

TAVUSH MARZ

**REGIONAL DEVELOPMENT PLAN:
2006-08**

A SYNTHESIS¹

2006

¹ The full version of the RDP is available in Armenian language only.

CONTENTS

1. INTRODUCTION	1
1.1. Objectives	1
1.2. Plan contents	2
1.3. How the plan was prepared	3
1.4. Tavush marz at a glance	3
2. POVERTY ASSESSMENT - TAVUSH	5
2.1. Introduction	5
2.2. Summary of poverty indicators	5
3. SMALL AND MEDIUM ENTERPRISES	9
3.1. SMEs in Tavush	9
3.2. SME support strategy	11
4. AGRICULTURE	15
4.1. Current situation of agriculture in Tavush	15
4.2. Agriculture development strategy	17
5. SOCIAL SECTOR DEVELOPMENT	21
5.1. Health	21
5.2. Education	26
5.3. Social protection	30
6. COMMUNITY DEVELOPMENT	36
6.1. Working definition for community development	36
6.2. Legal framework for regional and community government	37
6.3. Community development strategy	38
7. ENVIRONMENT	42
7.1. Environmental issues in Tavush	42
7.2. Environmental action plan	43
8. MONITORING AND EVALUATION	45
8.1. M&E guidelines	45
8.2. Design of the M&E framework	45
9. FINANCING THE RDP	47
9.1. Total estimated cost	47
9.2. The funding 'gap'	47
Annex1	Action Plan for 2006

Abbreviations

ARDEP	Armenia Regional Development Programme
DFID	UK Department for International Development
ERI	Economic Research Institute
EU	European Union
GTZ	German Technical Assistance
IDP	Internally displaced people
M&E	Monitoring and evaluation
MTEF	Medium-term expenditure framework
NGO	Non-governmental organisation
NSS	National Statistics Service
OECD	Organisation for Economic Cooperation and Development
PPA	Participatory poverty assessment
PRSP	Poverty Reduction Strategy Paper
RDC	Regional Development Commission
RDP	Regional Development Plan
SME	Small and medium enterprises
SME DNC	SME National Development Centre
UNDP	United Nations Development Programme
WUA	Water Users Associations

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1. INTRODUCTION

1.1. Objectives

The Tavush Regional Development Plan (RDP) is an investment plan designed to reduce poverty in Tavush marz and contribute towards achieving national poverty reduction objectives. The plan describes the principal causes of poverty in the marz and proposes measures for reducing poverty together with the financing that is required. This document represents a synthesis of that detailed plan.

This plan represents the first coordinated attempt by the marz to address problems of poverty and vulnerability in the marz. Preparation of the plan represents a new approach of government and civil society working together to identify problems and propose joint actions to address those problems. This is intended as the beginning of a rolling process whereby strategy development, programme implementation, and monitoring and evaluation feed back into further RDP design. Within this framework, the RDP will be revised in detail every two to three years, while also providing an input to government's central budget cycle on an annual basis.

In August 2003 the Government of Armenia approved and adopted a Poverty Reduction Strategy Paper (PRSP). This sets poverty reduction as the overarching objective of government policy and is intended to assist in the coordination of government and donor activities towards meeting this objective. The RDP is consistent with the principles and strategy of the PRSP, as well as government's 2005-07 Medium Term Expenditure Framework (MTEF).

The PRSP states that poverty is distributed unevenly in Armenia, and identifies children, women, and rural communities with limited access to education and health services as being especially deprived – a finding confirmed by the Participatory Poverty Assessment (PPA) undertaken as part of the preparation of this plan.

The objective of the RDP is to reduce poverty in the marz and contribute towards achieving the goals of the PRSP. The plan outlines the principal causes of poverty specific to the marz, and proposes social and economic development measures designed to tackle poverty in the most effective way.

Implementation of the plan will have the following impact in the marz:

- Reduction in the incidence and depth of poverty;
- Enhancement of the region's economic growth rates and employment growth;
- Expansion in rural productivity;
- Improvement of the quality and affordability of social services;
- Development of community infrastructure;
- Enhanced capabilities and effectiveness of the regional administration;
- Strengthened linkages between regional and central government, administration, and between communities and government;
- Enhanced transparency, openness, and accountability in the public administration system, expansion of the civil society participation processes, and strengthened public awareness;
- Improvement of the environmental situation of the marz.

1.2. Plan contents

Each of the major chapters of the plan are presented in the following logical sequence:

- Analysis of the current situation;
- Identification of major development objectives;
- Programme goals and strategies;
- Proposed actions and financial resources required.

Chapter 2 provides an assessment of poverty levels in the region and outlines areas where policy and institutional reforms, and investments, will reduce poverty levels in the most targeted and effective way. This includes: improvement of the business environment and support to small and medium enterprises; agriculture – which provides major employment in the region; social services (public health, education, social security) which are closely linked to poverty; community development (government decentralisation, strengthening of local government, enhancement of participatory processes, improvement of community infrastructures), and the environment.

The improvement of the **business environment**, particularly through support to small and medium enterprises (SMEs), is a priority for economic development and poverty reduction in the marz. Chapter 3 reviews the economic opportunities available within the region, and the barriers to the development of SMEs. With support from government and donors, the plan proposes the establishment of a regional council for the development of SMEs that will encourage development and sustainability of SMEs, expand consulting and training efforts and make financial services more accessible to SMEs.

Chapter 4 focuses on **agriculture** and rural development. Agriculture is the principal source of employment and incomes in the region. The plan aims to promote greater opportunities for agriculture and agriculture-related enterprises, through measures designed to: enhance farm productivity (principally in vineyards and orchards; potatoes and cereals; and in livestock); develop rural infrastructure; improve the quality of training, consultancy and financial services available to farmers; improve the operation of agricultural input and output markets.

Analysis of the **social sectors** is provided in Chapter 5. The Plan proposes measures to improve the quality and affordability of social services covering health, education and social security. Despite significant attention from government and donors in recent years these services require investment of additional resources as well as more targeted interventions and improved coordination between funding agencies.

Issues related to **community development** are discussed in Chapter 6. Special attention is paid to the rehabilitation and development of community infrastructure (roads, water supply and energy). The plan proposes greater involvement of local communities in decision-making processes for infrastructure investments, and measures to increase the effectiveness of the regional administration in supporting community infrastructure projects. It also makes suggestions for increasing transparency and accountability in the management of infrastructure projects. In this respect, the plan places special emphasis on building the capacity of the regional and local administrations.

Chapter 7 focuses on **environmental** issues including measures to target the most urgent problems such as the rehabilitation of forests, the development of community-owned natural resources, and the promotion of environmentally sensitive energy technologies.

Chapter 8 outlines a broad framework for **monitoring and evaluation**. Effective monitoring and evaluation is important for assessing poverty impact and progress towards achieving the objectives of the PRSP. Effective monitoring and evaluation will require enhanced capacities within the marz administration – the plan makes proposals on how this can be achieved.

Chapter 9 summarises the **financing required** for implementation of the RDP.

1.3. How the plan was prepared

Preparation of the Tavush RDP has followed a participatory process involving staff of the regional administration, community representatives, NGOs and the private sector. The process started with community focus group meetings in late 2003. The purpose of the focus group meetings was to develop a common understanding of the socio-economic situation of the region, and to start to identify priority concerns.

The results of the focus groups were presented to working groups comprising members of the regional administration, community groups, NGOs and the private sector. The working groups were formed in January 2004 to start the process of drafting the RDP. The working groups covered four sub-sectors: small and medium-sized enterprises, community development, social sector development, and agriculture and rural development. They were provided with technical support from the DFID Armenia Regional Development Programme (ARDEP). In 2003 a Participatory Poverty Assessment was undertaken in the marz to collect poor people's views on the analysis of poverty and the formulation of strategies to reduce it. The findings of this assessment were made available to the working groups.

A Regional Development Commission (RDC) has been established, chaired by the Tavush marzpet. The commission comprises 31 people, including senior staff of the marz administration, and representatives of local self-government bodies and NGOs. The purpose of the RDC has been to review the output of the working groups, to discuss and resolve any contentious issues, and finally to approve the RDP. The RDC will continue to play a role in coordinating RDP implementation and reviewing performance and impact.

The RDC has endorsed the strategies prepared by the working groups, and which form the basis of this synthesis document. The plan has also been presented to the public for discussion at various levels. The RDP has been approved by the Tavush marzpet, who submitted the document to the Minister of Coordination of Territorial Administration and Infrastructure Activities. The Minister has subsequently organised extensive discussions of the plan with relevant ministries of central government and the international donor community. Following these discussions the Government of Armenia approved the plan.

1.4. Tavush marz at a glance

Tavush marz occupies the northeast part of Armenia. It has borders with Georgia in the north and Azerbaijan in the east, and with Gegharkunik and Kotayk marzes in the south, and Lori in the west.

In 2003 the population was estimated at 134,400 people, of which two-thirds lived in the four urban communities and one-third in the 58 rural communities.



The marz is characterised as a beautiful region, with the South Caucasus Mountains covering much of the area. Mixed forests with a diversity of flora and fauna occupy half of the marz. Summers are hot, and winters mild.

Whilst agriculture dominates the local economy, and contributes about six percent of national agricultural output, the marz has important industrial, service and retail sales sectors.

2. POVERTY ASSESSMENT - TAVUSH

2.1. Introduction

Poverty reduction is the major priority for the Government of Armenia. This is reflected in the Poverty Reduction Strategy Paper (PRSP) adopted by the Government and the PRSP measures included within the Medium-Term Expenditure Framework (MTEF) and adopted by the National Assembly.

The PRSP identifies poverty as “...*the impossibility to meet minimum biological, social and cultural needs*”². Most poverty studies in Armenia relate to indicators of ‘biological needs’, defined as minimum food and personal hygiene needs, including clothing and housing needs, and access to affordable water, heating and electricity. .

This section reviews poverty in Tavush according to the definition of poverty used by the PRSP, including analysis of access to social needs (e.g. health and education) and cultural needs (access to media etc). The analysis was based on the following reference materials:

- National Statistical Service (NSS) household surveys conducted since 1996;
- Poverty social indicators’ monitoring carried out by regional and local offices of the Armenian Government Social Monitoring and Analysis since 2001;
- The Participatory Poverty Assessment conducted in Tavush region by the Armenia Regional Development Programme (ARDEP) in 2003;
- Studies and evaluations as well as publications by various civil society groups, including NGOs, independent experts, mass media; and
- Official statistics and municipal information.

2.2. Summary of poverty indicators

Biological poverty is assessed according to **poverty incidence** indicators estimated on the basis of household surveys undertaken by the NSS³. Analysis shows that the incidence of poverty in Tavush has fallen dramatically between 1996 and 2001, falling from 60 percent to 31 percent over this period (Table 2.1).

However, evidence to support such a dramatic reduction in poverty is mixed. To support the preparation of this plan, in 2003 ARDEP undertook a Participatory Poverty Assessment (PPA) of Tavush⁴. The PPA confirms that poverty has declined, but shows no evidence of a dramatic change. Furthermore, whilst there has been considerable growth in agricultural output – an important source of income for the one-third of the population that live in rural areas – this growth has been achieved over a longer period than the last few years.

The often contradictory views voiced by those participating in the PPA shows some uncertainty about the causes of poverty, but also uncertainty about the future and the prospects for continued poverty reduction.

² PRSP, Part 1, Chapter 1, clause 41

³ According to NSS methodology, poverty incidence is defined in terms of two poverty thresholds -the poverty food threshold and the general poverty threshold. Both are based on the cost of minimum levels of per capita food consumption (defined as 2100 calories per day).

⁴ Participatory Poverty Assessment of Gegharkunik and Tavush Marzes (ARDEP, 2003), Economics Research Institute, Yerevan, with support from Oxford Policy Management and SERA.

