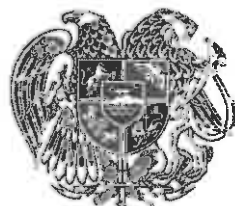


REPUBLIC OF ARMENIA



“HABITAT II”

NATIONAL REPORT
**on Sustainable Development of Human Settlements
and Housing Policy**



YEREVAN 1996

The administrative - regional division of the Republic of Armenia



CONTENT

PART A -----	4
INTRODUCTION -----	4
1. General Information -----	4
2. Current Political Structure -----	5
3. Economic Reforms -----	6
4. Procedure -----	8
 PART B -----	9
EVALUATION AND PRIORITIES -----	9
1. Cities and Settlements -----	9
2. Current Situation -----	11
2.1. Urbanization Procedure -----	11
2.2. Soil Resources -----	12
2.3. Water Resources -----	13
2.4. Housing Sphere -----	13
2.5. Energy -----	17
2.6. Transport and Roads -----	18
2.7. Protection of Environment -----	21
2.8. Historical Background -----	22
2.9. Comprehensive Social System -----	24
2.10. Migration Processes -----	29
2.11. Yerevan as the Capital City -----	30
2.12. Earthquake Zone -----	30
2.13. The Problem of Lake Sevan -----	34
3. The Recent 20 Years -----	35
4. The Agenda for the 21-st Century and the Strategy for Housing Sphere -----	37
4.1. The Principles of the Housing Reform -----	37
4.2. The Goals of the Housing Policy -----	37
4.3. The Implementation of the Housing Policy -----	37
5. Priorities -----	38

PART C	39
NATIONAL PLAN FOR ACTION	39
1. The Meaning of the Regional Reform and its Strategy	39
1.1 Political Background for Regional Development. New Legislation ----	39
1.2 The Governor	40
1.3 The Elderly and The Community Leader	40
1.4 Financial Policy	41
1.5 Expected Improvements	41
2. The Contents, Strategy and Policy of the Housing Reforms	41
2.1 Legal Background	42
3. Monitoring	43
4. Obligations	43
 PART D	 44
INTERNATIONAL COOPERATION	44
1. Priorities	44
2. Improvement of Work Efficiency	44

PART A.

INTRODUCTION

1. GENERAL INFORMATION

The Republic of Armenia is in the southern part of the Transcaucasian region, bordering to Iran (South), Georgia (North), Azerbaijan (East), Turkey (West). The Republic occupies 29.8 thousand sq.m. with a population of 3.7 mln. Ninety-seven percent of population are Armenians.

Until 1991 Armenia could be considered as one of the 15 subsystems of former USSR. Being integrated into the USSR general national economic complex, and having great industrial basis (chemistry, machinery, electronics, constructional industry, etc.) the Republic was simultaneously a great importer of agricultural products, raw materials, etc. Energy resources were mostly imported from the other regions before the reopening of nuclear power station. Only 20 % of output was final product while the majority of output were generating production means.

The current territory of Armenia is specific and is defined by natural and climatic hard conditions, the limit of territories for urban development (not enough soil resources, richness of mineral and non mineral raw materials). Forty percent of the territory of the Republic is inappropriate for human activity. It is 2000 m. above the sea level and great difference of absolute heights (400 - 4 000m.) conditioned the exclusive diversity of the climatic zones in relatively small territory (from dry tropical to cold mountain climate). The majority of territories appropriate for human residency is extensively mastered for purposes of both urban development and economy.

Due to the rocky surface of the soil and the split of relief 11 thousand sq.m. (37 % of the territory) can not be used for agricultural purposes.

The rest of the territory is occupied by forests and bushes (3.8 thousand sq. m.) , cultivation and perennial seedlings (5.5 thousand sq. m) , pastures and mow purposes territories (8.3 thousand sq. m), and the surface area of Lake Sevan is 1.3 thousand sq. m. The average density of the population is 120 people per sq. m. , regardless the mountainous not residential territories (which is 40 % of the territory) the average density of the population is 120 people per sq. m. is 200 people per sq. m. Essential changes have occurred in the population decentralization system of the Republic of Armenia, both in Soviet times and after gaining independence in September 21, 1991.

The urbanization of the territory of the Republic in the entire Soviet period was conditioned by the industrial production development as the main factor of urban development . Moreover the extensive nature of the economy mostly defined the unequal regional development and the strong differences among the various levels of regional infrastructure development . The extensive nature of the development of the economy also predefined the exclusive irregular decentralization of the cities as a result of constant increase in industrial output in big cities having proper substructure, with already existing transport and centralizing junctions. The presence of great number of workers not demanding high qualification, more high cultural and educational opportunities had promoted the constant involvement of great number of migrants from border regions. It, in its turn, was bringing to worsening of general national condition and strengthening of job shortage. From the other hand many border regions were not developed enough. Moreover certain rural and small urban settlements were on the edge of fall.

Recently, the greatest developed unicentral agglomeration has been created in the capital city Yerevan while border remote settlements were weakly developed.

2/3 of the economic potential and 1/3 of the population are in Yerevan, which territory comprises 0,7 % of the country territory. 2/3 of the population are centralized in the relatively small territory of Yerevan agglomeration (20 % of the territory of the Republic).

The processes of agglomeration were also seen in Shirak (the center is Gumri) and Lori (the center is Vanadzor) regions. But after the disastrous earthquake in 1988 the active processes of agglomeration were fallen substantially (the epicenter of the earthquake was near the city Spitak). Among the other regions the most weakly inhabited ones are Vayots Dzor and Syunik regions where the population density is lower than the average density of the Republic (126 person/sq.km.) correspondingly 4,3 and 3,5 times.

After the independence when on the one hand the economy of the Republic was descending because of the collapse of USSR economic territory, on the other hand the Republic was in complete economic blockade because of regional conflicts. Besides the implementation of reforms to transfer the economy from planning to market system had begun (land, apartments, small and big industry privatization processes, formation of corresponding markets and new systems of management in these spheres, etc.). The Government was forced to cut the part of budget appropriated for urban development and construction. In 1993-1994 it brought to fall of urban development and construction sphere because at that time the role of the other financial resources was miserable. The stabilization and growth of the economy of the country in 1995, the increase of inflow of credits being given by World Bank and other financial sources, and structural changes made in the management system of the urban development field (on the basis of three state management bodies : the Ministry of Construction, State Department of Urban Development and Architecture, Department of Communal Economy, one State management body was created -- Ministry of Urban Development) have promoted the occurrence of positive tendencies in the field.

The Government and the Ministry of Urban Development began elaboration and realization of a new state policy on the spheres of urban development and construction.

2 CURRENT POLITICAL STRUCTURE

On July 5, 1995, Armenia adopted a new Constitution through a national referendum with over sixty-eight percent of the vote. While it requires devising and implementing legislation, and there will certainly be a transition period for the three branches of the power, and the population to adjust, the newly adopted Constitution promises to lock Armenia in as a democratic, rule-of-law Society.

The Constitution defines the Republic of Armenia as a sovereign, democratic, social and legal state, where the power belongs to the people. State power is exercised in accordance with the Constitution based on the principles of separation of power among the legislative, executive and the judicial branches. The Constitution also recognizes a multi-party political system for Armenia. "Parties are formed freely, to promote the formation and expression of people's will," but the activities of parties should not contradict the Constitution and laws, and their structure and activities should not be in contradiction with the democratic principles.

The Constitution provides a foundation for the formation and activities of a democratic judicial system. It has made radical changes in the current judicial structure by the creation of courts, independent of other branches of power.

Also on July 5, Armenia held its first democratic parliamentary elections after the independence. Liberal democratic forces gained an overwhelming majority in the new Parliament. It marked the final defeat of the Communists, as Armenia became one of the few former East block Republics, where communists did not gain any ground in parliamentary elections. Their victory also guarantees the continuation of the political and socio-economic policies pursued by the government for the past several years.

President

Armenia is a republic with a presidential system. On the basis of the Constitution, the President is to provide for the normal activity of the Executive, Legislative, and Judicial Powers. The same person cannot hold the office of president more than two times consecutively. The current president, Levon Ter-Petrossian, was elected on October 16, 1991.

Government

The President appoints the Prime Minister to the Executive branch duties and the members of the Government (ministers) at the proposal of the Prime Minister. Hrant Bagratian has been the Prime Minister since February 16, 1993, and was reappointed on July 2, 1995.

The number of the ministries was reduced from 31 to 22. Significant changes in structure include: the Taxation Inspectorate and Customs Administration went under the Ministry of Finance authority; the Patent Office and the National Copyright Administration under the Ministry of Justice authority; and the Armenian State Standard and State Privatization Committee went under the Ministry of Economy authority.

National Assembly

Legislative Power is exercised by the National Assembly (Parliament); its chairman, currently Babken Ararktsian, is elected by its members. Parliamentary elections were held on July 5, 1995, for the 190 seats for a five year period. In the next elections, the size of Parliament will be reduced to 131 members. The current National Assembly has six permanent committees.

Constitutional Court

On December 6, 1995, a Constitutional Court consisting of nine members (five appointed by Parliament and four by the President) was established. The function of this court is to judge the constitutionality of the laws, the presidential decrees, and the governmental resolutions. The Court also judges the constitutionality of international agreements and resolves conflicts concerning the results of elections and referenda.

3. ECONOMIC REFORMS

Economic reforms and the development of the private sector have resulted in new structural changes in the economy.

Economic reform legislation began with the introduction of various laws establishing private property, privatization and ownership. A few of the first economic reform laws passed by

Parliament included the Law on Property, the Law on Farms and Collective Farms, the Law on Enterprises and Entrepreneurship, the Law on Privatization of State Owned Enterprises and Unfinished Construction Projects, and the Law on Privatization of State and Public Housing.

Since 1992 legislation has been passed which regulates price liberalization / except for certain consumer goods and services/, regulates currency and financial transactions, establishes new private income tax laws and determines foreign trade principles.

Some steps have been taken towards the establishment of a new system of welfare, pensions and certain subsidies. Other legislation passed in 1992-1993 supports taxation and banking reforms.

Between 1988 and 1990 state enterprises provided more than 90% of the GDP. In 1993 production level of private sector exceeded the State production. For example, private and collective farms produced more than 90% of the total agricultural product. The same trends are observed in investment, credits, foreign trade and income generation.

In 1991 Armenia became one of the first Soviet Republics to privatize the land. The machinery and livestock of former collectives and farms were also privatized. Priority for purchases was given to the farms or to the collective workers. Approximately 236,400 farms and 8,200 collective farms were privatized. Each private and collective farm received respectively on the average 1.3 hectares and 15 hectares.

In the most densely populated and fertile area, the Ararat Valley, the average land-plot given to each family did not exceed 0.75 hectare. Smaller families received not more than 0,33 hectare. In the north-east and south-east regions, the average land-plot size was slightly more than 2.5 hectares. Later, the number of collective farms decreased in most of the regions. People prefer family farms to collective ones.

Due to land privatization, agricultural production was not as seriously affected by economic reforms as in other areas. From 1989 to 1993, net agriculture production declined by only 18%.

In 1993, small-enterprise privatization began. Proceeds from these sales were allocated to certain social programs.

A program of privatization of the Government enterprises and unfinished construction projects has begun. Simultaneously, partial privatization of state-owned enterprises (20%) to their employees at no cost has been initiated. This has resulted in the transformation of 53% of all state-owned enterprises to joint-stock companies with partial government ownership.

Privatization of 30% of the estimated value of state-owned enterprises is being carried out through a voucher program. The value of the vouchers is regulated by the Government through an indexing system.

Economic reforms and privatization have expanded in the areas of consumer goods and services, construction and especially, in trade. Currently, approximately 70% of retail goods in circulation and one-third of export goods are channeled by private enterprises. A financial investment fund and an Armenian business association have been established to support the private sector development.

The regulation concerning the formation and operation of investment funds was decreed by the government. It aimed to implement the issuing of privatization vouchers and to encourage private citizens' participation in the privatization processes.

