; 13. Limited social norms and values; 14. Limited gender equality; 15. Limited environmental sustainability; 16. Limited climate change adaptation; 17. Limited disaster risk reduction; 18. Limited peace and security; 19. Limited justice and rule of law; 20. Limited sustainable development.

Specific attention needs to be given to improved health sector capacities and skills in the corresponding facilities, as well as to improved and better intra- and inter-sector coordination of activities and policy measures.

One of the major factors that put the achievement of the targets at risk is the existing constraints in public financing given the recent economic developments, which add uncertainty to the perspectives in the medium-term.

Meanwhile, the status and progress towards achieving the corresponding targets may be reconsidered provided improved and more reliable information is available that describes the situation better. This particularly relates to the corresponding MDG targets on HIV/AIDS and tuberculosis.

<sup>83</sup> Main assumptions under the each scenario are discussed in the first section of this report.

**Box 1. Economic Downturn, Government Health Expenditure and Possible Consequences on Progress towards Achieving MDGs Related to Population Health Status**

Goals 4-6 under the MDG framework deal directly with the health status of the population and it is clear that negative economic developments create additional bottlenecks in the progress towards achieving the corresponding targets. However, given the multi-factor and complex nature of impact chains and relationships, it is quite difficult at this stage of the unfolding developments to provide precise quantitative estimates of the possible changes in the corresponding indicators.

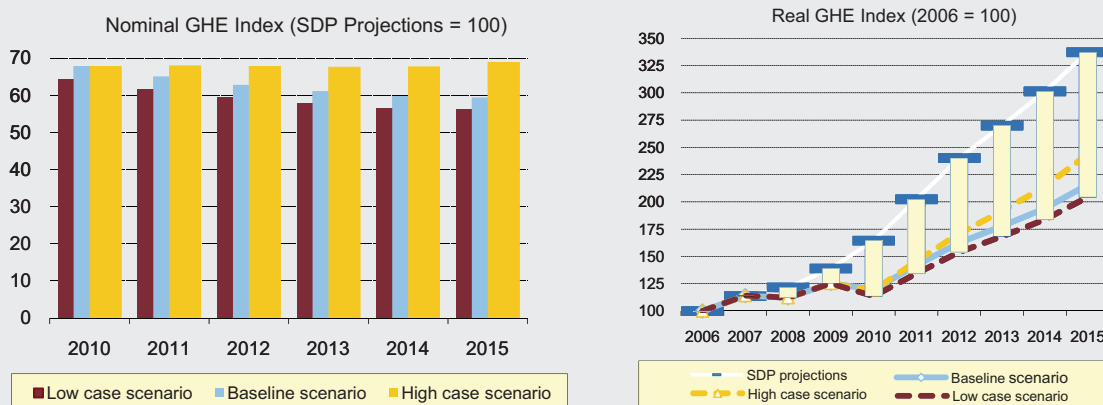
Despite the positive developments recorded in the period from 2003 to 2008, government expenditure in the health sector as a percentage of GDP was already low (less than 1.5% of GDP) and pre-crisis projections presented in the Sustainable Development Program (SDP) assumed a gradual increase of government health expenditure as a percentage of GDP by 2015. One factor that will likely to affect the envisaged decrease of government health expenditure both in nominal and in real terms - as a result of the economic downturn and narrowing of the budgetary resource



development Program (SDP) assumed a gradual increase of government health expenditure in the medium-term to reach 2.5% of GDP by 2015. However, the new projections for the health sector in the medium term - taking into account the economic downturn and narrowing of the budgetary resource

Three scenarios are considered under the new projections (baseline, low case and high case<sup>83</sup>) and all three of them assume the same behavior for government health expenditure as a percentage of GDP. The SDP projections assumed them to reach 2.5% of GDP by 2015; however, government health expenditure in the new projections are lower both in nominal and real terms compared to those in the SDP scenario (see figure below). In particular, in the baseline scenario GHE in nominal terms are 30-40% lower than those projected in the SDP for the entire period of projection. On the other hand, it will be a challenge to maintain even the projected lower level of government expenditure in the health sector due to the limited fiscal space and possible gaps in budget financing.

**Government Expenditure in the Health Sector: Pre-crisis Projections and Newly Projected Developments in Different Scenarios**



GHE = Government health expenditure, SDP=Sustainable Development Program.

This pattern of projected developments will limit resources to be allocated to the health sector, therefore making conditions for planned improvements in access and quality of health services less favorable, which will in turn slow down the achievement of the corresponding MDG targets. Moreover, the downward revisions in nominal terms of government health expenditure will likely result in a reduction and/or postponement of the planned public investment in the health sector which is critical for narrowing the existing gap in access and quality of health services between the capital city Yerevan and regions on the one hand, and between urban and rural areas on the other.




# MDG 7.

**Ensure Environmental  
Sustainability**



## MDG 7. Ensure Environmental Sustainability

During further nationalization of the MDGs, one new indicator was added to Target 9<sup>84</sup> (number of towns served by wastewater treatment plants). The new indicator - “average duration of water supply in the small and medium towns of the country” was added in Target 10 taking into account the disparities in the average duration of water supply in the small and medium towns. Target 11 and its indicators are unchanged.

Target 9																	
Integrate the Principles of Sustainable Development and Reverse the Degradation of the Environment						Integrate the Principles of Sustainable Development into Country Policies and Programs and Reverse the Degradation of Environmental Resources											
INDICATORS								2015 (pre-crisis projections)		2015 (new estimates; baseline scenario)		Target value in 2015		Will the target value be achieved by 2015?		State of supportive environment	
		1990	1999	2004	2005	2007											
35	Proportion of land area, covered by forests, % <sup>85</sup>	12.0	11.0 (2000)	11.2	11.2	...	11	11	>11	****	S						
36	Ratio of area protected to maintain biological diversity to surface area, %	10.0	10.0	...	10.6	10.6	12.0	12.0	>12	***	G						
37.a	Carbon dioxide emissions per capita, in metric tons	6.9	1.72	1.73	1.93	...	<4.5	<3.6	<3.6	***	G						
37.b	Consumption of ozone depleting CFCs (ODP tones) <sup>86</sup>	196.5	196.5	114.6	87.0	29.4 (13.6; 2008)	0.0	0.0	0.0	***	G						
38	Proportion of population using solid fuels	...	62.9	49.2	45.1	30.0	10.0	15.0	<5	*	G						
39	Elevation of lake Sevan above sea level, meters	1,897.8	1,896.6	1,897.2	1,898.1	1,898.8 (2008)	1,900	1,900	>1,903	***	G						

<sup>84</sup> Target 9 of National Goal 7 corresponds to Target 7.A and 7.B in the list of the Global MDG Targets.

<sup>85</sup> a) The forest cover of Armenia is about 8.1% - according to “An Assessment of the Status of the World’s Remaining Closed Forests.” UNEP, NASA, USGS, Nairobi, Kenya, 2001. b) Almost all administrative territories of forest adjacent communities of Armenia have inconsistencies of forest planning maps (total about 60,000ha). These inconsistencies are reflected in the forest planning maps of specially protected areas, cadastral and forest enterprises. This is considered to be a serious obstacle for sustainable forest management and for provision of reliable data on forest cover in the RA. c) According to independent experts, taking into consideration above mentioned (a) and (b) points, as well as the difficulties of ensuring adequate water quality of Lake Sevan, it should be indicated that the Goal 7 is difficult to achieve

<sup>86</sup> Source: UNEP Ozone Secretariat, Armenia Country Report.



40a	Average translucence of lake Sevan	4.2	3.0	5.58	5.51	...	...	...	>9	**	G
40b	Average oxygen content in lake Sevan, mgO2/l	3.6	2.8	9.2	5.8	7.1 (2008)	>8	>8	>8	***	G
41	Number of towns served by wastewater treatment plants	21	1	1	1	1		5	>5	***	G

## Status and Trends

The management of the environment, ir-  
tainable human development and a sig-  
addition to the protection of nature, env-  
at improving the living conditions and h-



tion, is an important component of sus-  
he reduction of poverty. For example, in-  
ility, as one of the MDGs, is also aimed  
uture generations.

Due largely to Armenia's recent high GI  
in the mining sector), the negative envi-  
has grown. To mitigate the negative impact, it will be necessary to approve more efficient envi-  
ronmental management tools to stimulate resource-efficient technologies and prevent the use of  
obsolete and hazardous technologies. The improvement of environmental management requires  
legislative and institutional changes, and also the introduction of economic and financial tools and  
incentives. The urgency of taking the issue seriously is also dictated by the integration of Armenia  
to international environmental processes and agreements, and the increasing concern of the public  
about the ecological situation in the republic.

Increased economic activity (particularly  
in the exploitation of natural resources

The national environmental policy has been shaped mainly according to requirements of the inter-  
national conventions and multilateral environmental agreements signed by Armenia (currently 26  
in number). The policy in the sector has been developed further to address the needs connected  
with the development of the national economy. The new challenges to reappraise the environmental  
management tools are stipulated by the National Program (2006) for the implementation of the Part-  
nership and Cooperation Agreement (PCA) between the European Union (EU) and Armenia. The  
adoption of the National Program commits the Government to harmonize the environmental legisla-  
tion with EU directives, among other things.

In 2008, the Second National Environmental Action Plan (NEAP 2) was developed, and adopted  
by the RA Government, wherein the progress in environmental management since the adoption of  
NEAP 1 (1998) is evaluated.

**Biodiversity.** The sustainable use of natural resources is a reflection of the current level of environ-  
mental management and can be considered as an indicator of its efficienc . However, in Armenia the  
use of natural resources currently is done mainly without taking into account the value of ecosystem  
services and the natural reproduction capacities of bio-resources. The reduction of biodiversity in  
some ecosystems is evident. However, the main necessary element for the effective management  
of biodiversity - the inventory and monitoring system - is missing, leading to decision making based  
on inaccurate information. The lack of a complete informative system on biodiversity excludes the  
possibility of an assessment of the real impact on biodiversity of the damage caused.

The specially protected natural areas (SPNA), constituting around 10,6% (2007) of the territory of  
the Republic, are aimed at the protection of particularly important species and ecosystems (60% of  
countries biodiversity). Certain activities around biodiversity protection and sustainable use were  
implemented in Armenia during the last decade. There is some progress in the normative sector  
- specificall , major laws on flora and fauna were adopted, and the norms on the use and reproduc-

tion of bio-resources of certain industrial significance (mainly the Lake Sevan ecosystem) were approved. In addition, the licensing sector for the utilization of fauna for agricultural and manufacturing purposes was regulated.

A number of strategic documents have been developed and partially implemented, such as the Biodiversity Strategy and Action Plan, the RA SPNA Development Strategy and Action Plan, as well as projects aimed at the fulfillment of obligations under international agreements. For the first time in Armenia, a monitoring system was developed for SPNAs, and activity was initiated for the mapping and clarification of third tier protected areas (sanctuaries). Partial inventory and mapping activities were held for the Sevan and Dilijan national parks and the management plans of these parks were developed. The list of natural monuments approved by the Government in August 2008.



At the same time there are numerous challenges to development - including a high level of corruption, insufficiency and inefficiency of the institutional resources impedes the introduction of innovative

Along with the challenges of economic development, the lack of responsibility of public institutions, underutilization of human potential - a lack of financial resources and different approaches of biological resources.

