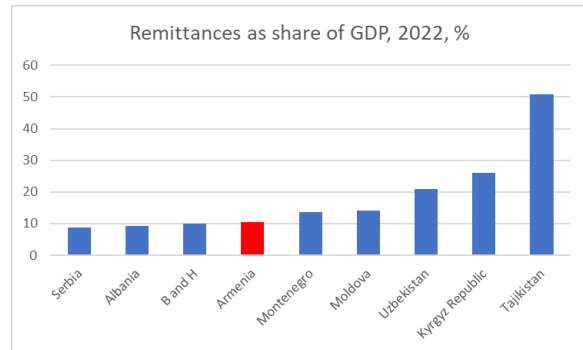
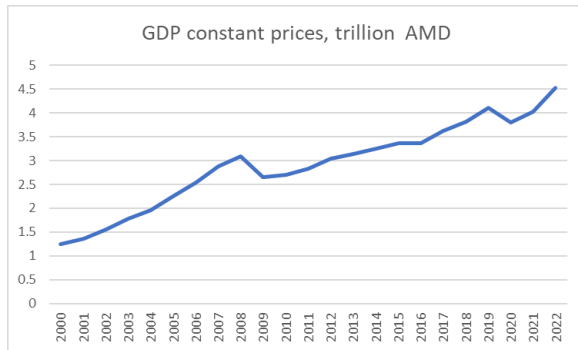


ARMENIA

Remittances and agriculture still play a significant role

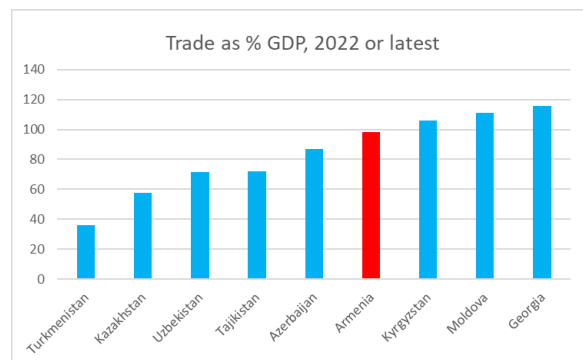
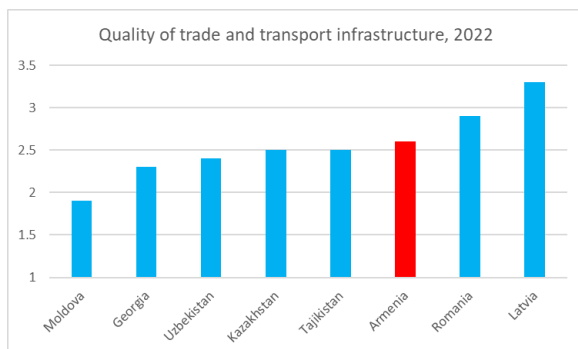
After years of very rapid growth that resulted in accelerated income convergence with more advanced countries in the region, a more moderate but steady pace of expansion followed the 2008-2009 global financial crisis, only interrupted by the COVID-19 pandemic. Following the war in Ukraine, large capital and people inflows boosted economic expansion recently. The role of the agricultural sector remains significant, accounting for around 12% of added value, around 1 percentage point less than manufacturing. Remittances from a diaspora dispersed around the world are an important source of revenues and foreign exchange for a country that runs typically large external deficits.



Source: IMF, World Bank

Regulatory changes would facilitate further integration in the world economy

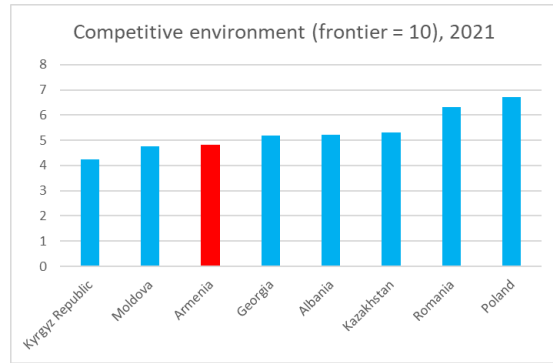
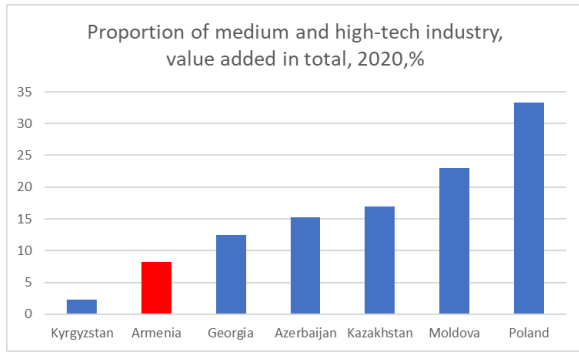
Armenia is a landlocked country, who is largely dependent on Georgia to access external markets. Albeit trade and transport infrastructure is better than other countries in the CIS, there is much room for improving it and for the reduction in the cost of trading, so the disadvantages of the geographical position can be overcome. National and cross-border interconnectivity will contribute to facilitate the security and efficiency of linkages. Infrastructure deficiencies have also a negative impact on road traffic accidents, with a fatality rate that is among the largest in the region.