The national currency put into circulation has also caused serious changes in the financial system and foreign trade. The Central Bank of Armenia, as well as over 40 commercial banks have recently been established. Difficulties in the conversion of CIS currencies, protective tariffs and quotas and the economic blockade have caused an increase in the balance of payments deficit. The latter may be reduced only through loans by international financial institutions.

Economic reforms, market transition, tight fiscal and credit policy and export development have controlled inflation of the dram and stabilized its exchange rate. Since mid 1994 macroeconomics stabilization program is has been carried out. Unemployment has decreased, industrial activity and state budget sector salaries have increased. The trade balance has also improved thereby enabling enterprises to earn more foreign currency. Nevertheless, production levels are still so low that they cannot decrease the national debt.

4. THE PROCEDURE

In order to make the participation of the Republic of Armenia in HABITAT II conference efficient, on December 22, 1995 the Government, proceeding from 47/180 protocol of Chief Assembly of UNO dated 22 December 1992, entrusted the newly established Ministry of Urban Development to prepare the National Report of Armenia on sustainable development of human settlements and housing policy.

The coordinating commission established by the Government of the Republic of Armenia has involves high rank officials of state management bodies, the heads of regional management bodies: region governors, the representatives of local self- management bodies, the representatives of Development Program of UN in Armenia.

Since 1993, the Government has begun the elaboration and gradual realization of a policy to promote the improvement of life conditions in settlements aimed at the solution of such problems as environment pollution, violence, poverty, unemployment, not full development of infrastructure and services etc. During the elaboration and realization of the policy targeted on sustainable development of human settlements, the Government and the management bodies have cooperated with the Settlements Committee of the UN Economic Commission and its working groups, HABITAT II center and HABITAT II Moscow Regional center, UNDP Yerevan Office and other organizations.

The Government of the Republic of Armenia found especially important its participation in the second conference on settlements (HABITAT II) organized by the UN General Assembly, to be held in June 1996 in Istanbul, because it could help to find more effective means for the policy of sustainable development of human settlements.

PART B

EVALUATION AND PRIORITIES

1. CITIES AND SETTLEMENTS

Until autumn 1995 Armenia was comprised of 37 regions and 1001 settlements, in the form of cities, towns, and villages. The two big cities of the Republic, Yerevan and Gumri are divided into intercity blocks. The towns and villages, as well as the regions and city districts of Yerevan and Gumri are managed by the local council and by the executive committee elected by that council. The law on Territorial and Administrative Division was adopted by the National Assembly in autumn 1995.

According to the new law, the Republic of Armenia is now comprised of 10 regions and the Capital with a status of region. Thousands of settlements (except Yerevan) are included in 919 communities. Forty-seven of those communities have the status of urban community, and the other 872 have the status of rural community .

State management in regions is carried out by the Governor's office. The local management is carried out by the representatives of the senior members of the community.

The Governor's office is headed by the Governor appointed by the Government. The representatives of the community are elected by the population of the region. The population of rural areas comprise 67.5% of the population of the Republic.

The distribution of the population of the Republic and its regions as of February 1995 is given in Chart 1. It is clear from the Chart that the most densely populated regions of the Republic are: Yerevan, Ararat, Armavir, Kotaik and Shirak regions.

Chart 1

	Number of population (thous)	Territory (sq. km.)	Density of population (people/sq. m)	Number of settlements and communities (units)
Republic of Armenia	3759.8	29743*	126	1000/919
Yerevan region	1248.7	210	3547	
Aragatsotn region	161.7	2755	59	121/115
Ararat region	302.1	2003	151	98/97
Armavir region	314	1241	253	98/97
Gegharkunick region	255.8	3655	70	98/92
Lori region	391.7	3791	103	130/113
Kotaik region	327.1	2100	156	69/67
Shirak region	357.6	2679	134	131/119
Syunik region	161.4	4505	36	135/113
Vayots Dzor region	69.7	2406	29	55/44
Tavoush region	170	3120	55	65/62

* Including the surface of Lake Sevan - 1278 sq.m.

The reforms of regional administration enacted by the Constitution is intended to decentralize management in the region and increase the efficiency of the decision-making process at the local level.

New laws are being drafted on urban development. The private construction was halted from 1993 to 1994. The Government and the local authorities do not pay sufficient attention to the problem of housing fund. There is no law regulating housing fund management. Former state-owned apartments (which comprise 2/3 of the housing stock of the Republic) have mostly been privatized.

Many villages bordering with Azerbaijan are seriously damaged by bombing. Houses, plants, schools and other buildings are completely or partially destroyed. Due to lack of financing it is difficult to restore them.

A great number of residential houses, plants, enterprises and other industrial buildings were destroyed by the earthquake of 1988 in many regions of Armenia.

Considerable parts of the population of remote regions are deprived from the minimum requirements of normal living conditions. There is insufficient supply of drinking and irrigation water in many villages.

Roads in and between villages and settlements are in bad conditions. The lack of transportation means creates many difficulties for the population.

Many remote villages do not have constant supply of gas and other fuel. During 1993-1995, because of the blockade and the occasional explosions of the gas pipeline, the supply of gas to the population was very often interrupted. Available minimal amounts were provided to the objects of vital importance (bakeries, hospitals, etc.). During the same period the population was supplied with electricity for only 2-4 hours per day.

The privatization of land had both negative and positive effects. In all rural areas agricultural production increased, despite the lack of agricultural equipment. Women and children are more involved in the cultivation of their privately-owned land.

The Ministry of Urban Development, established in summer 1995, began devising a State policy for urban development. The following laws and legislative acts have been adopted since:
legislative basis of the system of territorial management and local self management and administrative division of the Republic.

- the program "Crossroads" of main axial highways of Armenia,
- the program of regional development of Armenia,
- the program of modernization of Yerevan,
- the program of municipal infrastructure,
- the law on preservation, modernization and management of housing fund; projects of laws on general living together, control of construction quality, land ownership and management as well as projects of other laws and legislative acts.

Through the combined efforts and financial resources of the World Bank, the Government and Armenia Fund, significant progress has been achieved in the earthquake zone rehabilitation, road, and in other construction activities. After the recommissioning of the nuclear power plant, the

supply of electricity to the rural areas has been improved. Gas is being supplied to the northern part of the Sevan basin.

2. CURRENT SITUATION

2.1. THE URBANIZATION PROCESS

The present system of distribution of population of Armenia is characterized by the predominating influence of Yerevan, two big cities (Gumri and Vanadzor) and other cities and rural settlements.

Armenia is the poorest in land among the former USSR Republics (2974,3 thousand hectares) and only 55 % of land is considered suitable for living and for industrial activity. The main part of the population of the Republic (66 %) inhabits the zones of 1500m. height above sea level, taking 28 % of the whole territory. The territories with 8% slope are 44.5% of the territory of the Republic.

Per person agricultural land is 0.37 hectares and irrigated land 0.13 hectares.

The area of constructed zone is 2.6% of the territory of the Republic or 76.1 thous. hectares.

The urbanization process of the Republic is characterized by the following indices:

The number of urban population was 49.8% of the whole population in 1960 and 68.9% in 1991.

The number of cities increased from 23 to 27 during 1970-91. It is 47 in 1996. The number of cities with population of 20000-50000 has increased remarkably -- 200%.

The number of rural settlements decreased from 931 to 919.

The total area of urban territories was 43.9 thous. hectares (27 cities) or 1.48% of the territory of the Republic.

The increase of city territories was 402.1% (from 9.4 thous. hectares to 43.9 thous. hectares) during 1940-91 and 116.1% (37.8 thous. hectares to 43.9 thous. hectares) during 1960-91.

71.9% of urban territories are constructed as of the date of 1991.

In reality, the amount of free lands for construction is about 0 within the borders of cities, except for some of them. Unconstructed territories are either valuable for agriculture or inappropriate for construction (Great slopes, inappropriate engineering conditions, landslide, stratum grounds, above 9 scale seismological conditions, etc.).

The privatization of agricultural land near to cities causes problematic issues of future territorial development of cities.

In three cities, Yerevan, Gumri and Vanadzor, 71.4% of the population and 62.3% of constructed territories are centralized.

The future urbanization of Armenia is connected with the solution of some difficult issues that were the result of extensive territorial development of former period. It is on the one hand the absolute

asymmetric distribution population, the great economic potential differences of central and border regions, earthquake zones, refugees, strict housing issues, the stabilization of city's functional sub-systems (environmental protection, architectural equipment, water and energy supply, heating system, etc.).

The issue of establishment of necessary conditions to coordinate and balance development of all spheres of national economy system and the deliberate intensification of the decentralization system is a very important way of the future urbanization strategy of Armenia. In near perspective, the main directions of the territorial strategy should be the following ones:

- The usage of means and resources for priority development of the Siunik region and strengthening of the border regions.
- The formation of solid bases in low- developed border regions and their empowerment that has to be provided by the necessary means for infrastructure, intra-republic and long distance communication.
- The priority development and promotion of small and middle urban settlements, the increment of the level of their self-satisfaction and attractiveness.
- The deliberate development of new cities and technopolises that accumulate and produce scientific technical, economic and cultural modern ideas and attainment, provision of high standards of vitality and balance of environment.
- The realization of legislative, organizational, and technical comprehensive measures oriented towards the recovery of regions touched by the Spitak earthquake.
- The foreseen establishment of transport and communication corridors from the Republic to the International Market (Europe, Russia, Caucus, Asia) in the drafts of urban development
- The accomplishment of urban development policy within the borders of mastered territories without including agricultural purpose lands to economically use soil resources.
- The realization of projects on usage of non-traditional sources of energy in construction field, production of isolated materials from local raw materials and waste, the establishment of programs to protect populations from natural disasters (Earthquakes, floods, slides, etc.)
- The State policy on overcoming the extensive methods of production, denying the remarkable zone and point densification of the industry, developing priority specialized network of small and medium enterprises in each settlement on the basis of local resources and production customs.
- The provision of more favorable environmental conditions, the accomplishment of united strict state policy on moderate and limited urbanization, delimitation of tourist, recreational, natural and cultural regional systems.

2.2. SOIL RESOURCES

Soil resources of the Republic of Armenia are very limited. Almost 47% of land cover are slopes. 46.6% of the territory are used for agricultural purposes, 13.9% for forests. 31% of the territory are not used due to remarkable rocky surface, erosion, insufficient water supply and high slope degree.

According to the data 1991 the soil surface used for agricultural purposes is 1340 thousand hectares, from which 305 is being irrigated. This index had increased after privatization.

These are characteristic of the soil in the Republic of Armenia: mountainous-steppe zone black soil 35,5 %, brown soil 11,2%, gray valley irrigated land 11,8 %, gray forest zone 8%, carbonate 6,3 % and dark brown 8,5 %. There is gray semi desert zone and alkali land and other kinds of land that do not occupy big territories in Ararat region.

The special treatment in the process of preservation and increment of soil resources of the Republic of Armenia is dictated by not only poor soil resources but also by the high degree of efficiency of the usage of other lands.

2.3. WATER RESOURCES

Being a mountainous country Armenia is rich with water resources.

Underground waters

Armenia is rich with underground fresh, mineral waters, spring waters of medical value and of industrial and agricultural importance. About 4 billion m³ of underground water is being accumulated per year, 38 % of which is spring water, 35,7 % is defused in ravines, 18 % feeds mountainous slopes, and 6,3 % flows out of the Republic.

Most of the spring water is used for the water supply of the settlements.

There are about 300 types of mineral springs in the territory of the Republic of Armenia: Jermuk, Hankavan, Litchki, Arzakani, Bjni, Dilijan, Ararat and Tatev, etc., which are used today for the spas and for the production. The existence of valuable types of mineral water demands the modernization of health resorts of the Republic and their effective exploitation in conformity with international standards.

Internal waters

There are 9,479 rivers and a main lake, the lake Sevan, in Armenia. All rivers belong to the basin of Caspian sea (Arax- 76,4% , Kur- 23,6%). The construction of reservoirs, water pipes and other water preservation constructions will promote economical use of water.

The balance of internal waters can serve well to facilitate the process of using Arax river water for energy and irrigation purposes. The part of the energy of the Republic is obtained from hydro power plants built on Hrazdan river (called Hrazdan Cascade). It will be reasonable to build many mini hydro power plants on mountainous fast rivers.