Several SPNAs, especially reservations, are not mapped and have no legal position that ensures their protection. In addition, some areas that are important from the biodiversity protection point of view are not included in the territory of SPNAs.

**Forest management.** As a result of the combined negative impact of natural and anthropogenic factors, the forest-covered areas of Armenia are enormously limited. Excessive logging, grazing, mowing, land seizure and other factors have resulted in changes in forest structure and composition, damaging the natural regeneration capacity. As a result of the logging, those territories and their bordering areas became susceptible to various factors. Loss of forest cover leads to soil erosion and landslides as well as changes in the balance of water flow. As a result, many communities are seeing their natural springs dry out.

Currently, considerable improvement can be seen in the legislation and institutional management structure of the forest sector, as well as its funding. The new Forest Code, which was passed by the National Parliament in 2005 (replacing the previous one from 1994), is particularly notable.

Several Forest Sector policy documents have been developed and adopted in Armenia in recent years including the National Forest Policy and Strategy, National Forest Program and Action Plan for Mitigating Actions to Help Address Problems Associated with Illegal Logging.

The current system of forest management is going through a period of reform. As a result, the volume of forest replenishment has increased and other steps are being undertaken- forest management plans are under development including inventory and assessment, forest and nursery restoration activities, capacity building as well as equipping the forest enterprises with machinery - while the volumes of illegal logging are continually decreasing. A separate National Forest Monitoring Center was established. At the same time, the forest sector still faces numerous challenges - violations of Forest Law, corruption, lack of transparency in the provision of licenses provision for legal logging and so on. Armenia used to import about 1 million cubic meters of timber annually. Currently, timber imports are low; rather, Armenia exports timber, which in conjunction with the high demand for natural wood in the country, as well growing prices for fuel with weak control on forest use, becomes an obstacle for sustainable forest management.

**Water sector.** Reforms in the water resource management sector of the Republic of Armenia were launched in 1999-2000 through the implementation of the Integrated Water Resources Management Program. In 2002, a new Water Code was adopted, which includes the concept of integrated river



basin management, promotes decisions on water distribution based on supply and not demand, is considered a basis for the establishment of the institute of the State Water Cadastre, obliges issuing permits for water use based on information, provides the possibility for using economic tools for water resource management and ensures public participation in the decision-making process. In order to ensure the enforcement of the new Water Code, since 2002 the Government has adopted around 80 normative acts which relate to procedures on issuing water use permits, water basin management, transparency of the decision-making process and public participation, information access, the establishment of a water cadastre, monitoring of water resources, management of transboundary water resources and so on.

As part of the continuing legislative reforms in 2005, the RA Law “On Fundamental Provisions of the National Water Policy” was adopted, which sets a new outlook on water resources and the strategy of water basin management approach has been developed.



In 2006, the RA Law “On the National Water Program of the Republic of Armenia” was adopted. The aim of the law is to determine the activities of the water sector, ensuring the ecological and the economy, ensuring the ecological balance and the environment, forming and using strategic water resources and protecting national water resources through the efficient management of the water resources utilized. In order to implement the activities of the National Water Program in the short term (till 2010), medium term (2010-2015) and long term (2015-2021), programs and measures have been developed.

development of a new perspective and strategy of water systems. Since 2005, a new approach has been developed in the country.

Republic of Armenia” was adopted. The aim of the law is to determine the activities of the water sector, ensuring the ecological and the economy, ensuring the ecological balance and the environment, forming and using strategic water resources and protecting national water resources through the efficient management of the water resources utilized. In order to implement the activities of the National Water Program in the short term (till 2010), medium term (2010-2015) and long term (2015-2021), programs and measures have been developed.

Along with the legislative and institutional reforms, the State Water Cadastre (SWC) of Armenia was developed. It registers integrated data on water resources with qualitative and quantitative criteria, watersheds, use of resources of water basin beds and banks, the content and quantity of bio-resources, water use permits and water system use permits. Special attention should be paid to the implementation of the action plans on Lake Sevan, as well as to the status analysis of the agricultural lands formerly drained in the Ararat Valley, as critical challenges related to water resources.

The creation of river basin management bodies was initiated in 2004, resulting in formation of 6 units for river basin management, as the first experience in decentralized environmental management. The full-fledged operation of these bodies, however, will require more representation of the communities involved and professional training on basin management.

**Lake Sevan.** The Lake Sevan issue is a top priority on Armenia’s environmental agenda. Conservation and replenishment of the lake’s water resources due to consistent efforts and favorable weather conditions over the last several years have led to a steady rise in the water level, more than 250 cm between 2001 and 2007. The increased water level of the lake has made the issue of improved management of the shoreline areas even more urgent - in particular, the removal of vegetation in the flooded areas, dismantling of illegally built structures and buildings and redesign of infrastructures and roads.

In order to improve the ecological situation of Lake Sevan, the following activities have been designed and are in process of implementation within the agreement entitled “Lake Sevan Environmental Project” and funded by the European Bank for Reconstruction and Development: carrying out designing and construction works for sewage water sanitation stations in the towns of Gavar, Martuni and Vardenis, as well as reconstruction works for the sewage systems and collectors in the towns of Gavar, Martuni, Vardenis, Sevan and Jermuk.

The current level of Lake Sevan’s fish stock is alarmingly low. Due to a lack of accurate estimates, it is difficult to tell what measures and systems will be required to ensure the recovery of the fish stock, i.e. biodiversity conservation should be viewed as a way to ensure food security and poverty

reduction in the region.

**Atmosphere protection and climate change.** The most polluted cities of Armenia are Alaverdi (sulfur dioxide emissions from the copper processing facility), Ararat and Hrazdan (cement factory dust emissions) according to the data from the State Environmental Monitoring Center.

Around one thousand organizations with more than 2200 sources of atmospheric emissions have been included in the sector for the state registration and normative establishment for emissions. These include about 92% of emissions by state organisations, which are supervised by the Government.

In particular, the air quality in Yerevan is mainly affected by transport emissions and dust particles due to construction work, and this is why the prohibition of leaded petrol, enforced since 2000, and the introduction of exhaust emission control systems. As a result, the use of substances was banned.



Climate change is one of the greatest challenges of our world's environment, society and economy today. Its impacts can already be seen in many parts of the world, and Armenia will not be an exception. The costs of climate change can be reduced through both adaptation and mitigation, and focused development policies can remove obstacles in this area. Ignoring climate change is not a viable option – inaction would be far more costly than adaptation.

Climate change also has a negative impact on the population's health. In particular, because of climate change there is an increased risk in Armenia of more widespread infectious diseases.<sup>87</sup> Both climate change and atmospheric pollution are important causes of illness in the population. Therefore, environmental health issues should deserve increasingly more attention both from the Government and the donor community, since these two collaboratively also deal with the relevant MDG goals.

In Armenia, per capita emissions of GHG are relatively low due to the fact that economic changes have led to a decrease in energy consumption in absolute terms. However, emissions relative to GDP are comparatively high due to the high intensity and low degree of efficiency of energy use. As a non-Annex I country to the Convention on Climate Change, Armenia does not have quantitative commitments to reduce GHG emissions. However, Armenia has stated its willingness to take voluntary obligations for the limitation of GHG emissions with the assistance of developed countries within the framework of the convention. Armenia has taken clear measures for the promotion of affordable renewable energy sources and energy efficiency measures through its newly approved Program of Energy Sector Development for the period till 2010 and the National Program on Energy Saving and Renewable Energy (2007). Within the framework of the SDP and MDG process, the climate change challenges are naturally linked to national energy planning, poverty and adaptation to climate change.

The Kyoto Protocol under UNFCCC was ratified by the Armenian Parliament in December 2002 and since then Armenia has embarked on the development of Clean Development Mechanism (CDM) projects. Besides the evident environmental benefits, CDM project implementation opens up new perspectives for Armenia in establishing international partnerships aimed at the mitigation of climate change. In spite of its relatively limited potential for GHG emissions reduction, Armenia manages to attract constant attention in the field of CDM, since it is consistently working on streamlining procedures for project identification, revision and approval. Currently there are 5 projects approved inter-

<sup>87</sup> See Кешишян А.Ш. Влияние климатических изменений на распространение в РА некоторых инфекционных и паразитарных болезней. "Enabling Activities for the Preparation of Armenia's Second National Communication to the UNFCCC" UNDP/GEF/00035196.

nationally, and another 10 are at different stages of implementation.

Climate change adaptation issues are included to some extent in the Strategy on National Security, the Agricultural Sustainable Development Strategy, the National Forest Program and the Rural Areas Strategy.

Between 2000 and 2006, a number of activities were conducted related to the improvement of climate monitoring. These included upgrading the warning system for unfavorable and disastrous phenomena related to climate fluctuations and changes, adopting a program to reduce risks to the population from floods and mudslides (2008) as well as assessing the costs of adaptation to new climate conditions and reduction of the impact of climate change on human health, in addition to raising public awareness.

In 2008, Armenia was selected as a pilot region for undertaking an analysis of the climate change sensitivity of the YRBEC region for undertaking an analysis in order to assist the country in mitigating the anticipated impact and developing protection of development programs against the effects of climate change.



YRBEC region for undertaking an analysis in order to assist the country in mitigating protection of development programs

**Protection of the ozone layer.** Armenia joined the implementation process of the ODS replacement not so long ago, through ratifying the *Vienna Convention on the Protection of the Ozone Layer* and the *Montreal Protocol on Substances that Deplete the Ozone Layer* only in 1999. The actions geared towards the solution of the problem actually started off in 2000, through the development of the National Program that was ready in 2002. In 2003, upon ratification of the London and Copenhagen Amendments, Armenia committed to the replacement of the main ODS, HCFC-s included.

Since 2005, the National Ozone Unit of Armenia has been actively operating under the leadership of the RA Ministry of Nature Protection; it has developed and exercised a number of legal acts contributing to the implementation of the commitments taken by the country, organized targeted training programs for the relevant experts, etc.

Armenia's commitments taken under the Montreal Protocol were in more detail enshrined in the national legislation: the RA Law On *Substances that Deplete the Ozone Layer* (2006) and the corresponding resolutions of the Government ensuring the enforcement of the law (2007), the main purview of which is related to the definition and allocation of the common and individual dosages of the substances depleting the ozone layer, as well as to the systems of awarding permissions thereof.

Today, to the end of carrying out a steeper replacement of the HCFC-s, a long-term strategy should be developed aiming at the full elimination of the HCFC-s by 2030.

**Environmental monitoring and information management.** Without environmental monitoring, it is impossible to have a clear picture of the current ecological situation in the country and to develop an environmental protection strategy and activities.

Though there is an increasing demand by the public and private sectors for accurate data, in most of the cases the quality and reliability of the available data are questionable. The absence of the norms and indicators developed according to internationally recognized standards is accompanied with other problems in the sphere of monitoring, such as the following:

- Methods and the system of observations, data retrieval, transmission and processing are out of date;
- The monitoring stations, labs and observation facilities are not adequately equipped;
- The quality and accuracy of environmental data is low,
- The early warning systems for unfavorable environmental phenomena, natural and environ-

mental disasters are not efficient

Recently, the environmental monitoring system was upgraded through donor assistance and increased budgetary allocations.

