

**BRIEF REPORT  
TO THE WORLD FOOD SUMMIT  
(WFS)**

**PROGRAM**

**PERFORMANCE OF FUTURE ACTIVITIES**

**YEREVAN -2004**

## **Executive summary 1**

The choice made by the people of Armenia in creating an independent and democratic state was made still in 1988-1991. This reality is inspiring a conviction, that the existing problems can be addressed in due course of the time.

The human rights and the human development, as highest values of our days, require consolidated efforts of the mankind. The commitment of Armenia to introduce an independent and objective position in that most important area, to ensure new approaches and publicity, was highly appreciated in the second Global Summit on the Human Development held in Rio De Janeiro, where the National Report of the Republic of Armenia was awarded two main prizes.

After the adoption the Declaration on Independence (1991), Armenia was provided an opportunity to accede to international institutions dealing with the human rights, to participate in the conferences, as well as to join those international fundamental acts, which were signed on both the global, as well as regional level. Below, in a non-exhaustive manner, we are presenting the list of a number of international treaties related to the human rights, to which the Republic of Armenia has acceded (mentioning the date of accession):

- Universal Declaration on Human Rights;
- The Covenant on the Civil and Political Rights (1991);
- The Convention on the Prevention of Genocide and Perpetrations and the Sanctions (1991);
- The Convention on Children's Rights (1992);
- The Covenant on the Social, Economic and Cultural Rights (1993);
- The Convention on the Elimination of all Forms of Discrimination Against Women (1993);
- The Convention against the Tortures and other Cruel, Inhuman or Degrading Attitudes and the Forms of Sanctions (1993);
- The Convention on Equal Remuneration (1993);
- The Convention on the Legal Relationships in Civil, Family and Criminal Affairs (1993);
- The Framework Convention on the Protection of the Ethnic Minorities (1998);
- The European Cultural Convention (1997) and etc.

It is noteworthy, that the above mentioned Conventions, are ratified by the RoA National Assembly, which means, that according to the Constitution of RoA (1995), they are prevailing

over the RoA laws, i.e. if the laws passed in the republic are in conflict with the norms adopted by the international treaties (Conventions, Agreements and etc.), then the norms of the international treaties shall be directly effective.

In fact, while having practically joined and ratified almost all the international treaties related to the human and citizens rights, and also given the above mentioned norm of the Constitution, there is a necessary legal framework created in Armenia, since, as it is known, once having acceded to international treaties, it is further required to establish compliance of the national legislation with the internationally accepted norms. To this end, let's note a few laws adopted in the RoA in relation to that:

- RoA Law on the Privatization in the Republic of Armenia (1990) (in the future, on the basis of that law, the following were adopted: the RoA Law on the Privatization Process and Denationalization of the State-Owned Enterprises”, the RoA Law on the “Enterprises and Entrepreneurship” and the Land Code). The mentioned laws are gaining importance for the fact that they laying the basis for the change in the mode of ownership in the newly independent state and are governing the legal relationships in the phase of transition to the free market economy;
- The RoA Law on the “Privatization of the State Owned and Public Housing Stock” (1993);
- The RoA Law on the “Employment of the Population” (1991);
- The RoA Law on the “Citizenship of the Republic of Armenia” (1995);
- The RoA Law on the “Children's Rights” (1996);
- The RoA Law on the “Population's Medical Aid and Healthcare Service” (1996).

In addition to that, there were amendments and supplements made in the Civil (1964), Civil Procedure (1964), Criminal (1961), Criminal Procedure (1961), Marriage and Family (1969), Labor (1972), Administrative Violations (1985), Housing (1982) and a number of other codes, taking into account the need for their harmonization with the international criteria on the protection of human rights.

The above mentioned laws, as well as a number of other laws and the whole set of legislative acts, ensuring the enforcement of the former, is creating legal grounds for the formation of democracy, human rights protection, political, social and economic favorable environment in the country.

However, let's emphasize that the creation of the legal grounds and their “call into life”, that is, the enforcement of the norms stipulated by the legal acts, are not, indeed, on the same

platform. That process requires some time (decades) and, it is still early to speak about the complete enforcement of the human and citizen's rights protection in Armenia, as well as in a number of other countries.

However, the fact that there are about 3.5 thousand registered NGOs and several dozens of parties currently acting in the country evidences of the protection of the human and citizens rights in Armenia.

It is also noteworthy, that in 2003, an Anticorruption Comprehensive Program was adopted in Armenia. As for the issues on the improvement of the gender equality and the status of women, it is noteworthy, that in this area as well there has been certain work done. Thus, in 1988, the RoA Government adopted the key provisions on the Improvement of the Status of Women in RoA, which was followed by the passage of the "1988-2000 National Program on the Improvement of the Women's Status and the Increase of the Women's Role in Society". In 2003, an Inter-Ministerial Commission on the Women's Affairs was established under the RoA Prime Minister' administration, which lately developed and on April this year, approved by the RoA Government, the comprehensive program for 2004-2010. It is noteworthy, that particularly harder is the situation of women in the rural areas among the unemployed, large family, and disabled women. The participation of women in the area of politics and the decision making process in public administration levels is still insufficient.

There is also the problem of violence against women in the family. However, let's note, that every third women in the world is subject to violence in the family. In Armenia the cases of the family violence are relatively rare (the cases of violence are often concealed, particularly, when these violence take place on the domestic grounds).

Without going into the further details of the works performed within the scopes of this executive summary in the past period after the WFS, let's only note that, Armenia while being considered as a member state of the Council of Europe and the full right member of the World Trade Organization (February 2003), it is gradually improving the legislative and economic framework in accordance with all the obligations assumed within the scopes of the accession to those reputable organizations.

It is also noteworthy, that one of the preferred foreign policy directions of Armenia is the accession to the European Union, which means, that in political, as well as social and other sectors, there will be fundamental changes undertaken by 2015 in compliance with the criteria of the 25 member states of European Union.

## Executive summary 2

As mentioned in the Appendix 2, the Poverty Reduction Strategy Program was adopted (PRSP) in Armenia in 2003. That full text of the program may be easily downloaded from the web page.

Below, you will find the brief general outline of human poverty in Armenia and the poverty and inequity alleviation indicators before the target 2015, with the specific reference made on the educational and health sectors.

As almost in the case of all the countries in transition, similarly in Armenia the poverty and inequality are such phenomena that are mostly determined by material (revenues) factors, the human poverty and inequity descriptions in Armenia vary from the similar descriptions in the developing countries (Table 2.1).

**Table 2.1**

Indicators	Armenia	Georgia	Azerbaijan	East Europe and CIS countries	OECD Countries	Developing countries
Life expectancy rates, years (1995-2000)	73,5 (2001)	72,7	69,9	68,7	76,2	64,4
Child mortality rate (per 1000 alive)	15,35 (2001)	19	36	26	12	64
People, whose life expectancy is below 65 years, in % (1995-2000)	19,8	17,5	22,1	24,6	12,5	28
Tuberculosis incidence (per 100000 population)	28,9	155,4	60,5	67,6	18,4	68,6
Number of the doctors (1992-95 (per 10000 population)	382 (2001)	436	390	345	222	78
GDP per capita, in US\$	705 (2001)	970	480	2110	20900	1250
Public expenditures in education (1995-97), % against GDP	2,69 (2001)	5,2	3,0	4,9	5,0	3,8
Public expenditures in healthcare sector (1995-98), % against GDP	1,34 (2001)	0,7	1,2	4,5	6,2	2,2

Expenditures in the pension insurance sector (1999), % against GDP	3,8	2,6	4,2	11,5	9,7	-
Public expenditures in the social security sector (1999), % against GDP	2,2	1,3	2,7	4,6	6,2	-
The average daily calories in the consumed food (1997)	2371	2614	2238	2907	3380	2263
Electricity consumption per capita, kwt.hour	1698	1438	2330	8008	4095	884
Human development index, place held	93	70	90			

In the transitional period the comparatively milder impact of the sharp growth of poverty and inequality, based on a number of important demographic and social indicators, and the comparatively better position of Armenia from the perspective of the human development index estimated by UNDP (the international comparisons are illustrated in Table 2. 1), is explained by the availability of the well developed social infrastructure inherited from the Soviet times, which although is outdated and is financed in absolutely insufficient amounts, however, is still, to the greater extent, in functional conditions.

The number of the children born in 1989-2000, was reduced twice, which is mostly determined by the sharp decrease in the level of the living standards of the population in the transitional period and demonstrates the increase in the expenses required for having and educating children. This may also evidenced by the tendency in the decrease of the average size of the households, which is a fact that is well described in the findings of the last 3 household surveys.

The increase of the mortality rate, versus to the former, does not have any economic grounds and reflects the process that is currently taking place in the aging of the population; it has not affected the life expectancy, which has a strongly expressed stabilization trend.

One of the phenomena of concern, is the decrease of the share of the children enrolled in the general education system, which is taking place mostly at the level of the high schools (9-10 grades), while in the lower grades (1-8 grades) the share of the enrolled is stable and amounts to about 97 %.