Table 2.1. Poverty incidence in the regions of Armenia in 1996, 2001, and 2003 (%)

Region	1996	2001	2003
Yerevan city	58.2	46.7	29.6
Aragatsotn	51.1	60.3	57.0
Ararat	54.2	44.7	42.8
Armavir	38.1	53.7	48.3
Gegharkunik	48.1	62.2	59.9
Lori	51.5	54.2	34.0
Kotayk	62.4	50.5	52.5
Shirak	63.1	57.8	72.2
Syunik	47.1	-	34.6
Vayots Dzor	61.5	51.1	42.9
Tavush	56.1	59.7	30.7
Average, republic	54.7	50.9	42.9

Source: "Food security and poverty", January-June 2004, NSS

Increased agricultural productivity is a major factor in the reduction of poverty in the region – especially for tobacco and fruit (Table 2.2). Increased agricultural productivity is matched with improved access to new markets. A number of measures have been implemented to support marketing of agricultural products, particularly grape and tobacco. This policy implemented by the regional authorities has resulted in an increase in the number of households involved in viticulture and tobacco cultivation. This has had a positive impact upon income growth⁵.

Table 2.2. Agricultural productivity indicators, 2000-2003

	2000	2001	2002	2003
Cereals				
Lands under crop, ha	6,848	9,122	11,244	11,350
Yield, 100kg/ha	13.1	22.5	21.1	18.7
Potato				
Lands under crop, ha	2,855	2,810	2,606	2,309
Yield, 100kg/ha	38.9	68.3	54.4	120.5
Fruit and berries				
Lands under crop, ha	1,043	1,065	1,069	1,032
Yield, 100kg/ha ³	23.8	14.7	7.6	61.0
Grapes				
Lands under crop, ha	1,269	1,249	1,183	1,233
Yield, 100kg/ha	49.9	63.9	10.1	68.7

Source: "Food security and poverty", January-June 2004, NSS

Despite the region's success in poverty reduction a number of structural factors constrain the future socio-economic development of the region. These include:

- A large number of the region's communities (43 out of 62 communities) are located on the border with Azerbaijan (poverty is higher in border areas);
- Low birth rate and a quarter of the population being elderly - Tavush has the highest share of elderly in its population amongst all regions of the country⁶;
- Despite recent growth in agriculture, a large proportion of the region's farming land is not cultivated and some households do not have access to land

⁵ Human poverty in RoA marzes, Armenia social trends, Book 5, June 2004, pages 61-65 (in Armenian version)

⁶ Human poverty in marzes of Armenia, Armenia Social Trends, Book 5, June 2004, page 40 (in Armenian version)

(especially refugees). Reasons reported by farmers for not utilising land include the presence of landmines⁷, lack of irrigation, and landslides.

Poverty described in terms of **social needs** is assessed using indicators from the National Survey on Human Development (HDNS, 2003)⁸. These indicators are used to develop a Modified Human Poverty Index (MHPI) calculated as the mean value of indicators for lack of access to education, healthcare, safe drinking water and permanent dwelling (Table 2.3). These components have equal weights in the MHPI although indicators forming each component have varying weights according to their importance in the concept of human poverty. The higher the MHPI, the worse is the access to services. The HPMI for Tavush (37.8) is worse than the national average (32.4), and better than only three regions (Aragatsotn, Gegharkunik, and Ararat).

The MHPI is calculated by the following formula:

$$HPi = 1/3 (Ei + Hi + LCi), i = 1 \dots 11 \quad \text{where:}$$

E = lack of access to educational services
H = lack of access to healthcare services
LC = lack of access to safe drinking water and permanent dwelling

Table 2.3. HMPI by regions of Armenia

Region (ranked)	HPMI	Access to education	Access to health services	Access to drinking water and shelter
	1/3(Ei+Hi+LCi)	1/3Ei	1/3Hi	1/3LCi
1. Yerevan	16.5	3.8	12.3	0.4
2. Syunik	19.5	4.2	12.0	3.5
3. Kotayk	24.5	3.3	14.3	6.7
4. Vayots Dzor	24.6	5.4	14.1	4.9
5. Armavir	34.6	5.0	11.5	18.1
6. Shirak	34.8	3.7	13.9	17.2
7. Lori	35.7	7.1	13.6	15.1
8. Tavush	37.8	6.7	14.4	19.5
9. Ararat	38.7	7.1	15.4	16.3
10. Gegharkunik	39.4	8.0	13.2	18.2
11. Aragatsotn	49.6	8.6	15.4	25.6
Average	32.4	5.7	13.6	13.1

Source: Human Poverty and Pro-poor Policies in Armenia, 2005, GoA / UNDP (table on page 20).

Access to **education** is below the national average. Girls' attendance and completion rates are similar to those of boys, but overall secondary school completion rates are low, particularly amongst the poor. Although investment in education is a government priority, funds allocated to the sector are not sufficient for proper maintenance and operation of the schools. Consequently, school buildings in the marz are in a poor state, especially those located in remote communities. Most school buildings are in need of renovation. The teacher-training programme in the marz is proceeding slowly. Several rural schools of the region (e.g. Itsaqar and Deghdzavan) have closed due to low teacher numbers.

Indicators of **health** outcomes and health care systems show a mixed picture in Tavush. At the end of the 1990s the limited data shows that infant mortality rates

⁷ It is estimated that 25% of land in Tavush is mined - 'Very poor communities in marzes of Armenia', Armenia Social Trends, Book 3, December 2002, Table 2, page 30 (Armenian version).

⁸ Human Poverty and Pro-poor Policies in Armenia, 2005, GoA / UNDP

had declined to 15 infant deaths per thousand births per year. This is 25 percent higher than the national average of 12 infant deaths per thousand births per year. Data for communicable and chronic disease prevalence are mixed but in general show that health outcomes for Tavush show considerable scope for improvement.

Access to healthcare is especially limited in rural areas. There are shortages of general practitioners, reproductive health specialists, primary health care specialists and first-aid specialists. Many medical centres require renovation; and some communities have no medical centres at all. As with other parts of Armenia, it is common for patients to be asked to make a contribution towards treatment costs - even where the treatment is supposed to be free. This practice creates particular problems for the poor in accessing healthcare. A number of donors are supporting healthcare services in the marz, especially in primary healthcare provision.

Access to **drinking water and shelter** is especially low. Access to safe drinking water is problematic for many communities of the region, especially those in rural areas. The HDNS survey shows that over half of Tavush households do not have access to daily water supply. Housing is also a priority problem, with 3 percent of families residing in temporary shelters and 20 percent in accommodation that does not meet national standards.

The **economic potential** of the region is affected by the legacy of recent armed conflict in the border region. Much of the land in these areas is landmined. In other areas, the steep hillsides present problems of soil erosion and landslides. Once an area of significant industry, Tavush now contributes just 1 percent of the country's gross industrial output (Table 2.4).

Table 2.4. Tavush share of industrial and agricultural GDP (1998-2002)

Region's rate expressed in %	1998	1999	2000	2001	2002
Gross national industrial product	1.4	1.4	1.3	0.9	1.0
Gross national agricultural product	4.7	5.4	4.7	6.1	5.8

Sources: Statistical Yearbook of Armenia, NSS, 2003, pages 276-279
RA regions in figures, NSS, 2002, pages 41-43

Official data suggest that **unemployment** (of 16 years of age and above) in the region has dropped from 7.6 percent in 2000 to 7.0 percent in 2002. However, the 2003 HDNS survey suggests that this underestimates the true level of unemployment and that actual unemployment in the region is 17 percent. The survey found that 28 percent of urban population and 11 percent of the rural population has no job but is actively seeking one. It is estimated that 14 percent of the unemployed face long-term unemployment with an average duration of unemployment of 33 months⁹. Many people find themselves overqualified for the local labour market. Engineers and technicians, civil servants, and qualified workers - all formerly involved in industrial enterprises and research institutes - can only find jobs in agriculture or the services sector.

Access to **spiritual and cultural** assets is a little studied element of poverty. The HDNS survey shows that only 21 percent of the poor and 5 percent of the very poor in Tavush read a newspaper during a month. Similarly, during one month only 3 percent of the population visits a cinema, theatre, or attends a concert; 2 percent visit an exhibition or a museum; and 18 percent a church. Telecommunications in the region are of poor quality. The HDNS survey shows that 29 percent of households have no telephone.

⁹ Human poverty in marzes of Armenia, Armenia Social Trends, Book 5, June 2004, Table 23, page 54 (in Armenian version)

3. SMALL AND MEDIUM ENTERPRISES

Small and medium enterprises (SME) create jobs and generate incomes, thereby contributing to poverty reduction. This is reflected in the PRSP, which prioritises strengthening the business environment and the promotion of SMEs as ways of helping to reduce poverty.

The Small and Medium Enterprise Department within the Ministry of Trade and Economic Development is responsible for determining government policy for the promotion of SMEs.¹⁰ The government's approach recognises that support to the promotion of SMEs needs to be differentiated between marzes according to their specific needs and opportunities.

The establishment of the Armenia SME National Development Centre (SME DNC) is an important element of government's support to SMEs. SME DNC supports the development of SMEs by representing their interests and providing co-ordination between the business community, government institutions, and other partners.¹¹ More than 4,500 SMEs have been assisted through SME DNC projects in 2003, 70 percent of which operate in marzes.

Development partners are supporting these efforts. In early 2004, SME NDC and the United Nations Development Programme (UNDP) signed a memorandum regarding cooperation in SME support efforts over 2004-2006. SME DNC is also working with the USAID-financed Micro-enterprise Development Initiative (MEDI). These initiatives are designed to create and strengthen SME support organisations (e.g. business support centres and business training initiatives) as well as providing assistance to the development of small enterprises in key sectors (e.g. food processing, tourism).

3.1. SMEs in Tavush

The main enterprises of the four regions of the marz are summarised below:

- **Ijevan** (population of 20,000) is 137 km from Yerevan and is the administrative, industrial and cultural centre of the marz. It is also the transportation terminal for the North East. The main direction of the city's industry is processing, particularly wood, metal and food processing, as well as production of mineral water and wine.
- The resort town of **Dilijan** is in 101 km distance of Yerevan (population 16,100). The main industrial direction of the town is processing, including food and beverages production.
- **Noyemberyan**, in 185 km distance from Yerevan (population 5,500). Major economic activity is in the agricultural sector, characteristically in the plant growing area.
- **Berd** is 199 km from Yerevan (population 8,700). The main industrial direction of the town is processing, particularly diamond processing (with imported raw materials) as well as wood and food processing.

According to the State Register approximately 3,920 business enterprises are registered in Tavush marz.¹² Of these, around 60 percent are sole entrepreneurs. However, evidence suggests that of the total number of registered enterprises relatively few are actually operational. Table 3.1 provides a summary of enterprises

¹⁰ Small & Medium Entrepreneurship (SME) Department website: <http://www.minted.am/en/strategy.html>

¹¹ SME DNC, Strategic Plan, Yerevan 2004

¹² Statistical Data on the SME sector in 2003. Source: <http://www.minted.am/am/smednc>

operating in Tavush in 2003. This shows that the majority of enterprises are located in Ijevan and Berd, and that 'retail trade' is the most common type of business.

Table 3.1. Enterprises operating in Tavush*

Sphere of operation	marz regions				Total in the marz
	Ijevan	Dilijan	Noyemberyan	Berd	
Industry	19	9	12	5	45
Construction	8	2	3	3	16
Transport	2	1	1	2	6
Services	43	29	39	29	140
Retail trade	279	75	191	92	637
Total	351	116	246	131	844

* Data from the bulletin "marzes in Figures", National Statistical Service, Yerevan 2003

Promotion of self-employment and small business and improvements in the business environment are specified in the PRSP as the main directions of policies for economic growth. In this respect, the business and investment climate has greatly improved in the last few years. For example, the average number of days required for company registration has dropped from 27.3 days to 21.1 days, the registry fee has dropped from an average \$109 to \$92, the period required to obtain state licenses has dropped from 23.5 days to 18.5 days and the average annual number of inspections has dropped from 6.6 to 6.4.

Similarly, reforms in the tax policy are among the main directions of improving the business and investment environment. The simplification of tax laws is expected to continue, contradictions removed, and tax assessment and payment procedures and mechanisms made simple and understandable for the majority of taxpayers.

