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INTRODUCTION

Progress achieved in the field of economic development of the Republic of Armenia over the recent years is mainly conditioned by the realization of the Government's economic functions.

The Government will continue implementation of economic measures through state interference aimed at elimination of “gaps” in the market, as well as at redistribution of income and resources, and stabilization of the economy in the country during the coming years. Prioritization of existing problems and their solution on the basis of medium-term (as well as long-term) strategic plans is the guarantee, which ensures appropriate efficiency and integrity of the Government's such an extended social-economic policy. In particular, growth of welfare of the population and reduction of poverty in the country are of prioritized objectives on the agenda for the Armenian authorities. In 2003 the RA Government approved the Poverty Reduction Strategic Program, which was developed with the participation of representatives of different levels of authorities and a number of non-governmental organizations and independent experts. The Paper was reconsidered by the RA Government decision dated 30 October, 2008 and was adopted as a Sustainable Development Program. The practice of medium-term public expenditures planning, which is regularly being implemented since 2003, has its peculiar role for the comprehensive solution of the problem.

In this regard, it should be mentioned that it has been seven years now that the procedure of elaboration of the RA medium-term public expenditure framework is legally recognized as a component of the general budgeting process and is being implemented in accordance with the procedure defined by the law.

Separation of the stage of medium-term public expenditure framework elaboration within the general budgeting process is conditioned by the political importance of this document. It is worth mentioning also that a comprehensive and coordinated medium-term public expenditure framework serves as a strategic basis for conduction of negotiations aimed at involvement of international financial assistance.

Due to the impact of global economic crisis both on the world economy and the Armenian economy, as well as conditioned by the factor of unpredictable developments in the country, medium-term planning of public expenditures was temporarily terminated in 2009 by the law adopted by the RA National Assembly, consequently no MTEF plan was elaborated for 2010-2012. But at present there is a relatively favorable situation for resuming the process of MTEF planning, and the Government has undertaken elaboration of the 2011-2013 MTEF Program.

Objectives and Tasks

Throughout the practice of budgetary process in the Republic of Armenia drafting of the state budget is being implemented on an annual basis. In terms of public expenditures management, budgets developed and executed on an annual basis have certain limitations. In particular, annual projects are being based on short-term macroeconomic forecasts, and there is no definite linkage between the implemented policies and the annual budgetary expenditures due to the timing inconsistency. That is why the supervision, as a

rule, is being focused not on the anticipated outcomes (and the quality of provided services), but on the amount of expenditure. For accurate definition and realization of public expenditure policy, it is necessary to consider program requirements for public expenditures over the medium-term (and over the long-term, if possible) perspective, which, in turn, assumes the predictability of expected developments in the macroeconomic environment and the scope of available budgetary resources.

Improvement of efficiency of public expenditures management system is the main objective of the medium-term public expenditures framework.

In essence, the efficiency of public expenditures management system can be assessed by the means of the following three indicators:

(i) Overall fiscal discipline – The budget resources package should be clearly defined and comprehensively formulated; it should be formed prior to the allocation of expenditures to certain areas, and substantiated by medium-term macroeconomic forecasts. Allocation of expenditure should be accurately implemented within the framework of the above-mentioned budget resources, and their further execution should be carried out within the limits of budgetary allocations envisaged for the programs selected in accordance with the defined expenditure priorities.

(ii) Efficiency of allocation – Public expenditure should be consistent with the state policy priorities, and the system shall make it possible the inter-sectoral and intra-sectoral redistribution of resources from lower priorities to higher ones and from less efficient programs to highly efficient ones.

(iii) Technical (productive) efficiency – Sectoral ministries (departments) shall ensure the maximum attainable level of efficiency, which should be comparable with the corresponding indexes of the private sector.

Introduction of the medium-term public expenditure planning is aimed at the solution of the following problems:

(i) Improvement of macroeconomic balance, through formation of a realistic and comprehensive package of resources;

(ii) Promotion of efficient inter-sectoral and intra-sectoral redistribution of budget allocations from the state financial resources according to prioritized areas;

(iii) Reduction of existing uncertainties between policies and their financing at the possible extent in order to contribute to the improvement of the quality of projects elaboration process;

(iv) Establishment of robust budget ceilings by sectors, thus creating conditions and incentives for the line ministries (departments) in order to carry out targeted and efficient use of available resources;

(v) Improvement of the system for assessment of budgetary programs, and rising of the level of transparency of public finance management.

Medium-Term Public Expenditures Planning Attitudes

Planning of the medium-term public expenditure is an on-going process and, in essence, represents a complete logical chain of “policy formulation – planning – budgeting”. It enables the adjustment of

possible inconsistency between available resources and expenditure needs, as well as to make changes in public expenditures equivalent to the state policy changes in different sectors. In this respect, it is justified, that the MTEF is being developed (and/or reviewed) before the stage of the annual budget drafting, thus providing guidance for elaboration of the annual budget.

The process of the medium-term public expenditure planning implies:

- (i) Comprehensive and realistic assessment of budget resources (receipts) consistent with a sustainable macroeconomic environment;
- (ii) Bottom-up estimation of expenditures directed to implementation of policies;
- (iii) Harmonization of available budgetary resources and expenditure needs through relevant mechanisms.

It is worth mentioning that in comparison with previous years, the 2011-2013 MTEF planning includes also the procedure of definition and presentation of risks connected with the forecasts laid in the basis for MTEF planning. The mentioned risks are presented in detail in the chapters on macroeconomic, fiscal forecasts, as well as in the chapter about public debt management strategy of the present Program (correspondingly in the relative parts of the Chapters 2, 4 and 20), and the brief description of these risks is provided in the Annex 1 of the present Program.

Organizational Bases for Elaboration of the MTEF 2011-2013

The RA Law "On the Budgetary System of the Republic of Armenia", the Decree of the Prime Minister No 1073-N "On Starting the Budgeting Process of the Republic of Armenia for the Year of 2011", dated December 23, 2009, and the methodological instructions prepared by the Ministry of Finance according to the provisions of the mentioned decree make the regulating bases for the RA 2011-2013 MTEF elaboration process.

In essence, such an approach to the issue reflects the fact that the RA Government while considering the medium-term public expenditure framework as a component of the budgeting process emphasizes its political importance as well.

During the current year, just as over the last seven years, the below-mentioned two bodies, established by the Decree of the RA Prime Minister, are carrying out management, supervision and coordination of the RA medium-term public expenditure framework elaboration process:

- (i) The Standing Higher Council of the RA medium-term public expenditure frameworks (with the RA Prime Minister as the chairman of the council), providing with strategic decision-making and supervision of the framework elaboration process; and
- (ii) The Standing Coordinating Group for coordination of the works for the elaboration of the RA medium-term public expenditure frameworks (with the First Deputy Minister of Finance of RA as the head of group), providing with coordination of the works for the elaboration of the medium-term public expenditure framework.

This kind of approach supposes strengthening of the role of sectoral-line ministries (departments) in the sense of their involvement and participation in the budgetary process, which in turn will contribute to the improvement of budget planning and well-grounded strategic decision-making at the sectoral level, also ensuring maximum possible consistency between the benchmarked policies and available financial resources. In this context, coordination and joint consideration of actions of the RA Ministry of Finance and sectoral ministries (departments) is being emphasized, and the quality of elaborated RA medium-term public expenditure frameworks and state budget drafts, as well as the quality of their implementation depend greatly on the above factor.

At the same time, upon suggestion of the RA Prime Minister and by the presentation of the political parties incorporated into the ruling political coalition, a number of deputies representing those parties at the RA National Assembly are being involved in the works of the RA Standing Higher Council of medium-term public expenditure frameworks. This kind of approach ensures participation of political forces in the budgetary process initially in the phase of the MTEF development, thus providing with the possibility to initially bring together attitudes and orientations of the Government and the political forces with regard to selection of certain strategies and expenditure priorities to be fixed by the medium-term expenditure frameworks.

Reforms Aimed at Improvement of Medium-Term Expenditure Planning

For the implementation of planned objectives, the RA Government has been also implementing reforms aimed at the introduction of program budgeting in the country. The primary purpose of program budgeting reforms is the raise of economic and financial efficiency of public expenditure through assisting the Government in allocation of resources to the prioritized expenditure projects. Within the framework of program budgeting, this assistance is being provided to the Government (and the public) by the way of presentation of more precise information on the services provided or direct outcomes rendered in return to state financing. Therefore, program budgeting appears to be an instrument for interconnecting different sections of social-economic policy. The above mentioned instrument may help to understand the targets of decisions made for expenditures directions and thus to direct the entire expenditure policy to the implementation of the Government's general objectives.

Presently, works for introduction of program budgeting reforms are being conducted in all public governmental bodies.

PART A.
FISCAL POLICY

CHAPTER 1.

STRATEGIC AND MEDIUM-TERM PRIORITIES AND THEIR PROVISION

STRATEGIC AND MEDIUM-TERM PRIORITIES

The key strategic priorities of the RA Government are defined by the Government's Action Plan approved by the RA National Assembly on April 30, 2003, and by the Sustainable Development Program adopted by the RA Government on October 30, 2008. According to the above mentioned documents, during the forthcoming years the Government will place more emphasis on the following priorities for state budget expenditures (within the context of this Program, prioritized sectors are defined as the ones where considerable portions of additional budgetary funds are being allocated, or for financial support of which loan resources are being involved):

(i) Provision of financial support for reforms in separate branches of social sector (particularly, in education, health, social security), as well as in the sphere of public administration - to increase the effectiveness, directedness and targeting of activities of public entities, as well as to make the services provided by them to the public more accessible for the population;

(ii) Provision of appropriate financial support for the ordinary operation of institutions in the field of defense and national security, with the aim to maintain the territorial integrity of the republic, stability in the region, and the balance of forces in the Karabakh conflict;

(iii) Implementation of programs aimed at rehabilitation and development of infrastructures in certain sectors of economy (particularly, in agriculture, water economy, roading economy, and energy sectors).

At the same time, it should be mentioned that not only in the short term, but also in the medium and long terms there will still be a need for supplementing the budgetary funds from other sources, basically through official external transfers and borrowings, in order to finance the programs to be implemented in accordance with the priorities stated above. This fact, along with the need to maintain a reasonable level of public debt, is significantly restricting the Government's expenditure opportunities.

OBJECTIVES OF MEDIUM-TERM EXPENDITURE FRAMEWORK

The medium-term expenditure framework is one of the key instruments for addressing the Government's objectives. This document presenting the fiscal policy in conjunction with sectoral medium-term expenditure framework constitutes the RA Government's medium-term public expenditure framework.

The part of this document composing the fiscal policy presents the RA Government's overall long-term fiscal principles, medium-term and short-term fiscal indicators, and the strategic expenditure priorities. Those are the basic economic and fiscal criteria, which will be laid down in the basis of elaboration of the draft of the RA 2011 State Budget.

FISCAL PRINCIPLES AND INDICATORS

LONG-TERM FISCAL PRINCIPLES

Taking into account the need for a sustainable fiscal policy, during the preparation of the 2011-2013 MTEF the RA Government has been guided by the fiscal principles defined by the Government's Action

Plan for the years of 2008-2012 approved by the RA National Assembly and by the Sustainable Development Program adopted by the RA Government on October 30, 2008. As far as scarcity of budgetary receipts on the one hand, and factors affecting expenditures on the other hand appear to restrict the opportunities for materializing those principles in the short term, the Government intends to apply these principles in the long term. They will serve as a key for assessment of the compliance between the current policies and the Government's long-term objectives.

SHORT-TERM AND MEDIUM-TERM FISCAL INDICATORS

In order to determine the volume of total expenditure for the next three years, the RA Government has matched its expenditure priorities with the long-term fiscal principles.

Indicator of the state budget revenues related to the Gross Domestic Product (hereinafter: GDP) during 2011-2013 will vary from 23.4 to 23.3%, and from 22.3 to 23.2% in the case of revenues formed by domestic resources. Based on the forecasted real volumes of the state budget revenues, the RA Government plans to maintain the annual average level of expenditures at 28.3-27.3 percent of GDP for 2011-2013.

CHAPTER 2.**MACROECONOMIC ANALYSIS AND FORECAST OF THE MAIN ECONOMIC AND FISCAL INDICATORS IN THE REPUBLIC OF ARMENIA****2.1. Introduction**

This part of the MTEF program presents the current economic situation in the country, as well as the macroeconomic perspectives for the years of 2011-2013.

Purpose of economic forecasts

Medium term forecasts for economic situation in Armenia serve as a basis to have a view on the real environment, where the Government will be acting.

The second important reasoning for making economic forecasts is that the situation of national economy has a great impact on the government's financial resources. High economic growth ensures greater income for entrepreneurs, which in turn ensure greater tax revenues for the government. And vice versa, the lower level of tax revenues and greater demand in social assistance and support to be provided by the government appears as a result of lower level of economic development. Macroeconomic forecasts also serve as a basis for carrying out appropriate assessment of risks connected with the possible increase of budget commitments in the future.

2.2. Description of Economy

Economy may be described in the following six aspects:

- Aggregate supply (is being measured by the real growth of added values in separate branches of economy, real growth of GDP);
- Aggregate demand (is being measured by expenditures made for procurement of goods and services by the public sector, private sector and the external world, consumption/GDP, investment/GDP, net export/GDP)
- Price variables (GDP deflator, that is the price changes of GDP created in economy and growth of prices, which is being measured by the index of consumer prices (ICP), including prices of imported consumer goods);
- Depth of financial system (is being measured by the following variables: aggregates of money/GDP, loans/GDP, deposits/GDT, shows the extent at which the banking system is involved in the country's economic life);
- Economic relations with the external world (is being measured mainly by the balance of current account of the country);
- Position of the public sector in the economy (is being measured mainly by the volume of public expenditures and revenues, public expenditures/GDP, tax revenues/GDP).

Brief description of the present economic situation is being provided in the Table 2.1. according to these 6 general economic characteristics. This part of MTEF program provides with the description of those main

factors and tendencies, which stipulate for indicators and economic development perspectives mentioned in the Table 2.1.

Table 2.1. Main economic indicators laid in the basis of the MTEF

Indicator	2007	2008	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Programmed	Planned	Planned	Planned
Economic growth (GDP % change)	13.7	6.9	-14.2	1.8	3.4	3.9	4.5
Level of consumption (Consumption/GDP %)	81.8	81.8	93.9	95.6	95.1	95.0	94.7
Level of investment (Investment/GDP %)	37.8	40.9	33.8	31.7	30.9	30.7	30.4
GDP deflator	104.2	105.9	101.3	105.7	103.4	103.4	103.2
Average growth of prices	4.4	9.0	3.4	7.1	4.6	4.0	4.0
Involvement of banking system (monetary mass/ GDP %)	22	19.8	26.3	27	28.1	29.2	30.3
Current account/GDP %	-6.4	-11.8	-15.7	-13.2	-13.0	-11.6	-9.9

Aggregate supply

As we have already mentioned, the real expression of aggregate supply in the country is being measured by summarizing all added values created in separate branches of economy, and its change in comparison with the previous year is being estimated through the real growth¹ of GDP. Thus, the change dynamics of all added values created in separate branches of economy for the recent years and developments expected in the future will be presented hereby.

Tendencies recorded for the recent years, current situation and forecasts

Economy of Armenia has been characterized with high economic growth indicators, particularly GDP real growth in average at the extent of 11.3% was recorded for the years of 2006-2008. Construction, in average by 4.8%, and services, in average by 3.5%, mainly ensured such a high level of economic growth for the years of 2006-2008.

As a result of global economic crisis decrease of economic growth trends had been already noticeable by the fourth quarter of 2008, and fall down of economy by 14.2% was recorded in 2009.

But already during the period of January-May of 2010 the gross domestic product (GDP) obtained the tendency of growth, thus recording a growth by 8.8% in comparison with the same period of the previous year. It is obvious that this indicator is higher than the expected level, because it carries the impact of the anti-crisis package of the Government. For comparison, for the same period of the previous year a fall down of economy by 15.7% was recorded in Armenia.

¹ By GDP real growth we mean growth of the volume of GDP established in economy, while the price change is not included

Growth has been recorded in about all the branches of economy for the period of the first four months of 2010². For the mentioned period the sphere of services ensured 3.4% of economic growth, having 6% of real growth by itself, the sphere of industry ensured 1.6% of economic growth, having 9% of real growth by itself. A fall by 0.9% is recorded in the sphere of agriculture and having its negative impact on the economy growth by 0.1%. A high level of real growth by 19.1% is recorded in the sphere of construction, thus promoting the economic growth level by 1.4%.

Forecast: While positive developments for the first several months of 2010 are enough hopeful, but risks to the global economic growth restoration are not fully released (particularly, connected with the situation of great fiscal deficits, and future risks deriving from it, created in 5 member states of the European Union), which mainly served as a reason for making enough conservative forecast for the 2010 growth tendency. By the end of 2010 economic growth at 1.8% minimum is expected, against planned 1.2%, and for the years of 2011-2013 the real GDP annual growth is forecasted correspondingly at 3.4%, 3.9% and 4.5%. Expectations and analysis on revival of world economy made by international organizations served as bases for making medium term forecasts. In this context it is expected that in the circumstance of other equal conditions a continuous growth and increase of global supply will be recorded in world economy. Growth tendency is expected in regard with prices of metals, while getting comparatively sustainable since 2011, monetary transfers from abroad will restore in previous volumes mainly due to positive economic developments expected in Russia.

Table 2.2 Real growth indicators for 2006-2010

	2006	2007	2008	2009	2010 January - April	2010	2011	2012	2013
	Actual					Forecast			
Industry	-2.5	2.8	2.1	-7.9	9.0	4.7	7.5	5.9	5.4
Agriculture	0.5	10.4	3.3	-0.1	-0.9	2.4	3	3.1	3.2
Construction	37.7	18.2	11.3	-42.3	19.1	-2.3	2	3.8	4.8
Services	16.0	12.5	4.8	-0.1	106 ³	2.4	2.8	3.5	4.5
Product taxes (subsidies excluded)	14.9	35.9	17.1	-20.7	12.2	1.7	3.2	4	4.4
Total GDP	13.2	13.7	6.9	-14.2	7.2	1.8	3.4	3.9	4.5

Industry

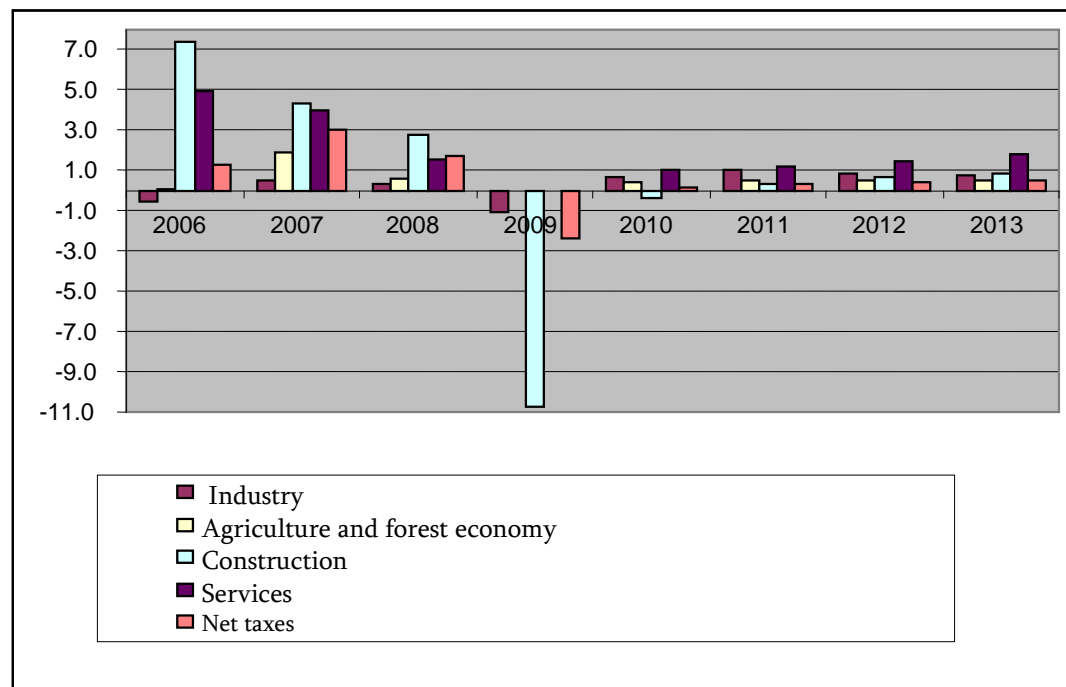
It is getting obvious from the Table 2.2 that the real growth indicator for the sphere of industry has been the smallest one for the period of 2006-2008, and in average a growth at 0.8% in the sphere has been recorded. This is generally reasoned by the formation of unfavorable price field for some sub-branches of industry (except metallurgy) during those years, mainly due to inflation of real exchange rate, By the beginning of 2009 this branch of economy essentially collapsed due to the decrease of international demand, prices of metals and internal demand, but during the second half of the year the sector of

² Indicators provided in the present paragraph relate to the added value created in the branches of economy, while indicators for the period of January-April are provided here, because only brief operative initial data are available for the period of January-May.

³ Indirectly measured services of financial mediation are excluded.

industry gradually restored as a result of growth of prices of metals in the world economy and coordinated anti-cyclic policy realized by the RA Government.

Chart 2.1. Levels of recorded growth in different branches of economy and their impact on forecasted real growth



In January – April, 2010, growth by 12.9% is recorded for the gross production volumes of industrial product. High level of growth has been recorded in the spheres of mining industry and exploitation of open mines (47.6%), in production of finished metallic articles in the sphere of manufacturing industry (22.7%), in production of other non metallic mineral products (43.1%), in production of jewelry (51.7%), in production of beverages (28.4%).

Forecast: It is anticipated that the added value in the sphere of industry will have a real growth up to 4.7% by the end of the year, and will have 6.3% of growth in average for 2011-2013 connected with the growth of export volumes in some branches of mining industry and manufacturing industry, as well as due to the growth of internal demand under the condition of anticipated growth of owned income of the population. Impact of the anti-crisis package realized by the Government has its great importance as well, as a result of which promotion of investments and financial resources provided to the enterprises of exporting branches will ensure a long term effect on the growth of industrial enterprises' potential and will establish basis for continuous development of economy.

Agriculture

2006-2008 real growth in the sphere of agriculture has been recorded at 4.7% in average. In 2009 this branch has had an unnoticeable fall down by 0.1%, and during the months of January-April, 2010 the added value in agriculture in its real expression also decreased by 0.9% generally connected with the

decrease in the sphere of plant-growing industry by 19%: Stock raising and fishery have grown by 1.7% and 0.4% correspondingly.

Forecast: It is anticipated that the real growth in agriculture will be at about 2.4%, and for the period of 2011-2013 the average growth of the branch will reach to 3.1%, and development trends of previous years served as basis for this forecast.

Construction:

For the period of 2006-2008 the sphere of construction has had recorded accelerated growth in comparison with the GDP, in average ensuring about 22% of real growth. It means that it has been the main forwarding power for economic growth. This branch of economy rapidly collapsed, a real fall down by 42.3% was recorded.

For the period of the first four months of 2010 especially increased the volume of capital construction realized by the means of budgetary allocations (61.3%) and contributions from international organizations (2.2 times), while the volume of construction realized by population and other organizations continue to carry the tendency of decrease. Particularly, construction realized by the means of organizations in its real expression reduced by 26.3% and construction realized by the means of population reduced by 32.1%.

According to financial sources within the structure of capital construction financial means of the population made up 13.2% and in comparison with the same period of the previous year was reduced by 11.7% and financial means of the organizations made up 33.1% and the volume of capital construction realized at the expense of those means in comparison with the same period of the previous year was reduced by 28%.

Main assets in construction, according to different branches, generally were directed to the branches of electricity, gas and water supply - 29.6%, activities connected with the real estate - 29.1% and 11% to agriculture. There are other branches as well, which have big portions in this regard, those are: information and communication (7.0%), processing industry (4.2%), as well as water supply and sewerage system, management and processing of waste product (4.1%).

Forecast: The added value in construction according to our assessment will grow for the 2011-2013 MTEF period by 3.5%: Restoration of volumes in the branch will be ensured gradually but tendencies of its growth will not be more advanced than that of the GDP, which will pre-determine the areas of new economic policy in the sense of structural changes in economy.

Trade and services:

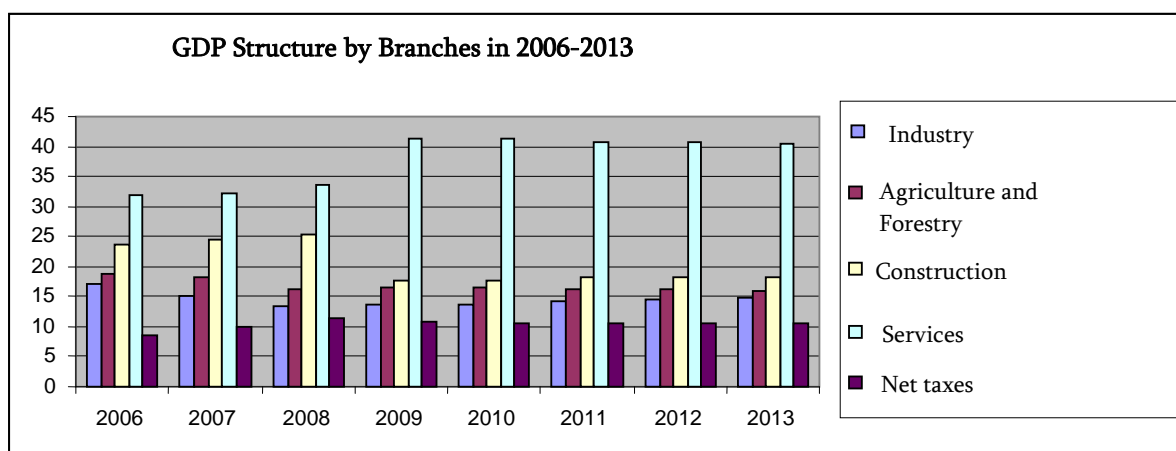
Average real growth in the sphere of services in 2006-2008 made up 11.1% and its growth rate exceeded that of GDP. Under the conditions of economic crisis in 2009 this branch of economy has had a little decrease by 0.1%. According to the data of the first months of 2010, the mentioned branch has been one of forwarding forces for economic growth. The volume of services provided for the period of January-April, 2010, in comparison with the same period of 2009, has increased by 6.4% in comparable prices. Within the structure of provided services big shares are composed by services provided in the spheres of

information and communication (26%), transport (19.1%) and financial activity (23%), as well as services provided in the field of professional, scientific and technical activities (5.9%), education (5.7%).

Trade turnover for the period of January-April, 2010, in comparison with the same indicator for the corresponding period of 2009, increased by 5.1% in comparable prices, while retail trade increased by 2.3% and wholesale trade and trade of vehicles correspondingly by 8.6% and 32.7%.

Forecast: By the end of 2010 it is anticipated that the extent of added value in the branch will make up 2.7%, and for the period of 2011-2013, proportionally to the revival of economy this branch will grow in average by 3.6%. This branch has performed comparatively stable development trends in the period of economic crisis, which means that it will have sustainable development in line with the GDP growth.

Chart 2.2 Shares of spheres during 2006 -2013



Labor market

The level of unemployment has performed the tendency of reduction for the period of 2006-2008 conditioned by the high economic growth, but it started to grow since 2009 in connection with the financial-economic crisis. The official level of unemployment in the country for January-April, 2010, made up 7.2% and increased in comparison with the same period of previous year by 0.6% (84.4 thousand people), and approximately the same level of unemployment (7.1%) was recorded in December, 2009.

Extent of the average monthly nominal salary for the period of January-April, 2010, in comparison with the corresponding indicator recorded for the same period in 2009 increased by 6.7%, while the salary in budgetary sector increased by 4.3%. For the period of January-April, 2010, the extent of average salary in public and private sectors of economy made up correspondingly 83978 and 131203 Drams, and the average salary was 103299 Drams.

Over January-April, 2010, the real salary decreased by 1.5% in comparison with the same period in 2009.

Forecast: Gradual reduction of unemployment in comparison with its 2009 level is anticipated for the MTEF period in line with the economic revival. Economic development will affect the population employment in the way to ensure gradual improvement of economy productivity. Particularly, average growth of work productivity in the MTEF period will make up 2.2%.

Aggregate demand

Aggregate demand generally helps to have an imagination on directions of expending of revenues created within the economy. Aggregate demand consists of internal and external demand. Internal demand gives the information necessary to identify if formed revenues will be forwarded to direct consumption or will be invested into the economy. The mentioned is generally being characterized by the components of consumption (consumption/GDP, investment/GDP) in total revenue created by public and private sectors. And the external demand gives the information on spendings made by partner countries on our goods and services.

Tendencies recorded for the recent years, current situation and forecasts

In the year of economic crisis decrease of consumption was not that much high under the conditions of high level of decrease of GDP, which is conditioned by the effect of wealth (in the case of reduction of owned income behavior of consumption is not changed equivalent to revenues, but continues to keep the same level on the account of savings). The said will look as follows if expressed by numbers: consumption increased in average by 8.6% during 2006-2008, and the real GDP increased by 11.3%. Meanwhile consumption in the public sector in average increased by 5.8% and that in the private sector - by 9%. While in 2009 the final consumption in its real expression decreased by 2.6% under the condition of economic fall down by 14.2%. Shares of public and private sectors in the structure of final consumption in 2009 made up respectively 13.4% and 84.6%.

Forecast: By the end of the year we will have a growth of consumption by 3.6% in the case of forecasted GDP growth at 1.8%. For the 2011-2013 MTEF period a consumption growth in average by 3.6% is forecasted, in connection with the revival of economy and anticipated increase of private transfers from abroad.

Regarding capital investments it is to be mentioned that for the period of 2006-2008 they increased in average by 21.5%. But in 2009 real capital investments decreased by 34.4% at the expense of real decrease of private investments by 42.1%, which in general is conditioned by rapid collapse of the growth in the sphere of construction, and the latter one was mainly affected by the world financial-economic crisis. Public capital investments increased by about 10% during the same period conditioned by expanded economic policy of the Government.

Forecast: Capital investments in 2010 will continue to keep the tendency of modifications within investment structure started in 2009, it means, that gradually investments in non productive sphere, particularly in the sphere of house building, will be replaced by productive investments forwarded to the development of different branches of economy. During the MTEF period mainly investments of productive nature will perform tendency of increase, which in turn will serve as a basis for sustainable development during the forecast period.

Regarding indicators of foreign trade it is to be mentioned that during 2006-2008 volume of import increased in average by 8 %, and export decreased by 8%, which is resulted by the inflation of money in

its real expression and continuous increase of income of the population for that period. Real volumes of export decreased in 2009 by 11.5% and those of import by 19.5%. Notwithstanding deflation of national money these indicators are conditioned by reduction of external demand for exported goods and temporal breach in performance of exchange rate impact.

Forecast: By the end of 2010 we will have growth at 0.1% for import and at 2.7% for export in real expression. In 2011-2013 in average 13.8% of growth is anticipated for the volume of export and 5.8% of growth for import as a result of faster revival of the world economy which will bring to more expanded external demand for our products.

Table 2.3. Real growth of GDP expenditure components, %

	2006	2007	2008	2009	2010	2011	2012	2013
Consumption	9.0	12.3	4.5	-2.6	3.6	2.9	3.8	4.1
Investments	32.2	19.7	12.6	-34.4	-4.6	1	3.2	3.5
Export	-7.3	-3.5	-13.1	-11.5	2.7	12.2	14.4	14.9
Import	3.8	13.0	7.3	-19.5	0.1	5.1	5.7	6.6
Total GDP	13.2	13.7	6.9	-14.2	1.8	3.4	3.9	4.5

Table 2.4. Shares of expenditure components in the structure of GDP, %

	2006	2007	2008	2009	2010	2011	2012	2013
Consumption	82.3	81.8	81.8	93.9	95.6	95.1	95.0	94.7
Investments	35.9	37.8	40.9	33.8	31.7	30.9	30.7	30.4
Net export, including	-15.9	-20.0	-25.6	-27.9	-27.0	-26.4	-25.4	-24.4
Export ⁴	23.4	19.2	15.0	15.5	15.6	17.0	18.7	20.5
Import ⁵	39.3	39.2	40.7	43.4	42.6	43.3	44.1	45.0
Statistical deviation	-2.4	0.4	2.9	0.1	-0.3	0.3	-0.3	-0.7
Total GDP	100	100	100	100	100	100	100	100

While within the expenditure structure of GDP the share of investment will continuously carry the tendency of reduction, connected with decrease of volumes of construction, and continuous growth tendency is anticipated in regard with the volume of export.

Price variables

The level of prices in economy is being characterized by the index of consumer prices (ICP) or by GDP deflator: And their change expresses the inflation or deflation tendencies in economy. The ICP shows behavior of prices in the basket composed of certain consumer goods, and the GDP deflator shows behavior of goods and services produced only in our economy.

Tendencies recorded for the recent years, current situation and forecasts

Consumer prices generally have been stable for the recent years – not exceeding the objective interval of 4 (+/-1.5) %. Exceptions were recorded in 2007 and 2009: by the end of 2007 the level of consumer goods made up 6.6% connected with external shocks, particularly with the increase of prices for gas and wheat. By the end of 2009 the level of consumer goods made up 6.5%. It's worth mentioning that in the first

⁴ Including services

⁵ Including services

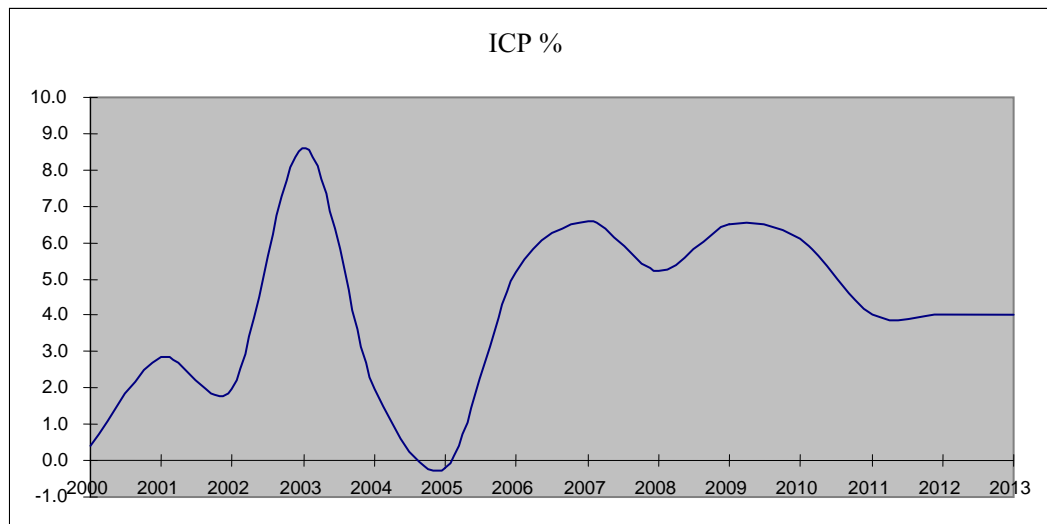
quarter of 2009 inflation was maintained in a level lower than the targeted one notwithstanding the continuous collapse of the economy. Starting from the second quarter of main factors affecting the inflation were the followings: change of prices of imported goods as a result of deflation of the Armenian Dram and increase of prices of several public utilities and services. Consequently, an inflation level approximately equal to the targeted one for formed during the second and third quarters. Inflation rate of the previous 12 months continued to accelerate in the fourth quarter, though it was maintained within the limits of objective targets till November. A rapid growth of inflation rate was recorded in December conditioned by more obvious season increase of agricultural goods.

In April 2010 in comparison with December of the previous year 4.2% of inflation was recorded, which mainly is resulted by 5% of inflation regarding foodstuff (including alcohol beverages and tobacco), 3% of inflation of industrial goods and 3.5% of inflation of tariffs for services.

In April 2010 1.3% of inflation was recorded in comparison with the previous month, and under this condition the rate of 12 months inflation made up 6.8%.

Forecast: Under the conditions of continuous inflation of foodstuff and industrial goods and maintenance of present tendencies of revival of economic stimulation in international markets it is anticipated that the inflation fund formed by the end of the previous year will continue in 2010, which is comparatively higher in the first half of the year and will gradually release in the second half. It is anticipated that in 2010 the 12-month inflation will make up about 6.1%. The 12-month inflation anticipated for 2011-2013 will recover the level of objective target of 4 (+/-1.5) percent with permitted interval of variation.

Chart 2.3. 2000-2013 dynamics of inflation (ICP)



The GDP deflator has been sustainable and predictable during 2006-2008, in average making up 104.9% reasoned by economic developments in 2009 the rate of deflator made up 101.3% and was lower than the average of those recorded for the previous several years. The tendency has rapidly changed for the first four months of 2010; deflator made up 110.2% conditioned by the index of industry prices, and the latter one in turn is affected by the influence of international markets (in line of cooper and molybdenum).

Forecast: It is anticipated that the rate of GDP growth will reduce by the end of the year up to 106%, and in 2011-2013 the average deflator will get more stable and make up 103.3%.

Financial market

Financial markets are characterized by a complex of some indicators. But here in this part we will mainly study two of them: one is the depth of financial mediation and the second is the interest rates established in the financial market.

Indicator of the depth of financial mediation characterizes the extent at which financial institutions (banks, lending organizations, investing companies, etc.) are involved into the economy.

Interest rates established in the financial market in the circumstances of free competition show the price of the money, taking into account the degree of different risks, which are being estimated by the participants of financial market. Under the condition of a given level of inflation, the level of risks is greater when the interest rates are higher, and vice versa.

Thus, supply and demand of money (monetary mass, monetary base) and its price is being regulated through the financial market for those who are engaged in economic activity. To this end, the financial stability has a great role in the sense of maintenance of macroeconomic sustainability.

Tendencies recorded for the recent years, current situation and forecasts

The mass of money has been continuously increased for the recent years due to the high rates of economic growth: growth for the years of 2006 and 2007 correspondingly has been at 32.9% and 42.5%. But in the last quarter of 2008 an economic collapse was recorded at the extent of 14.2%, and the money demand was reduced as well. As a result growth of the mass of money for the years of 2008 and 2009 correspondingly has been recorded at 2.3% and 15.1%.

Already in April, 2010 increase of the mass of money made up 23.9% in comparison with the same period of the previous year, while promotion of the cash money outside the banking system was positive – at 5.5%, the same indicator for deposits in foreign currency was 16.5%, and for deposits in Armenian Drams just at 2%. Deposits involved from residents and non residents by the commercial banks by April, 2010 were at the extent of 661.8 billion Drams, 75.5% of which were deposits in foreign currency.

The monetary base also grew in 2006 and 2007 correspondingly at 41.1% and 50.9%. According to annual results of 2008 and 2009 growth of monetary base correspondingly made up 5.3% and 13.8%.

In April, 2010, the monetary base increased by 22.8% in comparison with the same period of the previous year, while in correspondent accounts of commercial banks in the Central Bank promotion of excessive/surplus means and mandatory reserves was positive – at 11.2%, and promotion of cash money outside the Central Bank was at 10.7%. The share of the cash money within the monetary base was reduced by 2.8% in comparison with the same period of the previous year, making up 59.3%.

Table 2.5. Bank assets/GDP, from 2006 to April, 2010

(billion Drams)	2006	2007	2008	2009	2010			
					January	February	March	April

Nominal GDP	2656.2	3149.3	3568.2	3102.8	149.5	321.6	568.1	777.6
Loans	243.6	426.2	634.5	735.2	725.2	743.2	780	768.3
Share of loans in GDP, % ⁶	9.2	13.5	17.8	23.7	-	-	-	-
Share of deposits in GDP	306.8	413.2	465.9	657	649.5	664.4	694.1	661.8
Share of deposits in GDP	11.6	13.1	13.1	21.2	-	-	-	-

Interest rates for loans provided in Drams by the commercial banks made up 19.94% in April, 2010, compared with the 18.77% recorded in 2009. For the same period for the deposits in Drams involved for up to one year period by the commercial banks increase of rates was recorded. Thus, if the rate for deposits was 8.18% in April, 2009, then by the April, 2010, it grew by 0.9% (it turned to be 9.08 percent).

Table 2.6. Average interest rates in the financial market for separate months of 2007-2010

%	2007		2008		2009		2010			
	April	December	April	December	April	December	January	February	March	April
Loans ⁷	17.3	16.45	17.29	16.5	18.77	18.79	19.07	19.88	19.10	19.94
Deposits	5.83	6.13	6.14	7.71	8.18	8.10	7.79	8.56	8.54	9.08

Forecast: Taking into consideration that an expanding monetary policy was implemented in 2009, in 2010 under the condition of prudent monetary policy it is expected that the monetary indicators will perform more moderate rates of growth. The monetary base will grow by about 6.2% in 2010, and the monetary mass will grow by 10.8%. During the MTEF period already in line with the economic developments a little higher growth of the mentioned indicators is anticipated, particularly, the average growth of the monetary base and the monetary mass for the period of 2011-2013 will correspondingly make up 11.5% and 11.9%, predefining as well increase of the indicator of money involvement in the economy.

Balance of payment

Economic inflows and outflows have effect as a result of foreign economic activities of Armenia: Those are being expressed in the balance of payment of the country. Balance of payment consists of two main parts:

- Current account (mainly shows flows connected with export and import),
- Capital and financial account (shows inflow and outflow of the capital).

Indicator of the current account deficit related to the GDP is an important factor in the sense of foreign stability of economy. At the same time, it worth mentioning that Armenia is considered to be a country with small and open economy in relationships with the outer world, which means that economic flows into the country and from the country are liberalized at the possible extent.

Tendencies recorded for the recent years, current situation and forecasts

As a result of economic and monetary reforms carried out in 2006-2008, enough noticeable improvement of main indicators of the current account has been recorded. If in 2000 the current account deficit made

⁶ In order to ensure comparability of indicators loans must be considered in annual GDP.

⁷ Is calculated only for credits and deposits in Drams provided by the period of 16 days to one year (inter-banking market excepted).

up 14.6% of the GDP, then in 2007 it reached to 6.4%. But starting from fourth quarter of 2008 economy was affected by the unfavorable conditions of global economic crisis: there was a cut of inflowing transfers and factor-based revenues, as well as the external demand for Armenian goods was reduced. The main tendencies and anticipations of main indicators of the foreign sector are provided in the Table 7 (see also the Chart 6).

In 2009 the foreign trade turnover was reduced in comparison with the same period of the previous year by 27.6%: For the reportable period, in comparison with the same period of the previous year, decrease of volumes of export and import was recorded; export decreased by 35% making up 722.3mln Dollars⁴, and import decreased by 25.4% making up 2817.2mln Dollars: Reduction of import, which was recorded for the first time over the last 8 years (starting from 2002) mainly was conditioned by reduction of owned income of the population, and particularly, due to the rapid deflation of the currency exchange rate that took place in March, 2009. In 2009, the high level of reduction of import was conditioned by reduction of import of the following groups of commodities: the highest level was recorded for the group of “Means of over-ground, air and water transportation” - by 7.5%, “Precious stones and metals” – by 4.5%, “Mineral-raw product” – by 3.4%, which correspondingly composed 57.8, 64.7 and 23%.

According to annual results of 2009 the highest level of export reduction (10.9%) is conditioned by the decrease of export of goods of the group “Non-precious metals and articles made of them”, which made up 33.3%. 6.4% of export reduction is due to reduction of volumes of the group of “Finished foodstuff”, and another 6.4% - due to the group of “Precious and semi-precious metals and articles made of them”, and 3.8% - due to the group of Mineral-raw product”, which correspondingly made up 41.0%, 39.3% and 23.4%.

The negative balance of foreign trade of commodities made up 2094.9 mln US Dollars, in comparison with the previous year decreasing by 569 mln US Dollars or by 21.3% and making up 24.5% of GDP against 22.8% for the previous year.

But in 2010, conditioned by the revival of both the world and the Armenian economies, indicators of foreign trade began to improve and growth tendencies are noticeable. Thus, for the period of January-April indicators of the RA foreign trade turnover in comparison with the same period of the previous year increased by 30.9%, the export – by 64.3%, making up 289.8 mln Dollars, and the import – by 24.4%, making up 1118.9 million Dollars. Improvement of the export indicator is positively affected also by the policy carried out by the Government, according to which financial and non-financial assistance is being provided to exporters.

The foreign trade by partner countries: 29.6% of Armenia’s foreign trade turnover in 2009 fell on CIS countries, 30.3% - on EU countries. For the same period of 2008 shares of the mentioned countries made up 27.6% and 35.3%. Reduction of trade turnover with the EU countries in 2009 in comparison with the previous year made up 37.3%, and that with the CIS countries – 21.7%. The following countries have been included in the framework of great commercial partner states: Germany (7.3% of trade turnover), China

(7.6%), USA (4.7%), Turkey (4.5%), Iran (3.8%), Bulgaria (3.7%), as well as from CIS countries – Russia (22.5%) and Ukraine (5.4%). Most of 38 partner countries of Armenia (about 80% of them) are WTO member states.

For the period of January-April 2010 about 28.9% of Armenia's foreign trade turnover fell on CIS countries and 32.3% - on EU countries. The growth of volume of the RA's trade turnover with the EU countries in January-April, 2010, in comparison with the same period of the previous year made up 38.5% and that with the CIS countries – 23.3%. During 2010 the following countries have been considered as the great commercial partner states of Armenia: Russia (22.1% of trade turnover), China (9.2%), Germany (7.0%), Bulgaria (6.0%), Ukraine (5.2%), USA (4.8%), etc.

Exchange rate: Tendencies of inflation of the exchange rate of Armenian Dram in relation to US Dollar, established yet in the previous years, stopped starting from the beginning of 2009. Particularly, if the average exchange rate of the Armenian Dram related to the US Dollar was at 307.8 Drams in December 2008, then it was at 380.47 in December 2009, and deflation by 19.1% was recorded. In fact, such a behavior of the exchange rate was conditioned by the rapid cut of currency inflow and correction of behavior of the macroeconomic fundamental indicator as a result of the global crisis. The annual average rate of exchange was at 363.28 Drams per one US Dollar (in 2008 it was at 305.97), in comparison with the average rate of the previous year the nominal value of the Dram in relation to the US Dollar deflated by 15.8% against the considerable inflation of corresponding indicator of the year of 2008 (11.8%). For the period of January-April, 2010 the average exchange rate of the Armenian Dram related to the US Dollar was at 386.69 Drams, which is higher than the average rate for the same period of the previous year by 14.7%.

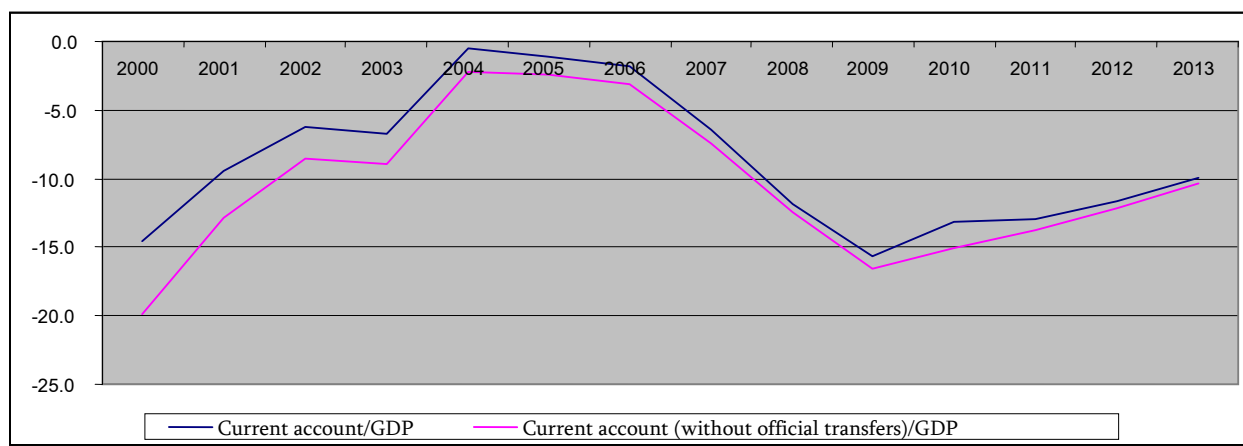
Forecast: In 2010 it is anticipated that positive changes will take place and a growth will be recorded in the external sector of the Armenian economy, which will generally be conditioned by the revival of economic activities in main partner states of Armenia, by the revival of the world economy and by the assistance to be provided to the exporting sector of the Armenian economy within the framework of anti-crisis measures of the Government. Thus, minimum 14% of export volumes growth is anticipated in 2010, which is considered to be conservative as long as there still exist certain risks to restoration of aggregate demand of the global economy in the world market, especially connected with the developments in the countries of European region (the mentioned risk is described in the part about risks). In 2011-2013 it is anticipated that the growth of export will improve and the volume of export of goods will make up an average annual level of 1153 mln US Dollars and have an average annual growth by 19.0% (in Dollar expression) in line with the expansion of growth of the world economy and the economic policy of the Government towards the exporting sector. The same indicator for goods and services will make up about 15.3% (1935.7 mln US Dollars). 7.0% of growth of import of goods is anticipated in 2010, which is also enough conservative taking into consideration the similar attitude to forecasts regarding economic growth and consequently the revenues of population and economizing units. But in 2011-2013 the average

annual growth of import of goods will increase and will make up 8.3% (in Dollar expression) conditioned mainly by the growth of revenues of internal economy, and for goods and services – 8.3%. In 2010 it is anticipated that the level of relation of the deficit to the GDP (without the current account of official transfers) will make up 15.1%, and in 2011-2013 it will be at 12.1% in average (and 11.5% including the official transfers). Gradual restriction of the fiscal policy by the Government will greatly support to the mentioned improvement through gradual reduction of the deficit of public sector.

Table 2.7. Balance of payment (% to the GDP)

	2006	2007	2008	2009	2010	2011	2012	2013
Current account/GDP	-1.8	-6.4	-11.8	-15.7	-13.2	-13.0	-11.6	-9.9
Current account (without official transfers)/GDP	-3.1	-7.4	-12.5	-16.6	-15.1	-13.8	-12.1	-10.3
including: Revenues from direct investments/GDP	-3.8	-3.6	-2.4	-3.9	-2.4	-2.4	-2.4	-2.4
Direct investments/GDP	7.0	7.6	7.9	8.2	8.1	7.7	7.3	7.0

Chart 2.6 Deficit of current account / GDP, 2000-2013



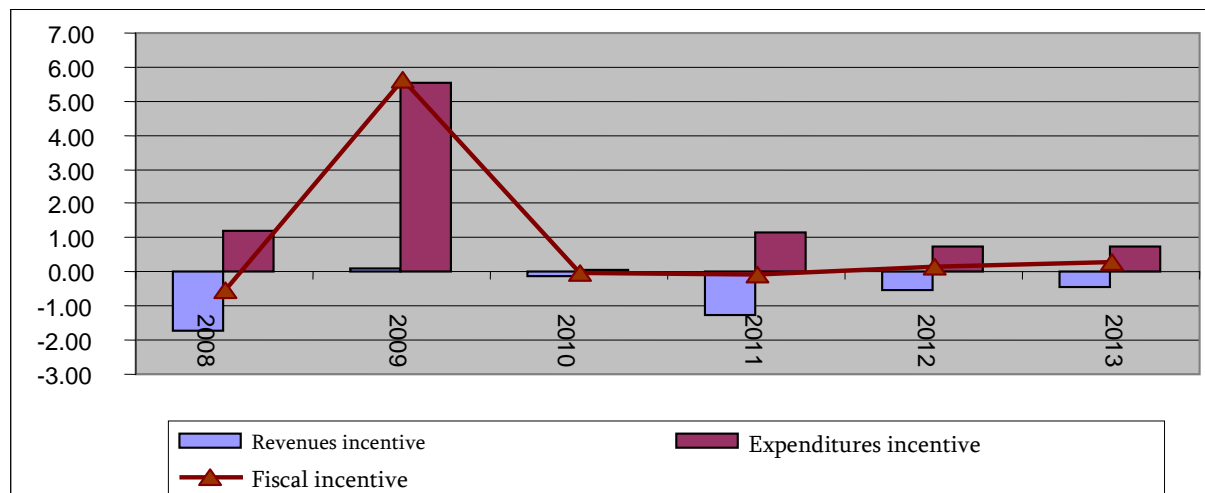
Public sector

During 2006-2008 the state budget revenues made up 20.2% of GDP in average meanwhile performing the tendency of continuous growth. In 2009 the state budget revenues made up 22.2% of GDP against 22% for the same period of the previous year, and the tax revenues made up 16.8% of GDP against 17.4% for the same period of the previous year.

For January-May 2010 growth of state budget revenues by 22.2% in comparison with the same period of the previous year was recorded, and the tax revenues increased by 24%, while growth is recorded in collection of all kinds of taxes and duties.

In the line of state budget expenditures the index of expenditures/GDP carried a decreasing tendency for the period of January-May, 2010, 2.8% in comparison with the same period of the previous year. Capital expenditures/GDP exceeded the level of corresponding indicator for the previous year by 0.5%.

Chart 2.7. Fiscal impulse incentive in 2004–2013



Forecast: In 2009 the public sector policy has mainly been directed to the implementation of expanded (to the possible extent) fiscal policy, which was expressed through the high rates of fiscal expanding incentive. In 2010 and for the coming years, taking into account the high rate of the index of current account/GDP and the necessity for gradual reduction of the state budget deficit, the mentioned policy will be directed to insurance of neutral impact on the aggregate demand, in the case of which the economy will be able to smoothly come back to a balanced level.

2.3. Estimates deriving from forecasts and existing risks

Estimates which lay down in the bases of economic forecasts

- Armenia is considered to be a country with small and open economy, and reacted to the economic developments in the world quickly. That is why it is considered that in accordance with the developments in the world economy (in the main partner states of Armenia according to the IMF periodical International Perspectives: Russia, USA, Europe) in 2010 the global revival of economy will begin and the economic developments will accelerate for the MTEF period.
- Gradual restoration of the pace of economic development and consequently the growth of revenues in partner states will be accompanied by restoration of the volume of private transfers to Armenia, as a result of which purchasing capacity of the Armenian society will grow and the demand for Russia will be expanded.
- It is anticipated that the prices for raw materials will continue the tendency of growing in the world markets.
- Within the internal market, under the anti-crisis measures of the Government in 2009, the great volumes of means injected into the economy, as well as numerous measures aimed at facilitation and simplification of activities of economizing subjects will have their positive impact on the revival of economy with broadside effect (some time later). It is anticipated that the spheres of industry and services will be the main forwarding forces for the economy in 2011-2013.

- Conditioned by the pace of economic revival in the main partner states of Armenia and with the low level of internal demand the volume of export will be exceeding with relation to that of import, which will result in development of foreign trade in 2011-2013 by improving to index of current account/GDP.
- The fiscal policy will be directed to the increase of tax receipts without increase of tax burden (on the account of administration), and regarding expenditures - the preservation of the level of social expenditures still remains as a priority objective.

Risks available in forecasts

Risks present in forecasts are conditioned both by external and internal economic factors, which may be directed to the increase of economic growth, as well as to its collapse.

At the same time while having a small and open economy, Armenia quickly reacts to the economic developments in partner countries: in this regard the main risks of forecasts will be greatly conditioned by macroeconomic changes in the world economy.

a/ Risks favorable for forecasts of GDP growth

External environment

- If the world economy will recover faster than it is forecasted by estimates, then the forecasted growth will be higher. Such a situation will be even more probable if the Russia's economy will recover in faster pace than it is expected.
- The next risk in the line of growth is connected with international prices – with faster growth thereof than the forecast is. In that case it will promote the Armenia's GDP growth by even higher rate than it is forecasted in the following two ways: direct – through increase of volumes in industry conditioned by the export of raw materials, and indirect – through transfers from Russia.

Internal environment

- In the scenario of forecasts there is an estimate that the Government will implement economic reforms mainly directed to improvement of business environment and tax administration, but if the impact of the Government's reforms will be performed quicker, then the level of economic growth will be at a higher level than the forecast.

a/ Risks reducing the forecasts of GDP growth

External environment

- If in European countries the impossibility of implementation of public liabilities will get deeper in connection with implementation of expanded fiscal policy within the framework of anti-crisis measures, than it may bring to financial instability in European markets, and it will again affect the markets of other regions with the effect of a virus, consequently, with its respective negative affect on the Armenia's external demand.
- Economists in international institutions are still concerned with the problems existing in the European market. The latter is connected with insufficient flexibility of European producers.

Particularly, they do not manage to quickly free themselves from unnecessary labor resources. Maintenance of this situation during the MTEF period will negatively affect future revival of European economy and will delay recovery of the economy: Consequently, growth of the global demand will be slower than it is expected, and it will have its negative impact on the economic growth of Armenia.

Annex 2.1. Main macroeconomic indicators

Indicators	2006	2007	2008	2009	2010	2011	2012	2013
	actual	actual	actual	actual	forecast	forecast	forecast	forecast
Nominal GDP, billion Drams	2656	3149	3568	3103	3339	3570	3835	4134
Index of real GDP	113.2	113.7	106.9	85.8	101.8	103.4	103.9	104.5
GDP deflator	104.6	104.2	105.9	101.3	105.7	103.4	103.4	103.2
Index of consumer prices (end of period)	105.2	106.6	105.2	106.5	106.1	104.0	104.0	104.0
Inflation (end of period) %	5.2	6.6	5.2	6.5	6.1	4.0	4.0	4.0
Inflation (average, in comparison with the same period of the previous year) %	2.9	4.4	9.0	3.4	7.1	4.6	4.0	4.0
GDP real growth according the values added by branches:								
GDP	13.2	13.7	6.9	-14.2	1.8	3.4	3.9	4.5
Industry	-2.5	2.8	2.1	-7.9	4.7	7.5	5.9	5.4
Agriculture	0.5	10.4	3.3	-0.1	2.4	3.0	3.1	3.2
Construction	37.7	18.2	11.3	-42.3	-2.3	2.0	3.8	4.8
Services	16.0	12.5	4.8	-0.1	2.4	2.8	3.5	4.5
Net taxes	14.9	35.9	17.1	-20.7	1.7	3.2	4.0	4.4
Real growth of GDP expenditure components								
Final consumption	9.0	12.3	4.5	-2.6	3.6	2.9	3.8	4.1
Private	8.2	13.2	5.4	-2.3	2.5	3.0	3.5	4.0
Public	14.0	5.2	-1.9	-4.9	12.4	1.9	5.9	5.1
Gross accumulation of capital	32.2	19.7	12.6	-34.4	-4.6	1.0	-0.5	1.9
Private	33.7	11.8	12.3	-42.1	2.0	2.8	3.2	3.5
Public	22.2	77.1	-16.9	10.0	-22.5	-5.5	-15	-5.4
Export of goods and services	-7.3	-3.5	-13.1	-11.5	2.7	12.2	14.4	14.9
Import of goods and services	3.8	13.0	7.3	-19.5	0.1	5.1	5.7	6.6
External sector								
million US Dollars								
Export of goods and services	1510.2	1776.7	1757.0	1309.0	1520.8	1652.4	1900.0	2254.6
Import of goods and services	-2536.4	-3589.5	-4747.6	-3670.0	-4009.3	-4144.4	-4462.0	-4902.2
Export of goods	1025.4	1196.6	1112.0	722.3	823.4	946.9	1126.8	1386.0
Import of goods	-1921.3	-2796.9	-3775.5	-2817.2	-3014.4	-3225.4	-3483.4	-3831.7
Growth of export of goods, %	2.0	16.7	-7.1	-35.0	14.0	15.0	19.0	23.0
Growth of import of goods, %	20.6	45.6	35.0	-25.4	7.0	7.0	8.0	10.0
Current account	-117.1	-589.3	-1381.8	-1341.6	-1140.6	-1161.2	-1113.1	-1023.9
Capital and financial account	520.6	1142.5	1147.0	1520.8	1236.9	1425.5	1276.0	1022.1
External debt	1205.6	1448.9	1577.1	2966.7	3617.7	3849.3	4061.2	4143.7
Percent to GDP								
Balance of goods and services	-16.1	-19.7	-25.6	-27.6	-28.9	-27.9	-26.7	-25.6
Export of goods and services	23.7	19.3	15.1	15.3	17.6	18.5	19.8	21.8
Import of goods and services	39.7	39.0	40.7	43.0	46.4	46.4	46,5	47,4
Commercial account	-14.0	-17.4	-22.8	-24.5	-26.3	-25,5	-24,6	-23,6
Current account (including official transfers)	-1.8	-6.4	-11.8	-15.7	-13.2	-13.0	11.6	-9.9
Current account (excluding official transfers)	-3.1	-7.4	-12.5	-16.6	-15.1	-13.8	-12.1	-10.3
External debt	18.9	15.7	13.5	34.7	41.5	40.9	40.2	38.1
Coverage of import (by months)	5.1	5.5	3.6	6.6	6.1	6.1	5.2	3.9
Monetary sector								

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Indicators	2006	2007	2008	2009	2010	2011	2012	2013
	actual	actual	actual	actual	forecast	forecast	forecast	forecast
Growth of monetary mass % (M2X end of period)	32.9	42.5	2.3	15.1	10.8	11.0	11.5	12.0
Pace of turnover of monetary mass (GDP/M2X average)	6.2	5.3	5.2	4.0	4.2	4.1	4.1	4.0
Multiplier of money (M2X)	1.8	1.7	1.6	1.6	1.7	1.7	1.7	1.8
Growth of monetary mass % (M2 end of period)	52.3	64.1	-4.2	-16.2	9.0	13.5	16.7	18.1
Pace of turnover of monetary mass (GDP/M2 average)	9.4	7.0	6.6	7.2	7.1	7.1	7.1	7.0
Multiplier of money (M2)	1.2	1.3	1.3	1.2	1.3	1.3	1.3	1.4
Monetary mass, % (end of period)	41.1	50.9	5.3	13.8	6.2	10.6	12.1	12.9

CHAPTER 3.**THE RA 2011-2013 STATE BUDGETS REVENUES POLICY AND FORECASTS****3.1. MAIN CHARACTERISTICS OF THE REVENUES POLICY IN 2011-2013**

Direction of policy for the state budget revenues and predictability of revenues in the medium term period is one of key issues of the MTEF. Provision of public expenditures with internal financial recourses will be the characteristic feature of revenue policy for the next three years. In this regard the role of taxation policy is specially emphasized, as far as the major part (about 80%) of tax revenues is formed by tax revenues and state duties. The problem is more essential under the conditions of economic collapse begun in the 4th quarter of 2008 and being continued in 2009, decrease of volumes of production and import negatively reflected on the level of tax collection: in 2009 actual receipts in the line of tax revenues (including state duties) conceded to the corresponding indicator of the year of 2008 by 98.7 billion Drams or by 15.9%. At present by dictation of the situation it is programmed not only to restore the pre-crisis level of state expenditures by the means of internal financial resources, but also to provide the Government with a possibility to carry out effective, favorable expenditure policy. While it is to be mentioned that there occurred a need for additional mans in connection with the necessity of clearance and servicing of additional loans involved from foreign states and international organization in order to release consequences of the crisis.

Taking into consideration the mentioned characteristics, during 2011-2013 the public revenues policy will be realized in accordance with the principles which are stated in the 2008-2012 Action Plan of the Government approved by the National Assembly. Particularly:

- improvement of the level of tax revenues collections mainly by the means of improvement of taxation (including customs) administration for the coming three years will be one of priority directions of the fiscal policy, as a result of which the ratio of tax revenues to GDP will annually increase at an average of 0.3-0.4 percent;
- expenditures of the state budget will be generally provided on the account of internal resources, and the dependence of those expenditures from external financial sources will be reduced;
- improvement of taxation and customs legislation, which will lead to the improvement of taxation and customs administration, as well as to equal and unconditional application of requirements of the taxation and customs legislation;
- the Government will achieve it's main goal to increase tax revenues especially due to reduction of the volume of shady economy, meanwhile excluding such administrative pressures on economizing units, which may not be connected with legislative requirements;
- actions will be taken to pay off overpayments and arrears, as well as measures will be initiated in order to avoid accumulation of new overpayments and arrears;

- approaches of applying self-assessment system will be expanded within the taxation relationships in favor of protection of interests of tax payers, improvement of the servicing quality, etc.

Possible changes of the taxation legislation in 2011-2013, administrative measures and actions listed below and subject to be implemented in 2011-2013 will be aimed at achievement of goals reflecting other principles relating taxation and customs sectors, which are stated in the present program and in the 2008-2012 Plan of Actions of the Government, as well as at assurance of the programmed level of tax revenues.

The plan of actions directed to assurance of tax revenues of the RA 2011-2013 state budgets.

№	Action	Content
1.	Improvement of effectiveness of control carried out by the taxation body	<ul style="list-style-type: none"> ➤ Introduction of the system for election of tax payers subject to audit on the basis of risk criteria, including planning of targeted auditing and its implementation on the basis of risk criteria; ➤ Improvement of the system of documentary analyzing examination by the taxation body, including on the basis of information received from third persons; ➤ Introduction of the system of auditing standards, monitoring of effectiveness and estimation into the taxation body and its improvement.
2.	Inculcation of the principle of voluntary tax paying (self assessment), improvement of the quality of servicing for the tax payers	<ul style="list-style-type: none"> ➤ Launch of the system of submission of tax reports to the taxation bodies in an electronic way and its complete application, considerable expansion of the framework of tax payers using electronic way of submission of reports; ➤ Improvement of reporting system, including introduction of automatic system of reports processing, establishment of the system of automatic delivery of reminders-notifications, complete application of the system with the aim to taxation order in the sense of submission of reports by the tax payers; ➤ Full functioning of servicing centers for payers, including practical application of unified standards for provision of services to tax payers, implementation of corresponding educational programs, publication of informational manuals in assistance of tax payers, expansion of services provided by the servicing centers; ➤ Establishment of a phone calls servicing center with the aim to ensure call back and quick response to the questions of tax payers, including practical application of the corresponding conception, expansion of the framework of services provided by the call center and its future development; ➤ Full application of the procedure of provision of clarifications to the tax payers; ➤ establishment of informational sector in the official website of the taxation body concerning most frequently meeting errors and mistakes by the tax payers, monthly update of this informational page; ➤ Improvement of the system of declaration on assets and income of physical persons; ➤ Introduction of the system of personalized registration within the framework of pension reforms.
3.	Introduction of effective system of internal administration of taxation body	<ul style="list-style-type: none"> ➤ Establishment of temporary system of human resources management, introduction of the system of professional promotion, connecting it with the executive system, with effectiveness and other functional indicators ➤ complete development and introduction of the system of tax servers retraining with the aim to increase their professional and analytical capacities ➤ Development of the system of corporative management, including introduction and improvement of a new and complete system of internal audit of taxation body, which will promote the internal operational order within the taxation body, ➤ Development of IT infrastructures of the taxation body and improvement of the quality of informational flows; ➤ Complete introduction of the “Taxpayer 3” electronic management system

№	Action	Content
		and its improvement; ➤ Full reorganization of business processes of the taxation body and existence of developed map of those processes.
4.	Development of mechanisms for discovery of cases of avoidance from tax payment and charge of tax arrears	<ul style="list-style-type: none"> ➤ Realization of actions directed to restriction of growth of liabilities in the line of current taxes and mandatory payments, reduction of existing arrears of current taxes and mandatory payments, including: <ul style="list-style-type: none"> - implementation of periodical monitoring of works towards banning of assets and money of tax payers, improvement of those works and realization of activities aimed at prevention of increase of current arrears; - study of details of circumstances for occurrence of non-credibility characteristics, activities towards consideration of unrealized tax obligation as unhelpful and their registration disposal within the defined time frame, - Definition and application of new mechanisms for the work with arrear holders; ➤ Realization of necessary studies and analyses directed to exception of unfounded tax losses accumulation and undertaking of appropriate measures; ➤ Definition of mechanisms for discovery of risks of avoidance from tax paying, including elaboration of corresponding methodology, classification of schemes for the cases of tax paying avoidance and introduction of corresponding approaches.
5.	Establishment of mechanisms for return of tax overpayments, including VAT	➤ Introduction and development automatic system for return of overpayments, including VAT, based on risks management.
6.	Increase of effectiveness of customs control	➤ Introduction of customs control based on risks management.
7.	Increase of effectiveness of post-omission control	➤ Realization of appropriate analysis aimed at increase of effectiveness of the of post - omission control procedure, and planning and realization of post - omission control based on the analysis
8.	Realization of institutional reforms in the RA customs bodies	<p>Introduction of new modules into the automatic system “TVM” used by the customs with the aim of customs formulations, particularly:</p> <ul style="list-style-type: none"> ➤ Submission of customs declarations in electronic way ➤ Introduction and application of the system of electronic signature, ➤ Receipt of information from banks in electronic way on customs duties to be charged in favor of the state budget.
9.	Establishment and introduction of the system for improvement of professional knowledge in the customs bodies	➤ Establishment and introduction of the system for retraining of customs servants with the aim to improve their professional capacities

3.2. 2011-2013 STATE BUDGETS REVENUE FORECASTS

State budget revenues over 2011-2013 are forecast to total 833.8 billion Drams, 882.6 billion drams, and 964.6 billion Drams, correspondingly. This level of annual revenues will mainly be ensured by tax revenues and state duties (hereinafter: taxes).

Table 3.1 Budget revenues planned for 2011-2013 (billion Drams)

Type of Revenue	2011	2012	2013
State budget revenues, of which:	833.8	882.6	964.6
<i>ratio to GDP (%)</i>	23.36%	23.01%	23.33%
1. Tax revenues, state duties and mandatory social security payments	771.3	851.6	938.6
<i>ratio to GDP (%)</i>	21.6%	22.2%	22.7%

Type of Revenue	2011	2012	2013
percent in total	92.5%	96.5%	97.3%
1.1. Tax revenues and state duties	650.9	718.4	790.9
ratio to GDP (%)	18.23%	18.73%	19.13%
percent in total	78.06%	81.40%	81.99%
1.2. Mandatory social security payments	120.4	133.2	147.7
ratio to GDP (%)	3.37%	3.47%	3.57%
percent in total	14.44%	15.09%	15.32%
2. Official grants	41.2	9.7	4.9
ratio to GDP (%)	1.15%	0.25%	0.12%
percent in total	4.94%	1.10%	0.51%
3. Other revenues	21.3	21.2	21.1
ratio to GDP (%)	0.60%	0.55%	0.51%
percent in total	2.56%	2.41%	2.19%

Forecast of such macroeconomic indicators were used for the purpose of 2011-2013 state budget revenues planning, which have sufficient impact on the formation and calculation of the base of separate revenue types. In separate cases indicators regulated by contractual relationships are considered as well.

2011-2013 state budget receipts in the line of **tax revenues and state duties (hereinafter: taxes)** are planned on the basis of the principle that the annual growth of the taxes/GDP index will be ensured at 0.4-0.5%, having as a base the level of the taxes/GDP index programmed for 2010 at 17.73%.

Calculations involve an additional estimate that the planned level of the taxes/GDP index programmed for 2010 is realistic, and that the existing legislation, applied administrative measures and the favorable macroeconomic developments will create sufficient foundation not only for assurance of these estimates, but for their over-fulfillment as well.

In order to assess whether the proposed levels of collection of 2011-2013 tax revenues are realistic, certain characteristic indicators should be considered, as presented below:

Table 3.2. Separate indicators of state budget tax revenues for 2009-2013

Indicators	2009	2010	2011	2012	2013
	Actual ⁸	Forecast			
Taxes (billion Drams)	520.2	570.0	650.9	718.4	790.9
<i>Growth compared with the previous year (%)</i>	-18.2	9.6	14.2	10.4	10.1
<i>ratio to GDP (%)</i>	16.8	17.73	18.23	18.73	19.13

In 2011-2013 the tax flow coefficient will exceed 1, which presumes a necessity for administrative measures to be implemented by the tax and customs authorities in order to provide for the planned levels of tax collection. In this respect the tax revenue indicators planned for those years contain an element of risk. On the other hand, the 2011-2013 anticipated economic development scenarios contain certain

⁸ Structure of the 2009 actual indicators do not include the sum of actual revenues on the line of taxes financed by the 2009 state budget, as well as those from 2009 off-budget accounts of the RA state governing bodies, with the aim to ensure comparability of data.

reserves which can be used for provision of the planned level of taxes. Based on the comparison of the actual figures and forecast levels of 2005-2013 macroeconomic indicators, it can be concluded that the macroeconomic framework forecast for the MTEF period is not risky, and in the case when actually recorded results will be higher than the planned level, it will be possible to anticipate additional tax revenues.

Table 3.3. Actual and forecasted figures for macroeconomic indicators for 2005-2013

Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Actual					Forecast ⁹			
Nominal GDP (billion Drams)	2,242.9	2,656.2	3,149.0	3,568.2	3,102.8	3,338.9	3,570.1	3,835.4	4,133.8
Real growth of GDP	13.9%	13.2%	13.7%	6.9%	-14.2%	1.8%	3.4%	3.9%	4.5%
GDP deflator	3.2%	4.6%	4.2%	5.9%	1.3%	5.7%	3.4%	3.4%	3.2%
Annual average exchange rate of 1 US Dollar in Drams	457.7	416.0	342.08	306.82	363.3	386.41	401.15	401.15	401.15
Annual average exchange rate of 1 EUR in Drams	570.4	521.2	467.81	476.86	507.4	570.73	541.35	541.35	541.35

Mandatory social security payments for 2011-2013 are planned correspondingly at the extent of 120.4 billion Drams, 133.2 billion Drams, 147.7 billion Drams.

2011-2013 state budget receipts in the line of mandatory social security payments are planned on the basis of the principle that the mandatory social security payments/GDP index will be ensured at 3.27% and its growth rate will be annually ensured at 0.1%.

Like in the case of forecasts made for taxes, calculations of 2011-2013 state budget receipts made in the line of mandatory social security payments involved an additional estimate that the planned level of the mandatory social security payments/GDP index programmed for 2010 is realistic, and that the existing legislation, applied administrative measures and the favorable macroeconomic developments will create sufficient foundation not only for assurance of these estimates, but for their over-fulfillment as well.

Table 3.4. Programmed/forecasted indicators of mandatory social security payments for 2010-2013

Indicator	2010	2011	2012	2013
	Plan	Forecast		
Mandatory social security payments (billion Drams)	105.2	120.4	133.2	147.7
Percent to GDP	3.27%	3.37%	3.47%	3.57%

Official grants for 2011-2013 were planned taking into account initial agreements made with donor organizations.

Table 3.5. Official grants planned for 2011-2013 (billion Drams)

Donor	2011	2012	2013
	Forecast		
2. Official Grants, total,	41.2	9.7	4.9
of which:			

⁹ Average rates established in the RA currency market as of May 1, 2010 are accepted as forecast indicators of 2011-2013 annual average exchange rate for Euro and Dollar. These rates are laid in the basis of calculations for the 2010 state budget.

Donor	2011	2012	2013
	<i>Forecast</i>		
Grant for financial provision of activities included in the RA-EU Plan of Actions within the framework of European Neighbourhood	7.3	5.1	2.7
Grant - "General budgetary assistance"	4.3	4.3	2.2
Grant from the "Millenium Challenges" fund	25.5		
Grants from other sources	4.1	0.3	0

Other revenues include interests received from deposits and allocation of temporarily free budgetary means in the banks and financial organizations, dividends received from investments made in the capital of legal persons, payments for usage of assets of public enterprises, utilization of public forests and the land covered by forests, payments (interests) for use of credits provided by the state, receipts from alienation of main assets which are not considered as intangible and which are confiscated, ownerless or passed to the state by the donation or inheritance right, receipts from penalties applied by the executive or judicial bodies for offence and other revenues.

Other revenues are planned for the period of 2011-2013 at the extent of 21.3 billion Drams, 21.2 billion Drams and 21.1 billion Drams correspondingly, taking into consideration forecasts submitted within the framework of the RA 2011 state budget process submitted by the state governing bodies, which are responsible for collection of revenues, legislative changes, as well as tendencies of collection of certain types of revenues recorded for the recent years.

Here is the general view of the RA 2011-2013 MTEF forecasts for other revenues:

Table 3.7. 2011-2013 MTEF forecasts for certin types of revenues, which are calculated within the structure of other revenues (billion Drams)

Indicator	2011	2012	2013
Other revenues	21.31	21.24	21.13
including:			
Revenues from rent of assets of public ownership	0.70	0.68	0.67
Payment of interests and dividends	3.94	3.95	3.96
Payments for the use of credits provided by the state (percent)	4.61	4.25	3.86
Receipts from penalties applied by the executive or judicial bodies for offence	2.18	2.26	2.36
Other state budget receipts defined by laws and other legislative acts	9.88	10.10	10.28

For further adjustment of forecasts for 2011-2013 state budget revenues, usage of the following additional information may be of essential significance:

- information on changes of macroeconomic indicators applied for calculations;
- additional information received from the bodies responsible for the collection of budget revenues;
- actual annual values of separate macroeconomic indicators of the national accounts system for 2008-2009;
- other statistical indicators for 2010.

CHAPTER 4.
BUDGET FRAMEWORK

4.1. STATE BUDGET DEFICIT

Over the coming years, the volume of expenditures will continue to exceed that of revenues within the structure of the state budget, meanwhile the budget deficit will be financed from both internal and external sources. The major part of the state budget deficit financing will be covered by borrowings, while the general part of external borrowings will be of a targeted nature and will be forwarded to financing of investment programs in the social sectors and public infrastructures.

The sources for financing of state budget deficit in 2010-2013 are presented below (see Table 4.1).

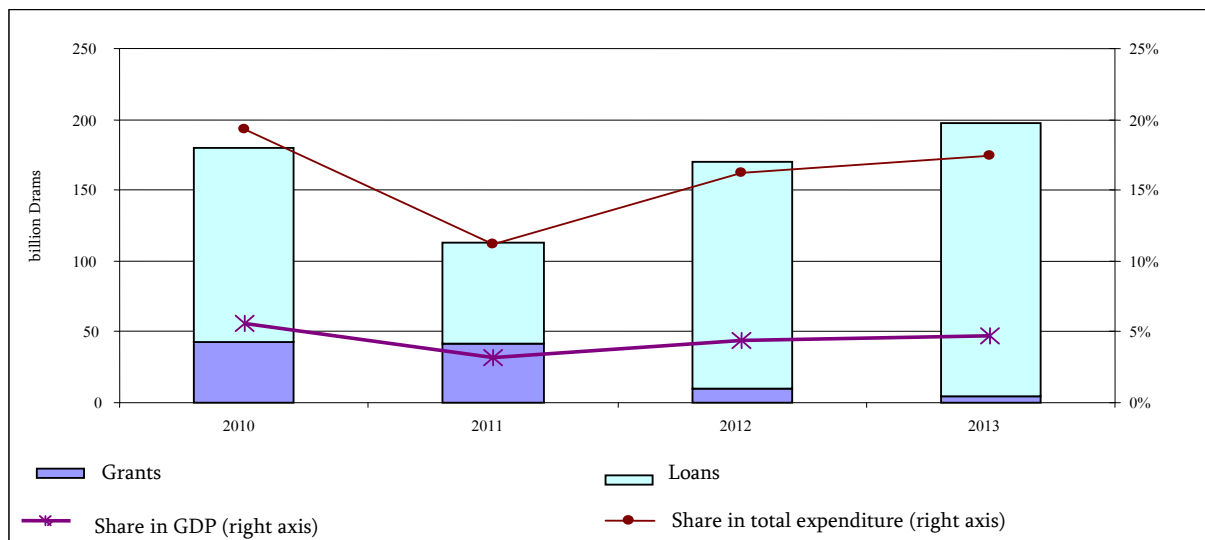
Table 4.1. Sources for financing of state budget deficit, 2010-2013 (million Drams)

Indicators	2010	2011	2012	2013
	Approved	Planned		
Sources for deficit financing, total	193,386.5	174,933.7	164,921.4	165,351.3
Including:				
1. Internal sources	99,515.4	150,264.3	70,011.1	89,239.8
of which:				
Borrowings	26,467.1	28,379.3	28,389.4	33,389.4
Financial assets	73,048.4	121,885.0	41,621.7	55,850.4
2. External sources	93,871.1	24,669.3	94,910.3	76,111.5
of which:				
Borrowings	127,738.0	60,060.3	131,653.5	115,746.2
Financial assets	(33,866.9)	(35,391.0)	(36,743.2)	(39,634.6)

The ratio of the state budget deficit to GDP will gradually decrease from 4.9% to 4.0% of GDP in 2011-2013, against 6.0% in 2010. The share of internal sources within the total volume of sources for financing of the budget deficit over 2011-2013 is forecasted to vary within the interval of 85.9% to 54.0%, against 51.5% planned for 2010.

One of the characteristics of the state budget of the Republic of Armenia is its certain dependency on external financial sources (foreign loans and official grants). Such a situation will be preserved as well over the coming MTEF period (see: Chart 4.1).

Chart 4.1. 2010-2013 State budgets financing from external sources



The volume and the structure of the state budget deficit are greatly related to the indicators characterizing internal and external public debt, as far as the state budget deficit is generally being financed by the means of borrowings.

Financing of the state budget, and particularly its deficit, is still essentially dependent on external loans and grants. Comparative analyses of the deficit calculated by different methods also come to prove this fact (see Table 4.2).

Table 4.2 Conventional, Non-Conventional, Primary, and Current Deficits for 2009-2013

Indicators	2009 actual	2010 approved state budget	2011 plan	2012 plan	2013 plan
Non-conventional deficit: difference of total revenues and expenditures	7.7%	6.0%	4.9%	4.3%	4.0%
Conventional deficit: difference of total revenues (without grants) and expenditures	8.4%	7.3%	6.1%	4.6%	4.1%
Current deficit: difference of total revenues and current expenditures	0.9%	0.9%	0.1%	-0.8%	-1.3%
Primary deficit: difference of total revenues (without grants) and expenditure (without interest payments)	7.9%	6.2%	4.6%	3.1%	2.7%

From comparison of the figures in the table it is obvious that the conventional deficit is larger than the non-conventional one by an annual average rate at about 11.5 percent during the MTEF period. While, the impact of grants on the deficit, in average, make up 0.48% of the annual GDP.