2. 4. HOUSING SPHERE

Difficult economic situation influences on urban development, settlement development and stability of housing sphere, housing construction, exploitation of residential fund and communal service.

According to the data of 1995 the basic housing stock of the Republic comprised more than 56,7 mln. sq. m. general surface or 745847 housing unit 60 5 of which is in the cities. The residential

general surface per capita comprised 15 sq. m. in the Republic, 13,3 sq. m. in the cities and 18,5 sq.m. in the village settlements.

After the Spitak earthquake in 1988 the normative value of seismic intensity of the surface of the Republic was increased on the basis of many investigations. The map of seismic zones was designed. As a result, the seismic state of the surface increased nearly everywhere on 1-2 point on scale. In consequence of this the seismostability of existing buildings does not meet the demands of new norms and the necessity occurred to evaluate their seismostability and strengthen them. So about 80% of the existing buildings (built on former norms) need strengthening, current and basic repairment.

Residential buildings with 8,9 mln.sq. m. of general area were damaged because of the earthquake in the disaster zone, 4,5 mln. sq. m. (50 % of mentioned housing fund) of them have been fully destroyed or are to be destroyed.

The housing fund was fully destroyed in Spitak and on 79 % in Gumri, etc.

The housing provision of the population of the earthquake zone with little exceptions is low from the average indices of the Republic. So, 4,3 sq. m. in Spitak and 8,0 sq. m. in Gumri.

The great damage of earthquake to housing fund of the Republic and to the service infrastructure, the inflow of refugees because of military and political conflicts has strictly tightened the housing problem and created a huge mass of unprovided people. 114 000 families out of 3,7 mln. population (900 000 families) are in official housing line. Forty-one thousand of them are living in Yerevan. Currently, Armenia needs 155 000 apartments and 10 mln. sq. m. of housing area construction to overcome the deficit.

Chart 2. Completed Housing Construction (1000 sq. m.)

	1991	1992.	1993.	1994.	1995.
State construction	889,0	215,9	243,9	173,5	150,7
Cooperative	66,2	6,9	15,8		
Private	954,1	136,9	110,6	80,4	134,2
Overall	1909,3	359,7	370,3	253,9	284,9

The field of construction and particularly housing construction and construction industry work 10-12 % of their capability. It is necessary to modernize the backward energy and material consuming, rigid technologies of house-building plants and output by increasing qualitative indices, decreasing high material and energy consuming, to make it competitive and satisfying demands of modern market.

The strict increase of the prices of construction output, labor and services is a result of very high prices of both construction materials and energy resources that are imported. It caused the situation when in the housing market houses are much cheaper than the same newly constructed houses, independent of its installation. In the conditions of huge unsatisfied house demand this fact shows the lack of payable demand. In market relations it means that outbudget, commercial, private and other investments in housing construction is not expected.

In these conditions, except the private house construction and projects that are financed by the benevolent and international organizations the construction is stopped. After 1988 the greatest volumes of construction had been in 1990 -1991 (chart 3) when nearly all republics of former Soviet Union and foreign countries and firms participated in the recovery of earthquake zone. The construction of 50 000 apartments has begun at that time but the great majority of them is not completed, being subjected to the danger of spoil and loss.

Chart 3. The Rates of Increasing of Housing Funds of the Republic of Armenia
(in percentages compared with previous year)

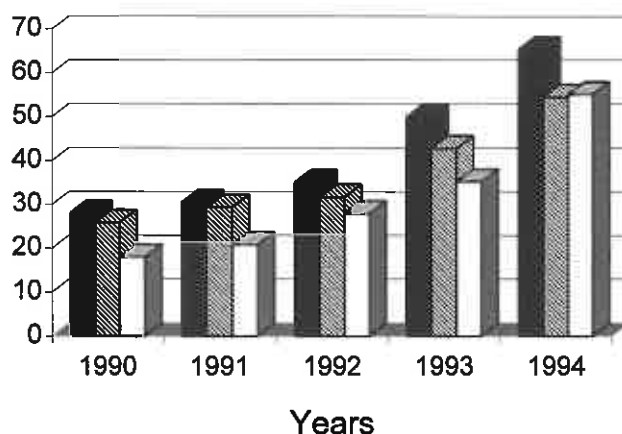
	1990	1991	1992	1993	1994	1995.
Overall	6.5	6.9	1.6	2.26	0.7	0,5
Urban	7.9	2.6	0.9	2.4	0.4	0,3
Rural	4.3	13.3	2.6	1.9	0.9	0,7

The process of privatization of state and public housing fund begun in 1993 has great importance to attract many outbudget sources for financing and forming free house market and activating housing field.

This is actually the beginning of new policy (figure 2). . By the end of 1995 the amount of completed housing fund was 745847 housing unit in Armenia. 65,3 % of that was private property. The process of privatization is continuing now.

Figure 2.

The specific weight of private housing basic stock in all volume

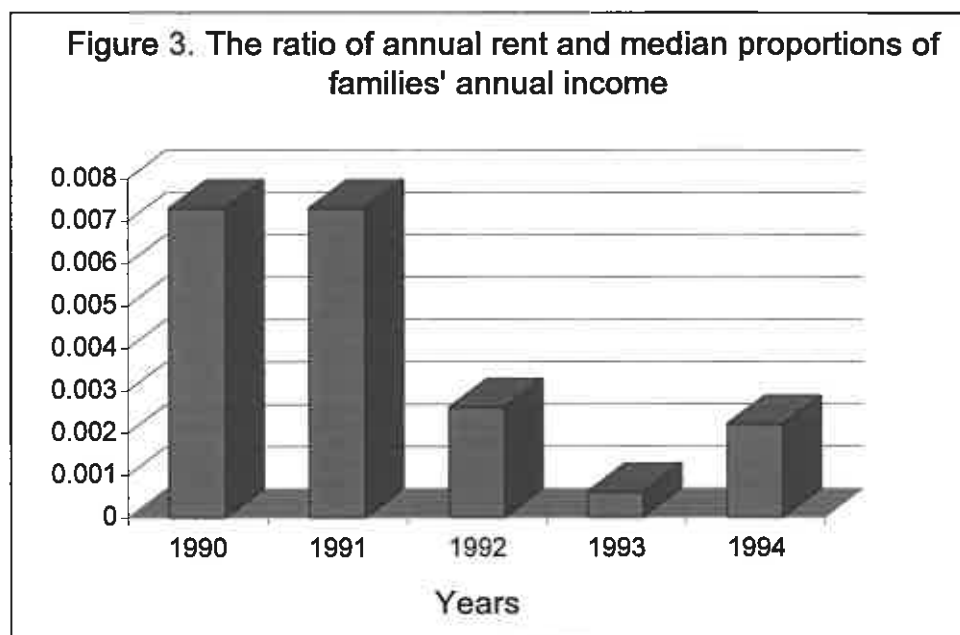


- Armenia
- ▨ Armenia (urban settlements)
- Yerevan

The level of provision with engineering nets of housing basic stock of cities and villages is high: water supply 96.4%, sewage 93.4%, central thermosupply 79.2%. But the most part of engineering nets formed previously is rather old. They expensed mainly their exploitation resources and dates, need rehabilitation and renovation and because of permanent blockades, energy crisis and other reasons those nets are partially exploited or are not exploited, which also brings to worsening of their technical condition. Currently, urban apartments are nearly deprived of simple life conditions. The supply of energy decreased to 2-4 hours a day. Elevators are not operating in high store buildings. Water supply in some blocks of Yerevan is also only for specific hours because of the non-operation of electric pumps in water supply system. Urban nets of gas supply do not operate because of the absence of gas. After the reopening of the Nuclear Power Plant and the regulation of rent fee payments, electricity and water supply of apartments have begun to improve.

Comparison with industrially developed countries shows that the annual ratio of housing rent and housing economy income is remarkably small (Figure 3). For example in 1994 it was 0.002 in Armenia and 0.18 in the industrially developed countries.

Figure 3



The payments for house rent and communal service have begun to increase actively in the Republic to bring to such a level to cover realized costs and to decrease and remove state dotations in this field.

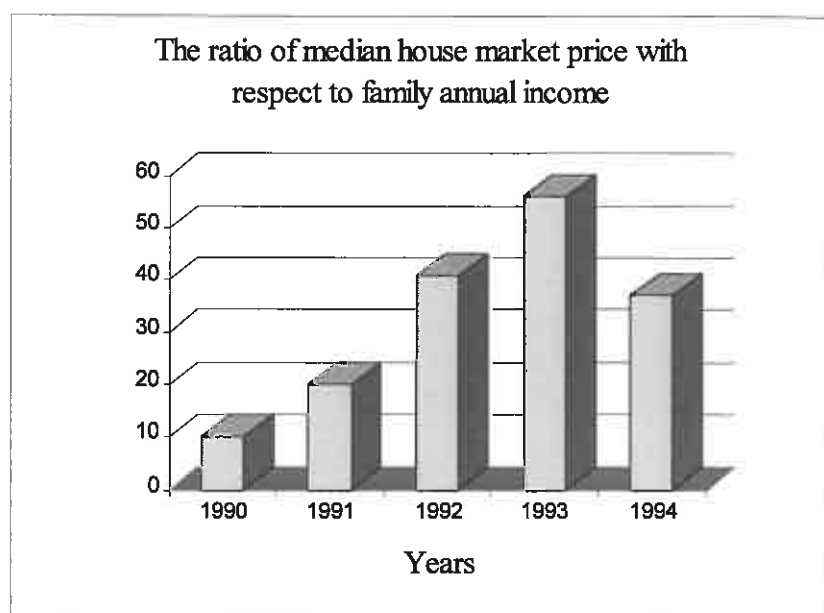
The price freeing for goods and services and dynamic of rent fee increase often do not correspond to the rates of income increase of population, families. Socially unprovided population unpayability results in non-payment of rents and accumulation of debts. It is necessary to improve continually the policy of organization of municipal and communal services, rise of quality and definition of prices to economize energy resources, protect environment and provide social security of strata with low income.

Today there are several ways to satisfy the demand for residency:

- a) Construction (on the account of credits or private means)
- b) Apartment buying
- c) Apartment rent in the state or private housing basic stock.

The analysis of current situation of housing construction financing of the Republic shows that the restriction of budget means volume assigned to the building of houses forced population to have two ways to obtain apartment: private construction and apartment buying in housing market. The buying of apartment in the market and moreover its construction stays unlovable task for the majority of population up to date because the price for 1 sq. m. was US \$ 200-250 on 1995 data (Figure 4).

Figure 4



All these result in the thought that it is necessary to continue the begun reforms in the housing field, to elaborate and adopt a range of legislative -- normative acts containing all social organizational and financial -- economic aspects of long term national program on housing reform, create payable housing demand by means of state differentiated subsidies and dotations, long term preferable and collateral (mortgage) loan assignment and tax stimulation systems, give opportunity to the poor and low income strata to get 'affordable' apartment.

2.5 ENERGY

Before the collapse of the Soviet Union the annual production of energy comprised 15 billion kWh/h. Fifty-nine percent of that energy was produced by thermoelectric power plants, 31,4% by nuclear power station, and the remaining 10,1% by hydro power plants. From 1977 the 15-20 % of energy produced in Armenia has been exported to the neighboring countries. Thus Armenia, a country with poor energy resources and inappropriate natural conditions turned into energy exporting country. The production of energy per capita was 4,500 kwt/h. In fact, for the purposes of energy production more than 4 mln. tones of conditional fuel, mainly black mineral oil and natural

gas, have been imported. Its current market price is more than \$ 300 mln. The appropriation of such amount is above the financial abilities of the independent Armenia, both now and in the near future.

The blockade of Armenia by neighboring countries cut Armenia off from its traditional fuel sources. Contributing to the lack of fuel in Armenia was the absence of proper infrastructure links with Iran and the continuous disruption of rail and gas transport through Georgia. The acute energy shortage caused the decline of industry, the shutdown of all district heating systems and the significant reduction of public and private transportation.