In the last few years, a number of business support organisations have been created in the marz. The Chamber of Commerce and Industry has a unique role in terms of enterprise coverage, dissemination of information about their products and promotion of exports,. It regularly organises exhibitions of locally manufactured goods. An SME DNC branch was established in the marz in 2003. It focuses on organization and provision of consulting and training services to both long established and start-up enterprises. Several business support organizations operate in different communities of the marz, including business support centres in Ijevan, Noyemberyan, Dilnet in Dilijan, Artig in Berd. As a result of cooperation among these business support providers, a 'Business Tavush' association was created in March 2003. These organisations successfully cooperate and, through donor funds, provide information and consulting services to the enterprises of the marz.

To a large extent, the SME development strategy of the marz has been based on a SWOT analysis of the SME environment of the marz (see table 3.2).

Table 3.2. SWOT Analysis of the SME Environment of Tavush marz

Strengths	Weaknesses
<ul style="list-style-type: none"> • Local raw materials (agricultural, building materials) for manufacturing enterprises; • Physical facilities for production; • Educational institutions and training facilities for professional development; • Historical and cultural heritage, favourable natural and climate conditions; • Good conditions of interstate road infrastructure; • SME support institutions; • Proximity to commodities market of Bagratashen. 	<ul style="list-style-type: none"> • Inaccessible credit funds for reequipping production facilities and investing in new technologies; • Low capacity of service providers, especially in hospitality; • Outdated manufacturing equipment; • Lack of business management knowledge and skills; • Bad conditions of inter-marz and inter-community road infrastructure; • Unavailability or poor quality of Internet and telephone services.
Opportunities	Threats
<ul style="list-style-type: none"> • Creation of new SME financing sources; • Investment in new production technologies; • Launch of organic food production; • Strengthening of tourism services; • Formation of quality labour market; • Attraction of investments by local businessmen residing outside; • Launching of the Ijevan cable car facility. 	<ul style="list-style-type: none"> • Border zone; • Emigration; • Unfair competition; • No insurance system.

The educational background of much of the population in the marz provides a solid basis for organizing multi-sector production and creating new enterprises utilizing modern technologies. The natural and climate conditions (mild weather, oxygen-rich air, mineral waters) also provide good conditions for tourism development.

Despite these assets, there is an obvious insufficiency of business management knowledge and skills among the population, especially among the young people. The impact of local business support organisations is low. Expansion and strengthening of these support organisations is of critical importance to the emergence of strong and sustainable small business sector. Attracting the expertise and investments of the local businessmen currently residing outside the region may be a positive factor for the economic development of the marz. Their experience and business linkages will help make significant financial investments in the marz and promote the exports of locally made products.

3.2. SME support strategy

Based on the SME SWOT and a separate 'Problems Tree' analysis, the following objectives for the SME development of the region have been formulated:

- Form an investment-conducive environment throughout the region and attract micro-financing programs;
- Ensure the availability of SME support institutions that will help address the lack of professional skills;
- Launch business consulting and training services for the local business community and start-up entrepreneurs;
- Create a database on economic activity and development in order to provide information relevant to local business community and SME support organisations;

- Support food processing companies as well as the creation and strengthening of agriculture support organisations;
- Consider cooperation with manufacturers using local resource base (e.g. bentonite, zeolite, natural stones, wood, herbs, agricultural products) as a prospective direction for development;
- Start tourist centres, support the development of the existing bed and breakfast facilities as well as the creation of new ones, and revitalise the cable-car facility of Ijevan.

Three strategic priorities stand out:

1. Define priority areas of SME activity in the marz

In the initial phase of strategy implementation, SME priority areas of the marz are to be defined according to the needs of rural and urban communities. The identification of the SME priority areas will help communities to assume an active role in the participatory process of SME development.

Defining the priority areas implies active participation by local government as well as private and non-governmental sectors. It also implies that priority areas will be defined according to the potential of a given community and the development aspirations of the community members. Thus communities will have a stronger role in targeting available financial resources as well as in monitoring how these resources are used. The preconditions for the development of processing enterprises are agricultural and other input material resources available in the marz.

In the case of SMEs in the services sector, the basic local resources include historical monuments, ethnographic traditions, the favourable conditions of the local nature and climate as well as the reputation of some small towns as favourite tourist destinations.

2. Make financial resources accessible for financing investment projects

Close co-operation between regional and local government, together with SME DNC is important. An SME Development Council of the marz will be established, to include representatives of the marz administration, business community, SME DNC and Regional Development Programme. This Council will support entrepreneurs by providing loan-guarantees for developing business projects. The Council will function as a catalyst for the development of the operating SMEs as well as for the launch of new SMEs in priority areas. With the establishment of the Council, the marz administration will acquire responsibilities as well as real mechanisms of influence regarding local SME development.

3. Form a system of SME support institutions for priority areas

Formation and strengthening of viable SME support institutions are critical for the success of investment projects. The SME Development Council of the marz will periodically organise tenders to strengthen the existing support organisations and to promote the emergence of new ones in the priority areas of the marz. If necessary, SME support organisations from other marzes and Yerevan may also participate in the tenders. The SME Development Council of the marz will make SME consulting and training services more accessible to the local businesses by providing co-financing to pay for such services in the form of vouchers.

Details of the SME development strategy are provided in Table 3.3, and the financing required is presented in Table 3.4.

Table 3.3: SME support programme, 2006-08

SME strategic priorities	Expected result	Actions	Indicators	Possible partners
Define the priority areas (sectors and sub-sectors) of SME activity in the marz according to rural and urban communities.	Communities' role in the participatory process of SME development will increase in terms of targeting the available financial resources as well as monitoring the handling of those resources. Community resources of and prospects for SME development will be identified.	Urban and rural SME development priority areas are defined and approved by the Governor. This implies that: <ul style="list-style-type: none"> The resources for the development of manufacturing enterprises are, for example, locally produced agricultural products and other raw materials. In case of the SMEs in the services sector, capacity development opportunities in the services infrastructure, especially in the tourism sector, must be considered. Assessments of the need for credit funds in the next three years are presented with the list of priority areas. 	Priority areas of SME development of the marz are approved, including <ul style="list-style-type: none"> 30% of the communities in the first year, 50% of the communities in the second year and 70% of the communities in the third year. 	SME DNC USAID
Make the available financial resources accessible for financing investment projects.	SME development in the identified priority areas of the marz, for whose loan projects the SME Development Council of the marz provides loan guarantees. In the SME development process, community and marz leaders are given responsibilities and leverages of influence, whereby the village or town mayors, the governor or his deputy make project loan-guarantee letters to the SME Development Council of the marz.	In the first year, SMEs will be given 40 loans, including 30 loans for rural communities, with an average value of \$4,000 and 10 loans for urban areas, with an average value of \$12,000. In the second year, SMEs will be given 50 loans, including 35 loans for rural communities, with an average value of \$4,000 and 15 loans for urban areas, with an average value of \$12,000. In the third year, SMEs will be given 50 loans, including 30 loans for rural communities, with an average value of \$5,000 and 20 loans for urban areas, with an average value of \$15,000.	SMEs will have received 140 loans, with a total value of \$1,010,000, including in <ul style="list-style-type: none"> the first year - \$240,000 the second year - \$320,000 the third year - \$450,000. 	German-Armenian Fund (GAF) Micro-financing organisations
Form a viable system of SME support institutions in accordance with the priority areas of SME development in the regions of the marz.	1. Tenders in the identified SME development priority areas where business support organisations are engaged. 2. In order to pay fees for consulting services, the operating SMEs and start-up entrepreneurs of the marz will receive vouchers, which will develop professional and managerial skills of both the consulting companies and the local SMEs.	In tourism, 5 tenders, average \$12,000; In food processing, 5 tenders, average \$12,000; In other areas, 4 tenders, average \$6,000. Total number of tenders = 15 Total value = \$150,000. In the first year, 130 enterprises will receive \$45,000-worth of vouchers, including <ul style="list-style-type: none"> 80 start-up entrepreneurs – average \$250 50 SMEs – average \$500. In the second year, 130 enterprises will receive \$50,000-worth of vouchers, including <ul style="list-style-type: none"> 60 start-up entrepreneurs – average \$250 70 SMEs – average \$500. In the third year, 140 enterprises will receive \$55,000-worth of vouchers, including <ul style="list-style-type: none"> 60 start-up entrepreneurs – average \$250 80 SMEs – average \$500. 	15 tenders for business development services are conducted, with a total value of \$150,000. 400 SMEs are given \$150,000-worth of vouchers to pay for consulting services.	SME DNC GTZ/FRCS SME DNC BAS project of the EU

Table 3.4: Proposed budget for SME support (AMD million)

TYPE	2006	2007	2008	TOTAL	FINANCING SOURCE***
LOAN FUNDS*	127.76	170.35	239.56	537.67	Selected banks, micro-financing organisations.
<i>for rural communities</i>	63.88	74.53	79.85	218.26	
<i>for urban communities</i>	63.88	95.82	159.71	319.41	
LOAN GUARANTEES	42.59	53.24	63.88	159.71	50% DFID 50% SME DNC
GRANTS FUND FOR TENDERS	26.62	26.62	26.62	79.85	DFID
VOUCHERS FUND FOR CONSULTING**	23.96	26.62	29.28	79.85	50% DFID 50% SME DNC
ADMIN. EXPENSES OF THE SME COUNCIL	31.94	39.58	44.90	116.42	50% DFID 50% SME DNC
TOTAL	252.87	316.40	404.24	973.50	

* 192 loans are expected to be disbursed in the next three years, of which 137 to rural communities with an average value of \$5,000-\$7,000 and 55 loans to urban communities with an average value of \$14,000 - \$17,000.

** Co-financing vouchers for consulting services are expected to be given in the next three years to 400 SMEs, including 200 start-ups and 200 operating SMEs.

*** The amount contributed by the financing sources comprises:

- 660.5 mln AMD from selected banks and micro-financing organisations;
- 178.5 mln AMD from DFID;
- 134.5 mln. AMD from SME DNC.

4. AGRICULTURE

Agriculture is a major economic activity in Tavush, providing employment and livelihoods for a large proportion of the population.

The importance of agriculture is reflected in the PRSP, which associates rural poverty in Armenia with low levels of agricultural productivity. Contributing factors to low agricultural productivity include: small and fragmented smallholdings, poorly developed input and output markets, limited access by farmers to the support services that they need to raise productivity (for example, agricultural extension and credit), and the poor state of rural infrastructure, especially irrigation and rural roads.

These problems are especially acute in Tavush. The PPA for Tavush highlights that low agricultural productivity, weak agricultural markets, and limited access to agricultural services are especially important in understanding the poverty of those reliant on agriculture in the marz.

4.1. Current situation of agriculture in Tavush

Farmlands cover 36 percent of the land area of Tavush. There are two main agro-ecological zones – the low-lying forest-free areas (below 900m) and the mountainous areas rich in forests (above 900m). In value terms 57 percent of production results from crop and horticulture based output, and 43 percent from livestock based output. The region is characterised by the production of milk, meat, potatoes and grain. Tavush is also well known for grape production with climatic conditions of the region, which are favourable for the cultivation of stone-fruit crops, legumes, sub-tropical fruits, as well as grapes.

The structure of production largely follows national averages, that is, small farms (average farm size of 1.46 hectares, and 96% of farms less than 3 hectares, fragmented holdings); small livestock holdings (average below 2 livestock units per holding), poor access to agricultural input and output markets (thin markets, numerous small rural communities served by a weak communications infrastructure), low yields, low mechanisation, low levels of modern agricultural inputs (including finance) and low levels of commercialisation.

A SWOT analysis for agriculture undertaken as part of the RDP process is provided in Table 4.1.

Table 4.1. SWOT analysis for agriculture Tavush**Strengths**

- Good natural resources:
- Land resources available in the region (the region has 6 percent of the country's arable lands, 11 percent of lands under perennial crops, 11 percent of hayfields and 7 percent of pastures);
- Variety of natural conditions predetermining agricultural specialization; especially favourable climate conditions for horticulture development, particularly cultivation of various stone and seed-bearing, sub-tropical and other fruits;
- Good conditions for development of milk and livestock (particularly pig breeding);
- Preconditions for cultivation of organic food (ecologically clean);
- Availability of skilled workforce in the sector of agriculture;
- Willingness of the farms to improve agriculture production sizes and efficiency;
- History of investments under national and donor credit programs.

