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**Statement by H.E. Mr. Armen Baibourtian  
Deputy Minister of Foreign Affairs of the Republic of Armenia  
at the 14<sup>th</sup> Session of the Commission on Sustainable Development  
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Mr. Chairman/Madam Chair,  
Distinguished Delegates,

Economic development in a context of sustainable development is being viewed under an optional correlation of economic, human and natural resources potential. In the recent past, long-term plans of social and economic development reflected this idea, but nowadays with the spread of globalization these proportions are quite often breached. And that is quite natural.

Being a country in transition with developing economy and landlocked at the same time, Armenia appeared among countries with a certain vulnerability risk. In this situation, the utmost priorities for the country became economic stabilization and social issues, such as poverty reduction, sustainable employment, food security and so on. In this context the measures taken by my government had to be target-oriented while addressing economic, social and environmental concerns.

As in many countries the issue of poverty reduction is an urgent priority on the agenda of the Government of Armenia, which is encouraged and supported by the international community. The full Poverty Reduction Strategy Paper process in Armenia began in 2000 and the international participation has been significant both in financial and technical terms. At the same time it is consistent with the overall country development scenarios aimed at economic growth conducive to poverty reduction, human development and public administration reform. Qualitatively the long-term development goal can be described as a transition from the category of low-income countries to the category of high-income countries to be accomplished in a possible short period of time. In a quantitative measurement it is destined to provide stable economic growth rates in a long-term perspective as the base for improving the quality of life, reduction of poverty and social development.

Other systematic economic or social goals, such as poverty and inequality reduction, development of social sphere, income regulation policy, etc. should be subordinated to the goal of maximizing the long-term economic growth rates, which means that policy changes are welcome here by taking into account their possible influence on the economic development. But at the same time they should not lead to changes in the already formed basis of the economic system in Armenia – open economy, liberalized systems of financial and trade regulations, absence of centralized regulation of prices, low inflation and macroeconomic stability policy. Besides, the experience of developing, and particularly of a country in transition shows, that the prevalence of the private sector, favorable macroeconomic and liberal legislative environment are necessary, but not sufficient preconditions of economic growth. Integration, together with investment growth,

acquisition of knowledge and technologies will lead to the decrease in the level of corruption, improvement of public and corporate governance and business environment. The higher is the level of integration, the more benefits a country can gain through integration into such structures.

Mr. Chairman,

Let me now briefly present the economic situation and energy sector as one of the basic pillars for sustainable development of our society.

The production of Gross Domestic Product (GDP) in 2005 ensured the growth by 11.6 per cent in comparison with 2004 with certain shifts in the structure of GDP. Thus, there was an increase of the specific weight of the construction (from 10.7 to 21.6% and the specific weight of the agriculture decreased essentially by 6.2 %. So the task is now to create favorable conditions for the development of the real sector, especially for development of industry and increase in investment volume into these spheres. In 2005 the specific weight of the main basic branches of goods production in GDP structure such as the industry, agriculture and construction increased by 1.9 percentage points and made 59.1%.

The growth of volume of the industrial output stimulated the production and distribution of the electric power, gas and water that made up 110.7%, and processing industry-109.7%. There is a problem of unequal rates of economic development between the capital city and the regions and that's why the Government elaborates now on special projects of rural development to exclude differentiation of the general social and economic situation of the population.

Over 2005 in the structure of services rendered to the population the greatest specific weight was attributed to transport sector (29.1%) and communications – 25.7%. As a positive achievement there was increase of specific weight in public health service in the total volume of services.

As a result of the policy carried out in foreign trade Armenia managed to maintain leading growth rates of export as compared to import, its diversification and establishment of new economic relations. In 2005 the balance of trade remained negative and the share of CIS countries in our export volume constituted 18.9 %, as compared to 17.3% in 2004, and the share of EU – 46.6% as compared to 35.3% in 2004.

During the recent years the monetary incomes of the population registered the growth of 115.6%, and expenditure – 118.2%. The positive tendency of excess of incomes continues to grow. In 2005 the estimated number of economically active population made 1203.3 thousand people. The officially registered unemployment rate made 8.1% showing a decrease in comparison with 2004 by 1.5%.

Thus the economic activity results in the Republic of Armenia during the recent years reaffirmed the tendency of the economic growth stability.

Sustainable, competitive and secure energy policy will not be successfully pursued without open and competitive energy markets. Access to energy at reasonable prices is critical to industry, transport and general social and economic development and is a fundamental element for implementation of the Poverty Reduction Strategic Program. Expensive and unreliable energy supplies will pose a serious threat to national economy and will have a negative impact on the living standards of the population.