A comprehensive environmental monitoring system implies the distribution of functions between relevant state agencies and scientific institutions with an efficient system for data exchange, assessment and evaluation. The monitoring system is also a prerequisite for raising public awareness on the environmental situation, as well as an important requirement for reporting under international agreements and treaties.

**Public awareness and access to env**  
 be efficient only when public involve  
 increase of the public's perception of th  
 and their right to participate in decision  
 hearings on the environmental impact c



tion. Environmental management can  
 red. This can be reached through the  
 rformation on the ecological situation  
 f natural resources, through public  
 n their communities.

The legal framework for environmental  
 ility was put in place following the rati-  
 fication of the Aarhus Convention. Public environmental information centers (Aarhus centers) have  
 been established in the capital and nine regions with assistance from the OSCE Armenia country  
 office. The growing interest in environmental issues is also being addressed by the mass media.

Non-governmental organizations are greatly contributing to the formation of the ecological vision as  
 well as the promotion and introduction of a sustainable development philosophy and principles in the  
 population of Armenia. The NGOs are most active in Yerevan; however, during recent years, greater  
 efforts are being made to encourage public involvement in the regions through special grant pro-  
 grams. However, there are no substantial developments in supporting those organizations through  
 state budget grant programs.

## Main Challenges and the Supportive Environment

The improvement of environmental legislation has been achieved mainly through the development  
 of instruments for the enforcement of all laws regulating environmental protection and the efficient  
 use of natural resources. More specificall , these include procedures, technical rules, standards,  
 construction norms, rules and methods which should be developed further, utilizing the best of inter-  
 national practice.

The efficiency of the environmental policy can be ensured through the development of local environ-  
 mental action plans providing targeted support to communities in the form of technical assistance  
 and financial allocations from user fees for environmental and natural resources. Where possible,  
 public private partnership scheme must be encouraged and accompanied by increased awareness  
 raising and public sector monitoring. This would be an important step towards the decentralization of  
 environmental management, which would substantially increase its efficienc .

There are certain developments geared at the creation of environmental funds in Armenia. In 2004,  
 the Forest Recovery and Development Fund was formed. The Fund for Environmental Protection  
 (since 2003) and the "Special fund for nature protection" bank account for the off-budget resources  
 (since 2005) have been formed to coordinate the assistance provided by international organizations  
 and donor states, to ensure the circulation of the funds, donations and contributions voluntarily made  
 available by legal entities and individuals from the RA and foreign states for the purpose of imple-  
 menting environmental projects.

Although according to international experience, the establishment of environmental funds has be-



come a priority and there is a need for a comprehensive and coordinated strategy for the establishment of different environmental extra-budgetary funds as well as a focus on clarifying their relationship with the state budget, assessing the economic and financial incentives for the private sector to make contributions to these environmental funds and so on. This strategy should also incorporate the system of environmental insurance funds, which are recommended by the GEF for the renewal of the natural resources.

For the efficient development of the biodiversity protection system, the following important measures need to be implemented:

- The introduction of a biodiversity inventory and monitoring system;
- The assessment of the impact of the SPNA on the environment;
- The optimization of the SPNA system.



Taking into account the current developments implemented, the programmed level of

that the above-mentioned measures are n indicators will be achieved by 2015.

One of the ways to increase the efficiency of management functions is considered to be the decentralization of functions by involving communities and the private sector. With this purpose, community forest management plans and by-laws are being developed and pilot projects are being implemented for further assessment of the proper management schemes.

It is extremely important to use economic incentives for organizations that import timber or function on the basis of imported timber - this involves developing favorable tax and customs conditions and exemptions. In the forest management sector, an ecosystem approach should be fostered, where the overall forest ecosystem with its biotic and abiotic components is considered as one management object.

There is a need for technical assistance in the following areas:

- Capacity building for performing forest inventory;
- Establishing the forest cadastre system;
- Supporting institutional reforms and capacity building in the forest management system, including capacity building at a community level.

Generally, the supporting environment for the biodiversity and forest protection policies is quite strong in Armenia.

The improvement of water resource management is one of the most critical strategic needs, in particular due to the forecasted climate change effects and an increased demand for water resources because of growing economic activities. The most important pre-requisite for proper management is the assessment of the country's water resources and water reserves, which, in turn, would give an opportunity to make decisions concerning river basin management, the increase of strategic water reserves and the regulation of river flow. The other important direction is the development of plans on integrated water resource management for which it would be necessary to develop new monitoring programs for surface and groundwater resources based on the river basin approach. It should also be mentioned that the assurance of monitoring, permissions and compliance in the water sector will continue to remain in a largely dormant state and the data required for proper water resource management will remain unavailable if adequate funding is not provided. It is necessary to conduct an in-depth assessment of alternative financial options for the funding of basic needs for water resource management.

Particular attention should be paid to the implementation of the action plans on Lake Sevan, as well



as to a situation analysis for agricultural lands formerly drained in the Ararat Valley - these are critical challenges related to the country's water resources.

Another area is water quality management, particularly the introduction of internationally adopted methodology and norms limiting negative impacts on water resources and ensuring water quality. To ensure the adequate quality of water resources, it has become a priority to decommission the water treatment facilities (out of 21 available facilities, only the one in Yerevan is currently operational and provides the mechanical treatment of wastewater). The establishment of preliminary treatment facilities at the enterprise level would considerably reduce the load on basin pollution.

Through an EBRD loan provided in 2007, 10 treatment facilities will be built in 3 towns of the Lake Sevan basin. However, proper treatment facilities will be built in 3 towns of the Lake Sevan basin. However, proper treatment facilities will be built in 3 towns of the Lake Sevan basin. However, proper treatment facilities will be built in 3 towns of the Lake Sevan basin.



and industries in the lake basin.

In order to decrease the pollution of the lake basin, plans to promote organic agriculture and reduce the pollution generated as byproducts at biogas stations.

chemical pesticides and manure, there are plans to promote organic fertilizers, specifically those

In the area of atmospheric protection and climate change, the following key policy measures need to be implemented:

- The improvement of activities preventing air pollution, in line with the improvement of air pollution monitoring and increased access of the public to that information;
- Replacement of hydrochlorofluorocarbons in compliance with the new Montreal Protocol on Substances that Deplete the Ozone Layer;
- The improvement of the environmental health of the population, particularly the introduction of policies, mechanisms and actions reducing the negative impact of water and air pollution and climate change on the health of the population;
- The development and improvement of climate observation systems;
- The creation of an efficient early warning system in order to reduce damage done by weather-related disasters, setting the stage for the introduction of a climate insurance system;
- The empowerment of communities for adopting local development plans considering the anticipated climate change, increasing the resilience of livelihoods and infrastructure.

A comprehensive environmental monitoring system implies the distribution of functions between relevant state agencies and scientific institutions with an efficient system for data exchange, assessment and evaluation. The monitoring system is also a prerequisite for raising public awareness on the environmental situation, as well as an important requirement for reporting under international agreements and treaties. The improvement of the environmental monitoring system requires the following steps:

- Developing the norms and standards that have to be the subject of monitoring;
- Prioritizing the indices to be subjected to state monitoring according to their importance for environmental policy making;
- Elaborating the comprehensive framework on monitoring the environmental situation between different actors in the country.

Obviously, ecologically-minded behavior by the population is a prerequisite for environmental protection and sustainable development; this can be achieved only by continuous environmental education.

The role of mass media and public participation should be also improved, as should regional cooperation in the sphere of information technologies. Communication between all levels of Government and from the Government to the public should be enlarged, improved and made more accessible. At the same time, the introduction of a number of strategic environmental educational programs for



the implementation of a national action plan on environmental education should be one of the main priorities in this area.

### **The Impact of the Global Financial Crisis on the Achievement of the Target Values of Target 9 Indicators for MDG 7.**


As for the other MDGs, the global financial crisis will have its definite negative impact on the achievement of the targets for MDG 7. First of all, for the main part of the Target 9 indicators (35, 36, 39-41), programmed values are substantially dependent on public financing capabilities. According to the recent macroeconomic and financial projections (baseline scenario), although the financing of the environmental programs will remain more or less at the same level in relative terms (% of GDP), in nominal terms it will decrease by 30%, specially for the last years of the projected period in comparison with the Sustainable Development Program. This reduction will affect the levels of the protected and forest-covered areas, which are managed by the central and local governments since in reality the same is fully applicable to the whole country, including Lake Sevan's ecological conditions. Thus, to maintain a certain number of preliminary measures like cleaning the lake shore, changing the road network close to the Lake and so on. This will require additional financing from the state budget



For the same reason, the target value of the newly introduced indicator 41 (number of towns served by wastewater treatment plants) is limited to 5 (lower than was envisaged by the pre-crisis expectations), which will be financed under an EBRD loan that has already been approved

Because of the financial crisis, the target value of indicator 38 (proportion of population using solid fuels) will most probably not be achieved since the population first of all in rural areas will have a substantially lower ability to afford particularly the supply of natural gas in particular, which in turn will probably increase illegal logging.

*Taking into account the current status and the dynamics of the relative indicators of environmental protection during the period from 1999 and 2007 and their programmed developments, Armenia is generally on track to achieve the majority of the target indicators for national MDG Goal 7 Target 9 by 2015. An important precondition for this is the substantial fostering of the speed and efficiency of environmental management reforms as the main tool to offset the negative impact of the global financial crisis*<sup>87</sup>

Target 10 <sup>88</sup>											
Increase Access to Safe Drinking Water											
INDICATORS		1999	2004	2005	2006	2007	2015 (pre-crisis projec- tions)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
42	Average daily duration of centralized water supply in urban (non-Yerevan) households, hours	...	7.				16.0	16.0	>16	***	G
43	Proportion of population without access to safe drinking water in rural areas, %*	30.9	18				4.5	5.0	<5	***	G
44	Proportion of rural population using transported water to the total number of rural water users, %**	17.8	9.0				10.6	3.6	4.1	0.8	1.0

\* The proportion of rural households which are not connected to the centralized water supply and own water supply systems are considered as the population without access to safe drinking water.

\*\* The proportion of rural households to which drinking water provided by vendors is considered as the population using transported water relative to the total number of water users.

## Status and Trends

According to data available in 2007, around 94.1% of households in Armenia have access to a centralized water supply system, including 98.8% in urban areas and 84.8% in rural areas. According to ILCMS, during the period from 2004 to 2007, the share of households connected to the centralized water supply system increased by 5.8% in the country, mainly due to the improvement of the situation in the rural areas (here the indicator increased 2.5 times faster, by 14.6%).

The sources of centralized supply of drinking water, which are more prevalent in the rural areas, mainly fit the category of "safe/improved"<sup>89</sup>, with the exception of transported (vendor provided) water and water from springs or wells. About 96% of households in Armenia use safe drinking water based on the definition of such water. In urban areas this indicator is higher - 99.8% and 98.8% in Yerevan and other towns respectively, while in rural areas the proportion of households using improved sources of water is lower - 90.2%. For 4.1% of rural households, drinking water is available through transportation (water vendors) and another 5.7% use spring or well water. Thus, the indicator for the proportion of households without access to safe drinking water in rural areas was estimated at 9.8% in 2007 vs. 30.9% in 1999, i.e. it was improved more than 3 times during the period between these years. The proportion of rural households using transported water decreased 4.3 times during the same period, reconfirming the obvious improvement.