While having compatible to the OECD countries indicators in education and health sectors, Armenia is significantly lagging behind them and the developing and the transitional countries in terms of the extent of public financing. The absolute level of financing in education, per capita of population, is lower than the average in East Europe and CIS countries by 5,45 times, 55,1 times lower than the average in OECD countries, 2,5 times lower than in the developing countries. While in the health sector, the figures are 10, 137 and 2,91 times respectively. Under such significant under-financing, the system was no more able to survive at the public funding only. In reality, both the education and health systems in the transitional years have survived due to the co-financing of the population. In the university education sector the amount of only the officially registered population's co-financing in 2001 reached to 0,73% of GDP and more than 2 times has exceeded the state funding. The financing of the healthcare services by the population, as per the results of the first quarter in 2002 was 23,613 billion drams, or 1,74% of GDP in 2002, exceeding the 2001 government financing by 1,5 times.

With such a status of government financing retained in education and healthcare, the UN declared and nationally adopted Human Development Concept objectives will be at stake. Even more, the shift of the financial burden on the population will further gradually exacerbate the problem of human poverty. The findings of some of the surveys undertaken in the republic show that 31% of households are unable or find it difficult to overcome the burden of additional costs related to education. 7% of poor children do not attend public schools. 70% of the patients are not able to get access to the healthcare services.

The above-mentioned situation describes the strongly restricted nature of the possibilities to fulfill the social functions assumed by the state efficiently.

**The qualitative description of the poverty** The qualitative approach in the poverty assessment is aimed at the description of the specifications of human behavior, in particular, the behavior of the poor, taking into account its social, cultural, political and economic components. The poverty qualitative surveys conducted in Armenia distinguish especially among the following concerns:

- The increasing economic segmentation in the society and the mistrust of the poor and the middle society towards the wealthy segments, central and local government authorities;
- The changes in the family relationships in the poor households, which are mostly explained by the lack of potential of the majority of the male population to maintain their breadwinner's role in the family, the risk of poverty affecting the stability of the family, the decrease in the

number of marriages, child birth rates and the increase in the marital age, as well as the distortion of the gender balance due to the extensive immigration rates;

- The loosening of the traditionally sound bonds within the family and the decline in the efficiency of the informal systems of mutual assistance, in particular, for the single, old and refugee populations;
- The feeling of the poor to be derelict from the social life and the national ceremonies and their alienation from society, which may be considered one of the most dangerous social-psychological implications of poverty.

The key indicators related to the poverty reduction are illustrated in Table 2.2.

**Table 2.2**

**The PRSP key indicators related to the poverty reduction**

Indicators	2001	2003	2004	2006	2009	2012	2015
GDP per capita, thousand drams	391.5	489.1	532.8	631.5	808.3	1005.7	1244.2
GDP per capita, US\$	704.8	834.2	904.2	1061.0	1338.0	1639.9	1998.6
GDP per capita, PPP US\$	2382.1	2819.5	3056.2	3586.1	4522.2	5542.8	6755.4
The number of the poor, % against the number of the total population	50.9	46.2	43.7	37.9	30.8	26.3	19.7
Including, the number of the extremely poor, % against the number of the total population	16.0	15.2	14.7	13.5	11.4	8.8	4.1
The number of the population with lesser than US\$ 1 daily revenue, % against the number of the total population	29.4	23.7	17.9	10.0	4.3	3.4	2.7
The number of the population with lesser than US\$ 2 daily revenue, % against the number of the total population	58.6	52.0	43.4	31.9	24.3	14.1	6.8
The number of the population with lesser than US\$ 4 daily revenue, % against the number of the total population	81.5	76.6	72.8	64.0	52.5	33.5	27.6
The number of the children							



with lesser weight, % against the total number of the children at the age of up to 5 years	3,0 (2000)	2,9	22,8	2,7	2,3	1,8	1,4
The number of the children with lesser height, % against the total number of the children at the age of up to 5 years	13.0 (2000)	12,5	12,0	11,5	9,5	8,0	6,0
<b>Reference Item</b>							
Number of the existing population (thousand persons)	30026	30138	30205	30205	30742	31257	31980

1. The estimation was done based on the number of the existing population;
2. The PPP for the whole period is accepted at 3,38;
3. The poverty indicators estimated in US\$ PPP are based on the projections of the population's revenues;
4. The 2001 indicator as of October 10, 2001. The projections have not taken into account the migration.

The inequality will also be reduced in the projected period. The Ginny coefficient of revenue concentration in 2005 will amount to 0,491, in 2010 to 0,466 and in 2015 to 0,446 (in 2001 to 0,535).

The reduction of the inequality will mostly be determined by the decrease of the unequal distribution of the employment revenues resulting from the revenue policy implemented by the state (the compliance of the minimum salary to the poverty food threshold and the ensuring of the progressive growth in the employment revenues of those employed in the social infrastructures and the public administration sector), as well as the incremental growth in the pensions and the essential increase of the level of earmarking the government benefits in a better targeted way.

The key triggers related to the reduction of the inequality of the population's revenues are presented in Table 2.3.

**Table 2.3**

**PRSP inequality reduction key triggers**

Triggers	2001	2003	2004	2006	2009	2012	2015
The Ginny coefficient of	0.535	0.510	0.498	0.483	0.469	0.458	0.448

the concentration of the revenues							
Of which for the employment revenues	0.446	0.443	0.441	0.436	0.433	0.428	0.423
For the social transfers	0.161	0.074	0.068	0.076	0.066	0.082	0.080
Annual revenues for the 20% of extremely poor population, thousand drams	55.4	85.0	101.4	140.3	192.3	242.7	311.0
The annual revenues for the 2-nd 20% of the population, thousand drams	120.1	159.4	184.8	239.7	339.2	453.1	603.5
The annual revenues for the 3-rd 20% of the population, thousand drams	195.4	242.0	278.5	359.1	510.9	661.1	903.3
The annual revenues for the 4-th 20% of the population, thousand drams	318.3	361.9	406.7	526.2	834.6	1102.2	1443.1
The annual revenues for the richest 20% of the population, thousand drams	945.3	1235.6	1362.9	1668.7	2207.5	2751.6	3416.9
The revenues of the extremely poor population in % against the richest	5.9	6.9	7.4	8.4	8.7	8.8	9.1

The human poverty rate in Armenia, at present, is relatively lower, than the material poverty, and the human development is comparable with economically more developed and rich countries. In this regard, the maintenance of the human development potential and its future strengthening, as well as the social reduction of the currently exacerbated human poverty expressions is considered to be one of the main priorities of PRSP.

The achievement of the mentioned priorities will be determined by the impact of two main factors: the measures aimed at the increase of the efficiency of the functioning of the corresponding systems and the increase of the state financing rates.

The main goal in the education sector is the improvement of the quality and the accessibility. As a result of the measures to be taken it is planned:

1. by 2015, to reach the number of the expected number of the school years of the 6 years old child to 12.3 versus to the 11.6 in 2003;
2. By 2015, to reach the ratio between the number of the secondary (general) school graduates and the enrolled in the first grade in the associate year to 85 %, versus to the 65% in 2002.

The main objectives in the healthcare system is the improvement of the quality and accessibility of the services delivered, particularly for the poor population. As a result of the measures taken it is planned:

1. To reduce the child mortality rate: to reach the mortality rate indicator per 1000 alive up to the 5 years old children to 10 in 2015 (versus to the 15.9 in 2002), and the mortality rate for the children up to 1 year old to 8.5 (versus to the 13.4 in 2002);
2. To reduce the maternal mortality rate per 100000 alive from the 34.4 in 2001 to 10 in 2015.

The poverty reduction triggers are illustrated in Table 2.4.

**Table 2.4**

**The PRSP human poverty reduction triggers**

Triggers	2001	2003	2006	2009	2012	2015
<b>Education</b>						
The number of the expected years of schooling		11.6	11.8	12.0	12.1	12.3
The number of the secondary (general) school graduates, % against the children enrolled in the first grade in the associate year	63	67	69	77	80	85
The consolidated budget expenditures in the educational sector, % against GDP	2.5	2.4	3.1	3.6	3.8	4.0
<b>Healthcare</b>						
The child mortality rate per 1000 alive	18.8	15.6	14.4	13.0	11.5	10.0
The mortality rate of children at the age of 1-5 per 1000 alive	18.5	17.1	15.0	14.0	13.0	12.0
The maternal mortality rate per 100000 alive	40.8	27.0	22.0	15.5	13.0	10.0
The consolidated budget expenditures in the healthcare sector, % against the GDP	1.3	1.4	1.9	2.1	2.3	2.5

<b>Access to drinking water</b>						
The level of accessibility to the water supply, %						
For the urban population	87	90	93	95	98	98
For the rural population	45	47	49	51	70	70
<b>Average duration of the water supply, hours</b>						
In the cities	8	10	12	14	24	24
In the villages	14	116	18	20	24	24

The first incidence of AIDS in the Republic of Armenia was recorded in 1988, while the first death incidence in HIV was in 1989, a case of a woman infected with HIV was recorded in 1996. In 2001, there were cases recorded with the HIV virus infected and AIDS deaths with children. From 1988 till 2003 June 1, there were 221 HIV virus infected, of which 176 were men and 45 were women. 3 of the infected were children of up to 14 years of age, with most of the HIV infected persons' age ranging between 20-39. At present, the HIV virus is mostly transmitted through the intra-venous(IV) injections of drugs (50.4 %) and the heterosexual routes (39.5% ), while the transmitting route from mother to the child constitutes the 1% of the infections.

