Country spotlight
Armenia

Advancing nature-positive investments: Progress and challenges ahead in the EU's Eastern Neighborhood.

How can Armenia close the financing gap for restoration and ecosystem services?

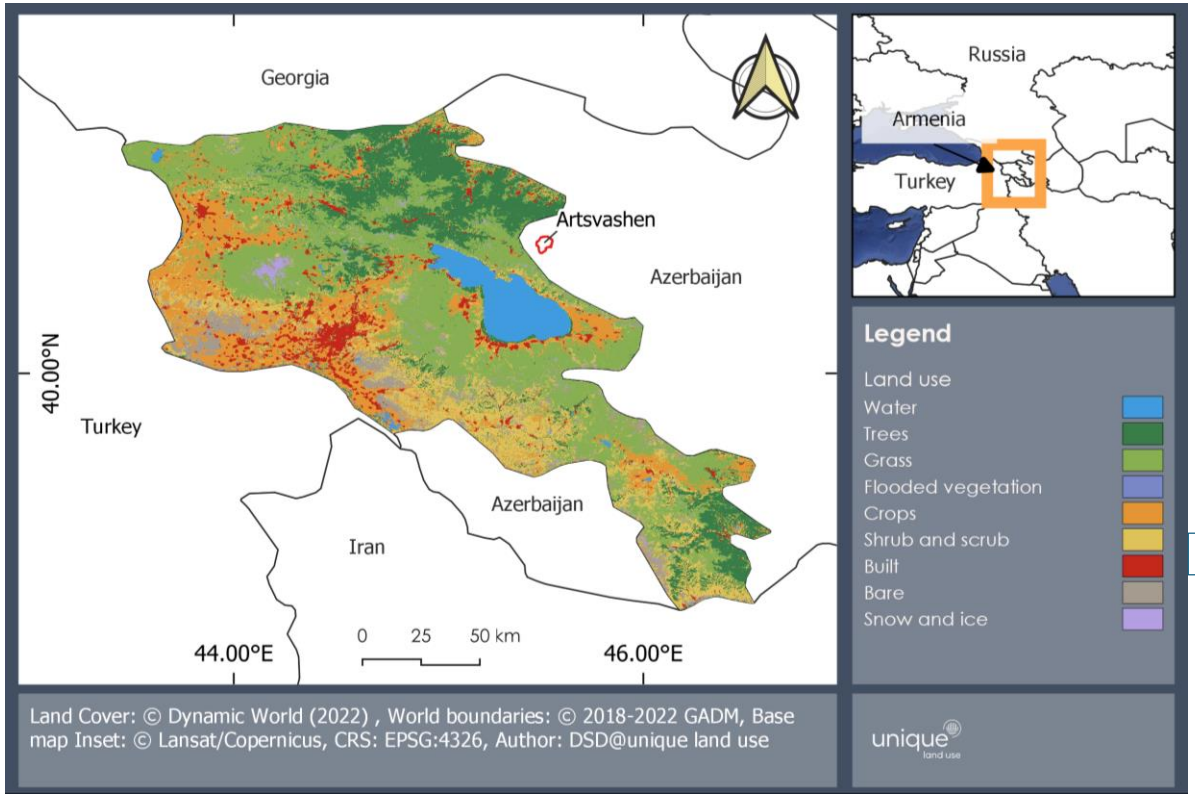
EU4Environment Regional Workshop, 9 June 2026,

Brussels, Belgium

Part 1: Country-level analysis – Armenia

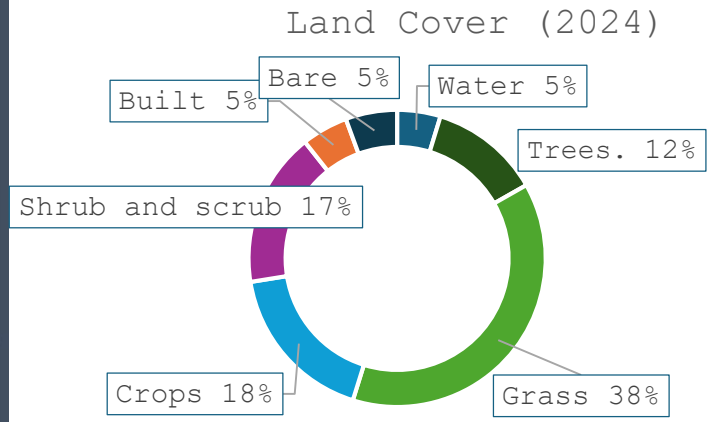
- **Part 1: Baseline assessment and identification of country investment and financing opportunities.**
- Part 2: Unlocking financing to close the financing gap for restoration and ecosystem services in Armenia