<sup>88</sup> Target 10 of the national Goal 7 corresponds to Target 7.C in the list of the Global MDG Targets - halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

<sup>89</sup> In accordance with UNSTATs, the following sources are included in the definition of improved/safe water - centralized supply, public standpipes (in Armenia, this includes own systems of water supply - pipelines connecting rural communities to the protected springs), boreholes, protected dug wells, protected springs and rainwater collection. Vendor-provided water is one of the unimproved drinking water sources, along with the following - unprotected well, unprotected spring, tanker trucks, rivers or ponds and bottled water.


**Table 7.1 Distribution of Households by the Sources of Drinking Water in 2007, % of households**

	Armenia	Yerevan	Small and medium towns	Rural areas
Centralized water supply	94.1	99.6	97.9	84.8
Spring or well*	2.1	0	0.5	5.7
Own system of water supply	0.9	0	0.4	2.2
Water provided by vendors/transported water	1.7	0.2	0.7	4.1
Other	1.2	0.2	0.5	3.2
Total		100.0	100.0	100.0
<b>Improved sources of water</b>		<b>99.8</b>	<b>98.8</b>	<b>90.2</b>
<b>Unimproved sources of water</b>		<b>0.2</b>	<b>1.2</b>	<b>9.8</b>

\* No information is available on protected or unprotected drinking water is provided by vendors and springs.

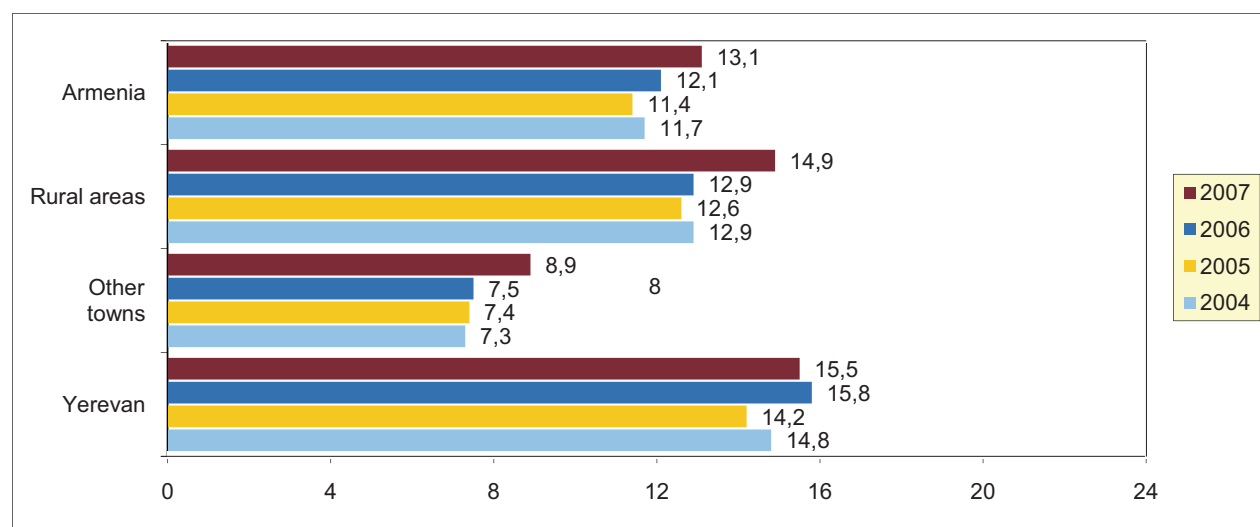


ells. Nevertheless, here the households to which to be households using unimproved sources of

Source: Social Snapshot and Poverty in Armenia;

and authors' calculations.

The adequate provision of water or regularity of centralized water supply is one of the biggest issues in Armenia. Although the duration of daily water supply was increased during the period from 1999 to 2007, it was estimated on average at 13.1 hours per day in 2007. Compared to 2004, an improvement in the daily average duration of water supply by 2 hours was registered in 2007. Nevertheless, only about 44% of households were provided with water more than 12 hours per day and about one-third (27%) of them had a maximum of 4 hours of water supply in 2007.

**Figure 7.1. Regional Dynamics of Average Daily Duration of Centralized Water Supply, 2004-2007, hours**


Source: Social Snapshot and Poverty 2005-2008, NSS, Yerevan and ILCMS databases 2004-2007.

The population living in the small and medium towns of Armenia is the most deprived in this regard. The average daily duration of water supply here is 1.7 times shorter than in Yerevan and comprises about 9 hours. 45% of households in these towns have a maximum of 4 hours of daily water supply in 2007. Taking into account the countrywide issue of the regularity of centralized water supply and the disparities in the average duration of water supply in the small and medium towns of the country, the new indicator 42 was added to the list of MDG target 10 monitoring indicators during further nationalization of the MDG framework.

**Table 7.2. Monthly per Capita Expenditure on Water and per Capita Consumption of Water, according to ILCMS-2006**

2006 ILCMS	Monthly per capita expenditure on water, dram *	Adjusted monthly per capita expenditure on water, dram **	Corresponds to per capita monthly consumption of cubic meters of water***	Corresponds to per capita daily consumption of liters of water***
Total	280	387	2.7	89.5
Yerevan	316	437	3.0	101.0
Other urban	25		2.4	80.8
Rural	25		2.4	79.9
Non-poor	30		2.9	95.9
Poor	20		2.0	66.8
Very poor	17		1.6	54.3
Poorest 20%	19		1.9	63.3
Richest 20%	38		3.7	124.0
Richest 20%- to- poorest 20%	2.0	2.0	2.0	2.0

\* Calculated based on reported expenditures for drinking water in the ILCMS-2006 database.

\*\* Adjusted taking into account the average tariff collection rate reported by Armenian Water and Waste Water Company for the population, which is equal to 72.3% on average for Armenia.

\*\*\* The average price of 144.3 AMD per cubic meter has been applied for all groups except Yerevan; the average price of 173 AMD for cubic meter has been applied for Yerevan.

The average tariff for 1 cubic meter of drinking water is 144 AMD. This rate does not even cover the expenses for service provision and has been set in order to ensure the accessibility of water for the poor and low income population. The consumption of the minimum daily standard of 50 liters of water per person<sup>90</sup> costs 216 AMD per person per month, which comprises only about 1.5% of the poverty food line. Even calculating at two minimum standards of consumption, the utility cost per person comprises just 3% of the poverty food line. Thus, the water supply costs currently are affordable even for the extremely poor population, from the point of view of minimum standards of water consumption. Nevertheless, according to the ILCMS-2006, the average per capita daily consumption of water comprised 89.5 liters, which is higher than the minimum standard. There is an obvious deprivation in the quantity of per capita daily consumption of water in the poorest groups of population, where this indicator is slightly higher than the minimum of 50 liters.

In those rural communities, where drinking water is available through water vendors, the price per liter of water is much higher, thus limiting its consumption. In this regard, the rural population in many cases cannot afford the expenses related to the consumption of water.

## Main Challenges and the Supportive Environment

Despite the high level of accessibility to sources of safe drinking water in the country, improved sources of water are less accessible in rural areas. Rural residents in the regions often use transported water or spring water as a source of drinking water. However, the proportion of the rural population using improved sources of water is increasing. But the availability of safe sources of water does not imply the availability and accessibility of water. Despite the improvement in recent years, the water supply in Armenia is still insufficient and residents of small and medium towns in the country are most deprived in this regard.

<sup>90</sup> Substantive Issues Arising in the Implementation of the International Covenant on Economic, Social and Cultural Rights, The Right to Water, General Comment No. 15 (2002).



The tariff on water consumption is set to a low rate, to make it affordable even for the extremely poor population. On the other hand, the centralized water supply system needs serious renovation and reconstruction, which is impossible with these prices, that do not even cover the cost of service provision. Low prices, along with the huge quantity of losses (about 85%), hamper the development of the sector. The sector depends greatly on government intervention and any improvements would assume an increase of this intervention, which is difficult to afford taking into account the overall economic downturn and fiscal restrictions. At the same time, the affordable tariffs have to be increased in order to increase the level of cost recovery in the sector, without putting at risk the access to drinking water for the most vulnerable population groups.

In the pre-crisis development programs the sector were defined, based on an improved fiscal situation will result on limited public involvement of donor assistance will be of the services as well as to decrease institutional and managerial (public-private nationalization of management). The development is required to achieve universal access development assistance as well.



...DP, mechanisms for the development of penditure in this sector. The post-crisis government intervention in this sector and the improved quality and adequate quantity technical capacity and to continue the programs in the sector, aimed at the wider community water supply investment program, and this assumes the availability of

The other main challenge is the development and implementation of a realistic system for water sanitation and treatment as well as minimum standards for water supply, aimed at the improvement of the quality and quantity of water delivered.

*Taking into account the planned developments, Armenia is on track to achieve the national MDG Target of increasing access to safe drinking water by 2015.*

Target 11 <sup>91</sup>											
Improve Housing Conditions by 2015											
INDICATORS		1999	2004	2005	2006	2007	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
45	Ratio of urban slum households (urban households living in non-conventional dwellings), per 1,000 households	...	...	...	35.2	...	20.0	25.0	<5	*	G
46	Proportion of population with access to improved sanitation, % (a)	57.9	61.6	65.1	66.9	67.0	...	...	>85	***	G

<sup>91</sup> Target 11 of national Goal 7 corresponds to Target 7.D in the list of Global MDG Targets - by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.



47	Proportion of communities with more than 300 households with access to a reliable natural gas supply, %	...	...	...	67.0	...	99.0	99.0	>99	***	G
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(a) Here the households connected to the central sewage system are considered the population with access to improved sanitation.

## Status and Trends

With the adoption of the Universal Declaration of Human Rights in 1948, the right to adequate housing became one of the universally acknowledged rights. The International Covenant on Economic, Social and Cultural Rights recognizes the right of everyone to an adequate standard of living, including adequate food, clothing and housing. Thus, adequate housing is part of an adequate standard of living and one of the fundamental human rights. Adequate housing includes adequate services associated with housing, conditions

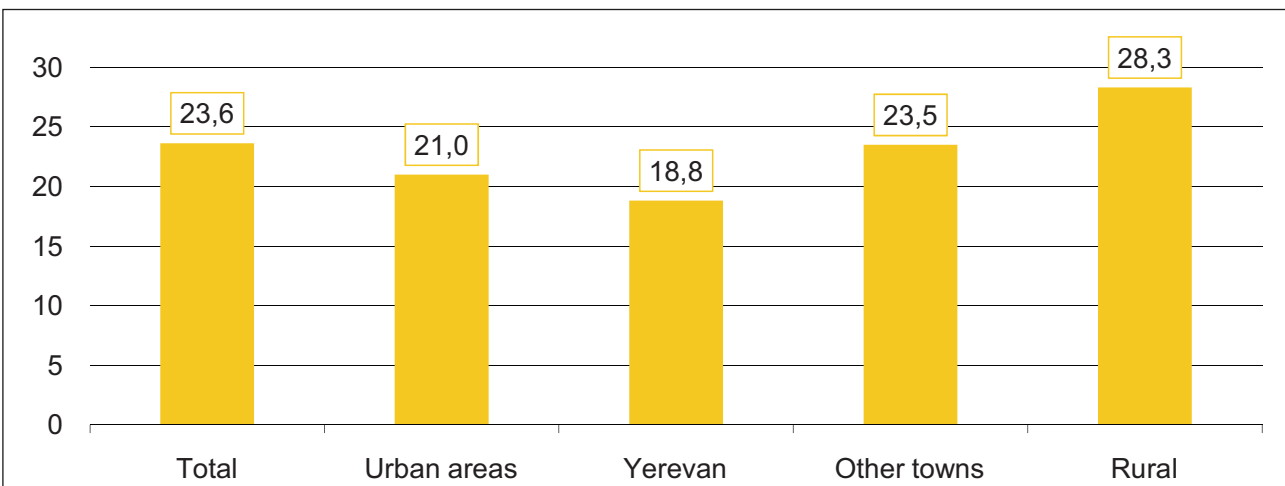


As it is stated in the International Covenant on Economic, Social and Cultural Rights: "Every State party to the present Covenant recognizes the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions"<sup>92</sup>. Adequate housing includes adequate services associated with housing, conditions of tenure, security of tenure, accessibility of services, etc.