**Table 2.5**

**HIV virus recorded cases among the pregnant women**

Year	15-24 years old	Total number
1995	-	1
1996	-	-
1997	-	-
1998	1	1
1999	1	1
2000	-	-
2001	-	-
2002	1	2

The main route of women infected with HIV was the heterosexual intercourse (93.2 %), while the main reason for the infection of men was the intra-venous (IV) use of

the drugs (64.4 %). With 30 of the infected persons AIDS was diagnosed. As of 2003 there were 287 death incidences recorded among the patients suffering from HIV/AIDS.

**Table 2.6**

**The number of the registered children having lost the parents due to the HIV/AIDS**

Year	0-4 years old	5-9 years old	10-14 years old	Total number
2000	-	1	1	2
2001	1	-	2	3
2002	-	5	4	9

From 1997 till 2002, among the HIV infected there were 7 cases of tuberculosis recorded. By the data of the 2000 HIV/AIDS situational analysis, HIV virus incidence among those using intra-venous (IV) drugs was about 14% (within the range of 9-19 %), while among the prostitutes, within the range of 0.5-6%. By the HIV epidemiological survey data in 2003, which was conducted within the scopes of the HIV second-generation epidemiological surveillance, the HIV infected incidences among the intra-venous (IV) drug users ranges between 11-20%, while among the prostitutes it is reaching to 3%. By the same epidemiological surveillance data, HIV virus incidence among the pregnant women is to exceeding 1% (lower than 0.5%).

**Table 2.6**

**HIV/AIDS incidence indicators and the expected outcomes of the planned measures**

Indicators	2001	2008
The death indicator from AIDS (per 100 thousand citizens)	0.13	0.09
The HIV virus incidence among the pregnant women at the age of 15-24 years (%)	<1	<1
HIV incidence rate among the IV drug users	15	<7
HIV incidence rate among the prostitutes (%)	<3	<3

While concluding, let us note, that due to the measures taken, it is planned by the year of 2015, to alleviate the HIV/AIDS incidences in Armenia.

### Executive summary 3

The agri-food sector of the Republic of Armenia plays a key role in the economy of the country. It is suffice to note that its share in the country's GDP, during the recent years has averaged to more than 30 %, of which agriculture is 25 %. By the data of the census conducted in 2001, the number of the rural population amounts to 1.15 million persons, while by the 2003 data, the number of the population that is permanently engaged in agriculture and forestry has amounted to 501 thousand persons (or the 45.1% of the total number of the employed). From the 930 communities of the republic, 871 are rural. Given the role and importance of the agrarian sector both from the perspective of the macroeconomic stabilization of the country, as well as in the food safety context, this sector was always considered and will continue to be considered in the center of attention of the state.

For the purpose of the progressive development of the sector, the RoA Ministry of Agriculture, has drafted in 2003-2004 and the Government of RoA has later adopted in April 2004, the RoA Sustainable Development Strategy for Agriculture. The mentioned strategy defines that, the **main objectives of the development of agriculture are: to contribute to the sustainable development of the agricultural sector of the republic, the increase of the level of food security and the growth of the revenues for the rural population.**

For the achievement of the main goals, as key objectives were chosen the following:

1. The strengthening of the agrarian reforms, the development of the market infrastructures and the improvement of the forms of management;
2. The increase of the level of physical and economic accessibility to food products, ensuring the food security and minimum level of self-sufficiency in staple food products;
3. The introduction of the modern system of agricultural machinery in the plant production sector, efficient implementation of the measures in the seed production, breeding, plant protection and quarantine;
4. The development of the pedigree breeding in the livestock production and the improvement of the veterinary system;
5. The development of the agricultural raw material processing industry, the agricultural services and rural social infrastructures.

In accordance with these objectives the main directions and measures of the strategy are identified.

**The strategy measures are as follows:**

- 1. The future continuation and strengthening of the reforms in the agrarian sector, the development of the market infrastructures and the improvement of the forms of management.**

The solution of the problem includes the improvement of the land relationships, in the area of which the strategy is planning to ensure the full utilization of the agricultural land parcels, particularly the arable lands, the encouragement of the long-term leasing practices of the pastures, the piloting of the land consolidation projects.

To activate the land market, non-agricultural employment practices are contemplated to be promoted in the rural settlements. There will be land ecological conditions improvement projects implemented. It is planned to model the optimum size of the farms by individual Marzes and assist through the introduction the extension system, as well as to implement projects for the nationwide registration system in agriculture for the identification of the category of the land and the land cadastre value.

The above mentioned objective shall include issues related to the development of the agricultural market infrastructures, where it is planned to provide assistance in the creation the buyer-seller marketing structures of the agricultural produce and establishment of the wholesale markets, implementation of the project on the creation the small-scale slaughterhouses to meet the food safety requirements, promotion of the activities of the dairy consumers' cooperatives.

For the purpose of addressing the mentioned objectives, it is planned to reduce the bank interest rates on the sub-loans lent in the sector, and to improve the pledging mechanisms in accord with the specific features of the sector, as well as assist in the formation of the sustainable rural financial structures and leasing institutions.

By the projections of PRSP, it is planned to increase the agricultural lending rates by about 10 times, by reaching the level in 2015 to the 11% of the sector GDP versus to the 2.3% in 2001.

A project on the assessment of the insurance risks in agriculture will also be implemented, which will serve as a precondition for the establishment of the insurance system in agriculture.

This objective also includes the issue of the development of the forms of the agricultural farming practices. In this regard, it is required to streamline, on the regulatory basis, the status of

the individual farms and collective farms, cooperatives, unions, and to set standards, to support marketing, credit, leasing and advisory services in the formation of the cooperatives and unions.

## **2. The improvement of the physical and economic accessibility to the food products and the food safety provision**

It is planned to draft and put into effectiveness the new RoA Food Safety Policy plan, which will be consistent with the PRSP objectives. Also, the assistance in developing the national standards consistent with the international standards and the introduction of the modern system of food quality management will be underscored.

As a most important component of the mentioned objective will be the provision of the minimum self-sufficiency level of the staple food products, whereby, in the latter area, an important emphasis was put on the promotion of the domestic production of the vitally important food products, in particular, that of the bread, vegetable oil, sugar and meat and the formation of the non-declining resource base.

## **3. Development of the plant production sector, introduction of the modern system of agricultural machinery, improvement of the seed production, breeding, plant protection and quarantine systems**

The implementation of the comprehensive measures for the achievement of this objective, according to the projections made, will provide a possibility to reach the cropping areas by 2015 to 446.1 thousand hectares, which will exceed the 2002 level by 45.9%. In the same period, the fodder cropping areas will reach to 185.0, while the perennials to 72.0 thousand hectares. Hence, the 2002 level will be exceeded by respectively 3.2 and 2.0 times.

Positive shifts will also take place within the structure of the plant production sector, where the gross production rates of fruit, grapes, potato, vegetables, feed (fodder) and industrial crops is expected to grow.

## **4. Development of the livestock production sector, improvement of the pedigree breeding and veterinary system**

- Optimization of the sizes of the livestock production commercial institutions and the increase of the share of the larger farms in the gross product. At present, it amounts to 12.2 % of the milk production and 12.6% of the meat production. By 2005, it is planned to reach that indicator to respectively 17 and 19, while in the future years to 32 and 45%.



**In 2004-2006, a project for the identification and registration of the agricultural livestock will be implemented.**

For the purpose of improvement of the veterinary system of the agricultural livestock it is planned to provide assistance in the areas of prevention of the epidemic diseases of animals, the protection of the population from the diseases that are common threat to animals and human beings, and the creation of a stable anti-epidemic situation in the republic.

Also consistent improvements in the legal framework on the veterinary services, the strengthening of the food safety requirements, the sanitary expertise system for livestock products will be undertaken.

**5. As a specific objective in the strategy was considered the development of the infrastructures for the processing of the agricultural raw materials and the services**

The implementation of the strategy assumes a stable and dynamic progress in the agrarian sector of the republic, which will be expressed in the following economic and social outcomes:

- In 2015 the agricultural production rates will exceed the 1990 level by more than 70 %;
- The number of the employed in the agricultural sector will be gaining a decreasing tendency and the increase of the gross product will be ensured exclusively on the account of the increase of the work productivity;
- The level of the consumption of agriculture in 2015 will reach to up to 70%, which will allow to significantly increase the cash flows of the farms and their reproduction capacities;
- Due to the adaptation of the highly productive varieties and the modernization the cultivation technologies, by the end of the projected period, versus to the 2002, the yield of the cereal crops, potato, vegetables will grow respectably by 30.6, 58.0 and 38.0%, while in the case of the fruit and grapes it will respectively increase by 86.4 and 44.9%;
- Due to the development of the pedigree farming, improvement of the feeding rations and the behavior of animals, the lactation capacity per cow will reach to 2500 kgs by the end of 2015;
- The export rates of the food and agricultural raw materials will increase by 4.6 times;
- The level of the food safety of the population of the republic will grow, with the significant increase in the domestically produced staple food security ensured, and with the reduction of the rural poverty.

The Strategy will be revised every two years, considering the situational changes and the monitoring results of the activities undertaken. And, by the end of every year, the measures ensuring the implementation of the Strategy will be reviewed and a report will be furnished on the activities of the respective year.

To ensure the attainability of the program, to conduct the monitoring and to supervise the compliance of the activities, there has been a schedule of actions by 2015, also approved in attachment to the program.