Ecosystem Assessment (1)



Ecosystem	Area (thousand ha)	Trend
Forests	328 (2020)	Decreasing
Grassland	1,735 (2022)	Decreasing
Wetland	168 (2005)	Decreasing

Source: (FAO, 2021; Jenderedjian, 2005; Parente, Mesquita, et al., 2024)



Analytics based on land cover and land use map of Armenia in 2024 using Dynamic World dataset (Brown et al., 2022).

Ecosystem Assessment (2)

Estimated value of forest ecosystem services:

- Fuelwood – USD 72M per year
- Non timber forest products – USD 10M per year
- Recreation – USD 35M per year
- Water services – USD 14M per year
- Carbon sequestration – USD ca 3,785M in total

Sources:
Fuelwood: World Bank, 2023; NTFPs: World Bank, 2023; Carbon sequestration: InVEST model (2024); VCM price range: Ecosystem Marketplace, 2024; Soil retention, Water flow regulation, Tourism: World Bank 2024.

There is no current timber export in Armenia

Source: FAOSTAT, 2025

Financing Sources (1)

Ca. **USD 60 million expenditures on NRM** in 2021/23, s

- **61%** from public financing (USD 49.4 million to environmental protection), including 24% at the **central level** and 76% at the **local level**

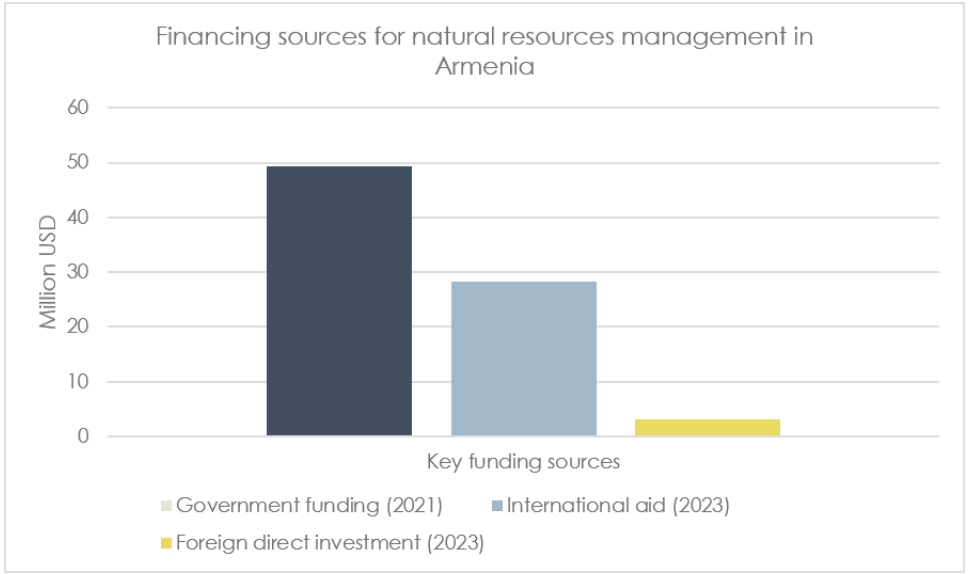
→ Mainly for operational costs with **limited flexibility for capital investment in restoration.**

- **35%** from various **donor-financed projects** (ODA) related to NRM

- **4%** from **foreign direct investments** (FDI)