As of 1 January 2007, the useful floor space<sup>93</sup> of the housing stock in Armenia was estimated at 76,173.3 thousand square meters, 57% of which is located in urban areas. Around 35% of the total useful floor space is situated in multi-dwelling houses, and the remaining 65% in private houses. The multi-dwelling houses were built mainly in urban areas; more than 90% of them are concentrated in towns, and about 60% is located in Yerevan.

According to official statistics, the habitable useful space available per capita in the country is estimated at 23.6 square meters, which fits the standard of 20-30 square meters (or one room) per person. The situation is worst in Yerevan, where this figure is 18.8, which nevertheless almost meets the minimum standard. The best indicator is in the rural areas, where mainly private houses have been built.

**Figure.7.2 Useful Space Available per Capita, sq. m.**



Source: The Housing Stock and Utilities in Armenia, NSS, 2007.

<sup>92</sup> Source: International Covenant on Economic, Social and Cultural Rights (1966), adopted by United Nations General Assembly resolution 2200 A (XXI) on 16 December 1966.

<sup>93</sup> Useful floor space is defined as the floor space of dwellings measured inside the outer walls, excluding non-habitable cells in multi-dwelling houses.



The ILCMS-2007 data revealed that the average per capita living floor space<sup>94</sup> in the country is 15.3 square meters, which corresponds to 0.7 rooms per capita. This means that more than 1 person usually lives in one room. Again, the situation is worst in urban areas and Yerevan, and the best in rural areas (12.7 vs. 19.9 square meters). The data analysis also revealed an obvious deprivation of the poor and extremely poor population in this regard.

In Armenia, the housing stock was privatized during the first reforms of in the early part of the transition. 95% of the housing stock in the country is privately owned and the absolute majority, approximately 92% of families, lives in their own houses. Nevertheless, the 1988 earthquake, the massive flow of refugees between 1988 and 1990, high levels of poverty and polarization in the country, high prices for real estate in the commercial estate as a kind of a dead stock complicate the process of concentration of the real estate with secure tenure in Armenia.



During the period from 2000 to 2007, the earthquake zone with dwellings or certificates, nevertheless, there are currently about 27,000 households per 1,000 households<sup>96</sup> (slum population), about 19,000 households in the urban areas). They are all in a waiting list and the Government implements several programs to improve their living conditions. 9,367 families from the waiting list were provided with dwellings between 2001 and 2006. However, despite the efforts of the Government, 66% of the families have been waiting for the improvement of their living conditions for more than ten years.

provided 16,000 homeless families in the earthquake zone with dwellings or certificates to improve their living conditions. Nevertheless, there are currently about 27,000 households per 1,000 households<sup>95</sup> living in non-conventional dwellings (or 35.2 households per 1,000 households). They are all in a waiting list and the Government implements several programs to improve their living conditions. 9,367 families from the waiting list were provided with dwellings between 2001 and 2006. However, despite the efforts of the Government, 66% of the families have been waiting for the improvement of their living conditions for more than ten years.

At the same time, the housing prices and rental costs are constantly rising. The average price of one square meter of dwelling space in a multi-apartment building in Yerevan was estimated in 2006 to be 196,700 AMD on average (corresponding to approximately 635 USD), which was higher than the 2005 average price by 29%. In the other towns of the country, the average price of one square meter of dwelling in multi-apartment buildings was five times lower in 2006 and was estimated at 39,000 AMD. However, the housing prices here have been rising at higher rates - in 2006 they were higher than the 2005 average prices by 43%<sup>97</sup>. This means that in order to buy an apartment of 80 square meters in Yerevan an average family of four members had to pay the equivalent of 15 average annual family incomes in 2006. The prices of the private houses are slightly higher. This indicates the difficulties for newly formed families to improve their housing conditions and their unequal situation in the housing market compared to the previous generation which had actually privatized their houses for free.

<sup>94</sup> The living floor space is the space of rooms, excluding all common spaces (like kitchens, bathrooms, toilets, attics, corridors, balconies, etc.)

<sup>95</sup> According to the Census-2001, there were 80 households living in the non-conventional dwellings per 1000 households in the country in 2001. Thus, the indicator improved/decreased by 58.8% during 2001-2007.

<sup>96</sup> Non-conventional dwellings are those which are mobile, semi-permanent or improvised, or are not actually designed for human permanent habitation, or are not ensure the secure tenure.

<sup>97</sup> Source: The Housing Stock and Utilities in Armenia, NSS, 2007.

**Table 7.3. Number of Households Living in Non-Conventional Dwellings as of 1 January 2007**

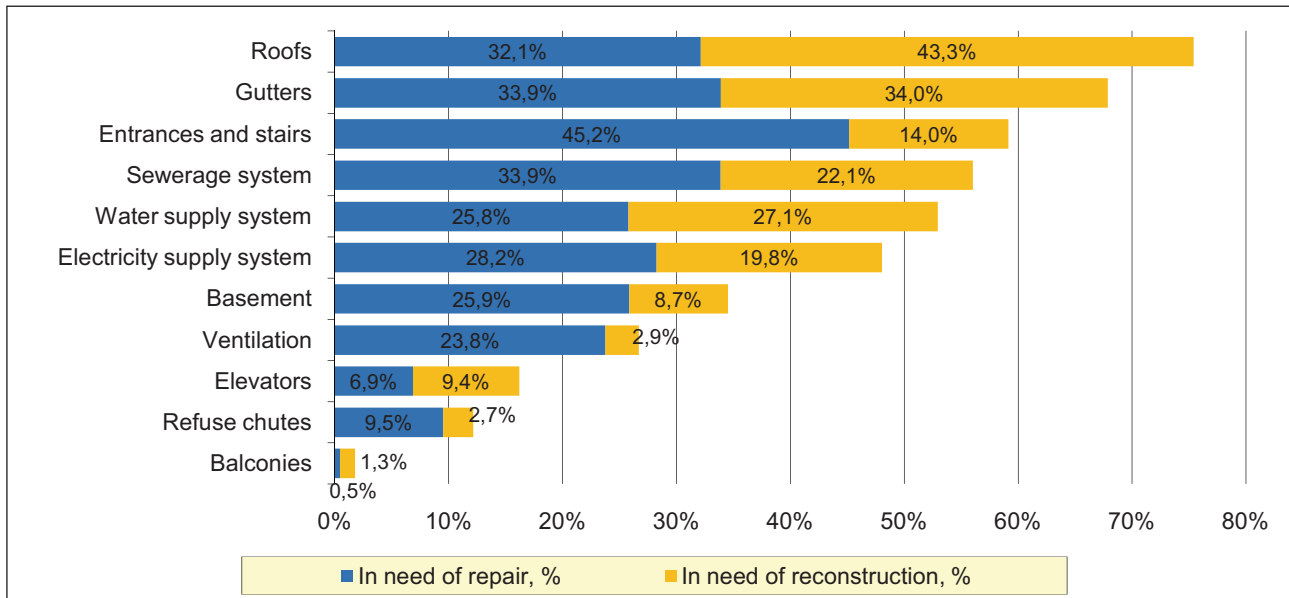
	Number of households living in non-conventional dwellings <sup>98</sup>	Of which, living in: (% of the total)			
		Accommodation rooms in hostels	Dwellings in emergency condition	Railcars, trailers	Other temporary or non-conventional shelter
Yerevan	5,804	0.5	1.9	0.1	97.5
Aragatsotn	294	41.2	18.7	10.5	29.6
Ararat	3,198	4.4	2.3	0.2	93.2
Armavir	6	33.3	-	66.7	-
Gegharkunik	931		1	-	60.0
Lori	5,505		7	55.9	30.9
Kotayk	617			7.0	-
Shirak	6,006		3	47.4	32.8
Syunik	3,765		3	0.1	89.5
Vayots Dzor	43			-	100.0
Tavush	717		7	4.3	77.8
<b>Armenia total</b>	<b>26,886</b>		<b>4</b>	<b>22.5</b>	<b>63.0</b>



Source: The Housing Stock and Utilities in Armenia, NSS, 2007

The other important issue is the condition of the housing stock in the country. 42.4% of the multi-dwelling houses were built before 1970, i.e. they are at least 37 years old. Because of a lack of maintenance during the 15-20 years of transition and the 1988 earthquake, the condition of multi-dwelling buildings has deteriorated. The majority of multi-dwelling buildings in the urban area need the repair and reconstruction of roofs (75%), gutters (68%), entrances and stairs (59%), sewage system (56%) and water supply system (53%)<sup>99</sup>.

**Figure 7.3. Multi-Dwelling Housing Stock Conditions in Urban Areas in 2007**



Source: Study of Maintenance Needs Assessment in the Urban Multi-Dwelling Housing Stock, Ministry of Urban Development, 2007.

<sup>98</sup> Actually, this is identical to slum households. According to UNSTATS, a slum household is defined as a group of individuals living under the same roof, lacking one or more of the following conditions - access to improved water, access to improved sanitation, sufficient-living area, durability of housing and security of tenure

<sup>99</sup> Source: Study of Maintenance Needs Assessment in the Urban Multi-Dwelling Housing Stock, Ministry of Urban Development, 2007.

At the same time, there are problems with the institutionalization of the management system of the housing stock. Condominiums manage about 66% of the multi-dwelling housing stock in towns. However, in 31 towns out of a total of 48 in the country, no condominiums were formed at all and the communities were the ones managing the housing stock. Taking into account the worsening of the conditions of these houses and the limited financial capacities of the population living in multi-apartment dwellings (especially in small and medium towns), a special policy and financial assistance is needed for the maintenance and management of these houses. At the same time, the weak capacity for management of the buildings results in a lack of available technical expertise in the buildings, which is very important considering the requirements for seismic safety in this geographical area. Moreover, the creation and management of a standardized data bank of the multi-apartment buildings is crucial.

The sanitation services associated with connected to a functioning central sewage age points between 1999 and 2006, with rural population, access to centralized rural population is highly deprived compared



accessible. 83.1% of households were his indicator increased by 25.2 percentage points. For the rural population, access to centralized rural population is highly deprived compared to 19.1% in 2006). In this regard, the situation has improved significantly.

**Table 7.4. Availability of Sewage Systems and Central Gas Supply to Households in 2004 and 2006**

Households connected to:	Armenia, including:		Yerevan		Other towns		Rural areas	
	2004	2006	2004	2006	2004	2006	2004	2006
Central sewage system, %	61.6	83.1	93.4	96.7	76.8	82.1	12.8	19.1
Central gas supply system, %	29.4	51.8	18.0	43.4	42.1	68.3	28.8	44.5

Source: Social Snapshot and Poverty in Armenia, NSS, Yerevan, 2006, 2007.