**Environment** The Chapter 10 of the Constitution of the Republic of Armenia is defining the responsibility of the state in the areas of environmental protection and the utilization the natural resources. The general requirements regarding the natural resources are reflected in a number of related laws. For example, the Water Code is governing the state administration and control over the water use, as well as the relationships in the rights and obligations of the consumers, the Forest Code is governing the areas of the forest conservation and management, protection and administration, the law of RoA on Special Protected Areas of Nature outlines the objectives in the creation and management of the special protected areas of nature and etc.

The human rights aspects in terms of the environment protection are not fully complied in Armenia mostly due to the fact that the civil participation in the policy run in the area of the environmental protection is very low and there is a lack of the relevant information.

The works currently underway are mostly targeted at the solution of the following problems:

- Restoration of the ecological balance of Lake Sevan;
- Protection of the natural ecosystem endowed with rich biodiversity, including the protection of the forests and the specially protected areas;
- Efficient use of the water resources, including the water resources management;
- Prevention of land degradation and desertification;
- Protection against the pollution of atmosphere and the depletion of ozone layer;
- Educational programs and public participation in the area of environmental protection.

**Biological and landscape conservation** A matter of concern is the issue of the landscape diversity protection in the Republic of Armenia territory. The diversity of the relief of Armenia and its geographical position have left an impact on the whole nature of the country,

causing climate, topsoil and other variations, which are represented in various geographical sites and vertical landscape zones. The human economic activities, in their turn, have had a significant impact on the landscape, while bringing new qualitative features to it. The forest-covered areas have been decreased; the degradation of the arable lands and pastures has reached to alarming levels. More than half of the area of the country, as well as the 35% of the agricultural lands are subjected to erosion.

The landscape diversity distortion is enhanced by the following factors:

- Urban development activities: the areas that have sophisticated engineering and geological conditions have been utilized (slopes with large inclinations, dispersed relief areas, flood endangered, water logged areas and etc), which has led to the emergence of the distorted (disturbed) sites, which are characterized by strange geodetically intensive processes, such as the landslides;
- Inappropriate use of the agricultural machinery in the agricultural sector, violation of the plough rules, absence or inadequate application of the cropping rotations, as well as inefficient use of the water resources. All of these factors are degrading the lands under cultivation, lowering the land fertility, as well as activating the land erosion processes and the further expansion of the marshlands;
- Overgrazing of the pastures, which is leading to erosion pockets and lands areas impossible to cultivate, decline of the bioproductivity of the grasslands, as well as acceleration of the road erosions and etc.;
- The non regulated exploitation of the forests for the purpose of loggings, grazing, grass mowing and etc, which has led to the strong structural changes in the trees population, active erosion processes distorting the hydrological regime of the forests which has increased the frequent incidences in land slides and floods;
- Utilization of the core of the earth, the open mining of the natural resources has also led to the emergence of the land disturbances and derelict mines, which are polluting the environment and contributing to the emergence of new erosions pockets;
- The land contamination with industrial and domestic waste.

#### **Executive summary 4**

The environmental and economic conditions in the Republic of Armenia provides a possibility to meet the demand formed in the domestic market towards the staple food by almost

70 %. However, it is noteworthy that with regard to a number of food products (sugar, cereals, flour, vegetable oil and animal fat, meat, meat products, dairy) the dependency on the imports is still very high. Let's note that during the recent years, the improvement of the balance between the import-export of the food products is noticeable. If in 1990s, the import of the food products has exceeded their export by 7 times, then in 2003 it was 2.7 times in total (the customs value of the imported food products has amounted to US\$ 223.8 million, while the export - US\$ 81.2 million).

It is well known that to facilitate the mutually beneficent trading between Armenia and other states, especially in the border zone, there are still certain pending problems to be addressed, in particular, connected with the blockade of communication roads. The potential existing in the RoA agrarian sector, allows to increase significantly the export of the food products by 2015, however, let's note, that also the imports will increase, which, is the outcome of the increase of the projected market capacity. In this regard, the accession of Armenia to the World Trade Organization becomes a priority.

In 2002, the bilateral and multilateral negotiations with the WTO member states within the scopes of the membership of the Republic of Armenia to the World Trade Organization came to an end. The bilateral negotiations were run within the scopes of the services, goods and trade, while the multilateral negotiations were conducted within the scopes of compliance of the national commercial and economic legislation with the WTO agreements. In general, the negotiations of Armenia to the accede to WTO have lasted for more than 10 years. On February 2003, Armenia according to the WTO procedure became the full 145<sup>th</sup> member of that reputable institution.

It is noteworthy that one of the main objectives of WTO was the regulation of the international trade through the liberalization of the trade and the elimination of the obstacles to it. The privileges of the membership are mostly determined by the following factors.

- The acceding member states, in principle, have equal rights and duties. No country should discriminate between its commercial partners, since all of them are equally benefiting from the status of the "maximum privileged country." It is binding for the WTO members to apply the same approach towards the similar goods and services in other WTO members.
- Due to the agreements and regulations adopted, the international trade is coordinated, the principles of which shall be the non-discriminatory attitude towards the importers and exporters, the transparency in information exchange and the economic policies run, the

simplification of the trading procedures, as a result of which, the barriers to the trade are reduced, particularly, in terms of the exportation of the food products, and a number of other measures, which are targeted at the mutually beneficent trade facilitation and the solution of the problem of marketing;

- The membership may enhance the attraction of foreign investments, since the economic sector becomes foreseeable, and the investment risks are reduced. The foreign enterprises, the investors and the governments should be confident that the trade barriers, including the tariffs, the non-tariff barriers and other restricting measures may not be increased on discretionary basis;
- The economic framework, due to the reforms in the related legislation and the infrastructures, is harmonized with internationally recognized norms and regulations;
- The country's international reputation increases, since there is the principle of “one state –one vote” applied;
- It will contribute to the efficient commercial dispute resolution between the states and the running of negotiations;
- The competitiveness will be promoted, since the “unfair” measures are eliminated, such as the subsidies to exports and the dumping of the exported goods for the purpose of achieving new market outlets (“dumping” is the artificially reduced prices of the goods).

According to the WTO regulations, the trade relationships between the states, including also in the agricultural sector, may be also carried out on the basis of the bilateral (or multilateral) direct agreements between the member-states.

WTO has a Goods Trading Council in its structure, which, consists of committees on the Market Accessibility, Agriculture, Sanitary and Phyto-Sanitary Measures, Technical Barriers to Trade, Subsidies and Checking and Balance Measures, Anti-Dumping, Customs Evaluation, Rules of Origin, Import Licensing, Trade-Related Investment Measures and Remedies.

The duties assumed by the Republic of Armenia in the agricultural sector entail from such provisions of the Agreement on Agriculture, which are stipulated for the countries in transition.

In connection with the market accessibility Armenia has agreed to set a ceiling of 15 % for the customs duty rate on all the agricultural products, except for several title goods.

With regard to the domestic support and the subsidies of exports in the agricultural sector, the obligations assumed by Armenia may be finalized in the following way:

a) The export subsidy rate is fixed at 0 level, i.e. Armenia will not have any right to pay any subsidy for the exportation of its agricultural products;

b) The gross support level is fixed at 0, which means Armenia will be required to hold the “yellow basket” subsidy rate at the minimum mentioned in the paragraph “c” below;

c) The level of the minimum domestic support connected and non-connected with individual goods, by December 31, 2008, will be 10%, while starting from January 1, 2009, the rate will be 5 %, i.e. from January 1, 2009, Armenia will be required to limit the subsidy rate of the “yellow basket” by 5% of the overall agricultural production of the given year;

d) Starting from January 1, 2009, Armenia will eliminate the VAT exemption applied for the sale of the local agricultural products by the local producers and the sale of the veterinary supplies, which means that starting from 2009, there will be VAT applied to the agricultural producers as well.

Among the WTO membership **advantages one may distinguish** the following:

1. An obvious obstacle for the Armenian producers to be addressed within the scopes of the WTO accession shall be considered the availability of discrimination to the Armenian producers, versus to the other member-states, in matters of transit cargo through Georgia (the transit transporting of Armenian cargo is 50% higher than in the case of Azerbaijan). Such issues are considered to be the key subject of concern in WTO, particularly, since Georgia is also member of WTO, and consequently it is bound to comply with the regulation of this Organization.

2. The important issue here is the fact, that the majority of our neighbors and commercial partners possessing larger markets are not WTO members. Given the specific features of the process of accession to this Organization (the decisions are made based on the mutual agreement) Armenia may use the negotiations to accede those countries to WTO for the protection of the interests of its domestic manufacturers.

3. Of equal importance is the acquisition of access to the USA largest markets and the Council of Europe in line with the rest of the other countries. In this particular case, we may speak of specific products, which before the accession of Armenia to WTO, were subject to discrimination in those countries, especially in terms of the standardization and various regulations and etc. Here, we are referring to specific products of flowers, mineral and spring waters, fish products and etc.

4. It is expected that the WTO accession will ensure the protection of the investors, exporters and intellectual property right, and hence, will directly contribute to the creation of the new industries, the privatization of the existing enterprises, the process of attracting foreign investments and capital resources aimed at the transfer of new technologies.
5. The increase of the attractiveness of the domestic market for the direct competition with the foreign banks will contribute to the expansion of the functions of the banking system through the resources provided by the foreign banks, the increase of the competitiveness of the banking services and hence, the quality improvements.
6. For the purpose of compliance with internationally recognized standards and norms, the adoption of the general regulations on trade and the revision of the laws, will serve as a positive factor for the integration of Armenia into the World economy.