→ Mainly connected with agriculture

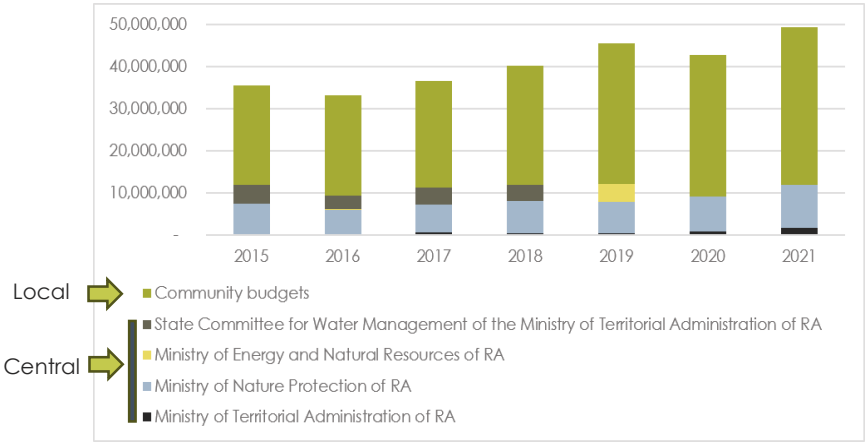
- No data available on **private domestic enterprises**' investments in natural resources management.



Financing Sources (2)

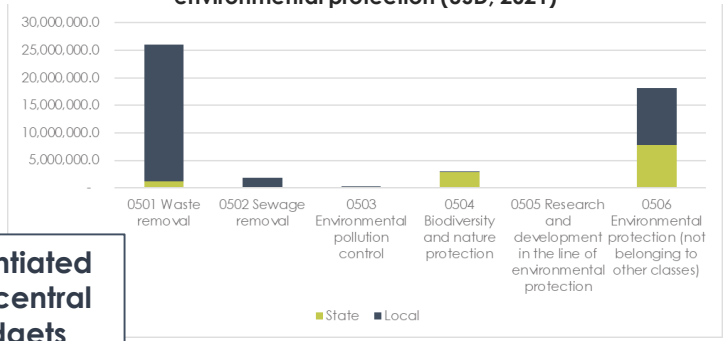
Public financing

Functional component of budget (USD, 2015-2022)



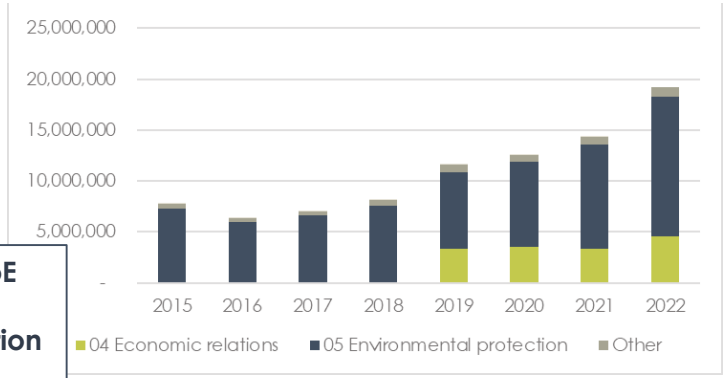
Increasing trend in public sector financing of NRM since 2015

Key budget categories for public expenditure on environmental protection (USD, 2021)



Highly differentiated allocation of central and local budgets

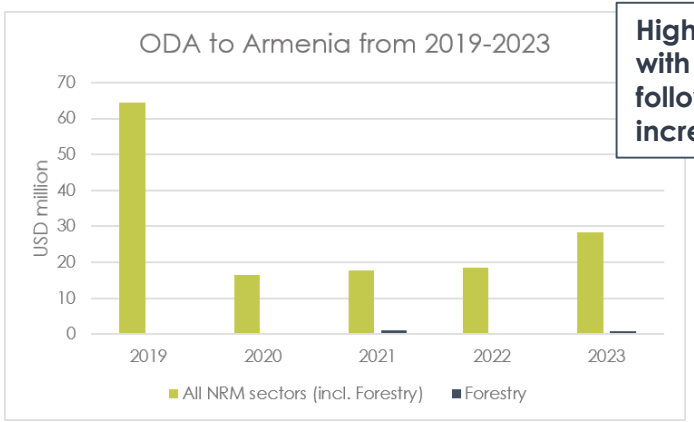
Ministry of Environment expenses (USD, 2015-2022)