Calculation of the current deficit, taking into consideration the circumstance that a current surplus is planned for the MTEF period, proves that own revenues of the state budget are sufficient for financing of the mostly important current expenditures over 2011-2013.

Impact of the public debt servicing interest payments on the deficit becomes obvious from comparison of conventional and primary deficits. In particular, over the period of 2011-2013 the annual average share of

interest payments in the conventional deficit will be at 29.5 percent, against the 15.7 percent planned for 2010.

Risks available in forecasts in regard with the volume of state budget deficit.

Irrespective of availability of forecasted sources of the state budget deficit financing for 2011-2013, volume of the state budget deficit (which is forecasted within the interval of 4.0-4.9% GDP for those years) may be essentially affected by the volume of state budget/nominal GDP relation actually formed during the period of 2010-2012. The said is about the risk of exceeding the limit of 50% of the volume of state budget/nominal GDP relation during the 2010-2012 period, conditioned by the risks available in macroeconomic forecasts, in the case of which requirement of the Part 7 of Article 5 of the RA Law on “Public Debt” is being applied, that is:

“in the case the public debt exceeds 50% of the GDP of previous year the state budget deficit of the next year shall not exceed 3% of the average indicator of volumes of GDP of the Republic of Armenia for the last three years”.

4.2. CHANGES FORECASTED IN THE PACKAGE OF RESOURCES AND EXPENDITURES OF THE STATE BUDGETS FOR 2011-2013

Analysis of forecasts for the state budgets receipts for 2010-2013 shows that, in the case the nominal GDP rate grow is planned by 11.1% in 2011, as compared with the 2010 level, the volume of the state budget receipts in 2011 is planned to increase by around 7.8%, or by 73.2 billion Drams (mainly due to the increase of tax revenues). At the same time, receipts of the state budget are expected to increase by 27.3% in 2012 as compared with the 2011 level (in the case the nominal GDP rate will grow by 7.4%), and by 27.3% in 2013 as compared with the 2012 level (in the case the nominal GDP rate will grow by 7.8%).

Table 4.3. Forecast of changes in the package of budgetary resources during 2011-2013 (billion Drams)

Indicators	2011 plan	2012 plan	2013 plan
1. Revenues	833,794.4	882,605.5	964,576.5
Ratio to GDP (%)	23.36	23.01	23.33
2. Net sources for financing of deficit	174,933.7	164,921.4	165,351.3
Ratio to GDP (%)	4.9	4.3	4.0
TOTAL RECEIPTS	1,008,728.0	1,047,526.9	1,129,927.8
Ratio to GDP (%)	28.3	27.3	27.3
Additional growth of receipts (as compared with the level of previous year, million Drams)	73,203.4	38,798.9	82,400.9
3. ADDITIONAL GROWTH OF RECEIPTS (as compared with the level of previous year, %)	7.8	3.8	7.9
4. Net resources released by sectors, as compared with the level of previous year (million Drams)	20,139.9	73,881.8	19,923.4
TOTAL ADDITIONAL RESOURCES (as compared with the level of previous year, million Drams)	93,343.3	112,680.7	102,324.4
Ratio to GDP (%)	2.6	2.9	2.5
Forecasted distribution of additional budget resources by sectors for 2011-2013	93,343.3	112,680.7	102,324.4
<i>including:</i>			
1. Social-cultural branches and science	41,038.1	688.2	26,521.5

Indicators	2011 plan	2012 plan	2013 plan
2. Systems of defense, national security, public order protection, criminal-executive and rescue service	2,140.3	3,445.9	11,599.2
3. Economic relations, protection of environment, housing construction and services of public utilities	20,141.4	104,172.8	52,469.9
4. Public administration	1,523.3	-	1,457.3
5. Expenditures on servicing of public debt	13,209.2	4,373.9	3,026.6
6. Other sectors	15,290.9	-	7,249.9

As shown in the table, an essential part of additional receipts over 2011-2013 (245.0 billion Drams, or 79.46% of the total) will be forwarded to financing of the social-cultural and science branches, as well as to the branches of economy. While, 22.1% of the total amount of additional receipts will be allocated to the social-cultural branches and the science, which means that over the period of 2011-2013 the Government preserves the intention to continue increasing of the social directedness of budgetary expenditures.

Around 20.6% of additional resources allocated for the social-cultural branches will be channeled to education, around 67.46% - to the sphere of social security, and 6.4% - to health care (mostly, to the primary unit – outpatient-polyclinic and hospital care).

Around 5.6% of the total amount of additional resources will be channeled to the maintenance of the systems of defense, national security, public order protection, and to expenditures of the system of the rescue service, as it is dictated by the need to allocate appropriate resources for assuring the ongoing activities of these structures.

Over 2011-2013, around 57.3% of the total amount of additional resources will be forwarded to the branches of economy. While, targeted loans for about 341.3 billion Drams are included in the 2011-2013 MTEF, which are non-distributed and will be directed to corresponding sectors by the signature of loan agreements with lending organizations.

6.7% of the total amount of additional resources will be channeled to the servicing of public debt.

4.3. FORECAST OF 2011-2013 STATE BUDGET EXPENDITURES BY SECTORS

Forecasts of the state budget expenditures over 2011-2013 by sectors are characterized by the indicators presented in the table below¹⁰.

Table 4.4. The RA 2010-2013 state budget expenditures by sectors (million Drams)

Indicators	2010 adopted state budget	2011 plan	2012 plan	2013 plan
TOTAL EXPENDITURES	935,524.6	1,008,728.0	1,047,526.9	1,129,927.8
1. Social-cultural branches and science	418,755.7	459,793.8	457,634.2	482,844.0
Ratio to GDP (%)	13.0	12.9	11.9	11.7
- share in the total volume of expenditures (%)	44.8	45.6	43.7	42.7
2. Defense, national security, public order	178,312.1	180,452.4	183,898.3	195,497.5

¹⁰ Hereinafter in this Chapter the groups of “Social-cultural branches”, “Branches of economy” and “Other sectors” are being presented without administrative maintenance expenses of republican and territorial governmental bodies of public administration

Indicators	2010 adopted state budget	2011 plan	2012 plan	2013 plan
protection, criminal-executive and the rescue service systems				
- Ratio to GDP (%)	5.5	5.1	4.8	4.7
- share in the total volume of expenditures (%)	19.1	17.9	17.6	17.3
3. Economic relations, protection of environment, housing construction and services of public utilities	164,753.0	164,754.5	204,687.4	238,545.6
- Ratio to GDP (%)	5.1	4.6	5.3	5.8
- share in the total volume of expenditures (%)	17.6	16.3	19.5	21.1
4. Public administration	58,108.3	59,631.6	57,305.0	58,762.9
- Share in GDP (%)	1.8	1.7	1.5	1.4
- share in the total volume of expenditures (%)	6.2	5.9	5.5	5.2
5. Servicing of public debt (interest)	37,076.9	50,286.2	54,660.0	57,686.7
- Ratio to GDP (%)	1.2	1.4	1.4	1.4
- share in the total volume of expenditures (%)	4.0	5.0	5.2	5.1
6. Other sectors	78,518.6	93,809.5	89,341.3	96,591.1
- Ratio to GDP (%)	2.4	2.6	2.3	2.3
- share in the total volume of expenditures (%)	8.4	9.3	8.5	8.5

Within the group of "**social-cultural branches and science**" over the 2011-2013 MTEF period the implementation of strategic programs especially for the development of education, health care and social security will be emphasized.

Table 4.5. Budget expenditures in social-cultural branches and science sector for 2010-2013 by branches (million Drams)

Indicators	2010 approved state budget	2011 plan	2012 plan	2013 plan
SOCIAL-CULTURAL BRANCHES AND SCIENCE, TOTAL	418,755.7	459,793.8	457,634.2	482,844.0
- Ratio to GDP (%)	13.0	12.9	11.9	11.7
- share in the total volume of expenditures (%)	44.7	45.6	43.7	42.7
including:				
1. EDUCATION	99,294.6	108,318.5	106,706.5	111,765.5
- Ratio to GDP (%)	3.1	3.0	2.8	2.7
- share in the total volume of expenditures (%)	10.6	10.7	10.2	9.9
2. SOCIAL SECURITY	241,073.9	267,123.4	267,220.5	287,110.5
- Ratio to GDP (%)	7.5	7.5	7.0	6.9
- share in the total volume of expenditures (%)	25.8	26.5	25.5	25.4
3. HEALTHCARE	54,210.0	58,574.9	57,339.7	56,028.0
- Ratio to GDP (%)	1.69	1.64	1.50	1.36
- share in the total volume of expenditures (%)	5.79	5.81	5.47	4.96
4. CULTURE, INFORMATION, SPORTS AND RELIGION	15,781.6	16,344.5	16,382.8	17,028.0
- Ratio to GDP (%)	0.49	0.46	0.43	0.41
- share in the total volume of expenditures (%)	1.69	1.62	1.56	1.51
5. SCIENCE	8,395.6	9,432.5	9,984.7	10,912.0
- Ratio to GDP (%)	0.26	0.26	0.26	0.26
- share in the total volume of expenditures (%)	0.90	0.94	0.95	0.97

Measures planned in the direction of reforms in the educational sector for the 2011-2013 MTEF period are considered to be guarantees for improvement of education quality. Reforms will be continued during the programmed period in the sphere of general education, which are aimed at improvement of the quality of secondary education, assurance of equal accessibility of quality full secondary education for all layers of

the population in all levels of secondary school, especially on the level of high school, as well as continuous improvement of efficiency of the system.

In the sphere of healthcare during 2011-2013 period the budgetary resources will be directed to programs aimed at enhancement and development of primary medical care projects.

In the field of social security improvement of the family allowances system, implementation of social security programs, as well as rising of pensions will be emphasized during coming years.

Expenditures over 2011-2013 in the **branches of the economy** will be directed to the programs for the development of productive infrastructures.

Table 4.6. Budgetary expenditures of the branches of economy for 2011-2013 by branches (million Drams)

Indicators	2010 approved state budget	2011 plan	2012 plan	2013 plan
1. Economic relations, environment protection, housing construction and services of public utilities	164,753.0	164,754.5	204,687.4	238,545.6
- Ratio to GDP (%)	5.1	4.6	5.3	5.8
- share in the total volume of expenditures (%)	17.6	16.3	19.5	21.1
2. Nature protection, energy and national resources	23,639.3	7,859.6	5,441.3	5,999.8
- Ratio to GDP (%)	0.74	0.22	0.14	0.15
- share in the total volume of expenditures (%)	2.53	0.78	0.52	0.53
3. Agriculture	8,040.3	9,123.7	8,451.1	8,781.5
- Ratio to GDP (%)	0.25	0.26	0.22	0.21
- share in the total volume of expenditures (%)	0.86	0.90	0.81	0.78
4. Transportation, roading economy and communication	42,698.4	44,638.4	29,117.3	16,887.2
- Ratio to GDP (%)	1.3	1.3	0.8	0.4
- share in the total volume of expenditures (%)	4.6	4.4	2.8	1.5
5. Housing and public utilities	22,250.0	30,200.0	3,200.0	200.0
- Ratio to GDP (%)	0.7	0.8	0.1	0.0
- share in the total volume of expenditures (%)	2.4	3.0	0.3	0.0
6. Irrigation	36,804.6	32,444.4	13,816.6	10,435.1
- Ratio to GDP (%)	1.14	0.91	0.36	0.25
- share in the total volume of expenditures (%)	3.93	3.22	1.32	0.92
7. Other branches of economy	31,320.4	40,488.4	144,661.1	196,242.1
- Ratio to GDP (%)	1.0	1.1	3.8	4.7
- share in the total volume of expenditures (%)	3.3	4.0	13.8	17.4

The Government will emphasize expenditure targeted to the development of agriculture, energy, transportation, roads, water economy, and housing and public utilities services, and it is planned to finance these program mostly by the means of external financial assistance (targeted loans in the sphere of economy for about 320.1 billion Drams are included in the 2011-2013 MTEF, which are non distributed and will be directed to corresponding sectors by the signature of loan agreements with lending organizations).

Increase of administrative maintenance expenditures in the **systems of defense, national security, public order protection, criminal-executive, and rescue service** will be conditioned by the need to assure a high level of preparedness of these structures through creating sufficient conditions for their ordinary operation.

Expenditures in **public administration**, as compared with the indicators for 2010, will have some growth over 2011-2013, connected with the necessity to provide financial support to the reforms being implemented in the system of public administration.

Fight against corruption and ensuring everyone’s equality before the law is of priority issues in all the sectors of the public administration system. Reforms in the sphere of public administration are intended to be implemented in three directions: institutional and functional reformations of the public administration system, reforms in the spheres of civil service and financial management.

The majority of expenditures allocated to the **"Other sectors"** over 2011-2013 will be channeled to servicing of public debt and to other sectors not mentioned above.

Table 4.7. Budgetary expenditures of other sectors for 2010-2013 by branches (million Drams)

Indicators	2010 approved state budget	2011 plan	2012 plan	2013 plan
TOTAL	115,595.5	144,095.7	144,001.3	154,277.8
including:				
1. SERVICING OF THE RA PUBLIC DEBT (interest payment)	37,076.9	50,286.2	54,660.0	57,686.7
- Ratio to GDP (%)	1.2	1.4	1.4	1.4
- share in the total volume of expenditures (%)	4.0	5.0	5.2	5.1
2. Other	78,518.6	93,809.5	89,341.3	96,591.1
- Ratio to GDP (%)	2.4	2.6	2.3	2.3
- share in the total volume of expenditures (%)	8.4	9.3	8.5	8.5

During 2010-2013 the total amount of the state budget expenditures will have certain dependence from external flows.

Table 4.8. Expenditures financed from external sources (loans and official grants) for 2010-2013

Indicators	2010 approved state budget	2011 plan	2012 plan	2013 plan
Expenditures financed from external sources (billion Drams)	180.05	112.4	170.05	197.11
- Ratio to GDP (%)	5.6	3.1	4.4	4.8
- share in the total volume of expenditures (%)	19.2	11.1	16.2	17.4

The average annual share of the expenditures forecasted for 2011-2013, which are planned to be financed by external loans and official grant make up 14.9% in the total volume of budgetary expenditures, and relation to GDP is at 4.1%.

4.4. FORECAST OF STATE BUDGET EXPENDITURES FOR 2011-2013 BY MAIN ARTICLES OF ECONOMIC CLASSIFICATION

Over the MTEF 2011-2013 period, the state budget expenditures relation to GDP will vary within the interval of 29.1% to 27.3%. During the same period relations to GDP in the lines of current expenditures and expenses of non-financial assets will vary within the intervals of 24.0% to 22.0% and from 5.1% to

5.3% respectively. And the correlation of expenses of non-financial assets and current expenditures will vary within the interval of 0.21 to 0.24.

Table 4.9. 2010-2013 tendencies of changes and correlations of current expenditures and expenses of non-financial assets

Indicators	2010 approved state budget	2011 plan	2012 plan	2013 plan
TOTAL EXPENDITURES, (million Drams)	935,538.9	1,008,728.0	1,047,526.9	1,129,927.8
including:				
- current expenses (million Drams)	770,006.6	837,616.4	852,105.7	910,163.0
% to GDP	24.0	23.5	22.2	22.0
- net expenses for non-financial assets (million Drams)	165,532.2	171,111.7	195,421.2	219,764.8
% to GDP	5.1	4.8	5.1	5.3
Correlation of expenses of non-financial assets and current expenditures	0.21	0.20	0.23	0.24

Current expenditure will make up about 81.6% of the total volume of average annual expenditure over 2011-2013 (the planned level for 2010 is at 82.3%).

The major part of **current expenditure** over 2011-2013 period will be directed to the procurement of goods and services for public needs, payment of various types of benefits and pensions to the population, servicing of internal and external public debt (interest payments), subsidizing of some companies providing water supply irrigation and transportation services in certain branches of economy, maintenance and exploitation of state roads, providing state support to the local self-governance bodies, and payment of salaries to the public administration system employees.

Over 2011-2013, 34.9% (204.9 billion Drams) of the total expenses for non-financial assets forecasted at 586.3 billion Drams will be financed from internal sources. Priority directions for expenses for non-financial assets, like formerly, will remain the sectors of energy, roads, transportation, water economy, agriculture, housing construction, school construction and health care.

4.5. FISCAL RISKS OF THE 2011-2013 MTEF

Macroeconomic forecasts make it possible to assume that the 2011 level of risks, compared with the period of 2009-2010, is significantly reduced in the field of reception of budgetary receipts, especially budget revenues. Anyhow, from the view of realistic execution of the 2011-2013 MTEF, it is important to separate those factors, which may have both positive and negative impact on the programmed fiscal scenario. Although, most of all are important those factors, which may result in the need of making corresponding reviews in planned expenditures. To that end, the forecasts laid in the basis of the 2011-2013 MTEF contain certain risks.

Sources of Risks

Generally, within the framework of 2011-2013 MTEF the following types of sources for the risks can be separated, which may result in certain deviations from the planned resource package:

- (i) in the line of internal resources;

(ii) in the line of external assistance.

Internal resources: the 2011-2013 state budget resources package generally will be compiled by tax revenues and mandatory social security payments, in the line of which in 2011-2013 the planned receipts will make up 95.4% in the average of total receipt. Collection of the mentioned types of revenues will be greatly dependant from the accordance of forecasted and recorded tendencies of macroeconomic developments, on one hand, and from the efficiency of the Government's administrative actions in the field of tax collection, on other hand. Except the mentioned economic factors, in this case impacts of internal developments and external factors on the economic environment of the country also have their essential role.

Compliance of forecasted and recorded tendencies of macroeconomic developments: in the corresponding part of the Chapter 2 of the present document there is a note about risks available in forecasts within the macroeconomic framework.

Implementation of administrative measures: in 2011-2013, when the scarcity of budgetary resources still remain one of the standing problems needing solution, with the demand of assurance of possible available level of tax revenues, the RA Government's will principally continue realization of undertaken fiscal policy aimed at reduction of volumes of shady economy, thus contributing to the improvement of situation in the field of collection of budget revenues. In this case, successful implementation of measures undertaken by tax and customs bodies will be the guarantee for reduction shady economy and collection of additional budget receipts.

Impacts of external factors: the risk will occur in the case of rapid collapse of economic environment in the country, which in turn may be resulted by the impact of external factors (in foreign markets, as well as in the case of increase of tension on external borders of Armenia), and it is impossible to assess it.

External assistance: the 2011-2013 budgetary resource packages are envisaged to be compiled by both official grants and loans.

Official grants: issue on allocation of these resources or the factor of risk of reception of appropriate receipts will significantly be conditioned by the course of implementation of certain measurements in the field of economic reforms by the RA Government.

Loans: Risks are mainly conditioned by the possible deviation of planned allocations from those actually provided.

In the line of foreign assistance the changes of foreign currency exchange rates can affect compilation of the 2011-2013 budgetary resources package.

Possible Consequences of the Risks and Adjustment Tendencies

For the part of internal resources, a level lower than the planned one supposes revision of expenditures in the sense of reduction. Taking into account that tax revenues are not attached to any expenditure category or program, in this case the revision of expenditures will be based of their priority; it means that those expenditures (expenditure remainder) or programs which have a lower level of priority at the moment of

reduction will be reduced first of all (taking into account also the occurrence of possible negative consequences as a result of reduction).

In the case of under-receipt of external assistance, approaches for revising the expenditure plan will be different, depending on the nature of external assistance. In this respect, the structure of the anticipated external assistance by designation is to and important factor. According to the forecasts, official grants and loans with programmed (targeted) essence will comprise a major share in the structure of external assistance for the planned period.

Table 4.10. Foreign assistance by designaton (billion Drams)

Indicators	2011	2012	2013
Budgetary assistance of general essence	15.65	9.47	4.87
Official grants	11.64	9.47	4.87
Loans	4.01	0	0
Programmed (targeted) assistance	96.75	160.58	192.24
Official grants	29.53	0.24	0
Loans	67.22	160.34	192.24
Total foreign assistance	112.4	170.05	197.11

In case of under-receipt of budgetary assistance of general essence, the plan of expenditures will be revised based on the level of their priority, whereas under-receipt of programmed (targeted) official grants and loans as a rule will result in reduction of alloctions to those programs, which are directly linked to those sources of financing, meanwhile in some cases it is also possible to replace the under-received resources from external sources with the resources from internal sources.

Compensation Opportunities

Favorable macroeconomic developments may have a positive impact on the fiscal framework of the 2011-2013 MTEF, thus partially compensating the estimated possible “losses” in terms of external assistance and tax administration. Improvement of macroeconomic environment in comparison with the forecasts will create favorable conditions for collection of additional budget revenues and mandatory social security payments. In that case the Government will consider the issue on directing additional revenues to the additional financing of expenditure priorities and/or to the reduction of the level of state budget deficit.

PART B.
STRATEGY OF EXPENDITURE POLICY

CHAPTER 5.

EXPENDITURE PRIORITIES OF 2011-2013 STATE BUDGETS

In a general line the priorities of state budget expenditure policy over the period of 2010-2013 is described by sectors in this document composing strategy of expenditure policy. These priorities derive from the context of the Government's general strategic priorities (the RA Government Action Plan, Program of Sustainable Development, a number of medium term and long term programs in different sectors adopted by the Government , etc.) and shall serve as a basis for drafting the RA 2011 state budget.

As already mentioned above, the Government determines the following priorities for state budget expenditures for the coming years:

- (i) assurance of financial support to the reforms aimed at increase of efficiency, directedness and addressing of activities of public bodies in certain branches of the social sector (particularly, in education, healthcare, social security), as well as in public administration, with the purpose of enhancing accessibility of services provided by them to the population;
- (ii) assurance of financial support necessary for the ordinary operation of defense and national security institutions, with the aim to preserve the territorial integrity of the republic, regional stability and the balance of forces in the Karabakh conflict;
- (iii) implementation of programs aimed at rehabilitation and development of infrastructures in separate sectors of economy (particularly, in agriculture, water economy, roading economy and energy).

Table 5.1. Changes forecasted in the RA 2010-2013 state budget resources and expenditures packages in comparison with the previous year (million Drams)

Indicators	2011	2012	2013
Forecasted distribution of additional budget resources over 2011-2013, by sectors	93,343.3	112,680.7	102,324.4
of which:			
1. Social-cultural branches and science	41,038.1	688.2	26,521.5
2. Systems of defense, national security, public order protection, criminal-executive and rescue services	2,140.3	3,445.9	11,599.2
3. Economic relations, protection of environment, housing construction and services of public utilities	20,141.4	104,172.8	52,469.9
4. Public administration	1,523.3	-	1,457.3
5. Servicing of public debt	13,209.2	4,373.9	3,026.6
6. Other sectors	15,290.9	-	7,249.9

As it is obvious from the table, over 2011-2013, a significant part of additional receipts – 245.0 billion Drams or 79.47% of the total, will be forwarded to financing the social-cultural branches and the science, as well as to the branches of economy. While, 22.1% of the total amount of additional receipts will be allocated to the social-cultural branches and the science. This means that over 2011-2013 the Government intends to preserve the social direction of budget expenditures.

CHAPTER 6.**PUBLIC ADMINISTRATION SYSTEM****6.1 SITUATIONAL OVERVIEW**

The Government of the Republic of Armenia is carrying out an expanded program of reforms in the public administration system in order to enhance the efficiency of the public administration system, to improve the quality and availability, transparency and accountability, and controllability of its services, mainly through structural and functional reforms and introduction of the civil service.

Structural and Functional Reforms in the Public Administration System

Due to reforms in the field of public administration system there are certain results achieved for the recent years that ensure significant progress especially in the process of reorganization of separate bodies and in the field of introduction of civil (public, judiciary) service. The RA Law "On Public Administrative Institutions" and the RA Law "On Public Non-Commercial Organizations" and other legislative acts served as a basis for the mentioned reforms. Currently, the functions of policy development, monitoring and coordination in respective areas belong to the ministries, while the authority to provide services and make revisions was passed to the agencies and separated departments created under them. The mentioned changes resulted in elimination of a certain part of duplicated functions.

Besides, separate bodies were reorganized into public non-commercial organizations, as a result of which bodies with administrative functions were separated from those having public functions.

Regulatory tasks of the ministries are clarified and their structures are unified – departments, secretariats and divisions are created, as a result of reforms of public administrative system.

With the purpose of complete fulfillment of authorities of the Government of the Republic of Armenia stated by the RA Constitution and laws, the National Assembly adopted the RA law “On the Structure of the RA Government”, and new ministries were established as a result of clarification of their authorities and functions.

Standing ministerial committees were established with the aim to develop policy and provide with resolutions for draft legal acts in separate fields – those are: committees on financial-economic issues, social issues, territorial development and nature protection issues, and public-legal issues.

Reforms in judicial system were emphasized within the scope of public administration system reforms. According to the requirements of the Judicial Code, structural changes were implemented in the system, including reorganization of separate existing courts, as well as strengthening of the judicial system and improvement of judicial record keeping, enhancement of professional knowledge of judges and participants of justice administration process, and improvement of legislation.

According to the new RA law “On Prosecution” structural changes were made in the system, as a result of which all the investigating staff of the Prosecutor’s office was distributed by separate sectors and transferred to the Police Investigation Department under the RA Government, Ministry of Defense and the Committee of Public Revenues under the RA Government.

According to the requirements of the RA law “On Special Investigation Service” the RA Special Investigation Service was established, which carry out prior investigation of criminal cases (provided by the RA Code on Criminal Proceeding), connected with crimes committed by (or with participation of) high officials of legislative, executive and judicial bodies, or by persons involved in special public services, as well as for violations in election procedures.

Introduction of Civil Service

The process of introduction of the system of civil service was implemented based on the Law "On Civil Service" and a number of related sub-legislative acts. As a result, civil servants are differentiated from persons, who hold political, conceptual and civil positions, and from those, who provide technical services, equal terms for engagement into and dismissal from civil service are stated, opportunities are ensured for professional advancement. Meanwhile, during this period clarifications and definitions are made to general description of each group of civil service positions, the framework of civil servants' responsibilities, and to the system of payment of civil servants.

The followings are regulated by respective decisions of the RA Government as well:

- Maximal and minimal limits for payment of compensation for expenses of official trips in the territory of Armenia and to foreign countries and the rules of payment;
- limits of vehicles needed for servicing of officials of the public administrative bodies;
- separate criteria for service vehicles provided to officials of public administrative bodies, this, in particular, defines maximal possible price for its acquisition, depending on position of the official;
- normative terms of communication services and rules for usage of telephone connection;
- normative volumes of services of public utilities, including: heat, fuel and electricity supply, as well as normative limits for utilization of water.

Main Objectives

Main objectives in the field of public administration are:

- raise of salaries of public servants;
- composition of work plans and application of the procedure of fulfillment assessment aimed at improvement of efficiency of the work at public administrative bodies;
- allocation of respective financial means for development of facilities and for acquisition of capital assets aimed at technical re-equipment of public administrative bodies and improvement of working conditions.

6.2. PRIORITIES, OBJECTIVES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

6.2.1. Priorities

The followings are of main priorities of public administration for the period of MTEF:

- increase of salaries of public servants. in this sense it is important to:
 - elaborate a strategy for public servants' remuneration aimed at improvement of public administration system;

- elaborate a unified system of remuneration of public servants and create appropriate legislation aimed at regulation of disproportions in correlation of sizes of remunerations and improve the remuneration system for employees involved in the sphere of public service;
- apply the procedure of composition of work plans and fulfillment assessment in public administrative bodies;
- introduce the system of electronic documentary circulation in public administrative bodies and ensure implementation of the process of composition of work plans and fulfillment assessment through that system;
- introduce a procedure for bonus payment to the public administration system employees on the basis of fulfillment assessment and create encouragement fund for that purpose.

Another priority for assurance of increase of work efficiency is furnishing of administrative bodies and of each workplace therein with contemporary technical equipment and means of communication.

Reforms and improvements of the system are continuously implemented in the public sector, which are aimed at formation of a system that corresponds to the best international practices. In order to provide for constructive enforcement of the potential of human resources in the public administration sector it is necessary to increase the level of attractiveness of the sector, by making the quality of work and the level of remuneration competitive with the private sector, at the same time refraining from increase of the number of employees during the MTEF period.

More attention must be paid to the development of appropriate system and facilities which ensure implementation of procedures for involvement of qualified specialists into the system of civil service and their continuous career advancement.

Within the MTEF period the continuous improvement of the knowledge and skills of the employees of the public sector is signified as well. Particularly, the Government will continue introduction of the electronic management system, and the procedure of online provision of services is also being gradually introduced.

6.2.2. Objectives

The main objective of expenditures in the public administration system is to create prerequisites for provision of more accessible, quality and equitable services to the society by the public servants. For that purpose first of all it is necessary to ensure financial and legal protection of public servants, as well as improvement of procedures of their regular mandatory retraining and attestation with the purpose to ensure improvement of theoretical and professional knowledge public servants. Another priority objective is the technical re-equipment of public administration bodies.

6.2.3 Expenditure drivers

The following factors will influence on the structure and volume of expenditures in the public administration system over 2011-2013:

- (i) Natural growth of salaries of civil servants (public and judicial servants), tax servants, customs servants, compulsory executors and court managers, according to the requirements of the RA laws "On

Remuneration of Civil Servants”, "On Judicial Service"; "On Tax Service"; "On Customs Service", "On the Service Ensuring Enforcement of Judicial Acts" and “On the Criminal Executive Service”, growth of additional payment calculated with relation to official wage rates of the judges, prosecutors and servants of special investigation service according to the requirements of the RA Judicial Code, the RA laws “On the Prosecution” and “On the Special Investigation Service” and respectively allocation of appropriate means for that purpose;

(ii) during the MTEF period it is envisaged to improve and regulate the existing system of remuneration of employees involved in the system of public administration with the purpose to introduce a unified system of remuneration of public service;

(iii) provision of reserve funds for financing of unpredicted expenditures with the aim to ensure ordinary activities of the RA courts, the RA Constitutional Court, the RA Prosecutor’s Office and the RA Control Chamber according to the requirements of the RA Judicial Code, RA laws “On the Constitutional Court”, “On Prosecution” and “On the Control Chamber”;

(iv) provision of appropriate resources necessary for ordinary operation of public administration bodies on the ground of the expenditures provided for appropriate purposes by the base year budget.

Certain measures may be undertaken during MTEF period, implementation of which will influence planning of all the budgets for the following years, particularly, expenditures provided for services of communication and public utilities (electricity, gas and water), normative limits of which are regulated by respective decisions of the RA Government, may be changed in the result of reconsideration of corresponding tariffs by the Public Services Regulatory Commission, as well as due to possible changes in the volumes of utilization by customers.

Besides, the following factors may have an impact on the maintenance expenditures of the public administration bodies:

- a/ legislative changes;
- b/ institutional changes of the public administration system;
- c/ changes in the number of employees of the public administration bodies.

6.3. EXISTING EXPENDITURE COMMITMENTS

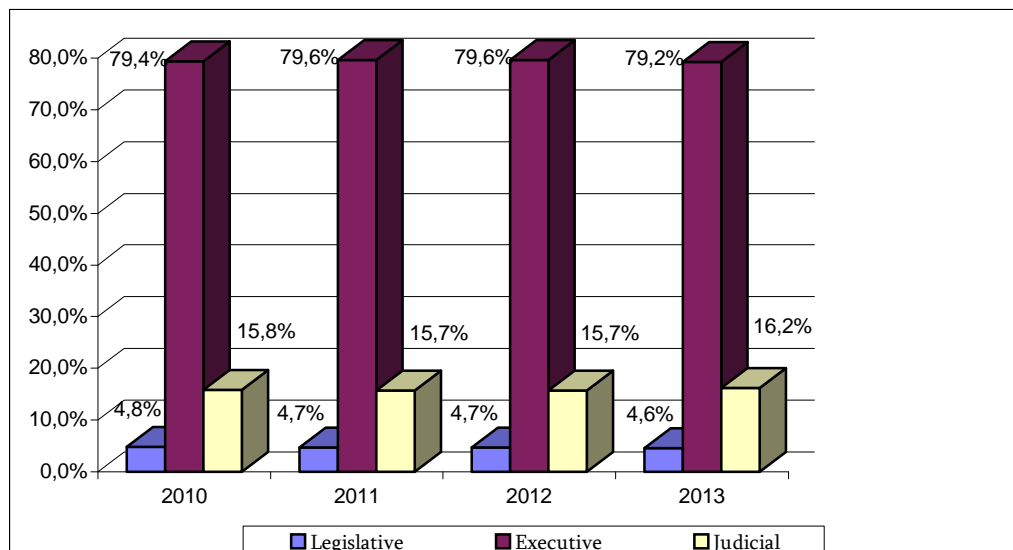
One of the priority objectives is to at least preserve the volumes of financing necessary for regular activities of the public administration system. Distribution of maintenance/administrative expenditures of public administration bodies in 2011-2013 by legislative, judicial, and executive authorities are presented in the chart below.

Current expenditures, in comparison with 2010, will grow by 1.4 billion Drams, in 2012 – by 0.6 billion Drams in comparison with 2011, and in 2013 – by 3.9 billion Drams in comparison with 2012.

The nominal growth of expenditures will be accompanied with the variation of its share in the GDP. Thus, as compared with the level planned for 2010 (1.63 percent of GDP), the state budget expenditures

provided for maintenance/administrative expenses of public administration bodies over the 2011-2013 MTEF period will make up 1.50%, 1.42% and 1.41% respectively.

Chart 6.1. Distribution of maintenance/administrative expenditures of public administration bodies in 2011-2013 by legislative, judicial, and executive authorities (% of total expenditures)



The share of this expenditure within the total volume of state budget expenditures will be changed in the following way: in comparison with the level programmed for 2010 (5.59%), the share of public administrative expenditures within total amount of state budget expenditures is forecasted to be at 5.32% in 2011, 5.18% in 2012, and 5.15% in 2013.

Within the framework of the 2011-2013 MTEF program no financing is provided for acquisition of non-financial assets for the public administration bodies' capacity building.

The volume of current expenditures planned for 2011 exceeds the 2010 indicator by 1.4 billion Drams, which is mainly resulted by the following:

- the growth of wage fund (together with mandatory social payments) – about 463.2 million Drams.

This is conditioned by the natural growth of salaries of civil servants (public servants and judicial servants), tax servants, customs servants, compulsory executors and court managers, according to the requirements of the RA laws "On Remuneration of Civil Servants", "On Judicial Service"; "On Tax Service"; "On Customs Service", "On the Service Ensuring Enforcement of Judicial Acts" and "On the Criminal Executive Service", and by the growth of additional payment calculated with relation to official wage rates of the judges, prosecutors and servants of special investigation service according to the requirements of the RA Judicial Code, the RA laws "On the Prosecution" and "On the Special Investigation Service";

- increase of expenditures connected with growth of tariffs for public utilities services (gas and water) by the Public Services Regulating Commission;

- regulation of payments for communication approved by corresponding decisions of the RA Government;

- provision of appropriate expenditures connected with establishment of new Armenian embassies in foreign countries and the position of a commercial representative.

The volume of maintenance expenditures for 2012 exceeds the 2011 level by 0.6 billion Drams in the line of current expenditures, which is mainly conditioned by increase of wage fund (together with mandatory social payments) resulted by the natural growth of salaries of civil servants (public servants and judicial servants), tax servants, customs servants, compulsory executors and court managers, according to the requirements of the RA laws "On Remuneration of Civil Servants", "On Judicial Service"; "On Tax Service"; "On Customs Service", "On the Service Ensuring Enforcement of Judicial Acts" and "On the Criminal Executive Service", and by the growth of additional payment calculated with relation to official wage rates of the judges, prosecutors and servants of special investigation service according to the requirements of the RA Judicial Code, the RA laws "On the Prosecution" and "On the Special Investigation Service".

The volume of maintenance expenditures for 2013 exceeds the 2012 level by 3.9 billion Drams on line of current expenditures, which is mainly conditioned by increase of wage fund (together with mandatory social payments) – at 3.7 billion Drams, resulted by the natural growth of salaries, according to the requirements of the above mentioned laws, and by the growth of additional payment calculated with relation to official wage rates of the judges, prosecutors and servants of special investigation service, as well as by increase of salaries of employees of public administration bodies by 10%.

302.3 billion Drams is provided for the purpose of preparation and conduction of population census in 2011.

2.4 billion Drams is provided for conduction of the RA National Assembly Deputies elections and for the local self-governance bodies' elections in 2012.

1.5 billion Drams is provided for conduction of the RA Presidential elections and for elections of members of the Yerevan city Council.

Total expenditures provided for public administration bodies for 2011-2013 including expenditures for reconstruction of administrative buildings and expenditures in the line of grants and loan programs are summarized in the table below:

	2011	2012	2013
Total	59,631.6	57,305.6	58,762.9
of which:			
Maintenance expenditures of public administration bodies	53,749.4	54,327.4	58,206.3
Reconstruction and acquisition of administrative buildings	245.1	35.1	35.1
Grants and loan programs	5,637.1	2,943.1	521.5

CHAPTER 7.

EDUCATION AND SCIENCE

7.1. EDUCATION

7.1.1. SITUATIONAL OVERVIEW AND MAIN TASKS

1. SITUATIONAL OVERVIEW OF THE SPHERE OF EDUCATION

The sphere of education is emphasized in Armenia as one of prerequisites for sustainable development of the country, preservation of human capital and its reproduction. Reforms are implemented in all levels of education with the purpose of assurance of equally accessible qualified education and increase of efficiency of the sphere of education. Hence, development of this sphere is one of priorities for development of the country.

Expenditures in the sphere of education provided by the state budget (without maintenance/administrative expenditures) were at the extent of 3.38% to the GDP in 2009, against 2.83% in 2008 (see the Table 7.1). Notwithstanding significant increase of allocations in the sphere of education from the state budget, the ratio of educational expenses in the GDP in Armenia still remains considerably low in comparison with the countries of Organization of Economic Cooperation and Development (OECD), as well as with countries of Central and Eastern Europe (CEE) and CIS countries (the annual average indicator for the OECD was at 4.8% in 2006, and that of the CEE and CIS countries was at 4.4% in 2007).

The major part of public allocations in the sphere of education, about 84.7%, were channeled to financing of general education, and 12.2% to financing of professional - vocational educational programs in 2009. The same indicators for 2008 were: 84.1% and 13.1% (in 2010 they will be respectively at 81.8% and 14.7%).

Table 7.1. Share of 2006-2009 public expenditures for general and vocational educational programs in GDP

	2006	2007	2008	2009
Total education	2.51	2.84	2.83	3.38
including:				
General educational programs	2.11	2.47	2.38	2.86
Vocational educational programs	0.30	0.29	0.37	0.41

Note: General education programs include elementary, basic, and secondary (full) general education (general education, inclusive education, special education, etc.), as well as a number of programs provided within the framework of support provided for the implementation of general educational programs. Professional/vocational educational programs include initial vocational (technical) education, secondary vocational, higher, and post-graduate professional programs and a number of programs provided within the framework of support to these programs

Despite significant growth of allocations to the sphere of general education for the last years in the sense of general involvement, anyhow there are some differences by degrees/grades of secondary education:

- indicators of net involvement on the level of basic education are at about 96%, which are close to similar average indicators of CEE and CIS countries. Indicators of involvement in basic schools by the territorial, sexual and poverty groups aspects are considerably homogeneous, i.e. basic education is equally accessible for all groups of population.

- The indicator of gross involvement in high schools was at about 80% in 2005, it still remains quite low in comparison with indicators in the CEE and CIS countries (the average of the same indicator for the mentioned countries was at 87% in 2004).

The indicators of gross involvement in pre-school and vocational programs are low that those for CEE and CIS countries, particularly, in the pre-school system the gross involvement in 2005 was at 27.5%, while inside urban population it was at 38% and inside rural population – 11% (the average for CEE and CIS countries was 50.1%). The gross involvement in vocational programs was at 38.4% and about 28% only in the higher educational system (the average for CEE and CIS countries was 43%). While, indicators of involvement in vocational programs vary both in territorial and poverty groups aspects. If indicators of involvement in initial vocational (technical) and secondary vocational educational institutions are enough homogenous in the poverty groups aspect, the picture is quite polarized on the level of higher education (not in benefit of socially vulnerable groups, but in benefit of urban population, especially that of Yerevan).

Reforms are implemented in all levels of education aimed at assurance of equal accessibility of qualified education in all levels and improvement of efficiency of the sphere of education in general.

General Education

The main provisions for the reforms of the sphere of general education are stated by the RA law “On General Education” adopted in 2009, which defines principles of state policy in the sphere, its organizational-legal and financial economic bases. Connected with application of the law, the RA Government will adopt a number of legal acts, particularly, the public criteria for general education and the order of its formulation and confirmation, the order of election (appointment) of the director of public general educational institution, the list of diseases preventing educational or administrative activities, etc., are already confirmed. Systems of attestation of teachers and certification of directors will be introduced in connection with adoption of the above law.

In 2010, 1405 general education schools are operating throughout the country. The number of students of general education schools is 386.6 thousand, as compared with 406.2 thousand students observed in 2009 (in 2009 there were 1410 general education schools operating in the country). Connected with the collapse of indicator of birth in the country, the number of children of school entering age is reduced, but starting from 2011, connected both with transfer to the 12-year study scheme and increase of the level of birth, the number of children will grow and during 2011-2013 it will make up respectively 395.8, 421.0 and 419.1 thousand.

A number of actions have been undertaken by the Government for the recent years aimed at reforms of administration and contents of the system, improvement of efficiency and quality of general education.

Particularly:

- In accordance with the Government’s Decree No 1262-N, dated August 24, 2006, “On calculation of expenditures of public general educational institutions, approving the order of re-distribution of

expenditures of public general educational institutions and acknowledging the RA Government decree No 773, dated August 25, 2001 invalidated”, the new method of calculating school financing, by a formula, based on the number of students, is being applied since January 1, 2007 for all public general educational institutions in Armenia. While, as a result of application of the said formula, for the purpose of assuring the balance of budgetary expenditures for general educational institutions, the public administration bodies are allowed to make re-distribution (at a limited extent and in an order confirmed by the Government) of expenditures of institutions under their supervision.

- While increase of the teachers' wages is considered to be a priority issue in the sector of education, the Government conducts a persistent policy of increasing wages, considering it as the basic guarantee for enhancing the quality of education. Particularly, the average monthly wages of teachers were increased by 21.0% in 2008 and by 29.5% in 2009, making it up to around 116.3 thousand Drams. In 2009 the annual rate of teachers' wages exceeded the per capita GDP by 45%, which is connected with the collapse of GDP and preservation of the level of teachers' wages. And during the MTEF period the annual rate of the teachers' wages will exceed the per capita GDP, in 2011 by 30% and in 2012-2013 by 20%.

- Actions are implemented in the direction of creation of the high school network. High school is the main circle providing with “pre-vocational” education, and the student's right professional orientation and future achievements in education are mostly depending from activities of the high school. In 2008 the RA Government approved “The Strategic Plan for Establishment of the System of High Schools” and “The Pilot Program”. 10 high schools were established in the first phase, and 38 schools were included in the network of separately acting high schools in the second phase – in 2009. The mentioned high schools are provided with school furniture and assets, computing equipment, laboratories of physics, chemistry, biology, contemporary libraries compiled with necessary literature. Particularly, within the framework of the program on “Introduction of the System of High Schools” respectively 225.7 million Drams and 269.7 million Drams were provided by the 2008-2009 state budgets. The building conditions of schools are improved, for the purpose of capital reconstruction of schools 1830.8 million Drams was provided in 2008 and 1718.2 million Drams – in 2009. In 2008-2009 about 1200 teachers of 48 high schools passed subject retraining on a higher educational level that was directed to improvement of their professional knowledge and skills, acquirement of practical abilities. In 2010 43 schools will be included in the network of high schools, and also will be furnished by laboratories of physics, chemistry, biology (in 2010 159.6 million Drams is provided for that purpose). Activities on expanding the network of high schools will continue in 2011, and according to the RA Government Decree No 878-N dated July 24, 2008 “On the Confirmation of the Plan of Actions for 2008-2012 of the Government of the Republic of Armenia”, about 150 schools will be included in the network of high schools.

- Considerable allocations were envisaged in 2008-2009 for elaboration and printing of educational programs ensuring the transition to 12-year study scheme, publication of methodological manuals for teachers, and acquisition of educational-visual auxiliary materials.

- Substance and structural reforms in education sector resulted in need to continuously retrain the pedagogic personnel and improve their professional qualities, and for this purpose considerable allocations have been provided. For the purpose of substance and structural provision of education and retraining of the pedagogical staff 457.7 million Drams were allocated by the 2008 state budget, 490.0 million Drams in 2009, and 491.5 million Drams is provided in 2010.

- Activities have been implemented directed to introduction of a new system of assessment of the student's knowledge. Starting from September 1, 2009 the general educational schools started to use the 10-marks scale for assessment. In summer of 2008 unified examinations of 6 subjects were conducted according to the new order, and in 2009 graduation and admission unified examinations from all subjects were conducted. for the purpose of assessment and attestation 374.4 million Drams was provided by the 2008 state budget, 472.4 million Drams - by the 2009 state budget, and 441.4 million Drams is provided by the 2010 state budget.

Introduction and enhancement of the new assessment system is an important step in unified assessment of students and complete performance of knowledge, skills and abilities. Introduction of the system for admission in higher educational institution ensures a reverse connection with the school, promotes development of the school.

In 2009 the procedures for unified graduation and admission examinations, regulatory documents and the rules of higher educational institution admission were revised and admitted.

Manuals for graduation and admission unified examinations of the following subjects were prepared and published: "Armenian language and literature", "Armenian history", "General history", "Mathematics", "Foreign languages" (English, French, German, Russian), "Physics", "Chemistry", "Biology", "Geography".

During the last years significant work has been implemented aimed at introduction of information technologies in the public education sector. The RA Government emphasizes development of electronic education, introduction of the system of electronic management of education and distance education. In 2005-2006 589 schools were provided with 2988 computers, in 2007-2009 850 schools received respectively 1296, 1133 and 700 computers. The average indicator of students per computer at schools in 2008 was at 38, while it was 36 in 2009.

Till 2009 324 schools were included in the Internet Network of Armenian Schools (INAS), 320 schools were added in 2009, and 300 of them will be connected in 2010, by mainly using the existing infrastructures of the network. The mentioned activities will continue for the MTEF period and in 2011 almost 1200 school will be included in the network according to the Actions Plan of the Government for 2008-20012.

With the aim to improve IT knowledge and provide with IT education in 2009, retraining of IT teachers was organized for newly connected 320 schools.

Simultaneously works are conducted aimed at creation of electronic content (resources, electronic Armenian-language programs, text-books, educational materials, etc.). Particularly, the computer didactic

games on “Armenian Language and Grammar”, “Arithmetic and Geometry”, “Electronic English” and “Russian Language”, “Manual for the User of the Network” and its auxiliary materials were created. In 2009 activities were conducted in the direction of Processing and development of information system of education management. It supposes assurance of collection, analysis and distribution of statistical data on pre-school, general education and vocational educational institutions, creation of an informational data base.

For the purpose of computer and internet services 344.4 million Drams was provided by the 2008 state budget, 547.0 million Drams in 2009 and 698.0 million Drams is provided in 2010.

- The works for provision of elementary school students with free textbooks and publication of textbooks for the high school continue. For the mentioned purpose 469.4 million Drams was provided by the 2008 state budget, 764.5 million Drams in 2009 and 764.6 million Drams is provided in 2010.
- For the purpose of improvement of heating systems and building conditions at schools significant resources are allocated for reconstruction and capital construction, as well as for fuel and heating, in connection with the need of exploitation of new heating systems.

At the same time due to reforms in the system, some indicators of efficiency of the general education system show tendencies of improvement, particularly,

- the level of student/teaching staff and student/non-teaching staff relation in the general education school in 2008-2009 was reached up to respectively 14.5 and 24.1, as compared to 14.0 and 23.2 in 2007;
- The level of the teaching engagement reached up to 22 hours per week in 2005, as compared with 20 hours in 2004. Taking into consideration the teachers’ after-classes engagement (preparation of lessons, check up of copybooks, etc.), the teachers’ engagement may reach up to 29 hours per week (for comparison, in the OECD countries the mentioned indicator is 38 hours per week, and 40 hours per week in the RA public sector).

The main objective in the direction of **Armenian Diaspora** is retraining of Armenian teachers from Diaspora: For the mentioned purpose a monthly retraining classes are being organized: Preparation of professional staff for the Diaspora also is very important. Together with the general number of applicants to the higher educational institutions, the number of applicants in the fields of pedagogy, art and Armenian science increases as well, making up about 45-50% of the total.

Preparation of educational literature and auxiliary materials and their provision to the Armenian educational institutions is another important issue in the sense of relations with the Diaspora. While, for the coming years it is envisaged to decrease the number of literature provided to educational institutions in Georgia, and instead of it, the number of literature provided to educational institutions in other countries in Diaspora will increase depending on the real demand.

Starting from 2004, once in two years an All-Armenian Olympiad on the subject “Armenian language and literature” and All-Armenian educational conference are being conducted.

Special General Education: Government strategy in this area is directed to improvement of the quality of education and care for children in special institutions on the one hand, and at establishment of alternative services, on the other, which will allow reducing the burden of special schools.

According to the RA law “On Education”, education of children with specific educational needs, by the choice of parents, may be organized both in general education or in special institutions with special programs of education. At present 32 public special general educational institutions are included in the system with 4982 students involved.

According to the RA law “On Education of Persons Who Need Special Conditions of Education” the aim of special education is to ensure preparedness of children, who need special conditions for education, for developing abilities for self-servicing, professional and working activities and family life.

The main goal of the “Inclusive Educational Concept”, approved by the Government, is to determine fundamentals for organizing the education of children with specific educational needs in general educational schools and for the reforms in special education system.

Special importance is paid to the medical-psychological assessment of children with specific educational needs, which must be arranged in medical-psychological-pedagogical assessment centers.

There is a progress also with the level of involvement of children with specific educational needs in general education schools, At present inclusive education is being arranged in 26 general education schools in the republic, where 715 children are involved. During the MTEF period inclusive education will be arranged in 48 general education schools, which will involve the following numbers of children by years: 1301, 1339 and 1350.

Criteria for special education are elaborated for children with mental disabilities, a number of manuals on arrangement of education of children with specific educational needs are published.

Extracurricular education: the strategy was directed to modernization of the system and establishment of development preconditions. Particularly, improvement of legislation and the management system, development of professional skills of the personnel, improvement of material, educational and technical basis, and increase of accessibility and expansion of services are considered as priorities in the sector.

Currently 54 extracurricular institutions (sports schools, creative, technical/crafts, environmental, artistic centers for children and youth) are functioning within the educational system of Armenia, where around 29524 pupils attend.

Programs in the sector have been directed to the development and promotion of creative abilities of talented children, their healthcare, transition of sporting turn, improvement of physical skills of sportsmen, etc, as well as provision of methodical assistance to the educational institutions, elaboration of new textbooks and manuals.

- The list of musical literature and textbooks provided for art educational institutions is compiled and prepared for publication in 2008 - 21 titles, and 29 titles subject to publication in 2009.
- By the RA Government Decree No 1167-N dated October 11, 2007, was confirmed the size of compensation of education fee in musical and art schools in the line of folk instruments. In 2007 compensation for education fee was provided to 1993 students in 134 schools, and to 2062 students in 139 schools. By the time of operation of the program a number of classes of folk musical instrument were opened. In 2009 compensation was provided also for the study in classes of string and wind instruments. As a result, in 2009 2443 students in 141 musical and art schools in 10 marzes and in Yerevan were provided with compensation of education fee, including 2082 students in the part of folk instruments, 100 of them – string instruments, and 261 – wind instruments. The program promotes preservation of folk, stringed and wind instruments, more targeted addressing of the public assistance, provision of accessible education for children from socially vulnerable families. In some rural areas classes for the mentioned instruments were reopened, which promotes accessible musical and art education within the rural population.
- It is also important to arrange elaboration of curricula for musical, art and creative schools, provision of teachers with educational-methodical and practical assistance, retraining of trainers of sports schools.
- The issue of reconstruction of sports schools buildings and renovation of facilities is paid special attention for the recent years, as a result of which buildings of 28 sports schools are reconstructed and built by the financial provision from the state budget. Expanded and improved conditions create favorable conditions for more effective process of training, as well as to involve more students.

The pre-school education: The RA law "On Pre-School Education" was adopted and the RA pre-school education strategic program of reforms for 2008-2015 was approved by the RA Government within the framework of reforms and development of pre-school education system. They are aimed at regulation of legal, organizational and financial basis for operation and development of pre-school education system. Through application of the law, the authorities of public, territorial and local governance bodies in the field of pre-school education will be clarified.

In 2007 50491 children attended pre-school educational institutions (the number of available places - 69270), or the actual occupation of kindergartens made up 72.9%. It is true, that there is a certain growth of involvement of children in these institutions, but it is worth mentioning that it mainly happens in big inhabited areas, and children from socially well provided families attend these institutions. In 2008 there were 631 pre-school institutions in the republic, 1/3 of which in Yerevan (share of children attending pre-school institutions in Yerevan in the total about make up at about 45.6%).

The pre-school institutions work under community supervision and they do not provide services on the account of the state budget, their services are financed by the means provided by communities, international organizations and parents.

Professional Education

Over the coming years, development of higher professional education is conditioned by the provisions of the RA law "On Higher and Post-Graduate Professional Education", as well as by integration of the Armenian higher education system into the Bologna Process.

The education in the higher professional education institutions is arranged through a two-level system – bachelors and masters, and simultaneously education of specialists with diplomas was arranged with the last graduation in 2008. Presently, higher professional education is arranged in public HEI-s, on paid and free basis, and in private HEI-s, on paid basis.

Specialists with higher education are being prepared in 18 public HEI-s and in their 12 branches as well as in 2 institutions established by interstate agreements and in 1 institution - with state participation. The HEI-s prepare specialists in around 220 professions through stationary (full-time) and internal forms of education, on paid and free basis. Currently, 82.6 thousand students are enrolled in public HEI-s, of which around 24.2 thousand are involved in the distance learning system; some 25.2 thousand students are enrolled in 68 private HEI-s. Among private HEI-s, 35 are fully accredited, and 10 of them are accredited for certain professions.

The present situation of the higher education in Armenia is specific by the fact that a number of actions have been undertaken to ensure integration of the Armenian higher education into Area of European Higher Education (AEHE).

Analysis of the list of professions, currently offered at higher professional education institutions, is conducted in terms of both consolidation of professions and their consistency with the requirements of the labor market. A number of new modern professions have been introduced in the HEI-s throughout the country.

A number of legislative acts ensuring the application of the Law "On Higher and Post-Graduate Professional Education" were approved, particularly "The Pattern Order of Conduction of Higher Education Process Through Credit System". The HEI-s already has a certain positive experience in connection with transmission to the new system. Starting from September 2006 the competitive education is being applied in HEI-s, which means that students with good advancement are being transferred to the non-paid positions and vice versa.

The list of the professions of higher education is confirmed, which meet the international standards and demands of employment market. Introduction of new professions is being conducted (Special psychology, Correcting pedagogy and special psychology /pre-school/, military pedagogy and psychology, pedagogy and sociology, art management, etc.).

The “National Information Center for Mutual Academic Recognition and Mobility”, as the national instrument for localization of provisions of the Lisbon convention, conducts its activities in accordance with reforms and developments, which take place in the country and in the European region as well. Activities of the Fund are directed to establishment of the Area of European Higher Education through acknowledgement of foreign qualifications and provision of proper information on existing educational systems. In 2008-2009 the Fund continued its activities in the following directions: acknowledgement of foreign qualifications, consultation and provision of information to the citizens, HEI-s and foreign and local organizations. In 2009 in comparison with the previous year the volume of consultation provided by the Fund increased by 22% and the cases of qualification acknowledgment – by 24%. The fund is actively involved in the works of the intergovernmental committee for recognition of the Lisbon convention. In 2009 it participated in the works for preparation of the Assessment Report, where achievements of 46 countries joined to the Bologna process over 2007-2009 were presented.

In 2008 the Fund for “National Center for Assurance of Professional Education Quality” was established, which is responsible for conduction of expertise of accreditation of pre-school, secondary and higher education. Beneficiaries of this program are the educational institutions and organizations providing with professional education in compile with their staff, students and employers. The Fund started its activities since January, 2009. It has the following functions: elaboration of procedures and standards for accreditation and assessment of professional educational institutions and educational programs, assessment of internal systems for quality assurance, submission of offers directed to their improvement, publication of rating indicators of specialized institutions.

Developments in the field of **initial and secondary vocational education** are conditioned by the provisions of the RA law "On Initial Vocational (Technical) and Secondary Vocational Education". The mentioned law regulates the RA state policy principles, organizational-legal and financial bases, rights and obligations of physical and legal persons within this system.

In 2009 the RA Government approved the Conception on "Social Partnership in the Sphere of Initial (Technical) and Secondary Vocational Education", which defines the cooperation of the RA Government and social partners: employees and trade unions, which is aimed at increase of rating of the initial (technical) and secondary vocational education system, competitiveness of graduates of these institutions and protection of their interests in the market, which in turn will result in reduction of poverty and social-economic development of the country.

In 2008 the National Council for Development of Professional Education was established through appropriate involvement of social partnership and is aimed at implementation of reforms in the sphere of initial (technical) and secondary vocational education system, as well as to promote the process of development and coordination of the social partnership.

A number of legal acts regulating the sphere are elaborated and confirmed, including the list of professions for initial (technical) and secondary vocational education, which include 102 professions in

technical/crafts education with about 350 qualifications, 54 of them are being taught at present, and 352 professions of secondary vocational education, 102 of which are being taught currently.

Initial vocational (technical) education in Armenia is being conducted through initial vocational education institutions – technical/crafts schools, and secondary vocational education institutions – colleges. The aim is to train specialists with initial vocational qualification of a skilled craftsman (skilled workers or foremen) on the basis of general or secondary (full general) education. Currently, in 54 public educational institutions conduct initial vocational (technical) education, By the 1st of January, 2010, there are 30 crafts vocational schools in the republic with 7410 students (of which 1255 study on a paid basis), and about 495 lecturers and practical educating foremen are being employed by them.

In initial vocational (technical) educational institutions the number of students increased till 2008, and in 2009 it performed the tendency for reduction, although, the financial allocations increased, connected with increase of salaries.

Secondary vocational (technical) education is conducted through secondary vocational educational institutions: in the college, fund educational complex, as well as in a number of higher education institutions in the form of separate educational programs. Graduates of secondary vocational education institutions who pass the graduation attestation are awarded with a qualification of a specialist.

Secondary vocational education is arranged in respective both on paid and free basis. Presently, the secondary vocational education programs are being arranged in 83 public secondary vocational institutions and in 23 private secondary vocational institutions (accredited or not accredited). By the 1st of January, 2010, there are 78 secondary vocational institutions in the republic with 28.7 thousand students (of which 21.2 thousand study on a paid basis), and about 3435 lecturers and practically educating foremen are employed by them.

In secondary vocational institutions the number of students on the positions of free education increased till 2008, and simultaneously the volume of educational expenditures increased in connection with increase of salaries of the teaching staff. The number of students did not change for the last 5 years, At the same time, there is a noticeable growth of revenues into the system starting from 2007, which is explained by the raise of educational fees, particularly, in specialties of arts, health, IT, and services.

12 specialized educational institutions are elected within the framework of reforms in the sphere of initial and secondary vocational education, and after material-technical provision of these institutions they will become multifunctional educational institutions. Construction works for about 810 million Drams are implemented in these institutions.

But the reforms are generally implemented in the direction of improvement of legislation, retraining of the teaching staff, modernization of educational-methodical materials, and the reforms in enrichment of material-technical basis are far to be considered as modern, which is one of the main, if not the prior one, factor for conduction of educational process and preparation of specialists who will be competitive in regard with demands of the labor market.

2. MAIN TASKS

Notwithstanding measures undertaken for improvement of the sphere of **general education**, there are still several problems, particularly:

- to bring the education quality in compliance with the criteria provided by the public educational regulation and the requirements defined by the standards of secondary education;
- according to the concept of the high school, formation of the schools' network, and correspondence of the schools' substance with the conception;
- raising of qualification of teaching and managing staff, conduction of retraining;
- assurance of activity of the system of teaching staff attestation, provision of substance;
- elaboration and development of standards for assessment and mechanisms of students' knowledge, skills and abilities;
- elaboration and provision of elementary, general and high school graduation examination materials and tasks, arrangement and conduction of unified school graduation and higher education entrance examinations;
- conduction of national and international examination of the students' knowledge, skills and abilities;
- elaboration and implementation of experimental programs for the purpose of improvement of knowledge assessment;
- expansion and development of school-centers activities, informational system of educational management;
- compilation of the system of education with skilled pedagogical staff working with ICT means and using contemporary educational methods.

In the sphere of general education the level of use of ICT means is not satisfactory, the majority of computers are old, there is a big insufficiency in electronic manuals used in the process of education, auxiliary and methodical materials. Teachers, and IT teachers as well, are not good enough in using ICT means during the process of teaching, etc.

Parts of school buildings are reconstructed, but still there are many schools which need reconstruction. Educational-material equipment of schools is insufficient, there are no materials and equipment necessary for laboratories, and the issue of proper material-technical provision of the high schools is specially emphasized.

One of the problems in the system is enhancement of future relationship of the Diaspora youth with Armenia.

Main tasks of the **extracurricular education** are :

- gradual development of the sphere of extracurricular education, its renovation and improvement, elaboration of new extracurricular educational programs;

- elaboration of educational programs in a way which will promote renovation of educational works with students, the formation of the students' personality and individuality, execution of multifunctional extracurricular educational institutions with differentiated programs;
- development of forms and methods of school-extracurricular institutions relationship;
- improvement of social security of teachers, raise of salaries;
- reconstruction of buildings and provision with heating systems, compilation of material-technical supply.

In the system of **pre-school education** the following problems are separated:

- accessibility of pre-school services is considerably unequal in different regions of Armenia, and especially in rural areas the level of involvement of children is very low;
- housing conditions in Pre-school institutions, and conditions for appropriate arrangement of care and educational works are insufficient, which prevents involvement of more children in these institutions;
- no complete solution is given to the issue of professional retraining and raise of qualification of the pedagogical staff.

Higher education sphere: the Bologna declaration, as well as all other documents following it, definitely stated the problems of reforms, which must be realized by joined states. Particularly, they are:

- to introduce readable and compatible higher education document, the important part of which is the Diploma Supplement;
- transition to three-level higher educational system: bachelor, master and doctor;
- to introduce readable and compatible system of credits, which is the European Credit Transfer System;
- create national system of qualification, which will be compatible with the European general system of qualifications and will facilitate the readability;
- to work out and introduce compatible criteria and procedures in the field of quality assurance,
- to assure mobility of students and the teaching staff.

Because of low level of financing in the field of higher education, the management and quality assurance functions are not on a proper level. Indicators for public financing of higher education are significantly low from the average in the region, which is partially connected with the fact that after independence was obtained by the country, involvement in the higher education grew from 20-24%. During the last decade, in parallel with tendencies of low level of public financing, dependence of HE institutions from educational fees grow. In public institutions the educational fees make up 30-40% of income per capita, in comparison with USA or Japan, where this indicator is at 11%. High rate of educational fee restricts accessibility of education for especially socially vulnerable population. poor families cannot pay the fee required for education in a paid position in public or private institution.

For those families who have no possibility to make use of alternative sources of financing, the student benefits which are being provided for educational advancement, is the only chance for them to get higher education, but the extent of benefits is limited. Moreover, the poor families cannot provide their children

with private classes, as a result of which their grades for HE admission examinations are mainly low. Consequently, only 6% of all benefits are used by the most vulnerable part of the population in the case when the most vulnerable part makes about 40% in the total population.

At present the task of the professional education is to raise the quality of education, efficient work of the system, equal accessibility of education for the citizens according to their wishes and abilities.

Within the system of **initial (technical) and secondary vocational education** still there are several problems, which are conditioned by:

- the social-economic situation of the country;
- accelerated changes that take place in science and technique in the contemporary world;
- the deformed role of education in formation, preservation and development of national identity;
- absence for continuous development of education;
- big volume of structural unemployment;
- inaccessibility of education for rural population;
- non efficient use of available resources, etc.

In Armenia one of the most important issues in the field of initial (technical) and secondary vocational education is the assurance of high quality of professional education oriented by the labor market demands, as well as high quality if provided educational services. The system faces the tendency to get elder, there is an outflow from the system, which is conditioned by low salaries.

The retraining and professional qualification programs for the teaching staff are not systemized. The key problem of introduction of new ICT technologies and new educational technologies into the initial and secondary vocational schools is not solved yet, the enterprise-educational institution relation is very weak, and there are no efficient mechanisms for conduction of educational and professional practice.

The labor market, in the face of employees, is weakly involved in management works of the system. Within the systems of initial and secondary vocational schools the social partnership is not formed completely.

At present, in initial (technical) and secondary vocational educational institutions conduction of professional practice within the framework of general education process is prevented by the fact that the material-technical base need a strong re-equipment, and in some cases there is no equipment available at all.

7.1.2. OBJECTIVES AND PRIORITIES OVER MTEF PERIOD

2.1. Objectives

Measures directed to the reforms in the sphere of education over 2011-2013 are considered to be as a guarantee for enhancement of the quality of education.

General Education

Over the MTEF period reforms in the sphere of education will continue, which will be aimed at improvement of the quality of full secondary education, assurance of equal accessibility of qualified full

secondary education for all social groups of the population, continuous increase of efficiency of the system, as well as and in all levels of secondary schools, especially in the high school.

One of directions of efficiency improvement for the system of general educational institutions is formation of the high school. It is the last level in general education and must prepare students to the self-dependent life and entrance into the labor market. It means that education in the high school will provide the student with the possibility to receive initial, secondary and higher professional education according to the their interests, abilities, skills and preferences. In 2011 about 150 schools will be included in the network of separately acting high schools covering the whole territory of the republic, and the 3-year program for the high schools will be introduced completely.

A number of activities will be arranged within the framework of reforms of the sphere of education, which will have the purpose to:

- prepare children to the elementary school, assuring equal possibilities;
- increase involvement of children in pre-school programs, involving children from socially vulnerable families. Particularly, provision of grants to the pre-school institutions, retraining of pedagogues and instructors is envisaged;
- modernization of pedagogical education and raise of the teaching staff preparedness quality through reforms in higher educational institutions providing pedagogical education.

The following activities will be continued over the MTEF period:

- contents provision for education and improvement of normative legislation, which presume elaboration and trial of curricula standards, programs, manuals and other materials, elaboration of normative documents regulating the sphere of education;
- retraining of pedagogical and managing staff;
- elaboration and development of unified standards for current, graduation, and HEI admission assessment of the student's knowledge, skills and abilities, as well as elaboration and development of application mechanisms for assessment, development of experimental programs for the purpose of future improvement of assessment methods in all levels of general education;
- participation of the Republic of Armenia in national and international tournament for assessment of the students' knowledge, skills and abilities;
- provision of computer equipment to the schools, establishment of computer centers in schools, expansion of internet network of Armenian schools, creation of electronic educational materials;
- implementation of reconstruction of educational institutions building, construction of gas-supply heating stations for assurance of modern housing conditions for education of the RA citizens;
- creation of equal conditions for children who need specific conditions for education, improvement of the system of admission into special schools in parallel with expansion of inclusive education.

Extension of relations with Diaspora, implementation of joint program are aimed at definition of the nature, ways and means of cooperation in the sphere, discuss interesting them educational matters, provide them with methodical and educational assistance.

In the sector of extracurricular education, it is necessary to:

- promote satisfaction of the students' interests and preferences in the sense of development of their spiritual, humanitarian, artistic, physical, creative abilities;
- promote gradual development of extracurricular education sphere, its renovation and improvement, develop new educational programs;
- improve the forms and means of school-extracurricular facilities collaboration;
- reveal of talented children;
- increase of salaries of pedagogical and managing staff;
- involvement of talented specialists in the works of these facilities.

Capital investments in the sphere of reconstruction and construction of sports institutions will create favorable conditions for healthy living for the population of Armenia in marzes and in Yerevan.

Professional/Vocational Education

In the field of professional education it is necessary to continue reforms aimed at raise of quality of professional education, its compliance with demands of the labor market, strategic objectives of educational and scientific development of the country, international standards and provisions of Bologna agreement.

Taking into account the need to join the European Higher Education Area, the following strategic objectives of higher education reforms are defined:

- development of a strategy, measures and time-frame for complex renovation of the higher and post-graduate educational system,
- elaboration and introduction of a national framework of qualifications in compliance with the European framework;
- complete the process of transition to three level system of higher education;
- assure mutual acknowledgement and equivalence of higher education graduation documents;
- promote mobility of students, transfer to the new system of assessment;
- assurance of sustainable financing.

Assurance of the **higher education** quality assumes:

- elaboration and introduction of new contemporary system for quality assurance;
- promotion of European collaboration within the framework of quality assurance;
- membership in the European Network of Quality Assurance and the European Cadastre of Quality Assurance;
- Introduction of the rating system in the higher educational institutions.

The transfer to the three-level system assumes:

- combination and harmonization of contents of educational programs, specialization characteristics and graduation attestation requirements for the bachelor, master and researcher degrees;
- reorganization of the post-graduate scientific educational program and assurance of its compliance with the 3rd degree of the European education;
- confirmation of the list of professional courses of post-graduate educational programs.

Mutual acknowledgement of graduation documentation assumes:

- elaboration of legal normative documents related to the mutual acknowledgement and equivalence of graduation documentation, promotion of mutual acknowledgement of graduation documentation;
- promotion of relations with the labor market, enhancement of relations between educational institutions and employers.

Accessibility and mobility of education assumes:

- complete introduction of the new assessment system, assurance of equal conditions, unified standards and fair assessment;
- coordination and distribution of information on international programs and scholarships;
- assurance of involvement at the possible high level;
- promotion of inter-institutional collaboration, establishment of joint programs according to general program standards and qualifications;
- establishment of favorable conditions for easy movement of students from one institution to another on local and international levels.

Sustainable financing and institutional independence assumes:

- elaboration and introduction of a system for assessment of efficiency of financial and material resources usage;
- assistance to grant research programs;
- introduction of the system of education loans;
- conduction of retraining programs.

The main objectives of reforms in the field of initial and secondary vocational educational (SVE) institutions are as follows:

- integration of these institutions into the global system;
- compliance of SVE with the European framework;
- introduction of a unified system of credits accumulation and their transfer;
- creation of an information exchange system in the field of SVE;
- Establishment of an open and democratic SVE system;
- assurance of increase of efficiency of the system;
- establishment of an effective system of professional orientation and consultation;

- elaboration of educational standards, based on the analysis of the labor market and professional capacities;
- formation of a social partnership in the sector of professional education;
- establishment of an optimal network of professional educational institutions;
- improvement of the quality of SVE services provided;
- establishment of contemporary management mechanisms for SVE institutions;
- assurance of professional skills of SVE students and graduates in accordance with the requirements of the labor market and economy;
- assurance of efficiency of expenditures.

The following actions are envisaged for provision of life-long professional education in the system:

- to ensure continuity of education (transfer from one educational level to another);
- to ensure the person's compatibility in the labor market;
- acknowledgment of results of informal or non-formal education;
- to establish favorable conditions for provision of life-long education (professional, civil, cultural, and directed to development of the individual).

Consequently, the following actions are mostly signified:

- to promote membership of SVE institutions to international programs and networks;
- to bring the structure of qualifications system existing in Armenia in compliance with the European Qualifications Framework;
- to establish an environment for social dialogue on national, regional and local levels;
- to involve the social partners in the process of policy making and strategy elaboration in the system of education, as well as in the process of management of professional educational institutions;
- to define the role and responsibilities of social partnership on national, regional and local levels;
- to carry out reconstruction and renovation of initial and secondary vocational educational institutions' buildings at the possible extent and ensure ordinary exploitation of heating systems;
- to enrich and modernize educational-laboratory, crafts-room bases of initial and secondary vocational educational institutions;
- to raise the salaries of pedagogical and management staff;
- elaborate professional (engagement) standards;
- introduce and expand ICT means;
- to conduct regular retraining and educational visits of the chief and teaching staff of SVE institutions;
- to conduct practical experience and productive education at the employer;
- to ensure accumulation of credits in various levels and their transferability.

2.2. Priorities

Development of the educational sector is among the basic priorities of economic development defined by the Government; therefore the priority of education will be maintained over the whole period of the MTEF 2011-2013.

General Education

As stated in the Sustainable Development Program, general education is the basic priority in the sphere of education, and the major part of allocations envisaged for education will be channeled to general education.

Within the framework of reforms full secondary education, including the newly introduced three-year high school, are called to ensure the grandaunts' readiness to enter the labor market ,as well as to ensure the possibility to receive professional education in accordance with their preferences and capabilities.

By solving the problem of increasing the quality of general education, appropriate basis for the increase of involvement in high and vocational education is established there, especially on the account of socially not well provided children.

The main priorities of general education sector are as follows:

- contents reform of education, improvement of legislation;
- raise of salaries;
- retraining of teaching personnel, methodological services, processing of the system of attestation for pedagogical staff;
- retraining in regions;
- elaboration and introduction of materials and normative documents ensuring the transition to the 12-year study scheme;
- expansion of the network of high schools, current monitoring and assessment;
- to prepare children to the elementary school, assuring equal possibilities;
- raise of salaries;
- introduction of the new assessment system;
- to expand activities of school-centers;
- involvement of new schools in the internet network of Armenian schools;
- participation in international Olympiads, as well as in national and international tournaments for assessment of knowledge, skills and abilities of students.

Notwithstanding actions by Government aimed at improvement of buildings conditions of educational institutions, anyhow, the issues of continuous arrangement of provision of these institutions with proper building conditions, their reconstruction, and organization of heating systems through boiler houses are still prioritized.

Among the works conducted for the **Diaspora**, a priority direction is: elaboration of educational literature and other auxiliary materials for Armenian schools in the Diaspora and their provision with textbooks, organization of pan-Armenian arrangements.

Special education system, which is the integral part of general education, is still prioritized in general education sector. Creation of equal conditions for the children who need special conditions for education, and their provision with qualified education as needed, improvement of the network of inclusive schools, improvement of the quality of education and care of children in special educational institutions, decentralization of services provided in special educational institutions are prioritized in the sphere.

In the sphere of **pre-school education** the priority directions are: assurance of accessibility of pre-school education, expansion of the network of services. The issue of effectively preparing children of pre-school age, at the age of 5-6 years old, for the elementary education is specially signified, this will assure establishment of equal starting conditions for children in order to continue their education in elementary school.

Professional/Vocational Education

Priorities in this field are assurance of implementation of provisions of the RA law "On Initial Vocational (Technical) and Secondary Vocational Education", requirements of the Lisbon convention, implementation of main activities in the direction of integration of Armenian higher educational system to the Bologna process:

- introduction of readable and compatible higher education documentations;
- creation of a national system of qualifications;
- preparation of information on the educational system of Armenia and its provision to beneficiaries.

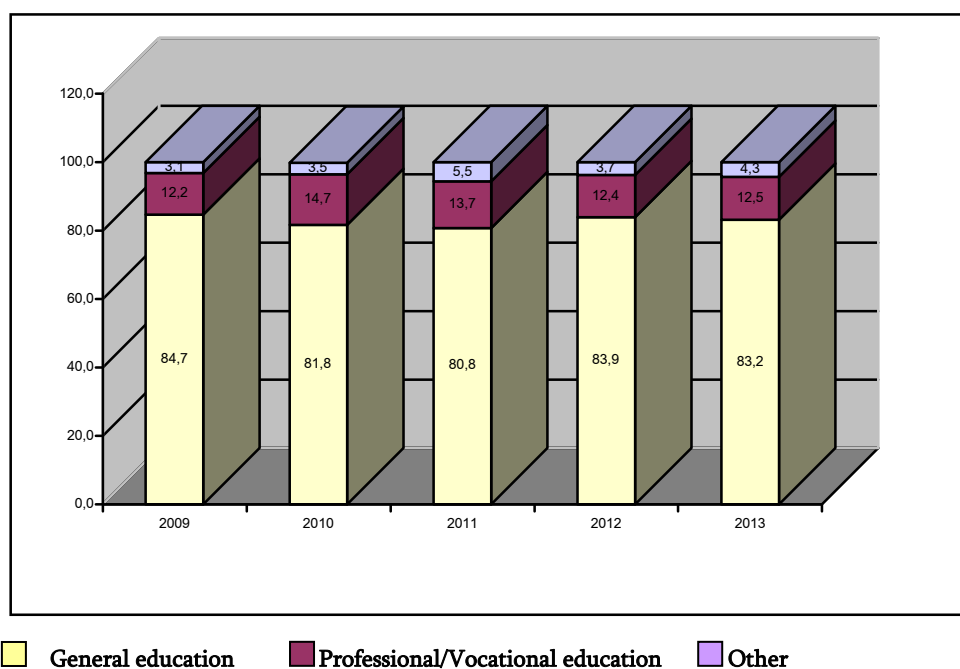
The following priorities for development of the system over the MTEF period were identified:

- elaboration and introduction of public unified educational standards and programs for initial and secondary vocational education;
- compliance of the structure of qualifications system existing in Armenia with the European Qualifications Framework;
- introduction of credits in the system of professional education and training;
- establishment of an environment of social dialogue, involvement of social partners in the process of policy making and strategy elaboration in the system of education, as well as in the process of management of professional educational institutions;
- raise of salaries of pedagogical and management staff;
- reconstruction and renovation of initial and secondary vocational educational institutions' buildings at the possible extent and assurance of ordinary exploitation of heating systems;
- enrichment and modernization of educational-laboratory, crafts-room bases of initial and secondary vocational educational institutions;

- conduction of regular retraining of the chief and teaching staff of secondary vocational education institutions.

The structure of expenditures in general and vocational education programs, by different levels of education, is presented in Chart 7.1.

Chart 7.1. Public Expenditures in the sphere of Education over 2009-2013, by educational levels (% of total expenditures in the sector)



Note: General education programs include elementary, basic, and secondary (full) general education (general education, inclusive education, special education, etc.), as well as a number of programs provided within the framework of support provided for the implementation of general educational programs. Professional/vocational educational programs include initial vocational (technical) education, secondary vocational, higher, and post-graduate professional programs and a number of programs provided within the framework of support to these programs.

7.1.3. EXPENDITURE COMMITMENTS OVER THE MTEF PERIOD

Increasing of the volume of public financing provided for the sphere of education and improvement of the overall situation in the sector will be again prioritized over the whole 2011-2013 MTEF period.

By the 2011-2013 MTEF program expenditures provided for education (including expenditures for capital reconstruction, expenditures under credit projects and those of the Armenian Social Investment Fund, and excluded administrative/maintenance expenditures) are as follows by years: 108318.5 million Drams in 2011, 106706.5 million Drams in 2012, and 111765.6 million Drams in 2013. Decrease of expenditures in 2012 by 1612.0 million Drams, in comparison with the previous year, is explained by the fact that in 2012 capital expenditures for initial and secondary vocational institutions, as well as those being provided by loan projects will decrease by 3118.5 million Drams, and current expenditures will increase by 1506.5 million Drams.

The state budget expenditures provided for the sphere of education by the 2011-2013 MTEF program, will respectively make up 3.03% of GDP in 2011, 2.78% in 2012, and 2.7% in 2013.

Chart 7.2. Planned Indicators of State Budget Expenditure in Education (% in GDP)

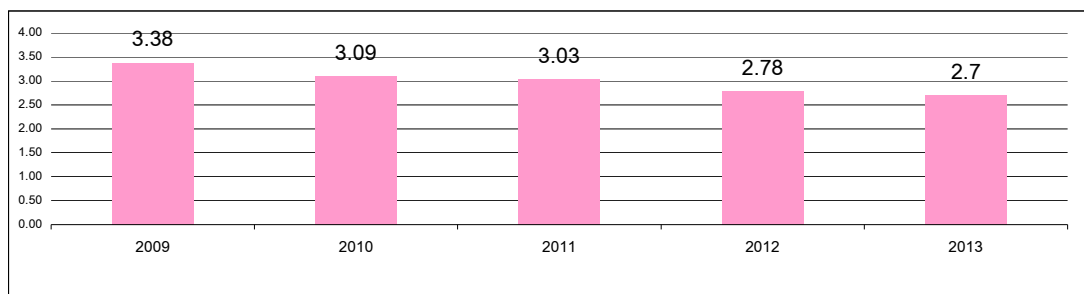


Table 7.2. Public Expenditures in the sphere of education over 2009-2013, by areas

(million Drams)

Names of Groups	2009 actual	2010 adopted budget	As per 2011-2013 MTEF		
			2011	2012	2013
TOTAL EXPENDITURES	106947.8	99294.6	108318.5	106706.5	111765.5
01.02. Pre-school, Elementary general and Secondary general education	71573.3	70300.5	73431.0	77026.3	80959.9
03. Initial vocational (technical) and Secondary vocational education	4679.1	4881.2	5013.4	5040.0	5293.5
04. Higher education	7469.6	7522.6	7724.8	7710.1	8137.9
05. Education not classified by levels	3119.5	3265.9	3591.2	3579.9	3770.6
06. Auxiliary educational services	20106.3	13324.4	18558.1	13350.2	13603.6

By the end of the MTEF period, current and capital expenditures will comprise 93.8% and 6.2% of the total expenditure in education, respectively. Payments for salaries and mandatory social insurance comprise the major part in current expenditures.