Weaknesses

- Underutilisation of land (only 32 percent of farms involved in year-round agricultural activities),
- Poor marketing of agro-products (including marketing infrastructure; cooperative marketing; processing facilities; poor roads);
- Small farm size and production units;
- Underdeveloped farm technologies reflecting the poor capital base;
- Underdeveloped agricultural support services (i.e. vet services, seed production, livestock breeding; agricultural credit and insurance, agricultural extension and information services);
- Limited possibilities of development of non-farming activities in rural areas and lack of favourable conditions for their development,

Opportunities

- Improving targeted use of arable lands, particularly expansion of fields under perennial fodder crops, potatoes, and grains;
- Improving livestock production;
- Development of agro-production and marketing services, including extension, information, credit and roads;

Threats

- Lack of capital for farm development and limited access to agricultural credit;
- Low level of local demand (due to low incomes) resulting in marketing difficulties;
- Poor export opportunities and limited number of local organisations involved in export;
- Risk associated with agricultural production and lack of insurance system; and
- Security problems in border areas of the region.

4.2. Agriculture development strategy

The main objective of the Tavush agriculture development strategy is to:

- develop and improve adequate infrastructures for agricultural activities in the region,
- boost animal husbandry and crop production,
- improve production efficiency,
- address marketing problems that will lead to the increase of farm income and rural poverty reduction.

Within this framework, there will be a need to distinguish between: (i) support to agriculture that is transitional (short-term) or provided to achieve social objectives; and (ii) realistic strategies for the development of sustainable market-based agriculture, based upon appropriate long-term public and private roles. Clarifying between these two objectives will be an on-going process.

In relation to these broad goals, the agriculture working-group has identified **improved agriculture productivity** as the principal objective of the marz agriculture development strategy. Seven strategic priorities contribute to achieving this objective.

(i) Increased use of improved agricultural technologies

As discussed above, poor quality inputs and low levels of agricultural technology are a significant constraint to the development of agriculture in the marz. Three areas have been identified as priorities for development:

- Improved availability of good quality **seed and planting materials** - especially nurseries for fruit trees and berries, vines stock, potato seed, cereal seed, and increased use of artificial insemination for livestock production. Increased availability of potato and cereal seeds will be achieved through on-farm multiplication of high quality seed material, which growers will then sell-on to other farmers in the next growing season.
- Increased availability of **artificial insemination** for livestock production will be achieved through expansion of the current government programme. Increased investment is also proposed for the **control of contagious animal diseases**.
- **Farm mechanization** will be promoted through leasing schemes whereby farmers have access to appropriate mechanisation at reasonable cost. Support will also be provided to enable groups of farmers to join together on a co-operative basis to buy and manage farm machinery.

(ii) Development of agricultural infrastructure

The irrigation system reform programme adopted by government promotes the establishment of Water Users Associations (WUA) for the sustainable development and management of secondary and tertiary irrigation systems (primary canals are managed by the state). Key actions required are as follows:

- Undertake an inventory of existing irrigation systems and irrigation needs;
- Investment for rehabilitating and upgrading irrigation systems as appropriate;
- Support to establish WUAs, and the provision of capacity building support in irrigation systems management and maintenance;

- Measures to reduce water delivery costs especially a reduction of energy supply of the system and boosting and enhancing gravity system water supply;
- Construction of small- and medium-sized water storages facilities and regulating water reservoirs;
- Study of irrigation and potable water supply problems in communities and preparation of a timetable of the measures to address them.

Support to the development of irrigation infrastructure will be consistent with and complement irrigation activities already being implemented in the marz (e.g. the Irrigation Systems Development project, World Bank; the IFAD funded Rural Economic Development Project).

(iii) Increased access to rural finance

Efforts to strengthen the rural finance system in Tavush must be consistent with the wider policy and legal framework governing the banking sector. A number of initiatives are currently being implemented to strengthen rural finance in the marz. For example, the ACBA Bank has reduced loan rates for communities without overdue obligations towards the bank, and has simplified the collateral requirements for some micro-loans. There are also rural finance components in donor-supported agricultural development programmes that provide useful experience - for example, the Support to Agricultural Reforms project of the World Bank, and the "Economic Development in Rural Areas" project supported by IFAD.

Support to the development of rural finance will build upon lessons learned from existing programmes, and will focus upon agricultural lending through commercial banks and micro-finance organisations active in the marz. Support will comprise the following elements:

- Provision of grant funding for agricultural loans;
- Training to farmers in the preparation of business plans;
- Training to staff of micro-finance organisations in loan appraisal.

(iv) Development of Value Added Processing Facilities

There is considerable potential for the development of processing facilities for milk, meat, fruit, vegetables, wineries, tobacco, and seed oil and leather amongst others.

As with other areas of the agriculture strategy support to processing development will build upon lessons learned from existing programmes, and will comprise the following elements:

- Provision of limited grant funding;
- Training in the preparation of business plans;
- Training to staff of micro-finance organisations in loan appraisal for agro-processing.

(v) Increased access to output markets

The aim is to increase market opportunities available to farmers through increased access to wholesale and export markets. Investment in storage facilities for farm produce is also required to enable farmers to extend the time period over which they are able to their produce to market. Establishing storage and refrigeration facilities

will improve farm incomes and help enhance potential for agricultural processing. Farmer co-operatives will be promoted for collective marketing and to jointly manage storage facilities.

(vi) Increased access to agricultural information and extension services

A number of initiatives are already being implemented in the marz by government and donors to strengthen agricultural extension services. Our approach will be consistent with these existing programmes as well as government's national strategy for agricultural extension. The following measures are proposed:

- Improved access to agricultural information and extension services through increased funding for agricultural consulting services and the dissemination of basic agricultural information through the media and the distribution of training leaflets;
- The promotion of extension methodologies based upon an understanding of local conditions in the marz and farmers' needs;
- Exploring alternative methodologies for extension provision. This may include opportunities for the use of competitive grants to fund some agricultural extension activities;
- Establishing performance standards and a monitoring and evaluation framework to assess the effectiveness of extension services;
- Improved co-operation and sector planning between government and donors on extension provision.

Agricultural advisory support will need to respond to the needs of different groups of farmers within the marz. While there may be a small number of farmers requiring specialist technical services for which they are willing to pay, there will remain a large population of poorer farmers that require simple extension services to improve their basic farming practices. It is therefore likely that the bulk of extension services in the marz will continue to be provided through the state-supported system.

(vii) Improved legal framework

Farmers consulted in the preparation the RDP have indicated that the current legal framework does not adequately support the development of agriculture. The following measures are planned for implementation in the marz:

- Undertake a study to review the legal framework as it applies to agriculture in the marz and to make recommendations on how it could be strengthened to improve incentives for the development of agriculture;
- Introduce measures to ensure that rural communities are made aware of national laws and sub-legislative acts relating to agriculture, and that laws are properly applied.

Table 4.2 provides a summary of measures proposed in the agriculture development strategy and the financial resources required.

Table 4.2: Tavush agricultural development strategy (2006-08)

Description	Expected outcomes and indicators	Financial contribution required (AMD million)			TOTAL
		Government	DFID	Other donors	
Foundation of fruit orchards	Fruit orchard area expansion by 300 ha, growth of gross output by 5200 ton			505.2	505.2
Vineyard foundation	Vineyard area expansion by 200 ha, growth of gross output by 4000 ton			324.3	324.3
Potato seed renovation	Increased potato yield (2.1 times to 250 c/ha)		25.0	55.1	80.1
Grain seed renovation	Increased grain yield (1.6 times to 30 c/ha)		10.0	46.4	56.4
Artificial insemination	Production performance increase (milk- 35 %, meat 20 %), prevention of diseases	45.0		44.9	89.9
Additional vet and epidemic-control measures	Reduction of cattle population decrease rates, disease prevention, performance increase by 7-10 %			195	195
Rehabilitation of irrigation systems and dam construction	Improved water supply to irrigated fields			1,607.0	1607
Foundation of wholesale market	Mitigation of the problem of marketing of agro products, reduction of losses, improved marketability of products by 25 %			200	200
Foundation of cooling facilities in rural areas	Growth of farmers' income, reduction of losses			301.6	301.6
Milk intake, pre-processing shops and small slaughter-houses	Improved marketability of livestock raising products, reduction of losses, growth of farmers' income			325	325
Expansion of training and consulting services	Farmers' improved skills and capacity		16.0	10.7	26.7
Improvement of legal framework	Regulation of legal relations in the sector of agriculture			10.7	10.7
TOTAL		45.0	51.0	3,625.9	3,721.9

5. SOCIAL SECTOR DEVELOPMENT

This chapter covers health, education, and social protection. The current status of service provision in these sectors within the marz is reviewed, and strategies proposed for priority investments required to enhance the scope and quality of services provided. The PRSP identifies health, education, and social protection as priority areas for investment in the fight against poverty. For education, the PRSP prioritises improvements in affordability, especially to poor households, and measures to increase enrolment in secondary schools. In health, the focus is upon improving the accessibility of health services. National priorities for social protection focus upon better targeting of family benefits and better inclusion of the poor. Our proposed strategies are consistent with these national priorities.

5.1. Health

Under the current PRSP the low levels of public spending on health will be reversed, and throughout the program period, the growth rate of public expenditures in the health sector will exceed growth rates of total public expenditures. Furthermore, increasing shares of the public health budget will be focused on primary health care and in particular, on the system of family doctors. This system will gradually replace the existing overstuffed system of polyclinics and dispensaries.

Indicators of health outcomes and health care systems show a mixed picture in Tavush. At the end of the 1990s the limited data shows that infant mortality rates were slowly declining, although a little higher than the national average at 15 infant deaths per thousand births per year (national average 12). Data for communicable and chronic disease prevalence are mixed but in general show that health outcomes for Tavush offer considerable scope for improvement.

The status of health service provision for maternal and peri-natal care is indicative of the poor state of health services in the marz. Factors contributing to infant mortality in the marz include:

- Low access to primary health care services, especially in rural communities;
- Low access to prenatal and postnatal services in rural communities;
- A large proportion of child deliveries at home;
- Low awareness of infant health care;
- Inability to pay for healthcare services.

Problems associated with healthcare provision in the marz are related to budget constraints and structural changes in the national health system. Prior to economic reforms, basic health care was provided free for the whole population. Following transition, this healthcare system became unaffordable and responsibility for managing the system was transferred to the marzpetaran, user-costs were introduced for some treatments. During the transition the number of outpatient facilities fell by half and the number of inpatient facilities remained the same.

Within the constraints of prudent fiscal and financial management, the following problems now need to be addressed:

- **Acceleration of family medicine strategy.** Rural communities remain under-served, and with the continued absence of family medicine practitioners

either do not have access to health care or incur considerable financial and time costs in attending polyclinics and hospitals.

- **Lack of medical staff.** There are shortages of general practitioners, reproductive health specialists, primary health care specialists and first-aid specialists.
- **Poor condition of medical buildings.** Most medical centres in the marz require renovation. Some communities have no medical centres at all. The polyclinics of all marz centres need major renovation.
- **Informal user payments.** As with other parts of Armenia, it is common for patients to be asked to make a contribution towards treatment costs - even where the treatment is supposed to be free. This practice creates particular problems for the poor in accessing healthcare.

A number of donors are supporting healthcare services in the marz. Donor programmes are focused towards improvements in primary healthcare provision (consistent with government's priorities). Our strategy will strengthen and complement these initiatives. The main donor programmes are summarised below:

- The World Bank 'Improvement of Health Funding and Development of Primary Health Care' project covers 9 communities of the marz.
- UNICEF, MSF, GTZ and World Vision all provide support to the development of mother and child care health services
- MSF (Belgium) is implementing an outpatient mental health program in the marz over the period 2002-05. The aim of the program is to improve the outpatient care of minors and adults with mental disorders.