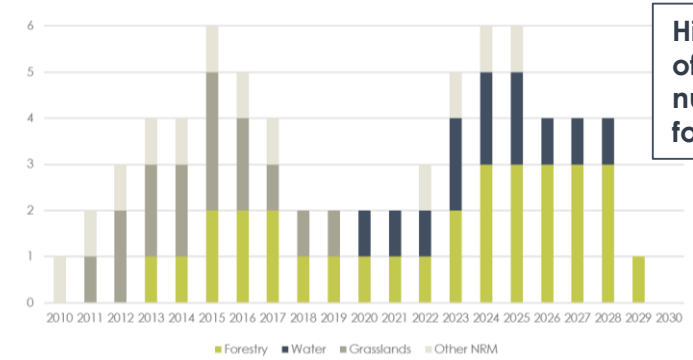
Increasing trend in MoE financing for environmental protection since 2015

Financing Sources (3)

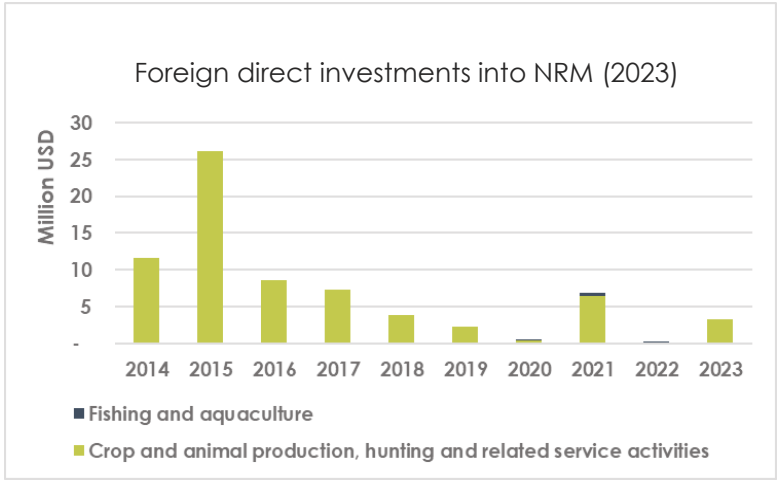
ODA and private financing



Highly fluctuating, with a drop after 2019 followed by a slow increasing trend



High fluctuations of project number and focus sectors



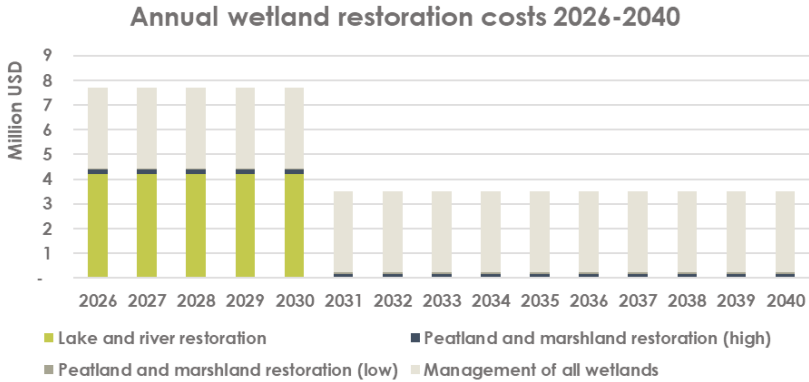
- **Rapid decrease of FDI since 2015**
- **Strong focus on agriculture**

Natural resources development targets

Biome	Area targets	Period	Sources	Considerations
Forests	**Increase forest cover to 20.1%**	2050	Forest area expansion in National Forest Program 2005-2015 and Nationally Determined contribution (2015) as one of 2050 goals	Actual forest cover is 330,000 ha, with remaining target of 265,000 ha
Grasslands	**Restore degraded grasslands**	2040	LDN (2015): • Stop overgrazing and improve grassland management on 100% of the country's grasslands (1.7 million ha). • Restoration of 16,000 ha of grasslands	Recent and ongoing ODA projects support sustainable grassland management on around 400,000 ha.
Wetlands	**Restore 1,000 ha of wetlands**	2040	National Biodiversity Strategy and Action Plan (2025–2030)	No reliable and systematic data for the assessment of achievement status