Chart 7.3. Public expenditure in education over 2010-2013, by economic classification articles (percent of total expenditure in the sector)

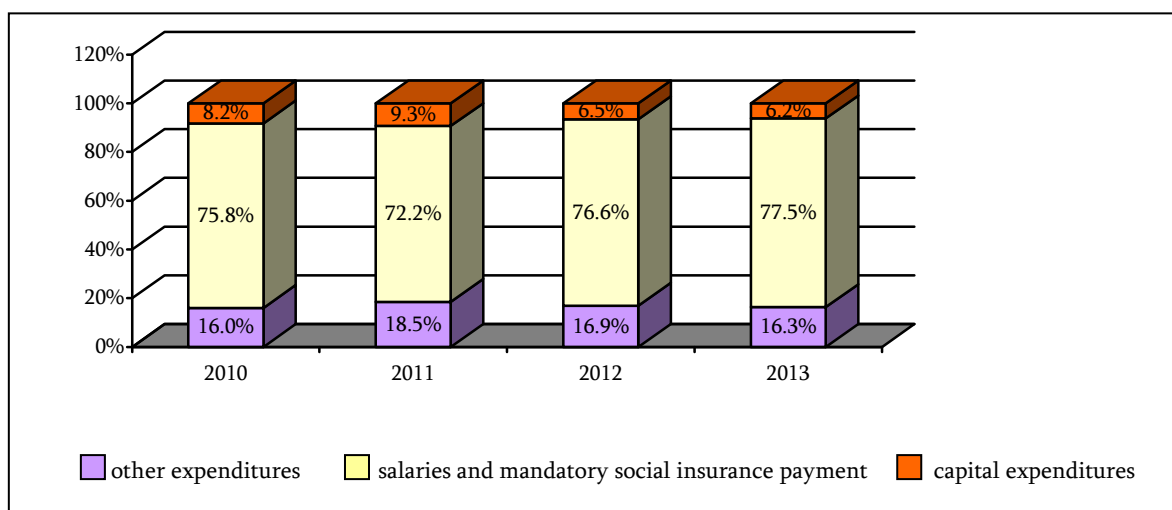


Table 7.3. Public expenditure in education over 2011-2013, by existing and new programs, (million Drams)

	2011	2012	2013
Total expenditure under existing commitments	108293.0	106681.0	111740.0
Total expenditure under new initiatives	25.5	25.5	25.5
TOTAL	108318.5	106706.5	111765.5

Elementary, Basic, and Secondary General Education

Over the MTEF period, the increased part of public expenditures in education will be almost channeled to the general education, which will assure continuation of measures aimed at increase of the system efficiency and rationalization of general education.

Expenditures allocated to pre-school and elementary education, secondary general education, as well as to a number of programs envisaged in the support of implementation general education programs in 2011 will increase by 7.7% in relation to 2010, amounting to 87483.2 million Drams, or to 80.8% of the total public expenditures in education. In 2012 it will increase by 2.3% in relation to 2011, amounting to 89524.4 million Drams, or to 83.9% of the total public expenditures in education, and in 2013 it will increase by 3.8% in relation to 2012, amounting to 92956.9 million Drams, or to 83.2% of the total public expenditures in education.

The planned increase of public expenditures in the general education sector will result in increase in per student expenditure. In 2013 this indicator will increase by 5.6%, in comparison with the 2010 level.

Table 7.4. Per student public expenditures in general education

	2008	2009	2010	2011
Index (2010 indicator = 100)	100.0	105.2	101.2	105.6
Memorandum articles				
Number of students (2010 indicator = 100)	100.0	102.4	108.9	108.4
Public expenditure in education (2010 indicator = 100)	100.0	107.7	110.2	114.5

Increase of the teachers' salaries, their retraining practices, as well as complete introduction of the three-year high school program is of priority issues in education. Actions aimed at these objective are considered to be a guarantee for the improvement of the quality of education.

Particularly, over 2011-2013 MTEF period it is envisaged to:

- increase the average monthly salaries for teachers by 7.3% in 2013 (at the same time, taking into account the 20% additional /bonus/ payment provided for the teaching staff in high schools); average monthly salaries for teachers will be: 117.5 thousand Drams in 2011, 117.6 thousand Drams in 2012, and 126.2 thousand Drams in 2013 (the annual salaries to teachers will exceed the per capita GDP level in 1.3 times in 2011, and by 1.2 times in 2012 and 2013);

- salaries of administrative staff and accountants again will increase in 2013 by 7.3%. In 2011-2013 the average monthly salaries of the administrative staff will be, respectively: 176.2 thousand Drams in 2011, 176.2 thousand Drams in 2012, and 189.1 thousand Drams in 2013, and that for the accountants will be: 87.8 thousand Drams in 2011, 87.8 thousand Drams in 2012, and 94.3 thousand Drams in 2013;
- salaries of supporting and household staff will increase in 2011 by 8.3% and by 7.7% in 2013, which is conditioned by the fact that the size of minimal rate of the salary will be stated at the extent of 32.5 and 35.0 thousand Drams respectively in 2011 and 2013.

By the end of the MTEF period, expenses for salaries will comprise around 85.5% of current expenditures in general education.

- In 2011, 99.8 million Drams will be allocated for introduction of the high school system, and for acquisition of equipment for laboratories of physics, chemistry and biology within the framework of this process. At the same time resource centers (contemporary libraries) will be established in high schools, trainings will be conducted for the teachers, directors and librarians of high schools.
- During 2011-2013 period the processes of retraining of teachers, contents and methodical servicing of education will continue. For this purpose it is envisaged to provide 491.5 million Drams each year over the MTEF period. At the same time each year about 364.5 million Drams will be provided for acquisition and/or elaboration of educational-methodical literature and educational-didactic supplies, as well as for pedagogical periodicals.
- Financial means will be provided for servicing of internet network of schools of the republic, for maintenance of computer equipment, exploitation of mobile internet station, acquisition of Microsoft licenses for computer programs (starting from September 2011, 256 schools will be included in the network of Armenian schools and the total number of schools involved in the network will make up 1200). For the mentioned works will be provided, respectively: 858.1, 991.1 and 999.2 million Drams over the 2011-2013.
- Considerable means are provided for elaboration of tests and guide-manuals for examinations, conduction of graduation examinations, and Armenia's participation in the main phase of TIMSS-2011 and PIRLS-2011 international tournament-researches at the extent of 373.4, 488.7 and 502.9 million Drams respectively by the years of 2011-2013.
- The state will further carry on the policy of providing elementary school pupils with textbooks, as well as provision of children from social vulnerable families with free textbooks. For the mentioned purpose for 2011-2013 respectively 469.4 and 120.0 million Drams is provided. In 2011, 295.2 million Drams is provided for publication of textbooks for the high school.
- For the purpose of arrangement of summer holydays recreation for 3000 children of school age over 2011-2012 respectively 214.5 million Drams is provided, and in 2013 - 218.9 million Drams.

- Works directed to completion of pedagogic personnel in marzes with the purpose to fill up the need for teachers in general educational institutions in remote, next-to-frontier, mountainous and high-mountainous settlements will continue. Over 2011-2013, 83.2 million Drams each year will be allocated for that purpose.
- Construction and reconstruction of buildings of educational institutions, taking into consideration the need for continuous provision, 6402.0 million Drams is envisaged for each year.

For the MTEF period the level of student/teaching wage relation will be at 14.5, and the level of student/not teaching wage relation will be at 23.9-24.0.

Professional/Vocational Educational Programs

Expenditures provided for programs in professional/vocational education (initial vocational /technical/, secondary vocational, higher and post-graduate professional education programs, as well as some supporting-auxiliary programs thereof) will increase by 2.1% in 2011 in comparison with 2010, amounting to 14861.1 million Drams, or to 13.7% of the total public expenditure in education. It will decrease by 10.7% in 2012, in comparison with 2011, amounting to 13272.9 million Drams, or to 12.4% of the total public expenditure in education (decrease is resulted by reduction of capital expenditures in initial and secondary vocational education); in 2013 it will increase by 5.2% in comparison with 2012, amounting to 13966.8 million Drams, or to 12.5% of the total public expenditure in education.

Over the 2011-2013 MTEF period, expenditures in the sphere of professional education are determined by the following factors:

Considerable financing is channeled to the increase of salaries:

- for institutions of initial (technical) education - at the same rate of increase, as it is used for increase in the general education system;
- in 2011 the average monthly salaries for teachers and the administrative staff in secondary vocational educational institutions will increase by 10%, and by 7.3% - in 2013, excluding secondary vocational institutions, which conduct education on the basis of general education; salaries for teaching and managing staff of these institutions is calculated by the same principles as used for the system of general education. Increase of salaries of supporting and household staff is calculated taking into account the size of minimal rate of the salary, which is stated at the extent of 32.5 and 35.0 thousand Drams respectively in 2011 and 2013.
- Increase of salaries in higher and post-graduate education system is calculated taking into account the size of minimal rate of the salary, which is provided at the extent of 32.5 and 35.0 thousand Drams respectively in 2011 and 2013. The amount of scholarship of registrars is provided at the extent of 32.5 and 35.0 thousand Drams respectively in 2011 and 2013.

Activities within the framework of the program on “Initial vocational (technical) and secondary vocational education and training Reforms” will continue, and 1600.0 million Drams is envisaged for capital expenditures within the framework of the mentioned program.

In the sphere of professional education it is envisaged to elaborate and apply qualification accreditation procedures and processes in accordance with European standards and requirements, support to introduction of internal systems of quality assurance inside the higher educational institutions, to modernize pedagogical education and raise the quality of preparation of teaching specialists in accordance with principles of Bologna process. Main part of activities will be conducted through long-term and expanded collaboration between the Armenian pedagogical state university and a European higher educational institution of international acknowledgement.

Other programs

In 2011 expenditures for other programs (extracurricular education, additional education, and other ongoing educational programs) will increase by 69.6% in comparison with 2010, amounting to 5974.3 million Drams, or to 5.5% of the total public expenditure in education. It will decrease by 34.6% in 2012, in comparison with 2011, amounting to 3909.2 million Drams, or to 3.7% of the total public expenditure (decrease is conditioned by reduction of expenditures for other ongoing educational programs), and expenditures for 2013 will increase by 23.9% in comparison with 2012, amounting to 4841.8 million Drams, or to 4.3% of the total public expenditure in education.

In 2011 the average monthly salaries for teachers and the administrative staff in extracurricular educational institutions will increase by 10%, and by 7.3% - in 2013. Salaries of supporting and household staff will increase by 10% in 2013, taking into account the size of minimal rate of the salary, which is stated at the extent of 32.5 and 35.0 thousand Drams respectively in 2011 and 2013.

Over the 2011-2013 MTEF period funding is envisaged for education of children in musical and art schools in the line of folk, wind and stringed instruments: 323.7 million Drams each year in 2011 and 2012, and 345.3 million Drams in 2013.

Over the 2011-2013 MTEF period 50.0 million Drams each year will be allocated for the purpose of provision of sports supplies and equipment to the juniors' sports schools, national sports federations and other non-governmental sports organizations, as well as 250.0 million Drams will be allocated each year for capital reconstruction and construction of sports institutions buildings.

For calculation of expenditures for additional education institutions the raise of salaries, increase of the number of trainees in institutions providing with re-qualification, training and professional courses were considered. The average annual salaries of employees will rise in 2013 by 10%, taking into account that the minimal rate of salary will be stated at 32.5 and 35.0 thousand Drams respectively in 2011 and 2013. At the same time, the payment to a lecturer per hour is accounted at 2575 Drams for the year of 2013, while it is planned at 2400 Drams for 2011-2012.

7.2. SCIENCE

7.2.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS

1.1. General description of the sector of science

Science is the most essential factor in the Republic of Armenia, which serves as a guarantee for assurance of the national security in the country, economic development, achievements in the field of education, culture and the society in general. Notwithstanding certain loss of scientific potential, it is still preserved to some extent, the system of provision of public financing from the state budget for scientific programs and themes on competitive and programmed basis was introduced, non-governmental scientific organizations and scientific funds are established, independence and sovereignty of scientific organizations, as well as possibilities of their collaboration with other international scientific and technical research organizations is expanded. The legislative and normative frameworks were partially formulated.

The contemporary international experience show that preparation of young specialists gradually is getting centralized around big scientific centers, where a big scientific and technical research potential is available, act in contemporary positions and include the last achievements of the sphere. the Yerevan Institute of Physics is one of such centers, where numerous specialists in the field of elementary particles, nuclear and cosmic ray physics with rich experience and big potential are gathered together and are ready to pass their knowledge and experience to the young specialists and students. Physicists of this institution are broadly involved in experimental and theoretical researches on big accelerators and stations in the world. Institution is participating in scientific experiments conducted and planned in European and American biggest centers of physics of high energies. Institution has signed contracts on scientific cooperation with many centers. The main foreign partners of the Yerevan Physics Institute are: the German Electronic Synchrotrone (DESY), American Jefferson Laboratory (Jefferson Lab), European Center for Nuclear Research (CERN), and many other big research centers, the number of which exceeds 40.

Works for establishment of a center on nuclear medicine are initiated in this institution; they include procedures for organization of production of broad assortment of radioisotopes for medical purposes.

The Yerevan Institute of Physics after A. Alikhanyan will continue scientific activities in 2011-2013, which will be directed to theoretical and experimental researches in the field of elementary particles, nuclear and cosmic ray physics, development of subjects on accelerators and applicable physics, which are considered to be the main spheres for research.

Within the framework of base funding it is envisaged to include programs on researches of fundamental peculiarities of elementary particles and atomic nucleus, as well as programs aimed at maintenance and development of infrastructures.

At present about 7000 people are involved in science in Armenia, of which 3899 positions get financing from the state budget through base programs in scientific organizations and higher education institutions (scientific and administrative/serving), and 2345.5 positions are financed according to the thematic basis.

Table 7.5. Summary description of services provided by the State Committee on Science under the RA Ministry of Education and Science

N	<u>Description of the framework of services</u>	<u>Description of the framework of beneficiaries</u>	<u>The volume of reimbursement from the public sector</u>
1.	Conduction of applicable researches of fundamental and essential significance within the scientific and scientific-research activity	scientific and scientific-research organizations, higher and post-graduate educational institutions	Fully, organizations selected through a tender
2.	Creation, maintenance and development of infrastructures – scientific organizations, centers, laboratories	scientific and scientific-research organizations, higher and post-graduate educational institutions	Fully, organizations selected through a tender
3.	Maintenance of old manuscripts and other scientific, educational, cultural values	the Matenadaran, Yerevan State University, the RA NAS Museum-Institute of Genocide	Fully
4.	Conduction of post-graduation and doctorate researches and education	students of post-graduate educational organizations	Fully, applicants selected on a competitive basis
5.	Implementation of contractual (thematic) scientific and scientific-research activities	Physical persons and research groups	Fully, themes selected through a tender, fully
6.	Provision of bonus payments to the scientists	Scientists who are involved in scientific programs and themes and have scientific degree	Fully

1.2. Development trends of the sector for the last two years

In 2007 the Government confirmed the “Conceptual Provisions of Reforms in the Sphere of Science of the Republic of Armenia” and the programs and time-table for implementation of these reforms. Within the framework of reforms on October 1, 2007, the State Committee on Science was established by the RA President’s Order, which acts within the sphere of governance of the Ministry of Education and Science. Works of the Committee’s establishments were completed by the end of 2008.

Under the system of base funding, being applied since 2005, by the 2009 state budget allocations were made for researches of fundamental and essentially significant researches - 85, the financing of programs aimed at maintenance and development of infrastructures - 86, funding for maintenance of scientific institutions of national importance - 3. In 2009, the annual average salary of scientific workers engaged in base financed continuous programs was at 55.0 thousand Drams. Starting from 2009 the volumes of expenditures in base fund programs by non-wage articles are approximately doubled. If in 2008 about 87% of the total was forwarded for payment of salaries then in 2009 it made up 75%. As a result of increase of economic expenditures the scientific organizations are provided with a possibility to improve working conditions, particularly to arrange heating of buildings and premises. Mostly visual is the picture with financing of the Yerevan Institute of Physics, the volume of base financing of this institute by separate years performed a growth tendency. in 2005 it made up 133.2 million Drams, in 2009 – 256.0 million Drams. The volumes of base financing for the programs on “Researches on Fundamental Peculiarities of Elementary Particles and Atom Nucleus” and “Maintenance and development of infrastructures”

respectively were: 120.0 million Drams and 13.2 million Drams in 2005, and 231.0 million Drams and 25.2 million Drams in 2009. Institute receives base financing from the state budget for maintenance and preservation of the two biggest experimental divisions – the “Aragats” and “New Amberd” stations. It made serious preconditions for recommence of the accelerator after break for long years, from 1998 to 2005, as well as for successful conduction of researches. For the recent years serious works have been conducted in the direction of modernization and renovation of the accelerator, new acceleration regimes for physical scientific experiments are tried successfully. This provided the institute with the possibility to preserve its rating as a leading center and to develop scientific-technical collaboration with big scientific centers in the world. Problems of development of new technologies, which always have their constant position in work plans of the institute, may have a significant role in the sense of elaboration of prospective development plans for the institute.

In 2008 contractual (thematic) financing was provided for 711 scientific themes with the time-frame for 3 years. It is envisaged to replace the thematic financing with grant programs and to finance annually about 100 scientific themes, defining the time frame for implementation of theme up to 2 years, at the same time increasing the volume of funding provided annually up to 5000.0 thousand Drams (at present it is 2110.0 thousand Drams) and limiting the number of researchers up to 5 person.

Formation and introduction of an independent scientific expert system will be the main pre-condition for replacement of contractual (thematic) financing with grant provision, as well as for assurance of real competitive financing of programs in the sphere of science in general. Works in this area are completed by the State Committee of Science in 2009. At present about 1200 scientists from Armenia and foreign countries are included in the system of independent experts. In 2009 new regulations for base, contractual (thematic), aimed financing for the scientific and scientific-technical activities, as well as for scientific expertise and formation of the system of experts conducting scientific expertise, for recommendations on the scientific programs and themes, formation and organization of the work of the reports admitting commission were elaborated and submitted to the Government for discussion.

Starting from 2009 the RA Government provided financing for 6 public targeted program per year. in the line of theses programs the new initiative in the field of IT is to be mentioned, that is the state-targeted program for creation of and Armenian interface GRID (financing amounts to 25.0 million Drams). The GRID will include not only the scientific organizations, but the HEI-s, seismic and meteorological organizations.

Starting from 2009 the level of the RS’s participation in regional projects was increased. Particularly, financing was provided for the RA’s participatin in the project “The Black Sea Interconnection” (BSI), which is being implemented by the 7th European Framework Program (FP7). Starting from 2009, annually 50000,0 thousand Drams were being provided for that purpose.

In 2008 the State Committee of Science of the Ministry of Education provided financing for 17 conferences – 8500,0 thousand Drams, and 14 scientific trips – for 5275.6 thousand Drams. In 2009

financial support was provided for: 23 conferences (20041.8 thousands Drams), 4 summer schools for students (6630.0 thousands Drams) and 41 scientific trips (20064.2 thousands Drams), including 11 trips of young scientists.

In 2009 the principle of co-financing was introduced, and the priority is granted to the programs implemented jointly with the private sector of economy, foreign countries or international organizations. Promotion of the co-financed projects is the main part of the state policy implemented by the State Committee of Science, it enables to increase the volume of financing provided for the scientific programs, consequently, significantly raises the quality and quantity of scientific results. Besides, programs implemented with foreign countries and international organizations promote integration of Armenian scientists into the international scientific and educational area, create favorable conditions for participation in grant programs, which results in considerable increase of financial resources provided by international organizations to the Republic of Armenia.

In 2009 two tenders for two-year co-financed projects have been conducted in 2009. One was the joint tender with the National Center for Scientific Research, The second one was the pilot project of support to researches of the young scientists, which is implemented jointly with the National Fund for Science and Advanced Technologies and the USA Fund for Civil Research. Election within the framework of both projects was arranged on a competitive basis.

Starting from 2008 registration of organizations engaged in science and scientific activities is being conducted in the RA, which aims at creation of a data base of human and material resources involved in the sphere, as well as for “products” of scientific and scientific-technical activities. Works for establishment of such a data base were completed in 2009. It is an electronic data base, which is being periodically updated, and provides with the possibility to receive comprehensive information on the objective situation in the sphere, to carry out monitoring of scientific organizations, rating of such organizations according to activities efficiency, etc.

In 2009 there was created a data base of Armenian scientists engaged in science and scientific activities. It contains information about more than 19000 Armenian scientists and covers the time frame starting from the year of 1950. Besides, a database of information on activities of Armenian scientists employed in foreign countries is created, which is a significant condition for efficient implementation of the program on combination of the Armenian scientific potential, approved by the RA Government n 30 April, 2009.

The 2008-2009 volumes of provision of state budget financing for base, contractual (thematic) and state aimed researches are provided below.

Table 7.6. Volumes of financing of the sphere during 2008-2009

N	Program	volume of financing (thousand Drams)	
		2008	2009
1.	Fundamental and mostly significant applicable researches in the field of science and of scientific-technical activities	1834465.5	2495529.2
2.	Maintenance and development of the science and scientific-technical	1507332.5	2390230.1

	infrastructures		
3.	Maintenance of scientific institutions of national value	164772.0	241600.0
4.	Scientific and scientific-research contractual (thematic) researches	1455866.0	1546866.0
5.	Targeted-programmed researches within scientific and scientific-research activities	943300.0	1071802.0
6.	Preparation of scientists	100923.4	96841.0
7.	Programs by new tender	286307.0	
8.	Provision of bonus payments to the scientists for a degree	529930.0	529930.0

1.3. Main problems

In the sphere of scienc, for the purpose of elaboration of a unified policy and its efficient realization, the following problems are prioritized to find solution:

- provision of appropriate authorities to the unified body of public administration in the sphere of science with the purpose to form an efficient system of science management;
- adoption of the strategic plan of science development for the coming 10-15 years;
- modernization of infrastructures, material-technical supply in the base of science;
- assurance and purposeful reproduction of scientific potential;
- increase of efficiency of science financing, clarification of forms of programmed financing, ensuring programs' election on a competitive basis,
- materialization of the scientific results and creation of risk capital for their output to the internal and external markets,
- expansion of international collaboration in the sphere of scientific-technical activities.

7.2.2. OBJECTIVES AND PRIORITIES OVER MTEF PERIOD

2.1. Objectives

The main objective of reforms in the sphere of science to create such an economy and a society that are based on knowledge. The state itself has a key role in this process.

Reforms must be implemented in the following areas: increase of efficiency of management of the system of science, modernization and improvement of the material-technical base and infrastructures of the sphere, organization of activities of scientific organizations in a new way, targeted preparation and localization of new young scientists, increase of efficiency of their work.

2.2. Priorities

Table 7.7.

N	Priority			Reasoning by reference on appropriate economic or political program of the Government
	2011	2012	2013	
1.	Formation of efficient system for the management of science			Modernization of the science management system, definition of mechanisms for formation and localization of state order, organization of scientific researches, getting and introduction of the scientific results
2.	Increase of science financing efficiency			The main mechanism for increase of science financing efficiency is the assurance of real competitive conditions for election of scientific programs and themes and their financing. Preserving multiple forms of science financing, it must be provided only on a competitive basis and be definitely addressed. Infrastructure maintenance and development programs implemented through base financing must include fundamental research programs, Such a unification will ensure scientific content of

		<p>the infrastructure maintenance and development program, when maintenance of material-technical base and infrastructure, modernization and development of the organization will be conditioned only by researches implemented.</p> <p>Infrastructure maintenance and development programs must be elaborated by the respective agencies together with the RA NAS, according to scientific organization. Significant applicable researches programs shall be directed acquisition of results applicable in the economy, and they shall be selected on a competitive basis. The contractual (thematic) financing will be replaced by grant programs, financing will be provided to those themes, which derive from priorities of development of the science and techniques, are differentiated by significance of problems and originality of the substance. While, the contractive (thematic) financing will be provided only through competition based on results of independent expertise. Introduction of the grants system will ensure competitiveness of researches, optimization of the number of positions involved, improvement of the material-technical base and other conditions for research. The public targeted programs will be directed to solution of applicable problems within the framework of strategic programs of public significance. The inner structure if state budget allocations to the sphere of science will be constructed in a way, which will allow to allocate 50% of the total to the base financing, 35% - for targeted programs and 15% - for contractual (thematic). In side programmed financing there must be ensured in average 55% of salary payment, and 45% for economic and other expenditures. In 2011-2013 it is envisaged to conduct annually more than 100 scientific themes by contractual (thematic) financing within the framework of priority directions for development of the science and techniques in Armenia. The directions of development of the science will be reconsidered in 2010 on the basis of the RA Government Decree “On Confirmation of the Principles and Standards of Establishment of Priorities for Development of the Science and Techniques in the Republic of Armenia” No 1558-N of December 25,2008.</p>
3.	Implementation of institutional (structural) reform in the sphere of science	<p>For the purpose of implementation of institutional (structural) reform in the sphere of science it is necessary to unite public scientific organizations of the same scientific direction, and introduce contemporary methods of science management. It is necessary to identify responsibilities of the director and the scientific council, through including contemporary management on the one hand, and on the other hand, through bringing out functions of scientific discussions and decisions from administrative influence, conducting the scientific supervision through the scientific supervisor of appropriate area. The basis for creation of scientific centers is the RA Government Decree N 1555-N, dated December 25, 2008, “On Confirmation of the Principles, Standards and Regulation for formation of scientific centers”. In 2010 establishment of 4 scientific centers, which was started in 2009 will over, while 2 of them will be completed in 2010, and the other 2 – in 2011.</p> <p>According to the RA Government Decree No878-N dated July 24, 2008 “On Confirmation of the Action Plan of the Government” in 2011 it is envisaged to implement one pilot program of research university, 2 programs for development of the RA NAS scientific organizations, 5 programs on cooperation and integration of HEI-s and scientific organizations. In 2011 it is necessary to implement monitoring of the process of establishment and implementation of 2-year development program in newly established 4 scientific centers, and in 2012 assessment of that program will be conducted.</p>
4.	Assurance of reproduction and rejuvenation of the scientific potential	<p>The issue on efficient reproduction of scientists, as well as rejuvenation of scientific potential has a principal significance for implementation of reforms in the sphere of science and assurance of development of science in the republic. The analysis of involved scientists according to the age indicator show that the average age of scientists having the grade of candidate of science is 52, and that of the doctors – 63 years old, in comparison with the year of 1996, there is a significant decrease of the number of scientists at the age of 30-50 years old. for the purpose of rejuvenation of the science it is necessary to:</p> <ul style="list-style-type: none"> a/ realize reforms of post-graduate system through definition of its forms and substance, and application of new assessment mechanisms; b/ raise of postgraduate benefits at the extent of minimal rate of salary (2012) and increase of the amount provided for the scientific supervisor at annually 120.0, 150.0 and 200.0 thousand Drams respectively in 2011, 2012 and 2013;

		<p>c/ reforms in the system of granting scientific degrees for the purpose of assurance of their accordance to contemporary demands and compatibility with the systems applied in foreign countries;</p> <p>d/ double increase of bonus payment for the young scientists (up to 35 years old for candidate of science/ and up to 40 years old for doctor) in 2013;</p> <p>e/ organization of grant tenders for young scientists (up to 35 years old) 15 of them in 2011, 20 – in 2012, 25 – in 2013.</p> <p>f/ realization of special mortgage policy by the state for the purpose of house construction.</p>
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7.2.3. EXPENDITURE COMMITMENTS OVER THE MTEF PERIOD

For the purpose of establishment of a unified management system in the sphere of science it is necessary to carry out clarification and definition of functions in all management levels and to prescribe those functions to respective management bodies and organizations.

The “Conceptual Provisions for Reforms in the Sphere of Science in the Republic of Armenia” assume that the volume of means allocated from the state budget must increase. The need for increase of the volume of financial allocations is conditioned by the key role of science for development of contemporary economy and the society, as well as for the purpose of establishment of a knowledge-based economy and for preparation of qualified specialists for its advanced development. Besides, increase of science financing (both from public and private sources) will give the chance to significantly increase the number of applicable researches, will promote introduction of the scientific result in the economy, development of small and medium entrepreneurship based on innovated technologies, as well as creation of new work places and achievement of a proper position in the world market. In the present conditions of globalization only the scientifically founded result may meet competition.

According to the RA law on “Science and Scientific-Technical Activities” it is provided to increase the volume of expenditures in the sphere of science proportionate to the growth of the state budget revenues (in 2011 it will be at the extent of 9432492.7 thousand Drams, in 2012 – 9984679.6 thousand Drams and in 2013 – 10911996.5 thousand Drams).

In 2011-2013 the base, contractual (thematic) and targeted-programmed financing of the science from the state budget will continue. Financing of the sphere of science will be conducted based on a program principle and exceptionally in a competitive order, by scientific programs and themes. While a certain clarification will be made in base funded programs, it means that fundamental researches must be joined in scientific infrastructures maintenance and development programs. It will provide with the possibility to ensure:

- modernization of infrastructure and material-technical base of scientific organization, development of scientific researches and elaborations;
- exception of repetition of scientific themes in programs and themes implemented in scientific organization;
- increase of efficiency of use of public means provided for the sphere of science.

Selection of programs for fundamental researches will be conducted jointly with the RA NAS. Programs for applicable researches of special significance will be directed to acquisition of knowledge, which may be utilized in the economy, and selection of such programs will be conducted on the basis of independent expertise. In regard with contractual (thematic) financing, starting from 2011 it will be changed into grant programs, and selection of themes will be conducted only through competition, based on the results of independent expertise.

Over 2011-2013 provision of support to the Yerevan Institute of Physics from the RA state budget will be continued, aimed at implementation of fundamental and applicable researches of special significance, maintenance and development of scientific infrastructures, realization of international collaboration.

Targeted-programmed financing will be directed to solution of problems elaborated by the agencies, and selection of problems to be submitted by the RA Government will be conducted through inter-agency commission. Selection of projects on targeted programs aimed at solution of problems confirmed by the RA Government will be conducted on a competitive basis according to the RA law “On Procurement”.

Within the framework of contractual (thematic) financing in 2011-2013 it is envisaged to provide financing of more than 100 scientific themes each year. The time-frame for implementation of each theme will be up to 2 years, consequently, starting from 2012 it will be possible to finance about 200 works per year. Implementing group may consist of up to 5 members, and the amount of financing provided – up to 5000.0 thousand Drams. It is envisaged to continue the policy of rejuvenation of science.

7.2.4. SUMMARY OF FINANCIAL NEEDS OF THE SECTOR FOR 2010-2012

Table 7.8. Forecast of expenditures in the sector for 2011-2013 (summarized), (thousand Drams)

		2010	Change in %	2011	Change in %	2012	Change in %	2013
	Science	8395609.3	12.4	9432492.7	5.9	9984679.6	9.3	10911996.5
	including:							
1	Contractual (thematic)	1546866.0	-45.2	848433.0	10.0	933276.3	10.0	1026604.0
	share in total expenditures in science (%)	18.4		9.0		9.3		9.4
2	Base	5245182.7	29.8	6808461.2	0.6	6846614.3	9.0	7460124.2
	share in total expenditures in science (%)	62.5		72.2		68.6		68.4
3	Targeted-programmed	1073630.6	16.0	1245668.5	30.2	1621866.0	10.0	1784053.0
	share in total expenditures in science (%)	12.8		13.2		16.2		16.3
4	Bonus payments to scientific workers for scientific grade	529930.0	0.0	529930.0	10.0	582923.0	10.0	641215.3
	share in total expenditures in science (%)	6.3		5.6		5.8		5.9

CHAPTER 8.

HEALTH CARE

The strategy in the field of healthcare in Armenia for the coming years will be directed to assurance of the constitutional right of the citizen on healthcare, development of provision of free of charge medical assistance for the population guaranteed by the state and at real accessibility of services. Main objectives of the policy are: discovery, prevention, diagnosis and treatment of diseases, increase accessibility of medical assistance and assurance of quality. Taking into account the key role of healthcare system, the Government of Armenia is paying special attention to the availability of healthcare services and improvement of quality within the framework of main objectives of future development of the country.

8.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS

8.1.1. Primary healthcare of the population

Positive experience in the healthcare system for the recent years show that development of the primary level of medical assistance provided with a possibility to ensure accessibility of medical assistance for the population and follow the principle of social justice and equality in this regard. Works have been implemented for the recent years for development of new methodological approaches and directed to reforms of the primary assistance, but the positive developments in the economic and social life of the republic for the recent years make the Government to reconsider its strategies for the coming years.

Taking into consideration the need to ensure higher level of primary assistance (outpatient-polyclinic) accessibility and territorial availability for the whole population, the issue on increasing the level of financing channeled to the primary assistance sector is considered to be a priority in the sphere.

Reforms of the primary system mainly are directed to creation of favorable conditions for introduction of the institute of family doctor, as a more effective structural model. Another problem in this level of medical assistance is the issue on assurance of accessible and quality primary preventive services.

Over the recent years in the sphere of healthcare was introduced the institute of family doctor, as the most optimal model of primary medical assistance. Already 918 family doctors and 1034 family nurses are involved in the system. It is envisaged that by the end of the year the system will be compiled with more 260 family doctors. And it is envisaged to expand and develop this system of a family doctor on the whole territory of the republic. In the sector of primary assistance there is a problem with primary medical assistance in rural areas in regard with its quality and accessibility.

8.1.2. Assurance of hygienic and anti-epidemic security of the population

Due to implementation of immune-preventive works for the recent years, the situation with regard to certain infectious diseases has significantly improved. No cases of diphtheria, malaria, cholera and poliomyelitis, etc. were observed in the country in 2008. Armenia, together with a number of other European countries, still in 2002 was certified by the World Health Organization (WHO) as a poliomyelitis free country. The level of some diseases in 2008 was on the same level like in 2007. An

internal problem for the sector is to ensure a stable anti-epidemic situation in the country, in time and quality implementation of engrafting included in the list of national diary.

By the spreading of the bird influenza, Armenian specialists by the assistance of various international organizations have elaborated three main programs: “Bird Influenza Preparation Program”, “Enhancement of the Armenian Healthcare System to Increase the Preparedness to Counteract Bird and Human Influenza”, and the one for “Control and React to the Bird Influenza and Pandemic Influenza by the RA MoH State Anti-Epidemic Inspection”.

For the purpose of fight and prevention of bird and seasoned influenza 50000 doses of vaccine was acquired and engrafted to the mostly risky groups of population.

Due to implemented preventive measures, vaccination, and large-scale propaganda work in 2009, compared to 2006, the level of influenza and acute breathing diseases decreased.

As a result of complex preventive anti-epidemic measures conducted in accordance with the “2006-2010 Targeted program on elimination of local malaria in the Republic of Armenia” during 2006-2008, cases of local malaria were not registered.

Taking into account the importance of awareness of the population and increase of medical-hygienic knowledge, a wide propaganda work has been carried out through mass media (radio, television, press, etc.), on issues regarding various infectious diseases (flu, bird flu, measles, intestinal infectious diseases, etc.), epidemic situation and preventive work among the population, food poisoning (botulism, mushrooms poisoning) and intestinal infectious diseases prevention.

8.1.3. Maternal and child health provision

In recent years, medical-demographic main indicators in the republic are improved, in particular, the birth rate increased, and the mother and child mortality indicators are somewhat reduced.

In comparison with 1990, the birth rate decreased for about 1.8 times in the republic. In 1990 in Armenia the number of live births was 79882 children and 44466 in 2009, the birth rate per 1000 residents decreased from 22.5 to 13.7. In the same period the total mortality increased from 6.2 per 1,000 residents in 1990, reaching up to 8.5 in 2008. And the natural growth rate of the population has decreased by 4 times, respectively, from 16.3 down to 4.2.

At the same time, it should be mentioned that on that background since 2002 a rise in birth rate is observed (births per 1,000 residents: in 2001 was 8.44, in 2002 - 10.04, in 2003 - 11.15, in 2004 - 11.67, in 2005 - 11.66, in 2006 - 11.7, in 2007 - 12.4, in 2008 - 12.7).

The Republic of Armenia in terms of population health indicators, as compared to the countries with similar income levels, mainly is in a better condition. However, comparison with developed countries show that in many cases the difference is significant, particularly in such indicators as child and maternal mortality.

Chart 8.1. Total number of live births

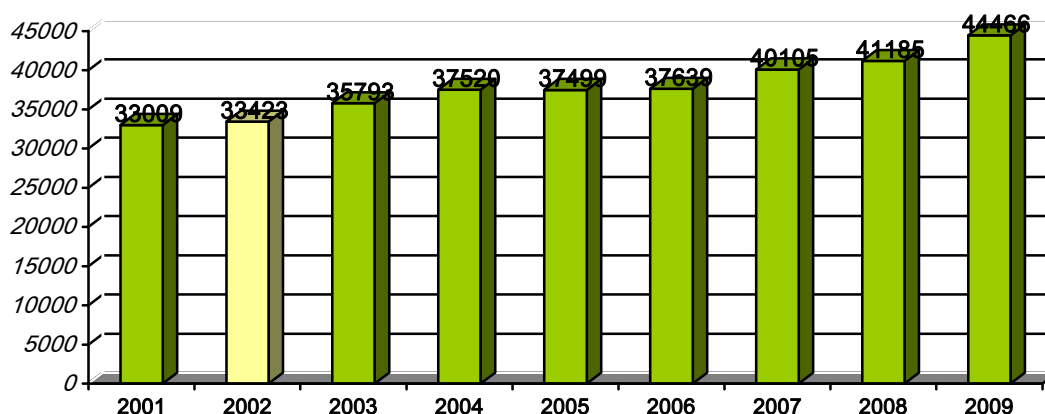


Table 8.1. Infant mortality

Indicator	Armenia		EU	CIS
	2005	2008	2008	2008
Infant mortality (under 1 year) per 1,000 born alive	11.6	10.8	5.1	13.4

According to the UN Children's Fund estimated figure for the region, the child mortality trends analysis shows that Armenia has managed to reduce child mortality rate by 44% during the last 15 years. By the international expert estimations, Armenia is recognized as unique in the CIS countries, which continue to succeed to reduce the child mortality and achieve the millennium goals for the year of 2015, in the case further ongoing developments in this area will be ensured. However, it should be noted that if during the 1990-1999 period the 0-5 year old children mortality decreased by 44%, then for the period of 2000-2006 this indicator is only 3%. However, it means that this goal can be achieved only in the conditions of consolidation of available resources and involvement of additional investment.

According to the official statistics, Armenia is characterized by the average level of child mortality (WHO classification), which showed a clear decrease tendency during 1990-2009 period. This is considerably more favorable as compared with the CIS countries, but somewhat higher than the average European level. Progress was recorded in terms of indicators of child mortality both for up to five years old age group and for children up to one year-old.

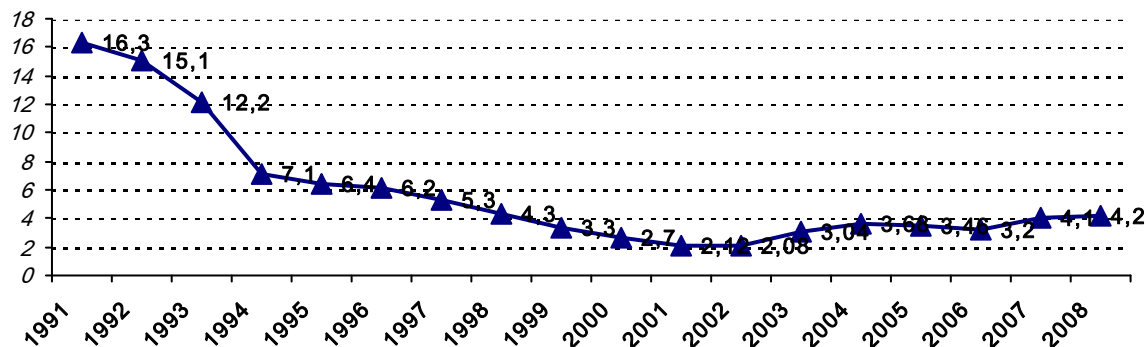
Table 8.2. Maternal mortality

Indicator	Armenia		EU	CIS
	2005	2008	2008	2008
Maternal mortality (three-year average), per 100,000 live born	18.7	36.4	5.0	29.3

Maternal mortality rate (number of cases – per 100,000 live births) is considered to be an integrated indicator reflecting the state of maternal health. Thus, comparison of indicators shows that maternal mortality rate has increased in Armenia in 2008, as compared with 2005, but in comparison with the level of 1990, it decreased. The rate of maternal mortality in Armenia significantly exceeds the European and

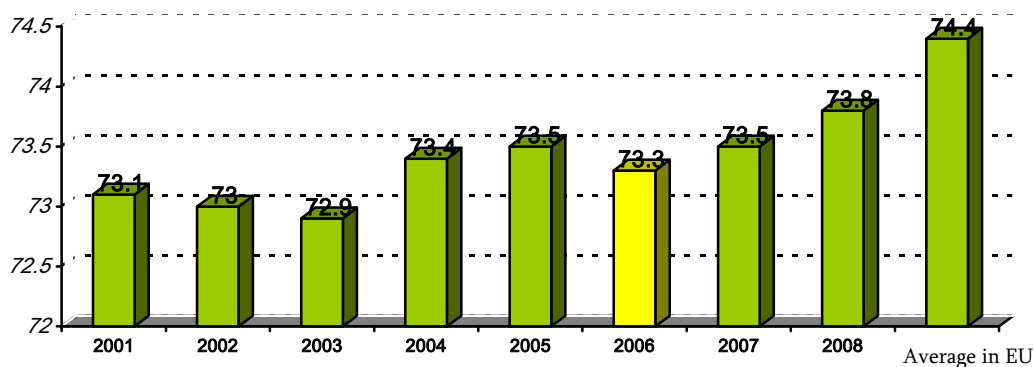
CIS countries the average level of the same index. Increase of financial resources for implementation of programs aimed at childhood and motherhood is considered to be an existing problem within the sector. Below the natural growth of population is presented, which perform positive trend for the recent years.

Chart 8.2. Natural growth of population



The change of the expected length of life is presented below:

Chart 8.3. Expected length of life starting from the moment of birth (years)



8.1.4. Prevention of diseases of special social importance

With the purpose to have a more accurate picture on the dynamics of indicators characterizing the health of population, an analysis was made on the basis of absolute figures of registered diseases. Below is the change in the total morbidity.

Table 8.3. General population morbidity in absolute figures

	2001	2002	2003	2004	2005	2006	2007	2008
The number of registered diseases								
total	977 653	967 179	1 139 331	1 017 434	1 075 215	1208427	1235295	1322230
registered for the first time in life	531 208	519 843	604 952	590 621	637534	729101	735316	799724
of which:								
Infectious and parasitic diseases								

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

total	81 884	75 216	77 027	72 037	73534	97261	82221	83104
registered for the first time in life	61 106	56 314	60 180	58 089	57786	79 182	67051	69343
including: tuberculosis								
total	5 786	6 050	6 068	6 165	6455	5673	3867	3489
registered for the first time in life	1 343	1 393	1 437	1 558	2006	1579	1518	1486
Malignant germination								
total	23 451	24 384	25 580	26 522	26512	33771	36124	35920
registered for the first time in life	5 666	5 734	5 951	6 174	6396	7670	8092	8309
Diabetes								
total	38 842	40 630	39 831	38 850	40202	41601	45774	49170
registered for the first time in life	2 817	3 005	2 808	3 622	5522	5912	5319	5783
Mental disorders								
total	53 908	51 942	46 198	52 827	48139	47841	48764	53538
registered for the first time in life	4 638	4 433	4 817	5 694	2501	6655	6080	6462
Hypertension disease								
total	31 353	31 442	31 507	31 613	48010	53191	59180	68177
registered for the first time in life	5 244	5 866	6 181	6 234	15938	16124	17681	20871
Ischemic heart disease								
total	46 689	48 532	46 300	35 426	37663	40345	43683	48620
registered for the first time in life	7 206	8 052	8 581	8 278	11303	6330	13113	14017
Injuries and poisonings					50630	55578	55773	56809
total	60 888	61 143	60 966	46 357	47287	41792	42909	43520
registered for the first time in life	59 501	59 537	59 757	45 450	47287	51717	51943	55031

As seen from Table, the total number of registered diseases and the number of diseases registered for the first time in life increased in 2008.

If in 2004 there was mainly being observed a tendency of decrease of indicators, then the picture is quite different in 2008, growth of diseases registered for the first time in life is mainly observed. It is explained by the fact that by stating the outpatient–polyclinic services to be provided for free, the number of patients applying to a physician, and consequently the number of diseases diagnosis and registration thereof increased.

Below data on registered diseases and illnesses of special social importance and on death cases are provided.

Table 8.4. Comparison of the levels of morbidity and mortality of main diseases of social dependence and special significance

Name of disease	Disease cases (absolute numbers)		Comparison of 2006 indicator with that of 1988	Mortality cases (absolute numbers)		Comparison of 2006 indicator with that of 1988	2008	
	1988	2006		1988	2006		Disease cases	Mortality cases
Tuberculosis	3 250	5673	1,7	63	175	2,8	3489	172
Malignant germination	21 228	33771	1,6	3 013	5171	1,7	35920	5492
Diabetes	29 575	41331	1,4	405	1169	2,9	48917	1308
Hypertension disease	42 062	53191	1,3	1 869	300	0,2	68177	820
Ischemic heart disease	76 607	40345	0,5	6 405	8526	1,3	48620	8146

As seen from Table, in 2006 the number of registered cases of all diseases has increased not at so high speed during 15 years, for about 1,1-1,9 times. Reduction of ischemic heart diseases is even recorded, which is conditioned by diagnosis, made in time and through widely used roan coronary geography research, which is being provided for free within the framework of state order, and by the growth rate of the number of heart surgeries performed every year.

But the same can not be said about the deaths, because their growth exceeds the rate of registered diseases, especially in the case of Diabetes, except deaths in the case of hypertension disease, the low index (0.2) of which is explained by the fact that in the case of this disease the death is reached mainly based on disease complications (stroke and heart attack).

Summarizing the analytical data presented, we can come to the conclusion that medical organizations in the health sector in Armenia, especially the primary (outpatient) ring, still can not properly organize the primary and secondary preventive activities, diseases are not discovered and preventive assistance is not conducted actively and in time. Healthcare knowledge remains low among the population, patients may not apply to doctors in time, are engaged in self-treatment or do not receive treatment at all.

During the last decade, cases of tuberculosis morbidity in the Republic of Armenia increased for about 3 times (intensive index of 100 thousand residents, reached to 48.1 from 15.8), there was observed a sustainable growth trend of tuberculosis morbidity, the average annual growth rate amounted to 109,1% . For the purpose of stabilization and reduction of tuberculosis morbidity the "National Tuberculosis Program" was developed and approved.

8.1.5. Provision of medical care to the persons included in socially vulnerable and separate (specific) groups of population

The main objectives of organization of the in-patient medical care are: improvement of the quality of medical care and service provided to the population, accessibility, improvement of the structure and management system of the sphere, mainly focusing on meeting the needs of poor population.

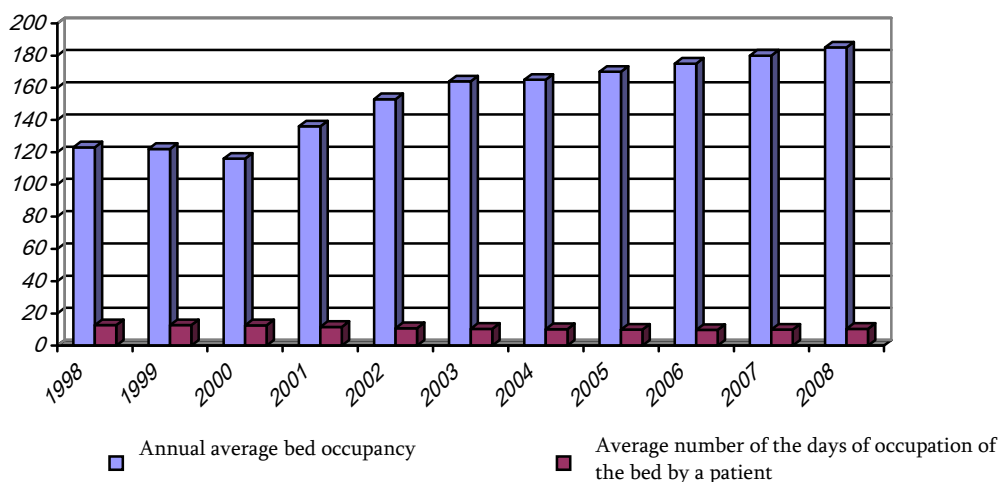
Organization of in-patient medical care includes the fight against diseases of social dependence and special significance, and vulnerable, and organization of medical aid provided to persons involved in socially vulnerable and separate (special) groups of population.

The main task of the health system in the republic is to provide protection of the citizen's constitutional right to health, to develop provision of the population with free medical care guaranteed by the state and to ensure its real accessibility. Development of the in-patient care system will be advanced through introduction of definite funding mechanisms, increasing the efficiency of expenditures, quality of medical care via short-term and long-term programmatic approaches.

The significant differences between the prices of in-patient medical care service under the state order and the real prices of the same types of services create difficulties especially for persons included in socially vulnerable population groups in the sense of getting in time professional medical care, which contributes to the growth of the above indicators. As a result, complicated forms of disease are being registered, the number of cases of death is increasing, especially for the patients with social dependence and those suffering from diseases of special significance.

For the coming years deepening of the health system optimization process will continue, aimed at continuation of such a strategy, which will increase the efficiency of the system, which assume reduction of hospital bed funds, increase of average annual occupancy of beds, etc.

Chart 8.4. The average annual bed occupancy



Drugs of low demand are still included in the List of Essential Drugs. Obviously, there is a need to reconsider the assortment of drugs procured in a centralized way, and to choose more effective drugs of new generation (such as those against diabetes, mental, germination and cardiovascular diseases).

At present the drug quality control is being conducted only at the moment of import, but the scope of control should be expanded to include remaining stages of medicines turnover.

8.1.6. Infectious diseases and HIV/AIDS prevention programs.

In recent years, due to implementation of a complex of preventive measures the anti-epidemic situation in the republic was improved in the aspect of some infectious diseases. In 2009, are not recorded as

infectious diseases, such as diphtheria, acute poliomyelitis, malaria, brutality, cholera, typhus, Brill disease, etc. Morbidity of a number of infectious diseases, particularly epidemic parotitis, leptospirosis, infections of intestinal group in 2008 was on the same level, as compared to 2006.

The main problems in the sphere of healthcare are:

- Improvement of the quality of service and care provided to the population, accessibility, improvement of the structure and management of the sector;
- assurance of sanitary and epidemiological security of the population, sustainable epidemiological situation, in time and quality provision of vaccinations included in the national diary;
- assurance of adequate attention to the women's and children's health, including problems of reproductive healthcare, which have principal importance in the sense of having a healthy generation and improving the health status of the population;
- within the structure of the state budget expenditures, increase of expenditures channeled to the financing of primary care, provision of the population with available, accessible and quality primary prevention are viewed as problems in the sector;
- a problem faced in the sphere of primary care is the quality and accessibility of primary care in rural areas.

8.2. OBJECTIVES AND PRIORITIES OVER MTEF PERIOD

8.2.1. Objectives

Objectives of the healthcare programs implemented by the government are as follows:

8.2.1.1. In the sphere of primary health care:

- Increase of the role of outpatient-polyclinic care, strengthening of preventive orientation, extension of accessibility of medical care and services, assurance of increase of types and share of outer-hospital care, outpatient service, strengthening of material and technical base of outpatient-polyclinic service.
- Through early detection and prevention of disease by the primary-level, decrease of hospital load, decrease of the number of unnecessary calls for ambulance given for the chronic patients.
- Improvement of quality and skills of outpatient medical staff working in primary health care paying more attention to rural workers, as well as development of methods and ways for assurance of quality in the sphere of primary health care.
- Continuous assurance of the procedure of free selection of a physician providing primary health services by a person.
- Implementation of the program during 2011-2013, will allow up to 10% reduction of the morbidity of most common non-infectious diseases, indicators of disability and mortality.

8.2.1.2. Sanitary and Epidemiological security of population

The program is aimed at increase of sanitary epidemic security of Armenia's population, exclusion of the harmful influence of environmental factors on the human organism, creation of favorable vitality conditions.

8.2.1.3. Provision of maternal and child healthcare

The program is aimed at:

- increase of accessibility and quality of medical services provided to women and children. Assurance of appropriate volumes of medical care for children, as well as assurance of disease prevention measures will be directed to the reduction of indicators of child mortality and morbidity. According to the Declaration on Millennium development objectives, in 2015 it is envisaged to reduce the children's mortality from 8, and the maternal mortality - from 10.
- Financial provision for maternity, assurance of accessibility of birth assistance services, decrease of indicators of prenatal mortality and morbidity.

Implementation of the program over 2011-2013 will allow to:

- reduce the children's (0-1 years old and up to 5 years old) mortality rate by 10%, to ensure an indicator rate of full involvement of children for vaccination to 60% and higher level, reduce infant morbidity and mortality through improvement of Neonatal screening system, strengthening for services of newborn resuscitation. Ensure elaboration and introduction of a system of early detection and early intervention of development of deviations. To develop a system for children's assessment and rehabilitation medical assistance, establishing institutional structures of the regional level.
- To increase accessibility of obstetric aid services, reducing maternal mortality rate at least by 20%.
- To improve the quality of services of pregnancy pre-birth control, increasing the coverage rate of early pregnancy by 30%.
- Provide for involvement of pregnant women (at least 90% thereof) in the screening process of human immune deficiency RH virus.

To expand programs on prevention of the reproductive organs' cancer, providing for at least 30% of women's involvement in cervical cancer screening.

8.2.1.4. Prevention of diseases of special social importance

Organization of in-patient medical care includes fight against diseases of social dependence and special significance, organization of medical aid for the people, who are involved in social vulnerable and separate (special) groups.

8.2.1.5. Assurance of medical care for people included in social vulnerable and separate (specific) groups of population

The main objectives of organization of hospital medical care are improvement of quality of medical care and service, availability, structure and management of the sector mainly focusing on the needs of poor population.

8.2.1.6. Infectious diseases and HIV / AIDS prevention programs

Improvement of accessibility and quality of medical aid and services, disease prevention measure aimed at reduction of mortality and morbidity indicators are emphasized.

8.2.2. Priorities

Priorities of the health sector over the 2011-2013 MTEF period are as follows:

- provision of primary healthcare to the population;
- assurance of Sanitary and Epidemiological security of population;
- provision of maternal and child health;
- prevention of the diseases of special social importance
- provision of medical care of persons involved in vulnerable and separate (specific) groups of population;
- programs on prevention of infectious diseases and HIV / AIDS.

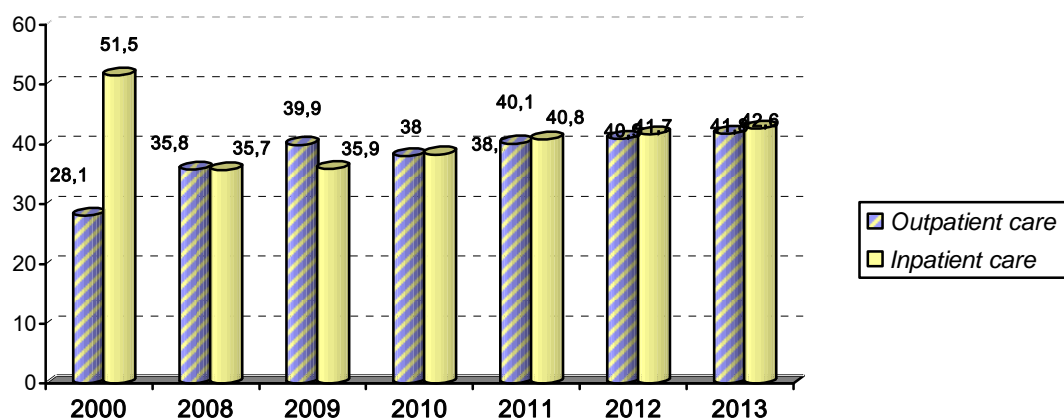
8.2.2.1. Provision of primary healthcare to the population

Increase of accessibility of healthcare services, especially on the level of primary care, is considered to be a priority area in the healthcare sector both within the context of poverty reduction and the 2011-2013 MTEF program.

Government of the Republic of Armenia considers the development of primary health care sector as a basis for health system reform, since it is the main loop of provision of medical care to the population and the most effective way for development and improvement of the national health system

Taking into account the existing need for a higher level of the primary (outpatient) health care accessibility and a greater degree of accessibility on the regional basis, the share of primary care will be added within the structure of state budget expenditures.

Chart 8.5. The share of out-patient and inpatient care financing within the total volume of health care expenditures (excluding management apparatus maintenance costs in the field of healthcare, %)



Introduction and development of the family medicine system will continue and expand throughout the territory of the republic. Groups of family medicine will gradually get an independent status based on the principles of funding as per number of serviced /registered/ population, independence in resource management and independent decision-making regarding organization of the medical care.

8.2.2.2. Provision of Sanitary and Epidemiological security of the population

Provision of Sanitary and Epidemiological security of the population is one of the most important tasks and is guaranteed by the RA law “On Provision of Sanitary and Epidemiological Security for the Population of Republic of Armenia”. Smooth functioning of this system has a vital importance in order to ensure the socio-economic development of the country and healthcare of the population.

The program provides for assurance of hygienic and anti-epidemiological control in the country, implementation of measures aimed at provision of healthcare to the population, prevention of infectious and mass non-infectious disease, development of public health care system within the aspect of provision of hygiene and epidemic security to the population.

8.2.2.3. Maternal and child health provision

giving adequate attention to the problems of women's and children's health, including reproductive health is of fundamental importance in order to have a healthy generation and improve the health status of the population. For that purpose the issue of women's and children's health is reconfirmed as a priority. It is envisaged to increase the volume of public expenditures for obstetrical and gynecological medical care both in hospitals and primary care organizations within the framework of maternal and child health care program. Special attention will be paid to disease prevention measures, including the implementation of vaccination in the field of children's medical care.

8.2.2.4. Prevention of diseases of special social importance

Programs aimed at prevention of diseases of special social importance and assurance of medical assistance to vulnerable people and persons involved in a separate (special) groups are emphasized.

The aim of the project is the early detection of diseases of social dependence and special significance organization of the patient care and continuous monitoring, campaign among the population on healthy lifestyle and knowledge about hygiene, which has a fundamental importance for the issue on the health of population.

8.2.2.5. Provision of medical care to persons involved in vulnerable and separate (special) groups of population

The project aims to increase the quality and accessibility of medical care provided to persons involved in vulnerable and separate (special) groups of population.

8.2.2.6. Prevention of infectious diseases and HIV/AIDS

The project aims to increase efficiency of early detection and complete treatment of infectious diseases, including tuberculosis, sex-infections and AIDS prevention.

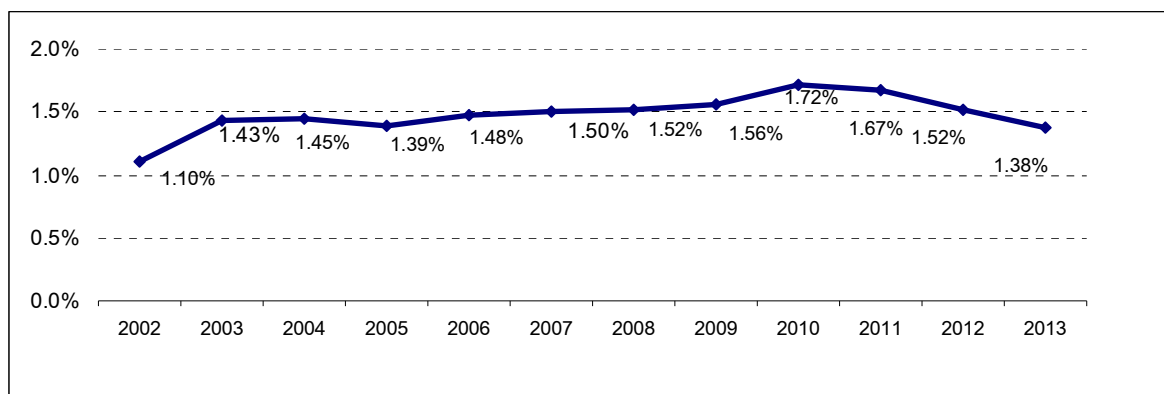
8.3. EXPENDITURE COMMITMENTS OVER THE MTEF PERIOD

Increase of the volume of public financing of the health care system and improvement of the existing situation will continue to be considered as a priority issue throughout the whole period of 2011-2013 MTEF program.

By the 2011-2013 MTEF program the health sector (including capital reconstruction, loan and grant programs, maintenance expenses of public administration bodies) will be provided with: 58574.9 million Drams in 2011, 57339.8 million Drams in 2012 and 56028.0 million Drams in 2013. The rate of growth of expenditures, without loan and grant programs, will be 12.3% in 2011, compared to the previous year, in 2012 and 2013 the volume of expenditures will be maintained on the same level.

Over the 2011-2013 MTEF period the state budget allocations to the health care system will make up: 1.67% of the GDP – in 2011, 1.52% of the GDP – in 2012 and 1.38% of the GDP – in 2013.

Chart 8.6 Level of public expenditures in the healthcare sector (% of GDP)



Such a decrease of the share of budgetary expenditures in GDP over the medium-term period of is resulted by termination of World Bank-funded projects end, but the negotiation process is initiated to start new projects, which are not included in the MTEF program at this moment, thus the share of healthcare expenditures in GDP may at this stage is not final and will be reconsidered later.

Increase in budgetary allocations will be directed to the healthcare sector priorities due to program objectives. The basic provision of the MTEF program in the sector is to increase of level of medical services accessibility for the poorest and socially most vulnerable groups of the population under the existing conditions of available financial resources.

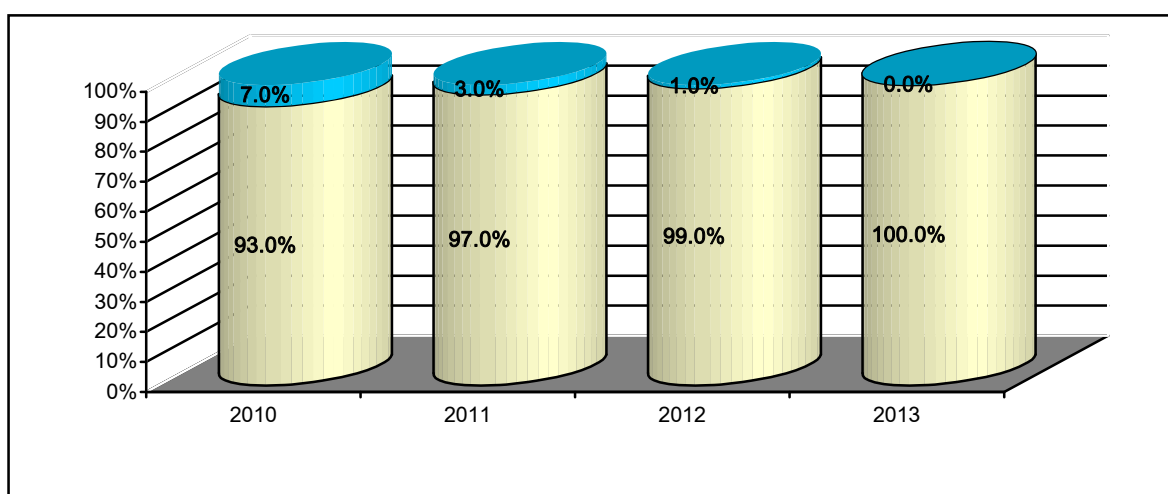
Below are health care expenditures by operating classification:

Table 8.5 Public expenditures in the health care sector (million Drams)

	2009 actual	2010 confirmed budget	MTEF		
			2011	2012	2013
Total of the healthcare sector (excluding administrative maintenance expenditures)	54,759.6	54,210.0	58,574.9	57,339.8	56,028.0
1. Outpatient services (primary health care)	20,431.5	21,033.3	23,919.1	23,919.1	23,919.1
<i>share in total health expenditures</i>	<i>37.3</i>	<i>38.8</i>	<i>40.8</i>	<i>41.7</i>	<i>42.7</i>
2. Hospital services	21,606.2	21,198.6	24,371.1	24,371.1	24,371.1
<i>share in total health expenditures</i>	<i>39.5</i>	<i>39.1</i>	<i>41.6</i>	<i>42.5</i>	<i>43.5</i>

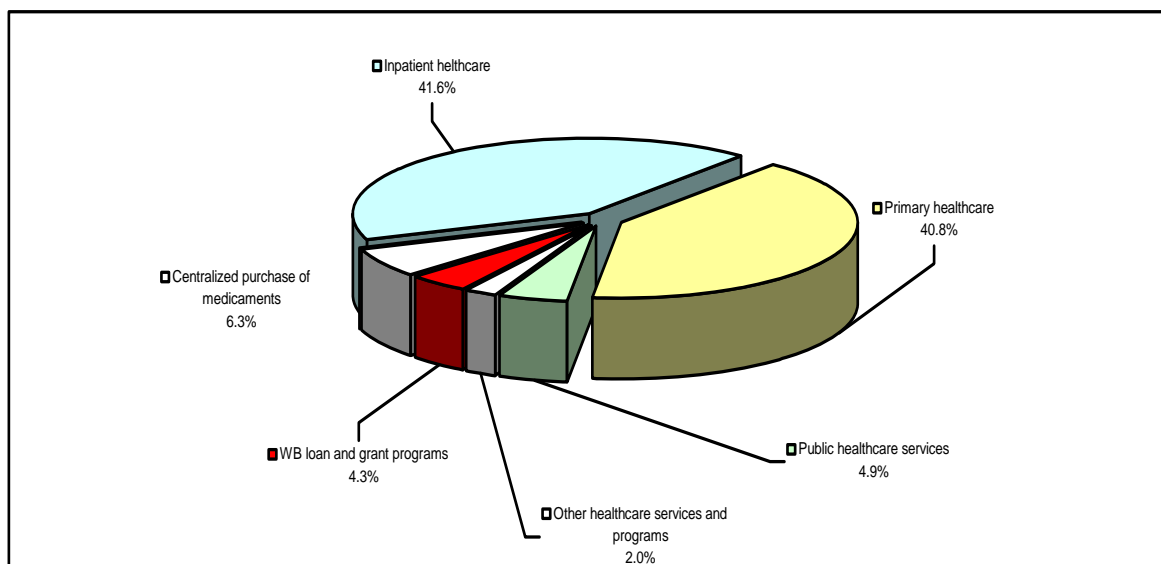
3. Centralized procurement of medication	3,045.4	3,687.5	3,687.5	3,687.5	3,687.5
4. Public health services	2,853.6	2,796.4	2,861.1	2,861.1	2,861.1
5. Health-related services and programs	1,153.7	1,173.3	1,189.2	1,189.2	1,189.2
6. World Bank loan and grant programs	5,223.0	4,320.9	2,546.9	1,311.8	0.0
7. Centralized procurement of medical devices and equipment in the healthcare sector	99.1	-	-	-	-
8. Capital reconstruction of healthcare institutions	347.1	-	-	-	-

Chart 8.7. Public expenditures in the healthcare sector by economic classification



In 2010, current expenditures make up 93% of the total healthcare expenditures and capital expenditures - 7%. In 2013 capital expenditures are not envisaged, as far as the WB loan and grant programs will terminate and new projects are still under negotiation.

Chart 8.8. Structure of healthcare expenditures in 2011, (%)



8.3.1. Primary healthcare

Over the 2011-2013 MTEF period the main part of the growth of healthcare expenditures will be directed to the main part of the primary healthcare (outer-hospital services), which will enable to ensure performance of key indicators of the “Sustainable Development Program” and implementation of the commitments undertaken by the government.

In 2011, in the line of primary (outpatient) care (Outpatient services group) it is envisaged to allocate 23919.1 million Drams from the state budget, against 21033.3 million drams for the previous year, growth will make up 13.7%.

In 2011, within the system of primary (outpatient) medical assistance the average monthly salary of a district physician is envisaged at 84700 Drams, which was 77000 Drams in 2010: that for the nurses: 54250 Drams, 49300 Drams in 2010, or the growth rated will be 10%, and the same level will be maintained in 2012 and 2013.

Within the sector of health care the priority will be given to the primary care, which will "absorb" about 40.8 percent of public appropriations in the MTEF period.

On the level of primary care the government’s policy will be directed to the reforms for introduction of the institute family medicine and further strengthening of the emerging structures.

Over the medium term period issues on increase of accessibility of health care services in rural areas still continue to be on the state political agenda, and the steps in this direction will be directed to improvement of the resource base of rural ambulatories and medical-obstetric points (both of human and technical resources). At the same time, issues on modernization of primary care services (polyclinics) in urban areas (including Yerevan), will be emphasized. However, in this case (and especially, in Yerevan) application of state intervention mechanisms will be largely conditioned by the results of reforms presently implemented in the sector.

8.3.2. Provision of sanitary and epidemiological security of the population

Within the framework of programs included in this group, it is envisaged to carry out provision of sanitary and epidemiological security of the population, conduction of research, studies, laboratory and instrumental expert researches aimed at assurance of public health care. Hygienic and anti-epidemiological service is realized through measures aimed at ensuring the sanitary epidemiological security of the population, organized by enterprises, institutions, organizations (regardless of ownership type) acting on the territory of Armenia, as well as through prevention of influence of dangerous and harmful factors of the outside world on the health of population.

Within the framework of the above-mentioned programs it is envisaged to conduct epidemiological researches in the infection diseases origin centers, to conduct control over implementation of immunization of the population, microbial, sanitary-chemical researches, preventive sanitary control, hygiene expertise of projects, approve and adoption for exploitation of constructed and reconstructed units, conduction of complex anti-epidemiological measures in the origin centers of special dangerous infections such as intestinal, drip infectious diseases, cholera, brutseliosi, brutality, etc., awareness raising activities aimed at HIV/AIDS prevention, control over the individuals of risk group and conduction of research. Implementation of the abovementioned programs will ensure the epidemic security of the population and reduction of morbidity of infectious diseases among the population.

8.3.3. Provision of maternal and child healthcare

Provision of maternal and child healthcare and improvement of reproductive health will continue to be specially emphasized within the framework of state policy. As a result of actions carried out (which, in particular, will be aimed at provision of quality medical care to pregnant women, promotion of breast feeding, discovery and prevention of spreading diseases representing great risk for women, vaccination of children) are expected to significantly reduce the level of child and maternal mortality, which is consistent with the Millennium Development Goals declared by the UN.

In the sphere of inpatient healthcare the number of cases of obstetric and children care will increase.

8.3.4. Programs on prevention of diseases of special importance, provision of medical care to persons involved in social vulnerable and separate (special) groups of population, prevention of infectious diseases and HIV / AIDS

According to the statistics, 8-10% of the population needs to get inpatient health care (or about 295.0 thousand cases), of which within the framework of state order in 2010 it is envisaged to involve 215.2 thousand cases, or 72.9 percent of those who have a need. In 2011 232.8 thousand cases is planned, or 78.9 percent of those who have a need.

Increase of cases of inpatient medical aid is conditioned by increase of the level of applies for aid by the population, connected with Armenia's economic stability. Further development of specialized hospital care will be ensured through introduction of clear funding mechanisms and increase of effectiveness of spending. The process of reduction of the extra capacities also will be continued, short-term and long-term programmatic approaches aimed at ensuring of medical care quality will be implemented.

The average value of a patient care within inpatient treatment is planned to be 13650 Drams in 2011 instead of 12400 drams of the 2010, and the growth rate will make up 10%. Within the inpatient care system the doctors' average monthly salary is envisaged at 71300 Drams in 2011, and that of nurses - at 56400 Drams, and the growth rate will make up 15%. The same level will be maintained in 2012 and 2013. Simultaneously with optimization process of the in-patient care system, one of the key directions of public expenditure policy for the coming years will be the modernization of hospital facilities located in regions. It will partly be provided by the World Bank-funded project, which is currently in progress. The RA Government intends to complete modernization of hospitals located in regions for the next 4-5 years, which will significantly increase the inpatient service accessibility and quality. In parallel with improvement of the building conditions and technical base of the regional hospitals, works will be conducted in the direction of compiling the regional hospitals with qualified specialists.

At the same time, taking into account the fact that at present the inpatient system is mainly less-loaded and there is a high potential for efficiency improvement, one of the key element of state policy will be a conduction of such activities, which will be directed to increase of interest of hospital institutions to implement appropriate measures directed to increase of efficiency.

Early discovery, raising effectiveness of treatment and prevention of spread of diseases of special social importance and separate infectious diseases will be important among the priorities of state policy in health care.

Non-infectious diseases, particularly cardiovascular, saccharine diabetes, malignant and chronic respiratory diseases spread demonstrate a growth trend, and in this regard, the most risky group includes especially poor and vulnerable groups of population.

Taking into account the fact that non-infectious diseases spread in many cases can be prevented through effective implementation of appropriate measures, the Government of Armenia envisages to put medium term and long term special efforts in this direction, particularly:

- to develop and continuously improve the national policy and plan of prevention and control of non-infectious diseases;
- to integrate non-infectious diseases prevention and control management in other related sectoral policies of the Government;
- to support implementation of measure reducing risk factors for the non-infectious diseases (fight against use of tobacco and alcohol, propaganda on healthy nutrition, promoting physical activity);
- to initiate steps aimed at the establishment and development of such an infrastructure both in public and private sectors, which will include effective treatment of chronic diseases;
- to support introduction of an effective system for conduction of research, monitoring and evaluation of the progress aimed at prevention and control of non-infectious diseases.

CHAPTER 9. SOCIAL PROTECTION

9.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS

9.1.1 General description of the sphere

Social protection has historically served and continues to be as one of the priority directions of state policy of the Republic of Armenia¹¹.

Social protection policy aims at a significant reduction of the level of poverty and provide with social guarantees for certain groups of population of the Republic of Armenia.

To achieve the above goal in the sphere of social protection a large-scale state intervention is being implemented. Below is presented the existing situation in the sphere and the main directions of state intervention according to the social protection separate areas.

Issues of Elderly People

State intervention in the area elderly people is carried out at the expense of the state budget through providing all day care for aged people, social services, day care, household service of pensioners at home, social- psychological, medical and legal advice.

Beneficiaries in this area are the single and disabled elderly persons who need care, as well as people who have become homeless by social reasons.

All day and social care services for elderly are provided through 7 (4 governmental and 3 non-governmental) nursing homes. In 2009 these institutions have served totally 1101 single elderly and disabled people, 1004 beneficiaries of which were taken care of in four nursing homes of the Ministry of Labour and Social Affairs. The letters are under the full care of the state and are provided with all necessary vital means and conditions. 97 beneficiaries were served in non-governmental nursing homes, 55 of which in Vanadzor, 30 in Abovyan and 12 in the village Artsvanik of Syunik Marz.

Care and social service at home for single elderly people is carried out by SNCO “Social Center for Servicing single elderly and disabled persons at home” (in 2009 nearly 1488 pensioners were served at home in Yerevan).

In 2009 about 47 mentally disabled persons were served in the Day Care Center affiliated to Neuro-psychological nursing home of Vardenis. The Day Care Center clients get social and psychological rehabilitation assistance by relevant specialists, rehabilitate their health by getting engaged with handicrafts and art. Their family members are also provided by socio-psychological assistance and advice.

In 2009 60 homeless people were provided with temporary shelter (with the duration of up to 60 days) at the temporary shelter facility affiliated to the nursing home No. 1, during that period their social problems were solved at the possible extent.

¹¹ See the Government Program (the Government Decree No. 380-A of 28.04.2008), the Government Action Plan for 2008-2012 (the Government Decree No. 878-N of 24.07.2008) and the Sustainable Development Program (Government Decree No.1207-N of 30.10.2008).

In 2009 6556 single elderly and disabled citizens were served at home and day care centers by “Mission Armenia” Charitable NGO in the regions of the country and in Yerevan (29 infrastructures).

Issues of Family, Women and Children

State intervention in sphere of family, women and children is carried out at the expense of the state budget, by providing social- psychological, medical, legal, and educational and care services to the children in orphanages and in families, who are left without parental care, children appeared in hard situations of life, left careless and in unfavorable conditions for education, orphanage alumni.

There are 8 state and 4 charitable Children’s Homes in the Republic of Armenia at present. 2 state and 1 charitable institutions of them are envisaged for organizing care and education of the children with mental and physical disabilities. Studies prove that children appear there mainly for social reasons, which are conditioned by the low standards of living of the population, high prices of medical services and medicine, lack of skills of parents and by complex influence of absence of child care services. In 2009 nearly 835 children were taken care of in the Children’s Homes, including 378 children were provided with care service in specialized orphanages.

In order to reduce the number of the children in orphanages and to prevent admission into the children’s homes, through state intervention is carrying out unloading programs in the orphanages, i.e. returning children to their biological families and accommodating them in caring families, as well as enlarging the network of children’s day care and protection centers and boarding schools which are alternative for the children living in orphanages and special educational public schools. At present in the system of Ministry of Labor and Social Affairs of the Republic of Armenia are functioning 7 boarding institutions and 2 social caring centers. 711 children were provided with care service in the boarding schools in 2009 and in average 189 children in social caring centers.

Employment sector

In the field of employment the state intervention is carried out at the expense of state budget through providing different types of services and benefits (transfers) to unemployed persons and to job seekers who are registered in regional and territorial centers of the “State Employment Service” Agency under the RA Ministry of Labour and Social Affairs. The main types of services in the field of employment provided at the expense of state budget are as follows: organization of education and vocational orientation for job seekers, unemployed persons and youth, advising services, job placement assistance and provision of temporary employment, assistance to job seekers in the choice of employment and provision of the employer with manpower with required profession and qualification.

The main transfers provided to the population in the field of employment at the expense of state budget resources are: unemployment benefits, financial assistance to the unemployed and disabled unemployed persons looking for job to start an entrepreneurial activity, paid public works, partial compensation of salary to the employer for persons who are non-competitive in the labor market, etc.

Beneficiaries of the mentioned services are the persons registered in the employment agency, which is unemployed, job seeking and non-competitive in the labor market (including young people). As of 2009, the number of persons registered in the territorial and regional centers of “State Employment Service” Agency under the Ministry of Labour and Social Affairs looking for job was 99308 people, while the number of unemployed persons was 84493 people. At that period of time the unemployment level in the country made 7.1%.

In the field of employment the state intervention is carried out through 10 regional and 41 territorial employment centers of “State Employment Service” Agency under the Ministry of Labour and Social Affairs, as well as through the “Youth Job Orientation Centre” SNCO functioning in Yerevan.

Issues of Disabled

In the field of issues of disabled the state intervention is mainly implemented at the expense of state budget recourses by providing different kind of services to separate groups of disabled persons.

The main services provided to the disabled people at the expense of the state budget funds are: prosthetics for disabled and socially vulnerable persons, providing them with rehabilitation appliances and their repair, including eye prosthetics and acquisition of voice creating equipments, providing the invalids with wheel-chairs, audition equipments both for aged pensioners and children under 18 years old, providing children under 12 years old with inputs of audition equipment, creation of special informational means for blinds (printing books with special styled letters, recording of “Speaking Books”, etc.), rehabilitation of psychological health of disabled, their treatment and medical- social rehabilitation, teaching blinds by the system called “Arev” (Sun) and providing them with computers, state support to the social-rehabilitation day care centre for mentally disabled young people of the “Prkutyun” NGO.

The RA Citizens with disabilities and in need are the beneficiaries of the mentioned services. In 2009 135699 disabled people in total were provided by state support, which comprise 98.7% of the total of disabled people in need of support.

State intervention on issues of disabled is carried out mainly by “ARTMED” Medical Rehabilitation Center CJSC, the “Stress Center” CJSC and other state and private organizations selected in a stated order.

Labor and wage state regulation

State intervention in the sphere of state regulation of labor is mainly carried out through services of control over regulation of working relations and enforcement of labor law, as well as through compensation for mutilation, professional disease and other harms to health occurred while performance of professional duties. In 2009, 841 persons received compensations from the state budget resources for injuries to health connected with mutilation, professional disease and other harms to health occurred while performance of duties.

Demography issues

State intervention in the field of demography the expense of the state budget resources is mainly carried out at through provision of one-off benefit of the child's birth and up to 2 years old child care benefit.

Beneficiaries of the mentioned services are parents of newborn infants and the person who is in vacation for taking care of a child up to 3 years old and takes care of a child up to 2 years.

Compared to 2008, in 2009 the growth rate for the number of births was recorded at 8%, as a result in 2009 the number of births was 44466 children, instead of 41185 children in 2008.

State support to the vulnerable social groups

The state intervention in the field of state support to the vulnerable social groups at the expense of state budget resources is carried out through provision of family allowance and a one-off financial aid.

The beneficiaries in this area are families which have scores of vulnerability higher than the ceiling scores.

The number of beneficiary families registered in the system of family allowance was 107492 in 2009, and the ceiling scores for family allowance was set at 30.00.

State support to the war participants, their families and separate categories of citizens

State intervention in the field of state support to the war participants and their families is mainly carried out at the expense of the state budget resources through provision of financial assistance or special payments to the Great Patriotic War veterans, disabled military servants, and the families of military servants perished (deceased) during performance of military service duties.

In 2009 compared to 2008, the numbers of beneficiaries of the programs for “Honorary Payments to Veterans” and “Provision of Pecuniary Aid to the GP War Veterans, to Military Servants Disabled Due to the Reasons Defined by Article 13 of the RA Law No 258 Dated November 25, 1998, to the Families of Military Servants Perished (Deceased) While Performing Official Duties” decreased, respectively, by 10% (in 2008 there were 4673 persons) and by 0.3 percent (in 2008 there were 26274 people), which is conditioned by the reduction of the number of GP War veterans.

Refugee issues

The state intervention in the field of Refugee issues is mainly carried out at the expense of state budget resources through provision of services to the refugees settled in temporary shelters.

The beneficiaries of the mentioned services in Armenia are the aliens applying for refugee status or persons without citizenship and their family members.

The mentioned services are provided mainly by “Dormitories” CJSC, which serves five temporary shelters settled by refugees in different areas. The total number of beneficiaries settled in these shelters was 628 people in 2009.

Besides, similar services at the expenses of state budget resources are also provided in temporary shelters settled by refugees, under subordination of 3 other organizations. The total number of beneficiaries serviced in these shelters in 2009 amounted to around 227 people.