Besides the shortage of fuel, the shutting down of the 815 MW Metsamor nuclear power plant also exacerbated the energy situation. The facility was closed in early 1989 following concerns regarding its safety, after the devastating earthquake which hit Armenia in December 1988. Largely as a result of the closing of this reactor, Armenia moved from being a net exporter to a net importer of energy.

The changes in the supply of energy and domestic electricity production have compelled the government to rethink its priorities in the energy sector. The Ministry of Energy and Fuel (MEF) was formed in 1992 with the objective of coordinating and developing energy policy. Some of the key measures undertaken by the MEF include: securing an increased supply of energy, negotiations with the Government of Iran for the construction of a pipeline between Tabriz (Iran) and Goris in southern Armenia, to increase domestic hydro and thermal capacity. The MEF has also assumed responsibility for coordinating the purchase and distribution of fuel to final consumers, as well as the regulation of its consumption.

Under the authorization of IAEA and different foreign experts, one of the two units of the Metsamor nuclear power plant was reopened in 1995. Despite this fact, the energy problem in the Republic is solved partially, and for its final solution a new energy system is needed.

2.6 TRANSPORT AND ROAD

Taking into consideration the new political and economic environment, the development of a transportation network has become a strategic task for Armenia .

The integration of Armenia in the global and regional surface networks will enable Armenia to capitalize on its geographic and strategic position (see map # 3). The east-west axis is the historical great Silk Road. The north-south axis serves as a bridge for cultural, technological and trade ties for Europe and Russia with the rest of the world.

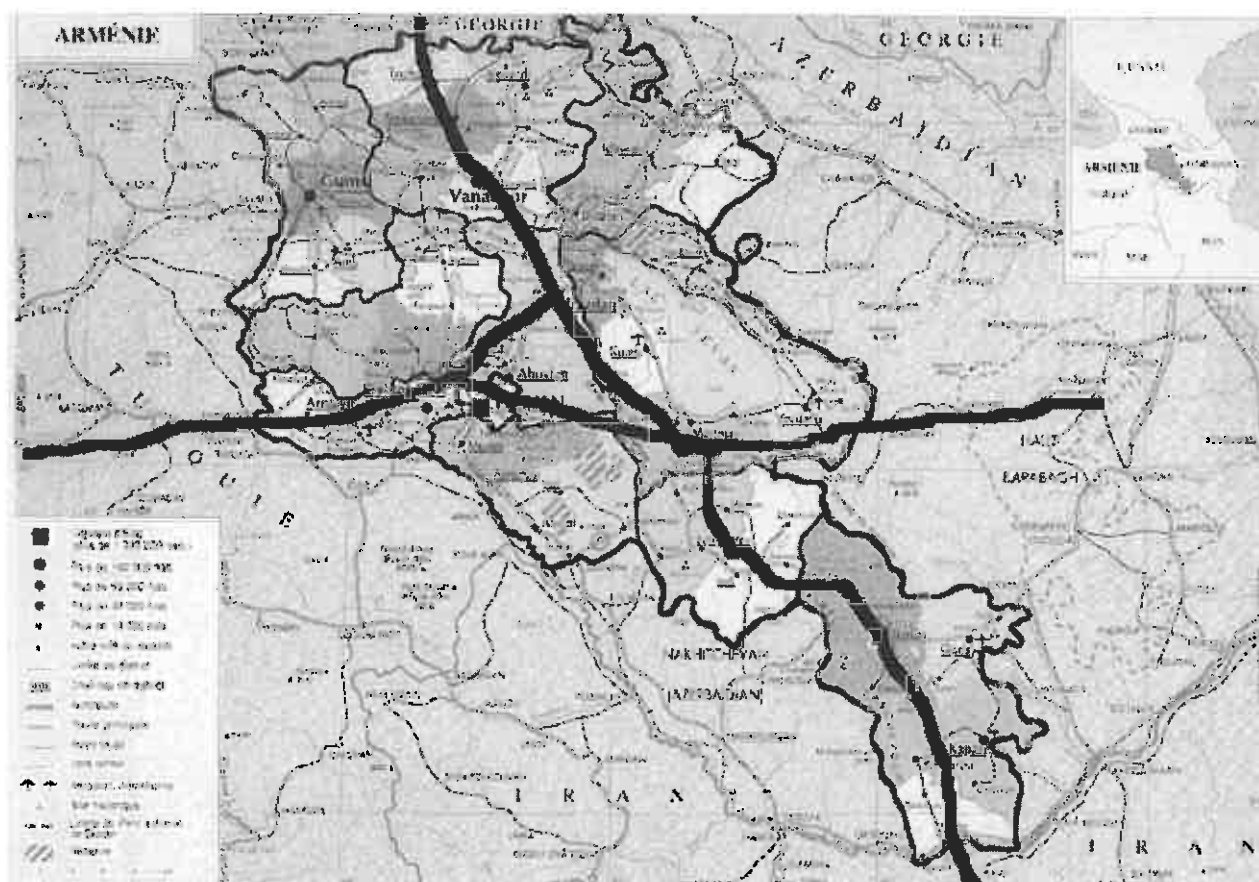
The geographic position of Armenia and the existing transportation networks create favorable conditions for the integration of Armenia in the global transportation networks through the utilization of north-south and east-west axes. (see Figure 1)

The north-south axis passes through: Georgia, Demurchilar, Tashir, Stepanavan, Giulakarag, Ger-Ger, Pushkinian Pass (tunnel), Vanadzor, Meghroud, Margahovit, Dilijan tunnel, under the Sevan pass, Sevan, Kamo, Martuni, Madina, Selimian Mountainpass, Aghnjadzor, Shadin, Yeghegnadzor, Malishka, Vaik, Saravan, Sarnagounk, Angeghagot, Shaki, Sisian, Vaghudn, Vorodan, Darpas, Lernashen, tunnel under Gyanbel mountain, tunnel under Bargushanian mountain chain, tunnel on the northern end of Verin Kiratagh, Davit-Beg, Musalam tunnel under Meghri mountain chain, Vahravar tunnel, Goris, Garjevan, Agarak, Iran.

The distance of this pass is 465 km: 210 km from the Georgian border to Martuni and 255 km from Martuni to the Iranian border.

The West-East direction: Turkey - the State border located between the villages of Pakaran and Yervandashat, Arax river bank, Akhurian river bank, Hoktember, Armavir (passing on the north-west), Ujan (to the south), Agarak, Ashtarak junction, Yeghvard (to the south) Nor Hadjin bridge over Hrazdan River, Arzni, Kaputan, Zar, Geghanush, Geghart, tunnel under Geghama mountains, Martuni, Vardenis, Sodk, tunnel (4+4 km), Seidlur, Natirkhanli, Sarsang Dam, Martakert, Azerbaijan (roughly 320 km in Armenia).

Map 1.



The west-east direction is expensive to build. It crosses densely populated regions. It is planned, however, to be built in the nearest future.

In Armenia, most of the surface roads circumvent the settlements by 2-4 km. Two main axial roads intersect near the town of Martuni. The utilization of these axial roads will contribute to the interconnection of the regions of Armenia and also to the integration and interaction among the four neighboring countries in the region.

These roads are important for the purposes of international integration as they will link:

To the north: Batumi, Black Sea, Tbilisi, Moscow; and Georgia, Russia, Ukraine, Baltic States and other cities of the region.

To the south: Tabriz, Teheran, Ahvaz, Persian Gulf and Al Kuwait, Baghdad, Aleppo, Beirut, Amman, Tel-Aviv and many cities of the near East.

To the west: Ankara, Athens, Sofia, Bucharest, Belgrade, Budapest, Warsaw, Vienna, Prague, Berlin, Munich, Turkey, Greece and other cities of Europe.

To the east: Kelbajar, Martakert, Baku, Caspian Sea, Krosnovodsk, other cities of Nagorno Karabakh, Azerbaijan and Central Asia, as well as the roads leading to far East of Russia and Central Asia.

The construction of these two roads must meet international transit highway engineering standards:

- The roads must be of high technological standards, to ensure maximum speed and safety,
- Resistance to varying and different climatic conditions and zones,
- Circumvention of settlements,
- High level engineering structures (bridges, tunnels, junctions and exits, various slopes etc.) and associated infrastructure components (gas stations, food stations, hotels, service stations, customs offices etc.).

Interested countries (Russia, US, Iran, Turkey, Germany, France, Japan, Azerbaijan, Georgia and other countries of Europe) can participate in the construction of the highways and their maintenance.

The other parts of the transportation network of the Republic should be directed towards these axes.

It is also reasonable to strengthen the transportation links of the Republic at major intersections (Sisian, Martuni, Sevan, Stepanavan, Vardenis, Mardakert) and supplement them with airports.

At the same time it is necessary to create four trade and economic zones with neighboring countries with necessary infrastructure and legal framework. From the economic and strategic standpoint it would be also advantageous and justifiable to build pipelines supplying Armenia with gas and oil.

Railways

The Armenian railway network consists of four international lines (two to Azerbaijan, one each to Georgia and Turkey) and one domestic branch line. The network has a total length of 829 km, with a density of 29.4 km per 1000 sq.km. Currently both routes to Azerbaijan and Turkey do not operate. The State - owned company Armenian Railways is responsible for railway maintenance as well as for the freight and passenger services. Its rolling stock consists of 116 diesel electric locomotives and 80 diesel engines. Before the blockade 85 % of rail freight traffic went through Azerbaijan lines; however, rail freight traffic for Armenian Railways declined from 4803 mln tons-km in 1988 to 450 mln. Currently, freight and passenger service tariffs cover operating and routine maintenance costs but are insufficient for capital investments. The Government intends to continue commercialization to improve the revenue basis, provide capital investments for modernization of the locomotives and other rolling stock, secure proper maintenance and introduce modern freight handling facilities.

Air transport and civil aviation

The civil aviation infrastructure consists of ten local airports and two international airports: Zvartnots in Yerevan and Shirak in Gumri. Zvartnots, the main air gateway to Armenia, is an ICAO Category II international airport with 24 hour service and the capacity to handle most wide body aircraft. However, its cargo and passenger handling facilities are inefficient and do not meet international standards. In 1994, a loan of 22.8 mln. US dollars was approved by the EBRD to

finance construction of a modern cargo terminal with a capacity of 80.000 tons at Airport Zvartnots. The administration is seeking funding for general improvements and increased efficiency especially to the passenger areas of the airport.

State owned Armenian Airlines (AAL), is the national flag carrier. AAL possesses 25 aircraft of TU 154s, TU 134s, IL 86s and serves the main air routes to Europe (Amsterdam, Paris, Athens, Thessaloniki, Sofia, Istanbul); Middle East (Teheran, Damascus, Aleppo); and CIS countries. Some of the flights of AAL are obsolete and fuel inefficient. Recently Air France has refurbished several of the aircraft. The major share of air freight business is currently handled by other private carriers with both passenger and freight services by air companies of other CIS countries.

2.7. PROTECTION OF ENVIRONMENT

The process of large scale urbanization in the Republic of Armenia has created serious environmental problems.

Approximately all settlements of the Republic get the drinking water from springs. This water has very high organoleptic peculiarities and is very clean. Water gets polluted on the way to the consumer because of corrosive conditions of water pipes.

The high degree of pollution of irrigation water with oil products, chlorides, nitrates, load metals, phenols etc. is a great danger for settlements.

Intensive pollution of the environment with lead metals is registered in Yerevan and in other industrial centers of the republic. The pollution of soil and atmosphere with dust of lead, copper, zinc, tin, silver and other metals exceeds the acceptable norms by ten times.

The pollution of atmosphere in industrial centers of the Republic under the conditions of stable work of plants exceeds the acceptable norms many times. Due to energy crisis the volume of industry decreased 5-7 times, but the level of pollution only 2-3 times. This non-parity ratio is explained by the violation of technological cycles and absence of cleaning devices. There is also an increase of the atmosphere pollution with mercury and lead.

Asbest-containing materials are widely used in the republic in construction, communal system, autotransport spheres. There is a production of asbest plates. It is necessary to decrease gradually the use of these asbest fibers for their cancerogenic nature.

The measures required for the sphere of seismological security are not sufficient because they deny α -radiation. The above mentioned circumstances have to be considered in the sphere of urban development and corresponding measures have to be implemented.