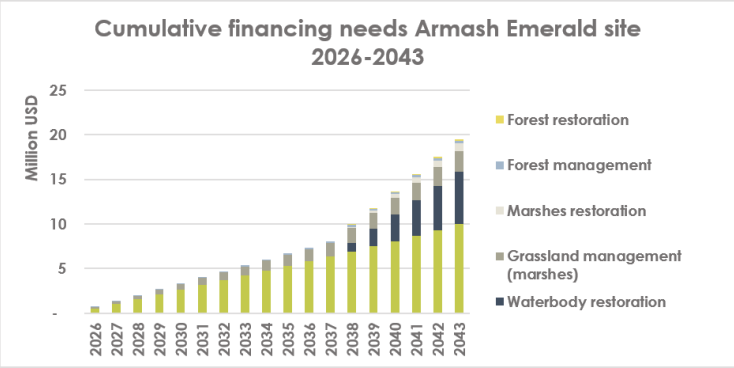
Financing Needs – national level

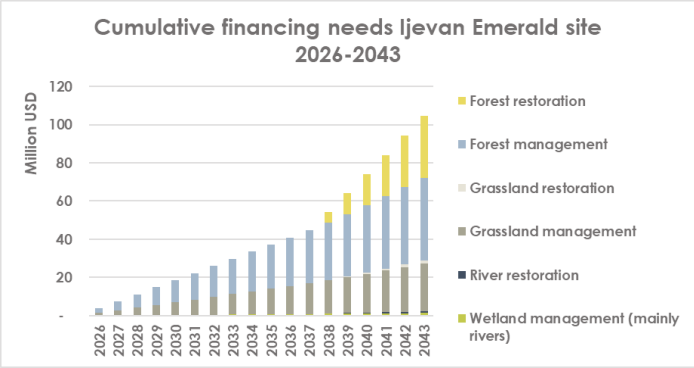
Biome	Area targets	Total financing needs (million USD)
Forests	2050	USD 1.3 billion
Grasslands	2040	USD 744 million
Wetlands	2040	USD 73.6 million



Financing Needs - Armash and Ijevan Emerald sites

Management activities	Activity	Armash 2026-2031	Armash 2032-2037	Armash 2038-2043	Ijevan 2026-2031	Ijevan 2032-2037	Ijevan 2038-2043
Wetland management (mainly waterbodies)	Reduce impact of multi-purpose hydrological changes	USD 3.2 million	USD 3.2 million	USD 9.5 million	USD 0.4 million	USD 0.4 million	USD 1.3 million
Wetland management (mainly marshes)	Adapt mowing, grazing and other equivalent agricultural activities	USD 0.7 million	USD 0.7 million	USD 1.7 million	USD 8 million	USD 8 million	USD 10.7 million
Forest management	Adapt / change forest management and exploitation practices	USD 0.1 million	USD 0.1 million	USD 0.3 million	USD 13.9 million	USD 13.9 million	USD 48 million
Total		USD 4 million	USD 4 million	USD 11.5 million	USD 22.3 million	USD 22.3 million	USD 60 million





Part 2: Country-level analysis – Armenia

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Recommendations for Strategic Financing (1)

Instrument	Forests	Grasslands	Wetlands	Armenia-specific use case
Carbon markets	✓	△	△	Forest carbon pilots for afforestation/reforestation; soil and wetland carbon only where MRV is credible
Debt-for-climate swaps	✓	✓	✓	Redirect debt savings into restoration, watershed resilience, protected areas and fire prevention
NGO/community finance	✓	✓	✓	Scale delivery through ATP, My Forest Armenia, FPWC, municipalities and community groups
Eco-tourism	✓	△	✓	Nature tourism in forest landscapes and Emerald/Ramsar sites, especially Armash and Ijevan
PES schemes	✓	✓	✓	Watershed PES linking downstream water/hydropower users with upstream forest, pasture and wetland managers
Private/blended investment	✓	△	△	Green loans, impact investment and DFI-supported finance for forestry, biomass, eco-tourism and green SMEs

✓ = strong relevance
△ = potential, but enabling conditions needed

Recommendations for Strategic Financing (2)

Priority	Recommended action
1. Clarify legal foundations	Define PES rights, carbon ownership, payment obligations and benefit-sharing rules through Climate Law implementation and secondary regulation.
2. Build MRV and valuation infrastructure	Strengthen national capacity for carbon accounting, ecosystem service valuation, biodiversity monitoring and certification.
3. Start with pilots	Pilot forest carbon, watershed PES, wetland/nature-credit and eco-tourism models in priority landscapes with clear beneficiaries and measurable outcomes.
4. Prepare investment-ready pipelines	Use EPIU, RESILAND, GEF, GCF, EU4Environment, EU4Sevan and FORACCA to structure bankable restoration and NRM projects.
5. Mobilise delivery partnerships	Combine public finance, donor support, NGO delivery, community stewardship, DFI de-risking and private participation.