Health sector development strategy

Proposals for support to healthcare provision in the marz are consistent with government priorities for the health sector set out in the PRSP. The principal objective of the strategy is to improve accessibility to healthcare services, especially by the poor. This involves support to the following four priority areas:

- Improvements in the availability and quality of primary healthcare – especially the promotion of child and mother's health and improvements in reproductive health;
- Renovation of medical facilities and technical training of medical personnel;
- Strengthening the prevention of the spread of infectious diseases and increased provision of HIV/AIDS treatments;
- Improvements in healthcare management systems.

The objectives of the strategy are summarised in figure 5.1. Specific measures proposed under the strategy and their costs are set out in Table 5.1.

Figure 5.1: Tavush healthcare strategy

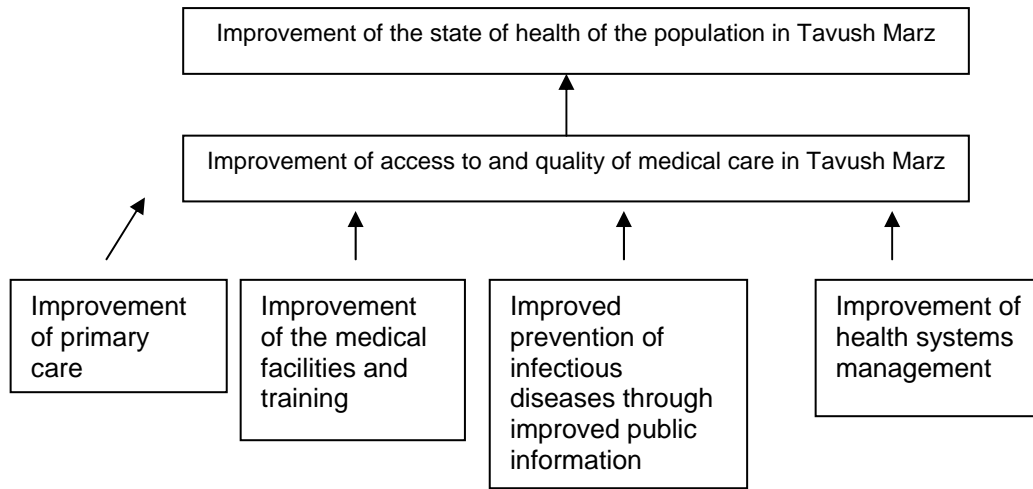


Table 5.1: Proposed healthcare measures, Tavush marz, (2006-2008)

Measure	Anticipated outcome	Outcome indicators	Funding (AMD m)
1. Improved primary health care facilities			
a) Training of physicians and nurses in family medicine b) Development of mobile medical groups to improve health care in rural communities c) Improved access and quality of prenatal and postnatal care, especially for the poor population d) Physical exercises and psychological courses for pregnant women e) Regular preventive examinations of children at kindergartens and schools to reveal cases of malnutrition and anaemia, have required vaccinations f) Provision of contemporary contraceptives and ensuring their availability especially for the vulnerable	<ul style="list-style-type: none"> Improvement of quality of primary care Reduction of maternal and infant mortality, reduction of infant disability Improvement of care provided to pregnant women, capacities for psychological and physical preparation Improved infant health indicators, reduction of chronic malnutrition and anaemia, reduction of morbidity and mortality, better coverage with vaccinations Improved reproductive health of vulnerable women and men, prevention of sexually transmitted diseases and unwanted pregnancy, reduction of maternal morbidity and mortality 	<ul style="list-style-type: none"> Proportion of population making use of the services of high-quality family physicians, % No. patients referred to hospitals Frequency of visits to health care facilities Birth rate Mortality of under 1s per 1000 live-born Maternal mortality per 100000 live-born Mortality of under 5s per 1000 live-born No. cases of chronic malnutrition and anaemia of children Proportion of vaccinated children % Prevalence of contraceptives use (%) Prevalence of HIV, number of virus carriers per 100000 population Prevalence of HIV per 100000 infected Prevalence of HIV/AIDS among pregnant women at the age of 15-24 	a) 13.3 b) 5.3 c) 2.6 d) 10.0 e) 10.0 f) 8.0
2. Improved secondary health care facilities			
g) Equip polyclinics with diagnostic equipment and their more effective use h) Provision of first-aid supplies to health centres in remote areas, and improvement of buildings i) Provision of modern equipment to hospitals improvement of their building conditions	<ul style="list-style-type: none"> Reduction of the number of contagious diseases, reduction of mortality level Improvement of health care quality 	<ul style="list-style-type: none"> Proportion of patients referred to Yerevan and regional centre (%) Number of representatives of vulnerable groups provided with diagnostic services No. of rural population provided with health services (% of rural population) 	g) 114.9 h) 57.0 i) 271.9

Measure	Anticipated outcome	Outcome indicators	Funding (AMD m)
3. Improved management of health care facilities			
<p>j) Training of heads of medical facilities in modern methods of management and development of skills of attracting alternative financial resources (contributions of sponsors, benefactors)</p> <p>k) Internal audit of hospital system (study of buildings, premises, main assets, medical equipment, number of beds and inventory) and development of optimisation programme</p>	<ul style="list-style-type: none"> Effective management of health care system 	<ul style="list-style-type: none"> Proportion of funds accumulated from private services of the medical facility in the total budget, % Average annual occupancy of hospital beds, days Number of medical facilities organizing and conducting internal audits 	<p>j) 7.8</p> <p>k) 15.7</p>
4. Improved prevention of STDs and HIV/AIDS			
<p>l) Courses at schools on safe sexual behaviour</p>	<ul style="list-style-type: none"> Decrease of infectious diseases, STDs, mortality rates 	<ul style="list-style-type: none"> Morbidity with active tuberculosis per 100000 people Proportion of cases of tuberculosis identified and treated during DOTS 3. Morbidity with sexually transmitted diseases per 100000 people 4. Prevalence of HIV, number of virus carriers per 100000 people 5. Prevalence of HIV/AIDS among pregnant women at the age of 15-24 6. Level of prevalence of the use of contraceptives (CRP), % 	<p>l) 12.0</p>
<p>m) Public education for wider public on infectious diseases (especially tuberculosis), HIV AIDS through mass media</p>			
Total			528.5

5.2. Education

The PRSP places special emphasis upon investment in education as a means of achieving economic growth and poverty reduction. The priority attached to education is reflected in the Tavush RDP, which proposes significantly greater funds for investments in education than in other social sectors. This is consistent with the doubling of expenditure on education in the marz over the period 2000-04.

Girls' attendance and completion rates are similar to those of boys, but overall secondary school completion rates are low, particularly amongst the poor. Although investment in education is a government priority, funds allocated to the sector are not sufficient for proper maintenance and operation of schools. School buildings in the marz are in a poor state, especially those located in remote communities. Most school buildings are in need of renovation. The quality of education also depends upon teacher's skill levels. The teacher-training programme in the marz is proceeding at a slow pace.

A 'Problem Tree' analysis of the education sector in Tavush highlights four main problem areas:

- Low Accessibility of Education (low income households find it difficult to send their children to school, and once in school, have difficulty in affording textbooks, poor children in rural areas are particularly disadvantaged);
- Low Quality of Education (limited high quality textbooks, uneven distribution of qualified staff, lack of libraries, no systemised vocational training, lack of spiritual and aesthetic teaching);
- Inadequate Budgets – either state or community (non-motivated staff, poor buildings and equipment, limited school heating, seasonal operations of kindergartens);
- Poor management of education system (lack of community involvement in school management, centralised management, limited cooperation between local government and schools);

A number of **vocational institutions** operate in the marz. The quality of training provided by these institutions has deteriorated over recent years due to budget cuts, a move towards the payment of user-fees, and failure to match training content to current demand in the labour market.

The role of **donor organisations** in the education sector in Tavush is significant (World Bank, UNWFP, UNICEF, GTZ, EU-TACIS, the Social Investment Fund). Many of these organisations fund programmes that target education for poor communities. In particular, the World Bank education support programme has supported the development of the national curriculum and national assessment systems, teacher training, equipment priorities, management development. UNWFP have financed school feeding; UNICEF and GTZ have financed school refurbishment and renovation programmes; and EU-TACIS have supported the development of vocational training in the marz.

The marz **strategy for the education sector** is consistent with government priorities set out in the PRSP. The principal objective of the strategy is to improve the quality and accessibility of education. Other priorities include: improving efficiency in the education system, renovation of schools, improving the quality and availability of teaching materials, and training of teachers. Special attention will be paid to

education reforms in the context of decentralisation and democratisation, and the introduction of a structured 12-year curriculum, and a new examination and grading system. The development of a community education model and the use of modern information technologies in education form an important part of the approach.

The main elements of the strategy are as follows:

- Renovation of school buildings and investment in teaching materials, and school equipment, especially for schools in remote rural communities;
- Systematic development of teachers' skills, including regular vocational training, and interactive teaching methods;
- Strengthening self-governance of schools through parents' boards and the greater participation of pupils in the management of schools;
- Integrating vulnerable and disabled children within normal schools;
- Development of the cultural and sporting elements of schooling.

Measures proposed under the strategy are set out in Table 5.2.

Table 5.2: Education sector strategy, Tavush marz (2006-2008)

Measure	Anticipated Outcome	Outcome Indicators	Funding (AMD m)
1. Renovation of school buildings and teaching materials	<ul style="list-style-type: none"> Improvement of building conditions of schools Improvement of the material base of schools Improvement of access to general education Improvement of the effectiveness and quality of education 	<ul style="list-style-type: none"> No. renovated schools No. refurbished playgrounds and gyms No. pupils in schools with local heating systems as compared with the total number of pupils % No. schools having desks and chairs No. schools having updated fiction and methodological literature No. computers in schools per 1000 pupils No. schools with computer rooms No. schools provided with Internet connection Provision of textbooks in primary schools No. schools implementing nutrition programs No. teachers having participated in training and qualification upgrading courses No. teachers with computer skills No. schools using active teaching methods No. schools having adopted the system of management through boards No. years of education (6 to 21-year olds), Gross coverage in main schools, % 	
<ul style="list-style-type: none"> Renovation of school buildings, especially in remote rural communities 			2,099.0
<ul style="list-style-type: none"> Renovation of gyms and playgrounds, improvement of sewerage system and installation of local heating systems 			2,000.0
<ul style="list-style-type: none"> Provision of school equipment, updating of literature fund 			17.5
<ul style="list-style-type: none"> Provision of computer equipment and Internet connection in schools 			40.0
<ul style="list-style-type: none"> Provision of textbooks to pupils in primary schools 			
<ul style="list-style-type: none"> Processing of land areas around schools in rural communities and use of the yield for the nutrition purposes of schools 			6.0
2. Improved skills of teaching staff			
<ul style="list-style-type: none"> Regular professional training of teachers 			180.0
<ul style="list-style-type: none"> Computer use at classes 			
<ul style="list-style-type: none"> Introduction of interactive methods of teaching 			
3. Strengthening school self-management	Schools become self-managed		40.3

Measure	Anticipated Outcome	Outcome Indicators	Funding (AMD m)
<ul style="list-style-type: none"> Development of management skills of school heads 		<ul style="list-style-type: none"> Results of the national system of evaluation of the quality of education to be introduced Level of satisfaction of parents from the services of general education sector Level of coverage in private classes Pupil/teacher ratio in general education sector 	
<ul style="list-style-type: none"> Making school boards more active 			
<ul style="list-style-type: none"> Making the participation of pupils and parents in the management of schools more active 			
4. Development of integrated education			42.0
<ul style="list-style-type: none"> Creation of possibilities for disabled children to attend general schools 	Improved conditions of the disabled in schools	<ul style="list-style-type: none"> Number of disabled children in general schools 	
5. Creation of alternative preschool services			-
<ul style="list-style-type: none"> Integrate primary schools within secondary schools 	Primary schools in rural communities	<ul style="list-style-type: none"> Level of coverage in preschool institutions among 3 to 6-year old children, % 	
6. Development of vocational education			-
<ul style="list-style-type: none"> Cooperation between businessmen and educational institutions to prepare specialists required for the local labour market. 	Raised demand for vocational education and its quality	<ul style="list-style-type: none"> Number of graduates from secondary-vocational institutions having been employed as compared with the total number of graduates, % 	
7. Development of cultural and sports events			6.0
<ul style="list-style-type: none"> Organisation of marz and inter-community sports competitions 	Making the sports and cultural life of the marz more active	<ul style="list-style-type: none"> Number of sports and cultural events in the marz/community 	
<ul style="list-style-type: none"> Exhibitions, musical and other events 			
Total			4,430.8

5.3. Social protection

As set out in the PRSP, social protection policy is aimed at protecting the economic, social and legal guarantees of human rights and liberties. Individuals, families and communities are exposed to a number of risks from various sources, both natural (earthquake, flood, diseases) and human (unemployment, deterioration of environment, conflict). The poor who lack adequate resources to confront risks are far more vulnerable than the non-poor. They are unable to protect their living standards by means of savings, asset accumulation and other means of risk management, and their inability to cope with risk will frequently result in chronic poverty or even increasingly severe poverty.