Solid wastes cause serious problems in cities. The volume of solid waste reaches one mln. tons a year. There are no garbage processing plants, and industrial toxic wastes are buried in polygons.

Today, despite the budgetary constraints it is necessary to implement following procedures to improve the environmental conditions:

1. Functional planting
2. The establishment of dynamic and geochemical barriers to clean surface water
3. Architectural master plan solutions.

In the current stage the ecological improvement in urban and rural regions of Armenia has to start with :

- the recreation of green masses abolished in former crisis years
- the formation of new system for rational usage of drinking and irrigation water
- the organization of works on reprocessing of solid wastes.

2.8 HISTORICAL BACKGROUND

Throughout three thousand years of existence the Armenians have manifested a remarkable ability to adapt and survive. Originally the Armenian highland, the homeland of the Armenian Nation, extended to the Caspian, Black, and Mediterranean Seas and was a crossroad of trade and commerce, between Asia and Europe.

Located in the mid-point of the geographical land bridge, Anatolia, the lands of Armenians from its beginning were subjected to political, religious and military incursions from the West by Greeks, Romans and by the Byzantine Empire, and the Crusading states; from the East, by Assyrians, Persians, Parthians and the various Islamic successive States.

Through all of this, the Armenians retained a brilliance in adaptation and creation in the arts, literature, society and religion, which contributed to their survival into the twentieth century in the face of endless vicissitudes.

Armenia has been identified by archaeologists back to the Acheulian age (500,000 years ago). The first written records mentioning the inhabitants of Armenia are the hieroglyphics of the Hittite Kingdom in Asia Minor (1388 to 1347 BC). By the 9th century BC, the local tribes united into the state of Urartu, mentioned in the Bible. Urartians built fortresses, temples, palaces, and large public works leaving a rich culture. An irrigation canal from this early period is still in use in Yerevan - a city standing on the ancient Urartian fortress of Erebuni. Urartians adopted a new language - a distinctive branch of the Indo-European group.

After the collapse of the Urartu in the sixth century BC, the Yervandian dynasty came to rule followed by Artashesid dynasty in the second and first centuries BC.

The greatest Armenian king was Tigran the Great (95-55 BC) who had united the Armenian lands and developed Armenia into a powerful and vibrant empire stretching from the Caspian to the Black Seas and south to the Mediterranean Sea. Under his rule Armenia reached its apogee. By 51AD the new Arshacid dynasty came to power and the country became a buffer zone for Romans and Parthians.

Zoroastrian by religion, Armenia became the first State to adopt Christianity as State religion in 301 AD. Repeatedly invaded, conquered and being under the rule of others, the autocephalic Armenian Apostolic Church retained its autonomy even through centuries of non-Christian rule. In the first decade of the fifth century AD, the monk St. Mesrop Mashtots, under the command of both the king and the Catholicos, the Supreme Head of the Armenian Church, set out to decipher in 405

AD the letters for the Armenian alphabet. The first work of translation undertaken in the new script was the Bible. Soon, however, an amazing array of literary works were created by the Armenians. The invention of a national script helped Armenians to develop a national consciousness.

During the first millennium a number of Armenian dynasties ruled over a society that had a feudal structure as well as urbanized culture and economy. The power of Armenian feudal lords weakened gradually as a result of attacks of Roman and later Byzantine and Persian armies. In 1045 Byzantium annexed the last capital of Greater Armenia, Ani, thus abolishing the monarchy of the Bagratid kings.

Waves of Turkic and Mongol invaders created the Diaspora of Armenians in the south, where the Cilician Kingdom of Armenia was ultimately created. Being a friend of the crusaders and having strong ties with Europe, this last independent State of Armenia before the twentieth century, fell to the Islamic Mamluks in 1375. A devastating war between Persia and Turkey divided Armenia in 1639. Turkey was claiming the western part, and Persia the eastern one. In 1828, the north-eastern and Caucasian areas of the country came under Russian rule, following the treaty signed between Persia and Russia.

Through the centuries of both freedom and captivity the Armenians continued to develop their artistic and literary traditions. With few natural resources and stony land, the Armenians have survived through strong traditions of education and entrepreneurship. Exquisite manuscript illuminations and delicately carved stone crosses (Khachkars) testify to the high level of the plastic arts. Beautifully faced and carefully designed ecclesiastical and secular architecture bear witness to the skill of Armenian architects. Technique and metal iconography demonstrate the retention of ancient Urartian models. These coupled with a strong literary tradition, continued to be developed through the ages among the Armenian people.

The darkest period in the more recent history of the Armenians was from 1915 to 1923, when Ottoman rulers exterminated 1.5 million people who lived in the Ottoman Empire, what has been described as the first genocide of the 20th century. With the fall of the Ottoman Empire and shortly after the end of World War I, the Armenians enjoyed a two-year period of independence, but in 1920 Soviet troops entered Armenia, overthrew the government, and turned the independent country into a constituent Republic of the Soviet Union. Armenia remained a part of the USSR until 1991.

The dissolution of the Soviet Union led to the independence of the constituent republics. During the process of disintegration Armenia first adopted a declaration of Independence and after six months, as required by the Soviet Union Constitution, held a referendum and accordingly declared its Independence on September 21, 1991.

2.9 COMPREHENSIVE SOCIAL SYSTEM

Health Care Potential

The supremacy of health in the concept of human development is indisputable. In social policy there are four ways by which the Government can contribute to the improvement of the health studies of the population. These are medical and biological research, assuring the availability and quality of medical services, control over the quality of the environment and food along with regulation of hazardous impacts, and, finally, promotion of healthy lifestyles.

Nutrition

The issue of food has reached crucial dimensions for the eighty percent of the population of Armenia that lives in absolute or relative poverty. The quantitative and qualitative inadequacy of food negatively affects public health.

Impact of the Environment

The problem of negative influence of the environment on human organism has not become yet the subject of special attention. The pollution of environment by load metals is dangerous in Yerevan and other centers. Air pollution is still rather high even in the conditions of fall of industrial volumes (as a result of energy crisis). Insufficient supply of phthorium, iodine and moveable carbonic calcium to drinking water, increase of α - radiation are the main causes of permanent increase in a range of diseases (blood and cancer).

Health care activities

Despite the absence of strict statistical data cigarette, alcohol, drug abuses are getting widespread especially among teenagers. The country practically has no laws that would restrict the sale and use of tobacco and alcohol in public places and medical institutions. Moreover, the tolerant attitude of the Government and the public results in a situation in which any citizen without any restrictions can purchase tobacco and alcohol everywhere at any time of the day. Support for policies promoting healthy behavior will alleviate the situation.

Medical assistance

Medical and diagnostic opportunities of medical institutions are rather high in the Republic. But they are distributed unequally between medical institutions and regions. The effective usage of 10 thous. from existing 28 thous. bed fund will satisfy all demand of the medical care of the whole population. Being provided by laboratory-tool diagnostic and other medical equipment received as humanitarian aid after the 1988 earthquake the net is operating at its half capabilities. According to data of the Ministry of Health Care of the Republic the attendance to the polyclinics and the utilization of beds in the hospitals are strictly decreasing.

The absence of alternative financing and budgetary constraint challenge the further development and even the existence of many hospitals and out-patient clinics. Presently a great portion of hospitals and clinics are in need of capital renovation or repairs. Part of the sophisticated modern diagnostic and medical equipment is idling for lack of sufficient financing, while another part's capacity is undressed because spare parts and consumable cannot be purchased.

The privatization of chemistry net gave an opportunity to satisfy the supply of medical means, promoted fall of prices. To this regard humanitarian aid received from international organizations and private virtues had essential importance. At the same time, the experience of last years shows that the quantity and range of received medicines in some cases do not meet demands of the

Republic. The tendencies to improve the situation due to coordination and cooperation of the Government and different international organizations are obvious and viable.

Health care expenses

The analysis of expenses planned to be spent in 1996 on health care marks a noticeable increase.

Health services in the Republic of Armenia are funded almost entirely by general Government revenues. In 1994-1995 they accounted for correspondingly 1.4% and 1.1% of GDP, then for 1996 it is planned for 2.4%.

Chart 4.

	Armenia 1993 1994 1995 1996 (Actual) (Estim) (Planned)				Republic of Korea 1990	Costa Rica 1990	Argentina 1990	Pakistan 1990
GDP per capita	510	365	616	791	6733	4542	4295	1862
Public Expenditures on health care as a % of GIP	3.6	1.4	1.1	2.4	2.7	5.6	2.5	1.8
Overall Public Expenditures on health care as a % of GDP	-	-	-	-	6.6	-	4.2	3.4
Public Expenditures on health care by absolute numbers per capita	18.4	5.1	6.8	19	182	254	107	33.5
Overall Public Expenditures on health-care by absolute numbers per capita	-	-	-	-	444	-	180	63.3

Because of the lack of accurate statistic data it's difficult to calculate overall public expenditures on health care. By approximate calculations they will make 5.4% of GDP or \$37 per capita.

So, if the level of health expenditures as a percent of GDP is comparable with the indices of some developed countries, the amount in money per capita is rather small.

Under such conditions it is difficult to underestimate the role of humanitarian aid delivered by the different international organizations. Their systematization by the Government becomes of great

importance. That primary assistance must be directed to the realization of the projects elaborated by the Government, which aimed to promote the increase of the quality of first medical aid, the availability of medical assistance and child birth.

The necessity of reforms

The solution of problems that health care is facing today demands the creation of a complex program of short-term and long-term organizational measures and activities.

Under the conditions of budget deficit it is necessary to seek such measures, which do not demand big capital investments.

Since 1991, private health practice is accepted. The Ministry of Health is providing licenses for private practitioners. The system of licensing urgently needs to be simplified and made more comprehensive and transparent. A new draft decree on the licensing of private practice is under preparation.

Today the adoption of "Medical Assistance" and "Public Health Care" laws becomes of great importance. It will accelerate the privatization process, provide the availability of first medical aid to the population, as well as clarify and emphasize the priority of health preserving measures and the role of the Ministry of Health Care in elaboration and control of those projects.

Education

The education system in Armenia includes pre-schools, vocational schools for training workers, upper-secondary technical institutions, universities, other higher-education and post-graduate education institutions.

Universities in Armenia

In the Middle Ages there were several Universities in Armenia which offered courses in Theology, Pedagogic, Philosophy, Languages, Chronology and in other sciences. Students of the Sanahin University, established in 966 AD, studied Rhetorics, Philosophy, Medicine and Music. In the 14th and 15th centuries the blossoming art of manuscript writing became one of the major fields of study.

The most famous center of higher education in the Mediaeval Armenia was the Gladzor University. It had its own charter and system of granting scientific and education degrees. Contemporaries called the Gladzor University "the second Athens". The 700th anniversary of this university was celebrated in 1980 under UNESCO auspices.

The Tatev University, established in 1390, had Departments of Humanities and Social Sciences, Manuscript-Writing and Music. Armenian clergy and scholars were educated at the Echmiadzin Academy of Theology established in 1874.

By a Government decree of the first independent Armenian Republic (1918-1920), the Yerevan State University was founded in May 1919. The Departments of the University subsequently served as a basis for the establishment of various higher education institutions. At present the University has 19 Departments that offer training in 33 fields.

In 1991 the American University of Armenia was established in Yerevan. It offers masters' degree programs in Engineering, Business Administration and Political Sciences.

Schools and Secondary Education Institutions

During the last years the number of students in all educational levels has decreased.

Schools are currently facing two major short-term problems: lack of financing (mainly for paper for the production of books) and energy for heating classrooms during the winter-term. Some children have been taken out of schools due to parents' inability to finance the minimum requirements to send their children to school.