Analysis and assessment of opportunities to diversify supplies, achieve regional integration are considered critical elements of Armenia's Energy Sector Development Strategy. The policy and strategy that is carried out currently in energy sector of Armenia, as well as EU Neighborhood Policy are aimed at implementation of the balanced policy in the region related to free access to electrical and gas networks, trade and transit. The projects on rehabilitation and modernization of Electricity Transmission and Distribution Networks have been successfully implemented and are being continued through the financial assistance of international organizations. It is planned to fully complete transmission and HV networks rehabilitation and implement the projects on improvement of interconnections with neighboring countries.

The Energy Sector Development Strategy of Armenia was adopted by the Government of Armenia in June 2005. The primary objective of the mentioned strategy is to formulate strategic goals for the development of energy system in Armenia till 2025. It aims to identify the avenues to achieve those goals, based on the principles adopted by the international community for sustainable development and is aimed towards the following goals:

- Achieving sustainable economic development in Armenia;
- Enhancing the energy independence and security of the country, including diversification of imported and domestic energy resources;
- Ensuring efficient use of domestic energy resources and development of renewable energy sources and energy saving.

The Strategy is aimed at the resolution of the following primary problems:

- Providing reliable energy supply at low rates to satisfy the fundamental needs of all customers, while enhancing energy conservation, input of energy efficient technologies in all branches of economy;
- Avoiding methods of importing the primary sources that might expose the security and economy of Armenia;
- Ensuring the safe operation of the Armenian Nuclear Power Plant as its energy can be replaced with adequate advanced base-load capacities so that decommissioning can proceed without undesirable economic and energy security impacts;
- Ensuring sustainable energy supply based on the principles of sustainable development and in compliance with the international environmental commitments of the Republic of Armenia;
- Creation of an electric energy system that is export-oriented and generates high added value.

In fact, an effective energy policy means to meet expected energy demand and decrease import dependency, to replace ageing infrastructures by making cost-effective investments in order to reduce the waste of energy and lead to a more reasonable and rational use of energy.

A special aspect of securing energy safety issue is reservation of high risks for owners of the existing Thermal Power Plants, as well as for potential investors that intend to construct new ones. Such risks are related to the absence of gas transportation pipelines diversified by supply routes of natural gas, and the limited transmission capacity of the single pipeline in operation that passes through the territory of Georgia.

In the meantime, taking into consideration the importance and sensitivity of securing the energy safety for Armenia, high emphasis should be laid on the development of its own renewable energy sources, such as hydro, wind, solar and geothermal energy. Two funds

for construction of small hydro power plants and the development of renewable energy sources have been established and are successfully advancing. The results of geotechnical investigations have been presented to the World Bank for approval and earmarking grant funds from the Global Environmental Fund for the construction of geothermal power plant.

Approaches to decouple economic growth resulting from increasing energy consumption, to contribute to security of energy supply and help limit the country's growing dependence on imported energy, ensure energy security and independence needs development of its own and renewable energy sources and energy efficiency programs. Energy efficiency needs to become a global priority.

For renewable energy to fulfill its potential it is essential that the policy framework be supportive and, in particular, stimulate increasing competitiveness of such energy sources. Renewable Energy Certificate System is not applied in Armenia, meanwhile for stimulating the development of domestic energy resources by the Article 5 of the Section 2 (State Policies and the Energy Sector) of the Law on Energy of the Republic of Armenia a highest priority in the Energy Sector is assigned to the utilization of the domestic energy resources. All electricity (capacity) generated at small hydro power plants, as well as from renewable sources of energy within the next 15 years shall be purchased pursuant to the Market Rules by the Article 59 of the Section 11 "Transitional provisions" of the same Law, and provisions made for supplying Hydro Power Plants with sufficient volumes of water in order to generate the planned volumes of electricity.

In the end of 2004 the Law on Energy Efficiency and Renewable Energy was adopted. This law creates additional favorable conditions for the development of renewable energy. The Public Services Regulatory Commission of the Republic of Armenia has also adopted a number of regulations in pursuit of the establishment of an attractive investment climate for the development of renewable energy sources.

Taking into account the goals of United Nations Millennium Declaration, the Johannesburg Plan of Implementation and the decisions of the Fourteen Session of the Commission on Sustainable Development, promotion and development of sustainable energy strategies for the ECE region is designed. Necessary assistance to member countries to improve energy conservation and efficiency, particularly to the countries that are in transition with the aim to reduce energy-related health and environmental impacts, including greenhouse gas emissions, to facilitate the development and implementation of new environmentally-sound and economically-viable technologies, to increase the use of renewable energy resources and the volumes of energy efficiency investment projects are envisaged under the Strategic Framework for the Biennium 2008-2009. From that point of view we find expedient that we consider the possibilities to implement concrete pilot projects related to the creation of "Clean energy zones" in several regions of Armenia. Assistance and active participation of UN experts in the implementation of this project at any stages will be highly welcomed.

Thank you for your attention.