Social insurance and pension security

Social insurance and pension security sector includes the social insurance and pension security systems.

The state intervention in the field of social insurance and pension security is mainly carried out by the means of the state budget resources through provision of insurance and social pensions to the persons of

pension age, pensions appointed to the officers' staff and ordinary soldiers and their family members by respective RA laws and Government Decrees, through payment of allowances for temporary disability and pregnancy and childbirth benefits.

In 2009 the actual number of recipients of insurance pension was 467555 people, the number of recipients of social pensions was 50470 people, the number of pensioners according to respective RA laws and Government Decrees was 57 people and the ordinary military servants- 9176 people.

In 2009 the number of days of temporary disability and pregnancy and childbirth accordingly made 795581 days and 1044973 days.

9.1.2. Development trends of recent years

In recent years sustainable trend of growth of expenditure level directed to the sphere of social protection from the state budget was recorded (only in 2008 to 2009 the level of total expenditures in that area increased from 212.6 billion Drams to 243.7 billion Drams). Such a growth of the level of expenditures is mainly due to continuous increase of the rate of pensions and state allowances.

Issues of Elderly People

Since 2008 the number of elderly people served at their places is increased by 25% becoming 1500 from 1200, as a result the budgetary appropriations are increased proportionally (budget allocations level per beneficiary remained unchanged).

The quality of services was improved in the nursing homes, in particular the amount provided for food per day per nursed person was increased by 20% in 2009 (becoming 1243.9 drams from 1036.6 of 2008) and in 2007-2008 the salaries of the employees of nursing homes and centers for social service of disabled and single elderly people at home was increased by 20-50%. In 2009 the number of personnel staff was increased by 15 staff units in nursing homes (625.5 units instead of 610.5 of 2008), the number of beneficiaries remained unchanged.

Since 2007, funds are allocated from the state budget to separate non-governmental and charitable organizations, in particular to the Charitable NGO "Mission Armenia" for salaries and social security payment of employees engaged in servicing of single elderly and disabled citizens in the regions of the republic and in Yerevan. As compared with 2007, in 2008 the volume of state support provided to that organization was increased by approximately 16% (instead of 239 employees serving 6100 beneficiaries in 5 regions and in Yerevan, were compensated salaries and social security payments of 279 employees serving 6700 beneficiaries in 7 regions and in Yerevan). Since 2009, except from the compensation of salaries and social security payments to the "Mission Armenia" Charitable NGO, state budget financing was provided also for food provision of elders (for that purpose 69.8 million drams were allocated in 2009 for 3000 beneficiaries).

In recent years, the number of places in temporary shelter is added for homeless people (by 20 in 2008, and by 10 in 2009). As a result, in 2008 about 750 people were served in the homeless temporary shelters, the problems of 114 or 15% of the above mentioned people have been resolved (the documents are

prepared and adopted in boarding houses, acquired the status of disabled, returned to the families, got jobs etc.). The above mentioned was done by increasing budgetary allocations by 8.1% per beneficiary.

In recent years the communal-living conditions were improved in boarding houses. In particular, in 2007-2008 partial repair works were carried out in boarding house No. 1, in the boarding house in Nork. General reconstruction was carried out in the homeless temporary shelter and in Vardenis neuropsychiatry boarding house.

Over the medium-term period it is expected that the trends of previous years will be preserved, particularly in the boarding houses under the subordination of the Ministry of Labour and Social Affairs, the number of persons serviced at home by service center, in Vardenis Day Care Center and in temporary homeless shelter will remain unchanged in medium-term period, preserving the level of 2010. The trends of improving the services quality will be preserved, as well as the level of state support to separate NGOs and charitable organizations.

Issues of Family, Women and Children

In 2009 compared with 2008, the number of children living in orphanages was decreased (instead of 935 confirmation by the Government, in 2008 and 2009, respectively 866 and 835 children were served in the orphanages). However, during the same period increase of the number of children has been observed in specialized orphanages (in 2008 - 370, and in 2009 - 378 children). Decrease of the number of beneficiaries serviced in the orphanages is mainly due to alternative services available in the field. But taking into account the demand of the children registered for the specialized orphanages, the number of beneficiaries for those years remained unchanged, while budgetary allocations per beneficiary increased by 19.4% (in 2008 1334.1 million drams were allocated for the whole program).

The quality of services at the institutions dealing with child care is improved, particularly the amount of food provision for a child per day in 2009 raised by 20% as compared to 2008 and has become 1161.2 AMD, as well as the salary of the employees of these institutions increased by 20-30%. In 2009, the number of positions for employees of orphanages increased by 45 units (instead of 809 in 2008), the number of beneficiaries remained unchanged.

In 2008 and 2009 within the framework of unloading program, each year 40 children were returned to their biological families by institutions dealing with child care and protection in the region of Lori, and was prevented admittance of 10 children to the institutions. For that period the budgetary allocations per beneficiary were increased, due to increase of expenditures for the support package provided to the dumping family (the amount of food provision increased by 20%).

The number of beneficiaries provided with assistance within the framework of the program “State support to the alumni of child care institutions of the Republic of Armenia” has increased, (37 beneficiaries in 2008 and 40 in 2009), they were provided with a miscellaneous support, in particular educational, health, legal, social-psychological. In 2008 and 2009 flats were not purchased for the beneficiaries, as there had

occurred numerous deficiencies in previous years during housing process, as a result there have not made budgetary allocations for this purpose.

Since 2008 the state budget is providing financing for the program for “Introduction of the Institute of Foster Family”, the pilot project of which was launched in 2006-2007 by the UN Children's Fund together with FAR, and in the framework of the project 22 children from orphanages under the subordination of the Ministry of Labour and Social Affairs were sheltered in foster families. In 2009 23 children found shelter in foster families. Budget allocations for compensation to the beneficiaries and foster parents increased by 28.0% in 2009 compared with previous year (15.7 million Drams in 2008 – for the whole program) connected with increase of the amount provided for living of a child (disabled children) in the children’s homes and increase of the minimum monthly salary rate of RA.

The trends of previous years are expected to be preserved over the medium-term period, particularly the number of persons serviced in the orphanages, boarding care and protection institutions number of beneficiaries of day care centers under the subordination of the Ministry of Labour and Social Affairs will remain unchanged, preserving the level of 2010. The trends of increase of the quality of services will be preserved, as well as the level of state support from the state budget to separate charitable and NG organizations.

Employment sector

Despite the fact that during 2006-2008 the rate of unemployment decreased (the pace of decrease was 0,107 in 2006-2007, and in 2007-2008 it made 0.04), but due to financial crisis in 2008-2009 growth of unemployment level was observed at 0.4 % (the growth pace was at 0.13). As a result, by January 1, 2010, officially registered level of unemployment was 7.1% instead of 6.3% at the beginning of 2009.

For the same period, similar trends were observed also among job seekers and the unemployed. In particular, in the years of 2006-2008 the number of job seekers decreased (in the years of 2006-2007 and 2007-2008 the pace of decrease made 0.03), and in 2008-2009 the number of job seekers increased (the growth pace was 0.23). As a result, by January 1, 2010, the number of job seekers was 99308 people registered in territorial and regional centers of “Employment Service” Agency under the Ministry of Labour and Social Affairs.

As to the number of unemployed, here also was observed decrease in the number of unemployed in the years of 2006-2008 (the race of decrease was 0.13 in 2006-2007, while over 2007-2008 it was 0.006), and from 2008 to 2009 a rise in the number of unemployed was observed (the growth race was 0.23). As a result, by January 1, 2010, the number of unemployed people registered in the territorial and regional centers of “Employment Service” Agency under the Ministry of Labour and Social Affairs, amounted to 84493 people.

In difference with the above-mentioned trends, in the period of 2006-2009 a trend of steady growth of state budget expenditures has been observed in the direction of the implementation of employment related public programs. Particularly in 2007 employment related public programs expenditures increased

by 5.1% compared to 2006, in 2008 it raised by 30.4% compared to 2007, while in 2009 - by 52.6% percent compared to 2008. Expenditures growth tendency in employment related public programs is mainly due to rapid increase of the number of unemployed and the increase of amounts allocated for allowances for unemployment.

During 2009, 193280 persons were provided with advising services, or the growth compared to the previous year made 33.4% (144854 persons in 2008). 9394 people got job via Agency, of which young people were 24.7%. During the same period the number of employers collaborating with territorial and regional employment centers increased by 20% instead of anticipated 15%. The indicator for involvement of people in public employment programs increased by 26.4% instead of anticipated 10% (37.7% of job seekers were involved into the public employment programs).

Since the beginning of 2009 the right of receipt of unemployment allowance was acquired by about 31000 unemployed instead of 21043 of the previous year. Due to financial crisis the number of unemployed provided with allowance grew to 33.4%, or made about 22900 people (16673 people in 2008), as a result additional 1.5 billion AMD was provided for unemployment allowances by the Government of RA.

In 2008 Yerevan "Youth Professional Orientation Center" SNCO provided services to 1549 beneficiaries, as a result partnerships are established with interested organizations in the field, bases are created for disclosure of existing problems, development of methodological materials and tools in order to provide the different groups of beneficiaries with effective services. In 2009 the Center worked with 5000 beneficiaries, including pupils of secondary schools, students, young people looking for job or in need of trainings and parents from the city of Yerevan and regions. Thus, resulted by increase of the number of beneficiaries, as well as high level of quality of services, in 2009 the budgetary allocations increased by 71.7% compared with previous year, and decreased in the calculation of appropriation per beneficiary by 48.5% (10.3 million drams in 2008).

Over medium term period, the trends of previous years are expected to be preserved in the sphere, the number of beneficiaries will remain unchanged in the field of employment preserving the level of 2010. The trends of increase of quality of services will be preserved as well.

Issues of Disabled

Taking into consideration that there are big lines of turns are formed over the years of 2001-2003 for disabled people for receiving prosthetics and rehabilitation appliances, since 2004 the state budget financing of these services was greatly enlarged, as a result, lines were eliminated. In 2006-2007, financing kept on growing in average by 5.7 % annually. Consequently, the number of disabled people provided with rehabilitation appliances has increased of about 5.3 percent annually.

In 2008-2009 was emphasized the issue of expansion of the range of assortment of prostheses and rehabilitation accessories and improvement of the quality.

As compared with previous year in 2009, 15209 prosthesis-orthopedic items were provided and renovated (instead of 13637 prosthesis-orthopedic and rehabilitation appliances in 2008).

Based on demand of 2009, 97 ocular prosthesis devices were prescribed and 120 voice creating devices were provided, instead of 50 ocular prosthesis and 100 voice creating devices in 2008.

Due to the above mentioned facts the budgetary allocations have increased by 15.6 %.

As a result of improvement of technical equipment, expansion of service range and increase of the quality of treatment in the “ARTMED” Medical Rehabilitation Center, over the recent years gradually increased the number of patients actually treated in the centre (585 patients in 2007, 631 patients in 2008 and 723 patients in 2009). Moreover, within the frames of budget resources allocated for the center it was possible to treat patients by 22% more than was planned (723 patients, instead of planned 591), which is due to lowered average price per patient treatment per day in 2009 (11.5 thousand drams instead anticipated 13.0 thousand drams).

In the “Stress Center” CJSC, where mental health rehabilitation of disabled people and inpatient treatment is being carried out, actually 413 patients received treatment in 2008. In 2009 the amount of the state budget allocated was more by 11.5 % than in previous year and treatment of 392 patients was planned. This is connected with growth of cost of treatment for one patient per day (13.0 thousand AMD). In 2009 within the framework of allocated amount actually was possible to treat many more patients – 458, as far as in 2009 decreased the average price of treatment for one patient per day, becoming 11.5 thousands Drams.

Since 2006 the program of “Services of Printing Books with Special Fonts, Preparing Exercise books, Recording of “Talking Books” for the Disabled Graduated from Schools, as well as for those who lost the eyesight in mature ages” was launched. In 2008-2009 the following works were organized and conducted within the frame of the program: Braille books - 42336 sheets, Braille exercise-books – 1000 pcs, monthly periodical of Blinds’ association of Armenia “Bulletin” - 74400 sheets, “Talking Book” - 1500 hours. Budget allocations rate per beneficiary remained unchanged.

Since 2008, the programs are being implemented for “Education of Persons with Sight Disabilities through the “Sun” system” and “Provision of Persons with Sight Disabilities with computer equipment and spare parts”. In 2008-2009, 20 disabled people were included in the programs, 13 of which were students with sight problems. Budget allocations rate per beneficiary remained unchanged.

In the medium-term period the trends of previous years are expected to be preserved, particularly, the scope of services provided at the expense of state budget allocations will be preserved.

Labor and wage state regulation

The rate of minimum wage in the Republic of Armenia revealed a stable growth trend, particularly, in 2007 it was set at 20000 Drams, growing compared to the previous 15000 Drams by 33%, while in 2008 and 2009 it increased respectively by 25% and 20%.

The employees' average monthly nominal wage rate, which is the average amount of labor remuneration and other equal to it payments accounted per employee, also shows a growth trend in recent years, particularly, in 2007 it made 74227 Drams in the country (119.2% growth compared to 2006), 87406 Drams in 2008 (118.8% growth), while in 2009 it amounted to 101895 drams (116.6% growth).

As a result, in 2006 the minimum monthly wage comprised 31.1% of the average monthly salary, in 2007 - 26.6%, in 2008 - 28.1%, while in 2009 - 29.4%.

Base salary rate of civil servants in 2004-2005 was set at 20,000 Drams. In 2006 it grew by 50% compared to the rate of 2004-2005, in 2007 it was set at 35500 Drams, having increased by 18.3%, in 2008-2009 it became 40,000 Drams, having increased by 12.7 % compared to the year of 2007.

The number of persons receiving compensations from the state budget resources for injuries and harms to health connected with mutilation, professional disease and other harms to health occurred while performance of professional duties, in 2009 decreased by 4% against 880 persons in 2008, in the case that budgetary allocations per beneficiary increased by 13 % (the amount of injury compensation is calculated in the minimum wage rate).

In the medium-term period the trends of previous years are expected to be preserved, in particular, the minimum monthly salary, as well as estimated the continuous growth average monthly salary in separate institutions functioning under the Ministry of Labour and Social Affairs.

Demography issues

The number recipients of allowance for child care up to 2 years was 7114 people in 2009 instead of 6000 people in 2008, which was due to alteration of the rate of monthly benefit, relating it to the minimum monthly salary rate for the given the year - 60%. Budget allocations increased by 616% for each benefit recipient.

In 2009 the number of one-off benefit recipients for a child birth totaled to 45823 people in comparison with 38303 people in 2008 in connection with the growth of fertility rate. At the same time in 2009 the rate of one-off benefit for a child's birth increased and a comprehensive encouragement system of continuity was invested for a child's birth. Thus, in 2009 the rate of allowance for the birth of the 1st and 2nd children made 50.0 thousand Drams for each (in 2008 this rate was at 35.0 thousand Drams), and in the case of birth of the 3rd child and more that amount was stated at 430.0 thousand Drams. Budget allocations increased by 217.1% for each benefit recipient.

In medium term period the trends of previous years are expected to be preserved, particularly increase of the number of recipients of a child birth one-off benefit is expected, and the number of recipients of benefits for child care up to 2 years will remain unchanged preserving the level of 2010 by increasing the rate of budget allocations per beneficiary.

State support to the vulnerable social groups

Considering that the pension is included in the average monthly family income as a component of income structure, due to the increase of the level of pension, the ceiling score for the right to receive family

allowance was lowered for 2004, 2005 and 2006, respectively from 36.00 to 35.00, 34.00 and 33.00 units. Due to that fact, a large number of families preserved the right of family benefits in the mentioned period in spite of growth of family income level recorded during the previous years.

As a result of recounting carried out during the first three months of 2006, only 770 single pensioners lost the right for family allowance, while 4000 families having pensioners should have lost that right since January 2006. The budget allocations remained unchanged.

Since January 1, 2008 family allowance ceiling score was defined at 30.00, which enabled to keep the families with pensioners in the system, in the case of rising the pension, moreover the lonely heirless pensioners receiving pensions up to 30 thousand Drams, were provided with the right to family allowance, and since January 1, 2009, preserving the ceiling score on the same level as in 2008, the impact of income was moderated, insecurity unit of family becomes “nil”, if average monthly income for each family member is more than 36300 drams. Thus, the impact of rising the amount of pension in 2009 on the socially vulnerable pensioners in the terms of definition of the rights to family allowance, was neutralized, while in the case of working individuals (without any social group) by lowering their insecurity unit, the same level was preserved.

Taking into consideration that registration in the system is voluntary, in case of the family considers itself poor, as well as in the case of expecting support from the state, may apply for registration in the system of families vulnerability assessment. Data provided in the Table 9.1 show that the number of registered families is reduced, when the average monthly benefit amount increases. At the same time, among the beneficiary families increases the share of families having children, which is consistent with the policy adopted by the state, providing social support to children by priority principle.

Table 9.1 Family Allowance program of the RA in 2005-2009.

	2005	2006	2007	2008	2009
Registered families (% of the number of families of RA)	25.42	23.81	22.14	21.54	19.16
Beneficiary families (% of the number of registered families)	64.81	72.25	72.29	73.25	73,4
Beneficiary families	127167	130190	124689	121160	107492
Beneficiary families (% of the number of families of RA)	16.56	16.95	16.24	15.77	14.1
Families having children (% of the number of beneficiary families)	69.29	72.20	75.90	76.34	81.33
State budget financing (billion Drams)	20.0	24.0	26.407	29.388	32.324
Allowance average rate	12300	15000	17500	21100	23560

Still high is the impact of family allowances on poverty, on reduction of mostly extreme poverty.

According to RA NSS 2008 complete data on Living Conditions of Households, assessment of the impact on Family Benefit program is as follows:

Family allowance funds are distributed to the poor population and the program addressing is improved

over 2004: 82% of allowance recipients “before they are provided by family allowance”, are from the lowest layers, which receive 75% of family allowance fund, while in 2004 the figures were respectively 62.6% of the population and 66.7% of the budget.

In medium-term period, the number of benefits and the monthly benefit amount is predicted to remain unchanged, keeping the level of in 2010.

State support to the war participants, their families and separate categories of citizens

Within the framework of programs for “Honorary Payments to Veterans” and “Provision of Pecuniary Aid to the GP War Veterans, to Military Servants Disabled Due to the Reasons Defined by Article 13 of the RA Law No 258 Dated November 25, 1998, to the Families of Military Servants Perished (Deceased) While Performing Official Duties”, the number of beneficiaries who are provided with honorary payments and financial assistance for separate public services in 2009 was reduced compared to the previous year due to the change of the number of Veterans of the Great Patriotic War by 15.5% (4646 people in 2008), and the number of families of military servants receiving financial assistance has increased by 3.9% (16864 people in 2008). From January 1, 2009 the rate of financial aid provided to the participants of the Great Patriotic War was stated at 4500 Drams (3800 Drams in 2008), for the disabled– veterans – at 6800 Drams (5700 in 2008), to the families of disabled and perished (deceased) military servants - 9100 Drams (7500 - in 2008), to the family of dead soldiers with 5 and more family members the provided financial aid for each additional family member has become 3000 Drams (2500 Drams in 2008).

In medium-term period, trends of previous years are expected to be preserved especially budget allocations will increase per beneficiary in case of change of the number of beneficiaries.

Refugee issues

Total number of beneficiaries of services provided by refugee temporary shelters made 855 people in 2008-2009.

In 2009, compared to the previous year, temporary dwellings improved the quality of services, in particular, the staff salary increased by 20%, within the framework of “Measures for solving the problems of refugee accommodation” program, in the “Special Shelter” SNCO the food provision costs for beneficiaries were also increased by 20%. As a result the rate of budget allocations per beneficiary increased by 15%.

The trends of previous years are expected to be preserved in medium-term period, in particular trends in quality service improvement will be preserved.

Social insurance and pension security

In the period of 2007-2009 the insurance pensions payment resources had increased, which is due to growth of the average rate of insurance pension (in 2007-2008 - 17.6%, and in 2008-2009 about 60%, in

2007 making 13380 Drams, in 2008 – 21842 Drams, and in 2009 about 25686 Drams). Growth of average pension in its turn is conditioned by the increase of basic pension (in 2007 it made 4250 Drams, in 2008 – 6800 Drams and 8000 Drams in 2009) and by the increase of the value of an insurance experience year (in 2007 it was 230 Drams, in 2008 – 395 Drams, and in 2009 – 450 Drams).

In 2008-2009 growth of resources forwarded to the payment of pensions was accompanied by reduction of the number of insurance pensioners, in 2009 – 467555 pensioners, instead of 469107 pensioners in 2008 or by 0.33% less. Changes of trends in the number of pensioners in 2008-2009 were conditioned by the fact that the generations born in 1945-1946 acquire the right of pension.

In the period of 2007-2009 the resources directed to the payment of social pensions were increased, which is a result of average social pension increase (due to the base pension amount changes, respectively, instead of 4250 Drams in 2007 it was stated at 6800 Drams, and since January 1, 2009 it is 8000 Drams) and due to the social pensioners number growth.

The average monthly pension rate in 2008 made 8765 Drams (in 2007 it was 5492 Drams) or increased by about 60.0%. The number of social pensioners for 2007-2009 shows a stable growth trend, in 2007 it made 47140 people (growth by 1.96%), in 2008 it made 48632 people (3.1% growth), and in 2009 it made 50470 people (3.8% growth).

In 2008-2009 funds for payment of pensions to the officer personnel and their families were increased, which is a result of growth of the average rate of pensions by over 6.6% (42533 Drams in 2008, 45355 Drams in 2009), which is a result of growth of official wage rate of the officer personnel, from which pension is being calculated. The mentioned trends were accompanied by decrease of the number of pensioners by over 0.4% (in 2008 – 35485 pensioners, in 2009 – 35377 pensioners).

In 2008-2009 were decreased the pension funds paid to ordinary military servants and their families, which were accompanied by a decrease in the number of pensioners and increase of the average pension rate by about 11%, making 19728 dram. Such trends are resulted by the growth of basic pension rate (from which these pensions are calculated), since in January 1, 2009 it was set 5800 Drams (in 2008 – 5000 Drams).

Over 2007-2009 period a trend of reduction of the number of pensioners is recorded, which is conditioned by the fact that the scope of pension right holders include GP War participants with disabilities, as well as the underage wards of Karabakh war victims, their number is naturally decreasing every year (in 2007 – 12009 people, reduced by 13.53%, in 2008 – 10425 people, reduced by 13.1%, and in 2009 – 9176 people, reduced by 11.9%).

The temporary disability benefits actual costs for 2007-2008 increased by 30.5% (in 2007 – 1806.8 million Drams), due to the growth of the number of days of temporary disability by 15.4% (in 2007- 859130 days).

In 2008-2009 the allocations for payment of temporary disability benefit were increased, which was conditioned by the rate of the daily average allowance increase by 3.2% (in 2008 – 2376.4 Drams), and increase of the number of days of temporary disability by 1.2% (in 2008 – 992216 days).

Actual expenditures for pregnancy and childbirth allowance for 2007-2008 increased by 43.0 % (in 2007 - 1610.2 million Drams) due to the increase of the number of pregnancy and maternity benefit days – by 13.1%.

Actual expenditures for pregnancy and childbirth allowance in 2009 was by 31.2% more (in 2008 - 2303.7 million Drams), which is due to increasing number of days of pregnancy and childbirth allowance (2.5 % in 2008-2009) and growth of labor income of population (from which the allowance rate depends on).

The trends of previous years are expected to be preserved in medium-term period, particularly the number of pensioners is forecast to change and the rate of monthly average pension will growth, as well as the number of days of benefits for pregnancy and childbirth will increase, as well as the number of days for the benefit of temporary disability and allowance rate per day will increase.

9.1.3. Main problems of the sector

Issues of Elderly People

The main problems of elderly issues are:

- there is a growing demand in services provided by boarding houses; as far as the capacities of separate institutions of all day care for elderly are not enough satisfying in order to provide necessary volumes of service (nursing home of the elderly and the disabled in Gyumri and nursing home of neuro-psychology in Vardenis),
- low level of salary of employees providing social services and care to the elderly and disabled,
- there are no proper conditions for provision of quality services in separate all day care institutions for elderly and disabled people, (separate buildings of some nursing homes are in need of restoration),
- there is lack of temporary shelters for homeless persons especially in the town of Gyumri,
- absence of regulating conceptual instruments for social protection of the elderly,
- absence of new necessary models for social and care services of elderly and disabled (community centers, mobile stations of social assistance for homeless people, social houses, separate departments for bed-patients, etc.).

Issues of Family, Women and Children

The main problems of the sphere of family, women and children are:

- despite the fact that total number of children in the orphanages has decreased compared to the previous years, nevertheless, every year the number of children in specialized orphanages is increased, which causes problems for their placement,
- such a tendency is due to the lack of alternative specialized services in the country (day centers, rehabilitation centers, etc.),
- because of financial crisis in 2009 dramatically increased the number of children in child care and protection boarding facilities of Lori and Shirak Marzes and grew the number of children registered for accommodation in the boarding institutions,

- because of review of state policy flats were not purchased for the graduates of orphanages and for children without parental care in 2008-2009,
- as a result, during those two years was formed, even was increased a great turn of the previous years, and now the number of children registered in housing queue of orphanage graduates and those left without parental care has reached to 300.

Employment sector

The main problems in employment sphere are:

- there is a major disproportion in labor supply and demand, as well as significant discrepancy of labor requirements of the labor market and professional qualification of workforce,
- due to financial crisis deterioration of the current situation is possible, due to increase of immigrating working aged persons and possible growth of job cuts and layoffs,
- unemployment is high among youth and individuals non-competitive in the labor market, there is a significant difference between the level of unemployment in separate regions of the country,
- shadow employment and disguised unemployment is big,
- imperfect legal regulation of the workforce movement,
- rural population is insufficiently employed, while non-agricultural employment is on unsatisfactory level,
- some professions are becoming non-applicable due to the endless institutional reforms and introduction of innovative technologies in the economy, demand for new professions comes forward.

Issues of Disabled

The main problems of disabled sector are:

- many services are not still available for people with disabilities, as well as the letters are not provided with equal opportunities,
- the quality of some rehabilitation appliances for disabled people is not satisfying. Some rehabilitating items, which are necessary for the disabled, are not available for the letters. Mainly disabled people are included in the rehabilitation projects (the degree of involvement of young disabled people in the rehabilitation programs is low),
- cooperation with non-governmental organizations dealing with disabled persons' problems is still on insufficient level.

Labor and wage state regulation field

The main problems in the area of labor and wage managing are:

- the average rate of minimum monthly salary is low in the entire economy of RA, which does not provide the minimum living conditions of workers,
- in separate services in the public service system the official wage rates for similar positions are significantly different from each other, which is mainly resulted by variation of base salary rate in those

services.

Demography issues

The main problems of demography field are:

- the issue of increasing of the birth rate and improvement of demography of population continues to remain urgent.

State support to the vulnerable social groups

Basic problems in the field of support of vulnerable social groups are:

- different directions of social support, particularly the issue of increasing of family allowances direction continues to remain urgent,
- the level of representation of extremely poor population in the system continues to remain low, which can be explained by passive behavior of poor people and by lack of confidence towards state agencies, or it's a result of lack of public awareness activities.

State support to the war participants, their families and separate categories of citizens

The main problems in the field of support to war participants, their families and separate categories of citizens are:

- the welfare improvement issue of war participants, military servants and their families continues to remain urgent.

Refugee issues

The main problems in the field of support to refugees and their families are:

- the welfare improvement issue of refugees and their families continues to remain urgent.

Social insurance and pension security

Basic problems in the field of support to vulnerable social groups are:

- despite the fact that in recent years within the framework of government policies pensions are constantly increased, the size of pensions still is not sufficient for adequate standards of living, even a great number of pensioners continue to receive pensions below the poverty line (in the terms of the minimum consumer basket). Accordingly, some pensioners still remain in great risk of poverty.
- One of the main existing problems of the field is the relation of the rates of average wage and average pension, as a result of which the living standards of the pensioners and the working population differ significantly, which leads to undesirable social consequences.
- Another problem is the assurance of long-term financial stability of pension system and absence of linkage between the person's income and the amount of pension.

9.2. OBJECTIVES AND PRIORITIES OVER THE MTEF PERIOD

9.2.1 Objectives

State policy in the field of social protection, aims at significant reduction of poverty level in the country and social guarantees for separate groups of population.

According to the Government Decree N 380 from 28.04.2008, the expected outcomes in the field of social protection of Government 2008-2012 Action Plan are:

- overcoming poverty, providing less than 11.2% of general poverty and less than 1.6% of extreme poverty level,
- annual increase of pensions,
- investment of multi-grade pensions system.

During 2011-2013 a key issue in the sector of social security is considered the preservation of the level of basic services and transfers implemented through state interference and ensuring their continuity.

Below are social security sector goals and objectives in separate areas in MTEF period.

Issues of Elderly People

The main goal of public policy in the field is the development of life quality of lonely and elderly and homeless people who are in need of care.

To achieve this goal, the following issues have been defined as the main problems for the 2011-2013 medium-term in the field of the elderly and homeless:

- to ensure continuity of services through state intervention to elderly, disabled and homeless people,
- improvement of quality of social services provided to the elderly and disabled people in all day care centers, to beneficiaries of at home day care centers for lonely persons, and social services to homeless,
- elaboration of a strategy program for social protection of elderly and an of action of plan,
- promotion of cooperation with non-governmental organizations that provide care services to the elderly and disabled people,
- improvement of social protection of Great Patriotic War veterans, their families and disabled military servants and the families of perished soldiers.

Issues of Family, Women and Children

The main goal of public policy in this field is protection of rights and interests of family, women and children and provision of social protection.

To achieve this goal in the medium-term of 2011-2013 period in the field as main problems of family, women and children issues have been defined:

- ensuring continuity of services by state intervention in the field of family, women and children;
- improvement of quality of services for children's all day care and social care for children appeared in the zone of risk, as well as of child care and protection services at the boarding-schools;
- extension of the specialized alternative services network (including reorganization of functioning at present kinder gardens);
- to increase the capacities of boarding institutions for child care and protection in Lori and Shirak (including reorganization of existing orphanages).

Employment sector

The state policy in the field is aimed at full and productive employment of population and creation of conditions for secure labor market. It is directed to soften the tension in the labor market, increasing the competitiveness of job seekers, maintaining of the existing jobs, stimulating establishment of new jobs by the employers and replenishing them with qualified specialists.

To achieve this goal for the medium-term of 2011-2013 as main problems in the field of employment have been defined:

- to ensure continuity of services of employment by state intervention;
- improvement of quality of youth professional orientation and consulting services;
- increase of direction and effectiveness of financial support provided to the unemployed and disabled unemployed job seekers who are looking for state registration to start entrepreneurship activity;
- increase the competitiveness of the unemployed having profession, but with no professional work experience;
- raising employment level among disabled.

Issues of Disabled

The state policy aims at the integration of disabled people in the public.

To achieve this goal for 2011-2013 medium-term period as main problems of the field of disabled people have been defined:

- to ensure continuity of services to disabled people through state intervention,
- transition to the European model of disability definition, which will promote the integration of disabled people into the working process and enhance social involvement opportunities.

Labor and wage regulation field

The main goal of state policy in the field is to ensure state guarantees for payment, to strengthen legislative protection of employees' rights and improve working conditions.

To achieve this goal for the 2011-2013 medium-term period as the main problem the field of employment and wages regulation is set:

- to ensure continuity of services and transfers provided by state intervention.

Demography issues

Public policy in the field aims at raising the birthrate of population, improvement of demographic situation.

To achieve this goal for the 2011-2013 medium-term period in the field of demography as the main problem is set:

- to ensure continuity of provided benefits and services by state intervention.

State support to the vulnerable social groups

The main goal of state policy in the field is to raise living standards of separate vulnerable social groups of population and poverty reduction.

To achieve this goal for the 2011-2013 medium-term period the main problems have been defined as follows:

- to ensure continuity of services and benefits provided by the state.

State support to the war participants, their families and separate categories of citizens

The main goal of the state policy in the field is the improvement of social protection of the Great Patriotic War veterans and disabled military servants and their families, the families of perished soldiers. To achieve this goal for the 2011-2013 medium-term period the main problems of the field have been defined as follows:

- to ensure continuity of services and transfers provided by state intervention.

Refugee issues

The goal of state policy is the improvement of social situation and living conditions of refugees.

To achieve this goal for the 2011-2013 medium-term period the main problems have been defined as follows:

- to ensure continuity of state services and benefits;
- improving the quality of services provided within the framework of solving social and shelter problems of refugees.

Social insurance and pension security

The main state policy in the field is to raise living standards of the persons at pension age, compensation of lost income due to temporary disability of the employees and provision of identification and registration of the person in the sphere of social services.

To achieve this goal for the 2011-2013 medium-term period in the above mentioned field the main problems have been defined follows:.

- to ensure continuity of state services and transfers;
- to increase of base pension rate on the lines on social and insurance pensions;
- increase the base pension rate of the officers' staff and ordinary military servants and their family members and its compilation with the rate of base pension.

9.2.2 Priorities

State intervention priority areas in the field of social protection in the medium-term period are as follows, in reducing grade of priority:

N	State intervention priority areas in the medium-term period	Justification
1	Increase of competitiveness of unemployed having profession, but with no professional work experience	Sustainable Development Program, approved by the RA Government Decree No. 1207 of October 30, 2008, Paragraphs 317 and 320
2	Raising the level of employment among disabled	Sustainable Development Program,

	people.	approved by the RA Government Decree No. 1207 of October 30, 2008, paragraph 578
3	Raising the rate of base pension in social and insurance pensions.	Sustainable Development Program, approved by the RA Government Decree No. 1207 of October 30, 2008. Paragraph 590
4	Increase the base pension rate of officers' staff and ordinary military servants and their family members and its compliance with the rate of basic pension	Sustainable Development Program, approved by the RA Government Decree No. 1207 of October 30, 2008. Paragraph 590
5	Improvement of the quality of service in the field of social protection (Increase of wages of the employees in the following spheres: Social protection, boarding-houses, orphanages, boarding care and protection facilities, day centers, social workers and other employees).	
6	Increase of financial assistance provided to the Great World War veterans, disabled military servants, as well as to the families of military servants perished (deceased) during performance of military service duties (conditioned by the growth of gas tariff).	

The above priorities are defined based on the changes of directions of state interventions in the field of social protection over the medium-term period.

9.3. EXPENDITURE PROGRAMS OF THE SECTOR OVER THE MTEF PERIOD

9.3.1. Existing expenditure commitments (below are the projects, which will change in expenditure limits over the medium-term.

Issues of Elderly People

1. "All day elderly care services" - expenditure increase is planned for the program, which will amount to 10.1 million Drams each year in 2011 and 2012, and 63.1 million Drams in 2013, (in 2010- 1350.9 million Drams), growth of the expenditure is conditioned by:

a) the minimum monthly salary rate increase by 2.5 thousand Drams (in 2010- 30.0 thousand Drams), resulting in additional expenditures at 2.4 million Drams, as well as gas tariff growth, resulting in growth of expenditures by 7.7 million Dram,

b) increase of wages by 10% in 2013, resulting in additional expenditures at 52.9 million Drams compared to 2012, as a result the estimated average monthly salary will make up 67.7 thousand Drams (in 2010- 61.3 thousand Drams).

Over the Medium term period in 4 nursing homes within the system of the Ministry of Labour and Social Affairs 1010 single elderly and disabled pensioners will be taken care of, in the conditions of growth of per beneficiary budget allocations.

2. “Nursing social services for the single elderly at home” expenditure increase is planned for the program, which will amount to 0.3 million Drams each year in 2011 and 2012, and 7.2 million Drams in 2013 (in 2010- 91.0 million Drams). The growth of expenditure is conditioned by:

- a) the minimum monthly salary rate increase by 2.5 thousand Drams (in 2010- 30.0 thousand Drams),
- b) increase of wages by 10% in 2013, resulting in additional expenditures of 6.9 million Drams compared to 2012, as a result the estimated average monthly salary will make up 46.9 thousand Drams (42.5 thousand Drams in 2010).

Over the Medium term period by the “Center for Social Servicing of the Lonely Elders at Home” SNCO under of the Ministry of Labour and Social Affairs 1500 single elderly and disabled pensioners will be taken care of, in the conditions of growth in per beneficiary budget allocations.

3. “Day care services for people with mental health problems”- expenditure increase is planned for the program, which will amount to 0.2 million Drams each year in 2011 and 2012, and 1.0 million Drams in 2013, (in 2010- 15.3 million Drams), growth of the expenditure is conditioned by:

- a) the minimum monthly salary rate increase by 2.5 thousand Drams (in 2010- 30.0 thousand Drams) and growth of gas tariff,
- b) increase of wages by 10% in 2013, resulting in additional expenditures at 0.9 million Drams compared to 2012, as a result the estimated average monthly salary will make up 78.3 thousand Drams (70.8 thousand Drams in 2010).

Over the medium term period by the "Vardenis Neuropsychological Nursing Home" SNCO under the Ministry of Labour and Social Affairs will be taken care of 50 beneficiaries annually, under the condition of growth in per beneficiary budget allocations.

4. “Provision of temporary shelter services to homeless people” – expenditure increase is planned for the program, which will amount to 0.9 million Drams each year in 2011 and 2012, and 2.2 million Drams in 2013 (in 2010- 54.2 million Drams), growth of the expenditure is conditioned by:

- a) the minimum monthly salary rate increase by 2.5 thousand Drams (in 2010- 30.0 thousand Drams), which will result in additional expenditure of 0.07 million Drams, and exchange of gas tariff,
- b) increase of wages by 10% in 2013, resulting in additional expenditures at 1.4 million Drams compared to 2012, as a result the estimated average monthly salary will make up 47.2 thousand Drams (in 2010- 42.9 thousand Drams).

Over the medium term period annually 60 homeless persons will be served with the duration of up to 60 days in the Temporary Shelter for Homeless People affiliated to the Yerevan Nursing Home N1, under the condition of growth in per beneficiary budget allocations.

Issues of Family, Women and Children

1. “Children's All Day Care Services” - expenditure decrease is planned for the program, which will amount to 24.2 million Drams each year in 2011 and 2012, and growth in 2013 by 65.8 million Drams (in 2010- 1681.7 million Drams), reduction of the expenditure is conditioned by:

- a) the minimum monthly salary rate increase by 2.5 thousand Drams (in 2010- 30.0 thousand Drams), as a result the estimated average monthly salary will be 98.7 thousand Drams each year in 2011 and 2012, in 2010 it is 91.8 thousand Drams, including salaries of employees in special children's homes in 2011-2012 will reach 146.3 thousand Drams each year, instead of 135.0 thousand Drams in 2010,
- b) additional costs in connection with the gas tariff changes,
- c) reduction of expenses due to children's homes reorganization (1 orphanage is restructured as a boarding institution), as a result in 2011-2013 the number of staff positions will be for 805 units (instead of 854 in 2010), and the number of beneficiaries will be 860 (instead of 935 children in 2010),
- d) increase of wages by 10% in 2013, the amount of the additional expenditures in this regard will make 89.9 million Drams compared to 2012. As a result, the estimated average monthly salary will make up 107.2 thousand Drams, including the salary of employees of orphanages of special type - 157.5 thousand Drams.

In 2011-2013 1 orphanage is planned to be re-organized into a boarding institution, as a result 860 children in 7 orphanages will be taken care of over the medium-term period. Thus, the budgetary allocations proportionally decrease under the condition of growth in per beneficiary budget allocations.

2. “Provision of financial assistance to school age children dwelling in Children's Homes” – expenditure decrease is planned for the program, which amounts to 3.8 million Drams each year in 2011-2013 (in 2010 12.8 million Drams). Such a dynamics of expenditures is conditioned by the decrease of the general-level of pocket costs of orphanage children in connection with restructuring process of 1 children's home as a boarding facility. At the same time, with consideration of the recent dynamics, the medium-term perspective provides personal expenses for 300 children annually (2000 Drams to 150 of them- at the age of 7-12 years old, 3000 Drams to 150 of them- 13-18 years old), instead of 440 children in 2010. Budget allocations per beneficiary will remain unchanged.

3. “Provision of scholarship and one-off financial aid to Graduates of Children’s’ Tutorial organizations” – expenditure decrease is planned for the program, which amounts to 1.0 million Drams each year over 2011-2013 (4.3 million drams in 2010). Such a dynamics of expenditures is conditioned by the orphanage graduates one-off financial aid and scholarship recipients’ change of the number, respectively 40 and 10 beneficiary (instead of 50 and 19 beneficiaries in 2010). Budget allocations per beneficiary will remain unchanged.

4. “Social care services to children appeared in the zone of risk” - increase of expenditure is planned for the program, which amounts to 1.3 million each year in 2011-2012 (in 2010- 137.6 million Drams), and by 8.9 million Drams in 2013. The expenditure growth is due to:

a) the minimum monthly salary rate increase by 2.5 thousand Drams in 2011-2012 (in 2010- 30.0 thousand Drams), which will result in expenditure growth by 0.4 million Drams and gas tariff changes, increasing expenditures by 0.9 million Drams,

b) growth of wages by 10% in 2013, resulting in additional expenditures at 7.6 million Drams compared to 2012. As a result the estimated average monthly salary will make up 67.5 thousand Drams (in 2010- 61.0 thousand Drams).

Over the medium-term period will be preserved the number of beneficiaries of the care centers services in 2 institutions (200 children), under the condition of growth in per beneficiary budget allocations.

5. “Child boarding care and protection services” - expenditure increase is planned for the program, which amounts to 90.4 million Drams each year in 2011-2012 (in 2010- 879.3 million drams), and by 146.0 million Drams in 2013. The expenditure growth is due to:

a) the minimum monthly wage rate increase by 2.5 thousand Drams (in 2010 - 30.0 thousand drams), and the gas tariff changes,

b) reorganization of the orphanage as a boarding institutions, as a result of which the number of boarding facilities and staff positions will increase and make up 637 people (instead of 588 in 2010), as well as the number of beneficiaries will be 800 (instead of 725 children in 2010),

(c) growth of wages by 10% in 2013, resulting in additional expenditures at 55.6 million Drams compared to 2012, the estimated average monthly salary will make up 69.5 thousand Drams instead of 63.0 thousand drams in 2010.

In 2011-2013 1 orphanage is planned to re-organize as a boarding institution, as a result over the medium-term period in 8 boarding child care and protection institutions will take care of 800 children, in the conditions of growth in per beneficiary budget allocations.

6. “Services for introduction of the institute of foster family in the Republic of Armenia” - increase of expenditure is planned for the program, which amounts to 0.8 million Drams each year in 2011-2012 (in 2010- 879.3 million drams), and by 1.6 million Drams in 2013. Such a dynamics of expenditure is conditioned by the minimum monthly wage rate increase by 2.5 thousand Drams in 2011 and 2013 (30.0 thousand Drams in 2010).

Over the medium-term perspective it is envisaged to preserve the 2010 level of children moved to foster families (23 families and 25 children). Budget allocations per beneficiary will grow.

Employment sector

1. “Youth vocational orientation and consulting services” – for the program, increase of expenditures is planned in 2013 by 1.2 million Drams (in 2010- 20.7 million drams), which is connected with the

employees' salary increase by 10%. As a result, the estimated average monthly salary will make up 69.1 thousand Drams instead of 62.5 thousand Drams in 2010, budget allocations per beneficiary will grow.

2. “Financial support provided to the unemployed and disabled unemployed job seekers, who are looking for state registration to start entrepreneurship activity” – reduction of expenditures is envisaged for the program by 0.9 million drams in 2011 (in 2010- 2.7 million drams), which is conditioned by the reduction of average cost for registration of entrepreneurship by 13.2 thousand drams (in 2010- 27.5 thousand drams). Anyhow, program expenditures growth is planned in 2012 and 2013 (in 2012 by 0.6 million drams, and by 0.2 million drams in 2013), which is conditioned by the growth of the number of beneficiaries by 20 persons annually. Budgetary allocations per beneficiary remain unchanged.

3. “Partial compensation of salary to the employer for persons who are non-competitive in the labor market” - increase of expenditures is planned for the program, which will comprise about 25.0 million Drams in 2011-2012 (in 2010- 64.8 million drams), by 16.7 million Drams in 2013. The expenditure growth is conditioned by increase of the monthly salary rate. Budget allocations per beneficiary will grow, and the number of beneficiaries remains unchanged.

4. “Unemployment benefits” - the program expenditures are planned to increase, which will comprise 342.8 million Drams in 2011 (in 2010, 4536.0 million drams), in 2012- 301.0 million Drams and in 2013- 631.6 million Drams. Such a dynamics of expenditures is conditioned by the growth of the minimum monthly salary rate in 2011 and 2013 (unemployment allowance is calculated at the extent of 60% of the amount of the minimum monthly salary rate), as well as decrease of the number of unemployed beneficiaries (in 2011- 20850 people, in 2012- 20671 people, in 2013- 20506 people, compared to the 21000 unemployed beneficiaries planned for 2010), the budget allocation per beneficiary will grow.

5. “Vocational retraining of job seeking unemployed persons receiving lengthy service pension and pension on privileged terms”, for the program, decrease of expenditures is planned, which will comprise 0.85 million Drams each year over 2011-2013 (in 2010 - 3.4 million drams), such a dynamics of expenditures is due the decrease of the number of beneficiaries by 5 persons in 2010 (expenditures per person will be in average at 170000 drams, preserving the 2010 levels).

6. “Vocational training for job seekers who are unemployed, belong to non-competitive groups, and receive pension on privileged terms” - for the program decrease of expenditures is planned, which amounts to 4.0 million Drams in 2011 (in 2010- 232.9 million drams), in 2012- 11.0 million Drams, and in 2013- 13.0 million Drams. Such a dynamics of expenditures is due to the number of beneficiaries planned to decrease by respectively 24, 41 and 12 people (1370 people in 2010). Budget allocations per beneficiary remain unchanged.

7. “Rehabilitation, vocational training and consulting services for disabled people looking for work” - for the program, increase of expenditures is planned, which amounts to 0.8 million Drams in 2013 (in 2010- 9.8 million dram). Increase of expenditures is due to increase of workers' wages by 10% in 2013. As a result, the estimated average monthly salary will make 69.1 thousand Drams instead of 62.8 thousand

Drams in 2010. The budget allocations per beneficiary will grow, and the number of beneficiaries remains unchanged.

8. “Payment of benefit provided by the Article 36 of the RA Law “On employment of the population and social protection in case of unemployment” (25.05.2005 HO-206-N)” - for the program increase of expenditures is planned in 2011 and in 2013, by 0.5 million Drams each year (in 2010- 6.5 million drams). Growth of expenditure will be conditioned by minimum monthly salary increase by 2.5 thousand Drams in 2011 and in 2013 (in 2010- 30.0 thousand Drams).

Demography issues

1. “Benefit for child care up to 2 years” - for the program, increase of expenditures is planned, which amounts to 145.0 million Drams each year in 2011-2012, (in 2010- 1740.5 million drams), and in 2013- 290.1 million Drams. Expenditure growth in 2011 and 2013 is due to the growth of minimum monthly salary rate by 2.5 thousand Drams (monthly benefit rate is calculated at the 60% of the minimum monthly salary rate).

Over the medium-term period the number of beneficiaries will be preserved on the 2011 level (in 2010 the number of beneficiaries is planned at 8058 people, while the minimum salary was 30.0 thousand Drams), as a result of which the budget allocations per beneficiary will increase.

2. “One-off benefit for child birth”- for the program increase of expenditures is planned, which will comprise 15.1 million Drams in 2011 (in 2010- 4276.1 million drams), in 2012- 251.7 million Drams and in 2013- 500.8 million Drams. Growth is due to the fact that while making calculations, the NSS data on the pace of growth of childbirth for the last 3 years (5.51%) were taken into consideration (the share of 3 or more children amounts to 13.2% of the total), and as a result the number of children will grow in 2011 by 2237 people (in 2010 - 40609 people), and the number of 3 or more children will be 5655 people (in 2010 - 5910 people). The number of beneficiaries in 2012 will be more by 2360 people, of which 3 or more children - 312 people, in 2013 - more by 2490 people, of which 3 or more children - 328 people.

Over the medium-term period the rates for allowances will be preserved on the level of 2010 state budget level (for the birth of the 1st and 2nd children - 50.0 thousand drams, and for the 3rd and more children - 430.0 thousand Drams). Budgetary allocations per beneficiary will remain unchanged.

State support to the vulnerable social groups

1. “Family allowance and a one-off financial aid” – expenditures for the program for the period of 2011-2013 is envisaged at 35670.9 million Drams, preserving the 2010 state budget level (starting from 01.05.2010 the monthly benefit rate was increased to 26.9 thousand drams instead of 23.4 thousand Drams due to the raise of gas tariff). The number of beneficiaries during 2011-2013 also will be preserved on the 2010 state budget level (110.7 thousand families), as well as the monthly allowance differentiation principle will remain unchanged. Budget allocations per beneficiary will remain unchanged.

Social insurance and pension security

1. “Pensions of military officers’ staff and their families” - in the program, increase of expenditures is planned, which will comprise 156.5 million Drams in 2011 (in 2010 - 20163.3 million Drams), in 2012- 270.4 million Drams, and in 2013- 500.9 million Drams. The expenditure growth is due to:

a) adjustment of basic indicators for 2010 (in separate power structures increase or decrease of the number of military servants took place), as a result the number of military servants was cut by 151 persons. Based on pensioners related dynamics of previous years (the growth rate of the number of pensioners is around 3.0%) it is estimated that the number of pensioners by years will be in 2011- 36333 people, in 2012- 36803 people and in 2013- 37281 people (36484 people in 2010);

b) change of the base pension rate.

Over the medium-term perspective the base pension rate will be raised (the rate of base pension will be equalized to the rate of basic pension), by years it will look as follows: in 2011 and 2012- 10500 Drams, and in 2013 - 13000 Drams (instead of 5800 drams approved by the 2010 state budget). As a result, the rate of average monthly pension, without funeral allowance and costs of payment services, will comprise 45198 Drams in 2011 (in 2010- 44764 Drams), in 2012- 45231 Drams, in 2013- 45538.3 Drams.

2. “Provision of pensions to ordinary military servants and their families” - program expenditures increase is planned, amounting to 197.2 million Drams in 2011 (in 2010- 2864.1 million Drams), in 2012 reduction is envisaged by 177.0 million Drams, and in 2013 it grows by 217.4 million Drams. Changes in expenditures are due to:

a) based on the descending dynamics for the number of ordinary soldiers and their families in previous years, for the period of 2011-2013, reduction of the number of pensioners was considered for this group in regard with the difference of the number of pensioners in 2010: at 9698 person, and the actual number by the date of 01.01.2010 – 8576 persons, that is 1122 people for the year of 2010, and for the period of 2011-2013 it will be 600 people each year;

b) the rate of base pension is raised (the rate of base pension is equalized to the rate of basic pension), by years, it will be: 10500 Drams in 2011 and in 2012 (in 2010- 5800 Drams), in 2013 - 13000 Drams, as a result the average monthly pension rate, without funeral allowance and costs of payment service by years respectively will be 24225.1 Drams (19728.2 Drams in 2010), 24198.6 Drams and 24628.0 Drams.

3. “Social Pensions” - growth of expenditures is envisaged for the program, which amounts to 2086.0 million Drams each year in 2011-2012 (in 2010- 6514.4 million Drams), and in 2013 - 2047.0 million Drams. Expenditure growth is due to:

a) the 2010 state budget indices for the number of social pensioners (50124 people) and the planned average annual population growth rate at 1.2% (616 people) were accepted as a bases for calculations,

b) conditioned by the growth of the gas tariff, since 01.11.2010 the amount of basic pension was increased and amounted to 10500 Drams (in 2010 – 8000 Drams), and 13000 Drams in 2013.

4. “Pensions appointed by the laws and Government Decrees” - program expenditures growth is envisaged, which amounts to 11.9 million Drams in 2011 (in 2010- 413.8 million Drams) and 59.1 million

Drams in 2012, 24.7 million Drams in 2013. The expenditure growth is due to increase in the number of judges in 2011- 6 persons, and 3 more persons in 2013.

5. “Insurance Pensions” - program expenditures growth is envisaged, which will amount to 16085.6 million Drams each year in 2011-2012 (in 2010- 148015.6 million Drams), in 2013 - 15937.2 million Drams. The expenditure growth is due to:

a) the number of beneficiaries by the date of 01.11.2010- 467555 people, was accepted as a bases for calculations,

b) conditioned by the growth of the gas tariff, since 01.11.2010 the amount of basic pension was increased and amounted to 10500 Drams (in 2010 – 8000 Drams), and 13000 Drams in 2013,

c) the value of a year of insurance length will be preserved on the 2010 level (450 Drams) over 2011-2013. As a result, the average monthly pension rate, without funeral allowance and costs of payment service, will be: 28293.7 Drams each year in 2011 and 2012 (in 2010- 25738.4 Drams) and in 2013- 30906.9 Drams.

6. “Pregnancy and childbirth allowance payment” - program expenditures growth is envisaged, which amounts to 197.6 million Drams each year in 2011-2012 (in 2010 - 2047.3 million Drams), in 2013- 200.0 million Drams. The expenditure growth is conditioned by the growth of the average daily benefit (107.5 Drams), increase of the number of days of pregnancy and childbirth (43154 days) connected with the increase of childbirth. In regard with cost estimates, the pace of growth of actual number of days of pregnancy and child birth- 4.5% and the pace of growth of pregnancy and childbirth average daily allowance- 5.1% was preserved. As a result, the average daily allowance will make 2220.2 Drams each year in 2011-2012 (in 2010- 2112.7 Drams). In 2013 average salary increase by 10% is envisaged, due to which the rate of average daily allowance for pregnancy and childbirth will increase by 197.6 drams. Budgetary allocations will increase per beneficiary.

7. “Benefit payment in case of temporary disability” - program expenditures growth is envisaged, which amounts to 199.8 million Drams over 2011-2013 (in 2010- 2363.1 million Drams). The growth of expenditures is conditioned by the increase of the number of days of temporary disability by 65943 days (in 2010- 941468 days) and the raise of average daily benefit by 23 drams (in 2010- 2699 Drams). Budgetary allocations per beneficiary will increase.

Issues of Disabled

1. “Provision of disabled persons with prosthetic-orthopedic accessories, rehabilitation, technical appliances and repair” - program expenditures growth is envisaged, which comprise 1.0 million Drams each year in 2011-2013 (in 2010- 857.5 million Drams) The growth of expenditures is conditioned by the demand of required prosthetic-orthopedic accessories, rehabilitation and repair appliances, in total - 13945 items instead of 13801 in 2010, or by 144 items more, under the condition of changed price of certain items. Thus, over 2011-2013 it is envisaged:

(a) to produce and distribute 12498 prosthetic-orthopedic accessories and rehabilitation appliances (5099 prosthetic-orthopedic and 7399 rehabilitation): for 748.8 million Drams,

- (b) to repair 1257 prosthetic-orthopedic and rehabilitation accessories for about 69.0 million Drams,
- (c) acquire voice producing instruments: 100 pcs for 35.0 million Drams,
- (d) to perform 90 eyes prosthesis, for 5.9 million Drams.

2. “Education for Persons with Sight Disabilities through the “Sun” system” - program expenditures decrease is envisaged, which amounts to 3.9 million each year in 2011-2013 (in 2010- 7.7 million drams). The expenditure reduction is due to decrease of the number of program beneficiaries (disabled) by 10 people (in 2010 - 20 beneficiary). The education cost per beneficiary will be preserved on the 2010 state budget level.

3. “Provision of Persons with Sight Disabilities with computer equipment and spare parts” - program expenditures decrease is envisaged, which amounts to 4.3 million Drams each year in 2011-2013 (in 2010- 8.5 million Drams) The expenditure reduction is due to decrease of the number of program beneficiaries (disabled) by 10 people (in 2010 - 20 beneficiary). The education cost per beneficiary will be preserved on the 2010 state budget level.

4. “Provision of disabled persons with wheelchairs and hearing devices” - program expenditures decrease is envisaged, which amounts to 8.4 million Drams each year in 2011-2013 (in 2010- 119.2 million Drams). The expenditure reduction is due to:

a) over 2011-2013, it is planned to distribute 1300 hearing device instead of 1318 in 2010. According to the Government Decree No. 453-N, of April 12, 2007, hearing devices are being provided once every three years, as well as to the people with disabilities who are in need of hearing device for the first time, as well as to those who will be receiving a hearing device in the 1st quarter of the next year, thus:

- demand for hearing devices of Russian production will make 1100 pcs: for 36.3 million Drams,
- demand for hearing devices of European production will be 200 – for about 16.0 million Drams, and 200 insets for children up to 12 years old for 2.5 million drams (19-25 year-old disabled young people and first time recipients).

b) Over 2011-2013 the demand for the wheelchairs will be 400 pcs: for 56.0 million Drams (in 2010- 450 pcs), which is conditioned by: according to the Government Decree No 453-N, wheelchairs are being provided once for three years, to people with disabilities who are in need for the first time, as well as to those who will be receiving a wheelchair in the 1st quarter of the next year. The availability of wheelchairs in these quantities allows disabled persons to get them immediately with no queues.

Labor and wage state regulation field

1. “Compensation for mutilation, professional disease and other harms to health occurred while performance of professional duties” - program expenditures increase is envisaged, which amounts to 2.5 million Drams in 2011 (in 2010- 87.5 million Drams), decrease in 2012 – by 10.6 million Drams, and increase in 2013- by 7.4 million Drams. Expenditures changes are due to the fact that calculations for the period of 2011-2013 were based on the number of beneficiaries (802 people) existing by the date of

January 1, 2010, which is less than the one for the period of 2010 by 39 people. At the same time the minimum monthly salary rate growth envisaged for the years of 2011 and 2013 was taken into account.

State support to the war participants, their families and separate categories of citizens

1. **“Honorary Payments to Veterans”** - program expenditures decrease is envisaged, which make 147.4 million Drams in 2011 (in 2010- 848.2 million drams), due to reduction of the number of veterans by 614 persons, for 2012 the reduction will be 89.5 million Drams, due to reduction of the number of 373 persons, and in 2013- decrease by 120.5 million Drams, due to reduction of the number of 502 persons. Budget allocations per beneficiary will remain unchanged.

2. **“Provision of Pecuniary Aid to the GP War Veterans, to Military Servants Disabled Due to the Reasons Defined by Article 13 of the RA Law No 258 Dated November 25, 1998, to the Families of Military Servants Perished (Deceased) While Performing Official Duties”** - program expenditures decrease is envisaged, which will comprise 414.9 million Drams in 2011, (in 2010- 2753.7 million drams), 33.8 million Drams in 2012, and 46.2 million Drams in 2013, which is due to: reduction of the number of beneficiaries for GP War compensation by 1120 people, 402 people, 509 people respectively, and increasing the amount of monthly compensation in connection with the rise in prices of separate public services. Budget allocations per beneficiary will increase.

Refugee issues

1. **“Measures to Deal with Social Problems of Refugees”** - program expenditures increase is envisaged, which amounts to 0.21 million Drams each year in 2011 and 2012 (in 2010- 16.9 million drams). Growth is due to the increase of minimum monthly salary rate and the increase of salary of dormitories workers by 10% (1.0 million drams) in 2013.

2. **“Measures to Deal with Dwelling Problems of Refugees”** - program expenditures increase is envisaged, which amounts to 0.7 million each year in 2011 and 2012 (in 2010- 11.2 million Drams). Growth is due to the increase of minimum monthly salary rate and increase of the salary of shelter staff by 10% (0.3 million Drams) in 2013. Budgetary allocations per beneficiary will increase.

Other programs included in the social security sector

1. **“Acquisition of the postal services in connection with payment of insurance pensions”** - program expenditures increase is envisaged, which will make up 264.3 million Drams in 2011 (in 2010- 2312.5 million Drams), 0.95 million Drams in 2012, and 258.3 million Drams in 2013. Increase in expenditure is due to increase of the total cost of payment of pensions (calculated at the extent of 1.4% of total expenditures).

2. **“Payment services related to separate social security programs”** - program expenditures increase is envisaged, which will make up 63.3 million Drams in 2011 (in 2010- 524.2 million Drams), 65.6 million Drams in 2012 and 74.7 million Drams in 2013. Growth is due to increase of total costs for payment of separate benefits.

3. “Payment Services related to compensation for mutilation, professional disease and other harms to health occurred while performance of professional duties” - program expenditures increase is envisaged in 2011 and 2013, respectively by 0.03 million Drams and 0.1 million Drams, and decrease in 2012 by 0.1 million Drams. Growth is due to increase, which is due to changes of expenditures in the main program.

4. “Payment Services related to honorary payments to veterans and provision of pecuniary aid to the GP War veterans and to the families of persons defined by the Article 13 of the RA Law No 258 of 25.11.1998”- program expenditures decrease is envisaged, which amounts to 0.4 million Drams in 2011, and 1.3 million Drams each year in 2012 and 2013 (in 2010- 16.6 million Drams). Reduction is due to reduction of expenditures of the main program.

5. “Compensation by the Republic of Armenia for the damage suffered due to loss of breadwinner in accordance with the Decision of the Court of Appeal on Civil Cases on the case of 07-3832 of 03.11.2007” - program expenditures increase is envisaged, which amounts to 0.1 million each year in 2011 and 2012 (in 2010- 1.7 million Drams), and 0.3 million Drams in 2013. The expenditure growth is conditioned by the growth of the minimum monthly salary rate.

6. “One-off pecuniary aid for the damage caused to forcibly imprisoned citizens” - program expenditures decrease is envisaged, which comprise 0.5 million Drams in 2011 (in 2010- 1.0 million Drams), 0.8 million Drams in 2012, and 0.9 million Drams in 2013. The decrease in expenditure is due to the reduction of the number of persons receiving one-off compensation by years 40, 20, 10 persons (in 2010- 83 people).

7. “Development of methodological manuals, conduction of research and training of the personnel in social sector” - program expenditures increase is envisaged, which amounts to 0.3 million Drams each year in 2011 and 2012 (in 2010- 84.5 million Drams), and 6.7 million Drams in 2013. The expenditure growth is due to:

- a) the increase of minimum monthly salary rate by 2.5 thousand Drams (in 2010- 30.0 thousand Drams).
- b) increase of wages by 10% in 2013, the amount of the additional expenses in this regard will make over of 6.5 million Drams compared to 2012, as a result the estimated average monthly salary of staff workers will be 75.5 thousand Drams instead of 68.6 thousand Drams in 2010.

Over the medium-term period it is planned to train 700 employees of the system and implement 6 thematic works (4 research and 2 manuals development works).

8. “Social and psychological rehabilitation services for the victims of trafficking” - program expenditures increase is envisaged, which amounts to 6.9 million Drams each year in 2011-2012 (in 2010- 84.5 million Drams), and 8.5 million Drams in 2013. The expenditure growth is due to:

- a) full financing of the Center’s expenditures by the state budget (in 2010, financing was provided jointly with the “UMCOR” NGO: the state budget provided 50% of expenditures for 5 months, and 100% for the remaining 7 months).

b) increase of wages by 10% in 2013, the amount of the additional expenses in this regard will make over of 1.6 million Drams compared to 2012, as a result the estimated average monthly salary will be 72.9 thousand Drams instead of 66.2 thousand Drams in 2010.

Over the period of 2011-2013 it is planned to provide service to 8 people in the Center (terms of duration of temporary accommodation of victims of trafficking will be decided strictly individually, but not more than 60 days). Medium-term budget allocations per beneficiary will grow by 26.4% in 2011-2012 and by 5% in 2013 compared to 2012.

9. “Housing construction for families left homeless due to earthquake” - program expenditures decrease is envisaged from 2011-2013. Total allocations accordingly comprise 220.0 million Drams, 442.6 million Drams and 490.0 million Drams (in 2010- 343.8 million Drams). Expenditures reduction is conditioned by completion of construction within the program.

10. “One-off social insurance payment to military and rescue servants disabled during the RA defense and rescue operations and to families of perished (deceased) military and rescue servants” - program expenditures increase is envisaged from 2011-2012, by 170.9 million Drams each year (in 2010- 211.0 million Drams), and by 90.9 million Drams in 2013 compared to 2012. Cost growth is due to the equalization of the rate of base pension to the rate of basic pension (10500 Drams in 2011-2012, and 13000 Drams in 2031, in 2010 it is 8000 Drams), which is laid in the basis of provision of one-off social insurance payment to military and rescue servants disabled during the RA defense activities and rescue operations and to families of perished (deceased) military and rescue servants in accordance with the RA legislation.

EXTERNALLY FINANCED PROGRAMS

1. The Social protection sector management program is being implemented by the financial assistance of the World Bank. It provides for conduction of additional work related to social protection sector, which will be mainly directed to pension reform, creation of more effective and sustainable system for social assistance.

NEW PROGRAMS

1. “Organizing of the work practices for unemployed persons possessing profession, but with no professional work experience” – within the program, annually over the 4000 graduates are registered in regional centers of employment, who meet difficulties in job finding because of lack of work experience, as far as the employer prefers to hire experienced specialists (unemployment rate among the youth by the NSS's is 1.3%, the number of youth registered in the State Employment Center is over 16,000 people). It is envisaged to involve 1.3% of unemployed young people in this program (per person: the average duration for obtaining professional experience is calculated at 3 months, the amount of expenditure at 178.2 thousand Drams. At the same time it is envisaged to provide the participant of the program with payment at the extent of the minimum monthly salary, and for the trainer – payment at the extent of 20% of the average monthly salary, for the employer will be provided by the amount at the extent of social insurance

payment). During 2011-2013, the program expenditures will comprise respectively 35.6 million Drams, 78.0 million Drams and 126.0 million Drams.

2. “Adjustment of workplaces in organizations for disabled” - program is aimed at job placement of disabled through rehabilitation of their working skills, professional orientation, consulting, vocational training, adjustment of workplaces for disabled. The number of disabled registered in the State Employment Service regional centers is 1,600, of which only 131 people were placed in 2009, 107 of which within the framework of the program “Partial salary compensation to the employer for recruitment of persons non-competitive in the labor market”. The number of registered disabled in the country is 171.0 thousand people, 61% of them are of working age and only up to 8% of them are employed. Over 2011-2013, expenditures at the extent of respectively 4.0 million Drams, 11.0 million Drams and 13.0 million Drams are envisaged (the amount of costs for adjustment of a workplace to a person is estimated at 200.0 thousand Drams).

Table 9.2. Financing of new projects from 2011-2013 (million Drams)

	2011	2012	2013
Social protection	267123.4	267220.5	287110.5
New programs, including:	39.6	89.0	139.0
1. Organizing of the work practices for unemployed persons possessing profession, but with no professional work experience	35.6	78.0	126.0
2. Adjustment of workplaces in organizations for disabled	4.0	11.0	13.0
% of total in the sector	0.01	0.03	0.05
existing programs	267083.8	267131.5	286971.5
% of total in the sector	99.99	99.97	99.95

Table 9.3. State budget expenditures in the Social protection sector (million Drams)

Name of category /group	2009	2010	% change	2011	% change	2012	% change	2013	% change
% to GDP	7.6	7.5	x	7.5	x	7.0	x	6.9	x
Social protection, including:	240487.6	241073.9	0.2	267123.4	10.8	267220.5	0.0	287110.5	7.4
Ailment and disability	1296.4	1274.7	-1.7	1261.6	-1.0	1250.9	-0.8	1258.3	0.6
share in total expenditures, %	0.5	0.5	-1.9	0.5	-10.7	0.5	-0.9	0.4	-6.4
Old age	177552.3	179639.8	1.2	198187.6	10.3	198340.1	0.1	217128.0	9.5
share in total expenditures, %	73.8	74.5	0.9	74.2	-0.4	74.2	0.0	75.6	1.9
Relative lost persons	139.5	178.8	28.1	179.3	0.3	179.3	0.0	179.9	0.3
share in total	0.1	0.1	27.8	0.1	-9.5	0.1	0.0	0.1	-6.6

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Name of category /group	2009	2010	% change	2011	% change	2012	% change	2013	% change
expenditures, %									
Family members and children	41839.8	42528.5	1.6	47771.0	12.3	48007.6	0.5	48846.8	1.7
share in total expenditures, %	17.4	17.6	1.4	17.9	1.4	18.0	0.5	17.0	-5.3
Unemployment	5303.7	5597.9	5.5	5999.7	7.2	6000.9	0.0	6398.3	6.6
share in total expenditures, %	2.2	2.3	5.3	2.2	-3.3	2.2	0.0	2.2	-0.8
Dwelling provision	4102.7	843.8	-79.4	720.0	-14.7	942.6	30.9	990.0	5.0
share in total expenditures, %	1.7	0.4	-79.5	0.3	-23.0	0.4	30.9	0.3	-2.2
Special social privileges (othe non-class)	5176.0	5170.8	-0.1	5439.1	5.2	5315.5	-2.3	5151.4	-3.1
share in total expenditures, %	2.2	2.1	-0.3	2.0	-5.1	2.0	-2.3	1.8	-9.8
Social protection (other non-class)	5077.1	5839.5	15.0	7565.2	29.6	7183.6	-5.0	7157.9	-0.4
share in total expenditures, %	2.1	2.4	14.7	2.8	16.9	2.7	-5.1	2.5	-7.3
Loan programs, including:	235.1	28.7	-87.8	1220.1	4155.4	836.8	-31.4	336.8	-59.7
share in total expenditures, %	0.1	0.0	-87.8	0.5	3740.4	0.3	-31.4	0.1	-62.5
Current expenditures, including	235864.4	240102.4	1.8	266288.4	10.9	266162.9	0.0	286005.5	7.5
share in total expenditures, %	98.1	99.6	1.5	99.7	0.1	99.6	-0.1	99.6	0.0
Capital expenditures, including	4623.1	971.4	-79.0	835.0	-14.0	1057.6	26.7	1105.0	4.5
share in total expenditures, %	1.9	0.4	-79.0	0.3	-22.4	0.4	26.6	0.4	-2.8

CHAPTER 10.**RECREATION, CULTURE AND RELIGION****10.1 CULTURE****10.1.1 SITUATIONAL OVERVIEW AND MAIN PROBLEMS****10.1.1.1. General Description of the Sector**

The public administration bodies and organizations involved in sphere of Culture in accordance with the cultural policy of the Government pursue the exercise protection of cultural heritage (tangible and intangible), research, creation and dissemination of artistic works, arrangement of cultural measures, and ensuring favorable conditions for the creative potential reproduction, and other services.

The Government cultural policy is being developed by the public authorized body responsible for the sector (the head body) - the Ministry of Culture, and is being implemented by 82 state non-commercial organizations, 7 departments, 10 regional administration bodies, Municipality of Yerevan and by the participation of more than 60 non-governmental organizations. 28 cultural programs will be implemented by the 2011-2013 Medium-Term Expenditure program.

State cultural policy directions are:

√ protection of cultural heritage

Inventory accounting of cultural values and historical and cultural monuments in the Republic of Armenia and abroad, implementation of scientific research, protection of cultural heritage (tangible and intangible), their purposeful use and raising awareness.

√ contemporary art development and dissemination

State support to the public and non-governmental organizations aimed at the implementation of creative programs, promotion of creative individuals, reveal of the young creative potential and cultural infrastructure development through modernization of material-technical and professional base.

√ balanced development of culture

Ensuring of continuity of the policy for decentralization of Culture (to regions), activation of cultural life in the regions, strengthening of interregional relations, preventing of outflow of the population from regions, ensuring availability of cultural services and conditions for cultural activities.

√ expansion of international cooperation

Through the expansion and deepening of foreign cultural dialogue and multilateral relations: assurance of preservation of cultural heritage and accessibility of contemporary art, raising awareness on Armenia's culture abroad, expansion of people's involvement in the process of creation cultural values.

√ minority cultural development

Assurance of self-expression opportunities for the communities of national minorities and their involvement in contemporary processes.

Movable cultural heritage

Museums - the main functions of the state in the area are: inventory accounting of the existing cultural values and collections, scientific research, replenishment, preservation and protection.

according to the Order of the Minister of Culture “On confirmation of the procedures of storage and inventory accounting of museum items and collections in museums under jurisdiction of the Ministry of Culture” N140-A of April 1, 2010, committees formed in each museum have started the process of re-accounting of items’ inventory (till now a total amount of 47436 cultural value items is already re-accounted in 4 museums).

Over the recent years, special attention is paid to the scientific studies of museum funds, which result in expansion of the exhibitions and organization of new ones. Through shows and exhibitions organized by museums, the public was presented with more than 50794 exhibit in 2009 compared to 48067 of 2007 and 49450 in 2008. At the same time, scientific studies are published in the booklets, catalogs. This program aimed at cultural heritage awareness rising is continuous and implies a dynamic growth.

An important guarantee for cultural heritage protection is the supplementation of museum funds through acquisition of items of cultural values, which is implemented in different ways: purchase, donation, as well as the findings of archaeological excavations achieved through handing over to the museums. In 2007, 2008, 2009 museums are supplemented respectively with 2062, 7543 and 9261 museum objects. Acquired cultural values are subjected to assessment, scientific description and interpretation. Scientific documents are being prepared for them. At the same time, along with these growth indices, the repository areas of cultural values are not appropriately increased.

Modernization of the museums and exhibitions building conditions greatly contributes to the purpose of preservation of cultural values and their presentation to the community. In museums renovated in 2007-2008 new exhibition-shows were arranged in 2008-2009: in museum of Russian Art (collection of the prof. A. Abrahamyan) and in the National Art Gallery of Armenia branch museum of Minas Avetisyan (Jajur), home-museums of Aram Khachaturian, Perch Proshyan, Charents, Khachatur Abovyan, Avetik Issahakyan, as well as permanent exhibits in the “Hakob Gyurjyan” hall (2008) of the National Art Gallery and the general exhibition of “Armenia's Bronze Age culture of IV-I millenniums” in the Museum of History of Armenia (in 2009).

Works for installation of external artistic illumination are launched for historical and cultural monuments in Garni and Zvartnots (reserve-museums), which enabled to extend working hours of the museums during the summer months.

Organization of exhibitions in non-museum areas is a new approach in the contemporary cultural life. In 2009 the Puppets Museum was opened in the Puppet Theatre after H. Toumanyan. In 2010, it is planned to open a museum in the Opera and Ballet Theatre after Al. Spendiarian, and in 2011 in the Academic Theater after G. Sundukyan. Due to ensuring of the continuity of the process, the archival materials of the theater will be fully put into circulation.

A new approach in the sector is applied through cooperation between public bodies and the private sector, aimed at enhancing preservation of cultural heritage and its transfer to generations. Since 2008 collaboration is established with the “Silva Kaputikyan” Fund, and since 2010 with the “Kalents” Fund, which implies joint contribution of funds and introduction of complex measures by the private sector and the state for the establishment of memorial-museums aimed at preservation of cultural heritage. In 2008-2009 the museum objects restoration and fixation works continued, the number of which, compared to 2008, increased for more than twice in 2009, (respectively 1636 and 4331). The percentage share of subjects used in temporary and permanent showings and exhibitions towards the total number of units in Armenia’s Museum collections is about 2.9%. This extremely low rate is reasoned by lack of space for exhibitions. That gap is filled in various ways, which is conditioned by the need to increase circulation of exhibited cultural values, in particular:

- 1) dissemination of information on the cultural values in funds of museums is ensured through information kiosks, which started to be installed in the museums since 2009, in particular, in the History Museum of Armenia. The process will be continued for other museums over the coming years.
- 2) Since 2009 web-sites have been created for 13 museums in the Ministry system, and 5 museums will present their websites to the public in 2010. The process is continuous.
- 3) By the Order of the Minister of Culture “On confirmation of procedure for provision of museum objects from State museums and repositories for temporary use” No 732-A of November 11, 2009, is defined the procedure for temporary use of museum items by other organizations (during the last years the number of cultural values transferred for temporary use to organizations outside the system of the Ministry of Culture was 735 in 2008 and 721 - in 2009).

An important indicator of development of Museums activities is the number of visitors, which increases each year by about 15%. During 2008-2009 the number of visitors (686011) increased compared with the 2006-2007 level (584749) by 101262.

Most of the museums of the country take part in traditional “Museums Night” and “European Heritage Days” events. If in 2008 only museums in Yervan city participated in “Museums Night” campaign, in 2009 museums in the region joined to this action. In 2008 7053 visitors participated in this action, and 20330 of them in 2009.

The following events were targeted to raising awareness on Armenian Cultural Heritage abroad: 5 exhibitions organized in St. Petersburg, Kiev, New York: In 2010, an exhibition was opened in the Moscow's Tretyakov Gallery dedicated to the 130th anniversary of Martiros Saryan.

Over the recent years, much attention is paid to the preservation of museum objects, for which certain means are spent for installation of alarm and fire systems, video surveillance, for the installation of heating systems.

Museums professionals actively participate in international training-exercises. In 2010 the Government

approved the “Comprehensive training and re-training program for the staff engaged in the sector of culture”, which includes also training of museum workers.

For the Museum sector in 2008-2010 from the state budget was allocated accordingly, 1429142.9, 1493355.6 and 1500125.6 thousand Drams. 41 museums are funded by the means of the state budget. It should be mentioned that due to financial crisis budgetary allocations for museums stocking logistics base, which in 2009 amounted to about 100 million.

Over the coming years state budget allocations will continue to be targeted towards preservation of museum items and museum collections, assurance of necessary stable warm and humidity atmosphere, replenishment of museum items, conservation and restoration, preparation of duplicates of museum collections exceptional items, establishment of visits to the museums through sensor (beyond real) information kiosks, training and re-training of personnel, publications on museum collections, creation of web sites for museums and servicing, "Museum on Wheels" ongoing programs. In order to achieve these objectives, from the state budget respectively will be provided 1646165.2 thousand Drams in 2011-2012 and 1764836.9 thousand Drams in 2013.

Libraries

The main functions of libraries are: preservation and replenishment of literary collections available in the libraries, as well as storage and completing of the electronic database of national bibliography, operation and application of information and library automated systems, preparation and publication of statistical data on immune funds of printed materials, national bibliography and publications, preservation of Armenian electronic fonts and development of new ones.

With the purpose to ensure development of Library work, within the complex program for reconstruction of library buildings, in the last two years general reconstruction works were started in Children's Library after Khnko-Aper and at the Tamanian building of the Armenian National Library, and reconstruction works were completed in Lori and Syunik Regional Libraries, 5 libraries were enriched with specialized equipment and furniture. In 2008 technical devices and equipment was acquired for 10 regional libraries, and as a result at present the regional libraries are provided with at least 3-4 computers and audiovisual equipment. For reconstruction of libraries and acquisition of equipment in 2008 was allocated 643648.9 thousand Drams, and in 2009, 351227.6 thousand Drams. Reduction is due to the 2009 financial crisis.

Highlighting the priority problem of fulfilling the requirements of the readers, to financial resources channeled to replenishment of the library collections over recent years mainly were forwarded to the *modernization of collections* through contemporary printed books and electronic materials.

Development trend has been registered in the system of public libraries in the terms of introduction of modern information technologies and increase of efficiency of services provided. In 2009, the number e-servicings at the libraries within the system of the Ministry of Culture was 170738 units, which compared to 2008 (122269 units) increased by 48469. Such a growth is conditioned by accessibility of the communication means, in particular the Internet, as well as by the growing interest towards electronic

information. By the “National Innovation and Entrepreneurship Center” of the Ministry of Economy from the “National Technical Information Network” Web portal for 124 user organizations in 2006-2007 electronic delivery of 9852 document was made, and in 2008-2009, 12477 documents were delivered for 177 companies, which is more by 2625. The Scientific-medical library of the Ministry of Health has provided 55430 electronic servicing, which increased compared to 2008 by 31787. The Base Library of the National Academy of Sciences has conducted 312 servicing of electronic documents, scientific articles (growth is by 112). For the coming years it is expected to add the number of serviced points by 25%.

General growth of quantity is recorded in the rate of library collections replenishment, but at the same time, the quantity of books acquired through purchase is decreased due to increase in prices of print products and cut of funds provided for that purpose. In 2008 the library collections were supplemented by 63809 units (including donations), which compared to the previous year is more by 3.5%. In 2009, that number was 71556 (growth compared to the previous year is 12.1%).

In 2008 and 2009 were renovated respectively: 24 and 77 ancient books included in the collections books is of collections, and 6400 and 59 books from collections of cultural significance, 22620 and 2120 sheets from periodicals, as well as 21160 and 21600 units were disinfected.

Trend of development in 2008-2009 has been registered in the library collections automation process. By the over 2538495 bibliographic entries are made into the complete database of Armenia's National Book Chamber, of which 422881 units in 2009, which is more than the 2008 index by 80788.

In general, the state budget allocations for libraries in 2008, 2009 and 2010 respectively made up 1517383.9, 1321559.8 and 1434700.5 thousand Drams. The decrease in expenditure is due to the economic crisis and in 2009 compared to 2008 is about 13% and about 6% in 2010.

Over the coming years the state budget allocations will continue to be targeted at renovation of libraries, library collections maintenance, replenishment with modern era books, ensuring of a stable warm and humid atmosphere necessary for preservation of collections, conservation and restoration of book, implementation of continuous programs for informational communication “Sun”, “Family librarian” and “Mobile librarian”, as well as for the purchase of patents of the “Armenian joint automated library network”.

In order to achieve these objectives from the state budget respectively will be allocated 1151406.6 thousand Drams each year in 2011-2012 and 1242540.6 thousand Drams in 2013.

Archiving

All services in the field of archival activity are carried out by the "National Archives of Armenia" SNCO. It is aimed at ensuring the preservation of archival documents, replenishment and use, creation of a self-working information search system. An equipment for digitization of film documents acquired and put in operation in 2008 was, by the help of which more than 400 documentary films were digitized in 2009.

Increased expenditures targeted to the national collection digitization to ensure public accessibility of archival documents, which were considered to be very limited until recent years. 577 thousand sheets of

document were restored-renovated, about 63 thousand cases were filed in covers, and 165 thousand cases were archived. The archive was supplemented by 208 thousand Paper-based cases and 33 thousand storage units of film-photo-phono-documents.