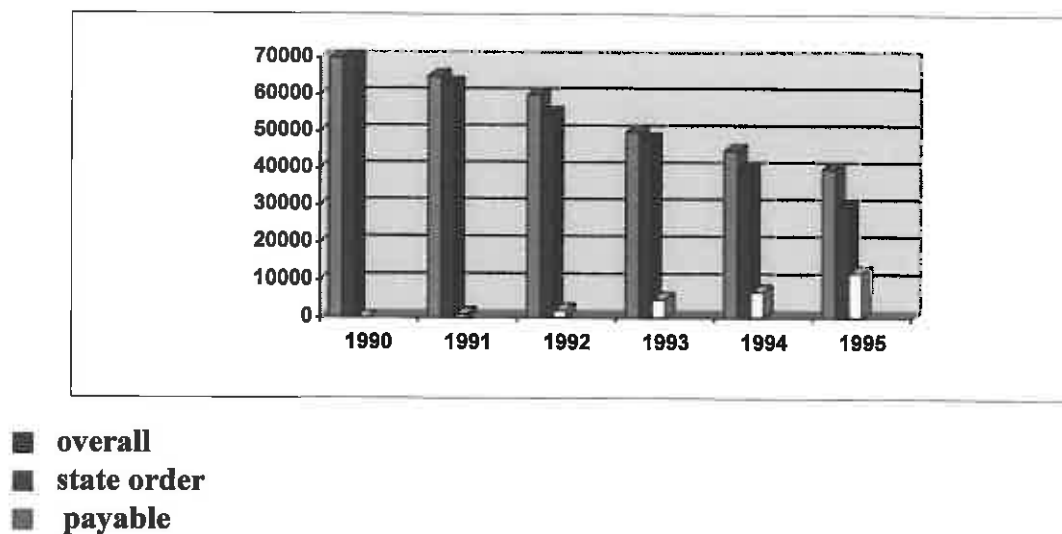
Two Ministries are involved in the provision of education: the Ministry of Education which oversees general and pre-school education, and the Ministry of Higher Education and Science. Pre-school education is well developed in Armenia. For the moment, 8 years of school education are compulsory and the Government plans to raise it to 10 years.

The private secondary education in the Republic is making its first steps. There were 8 private schools registered with 700 teachers in 1995. There are no laws and normatives to regulate private education, which creates certain obstacles on the way of development of private education.

The results of educational reforms are stipulated by social status of the teachers which still remains low. Many teachers, especially men, are leaving this field. Their number decreased by 15% in 1994-95. One out of six teachers has no special pedagogical education.

The number of students in State institutions has decreased in 1995 (Fig. 5). The number of female students has decreased reaching 54.4%.

Figure 5

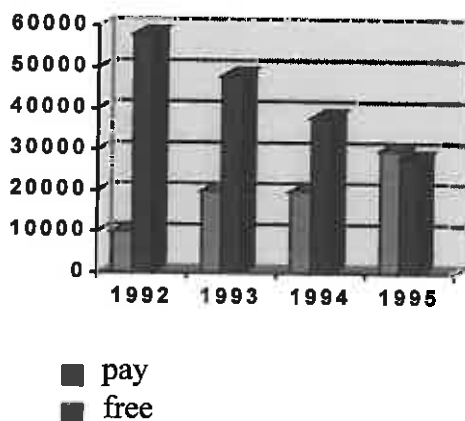


The students of State institutions

State institutions can prepare students for 139 specialization.

In 1995 there were 42 private institutions operating in Armenia. Since 1991 the number of students in the paid educational system has increased 6.5 times (Fig. 6).

Figure 6. Students of free and pay systems.



GDP per capita on education is US \$13.3. This is not sufficient to provide sustainable human development. In the sphere of higher education possible private investments are of great importance.

It is reasonable to direct the assistance and support of the international community to the educational field to provide obligatory eight-year free school and free secondary education within the State educational system.

The major short-term issues in the general education are the following: publication of the textbooks, heating of schools during the winter, maintenance of buildings, and the running of nursery schools. The educational system also faces some long-term issues, but little has been done yet in this area as the Government is presently able to address short-term emergency issues. The Government needs to be engaged in curriculum reform.

Due to budgetary constraints the higher education should mostly rely on cost recovery with programs ensuring proper education for financially-poor students with high potential. Strengthening the management will grant higher educational institutions more autonomy to determine how to meet the market demands for academic programs, and make the competition possible among institutions.

2.10 MIGRATION PROCESSES

Internal Migration

Three inter-dependent patterns have been observed in internal migration: from outlying areas to central areas, from highlands to lowlands, and from rural to urban areas. The results of these movements are:

- uncontrolled urbanization of villages,
- an increase from 20% to 33% in the proportion of those living in Yerevan (or 55% if one includes the metropolitan area of Yerevan) as compared to the total population,
- depopulation and degradation of about 250 villages (out of 1170), located in mountainous areas and far from centers of economic activity.

As this population change consists mainly of working-age persons, the proportion of the elderly and of children in many villages has considerably increased.

Immigration

Till the mid-eighties, the annual population growth was 13, 000-15, 000 people. Eighty percent of immigrants were of working age (18-40 years). Migration was directed mostly towards urban areas. Almost all who moved in were of Armenian origin, whose proportion thereby increased from 88% in 1959 to 93% in 1990. Armenia's population increase may be basically attributed to the immigration of Armenians from Azerbaijan and Georgia.

Emigration

Current statistics on this phenomenon are insufficient. Information is gathered from indirect sources such as bread-rationing registration lists, changes in enrollment lists in schools, and the registration of departing and arriving passengers at ports of entry and exit. These observations lead to the conclusion that, from 1991 to 1995 there was an overall decrease in the population. About 677.000 people have left Armenia during last five years.

Refugees

In the mid-80's, about 5.5 million Armenians lived in the former USSR. There were 1.9 million living outside Armenia and 500, 000 of these lived in Azerbaijan. The Armenians of Nagorno Karabakh numbered 130, 000 out of a total population of 170, 000 for that particular area. The rest lived in the major cities of Azerbaijan such as Baku, Kirovabad and Soumgait. Most were employed in construction, oil, chemical and the engineering industries, and in commerce.

The movement for the reunification of Nagorno Karabakh with Armenia began in February 1988. Subsequent massacres of Armenians and looting of Armenian property started throughout Azerbaijan. As a result, at least 350, 000 Armenians fled Azerbaijan in the two years that followed. They came mainly to Armenia, even though, it was still suffering from the effects of the disastrous 1988 earthquake.

These refugees had great difficulties in adapting to life in Armenia because they had lost their homes and possessions. They had no basic living conditions. The government of Armenia exerted efforts to provide relief. Many dormitories, resort houses and even some schools were modified to become temporary shelters. Special projects were developed to find accommodation, employment, and to see to the psychological needs of the refugees. Construction of a town for 70, 000 refugees by the year 2000 was planned. These projects, however, were not implemented due to lack of financial resources.

Not only do refugees face the same difficulties as the local population, but they also bear the burden of additional hardships. They do not have their own living quarters. They have no jobs and no clear future. Consequently, an emigration of refugees from Armenia, mainly to Russia, started in 1991. According to expert estimates, at least 170,000 refugees have left Armenia for Central and Southern Russia. About 30,000 refugees have left Armenia and the CIS countries for the USA and other developed countries. The rest (about 150, 000) live mostly in Yerevan (80,000) and in towns and rural settlements around Yerevan. Only a small portion (30, 000) has remained to live in villages in different regions of Armenia abandoned by the 175,000 Azeris who left Armenia in 1988-1989.

Presently, refugees, as the most vulnerable population group, are the first who receive humanitarian aid, donated to Armenia. During the past few years, several hundred families received private houses. The last project planned by the Government in 1992 was to provide jobs and housing to some 50 000 refugees.

2.11 YEREVAN AS THE CAPITAL CITY

The capital of Armenia, Yerevan, is located in the north-eastern part of the Ararat valley, on the bank of the Hrazdan river. It is situated at a height of 865-1390 meters above sea level. Mount Ararat, where according to Bible, Noah's ark descended, could be seen almost from any part of the seen . Yerevan got its name from the fortress Erebuni, built during the period of Ararat kingdom and was founded by Urartian King Argishti I in 782 BC.

At the beginning of the twentieth century the city had 20 thousand inhabitants. The construction of the Tbilisi-Yerevan railroad became an essential factor for the development of the city. Yerevan grew very quickly during the Soviet period, and in 1994 it had 1,3 mln. inhabitants, which comprised 1/3 of the whole population of the Republic. The territory of the city is 215 thousand hectares. Yerevan is rich with educational institutions and cultural and scientific centers.

The housing stock of Yerevan has 4-16 story buildings and 50,000 private houses. All of them have centralized heating. Ninety percent of the houses has sewage system. Because of the lack of means, the construction of public buildings have been stopped. Limited financing has been granted for repairs and maintenance of public buildings for the last three years.

Transition period has influenced city infrastructure as well. With the adoption of the "Law on privatization" in 1993, 65% of public housing units of the city were privatized. The process of privatization covers the spheres of trade public utilities, food enterprises as well.

Finances necessary for the maintenance of the city infrastructure are estimated at US\$30 mln, yet only US\$ 6 mln. was provided for that purpose in 1994. About 1,200 km of pipelines, 900 km of electricity supply lines, 20 km of intercity roads, 420 buildings, etc. need urgent upgrading.

2.12 EARTHQUAKE ZONE

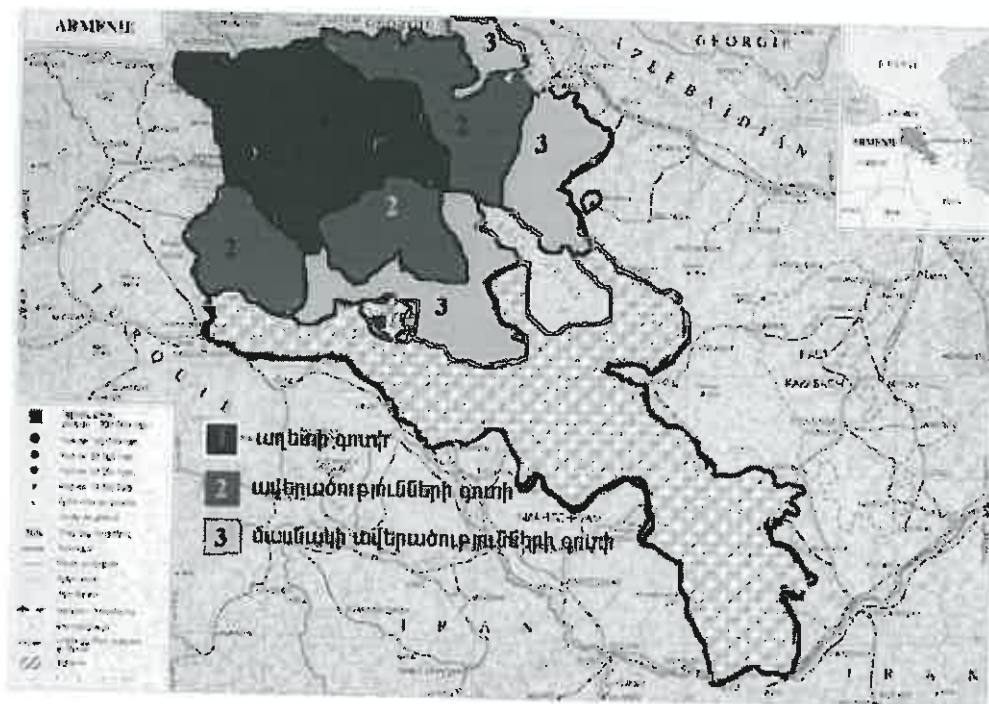
The natural disaster affected almost all the northern regions of the Republic more than 40% of the territory and 1 million population. 21 cities were affected and 58 villages were completely destroyed. 530 thousand people remained without shelter, 40 thousand people were saved from the

ruins, 25 thousand of them died and approximately 19 thousand people had different kinds of wounds. 230 industrial facilities were completely or partially destroyed (82 thousand working places or $\frac{1}{4}$ of the industrial potential of the republic).

The agroindustrial complex was extremely affected. 300 soviet and collective farms, about 12000 cattle sheds and other agricultural facilities were damaged.

As a result of the earthquake 8,9 million square meters of houses were affected in the cities and villages of the Republic. Secondary schools for 150,2 thousand pupils, pre school age institutions for 47,5 thousand children, 416 health care institutions, as well as trade, food, communication, transport, constructing industry, municipal economy were either destroyed or occurred in emergency situation.