If in the short term perspective the membership of Armenia to WTO will not cause serious problems (given the above mentioned features of the process of accession of Armenia to WTO, as well as the level of liberalization of the Armenian economy), then in the mid-term and long-term perspective, it is possible that there will be a number of problems **emerging**, for the challenge of which additional efforts will be required by the state.

Thus, we find that in the process of post-accession to the WTO (before January 1, 2009) the corresponding authorities (entities) would be required to undertake a comprehensive analysis of the situation that would be entailed from the mid-term and long-term obligations assumed, and to initiate necessary reforms, aimed at ensuring the adequate level of protection of the domestic market and the local producers, as well as the increase of the competitiveness of the food commodities of local production in the domestic and foreign markets.

## **Executive summary 5**

The Republic of Armenia is considered to be a risk-bound zone in terms of agricultural activities. The potential is high in the republic both in terms of the natural (ecological) disasters, as well as industrial (related to the human activities) emergencies. Particularly, preventive measures are undertaken in the agrarian sector in the areas of the livestock epidemics (epizooty) and the widely spread plant infections (epiphytotia). For that purpose, there are relevant services and entities in place and in operation.

In terms of the industrial emergencies a larger risk is representing the Armenian nuclear power plant located 50 km at a distance from Yerevan, and the large chemical industrial complex of “Nairit” in Yerevan. In addition to that, Armenia is located in a seismically active zone, as a result of which the incidence of earthquakes is very high. Besides, based on the natural climate conditions, a number of other calamities, such as draughts, frost, floods, landslides and etc. are typical for Armenia. To govern the rights and duties of the public administration and local self-government bodies, the enterprises (irrespective of their institutional and legal status) as well as the officials and the citizens, in the case of the forecasts and prevention of emergencies, and the elimination of their consequences in the event of their incidence, the RoA National Assembly has, still in 1998, adopted the Law of RoA on the Protection of the Population in Emergency Situations. Later, there were other regulations and legal acts based on the mentioned law adopted to govern the enforcement of the mentioned law, which are almost fully regulating the legislative framework of the subject matter of this executive summary.

To enhance the stable development of the RoA agrarian sector and to enhance the activities of the agricultural farms, an emphasis is put on the introduction of the insurance system. For that purpose, it is planned to allocate 40.0 million drams from the 2004 RoA state budget for the purpose of the implementation of the insurance risk assessment program, which shall serve as an important precondition for the introduction of the insurance system. Let’s note, that the introduction of the insurance system will contribute, in particular, to the lending of the agricultural farms, which, in the end of the day, will enhance the development of the agrarian sector.

Taking into account the need for the yield projections, for the purpose of implementing an equivalent policy in the agrarian sector, there is a permanently operating interministerial commission established in the republic, which during the process of its activities will consider also the draught, water scarcity, frost and other emergency situations.

It is specifically important to mention those areas here (desertification, climate changes), where there are higher risks contemplated for the development of the agrarian sector.

The phenomena of the desertification and the measures against it are quite actual in Armenia, because while being located in the central arid section of the subtropical zone, the whole area of the republic carries specific aridity features of the region. Below, are listed all the negative impacts by types.



**Topsoil degradation** Due to the economic crisis during the recent years the land plots in the republic were absolutely derelict, no measures were implemented in the area of improving the pastures, grasslands, meadows and other lands. The topsoil of the meadow pastures, while overgrazed, has become degraded and has suffered its best features, and it is classified as useless land.

**Secondary salination** Ararat valley is known for the economic, social, and environmental specific features of the land cover of Armenia, where the process of desertification is intensively proceeding accompanied with the natural and secondary salination phenomena. The intensively used lands of Ararat Valley, including also the lands under the homestead cultivation, amount to 81.0 thousand hectares, of which 50.0 thousand hectares are practically desalinated, while 31.0 thousand hectares are characterized by various degrees of salinity. As a cause for the secondary salination in such lands has served the fact that the ground waters are closer to the land surface which is ranging between 1.5-2.5 meters of depth. The significant filtration losses from the reservoirs and the channels, the absence of the state-of-the-art irrigation equipment and technologies and the application of the old techniques, the excessive watering norms and other reasons have led to the artificial abundance of the underground waters. As a reason for the secondary salination has served the non-treated drainage and collector system, the non-functional conditions of the groundwater pressure and discharge pumping stations.

Due to the energy crises in the recent years the ameliorative conditions of the irrigated lands have deteriorated. There are no agro-technical measures applied, the vineyards and the apricot gardens have been destroyed. The best lands in Ararat Valley have mostly been put under the cereal cultivation, which, in turn, has considerably affected the physical properties of the soil, reducing the soil fertility.

**Land disturbances** One of the factors that have contributed to the desertification in Armenia is the land disturbances due to the open ground mining of the mineral resources. The disturbed lands are allocated in the 281 communities of the 11 Marzes of the republic. By the inventory records, during the period of 1978-1998, there were 640 sites of disturbed lands discovered in the territory of the republic, with the total space of 7530.0 hectares, of which 3780.0 hectares, before the disturbances were agricultural lands parcels. The rehabilitation of these sites has become a critical issue, since 1 hectare of such disturbed area pollutes in average more than 10 hectares of land area. 4493.0 hectares of the total surface of those disturbed lands is under utilization. On the remaining 3037.0 hectares, the mining of the mineral and non-

mineral resources is over now. These lands are subject to re-cultivation (rehabilitation) for the purpose of their future use in agriculture, forestry, water, and fish production and construction sectors.

**Land contamination** One of the most important factors that contribute to the desertification of the lands in Armenia is the land contamination, a source for which may be considered almost all the sectors of economic activity. The relatively effective source for the land contamination is the mountain metallurgy and mountain mining industries, which pollute the lands with heavy metals (Cu, Hg, Pb, Mo, Ni, Cd and etc) and cyanic combinations. The area with the 3 km of radius around the copper and molybdenum plant based in Alaverdi only is significantly contaminated with heavy metals the contents of which is 20-40 times exceeding the allowed limit of concentration. Relatively higher are the copper (32,3 times) and lead (16,0 times) concentrations in the soil. The total area under the disposal of the mountain and mining industries amounts to about 9700 hectares, out of which 8275 hectares are lands with disturbances and 1400 hectares under the embankments.

**Grassland degradation** The qualitative indicators of the natural grasslands of Armenia are considered to be important criteria characterizing the desertification processes. The natural grasslands of the Republic cover 1062.7 thousand hectares of land area, and are distributed in vertical zoning. The pure grasslands amount to 225.3 thousand hectares or 21% of the total area, the stone-covered ones are 759.8 thousand hectares or 71%, the clod covered -161.2 thousand hectares or 15%, bush covered -173.5 thousand hectares or 16%, the land covered with the prevalence of the hazardous and poorly digestible plants is 861.6 thousand hectares or 81%, the rubbed soils are 369.5 thousand hectares or 35%, the top soil degraded lands amount to 388.4 thousand hectares or 36%, the water logged area is 6.3 thousand hectares or 0.6%.

**Landslides** The Republic of Armenia territory is characterized by the extremely intensive land sliding processes and they're widely spread nature. This is determined by the large inclinations of the slopes, the sophisticated geo-morphological, geological features, which are further exacerbated by the intensive and frequently careless activities of human beings. The landsliding phenomenon in the Republic of Armenia territory covers about 0.5 thousand km<sup>2</sup> surface (about 2% of the total area of republic). They are particularly developing in the middle altitude mountain zone. The landslides and the collapses are spread in about 125 settlements of the republic, in the sites of a number of historical and cultural monuments. By the assessments of the Department for Emergency Situations the average annul damage caused to the social-

economic entities of the Republic by only the single phenomenon of landslides amounts to about US\$30 million.

**Floods** The floods are the relatively vivid expression of the water erosions and are considered one of the strongest factors contributing to the land desertification in the territory of Armenia. The water erosion of the land starts during the heavy rains and ends in constituting floods, which by their surface runoffs are contaminating the rivers, are jamming the riverbeds and cover the river embankments of the valleys. The damage caused by the erosion floods to the social-economic system amounts to annually US\$ 3-3.2 million. The unreasonable utilization of the lands, the overgrazing by the animals and the deforestation have accelerated the process of the erosions and flood phenomena, especially during the recent twenty years. Due to the inadequacy of the engineering-protective structures and the irrelevant application of other measures, the depreciation of the existing equipment and their low reliability, a great damage is caused to the agriculture as a result of the washing of the lands, incidence of gorges, the floodwater logging of the lands.

As for the potential negative impacts caused by the climate changes, in this area as well, there are corresponding comprehensive programs developed and in application, which are mostly implemented by the state non-commercial organizations of the “Armenian State Hydro-Meteorological and Monitoring Service” covering issues on the study of the comprehensive changes in the weather-climate conditions, other hydro and meteorology and helio-geophysical phenomena, as well as protection measures of the RoA economy and the population from the natural and industrial emergencies, including the hazardous hydro-meteorological conditions.

## **Executive summary 6**

Within the scopes of the Poverty Reduction Strategy Program adopted in the Republic of Armenia, as a priority objective, is viewed the future development of the education sector, from the perspective of the increase of the quality and efficiency of the services delivered in the sector. An equally accessible and quality general education is considered as a key precondition for the improvement of the level of education and literacy in society, provision of the basic knowledge required for the entry into the labor market and the life-long education.