Recommendations for Strategic Financing (3)

Financing target	Potential source of financing				Advantages	Limitations
	Public finance instruments	Private finance instruments	Market-based instruments	EU/ international instruments		
Forest area expansion	• State budget	• GCF programs • NGOs • (ATP, My Forest Armenia)	• Carbon credit financing • Debt-for- climate swaps	• WB RESILAND • GCF – SAP059 (Fueling Green Recovery in Armenia)	• Long-term carbon sequestration; strong climate co-benefits; supports rural jobs	• Requires multi-year financing; monitoring and MRV capacities must be strengthened
Wetland restoration	• State budget	• NGO–community partnerships	• NBS water regulation credits	• World Bank & EU4Environment • Potential Ramsar-based grants	• High biodiversity value; value sequestration, strengthens climate resilience and water security	• Sensitive hydrology; ongoing management needed; limited domestic technical capacity
Grassland restoration	• State pasture management reforms	• Community co-management	• Potential carbon-soil credit schemes	• SDC FORACCA • GEF SLM Programs	• Prevention of erosion and desertification; improves livestock productivity	• Requires governance changes in pasture access and grazing pressure
Protected area Management (including Emeral sites)	• State budget	• Conservation NGOs • Tourism/ concession revenue	• -	• EU support • GEF Biodiversity	• High biodiversity significance; international visibility	• Requires continuous operational funding; enforcement and staffing remain weak

Roadmaps for mobilizing financing for investments in natural resources management (1)

	Phase 1: Short-Term (Years 1-3):	Phase 2: Medium-Term (Years 3-5):	Phase 3: Long-Term (Year 5 and beyond):
Forest area expansion	• Identify priority afforestation areas and launch pilots with NGOs/donors. • Set up basic carbon/MRV systems and position Hayantar as coordinator. • Clarify state co-financing and outsourcing models.	• Scale seedling production, planting, and restoration. • Expand NGO/private sector delivery and community involvement. • Integrate state co-financing into the MTEF; prepare carbon pilots.	• Sustain forests through carbon finance, maintenance contracts, and stable state funding. • Institutionalize mixed delivery models: state, NGOs, private sector. • Strengthen ecosystem service valuation and cost-efficiency.
Wetland Restoration	• Conduct hydrological assessments and wetland inventories. • Stabilize priority habitats and improve water-flow management. • Strengthen protection, staffing, and baselines.	• Restore wetland vegetation and water regimes. • Introduce eco-tourism and community engagement models. • Strengthen monitoring and assess PES feasibility.	• Secure long-term public, donor, PES, and eco-tourism funding. • Integrate wetlands into climate adaptation and restoration plans. • Maintain improved hydrology and biodiversity indicators.

Roadmaps for mobilizing financing for investments in natural resources management (2)

	Phase 1: Short-Term (Years 1-3):	Phase 2: Medium-Term (Years 3-5):	Phase 3: Long-Term (Year 5 and beyond):
Grassland Restoration	• Map degraded pasture zones. • Introduce rotational grazing and strengthen pasture user groups. • Begin sustainable land management pilots.	• Scale reseeding, erosion control, and pasture co-management. • Establish soil and vegetation monitoring. • Improve stocking-rate compliance and erosion outcomes.	• Maintain restored grasslands through community management. • Improve long-term grazing planning. • Integrate grasslands into regional land-use policy.
Armash & Ijevan Emerald Sites	• Implement priority habitat protection based on EU4Environment plans. • Define co-management arrangements with site actors. • Initiate water monitoring and agreements with operators.	• Develop eco-tourism infrastructure and services. • Strengthen biodiversity monitoring and education. • Integrate site priorities into MTEF budgeting.	• Secure predictable state, donor, PES/nature-credit, and eco-tourism funding. • Maintain long-term site management and monitoring. • Protect or increase managed habitat area.

Thank you

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