Map 2



Several decrees were adopted by the former USSR to reconstruct the earthquake zone in two years, which failed as the program had no grounds, the blockade, the internal tension in the country, the leave of the involved organizations from the earthquake zone. Since 1991 the whole burden of the reconstruction activities was handled by the Republic.

The urban program of reconstruction of the earthquake zone is based on the present changing conditions of the socio-economic system and is aimed to work for the transition period.

The General Principles of Reconstruction

Due attention should be paid to the geographical location of the republic - "North - South" and "West - East" in the system of establishment of external relations.

- The boundaries of the earthquake zone and its settlements should be confirmed and legally approved to avoid possible territorial disputes.

- All the means of urban construction should help to decrease the construction scale based on state investments, involve the non-public investments and maximum develop private house construction.
- Industrial and social spheres should be rehabilitated for maximum job creation, to achieve balance of human resources between urban constructors and municipal servants.
- The reconstruction and the prioritization of the damaged buildings and constructions should be regulated by inventory and regular updating.

The Main Goals of Reconstruction

Based on the above mentioned and the reconstruction accomplished in the earthquake zone the following principles and approaches were developed for urban development and reconstruction.

- The application of the newly created norms for urban construction for the protection of the population based on the "UN Security Standards",
- basic review of the quantitative and qualitative indices of the industrial and social potential.

Due attention should be paid to the general problem of the development of the system of small cities. The necessity for their development is based on the following requirements:

- proportional settling of the geographical territory as much as possible,
- prevention of the future over-populating and territory increase of the large cities.
- Social grouping of rural territories around small cities by creating adequate infrastructures.

In some geographical locations develop cities - based on the conditions of an independent state. These settlements should be of two categories, taking into consideration the territorial reserves for development and special demands.

- I. Small nodes for frontier and customs services.
- II. Security and other special services developing nodes, including tourism services (hotels, motels, camping, etc.)

The demand of the mentioned principles and approaches for the whole Republic is corresponding to the principles of the regional project plan of Armenia. For that reason the solution of this kind of problems, in the sense of time, has a strategic meaning.

With this program it is necessary to start the solution of the problems which are not a priority now and as objectives can become the background for the solution of urban construction prospective.

Before the year of 2000 the following should be reviewed and confirmed for the realization of tactical issues:

- complete design plans for the cities and main settlements,
- construction projects of micro-regions and districts,
- the technical condition and the correspondence to earthquake resistance demands of all important infrastructures (bridges, tunnels, dikes, dams, channels, pipelines etc.),

- creation of “temporary regulations for the limitations of urban construction for the earthquake conditions”

In the structure of urban construction, the issues of nature protection together with the issues of life sustenance are of vital importance for the population and are considered to be the general principle for the reconstruction of the earthquake zone.

Taking into account the present economic conditions and the absence of the complex scheme for the nature protection on the territory of the whole republic, it is suggested to realize it together with the regional project plan of Armenia, where the general activities in this sphere and the sequence of their realization should be coordinated. The solution of certain problems of nature protection are included in the projects of corresponding industrial facilities and house constructions.

The settling issues are solved on two levels: urban construction “macro” and inter-settlement “micro”.

The first requires new choice for the settling of the population in safe geological locations, with the main goal to achieve the system of islands for safe settlement.

Preference is given to the group population system, which can be reorganized in the process of development into “Group settling system” refusing the development of mass, autonomous, large settlements.

- Prevent the territorial development of settlements which are surpassing the “percentage of risk”, in extreme cases even closing of those settlements.
- Change the functional profile of certain settlements (especially in the frontier regions).
- Solve the land utilization problems which form the limits of the cities and settlements in the framework of the general plan and evaluate the land according to the classification.

The main goals of the first level are:

- taking into consideration the increase of the safety level of the population, limit the population growth in the regional centers Giumri and Vanadzor and leave only the natural growth (accordingly 250 thousand and 205 thousand in the year of 2011).
- Transfer to the development of the intermediate settling units-medium and small, strengthening the existing city type of settlements when necessary, especially influencing on the change of the status of rural settlements. Creation of new city type settlements with the help of administrative changes.
- Limit the mechanical population growth in Dilijan, of one of the health resorts of the republic.
- Promote the rapid development of the following settlements to improve the functional settling systems: Artik (20 thousand in 2011), Maralik (15 thousand) and Aragats (10 thousand), Stepanavan (40 thousand) and Alaverdi (30 thousand), Spitak (25 thousand) and Tashir (20 thousand).
- Reconstruct the ruined villages, populate the abandoned ones.

The realization of the above mentioned approaches will, in the first place, stop the negative tendency of population decrease in Shirak, Lori and Agstev, in the second place, promote its increase by approximately 28% by the year 2011.

- Review of construction projects based on their planning and functional structure,
- Realization of reconstruction and construction activities based on the construction zone project,
- Construction of low stored private houses in medium and big cities, in harmony with the existing urban environment,
- Destroy the house-containers, provide the inhabitants with apartments,
- Update the technical condition of the damaged buildings, the preservation percentage, the expediency of reconstruction under regular control, based on monitoring principles,
- Possible maximum reconstruction of the damaged buildings of the cultural- historical center of Gumri.

The problems in the sphere of social services are:

- Decide on the demand of pre - school age and school institutions in the present conditions,
- Discover the need for private trade and public food facilities (taking into account the different possibilities of utilization of the ground floors of the private houses),
- Provide the families with handicapped people with the ground floor apartments in the state constructed buildings with the limited plots, as well as construction of buildings which will satisfy their demands - as a new social means.

2.13 THE PROBLEM OF LAKE SEVAN

Sevan is the highest not salty water lake on the earth. The following were the characteristics of the lake before the decrease of its level: surface - 1416 square meters, 1916 meters above sea level, length - 75 km, width - 56 km. Sevan is located in desert and semi - desert zone. This is a dry area and the nature has preserved 58,5 bil. cubic meter of crystal clear water on the alleviation of approximately 2000 meters.

The lake is surrounded with volcanic mountains and with lava covered mountain ranges of Geghama and Vartenis. The Basin of the lake is rich in natural resources - gold, precious stones, construction materials. 28 rivers and streams feed Sevan. The only island of the lake has now become a peninsula after the decrease of the level. Sevan makes the climate of the basin milder. The sun rays are extremely high and of long duration here (2800 hour/year) .

The lake has an important role as it is a resort area, source for irrigation water, energy and fish industry. During the recent decades it is also considered to be the drinking water source for Armenia and the Caucasus.

Sevan basin is a unique biological structure. The landscape on the foot of the mountains are steppes and beautiful meadows. In the areas which were under water once now there are deserts and semi - deserts, in some areas artificial forests are growing. The flora of the basin consists of 1507 species which is 25% of the species growing in the Caucasus and 47% of Armenia. Among them there are 165 rare and endangered species, 60 varieties are in the Red Book of Armenia. There are 5 species of fish, 4 species of amphibians, 18 species of reptiles, 210 birds and 36 mammals living in the basin. 48 of the animals are registered in the Red Book.

There are numerous monuments of historical, archaeological and architectural value in this area. To protect the natural resources and the monument the "Sevan" national park was created in 1978.

For its climatic conditions and nice landscape the lake can become an international resort area.

In 1981 "Arpa-Sevan" tunnel (49 km) was constructed and operated to increase the level of the lake. Approximately 250 million cubic meter of water per year flows into Sevan from the river Arpa.

A number of hydro power plants are constructed on the river Hrazdan, which starts from the lake (Hrazdan Cascade) and have an important role in the energetic system of Armenia. After the nuclear plant was closed the country was in an energetic crisis and a huge amount of water was being utilized from the lake to operate the Hrazdan cascade with its maximum capacity. This is the reason why the level of the lake has decreased by 18 meter, which means 41% water loss. The changes in the ecological balance based on the water loss can have its negative impact on Sevan basin, Armenia and the Caucasus region.

The following can particularly happen:

- A unique nature complex and the future source of drinking water for the Caucasus can be lost,
- Changes of the climate of the region and of the underground waters,
- Decrease of the fauna and nesting loss of the birds of passage.
- Degradation of the whole social - economic system of Armenia.

At many international conferences the Issue of preserving Sevan has been accepted as an issue of environmental protection for the region. The lake has been included in the "RAMSAR" convention on the list of water reservoirs. The fact of including the lake in the list of natural and art monuments would help to solve the problem. Sevan needs the immediate assistance of the international community.

Several decrees were adopted by the former USSR to reconstruct the earthquake zone in two years, which failed as the program had no grounds, the blockade, the internal tension in the country, the leave of the involved organizations from the earthquake zone. Since 1991 the whole burden of the reconstruction activities have been handled by the republic.

The urban program of the reconstruction of the earthquake zone is based on the present changing conditions of the socio- economic system and is aimed to work for the transition period.

The incomplete state of the constructions, the present urban construction environment of the settlements, in the sense of territory, presents disintegrated and scattered complexes of urban construction units. The situation has become even worse, because of the partitioned construction of the communication and general engineering infrastructure.

3. THE RECENT 20 YEARS

The recent 20 years can be divided into two separate periods - 15 years from 1976 to 1991 (the last 15 years of the existence of the Soviet Union) and from 1991 to 1996 - 5 years of the Independence of Armenia (the transition period to new social-economic system).

During these two periods both in social - economic policy and urban construction and housing policy, the formation of the policy principles and bases are quite different and the experience gained from the first period can not help develop policy for the new period. It can only notify about the mistakes that had been made and teach how to improve and prevent new mistakes.

From 1976 to 1991, as well as before that period, the Government and its territorial bodies had the main function to provide the citizens with houses. The state 5-year and annual plans were deciding the scope of financial and material resources, which were aimed to the field of house construction and were taken from the state budget and funds provided by enterprises countrywide. Later, the funds were divided between the Republics, based on the central plans for regions and branches. Accordingly, the housing space was based on the planned indices, which were not being accomplished year after year. As the housing stock was mainly governmental and municipal property, it was out of market relations. State centralized system of the prices created standard prices which were different from the market prices. Besides, in the housing sphere and construction in general, the prices did not include the price of the land.

Most of the house construction works were implemented by the State construction enterprises and the economic results did not depend on the satisfaction of the demands. As a result there was no competition. The level of sanitary and engineer-technical furnishing of the apartments was approaching the international standards but did not fit into material saving, energy saving and heat isolation demands which we can perfectly notice now.

The mass housing construction was carried out according to typical projects. The number of applied projects was very limited and the level of dimensional and facade architectural solutions and designs were very low. This was explained by saving architectural details and funds creating a dull, not expressive surroundings.

In Armenia and particularly in the earthquake zone a huge housing space remained incomplete - 40 000 apartments. Nowadays the Republic has no means to accomplish it without external assistance. During the recent years the housing funds obtained the credits provided by the World Bank, the "Hayastan" fund and the United Nations High Commissioner for Refugees. In 1994 the ratio of the house construction was 30%. These houses were mainly inhabited by refugees and people who had remained homeless after the earthquake.

Despite the above mentioned negative tendencies and the natural disaster, in the period of 1975-1991 17 million 564 thousand square meters of housing space was constructed and utilized in Armenia.

Under the conditions of market relations and the absence of experience of regulations for activities in the housing sphere, the difficulties to establish a long term program for the reformation of the housing policy, separate programs of partial reforms have been worked out and implemented which should serve as the basis and be included in the general changes of the sphere in the long run program which is now in process.

The first step of the partial reforms was the process of privatization of the state and public owned housing stock, which started in 1992 based on the decision of the Government of the Republic of Armenia. Later, on 29 June 1993 the law on the privatization of the State and public owned housing stock was adopted, which was followed by a number of governmental rules regulating the implementation of the law. After the adoption of this legislative regulations the process of

privatization of the houses rapidly increased and as a result the house market has been created and started to work.