The central heating system was destroyed in Armenia during the early transition period. Households use other sources for heating during the winter months. The sources of heating changed considerably during the period from 2004 to 2006 in the favor of gas, which became 2.3 times more common in 2006, due to an increase in the number of households with access to a central gas supply system. In 2006, about 52% of all households in Armenia were connected to a central natural gas supply system. In 2006, 67% of communities (with more than 300 households) in the country had access to a reliable supply of natural gas.

## Main Challenges and the Supportive Environment

One of the biggest challenges is the presence of approximately 27,000 families (the population of the earthquake zone, refugees living in dormitories and hostels as well as socially disadvantaged people) living in non-conventional dwellings, mainly in urban areas. In order to achieve national target 11 of MDG goal 7, the number of urban slum households have to drop to lower than 5 per 1,000 households in 2015. This means that approximately 16,300 urban households have to be provided by conventional dwelling space between 2008 and 2015. This assumes a lot of effort and financial investment by the Government, equal to that which occurred between 2000 and 2007, when 16,000 families were supported by the Government. In this regard, the development of the social housing policy/strategy and its implementation is on the agenda and becomes a priority.

The other big challenge is the aging and destruction of the multi-apartment housing stock in the country. On the one hand, there are problems with the maintenance and management of multi-apartment buildings related to the improvement of the institutional framework for housing management (especially condominiums). The following processes are critical for the further maintenance of these houses - capacity building among the managerial staff, improvement of co-owner participation

mechanisms in the maintenance and management of the multi-dwelling housing stock, transparency and accountability of managerial and financial decisions as well as the formation of condominiums in small and medium towns.





# MDG 8.


**Develop a Global Partnership  
for Development**





## MDG 8. Develop a Global Partnership for Development

Target 12 of this goal was nationalized<sup>100</sup> and slightly revised since the introduction of good governance principles is important not only from the perspective of an increase in ODA and its efficient utilization, but is also vital for the country's sustainable development. Three supplementary indicators have been added to the indicators of Target 12 - voice and accountability, political stability and control of corruption. As a result, six out of nine indicators (from 49 to 54) are extensively used in international comparisons of global governance indicators (introduced by the World Bank Institute). They are included in the Sustainable Development Program of Armenia.

		Ensure a Level of Governance, F Human Rights that would Cont					Responsibility and Protection of nable Development of Armenia				
											
	INDICATORS	1990	1999	2004	2007	2008	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
48	Freedom of press index, absolute value	...	...	64	...	66	...	...	<+30	**	G
49	Voice and accountability, governance score		-0.43 (2000)	-0.53	-0.59	-0.66	+0.83	<+0.83	>+0.83	**	W
50	Political stability, governance score		-1.25 (2000)	-0.57	-0.01	+0.01	+0.43	+0.43	>+0.43	***	G
51	Government effectiveness, governance score	...	-0.60 (2000)	-0.13	-0.31	-0.07	+0.37	+0.37	>+0.37	***	G
52	Regulatory quality, governance score	...	-0.27 (2000)	+0.03	+0.24	+0.32	+0.62	+0.62	>+0.62	***	G
53	Rule of law index, governance score	...	-0.50 (2000)	-0.58	-0.51	-0.36	+0.11	+0.11	>+0.11	***	G
54	Control of corruption, governance score		-0.71 (2000)	-0.69	-0.68	-0.54	+0.12	<+0.12	>+0.12	**	W
55	Corruption perception index, CPI score	...	2.5	3.1	3.0	2.9	5.0	<5	>5	**	W
56	The ratio of tax revenues in GDP, %	...	17.8	16.8	19.3	19.9	23.5	22.0	>22.5	**	G

<sup>100</sup> See: Millennium Development Goals: Nationalization and Progress, National Report, Yerevan, 2005.





## Status and Trends

The introduction of good governance principles, efficiency of the public administration and judicial system, transparency, accountability and controllability of relevant services are key preconditions for the achievement of the MDGs.

For the assessment of public administration, a group of six types of indicators developed by the World Bank Institute and most commonly accepted in international comparisons is used<sup>101</sup>. The indicators assessing the political, economic and institutional aspects of governance have a governance score and the higher that score, the better the assessment of the relevant sector characterizing public administration.

In recent years, progress has been registered in Armenia. Indicators measuring government effectiveness and regulatory quality, elections, freedom of media (voice and accountability), rule of law and control of corruption did not show significant improvement. The lack of efficiency in the government anticorruption policy is also revealed by the Transparency International corruption perception index (CPI). Although some work has been done to introduce the legal and institutional framework of the anticorruption policy (the adoption of the anti-corruption program and the establishment of the anti-corruption council, accession to anti-corruption international organizations and so on), the real implementation of the anticorruption measures were not efficient enough.



Indicators measuring political stability, government effectiveness, rule of law, voice and accountability, in the period from 2003 to 2008, indicate a significant improvement in Armenia. However, the lack of efficiency in the government anticorruption policy is also revealed by the Transparency International corruption perception index (CPI). Although some work has been done to introduce the legal and institutional framework of the anticorruption policy (the adoption of the anti-corruption program and the establishment of the anti-corruption council, accession to anti-corruption international organizations and so on), the real implementation of the anticorruption measures were not efficient enough.

Generally, according to the World Bank assessment, the indicators characterizing the governance system in Armenia are higher than in the FSU countries, while at the same time they are significantly lower than the governance indicators for Eastern Europe and Baltic countries. As seen from the table below, the difference between the first three governance indicators of Armenia and the regional average for the Eastern Europe & Baltic States is more substantial (over two times) than for the other indicators.

**Table 8.1. Governance Indicators for Armenia and Regional Averages for FSU and Eastern Europe and Baltic States for the year 2008 (Governance Score, -2.5 to +2.5)**

Governance Indicator	Armenia	Average for Former Soviet Union	Average for Eastern Europe & Baltic countries
Voice and Accountability	-0.56	-1.00	+0.50
Political Stability	+0.01	-0.30	+0.28
Government Effectiveness	-0.07	-0.60	+0.28
Regulatory Quality	+0.32	-0.58	+0.60
Rule of Law	-0.36	-0.84	+0.20
Control of Corruption	-0.54	-0.86	+0.12

Source: Governance Matters 2009: Governance Indicators for 1996–2008 (<http://info.worldbank.org/governance/wgi/>)

One of the main priorities of governance reforms is further decentralization and devolution of central government functions to local self governance units (communities). At the same time, the lack of governance capacity in the communities, their small sizes and territorial fragmentation are reducing their ability to enhance self governance operations and functions. The possible ways to resolve this problem include the enlargement of community sizes (reduction of the number of communities in country) and/or the establishment of inter-community unions.

<sup>101</sup> See for instance WGI 1996-2005: Worldwide Governance Indicators Country Snapshot, WB, 2006.

Despite the Government's numerous measures and actions to combat corruption within the framework of its anticorruption strategy (first stage), the expected results have not yet been achieved. According to the table for Target 12, there is practically no improvement in recent years in the dynamics of both indicators characterizing the level of corruption - control of corruption and corruption perception index. The Government of Armenia is currently enlarging and developing its anticorruption strategy covering not only different areas and sectors but devoting more attention to measures aimed at reducing political corruption, including anticorruption procedures in the election process<sup>102</sup>. In this second stage of the anticorruption strategy, more attention is devoted to the monitoring and evaluation functions and their subsequent outcome and output indicators (fully in line with Target 12 indicators) and more importantly to the participatory monitoring mechanisms with the active involvement of civil society throughout the whc

## Main Challenges and the S ironment

Public administration and judicial system perspective can have a decisive role for poverty alleviation. Thus, according to experts, a one standard point improvement of public administration indices could result in the long term<sup>103</sup>. The introduction of democratic governance, including participatory governance, further decentralization, de-concentration and devolution of power creates a good basis for improved protection of human rights and more efficient governance

The main challenges and priorities of the governance system reforms in Armenia in order to achieve the objective values of Target 12 indicators by 2015 are democratizing governance further, increasing its efficiency and regulatory quality, protecting the political and civil rights of the population, developing a fair court system, increasing access to justice and reducing corruption. These priority guidelines are interconnected and related with the following key policy measures:

1. Enhancing the public access to and transparency of public administration bodies, ensuring the participation of civil society in decision-making processes (comprising the main stages of the design and implementation of the strategic programs) as well as building on the experience accumulated in the process of developing the PRSP and regional development programs. Strengthening of NGOs as well as the promotion of cooperation between civil society and public administration bodies also serves the purpose of ensuring the success and efficiency of public policies.
2. The key principles of decentralization and de-concentration, the strengthening of local self-governance, more comprehensive inclusion of regional development specifics into the strategic national programs should all be used as the basis for reforms in territorial administration and local self-governance. One of the main objectives of the improvement of territorial planning is the reduction of territorial disparities in development.
3. Strengthening the capacity-building process at the community level for the successful implementation of the decentralization reforms and related with that the definition of clearer distinctions between mandatory and delegated (from the Central Government) responsibilities of the self governance units.
4. The development of a public finance management system, including the transition to the output-based or program budgeting system, improvement of the internal audit functions, adoption of accrual-based international public sector accounting standards (IPSAS) and design of the government financial management information system

<sup>102</sup> Anticorruption Strategy of the Republic of Armenia and the Program of its Implementation Measures for 2009-2012, [www.gov.am](http://www.gov.am).

<sup>103</sup> Measuring Governance Using Cross-Country Perceptions Data. D.Kaufmann, A.Kraay, M. Mastruzzi, WB, 2005.



5. Increasing the tax revenues-to-GDP ratio as the key indicator for the efficiency of the tax and customs administration.

6. Successful implementation of the judicial system reforms including:

- a. Increased independence of the court system and judges;
- b. Further expansion of structures for free legal assistance;
- c. Additional improvement of the witness and victim protection institution in the proceedings;
- d. Development of commercial arbitration institutes;
- e. Establishment of an effective system for publication of judicial acts;
- f. Raising public awareness about legal acts.

All the above-mentioned reform measures and particularly to improve this indicator, the supportive environment



substantially to the success of the judicial system index. To achieve the target value of 1 as “good”.

7. The successful implementation of Target 12 is one of the important preconditions for the specifically related to corruption (control of corruption and corruption perception index accordingly) but to a larger extent to nearly all of the governance indicators for Target 12.

anticorruption program (second stage) is a target values of not only the indicators

The success in achieving indicator target values for all governance indicators depends to a great extent on the political will and commitment of the Government and Parliament, which need to be strengthened to be able to have a supportive environment for the achievement of Target 12 and the substantial improvement of public governance, which currently is seen as the main driving force for the further socio-economic development of the country.

### The Impact of the Global Financial Crisis on the Achievement of the Target Values of the Target 12 Indicators for MDG 8.