For two years 46184 individuals and legal entities have applied to the archive, 964 researchers worked in the archive reading hall, 132 television-radio programs and 19 exhibitions of documents was arranged.

More than 269 thousand archival information is entered into the electronic database for the purpose of creation of a Directory search system.

During 2009, in the first and second archive-storage buildings attached to the main building of the organization were conducted installation of modern ventilation, air conditioning, heating and frost-supply systems. Current repair works have been carried out in N 2 archive building, in the branches of film-photo-phono documents and copies of the insurance documents. The Ararat regional branch was moved to the new building, working conditions are improved due to reconstruction in the Aragatsotn regional branch.

For preservation of archival collections allocations from the state budget in 2008, 2009 and 2010 accordingly made up 320328.6, 308050.2 and 333081.8 thousand Drams.

Over the coming years the state budget allocations will continue to be targeted to supplementation of archival documents, ensuring sustainable warm and humid atmosphere for preservation of collections, conservation and restoration of items. For implementation of these tasks from the state budget will be provided respectively 373536.3 thousand Drams each year in 2011-2012 and 403171.4 thousand Drams in 2013.

History and culture immovable heritage

Preservation of Historical-Cultural Monuments

Activities in the field of preservation of monuments aim to identify existing problems and find solutions for inventory accounting, research, preservation, restoration and use of historic monuments.

Preservation of over 24000 monuments registered in the State lists is implemented by the authorized state body. At the same time the list of new and newly found monuments is being supplemented every year: in 2008 - by 500 units, in 2009 - by 320 units.

Taking into account the fact that for the full resolution of all monuments related issues there is a need to primarily regulate the monuments ownership registration issue, the Government adopted “The Procedure for Inventory Maintenance of Historical and Cultural Monuments” in 2009. At the same time, creation of the Armenian monuments complete information database consisting of 24250 scientific cards will enable ensuring of intensive process for preparation of cadastral documentation packages for preserved units.

Over the recent years, preservation zones formation and issuance process was continued, in 2008 were formed 457 and issued 517, and in 2009 formed 450 and issued 450 monuments protection zones.

There is being carried out also monuments documents digitization and certificates compiling activities, which accordingly in 2008 totaled to 780 and 600, and in 2009 - 780 and 467.

For the restoration of monuments in 2008 were carried out 12 plan design and 15 restoration (of which 3 - final) works, and in 2009, respectively 2 plan design and 13 restoration (of which 1 final) works. In 2010, restoration of 10 monuments will over. Compared to previous years the principle of regional proportionality and involvement of temporal structures is increased.

Based on the large quantity of monuments in need of restoration and scarcity of allocated public funds, for the right choice of restorable monuments priority in 2009 was launched the technical condition monitoring program for mostly endangered monuments, as a result of complete packages for 26 monuments were formed.

At the same time, as a new program direction in 2009, additional allocations were provided for prior digging of monuments subject to restoration, and during 2010 - for urgent partial recovery of monuments in emergency situations.

In 2010, the state budget provided over 60 million Drams for research and documentation of the monuments of Armenian origin in foreign countries.

The state budget allocations for preservation of monuments in 2008-2010, respectively, made up 860588.2, 403896.7 and 346217.2 thousand Drams, including for the restoration of monuments: 460225.9, 331051.1 and 213300.0 thousand Drams. Expenditures reduction is due to financial crisis, and every year it comprised around 53.1% and 14.3%.

For preservation of monuments from the state budget will be provided in 2011-2012 and 2013: 353951.2 thousand Drams, 358577.7 thousand Drams, including 215 million Drams each year for the restoration of monuments.

Intangible cultural heritage

Intangible (spiritual) cultural heritage preservation, as one of the main areas of cultural policy, was formed in the recent years, and at the same time, is an important component of preservation of national identity. Sector allocations are being forwarded to the problems of cultural heritage preservation, protection and awareness raising issues.

In 2007 the Government approved the “Conception on the protection, preservation of intangible cultural heritage and ensuring of its viability”, and implementation of measures deriving from this conception, in fact, had a stimulating role for rehabilitation of the sector, at the same time shaping an atmosphere of respect and appreciation towards national intangible cultural heritage within the society.

Scientific researches in particular, classification and typology, were carried out in the area of intangible cultural heritage preservation, intangible cultural heritage inventory, registration, classification criteria were developed, the methodological manual titled as “Intangible cultural heritage: classification and criteria” was published, a computer software for registration was created, which will serve as a basis for later completion. Digitalization of folklore materials currently archived in the Institute of Archaeology and Ethnography of the National Academy of Sciences has launched, a scientific camping to regions was organized aimed at collection and accounting of intangible cultural heritage.

A number of programs were implemented in the area of intangible cultural heritage, particularly in the field of folk arts: “Creation of Armenian souvenir carpet”, “Establishment of the Center for Hand Art”, “Establishment of Educational Center for Armenian Traditional Smith Art”, and as a result of implementation of these programs respective skills were acquired by 47 young people. The program for “Teaching of preparation, restoration and use of Armenian folk instruments” was implemented, resulting in 11 children with acquired skills for preparation and renovation of a number of national folk instruments. In regard with traditional holidays the educational program called “Transfer and restoration of traditional holidays” was organized in Oshakan, which served as a basis for establishment of an ethno-school model.

Intangible cultural heritage awareness raising measures include folk arts and crafts main areas, in particular:

1) 3 movies filmed on carpet weaving (“Patterns”), oenology (“This is my Blood”), blacksmithing (“Holy raps”), and tumblers (“Tumblers: disappearing art”). Serials of radio programs devoted to the folk song were broadcast by the radio station “Impulse FM”, in an educational format was shot the video clip representing the Sassoon traditional dance called “Kertsi” in the performance of the “Sasun” folk song and dance ensemble; the first issue of TV program “The Shirak folklore” was prepared within the project on “Chips from Shirak Reservoir”;

2) The program for “Protection of National Identity and Sasna Tsrer” aimed at awareness raising on national Armenian epos was developed, which is planned for the years of 2011-2014, which will play a significant role in rehabilitation of national identity, national and patriotic education of the youth, as well as will in increase of the role and the meaning of the national epic heritage.

3) Significant steps were taken in the field of information technology and their application. Under the UNESCO's sponsorship were established the web-sites for “Intangible Cultural Heritage of the Republic of Armenia” (www.icha.mincult.am) and “The Armenian duduk music” (www.armenian-duduk-music.com). In 2009, application for one of the most outstanding values for the Armenian people, “Meaning of the Khachkar and Kahchkar Making Art” (Art of Cross Stones) was submitted to the UNESCO for its inclusion into the “Lists of Human intangible cultural heritage». In 2009, the law “On Intangible Cultural Heritage Protection” was adopted, and for the aim of ensuring its application, by the Prime Minister Decision No 8-A of January 15, 2010, was confirmed the list of measures for ensuring the future application of the above law. Programs for the coming years should be implemented in accordance with the provisions of that decision.

2008, 2009 and 2010 state budget allocations in the sphere were accordingly: 30297.1, 27065.2 and 38500.0 thousand Drams.

Development of Contemporary Art (theater, music, dancing, cinema, fine arts, fonts)

The state budget funds for Contemporary art are directed first of all to provision of subsidies to the creative artistic SNCOs, the formation of cultural production and its acquisition, the competitive

environment, presentation in the international arena, development of interregional cooperation, promotion of the evaluation and publicizing of individuals and phenomena possessing national cultural description.

At the present stage of development of contemporary art it is a priority issue to involve the young people with creative potential and the Diaspora artists into the Armenia's cultural field.

In different areas of art assistance was provided to youth programs in 2008-2009, 3-4 youth theater performances, in 2009- 10 (5 debut and 5 student) films. In 2008, the Young Composers' Chamber Music 1st Festival was held in Yerevan. 29 young composers of classical works were performed by professional musicians and groups. This is the second year that creative assemblies of young painters are being organized in Shorzha and Artsakh. Works created at the time of young painters' assemblies have been exhibited in the Union of Painters of Armenia. In 2008 2 Debut Films were presented at 12 international film festivals, in 2009- 12 films in 15 film festivals. French-Armenian youth exhibition of comics started in 2008, the 2nd event of which took place in 2010, by exhibition of works of Armenian young artists. Among the number of annual theater festivals since 2008 is being carried out the festival of youth theater, and starting from 2009, the festival called "Young Directors", which allows discovering and encouraging young directors.

With the aim to engage the Armenian Diaspora artists in the cultural field of Armenia the festival titled "One Nation, One Culture" was organized in 2008 which was held in a new format: were implemented 7 professional gatherings, as a result programs were formed in the fields of theater, cinema, and literature.

In 2008 for the first time in Yerevan was organized the conference on "The National Choreography in Diaspora: the current situation and development prospects", in parallel of which, also were held 20 training courses with participation of the Diaspora dance teachers.

In 2008-2009 for Diaspora artists were organized cognitive tours, concerts in Armenia, exhibitions, presentations, meetings, totally 45 events.

The Armenian community has always been involved in projects carried out abroad, particularly in 2009, the "Komitas 140" project carried out in France and Switzerland, the exhibition titled "Ani - a thousand years old Armenian capital" held in Hungary, Burchamut Festival in Lebanon, a number of events organized in St. Petersburg, Kaliningrad, Krasnodar and Rostov-Don in the framework of the program "Seasons of Armenian Culture in the Russian Federation", success of these events was largely due to the Armenia-Diaspora efforts.

Theater

Financial means invested in 2008 for technical problems in theater, compared to the previous year were more by 72.4%.

Over 2008-2009, respectively 52 and 55 new performances were directed (or 5.8% more), of which 11 and 12 by state support (including: 7 performances directed within the framework of V. Saroyan's 100th anniversary events, of which 3 were performed by state support). In 2008, compared to 2007, number

audience was increased by 1.4%, and in 2009, compared to 2008, decreased by 6.8%, and the number of played performances in 2008 increased by 9.4% compared to 2007, and in 2009 decreased by 7.3% compared with 2008. Decrease of this indicator is reasoned by reduction of the average load of halls, as well as by current repair works in a number of theaters.

Here are a number of new performances that worth mentioning due to their quality: the ballet performance “Spartacus”, staged in Opera and Ballet National Academic Theatre after Al. Spendiarian, newly performed theater performance “40 Days of Musa Dagh” of F. Werfel staged in the National Academic Theatre after G. Sundukyan, “I am a jay” - performed in the Young Spectator's Theatre, “Ak-Ak” - Puppet Theatre after H. Toumanyanyan, “Leap without a song”- by Sh. Shahnuri, in Artashat State Drama Theater after A. Kharazyan.

State support was provided for conduction of 6 theatrical festivals (“Theatrical Lori” - community, “Pomegranate seed” - children’s, Youth, Puppet Theatres’ Republican theatrical festivals), 2 of which are new for 2008: “Theatre X” and “We and our region”.

In 2009, compared to the previous year, **international theatrical festival activities** were expanded. The range of already traditional festivals “Armonno”, “Hayfest”, Shakespeare festivals after V. Papazian, starting from 2008, was completed by the Pantomime Theaters’ International Festival, which traditionally is held Tsakhkadzor and aim dissemination of the achievements in this genre and development of the pantomime arts. In 2010 is launching a “Readingjest” modern dramaturgy reading festival.

In 2008-2009 respectively 9 and 18 theater groups and theater artists have participated in various international projects.

State budget allocations to the theater industry (including capital expenditures) in 2008-2010 respectively made up 1979188.3 thousand Drams, 2240876.8 thousand Drams and 2436964.5 thousand Drams. Growth per year was 13.2% and 8.8%, which is conditioned by increasing the salaries of workers in the sector in 2009 and the H. Paronyan Musical Comedy Theatre building reconstruction works.

The sector of theater will be provided with state budget allocations at 2342420.5 thousand Drams each year in 2011-2012 and 2516690.6 Drams- in 2013.

Music

In the sphere of Music over the recent years special attention was paid by the Ministry of Culture to the development of the Armenian school of composers and reveal of the potential of young Armenian composers. By the means of the program “Acquisition of contemporary works of young Armenian composers” in 2008 was purchased 17, and in 2009- 14 works of Armenian composers. Concerts were organized dedicated to Armenian composers: in 2008- 78, in 2009- 137 concerts. The double growth of the indicator is evident, due to formation of 5 new collectives with state status (2 Orchestra and 3 Choir). The Chorus art is declared as a priority area and in 2008-2009 state funding was provided to the Soloists’ Ensemble, Chamber Choir, "Hover" Choir, and Yerevan Chamber Choir.

In 2008-2009 through state order for creative works, 9 musical projects were carried out, about 40 new concert programs conducted, purchased and performed 32 contemporary works by Armenian composers, new elaborations of 17 works. By state support 22 musicians performing concerts and 3 collectives participated in international music festivals and competitions, 20 audio and 1 video CDs were released.

Through state support more than 20 festivals and competitions are being conducted, including 8 festivals (G. Talalyan on the cello, chamber music of young composers, “Arno Babajanyan” international song, “Country of my Dream” patriotic song, dedicated to 100th anniversary of the Catholicos Vazgen the 1st - spiritual music, “Open Music”- classical, “Sevan -2009” rock music, experimental) and 2 contests (wind instruments, soloists after Gohar Gasparian). These events started in 2008-2009, which is an important step in the direction of balanced development of various branches.

In the sphere there is a problem for modernization of material-technical base and working conditions in theater and music organizations. In 2008-2009 in the opera theater about 70 and 150 million drams were spent for stage equipment repair, repair of air conditioning and heating systems within the building, acquisition of projection equipment.

In 2009, the “Arno Babajanyan” concert hall was surrendered to the subordination of the Ministry of Culture, and this has enabled some of the concert organizations (Yerevan Chamber Choir, Soloists Ensemble of Armenia) to ensure future activities, as well as contributed to further implementation of the “School Student Philharmonic” and other children’s programs. Completely was renovated the State Song Theater and partially the Chamber Music Hall after Komitas. The latter was also equipped with new actual devices.

The state budget allocations for the Music industry (including capital expenditures) for 2008, 2009 and 2010 respectively, made up 753037.0, 906086.2 and 809200.5 thousand Drams.

Allocations from the state budget to this sector is envisaged at 1057752.2 thousand Drams for each year in 2011 and 2012 and 1142627.2 thousand Drams in 2013.

Cinematography

State policy in the Cinematography was directed at genre diversity and quality of films, expansion of the Armenian film production performance in international areas.

In 2008-2009 through the program for support of film production were shot in respectively 7 and 8 of feature, 4 and 5 of animation, 10 and 15 documentary films.

However, according to the new tradition established in 2009, regular screening of films of domestic production is being held in the Cinema “Moscow”, the audiences get an opportunity to directly communicate with the Armenian National Cinematography. In 2009 there were organized presentations of recently produced 36 films, including 8 parts of the animated film “David of the Sassoon”.

Aimed at dissemination of Cinematography, particularly, in order to ensure for the population in the regions to get in touch with cinema, parallel to the production processes, starting from 2008, screenings

are being conducted in the regions, in Nagorno-Karabakh and Javakheti, accompanied by meetings with famous filmmakers.

Their normal activities in Armenia are still holding traditional international film festivals: “Golden Apricot”, “It’s me”, “Woman”, those for children and youth films, “One shot-one minute”. Since 2009 successfully has launched the “ReAnimania” Yerevan first Festival International Animated Film.

In the sphere of Cinematography in 2008-2009, as compared to 2006-2007, participation of Armenian film producers in international festivals was expanded. During 2008-2009 the local film industry's participation in 44 international film festivals was supported, compared to 25 international film festivals in 2006-2007. Awards from international festivals were provided to the films “The Border” and “Bonded Parallels”. In 2009 “Armenia's national film center” was represented at Cannes cinema market through a separate pavilion.

For the field of Cinematography from the state budget in 2008, 2009 and 2010 respectively, were allocated 678649.3, 706616.9 and 612753.1 thousand Drams.

The state budget allocations for 2011-2012 and 2013 respectively will be provided at the extent of 630448.2 thousand Drams each year in 2011 and 2012 and 644014.5 thousand Drams in 2013.

Fine Arts

In the field of Fine Arts over the last two years support has been provided to festival projects and organization of exhibitions (the International Gyumri 10th Biennale, Jubilee and other dozens of exhibitions), as well as were supported a number of participation of Armenian artists in international biennales (Armenian fine performance in the Venice Biennale), which certainly contributed to the raising awareness on Armenian Fine Art in foreign countries. Anyhow, contributions were mostly of current nature, while the development and formation of modern cultural production and ensuring of competitiveness require long-term strategic plans.

Compared to other areas of modern art- theater, cinematography, music, international programs are few in this area, festivals, exhibitions, studios, etc., the level of raising awareness on Armenian Fine Art in foreign countries can not be considered as satisfying. In 2010, it is intended to organize exhibition of contemporary artists devoted to the 95th anniversary of Armenian Genocide and to obtain the best works. For the Fine arts area from the state budget in 2008, 2009 and 2010, respectively, was allocated 6800.4, 6575.2 and 10500.0 thousand Drams. Over 2011-2013 allocations from the state budget for the field of fine arts will be preserved on the level of 2010 budget allocations.

Dancing

In 2008-2009, the state support in Dancing is mostly forwarded to 6 creative projects of 3 state groups. By the means of grant allocations, 7 folk bands have conducted new folk dance performances.

The state budget allocation in the field of Dancing Art in 2008, 2009 and 2010, respectively, were at 134590.0 thousand Drams, 150808.0 thousand Drams, 158034.8 thousand Drams. Over 2011-2013

allocations from the state budget to the field of dancing art will be preserved on the level of 2010 budget allocations.

Jubilee programs and events

Within Jubilee programs and events during 2008, 2009 and 2010, each year has been marked by a jubilee of a cultural, educational, political and public figure and more than 7 dozen of jubilee events have been arranged each year, for 40 of them state Jubilee commissions were established by the decision of the Prime Minister's, various events have been developed and implemented throughout the year, including conferences, publishing of books and albums, release of audio and video CDs, recitation festivals, exhibitions, open classes in secondary schools, issuance of stamps and postal cards, Jubilee Celebrations, presentation of the life and creative activity of the jubilees through mass media, etc. On these jubilee occasions, over 15 performances were staged, 30 concert program conducted, published 22 books, released 1 e-book and 18 CDs, which are included in theatrical-concert play lists of those organizations.

In 2009, for the first time, on the occasions of jubilees of Armenian culture and art figures, a program is launched for release of Audio CDs with records of their works that are preserved in the audio-reserve of the Public Radio Company, the program will continue in 2010.

Allocations for Jubilee programs and events from the state budget in 2008, 2009 and 2010, respectively, was comprise 63673.8 thousand Drams, 75340.8 thousand Drams and 55600.0 thousand Drams. Over 2011-2013 allocations from the state budget for this field will be preserved on the level of 2010 budget allocations.

Proportional Development of the Culture

With this aim programs are directed to cultural development in the regions, promotion of interregional cooperation in cultural, to ensure the policies for continuity of decentralization of culture (to regions). Implementation of these policies is based on the Government Decree No 589-N of April 5, 2007 “On confirmation of the program of development of culture in the regions”, Government Decree No 878 - N dated July 24, 2008, “On the Government 2008-2012 Action Plan”, as well as the Government protocol decision N 52 of December 17, 2009, “On the list of measures aimed at solving cultural problems in Armavir Marz”, the Government protocol decision N 41 of October 1, 2009, “On the list of measures aimed at solving cultural problems in Lori Marz”, the Government protocol decision N 5 of February 11, 2010, “On the list of measures aimed at solving cultural problems in Syunik Marz”,

In 2008-2009 by the state supported programs 22 culture centers (culture houses) were renovated. In 2010 it is planned to continue the renovation and construction works in 13 cultural centers in the regions.

With the purpose of ensuring development of cultural life in the regions, its population's engagement in cultural life, accessibility of cultural values and services, in 2007 was launched the “Cultural region” cultural communication: capital-regions” program. During 2008-2009 in the regions of Armenia, in 46 settlements of Artsakh and Javakhhk were organized 45 theatrical performances, concerts, Armenian film

screenings, master classes, days of children's book: with participation of 9 state theaters, 13 musical organizations, arts leaders, artists, musicians, performers.

Aimed at organization of recreation and entertainment of children in villages the program titled “In Guest at Fairy Tale” launched by the Goris State Theater after V. Vagharshyan in 2007, continued over 2008–2009 by the Artashat, Vanadzor State Drama theaters. If in 2007, in Syunik region around 1400 children from 7 communities participated in the program, then in 2008, 1550 children from 9 communities of Ararat marz, and 2200 children from 7 communities 2009 participated in the program. In 2010 the program will be carry out by the Gavar theater.

In order to ensure accessibility to museum collections for the population in rural and remote areas of the republic it is for about 2 years that the program “Museum on Wheels” is being carried out, within the framework of which in 2008–2009 in 25 communities were organized 20 museum exhibitions, including, in 2009, a great interest aroused by the exhibition “Our Jubilees”, which presented works of 8 jubilee-artists in all regions. It is planned to expand the geography of settlements.

Accessibility of library-information services for blind persons and those with weak vision is provided through installation of the “Sun” system.

Taking into account the fact that the libraries in rural areas are in poor condition which complicates provision of library services to the population, there occurred a need to establish non-stationary forms of library service, which was implemented since 2008. Armenia's National Library through “Mobile library” (“Bibliobus) in 2008, made donations to the Lori, Aragatsotn, Ararat, Vayots Dzor and Syunik regions community libraries - more than 2800 units, and in 2009 - to Tavush, Gegharkunik, Kotayk, Shirak, Lori community libraries, more than 8500 units of literature, which is more than that for the previous year by 5700 units, or almost for 3 times.

For persons with limited mobility since 2008, in Lori and Shirak regions started to be implemented the “Family librarian” program, which in 2009 was financed from the state budget. The program is ongoing.

In recent years, one of priorities in the theater policy is the development of theater in the regions. It is important that regional theaters playlists of performances were enriched by Armenian classical and modern literary works. The new theater festival program “We and our regions” launched in 2008 is an important achievement in the field, which is directed at promotion of development of contents and creative activities in regional theaters.

Aimed at organizing of summer holydays the “ARTUTIK” creative summer camp is being conducted for talented children from 10 regions, Yerevan, Artsakh and Javakhhk, which is being annually attended by more than 70 children.

In the republican competition of Children's choirs titled “Singing Armenia” around 120 youth choirs participate from all regions of Armenia, Artsakh and Javakhhk educational, music and art schools (to expand the scope of participants in 2009, increase in funding by 25% was provided).

For the last two years 17 of 30 festivals organized in the country were held in the regions, particularly 5 of 10 theater festivals were held in Kotayk, Lori, Syunik, and in festivals held in Yerevan representatives from regional had actively participated.

State support for regional cultural activities by the 2008, 2009 and 2010 state budgets made respectively, 88419.8, 79200.6 and 89393.0 thousand Drams.

Foreign Cultural Collaboration

International collaboration in Culture is aimed at expansion and deepening of cultural dialogue and multilateral relations with foreign countries, their harmonious coordination, implementation of aimed promotion of culture abroad.

Within cooperation with EU there is a key issue to make Armenia as a regional cultural center. In this direction certain steps are already taken. In particular:

- since 2009 the film-school of the “Golden Apricot” International Film Festival turned into a regional center (world famous filmmakers provide master classes at school, where attendees from Turkey, Iran, Georgia, Russia participate),
- within Armenia-EU cultural cooperation in 2009 launched the “Eastern Partnership” program, practical application of which will be launched in 2011 and will be more expanded during the 2011-2013. One of the components of the program is the “Contacts between the people” platform, within which Armenia is planning to implement two projects. “Cultural diversity as a national wealth and European heritage” panel discussion and “Literary shrine: 10 years later” the EU-Armenia literary project.

Cooperation is continued with the Council of Europe based on the programs “White Book” and “Kiev Initiative”.

It's already the third year that in cooperation with UNESCO co-financed programs are being carried out. If in 2008, only V. Saroyan's 100th anniversary Jubilee Conference was conducted, than in 2009 3 programs were implemented in this framework: “Opening of a duduk music site”, “Seminar-trainings for museum professionals”, “Cultural Policy: Policy for Culture: new ways of cultural policy” - the Regional Conference of the CIS countries with participation of international experts.

Active cooperation with the CIS structures continue, in particular, upon Armenia's initiative and participation the number of programs increasing year by year, in 2009, it reached 19, compared with 8 projects in 2008.

In 2009, Armenia as an associated member of the Organization of La Francophonie, for the first time participated in the 6th international cultural games organized by the OIF Francophone initiative in Lebanon. At the same time, a number of events were also organized in Armenia jointly in cooperation with the French Embassy in the Republic of Armenia, which passes under the heading of “Francophone Days”.

In total in 2008 and 2009, in collaboration with international institutions and organizations, respectively 12 and 14 and jointly funded projects were carried out. Within the framework of signed contracts respectively 25 and 30 program activities were carried out in Armenia and abroad.

In recent years among international programs European integration is viewed as a priority direction. Along with continued cooperation with the traditional European partner countries (Germany, France, Italy), steps are being taken to start joint projects in film production, as well as other entertainment (theatrical, literary and exhibition), directed to expanded geography of cooperation with new EU countries (Bulgaria, Slovakia, Slovenia, Croatia, Serbia, Czech Republic, Hungary).

Due to expansion of geography of Cultural cooperation, as a result, further expansion of formats of cooperation took place in the form of cultural years, Seasons, Days (Bulgaria Culture Year, the German Cultural Weeks, Seasons of Georgian culture in Armenia, Seasons of Armenian culture in Russia, “Days of Russian Word”).

Generally, during 2008-2009, as a result of implemented events and exchanges more than 5400 people traveled by trips to and from Armenia.

Due to financial crisis implementation of a number of international projects are delayed till 2010, but should be noted that the rapid growth of international programs is not consistent with the possibilities of the state budget, when in 2008 within the framework of allocation at 148202.4 thousand Drams 25 projects were carried out, in 2009 with 214331.0 thousand Drams of allocation - 30 projects were planned and 37 of them in 2010 with 146605.3 thousand Drams of allocation provided for project implementation.

In 2011-2013 international activities will be aimed at the integration to European institutions, expansion of the geography of cooperation, raising awareness on Armenian culture and cultural values dissemination, development of legal framework for cultural cooperation.

Protection of National Minorities

In recent years, an important place in the state programs occupies the issue relating preservation and development of cultural identity of national minorities residing on the territory of Armenia. For that purpose exhibitions, concerts and festivals are being organized for them to represent their national folklore and contemporary art. In particular, in 2008, 250 representatives of 11 national unions participated in the music festival organized in the Lori region. In 2008, the Jewish cemetery in the village of Yeghegis in the Vayots Dzor region was restored. In 2008, a video filmed was produced titled “Our song and our Monument”, and in 2009, another one titled “Assyrians in Armenia”.

The state budget allocations to the sphere for 2008, 2009 and 2010 respectively, were 12377.1, 15008.0, 16318.0 thousand Drams. In 2011-2013 annual allocations will be preserved on the respective level of 2010 budget allocations.

10.1.1.2. Main Problems

Preservation of Cultural Heritage

Museums

- *the preservation of cultural heritage kept in museums* through their recovery and installation and publicizing through application of modern technologies,
- *improving the conditions of museums*, through assuring of stable warm and humid atmosphere in stock reservoirs, and enhancing of security of museum items,
- *digitization of collections* through application of current international practice,
- *Permanent refreshment of exhibitions* through the regular replacement of items,
- *Replenishment of museum items* through implementation of aimed purchase,
- *improvement of field staff professional knowledge* in line with modern requirements in museum activities.

Libraries

- *Ensuring access to library collections* through creation of digital versions of collections, adding the volume of serviced units,
- *Library collections preservation and use* through their restoration, targeted replenishment, implementation of monitoring, digitalization of ancient books, old media, and unique samples of books,
- *to ensure equality of access to use of library stock* through introduction of a unified system of Electronic reader's card,
- *to ensure accessibility of library-information services* for all layers of society (including the blind and with weak-vision and limited mobility persons) on the entire area (including border and remote regions) of the country,
- *to ensure favorable conditions for the library activities* through reconstruction and repair of buildings, acquisition and installation of security, warm and humid supply systems, re-equipment with modern technical devices,
- *improvement of quality of services* through improvement of professional skills of the staff, introduction of the rules of conduct of library employees developed by IFLA (International Association for libraries and library employees), introduction of modern technologies.

Archiving

- *preservation of archival documents* through their disinfection, repair and digitalization,
- *creation of electronic database of documents* through introduction of the searching and information systems,
- *ensuring access to archival documents* through introduction of modern technologies, raising the quality services, creation of an automated network of archives of Armenia and a unified informational data base,
- *expansion of archive reservation areas* through provision of the necessary space for the preservation of documents.

Historical and cultural monuments

- *ensuring the protection of historic and cultural monuments* through inventory accounting, research, implementation of restoration programs, as well as development of projects for restoration of monuments in danger due to implementation of emergency and long-term excavations,
- *the use of historical and cultural monuments* through including of restored monuments in tourist routes and creation of appropriate infrastructures,
- *historical and cultural monuments publicizing* provision of information on a separate site and online through internet, scientific-research, scientific-exhibition, publication of series of collections,
- *regulation of relations between the state, regional and local administration bodies, owners and users of the monuments* through development and correction of the lists of history and culture monuments in the regions, the creation of the state cadastre and its operation,
- *expansion of cooperation with the Armenian Apostolic Church* through signing of the memorandum and implementation of joint programs in the field of use and protection of monuments.

Intangible cultural heritage

- *to ensure processes of protection, preservation and use of intangible cultural heritage* through intangible cultural heritage documentation, identification, research, application, different directions of rehabilitation, through protection of the right of ownership of those values,
- *to ensure proper accessibility of intangible cultural values in order to get in touch with them and to receive services* through creation of intangible cultural values by the support in participation of individuals,
- *raising awareness on intangible cultural heritage* through ensuring of international exchange in the field of intangible heritage, their protection and preservation abroad,
- *intangible cultural heritage development* through establishment of vocational centers, by provision of state support to national craftsmen, implementation of grant programs.

Development of Contemporary Art.

- *ensuring the normal functioning of cultural organizations, theaters, concert halls, cultural centers* through reconstruction of buildings and structures, by providing necessary areas to those theatrical and musical organizations which don't have their own places and are operating in insufficient conditions, as well as through replenishment with modern material and technical resources (including acquisition of musical instruments, computer equipment, light and audio technology and other new equipment),
- *ensuring quality of services* through development of the system of procurement of creations and state orders, the completion of the playlists with new works, conduction of festivals and

competitions, in reveal of the young creative potential, implementation of grant programs to promote the creative groups' activities,

- *ensuring sustainable development of folk music* through involvement of highly qualified professionals,
- new elaborations of contemporary composers, refreshment and supplementation of folk ensembles playlists through implementation of programs towards introduction of modern approaches to traditional music,
- *development of dramatic works procurement system* through formations of the demand presented by the theaters,
- *conduction of festivals and competitions, provision of tour activities,*
- *disclosure of the of young creative potential* through implementation of debut projects.

Proportional development of culture in regions

- *creation of favorable conditions for activation and development of cultural life in the regions and communities of Armenia* through theatrical and musical tours, replacement of republican events,
- *to ensure the normal functioning of cultural organizations in the regions and communities* through replenishment of technical material base, implementation of reconstruction works (60.3% of buildings of cultural organizations in the regions have a need of capital reconstruction, 27.8% - need current renovation, and only 11.9% is renovated. The study results show that 5.3% of cultural organizations are not functioning and because of absence of area 8.7% of them are located in other buildings, mostly in the building of village administration),
- *organization of aesthetic education and recreation of the population in the regions* through operation of cultural houses and centers, expansion of state support provided to folk masters and establishment of crafts centers in the regions and communities.

International cultural cooperation

- *development and expansion of legal-contractual field and scope of cooperation* through collaboration with already traditional partner states in CIS, Europe and the East, as well as with new partner European, Baltic and Scandinavian countries, Latin America, Central Asia Republics, the Gulf states,
- *awareness raising on Armenian culture abroad and presentation of foreign cultures in Armenia*, through mutual conduction of days of cultures by developing in various formats “cultural years”, “cultural Seasons”, “Meetings with Armenian culture”,
- preservation of cultural identity of representatives of Armenian origin living abroad,
- *integration to international organizations (Council of Europe, EU, CIS, UN, and UNESCO)* through accession to culture related international conventions, through continued cooperation and participation in European and international institutions and organizations meetings.

Collaboration with national minorities

- *full integration of non-Armenian population into Armenia's cultural life* through involvement of representatives of national minorities' organizations and individuals in the implementation of cultural activities and programs.

10.1.2. OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

10.1.2.1 Objectives

Preservation of cultural heritage

Expected outcome: preservation of the cultural heritage (tangible and intangible), ensuring of their accessibility for the public, promotion of cultural tourism and economic development as a result.

Development of contemporary art

Expected outcome: Reveal of the young creative potential, creation of conditions for its development and involvement in the contemporary creativity process, genre and stylistic diversity of playlists and assurance of quality, to ensure competitiveness of cultural products in the international arena.

Proportional development of culture

Expected outcome: proportionate distribution of cultural infrastructures, assurance of normal functioning of regional cultural organizations, elimination of existing differences between the Yerevan and the regions, and ensuring the implementation of a unique cultural policy, to ensure availability and equal accessibility of cultural values, cultural, educational and information services, cultural activities.

Development of international cooperation

Expected outcome: expansion and deepening of cultural dialogue and multilateral relations with foreign countries, raising awareness on the Armenian culture, holding membership in international organizations, including the European Union, UNESCO affiliated professional organizations and active participation, growth of participation of Armenian companies in international projects, ensuring acquaintance of the Armenian population with cultures of the peoples of the world.

10.1.2.2 Priorities

The main priority areas for the development of culture are as follows:

- inventory accounting and re-accounting of cultural heritage (tangible and non-tangible) units of Armenian origin, design of common informational database, ensuring of its accessibility and publicizing. *Base: the Government 2008-2012 Plan of Actions; 4.4.4. "Culture" section.*
- Research of mostly endangered cultural heritage units, projects aimed at their preservation. *Base: the Government 2008-2012 Plan of Actions; 4.4.4. "Culture" section; the Government Decree on "Sustainable Development Program", No1207-N, of October 10, 2008.*
- Implementation of targeted programs for training, retraining, qualification, re-qualification of personnel in all areas culture. *Base: the Government Decree on "Confirmation of a complex program on training, retraining and re-qualification of specialists in culture", No73-N, of January 14, 2010.*

- Improvement of social conditions of workers in the field of culture through increase of average monthly wage. *Base: the Law "On the Fundamentals of Cultural Legislation"; the Government Decree on "Sustainable Development Program", No1207-N, of October 10, 2008.*
- Accessibility of cultural services in regions. *Base: the RA Government Decree on "Confirmation of the program for cultural development of the regions" No 589-N, of April 5, 2007.*
- Creation of contemporary cultural competitive products. *Base: the Government 2008-2012 Plan of Actions; 4.4.4. "Culture" section.*
- Material-technical modernization of infrastructure for development of modern art. *Base: the Government 2008-2012 Plan of Actions; 4.4.4. "Culture" section.*
- Protection of historical, religious, cultural values and ethnic identity of national minorities living on the territory of Armenia. *Base: the Government 2008-2012 Plan of Actions; 4.4.4. "Culture" section.*

10.1.3 EXPENDITURE PROGRAMS IN CULTURE OVER THE MTEF PERIOD

The share of state budget expenditures in GDP, provided by the 2011-2013 Medium-Term Expenditure Program for the sphere of culture, will vary from 0.26-0.28%.

By the 2011-2013 Medium-Term Expenditure Program it is envisaged to allocate funds for cultural sector (including capital construction costs) at the extent of 10082.0 million Drams in 2011, 10220.0 million Drams in 2012 and 10612.0 million Drams 2013. Expenditure growth in 2011 over 2010 will be 4.8% , in 2012 over 2011- 1.37% and in 2013 over 2012- 3.83%.

Expenditure Drivers

- increase of wages of workers involved in the sector of Culture in 2011 by 15%, in 2013 by 10%,
- financial provision of services connected with the growth of gas and water tariffs:
- implementation of the program for reconstruction and renovation of cultural buildings, as well as renovation and restoration of monuments.

Table 10.1. State budget expenditure in Culture over 2009-2013, according to areas (million Drams)

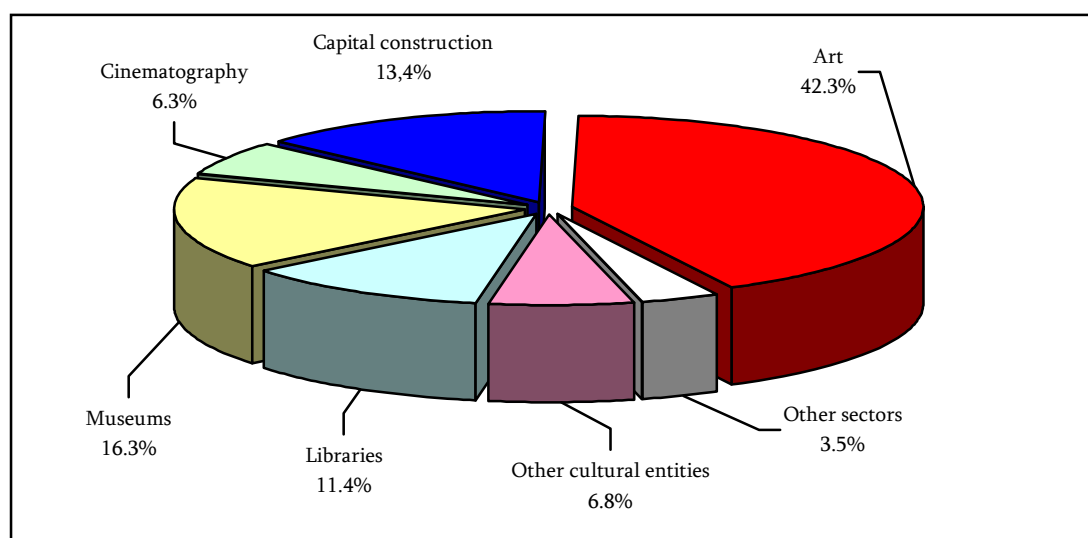
Category, Group, Class	Names of Groups	Actual	Planned budget	2011-2013 MTEF		
		2009	2010	2011	2012	2013
08	TOTAL, of which:	9 824.6	9616.6	10 082.0	10 220.0	10 611.5
08.02.01.	Libraries	994.0	1036.3	1 151.4	1 151.4	1 242.5
08.02.02.	Museums and exhibition halls	1 493.4	1 500.1	1 646.2	1 646.2	1 764.8
08.02.03.	Culture houses, clubs, centers	48.6	29.3	32.5	32.5	35.0
08.02.04.	Other cultural entities	979.0	624.9	680.5	680.5	721.7
08.02.05.	Art	4 063.9	4 147.0	4 267.4	4 405.4	4 525.3
08.02.06.	Cinematography	612.6	612.7	630.4	630.4	644.0
08.02.07.	Restoration and preservation of monuments and cultural values	72.9	132.9	138.9	138.9	143.6
08.04.02.	Political parties, non-governmental organizations, trade unions	179.6	179.6	179.6	179.6	179.6
	Renovation and restoration of	331.0	213.3	215.0	215.0	215.0

Category, Group, Class	Names of Groups	Actual	Planned budget	2011-2013 MTEF		
		2009	2010	2011	2012	2013
	monuments					
	Program for capital reconstruction and improvement of cultural objects	1 049.6	1140.5	1 140.0	1 140.0	1 140.0

For the program of capital reconstruction and improvement of cultural objects, as well as for restoration of monuments, expenditures are provided, taking into account the continuous nature of cultural facilities construction and renovation works, as well as provision with design estimate documents.

Over the period of 2011-2013, for the program of renovation, construction and reconstruction of cultural objects it is planned to allocate 3.4 billion Drams (1.14 billion Drams each year).

Chart 10.1. Structure of 2011 expenditures in culture, according to subgroups (%)



10.1.4. PUBLIC SECTOR REVENUES

In addition to the allocations from the state budget, expenditure in culture is also financed from own revenues.

These revenues are generated mainly through the provision of paid services, booking, and fees from rental of halls and spaces and film distribution.

Revenues from the paid services are channeled to wage premiums, procurement of goods, communal utility services, replenishment of the library and museum stock.

Table 10.2. 2009-2013 Revenues envisaged for the public sector of Culture (million Drams)

Sector	Names of subjects which are provided with state support as legal persons	2009		2010		2011		2012		2013	
		at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

		actual		plan		forecast					
	TOTAL	5526.3	1025.9	5648.6	1012.6	6342.8	1024.0	6342.8	1036.9	6827.8	1048.5
	of which:										
08	1. From paid services provided and works done, of which	5526.3	979.5	5648.6	1007.6	6342.8	1018.0	6342.8	1030.9	6827.8	1042.5
	<i>share in total expenditures, %</i>	84.9	15.1	84.9	15.1	86.2	13.8	86.0	14.0	86.8	13.2
08.02.01.	Libraries under subordination of the RA Ministry of Culture	729.3	23.5	731.6	21.8	817.2	21.8	817.2	21.8	882.7	21.8
	<i>share in total expenditures, %</i>	96.9	3.1	97.1	2.9	97.4	2.6	97.4	2.6	97.6	2.4
08.02.01.	“Republican scientific medical library” SNCO	37.6	0.7	37.6	0.7	41.7	0.8	41.7	0.9	44.9	0.9
	<i>share in total expenditures, %</i>	98.2	1.8	98.2	1.8	98.1	1.9	97.9	2.1	98.0	2.0
08.02.01.	“Center for innovation and entrepreneurship” SNCO	55.2	0.8	113.9	1.0	126.5	1.2	126.5	1.5	136.0	1.8
	<i>share in total expenditures, %</i>	98.6	1.4	99.1	0.9	99.1	0.9	98.8	1.2	98.7	1.3
08.02.01.	“National Book Camber of Armenia” SNCO	52.6	5.7	52.7	5.3	58.5	5.5	58.5	5.7	62.86	5.9
	<i>share in total expenditures, %</i>	90.2	9.8	90.9	9.1	91.4	8.6	91.1	8.9	91.4	8.6
08.02.02	Museums under subordination of the RA Ministry of Culture	1081.4	160.7	1092.6	184.0	1220.2	184.0	1220.2	184.0	1305.9	184.0
	<i>share in total expenditures, %</i>	87.1	12.94	85.6	14.4	86.9	13.1	86.9	13.1	87.7	12.3
08.02.02	Museums under subordination of the Yerevan municipality	121.7	3.21	121.9	3.5	135.8	3.8	135.8	4.0	146.4	4.1
	<i>share in total expenditures, %</i>	97.4	2.57	97.2	2.8	97.3	2.7	97.2	2.8	97.3	2.7
08.02.02	“Museum of Geology in Gegharkunik marz” SNCO	12.8	0.03	12.8	0.0	14.4	0.4	14.4	0.0	15.6	0.0
	<i>share in total expenditures, %</i>	99.8	0.22	99.7	0.3	97.6	2.4	99.8	0.2	99.7	0.3
08.02.02	“Sardarapat Heroic Battle Memorial, National Museum of Armenian Ethnography and History of the liberation struggle” SNCO	104.8	9.00	107.8	9.0	120.5	9.0	120.5	9.0	128.5	9.0
	<i>share in total expenditures, %</i>	92.1	7.91	92.3	7.7	93.1	6.9	93.1	6.9	93.5	6.5
08.02.03.	“Stepanavan culture and entertainment center” SNCO	25.4	0.2	25.4	0.1	28.1	0.1	28.1	0.1	30.1	0.1
	<i>share in total expenditures, %</i>	99.4	0.6	99.6	0.4	99.6	0.4	99.6	0.4	99.7	0.3

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Sector	Names of subjects which are provided with state support as legal persons	2009		2010		2011		2012		2013	
		at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues
		actual		plan		forecast					
08.02.04.	“National Archive of Armenia” SNCO	308.1	162.7	333.1	93.2	373.5	93.2	373.5	105.0	403.2	106.4
	<i>share in total expenditures, %</i>	<i>65.4</i>	<i>34.6</i>	<i>78.1</i>	<i>21.9</i>	<i>80.0</i>	<i>20.0</i>	<i>78.1</i>	<i>21.9</i>	<i>79.1</i>	<i>20.9</i>
08.02.04.	“Yerevan Zoo” SNCO	180.0	46.5	188.4	50.0	194.6	55.0	194.6	60.0	199.5	62.6
	<i>share in total expenditures, %</i>	<i>79.5</i>	<i>20.5</i>	<i>79.0</i>	<i>21.0</i>	<i>78.0</i>	<i>22.0</i>	<i>76.4</i>	<i>23.6</i>	<i>76.1</i>	<i>23.9</i>
08.02.04.	“Center for expertise of cultural values” SNCO	29.3	15.0	29.3	20.0	32.7	20.0	32.7	20.0	35.4	20.0
	<i>share in total expenditures, %</i>	<i>66.1</i>	<i>33.9</i>	<i>59.4</i>	<i>40.6</i>	<i>62.1</i>	<i>37.9</i>	<i>62.1</i>	<i>37.9</i>	<i>63.9</i>	<i>36.1</i>
08.02.05.	“Academic Theater of Opera and Ballet after Al. Speniaryan” SNCO	556.8	112.5	560.6	100.0	633.2	109.4	633.2	110.4	683.767	111.319
	<i>share in total expenditures, %</i>	<i>83.2</i>	<i>16.8</i>	<i>84.9</i>	<i>15.1</i>	<i>85.3</i>	<i>14.7</i>	<i>85.2</i>	<i>14.8</i>	<i>86.0</i>	<i>14.0</i>
08.02.05.	“National Academic Theater after G. Soundukyan” SNCO	228.3	41.3	240.7	51.2	269.6	46.3	269.6	46.3	287.068	46.3
	<i>share in total expenditures, %</i>	<i>84.7</i>	<i>15.3</i>	<i>82.5</i>	<i>17.5</i>	<i>85.3</i>	<i>14.7</i>	<i>85.3</i>	<i>14.7</i>	<i>86.1</i>	<i>13.9</i>
08.02.05.	Theaters under subordination of the Ministry of Culture	831.7	173.3	839.1	226.4	960.8	225.7	960.8	218.9	1036.6	225.75
	<i>share in total expenditures, %</i>	<i>82.8</i>	<i>17.2</i>	<i>78.8</i>	<i>21.2</i>	<i>81.0</i>	<i>19.0</i>	<i>81.4</i>	<i>18.6</i>	<i>82.1</i>	<i>17.9</i>
08.02.05.	Theaters under subordination of the Yerevan municipality	204.9	58.0	205.7	60.6	236.0	61.0	236.0	62.2	257.214	61.31
	<i>share in total expenditures, %</i>	<i>77.9</i>	<i>22.1</i>	<i>77.2</i>	<i>22.8</i>	<i>79.5</i>	<i>20.5</i>	<i>79.1</i>	<i>20.9</i>	<i>80.8</i>	<i>19.2</i>
08.02.05.	“Drama Theater after L. Kalantaryan” SNCO, Gegharkunik marz	33.0	0.5	33.0	1.0	37.3	1.0	37.3	1.3	40.505	1.3
	<i>share in total expenditures, %</i>	<i>98.4</i>	<i>1.6</i>	<i>97.1</i>	<i>2.9</i>	<i>97.4</i>	<i>2.6</i>	<i>96.6</i>	<i>3.4</i>	<i>96.9</i>	<i>3.1</i>
08.02.05.	Concert organizations under subordination of the Ministry of Culture	816.2	164.9	805.1	178.9	910.4	178.9	910.4	178.9	989.0	178.9
	<i>share in total expenditures, %</i>	<i>83.2</i>	<i>16.8</i>	<i>81.8</i>	<i>18.2</i>	<i>83.6</i>	<i>16.4</i>	<i>83.6</i>	<i>16.4</i>	<i>84.7</i>	<i>15.3</i>
08.02.06.	“National film center of Armenia” SNCO	117.4	1.0	117.4	1.0	131.7	1.0	131.7	1.0	142.7	1.0
	<i>share in total expenditures, %</i>	<i>99.2</i>	<i>0.8</i>	<i>99.2</i>	<i>0.8</i>	<i>99.3</i>	<i>0.7</i>	<i>99.3</i>	<i>0.7</i>	<i>99.3</i>	<i>0.7</i>

Sector	Names of subjects which are provided with state support as legal persons	2009		2010		2011		2012		2013	
		at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues	at the expense of budget resources	at the expense of own revenues
		actual		plan		forecast					
	2. From received donations, of which:	0.0	46.4	0.0	5.0	0.0	6.0	0.0	6.0	0.0	6.0
08.02.01.	“National children’s library after Khnko Aper” SNCO	0.0	5.9								
08.02.01.	“Republican scientific medical library” SNCO		0.0		0.0		1.0		1.0		1.0
08.02.03.	“Yerevan Zoo” SNCO		2.4		2.4		2.4		2.4		2.4
08.02.05.	Theaters under subordination of the Ministry of Culture		33.1		2.0		2.0		2.0		2.0
08.02.05.	Theaters under subordination of the Yerevan municipality		5.1		0.6		0.6		0.6		0.6

10.2. RADIO AND TELEVISION BROADCASTING, PUBLISHING SERVICES

10.2.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS

2011-2013 medium-term expenditure framework allocations for television and radio, as well as for publishing services will be channeled to the implementation of 25 programs through 11 public administration bodies.

The state interference in the radio and television broadcasting and publishing services sector is mainly directed to:

- ✓ Radio and television programs,
- ✓ Publishing and Editing houses

TV-Radio programs

TV and Radio state supported programs are mainly carried out by the Armenia’s Public Radio-Television Company.

The field targeted programs are aimed at implementation of authorities provided to the Council of Armenia's Public Radio-Television Company by the RA law “On Television and Radio”, as well as at preparation and broadcasting of television and radio programs in accordance with thematic areas stated by the law.

Over 2008-2009 the Public Television company has produced television programs through three TV channels – the “H1” first channel - 24 hours a day broadcast in Yerevan and 19.5 hours a day in the

territory of Armenia, the “Ararat” cultural channel, 24 hours a day and the “H1” International channel (24 hours a day broadcast of satellite television programs: in the countries of CIS, Europe, Middle East, North Africa and North America).

The Public Television company, preserving its primary position in the Armenian TV market, has prepared programs in nine thematic areas, the volumes of which are presented in the Table N 10.3.

Table N 10.3. Volumes of TV programs by thematic areas over 2008-2009 (the amount of prophylactic hours is taken into consideration)

Thematic areas of programs prepared by the “H1” First Channel Public Television Company	Volumes of prepared programs (hours)	
	2008	2009
News, Information-analytic	797.2	741.8
Political, economic, public	740.5	629.1
Entertainment	375.1	594.8
Scientific-popular, Armenian language and history	556.8	639.3
Cultural	4,267.4	4,194.3
Educational, youth and children’s	362.3	320.3
Sports	390.8	146.6
Music	854.4	732.7
Clips, other programs	380.6	709.8
Total	8725.1	8708.7

The Public Television Company has always paid a great attention to the cultural programs, particularly to programs relating to issues of Armenian culture.

It should be mentioned that in 2009 8 of 10 cultural programs with the largest TV audience were broadcast by the “H1” the first channel.

Within the framework of Public Television's adopted policy in 2008 on the basis of the “New Wave” channel the “Ararat” cultural channel with daily 24-hour broadcast was established, which aims to comprehensively highlight the cultural heritage and contemporary cultural life, reflecting cultural interests and expectations of diverse groups of the society. A number of programs of this TV channel are also submitted to the satellite broadcast.

Currently, the channel broadcasts cover the areas of Yerevan, Vanadzor, Charentsavan, Sevan, Gavar, Yeghegnadzor, Jermuk, Tsaghkadzor and Shirak marzes. In the nearest future it is planned to expand the channel broadcasting throughout the whole territory of the country.

Along with numerous cultural programs, the “Ararat” TV channel also presents to the audience feature and documentary films shot by the “Hayfilm” and “Yerevan” studios.

Broadcast of educational and youth programs continued, including the TV contest-game titled “The Armenian Knight”. It aims to attract attention of the society and the competent state bodies on the problems of Armenian oriented education of the future generation, promotion of students in their strive for acquisition and deepening of knowledge.

The Public Television company has continued dubbing of numerous feature and documentary films, popular movies, animated films, TV soap operas.

The Public Television company throughout its main activities has stressed the need for improvement of the quality of its programs directed and as a result, the expansion of the scope of audience.

According to 2007-2009 data of the television audience measurement company, in the whole territory of the country the share of Public Television company audience in the total was 27.57%, 21.03%, 18.3% respectively. The mentioned indicators are rather high as compared to similar indices of public television in our neighbor and in a number of European countries.

It is obvious that over 2008-2009 this figure decreased to some extent, despite the fact that the Public Television also continued to maintain its leading position in the Armenian TV market. Index decline was mainly due to the fact that public television at first reduced and then stopped the broadcast of Latin American soap operas, a number of entertainment and other TV programs that were attracting a large scope of audience.

Instead of it, the volume of social, political and cultural programs, as well as broadcast of films of domestic production increased.

In 2009 compared to 2007, decrease of the share of the public television audience in the total was due not only to TV program network substantial changes made within the framework of the Public Television's adopted policy, but also an important impact had the fact that as a public TV channel, it took measures to preserve to the possible extent its leading positions in the Armenian TV market, trying to ensure the balance between the principles in line with its mission as a Public Television company and the rules of market competition.

Since 2006, the Armenian Public Television Company is a full member of EBU (European Broadcasting Union), which enables to expand the scope of mutual cooperation with other member television and radio companies, as well as to present Armenia in international events (Eurovision, Eurovision and Children, etc.).

For production, acquisition and broadcasting of TV programs the 2008-2009 state budget allocations made up, respectively, 2302187.6 and 2348086.8 thousand Drams, and in 2010 it is planned to allocate 2458276.5 thousand Drams.

In 2008 by the Public Radio have been prepared daily programs for the “First Program” - 24 hours a day, for the “Radio Yerevan” - 21.9 hours and for the “Radio Jazz” - 23.9 hours. 4.5 hours of daily programs are prepared for overseas broadcast.

In 2009 by the Public Radio have been prepared daily programs for the “First Program” - 24 hours a day, for the “Radio Yerevan” - 21.9 hours and for the “Radio Jazz” - 24 hours. 5 hours of daily programs are prepared for overseas broadcast.

Giving preference to its own programs, the Public Radio Company has expanded the range of its listeners, trying to satisfy the preferences of wide strata of its listeners, different age groups and ethnic minorities.

Radio news and information programs significantly prevail in the volume of programs made by the Public Radio Company, which reflected the political, media, sports and other events.

Among programs of Public television and radio companies music programs have their special significance.

The programs are mostly oriented towards the Armenian folk, classical and modern music.

In 2009 the radio programs are also broadcast through internet, where the electronic version of the hourly news in Armenian and English are being installed.

In 2008-2009 radio programs have been prepared in respectively ten and eleven thematic areas, the volumes of which are presented in Table N 10.4.

Table N 10.4. Volumes of Radio programs by thematic areas over 2008-2009 (the amount of prophylactic hours is taken into consideration)

Thematic directions of programs prepared by the Public Radio Company	Volumes of prepared programs (hours)	
	2008	2009
News, information	1373.2	1670.8
Political, economic, public	104.2	116.9
Historical, cultural	525.2	866.0
Youth and educational	490.3	808.3
Juvenile and children's, educational	345.5	569.0
Spiritual	403.9	243.1
Music, entertainment	5539.2	4485.9
Radio "Yerevan"	8020.4	6339.5
"Radio Jazz"	8748.0	8760.0
Programs broadcast for abroad	1656.3	1102.8
Programs prepared for the Internet site		547.5
Total	27206.2	25509.8

In 2009 were restored: the Public Radio Pop-Symphony Orchestra after Aram Merangulyan, the Folk Instruments Ensemble and Arevik Youth Ensemble, which presented their new concert programs by the end of the year.

For production, acquisition and broadcasting of Radio programs in 2008-2009 the state budget allocations made up respectively: 691772.2 and 651698.8 thousand Drams, and in 2010 it is planned to allocate 652735.4 thousand Drams.

The Public TV and the Public Radio companies started their activities on the basis of National Television and National Radio, at first using their technical means and buildings and constructions. By the further course of business, Public Radio company almost completely finished the technical re-equipment process and due to it the radio programs are broadcast through technical means in compliance with modern standards. The technical re-equipment process in the Public TV company is not fully completed.

The Shirak public TV-radio company, which carries out activity for preparation and broadcasting of TV-radio programs in Shirak marz, during 2008-2009 has prepared and broadcast TV programs for 8 hours a day and radio programs for 24 hours a day.

The Shirak public Television-radio company has produced TV-Radio programs in six thematic directions: news (information, analytical), political (economic, public-social), cultural, sports, music (entertainment), etc. Within these directions the volume of music (entertainment) programs was prevailing.

For production, acquisition and broadcasting of TV-radio programs by the Shirak public Television-radio company in 2008-2009 state budget allocations made up 22961.9 thousand Drams and in 2010 it is planned to allocate the same amount of resources.

By the Armenian branch of the “Mir” Interstate Television and Radio Company is being implemented TV program broadcast for CIS countries.

According to “account key” principle the Armenian share in current expenditures of the “Mir” Interstate Television and Radio Company comprise 1.6 percent.

The Armenian share in current expenditures of the “Mir” Interstate Television and Radio Company over the 2007-2009 period increased by 10% each year, which is due to increase of television broadcast hours in compliance with provisions of annual inter-state agreements.

The Armenian share in current expenditures of the of “Mir” Interstate Television and Radio Company comprised 74429.0 thousand Drams in 2008 and 81872.0 thousand Drams each year over 2009-2010.

Within the framework of the Program “Economic Analysis Services” the following services are carried out: highlighting of the government policies and activities through TV programs and the mass media, servicing of the government's official Internet web-site and publishing of printed materials reflecting the government policies.

In 2009, with the aim to highlight the government policies 96 programs were prepared and broadcast 2 times a week by the Public television instead of 48 for the previous years, as well as 120 publications were made instead of 96 publications for the previous years.

For the “Economic Analysis Services” Program in 2008-2009 the state budget allocations accordingly made up 40552.0 and 41532.0 thousand Drams, and in 2010 it is planned to allocate 61532.0 thousand Drams.

Publishing and Editing houses

Over the years the main directions and forms of support to book arts sector programs are preserved, at the same time improving the book printed and electronic product quality standards and distribution mechanisms. The state financing provided for the book-publishing sector is carried out in two directions: in the form of state support and state order. The latter one was launched in 2009 and contributes to the establishment of relationships between the state, editing houses, authors and readers.

For publication of literature in 2008 and 2009 respectively was provided 135392.5 and 89692.4 thousand Drams accordingly for 123 and 102 titles of publication.

In 2010, it is planned to allocate 92392.4 thousand Drams for 144 titles of publication.

Allocations were directed to publishing of encyclopedias, scientific-popular, jubilee, translation, children's, fiction, art and other literary publications.

Compared to 2006-2007, during the last two years, the “Publishing of Literature” program was expanded by 5 new sub-programs (“Music and Musician Literature”, “Armenian Diaspora Literature”, “Literature of National Minorities”, “Literature on Cultural Heritage”, “Scientific Literature”).

For the coming years it is expected to even more expand publication of literature aimed at strengthening of the state order, deepening of knowledge on state symbols and civic education, dedicated to their application, representing the Armenian cultural heritage and reflecting in foreign languages the literary and cultural values of the Armenian people.

The works for spreading and propaganda of the Armenian cultural heritage through products in the form of books have become more diverse. This is particularly supported by ensuring participation of the Armenian book industry in international exhibitions, exhibition sales, book art awarding events, implementation of bilateral projects in publishing with various countries (Russia, Tajikistan, Georgia), as well as establishment of the “Book Art” awarding ceremony, inception of the tradition of annual international book exhibition within the international forum of writers, translators and publishers of CIS and Baltic countries, organization of events devoted to the International Day of the Book.

In 2009, the Armenian book, except for traditional international exhibitions, for the first time was presented to the International Book Exhibition in Paris, and in the Frankfurt Exhibition-Fair the area of the Armenian pavilion was expanded by 2.5 times as compared to 2008. The geography of exhibitions is also expanded, including Tehran, Istanbul, Salonike, Washington, Buenos Aires, Halepe etc.

Allocations for the program of “The State Press Publishing” are directed to publishing of 2 titles of newspapers – “Hayastani Hanrapetutyun” and “Respublika Armenia”.

In 2008-2009 for publication of the state press is provided 60138.9 and 68869.3 thousand Drams. In 2008-2009 were published respectively 264 and 252 numbers of the newspaper “Hayastani Hanrapetutyun”, and 89 and 100 numbers of the newspaper “Respublika Armenia”. Financing growth in 2009 is due to increase of salaries and purchase of computer equipment.

By the means of the program of “Non-State Press Publishing” in 2008 and 2009 respectively was published 75 and 69 titles of newspaper and magazine, of which: 9 newspapers and 3 magazines in various languages of minorities, literary, cultural and scientific 17 newspapers and 15 magazines, regional press (6 in Lori, Tavush - 3, Ararat – 3, Gegharkunik - 3, Aragatsotn - 4, Shirak - 4, Armavir - 9). Difference in the numbers of titles is conditioned by the performance of contractual obligations by publishers.

In 2008-2009, for publishing of non-state media was allocated accordingly 44977.1 and 47377.1 thousand Drams and in 2010 it is planned to allocate resources at the same level like in 2009.

The main problems

TV-field related main problems are:

- guidance with authorities and obligations stated by the law “On Television and Radio” for activities in the field of television and radio,
- to continue ensuring of 24-hour broadcasting of the “Ararat” cultural TV channel and the “H1” satellite program, gradually expanding the broadcasting and covering the whole territory of the country whole scheme of the whole area,
- to assure diversity of programs prepared and broadcasted by the Public Television, Public Radio Companies and the Shirak Public TV Company, to increase the share of socio-economic-oriented programs highlighting poverty reduction projects,
- guided by the mission attained as a public company - to take measures to preserve leading positions of the Public TV and Public Radio companies in the Armenian TV market,
- taking into account interests of the ethnic minorities, different layers of the society, as well as the presence of a large Diaspora, broadcasting, to ensure broadcast of a variety of programs of public television and radio all over the territory of the country and abroad, to provide the Diaspora and the population with impartial, reliable and operational information,
- raise awareness of the public about the government activities, programs and problems, and to make the participant in the reforms.

Main problems in the field of Publishing and Editing houses are:

- preservation of national traditions in book publishing and its development, application of modern means for book and print production publishing and printing press, implementation of advertising activities, implementation of publications according to the requirements of readers in Diaspora and in the country (including minorities),
- assurance of accessibility of world literary, scientific, cultural values, participation in International Book Fairs, continuous cooperation with foreign publishers,
- assurance of realization and recognition of national values through Armenian books, printed products and the press, implementation of publications devoted to national cultural propaganda, national and state symbols,
- raising awareness on memorable events, activities and programs implemented in Armenia and the Diaspora.

10.2.2. OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

10.2.2.1 Objectives

The main objectives of the TV and radio sector are:

- Ensuring realization of the Armenian citizens’ Constitutional right to freely receive political, economic, educational, cultural, children and juvenile, scientific-popular, Armenian language and history related, sporting, entertainment, and other socially important and significant information;
- Providing such programs and series to TV and radio audience that reflect the interests of different regions of the country, of national minorities, as well as of different social groups and strata of society;

- Preparation of programs and provision of information, which concern wide sections of population and need to be elucidated to them;
- Provision of impartial, reliable, and efficient information to the population;
- Implementing activities for enhancing the role and significance of television and radio among wide sections of population, enhancing the audience’s trust in the information provided through television and radio.

Objectives in the field of publishing and editing houses are:

- Development of Book Art - ensuring provision, recognition and accessibility of literary, scientific, cultural national and international values through quality products of book publishing industry, ensure the promotion of cultural, national and state symbols, preservation and development of book publishing of national traditions.
- Support in receiving of information and press – assurance of accessibility of informational resources for the population and cultural propaganda, rising of the quality of services provided in the sphere of information.
- Strengthening of relations between Armenia and Diaspora, preservation of national and lingual-cultural identity.

10.2.2.2 Priorities

Over 2011-2013, the TV and radio sector priorities derive from provisions stated by the Law “On Television and Radio”.

Priority areas for the Public Television and Radio Company activities over 2011-2013 are as follows:

- Increase of the share of programs of own and domestic production in Armenian language, comprehensible for wide masses of population, within the total volume of broadcast television and radio programs;
- Ensuring of a high quality of broadcasting in the whole territory of the country, through the re-equipment of the company technical base;
- Reduction of production costs through the technical re-equipment, and improving social conditions of the employees of the Public Television Company and the Public Radio Company;
- Gradually increase of the broadcast through satellite communications, thus enabling our Diaspora countrymen to be daily informed about the situation in the Homeland;
- Expansion of the volume of re-broadcasting of public television programs through surface lines and cable networks in settlements with Armenian communities abroad;
- Ensuring closer cooperation of the Public Television Company with the EBU (European Broadcasting Union) as a full member of the organization;
- Ensuring of appropriate technical appliances compliance with the European Broadcasting Union standards through introduction of new technologies and technical re-equipment;

- Expansion of the scope of the mutual collaboration with television and radio companies of European and other countries.

Priorities for activities in the field of publishing and editing houses over 2011-2013 are based on the Government Action Plan for 2008-2012. Priority directions are:

- Implementation of activities for advertising and propaganda of the book as a means of education, complementing of library collections.
- Expansion of international cooperation.
- Activation of cooperation between organizations operating in Diaspora and in Armenia.

10.2.3. EXPENDITURE COMMITMENTS OVER THE MTEF PERIOD

Allocations for the sector of television and radio broadcasting, publishing services (excluding administrative maintenance expenditures) will amount to 4444.2 million drams in 2011, 4393.2 million drams in 2012, and 4614.7 million drams in 2013, according to the 2011-2013 medium-term expenditure framework. Expenditures will increase by 1.3% in 2011 compared to 2010, reduced by 1.1% in 2012 compared to 2011 and increase by 5.0% in 2013 compared to 2012.

Over the 2011-2013 period, the annual share of expenditures in the sector of television and radio broadcasting, publishing services within GDP will comprise 0.12% in 2011, and 0.11% each year in 2012 and 2013.

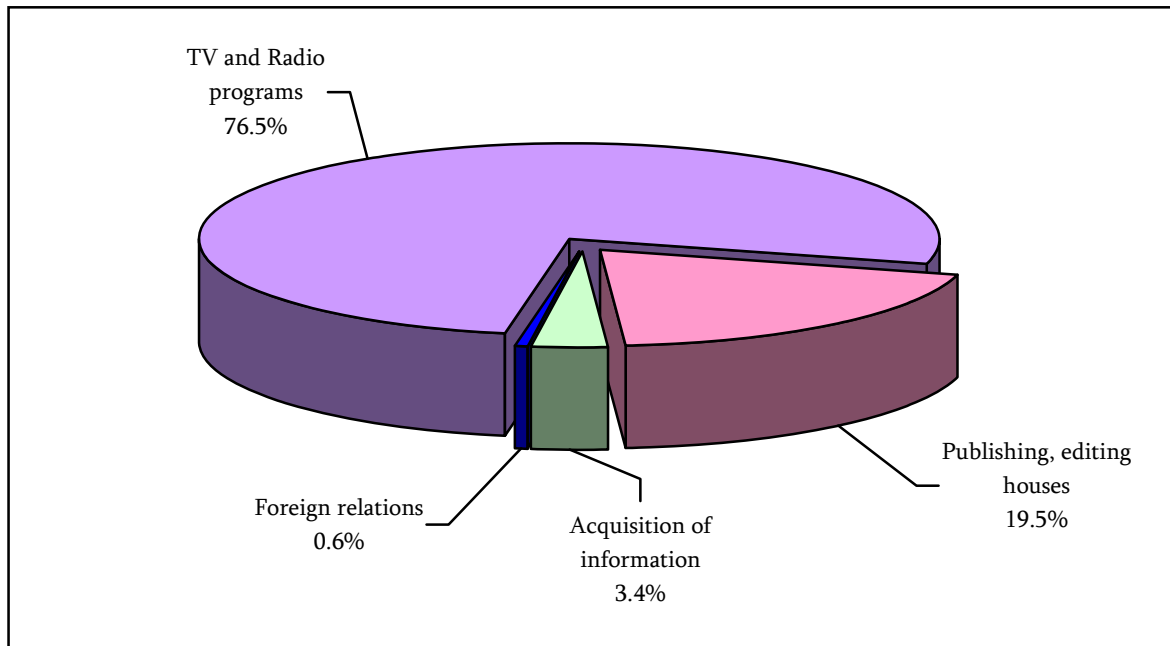
Expenditures in the sector of television and radio broadcasting, publishing services over the 2011-2013 MTEF period are provided in the Table 10.5. by areas.

Table 10.5. Radio and television broadcasting, publishing services sector expenditures for 2009-2013 by areas (million Drams)

category	group	category	Areas in the sector	2009 actual	2010 state budget	2011-2013 MTEF		
						2011	2012	2013
			TOTAL	4,127.6	4,385.4	4,444.2	4,393.2	4,614.7
08	03	01	TV programs	3,242.1	3,390.9	3,398.9	3,407.9	3,544.3
08	03	02	Publishing and editing houses	797.3	821.7	867.1	807.1	881.4
08	03	03	Acquisition of information	68.6	144.4	149.6	149.6	160.4
01	01	01	Foreign relations	19.7	28.4	28.6	28.6	28.6

The share of 2011 expenditure allocations by the areas in the radio and television broadcasting, publishing services sector will have the following picture:

Chart 10.2. Share of allocations by areas in the 2011 expenditures of the radio and television broadcasting, publishing services sector



Increase of expenditures of the radio and television broadcasting, publishing services sector is mainly conditioned by:

- increase of salaries by 10 percent in 2011 and 2013, while in 2011 salaries will increase for employees of the Shirak Public TV-Radio company, editing houses of scientific journals, children's and youth newspapers and magazines and the “Armenpress” company, and 2013 salaries will increase for employees of all organizations involved in the sector,
- increase of tariff of gas supply,
- growth of the Armenian share in operating expenditures of the “Mir” Interstate TV and Radio Company by 10 percent each year,
- increase of the number of labels of entry visas in 2011.

10.2.4. REVENUES OF PUBLIC SECTOR

In addition to income from the state budget, industry organizations are also receiving income from provision of paid services and the work performance (preparation and broadcasting of sponsorship programs, broadcast of commercial advertising, publishing and other activities).

2011-2013 in sector companies will continue to implement the above-mentioned types of activity and measures will be taken by them in the direction of increasing the volume of revenues. Income from paid services is being channeled to technical re-equipment of organizations, workers' wage payment, and acquisition of the right for broadcasting of TV programs, publishing and implementation other expenditures.

Revenues from paid services over 2009-2013 period will comprise by years, respectively, 723.6, 1439.9, 1152.7, 1337.7 and 1085.7 million Drams.

Under the conditions of the strong competition in the Armenian TV market the public television will take measures to preserve the 2010 level of advertising revenue during 2011-2013.

With regard to other income, most of which are gained from sponsorship of large sporting and other international events, it may be changed depending on periodicity of those events.

Revenues received from paid services over 2009-2013 period in this area of Publishers and editors' houses comprise 138.6 million in 2009, 155.5 million in 2010, and 161.5 million Drams each year in 2011-2013. During 2009-2013 revenues received from paid services for acquisition of information comprise 15.2 million in 2009, and 16.8 million Drams each year in 2010-2013.

Expenditures at the expense of revenues from paid services and state budget allocations by separate organizations are provided in the Table 10.6.

Table 10.6. Expenditures at the expense of revenues from paid services and state budget allocations by separate organizations (million Drams)

Names of organizations	2009 actual		2010		2011		2012		2013	
	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services
TOTAL TELEVISION AND RADIO PROGRAMS	3030.8	723.6	3142.0	1439.9	3141.8	1152.7	3141.8	1337.7	3264.4	1085.7
<i>share in total expenditures, %</i>	<i>80.7</i>	<i>19.3</i>	<i>68.6</i>	<i>31.4</i>	<i>73.2</i>	<i>26.8</i>	<i>70.1</i>	<i>29.9</i>	<i>75.0</i>	<i>25.0</i>
08.03.01.01 "Public Television Company of Armenia" CJSC	2348.1	660.5	2458.3	1379.0	2455.7	1091.8	2455.7	1276.8	2542.4	1024.8
<i>share in total expenditures, %</i>	<i>78.0</i>	<i>22.0</i>	<i>64.1</i>	<i>35.9</i>	<i>69.2</i>	<i>30.8</i>	<i>65.8</i>	<i>34.2</i>	<i>71.3</i>	<i>28.7</i>
08.03.01.02. "Public Radio Company of Armenia" CJSC	651.7	45.7	652.7	42.9	653.5	42.9	653.5	42.9	687.1	42.9
<i>share in total expenditures, %</i>	<i>93.4</i>	<i>6.6</i>	<i>93.8</i>	<i>6.2</i>	<i>93.8</i>	<i>6.2</i>	<i>93.8</i>	<i>6.2</i>	<i>94.1</i>	<i>5.9</i>
08.03.01.03. "Shirak Public Television and Radio" CJSC	23.0	10.7	23.0	11.2	24.6	11.2	24.6	11.2	26.3	11.2
<i>share in total expenditures, %</i>	<i>68.2</i>	<i>31.8</i>	<i>67.3</i>	<i>32.7</i>	<i>68.7</i>	<i>31.3</i>	<i>68.7</i>	<i>31.3</i>	<i>70.1</i>	<i>29.9</i>
08.03.01.06. "Public Opinion Study Center" CJSC	8.0	6.7	8.0	6.8	8.0	6.8	8.0	6.8	8.6	6.8
<i>share in total expenditures, %</i>	<i>54.4</i>	<i>45.6</i>	<i>54.1</i>	<i>45.9</i>	<i>54.1</i>	<i>45.9</i>	<i>54.1</i>	<i>45.9</i>	<i>55.8</i>	<i>44.2</i>
TOTAL PUBLISHING AND EDITING HOUSES	209.4	138.6	209.4	155.5	209.4	161.5	209.4	161.5	217.7	161.5
<i>share in total expenditures, %</i>	<i>60.2</i>	<i>39.8</i>	<i>57.4</i>	<i>42.6</i>	<i>56.5</i>	<i>43.5</i>	<i>56.5</i>	<i>43.5</i>	<i>57.4</i>	<i>42.6</i>

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Names of organizations	2009 actual		2010		2011		2012		2013	
	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services	Stats Budget	Revenues from paid services
08.03.02.01 "Hanspetutyun" CJSC	44.8	107.0	44.8	107.0	44.8	107.0	44.8	107.0	48.0	107.0
<i>share in total expenditures, %</i>	<i>29.5</i>	<i>70.5</i>	<i>29.5</i>	<i>70.5</i>	<i>29.5</i>	<i>70.5</i>	<i>29.5</i>	<i>70.5</i>	<i>31.0</i>	<i>69.0</i>
08.03.02.01. "Hayastani Hanrapetutyun – Respublika Armenia" CJSC	24.0	6.5	24.0	22.5	24.0	22.5	24.0	22.5	26.2	22.5
<i>share in total expenditures, %</i>	<i>78.7</i>	<i>21.3</i>	<i>51.6</i>	<i>48.4</i>	<i>51.6</i>	<i>48.4</i>	<i>51.6</i>	<i>48.4</i>	<i>53.8</i>	<i>46.2</i>
08.03.02.04. "Economics Journal" CJSC	38.6	24.0	38.6	24.0	38.6	30.0	38.6	30.0	41.5	30.0
<i>share in total expenditures, %</i>	<i>61.7</i>	<i>38.3</i>	<i>61.7</i>	<i>38.3</i>	<i>56.3</i>	<i>43.7</i>	<i>56.3</i>	<i>43.7</i>	<i>58.0</i>	<i>42.0</i>
08.03.02.09. "Center for Translations of the RA Ministry of Justice" SNCO	102.0	1.1	102.0	2.0	102.0	2.0	102.0	2.0	102.0	2.0
<i>share in total expenditures, %</i>	<i>98.9</i>	<i>1.1</i>	<i>98.1</i>	<i>1.9</i>	<i>98.1</i>	<i>1.9</i>	<i>98.1</i>	<i>1.9</i>	<i>98.1</i>	<i>1.9</i>
TOTAL ACQUISITION OF INFORMATION, "Armenpress" CJSC	68.6	15.2	68.7	16.8	73.9	16.8	73.9	16.8	79.6	16.8
<i>share in total expenditures, %</i>	<i>81.9</i>	<i>18.1</i>	<i>80.4</i>	<i>19.6</i>	<i>81.5</i>	<i>18.5</i>	<i>81.5</i>	<i>18.5</i>	<i>82.6</i>	<i>17.4</i>

10.3. RECREATION AND SPORTS SECTOR

10.3.1 SITUATIONAL OVERVIEW AND MAIN PROBLEMS

1.1 General description of the sector

Allocations provided by the 2011-2013 medium-term expenditure framework for the sector of recreation and sports will be channeled to the implementation of 22 programs through 3 public administration bodies.

The RA Government's policy in the sphere of sports is being developed by the state authorized body – the Ministry of Sport and Youth Affairs of the Republic of Armenia, and is being implemented through a public non-commercial organizations, NGOs, closed joint-stock companies.

The Sports Ministry is developing its strategy aimed at development of the following areas:

✓ *great achievements in sports*

✓ *mass and youth sports.*

Great achievements in sports

To ensure preparation of athletes for their participation in RA championships and in international events and for the conduction of championships the state budget funds allocated over the period of 2005-2009 made by years, respectively, 596597.3, 666147.4, 860523.0, 833246.4, 994457.7 thousand Drams. In 2009, allocations have increased by over 48.3 percent as compared with 2005, which contributed to the increase of the number of training assemblies and RA championships, improvement of the quality, increase of the number of Armenian athletes, participating in the World and European championships.

For the program “Preparation of athletes to ensure their participation in the RA championships and international events and conduction of championships” in 2010 it is planned to allocate 884967.2 thousand Drams. Decrease of allocations compared with 2009 is due to the implementation of the one-off events.

The number of participation in the World, European and RA championships, as well as the number of participants and training session over 2005-2009 is presented in Table N 10.7.

Table N 10.7. The number of participation in the World, European and RA championships, as well as the number of participants and training session over 2005-2009

The number of measures and participants	2005	2006	2007	2008	2009
The number of World and European championships	77	75	75	85	135
<i>The number of participants</i>	594	1250	1760	2060	1729
The number of RA championships	46	75	78	78	84
<i>The number of participants</i>	3336	5748	5104	5504	6700
The number of training sessions	77	79	113	85	126

In the same time period increased the number of awards won by the athletes of National Teams in the World and European Championships, which is presented in Table N 10.8.

Table N 10.8. The number of awards won by the athletes of National Teams in the World and European Championships over 2005-2009

Types of Medals	Total	2005	2006	2007	2008	2009
Gold Medal	112	13	13	27	27	32
Silver Medal	198	36	34	41	40	47
Bronze Medal	208	40	35	36	41	56
Total	518	89	82	104	108	135

The program for “Preparation of athletes to ensure their participation in the RA championships and international events and conduction of championships” is implemented through the sports federations, the number of which is 31 in 2010, against 24 in 2006. State support was provided to more 7 sports federations: Traditional Wushu, Grass Hockey, Badminton, Synchronous Swimming, Kickboxing, Tennis, Rugby. Expansion of the state support, will contribute to the development of the given type of sports in the Republic of Armenia.

The following measures and achievements in the sphere of recreation and sports in the period of 2006-2009 are signified:

Year of 2006

2006 Winter Olympic Games (Turin) participation rating was obtained by 5 athletes.

An exceptional and unprecedented victory has been recorded by the Armenian national chess team. For the first time in the history of Armenian sport, the chess Olympus and title of world chess winner was won by the national team of the Republic of Armenia, being awarded with a gold medals.

Year of 2008

The Armenian team has become a champion in the 38th Chess Olympiad of Non-Olympic sports. 25 athletes from the Republic of Armenia participated in the 2008 Beijing Olympic Games, 6 of which had won bronze medals.

Year of 2009

The World Junior Boxing, Judo European Youth Championships and Pan-Armenian Games in basketball and soccer were held in Yerevan in 2009.

Nazik Avdalyan won the title of world champion in weightlifting after seven years of break.

Mass and youth sports

“Conduction of republican sporting festival in the RA regions and Nagorno-Karabakh”

In 2008 the number of participants of the regions was around 3,000 people, the event was held only in regional centers. The number of participants in 2009 was about 10,000 people, the event was held in 37 cities.

Increase in the number of participants is due to geographical expansion of this event.

For the implementation of the program “Conduction of republican sporting festival in the RA regions and Nagorno-Karabakh” by the 2008 and 2009 state budget was allocated respectively 6000.0 and 6960.0 thousand Drams and in 2010 it is planned to allocate the same level of resources as in 2009.

“**Youth sports popularization**” program (soccer) – at the expense of the State budget allocations seminars were held, in which 2880 children took part from different regions in 2008, and 2900 children in 2009.

For the implementation of the program “Youth sports popularization” the state budget allocations in 2008 and 2009, respectively, made up 7998.3 and 7998.7 thousand Drams, and in 2010 it is planned to allocate 8000.0 thousand Drams.

A republican contest “**The best sporting family**” for the Presidential award” - number of families participated in this mass event in 2008 amounted to 126 families, against 106 of them who had participated in 2007. In 2009 the number of participating families was 171.

Increase in the number of families participating in the event is due to the geographical expansion of the event and its popularization.

For conduction of “The best sporting family” for the Presidential award” contest the state budget allocations in 2008 and 2009, respectively, made up 14280.9 and 17500.0 thousand Drams, and in 2010 it is planned to allocate 23000.0 thousand Drams.

In 2008 from non-governmental organizations dealing with disabled sports 428 athletes attended republican and international championships, and in 2009 578 athletes were involved in various disabled sports events. Increase by over 150 athletes in comparison with 2008 is conditioned by the more responsive attitude of the society towards disabled, and increase of their involvement in sports organizations.