By addressing the problems of the increase of the quality of the basic general education, the state is creating sufficient grounds for the growth of the enrollment rates at the high school and the vocational institutions, especially for the children of the vulnerable families.

Within the scopes of the above-mentioned program the secondary vocational and university education sectors are included in the second tier of priority objectives. However, the main policy objectives in these areas are to ensure the compliance with the market economy, quality increase and the compatibility with international standards, accompanied by the increase of accessibility and equitability.

In the area of the higher/university/ education, the government particularly underscores the addressing of the principles of equitability and targeting in the coming years, with the creation of the relevant conditions or the increase of the enrollment rates of the young people that wish and are capable to get university education. As an alternative approach to the solution of the problem is viewed the development and the introduction of the students' credit system, with the consideration of the indicators of the levels of the student performance and well being as priority criteria to award the credits. Although in the first years of the program in the university education the opportunities for the redistribution between the sectors are quite limited, however, there might be resources allocated for the functioning of the credit system within the corresponding, for example, it can be done through the waiving of the system of the scholarships pursuant to the acting Law of RoA, which is inefficient and is in essence a non targeted approach.

The state is also going to pay a special attention to the additional education and training programs, with the purpose of the mitigating the gap currently existing between the labor force opportunities (supply) and the labor market requirements.

The objectives set shall be met through the increase of the allocations targeted at the educational sector from the state budget and the increase of the efficiency in the system.

The increases of the state financing for the educational sector and the improvement of the situation during the whole period will be viewed as a priority objective. During the period of 2004-2015 the expenditures from the consolidated budget to the educational sector in nominal terms, in average, will annually increase by 13.5 %. Here, the growth rates in the first five years of the program period (2004-2008) will exceed the planned average indicator by about 4.5 % percentage points, while in 2009-2015 they will get stabilized within the range of 10 % annually, in average (Table 6.1).

**Table 6.1****Program Indicators of the Consolidated Budget Expenditures in Education**

Indicators	2004	2005	2006	2009	2012	2015
Total, billion drams	42.8	52.0	59.0	58.7	118.8	158.7
of which, current expenses, % against the total	92.2	91.8	92.2	92.0	92.0	92.0
Capital expenses, % against the total	7.8	8.2	7.8	8.0	8.0	8.0
% against the GDP	2.7	3.0	3.1	3.6	3.8	4.0
Against the consolidated budget expenditures, %	11.0	12.3	12.8	14.4	14.9	15.7
% Change against the previous year	21.6	21.4	13.6	10.8	10.2	10.1
<b>Reference Items</b>						
State budget expenditures in education, billion drams	39.4	47.4	54.8	83.5	112.1	150.1
Against GDP, %	2.4	2.7	2.9	3.4	3.6	3.8
Against the state budget expenditures, %	12.0	13.4	14.1	16.2	16.7	17.6

The public expenditures in education sector, compared with the total expenditures of the consolidated budget will increase in progressive rates. This will lead to the reallocations between the sectors in the structure of the budget expenses to the benefit of the education sector. It is planned, to reach the expenditures, targeted at the education sector, in the structure of the consolidated budget expenses to about 13 % in 2006, to 14.5 % in 2009, and to about 16 %- by the end of the program term. At the same time, the reallocations between the sectors will be more significant within the scopes of the state budget, to the benefit of the education sector.

Such a scenario of the developments shall assume significant changes also in the process of the ratio between the public expenditures and GDP in education. In 2015, versus to 2003, the public expenditures in education will increase against GDP by 1.6 % points, ensuring in 2015 the trigger of 4% against GDP. At the same time, it is planned, that the expenses for the education sector in 2006 will amount to 3.1 % of GDP; while in 2009 it will be 3.6 % of GDP.

During the first years of the program period, the excessive resources of the public expenditures to the education sector will almost totally be targeted at the general education. The share of the expenses for the 2006 general education, in the structure of the public expenditures for education, compared with 2003, will increase by about 8 % points, amounting to 73.5 %. Starting from 2009, the growth of the expenses targeted at the vocational education will exceed

the corresponding indicator of the expenses for the general education by about 2 %. As a result, the share of the expenses for the general education in the structure of the expenses for education shall get stabilized within the range of 72 %, while the share of the expenses targeted at the vocational education programs, gradually increasing will reach to 15 % in 2015 (Table 6.2).

**Table 6.2**

**Structure of Public Expenditures in Education within the Same Sector**

(%)

Indicators	2004Ä.	2005Ä.	2006Ä.	2009Ä.	2012Ä.	2015Ä.
Total	100.0	100.0	100.0	100.0	100.0	100.0
Of which						
Primary core and secondary general education	70.5	72.2	73.5	72.8	72.2	71.5
Vocational education programs	13.8	12.0	11.1	12.4	13.6	14.5

The planned growth in the public expenditures for the general education, will lead to the significant increase of the expenses made per student. In the event of the scenario of developments proposed, in 2006 the expenses per student versus to the corresponding 2003 indicator will double, and in 2009 will exceed the latter 4 times. However, it is necessary to note that such difference in expenses per student is partly conditioned by also the changes projected in the demographical structure of the population. According to the assessments, as a result of these changes, despite the improvement of the indicators in the enrollment rates, the number of the students included in the general education sector in 2015 versus to the corresponding indicator in 2003, will be reduced by about 25 %.

The other strategically important sector is agriculture. The main factor for the increase of the food security level in 2003-2015 will continue to be considered the growth of the agricultural production. According to the PRSP macroeconomic projections, the average annual growth of the VAT in agriculture will be 2.2 %, providing for 33.1 % of aggregate growth. The key indicators of the agricultural development are presented in Table 6.3.

As seen from Table 6.3, in the projected period, the growth of agriculture will take place mostly at the expense of the work productivity. In 2003-2015, it is planned to increase the productivity by about 29 % (in average annual terms 2 %). In the meantime, the number of the

employed will not change significantly, and will annually increase by about 0.22 %. In 2015 the agricultural production volume will exceed the level of 1990 by about 40 %. Also the level of the agricultural consumption will grow significantly, by reaching from the current level of 40 % in 2015 to up to 70 %. This will allow to radically increase the financial resources possessed by the agricultural sector and to bring the majority of the agricultural farms beyond the level of the subsistence level.

To ensure the mentioned growth, it would be necessary to make essential changes in the financing mechanisms of the agricultural sector, particularly, to ensure a sharp increase in the lending rates. Under the PRSP projections, it is planned to increase the level of the agricultural lending by about 10 times, reaching to 11% of the sector GDP in 2015, versus to the 2001 level of 2.3 %.

The program is also planning to acquire an annual 3% growth in the average price index of the agricultural products, which must be ensured on the account of the expansion the domestic market of the agricultural products, as well as the export of the agricultural products and food, the growth rates of which are projected at the average amount of 10% annually.

**Table 6.3**

**Projections of the key indicators of the agricultural development**

Indicators	2004	2005	2006	2009	2012	2015
<b>GDP and prices</b>						
Value added in agriculture, % change against the previous year	2.8	1.6	2.5	2.5	2.0	2.0
Value added in agriculture in billion drams	348.9	365.1	385.4	453.6	525.9	609.9
% Against GDP (in 2000 comparable prices)	22.5	21.6	21.0	19.3	17.8	16.4
Price index of the agricultural products, % change against the previous year	3.0	3.0	3.0	3.0	3.0	3.0
<b>Employment and productivity</b>						
The number of employed, % change against the previous year	0.3	0.2	0.3	0.2	0.2	0.2
The work productivity, % change against the previous year	2.5	1.4	2.2	2.2	1.8	1.8

The work productivity in the general economy against the productivity, %	51	50	49	47	45	43
<b>Other indicators</b>						
The lending of agriculture in billion drams	11.9	13.9	16.5	27.5	45.2	67.1
% Against the value added of agriculture (GDP)	3.4	3.8	4.3	6.1	8.6	11.0
The consumption of the agricultural production, %	46.5	48.0	51.0	57.0	63.0	70.0

To ensure the major poverty and inequality reduction of the rural population, the stable growth in agriculture in the projected PRSP period, it is necessary to undertake a number of important measures, which shall be targeted at:

- The essential increase of the production efficiency and the growth of the farm revenues, particularly, addressing the problems connected with the irrigation and water use, land use, soil fertility, production consumption, and growth of production volumes;
- The creation and development of the markets and outlets for the sale of the products;
- The financing of the agricultural activities and the development of the insurance structures;
- The expansion of the opportunities to get engaged in agricultural activities.

One of the main reasons of the current inefficiency of the agricultural farms, as has already been mentioned, is the small sizes of the resources and production, as well as the disintegrated nature of the land plots, which, in particular, complicates also the collective use of the infrastructures. Thus, the consolidation of the farms shall be considered as one of the main preconditions for the increase of efficiency. In this regard, in 2004-2005 the creation of all the necessary prerequisites necessary for the establishment of the land market will be completed, in particular, the necessary mechanism for the identification of the market price and alienation of the land will be introduced, the land as collateral will start to be widely used, which is necessary also for the essential increase of the bank lending to agriculture. Based on the scarcity of the land resources, also the size limits of the farms will be determined, differentiated by mazes. For the purpose of the engagement in the economic turnover of the unused land plots, there will be inventory registration of the arable lands and perennials implemented, and legislative and other mechanisms preventing the non-targeted use of the land will be implemented.