Although the achievement of Target 12 is determined by the political will and strong commitment of the Government, the negative impact of the economic crisis on the fiscal system will slow down the rate of accomplishment of the target values of some governance indicators. More explicitly, the impact of the crisis is expected to focus on the tax collection levels (tax to GDP ratio) and the efficiency of anticorruption measures (indicators 54 and 55)

An annual 0.5 percentage point increase of tax and duty collections against the GDP has been envisaged by the Sustainable Development Program (PRSP 2). But because of the global financial crisis, the tax and duty collection rate will most probably be lower by at least one percentage point of GDP than the SDP target value by the end of 2009 and, according to the 2010 draft budget law, will not increase in 2010 as compared to 2009. The following factors contributed greatly to the poor performance of revenue collection in the first half of the 2009:

1. During the first half of 2009, Armenian exports declined by around 50%, causing a relative decline in the collection of mainly direct taxes (corporate profit tax, most of all)
2. The level of imports during the 6 months in 2009 declined by around 30%, which predetermined reduced collections of mostly indirect taxes (collected mainly by customs services at the border). At the same time, the GDP decline for the same period was only 16.3%, two times smaller than the import reduction. Therefore, the financial crisis has shown the weakness of the tax administration system in Armenia, which is more elastic or dependant on imports than on the domestic production of goods and services.

- The third reason is more general in nature and is characteristic of many countries since, during financial crises, tax collection rates usually deteriorate

Because of the above mentioned factors, even assuming the annual improvement of tax collection rates starting from 2011 by around 0.3%-0.5%-to-GDP, the tax-to-GDP ratio target level (indicator 56) will most probably not be achieved by 2015.

One of the most significant policy actions in anticorruption strategies could be the gradual increase of the salaries for civil servants. According to the SDP, an annual salary increase of around 13% was envisaged for civil servants and other state employees. Unfortunately, 2009 did not see a salary increase (particularly for the civil servants), nor is one expected for 2010, because of insufficient financial resources. Moreover, government priorities are focusing on the social security net policies, this will leave very little room for considering salary increases at the end of the projected period (2015).



Taking into account the recent trends of the financial crisis, the probability of the 12 indicators is low. To fully achieve Target 13 by 2015, the Government will need to substantially increase political will and commitment for more efficient implementation of the governance reforms

Target 13 <sup>104</sup>											
In Cooperation with the Private Sector, Make Available by 2015, the Benefits of New Technologies, Especially Information and Communications											
		1990	1999	2004	2007	2008	2015 (pre-crisis projections)	2015 (new estimates; baseline scenario)	Target value in 2015	Will the target value be achieved by 2015?	State of supportive environment
57	Telephone mainlines and cellular subscribers per 100 population (a)	15.8	17.8	25.8	81.4	120.3	80.0	80.0	>80	Target is achieved	S
58	Personal computers in use per 100 population	...	0.7 (a)	6.6 (a)	8.0 (b)	10.2 (b)	40.0	40.0	>50	**	G
59	Internet users per 100 population (a)	...	1.0	5.0	6.0	6.2	40.0	40.0	>40	***	G

(a) Source: Statistics and publications of the International Telecommunication Union (e.g. Information Society Statistical Profiles, 2009, CIS, <http://www.itu.int/publ/D-IND-RPM.CIS-2009/en>).<sup>104</sup>

(b) For 2007 and 2008, data for indicator “Personal computers in use per 100 population” are non-available. As a proxy, data are presented on indicator “Households using personal computers per 100 households” published by the National Statistical Service of the Republic of Armenia based on the ILCMS (<http://armstat.am/file/doc/99458803.pdf>).

<sup>104</sup> Target 13 of the national Goal 8 corresponds to Target 8.F in the list of Global MDG Targets.

## Status and Trends

Despite registered progress, Armenia is still characterized by a comparatively low level of e-literacy as well as an insufficient number of high-quality ICT technical, marketing and management specialists.

In 2009, the share of the IT sector in the GDP amounted to 1.1%, which is comparable to corresponding indicators for India (1.4%) and Germany (1.3%)<sup>105</sup>. In 2009, the Armenian IT industry revenues amounted to approximately 130 million USD versus 84.2 million USD in 2006, thus showing an increase of nearly 1.5 times. In 2009, the weighted average productivity per technical person employed in the sector was close to USD 20,000, while an average annual growth of 10% has been recorded compared to 2006.



During recent 10 years, the annual average number of IT companies currently operating in Armenia are nearly 200 IT companies currently operating (covering 62% of the IT product market). IT products and services of IT companies are exported to more than 20 countries. In 2006, while in 2009 exports of the sector amounted to USD 71.5 million, 60% of the exports go to the US and Canada, 20% to EU countries, 16% to Russia and CIS countries. The number of specialists employed in the IT sector was 5,200 as of 2009, with a 14% increase compared to the corresponding indicator for 2006<sup>106</sup>.

the IT sector amounted to 27%. There are 74 of which are foreign companies. The share of the products and services of IT company export generated USD 53.3 million in 2009, while in 2006 it was 37.5 million. Nearly 60% of the exports go to the US and Canada, 20% to EU countries, 16% to Russia and CIS countries. The number of specialists employed in the IT sector was 5,200 as of 2009, with a 14% increase compared to the corresponding indicator for 2006<sup>106</sup>.

However, the current situation in the ICT industry in Armenia may be characterized as an aggregate of mainly partial achievements, the results of which (in terms of the global market) cannot be considered as significant. No “Armenian IT Brand” has been positioned in the global IT market, there are limited export markets for Armenian IT products and services as well as an insufficient presence of prominent IT companies in Armenia.

Armenia ranks 114<sup>th</sup> on the communication infrastructure indicator (access to the Internet, computer availability, other means of communication), and is 177<sup>th</sup> in terms of Web presence (a requisite for e-governance). Based on existing experience, one can consider that in 5 years 80% of priority web services could be implemented.

## Main Challenges and the Supportive Environment

One of the priorities of the Government’s program is the development of education and science to face the challenges of the 21st century. This priority includes the development of interactive e-learning and its widespread dissemination, so that computer usage for citizens, especially for young people, will become a necessity and computer networks will become accessible.

To achieve these goals, the following challenges need to be met:

- a. Creating and developing ICT infrastructure (national broadband backbone network, low-cost internet access, computer penetration, universal services);
- b. Developing and establishing techno-parks, incubators, Technology Transfer Centers, IT zones with special economic, technological and infrastructure conditions;

<sup>105</sup> Source: Armenian Information Technology Sector: Software and Services – Industry Report 2009, Enterprise Incubator Foundation and Ministry of Economy of the Republic of Armenia, Yerevan, 2009.

<sup>106</sup> Source: Armenian Information Technology Sector: Software and Services – Industry Report 2009, Enterprise Incubator Foundation and Ministry of Economy of the Republic of Armenia, Yerevan, 2009.



- c. Supporting the establishment and development of start-up companies, promoting foreign direct investments and contributing to the improvement of the effectiveness of local organizations (business processes and quality improvement, certification, etc.)
- d. Promoting local demand for IT solutions and products and their application in different areas of state administration, economy and society;
- e. Implementing actions and targeted programs, focusing on ICT security;
- f. Contributing to the formation of the capital market of IT companies;
- g. Implementing industry and public awareness campaigns to present Armenian IT products on a regular basis and to discuss future industry developments and next generation actions.<sup>107</sup>

The last two indicators of Target 13 - the  
 ers - are fully coherent with comparative



sonal computers in use and Internet us-  
 Sustainable Development Program<sup>108</sup>.

*Although the financial crisis will have a  
 2015, taking into consideration the Gov  
 13 of MDG 8 will most probably be ach*

*re attainment of these two indicators by  
 nmitment to develop IT and ICT, Target  
 re projected period.*

<sup>107</sup> See Information Technology Sector Development Concept Paper; Approved by the Government of Armenia in August 2008.

<sup>108</sup> Approved by the Government of Armenia in October 2008.

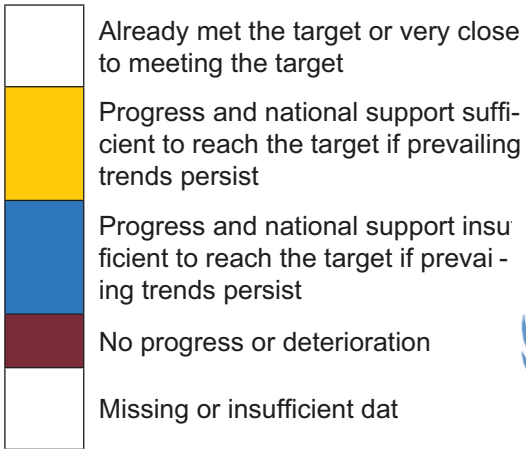


## Appendix 1. Status at a Glance: Progress and Achievability of National MDG Framework

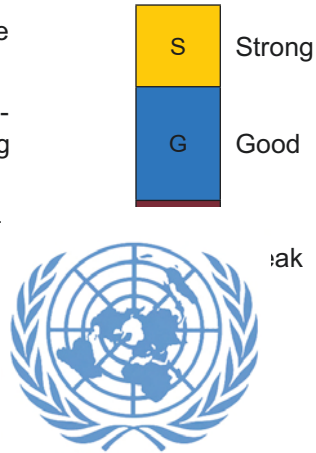
	State of Progress	Achievability by 2015	State of National Support
<b>MDG 1. Eradicate Extreme Poverty and Hunger</b>			
Target 1. By 2015, reduce the poverty level to lower than in 1990		**	S
Target 2. Halve, between 1990 and 2015, the number of people who suffer from hunger		**	S
Target 2.A. Achieve full and productive employment for all, including women and young people		*	S
<b>MDG 2. Achieve Universal Basic Education</b>			
Target 3. Ensure that, by 2015, every child completes a full course of high quality secondary schooling		**	G
<b>MDG 3. Promote Gender Equality and empower women</b>			
Target 4. Increase, by 2015, women's participation in political decision making		*	W
<b>MDG 4. Reduce Child Mortality</b>			
Target 5. Reduce by two-thirds between 1990 and 2015, the under-five mortality rate		**	G
<b>MDG 5. Improve Maternal Health</b>			
Target 6.A. Reduce by three-quarters between 1990 and 2015, the maternal mortality ratio		*	G
Target 6.B. Achieve, by 2015, universal access to reproductive health		**	G
<b>MDG 6. Combat HIV/AIDS, Malaria and Other Diseases</b>			
Target 7.A. Have halted by 2015 and begun to reverse the spread of HIV/AIDS		***	G
Target 7.B. Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it		***	G
Target 8. Have halted by 2015 and begun to reverse the spread of malaria		***	G
<b>MDG 7. Ensure Environmental Sustainability</b>			
Target 9. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources		***	G
Target 10. Increase access to safe drinking water in rural areas		***	G
Target 11. Improve housing conditions by 2015		***	G
<b>MDG 8. Develop a Global Partnership for Development</b>			
Target 12. Ensure a level of governance, political rights and responsibility and protection of human rights that would contribute to the sustainable development of Armenia		**	G
Target 13. In cooperation with the private sector, make available by 2015, the benefits of new technologies, especially information and communications		***	G