For the purpose of conduction of sporting events for disabled the state budget allocations in 2008 and 2009, respectively, made up 8999.2 and 8997.6 thousand Drams, and in 2010 it is planned to allocate 9000.0 thousand Drams.

Chess training services - the “Armenia's Chess Academy” Fund has organized a number of chess tournaments and trainings.

The most remarkable of them was the International Memorial championship “Karabakh 2004” devoted to the 75 the anniversary of Tigran Petrosian, which provided with an unprecedented chance to present the Armenian chess world to the international community in a new, more favorable view. The following tournaments come in addition to other chess competitions: “Karabakh 2005”, “BLUE Sevan” (2005, 2006, 2007, 2008) and “Jermuk 2006”, “Jermuk 2007” and “Jermuk 2008” international youth tournaments, as well as the “UN Cup” Children's-youth annual contest, which is being held since 2005.

In addition to the above mentioned, due to the foundation's efforts three of 500 graduates of the Academy have become champions in European Championships (up to 10, 12 and 16 age groups) and another three of them became vice-champions (up to 12 and 16 age groups), as well as the Academy has given two

champions, two vice-champion and two bronze medalists in the world championships. The Chess Academy Fund of Armenia has prepared six international grandmaster and five international masters.

For preparation of Chess players by the 2008-2009 state budgets were allocated accordingly, 65000.0 and 52000.0 thousand Drams, and in 2010 it is planned to preserve the 2009 level of allocation.

The main problems

The main problems for **great achievements in sports** are:

- ensuring of highest achievements in sport,
- development and implementation of targeted programs in sports,
- development of Olympic movement, support in Armenia's National Olympic Committee and sports federations activities,
- strengthening of international relations, including with the Diaspora,
- development inter-state relations in sports.

The main problems in the field of **mass and youth sports** are:

- activation of regional and local authorities work in sports,
- using of sports potential, involvement of rural youth in sporting events,
- creation of appropriate conditions for disabled athletes,
- possible broadest use of media for promotion of healthy living lifestyle, especially television,
- transmission of formed chess traditions from generation to generation and use of chess potential for the benefit of the country.

10.3.2 OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

10.3.2.1 Objectives

The main objectives in the recreation and sports sector are as follows:

- Strengthening of the population's health, harmonic development of an individual, improving of working ability and ensuring of longevity of individuals;
- Assurance of the consistency of physical training for different age and social groups of population, availability and accessibility of physical training and sporting activities;
- Assurance of physical preparedness of the youth ready to defend the Homeland;
- Assurance of participation of Armenia's national teams and sportsmen in Olympic Games, world and European championships to increase the country's rating in international area.

10.3.2.2 Priorities

The 2011-2013 medium-term expenditure framework main priorities are based on the RA laws "On Physical Culture" and "On Youth Sports", as well as the Government Action Plan for 2008-2012. The main priorities are:

Great achievements in sports

- Purposeful preparation and assurance of participation of athletes included in Armenian national teams in the Olympic Games, World and European Championships. Assurance of conduction of all activities scheduled by sports events diary plans of different sports federations.
- Assurance of organization and conduction of Pan Armenian and international official sporting events in the territory of the Republic of Armenia.
- In accordance with provisions of the RA Constitution, creation of legal acts by the state in support and for promotion of physical education and sports development
- Provision of intergovernmental relations in sports.

The main goal for the great achievements in sport over 2011-2013 will be conduction of works towards preparation and participation in a best way in 2012 Olympic Games in London, in international rating contests, to compete in the World and European Championships.

Mass and youth sports

- Provision of physical education of population.
- Improvement of legal framework in Physical Education and Sports Sector.
- Provision of state support to the non-governmental sports organizations dealing with disabled persons.
- Youth sports popularization measures.

10.3.3 EXPENDITURE COMMITMENTS OVER MTEF PERIOD

By the 2011-2013 MTEF program for the recreation and sports sector (excluding administrative staff expenditures) it is envisaged to allocate 1449.7 million Drams in 2011, 1,400.9 million Drams in 2012 and 1,426.6 million Drams in 2013. The increase of expenditure, as compared with the respective previous year, comprises 2.3% in 2011 as compared with the 2010 planned amount and will decrease by 3.4% percent in 2012 compared to 2011 and will increase by 1.8% in 2013 compared to 2012.

Decrease of expenditures is mainly conditioned by termination of scheduled programs.

The share of recreation and sports expenditures in GDP, as per the 2011-2013 medium-term expenditure framework, will be 0.04 percent per year.

The share of MTEF 2011-2013 budgetary allocation to physical training and sports within the total budgetary expenditure will be as follow:

Increase of expenditures in the recreation and sports sector over the 2011-2013 MTEF period will be conditioned by:

- Increase of salaries of the employees involved in the sector in 2011 and 2013, by 10% each year,
- new initiatives in the sector:

Table 10.9. Recreation and sports sector public expenditures in 2011-2013, according to existing expenditure programs and new initiatives (million Drams)

Indicator	2011	2012	2013
TOTAL EXPENDITURES	1449.7	1440.9	1426.6
Existing expenditure programs	1297.1	1278.3	1302.3
<i>share in the total expenditures of the sector</i>	<i>89.5</i>	<i>91.2</i>	<i>91.3</i>
New initiatives	152.6	122.6	124.3
<i>share in the total expenditures of the sector</i>	<i>10.5</i>	<i>8.8</i>	<i>8.7</i>

10.4. YOUTH SECTOR

10.3.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS

According to the statistical data published in the yearbook of the National Statistical Service of Armenia in 2005, the number of young people (population at the age of 16-30 years old) in the country comprised 877310 people, which is the 27.2% of the total population.

Programs implemented in 2008 aimed at the youth sector management dispersal towards non-governmental sector, institutional development of youth policy, ensuring of management system transparency and rise of youth participation in programs implemented for the youth, as well as increase of efficiency of programs implementation.

It is necessary also to emphasize activation of cooperation between subjects realizing the youth policy of at different levels, NGOs, ministries, regional and international organizations.

In implemented programs, especially in strategic programs, were included representatives of public administration bodies, non-governmental organizations and international organizations.

During 2008, big attention was paid to problems of regional and rural youth, a total of 50 projects of 158 have carried out in marzes (the state youth policy guidance to the regions is obvious), and the programs implemented in Yerevan as well were attended by young people from the regions.

The following activities were implemented within 2009 youth programs:

In the regions of the Republic of Armenia activities of the regional youth centers has been provided in collaboration with local self-administration bodies, regional non-governmental and international organizations. These activities aim to raise effectiveness of the youth state policy in the regions and to make it available to regional youth.

The Young Leaders School established in 2006 has been operating. In the terms of providing the youth with necessary information substantial attention was paid to youth awareness and information issues. The paper titled “We, You, They” was published once in two weeks, which was highlighting the state youth policy and youth problems. the Republic of Armenia State Youth Policy Web-site in Armenian, Russian, English languages has been operating and regularly updated, the TV youth program titled “Generation of Independence” was being broadcast by the “Yerkir Media” TV channel and in the regions of the Republic

of Armenia through the local television stations, and in Artsakh once in two weeks. Support was provided to 40 youth organizations, talented and gifted young artists, as well as for scientists' participation in various international symposia, seminars, conferences.

Aimed at expansion of cooperation with youth organizations and provision of state support for their activities during 2009 applications for grant programs submitted by the NGOs were discussed and based on the conclusion of the expert committee financial assistance was provided to over 19 organizations.

The state budget allocations for Youth programs in 2008-2009 comprised accordingly: 342783.4 and 231728.9 thousand Drams, and in 2010 it is planned to allocate 276395.5 thousand Drams.

In 2009, anti-trafficking measures were carried out as well, and for this purpose the state budget allocated 7693.7 thousand Drams in 2009, and in 2010 it is planned to allocate 8000.0 thousand Drams.

The RA draft law "On Youth" has been elaborated, and the programs for "Young families in affordable housing" and "Increase of availability and accessibility of loans for purchase of cars for the young families" were developed. The program "Young families in affordable housing" is a state target program, the number of beneficiaries: 300 young families, started in 2010. 60000.0 thousand Drams is envisaged to provide from the state budget for the mentioned program.

Since 2009, is being carried out the program called "Come Home" for conduction of visits of Armenian youth in the Diaspora to Armenia, 14-25 years 313 young people from different regions of Diaspora have participated in the program.

For the program "Diaspora youth visits to Armenia" in 2009 by the state budget was allocated 24813.1 thousand Drams, and in 2010 it is planned to allocate 35000.0 thousand Drams.

The main problems

According to the provisions defined by the "State Youth Policy Concept", which was approved by the RA Government Decree No. 798 of December 14, 1998, and by the "State Youth Policy Strategy of the Republic of Armenia for 2008-2012" approved by the Government Protocol Decision No. 39 of September 25, 2008, the primary objectives in the youth sector are:

- provision of the youth sector, legal framework through creation of laws and other legal acts regulating the activities of the sector,
- development of cooperation with youth organizations and provision of state support to their activities,
- youth spiritual, cultural and scientific level improvement, actively and purposefully organized leisure time, study of existing socio-economic problems and implementation of measures aimed at their solution,
- patriotic education among youth, implementation of programs to increase civic consciousness,
- development of the state youth policy in regions (ensuring of regional youth centers activities, realization of measures directed to development of the youth in rural and border areas, creation of appropriate conditions for their complete self-expression,

- support to the young people displaying extraordinary abilities and provision of young with information,
- assurance of cooperation with the youth of other countries, especially young people of Artsakh and the Diaspora.

10.4.2 OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

10.3.2.1 Objectives

The main goal of the youth policy is to create a socio-economic, legal-political, spiritual-cultural, organizational conditions and guarantees for the social formation of young people, complete use of their creative potential for the benefit of the public.

The above mentioned goal in the youth policy assumes the following actions:

- to promote youth participation in decision-making process (on community, regional, republican levels),
- to develop personal and institutional capacities young people,
- to contribute to the poverty overcoming process in the Republic of Armenia and to reduce the level of youth unemployment, to prepare a spiritually and physically healthy and educated youth,
- to promote patriotic education of the Diaspora youth,
- to support young families.

10.4.2.2 Priorities

The Republic of Armenia 2011-2013 youth sector priorities derive from the Sustainable Development Program and the RA Government Action Plan for 2008-2012.

Sector priorities are:

- Active participation of young people in social life.
- Increase of youth employment opportunities.
- Promotion of youth healthy lifestyles.
- Promotion of the level of coordinated implementation of public youth policy, as well as promotion of young people's spiritual and cultural, patriotic education.
- Conduction of pan-Armenian and international youth events, development of the Armenia-Diaspora partnership.
- Support to young families to overcome the housing problems.
- Implementation of anti-trafficking measures in the framework of youth related programs.

10.4.3 EXPENDITURE COMMITMENTS OVER MTEF PERIOD

By the 2011-2013 Medium-Term Expenditure Program for the youth sector it is envisaged to provide 397.2 million Drams each year in 2011 and 2012, and 403.7 million Drams in 2013.

Expenditures will increase in 2011 by 1.5% compared to the 2010, and by 1.6% in 2013 compared to the 2012 level.

Increase of the volume of appropriations for the youth sector over the 2011-2013 period is due to the growth of the salaries in the sector in 2011 and 2013, by 10 percent each year.

CHAPTER 11.

AGRICULTURE

11.1. SITUATIONAL OVERVIEW

The agricultural and food production system, which is one of the most important sectors of the country's economy, provides more than 25.3% of the gross domestic product, of which the share of agriculture has been 18.8% over the years of 2004-2008. Presently a market-regulated liberal economic system has been formed in this sector, incorporating more than 340 thousand farming households, as well as numerous private companies engaged in agricultural service, agricultural product realization and processing.

The major part of gross agricultural product - 97.2%, is produced by the population (peasant farms), and 2.8% by agricultural organizations.

11.1.1. Agricultural Development Trends

Based on the specific characteristics of the sector and on the country's food safety issues, the policy of providing state support to agriculture was preserved in the same course during the last two years, aimed at the formation of legislative bases in the agrarian sector, creation of favorable conditions for the activities of economic entities in the sector and for investments, development of infrastructures, ensuring development of food safety system and forestry.

Due to the efficient activities of the farming households and other economic entities engaged in agriculture, and due to the state policy conducted in the sector, certain economic growth was assured in agriculture till 2009. The global financial crisis had its impact on agriculture, despite the fact that branch, unlike other economic sectors showed relative stability. Particularly, the gross agricultural product in 2009 decreased by 0.1% as compared with the previous year level, while reduction of the gross plant cultivation was at 0.7%, and there was a growth at the rate of 1.1% in the sphere of livestock breeding. According to the data for 2005-2009, the average annual economic growth made up 4.5%. In 2009, plant cultivation made up 62.3% of the gross agricultural product and 37.7% was provided by livestock breeding.

Over the last years, planned support has been provided to economic entities directed to supply of high-quality seeds (potato, grain), layers, mineral fertilizers, plant protection chemicals, organization of corresponding works, and expansion of territories in upland areas under grain crops and improvement of agricultural equipment.

11.1.2. Main Tasks in Agriculture

The main tasks in the sphere of agriculture are as follows:

- further deepening of the agricultural reforms, development of market infrastructures, and improvement of management methods;
- improvement of the physical and economic availability of food products, ensuring minimal level of food safety and self-support of the basic food products;

- facilitating introduction of a progressive agro-technical system in plant cultivation, efficient implementation of seed production, selection, plant protection, and quarantine measures;
- development of the bloodstock breeding within livestock breeding sector, and support to the improvement of the veterinary system;
- promotion of development of agricultural product processing, agricultural servicing, and rural social infrastructures.

Dealing with the above-mentioned tasks will enable to create favorable conditions for economic entities in the agricultural sector, enhancing productivity and, therefore, reduce poverty in rural areas, increase the real income of farming households, and create new job positions.

11.2. OBJECTIVES, PRIORITIES AND EXPENDITURE DRIVERS OVER MTEF PERIOD

11.2.1. Objectives

Over 2011-2013, the policy in the agricultural sector will be targeted at improving the efficiency of agriculture and its servicing sectors. This will provide with grounds for the further development of agriculture and for extended reproduction, increasing the real incomes of farming households, enhancing the level of food supply and food safety in the country, as well as reducing poverty.

The 2011-2013 medium-term expenditure framework in agriculture will be aimed at the realization of the following clearly defined objectives:

- reforms in the legislative and sub-legislative acts in agricultural sector and improvement of agricultural management;
- maintenance and improvement of soil fertility – assessment of the ameliorative condition of soil, preventing the expansion of soil secondary salinization and alkalization, radical improvement of soil condition, improvement and watering of natural pastures;
- harvesting high-quality agricultural products without losses – conduction of research on the propagation, development and spreading of pests, reduction and further prevention of their spreading through arrangement of fighting activities;
- provision of the population with safe food products of vegetarian and animal origin, both imported and locally produced – ensuring quarantine security, preventing penetration of infectious diseases into the country through quarantine organisms and animal products, raw materials and animals;
- protection of the population against diseases appearing to be infectious both for humans and animals, improvement of the productivity of agricultural animals – arranging preventive inoculations against infectious animal diseases, and implementing bloodstock breeding works;
- provision of the farming households with high-quality seeds – protection of the new selective sorts of plants, assessment of the quality of highly productive seeds;
- preservation, reproduction, protection and sustainable management of forest areas of the Republic of Armenia, protection of forest areas from illegal logging, construction and care of mineralized layers and fire roads, preservation of forestry planted for the previous years;

- conduction of agriculture in accordance with Agro-technical rules and new technologies, the provision of agricultural farms with consulting services;
- Introduction and deepening of the system of service provision to land users in the sphere of agriculture.

11.2.2. Priorities

The policy envisaged for the period of 2011-2013 will be aimed at the increased efficiency of the sector and servicing branches activities, and as a result, opportunities will be created for further development of agriculture and organization of increased reproduction, increase in real incomes of farming households, enhancing the level of fare supply and security in the country, reduction of poverty.

The reforms will be continued in 2011-2013, aiming at the development of agriculture in main directions: primary seed-breeding, centralized fighting against especially dangerous diseases of plants, bloodstock breeding, and veterinary medicine.

Therefore, over 2011-2013 the state budget allocations to the sector will be channeled to the implementation of the following primary investment programs:

- primary seed breeding works, arrangement of the bloodstock breeding business, artificial insemination activities;
- facilitating centralized actions for fighting against especially dangerous and quarantine diseases of plants;
- strengthening and development of the scientific-educational, informational and advisory spheres;
- realization of complex measures for preservation of forestry;
- public support to the agricultural land users.

At the same time, improvement of the level of food safety in the country will remain as a basic challenge of the agricultural development policy over 2011-2013.

11.2.3. Expenditure drivers

Based on the Government policy over the 2011-2013 MTEF period the main expenditure driver of the programs implemented in the sector is (except loan programs) is the salary raise for the employees of state non-commercial organizations: minimal salary rate is envisaged at 32.5 thousand Drams in 2011, and in 2013 the salaries will raise by 10% . Another factor may be connected with the need of additional resources resulted by the possible raise of the tariff for gas starting from April 1, 2011 (in 2011 it will make up 1591.0 thousand Drams).

11.3. EXISTING EXPENDITURE COMMITMENTS IN THE SECTOR

The 2011-2013 MTEF program will assure implementation of following programs:

AGRICULTURE

I. SOIL REFINEMENT WORKS

Agro-Chemical Examination and Soil Fertility Improvement Works

The main objective of the program is to preserve soil fertility, through ensuring economical, efficient, and ecologically safe usage of fertilizers.

Due to program implementation, in each year of the MTEF period it is envisaged to have:

1. agro-chemical maps of the communities in the country, which illustrate the saturation with nutrients provision and the need for fertilizers;
2. scientifically substantiated and compiled assurance letters for plant fertilization.

For attaining the above-stated objectives, the following actions will be taken:

- agro-chemical field examination of agricultural land, sampling of soil;
- expert examinations and assessments of soil samples and fertilizers;
- compilation and provision of agro-chemical maps to communities;
- compilation and provision of scientifically substantiated and compiled assurance letters for plant fertilization to communities.

The program activities are of on-going nature and should be carried out once in every five years for each community, since the composition of the nutrients conditioning the soil fertility substantially changes within that period.

For the MTEF period the following allocations are envisaged for this purpose: 42,295.0 thousand Drams each year in 2011 and 2012, and 45,862.6 thousand Drams in 2013.

Implementation of Preventive and Diagnostic Services on the Basis of Monitoring Laboratory Expert Examination of Plants Quarantine and Vegetative-Sanitary Status of Agricultural Plants

Objectives of the program are: identification of the area of most quarantine and harmful to plants organisms, forecasts of their development and propagation, detection of the new centers infected by quarantine organisms, prevention of penetration, provision of tested, diagnosed, and high-quality toxic substances.

Implementation of following activities is envisaged by the program:

1. *Phytosanitary monitoring* - This component provides for identification of the area of most harmful and registered quarantine organisms with limited spreading through field surveys of the plants, discovery of new centers, provision of preventive and diagnostic services and professional support.
2. *Examination of samples* – Through this component it is envisaged to conduct examination of samples aimed at discovery of the most dangerous and harmful organisms, as well as of hidden infections.
3. *Laboratory examinations of toxic substances* – Over the toxic substances sale points available in the Republic laboratory tests and quality records will be provided through sample-taking in order to identify the affecting material in the composition of the toxic substances.

For the MTEF period the following allocations are envisaged for this purpose: 72,100.0 thousand Drams each year in 2011 and 2012, and 77,970.0 thousand Drams in 2013.

Plant Protection Activities

The program aims at taking measures for the protection of plants against the most widespread and hazardous organisms.

The program has three components:

1. *Fighting against mouse-like rodents* – Through this component it is envisaged to provide the rural communities with pesticides chemical means against rats free of charge, with the aim to organize a centralized struggle against mouse-like rodents via agricultural farms, as well as by the way of tractor delivery of pesticides.

2. *Fighting against locusts* – This service will be provided in agricultural plantations and in hayfields, pastures and other plots. Over the MTEF period it is envisaged to realize these activities both in a centralized way and by the means of agricultural farms, providing them with means for protection of corresponding plants free of charge.

3. *Fighting against organisms harmful to forests* – This component will be carried out in a centralized way in forests by aviation.

Over the MTEF period, allocations for that purpose will amount to 150.0 million Drams each year.

State Order for Laboratory Diagnosis of Agricultural Livestock Diseases and Implementation of Expert Examination of Foodstuff and Raw Materials of Livestock Origin

The program aims to improve the epidemic situation with the animal infectious diseases, to protect the population against diseases commonly infectious for humans and animals.

Implementation of the program will improve the infection-resistance (immunity) of vaccinated animals, and will enable the diagnosis of agricultural animals through laboratory methods.

For attaining the above-stated objectives, the following actions will be taken:

- implementation of bacteriological, toxicological chemical, anatomic serum and other kinds of laboratory examinations and testing of samples taken;
- seromonitoring - assessment of immunity background of the livestock after implementation of anti-epidemic measures - the preventive vaccination;
- diagnosis of the livestock diseases and discovery of their types;
- preservation of vaccines and diagnostic materials according to stated norms.

For the MTEF period the following allocations are envisaged for this purpose: 190,898.2 thousand Drams each year in 2011 and 2012, and 208,959.6 thousand Drams in 2013.

Vaccination of Livestock

Mandatory anti-epidemic actions are undertaken on an annual basis in the country pursuant to the Law "On Veterinary" and instructions for fighting against animal diseases, for the purpose of ensuring a stable veterinary anti-epidemic situation and preventing infectious diseases of humans and animals.

During the medium-term period, anti-epidemic preventive activities (diagnosis, vaccination, disinfection, etc.) within the framework of fighting against infectious diseases of agricultural livestock will cover diseases appearing to be the most hazardous to humans and animals.

Implementation of the program will promote establishment of stable anti-epidemic situation connected with infectious diseases of livestock in the country, assurance of production of high-quality foodstuff and raw materials of livestock origin in terms of veterinary and sanitary standards, protection of the population from diseases commonly infectious for humans and animals, as well as establishment of stable inter-state economic relations.

For the MTEF period the following allocations are envisaged for this purpose: 1,000,000.0 thousand Drams each year in 2011 and 2012, and 1,051,000.0 thousand Drams in 2013.

Implementation of Quarantine Restrictions by the Veterinary Police Platoon of the Police under the Government

The program envisages quarantine restrictions by the special police platoon established in the Police under the Government with the purpose to localize agricultural livestock diseases in source of infection, prevent the further spreading, as well as enforce the implementation of quarantine requirements by legal and physical persons.

Over the MTEF period, allocations for that purpose will amount to 40,154.5 thousand Drams each year.

Seed Quality Testing and State Measures for Plant-Variety Expertise

Organization of new plant varieties testing and introduction of the best ones into production based on the results of testing is one of the most important activities for the stable development of plant cultivation. These activities are continuous and ensure solving of the problems of utilization of productive varieties produced by domestic and foreign selection centers and legal protection of these achievements.

The implementation of this program prevents the sowing of agricultural crops with low quality seeds and planting material, and assures reproduction of conditioned seeds.

The measures include:

- Implementation of variety identification works;
- Selection of samples from seed batches;
- Laboratory testing of sample seeds;
- Approbation of high-grade seed plants.

For the MTEF period the following allocations are envisaged for this purpose: 190,898.2 thousand Drams each year in 2011 and 2012, and 208,959.6 thousand Drams in 2013.

Artificial Insemination Activities

Taking into account the importance of artificial insemination for development of livestock variety, for each year of the MTEF period it is envisaged to preserve the deep frozen sperm bank received from high-valued bulls of different beef tribes. Under this component, it is envisaged to preserve 364.6 thousand doses of deep-frozen sperm in 2011, 313.0 thousand doses – in 2012 and 279.0 thousand doses – in 2013.

For the MTEF period the following allocations are envisaged for this purpose: 6,333.0 thousand Drams in 2011, 5,722.0 thousand Drams in 2012, and 5,100.0 thousand Drams in 2013.

Rural Advisory Services

Over the 2011-2013 MTEF period it is envisaged to continue implementation of agricultural technologies assessment and demonstrative programs, as well as provision of the rural population with advisory services on agricultural issues. As a result it is envisaged to form a stable advisory system within the sector, will enable farmers to increase agricultural production volumes, the level of quality and management, which will result in increase of the level of liquidity of agricultural production and increase of their incomes.

Expenditures for the project will be directed to the payment of salaries and mandatory social security costs for local consultants, for the staff of the regional Rural Advisory Centers and the republican Rural Advisory Center, and payment of other current expenses.

For the MTEF period the following allocations are envisaged for this purpose: 293,144.8 thousand Drams each year in 2011 and 2012, and 313,789.6 thousand Drams in 2013.

State support to agricultural land users

The program envisages provision of support to land users in a number of regions, through payment of 35.0 thousand Drams for each hectare of actually developed wheat and barley seed land.

The land user must conduct appropriate agro-technical measures on the developed land and to ensure the winter and spring wheat high yield.

Program will support activities of agricultural farms of selected regions in selected marzes, directly and indirectly contribute to the village social sector development, improvement of rural infrastructures and rural communities to improve conditions of life.

Over the MTEF period, allocations for that purpose will amount to 550,000.0 thousand Drams each year for 15,714.3 thousand hectares.

Wheat and barley seed development

The objective of the project implementation to increase grain yield, through ensuring the farms with high-quality agricultural seeds of crop, which is confirmed by the Government Decree No 451-A, dated March 15, 2007, “On approval of the program on development of wheat and barley seed in the Republic of Armenia and appropriation of financial means to the RA Ministry of Agriculture”, according to which the project implementation schedule is set for 2007-2011. The project envisages providing subsidy for production of super-elite and elite seeds to those entities and scientific centers of the Ministry, which are engaged in selection of super-elite and elite seeds, aimed at expansion of production of winter and spring wheat and barley super-elite and elite seeds.

In 2011, 291,888.0 thousand Drams is provided for the program.

Services aimed at food safety

According to the RA laws “On Food Safety” and “On Veterinary” all kinds of food products of animal and vegetable origin are subject to mandatory phytosanitary inspection and examination in the Republic of

Armenia. According to the RA Government decrees N1898-N, dated December 28, 2006, the process of food safety control at all stages is vested to the Ministry of Agriculture of the Republic of Armenia.

The Ministry will carry out this function in business entities, which have turnover for over 70.0 million Drams by the results of 2008, through taking samples from food production and sales units and conduction of their laboratory examination, and each year it is envisaged to include food production, processing, processing, selling and other organizations for the scheduled inspections.

It is planned to take samples (food raw materials, food products and food with communicative materials), and to examine each taken sample in regard with 7 indicators in average.

Over the MTEF period, allocations for that purpose will amount to 5,000.0 thousand Drams each year.

FORESTRY

Implementation of Forests Preservation Services

The program is implemented by the "Hayantar" SNCO. The total area of the state forest reserve placed under the disposal of the "Hayantar" SNCO is more than 343.0 thousand hectares (80 percent of the total); there are 18 forestry branch entities operating.

In order to preserve forest areas, in accordance with the forestation plans, 90 forest wardens segments with 515 forester units have been established, entrusted to an identical number of forest wardens. In average around 680.5 hectares of forest area is entrusted per forester. Expenditures for this program are envisaged for the payment of salaries and mandatory social security payments for employees of the "Hayantar" SNCO.

Over the MTEF period, allocations for that purpose will amount to 708,700.0 thousand Drams each year, and 779,570.0 thousand Drams in 2013.

State Monitoring of Forests

The implementation of the program is directed to the global objective of preservation, reproduction, protection of the RA forests through conduction of state monitoring of forests.

It is envisaged to carry out studies and reviews that will include 343.0 thousand hectares of land of 18 forest entities, as well as about 90.0 thousand hectares of forest areas of the two national parks in the Gegharkunik and Tavush marzes and the two reserves in the Syunik and Ararat marzes. The forest industry database will be replenished, which will include data not only on the 460 thousand hectares of forest areas, but also data on measures undertaken by the law enforcement bodies and environmental inspection within the framework of fight against illegal logging. Short-term and long-term forecasts will be made and recommendations will be given.

Over the MTEF period, allocations for that purpose will amount to 53,970.0 thousand Drams each year, and 58,164.6 thousand Drams in 2013.

NEW PROJECTS

Over the 2011-2013 MTEF period implementation of the following programs are envisaged as new initiatives:

Support for improvement of phytosanitary system and professional skills

The objective of this program is to increase efficiency of the process of provision of the population with healthy foodstuff, as well as assurance of stable phytosanitary situation at the national and regional levels.

81 potential quarantine harmful organisms are included in the RA official list.

Elaboration and print of 500 copies of methodological guidelines on detecting 20 harmful organisms and measures of fight is envisaged to carry out each year during the MTEF period.

At the same time the training process employees (46 full-score) of the Plant Quarantine and Agriculture Inspection of the Ministry of Agriculture is prescribed by the program.

Implementation of the program was stated, as a precondition, by the Memorandum on provision of 3.0 million Euro to the Republic of Armenia as budgetary support (aid).

Over the MTEF period, allocations for that purpose will amount to 5,800.0 thousand Drams each year.

Installation of anti-hail stations

Due to unavailability of hail service the economy of the republic carries great material losses, which amounts to 15-20 billion Drams only in the line of plant growing branch. Besides, as a result of hail and heavy rains the lands is subject to erosion, forests, pastures, as well as plants, wild animals and birds, included into the Red Book, are being greatly affected, buildings, facilities, support structures and communications are affected as well.

Installation of anti-hail stations will significantly alleviate the rate of losses of peasant farms affected by the hail and will increase the gross product of agriculture sector.

According to the Government Decree No 1520-N, dated November 12, 2009, in 2011 it is planned to install anti-hail stations in the Aragatsotn, Ararat, Armavir, Lori and Kotayk marzes with a total number of 35 radio-modem gas-generator plants, valued at 308,000.0 thousand Drams, and 32 reagent stations, valued at 160,000.0 thousand Drams.

Investment in the “Veterinary Diagnostic and Anti-Epidemic Center” SNCO under the Ministry of Agriculture.

Over the MTEF period prevention of infectious diseases of animals, as well as the ones, which are general for people and animals, elimination of source, assurance of a stable epidemic situation, provision of growing public needs for safe food products and raw materials of animal origin, continues to remain emergent on the RA territory.

In recent years, considerable work towards equipping laboratories with modern devices have been carried out, it should be noted that the “Republican Veterinary Diagnostic Center, and anti-epidemic” SNCO building reconstruction is being carried out by the World Bank provided loan funds.

Veterinary surgeons were provided by one freezer for the purpose of ensuring veterinary norms for preservation of veterinary vaccines and diagnostic means, and at present there is a need to equip 40 regional veterinary laboratories by one large refrigerator each. 21,600.0 thousand drams is provides for this purpose in 2011.

CHAPTER 12.
ENVIRONMENTAL PROTECTION

12.1. SITUATIONAL OVERVIEW

12.1.1. General Description of the Sector

The main objective in the field of natural environmental protection is to achieve a maximal reduction of the harmful impact of economic activities on the environment – on atmosphere, water, soil, the earth entrails, flora and fauna, assuring preservation of the environment and human health. The global climate change, destruction of ozone layer, trans-boundary pollution of the air, water on large distances, trans-boundary impact of industrial accidents, land degradation (desertification, salinization, erosion, etc.), danger of disappearance of certain types of the biodiversity are the result of economic activity and they are all over the world, the primary problems requiring a solution.

Dangerous chemicals, persistent organic contaminants, hazardous industrial waste generated in production process, as well as household waste caused by human life are to be paid special attention. All these are the main environmental pollution sources, and the use of which requires a serious approach to management.

Sustainable development of society, joint activities of rational nature management and environmental harmony necessarily implies the existence of appropriate management system, which under conditions of a high level of public awareness, legislative perfect field, the rule of law and order, are meant to ensure effective functioning of mechanisms for public control and regulation balances for the use of environmental and natural resource within the state.

Beneficiaries of the results of environmental problems solutions are the population of Armenia and the international community, for which in the country and in the region safe environment is created.

The following services are being provided in the nature protection sector:

- complex program on lake Sevan;
- preservation of biodiversity;
- fighting against environment pollution;
- management of hazardous materials and waste;
- hydro-meteorological and environmental monitoring;
- water resource protection.

Mentioned services are provided mainly through state non-commercial organizations under the jurisdiction of the Ministry of Environmental Protection and other state agencies, which are:

1. "Sevan" National Park
2. "Dilijan" National Park
3. "Reserve Park Complex
4. "Shikahogh", "Sosineri Park" and "Zangezur" State Reserve park
5. "Khosrov Forest" State Reserve

6. "Arpi Lake" National Park
7. "Arevik" National Park
8. "Environmental Programs Center"
9. "Information Analytical Center"
- 10 "Hydrogeological monitoring"

12.1.2. The development trends for the last two years of the sector

Development of the sphere of environment protection in the Republic of Armenia is being supported within the framework of opportunities provided by budgetary allocations and grants from international financial/environmental organizations, aimed at prevention and/or reduction of further environmental pollution,

- the preservation of biodiversity,
- to assure appropriate volumes of reproduction of recoverable natural resources and conditions necessary to preserve the natural balance,
- to ensure natural and efficient use of non-recoverable natural resources.

Sector development was approved by the respective programs, along with the development of economy and in line with the reforms that have been carried out in the Republic of Armenia, in almost all economic sectors and areas.

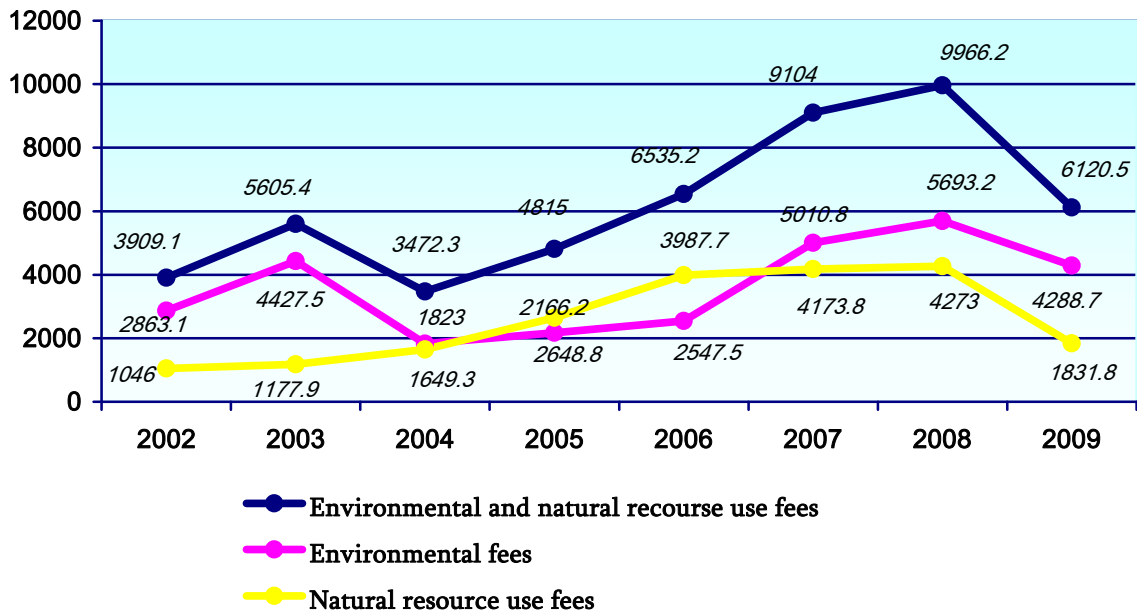
For the recent years, based on changes in socio-economic situation, works for improvement of the legislative framework regulating the environmental sector and its modernization (upgrading) have been implemented, including adoption of a number of strategic projects and legislative projects, provision of their application process, through development and implementation of respective programs and events. All this contributed to the increase of effectiveness of environmental policy, making it more targeted and effective. This process was successfully continued in 2008 - 2009.

In 2009, compared to 2008, the amount of state revenues in the line of environmental and natural resource use fees was significantly reduced, which is mainly resulted by decrease in the actual volume of mining due to the global economic crisis. According to 2009 annual data on the charges, the actual volume of revenues amounted to 6.12 billion Drams or less by 3.84 billion Drams (by 38.6%) than the 2008 actual annual indicator (complete data are presented in the Chart).

In 2009 the total volume of general revenues charged as payment of environmental and natural resource use fees, which is under the control of the Ministry was 2317.1 million Drams or less than the last year's corresponding indicator by 2424.6 million Drams or 51.1%.

Improvement of legislation, sufficient efficiency of control activities, under the condition of increased financial allocations, significantly raised the effectiveness of environmental measures, real volumes of reproduction of natural resources, research of harmful influences on the environment and implementation of state monitoring.

Chart 12.1. Dynamics of environmental and natural resource use fees for 2002-2009 (million Drams)



The essential indicators and the outcomes of the sector are as follows:

1. Continued stable level rise trend of the lake Sevan (2002 - 44 cm, 2003 - 48 cm, 2004 - 41 cm, 2005 - 41 cm, 2006 - 18 cm, 2007 - 55 cm, 2008 - 6 cm, 2009 - 38 cm). The level of water of the lake by 31 December, 2009, was 1899.23 m. The level of the water rose during the past eight years by 291 cm.

The volume of the water outflow from the lake with irrigation purposes has been under control. It comprised 126.0 million cubic meters in 2009 through the Sevan-Hrazdan system. Daily record has been conducted for the volume of water transferred through Arpa-Sevan tunnel. Its annual volume totaled 203.78 million cubic meters.

2. In 2009, connected with the rise of the lake water level, which resulted in remaining of forested areas under the water, there occurred a need for cleaning and removal of plants, and for that purpose 257.4 million Drams was allocated from the state budget, and forest areas cleaning works are completed on about 600 hectares (2005 – 92 hectares, 2006 – 123 hectares, 2007 – 95 hectares, 2008 – 95 hectares).

3. In the lake Sevan, in 2008-2009, within the framework of increasing the volume of state order financing in the line of replenishment of endemic fish population, greatly increased fish stock replenishment volumes.

Table 12.1. Lake fish stock replenishment dynamics for the period of 2004-2009

	Lake small fish delivery volumes (thousand pcs.)						2009 indicator compared to 2008 indicator (%)
	2004	2005	2006	2007	2008	2009	
TOTAL SMALL FISH	107.7	175.4	134.9	174.0	248.7	307,0	123.4
of which:							
Summer trout	14.7	45.4	15.5	57.5	146.0	150,0	102.7

Gegharkuni trout	93.0	130.0	119.4	116.5	102.7	157,0	152.9
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4. As a result of operation of automated observation stations, installed within the framework of technical re-equipment of the “Environmental Impact Monitoring Centre” SNCO, the volume of monitoring observation of air basin pollution increased by 3.4 times, which contributes to the creation of high-quality information base to conform to the international level.

5. In recent years the sufficient volume of budgetary allocations have contributed to the preservation of specially protected natural areas, quality performance of planned volumes of measures under state order aimed at conduction of scientific research and forest economizing works on these areas.

4. Table 12.2. The volume of environmental impact of state monitoring in 2003-2009.

N	Indicator	Unit	Volume of implemented works						
			2003	2004	2005	2006	2007	2008	2009
1.	Air basin pollution monitoring observations								
	- samples taken	sample	21316	22384	31280	36343	43750	86809	415276
	- analysis conducted	analysis	21316	32608	47580	57343	69396	137599	467 705
2.	Water basin pollution monitoring observations	object		21	38	48	49	49	39 (small brooks not calculated separately)
	- samples taken	sample	54	246	630	985	979	1177	1266
	- analysis conducted	analysis	1299	6804	25692	34964	39160	47080	56970

In recent years, total square of protected area in Armenia has increased by 76,100 hectares. Currently, the total square of Special Protected Nature Areas in Armenia makes up approximately 374 thousand hectares, which is around 12% of the total area of the republic, and is close to the internationally adopted standards.

12.1.3. The main tasks

1. The main tasks over the MTEF period in the sector are set by the Second National Plan (2008) of Actions for the RA environmental protection, which is approved by the Government and has a strategic (conceptual) importance for the environment sector. Those tasks are in line with urgent problems included in the Sustainable Development Plan, such as:

- the Lake Sevan problem, Biological and landscape diversity protection, Degradation of forest resources;
- land protection issue, fight against desertification processes;
- water resources protection;
- industrial and domestic waste management;
- reduction of the negative impact on human health.

2. Under the conditions of sustainable economic growth trends in the republic, at the present stage the environmental policy issues should also be considered from the point of view of safeguards for further

development of access to natural resources, balanced utilization and prevention of environmental pollution.

Integration of the Republic into the regional and international cooperation systems raises new requirements for environmental management, such as creation of definite mechanisms for trans-boundary impact control, as well as for transportation of hazardous and toxic waste, genetic modified organisms. Environmental management problems in the current period require elaboration of effective mechanisms for the sector management, institutional structures, cross-sectoral cooperation, situation assessment and environmental risk factors prevention through strengthening of regional and international cooperation.

12.2. OBJECTIVES AND PRIORITIES OVER MTEF PERIOD

12.2.1. Objectives

The main objectives for development over the 2011-2013 MTEF period are as follows:

- implementation of environmental programs approved by the Government;
- gradually increase of the volume of financing of environmental measures;
- prevention of environmental barriers to development;
- to improve of natural resources inventory record process,
- to improve the environmental monitoring,
- to improved the inspection control.

One of the main and most important problems in the field of environmental protection over the 2011-2013 period will be the assurance of implementation of 2009-2011 activities within the framework of Armenia-European Union Action Plan of the European Neighborhood Policy.

12.2.2. Priorities

The main development priorities for the MTEF period are set out in the Government Action Plan, Chapter “4.3.10. Environmental protection”. Based on the country's security and interests of sustainable development, as well as guided by the strategy of international integration and internal reforms, the main priorities are as follows:

- prevention and reduction of harmful influences on the environment: climate, water, soil, entrails, flora and fauna, including specially protected natural areas;
- assurance of preservation, restoration, reproduction and efficient utilization of natural resources;
- establishment of a modern system for monitoring, research, forecasting, warning and response on the environmental conditions and hydro-meteorological dangerous phenomena.

Particular importance will be given to the ecological balance of the Lake Sevan, full implementation of national forest programs of the Republic of Armenia, assurance of increase of volumes of forestation and their restoration, prevention of illegal logging, preservation of specially protected natural areas by the state, protection of biological and landscape diversity.

12.2.3. Expenditure drivers

Based on the Government policy, the main factor influencing the level of expenditures for the 2011-2013 MTEF period will be the increase of the minimum wage by 2500 Drams in the 2011-2012 for the employees of non-commercial organizations, then in 2013 the budget allocations for payment of wages will increase by 10%.

12.3. EXISTING EXPENDITURE COMMITMENTS

12.3.1. Existing expenditure commitments

Over the MTEF 2011-2013 period, implementation of the following programs will be continued by sub-sectors, within the framework of the key objectives of development of the sector:

This program stipulates for the implementation of activities and program components envisaged within the framework of the complex program for Lake Sevan, including: reproduction of the valuable and rare sorts of fish in the Lake Sevan within the framework of the program on “Fish stock replenishment” it is provided: procure and omission of small fish of the types “Gegharkunii trout” and “Summer trout” into the lake, of which each year respectively: Gegharkunii trout (more than 5 grams) - 240.0 thousand pcs, and Summer trout (more than 5 grams) - 192.0 thousand pcs, for which the total amount of allocated funding for 2011-2013 is 180.0 million Drams: 60.0 million Drams for each year.

Implementation of the program “Inventory of Fish and Crawfish Resources in Lake Sevan” aimed at inventorying wild plant and animal resources in the Lake Sevan and the drainage basin.

Monitoring of the present condition, spatial arrangement, biological and ecological characteristics of fish in the Lake Sevan once a year.

Monitoring of the present condition, spatial arrangement, biological and ecological characteristics of crawfish in the Lake Sevan once a year. Total amount of allocated funding for 2011-2013 is 22.6 million Drams: 7.53 million Drams for each year.

Another environmental issue of particular importance in Armenia is the protection of the lake's water resource. The recent efforts in this regard and favorable weather conditions ensured trends of stable rise of the water level: for 2001-2009 the water level raised by 291 cm. At the same time this fact resulted in the need of more urgent management of coastal areas in the sense of disposal of plants from the areas covered by the water. From 2789.25 hectares of the forest it is provided to clean 600.0 hectares in 2010, and for the MTEF period, respectively, 623 hectares, 638 hectares and 652 hectares respectively, for the implementation of which respective allocations are as follows: 242.0 million drams in 2011, 257.0 million for each year from 2012-2013; and 756.0 million in total.

Water Resources Protection

The program for monitoring of underground fresh water in the territory of the Republic of Armenia provides for the following activities:

monitoring of underground fresh water in the territory of the Republic of Armenia and preparation of a summary report once a year;

preparation of design estimates and quarterly reports twice a year;

Security reviews, including:

measurement of the water level: by years, respectively - 576, 720 and 864 times;

measurement of the water volume: by years, respectively - 5.472; 6.984 and 8.352 times;

measurement of the water temperature: by years, respectively - 6.048; 7.704 and 9.216 times;

sampling of water: by years, respectively - 56, 35 and 43 times;

Laboratory observations, including:

Complete chemical analysis of water: by years, respectively - 56, 35 and 43 times;

crossing on foot the water points: by years, respectively - 6.362; 7.210 and 8.130 km;

State budget allocations for the 2011-2013 period are provided at 18.1 million Drams each year in 2011-2012 and 19.1 million Drams in 2013.

Biodiversity Protection

Over the MTEF period, for the programs directed to preservation of specially protected natural areas, 2567.2 million drams in total will be allocated over 2011-2013, including 831.8 million drams in 2011, 846.8 million drams in 2012, and 888.6 million drams in 2013.

Fighting against pollution of environment

The environment monitoring 2011-2013 medium-term program will be directed to implementation of monitoring of the atmospheric air, surface waters and soil pollution with chemical contaminants. Monitoring of water objects in 5 zones, 55 water facilities are planned: for each year, respectively, 125200, 203310 and 304000 indexes (results determining the chemical quality and the composition), including:

- Atmospheric air monitoring, passive sampling: 676800, 855000 and 1015000 indexes;
- implementation of Armenian-Iranian joint monitoring of the Araks river pollution: 2,376 indexes each year;
- implementation of environmental monitoring in Tsakhkadzor: 143,525 indexes each year;
- “Implementation of cross-border air pollution monitoring in Armenia” within the joint program on “Monitoring and evaluation of cross-border spread of contaminants on big distances in Europe”: 23.932 indexes each year.

For the implementation of this work 112,310 million Drams will be allocated in 2011 and 2012, and 119,090 million Drams in 2013.

Environmental field work on analytical information

Within the MTEF period, the program on “State support in the field of environmental analytical awareness, computer network maintenance and development” will be implemented in the terms of ensuring the proper execution of the commitments undertaken by the Aarhus Convention.

Services to the official site of MNP is planned, respectively, 3 sites each year.

MNP Database design and elaboration of computer systems ensuring the exchange of information, development and introduction, 3 sites each year.

Service of MNP public center of environmental information, and provision of summary information to the centers, 13 centers each year.

To that end, allocations will be 16.95 million Drams each year in 2011-2012, and 18.57 million Drams in 2013.

Management of hazardous materials and waste

It is planned to implement elaboration of regulatory guidance documents and awareness raising activities regarding environmentally safe waste destruction and neutralization, as well as the technologies of small waste or without waste, including:

- Preparation of reports and provision of information and advice to other organizations: 700 organizations each year.
- Formation of solid waste, recycling and reprocessing facilities: 30 objects each year.
- Waste disposal sites: 30 objects each year.
- Technologies on waste reprocessing, neutralization: 580 of them each year.

For the state support for "Waste Research Center" SNCO, allocations will be 10.28 million Drams each year in 2011-2012, and 11.18 million Drams in 2013.

Hydro-meteorological and environmental monitoring

Activities within the “Support to the “Hydro-meteorological and Monitoring Service of Armenia” SNCO” program will be directed to:

- conduction of meteorological, Agro meteorological, hydrological, radiolocation, and other monitoring;
- study of climate change and implementation of climate monitoring;
- monitoring of radiation on the territory of the country;
- research of climate change;
- hydro-meteorological data collection, forecasting and warnings on dangerous phenomena;
- Provision of hydro-meteorological, radiation and helio-earth different information to the governing bodies, the armed forces, aviation, economic entities, agriculture, energy, transport and other interested organizations.

For this purpose, in total 1646.68 million Drams will be allocated in 2011-2013, including 533.64 million Drams each year in 2011 and 2012, 579.40 million Drams in 2013.

12.4. NEW PROGRAMS

For the 2011-2013 MTEF period, within the framework of the sector development key objectives, in 2011 there is a new initiative planned: implementation of the program on “Services for establishment of forest layer around the Lake Sevan”.

15.0 million Drams will be allocated for implementation of the program.

Table 12.3. Financing of Existing and New Programs over 2011-2013 (Million Drams)

Expenditure	2011	2012	2013
Natural environment protection	1254.116	1254.116	1308.8

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Expenditure	2011	2012	2013
New programs	15.0	0.0	0.0
<i>Share in expenditure in the sector (percent)</i>	1.2	0.0	0.0
Existing programs	1239.116	1254.116	1308.8
<i>Share in expenditure in the sector (percent)</i>	98.8	100.0	100.0

CHAPTER 13.

TRANSPORT AND COMMUNICATIONS

13.1. SITUATIONAL OVERVIEW

Over the last years, significant works were completed in the road sector.

Through management and coordination of activities of public management bodies and stock companies with state share of ownership, the demand of organizations of other branches of economy (sectors) and that of the population for transport (freight and passenger), postal, radio and television services has been assured. Motor Roads are of the most important components of the RA transport system. The sustained economic growth in the country, raise of living standards of population, improvement of national security, integration of the roads network into the international transport system, depend on the status and development of vehicle transport network, which establishes communications within regions and between regions, as well as with neighboring countries.

Currently, the total length of network of roads of general use in Armenia is about 7743.4 km, which, according to the Government Decree No 112-N of 10.01.2008, is classified according to its significance:

(1) interstate roads - 1686.0 km;

(2) roads of national significance - 4049.1 km, which are differentiated by subordination, and are divided into: 1781.3 km of roads are under subordination of the Ministry of Transport and Communication, 1737.1 km - regional and 530.7 km of community subordination;

(3) roads of regional (local) significance - 2008.3 km, including by subordination: 1630.4 km - regional roads and 377.9 km – community roads.

In accordance with the Sustainable Development Programme of the Government, the main transport sector policy is directed to improvement and maintenance of the road network, which is implemented by the State budget allocations and international organizations provided loans and grant funds.

For the purpose improvement and maintenance of the road network the following projects of transport sector are being implemented at the expense of the state budget allocations:

- State-significance mobile roads rebuilding,
- State- significance mobile roads maintenance and exploitation.

Due to implementation of the mentioned programs, the RA population, as well as international transportation organizations and persons are provided with the following support:

- Transport costs reduction, increase of speed of movement, reduction of unnecessary run-length of vehicles, decrease of duration of passenger and freight transportation,
- All year round, assurance of the transport communication with settlements, improving traffic safety, reduction of the number of traffic accidents and losses, reduction of complex negative impact of the traffic on the environment.

In 1998-2009 in the road sector, as a result of general financial investments, around 1640 km of roads, a few dozen bridges were built and restored, the Pushkin, Nalband and Dilijan tunnels were put operation. As a result of investments growth of improvement was recorded in the main road network.

For the past years, as a result of implemented targeted and effective rehabilitation measures, the average rate of the main road swept roughness was reduced to 3.5 mm/m value in 2009 from the value of 7.8 mm/m in 1998.

Table 13.1.

Description of the range of services provided under the jurisdiction of state agencies			
	Description of the range of services	Description of the range of beneficiaries	The volume of compensation for services from the public sector
1.	public management, regulation, public policy development and implementation, monitoring of activities in the areas of transportation, communication, information	Society, other state agencies	fully
2.	realization of functions of an authorized agency towards public units under jurisdiction of the Ministry	in the fields of: information- 4, road building- 1, vehicle transport- 1 companies, 3 other companies and 2 SNCOs	fully
3.	Licensing services	provision of license for railway transportation activities in the territory of Armenia	fully
		organizations and persons providing motor-taxi passenger services in the territory of Armenia	fully
		organizations providing services of regular transportation by mobile transport of common use in the territory of Armenia	fully
		companies carrying out activities of mandatory technical inspection of vehicles and their attaches in the territory of Armenia 25 organizations (39 streams lines)	fully
		organizations providing postal services in the territory of Armenia, the RA population	fully
4.	provision of free traffic certificates to those with the privilege	RA citizens	not compensated
5.	provision of permission for implementation of passenger and cargo transportation from the territory of Armenia	organizations working in Armenia in the field of passenger and cargo transportation, RA citizens	not compensated
6.	formation of the RA frequency distribution table, monitoring of Radio programs, conduction of inspection and testing, adoptance of compliance of construction of	The RA Government Decree of October 6, 2005, No1807-N, RA population	fully financed from the state budget

	communications with the technical norms, services of other disturbances detection and elimination		
7.	assurance of traffic safety, all year long, services for organization of capital reconstruction, maintenance and exploitation of commonly used roads of national significance and transport utilities, aimed at assurance of national and regional transport communication and safe driving	RA population, as well as organizations and persons engaged in international transportation	fully for implementation of the programs envisaged for the provided year

13.1.1. TRENDS OF DEVELOPMENT FOR THE LAST TWO YEARS

Due to the state budget investments in 2008-2009, the mobile roads of state and regional significance have significantly improved and become safe. Communications and electronic communications provided the economy and population demand.

Traffic economy

In the field of traffic economy, in 2009, over 411.06 km of road sectors were renovated, including 112 km by the means provided from the state budget, and 299.06 km from the credit funds involved. In 2009, road sectors with the total length of 85 km are provided for exploitation due to state budget allocations.

for the Reconstruction of state roads from the state budget 11535.9 million Drams was allocated in 2009, compared to allocation at 11943.7 million Drams in 2008 (decreased by about 3.5%). Rebuilding of over 112 km of roads of national significance was carried out, installation of the road side equipment and traffic signs was carried out. Reduction of 2009 expenditures in comparison with the level of 2008 is conditioned by reduction of the road sectors subject to rebuilding.

10 bridges were rebuilt in 2009 by the means of state budget allocations, for the reconstruction of which 414.7 million Drams was allocated by the state budget, for compared to 707.4 million Drams allocated in 2008. (decreased by about 41.4%). Decrease is conditioned by reduction of the number of transport facilities subject to renovation.

For the purpose of maintenance and exploitation of the roads of state-significance, the state budget allocated to 5004.9 million Drams in 2009. During 2008-2009, each year maintenance and exploitation of three tunnels and five bridges has been carried out, current and winter maintenance and exploitation and road re-equipping works on over 3393 km of roads of national and international significance have been carried out, as well as a number of programs under state order have been implemented by the “Armenian automobile roads” SNCO.

Sphere of communication, electronic communication and information

Communication and electronic communication in 2009 provided the demand within the economy and population. Great attention was paid to information sector. Reforms in the TV and radio broadcasting are directed at increasing the broadcast channels, assurance of maximum accessibility of TV channels for the

population, modernization of broadcast network. The broadcast of both Armenian and foreign TV programs is improved and expanded.

As a result of liberalization of the mobile communication services market, entrance of the third operator in turn ensured improvement of the quality of services provided, significantly reduced the level of tariffs and expanded the number of users of these services.

The TV broadcast network is modernized in the Vayots Dzor, which resulted in improvement of broadcast quality in a number of communities, including Morzov, Getap, Chiva, Rind, Aghavnadzor, Arpi, Yelpin. Three new programmed television stations are built.

The necessary control was assured over conditions provided by the contract on giving of the “Haypost” CJSC for trust management.

13.1.2. TRENDS OF DEVELOPMENT FOR THE LAST TWO YEARS

In order to keep the roads in proper condition it is necessary to always carry out renovation and maintenance of systematic continuous works. During the 90s these works were not carried out and almost the entire road network was in a mass state of decomposition.

In the result of investments made in the field, a radical improvement of the main (inter-state) road network was recorded. Capital repair works of roads of national and regional importance continue to be implemented.

According to the Government Sustainable Development Program (No 1207, dated October 30, 2008), for realization of the policies in this field, it is necessary to implement the following measures:

- preservation of general conditions of the interstate roads network on the appropriate level of 2004-2008.
- Preservation of restored roads in improved condition and planned restoration of network of roads of national significance.
- Restoration of sustainable transport communication between the inhabited areas.

13.2 OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

13.2.1 Objectives

Sustainable and efficient development of transport is a necessary condition for the high rates of economic growth, national security and defense security, raising the living standards of the population, as well as in the view of ensuring the processes of rational integration of Armenia into the global economy.

Primary work will be carried out directed at assurance of timely and quality implementation of measures provided by the Government 2010 Action Plan solution of priority problems.

As mentioned earlier, according to the Government Sustainable Development Program No 1207, dated October 30, 2008, the road network improvement and maintenance is the main priority of the transport sector policy, which is possible to implement within the programs on maintenance and exploitation of roads of national significance, which will ensure achievement of the following objectives:

- development of the road network of common use, according to the needs of the population, the economy and the transport infrastructure, as well as assurance of the required level of technical condition of the road network - passage and density, traffic safety, traffic improvement and promotion of economic activity, to ensure and strengthen the defense capability of Armenia,
- decrease of transport costs, increase of movement speed, reduction of unnecessary run-length of vehicles, duration of passenger and freight transportation,
- ensuring all year round transport communication with the settlements, improving traffic safety, reduce the number of traffic accidents and losses, reducing the negative impact of the traffic complex on the environment,
- scientific and technical achievements and contribution to national road sector development.

Road sector objectives and performance criteria stipulated for 2011-2013

Strategic objectives	Roads administration objectives	Performance criteria	2011-2013
Maintenance and improvement of operating conditions of the main automobile roads network, to increase the competitiveness of domestic goods at the expense of reducing transport costs, increase of interstate transit cargo transportation turnover, assure the country's defense and economic growth	Creation of an effective system of maintenance to ensure constant care and road long-term service period	Adequate level of protection relative percentage of road length in that order throughout the length of roads	International roads 90 % National roads 40, 60, 80, % regional and local roads 10, 15, 30, %
	Improvement of the passage part of the international roads	Average arithmetic coefficient of roughness	3.5, 3.4, 3.3
	Restoration of the roads of national significance	Average arithmetic coefficient of roughness	6.0, 5.8, 5.5
Improving socio-economic standard of living of the population of the Regions through rehabilitation of the local road network	Improvement of transport communication between the settlements	relative percentage of settlements with sufficient transport communication with the regional centers in the total number of settlements	3, 5, 8 %
	Restoration of local roads	Average arithmetic coefficient of roughness	10, 9.7, 9.0
Traffic safety improvement on the automobile roads of common use	Identification of dangerous road sections, elimination of the causes, installation of road signs and lining	Decrease in the total number of victims of traffic accidents	2, 3, 5 %
		Posted road signs percentage ratio in the required number	40, 60, 70%
		Done linings percentage ratio in the required length	40, 50, 60 %

13.2.2. Priorities

2011-2013 policy in the sector will be aimed at assurance of the full volume of transportation in the territory of the country through efficient use existing roads (roads, railway). Over 2011-2013 the state

budget will preserve the strategic significance of automobile roads construction, repair, reconstruction and maintenance works. The reconstruction works will be conducted on those road segments and objects of road constructions, which for years have come out, which became difficult and dangerous for vehicle passage. Current repairs of roads, implementation of their winter protection will make the vehicle traffic secure, fast and easy. Road infrastructure improvement will ensure the normal transport connection with the region, with both the remote and border regions' settlements of the country, and will contribute to their development, will reduce the transportation cost and will contribute to poverty reduction.

Under the conditions of growth of traffic intensity, availability of heavy trucks and their increased number, and as a result, quick swept of the roads of common use, for the purpose of assuring the proper operating conditions of the road network, with the 2011-2013 MTEF period, it is envisaged to continue implementation of programs on maintenance, reconstruction and exploitation works for the roads of national significance.

Over the 2011-2013 period, the main expenditure policy priorities implemented in the field of transport and communication are as follows:

	Priority			Justification, references to the government's economic and political programs
	2011	2012	2013	
1	Repair program for mobile roads of national significance			According to the RA Government Decree of July 20, 2008 N1207-N on the «Sustainable Development Program the main field of policy in transport, is the improvement and maintenance of network of roads in the Republic
2	Maintenance and exploitation program for mobile roads of national significance			

13.3. EXPENDITURE COMMITMENTS

2011-2013 the Medium-Term Expenditure Programs are as follows:

Program for “Rebuilding of roads of State-significance” for each year is planned to 4000.0 million Drams, respectively.

2011-2013 MTEF provides reconstruction works on the automobile roads of common public use (interstate, national and regional significance), including:

- Make-torn coverings rehabilitation work on roads,
- Replace and rebuilding of worn-out coverings,
- Rebuilding of roads segments of local (regional) significance.

Through the programs for **“Roads maintenance and exploitation”** and **“Winter maintenance, ongoing maintenance and exploitation of roads of regional significance”** the following allocations are scheduled: 6270.4 million Drams in 2011, 6270.4 million Drams in 2012 and 6278.8 million Drams in 2013. Each year it is planned to carry out:

- works for winter and current maintenance and exploitation of about 7743.4 km of roads of national significance,

- maintenance and exploitation of artificial constructions, including three tunnels and five bridges maintenance and exploitation,
- furnishing of automobile roads of state significance.

Implementation of programs under state order by the “Armenian Roads Directorate” SNCO.

For the **“Telecommunications services and communications regulations”** program it is planned to allocate 400.9 million Drams in 2011, in 2012 - 400.9 million Drams and in 2013 - 421.8 million Drams, as a state support to the “Telecommunications Center” SNCO.

The outcome of the program will be: the quality of ether will be improved, as well as detection of the unauthorized sources, deviations or non-target use of the allocated radio frequencies on the territory of Armenia will be conducted.

For the implementation of the program on **“Financial support to the implementation of the state powers delegated to the Head of Community in the field of organization of the Yerevan subway work”** it is planned to allocate 1845.0 million Drams in 2011, 1971.7 million Drams – in 2012 and 2009.5 million Drams - in 2013.

Funds provided in the Medium-term period to the metro will be directed damage compensation occurring while its activities. Taking into account the special significance of the subway it is not expected that over the medium term period its future activity will be profitable, which means that there will be a continuous need for funding.

Program activities will be directed to the realization of safe transportation of subway passengers, improving the quality of passenger service, current maintenance and servicing of the equipment.

It is expected that the indicators for passenger transportation will be: 18800, 19146 and 19350 thousand passengers, respectively, in 2011, 2012 and 2013.

For implementation of the program on **“Provision of targeted appropriations - subvention to the Community budgets”** it is planned to allocate accordingly 4156.0 million Drams each year, including:

For the program on “Compensation of losses from activities of the “Yerevan electric transport” CJSC” it is planned to allocate 276.0 million Drams each year.

The Yerevan surface electric transport as an urban transport, is accessible for a certain part of the population of the city, as the main means of transportation, however, is not expected that the medium term future will be profitable for the latter activity, which conditions its need for funding.

“Implementation of the Yerevan external illumination network maintenance and exploitation activities” – for this program it is scheduled to allocate 1696.0 million Drams each year. It is envisaged to implement the external illumination network restoration of the city of Yerevan, operation and maintenance work.

“The Yerevan city streets current renovation and crack filling works” - each year it is planned to allocate 2184.0 million Drams, respectively. It is planned to carry out over 162 thousand meters a crack fill work.

CHAPTER 14.

WATER ECONOMY

14.1. SITUATIONAL OVERVIEW

The State Committee for Water Economy under the Ministry of Territorial Administration (hereinafter referred to as the State Committee for Water Economy) is authorized by the following competences: management of public shares in commercial companies operating in the field of drinking and irrigation water supply, water extraction, those dealing with natural and artificial water basins (as well as project implementation units for investment projects at the expense of external financial sources), assurance of building of hydraulic constructions and their exploitation, etc.

Drinking water supplies and wastewater extraction is implemented by the "Yerevan Water" CJSC (by the Government Decree № 1042-N dated 10.09.2010, the Mayor of Yerevan is recognized as a party to the lease contract), as well as by "Armenian Water and Sewerage" CJSC, "Nor Akunk" CJSC, "Lori Water and Sewerage" CJSC, and the "Shirak Water and Sewerage" CJSC. Operation and maintenance of the irrigation systems are implemented through 44 water user associations established in accordance with the Law "On Water User Associations and Water User Associations Unions" and the "Sevan - Hradzan Water Supply" CJSC, "Akhuryan – Araks Water Supply" CJSC, "Debet - Aghstev Water Supply" CJSC, "Vorotan – Arpa Water Supply" CJSC. For implementation of some loan programs, a public organizations operate within the framework of the sector: the "Water Sector Development and Reform Program Implementation Unit" state organization, and for the purposes of Vorotan Arpa-Sevan water system maintenance and improvement of technical condition and repair the "Vorotan Arpa-Sevan tunnels operation Department" State institution under the supervision of the State Committee of Water Economy is acting, which is also authorized by the functions of a project implementation unit of the loan project funded by the Abu Dhabi Development Fund, for the Arpa-Sevan tunnels repair. The "Melioration" CJSC also acts under the supervision of the State Committee for Water Economy. The "Melioration" CJSC functions are: controlling the collectors–drainage systems cleaning and repair works and conducting observations of underground water levels. The "Irrigation" CJSC and "Water and Sewerage" CJSC also are operating within the system (under bankruptcy process at present).

Within the system of the State Committee for Water Economy the Technical Committee on Water Systems Use and Maintenance is involved, which has been established and carries out its activities of the according to Article 86 of the Water Code, and the Government Decree № 686 – N, dated May 8, 2003, on "Confirmation of the order to control and inspection of the Hydraulic constructions security".

The State Committee for Water Economy is implementing the management of state-owned shares of the CJSCs: "Armenian Water and Sewerage", "Sevan - Hradzan Water Supply", "Akhuryan – Araks Water Supply", "Debet - Aghstev Water Supply", "Melioration", "Irrigation", "Water and Sewerage" - 100%, and 51% in "Nor Akunk" CJSC, "Lori Water and Sewerage" CJSC, and the "Shirak Water and Sewerage". At the same time the State Committee Water Economy is considered to be the owner of the property transferred

to the companies of water systems and water users associations for free use, which are under the former service area of Yerevan Water and Sewerage CJSC.

During the last years of the State Committee of Water Economy activities were based on the Water Code, provisions of the National Water Plan and laws on national water policy, as well as the Government decisions on water sector reforms (including the Sustainable Development and the State medium-term programs), priority tasks and activities, which are approved by the main program directions. To that end the works continued for structural changes in the system, introduction of registration system and improvement, water quality improvement and increase the duration of water supply, control of private management contracts, raising the level of payment collection for supplied water, reduction of losses in the system and increase of efficiency of companies, gauging equipment installation, the efficient use of budget, loan and grant funds and the new loan and grant funds involvement, etc.

For the purpose of ensuring the normal course of large-scale work in the water management systems and further development, it is necessary to carry out clear and consistent implementation projects adopted by the government. Maximum development of legislation and clarification was carried out at the possible extent. Numerous laws, the Government and the Prime Minister's decisions, as well as departmental regulations were adopted.

In the water sector of the Republic of Armenia, during 2009, under the coordination of the State Committee of Water Economy the following day works have been implemented:

1. Within the framework of signed contracts (lease agreement, the French “General Deseau” Organization and management contract with the French company Saur) effective activities of the Yerevan Water and the Water and Sewerage CJSC were ensured, as well as implementation of the appropriate part of the World Bank loan projects in regard with these companies was assured.
2. The KfW bank investment projects were implemented in the Lori and Shirak marzes, normal activities of "Nor Akunk" CJSC, "Lori Water and Sewerage" CJSC, and the "Shirak Water and Sewerage" CJSCs were provided.
3. competitive process for the selection of a Manager for "Nor Akunk" CJSC, "Lori Water and Sewerage" CJSC, and the "Shirak Water and Sewerage" was arranged, the results of which were confirmed by the Government Decree № 661-N, dated 11.06.2009. Contest winner is the Consortium of German companies “MVV decon GmbH”, “MVV Energie AG” and the Armenian “AEG Service” Ltd.
4. Within the framework of the Asian Development Bank-funded loan Agreement are carried out appropriate construction works. Construction programs aimed at improvement of water supply systems started and continued in 9 cities and 40 rural communities. New water pipelines at the total length of around the 280 km of were built.
5. The Abu-Dhabi Development Fund supported loan program aimed at immediate implementation of the works for restoration of damaged parts of the of the Arpa-Sevan tunnel started.

In the result of tender on procurement of design estimate services, an advisory organization was selected which presented the Design estimate documents. During the consultation held with the Prime Minister instructions were given on involving an independent Russian organization conducting examination for conduction of additional expertise.

In 2009, for the purpose of Arpa-Sevan tunnel reconstruction, construction works at the expense of 818.7 million Drams were made.

6. An international consulting organization (SOGREA KONSULTANS SAS) was selected on a competitive basis to support the Yerevan City drinking water system improvement and cleaning service, to study the feasibility of the Yerevan water supply and drainage systems improvement (including "Aeratsia" station resetting) project, being implemented within the loan provided by the French government.

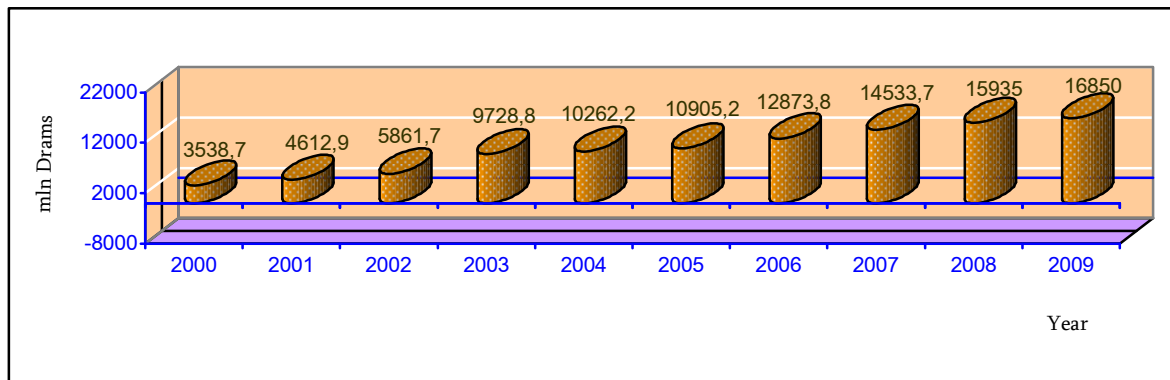
7. Tenders for the sewerage network renovation works in the cities of Gavar, Martini, Vardenis, Sevan towns and Jermuk, as well as for the wastewater treatment plants construction works in the cities of Gavar, Martini and Vardenis, were held and approved in the stated order, within the framework of the European Bank Reconstruction and development (EBRD)-funded loan program (construction work are in progress).

8. Long-term financing realistic strategies and financing mechanisms were developed for water supply and sanitation sector of the Republic of Armenia, the concept of creation of a working foundation and a working business plan in the water sector of the Republic were elaborated by the support of the USAID.

9. Stable water supply is assured due to activities of the "Sevan - Hradzan Water Supply", "Akhuryan – Araks Water Supply", "Debet - Aghstev Water Supply" CJSCs, as well as the 44 water user associations supplying irrigation water and despite of some existing problems, companies have had a stable financial situation.

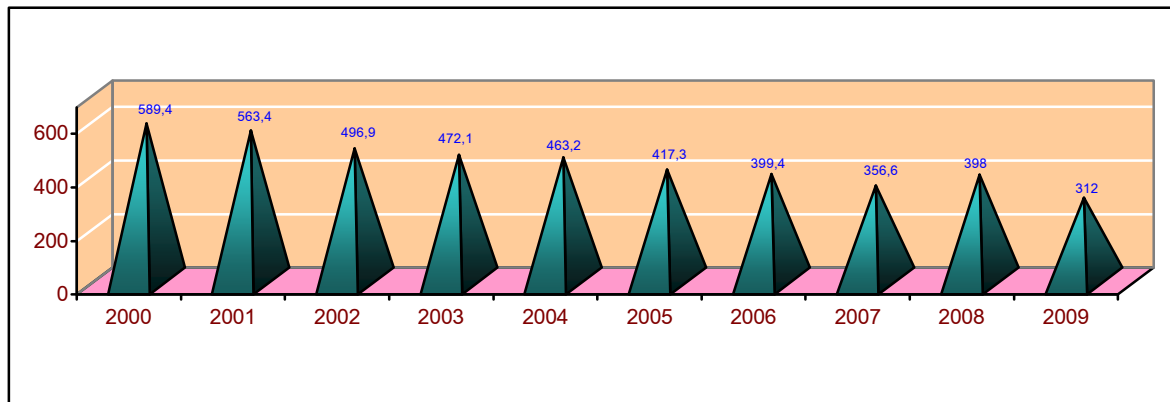
10. The analysis of activities of main organizations involved in the sector shows that the approved projects are implemented, giving a significant positive effect. As far as according to the Government Decree №1042-N, dated 10.09.2009 (entered into force on 10.10.2009), the Municipality of Yerevan was recognized as the authorized representative of the Government of Republic of Armenia provided by the lease contract of water systems of the "Armenian Water and Sewage" company's service area, so the State Committee for Water Economy common indicators for the 2009 included the "Yerevan Water" CJSC indicators. In addition, only collected charges of the system amounted to about 16.85 billion in 2009, in comparison with the 15.93 billion in 2007, or the exceeding amount is around 920 million Drams (Schedule 1). On the part of drinking water service charges made up about 13.6 billion Drams in comparison with the 12.5 billion Drams over 2008, or the exceeding amount is around 1.1 billion Drams, the irrigation sector 3.22 billion Drams in comparison with the 3.44 billion Drams over 2007, or the decreased amount is around 0.22 billion Drams, which is mainly due to less water supply. While, percentage of charges for irrigation in 2009 was 87.4%, compared to 67.6% in 2008, or charging more than the 19.8 percent percentage points.

Chart 14.1. 2000-2009 comparative analysis of indicators of charges of drinking and irrigation water supplying companies a (million Drams)



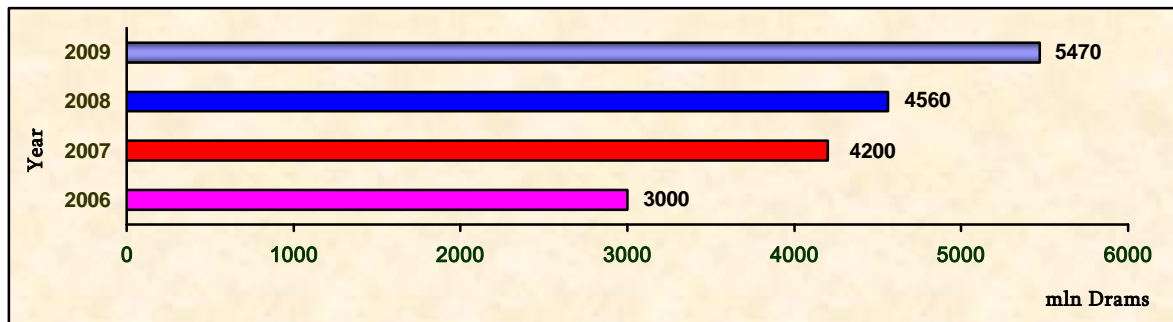
Comparative analysis of energy consumption shows that the system realized investment results and organizational arrangements to be set up to spend less electricity, compared to previous years (Schedule 2).

Chart 14.2. 2000-2009 electricity consumption by the drinking and irrigation water provider organizations (million KVt/hours)



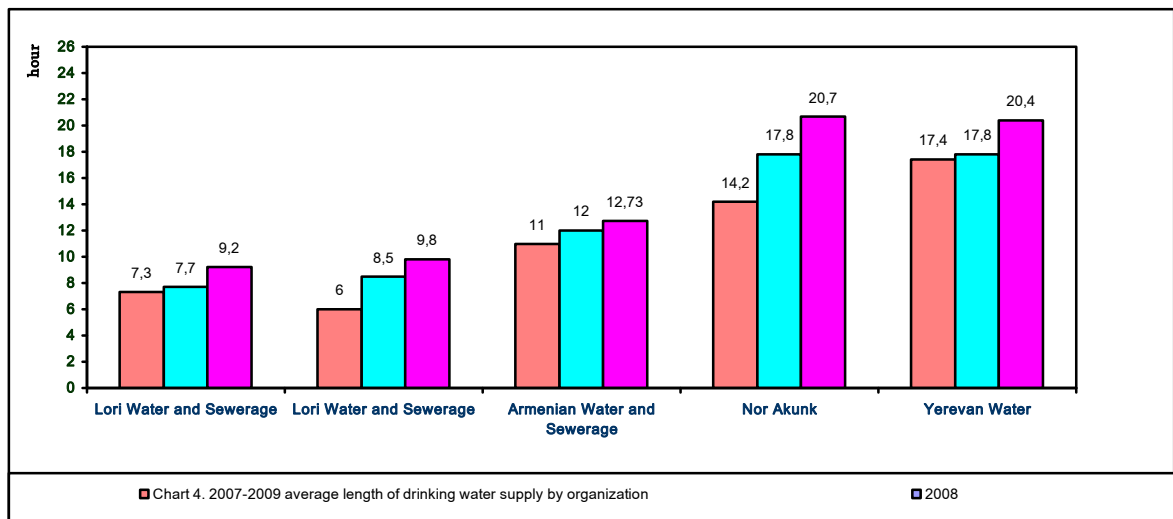
11. Starting from January 1, 2009, for the drinking water system supplying organizations, the benefits of the laws regarding prolongation of the cash method of payment of environmental charges, the value added tax and the profit tax are terminated. Organizations involved in the system have transferred to the state budget over 5.47 billion Drams of taxes and mandatory fees, which is more than about 910 million Drams compared to 2008 (schedule 3). Moreover, if all the drinking water sector organizations were previously subsidized, then the "Yerevan Water" CJSC only was not subsidized, but also paid to the state budget about 2.27 billion Drams, including repay of the Yerevan Water Supply Loan first Program loan and interest accrued to 476.3 million.

Chart 14.3. Funds transferred to the state budget by drinking and irrigation water provider organizations in 2006-2009 (million Drams)



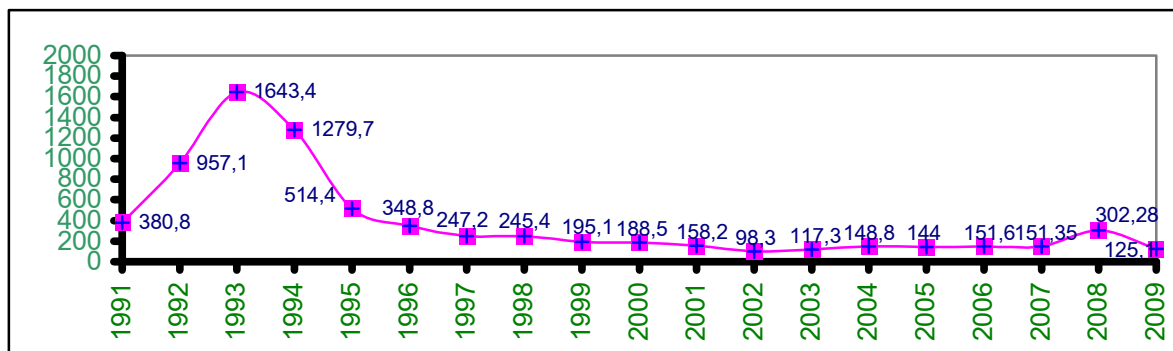
12. In the service areas of "Yerevan Water", "Armenian Water and Sewerage", "Lori Water and Sewerage", "Shirak Water and Sewerage" and "Nor Akunk" JS Companies, the length of the water supply increased (14.4 times).

Chart 14.4. The 2007-2009 average length of supplying drinking water by water companies



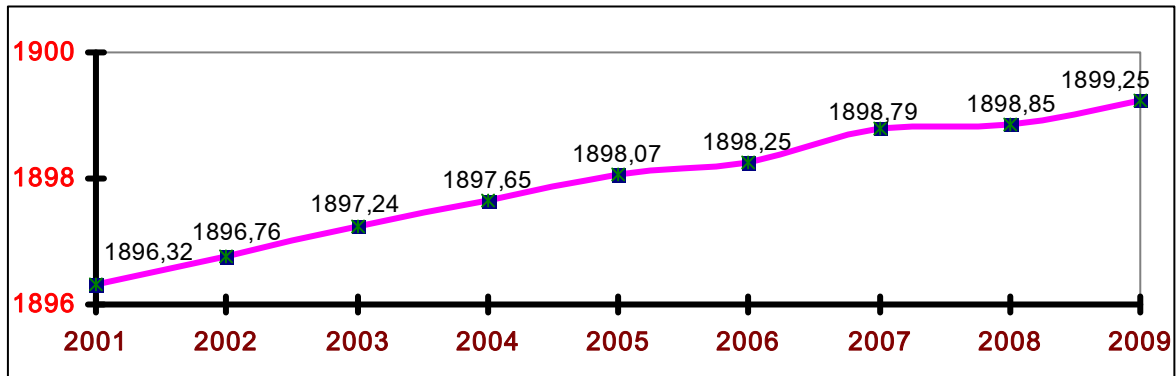
13. 125.1 million m³ of water (14.5 times) was released from the Lake Sevan in 2008 (not taking into account the volume of water released by the Martini pumping stations). (Chart 14.5.)