Current priorities for social protection policies are:

- **Social assistance:** use of the family benefit system to reduce poverty among the most vulnerable through targeting the extremely poor and ensuring that their consumption level is not below the food poverty threshold;
- **Special protection:** to be provided for the handicapped, orphans, refugees and displaced people;
- **Social insurance:** a reduction in the number of poor pensioners and an increase of pensions to bring them above the general poverty threshold. This requires reform of the mandatory social insurance system, including enhancing its efficiency, substantial review of the principles of allocating pensions and ensuring the financial stability and sustainability of the system;
- **Employment policies:** replacement of currently inefficient policies of unemployment insurance and a transition to proactive employment policies;
- **Income policies:** ensuring an accelerated increase of salary rates in budget and social infrastructures to ensure a level at least twice that of the general poverty threshold. The legally defined minimum salary should equal the general poverty threshold.

The Poverty Assessment in Chapter 2 identified households 'lacking material assets and productive labour', 'households lacking material assets and human capital'; and 'households lacking material assets' as the three main groups of poor households. The largest number of socially vulnerable people is concentrated in Ijevan with pensioners and disabled people amount to 23 percent and 8 percent of the population respectively. The ratio of refugees within the population is also high (Table 5.3).

Table 5.3 Household dependency - distribution by type in Tavush

City	Pensioners as % population	Disabled as % of population	Refugees as % of population
Ijevan	23.3	8.0	1.5
Dilijan	21.0	3.0	0.5
Berd	16.4	4.0	0.5
Noyemberyan	19.2	6.2	0.7

Source: Social Tendencies in Armenia #5, Information and analytical periodical, 2003, p. 61

Unemployment is a principal contributing factor to poverty. Official data suggest that unemployment (of 16 years of age and above) in Tavush has dropped from 7.6 percent in 2000 to 7.0 percent in 2002. However, the 2003 HDNS survey suggests that this underestimates the true level of unemployment and that actual

unemployment in the region is 17 percent. The survey found that 28 percent of urban population and 11 percent of the rural population has no job but is actively seeking one. It is estimated that 14 percent of the unemployed face long-term unemployment with an average duration of unemployment of 33 months¹³.

Analysis of unemployment data for Tavush shows that:

- Women are at higher risk of unemployment;
- Young people form a significant proportion of the unemployed;
- Recorded levels of unemployment are considerably higher in urban rather than rural areas;
- Less than one tenth of the unemployed receive unemployment benefits.

The **population of the marz is aging** and 21 percent of the population of the marz are now classified as pensioners (Ministry of Labour and Social Issues). This is the highest rate of any marz. The migration of young families combined with declining death and birth rates have increased the proportion of the elderly within the population. The issue of the social protection for pensioners is therefore important for the marz.

The elderly are potentially the largest proportionate consumers of medical and social services. However, because of the low level of pensions, the elderly are often unable to afford these services and are amongst the most vulnerable groups of the population. The elderly are also often more sensitive to socio-economic reforms. The transformation of social and economic systems has had, and continues to have, a significant impact upon the lives of the elderly, especially those that live alone.

The number of **refugees** living in Tavush is as high as any other marz. The marzpetaran's office currently estimates that 15,000 refugees live in Tavush, including 13,000 in rural areas. These refugees face particular problems of unemployment, housing, poor asset base, and social exclusion. Furthermore, refugees have little awareness of the economic opportunities and social benefits that may be available to them.

The **disabled** represent one of the most vulnerable groups within the marz. The number of people registered as disabled in the marz has increased significantly in recent years (although this in part may be attributed to improved recording systems). In 2003, more than 8,000 disabled persons were registered in the marz, compared to 6,400 in 2001. Ijevan and Berd have the highest numbers of the disabled, accounting for almost two-thirds of the disabled residents in the marz (63 percent).

In terms of coverage, the largest social assistance programme in Tavush is the **family benefit programme**. The number of beneficiaries of family benefit in the marz has fallen from 9,920 in 2001 to 7,552 in 2003. However, the reasons for the decrease relate more to changes in the system of family benefit, than any improvement of living standards. Increased spending on other social assistance categories (for example, pensions and the disabled) has made some families no longer eligible for family benefit. The representation of beneficiary families is similar amongst families in rural (21 percent) and urban areas (22 percent)¹³.

¹³ Human poverty in marzes of Armenia, Armenia Social Trends, Book 5, June 2004, Table 23, page 54 (in Armenian version)

¹³ Social trends: Armenia, No. 05, 2004.

On average one-third of the applicants to the family benefit programme are not enrolled in the system of family benefits. Authorities in urban settlements have developed measures to make the system more targeted. Communities are required to submit monthly reports on benefits with the list of beneficiaries. In addition, all the organisations and enterprises of the marz are required to provide quarterly reports on vacancies in their organisations. In this way administrative centres and marz authorities get trustworthy data about the number of beneficiary families in the community.

The family benefits programme is implemented through local social service agencies. These are located in the main administrative centres and are not accessible by many of their clients. This reduces awareness by some of the poorest groups of the population on social protection assistance for which they may be eligible.

The '**Work for Benefit**' is designed to alleviate the dependence of population on benefits and to keep people working. Since 2001 low wages are provided for temporary jobs on public works programmes. In 2002 more than 1,000 people participated in the programme, representing a doubling in the number of beneficiaries over the previous year.

Donors and NGOs play an important role in the provision of social protection services in the marz. The largest among these programs is the World Food Program under its Food Security Program, which provided support under four main programs:

- Provision of food assistance to poor families;
- Food for work;
- Food for education;
- Ensuring nutrition at schools.

"World Vision" is implementing social assistance and humanitarian programs in Tavush. Currently this organisation is implementing projects for the elderly (beneficiaries include about 800 elderly) in Ijevan and neighbouring areas together with the UN WFP. The "World Vision" program has a comprehensive focus and targets community needs rather than specific groups of population. This organisation is dealing with renovation and furnishing/equipping of social (schools, medical centres) and cultural facilities, organises training, and provides humanitarian assistance and other activities.

The new investment programme of the World Bank also supports improvements in the system of social protection, including the following elements:

- General assistance to social protection, especially the administrative-information system necessary for the collection, storage, updating and exchange of information among different social protection institutions;
- Improvement in employment support services;
- Improvements to management of the pension system;
- Measures to strengthen the targeting of social assistance programmes to the poorest members of the population.

Social protection strategy for Tavush

Improving the accessibility and quality of social services is a priority for the marz. Consistent with the PRSP, the marz strategy for strengthening social protection will focus upon the following areas:

- Raising public awareness on social programmes;
- Enhancement of social assistance measures targeted at vulnerable groups;
- Training of staff, improvements in the resources available to social service agencies; and
- Measures to improve the management of social services.

Raising public awareness on social assistance programmes will be achieved through the publication and dissemination of information on the range of social protection that is available, as well as details of service providers in the marz (state, public, international). Importance is also attached to the training of service providers and the development of needs assessment skills.

Measures proposed under the strategy are set out in Table 5.4, together with the financial resources required over the next three years.

Table 5.4. Social protection support strategy, Tavush (2006-2008)

Measure	Anticipated Outcome	Outcome Indicators	Total AMD million
1. Raising public awareness on social programs	Publicity of the operation of social services in the marz, improvement of their accountability and, consequently, making their work more targeted	<ul style="list-style-type: none"> Proportion of interviewees who were satisfied with the targeting of social services during public opinion surveys in the total number of interviewees, % 	
<ul style="list-style-type: none"> Publication and dissemination of information on social service provider organizations in the marz (state, public, international) and on programs implemented by them. 			10.7
<ul style="list-style-type: none"> Public presentation of the regular reports of Social Security Departments of marzpetaran/RSSAs on social assistance programs and criteria for inclusion in them 			2.6
2. Enhancement of social services being provided to the population			
<ul style="list-style-type: none"> Organize and develop services for caring after the elderly (home care, day centre) 	Assistance to the most vulnerable groups of population has been enhanced	<ul style="list-style-type: none"> No. of elderly using care services No. of population having received social work services No. of children sent from orphanages to caretaker families No. of people having received free legal consultation No. of trained specialists and proportion of those having found jobs, % No. of public work programs, and beneficiaries covered 	42.8
<ul style="list-style-type: none"> Support to the disabled (especially disabled children and their parents) as well as implementation of programs for their integration in the society 			54.0
<ul style="list-style-type: none"> Gradual introduction of the institute of "care taker" family 			26.7
<ul style="list-style-type: none"> Development of services of consultancy on social and other rights 			21.4
<ul style="list-style-type: none"> Organization of vocational training sessions for the unemployed, especially young people 			10.7
<ul style="list-style-type: none"> Enhancement of remunerated public work programs 			10.7

3. Continuous training of specialists in social services			53.0
<ul style="list-style-type: none"> • Training of the staff of social service provider organisations to develop needs assessment skills 			
<ul style="list-style-type: none"> • Training of care takers to provide care to the disabled and elderly, including home care 	Continuous training of specialists in the sector of social services is ensured	<ul style="list-style-type: none"> • No. social service providers • No. of assistance services targeted at vulnerable groups funded by donors and private benefactors 	26.0
<ul style="list-style-type: none"> • Development of skills to find donors and sponsors for social service provider organizations 			16.0
4. Provision of equipment to social service agencies of the marz	Raising the effectiveness of the operation of social services	<ul style="list-style-type: none"> • No. of beneficiaries, especially most vulnerable families covered by social protection programs • No. of unemployed having found jobs 	5.3
<ul style="list-style-type: none"> • Provision of computers and Internet connection for services involved in social issues in the marz for the effectiveness of information sharing processes 	Improved targeting of family benefits Employment services provide wide assistance in searching for jobs		
5. Improvement of the management of social service system			21.4
<ul style="list-style-type: none"> • Coordination of social programs at marz level and exchange of information among NGOs, local self-governance bodies and RSSAs 	Number of social assistance programs for the population being implemented on the basis of improved cooperation	<ul style="list-style-type: none"> • No. of joint social programs with NGOs and local self-governance bodies • No. of means testing measures • No. of volunteers included in social assistance programs. 	
<ul style="list-style-type: none"> • Regular needs assessment of vulnerable groups with joint efforts of state and non-state institutions 			5.3
<ul style="list-style-type: none"> • Promotion of volunteer movement among young people 			5.3
Total			664,000

6. COMMUNITY DEVELOPMENT

This section addresses measures to strengthen community development in the marz. Community development is a crosscutting priority for poverty reduction, but is not an easy thing to define. The PRSP does not provide a definition of community development and does not establish priorities or targets in relation to community development.

Community development is addressed indirectly throughout the PRSP. The PRSP mentions improved accountability to local people and the empowerment of local people as critical for poverty reduction. References to the community in the PRSP sometimes describe features of the community and at other times recommend specific measures to support community development (such as an improved understanding of rights).