Source: World Bank Development Indicators

An improved business environment would facilitate taking advantage of existing assets

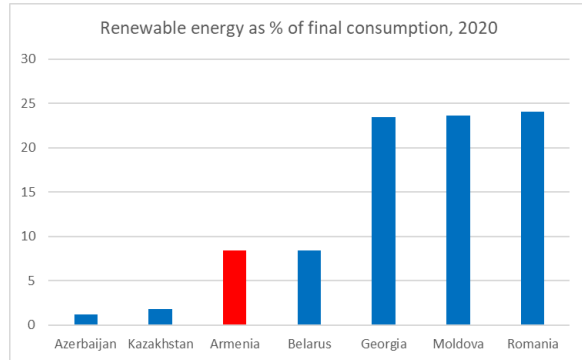
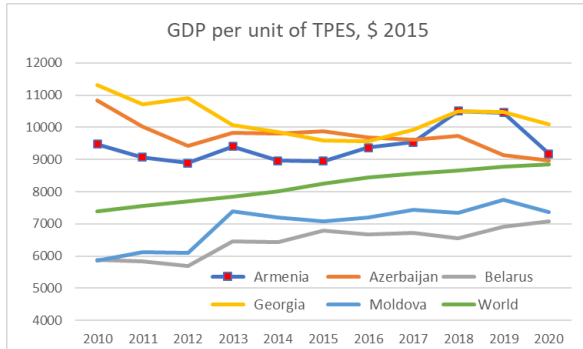
Private sector performance is impaired by a complicated business environment, including restricted competition. Lack of skills constrains the development of the SMEs sector. The recent emphasis on developing human capital through health and education reforms would contribute to remove existing bottlenecks. While the country has showed an improved innovation performance in recent years, boosted by regulatory reforms and the rapid expansion of the ICT sectors, remaining deficiencies in the innovation system prevent a faster adoption and diffusion of technologies.



Source: SDG UNECE database, EBRD

Green and circular transition is necessary to address environmental problems

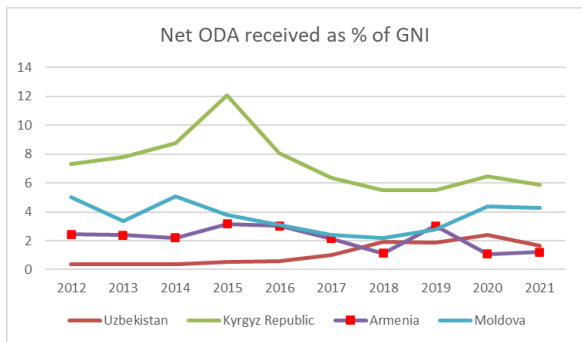
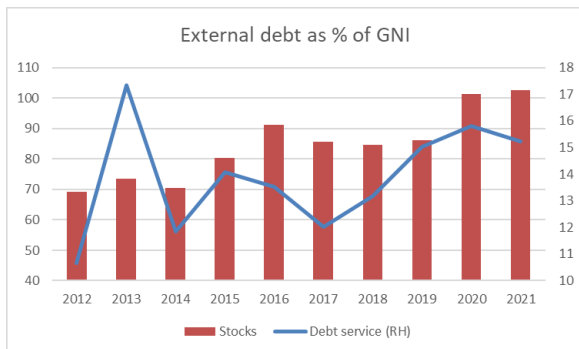
Energy efficiency compares well with other countries in the region, despite some recent deterioration. The existing legal framework supports further improvements, including through the introduction of new technologies and innovation. There is untapped potential for increasing the uptake of renewable energy, with a share in the supply mix that has roughly doubled over the last decade. The development of the circular economy would require an improved waste management infrastructure.



Source: OECD, SDG UNECE database

Private engagement will be key for infrastructure development

The public debt to GDP ratio fell sharply in 2022, supported by the appreciation of the exchange rate, but the currency composition remains a source of vulnerability. External financing costs are higher than in other Caucasus countries and have worsened considerably as a result of the war in Ukraine. ODA has been consistently below comparable countries. Given the existing claims on public resources and debt levels, private capital would need to play an increasing role in revamping infrastructure. The development of Public-Private Partnerships is constrained by capacity limitations and deal flows perceived as insufficient.



Source: World Bank Development Indicators