The share of the irrigated agriculture is more than 70% in the gross plant production. The irrigation and water supply issues are considered in greatest detail in the sub-section on Development of infrastructures of PRSP. Here we need to mention, that it is planned to implement in 2004-2005, the inventory of the use of the water resources available in the republic and to identify the irrigation norms and the water volumes used for irrigation purposes in agriculture. Improvements will be made in the management structure of the system, including, measures will be taken to increase the efficiency of the activities of the water users associations. Through the state investment projects, the technical conditions of the networks will be improved and the water losses will significantly be reduced in the networks of the total utilization. The pumping irrigation system will gradually be replaced by gravity systems, and modern irrigation technologies will be introduced.

One of the main causes of the rural poverty and inequality is the insufficiency of the revenues received from the sale of the agricultural products. For the propose of the reliable and efficient communication with the main outlets for the sale of the agricultural products and the increase in the mobility of the rural population, an extensive road construction project is expected to be implemented. The other issue is the encouragement of the creation and operation of the sale and processing entities of the agricultural products. As the international experience evidences, such structures are established in the form of farm cooperatives or unions. In this regard, in 2004-2005, there will be a list of measures for the creation of such structures and encouragement of their activities, as well as the financing be developed and introduced.

In 2004, there is 6.03 billion drams of allocations planned for the development of agriculture through the RoA state budget, of which particularly, 445.0 million drams is planned for the land improvement activities, 272.7 million drams for the plant protection, 1.06 billion drams for the veterinary and epidemic surveillance measures, 188.66 million drams for the maintenance, rehabilitation, development of the forestry sector, 224.96 million drams for a number of projects to implemented in the pedigree breeding and seed production, and 169.92 million drams for the development of the agrarian education system. Also, it is noteworthy, that from the credit funds of the International Fund for Agricultural Development (IFAD) (2.7 billion drams) is planned to be spend on the implementation of the Agricultural Services Project, while the World Bank credit funds (715.36 million drams) in the current year will finance the future continuation of the Agricultural Reform Support Project activities.

## **Executive summary 7**

In the post World Food Summit period, there were certain positive shifts in the Republic recorded in the areas of poverty reduction, increase of the food security level of the population, creation of the sovereign and social state, the protection of the human and citizens rights and, in a number of other areas.

In the past period, a special emphasis was put on, also, the human development related problems, in particular, access to education, healthcare services, culture and a number of other areas. This Executive Summary does not detail the activities that are undertaken in the areas of addressing the above mentioned problems, because they are illustrated in much details in Annex 2, as well as in the texts of the Executive Summaries NN 1-6.

In addition to that, we consider it necessary to note that in WFS post period, there were a number comprehensive programs drafted and put into effectiveness, which are targeted at the implementation of the Summit recommendations, of which we may single out the following:

- The development of the first and second periodic Reports to be presented to the UN General Secretary within the scopes of the Convention on the Social, Economic and Cultural Issues. The preparation of these reports has started in 2003, and at present, it is in the finalization stage. The preparation of these reports is coordinated by the RoA Ministry of Foreign Affairs, with the involvement of the RoA stakeholder Ministries and Agencies;
- By the assistance of the UNDP, in 2003-2004, the Comprehensive Analysis of the Situation in Armenia (CCA) was prepared, on the basis of which, an action plan was developed and presented to UN (UNDAF) for the period of 2004-2009. The preparation activities of this project was also participated by the representatives of the RoA stakeholder ministries, agencies, as well as NGOs;
- In 2003-2004, again under the assistance of UNDP, a Millennium Development Challenges program was prepared, whereby the main indicators expected by 2015, in particular, are projected in the following areas:
  - Poverty and hunger alleviation;
  - General primary education;
  - Support in the gender equality and improvement of the women's rights;

- Child mortality rate decrease;
- Improvement of the maternal health conditions;
- Campaign against the HIV/AIDS, malaria and other diseases;
- Environmental protection;
- Establishment of the global partnerships for development.

Besides, in the reporting period, the RoA Government has adopted the “RoA Anticorruption Strategy and Action Plan” (2003), “RoA Sustainable Development Strategy for Agriculture” (2004), as well as a number of other projects, connected with the small and medium enterprise development, the environmental protection, the safety of the food products for the health of the consumers and etc.

The implementation the mentioned projects, will indeed contribute to the improvement of the food security of the country’s population, as is stipulated in the World Food Summit Action Plan (WFS).

## **Annex II. The food safety priorities and the implementation of the World Food Summit program**

The food safety (security) problem in the Republic of Armenia, together with the national security and human rights protection objectives, has always been and continues to remain in the focal point of the economic policy.

As a basis for the evaluation of the poverty level of the Armenian population has served the two absolute poverty lines: the food and the general poverty lines. Both of the poverty lines, in fact, are calculated on the basis of the expenses made by the households for the procurement of the food.

Thus, the food line is calculated based on the actual expenses made on the food products included in the minimum food basket, and the general poverty line is measured against the food line, with the use of the 1,63 coefficient. In addition, the energy value of the daily ration of the food basket is accepted at 2100 kilocalories (Kcal). However, let’s note, that based on the natural and climate conditions of the Republic of Armenia, the national and a number of other features, the RoA Ministry of Health is proposing to have such composition and structure of the food basket, the energy value of which amounts to 2412 Kcal /daily.

As of 1996, the poverty food line was 6,61 thousand drams, while the general poverty line was 10.78 thousand drams (respectively US\$ 16 and 26). In 1998, and in 2002, the same data have amounted to 7.52 thousand drams and 12.6 thousand drams respectively (US\$ 13.1 and US\$ 21.4). Let's note that the average revenues per capita in that period have increased in a progressive manner, as a result of which, during the recent years, there has been a stable tendency in the poverty reduction observed in Armenia. However, let' note that the Ginny coefficient that is specifying the fair distribution of the revenues, regardless of its gradual reduction, continues to stay rather high. Below, the changes in the main poverty indicators during 1996-2003 (Table 1) are illustrated:

**Table 1**

**The key poverty indicators**

**(In percents)**

Indicators	1996	1999	2001	2002
Poor population	54.73	55.05	50.9	49.7
Extremely poor population	27.67	22.91	16.0	13.1
Depth of poverty	21.5	19.0	15.1	13.5
Poverty exacerbation	11.1	9.0	6.1	5.2
Ginny coefficient per capita income	0.653	0.593	0.535	0.449
Ginny coefficient per capita expenditures	0.444	0.372	0.344	0.325

\* The 2003 data are not finalized yet.

The main categories of the poor in Armenia are as follows:

- The members of the large families, particularly the families with many children;
- The unemployed and the employees with low salaries;
- The earthquake affected people, as well as the forcefully displaced people (refugees);
- Single pensioners;
- Single disabled.

In addition to the above mentioned, of relatively vulnerable categories, the regularities of poverty expressions are recorded also by the place of the residence and by gender. Thus, the share of the poor, particularly the extremely poor, is higher in Spitak, in the 1988 earthquake zone, borderline areas and the in the communities located in the high altitude zones. The gender-

based difference of poverty is more noticeable among the single women with many children, causing a special risk to the teenagers of that family.

While describing the poverty in Armenia, one should note that as different from the developing countries, the poverty in Armenia is mostly expressed with the food security, similar to the other transitional economies (from the administrative and command system to a free market economy). Hence, still in 1999, the RoA Food Security Policy Paper was drafted and put into effectiveness in Armenia. The measures of the planned program were stipulated for the short-term (1999-2000) and medium term (2001-2003) periods. At present, while acknowledging the critical importance of the matter, the RoA Government Action Plan for 2004 is planning to draft an identical new program. The drafting of this program will be participated by all the stakeholder ministries and agencies of the republic and, within the scopes of that program, it is planned to develop a schedule of measures with the long-term perspective till 2015. It is also worthy to note, that in order to govern the interrelationships in the country's food security sector, the RoA National Assembly in 2002 adopted the Law of the RoA on the Food Security, the provisions of which, are particularly stipulating such actions that are tailored at the prevention the food crises, and the mitigation of the consequences in the case of emergencies.

In the list of the most important measures targeted at the increase of the food security level, one may be also emphasize the PRSP, which was adopted by the RoA Government in 2003. That will serve as a guide of the country's economic development (by 2015) for the coming years.

As we noted, the conditions of the poverty reduction in the Republic of Armenia, with some reservations, is directly determined by the food security level of the population, and to increase the latter, it will be necessary to ensure the physical and economic accessibility to the vitally important food products for the population through stable economic growth.

Let's note that under PRSP, the number of the poor population is planned to reduce to 41 % in 2005, to 29.1 % in 2010, and to 19.7 % by 2015. In the same period, the number of the extremely poor in 2005 will amount to 14.2 %, in 2010 to 10.6 %, and in 2015 to 4.1 %. As far as the internationally accepted criteria for the poverty measurement is concerned, i.e. the number of those people, whose live at lesser than US\$ 1-2 or US\$ 4 daily, in 2005 the figures are correspondingly amounting to 13.8, 35.9 and 68.3 % of the total number of the population, in 2010 - 4.0, 20.5 and 42.1 %, and in 2015 - 2.7, 6.8 and 27.6% (against the 29.4, 58.6 and 81.5% in 2001).