In developing priorities for community development in the marz, the working group for community development has been guided by the findings of the Tavush PPA. The PPA identifies a number of poverty-related issues that fall outside the sectors addressed elsewhere in the RDP. These include the lack of material assets to pursue sustainable livelihoods, poor development of social capital, and the failure of most attempts at collective action. Early attempts at collective action and cooperation, for example in agriculture and income generation, had generally ended in failure. Participants cited lack of experience, mistrust and, the 'poor social climate' for this failure. The need to overcome such obstacles and to create new forms of social capital for community development was a common theme of the PPA. Other issues raised by the PPA were the need to increase the local accountability of administrative services and elected local governments, and to increase the capacity of communities to shape policies relevant to their development.

6.1. Working definition for community development

The working group for community development has agreed a working definition for community development based on the following:

- *Community infrastructure* - infrastructure (roads, water supply, heating, gas supply, as well as health and education infrastructure);
- *Social capital* - skills and knowledge possessed by people in the community, their sense of belonging and shared common purpose, and their capacity for self-assistance;
- *Civil society* - the institutional composition of the community and the capacity of people to get organised in response to common needs, and the opportunities for individuals to take part in community affairs and to take active participation in their control;
- *Empowerment* - the ability of people to exercise, guarantee and protect their rights, and active participation by people in the decision-making processes of government;
- *Partnership* - constructive co-operation between different members of the community whereby local leaders act as agents of the community in the establishment of relationships between the community and those outside the community.

6.2. Legal framework for regional and community government

The current system of regional administration in Armenia was outlined by the Constitution of the Republic of Armenia adopted in July 1995. This defined marzes and communities as administrative units of the republic. marzes were formed by unifying the previous 'regions' of the Soviet era.

Marzpetarans are in effect de-concentrated arms of central government. The marzpets (regional governors) are appointed by the President following consultation with the National Assembly and Prime Minister. The Minister for Territorial Administration is the main coordinator of the work of the marzpetaran, especially regarding the formulation of regional policy. Central government and the ministries may therefore implement sector policies in the regions both through the ministries, many of which have regional offices, and through the resources of the marzpetaran.

In parallel with the central and regional branches of the government administration, there is a single-tier system of local government, based on communities, covering the whole country. Each local authority has a directly elected community chief and a directly elected community council.

The legal framework regulating the regional and local government is imperfect and undermines the effectiveness of local governance in the marz. A number of areas exist where lack of clarity provides fertile ground for dispute or confusion between different levels of government:

- The powers of the marzpet, as defined in the constitution, are vague and difficult to reconcile fully with other laws governing the operation of local government, including the recent law on local government. There can therefore be dispute between local governments and the marzpetaran over how far and in what manner the marzpetaran is entitled to intervene in local government interests and affairs.
- There is considerable uncertainty of ownership of land and physical assets still in public ownership. This has resulted in disputes between regional and local administrations, and delays in the development or implementation of new investment and services. It is hoped that the preparation of the RDP may help to establish a framework in which such disputes may be handled efficiently.
- Local government authorities in the marz receive a substantial proportion of their income from central government directly, as a subsidy (30 to 65 percent of their income). The amount they receive is difficult to forecast, and the method of calculation of subsidies to individual authorities is not transparent. It is paid quarterly but not in equal instalments, making even short-term planning difficult. Consequences include delay in the payment of salaries and the need to seek loans to ensure continuity in essential services.
- Local government revenues include several local taxes and charges, as well as the government subsidy. Several town halls have reported that the levy of local taxes is difficult and the rate of collection low in poor areas where payments are a significant burden on the local population. Collection is also difficult in cases where migrant workers are absent for extended periods. These factors raise the cost of revenue collection.
- Many people in the marz are unclear about the respective responsibilities of different levels of government. While local government is receptive to questions raised by the public, in many cases the issues that are raised are

not a local government responsibility and need to be referred to the regional administration, or the local office of the relevant sector ministry.

6.3. Community development strategy

The priorities for marz community development are as follows:

- Development of community infrastructure (roads, water, and gas);
- Improvement of regional management, improvement of functions and capacities of local governance bodies, introduction of modern management technologies, improvement of transparency;
- Improvement of management skills and capacities in the sphere of local governance;
- Implementation of programmes to promote greater participation of citizens in decision-making processes, including the creation of public service information centres and other programmes aimed at stimulating citizen participation.

(i) Infrastructure

The poor state of the **road** network is a constraint to achieving economic growth and poverty reduction in Tavush. While the condition of the major interstate roads is generally satisfactory, rural community roads are in a poor condition. Since transition, funding for road construction has fallen significantly, and many roads have received no maintenance since 1988. Roads are especially poor in the Berd area.

Funding is now required for the maintenance and renovation of the whole road network of the marz. In recent years a number of programmes have been implemented to renovate the road network. In the period 2001-03 the World Bank, Lincy Project funded the 'Sevan-Dilijan' highway tunnel, and in 2003 the Getashen-Voskepar-Baghanis overpass was completed. A number of interstate roads have been constructed/renovated (127kms). Further renovation of rural roads is expected under the World Bank Natural Resources Management and Poverty Reduction Project (NRMPRP).

Priority investments in the road network of the marz are as follows:

- Renovation of national and regional (marz) roads. It is estimated that these renovations will cost AMD 3,901.38 million.
- Renovation and construction of numerous community roads within the marz at a cost of AMD 21,565.32 million.

The reconstruction of roads of local and marz importance will be managed by inter-community associations to ensure participation of road users in the prioritisation of the reconstruction work.

Access to clean drinking **water** and reliable irrigation water is important for improving living standards in the marz. Surveys conducted over the last few years show a marked deterioration in the quality of the water supply.

Two main priorities have been identified for developing the water supply network in the marz. The first is renovation of water supply systems in the four major towns and their surrounding areas. This includes construction of modern water treatment plants and sewage networks, water catchment systems and pipelines.

The second is widespread reform of the water system management. This includes measures to strengthen financial sustainability through the collection of water user-fees and improved regulation of water companies. Water management contracts should provide clear incentives for companies to increase effectiveness and efficiency in water delivery.

Funding for improving the water supply system in the marz is currently provided through a combination of government and donor funds. Several water sector investment projects are underway in the marz.

Access by communities to piped **gas** supply is lower than it was before transition as the state-provided gas system is no longer operational. It is estimated that the numbers of urban houses currently connected to the gas system is 37 percent of what it was before transition; the figure for rural houses is 14 percent. Currently eighteen communities of the marz are supplied with piped gas, and new gas pipelines are being installed to a further fifteen communities.

Supply of heating has a significant impact not only on the well being of the household, but also on the environment. Wood is the principal source of heating for households in many communities. Wood is taken from forests around communities in a way that is not sustainable.

The promotion of more efficient heating systems in houses is a priority for the marz. A number of steps have already been undertaken in this direction through the law on the Management of Apartment Houses (2002). This law promotes more efficient use of heating through technical measures to:

- Establish property management associations, and training of the staff of these associations;
- The provision of services provided through these associations and the collection of user-fees etc;
- Funding for the renovation of houses, including grants for thermo-insulating measures.

(ii) Improved effectiveness of the marzpetaran

Strengthening the legal framework of national, regional and local government will be a lengthy process. It is hoped however, that these reforms will make the activities of the marzpetaran more effective, and as transparent and accountable as possible. A number of priority areas need to be addressed:

- The roles and responsibilities of the marzpetaran need to be clarified, especially the administrative control that the marzpetaran exerts over the operation of local government bodies;
- Capacity building is required to support the staff of the marzpetaran to fulfil their duties – especially in relation to strategic planning, design of programmes, and monitoring and evaluation;
- To improve efficiency, the marz state governance system should be rationalised so that each executive body is accountable only to one state body;
- Transparent procedures are required for implementing state policies, and mechanisms to ensure feedback from the marz to national policy decision-making processes;

- There is a need to promote greater participation of the population and media in the implementation of state anticorruption policy within the marz.

(iii) Improved effectiveness of local government

As indicated above, a system of local government exists that is based on communities. Each local authority has a directly elected community chief and a directly elected community council.

To strengthen the operation of local government, the formation of intercommunity associations is proposed (RA Law on Local Self-Governance). This is a major element of the institutional reforms being promoted by central government and is supported by this RDP. The formation of intercommunity associations will increase the resource base of local government and improve the quality of services provided by local government.

As part of the reforms, it is also expected that more resources and authority will be transferred to communities over time. Managing these additional resources and executing the new authorities will require considerable capacity building.

(iv) Participatory decision-making processes

Following decades of highly centralised decision-making and policy formulation, moving towards a system of participatory planning is a considerable challenge – one that is difficult for both the officials and the population. Establishing a system of local government is a step in the right direction, but much needs to be done to make this an effective tool of local governance. Providing citizens with information on their rights and responsibilities is an important dimension to this and a range of measures are proposed to provide such public information.

Measures proposed to support community development within the marz are set out in Table 6.1, together with the financial resources required over the next three years.

Table 6.1: Community development strategy, Tavush (2006-2008)

Activity	AMD, million
1. Road renovation	25,466.7
National and marz roads	3,901.38
Community roads	21,565.32
2. Drinking water supply	3,920.5
3. Gas supply	191.693
4. Improved regional and local governance	
<i>Marzpetaran</i>	103.2
Sector database for structural divisions	8
Marzpetaran office equipment	26.7
Introduction of new management techniques	10
Training of marzpetaran staff	5
Creation of public service regional centres	53.5
<i>Local government</i>	401.7
Develop intercommunity associations	61.5
Efficiency improvement of local government	190.2
Establish community training centre	50
Strengthen NGOs	50
Strengthen local media	50
TOTAL	30,083.79

7. ENVIRONMENT

Economic and social development programmes cannot be considered without proper attention to their environmental impact. Since transition, increasing levels of poverty and weak mechanisms for environmental protection have resulted in overexploitation of natural resources. The PRSP and National Plan for Environmental Protection propose environmental protection measures with four principal priorities:

- Effective management of forest resources;
- Prevention of land degradation;
- Effective management and use of water resources;
- Environmentally friendly disposal of household rubbish and industrial waste.

7.1. Environmental issues in Tavush

Issues of environmental protection in Tavush marz are the same as elsewhere in the country. However, protection of forest resources (half the land area of Tavush is forested) is a priority specific to the marz.

Forests cover 50 percent of the total area of Tavush marz (131,800 ha.), the highest proportionate coverage in the country. Dilijan National park (290ha) is a unique forestry eco-system with rich biological diversity with about 40 types of trees, of which 43 percent are oak and 36 percent are beech. The richness of flora and fauna, the attractions of a marvellous mountainous landscape, as well as ancient historical-cultural values create a special opportunity for the development of national and international eco-tourism.

Forests in the marz are under threat from illegal woodcutting – for many people, wood is the only affordable source of heating. Industrial logging is not properly regulated, and some mines operate illegally. The consequence of unsustainable cutting of natural forests, coupled with floods, storms and severe frosts have resulted in soil erosion from local farms, and the drying-up of local springs.

An active **Environmental Protection Committee** for Tavush has recently been formed at the request of the Prime Minister, and is chaired by the Minister of Environmental Protection. The Committee has developed an Environmental Action Plan that is currently receiving financial support from the Swedish International Development Agency.

One of the key problems that the Environmental Action Plan will have to grapple with is the issue of management responsibilities for environmental protection. Currently these responsibilities are centralised in Yerevan. However, there is a clear need to develop alternative and decentralised forms of management, and forms of community ownership and ‘companies of forest-consumers’, are currently being explored. In any event, there are serious legal difficulties that will need to be overcome before local self-governance entities are able to take on responsibilities for forest management.

Some of the arable land in Tavush is not properly cultivated due to lack of appropriate technologies. This is causing erosion and degradation of the land quality. Meanwhile pastureland is over-used by livestock farmers who cannot afford to drive their livestock to remote summer pastures. In particular, poor farmers cannot

afford to drive their small herds to far-off summer pasturelands and have to use the grazing that is adjacent to the village.

Waste and wastewater treatment facilities do not operate properly and many water sources are polluted. Rehabilitation of old wastewater treatment plants is not realistic - modern technologies and approaches are needed. Similarly, illegal waste disposal throughout the marz requires remedial action and resources.