4. AGENDA FOR THE 21-st CENTURY AND THE STRATEGY FOR THE HOUSING SPHERE

4.1. PRINCIPLES OF THE HOUSING REFORM

In Armenia the social and economic structural and legal changes include the whole sphere of the relations of the housing sector and a number of principles which dictate the necessity of housing policy reformation. The principles are the following:

- The state can not solve the housing problem any more according to the "Soviet" model, taking the responsibility of financing, construction, distribution and other managing functions. This must be transferred to privately owned different economic entities whose relations and activities should be based only on economic expediency and mutual cooperation.
- Free market relations should be established for new house construction, the exploitation of the new housing stock and in the sphere of public utilities.
- ✗ • The funds allocated from the State and local budgets for the house construction and housing stock preservation have been rapidly reduced.
- ✗ • After the beginning of the process of privatization, approximately 2/3 of the housing stock is under the private sector and the management and exploitation of that stock demand creation of new institutional structures.
- There is a huge but insolvent demand for housing.
- ✗ • The constructing industry, the house constructing enterprises which have old and rude technologies, high material and energy consumption, non-competitive production cannot satisfy the modern house construction demands.

4.2. GOALS OF THE HOUSING POLICY

- Create efficient conditions and background for the citizens in the sphere of the right for housing to have the opportunity and free choice to construct an apartment/house, or obtain it as a property for temporary usage, renting or other.
- Form social security and protection in the housing sphere for the socially vulnerable people.
- Create the background and efficient conditions to include the citizens' savings and non-governmental industrial - budgetary investments for the house construction, preservation of the housing stock, renovation and reconstruction.
- Create new taxation and credit mechanisms for the financing in the housing sphere.
- Create adequate living conditions.

4.3. IMPLEMENTATION OF THE HOUSING POLICY

- Registration, analysis, evaluation and predicting of housing needs and demands.
- Planning of the creation and financing of land utilization, renovation and engineering infrastructure.

- Increase in the modernization of the existing housing stock and house construction, decrease of the construction duration.
- Create legislative and normative systems for the spheres of urban construction and housing. Provide the legislative background for the activities of all the participants in this sphere.
- Create mechanisms for the activities of dynamic and regulated real estate market.
- Create a mechanism for bank credits, mortgage of real estate for the financing in the sphere of housing, promote the investment of the populations' housing savings, establish credit privileges, donations, systems of differentiated and addressed compensations.

5. PRIORITIES

The prospective scheme of settling is planned for the following priorities.

- Decentralization of the industrial means and establishment of distribution in the whole Republic and in separate regions,
- Development of the schemes of the engineering transportation node and its infrastructure, formation of economic and communication systems based on the new criteria, taking into account the independence of Armenia, the free economic relations and promote the transition to marketing relations.

The above mentioned schemes should be based on:

- the results of the studies with new methods to distinguish the city problems,
- the land classification and the inventory of real estate,
- the legislative regulations of urban construction,
- the results of the analysis of the potential possibilities of the economic systems and the principles of environmental protection.

PART C

NATIONAL PLAN FOR ACTION

1. THE MEANING OF THE REGIONAL REFORM AND ITS STRATEGY

Before 5 July 1995, the administrative system operating in Armenia during the process of development in 75 years had reached an out - striking centralization in the government, economy and demography.

Actually, the regional management was done from Yerevan without having any regional representative in the regions. Today the economy of the Republic is also concentrated in the capital city - Yerevan and in some cities of the northern area - Gumri, Vanadzor, Hrazdan.

This problematic situation prompted to realize certain structural changes in the regional policy. This is based on the establishment of decentralized system of governing and following the strategy of creating economically and demographically harmonic territory all over the Republic.

On June 5, 1995 the Constitution was adopted approving a new system for regional governance, which established a new regional development policy - the decentralization phase.

1.1 POLITICAL BACKGROUND FOR REGIONAL DEVELOPMENT. NEW LEGISLATION

The Constitution adopted on 5 July 1995, the laws adopted in October and December on "the Administrative Division of the Regions of ARMENIA." and "Local Self - Governance, Regional Governance, the Principles for the Regulation of Relations of the Local Self - Government Bodies". The decrees of the President on "The Governmental Structure of Armenia. and the Regulations for Activities" and the law on "self - governance" which will be adopted in 1996 are going to form the main legislative background for the Government to realize the decentralization of its functions and implement the new regional policy.

According to this legislation a hierarchic governing structure is established in Armenia - Central governing, regional - district public governing and community local self - governing.

The central state governance is exercised by the Government of the Republic of Armenia on the whole territory of the country.

The regional-district public governing is exercised by the 10 governors of regions and one of Yerevan, who are all appointed and resigned by the President of the Republic.

The community local self - governance will be exercised during the elections of November 10, 1996, the population of the communities will directly elect the Elderly and Community leaders (the mayors of the villages and the cities).

The law on "Administrative and Regional Division of ARMENIA." specifies the limits both for the regions, and the rural and urban communities.

The community division of Yerevan will be realized by the Government and approved by the National Assembly.

All the settlements of Armenia, separately or in group with other settlements are included in the communities. The territory of the region is formed from the territories of communities and other or water territories which are owned by the Government.

The above mentioned legislative documents which serve as a background for the structural changes in the governance system, the decrees of the President of the Republic and governmental decisions will authorize the governors, the Community Elderly and Leaders, to clarify the legislative relations between the governor and the government, the governor and the Self - governing bodies of the community.

1.2 THE GOVERNOR

According to the already adopted Constitution the governor exercises the regional governance policy, systematizes the activities of the executive bodies and manages the subdivisions and enterprises within the region.

1.3 THE ELDERLY AND THE COMMUNITY LEADER

According to the Constitution the Elderly and the Community Leader must be the local self - governing bodies of the community. They are elected for the period of three years. The Elderly of the Community can consist of 5-15 members, and the Leader of the Community will choose his staff, which will be approved by the Elderly. The Elderly and the Leader of the Community will manage the property of the community and solve all the problems related to the community.

The Elderly of the Community together with the Leader decide on the budget of the community, supervise its implementation define the taxes and payments based on the laws.

The Leader of the Community can be resigned by the Government based on certain cases mentioned in law and in such cases. Within the period of 30 days, new elections of the Leader should take place. Before these elections the Prime Minister appoints the acting Leader for the city, and the Governor appoints the acting Leader for the rural Community.

Today the complete legislative background system for the elections of the community leaders, the authorization for their activities is not completely formulated.

According to the above mentioned law on transitional principles, before the adoption of law on self - governance and the establishment of self - governing bodies the existing village and city councils and their executive bodies will continue to carry out their responsibilities in the communities.

1.4 FINANCIAL POLICY

According to the legislation, the regional budget is part of the State budget. The Communities will have independent legal sources to form their budget. The sources can be applicable for all the Communities or one definite Community.

The annual budget is formed and approved by the Elderly and can have changes and additions during the year.

As the Communities will not have enough budgetary sources to solve all their problems, one may consider that minimum budgetary support will be provided by the Government in the future.

State donations can be considered within the State budget for the development of specific Communities depending on their characteristics (high mountainous location, outlying districts, frontier location, etc.) The projects and estimates for the state donations must be prepared and submitted to the Government by the governors based on the estimates of the Community Leaders and taking into consideration the needs of the Communities.

The law on "self - governance" and other legislative rules and regulations will regulate the establishment, distribution, implementation and supervision of the local budget, as well as issues of taxation and other financial policy.

1.5 EXPECTED IMPROVEMENTS

The improvements expected after the implementation of regional policy and the new governance system, from the point of view of both the development of underdeveloped regions and settlements and improvement of living standards, are the following:

1. The government will solve more efficiently the regional problems taking into consideration the information, analysis and proposals submitted by the governor.
2. Creating local self - governing bodies and decentralizing the activities will become more efficient as the Communities will be able to receive State subventions and donations, and in the meantime, form their own budget from the local payments.
3. The formation of budget in local Communities and the increase in self - governing functions will bring to better solution of the problems, improve the living standards, which is one of the priorities of the reforms.

2. THE CONTENTS, STRATEGY AND POLICY OF THE HOUSING REFORMS

Receiving assistance from the European Economic Council, the reforms in the sphere of housing construction must be applied to stabilize the economy of the country, promote the development and become a part of the general economic integration policy.

The policy of house construction is a principle issue for the constitutional right for housing. Nevertheless, this doesn't mean that people can demand living space from the Government.

The government has to:

- follow a policy that will allow the people to have adequate living space
- provide the people with legal background for the utilization of the living space, create legal background for the housing stock and supervise the implementation, protect the interests of the vulnerable people.

The state house construction policy should:

- establish systems for social security in the sphere of house construction
- provide necessary conditions to involve non - governmental resources to reconstruct the structure, preserve and renew the living space, utilize the foreign investments
- develop private house construction and protect the rights of the organizations and private property owners
- develop systems for competition and production of construction materials to preserve the reconstruction structure
- involve the state and local governmental bodies in the reforms to re-establish the structure.

2.1 LEGAL BACKGROUND

✓ Adequate and normative legislative background should be created for the regulation of the urbanization process in the Republic, for the sustainable development of the settlements.

The "rules of the game" should be worked out for all the participants, which will be harmonious not only within the independent states but also for the European system.

The study and analysis of the above mentioned problems depends on large scale and time consuming investigations and for the realization of technical assistance and credits received from foreign countries and international organizations should be utilized.

The following has been elaborated and adopted:

- Law on privatization of state enterprises and incomplete constructions (August 27, 1993), as a result till 1995 90% of the construction enterprises have transformed into private, open joint-stock companies
- Law on Land Tax (February 14, 1994)
- Law on Property Tax (February 3, 1995)
- Law on Real Estate Tax (December 27, 1995)

Based on the above mentioned laws several governmental rules and regulations were adopted.

The accepted legislative rules and regulations create the legal system, which is the basis for reforms in the sphere of urban construction and housing.

Presently the following are being elaborated:

- Law on urban construction
- Legal document on housing
- Law on the environment
- Law on local self - governance
- Law on financial -taxation organizations
- Law on the industrial enterprises
- Law on Notary Public

3. MONITORING

To realize the national plan for action and auditing, it is important to establish urban construction classification, which will consist of the qualitative and quantitative indexes of the life substance of the population.

The urban and housing indices are established to create a monitoring data base for the urban management.

4. OBLIGATIONS

To realize the national plan for action, Armenia will carry out the following:

- Exchange of legislative, scientific - technical, financial and other information to harmonize the construction norms, rules and standards;
- Coordination of policies to promote the development of settlements, improvement of their infrastructure, preservation and reconstruction of historical cites;
- Realization of scientific -technical investigations in the sphere of architectural studies, elaboration of the theoretical background for the problem of "human environment and architecture", renewal of planning of living conditions on the legal and normative basis based on the experience of the leading countries;
- Elaboration and coordination of engineering development plans for the settlements and urban construction, establishment of engineering equipment and technologies, creation of ecologically clean systems and services;
- Creation and development of new resources and energy efficient technologies, utilization of non traditional sources of energy, establishment of the basis for the industry and services;
- Organization of exhibitions, seminars, conferences, competitions, participation in the activities in the sphere of construction and architecture;
- Promotion of foreign investments (including the governmental credits) to achieve structural engineering (construction) reforms, especially for the ecologically dangerous areas and the earthquake.

PART D

INTERNATIONAL COOPERATION

1. PRIORITIES

The situation which Armenia is facing today, its economy and the construction complex in particular, needs active assistance from the International Organizations. But we should consider the scientific and technical potential of the Republic and with their involvement achieve bilateral even multilateral international cooperation.

To regulate the sustainable urban development and the urbanization process, as well as to realize efficiently the house construction policy, we are planning to distribute the international assistance (for 1996-2000) in the following directions:

- financial and consultative assistance to elaborate State programs
- technical assistance to create computerized data base
- training for the specialists in the system of architecture and construction to improve their professional skills
- training of experts in Habitat center for better operation of habitat system

2. IMPROVEMENT OF WORK EFFICIENCY

International programs in which Armenia could participate:

- design and planning
- establishment of expert system and expert activities
- production of construction materials from the locally available raw materials and elaboration of technologies
- establishment of architectural norms and standards and the legal background
- capacity to build in the sphere of architecture and construction, according to international requirements
- The following are the main spheres for international cooperation in Armenia in the nearest future:
 - earthquake resistant construction
 - utilization of alternative energy resources
 - creation of ecologically clean (safe) technologies
 - elaboration of legislative and normative documents in the sphere of urban construction
 - investment in territorial classification.