In addition, let's note that the poverty threshold in Armenia is proposed by the World Bank to be estimated at US\$ 2-4 equivalent drams daily per person. It is also noteworthy, that the purchasing power coefficient of US\$ in Armenia (PPP) during the period of 2001-2015, by estimates, will remain unchanged and will correspond to the US\$ 3.38 in USA.

Thus, the threshold adopted in the World Food Summit held in 2003 in Rome, i.e. the double reduction of the number of the people with malnutrition by 2015, is not only attainable but also, according to the projections, in the event of the GDP increase (annually, average 6.5 %) that indicator will significantly exceed.

In the area of the food security, as a critically vital measure may also be noted the recently adopted by the RoA Government "RoA Sustainable Development Strategy for Agriculture", the main implementation objective of which is to ensure the increase of the food security level of the population, and the increase of the rural incomes.

While summarizing, we consider it noteworthy to state that the World Food Summit, similar to the ones usually held in the previous years, is bringing positive impulses to the world, helping to develop and implement practical measures to address that critical problem.

### **Annex III. Recommendations on each of the actions initiated and the meetings**

In Annex 2, the general level of the poverty was considered, which in Armenia is directly determined by the food security of the population.

However, it is well known that the human poverty also has other expressions, which in particular, besides the human rights to fully receive food, is also entailed from other human rights (the right to get education, to access healthcare services, to access reliable information, adequate housing conditions and etc.). We consider it noteworthy, that from the human poverty perspective, that indicator in Armenia is significantly lower, than the above-mentioned material poverty, and the human development in the republic is comparable with economically more developed and rich countries. In this respect, the maintaining of the human development potential and its development is considered to be one of the domestic policy priorities. To achieve that goal, first of all, it is necessary to ensure stable economic growth. In this regard, it is noteworthy, that in 1994-2003, the average annual growth of GDP has amounted to about 7 %, while in 2002 it was 12.9 % and in 2003 it reached to 13.9 %. In the event of ensuring such growth rates in 2004, the country's GDP in 2005 will exceed the level of 1990.

As in most of the CIS countries and East-European transitional states, the budget of Armenia, is to some extent dependent on the foreign financial resources (external credits, official transfers and etc). Regardless of the fact, that this dependency will continue till the target year of 2015, however, by the projections, their sharp decrease trends are obvious. Given the fact that the RoA budget deficit is overwhelmingly financed through the borrowings, its level and structure are closely interrelated with those indicators, which are characterizing the domestic and foreign debts of the country. According to the projections made within the frames of the Millennium Development Goals, the share of the foreign financing in the GDP of the country will amount to to 4.5 %, then gradually decreasing to 3.4 % in 2008, and to 2.6 % in 2012, with the total of 2.0 % in 2015.

**Table 3.1** illustrates the projections of the main macroeconomic indicators for the years of 2004-2009.

**Table 3.1**

**The projections of the main macroeconomic indicators for  
2004-2015.**

(GDP %, unless otherwise mentioned)

<b>Indicators</b>	2004	2005	2006	2009	2012	2015
<b><u>National revenues and prices</u></b>						
Real GDP, % change compared with the previous year	6,0	6,0	6,0	5,5	5,0	5,0
Gross domestic product, billion drams	1609,4	1757,1	1918,4	2485,0	3143,4	3976,3
Gross domestic product, US\$ million	2731,1	2967,0	3223,3	4113,1	5125,7	6387,6
GDP per capital, US\$	904	980	1061	1338	1640	1999
ΔP/AE (average), % change compared with the previous year	3,0	3,0	3,0	3,0	3,0	3,0
<b><u>Investments and savings</u></b>						
Investments	20,6	20,4	20,8	21,9	22,7	24,3
Consolidated budget	5,4	4,5	4,4	4,3	4,1	4,0
Other	15,2	15,9	16,4	17,7	18,6	20,3
National savings	14,8	14,9	15,5	17,3	18,5	20,0
Other	13,1	13,6	13,9	15,2	16,3	17,6
<b><u>Fiscal sector</u></b>						
<b>National Budget</b>						
Total revenues and grants	17,8	18,1	18,2	18,7	19,4	19,9
Of which tax revenues	15,3	15,7	16,2	17,3	18,1	18,7
Grants	2,1	1,9	1,7	1,0	0,8	0,7
Total expenditures	20,4	20,3	20,2	20,8	21,4	21,4
Current expenditures	14,7	15,5	15,4	16,1	16,9	17,2

Capital expenditures	5,3	4,3	4,3	4,2	4,0	3,9
Of which through the grants	1,5	1,4	1,2	0,6	0,5	0,4
Balance (on accrual principle)	-2,6	-2,2	-2,0	-2,0	-1,9	-1,6
<b>External sector</b>						
Export	30,7	31,0	31,2	31,9	33,2	34,6
Import	46,0	45,6	45,3	44,1	43,2	43,1
Current account	-5,8	-5,5	-5,2	-4,6	-4,3	-4,3

\* Is stated within the scopes of PRSP, taking as a basis the number of the existing population.

<sup>2</sup>The achievement of the projected indicators is realistic in the event of the stability in internal and external political situation.



## FOOD SECURITY AND RELATED INDICATORS

INDICATORS	1996	1997	1998	1999	2000	2001	2002	2003
<b>1. Food security indicators</b>								
• <b>Availability</b>								
Average per person dietary energy supply (kcal)	-	-	-	-	-	2304	2272	...
Food production index								
Food self-sufficiency ratio	-	-	-	-	-	53.9	55.3	...
Cereal supply per person (kg)	-	-	-	-	-	151.9	151.2	...
Animal protein supply per person								
Value of food imports/export earnings								
Debt service ratio	-	5.0	12.7	7.0	5.6	5.8	6.6	...
Value of gross investment in agriculture (in USD)								
• <b>Stability</b>								
Food price index	114.9	108.4	106.2	94.4	94.1	104.7	102.2	106.9
Index of variability of food production								
Ratio of national food serves to domestic food consumption								
Export earnings instability								
• <b>Access</b>								
Rate of growth in real GDP per person/per year (%)	126.1	121.3	118.5	103.2	104.4	114.4	114.1	119.2
Gini index of income distribution	0.653	-	-	0.570	-	0.528	0.449	...
Percentage of population living below national poverty line (%)	54.7	-	-	55.05	-	50.9	49.7	...
Percentage of population living on less than \$1 a day (%)	-	-	-	7.54	-	3.4	2.1	...
Percentage of income spent on food (%)	51.5	-	-	64.5	-	65.5	67.4	67.1
Consumer price index	118.7	114.0	108.7	100.6	99.2	103.1	101.1	104.7
Estimated number of undernourished people								
Percentage of population undernourished (%)								
Percentage of children under 5 that are underweight (%)	-	-	-	-	2.6	-	-	-
Percentage of children under 5 that are stunted (%)	-	-	-	-	13.0	-	-	-
Percentage of children under 5 that are wasted (%)	-	-	-	-	2.0	-	-	-
<b>2. Social indicators</b>								
Life expectancy at birth (age)	72.9	73.9	74.7	73.2	73.4	73.5	73.1	...

Under-5 mortality rate (from 1000 alive)	19.5	19.5	18.4	19.3	19.9	18.8	17.0	13.2
Net school enrolment in primary education of children aged 5-12 (%)	85.7	86.3	85.7	81.7	88.8	96.7	95.4	...
Ratio of girls to boys in primary education	0.972	0.965	0.946	0.942	0.946	0.953	0.942	...
Adult literacy rate	-	-	-	-	-	99.4	-	-
Total number of doctors, nurses and other health personnel per 100 000 people	1115.7	1043.9	1023.2	980.5	918.0	995.6	957.8	...
Infant mortality rate (from 1000 alive)	15.5	15.4	14.7	15.4	15.6	15.4	14.0	11.5
Maternal mortality rate (from 1000 alive)	20.8	38.7	22.9	32.9	52.5	21.8	9.3	19.7
Adult morbidity rate (%)								
Adult male mortality rate (from 1000 people)	10.57	9.96	9.39	9.48	9.27	10.57	12.2	...
Adult female mortality rate (from 1000 people)	8.44	8.09	7.87	8.20	8.11	8.44	10.14	...
<b>3. Infectious diseases and HIV/AIDS indicators</b>								
Death rate from infectious diseases (%)	1.3	1.5	1.3	1.3	1.2	1.0	1.0	0.9
Death rate from HIV/AIDS (%)	0.0	-	-	0.0	-	-	0.0	...
Number of population orphaned	-	-	-	-	-	163	78	215
Percentage of child-headed households (%)								
Average age of household head (age)								
Number of HIV/AIDS infections	30	42	8	43	15	33	42	41
<b>4. Economic and Trade</b>								
Proportion of total imports by value, excluding arms, from developing countries and from LDCs admitted free of duties								
Average tariffs imposed on agricultural products and textiles and clothing from developing countries								
Agricultural support estimate as percentage of GDP								
Proportion of ODA provided to help build trade capacity								
Share of primary exports (value) of total exports earnings	-	-	-	7.32	9.61	14.68	11.41	...
Share of manufactured exports	-	-	-	51.84	48.34	52.26	42.17	...

(value) of total exports earnings								
Terms of trade								
External agricultural income terms of trade								
<b>5. Sustainability of natural resources</b>								
Proportion of land area under forest cover (%)	-	-	-	-	10.8	10.9	11.1	12.0
Proportion of area protected to maintain biological diversity (%)	-	-	-	-	10.4	10.1	10.1	10.1