Chart 14.5. 1991-2009, the water Release from Lake Sevan (m)



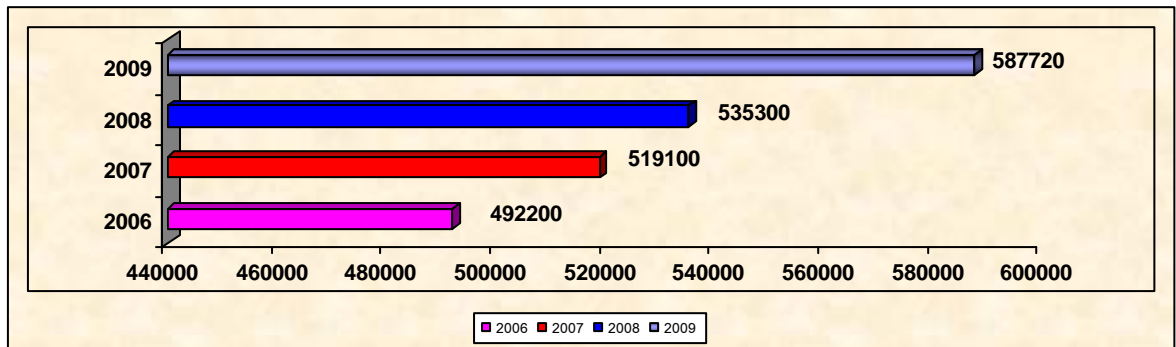
The Lake was filled by 203.05 million m³ of water, which exceeds the last year index by 12.39 million m³. By December 31, 2009, as the lake level was 1899.25 m which exceeds the previous year rate by 40 cm (Chart 14.6).

Chart 14.6. Level of the lake over 2001-2009.



14. Inventory accounting system continue to improve, corrections of assets relations and liabilities between the water supply organizations was made, as well other powers vested by the charter were carried out. At the same time, in the service areas of the drinking water supply organizations within the system customer were provided with the services of installing the gauging devices, which compared to 2008, is more by 52.4 thousand pcs (Chart 14.7).

Chart 14.7. Gauging devices available by January 1, 2006, and those located at the customers' places within the service areas of water supply organizations during 2006-2009



15. Assistance was provided to the Millennium Challenge program for the irrigation sector activities.

16. In Yerevan, Vanadzor, Gyumri, Goris, Artik, Echmiadzin, Talin, Vedi, Ararat, Sevan Attempt, Berd, Charentsavan cities and 90 more villages (Anipemza, Aniavan, Armash, Yeraskh, Surenavan, Lanjazat, Dvin, Taperakan, Ginevet, New Way, Dashtakar, Taperakann Ghukasavan, Khachpar, etc.) by the state budget programs, including loans, works for drinking water supply improvement were carried out. In the result of implementation of investment projects in the sphere of water supply, during 2009, construction

works have been carried out in such villages, which did not have water for years in general, in particular: Aravus, Anipemza Aniavan villages.

17. As a result of investment projects in the irrigation sector, carried out during 2009, replacement of more than over 50 km of water lines (including internal networks), renovation of over 20 reservoirs, construction and repair of over 50 pumping stations was carried out.

18. The loan program on urgent rehabilitation of irrigation systems in was launched, the main tenders are held and construction works started in Talin and Armavir main channels.

19. collector-drainage networks cleaning and repair works have been carried out, as well as works for decision of ground water levels.

Main Problems in the Sector

In the water economy, importance is attached to the arrangement of the on-going process of reforms initiated over the past years and to the solution of basic problems proceeding from the sector's development strategy. The following activities in the water sector are planned to carry out in future years:

1. Organize of works and supervision process provided by private management contracts for "Armenian Water and Sewerage", "Lori Water and Sewerage", "Shirak Water and Sewerage" and "Nor Akunk" JS Companies;
2. to ensure preparations to begin the lease process based on the results of the study carried out for the Water and Sewerage Company by the support of an international advisory organization;
3. Together with international donor organizations to implement drinking and irrigation water supply, sewerage and wastewater treatment systems rehabilitation investment programs, the main purpose is: to define water systems construction, reconstruction, repair works implementation, as well as ensure continuity of water supply, water quality control and start wastewater treatment station construction for the first time;
4. to ensure implementation of continuous water supply project by "Armenian Water and Sewerage", "Lori Water and Sewerage", "Shirak Water and Sewerage" and "Nor Akunk" JS Companies;
5. to ensure and control effective functioning of organizations in the system;
6. to support the implementation of the Millennium Challenge program;
7. to contribute to the further development of Water Users Associations, as well as the creation of Water Users Associations by the support of the Millennium Challenge Program;
8. to contribute to the activities of "Sevan - Hradzan Water Supply", "Akhuryan – Araks Water Supply", "Debet - Aghstev Water Supply" CJS Companies,
9. to encourage water and energy saving, as well as continue to improve the recording system.
10. exercise control over water supply and sewerage sectors towards prevention of illegal actions;
11. to ensure the Arpa-Sevan tunnel uninterrupted and safe operation and to improve the technical conditions for implementation of activities for the Abu Dhabi Fund loan program.

In general, the target is to ensure implementation of the long-term program for reforms in the drinking and irrigation water systems, mainly aiming to improve their operational reliability and efficiency, reduce water loss, as well as improve quality of water and wastewater services. At the same time, it is necessary to continue works for fortification and repair of the most important hydro-technical constructions, including the dams, which will assure their safe and uninterrupted operation.

14.2 OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF

14.2.1 Objectives

The main objectives of the State Committee for Water Economy are the following:

Development and implementation of investment policies in the water systems, as well as conduction of expert examination of investment programs;

- Realization of private administration and private administrators, as well as combined and extended types of management pursuant to the Water Code;
- Improvement of the management of the system companies; enhancing their financial viability through reducing current and maintenance expenditures, reducing the level of water loss and enhancing collection performance.

14.2.2 Priorities

Priorities of the sector are presented in the table below:

	Priorities			substantiation
	2010	2011	2012	
1.	Water supply systems operational reliability and efficiency, reduction of losses and water supply and sewerage service quality improvement.			Sustainable Development Program, paragraph 363. Loan projects
2.	Water systems repair, maintenance, refurbishing, as well as implementation of internal network the rehabilitation efforts in order to improve the quality of water supply			Sustainable Development Program, paragraph 364. Loan projects
3.	Water systems repair, maintenance, refurbishing, as well as implementation of internal network the rehabilitation efforts in order to improve the quality of water supply services			Sustainable Development Program, paragraph 362. Loan projects

14.3. EXISTING EXPENDITURE COMMITMENTS

Over the 2011-2013 MTEF period, within the framework of the implementation of the most important goals in the sector, execution of the following programs will continue:

"Water and Sewerage" CJSC subsidies

Until the process of transferring by lease of the right to use the water systems served by Water and Sewerage Closed Joint Stock Company, as well as changes in tariffs for services, for covering the financial gap occurred in the result of the current activities over the 2011-2013 MTEF, for Water and Sewerage company 811,600.0 thousand Drams will be allocated as subsidy in 2011.

"Nor Akunk" company subsidies

Despite the Public Services Regulatory Commission's decision, aimed at ensuring the normal course of current operations, the tariff for the company's service was set at 202.63 Drams instead of 150.2 Drams starting from of April 1, 2010. Anyhow, the company's financial viability is still not enough for return of loan funding provided by the loan agreements between the RA Government and the Federal Republic of Germany within the framework of financial cooperation, signed on June 21, 2000 and September 12, 2001. To that end, for the purpose of ensuring the repayment of the main loan amount it is envisaged to provide a subsidy to the company at the extent of 223,215.9 thousand Drams each year during the 2011-2013 MTEF period.

Subsidies to irrigation systems

Two organizational-legal types of organizations are operating in the irrigation system in Armenia, including 3 closed joint-stock companies performing water supply irrigation and 44 water user associations.

Increase of the state financial support limits for irrigation over the 2011-2013 MTEF period, compared to the limits forecasted by the RA Government Decree № 188 – N of February 8, 2007 on Confirmation of Water User Associations' Financial Support Reforms provisions and the norms of loss of water supplied for irrigation», is conditioned by the requirements of provisions stated in paragraphs 5.4 and 5.5 of the Water User Associations' Financial Support Reforms (electricity tariff changes, water supply tariff changes, inflation, irrigated land decreases). As a result, the limit of financial support envisaged for 2011, it is planned at 4,679,500.0 thousand Drams, which is more than the limits approved by the above-mentioned Decree (3,667.5 million Drams). For the years of 2012 and 2013, respectively, 4,191,800.0 thousand Drams and 4,178,700.0 thousand Drams are planned.

Besides, in order to considerably ease the current financial gap of 3 companies performing irrigation-water supply, it is envisaged to provide 583,700.0 thousand drams each year in 2011-2013 MTEF period.

Reconstruction of irrigation systems

According to the Millennium Challenge Agreement signed between the Government of the Republic of Armenia and United States Millennium Challenge Corporation, the Government of the Republic of Armenia has undertaken the implementation of commitments for annual repairs of irrigation systems, for which it is envisaged to provide 1500.0 million Drams in 2011.

Collector-drainage network maintenance and operation, ground water levels and quality testing works

In order to improve meliorative conditions of irrigated lands the following is planned to implement:

1. simultaneous observation of ground water level, implemented once in ten days, 14400 simultaneous observations in 425 visual wells of the Ararat valley
2. over 1100 chemical analysis of ground waters,
3. 160 chemical analysis of drainage and irrigation waters,
4. drilling of review wells with the depth of up to 10 m, 700 meters in total, aimed at renovation of wells,

5. water outflow with the purpose of cleaning of review wells by the airlift,
6. engineering-hydrogeological location inspections of irrigated and dried land route (240 km)
7. monthly digital mapping Ground water levels.

Control over collector-drainage networks cleaning and repair works quality will be implemented through the implementation of the project.

Over the MTEF period the following allocations are envisaged: 94,238.1 thousand Drams for each year in 2011 and 2012, and 99,826.6 thousand Drams for 2013.

Collector-Drainage cleaning and repair of network

Each year over the MTEF period over 174.58 km of total length of collector-drainage networks will be cleansed and renovated, which will enable to keep the ground water levels of the Ararat valley on the allowed depths (19.0 thousand hectares).

2011-2013 MTEF provides 226,300.0 thousand drams each year.

Expenditures for maintenance of the Water systems use and maintenance technical commission

The Water systems use and maintenance technical commission is a permanent body, which was established with the purpose of conducting inspection of water systems hydraulic structures, research of water system security, efficient use and maintenance programs, as well as the for provision of expert conclusions.

The Water systems use and maintenance technical commission was established and performs its activities in the Republic of Armenia in accordance with Water Code, Article 86, as well as the Government Decree № 686 of May 8, 2003, on "Confirmation of the order of control and inspection of hydraulic constructions security" and the Government Decree № 677 - N of May 26, 2006, on the "Confirmation of the Regulation on provision of financing for funds allocated from the state budget to the Water systems use and maintenance technical commission on the Republic of Armenia". The Technical commission shall carry out the water system hydraulic construction inspection, observations and measurements, research of water system security, efficient use and maintenance programs, as well as provide with professional conclusions on activities in the water systems.

For further productive activities, as well as for implementation of the powers delegated by the Law, by the 2011-2013 MTEF it is envisaged to provide 11,000.0 thousand Drams for each year in 2011 and 2012, and 11,772.8 thousand Drams in 2013.

CHAPTER 15.**ENERGY****15.1. SITUATIONAL OVERVIEW AND MAIN TASKS****15.1.1. General Description of the System**

Energy has a strategic importance for the country's independence, security, and sustainable development of economy. The energy sector is considered to be one of the main parts of infrastructures necessary for the economic development. That is why development of the energy system is important not only for Armenia's industry, transportation, and social-economic development of the country in general, but also for realization of the Sustainable Development Program. Expensive and unreliable energy provision is an enough dangerous factor for improvement of country's economy and living standards of the population. Hence, the main problem for the energy sector's strategy is to provide low cost reliable power supply through use of modern energy equipment, aimed at meeting the key requirements of consumers, at the same time promoting the energy saving in the country.

The energy system consists of the electrical energy sector, gas supply and heat supply systems. It includes power stations with a total capacity of 3,200 megawatts, electricity transmission lines with different voltage and with a total length of around 35,000 kilometers, more than 9,000 electric power substations, underground reservoirs for natural gas with a capacity of about 110.0 million cubic meters, 1740 km of gas main pipeline and more than 11007 km gas-distribution networks; 2227 gas-regulating units, and numerous other units, equipment and devices, majority of which have expired their service term or are physically and morally depreciated.

Hence, problems of modernization of production capacities, electric energy transferring and distribution networks facilities are of urgent importance. Loan funds from the German KfW Bank, Japan International Cooperation Agency and the World Bank are attracted to solve these problems.

The policy for the energy sector is mainly directed to assurance of energetic independence and security increase in the country, and great attention is being paid to the measures aimed at raising the level of security in the Armenian Nuclear Power Station and to recoverable energy development programs.

The policy for natural resources is mainly directed to preservation, effective use and reproduction of entrails, and implementation of geological control.

The Republic of Armenia is rich in metal and non-metal minerals and resources that contribute to the economic development of the country. Efficient exploitation of mines is closely connected with beneficial and intended use of the entrails and environment protection.

Entrails of the Republic of Armenia are the exclusive property of the state and may be transferred with the right to use. But the state still does not have appropriate technological design rules, mining exploitation rules and norms approved for the rational exploitation of that property. The lack of such norms makes it practically impossible the realization of the tasks prescribed to the state in this field, particularly, ensuring

the efficient, complex utilization of the entrails with the purpose of satisfying the needs of the economy in mineral raw, and their preservation, protection of the environment from hazardous impacts while the utilization of the entrails, as well as the safety of work.

Therefore, one of the natural resources policy issues is the provision of legal grounds in the field of use and preservation of entrails.

Description of the framework of services provided under the jurisdiction of the state agency			
	Description of services	Description of beneficiaries	Volume of compensation provided by the state
1.	Energy and natural resources sector policy development, consulting and support services, project coordination	RA all citizens	100%
2.	Construction of power facilities, rehabilitation and reconstruction program	RA all citizens	26.4%
3.	Entrails research, utilization and preservation services	RA all citizens	100%
4.	Radioactive waste neutralization services	RA all citizens	100%
5.	Professional vocational; education in Energy sector	Lecturers and students of the collage	100%
6.	program on recoverable energy	RA all citizens	17%
7.	Program on nuclear energy	RA all citizens	100%

15.1.2. Development trends over the last two years

Over the last years, in the sense of participation, the public share was reduced in the energy sector, which is conditioned by privatization of several infrastructures, and by involvement of financial means provided by foreign companies and international financial organizations, as well as involvement of own means.

Involvement of financial resources provided by the foreign countries and international financial institutions, will be mainly directed at the construction of electric power facilities, rehabilitation and reconstruction.

Significant progress was recorded over the recent years in the result of programs implemented in Energy sector. Thus:

- on July 30, 2008, works for the Yerevan combined cycle cogeneration power unit construction launched. Over 2008-2009 all the main device equipment transportation, assembly and installation works were realized. At present assembled equipment testing is being conducted.
- Under the JICA funded loan program on “Power transmission and distribution systems”, the first phase of the SCADA / communication system and 110 kV substations rehabilitation works are implemented. "Energy System Operator" CJSC's building renovation and uninterrupted power supply regulating system installation works, provided by the general contract have been completed.

The works for television-mechanics equipments installation in stations and substations is completed. In recent years, energy investment policy is implemented in terms of reduction of state participation, which is due to some infrastructures' privatization and involvement of financial resources provided by foreign countries and international organizations, as well as the involvement of its own funds.

Natural resources sector development has been and is being conducted mainly on the account of budgetary and off-budget appropriations, being targeted at:

- to ensure the necessary volumes of reproduction and conditions ensuring the natural balance of renewable natural resources,
- to ensure the rational and effective use of non-renewable natural resources.

Sector development was achieved through the implementation of approved projects.

During the last two years, due to geological survey works, increased for about 2.5 times, thanks to growth of funding, within the system the “RA 1:50000 scale geological-natural protection researches and cartography in the territory of the city of Yerevan and its adjacent areas (K-38-137, t; K -38-138, T) areas” sub-project was carried out, based on the results of which a summary report was submitted. Based on the results of this project it is supposed that the same research program is necessary to implement in other marzes as well. Started Implementation of activities of the international project “Caucasus and adjacent areas 1:1000000 scale geological atlas” design and "Caucasus-Crimea-Karpat regional geological structure” are already started. Within the project "Computer information system of the RA-ferrous metal minerals developments", information was submitted on ferrous minerals developments in Tavush, Lori, Shirak, Gegharkunik and Kotayk marzes. According to the Government Decree No 228-N, works for "Compilation of topographic map of radioactive, hazardous chemicals and waste burial purposes entrails precincts on the territory of Armenia" were started, which will be completed in 2010. Interim reports were submitted for existing programs in the filed. With the purpose to improve the normative-legislative field of this sector, a new code on "The Entrails" was submitted to the Government, as well as to improve the legal framework a number of policy measures are submitted.

15.1.3 Main Problems of the Energy Sector

The energy sector will have to deal with the problems of working out sector development, investment, financial, and other programs; efficient utilization of current loans on urgent restoration and modernization of some morally and physically depreciated units and constructions, and possible involvement of new loans; maximal utilization of own restorable energy resources and productive capacities; further improvement of institutional reforms; constant liberalization of energy market; and enhancement of integration processes into the regional energy systems.

Solution of these issues will ensure reliable and safe electricity supply, which in turn will boost the country's sustainable economic development (see Sustainable Development Project, p. 168).

Gas supply restoration and gasification problem, as well as problems of ensuring the safety of domestic gas equipment exploitation are also prioritized.

Another priority of the energy sector is the rehabilitation of heating–supply system, which will result in introducing energy saving and efficiency measures in the country, and will contribute to social-economic development of Armenia.

Regarding priorities in the sector of natural resources towards their reasonable use, over the medium-term problems requiring a solution are the followings:

- conduction of monitoring of geological processes (landslides);
- “Creation of a computerized system of solid minerals deposits” Project 2nd Phase: “Creation of a computerized information system of the RA ferrous metal minerals developments on the Arc GIS environment”;
- improvement of legislation regarding entrails utilization;
- implementation of activities for digitization of the geological fund;

Energy and natural resources sector problems are more general in nature and their expected results is not possible to estimate in the numerical expression.

15.2 OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

2.1. Objectives

The policy conducted in the energy sector has been basically aimed at ensuring the energy self-dependence and increasing the level of safety, which in their turn appear to be among the key drivers of sustainable economic development.

The basic objectives of the energy sector over 2011-2013 will remain:

- to promote sustainable economic development of the Republic of Armenia;
- provision of a reasonable level of security in the energy sector, including: imported and domestic energy resources differentiation and ensuring maximum utilization of productive capacities;
- efficient utilization of local energy resources, alternative energy sources and application of economic and legal mechanisms for that purpose.

Energy sector objectives directly derive from the Sustainable Development Program and from provisions of the energy sector development strategy document within the context of the Republic of Armenia's economic development.

Over the medium-term period the most important goals in the natural resources sector will remain:

- increase of the volume of geological investigation, ensuring the effective operation of new mines;
- assurance of the natural resources study, preservation, restoration, reproduction and efficient use;
- assurance of entrails preservation, efficient use and reproduction, implementation of the geological supervision.

Natural resources sector objectives directly derive from the provisions of the Republic of Armenia program approved by the Government Decree No 380-A, dated April 26, 2008.

2.3. Priorities

Priorities of the Energy and natural resources sector over the 2011-2013 period are summarized in following table.

	Priorities			Justification: references to the government's economic and political programs
	2011	2012	2013	
1	Establishment of electricity producing capacities and re-equipment			1. According to the paragraph 4.3.11.1 of the plan approved by the Government Decree of April 26, 2008, N 380-A 2. According to the “Chapter 8.4. Energy” of the Sustainable Development Program confirmed by the Government Decree of October 30, 2008, No. 1207-N
2	Regional integration and technical re-equipment of electric power system			
3	Assurance of preservation, reproduction, effective and complex utilization of the entrails			
4	Development of nuclear energy			
5	Promotion of advanced appropriation of renewable energetic resources			
6	Gas network expansion in Armenia, as well as assurance of security of household gas equipment exploitation			

15.3 EXPENDITURE COMMITMENTS OVER MTEF PERIOD

3.1. Existing Expenditure Programs

1. Within the framework of the Yerevan combined cycle cogeneration power unit construction project by the support of the Government of Japan, a power station with the electrical capacity of about 245.9 MW and a combined cycle cogeneration power unit of 103.7 Gkal/hour heat capacity were built. In 2011-2012 security payments and payments for the work already done will be made.

The new power station will have a high ecological characteristics compared to the existing thermal power plant, in the case of similar installed capacities, the new power plant will have less emissions compared to existing stations, in particular, nitrogen oxides (NO_x)- over 9 times, carbon dioxide gas (CO₂)- about 2 times, carbon oxide (CO)- about 3.8 times, as well as the water use reduced by 3.6 times.

The existing Yerevan Thermal Power Plant in full condensation regimes (without delivery of thermal energy) for production of 1 kW/h electricity, consumption of the fuel is 450-500 g/kW/h, and in similar regimes the new power plant will spend 219.9 g/kW/h, while in the regimes of maximum thermal demand, respectively: 374 g/kWh and 177.9 g/kW/h.

2. By the support of the Japan Government the program for rehabilitation of electric power lines and electrical distribution network is being carried out, which envisages the rehabilitation of 110 kW voltage substations and implementation of the first stage of SCADA/Communication system. Within rehabilitation of 110 kW voltage substations, it is envisaged to replace the main equipments by new ones. The reliability of the work of substations and energy system will increase, as far as in the result of replacement, switches refusal flow parameter will increase: for 110 kV switches- 6.93 times, for 35 kV switches- 6.8 times, for the 10 kV switches - 5.6 times for the 110-35 kV delivery device- about 1,3-1,4 times.

In the result implementation of the first phase of the SCADA/communication system one complete energy management system in Armenia will be established, including: the appropriate communication, data and information collection, transmission and storage, electricity and energy resources management, as well as control systems, which will create an opportunity to secure more reliable, efficient and sustainable work of the energy system.

3. Within the framework of the program on Electricity Transmission Sector Reconstruction, implemented by the support of the German KfW Bank, by the component “Regional power exchange-I, Alaverdi-Gardabani electric power restoration”, around 1.3 million Euro, saved in the result of the “Alaverdi-2” substation reconstruction, was forwarded to the full reconstruction of the open distribution device of the “Vanadzor -1” 110 kV substation, as well as to "Gyumri", "Lori", "Gugark 1, 2", “Noradus”, “Lichq”- for replacement of precluding plugs installed on the air electric lines and filters with new ones. As a result of reconstruction the reliability of substation and energy system work will increase, as well as the emergency turn-offs and the quantities of not-supplied electricity will be decrease.

4. German development bank loans to support ongoing “Gyumri-2” substation restoration project will restore the "Gyumri-2” substation, which has a local and regional strategic importance. Restoration of the substation will increase the reliability of energy system work, will be eliminated the emergency turn-offs and the quantities of not-supplied electricity will decrease.

5. World Bank support of the Renewable Energy Grant Program is envisaging that the renewable energy capacities, installed by the end of the program and working in one common network mode, would be 127 MW, the renewable energy entities will produce about 336 gW/h per year, and the annual CO₂-emissions reduction will reach 0.218 million tons.

6. Within the Geothermal Energy Grant Program, implemented by the World Bank assistance, it is expected to implement geothermal research and interpretation of results. Geothermal above activities will stimulate the use of energy sources in Armenia.

7. Radioactive waste neutralization services, (RA state budget)

Within the framework of the program, centralized transportation of radioactive waste, study, preservation, neutralization and disposal services are carried out according to nuclear and radiation safety norms and rules, aimed at protection of the people and the environment against harmful effects of ionizing radiation.

By the 2011-2013 medium-term expenditure program it is envisaged to allocate 29.2 million Drams, each year in 2011 and 2012, and 31.4 million Drams in 2013.

8. Entrails information service (RA state budget)

The program will continue ensuring the raise of effectiveness of the geological fund activities, directed to provision of its basic functions.

The service is provided by “Republican Geological Fund” SNCO.

By the 2011-2013 medium-term expenditure program it is envisaged to allocate 6.0 million Drams, each year in 2011 and 2012, and 6.5 million Drams in 2013.

9. Geological- exploration work support services, (RA state budget)

Works within the program will be mainly directed to geological, hydro-geological studies.

The program is being implemented by an organization selected in accordance with the law on "Procurement".

By the 2011-2013 medium-term expenditure program it is envisaged to allocate 8.0 million Drams, each year.

3.2. New programs

The following new programs are envisaged in the 2011-2013 MTEF period:

Inventory of waste accumulated in the result of mines exploitation in the Lake Sevan catchments basin.

The project derives from the timetable of events (paragraph 23) which was discussed during the sitting of the Lake Issues Commission under the President, held in the office of the President on March 19, 2010, and which was developed in accordance with the Commission's 2009 Work Plan.

Within the program inventory of trash piles a (empty rocks, ore and non-conditioning, etc.) in the lake catchments basin, as well as assessment of their negative impact on the lake will be carried out.

It is provided that 10.0 million Drams will be allocated for the program in 2011.

CHAPTER 16. OTHER SECTORS OF ECONOMY

16.1. TRADE AND ECONOMIC DEVELOPMENT

1.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS

SME sector plays a significant role in the country's gross domestic product (GDP) formation. In 2008, the SME sector's share of gross domestic product (GDP) was 41.7%, 2007 41.0%-double against exceeding the 1999 level.

The role of the SME units in the creation of new jobs is significant. During 2008, the number of SME units made up more than 20.0 thousand, which resulted in creation of more than 27.0 thousand new jobs, of which 51.7% or 14.0 thousand of the marzes, and 48.3% or 13.1 thousand in Yerevan.

In 2008, the increased share of the SME sector in the export volume, comprising 17.0%, compared to 16.9% in 2007, and the SMEs involved workers' share in the total number of employed ones was around 35.0% in 2008. The role of the SME sector is also significant in the aspect formation of the country's fiscal indicators: according to the 2008 data, the share of payments of taxes, fees and other mandatory payments (except for mandatory social insurance payments) made by SME units to the state budget, was at 28.0% (more than 415 million Drams).

The SME development index in Armenia, as an aggregated economic indicator, which is calculated by the methodology developed by the United Nations, was 544.0 in 2008, which has increased more than 9 times in comparison with the 2002 level (2002, SME development index was 58.1, 2003- 82.0, in 2004- 117.8, in 2005- 171.9, in 2006- 237.2, in 2007- 398.6).

Stressing the importance of SMEs in the country's economy development, creating new jobs, raising living standards of the population, the formation of middle class society, the country's social and political stability, the Government of the Republic is conducting ongoing steps for the state support to the development of SME.

Like in previous years, in 2009, consistent work is carried out for elaboration of the SME development policy and strategy, for elaboration of SME development programs, as well as for implementation of appropriate measures taken in the area of the SME state support.

Particularly:

The SME state support program was carried out in 2009 (approved by the Government Decree No1480-N, 11.12.2008), for which state budget allocation at 573.5 million Drams was made. In addition, in the framework of cooperation with international and foreign organizations (programs) and local government bodies around 135.3 million Drams was involved. In addition, this program has overwhelming majority of events (about 80%) in the regions, mostly in border and remote areas directed at provision of support to the start up and existing SMEs and, generally, at economic and business activity increase in marzes and other regions.

In 2009, assistance regarding the areas of provision of credit guarantees, introduction of innovations and modern technologies, promotion of products (services) market, support of start-up businesses entrepreneurs, as well as business training, information and advisory assistance was provided to Yerevan and the regions of 4748 start-up and existing SME units, of which 23.4% (of 1111 SME entity) operates in the city of Yerevan, and 76.6% (of 3637 SME entity) in the regions and 1364 of them were provided with support in several areas. Generally, in the above areas 9370 support applications were satisfied. Distribution of the SME units provided with support, by the fields of their activities, is as follows: manufacturing sector - 24.7%, services sector- 24.6%, trade sector- 47.4%, construction- 3.3%.

SME state support to projects contributes to the economic development and reduction of disproportions in the country, especially in the rural and remote areas, which is currently is one of strategic areas and priorities of the economic policy of the Government.

At the same time, in 2009, the scope of program activities directed at long-term SME development and provision of the state support was expanded through attracting financial means from international and foreign donor organizations.

1.2. Description of the tourism industry

While emphasizing the importance of tourism development processes, the sustainable development of tourism is emphasized, which contributes to sustainable economic development, environmental protection, proportional regional economic development, poverty reduction, preservation and development of historical-cultural heritage and traditions, mutual evaluation of cultural values, etc.

According to the United Nations World Tourism Organization (UN WTO) data, movement of the world population becomes significantly more active each year. And if we take into account the global tourism statistics data (UNWTO World Tourism Barometer), according to which average annual growth of international tourist visits make up 4-4.5% (except for critical economic situation in 2009), and the peculiarity of tourism industry is that it has both direct and mediated influence on other branches of the economy, and that the tourism industry is fully involved in small and medium enterprise sector, and includes workforce in terms of human resource from socially vulnerable groups such as young people and women, then surely we can conclude that Tourism Development prudent and efficient planning and management will have a significant importance in ensuring a process of the sustainable economic development and solving social problems, such as creating jobs, increasing incomes of population, employment and the fair redistribution of income, balanced development of the community, overcoming poverty and so on.

Within the framework of the state policy carried out in the field of tourism, starting from 2005, the Government Decrees on "Definition of the rules and conditions for the hotel services, approval of hotel economy facilities qualification rules and procedures" (10.06.2004, No 946-N) and "Approval of guide and escort activities licensing procedure and form of the license"(10.06.2004, No 945-N) have been put into

effect in Armenia, according to which the Ministry of Economy, as the authorized government body in the field, performs:

1. licensing of guide and escort activities,
2. qualification of hotel facilities in Armenia.

1.3. Overview of the Standardization Sector in the Republic of Armenia

The “National Standards Institute” CJSC under the Ministry of Economy, in accordance with the RA Law "On Standardization", Article 15, paragraph 3, within its authorities, vested implements the following services:

- adopts national standards,
- by the standards of national system of standardization defines the organizational performance of standardization activities and general technical rules and procedures, as well as the procedure of application of international, regional, interstate standards and standards of other countries,
- organize examination of drafts of international, interstate, national standards,
- represents the Republic of Armenia in international and regional standardization organizations,
- participate in international, regional and interstate standardization activities,
- publishes the national standards,
- establishes standardization technical commissions and coordinates their activities,
- create and maintain the national fund of standardization normative documents,
- carries out record (inventory) of national standards, rules, norms and recommendations in the field of standardization, as well as indices, technical conditions and their changes.

1.4. Overall description of Information technology sector

Over the last decade, information technology (IT) industry development and establishment of information society served as an important stimulus to the economy of developed countries to increase competitiveness and productivity, management, innovation and scientific-educational systems, as well as appropriate infrastructures development, and has been recognized as a priority to build a knowledge economy.

The Government emphasizes the importance of the development of IT industry not only as a separate sector, but also as the main factor to ensure the overall economic progress in Armenia, raising productivity and competitiveness in the global economy, specially emphasized the continued growth of effectiveness of IT sector in Armenia, application of products and services of the sector in other spheres of economy, and the formation of information society.

Still on December 28, 2000, by the Government recognized the Information Technology industry as one of priority branches in the RA economic development process. Then in 2001 the Government approved the "RA Information (Information) Technology Industry Development Concept", and in 2008, the "Information Technology Sector Development Concept". By the President decree No NH-896, of July 20, 2001, the Information Technologies Development Support Council was established, and the RA Prime Minister acts as the President of the Council. The Information Technologies Development Support

Council (ITDSC), being a connecting link between the government and IT businesses, educational institutions, IT NGOs, donors and international organizations, organizes and holds the formation of information society and conducts discussions contributing to solution of the problems relating the IT industry.

In order to create preconditions for bringing the RA IT industry in line with the international standards, by the Government Decree No 1165, dated November 27, 2001, the "Enterprise Incubator Foundation" was established within the framework of loan Agreement concluded with the World Bank. Starting from 2001, the "Viasphere Technopark" CJSC is operating, and more than 30 companies are operating on its territory.

A number of related legal acts were adopted, particularly, the RA laws on "Electronic document and electronic signature" (HO-40, December 14, 2004) and on "Electronic communication" (HO-176, July 8, 2005)".

A number of cooperation agreements and memoranda of mutual understanding are signed with a number of foreign states (India, the Arab Republic of Egypt etc.), as well as with a number of world-famous companies, such as: "Microsoft", "Alkatele" "Hewlett Pakarde", "San Microsystems" "National Instruments", etc.

Organization of annual information, telecommunications and high technologies specialized international exhibition "DigiTech" and numerous events held under the heading of "The month of information technologies", as well as the international conference on high technologies "ArmTech" have become traditional.

1.5. General overview of the state support program for reconstruction of the city of Gyumri into a the techno-city

The presented project is based on the RA Government protocol decision adopted in 2000 on declaring the information technology sector as one of priority branches of the Armenia's economic development, the RA law "On state support of innovation activities" adopted by the National Assembly in 23.05.2006, the RA Government Decree of 28.09.2005, No 1729-N "On 2005-2010 Program for innovation system formation in the Republic of Armenia", the RA Government Protocol Decree of 28.12.2000, "On Recognizing the Information Technology industry as one of priority branches of economic development in the Republic of Armenia", the RA Government Decree of 28.04.2008, No 380-A "On the Program of the Government of the Republic of Armenia", the President's order NK-113A of July 3, 2007, on creation of a working group for elaboration of IT industry development concept and its implementation schedule, the RA Government Protocol Decree N23 of 12.06.2008, "On Approving the Concept for Reconstruction of the City of Gyumri into a Techno-city".

Especially there is a need to emphasized that the proposed project is consistent with the requirements of the Sustainable Development Program confirmed by the Government Decree the No. 1207-N, dated

October 30, in 2008. In particular, the "Sustainable Development Program Goals and strategic priorities", where by the sub-paragraphs 64, 66, 69, 73 are defined in the following sub-measures:

- creation of the bases for development of a new, knowledge-based economy,
- restrain of further growth of the current deep economic disproportion through development and implementation targeted regional policy directed at accelerated development of non-developed areas,
- the policy to increase the competitiveness of the country, whose main features are encouraging productivity growth, assurance of a unit labor cost competitive level, establishment of new, high added value creating jobs.

From the view of balanced regional development is important: the accelerated economic development in the regional cities of Armenia and the encouragement of investment activities, growth of the level of localization of public services, and access to finance, goods and services in the marzes, evaluation of community infrastructures (roads, water supply) and their development. Development of regional cities will not only reduce the imbalances between the given city and Yerevan, but the role of other cities also will increase as a regional economic center, will create serious possibilities of increasing the level of real urbanization in the country while ensuring reduction of the regional disproportion and stable economic growth. Highlighting the role of the city of Gyumri in Armenia's economy the RA Government aims to start implementation of targeted regional economic development programs from the city of Gyumri, preserving its traditional cultural characteristics, make it a Center with the modern and innovative knowledge infrastructures, where enterprises using high technologies, and major research and educational centers will be introduced.

One of the most important steps in the case of reconstruction of the city of Gyumri into a techno-city is the creation of a modern industrial techno-park.

In essence, the creation of industrial park in Gyumri by the state is an attempt to possibly re-launch the developed scientific, technological and industrial infrastructures like before disaster, which at the same time will bring to creation of additional job positions in the region, presentation of competitive products in domestic and foreign markets, as well as to ensure the economic development of other sectors, increasing business activity.

Like it is obvious from the experience of foreign countries, techno parks serve as an important and necessary tool for the promotion of economic development in cities and regions. Local government and state government agencies are taking an active part in the issues relating creation and activities of techno parks, which creates prerequisites for improving the structure of the territory's economy.

In developing countries, and especially their regions there is a lack of high-level infrastructures, first of all in telecommunications. Often even in the case of availability of a good telecommunications system and information environment, there is a lack of culture for everyday practical application of these infrastructures. In this regard, availability of other means of communication in correspondence with international standards is important (Internet solutions, information and search systems, databases,

practical training relevant systems, developed business contacts, including foreign contacts), which is an important condition for development of information technologies, as well as for finding partners and investors.

At the same time, the interest and active participation of local governance agencies in all stages is an important condition for project implementation, which will combat unemployment and a number of socio-economic issues.

For success of the Gyumri techno park it is necessary for it to meet minimum requirements of its geographical position and localization of organizations. To small organizations it is very important for them to be located in easy to rebuild buildings, as well as availability of similar appliances, equipment and equipment holdings, non-formal communication and opportunities to ensure high rating for organizations by the industrial park.

1.2. DEVELOPMENT TRENDS OVER THE LAST TWO YEARS

1.2.1. Small and Medium Enterprise Sector Development Trends

During 2007 and 2008 the Armenia's SME DNC regional branch network formation process was completed. There are currently SME DNC branches in all marzes in Armenia, in certain marzes the SME DNC representations are created (during the reportable period, representations of SME DNC Armenia are established in the Tavush marz, cities of Berd and Noyemberyan, Gegharkunik- cities Gavar Vardenis and Martini, Artik of Shirak region and the city of Vanadzor in Lori marz. This allows implementing the SME development projects on the entire territory of Armenia at regional, marz and community levels, taking into account regional development priorities, and specific features and potentials of separate settlements.

In 2007, within the SME state support program, assistance was provided to 4835 start-up and SME operating entities, 2751 of which have received support in several areas. Main areas for provision of assistance were: loan guarantees provision, start-up businesses entrepreneurship support, promotion of SME units' production (services) in the market, innovation and introduction of modern technologies, training, information and consulting. In 2007, 73% (3395 SME entities) of the total number of SME units provided with assistance are supported for the first time. Generally, in the above areas appropriate support was provided in response to 8494 application.

In 2008, within the SME state support program, assistance was provided to 4434 start-up and SME operating entities, 1127 of which have received support in several areas. Main areas for provision of assistance were: loan guarantees provision, start-up businesses entrepreneurship support, promotion of SME units' production (services) in the market, innovation and introduction of modern technologies, training, information and consulting. In 2008, 74.6% (3307 SME entities) of the total number of SME units provided with assistance are supported for the first time. Generally, in the above areas appropriate support was provided in response to 8618 application.

The results of monitoring carried out among 425 SME units in the regions, which were provided with assistance within the SME state support program in 2008 show that the SME support programs in 2008

contributed to the creation of 334 new jobs and 165 new product presentation in the market, more than 415 million Drams was paid to the state budget in the form of taxes, fees and other mandatory payments.

The process of implementation of the state support to SME 2008 program, in separate areas (measures) is provided below.

Provision of credit guarantees to SMEs

In 2008 within the framework of this program credit guarantees were provided to 46 SME entities at the extent of 167.7 million Drams, ensuring 282.3 million Drams of loan package money. The total amount of credit liabilities of 46 SME entities, who have received support within the framework of this program, was 348.6 million Drams. The average credit amount provided to SMEs was 6.1 million Drams, the average credit guarantee amount - 3.6 million Drams, credits average interest rate - 15%. Provision of the SME units with average credit guarantee commitments made up 48.7%.

Partial subsidies for the interest rate of credits provided to SMEs

In Gegharkunik, Tavush, Aragatsotn, Lori, Shirak, Syunik and Vayots Dzor marzes the program for promoting SME lending through partial subsidy of credit interest in settlements defined by the Government Decree No. 1017-N, dated 14.07.2005, was carried out. During the reportable period 4 subsidy applications were submitted to the SME DNC, 2 of which were satisfied in Tavush, 1- in the Gegharkunik, 1- in Shirak regions. The total subsidy amounted to about 1.14 million Drams.

SME entities equity funding

In 2008 the program for SMEs equity funding was elaborated with the purpose to expand the framework of financial support provided to SME units. The capital financing program, according to the SME DNC of Armenia's board's decision, has been launched by the example of “Instigate” CJSC, and in July, 2008, 18% of “Instigate” CJSC’s shares were acquired for 45 million Drams. In 2008 the mechanisms for the program implementation were developed, the company's financial performance evaluation and analysis of possible risks were conducted jointly with the “Grand Thornton Amio” LLC. An agreement has been signed with the Company and the acquired shares were registered in the Central Depository of Armenia. Taking into account the fact that the company developed its products and is already ready to sell it to a European company, the issue on withdrawal of the SME DNC of Armenia’s share in the company's capital is currently being discussed.

Start-up businesses entrepreneurship support

During 2008, in all marzes the start-up business entrepreneurship support 12 programs were conducted, including the 2 sectoral projects (for start-up businesses in hotel and information technology (IT) sectors). As a result, assistance was provided to 200 start-up entrepreneurs in the regions. The fund established for the purpose of provision of financial support to the start-up businesses was complemented with 44.38 million Drams in 2008, comprising 81.6 million Drams.

During the reportable period support was provided to 36 start-up entrepreneurs, who had submitted realistic business plans, and the total amount of credit provided was 32.5 million Drams, the SME DNC of

Armenia's guarantee amounted to 38.9 million Drams. Crediting was implemented through the partner ACBA-Credit Agricole Bank. The average amount of guarantee provided to the start-up entrepreneurs was 1.08 million, the average amount of credit - 902.8 thousand Drams, the recoverability of which was 100%.

Support in the SMEs innovation and introduction of modern technologies

Within the framework of the project 5 SME entities having innovative ideas and technologies were selected according to filled questionnaires, which were provided with information, consulting and training support, as well as 1 organization is provided with support to involve local and foreign experts for the research of the innovative idea and technology development. Within the program a training course on the theme "How to register an innovative idea" has been organized, which included the idea realistic factor verification, and commercialization and intellectual property protection issues, These SMEs also were provided with support in the development of investment projects, innovative ideas and in the direction of technological expertise.

Support in promotion of SME unit's products (services) in the market

Within the framework of the project, support measures directed at packaging, design, label design, website making, as well as participation of SME entities in exhibitions were implemented. SMEs provided consulting support in implementation of product packaging, design, label design processes in accordance with the norms established by the legislation. 227 SME entities have received support within the project. Distribution by the type of support is as follows: product packaging, labeling, design and advertising- 167 SME entities, Web sites developed by 26 SME entities, participating in exhibitions- 24 SME entity, and introduction of Automatic Management Information Systems- 10 SME entity.

SMEs business information and consulting support

During 2008, information and consultancy support was provided to the start up and operating SMEs relating law changes, foreign economic activity, lines and equipment acquirement, innovations and new technologies introduction, business partners search, attraction of financial resources and management, intellectual property protection, licensing, standardization, conformity assessment, business and investment planning, accounting, customs formalities and reporting areas in the form of provision of necessary information and consulting assistance. During the reportable period works for provision of information to SMEs on business-related laws, legal and legislative acts and their amendments continued.

During 2008, within the consulting assistance 34 SME entities were supported with the required specialized skills. Provided support basic areas are: business plans, business analysis of economic activities, finance management, human resources management, legal consulting, tax, customs and accounting consulting, market research.

In total, during 2008, through information and consultancy support 6556 applications were satisfied.

SMEs training support

During 2008, within the framework of the program, the SMEs training support was provided to 844 SME units and representatives, of which 642 participated in a number of courses on changes and additions in

the tax related legislation, in organized 22 training/information sessions held in all marzes and in Yerevan over August-September 2008. The main course topics are: Clarification of tax legislation, the labor law explanations, Management, Financial Management, Marketing and Sales, Applied Accounting and reporting of, Guides and escort training, training/information course related to a number of changes and amendments to the tax legislation.

The process of implementation of the state support to SME 2009 program, in separate areas (measures) is provided below.

Provision of financial and investment support to SMEs

During 2009, within SMEs financial and investment support framework the following activities have been conducted: credit guarantees provision to SMEs, SMEs credit interest partial subsidy, SME units in equity funding programs, as well as the “SME investments” UCO CJSC was established, through which direct SME lending programs were carried out. In addition, works have been carried out by the operative staff in support of economic development programs to support the implementation of the business plans received by a positive course.

Provision of credit guarantees to SMEs

In 2009 within the framework of this program credit guarantees were provided to 57 SME entities at the extent of 296.2 million Drams, ensuring 506.6 million Drams of loan package money. The total amount of credit liabilities of 57 SME entities, who have received support within the framework of this program, was 640.6 million Drams. The average credit amount provided to SMEs was 8.9 million Drams, the average credit guarantee amount - 5.2 million Drams, credits average interest rate - 16%. Provision of the SME units with average credit guarantee commitments made up 47%.

Credit guarantees provided through the SME DNC of Armenia's partners: ACBA-Credit Agricole Bank (25), Anelik Bank (9), Ardshininvest bank (3), Inecobank (12), Armswissbank (3), Armbusinessbank (4) and VTB Bank (1). Credit guarantees almost entirely are provided to the SMEs operating in marzes. In general to within the framework of SMEs provision of credit guarantees, over 2004-2009 period, 357 SMEs were provided with credit guarantee in total amounting to 1.5 billion Drams, providing about 2.7 billion Drams of credit money package.

The total amount of loan commitments of the 357 SME units, which have received assistance, amounted to around 3.3 billion Drams.

Partial subsidies for the interest rate of credits provided to SMEs

In Gegharkunik, Tavush, Aragatsotn, Lori, Shirak, Syunik and Vayots Dzor marzes the program for promoting SME lending through partial subsidy of credit interest in settlements defined by the Government Decree No. 1017-N, dated 14.07.2005, was carried out. During the reportable period 3 subsidy applications were submitted to the SME DNC, in Tavush. The total subsidy amounted to about 660.0 thousand Drams.

Financing of the project is fully implemented by the means of SME DNC of Armenia's funds formed due to its activities in the form of income and is used as an additional SME lending promotion instrument. The program does not carry a large-scale character.

SME entities equity funding

In 2009 the works directed to implementation of the program of SMEs equity funding continued. In particular, “Instigate” CJSC, 18% shares of which was acquired by the SME DNC of Armenia at the expense of 45.0 million Drams, has fully and successfully completed implementation of this program, and in March 2009, bought back its shares at 49.95 million Drams.

In 2009 the investments were made in equities of the “Sourcio” CJSC, “Marketing And Management 360” CJSC and “Golden gout” companies, after appropriate discussions and approval by the operative staff in support of economic development programs. Investments in the above companies were based on the businesses assessments made by “Grand Thornton Amyot” LLC.

“Golden gout” CJSC currently active operations are carried out to complete building of a new factory. Negotiations are going on with the US and Russia partners relating exports expanding possibilities. After receiving support the company store about 25 tons of milk from 44 peasant economies in the region.

“Sourcio” CJSC, with the aim to promotion the “Monitis” IT tool, developed the public relations and marketing department, as well as established cooperation with the well-known advertising agencies, which significantly increased the number of large and key clients. The number of the company’s clients has increased by around 15% during the last months.

The “Marketing And Management 360” company within the project in the Netherlands has implemented the “Shop 360” product safety laboratory testing in accordance with EU standards, after which a new sample of the product is being prepared by the company in line with requirements of Dutch customers. Currently negotiations with German partners also are begun. Upgrade of production capacities for about 10 million Drams was carried out by company within the project. Sales contracts for more than 40 million Drams have been signed.

“SME investments” UCO CJSC

Aimed at expansion of Financial assistance mechanisms, in 2009, the SME DNC of Armenia established the “SME investments” UCO CJSC. The company was founded based on the Government Decree of 21 May, 2009, N564-N, according to which a change was made in the 2009 program for state support to small and medium business. “SME investments” UCO CJSC has got registered and licensed by the Central Bank on August 7, 2009. The company will carry out credit and capital funding programs. The company's charter capital is 1.15 billion Drams. In 2009 the company provided credits to five companies, applications submitted by them were discussed and approved by the operative staff in support of economic development programs. In general the company has carried out lending of 857.0 million Drams.

Operative staff in support of economic development programs

The global financial crisis began to affect on the RA economy still in October–November, 2008. Therefore, the government embarked on anti-crisis program development, which was submitted to the National Assembly on November 12, 2008. The Government's anti-crisis program, the measures intended to ease the risks that the economy was facing due to crisis.

The main objectives of the government's anti-crisis program were: macroeconomic and financial sector stability, disclosure of additional incentives and contribution of their introduction with the aim to ensure the economic growth. The main objectives of these steps were: temporary business assistance, including direct loans, guarantees in the form of equity issuance and participation, as well as involvement of financial resources required for SME lending.

In order to contribute directly to the development of real sector of the economy, the operative staff was formed, which discusses the business plans from private sector, as well as makes decision on the support format. Support addressed to individual enterprises is supposed, which aims to create new jobs, promote import substitution of local products, increase exports, expand the use of local raw materials, and promote innovative technologies. To achieve this goal, the following mechanisms are being applied: provision of the state guarantees, credit guarantees, subsidies, including in the sphere of agriculture, direct loans, participation in equity of enterprises.

The Operative staff in support of economic development discussed a number of projects, which were provided with various kinds of support from SME DNC of Armenia and the “SME investments” UCO CJSC. In general, in 2009, 17 companies, which had submitted plans for consideration to attract financial resources, were provided with support involving about 3.6 billion Drams.

The Operative staff in support of economic development has discussed and approval was given to projects proposed by “Ride Group” CJSC, “Konser” LLC, “Idil – Textile” LTD, “DaykaLat” LTD, “Hergnyan brethren” Ltd, “Physics-Tech” LTD, “Rumea” LTD, “Liqvor” CJSC, “Performing Equipment Plant” OJSC, “Ellen and Ani” LTD, “BIOKAT” LLC and “Elektrasark” OJSC, that received Armenia SME credit guarantees and were provided with credits from established by the latter “SME investments” UCO CJSC.

Capital funding support is provided to “Sourcio”, “Golden Gout” and “Marketing Management 360”, the projects of which also were discussed and approved by the Operative staff in support of economic development.

“Tamara fruit” CJSC and “Agrospasarkum” JSC were provided with a comprehensive consulting and information support from SME DNC of Armenia in developing business plans, negotiations with banks and other destinations.

Start-up businesses entrepreneurship support

In 2009 the start-up businesses entrepreneurship support was provided to 11 companies in the regions within the framework of the UNDP/Armenia SME DNC joint project for “Support for SME development in Armenia”.

In general, 444 start-up entrepreneurs applied for participation in the program, of which 195 in total were selected and participated in the program. During 2009, within the framework of the program, 65 start-up businessmen have registered and started their own businesses, of which 59 is registered as a sole entrepreneur and 6- as a commercial legal entity.

Over the reportable period, the registered and spread start-up business activity distributed by activity sectors is as follows: manufacturing sector- 44.0%, services sector- 47.0%, trade sector- 9.0%.

The fund established for the purpose of providing financial support to start-up businesses, in 2009, was supplemented by 1.5 million Drams on the account of income received from the 2008 program for state support of SME and by 50.0 million Drams on the account of income received from the 2009 program for state support of SME, comprising 133.2 million Drams.

Over the reportable period, financial support was provided to the most realistic business plans submitted by 65 start-up business, including 7 of them are participants of the 2008 program. Received loan totaled to 91.5 million Drams, SME DNC of Armenia's guarantee- 109.4 million Drams. Crediting was carried out through the partner ACBA-Credit Agricole Bank.

The average amount of loan guarantee provided to the start-up business was 1.7 million Drams, the average credit amount- 1.4 million, recoverability of which made 100%.

For development of tourism hotel business in the regions, the hotel cluster development program was carried out in Lori and Syunik marzes, in which hotel and hospitality services provider acting and start-up entities and representatives of SMEs took part. Within the program framework the cluster development strategy has been elaborated, and hotel marketing centers were founded. 6 participants of the program got registered and were submitted for the qualification according to the economy hotel facilities qualification procedure.

Support in introduction of innovation and modern technologies in SMEs

Within the UNDP/Armenia SME DNC joint project towards Support in introduction of innovation and modern technologies in SMEs of Armenia, 10 businessmen were provided with support in investment and business plans elaboration, which were later submitted to the Operative staff in support of economic development programs. The business proposals were also submitted to the "Cooperation Development" program of the Dutch Agency on International Business and Cooperation and installed the Enterprise Europe Network with the aim to attract partners.

Support in promotion of SME units products (services) in the markets

In 2009, for the achievement of program goals, measures were implemented directed at product packaging, design, label design, website preparation, food safety systems certification (ISO 22000:2005), introduction of automated management system, as well as SMEs' participation in exhibitions. SMEs were provided with consulting support on implementation of product packaging, design, label design processes in accordance with the norms established by the legislation. Generally, in the above areas support was provided to 203 SME entities.

Supported SMEs distribution by the activity areas is as follows: manufacturing- 39.0%, services- 30.7% and trade- 30.3%.

SMEs business information and consulting support

During 2009 the start up and existing SMEs provided by the necessary information and consulting support relating the areas of law changes, foreign economic activity, lines and equipment, innovations and new technologies, business partners search, financial involvement and management, intellectual property protection, licensing, standardization, conformity assessment, business and investment planning, accounting, customs formalities and reporting.

In 2009 the information and consultancy support is satisfied within the 7814 support applications, of which 116 - in the specialized skills.

The part of consultancy support provided to SMEs, which require specialized skills, was carried out through companies providing business services, which were selected by a tender. Provision of this support for based SME proposals submitted by entities.

Within the 2009 program for SME state support, 14 SME units, which had applied to the Accounting center, were provided with support in preparation of accounting and taxation reporting.

Distribution of SMEs provided with support by sectors in as follows: manufacturing- 68.1%, service- 25.0%, construction- 0.9%, and trade- 6.0%.

Over the year of 2009, provision of SMEs with information on changes in laws, legislative acts and or amendments to them, as well as update, completion and servicing of interactive components of the SME DNC of Armenia's and the Enterprise Europe Network's new sites have been continued (within reportable period, the SME DNC of Armenia web site registered over 12100 visits, of which 32.5% from Armenia, while 67.5% are foreign).

In 2009, the following publications were elaborated and published by the SME DNC of Armenia: "Small and medium enterprise support programs and organizations providing services" bulletin 5th edition, "Small and medium enterprise sector in Armenia 2006-2008" statistical bulletin in Armenian and in English languages, "Simplified guide on SME units tax accounting" and the 2010 tax diary. Within the framework of cooperation with the UNDP during the reportable period the SME DNC of Armenia 2008 activity report was published in Armenian and English languages, as well as Information brochures of the SME DNC of Armenia.

In 2009, for the purposes of establishment of Public Relations by the SME DNC of Armenia, as well as for highlighting of its activities, a number of measures have been undertaken. In particular, 36 reports of the "SME Bulletin" show were broadcast on the "H2" TV, (twelve of which repeat), where the SME DNC of Armenia's current activities, the assistance programs and events organized by the latter were presented. All reports of the "SME Bulletin" show are presented in the "TV" section of the SME DNC of Armenia's official website.

In addition to television, many articles and publications were made in mass media, both in the press, news of information agencies and in analytical programs.

During 2009, once a month the businessmen were being informed about the news of the Enterprise Europe Network through the “E-Magazine” newsletter, where business proposals, as well as various events taking place in other countries were being presented in detail. Proposals circulating in the Enterprise Europe Network Internal Intranet were being published in the Info “Market” magazine twice in a month for six months, and opportunities provided by the latter were presented to the Armenian businessmen.

SMEs training support

During 2009, within the framework of the program, 47 training courses on the “Issues on Taxation Legislation Changes and Their Implementation”, “Explanations on Taxation and Labor Related Legislation”, “Preparation of Financial and Taxation Reports”, “The Bases of Accounting”, “The Civil and Economic Rights” and “Accounting (for Beginners)” have been conducted, where 991 representatives of SME entities participated.

Supported SMEs’ distribution by the activity areas is as follows: trade sector- 31.5%, manufacturing sector- 37%, services sector- 28.5%, and construction- 3%.

Enterprise Europe Network Communication Center in Armenia

With the purpose to choose partner organizations for the Euro Information Centers network the European Commission in 2007 announced a tender, and the SME DNC of Armenia proposal received approval, and since 2008 SME DNC of Armenia as a host partner organization has been renamed as a “Enterprise Europe Network” (Enterprise Europe Network, EEN), acting as its communications center in Armenia.

In 2009 EEN communications center in Armenia in cooperation with business associations and international organizations organized 14 meetings and discussions highlighting its activities and opportunities provided, aimed at raising awareness among the businessmen on activities of the EEN and increase of the number of beneficiaries.

More than 300 entrepreneurs have received information on Armenia EEN communication center activities.

In addition, information on EEN activities and mission has been regularly distributed through the mass media, as well as within the TV program “SME Bulletin” 4 programs were broadcast with the aim to make the opportunities provided by this initiative available for a possible large number of SME subjects.

In 2009 the SME DNC of Armenia and the Armenian EEN communications center new web site has been developed, which contains comprehensive and useful information about the business activities.

During the reportable period some 30 organizations have received information on procedures for acquirement of equipment, EU certification and certificate providing organizations, as well as customs procedures export of goods to EU.

For the purpose of establishment of business cooperation, assistance was provided to businessmen for their participation in the exhibitions and events held abroad, during which meetings were held between Armenia and European businessmen and possible business cooperation channels have been discussed.

Business cooperation proposals of 26 organizations and 2 technological recommendations are placed in the EEN Intranet, another 12 business proposals and 5 technologies are under preparation.

50 proposals placed in the Armenia EEN communication network by the center raised the interest of a large number of organizations from Italy, Lithuania, Poland, Denmark, Czech Republic, Turkey, Germany, England, Slovenia, Netherlands and other countries. 150 organizations initiated exchange of contact information and negotiations are underway to establish business cooperation. Currently “ARLIAN Consulting” Ltd and Spanish “Eurocom” LLC already are in the process of establishing cooperation agreement.

The table below presents the annual state support of SME (2007, 2008 and 2009) projects proposed by the SME units through applications, according to the dynamics of the number of separate areas of support.

Area of support provided	number of applications for assistance satisfied in 2007	number of applications for assistance satisfied in 2008	number of applications for assistance satisfied in 2009
Information and consulting assistance to the SME entities	7365	7210	7814
Educational training assistance to the SME entities	535	844	991
Assistance to the start-up business entrepreneurs	201	200	195
Financial assistance to the start-up business entrepreneurs	35	41	65
Promotion of products (services) of SME entities in the markets	236	231	203
Assistance for introduction of innovations and contemporary technologies in SME entities	16	6	10
Partial subsidy of interest rate of credits provided to SME entities	12	5	3
Provision of credit guarantees to the SME entities	94	56	57
Equity funding of SME entities	-	1	3
Provision of credit guarantees in accordance with the RA Government decree	-	-	2
Assistance within the framework of the Enterprise Europe Network Communication Center	-	24	27
Total	8494	8618	9370

1.2.2. Tourism industry development trends.

In 2008-2009, due to policy of the field of tourism, as well as cooperation between stakeholders, state and local government bodies, private and population sector, tourism in Armenia record a sustainable and dynamic growth of the number of visitors.

Achievements in the tourism sector registered in 2008

According to official statistics, 558443 tourists visited Armenia in 2008, registering 9.4% growth compared to the same period in 2007 (510289 visitors/international tourists). The indicator for visits of international tourists continues its steady growth started since 2001, which is the result of the policy measures.

Based on the World Tourism International Organization methodology of calculation of income, each tourist spends an average US 36 Dollars/per day in Armenia or US 705 Dollars for each visit (not including the cost of air tickets).

Studies carried out showed that in recent years tourism share of GDP amounted to about 5%, while it was one of the leading branches in export volumes.

Within the licenses provision process in 2008 14 guides and one escort have been licensed.

During 2008, significant developments were recorded also in the Hotel and restaurant areas, more than 15 hotel sites are repaired and handed for operation in Yerevan and Armenia communities. In 2008, international tourists were accepted by 46 hotels.

The process of qualification of hotel facilities also continued in 2008, and a number of hotels have received certificates of qualification, which proves the quality of services provided by them.

In the tourism sector, as a result of implementation of state programs, a number of achievements were registered, which were mainly aimed at presentation of Armenian tourism attractiveness in international tourism markets, to ensure the competitiveness of Armenian tourism product, continuous image formation and its improvement for proper presentation of Armenia as a favorable and safe country for tourism.

Particularly, the following program events were implemented in 2008:

1. domestic tourism results were presented at 8 prestigious international tourism exhibitions, which is a serious impetus to the international tourists visiting Armenia, the growth of number of tourists, for establishment and development new business contacts.

In 2008, Armenia organized an annual “Armenia as a country of speaking stones” international tourism exhibition. Armenia hotels, associations of hotels and restaurants in Armenia, educational institutions, airlines and a number of travel agencies participated in the held exhibition.

2. For the purpose of proper presentation of the Armenia’s tourism attractiveness, a variety of multilingual advertising-information materials were developed, printed and distributed to the demand market. Armenia tourist maps were updated, republished and offered to tourists in 2008.

13300 brochures and leaflets were updated and republished in 5 languages, with improved quality, revised and updated text and photos.

3. During 2008, the [Armenia] tourist information center, providing various services and information, has served over 8662 tourists, and the new Information Center Dilijan only in August-September months, has served more than 800 visitors.

4. For cognitive purposes in Armenia there were organized a number of study visits for tour operators and media representatives from a number of countries, as a result, articles about Armenia's attractiveness for travel were published in a number of famous professional journals.

5. broadcast of two Armenia's advertising clips continued on the CNN and EuroNews channels.

6. In accordance with the Government Decree N412-N of 17.04.2008, works for the documentary film on Armenia began in cooperation with the Spanish famous companies Bazz Business and Transglobe.

By the Government Decree N1064-N of 18.09.2008, the city of Jermuk was declared as a tourist center.

During 2009:

Armenia was visited by about 575 281 international tourists, ensuring the increase by 3% compared to the same period in 2008.

Within the guides and escort activities licensing process 17 guides have been licensed, and today visitors guide service is being provided by 140 guides and 2 escorts.

Continuing hotel facilities qualification process, qualification certificates have been provided to 7 hotels and 4 guest houses. Applications continue to be submitted within the qualification provision process, which promotes improvement of the quality of services.

Within the framework of the implementation of marketing policy in the tourism sector, program measures were mainly aimed at formation and continuous improvement the Armenia's image as a favorable and attractive country for a tourist in the world market.

Particularly:

a. domestic tourism results were presented annual international tourism exhibitions and fairs held in Berlin, London, Paris, Rimini, Milan, Tokyo and Utrecht, which is a serious impetus to increase of the number of international tourists visiting Armenia. In 2009 in Armenia also there was organized an annual international tourism exhibition with the title "Armenia: a country of speaking stones", which was attended by 65 industry-related organizations.

b. For the purpose of proper presentation of the Armenia's tourism attractiveness, a variety of multilingual advertising-information materials were developed, printed and distributed to the demand market. Armenia tourist maps were updated, republished and offered to tourists. In 2009 brochures and leaflets were updated and republished, with improved quality, revised and updated text and photos.

c. During 2009, the "Armenia" tourist information center, providing various services and information, has served over 11200 tourists, which exceeded the similar indicative of the previous year by 6%.

The Dilijan Information Center has served more 1881 visitors in 2009.

d. The following cognitive visits were organized in Armenia:

- leading European mass media 11 representatives, during this visit were organized both cognitive tours and a seminar titled as “Armenia: tourism, image and mass media”.

- Familiarization visits to Armenia within the framework of the organization of cognitive visits representatives of the Polish television program “Maklovichi traveling” visited Armenia in October of 2009, shots were made for a film on attractive features of Armenia, in particular, national cuisine, culture and traditions, which was broadcast on Polish TV.

- the Russian “Voyage” and “In Style” journals and journalists and photographers visited Armenia, during which the journalists got acquainted with the religious Armenia, the Armenian cultural heritage and traditions, took part in the Armenian food preparation, as well as wine and brandy tasting ordinances: the results of the visit were published in the above-mentioned journal articles.

e. In 2009, works on a 52-minute documentary film titled “Armenia: the Noah's country” ended. The film is highlighting the history, culture, traditions and other tourist attractive features of Armenia and Nagorno-Karabakh.

For broadcast purposes the film has already been acquired by Spanish TVB television and Scandinavian TV companies. Negotiations are being hold with the Italian RAI, Discovery Channel and prestigious other TV channels. The film has already been translated into Armenian and Russian, and issued through a three language diskette.

On June 26 and October 1, 2009, “Tatev” and “Northern Gateway” tourist centers were declared by the Government Decrees. work towards the development of targeted programs for the centers is underway.

1.2.3. Republic of Armenia Standardization Sector Development Trends

After the signing of the Agreement “On Technical Barriers to Trade” with the World Trade Organization the Republic of Armenia has undertaken obligations towards both the products and services relating to regulation of the requirements regarding human life and health, physical and legal persons and state property, animal and plant life and health, environmental protection, prevention of the factors which lead the consumers to misunderstanding through technical regulations, to harmonize the national and international standards with European standards, to activate the standardization work with international, European and inter-state standardization organizations, organizing the work of technical commissions, to activate the participation of stakeholders in standardization activities, as well as to expand the volume of information providing activities relating normative documents on standardization.

In 2008 the following activities have been carried out:

Development of National Standards:

- development of ISO international standards – 102,
- development of EN European standards – 10,
- development of national standards – 9.

Interstate and International standardization:

- organization of expert testing of Interstate - GOST, International – ISO, European – SEN draft standards,

- electronic voting of interstate and international standards,
- Organization of work with CIS and Interstate Standardization Council, the International Standardization Organization and the European Committee for Standardization,
- maintenance of national standards fund and information service work,
- national standards fund replenishment and registration,
- development of adopted national standards,
- maintenance of national standards fund existing in the RA,
- provision of information services to the organizations,
- introduction of standard information-search automated system,
- creation of a database, registration and storage of electronic versions of the entire text of existing standards,
- providing inquiries to corresponding WTO member countries' information survey centers,
- preparation and publication of the quarterly bulletin and of the Catalog of national standards.

In 2009, compared to the 2008 program: by 55 national standards was developed compared to 121 the national standard in 2008 and to the same events are planned for 2009. But in difference with 2008, in 2009 within the framework of those activities also were implemented the following works: introduction of the standard information-search automated system, creation of a database, registration and storage of electronic versions of the entire text of existing standards, providing inquiries to corresponding WTO member countries' information survey centers, preparation and publication of the quarterly bulletin and of the Catalog of national standards.

In 2009 the following activities have been carried out:

Development of National Standards:

- development of national standards – 55.

Interstate and International standardization:

- organization of expert testing of Interstate, International, European draft standards, organization of voting,
- maintenance of national standards fund and information service work,
- national standards fund replenishment and inventory registration,
- registration of standardization normative documentation,
- maintenance of national standards fund existing in the RA,
- provision of information services to the organizations.

1.2.4. Information Technology Sector Development Trends

The government considers the Information technology sector as one of the most important fields for international cooperation. Various programs have been implemented within this framework, which greatly contributed to the overall industry growth.

In 2009 Armenia's IT industry revenues totaled about 129.9 million US Dollars instead of 111 million US Dollars in 2008, providing with 117% of growth. For the period of 1998-2009 the average annual increase in the sector has been about 28%.

Currently there are about 196 IT companies, including 74 from foreign (comprising 38% of IT products in the market). Over the last decade, a number of foreign investors got involved in the Armenia's IT market. As compared to 2003, significantly increased the European (17-23%) and US (70%) investments shares.

Around 55% of the products and services of IT sector companies are export oriented, to more than 20 countries. In 2009, the IT sector's exports totaled about 71.5 million US dollars. Over 49% of export volume go to the US and Canada, 24% -to the EU countries, 16%- to Russia and CIS countries.

By the year of 2009, about 5200 specialists are involved in the IT industry. This figure has annually increased by 13.6 % compared to 2006.

Nevertheless, Armenia's IT industry is characterized by its current situation mainly as a whole of partial achievements, results of which yet can not be assessed as of significant scale in the international market.

Over the recent years, Armenia is seeking to become the leading country of the selected target markets of IT, as well as to have developed and advanced information society and knowledge-based economy. In order to achieve this goal Armenia should become a leading high-value IT products and services producing country from a low-value IT services provider.

The Government continues to support the further development of the field in a gradual and consistent manner.

In January 2007, between the Government of the Republic of Armenia and the "Microsoft" Corporation an information technology cooperation agreement was signed in Edinburgh. The "Microsoft" Corporation undertakes to carry out a number of educational and training programs in Armenia, to establish a Microsoft Innovation Technology Centre, to cooperate towards the development of e-government services, etc.

Intended to coordinate the mentioned activities, propose initiatives, implementation of the provisions of the Treaty, in particular, in order to ensure development and signing of operational sectoral contracts and their supervision, a joint working group is created between the RA Government and the "Microsoft" Corporation.

The Microsoft technology transfer center is established at present. Information Technology Enterprises Association has implemented the "Intellectual Property Rights Protection Campaign" program; the respective proposals concerning improvement of the copyright and related rights application mechanisms were submitted to the working group for consideration; the Ministry of Education and Science signed the licensing agreement - "Microsoft Campus and School Agreement".

In November 2007, Memorandum on Mutual Understanding was signed with the American company "National Instruments". The Memorandum affirms the readiness of two parties to implement joint research and educational programs in our country. The first practical steps have already been made; the

American company has established its first regional center in Yerevan, thus expanding its operation in the CIS. The new center already is receiving orders.

On December 26, 2007, an agreement was signed "On cooperation with the "ICT and the development global alliance" between the United Nations and the Government of the Republic of Armenia", according to which, by the decision of the RA Government, \$ 50,000 one-time assistance has been transferred from the state budget to the Global Alliance.

Within the cooperation with Alliance, already in November 2007, there was formed the Global network "Youth in ICT for Development" in Armenia.

Signing of the agreement provided with the opportunity not only for further maintenance and development of the above-mentioned center, but also to participate in the international professional network, which will allow the Republic of Armenia to participate in international events initiated in the field of ICT, get involved in ICT development process and increase the overall rating of Armenia as a country with developed ICT sector.

Aimed at study of possibilities of the establishment of an Information Technology Center in Armenia by the Indian Government, specialists of the "Center for Development of Advanced Computing" information technologies center of the New Delhi arrived in Armenia in 2007, with whom a series of meetings, discussions in the ministry, as well as with other state agencies, private companies and universities were organized.

Two IT representations were founded in Canada and Europe, which contributed to a number of joint projects, established among Canadian, European and Armenian IT companies, as well as to encourage the creation of numerous business relations, the future expectation of concluding the new contracts.

A number of promotion activities are carried out aimed at Armenia's character development and its recognition as an IT country. for that purpose Armenia's IT sector and companies were represented to major and important international exhibitions and events, as well as a number of research was made and analytical materials relating the IT sector have been issued. In addition, a number of events have been organized in Armenia, including numerous events held within the IT Month announced by the Government. In 2006-2007 co-financing has been provided from the state budget for organization of annual information, telecommunications and high technologies exhibition "DigiTech".

During 2005-2007, projects were successfully implemented aimed at improvement of the professional, technical and business skills of IT specialists, their specialization in new professions. A number of courses in various technical and business subjects were organized in cooperation with foreign and local experts.

A number of Higher Educational Institutions have introduced new courses and professions within the framework of joint projects with the private sector.

Since 2007 since a pilot program was carried out in the Syunik marz directed to introduction of distance learning. The main goal of the program is to promote 5 schools in the Syunik region with provision of the relevant technical and programmatic capacity to ensure e-literacy raising and improvement of general

teaching process. According to the government's decision state budget funds were allocated for implementation of the project in 2007.

In 2008 from the state budget 110 million Drams was allocated as state support towards the development of information technologies.

In 2009 from the state budget 170 million Drams was allocated as state support towards the development of information technologies. The following events were arranged within this project:

1. The pilot project, titled "IT industry research, analysis of the current situation, preparation of guidelines on the industry indicators and companies", for collection of statistical data concerning IT sector organizations, was carried out. Along with other functions the National Statistical Service (NSS), carried out data collection from certain legal entities and analysis based on collected data. For assisting implementation of this function, as well as in support of enterprises and organizations the "ICT STAT" statistical system was established, which allows to use Web technologies and accumulate the necessary information in electronic format. Within the framework of this event the research and analysis of the sector was carried out, update of IT sector indicators has been made; online version of IT companies guide was prepared. For implementation of this event financing from the state budget was provided at 10 000 thousand Drams, of which about 7 213.9 thousand Drams was spent on actually implemented activities and 2786.1 thousand Drams was saved.

2. Within the event "Co-financing for Organization of exhibitions and conferences abroad" the Armenian IT sector was represented on the CeBIT 2009 (Germany) exhibition, and participation of the Armenian delegation was supported. From March 3 to March 9, 2009 in the city of Hanover in Germany CeBIT 2009 was held, which was attended by five organizations from Armenia: the Union of Information Technology Enterprises, represented by its daughter enterprise "UITE Expo" LLC as the Armenian stand manager, as well as presenting the following companies involved in information and communications technology sector: "Develop Way", "Smart", "Makadamyán", "Sourcio".

The event was planned for 8000 thousand Drams, and actual expenditures amounted to 4170 thousand Drams.

Within the framework of the same event Armenian Global High Tech Industry Conference in USA "ArmTech 2009" was organized, which provided the performance of IT sector in Armenia and the Armenian delegation's participation. The event was planned for 4000 thousand Drams, however, taking into consideration the importance of this event, for the expense of money saved from other program events, this event actually was provided for 19000 thousand Drams.

3. Within the framework of the event "Exhibitions, conferences organized in Armenia" a number of conferences, exhibitions, and competitions were held.

October 2-4, 2009, the high, information and telecommunications technologies annual exhibition "Digitech 2009" took place in Yerevan in the Sports Complex after K. Demirchyan. in the above exhibition, compared to past years, 15 per cent growth of participants was recorded, in particular, it was

attended by 52 companies, and among them the American company “Oracle” took part in Digitech for the first time.

On June 19-20, 2009, “Digitech Business Forum 2009” was held in Yerevan. Opening ceremony of the forum was held on June 19 at the Tigran the Great Hall in the Marriott Armenia hotel. The “Digitech Business Forum” aims to promote introduction of information and communications technologies in various areas of business, to provide auspice presentation of all the goods and services of Information and telecommunication technologies, which are intended for modernization of business processes in other sectors of economy. The forum was attended by over 30 companies, the number of visitors amounted to about 1500. As an accompanying event, the Information Technology Enterprises Association and the “Microsoft RA” company jointly organized the “Microsoft Innovation Conference”. The event was planned for 4500 thousand Drams.

On August 10, 2009, a competition was announced with the title “Business Cooperation Support”, aimed at promotion of partnership between private companies and teams of scientists for creation of mutually beneficial new opportunities for economic development purposes. 22 proposals were submitted related to the information, high- and bio-technologies areas. All applications are assessed by an expert group composed of technical and business professionals. Local and US experts were involved in the assessment group. 14 proposals were selected, which were adopted into the 2nd round, for the teams which were transferred to the semi-final round, 2 training courses were organized. Together with courses, the teams have received private counseling on preparing their performances in Venture Forum.

On December 2, in the Ani Plaza Hotel the Venture Forum Summarizing Conference was organized. 14 proposals were presented in the conference. Applications are evaluated by a group consisting of technical and business professionals. 2 local and 3 US experts were involved in the assessment groups. 5 teams were chosen as winners, each of which received a grant -award at the extent of USD 15000 in equivalent Drams. In addition, the Ministry of Economy provided co-financing of 50% of all awards. The US Civilian Research and Development Foundation grant-award co-financing amounted to USD 37500 The latter also co-financed expenses of experts from USA. For implementation of the given event 16,935.9 thousand Drams was provided.

Within the framework of the event “Exhibitions, conferences organized in Armenia”, a competition in the field of Armenian programming was held, which was aimed at discovery of talented young people in the software development field. Competition was implemented in 3 successive stages: the main individual competition, training camp and team competition. 120 participants were registered, but 78 of them took part. The best 33 participants took part in team competition. The best participants and the winners were awarded by certificates and monetary awards. Approximately 5,505.1 thousand Drams was allocated from the state budget for implementation of the event.

Within the framework of the event “Co-financing of organization of events entitled “Information Technologies Month” under the Auspices of the Prime Minister of Republic of Armenia”, the Conference

on “Computer Science and Information Technologies” and the competition titled “People with sight disabilities against the computer” were financed by the state budget. 2,228.8 thousand Drams was provided for the event.

Within the framework of the event “IT sector with the private sector” Financing of IT leaders without ties meeting discussions” 5 outgoing meeting-discussions were organized in Armenia. 2000 thousand Drams was provided for implementation of the event.

Starting from January, 2009, works for elaboration of regulations for 2009 and 2010 competitions called “Armenia Robots Open Championship” began. Within the Digitech exhibition, held October 2 – 4, 2009, the Line tracking robot competition was conducted, the Autotech team was announced as a winner, for implementation of the event 3,491.7 thousand Drams was spent.

4. Within the framework of the event “International co-operation” The following measures were carried out: “Establishment of the Armenian-Indian information and communications technologies training center” and “Establishment of “Microsoft” Innovation Centre”.

For implementation of the program “Establishment of “Microsoft” Innovation Centre” - the concept of the program, its implementation and financial plans were summarized and brought to final version, negotiations are conducted with donor organizations for the implementation of the program, in the result of which a grant agreement was signed with the USAID for the amount of USD 849.870 as co-financing of the program. The full budget of the program is USD 2.187.004, of which USD 1.337.134 will be provided by the Microsoft Company. The Web site of the center has been developed and placed, design works for the center area are carried out, works for initial awareness rising through TV are underway, lecturers are hired for Microsoft's technology training, development and testing of e-education system was arranged, etc. The State budget allocated about 28,078.8 thousand Drams.

Within the event for “Establishment of the Armenian-Indian information and communications technology training center” the general project objectives and scheme and plan of implementation are summed up, the list and certificates for computer equipment were developed and agreed with the Indian party of the center. The Indian party announced a tender for the purchase of equipment. Areas, contents, time-table and participants’ qualitative criteria related issues for 6 training courses to be organized in India were discussed and summarized. 8 specialists trained in India will continue lectures in those areas in Armenia, in the Armenian-Indian information and communications technology training center in Yerevan. During the visit of the Indian delegation of experts interviews were held for the evaluation of qualification of applicants. At the time of that visit were discussed in detail and identified the agreed project schedule, scope of responsibilities of the parties, possible versions for provision of areas for the Center was discussed, as the best option is elected the offer by the Yerevan State University-approximately 300 square meters. area, which, however, completely needs repair. Jointly with participation of Indian and local experts also a seminar in India and local experts was organized, where the main business scope, objectives, and area of the center were presented. Within the framework of this even

an experimental laboratory is established at the Yerevan State University aimed at implementation of initial pilot training programs before the training center will start operating. For implementation of this event from the state budget 7,512.9 thousand Drams was allocated.

5. The program event “Development of the program “Computers for Everyone”” with international IT companies (Intel, HP) is conducted together with Intel and HP organizations. The Project aims to provide people access to computers and access to purchase, prepare appropriately skilled staff able to work with technical and respective computer software packages, to increase Internet accessibility for the population, as well as to reduce the non-use of licensed software programs. Duration of the program is about 4 years, during which appropriate structures and business processes will be created. It is expected to sell about 30000 computers, which will be equipped with licensed operating systems, other educational software packages, as well as with the possibility of using free for up to 3 months. In support of the main program the pilot program has been developed, which will be implemented in Yerevan, Gyumri and Vanadzor. The pilot phase will help to more clearly understand the project and prepare the project partners, sellers, banks, as well as the population. For implementation of this event from the state budget 9,037.9 thousand Drams was allocated.

6. Implementation of the program event “Financing of the OJCS Office for introduction of e-government infrastructures” was provided with 30 000 thousand Drams, within which the following activities are carried out:

An electronic signatures providing and servicing company is established in the Republic of Armenia, selection of the company personnel was conducted, a competition for vacancies according to plan was announced. Almost the entire staff of the company is compiled, which has entered into an agreement with the Government regarding making clarifications about exploring and servicing of the “CoSign” electronic signature machine-program facility: a software maintenance and operation of equipment associated with the purpose to clarify the issues. The procedure for provision of electronic signature and the necessary documentations are approved. The list of international ISO standards necessary for the preparation of technical tasks on the introduction of the biometric documentation system and certification center is identified.

The complete version of international organizations on introduction of the biometric passports, identification cards and a certification center is submitted to the Government of the Republic of Armenia. 177 electronic signatures are provided by the company, and for that purpose the company acquired 400 certificates from the Jewish company Algorhythmic Research LLC.

All the mentioned measures were aimed at the development of information technologies, public awareness on the achievements and accomplishments in the Armenian industry.

1.2.5. Development trends of the state support program for reconstruction of the Gyumri city into a techno-city

The city has rich cultural, educational and industrial traditions. There are 5 branches of state higher educational institutions and 3 local higher education institutions in Gyumri. The light industry, jewelry, machinery and instrumental industry, mechanical engineering, arts and crafts are developed Gyumri.

Information Technology (IT) sector yet is in a very early stage of development in Gyumri. A number of Yerevan-based IT industry companies arranged certain activities in Gyumri over the last few years, which is directly resulted by the projects for support in chips design and training programs on the web design initiated by the Gyumri Information Technology Center. In addition, there are several other local companies that provide local customers with Internet services, computer equipment sales and maintenance services.

At present, all the enterprises in Gyumri are considered to be small and medium enterprises. Throughout the volume of issued industrial production, up to 70% is provided by 100 companies, and majority of the remaining volume of 30% (about 90% of the remaining), is provided by individual entrepreneurs.

The number employed in the industry varies from 1,500 to 4,000 people, depending on seasonal availability of jobs and orders.

The largest amount of workers in effectively operating enterprises reaches up to 300 people, and the smallest number is about 5 people. The ratio of number of employees in industry is as follows: light industry- 14%, food industry- 46%, machinery, metal products- 7%, leather products- 3%, building products- 16%, products of minerals- 8%, Information Technology- 1%, and in jewelry- 5%.

The volume of scientific and technical works by the types of research:

- applied research - 30%
- scientific research elaborations - 14%
- scientific research services - 56%.

Distribution of scientific technical work expenditures by types of activities:

- scientific research work - 30%
- constructional and technological designs - 7%;
- preparation of samples - 7%
- scientific technical services - 56%.