7.2. Environmental action plan

Environmental protection measures in Tavush are mainly directed towards stabilising and rehabilitating the forest ecosystems of the marz. The following measures are designed to complement and supplement the Programme of Natural Resources Management and Poverty Reduction already being implemented in the marz:

- Enhance community participation in management of forests;
- Raise the awareness of local government about environmental issues and the methods of their solution via organisation of training courses. The programme should focus on training of rural community leaders and environmentalists;
- To organise actions that will promote active participation of local communities in management processes of Dilijan National Park;
- Contribute to the development and application of agricultural technologies, to increase of land productivity, to development of beekeeping, fish-breeding, and cooperative farming;
- Support and publicise investment opportunities in wastewater and waste management technologies and in technologies that reduce household dependence on firewood.

Measures proposed to support environmental protection in the marz are summarised in Table 7.1, together with the financial resources required over the next three years.

Table 7.1. Action plan for environmental protection measures (2006 – 08)

	Description of action	Implementation term	Cost (AMD, thousand)
1	Management of community forests		
	<ul style="list-style-type: none"> Plantation of 50 ha of forests and establishment of community-owned forestry 	4 years	80,250.0
	<ul style="list-style-type: none"> Formation of an advisory working group to support the development of community projects 	1 year	5,350.0
2	Assessment of mountainous grazing lands of the Marz and development of actions to improve them		
	<ul style="list-style-type: none"> Organisation of discussion: "Management of grazing lands and hayfields in the marz" 	2 months	160.5
	<ul style="list-style-type: none"> Assessment of mountainous grazing lands and development of improvement actions, including 2 pilot projects 	2 years	53,500.0
3	Enhancement of local government's awareness on environmental protection issues	8 months	24,262.0
4	Introduction of sewage water treatment technologies	1.5 years	96,300.0
5	Development of alternative energy, establishment of an effective biogas station	1 year	566.0
	TOTAL		260,388.50

8. MONITORING AND EVALUATION

Regular programme monitoring and evaluation of impact, especially the impact for poor and vulnerable groups, is an integral part of the RDP. Information obtained through the monitoring and evaluation (M&E) framework will guide the design of future regional development strategy and also feed into national policy making.

8.1. M&E guidelines

The RDP monitoring and evaluation framework is currently being designed. The design process is guided by the following considerations:

- The need for **consistency with PRSP monitoring**. The Tavush RDP contributes to the national strategy for poverty reduction and reporting on RDP implementation needs to feed into wider PRSP monitoring. Furthermore, the PRSP indicates that Marzpetarans will “*conduct the monitoring and evaluation of PRSP program activities, target and intermediate indicators at marz level*”. This requires the creation of institutional linkages between the marz and the PRSP Monitoring and Coordination Unit in the Ministry of Finance and Economy, and monitoring units in relevant sectoral ministries.
- Monitoring and evaluation as an **integral part of RDP strategic planning**. Monitoring and evaluation of the RDP must flow from the processes adopted for the PRSP and the MTEF, but also recognise practical issues linked to RDP implementation and management at the marz level. This poses particular problems both for the monitors and for the implementers in ensuring that the process is credible and relevant at the regional and local levels.
- The need for an M&E approach that is **relevant, effective and efficient**. This requires the design of an M&E framework that: (i) focuses upon priority impact indicators within the PRSP monitoring framework; (ii) delivers reliable results in way that it is consistent with available data and capacities and; (iii) ensures good value for money within the limited resources that are available;
- The need for **flexibility** – the M&E framework needs to be adaptable to changing needs as PRSP and RDP priorities and objectives change over time;
- The M&E system should include **participatory methods** and close involvement by communities wherever possible. Beneficiary assessments should form an important part of outcome monitoring. Special measures may be needed to ensure involvement by especially poor or vulnerable groups;
- Information obtained should be **transparent** and **accessible** to communities and all other stakeholders in the RDP, including central sector ministries and donors.
- The need to **build M&E capacity** within the Marzpetaran. Support to capacity should build upon measures already being implemented under the UNDP Social Monitoring and Analysis Framework Project.

8.2. Design of the M&E framework

The Marzpetaran will be responsible for RDP monitoring and evaluation. In order to do this effectively, the Marzpetaran will need to significantly enhance and strengthen its monitoring and evaluation (M&E) functions. This is currently being addressed under ARDEP through a series of training activities.

The M&E framework will define medium and long-term goals, establish indicators of progress, and set annual, medium- and long-term targets. Setting targets is necessary to mobilise and prioritise resources to achieve specific goals and strengthen accountability within government. It is important that findings should be disseminated to a variety of groups, including: policymakers, civil society, media, and academics.

Under the proposed M&E framework, the marzpetaran will establish a monitoring team chaired by the Deputy Marzpet. The team will include members from the various departments involved in the RDP: Finance, Agriculture, Health and Social Security, Education, Water, Environment, Transport, Urban Development and Territorial Administration. The work of the monitoring team will be scrutinised by the Regional Development Commission (RDC) who will regularly review their work. The work of the RDC is crucial to the successful functioning of the monitoring system. The RDCs include a broad range of stakeholders (including civil society and NGOs) and their oversight will support accountability and transparency.

Key monitoring outputs, including the indicator list, impact assessments and annual monitoring reports will be posted by the marz office on the internet on the marz electronic governance website.

Regarding the level of data, marz level values for the same baseline years that the PRSP monitoring team (2002 and 2003) will be used and 2004 values will also entered if available. At the same time, a list will be drawn up of indicators where robust sub-marz level (community) data is available. Community data can be mapped to provide insights into regional inequalities that can guide resource allocation. The development of a relevant community level database for key marz indicators is a key output of the monitoring system.

Once the database has been established, work will begin on agreeing marz level targets with government for key RDP indicators. It will be essential that targets:

- are identified only for key variables;
- are linked to priority activities and programmes; and,
- are consistent with the PRSP.

Monitoring information will be fed into an annual review process, commencing October 2006. The annual review process will include an annual progress report for each marz, submitted to the RDC, and a workshop in each marz to review the progress report and outline issues for the following year.

The workshop, undertaken in November each year, is an important opportunity not just to involve civil society in RDP monitoring but to demonstrate the success of the RDPs and attract funding.

9. FINANCING THE RDP

9.1. Total estimated cost

The Tavush RDP is multi-year development strategy with the objective of reducing poverty in the region. The plan proposes a set of investment expenditures in priority pro-poor activities. These expenditures are additional to usual State recurrent expenditures (e.g. salaries, operations and maintenance). The estimated total cost of implementing the strategy is significantly greater than existing expenditure commitments, for example as set out in the government's Medium Term Expenditure Framework (MTEF). The gap between existing spending commitments and the proposed cost of implementing the plan will need to be addressed through increased funding from GoA or donor sources, or from communities themselves.

Table 9.1 shows the proposed cost of implementing the RDP. This is based upon cost estimations that have undertaken in response to the priorities identified in the RDP. The costing exercise is constrained only by expectations of the levels of investment funding that could reasonably be absorbed given local capacity constraints, and is not been constrained by a budget ceiling set by the central administration. The total indicative cost of implementing the RDP over the initial three-year period 2006-08 is estimated at AMD 40.3 billion - equivalent to a little over AMD 13 billion per year (or \$30 million per year).

Table 9.1: Tavush RDP, indicative costing (2006-08)

SECTOR	AMD, million
1 SME support	973.5
2 Agriculture	3,721.9
3 Social Sector	5,275.5
Health	528.5
Education	4,430.8
Social Protection	316.2
4 Community Development	30,083.79
Roads	25,466.7
Drinking water	3,920.5
Gas supply	191.69
Local governance	504.9
5 Environment	260.39
TOTAL	40,315.08

Source: Tavush RDP 2006-08, sector submissions

The allocation of costs reflects the relative priority attached to the different sub-sectors. Expenditure upon regional road infrastructure accounts for over 60 percent of the total proposed cost of the RDP. This reflects the high priority placed upon upgrading the local road network as a means of achieving growth and poverty reduction in the region. Investment in education and drinking water are also high priorities, accounting respectively for 10 percent and 9 percent of total RDP costs.

9.2. The funding 'gap'

As noted above, the RDP costing exercise has been undertaken in the absence of a centrally determined budget ceiling. This is due in part to the RDP being a new approach not yet fully

integrated within the government budget process, but also due to the difficulties associated with defining budget ceilings at the regional level. It also reflects the purpose of the RDP as a strategic document that aims to justify increased pro-poor investments in the region over and above existing spending commitments. Ultimately however, it is recognised that spending on activities contained within the RDP must be financed within the overall framework of the MTEF, and that addressing the funding gap will need to be achieved through the normal budget process.

Due to the way in which the government budget is constructed it is difficult accurately to determine budget commitments and actual expenditure levels at the regional level. However, it is possible to derive estimates based upon analysis of indicative spending commitments set out within the MTEF (comprising government and donor funds) plus 'guesstimates' of likely funding available through donor projects and programmes that are not yet incorporated within the MTEF. Using this approach, Table 9.2 provides an estimate of total public (GoA and donor) investment commitments to Tavush over the three-year period of the plan.

Table 9.2: Tavush, estimated investment commitments, 2006-08 (AMD million)

FUNDING SOURCES	2006	2007	2008	TOTAL
MTEF commitments¹	2,341.47	2,690.09	2,375.70	7,407.27
Education	670.35	709.18	757.92	2,137.45
Health	111.32	60.00	75.00	246.32
Community development	45.00	110.00	130.00	285.00
Agriculture	17.00	57.00	72.00	146.00
Environment	883.90	1,123.91	645.78	2,653.59
Roads	613.90	630.00	695.00	1,938.90
Other funding (not yet in MTEF)	2,129.5	2,129.5	1,853.00	6,112.00
DFID grant ²	355.50	355.50	79.00	790.00
Millennium Challenge Account ³	637.00	637.00	637.00	1,911.00
ASIF-III ⁴	379.00	379.00	379.00	1,137.00
Other donor programmes ⁵	758.00	758.00	758.00	2,274.00
TOTAL	4,470.97	4,819.59	4,228.70	13,519.27

Source: ARDEP estimates based upon MTEF 2006-08 and other sources.

1: See Annex

2: As set out in Memorandum between GoA and DFID.

3: Est. based on indicative allocations to roads and irrigation.

4: Est. based upon assumption of \$2.5m over 3 yrs.

5: Est. based upon assumption of \$5m over 3 yrs.

Comparison of Tables 9.1 and 9.2 shows that estimated current funding commitments account for only 33.4 percent of the total proposed cost of implementing the Tavush RDP over the period 2006-08 (AMD 13.5 billion out of a total cost of AMD 40.3 billion). This leaves a significant funding gap of AMD 26.8 billion (approx. \$55 million), equivalent to 66.5 percent of the cost of RDP implementation.

Annex**Estimate of current MTEF capital expenditures commitments, Tavush, 2006-08**

	2006	2007	2008
Education			
Capital repair of educational establishments	409.11	450.02	495.02
Construction of educational establishments	49.10	55.00	60.00
Education quality and adequacy project (WB)	112.14	104.16	102.90
Capital repair, off-school educational establishments	100.00	100.00	100.00
Health			
Capital repair of health institutions	50.00	60.00	75.00
Health sector programme (WB)	61.32	-	-
Social protection	-	-	-
Community development			
Residential construction	45.00	60.00	75.00
Capital repair of drinking water networks	-	50.00	55.00
Agriculture			
Capital repair of animal health centre	15.00	-	-
Capital renovation of other agriculture institutions	-	55.00	70.00
Capital renovation of irrigation systems	2.00	2.00	2.00
Environment			
Environment protection design & estimation	6.10	6.71	7.38
NRM and Poverty Reduction Project (WB)	877.80	1,117.20	638.40
Transport			
Capital repair of roads (state and republican)	579.90	590.00	650.00
Capital renovation of other transport facilities	34.00	40.00	45.00
TOTAL	2,341.47	2,690.09	2,375.70
Total 3 yrs (2006-08)	7,407.27		