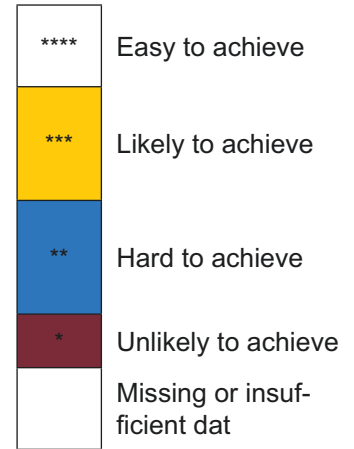
### State of Progress Scale



### State of National Support Scale





### Achievability Scale




## Appendix 2. Official List of MDG Indicators According to Millennium Declaration


Effective 15 January 2008, Source: United Nations Statistics Division

Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for Monitoring Progress
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>	
Target 1.A. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	 <ul style="list-style-type: none"> <li>1.1 Proportion of population below \$1 (PPP) per day</li> <li>1.2 Income share ratio of poorest quintile in national consumption</li> </ul>
Target 1.B. Achieve full and productive employment and decent work for all, including women and young people	<ul style="list-style-type: none"> <li>1.2 Proportion of GDP per person employed</li> <li>1.2a Part-time-to-population ratio</li> <li>1.2b Proportion of employed people living below \$1 per day</li> <li>1.3 Proportion of own-account and contributing family workers in total employment</li> </ul>
Target 1.C. Halve, between 1990 and 2015, the proportion of people who suffer from hunger	<ul style="list-style-type: none"> <li>1.4 Prevalence of underweight children under five years of age</li> <li>1.4 Proportion of population below minimum level of dietary energy consumption</li> </ul>
<b>Goal 2. Achieve Universal Primary Education</b>	
Target 2.A. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	<ul style="list-style-type: none"> <li>2.1 Net enrolment ratio in primary education</li> <li>2.2 Proportion of pupils starting grade 1 who reach last grade of primary</li> <li>2.2 Literacy rate of 15-24 year-olds, women and men</li> </ul>
<b>Goal 3. Promote Gender Equality and Empower Women</b>	
Target 3.A. Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	<ul style="list-style-type: none"> <li>3.1 Ratios of girls to boys in primary, secondary and tertiary education</li> <li>3.1 Share of women in wage employment in the non-agricultural sector</li> <li>3.2 Proportion of seats held by women in national parliament</li> </ul>
<b>Goal 4. Reduce Child Mortality</b>	
Target 4.A. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	<ul style="list-style-type: none"> <li>4.1 Under-five mortality rate</li> <li>4.2 Infant mortality rate</li> <li>4.2 Proportion of 1 year-old children immunised against measles</li> </ul>
<b>Goal 5. Improve Maternal Health</b>	
Target 5.A. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	<ul style="list-style-type: none"> <li>5.1 Maternal mortality ratio</li> <li>5.2 Proportion of births attended by skilled health personnel</li> </ul>


Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for Monitoring Progress
Target 5.B. Achieve, by 2015, universal access to reproductive health	5.2 Contraceptive prevalence rate 5.3 Adolescent birth rate 5.4 Antenatal care coverage (at least one visit and at least four visits) 5.3 Unmet need for family planning
<b>Goal 6. Combat HIV/AIDS, Malaria and other diseases</b>	
Target 6.A. Have halted by 2015 and begun to reverse the spread of HIV/AIDS	 <p>Prevalence among population aged 15-24 years Percentage of population aged 15-24 years with correct knowledge of HIV/AIDS School attendance of orphans to school School attendance of non-orphans aged 10-14 years</p>
Target 6.B. Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	6.4 Proportion of population with advanced HIV infection with access to antiretroviral drugs
Target 6.C. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	6.1 Incidence and death rates associated with malaria 6.2 Proportion of children under 5 sleeping under insecticide-treated bednets 6.3 Proportion of children under 5 with fever who are treated with appropriate anti-malarial drugs 6.4 Incidence, prevalence and death rates associated with tuberculosis 6.5 Proportion of tuberculosis cases detected and cured under directly observed treatment short course
<b>Goal 7. Ensure Environmental Sustainability</b>	
Target 7.A. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	7.1 Proportion of land area covered by forest 7.2 CO2 emissions, total, per capita and per \$1 GDP (PPP) 7.3 Consumption of ozone-depleting substances 7.4 Proportion of fish stocks within safe biological limits 7.5 Proportion of total water resources used
Target 7.B. Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	7.6 Proportion of terrestrial and marine areas protected 7.7 Proportion of species threatened with extinction
Target 7.C. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	7.1 Proportion of population using an improved drinking water source 7.2 Proportion of population using an improved sanitation facility
Target 7.D. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	7.1 Proportion of urban population living in slums


Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for Monitoring Progress
<b>Goal 8. Develop a Global Partnership for Development</b>	
<p>Target 8.A. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system</p> <p>Includes a commitment to good governance, development and poverty reduction – both nationally and internationally</p> <p>Target 8.B. Address the special needs of the least developed countries</p> <p>Includes: tariff and quota-free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction</p> <p>Target 8.C. Address the special needs of landlocked developing countries and small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)</p> <p>Target 8.D. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</p>	<p><i>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing states.</i></p>  <p><u>Official development assistance (ODA)</u> Total and to the least developed countries as a percentage of OECD/DAC donors' gross national income Percentage of total bilateral, sector-allocable ODA from OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p>8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied</p> <p>8.4 ODA received in landlocked developing countries as a proportion of their gross national incomes</p> <p>8.5 ODA received in small island developing states as a proportion of their gross national incomes</p> <p><u>Market access</u></p> <p>8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty</p> <p>8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product</p> <p>8.9 Proportion of ODA provided to help build trade capacity</p> <p><u>Debt sustainability</u></p> <p>8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>8.11 Debt relief committed under HIPC and MDRI Initiatives</p> <p>8.12 Debt service as a percentage of exports of goods and services</p>
Target 8.E. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	8.1 Proportion of population with access to affordable essential drugs on a sustainable basis
Target 8.F. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	8.1 Telephone lines per 100 population 8.2 Cellular subscribers per 100 population 8.3 Internet users per 100 population

## Appendix 3. The List of National MDG Indicators for Armenia

Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for Monitoring Progress
<b>Goal 1. Eradicate Extreme Poverty and Hunger</b>	
Target 1. By 2015, reduce the poverty level to lower than in 1990	1. Proportion of population below the 4.30 USD (PPP adjusted) per day, % 2. GDP per capita compared to EU average per  3. Advance budget expenditure to poverty % 4. Ratio of the poorest quintile to the income of the richest quintile 5. Ratio of poverty level outside capital to poverty level
Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger	1. Prevalence of underweight children under five years of age, % 2. Proportion of population below minimum level of dietary energy consumption, %
Target 2. A. Achieve full and productive employment and decent work for all, including women and young people	1. GDP per person employed, in constant 2005 PPP 1,000 USD 2. Employment to population ratio for persons aged 15 years and over (total, female and male), % 3. Proportion of employed population living in poverty (national poverty line), % 4. Proportion of informally employed in total non-agricultural employment, %
<b>Goal 2. Achieve Universal High Quality Secondary Education</b>	
Target 3. Ensure that, by 2015, every child will be able to complete a full course of high quality secondary schooling	1. Gross enrollment ratio in basic school, % 2. Gross enrollment ratio in upper secondary school, % 3. Annual state budget expenditures on education to GDP, % 4. Ratio of pupils and students possessing knowledge corresponding to the criteria set by the national and international education quality assessment system, % 5. Ratio of Gross enrollment ratio of poor population to the gross enrollment ratio of non-poor population in the professional education programs
<b>Goal 3. Promote Gender Equality and Empower Women</b>	
Target 4. Increase, by 2015, women's participation in political decision making	1. Proportion of women- members of National Assembly, ministers, governors, deputy ministers, % 2. Proportion of women community heads, % 3. Ratio of unemployment rate of women to the unemployment rate of men



Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for Monitoring Progress
<b>Goal 4. Reduce Child Mortality</b>	
Target 5. Reduce, by two-thirds between 1990 and 2015, the under-five mortality rate	<ol style="list-style-type: none"> <li>Under-five mortality rate, per 1,000 live births</li> <li>Infant mortality rate, per 1,000 live births</li> <li>Proportion of 2 years-old children immunized against measles</li> </ol>
<b>Goal 5. Improve Maternal Health</b>	
Target 6.A. Reduce, by three quarters between 1990 and 2015, the maternal mortality ratio	 <ol style="list-style-type: none"> <li>Maternal mortality ratio, per 100,000 live births (3-year average)</li> <li>Proportion of births attended by skilled health personnel, %</li> </ol>
Target 6.B. Achieve, by 2015, universal access to reproductive health	<ol style="list-style-type: none"> <li>Total fertility rate, live births to women 15-19 years old per 1,000 women in age group of 15-19 years</li> <li>Antenatal care coverage (at least one visit)</li> <li>Antenatal care coverage (at least four visits)</li> <li>Unmet need for family planning, total, %</li> </ol>
<b>Goal 6. Combat HIV/AIDS, Malaria and other Diseases</b>	
Target 7.A. Halt, by 2015, and begin to reverse the spread of HIV/AIDS	<ol style="list-style-type: none"> <li>People living with HIV, 15-49 years old, percentage</li> <li>Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS</li> </ol>
Target 7.B. Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	<ol style="list-style-type: none"> <li>Proportion of population with advanced HIV infection with access to antiretroviral drugs</li> </ol>
Target 8. Have halted by 2015, and begun to reverse the incidence of malaria and other major diseases	<ol style="list-style-type: none"> <li>Number of new malaria local cases</li> <li>Tuberculosis Incidence, per 100,000 population</li> <li>Proportion of tuberculosis cases detected and cured under directly observed treatment short course</li> </ol>
<b>Goal 7. Ensure Environmental Sustainability</b>	
Target 9. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources	<ol style="list-style-type: none"> <li>Proportion of land area, covered by forests, %</li> <li>Ratio of area protected to maintain biological diversity to surface area, %</li> <li>37.a Carbon dioxide emissions per capita, in metric tons</li> <li>37.b Consumption of ozone depleting CFCs (ODP tones)</li> <li>38. Proportion of population using solid fuels</li> <li>39. Elevation of lake Sevan above sea level, meters</li> <li>40.a Average translucence of lake Sevan</li> <li>40.b Average oxygen content in lake Sevan, mgO<sub>2</sub>/l</li> <li>41. Number of towns served by wastewater treatment plants</li> </ol>

Millennium Development Goals (MDGs)	
Goals and Targets (from the Millennium Declaration)	Indicators for Monitoring Progress
Target 10. Increase access to safe drinking water	42. Average daily duration of centralized water supply in urban (non-Yerevan) households, hours 43. Proportion of population without access to safe drinking water in rural areas, % 44. Proportion of rural population using transported water to the total number of rural water users, %
Target 11. Improve housing condition 2015	 Urban slum households (urban households in non-conventional dwellings), per 100 households Proportion of population with access to improved sanitation, % Proportion of communities with more than 300 households with access to reliable natural gas supply, %
Goal 8. Develop a Global Partnership for Development	
Target 12. Ensure such level of governance, political rights and responsibility and protection of human rights that would contribute to the sustainable development of Armenia	1. Freedom of press index, absolute value 2. Voice and accountability, governance score 3. Political stability, governance score 4. Government effectiveness, governance score 5. Regulatory quality, governance score 6. Rule of law index, governance score 7. Control of corruption, governance score 8. Corruption perception index, rank 9. The ratio of tax revenues in GDP, %
Target 13. In cooperation with the private sector, make available, by 2015, the benefits of new technologies, especially information and communications	1. Telephone mainlines and cellular subscribers per 100 population 2. Personal computers in use per 100 population 3. Internet users per 100 population