Sources of scientific technical work expenditures:

- state budget - 94%
- foreign funds - 6%.

6 state and 2 private higher educational institutions operate in Gyumri. The number of students in state universities is 6781 people, while in private universities- 757 people. The professor-lecturer staff makes respectively 648 and 93 people.

Study of experiences of foreign countries in creation, organization of activities and further development of Techno parks, as well as the comparative analysis of industrial and scientific potential of the city of Gyumri, allow us to make the following conclusions and recommendations:

Considering the previous and present economic situation in the city of Gyumri and particularly the poor condition of economy, establishment of a specialized Techno park for integration of science and industry is described as a vital necessity.

Active participation of the local authorities and government bodies in the creation of Techno park, activity expansion and further development issues are of undeniable significance.

Program will increase the economic activity of the city of Gyumri and Shirak marz, reduce unemployment and improve the quality of life of the population.

Inclusion of the business incubator in the organizational structure of Techno-city, which will undertake the functions of supporting small businesses: business incubators have a very effective role in the development of small enterprises, promotion of competitive products in internal and external markets.

For the Techno city's (industrial park) establishment in Gyumri through state support programs of 2008 and 2009 several measures have already been implemented, in particular:

1. According to the memorandum signed between the RA Ministry of Economy, Enterprise Incubator Foundation and the Armenian Relief Fund on September 13, 2008, the Armenian Relief Fund conducted repair, renovation works in the area selected for establishment of a laboratory, and arranged its provision with necessary equipment, software and other works.

A tripartite Agreement is signed for goods supply between the Armenian Relief Fund, the Enterprise Incubator Foundation and INNOVA SOLUTIONS LLC, according to which were purchased SAN technology equipment, aimed establishing SAN technology educational laboratories in Gyumri.

2. For establishment and technical furnishing of three-dimensional modeling laboratory in Gyumri, selection of students and lecturers, preparation of educational-methodical manuals and for organization of productive three-dimensional modeling training, the Three-dimensional modeling Association has selected, furnished and equipped the space, hired a work team members for the program. For the laboratory the necessary furniture and equipment were obtained, the network was designed and installed; appropriate literature and training manuals necessary for the courses are elaborated and prepared for publishing. In 2008, the laboratory courses are launched, and in 2009 the center has more than two dozen graduates, who received graduation certificates.

The actual expenditures for the program made 8367 thousand Drams in 2008 and 9996 thousand Drams in 2009.

3. For the provision of grants for research projects, with the winner organizations by the results of competition announced by the Ministry of Economy, were signed contracts for donations at the following amounts:

“Saymotek” LLC- Design and programming of family sonograph and its telecommunications environment”- 5980000 AMD;

“Five Dimensions” LLC- “5 D-Construction software packages” for design estimates and conduction and management of construction organizations - 3750000 AMD;

“SHTE” Company- to develop and prepare samples for Smart home model based on National Instrument device platform- 4164000 AMD.

4. In 2009, the Gyumri Economic Development Fund was formed on the basis of Gyumri industrial park business plan, which also is the management office in Techno park, Techno park Management Office will coordinate and head the industrial park design and foundation work in Gyumri.

5. Aimed at creation of academic laboratories, in particular, jewelry and clothing production designer Training Center in Gyumri, in 2009, at the request of the Ministry of Economy to the Embassy of Italy in Armenia has expressed willingness to cooperate, and has recommended “The European Design Institute” as an Italian partner. In order to discuss the scope and format of further cooperation with the institute, the Ministry of Economy, the invited representatives of the Institute to visit Armenia.

At the time of its visit, the delegation of the European Institute of Design has had meetings with administrations of the Shirak marz and Gyumri, the Minister of Economy and businessmen, made a research on the perspectives of establishing of a branch office in Gyumri and has composed a study plan and expenditures estimate.

1.2.6. Development Trends of the Program Implemented by the National Competitiveness Foundation of Armenia.

National Competitiveness Foundation of Armenia was founded in 2008. The Fund has actively operated in 2009. The foundation's staff is completed, the number of employees increased from 3 to 13.

During 2009 the biggest achievement is considered the launch of implementation of the program for reconstruction of the monastery Tatev, within program titled “Tatev Revival and Reconstruction” and initiation of the construction of ropeway. The total amount of program expenditures make up 20 million Euros.

In 2009, progress was recorded in Armenia in the development of nuclear medicine, resulting in agreements obtained with the producing companies, and business versions are composed for cyclotron installation and operation in the Yerevan Physics Institute, as well as due to financial support from the Government.

Start of the consulting assignment on Armenia's telecommunications sector comprehensive study aimed at preparation of the “Technology Competitiveness Programme” is the major achievement in the area of introduction of the national broadband network in Armenia in 2009. The value of counseling assignment is US 190.000 Dollars.

16.1.1.3. MAIN PROBLEMS**1.3.1. General problems in the SME sector**

Along with the SME Sector Development trends of recent years the SME sector expertise and administrative monitoring studies identified a number of problems which the subjects of SME continue to face. The mentioned problems are due to objective and subjective factors, in particular due to insufficient accessibility of financial (credit) means for SME units, difficulties concerning business information and advice provision and professional training of the personnel issues, issues related promotion of SME units production (services) in the market. the lack and/or weakness of SME support infrastructures in a number of regions, as well as lack of business skills for engagement of start-up entrepreneurs in business. Anyhow, due to the economic policies of the last few years carried out in the Republic of Armenia, positive changes were made in the structure of the SME sector, from the point of view SME units' activities performance modes and the impact on the industry.

Despite the fact that in recent years many problems that hinder the activities of SME units and their development are mostly resolved both in the legislative field and in SME subjects financing (crediting) and technical support areas, still there is a number of problems in the country that are briefly presented below:

- deficiency of respective infrastructures and mechanisms for promotion of business;
- inaccessibility of financial (credit) means for the SME entities, due to their short-term feature and absence of sources for alternative financing (crediting), which is a serious problem, especially in the sector of production, particularly for SMEs operating in the field of scientific manufacturing;
- lack of business skills and financial means for the start-up businesses to get engaged into the business activities;
- difficulties existing in the sphere of business information and consulting, professional training of the personnel;
- lack of opportunities for SME internationalization activities and for export of their products.

1.3.2. Tourism issues

Tourism is being declared (The RA Law “On Tourism and Tourism Activities”, Article 3) as one of priority branches of economy and has the problem to develop, providing new jobs and foreign currency flows into the state budget, to raise living conditions of the population, reduce poverty level (in line with the Government Decree of October 30, 2008, No.1207-N on the Sustainable Development Program, paragraph 236).

Decentralization of tourist activities from the capital to the regions of Armenia is an important task of the sector to promote the regional economic development (Sustainable Development Program, 237 paragraph).

Announcement and development of new centers of tourism, creation of new tourism infrastructures, and development of alternative forms of tourism are the issues which will be directed to the solution of the proposed project activities (Sustainable Development Program, 238 paragraph).

At the same time in the view of development trends of global tourism, results analysis of the previous years tourism development projects identify issues that require solution:

(a) to implement an effective marketing policy in tourism, to duly present the result of domestic tourism in the international tourism market. In this area participation in popular tourism fairs will be ensured, at least 8-10 exhibitions per year, at least 15 tour operators in each, at least 3-5 agreement for each of them is envisaged, as a result of which, increase rate of international tourists will be preserved at about 20%.

Through creating several thousands of promotional-advertising materials, videos, movies, programs, the advertising-informational system is getting improved, and the tourists get the multilingual materials of proper quality, which make the result of the Armenian tourism more attractive.

(b) To ensure the local tourism product quality and increase competitiveness in the international tourism market.

For solution to this problem the followings are implemented:

- Licensing of tourism activities and parallel to the development processes, each year about 20 new guides will provide with their high quality services to tourists.

- At least 15 Hotel facilities will be provided with qualification certificates per year, providing with high-quality hotel services.

(c) Provide Armenia's integration into the global tourism market, active and effective international cooperation. Armenia's membership in the UN World Tourism Organization implies active participation in upcoming events: sittings of General Assembly, a number of committees, it is also expected to actively participate in a number of events organized by other international and regional organizations in tourism industry, as well as in development projects.

With effective use of tourism potential in Armenia, actively developing and improving the industry advertising-informational system, strengthening the material base, reducing staff shortages in specialists and obtaining necessary assistance for tourism development from other non-state sources, will be ensured the an average annual growth of inbound and domestic tourists number at 15-20%, will be established conditions necessary for protection and maintenance of cultural and natural heritage in all the regions of Armenia, tourist and recreation centers will be created other marzes and towns.

1.3.3. Issues on the sphere of standardization Republic of Armenia

The following problems are actualized in the field of standardization:

- assistance in ensuring of human life and health, property, environmental safety, support in the improvement of technical legislation, harmonized with international law and European standards, through development and adoption of technical regulations and national standards, as well as modernization of current technical regulations and national standards.

- Elimination of existing internal and external technical barriers to trade and international trade, creation of favorable conditions for foreign trade.

- Provision of technical and informational compatibility, exchangeability of products and resource saving.
- Ensuring consumer confidence towards products and services, and prevention of the factors which lead to misunderstanding.

The listed problems have significant impact on the economic development of Armenia on the current level, as standardization is the basic factor for creation and development of the new, knowledge-based economy.

1.3.4. General problems in the sector of information technologies

Along with IT industry development trends, as a result of private sector research, expert studies and analysis, a number of problems are identified, which are conditioned by both objectively and subjective factors. These include, in particular, problems relating formation, introduction and development of information society and its various components, promotion of investments in the IT sector, problems of promotion of products and services to local and international markets, business and technical consulting and professional training of the personnel, development of ties between the IT private sector and educational system. the insufficiency of mechanisms and/or appropriate skills for start-up businesses to promote entrepreneurial activities.

The project activities planned for 2010-12 are aimed at solution of the abovementioned problems. It will serve as an important precondition for development of a new strategy and the country's overall economic growth.

1.3.5. Main problems for state support project for the reconstruction of the city of Gyumri into a techno city

Project implementation problems derive from laws provided in paragraph 1.1, requirements of provisions of decisions and programs. They are as follows:

- Formation of national Innovation System and development corresponding principles,
- Formation of innovative system components, such as techno parks, technology incubators, analytical and information systems,
- Formation of innovation funds and venture capital activities,
- Improve the business environment in Gyumri, to eliminate the main reasons that impede the development of the business organizations,
- Increase opportunities of provision of business services (business education, information, advice, etc.) to entrepreneurs in Gyumri,
- Protection of local manufacturers' interests, raising competitiveness of products and creation of preconditions for integration into the international market,
- Improving the professional and entrepreneurial skills regional population.

1.3.6. The main problems National Competitiveness Foundation of Armenia

Marketing policy development and implementation remains as a pressing issue in the tourism sector in the terms of financial inclusion of various sources in support programs, including private investments, as well as grants and partner organizations in the form of appropriations.

For the implementation of measures within tourism development concept for 2008-2012 it is necessary to improve co-operation between the bodies forming the policy and programmatic interventions and private sector stakeholders on one hand and among the other sectors on the other hand, which play an important role for formation of the tourism product, to provide opportunities for the application of advanced international experience, as well as to significantly improve the tourism infrastructure and human capital, by developing standards and models.

Health care sector remains urgent in nuclear medicine programs in terms of inclusion of financial different sources and different ways, including loans, private investment, as well as donor grants and appropriations. In the case approval of the nuclear medicine and oncology field development concept and implementation plan there will be a need to ensure appropriate funding sources. In particular, the development concept of the mentioned sector is adopted the by the Government Decree No. 310-N.

In the sphere of introduction of high-speed telecommunications infrastructures, in increasing access to information and on the way of formation of e-society, demand for the existence of telecommunication high-speed infrastructures remains actualized. Introduction of the national broadband network in the country will become possible only in the result of involvement of tangible financial resources, taking into account the possible options for public-private partnership in the process of construction of infrastructure, further exploitation and management.

16.1.2. OBJECTIVES AND PRIORITIES OVER THE MTEF PERIOD**1.2.1. Objectives****2.1.1. Small and medium enterprise sector**

The main objective of the SME sector development and provision of public support over the MTEF period is to promote the continuous support to the gradual increase of the SME sector's role (authority) in the field of sustainable socio-economic and regional development.

Over the MTEF period the SME sector development and state support aims to:

- expansion of state support to SMEs and assurance of its continuity,
- preservation and strengthening of respective infrastructures supporting the SME units,
- expansion of financial and investment opportunities of SME entities,
- expansion of foreign economic activities of SME units,
- expansion of SME entities' opportunities of business training, information and consulting services,
- expansion of opportunities for doing business, particularly for start-up entrepreneurs,
- increase of the number of SME units, creation of new jobs and promotion of poverty reduction,

- entrance for the SME entities and their activities into international market and implementation of programs to promote export of products and expansion of international cooperation in that area, as well as integration in the international SME support structures and systems.

The above objectives are interrelated with target areas of the SME state support 2010 project, included in the list of program measures of the Government's Action Plan activities, which derive from the general objectives of the Government and activities are of ongoing and sustainable nature at least over the medium-term period.

Moreover, the implementation of these objectives is aimed at involvement of SME more entities (beneficiaries) and expansion of the scope of state support within the framework of implementation of measures stipulated by the SME state support 2010 program (services).

2.1.2. Tourism

- State policy in tourism industry from 2011-2013 aims to increase role of tourism in the increase of national income, balanced regional development, increase living standards of the population and poverty reduction process, due to:

- 1) increase the number of tourist visits,
- 2) increase revenue from tourism,
- 3) creation of jobs positions.

In the tourism sector of Armenia during 2011-2013 the tourism results will be presented in international tourism markets in a new way. Armenia's characteristic as a favorable and safe country for traveling will be assured and strengthened in the global tourism markets.

2011-2013 activities within the program are:

- the advertising-informational assurance system in the tourism industry will be developed,
- Armenia's participation at the most important international tourism fairs and exhibitions will be ensured,
- festivals and celebrations will be arranged,
- foreign journalists and tour operators and visits to Armenia will be organized,
- marketing studies will be carried out,
- development of international cooperation,
- slots and the films on Armenia will be broadcast through international TV channels.

As a result:

- inbound tourist visits to Armenia will increase at the annual rate of around 10 percent, the state budget foreign currency revenues will increase,
- Armenia will be integrated into the global tourism market,
- the quality of the Armenian tourism result will increase,
- high quality researches will be made, the prioritized tourism target markets will be determined,
- create new jobs will be created.

2.1.3. The sphere of standardization in the Republic of Armenia

the main objective in the field of standardization in the Republic of Armenia in 2011 is: development of technical regulations, examination and modernization of existing technical regulations, the number - 10 pcs, development of national standards, the number of 55 pcs, standardization of international, European and inter-state organizations with the cooperation and organization of work, number 45 pcs, standardization of stock replenishment new standards and information service activities continuous improvement.

technical regulations, develops, tests and current technical regulations, modernization - 10 pcs, national standards - 55 pcs, cooperation with international, European and intergovernmental standardization organizations and organization of works - 45 pcs, replenishment of standardization fund with new standards and continuous improvement of information service works.

For the year of 2012 the following is envisaged: development of technical regulations, examination and modernization of existing technical regulations - 12 pcs, national standards - 60 pcs, cooperation with international, European and intergovernmental standardization organizations and organization of works - 47 pcs, replenishment of standardization fund with new standards and continuous improvement of information service works.

For the year of 2013 the following is envisaged: development of technical regulations, examination and modernization of existing technical regulations - 15 pcs, national standards - 65 pcs, cooperation with international, European and intergovernmental standardization organizations and organization of works - 50 pcs, replenishment of standardization fund with new standards and continuous improvement of information service works.

2.1.4. Information technology sector overall objectives.

The main objectives of the information technology development and provision of state support are:

- To create information and knowledge-based society with the progressive enhanced ICT infrastructures, high computer literacy, computer equipment and a high degree of Internet access, also availability of widely used as e-service systems and large-scale market local IT industry.
- To ensure advanced and world-wide famous companies in the information technology sector, which creates a great added value for research and complex engineering solutions and services, to provide a competitive domestic IT product to the international markets.
- To ensure creation of a competitive “Armenian IT trademark”, its entrance and presence in the global market and, especially, in target market segments with high growth potential.
- To promote the information and high technology sectors’ growth and increase of income and formation of the knowledge-based economy through the promotion of ICT infrastructure and information society,
- To ensure growth of effectiveness, preservation and development of more (up to 5% of annual)
- To ensure high-quality labor force growth, preservation and development of more (up to 5% of annual).

Expected project outcomes are:

- 1) information technology research, the current situation analysis and assessment of the main result of the problems and challenges, strategic perspectives and achievements registered in recent years' identification and presentation,
- 2) Presentation of Armenian information technology achievements in international exhibitions, conferences and other events, growth of the reputation of Armenia as country with developed information technology sector, integration in the global information economy , creation of business relations, investment and the annual volume increase of at least 10%.
- 3) Due to duly presentation of achievements of the Armenian information technology in local exhibitions, conferences and other events, rising of public awareness, promotion of introduction of IT solutions in other fields of economy, resulting in productivity growth and increase of export of goods and services, promotion of sustainable economic development in the Republic of Armenia.
- 4) Through the establishment and expansion of cooperation with the states succeeded in the IT sector and with relevant international organizations, introduction of experience the these countries, establishment and development of Armenian IT representations in the world's major IT markets, expansion of cooperation with the Diaspora, involvement of investments, implementation of target long-term projects and involvement of world-famous IT companies into the economic field of Armenia, increase of Armenia's reputation using their experience, reputation and connections, while attaining the reputation level of the developed countries,
- 5) Accessibility and availability of computers for the population, annual sale of up to 5,000 computers, e-literacy levels increase, improvement of living conditions of the population, demand for electronic services and promoting their implementation, to ensure the level of computer supply up to 40%. To achieve these goals it will be necessary in government, education and the private sector to implement the reforms, programs and events, according to the following priorities:

2.1.5. State support program for reconstruction of the city of Gyumri into a techno city

- The program aims to reconstruct the city of Gyumri into a techno city, and to form an innovation system under the Gyumri techno city, which is provided by the laws, decisions and program documents provided in the paragraph 1.1. of this Program. At the same time, implementation of the industrial park activities support program has the following goals:
 - integration and activation of industrial and scientific subjects of intellectual, informational, logistic and financial resources, for the development of scientific potential,
 - formation of such mechanisms of market economy, which will contribute to the production of competitive goods,
 - creation of favorable environment conditions for establishment and development of SME units,
 - the involvement of investment funds (including foreign) in support of achievement of advanced technologies,
 - provision of targeted support to initiators and producers of scientific products,

- establishment of conditions necessary for preservation and development of scientific, technical, intellectual and human resources potential, preparation of young specialists,
- the serve as a standard model for other areas and regions in the country for the creation of technology oriented techno parks and incubators,
- commercialization of scientific developments,
- development of mutually beneficial cooperation in scientific, business and public sectors.

The following is scheduled within the program:

- progressive rates of economic growth in the mars,
- contribution to the sustainable economic development, balanced regional development and poverty reduction in the Republic of Armenia,
- creation and development of a new, knowledge-based economy bases,
- promotion of productivity growth,
- creation of new, high added value forming jobs,
- conduction of training courses, personnel training,
- implementation of scientific research programs, provision of scientific research grants.

2.1.6. National Competitiveness Foundation of Armenia

The main goal of the National Competitiveness Foundation of Armenia is to bring different sectors of the economy to the maximum degree of long-term competitiveness.

1.2.2. Priorities

	Priorities			Justification: references to the government's economic and political programs
	2011	2012	2013	
1	Preservation and strengthening of infrastructures for the support of SME entities			Sustainable Development Program (the government Decree No 1207-N of October 30, 2008, Annex, 1.4; objectives and strategic priorities of the Sustainable Development Program, paragraph 72, p. 35); the Government Action Plan for 2008-2012 (Government Decree N 380-A, April 28, 2008), Annex, paragraph 4.3. Economic development, p. 21); SME state support annual programs (2009 and 2010).
	Expansion of SME entities financial and investment opportunities through the introduction of new support mechanisms and improvement of existing ones			
	Provision of assistance to exporting SMEs or to those fast-developing SMEs, which possess proper export potential			
	Expansion of opportunities in the regions for the start-up businesses to get engaged in entrepreneurship			
2	Ensuring of the competitiveness of the Armenian tourism product in international tourism market and continuous integration into the international tourism market			Armenia's continuous integration into the international tourism market is the priority problem, which is targeted by the implemented programs. One of the main directions for the measures of Government Action Plan for 2008-2012 is the integration in the international economic market.
	Ensuring procedures of licensing of guide and escort activities			During 2011-2013 procedures of licensing of guide and escort activities will continue, aimed at provision of quality services, consistent with Government Action Plan for 2008-2012.
	Improvement and exploitation of tourism quality system			During 2011-2013 procedures of licensing of guide and escort activities will continue, aimed at provision of quality services,

		consistent with Government Action Plan for 2008-2012.
	Preservation and restoration of cultural and natural heritage all over Armenia, establishment of tourism and recreation centers in the regions of Armenia	The cultural and natural heritage preservation and restoration all over Armenia is one of the main directions of the Government Action Plan for 2008-2012. In the sphere of tourism the process of development of tourism in the regions of Armenia and the establishment of recreation centers is important.
	Implementation of measures deriving from tourism development concept aimed at improving and development of tourism infrastructures and resources, assessment and inventory record of resources, discovery and development of new attractions for tourism, formation of attractive and competitive package, human resource development and in ensuring high-quality research in the sphere.	The tourism Development Concept is approved by the protocol decision of the Government on February 13, 2008, which has been developed in line with the Government Action Plan for 2008-2012.
3	Program on development of national standards	The RA Law “On Standardization”, Article 16, paragraph 1; requirements of the Agreement on “Technical Barriers to Trade” of the World Trade Organization; annual program for the development of technical regulations and standardization.
	Program on organization of work in the field of cooperation with international, European and intergovernmental standardization organizations	
	Program for operation of the national fund for standardization and informational services	
4	Promotion of capacities and achievements of the sector	The RA law "On the RA 2009 State Budget"; the Sustainable Development Program (the Government Decree No 1207-N of October 30, 2008); the Government Decree No 658-N of 23.04.2008 “On Approval of the Program for State Support to the Development of Information Technologies Sector”; the Protocol Decision of the Government No 35 of 28.08.2008 “On Approval of the Information Technologies Sector Development Concept”.
	Representation of industry opportunities in Armenia and abroad, public awareness	
	Promotion of investments and exports in the sector	
	Increase of the level of IT professionals quality and competitiveness	
	Creation of proper infrastructures for stimulating development of the sector	
	IT industry productivity growth and establishment of information society	
5	Reduction of disproportions between Yerevan and the regions and differences of population income, improving business environment and solution of socio-economic problems in the city of Gyumri	The Sustainable Development Program (the Government Decree No 1207-N of October 30, 2008, paragraphs 64, 66, 69, 73); actions deriving from the Protocol Decision of the Government No 23 of 12.06.2008 “On Approval of the Concept of reconstruction of the city of Gyumri in Shirak marz into a techno city”; the RA law “On State Support to the Innovation Activities”, Article 1, paragraph 7 (d).

16.1.3. EXPENDITURE COMMITMENTS OVER THE MTEF PERIOD

3.1. Existing expenditure programs (commitments)

3.1.1. General description of small and medium enterprise sector

During the MTEF period, implementation of expenditure programs in the SME sector will greatly contribute to the SME sector priorities and realization of the SME sector development and state support program objectives, over the MTEF period (2011, 2012, 2013) the following is envisaged:

1. to contribute to the further increase of the share of SME units in GDP, by the end of the MTEF period, bringing up to about 43.0%, including 42.2% by the end of 2011, 42.5% by the end of 2012, and about 43.0% by the end of 2013.

2. Expansion of financial and investment opportunities for SMEs entities:

- to expand the program for provision of credit guarantees to 60-70 SMEs operating in the regions amounting to 300-350 million Drams and credit portfolio for 550-600 million Drams, including credit guarantee for 20 SME entities at the extent of 100 million Drams and credit package at 180 million Drams in 2011, credit guarantee for 20 SME entities at the extent of 100 million Drams and credit package at 180 million Drams in 2012, credit guarantee for 20-30 SME entities at the extent of 100-150 million Drams and credit package at 180-270 million Drams in 2013.

- Taking into account the importance of implementation of SME direct crediting and equity funding programs in support of fast-developing SME units it is planned to spend 1500-2000 million Drams for direct provision of crediting and equity funding for 30-40 SMEs in 2011, of which 500 million Drams for 10 SMEs each year in 2011 and 2012, and 500-1000 million Drams for 10-20 SMEs in 2013.

3. To expand opportunities for SMEs business training, information and consultancy services. Provision of 12000-13000 start up and existing SMEs with business training, information and advisory assistance, including in the above-mentioned areas, it is planned to include around 4000 SMEs each year in 2011 and 2012, and about 4000-5000 start-up and existing providing SMEs in 2013.

4. To expand the scope of activities and increase competitiveness of SME units, to expand products (services) and increase of their varieties, quantitative and qualitative growth of production of new products and services and increase of exports volume bringing it up to about 18.0%, including 17.5 % in 2011, 17.7% in 2012 and about 18.0% in 2013, as well as in the direction of promotion of in total 600-700 SME entities in the markets, of which it is planned to support over 200 SMEs in 2011, about 200-250 SME entities in 2012, and in 2013 - about 200-250 SME entities.

5. Within start-up businesses support in all regions, it is envisaged to provide technical and financial assistance to 800-900 start-up entrepreneurs in total, of which the 250-300 start-up entrepreneurs in 2011, 250-300 of them in 2012, and about 300 of them in 2013.

6. To contribute to creation of about 50,000 SMEs, and as a result to increase the number of new jobs by 70,000, particularly in the regions, including, establishment of 15000 SME units each year in 2011 and 2012, and 20000 in 2013, and respectively increase of new job positions will be as follows: in 2011 - about 21000, in 2012 - about 21000, and in 2013 - about 28000.

Increase of business activity in the regions and forwarding of the major part of state support (about 90%) to existing and start-up SMEs in the regions. For implementation of the program it is envisaged to allocate 150.0 million Drams each year over 2011-2013 period.

Maintenance of the SME Centre and branches, of which:

- 50.0 million Drams for each year over 2011-2013 period is envisaged for strengthening of the SME central office and regional branches;

- 100.0 million Drams for each year over 2011-2013 period is envisaged for payment of salaries to the staff and experts involved in the implementation of the program,

The program for provision of credit guarantees to SMEs will be implemented through SME direct crediting and equity funding (SMEs credit guarantees will be ensured on the expense of means accumulated as a result of fund amortization; the equity funding and direct crediting for SMEs units will be implemented within the activities of the “SME invest” UCO.

And the remaining measures will be implemented:

- by the means of 2009-2012 income of Armenia’s SME DNC, free monetary funds, savings for 2009-2012, as well as by the means of international organizations and foreign funds.

3.1.2. General description of the tourism industry

Project activities in 2011-2013 will be directed at:

- sustainable ensuring of the Armenian tourist product quality,
- integration of Armenia into the global tourism market,
- ensuring of sustainable growth of the number of international inbound tourists.

In previous years the program has already provided some results, which also will bear the ongoing nature in 2011-2013: to promote the sustainable economic development, jobs creation, increase of state budget revenues and income of population, fair redistribution of employment and income, balanced community development, poverty reduction.

In 2011-2013 implementation of annual programs for development of tourism in Armenia will mainly solve the following problems:

- (a) Will be conducted effective tourism marketing policy, domestic tourism will be duly represented in international tourism markets.
- (b) Will be ensured a stable quality of domestic tourism product and competitiveness in the global tourism market.
- (c) To develop international cooperation in the field, provisions set in the legal-contractual field will be implemented.

Program of measures aimed at the development of various fields; promote the creation of the developed tourism industry in Armenia, which in turn will ensure the country's considerable progress in economic development.

Within tourism marketing policies carried out in the country, for the Armenia’s image in international market as a sustainable and safe country for investments, favorable and attractive country for tourism and for duly representation of that image of Armenia in international market the Closed Joint-Stock Company “Armenian Agency for Tourism Development” in 2001. The main functions of the Agency are: assurance of Armenia's participation at international tourism fairs and exhibitions, development of advertising and

informational materials, printing and distribution, organization of cognitive visits by the foreign journalists and tour operators, organization and holding of traditional celebrations. Currently the Agency is under the process of liquidation, and since 2010 the tourism marketing policy will be implemented by the National Competitiveness Foundation of Armenia, which will continue activities carried out by the Tourism Development Agency.

The mentioned expenditure commitments were confirmed by the RA 2010 state budget. The program was included in the 2009-2011 MTEF as well.

The tourism development program consists of sub-programs, which are able to act as separate programs:

Development of advertising informational provision of the sector

Within the program for development of the tourism advertising informational provision system during 2011-2013 Armenia's tourism result will be presented in more than 15 world-famous tourism exhibitions. Due to participation in fairs for the recent years steadily increasing number of international tourists (including non-Diaspora tourists) visiting Armenia was recorded.

Over 2011-2013 advertising informational materials will be updated, published and distributed. One of main incentives to the development of the sector is ensuring of constantly updates of advertising materials, development of new materials, publishing and distribution. New quality of advertising informational materials will be ensured, circulation and dissemination of geographical expansion and publication languages will be increased.

The necessary amount of advertising informational materials ensures the outcome of Armenia's presentation in international tourism fairs, exhibitions, conferences and other events. Advertising informational materials, information papers, posters, maps, bulletins, guidelines, promotional CDs, videos are intended for the tourists to provide them with sufficient information about the country before and after arrival.

2011-2013 in addition to previous years, new series of materials, bulletins and directives will be created.

For the sustainable growth and development of tourism it is necessary to organize cognitive events, and on this basis, educational-cognitive visits of tour operators and foreign journalists are envisaged, which will result in raising awareness on Armenia's tourism industry.

Program will ensure state participation in organization of annual festivals of national and cultural character, particularly in the regions of Armenia, which will contribute to activation of cultural life in the regions and development of tourism.

Financial expenditures within this program will be directed at:

- Development of tour maps, brochures, advertising leaflets and other promotional materials about Armenia and separate regions and the Yerevan city, creation of new ones, publication and distribution.
- Participation at significant annual international tourism fairs, particularly held in Germany, Great Britain, Japan, Holland, Italy, France, Georgia, etc. Over the 2011-2013 period the level of expenditures

will increase in connection with increase of the number of participation in exhibitions and geographic expansion.

- Participation in organization and conduction of the traditional ceremonies. Over the 2011-2013 period, based on the importance of such events in tourism development, required financial resources will be allocated for this purpose.

- Organizing of familiarization visits for Foreign journalists and tour operators, from 2011-2013 the number of organized visits will increase.

- permanent update of the existing (www.armeniainfo.am) web page, creation and operation of new ones in community information centers.

By the Government protocol decision of February 13, 2008, the concept for development of tourism was approved, and on this basis the list of appropriate activities and measures was approved by the Decree No 1322-N, October 16, 2008, and in accordance with it 2011-20013 in accordance with the Government in 2008. February 13, the protocol approved by the decision of the concept for development of tourism activities from the list (October 16, 2008, N1322-N), will be realized improvement and development of the tourism infrastructures, assessment of tourism resources and inventory recording, discovery and development of new tourism resources and tour attractions, formation of new, attractive and competitive package, human resource development and in ensuring high-quality research activities.

One of the main areas of events deriving from the conception is conduction of tourism marketing studies.

2. International cooperation

According to the RA law “On Tourism and Tourism Activities”, Article 4, paragraph 6, development of international cooperation in the field of tourism is defined as a basic principle of state policy, and by the same law, Article 5, paragraph (1) point 2, the creation of a system for development of international relations and for contribution to international integration as the main objective of state policy.

Due development processes in the field of international cooperation in tourism, as well as the expansion of legal field, from 2011-2013 allocation of funds is planned to carry out program events.

International cooperation will significantly contribute to the process of training of local specialists, and human resource development is defined as a state policy main issue both by the concepts for tourism and tourism activities.

Over the MTEF period the activities will be directed at:

1. implementation of international agreements on the cooperation in the field of tourism,
2. cooperation with the USAID and other international organizations, participation in programs within the framework of that cooperation,
3. training of specialists (for private and public sectors) within the framework of international cooperation.

There is a need for realization of a number of pressing commitments, which derive from a number of inter-governmental agreements on cooperation with foreign countries, or from the implementation of the provisions of several practical programs (Belarus, Egypt, Iran, Syria, etc.). Failure of commitments

included in the mentioned documents means a unilateral violation of agreements, which in turn hinders the development of international cooperation processes and the Armenian side can not be performed without adequate financial resources.

For implementation of the program annually 50.0 million Drams is envisaged for the 2011-2013 MTEF period.

Over the 2011-2013 MTEF period due to tourism development program international and domestic growth rate of the number of tourists will be maintained, providing an average 10% annual growth, good quality will be the result of domestic tourism, providing Armenia's integration into the international tourism market, tourism in the regions, as well as international cooperation will develop.

3.1.3. General description of the standardization sector of the Republic of Armenia

Programs existing in the sector are as follows:

1. Elaboration of national standards
2. Interstate and international standardization
3. maintenance and operation of national standards fund, the information service work.

For implementation of the program 14.0 million Drams is envisaged for each year in 2011 and 2012, and 15.3 million Drams in 2013.

Through the National standards program, standards harmonized with international and European ones are being developed, which are aimed to ensure preconditions and increase of competitiveness for development of various sectors of Armenia's economy. Application of these standards the domestic producers have the opportunity to provide the requirements laid down in technical regulations and produce products competitive in the international market.

Cooperation with international, European and inter-state organizations and the plan of organization of work allows to participate in the activities of International Standardization Organization (ISO), European Committee for Standardization (CEN) and (CIS) Interstate Council for Standardization and the technical committees for standardization, to apply the standards adopted by those organizations, to submit recommendations prepared by the RA interested agencies and the National Institute of Standards on the draft standards developed by them, thereby contributing to exports of manufactured domestic producers and services to international, as well as regional (European Union and CIS countries) markets. Besides, as a member of the abovementioned the international standardization organizations, the National Institute of Standards must work of these organizations and actively participate in meetings convened and annual assemblies. Such participation raises the prestige of Armenia in the international arena, and each time allows to lay the basis new beneficial cooperation with various interested organizations.

The program for the maintenance of national standards fund and information servicing enables the Republic of Armenia to possess a fund of international, European, state, interstate standards and standards of other states, as well as fund of normative documents on national standardization, to ensure provision of

the necessary and required standards, advice and information to state and local government agencies, public and private companies, individual entrepreneurs, citizens and all other interested persons.

The program for organization of the work of technical commissions is of great importance to increase the quality of standardization activities and for increasing the role of Armenia in international standardization activities. Currently the National Institute of Standards in the name of the Republic of Armenia of is holding membership in 37 of ISO and 3 of CEN technical commissions and by the status of a member participates in their activities.

However, according to the requirements deriving from the membership in technical commissions, each member country should respectively hold its mirror national technical commission, which shall discuss all proposals, drafts and initiatives of the international commission and submit its opinion. Creation of mirror commissions is a costly process that requires at least one annual session organized due to the large amount of materials submitted for consideration. So far, the National Institute of Standards efforts only managed to create 9 National Technical Commissions.

The Ministry of Economy and operating in its system the National Institute of Standards CJSC are the state bodies responsible for implementation of programs deriving from the requirements of the RA law “On Standardization”.

Existing expenditure programs in the field of standardization are:

1. development of national standards,
2. Interstate and international standardization,
3. maintenance and information servicing of standards and the national fund.

Over the 2011-2013 period for implementation of programme it is envisaged to allocate, 14.0 million Drams in 2011, 14.0 million Drams in 2012, and 15.3 million Drams in 2013.

3.1.4. General description of the information technology sector

By the 2011-2013 medium-term expenditure it is envisaged for the program 80.0 million Drams each year, respectively. The following programs provided by the 2011-2013 MTEF program will be the continuation of funding of the program for “Information Technology Development” provided by the 2010 state budget.

1. IT sector presentation and promotion in Armenia and abroad, research, public awareness

The “Information technologies development concepts” primary task is to present the sector in Armenia and abroad, promotion of cooperation with states and relevant international organizations succeeded in the IT field, membership in international IT organizations, assurance of Armenia's rating as a regional IT center, including contributing to regular conduction of a number of events of international significance, implementation of long-term targeted programs, attracting world famous IT companies to Armenia, to use the letters' experience, reputation and connections for the purpose of raising Armenia's rating in the world market and for advancement of the “Armenian IT trademark”.

For the process of the Armenia's IT sector performance and promotion in Armenia and abroad, for raising the public awareness, it is necessary to properly organize preparation of materials. For this purpose it is

necessary to carry out industry related research and analysis, which will present the current situation in IT industry, including key issues and challenges, strategic perspectives and achievements recorded in recent years. They will serve as an important tool for brief and spectacular presentation of Armenian IT industry in many events, meetings. As a source of information they will also contribute to the solution of major problems in the IT sector, investment promotion and further development strategy for development.

Armenia's IT sector performance in international markets, major exhibitions and summits is a critical factor for presentation of the Armenian IT sector capabilities and achievements, individual companies with their software and services, performance and creating business links, formation of internationally competitive Armenian IT trademark, as well as for the industry to get acquainted with the latest international achievements and to conduct market studies.

In addition to participating in international events, events (exhibitions, conferences, competitions, etc.) organized in Armenia are also important, which aim to exhibit the achievements of the Armenian IT sector and the achievements of the government, the private sector, scientific and educational institutions and donor organizations, results of cooperation and joint efforts. They will also raise awareness and contribute to the strengthening of domestic industry relations by creating a basis for innovation, productivity improvement and strengthening of ties between IT industry and wider community.

2. International cooperation

For increase of competitiveness of the Armenia's economy, particularly the IT industry has an important role for the presence of large transnational IT companies in Armenia and for development and implementation of investment and joint educational programs on the level of their government and/or private sector. The main goal of this process is to promote foreign investments in Armenia, create new jobs, as well as learn and apply the best international experience. Such initiatives require long-term liabilities of the state, because the existence of such a commitment is the main guarantee, and in some cases as a precondition for cooperation. Within this measure the cooperation with the Microsoft organization and the Government of India will continue. At the same time, in pursuance with recommendations in the result of the Prime Minister's US visit joint educational and research programs will start with Intel and Sisco.

3. Development of the program for “Computers for Everyone” with international IT organizations (Intel, HP)

One of major objectives of the “Information technology industry development concept” is the formation of information society in the country with its advanced IT infrastructure, high computer literacy, computer equipment and a high degree of Internet access, wide-spread used e-service systems, large domestic IT market and the existence of advanced knowledge-based industry. Implementation of the program for “Computers for Everyone” is directed at achievement of this goal.

Similar program is being implemented by Intel and Microsoft companies jointly with a number of public and private organizations in other of developing countries. The program generally aims to increase the total volume of use of computers by the population of Armenia, offering modern computers and software at affordable prices. It will enable Armenia to acquire modern computers with licensed software packages at affordable prices for the population. Thus, the project will try to resolve one of the intellectual property related problems in Armenia: widespread use of licensed software. The program will encourage the growth of Internet usage by population, which will in turn create favorable conditions for the development of Internet services. By the 2009 program for support in development of information technologies it is planned to develop possible mechanisms for implementation of the program in Armenia and to ensure the public awareness about the program. Since 2010, within the project it is planned to implement management team's remuneration and to provide for the consumer loan repayment provided by banks for the purchase of computers.

3.1.5. State support program for reconstruction of the city of Gyumri into a techno city

The following projects planned for the period of 2011-2013 MTEF will be implemented as continuation of the 2010 budget program “State support for reconstruction of the city of Gyumri into a techno city” and will greatly contribute to innovation industry priorities and achievement of state support program objectives.

For implementation of the program over the 2011-2013 MTEF period it is envisaged to allocate 200.0 million Drams, respectively, each year.

In the framework of the state support to the program activities will contribute to the formation of the innovation system.

2011

1. Industrial park management activities

This activity provides the Gyumri Economic Development Fund's, which is also the industrial park management office, working staff salaries, office maintenance expenses, business trips to business centers of foreign countries with rich and successful experience in techno park industry, and training of students of the Shirak region in leading universities abroad.

For the industrial park management in 2011 it is planned to allocate 46676.0 thousand Drams.

2. Support to introduction of innovations and modern technologies

The program provides for organization of competitions for the business ideas and programs relating engineering and/or information technology. Expert consultants will be assigned to each of the groups selected in the result of the competition, who besides consulting at all stages of the work group will conduct training, will specify the commercialization ways and possibilities for programs.

A business plan will be developed for each project, which will be created on the basis of new companies opened. It is envisaged to provide two companies with state support through buying 25-50 percent of

shares of each, thus making capital investment at the extent of 14000 thousand Drams in the statutory capital, which will be directed to financing of priority activities.

For the 2011 program it is envisaged to allocate 62,000.0 thousand Drams.

3. Grant co-financing for the preparation of technology competitiveness increase program of the World Bank

This operation will support the project and together with the government will provide co financing regional SME technical capabilities modernization program, on a three-year basis.

The program includes advice, technical assistance and training to both company personnel and a third company. Detailed description of the proposed services is provided by GTC company Journal. These are (services) based on the study done by GTC in the framework of PHRD grant program, as well as based on the best international technological development programs. Provision of 41,124.0 thousand Drams is envisaged for the program in 2011.

4. Establishment of a laboratory for Software servicing, design, multimedia

The project is considered to be the logical continuation of the 2010 programs for establishment of laboratories of mechanics and electronics. By the 2011 program it is envisaged to allocate 50,200.0 thousand Drams.

2012

1. Industrial park management activities

This activity provides the Gyumri Economic Development Fund's, which is also the industrial park management office, working staff salaries, office maintenance expenses, business trips to business centers of foreign countries with rich and successful experience in techno park industry, and training of students of the Shirak region in leading universities abroad.

For the industrial park management in 2012 it is planned to allocate 46676.0 thousand Drams.

2. Preparation of investment projects and involvement of partners

With the purpose of involvement of investments in the techno city, preparation of investment projects and organization of respective activities within the framework of foreign investors will be conducted.

This activity will be implemented through public awareness measures, investment projects will be prepared and participation in the world international investment fairs and conferences will be arranged.

For this purpose it is planned to allocate 80000 thousand Drams in 2012.

3. Project management and entrepreneurial education

The project goal is to strengthen enterprises, increase employment, as well as to develop and ensure sustained economic growth It also aims to promote the growth of innovation and prosperity, as well as change of economic and social images of countries representing the world's leading markets through providing:

- professional knowledge of entrepreneurial business

- Resource Center, where entrepreneurs can receive the necessary professional business consulting, training and other services
- Internet business solutions for small and medium enterprises
- Technology Network

Programme is planned for 27,524.0 thousand drams in 2012.

4. Grant co-financing for the preparation of technology competitiveness increase program of the World Bank

This operation will support the project and together with the government will provide co financing regional SME technical capabilities modernization program, on a three-year basis.

The program includes advice, technical assistance and training to both company personnel and a third company. Detailed description of the proposed services is provided by GTC company Journal. These are (services) based on the study done by GTC in the framework of PHRD grant program, as well as based on the best international technological development programs. Provision of 41,124.0 thousand Drams is envisaged for the program in 2012.

2013

1. Industrial park management activities

This activity provides the Gyumri Economic Development Fund's, which is also the industrial park management office, working staff salaries, office maintenance expenses, business trips to business centers of foreign countries with rich and successful experience in techno park industry, and training of students of the Shirak region in leading universities abroad.

For the industrial park management in 2013 it is planned to allocate 57296.0 thousand Drams.

2. Preparation of investment projects and involvement of partners

With the purpose of involvement of investments in the techno city, preparation of investment projects and organization of respective activities within the framework of foreign investors will be conducted.

This activity will be implemented through public awareness measures, investment projects will be prepared and participation in the world international investment fairs and conferences will be arranged.

For this purpose it is planned to allocate 74350 thousand Drams in 2013.

3. Grant co-financing for the preparation of technology competitiveness increase program of the World Bank

This operation will support the project and together with the government will provide co financing regional SME technical capabilities modernization program, on a three-year basis.

The program includes advice, technical assistance and training to both company personnel and a third company. Detailed description of the proposed services is provided by GTC company Journal. These are (services) based on the study done by GTC in the framework of PHRD grant program, as well as based on the best international technological development programs. Provision of 41,124.0 thousand Drams is envisaged for the program in 2013.

4. Project management and entrepreneurial education

The project goal is to strengthen enterprises, increase employment, as well as to develop and ensure sustained economic growth. It also aims to promote the growth of innovation and prosperity, as well as change of economic and social images of countries representing the world's leading markets through providing:

- professional knowledge of entrepreneurial business
- Resource Center, where entrepreneurs can receive the necessary professional business consulting, training and other services
- Internet business solutions for small and medium enterprises
- Technology Network

Programme is planned for 27,230.0 thousand drams in 2013.

3.1.6: Armenia's National Competitiveness Fund expenditure programs are:

1. Main office,
2. Tourism,
3. Health,
4. Education,
5. Crossing areas,
6. Supporting.

Each year over 2011-2013, respectively, 264.0 million Drams is planned for the medium-term expenditure program.

16.2. STATISTICS

16.2.1 SITUATIONAL OVERVIEW AND MAIN PROBLEMS

According to the Law “On State Statistics”, the National Statistical Service, as a public administration body acting for public benefit, is responsible for organizing a system of statistical data on phenomena and processes observed in the economy and the society, and on their outcomes, as well as for providing summarized statistical information to public and local self-governance bodies, legal entities, state enterprises, and international organizations, and to the public.

Pursuant to the provisions of the Law “On State Statistics”, the basis for running state statistics in the territory of the country is the triennial State Statistical Activity Program and the annual State Statistical Activity Program.

a/ NSS activities in 2009, according to the “2009 State Statistics Work Plan”

2009 State Statistics Work Plan included statistical works by 422 codes (periodicity considered: 1898) were implemented within the specified time and frequency.

With regard to the information-publishing activities envisaged by the Program, in 2009 the National Statistical Service published 152 titles of statistical materials, totaling 12141 copies and around 1.5 million pages, including “Social-Economic Situation in the Republic of Armenia” the annual statistical report (in Armenian and Russian). Publication of 21 titles of statistical sets planned and published under the program was financed from the State Budget.

At the same time, pursuant to the Program, the envisaged 17 titles of statistical bulletins (or 67- with the account of monthly, quarterly, and annual publication frequency) were published. 4 titles of statistical reports (in Armenian and English languages) were published (by the results of statistical research reports), as well as the informational monthly report on “The socio-economic situation in the Republic of Armenia” (in Armenian and Russian languages).

Pursuant to the program, 34 Press Releases published and 6 titles of statistical reports were prepared by the (57 Reports n total) NSS staff 10 regional agencies and 6 agencies of the city of Yerevan.

During 2009, within the framework of international cooperation the NSS issued 4 publications, 1 press release and 220 inquiries got responses by e-mail.

b/ NSS development trends for 2010, according to the “2010 State Statistics Work Plan”

2010 State Statistics Work Plan includes statistical works by 426 codes (periodicity considered: 1864).

2 statistical surveys will be implemented, including 1 by the state budget financing, while the other is a joint Armenia Living Conditions Integrated Survey (of households) by the state budget and the "Millennium Challenge"-Armenia SNCO fund co financing.

Within the program it is intended to publish 19 statistical compilations by the state budget financing. At the same time, according to the project, 17 titles of statistical bulletins will be published (on monthly, quarterly and annual basis: 67), 9 Press Releases (periodicity considered - 34) and informational monthly report on the “Socio-economic situation in the Republic of Armenia” (periodicity considered - 24).

According to the RA law "On Census" and other legal acts on the 2011 census, within the time limit it is planned to organize and conduct a pilot census in April 14-23, 2010.

Main Problems

The basic tasks of state statistics are:

- support to the monitoring of indicators describing objectives defined by the Millennium Development Declaration,
- support to the monitoring of Sustainable Development Programme performance,
- improvement of the system of national accounts,
- conduction of pilot census in 2011,
- improvement of methodology for evaluation of non-registered economy,
- improvement of environmental industry statistics, integration and upgrading,
- creation of administrative registers and improvement,
- accessibility of statistical information, transparency levels increase even more.

16.2.2 OBJECTIVES, PRIORITIES, AND EXPENDITURE DRIVERS OVER MTEF PERIOD

16.2.2.1. Objectives

The main objective of the field of statistics is: data collection, processing, accumulation, summarizing, maintenance, as well as exchange and dissemination of statistical information on the socio-economic processes, population and spheres of its activities.

According to the provisions of Article 11 of the Law "On State Statistics", the National Statistical Service conducts its main activities in state statistics sector based on the main areas defined by the triennial State Statistical Activity Programs adopted by the National Assembly and through the measures defined by the Programs approved by the RA National Statistical Council for implementation of activities in these directions.

The annual Program includes a list of statistical data (data collection sources, time-frames for data submission and works (development of the index), and publications) used for observation of economic, demographic, social and environmental protection situations, taking into account the scarcity of resources, the volume of obligations of statistical data providers, and the efficiency of expenditure.

16.2.2.2. Priorities

The main priorities of the National Statistics Sector development over 2011-2013 will be the following:

In the context of preservation of Statistics internationally adopted principles:

- to continue Statistics institutional transformation processes, pursuing also changes in the legislative field regulating statistical relations,
- along with the introduction and operation of local (municipal) administrative registers (including the communities passports), to improve and expand the composition and contents indicators necessary for the maintenance of regional statistics,

- in order to ensure the operative preparation of indicators, works in the area of electronic collection of information through introduction and application of information technologies,
- complete, modernize and summarize (minimum on an annual basis) the business register database (in the part of legal entities and individual entrepreneurs), and as a result to realize a gradual transition to the introduction and application of methods of sampling information collection,
- to completely introduce the mechanism of information collection through the administrative registers, taking into account the need to ensure implementation of relevant activities established by the annual work plan for state statistics,
- for the purposes of ensuring the quality and transparency of statistical data, and for the introduction and application of international standards in statistics, switching to internationally recognized criteria for data propagation (in particular, participating in the "Special Standards for Data Dissemination" elaborated by the International Monetary Fund), which would imply uninterrupted operation of the National Statistical Service website, as well as regular updating of the structure and quality of information and meta-data,
- furthering activities aimed at the completion of the gender statistics,
- expanding the structure and contents of statistical publications (bulletins, collections, etc) so as to meet the needs of consumers (users) of statistical data in a comprehensive and timely manner, also using the potential of information technologies,
- to continue and expand the scope of international collaboration of the National Statistical Service aimed at continuous improvement of statistical methodology, harmonization and unification of with international standards, as well as to ensure international comparability of statistical indicators,
- continue the elaboration and introduction of national classifiers (including the territorial units general classifier, classifier of individual consumption by purpose, classifier of statistical units, etc.), as well as development of the existing and applied ones,
- to improve the service of the official Web site, so that the statistical information consumers (users) could receive summarized information in a real time mode from the NSS official Web site.

16.2.3. EXPENDITURE COMMITMENTS OVER MTEF PERIOD

According to the main areas of statistics activities defined in the triennial State Statistical Work Plan, allocations to the sector over 2011-2013 will amount to 596.8 million Drams in 2011, to 348.8 million Drams in 2012, and to 366.3 million drams in 2013.

The volume of expenditure will increase by 104.7% in 2011, as compared with 2010 level; will decrease by 41.6% in 2012, as compared with 2011 level; and will increase by 5.0% in 2013, as compared with 2012 level.

State statistics in 2011-2013 the growth in expenditure is reasoned by:

- the planned minimum monthly wage rate at 32500 Drams starting from 2011, and increase of remuneration by 10 % in 2013,
- implementation of the program for "Organization of census preparatory work in 2011".

2011 population census will provide the state bodies, international organizations and members of the civil society with more complete information on the sex-age composition, education, health conditions, housing and living conditions of the population as the most important tool for programming of the socio-economic development.

The following actions are envisaged within the program for “Organization of census preparatory work in 2011”:

- preparation of schematic plans and maps of administrative districts of towns and large villages (with 5,000 or more population),
- organization of discussions the draft final version of the Census Project (questionnaire) and presentation to the Government for approval,
- ensuring of approval and registration of guidance, prescriptive and reporting documents as normative acts, which regulate all the functions of census preparation and conduction, as well as their publication, elaboration and approval of output tables,
- organization and implementation of Census highlighting and mass-explanatory consistent functions, particularly, publication of posters and promotional materials, organization of conversations and debates through radio and TV, preparation of video materials, conduction of seminars throughout the republic,
- organizing of the prior fieldwork for compiling the lists of houses/buildings and households thereof in towns and large villages through in advance recruited and trained staff, preparation of lists of rural settlements,
- preparation and approval of plans for conducting the census in regions, recruitment, training, skills testing of respective personnel within the time-frame provided by the Action Plan,
- with the aim to ensure the machinery processing of census questionnaires, elaboration and approval of machine processing package, preparation of data input software, segregation of classifiers necessary for digital encoding and approval thereof,
- provision of all census district agencies with the necessary quantity of documentation for conduction of census,
- organization and implementation of fieldwork for census conduction,
- after duly checking the accuracy and integrity of documents filled within stated period, collection thereof by subordination and transportation from Yerevan and regional district agencies to the NNS,
- recruitment and training of specialists for encoding of census questionnaires,
- receipt of prior census summarized indicators and publishing,
- organization of the census questionnaire coding process,
- recruitment and training of data input personnel,
- organization and implementation of census questionnaire input, processing and control,
- receipt of the census output tables provided by the plan,
- preparation and publication of the census results.

EXTERNALLY FUNDED PROGRAMS

Within the framework of the agreement signed between US Millennium Challenge Corporation and the NSS in 2007-2011 Armenia Integrated Living Conditions Survey (household surveys) by the amount of US 1706500 Dollars will be implemented.

CHAPTER 17.**STATE PROPERTY MANAGEMENT****17.1. SITUATIONAL OVERVIEW AND MAIN PROBLEMS****1.1. General description of state property management sector**

The State Property Management Department under the Government (hereinafter referred to as the Department) continues realization of public policies adopted in accordance with the Civil Code, the RA laws “On the Privatization of State Property”, “State Property Privatization 2006-2007 Program” and other legal acts, as well as pursuant to the state property management concepts.

Companies supervised by the State Property Management Department are included in the lists of the RA law “On State Property Privatization 2006-2007 Program”, and starting from the moment the Government Decree No. 747 of 13.12.99 on privatization or privatization preparation work entered into effect, powers for disposing the company’ state-owned shares are transferred to the State Property Management Department.

In 2009, the Department continued implementation of policies adopted in accordance with: the laws “On the State Property Privatization”, “On State Property Privatization Programs”, the Government Decree N40-N dated 15 January, 2009, “On the Confirmation of the Government of Republic of Armenia 2009 Activities Plan and Priority Issues”, the Civil Code of the Republic of Armenia, other laws and other legal acts, as well as state property management concepts.

1) The State Property Management**Disposal of shares of state companies and monitoring of activities**

By the year of 2009, 32 companies under subordination of the Department have been included in the lists of the “State Property Privatization 2006-2007 Program” law.

In accordance with schedule, confirmed by the Department order of 05.08.2009. No. 67-A, 6 companies have been submitted for the liquidation, 2 companies for privatization and 1 company have been recognized as bankrupt.

By Government Decree No. 1013-N of September 3, 2009, was regulated the process of handling over of the state-owned shares of commercial organizations with state participation under the Department supervision, according to which delivery-adoptance work for the shares of 10 companies has been conducted.

By the Government Decree No. 1085-N of 23 September, 2009, allowance was provided for privatization of share of 6 companies through the stock exchange, according to which 4 companies were restructured to open joint-stock companies, and in the case of 4 companies initial data evaluation packages were compiled.

Based on the requirement of the Government Decree No844-N of November 18, 2004, paragraph 14 (a), was carried out respectively:

- 422 analyses of financial economic activity of commercial organizations with state participation under 35 public administration bodies, for the annual financial results of the year of 2008,
- 391 analyses for commercial organizations under 34 public administration bodies, for the fourth quarter of the year of 2008,
- 430 analyses for commercial organizations under 35 public administration bodies, for the first quarter of the year of 2009,
- 401 analyses for commercial organizations under 35 public administration bodies, for the second quarter of the year of 2009,
- 480 analyses for commercial organizations under 34 public administration bodies, for the third quarter of the year of 2009.

Introduction and improvement of inventory record system

Due to introduction of State property inventory record system the state property registration database has been changed, which allows you to get a clear picture of situation of the state-owned property management, ownership and use. By the use of database information currently available works are carried out for bringing up to the end the registration of property ownership and other rights.

Over 2009, 2261 Real Estate units were registered in the register of state property with the total area at 4183446.78 square meters, of which only 1476 have the ownership right registered, and 785 of them don't have registered ownership right. 13 units of state-owned real estate in other countries are registered, with the total area at 5533.77 sq. meters.

736 Real Estate units included in the composition of property of 289 commercial companies with state participation are registered, with the total area at 829030.89 sq. meters.

4 public management bodies have submitted registration request for 20 units of real estate (areas) with the total area at 50898.7 sq. meters.

State real estate and movable property disposal and use

1. During 2009, the following actions with property related contracts have been realized: transfer of the right on free use of non-residential premises – 93, provision of the right on rental of non-residential premises – 31, changes in 3 contracts for free use right of non-residential premises, 18 premises rental contracts dissolution.

State budget revenues from the premises rental made up 237491.3 thousand Drams instead of 234479.8 thousand Drams envisaged.

Property inventory recording of 121 units of assets, and area check and research work for 92 units of state property have been carried out during 2009.

2. During 2009, the State Property Management Department adopted for disposition 3061 units of assets with the total value of 4161505.1 thousand Drams and removed from registration of property 372 units of assets with the total value of 892366.3 thousand Drams.

As a result of measures taken over 114 units of real estate state registration of ownership rights is over, in relation to which the State Property Management Department has confirmed and submitted to the Real Estate Cadastre State Committee corresponding administrative acts amounting to in total 1440.6 thousand Drams in regard with state registration of property rights of 43 state-owned real estate units.

The liquidation of commercial organizations

324 organizations have been in the liquidation process during 2009, and 226 of them got liquidated by respective Government Decrees decisions in 2009.

During the same period from the above mentioned organizations:

- a) 39 organizations - liquidation process is over,
- b) 19 companies are in bankruptcy process,
- c) 11 organizations - activities of the liquidation commission were terminated,
- d) 5 organizations that were subjected to restructuring into a legal person with their respective organizational-legal forms stated by the Civil Code were provided with relevant records on the termination of the activities.

By 01.01.2010 250 organizations were in the process of liquidation, the Government Decrees on the liquidation of 196 of them were adopted in 2009.

According to the Government Decree No. 891-A of 30 July 2009, “On considering a number of legal entities not having respective organizational-legal forms provided by the Civil Code as liquidated and on future disposition of their property” the 337 subsidiary enterprises have been liquidated.

A series of auctions were organized to repay credit obligations of liquidating companies, as well as measures were taken in the direction of receipt of receivables.

During the reportable period due to means undertaken by the liquidation commissions some 105403.0 thousand Drams credit debt was repaid, of which to the state budget - 8665.0 thousand Drams, on the line of social insurance - 872.0 thousand Drams, and as salary - 88713.0 thousand Drams, and other credit debt - 7153.0 thousand Drams.

On the state budget income account for “Collection of funds remained on the accounts of liquidated closed joint-stock companies” was transferred 7164.0 thousand Drams.

II. Privatization and alienation of state property

Quantitative indicators of the state property privatization alienation processes for 2009 (till 01.01.2010). According to procedures provided by the RA legislation, 25 draft Government Decrees on privatization and alienation of state property were put into circulation, of which 20 were adopted by the Government.

Privatization

15 of the above-mentioned Decrees adopted by the Government provided for privatization of the shares of 24 companies, 16 units of assets and other assets remained after liquidation of 5 commercial companies.

In the case of 1 commercial company with state participation, state owned shares were presented for privatization through direct sale to its staff members.

In the case of 1 commercial organization with state participation, a tender was proposed for privatization of state-owned shares, which did not take place, and 1 property unit separated from the commercial entity, which is in progress.

Through auction state-owned shares of 2 commercial organizations were proposed for privatization, 5 units of assets and assets remained after liquidation of 5 commercial organizations. In this way privatization of state-owned shares of 1 commercial organization with state participation and 1 asset unit took place.

As a result, in 2009, privatization of state owned shares of 2 companies have been conducted: 1 through direct sales and 1 through auction; and privatization of 1 assets unit.

Alienation.

By 7 Decrees adopted by the Government 56 property units were proposed for alienation, of which 11 Real Estate units, 40 - vehicles, and 5 other movable property.

Alienation of the 2 of above mentioned 11 units of real estate was arranged through direct sales, and the remaining 9 through public auction (2 tender, 7 auctions).

During 2009, 165 auction for alienation of 673 vehicles were conducted, the number of held ones is 66, during which 139 vehicles was sold. 18 auctions were organized for alienation of 31 real estate units, of which 8 was held, and 8 sold, 4 auction for alienation of 397 movable properties, during which sold 6.

In general, by 01.01.2010 privatization of 2020 medium and large companies have been arranged, of which 1085 through free distribution of shares, 175 - in the competition, 637 - in the form of direct sales, 60 - in the auction, 62 in lot auction and 1 through sales of state owned shares in a specialized market. 7307 “small” and 101 unfinished construction objects were privatized.

In 2009, 113 contracts were signed, of which 9 - on the privatization (1 direct sale, 8 auctions), 19 - on alienation, 2 on donation, 82 - on granting, 1 gratuitous privatization, changes have been made in 3 privatization contracts.

Assessment of property remained after liquidation the companies were made for: 8 companies, 29 units of real estate, 10 legal persons, and 91 vehicles attached to 19 state administrative entities and non-profit organizations.

Means obtained from the privatization and alienation of state property and assets

During 2009 (as of 01.01.2010), actually 199549.1 thousand Drams was received into the state budget from privatization, and 49426.4 thousand Drams has been transferred to community budgets.

Revenues from alienation are as follows:

Funds received from property alienation amounted to 143069.5 thousand Drams, of which 24632.2 thousand Drams has been transferred to community budgets.

During 2009, implementation of contractual obligations of 62 buyers undertaken by privatization contracts has been under control, investment commitments in 2009 made 642548.2 thousand Drams, 12648 thousand USD, and by the social guarantees 1150 jobs were created.

According to the results of studies done during the reportable period, contractual commitments were done by 46 buyers, financial investments made by them were at 717875.6 thousand Drams, 127.2 thousand USD, and on the part of social guarantees 1547 jobs were created by those buyers.

Contractual obligations during the reporting period are not made or underdone by 16 companies or property buyers, by which the outstanding or underdone investments made 272881.5 thousand Drams, 12550.6 thousand USD, and on the part of social guarantees 78 jobs were not created.

17.2. OBJECTIVES AND PRIORITIES OVER THE MTEF PERIOD

1. Strategic Objectives

In general, in all countries the state property management and privatization process is being aimed at specific objectives. The process of state property privatization in the Republic of Armenia has been conducted by the legislator according to privatization programs adopted at first on an annual basis, and then triennial. At present the law “On State Property Privatization Program for 2006-2007” is in force, which is the 6th in number: previously have been put into effect in 1994, 1995, 1996, 1997 annual and 1998-2000, 2001-2004 triennial programs.

However, for the 2011-2013 period, as objectives in the sphere of state property management and privatization are expected:

- as a result of management and privatization of state owned shares of commercial organizations, to increase the attractiveness of companies for local and foreign investors and their operation efficiency,
- to develop state property accounting and inventory system, ensuring the state property state property rights registration work to be completed,
- through privatization of state property, to ensure priority of involvement of programmed investments, including those in the privatized commercial organizations, as well as that of social guarantees,
- to ensure continuity of the State Property Management policy,
- to increase the number of non-state commercial organizations in the economy, as well as to increase state budget revenues due to funds received from state property management and privatization. For the aim of more effective organization of state property management policies there is a need to realize reconstruction of buildings and constructions under state property, which will make it more attractive for rental.

2. Priorities

1. improvement of state property inventory system,
2. completion of state property rights registration activities,
3. support to the privatization process of non-state commercial companies, including involvement of investment and social guarantees, which will contribute to the promotion of economic growth,
4. ensuring of effective use of state property,
5. supervision of managers (Chief of Staff, Executive Director, and authorized representative) works in different levels of State Property Management and clear definition of evaluation system,

6. to ensure harmony of management participants' interests,
7. more affordable options and resource selection from those which have primary purpose of estate management, considered as of special priority functions of constitutional and legislative, administrative and strategic objectives necessary for the performance of the property main requirements,
8. within the program for “State support to the orphanage tutorial organizations alumni”, in cooperation with the Ministry of Labor and Social Affairs, signing of agreements on the use of housing,
9. study of complaints and applications submitted by the refugees forcibly displaced from Azerbaijan relating housing issues, provision of housing according to Government Decrees.

3. The final results of main priority

In 2011-2013, the Government in line with the above strategic objectives will be seeking to achieve the following priority results:

1. To implement correctly privatization of the objects included in the list of the law “On the state property privatization program for 2006-2007”, which will contribute to ensuring economic growth, private sector foreign and domestic investments, market competition and export promotion, job creation and poverty reduction strategy implementation, increase of state budget revenues, creation of positions in the labor market, human capital development and performance of other functions of the state.

2. To improve financial monitoring system for commercial organizations with state-owned shares and increase the quality of non-profit organizations management, as well as realization of control over statutory programs,

3. In the state property management process, there are also many problems, in particular, there are not regulated principles and criteria by which the procedure of provision of the state-owned real estate for free use should be performed

is not regulated by the to what (for example, by the Government Decree No. 1322 of December 26, 2001, the premises occupied by the press and other mass media means are provided to them for free use, without taking into account other criteria), within the procedure of provision of state-owned real estate for free use, the problems of their servicing is still remaining unresolved, which except for organizational solutions require the financial provision as well.

It is envisaged to increase the use of real estate efficiency, income from it, in particular, during 2010 from 190 tenants of the state owned premises at about 40000 sq. meters, it is planned to receive over 180 000 thousand Drams into the state budget.

EXPENDITURE COMMITMENTS OVER THE MTEF PERIOD

1. Organization and conduction of auctions

Within the framework of the program it is planned to carry out organization and conduction of the state property privatization and alienation (sale) (auction, tender, direct sale).

By the 2011-2013 medium-term expenditure program for this purpose it is envisaged to allocate: 21.1 million Drams each year in 2011 and 2012, and 22.9 million Drams in 2013.

2. State property accounting, inventory, research and evaluation

Within the framework of the program it is planned to conduct the state-owned property inventory, research through place investigation, evaluation, registration, register filing support activities.

By the 2011-2013 medium-term expenditure program for this purpose it is envisaged to allocate: 35.0 million Drams each year in 2011 and 2012, and 38.0 million Drams in 2013.

3. Publication of information on State Property under privatization

By the 2011-2013 medium-term expenditure program for this purpose it is envisaged to allocate: 15.3 million Drams each year in 2011, 2012 and 2013.

CHAPTER 18.**DEFENCE, PUBLIC ORDER AND SECURITY, RESCUE SERVICE, PRISONS****18.1. DEFENCE**

18.1.1. Provision of Military Demands (confidential)

18.2. PUBLIC ORDER AND SECURITY, RESCUE SERVICE, PRISONS

Allocations envisaged by MTEF 2011-2013 will be directed to implementation of currently existing eight programs. The above-mentioned programs are developed for the MTEF 2011-2013 period based on suggestions and recommendations made by the Standing Group for coordination of MTEF elaboration works, and within the expenditure limits approved by the RA MTEF Standing Higher Council. The programs will be implemented by four public administration bodies. (See table 18.2.1.)

18.2.1. Situational Overview of Public Order and Security, Rescue Service and Prisons Sectors**Ensuring National Security and Provision of Public Guard Service**

The National Security Service under the Government (hereinafter - Service), operating within the requirements of existing legislative framework, as well as pursuant to the RA Law “On National Security Bodies”, adopted on December 28, 2001, provides different services within its competences, directed to: assuring of the RA sovereignty, inviolability of state borders, territorial integrity, the Constitutional order, protection of citizens’ rights, freedoms, and legal interests, enhancement of the Republic’s defense capacity, collection of information in order to be able to assure and strengthen the national security, the public guard service, to protect economic, scientific-technical and defense potentials, to ensure security of military-industrial, economic entities, nuclear energy, transportation, communication, economic, financial and industrial institutions, of strategic objects, security in the sphere of primary scientific elaborations, to struggle against terrorism, corruption and bribery, detection, prevention and hindrance of activities of foreign countries’ intelligence services and organizations, as well as intelligence and prevention of other destructive actions of separate individuals.

Based on the Law “On Provision of Security to Persons Subject to Special Public Guard”, a Program was established and included in State Budget framework since 2005 titled “Provision of Public Guard Service”. Within the framework of the program, public guard services are being provided, particularly, functions are fulfilled for ensuring security of special objects under state protection and security protection of public entities, based on combination of legislative, organizational, protective, regime, operative-intelligence, technical, and other measures.

Ensuring Protection of Public Order, Printing of RA Passports Blank Forms, and Acquisition of State Vehicle Number Plates

Activities of the RA Police are regulated by the Constitution of the Republic of Armenia, the Law “On Police”, the Law “On Police Service”, the Law “On Provision of Social Security for Military Servants and Their Family Members” and other legislative acts, and international agreements. Implementation of legal obligations of police is conducted through 11 regional and 56 subdivisions, as well as through 42

subdivisions, which provide protection and security service on contractual bases according to the Government Decree No. 1008–N, dated April 29, 2004.

A standing problem for this sector concerns the targeted and effective directedness of public expenditures.

Increase of public expenditure is one of the main directions for improving the situation in the sector.

Coordinated realization of tasks and activities of the police defined by laws and national development strategies is being supported through the framework of the following basic police sector programs:

1. Police sector policy development, management, centralized measures, monitoring and supervision,
2. Protection of public order, security and the fight against crime,
3. Public guarding,
4. Ensuring of road safety,
5. Provision of passports and visas, organization and operation of a unified system of Population State Register,
6. Educational services;
7. Provision of healthcare for the police employees and their family members.

Taking into account the continued growth of the number of vehicles in the Republic of Armenia, hence the significant increase of traffic intensity as a result, as well as the noticeable increase of the mass events, a need has occurred for application of widely used modern technical means aimed at ensuring of the road safety, public order and public security maintenance. For this purpose a number of measures are being undertaken directed at material and technical re-equipment of the RA Traffic Police under the Government, technical provision of traffic safety control, raising efficiency of works towards assurance of vehicles state registration and provision of state vehicle number plates.

During 2009, by the State Guarding Department of the Police and its divisions, in general, guard services have been implemented for 4099 objects, of which 1233 housing facilities, which exceeded the same indexes in 2008, respectively, by 187 or 4% and 116 or 10%. During the same period the number of objects protected through routes has increased by 1276 or 67% (in 2009 – 3191 objects and in 2008 - 1915 objects) and by 67 has increased the number of objects protected through centralized observation stations (2893 objects in 2009, and 2826 objects in 2008).

As a result, in 2009, the income received on the line of public guarding service for provision of guarding and security of the objects (property) belonging to legal entities and individuals on a contractual basis exceeded the same index in 2008 by 10.3%, and amounted to 4,419.9 million Drams.

Police agencies and departments, in cooperation with other law enforcement agencies; take all measures necessary for crime prevention and detection, as well as for protection of public order and security. Since 2007 the police system functions for external protection of penal institutions were moved to the Criminal Executive Department of the Ministry of Justice.

The collaboration quality has been improved significantly between the Police and public administration and local self-governance bodies and various non-governmental and international organizations dealing

with juvenile problems, and several social programs are developed and jointly implemented. These measures enabled not only to prevent the growth of juvenile offences, but even for the first time over the last 10 years, a tendency of decrease of main indicators of the juvenile crime is observed.

For the previous 2 years, significant work has been done to increase traffic safety, for further strengthening of all the traffic participants' discipline.

Works are initiated in the direction of installation of automatic equipment for traffic observance and speedometers in the crossroads of major cities and highways, as well as for the launch of operative management center of traffic police.

Significant progress is recorded as a result of implementation of the program for fundamental technical re-equipment in the patrol service and in its all 15 registration-investigation units.

Improvement of results is registered also in activities directed to searching for persons avoiding investigations and judgment. Moreover, Armenian Police has arrested an essential number of criminals searched by foreign countries.

Maintenance of the Criminal-Executive System

The Criminal - Executive Service of the Ministry of Justice consists of the Criminal - Executive Department of the Ministry of Justice and 14 criminal - executive entities under the Ministry.

This Service fulfills enforcement of the court sentences and decisions in force, detention of people under arrest, assists with transportation of prisoners and detainees, ensures legitimacy in criminal-executive institutions, as well as security of prisoners, of the personnel and other citizens in its territory, protection of life and health of prisoners and other detainees, creation of appropriate conditions for their individual, educational, and cultural development and their social-psychological rehabilitation, as well as coordination of activities of subordinated structural departments and criminal - executive entities.

The basic objective of the Service over 2011-2013 is the duly implementation of the legislatively defined functions, such as: material provision for prisoners and detainees (within the criminal-executive entities), including with food and other household stuff, ensuring communal, health care, and other conditions in compliance with provisions and standards of generally adopted international instruments in the field of human rights.

The above-stated condition turned to be an issue of high importance in connection with Armenia's accession to the European Council. Armenia ratified the European Convention "On Prevention of Torture and Inhuman or Degrading Treatment or Punishment", which entered into force in Armenia since October 1, 2002. Pursuant to the Convention, the European Committee on Prevention of Torture and Inhuman or Degrading Treatment or Punishment (hereinafter - CPT) visits criminal-executive entities of the Ministry of Justice, and submits respective reports to the Government of the EC member country. Recommendations presented in these reports are mandatory for the government of the given country.

Based on the above-stated, the main objective of the Service over the 2011-2013 period, and in general, is the fulfillment of duties defined by the law in compliance with the current requirements and international

standards. With regard to the CPT recommendations, the main problems of the Service throughout institutional reforms in the sector are mainly connected with capital expenses, which should be directly addressed to activities for improving the level of administrative management of criminal - executive institutions in the terms of security protection, as well as for more full protection of rights of prisoners and persons under detention, improvement of conditions in the premises and places where they are being kept.

There are a number of drivers affecting works to be done in the line of Capital Expenses, particularly:

1. Formerly, two square meters of dwelling space was being provided per prisoner and detainee. Currently, the minimal size of the dwelling space should be at least four square meters per person, in accordance with the commitments undertaken by the RA in the field of criminal-executive policy and respective CPT recommendations. That is why there is a standing problem of insufficient dwelling space with existing building conditions, which turned to be more urgent within the Service system. According to international standards, overcrowding of criminal-executive entities with prisoners and detainees is unacceptable for two reasons: firstly, it causes improper conditions for them (which is considered as inhuman or degrading treatment), and at the same time, preconditions for uncontrollable management of criminal-executive entities (in terms of security protection) are being established in the conditions of insufficient space and existing insufficiency of administrative personnel (per prisoner or detainee);

2. During the Soviet period and till now, in criminal-executive entities prisoners resided mostly in hostel-type dwellings, while at present there is a need to completely switch to the separated-cells dwelling type. The problem is important for two reasons:

- Based on the necessity to fulfill the principle of individualization of punishment (the person should have a maximal possibility for privacy) in accordance with international standards, through providing proper conditions in the criminal-executive entities for prisoners to be kept in separate cells in small groups, taking into account their personal compatibility, by ensuring separate lavatory system and other conveniences in each cell (the mentioned provisions are stated in the RA Criminal Procedural Code);

- The problem is getting high importance in terms of provision of security protection by the administrative staff, as it is impossible to ensure an adequate control in criminal-executive entities. In present conditions, the criminal-executive entities are unprotected in terms of security.

A number of main renovation and general construction work has been implemented in the penal system, in particular, the criminal-executive entities “Vardashen”, “Vanadzor”, “Artik”, “Hrazdan” were completely renovated, and in the “Abovyan” prison a new building with heating system was built to keep the detainees, etc.

The Republic of Armenia, due to its accession to the European Council, completely realized the principle of abolishment of death penalty as a type of punishment. At the same time, according to the RA Criminal Code, the life imprisonment is defined as capital punishment in Armenia. The study of international experience allows to conclude that the number of prisoners of this category has a tendency to grow. It is

predicted that in a country with population of 3 million people the number of life-sentenced people will gradually increase up to 100-150 person (analysis was done based on the example of Scotland). Currently, the number of life-sentenced people is 81. The Criminal-executive Service has acquired a land plot in the Armavir marz with the purpose of construction of a separate penitentiary institution for persons sentenced to life imprisonment, where works are carried out for space leveling, demolition of existing buildings and other constructions, building of a fence by the external perimeter, and in 2007 the construction works are being carried out.

Over the 2011-2013 MTEF period capital construction works are planned for building of a new complex for the criminal executive entity in Goris.

There are some expenses of less importance, although they are being mentioned below by the consideration of the fact that while they are of low priority, but still there is a need of increase. Non-prioritized expenditures are:

- Office supplies and stationary;
- Assets and equipment;
- Business trips and roundtrips.

Maintenance of Divisions of the system of Rescue Service under the Ministry of Emergency Situations

The Rescue Service of Armenia is a public body acting within the structure of the Ministry of Emergency Situations, together with its 11 regional rescue departments; it develops and implements the Government's policy in the spheres of protection of population and civil defense during emergency situations. Its activities are regulated by several laws and legal acts, such as the Law "On Rescue Service of Armenia"; the Law "On Protection of Population in Emergency Situations"; the Law "On Civil Defense"; and the Law "On Fire Security".

Institutional reforms of the previous years, perhaps, most of all influenced the Rescue Service. First of all, in 2002 the Fire Department was reformed within the structure of the Department of Emergency Situations under the Government, later on the Department of Emergency Situations was reformed within the structure of the Ministry of Territorial Administration, and the Department was renamed as the Rescue Service of Armenia. At present it is reorganized in the structure of the Ministry of Emergency Situations as the Rescue Service of Armenia.

Establishment of this system coincided with the country's acquisition of independence; hence, all the difficulties of the transitional period had their direct impact on formation and development of the Rescue Service. The Law "On Rescue Service of Armenia" entered into force since September 1, 2005, which precisely defines the role of the Rescue Service and its place within the frameworks of the state functions.

Over the recent years significant investments are made for the development of the Rescue Service system: ultra-short wave stationary radio stations, ultra-short wave mobile radio stations, ultra-short wave easy-carriers, short wave stationary radio station, power devices, new frequency, powerboat, and operative service and fire and rescue vehicles.

Based on the Law “On Protection of Population in Emergency Situations” and the Law “On Civil Defense”, by the divisions of the system are organized and conducted several activities:

- 12 commander-staff instructional-training drills;
- 174 staff instructional-training drills;
- 4 staff drills;
- 28 special tactical instructional-training drills;
- more than 11 complex observations of community and object, which included more than 10 municipal communities.

Despite these complex events, the number of fires still is big (over 1617 cases annually), which results in considerable material losses, even loss of life. It means that the system still does not fully use the preventive and promotion opportunities.

Rescue Service of Armenia continues cooperation with international organizations. It was carried out through sharing experience, exchange visits, organization of joint activities, as well as through participation of the Armenian Rescue Service in the events organized abroad. The cooperation is carried out in the following directions:

- Armenia-NATO Individual Partnership Program,
- within the framework of the CIS inter-state council of natural and man-made disasters,
- Armenian-Swedish-Estonian civil defense capabilities development project,
- in the sphere of landslides with the Japan International Cooperation Agency (JICA),
- with the Organization for the Prohibition of Chemical Weapons (OPCW) for provision of assets and organization of training,
- within the NATO “Partnership for Peace” program,
- with the INESC- implementation of the learning project,
- within the program on “Early warning” of the German governmental organization GTZ,
- Black Sea Economic Agreement (BSEC),
- within the exchange of experience with the US Kansas state National Guards,
- International Atomic Energy Agency (MAGATE),
- with UN Economic Commission for Europe
- collaboration in the “Echo” program with the Swiss Agency for Development and Cooperation,
- with International Civil Defense Organization,
- in a number of projects with the British Department for Trade and Industry (DTI).

Over the 2011-2013 MTEF period, further developments of the system are mainly social-oriented and fully derive from the program of the Government of Armenia.

“Service of Active Influence on Atmospheric Phenomena”

The Service of Active Influence on Atmospheric Phenomena, through the “Cosmos-M” system, conducts daily receipt of satellite data on general meteorological situation. Daily radar meteorological observations

are being conducted, and results registered, analyzed, and weather forecasts are made. In 2005 30 Argentinean generators were located in Aragatsotn and Armavir marzes (15 generators in each). In 2010 it is planned to install respectively 8 and 40 radio-modem gas-generators in Ararat and Armavir marzes. Over the same period it is envisaged to install reagent plants in Aragatsotn, Ararat, Armavir marzes (1 in each marz) and 5 of them will be installed in the Lori marz. The same works will be continued over the 2011-2013 MTEF period, particularly, in 2011, it is provided to install radio-modem gas-generator stations in the following marzes: in the Aragatsotn marz 25, Armavir - 4, Kotayk - 3 and Lori 3. During the same period it is also planned to install reagent plants in: Aragatsotn - 7, Ararat - 5, Armavir - 7, Kotayk - 3 and Lori - 10. In order to ensure the exploitation of these installations adequate financial resources are provided in connection with establishment of material-technical base for the exploitation and servicing of those installations, as well as for recruitment of respective specialists.

18.2.2. Objectives and Priorities in the Public Order and Security, Rescue Service and Prisons Sectors

Objectives

The MTEF 2011-2013 program in the Public Order and Security, Rescue Service and Prisons Sectors is aimed to fulfill the following objectives in different spheres of the sector:

Ensuring National Security and Provision of Public Guard Service

- Ensuring Constitutional order of the Republic of Armenia;
- Protection of state borders, inviolability of frontier zone;
- Replacement of compulsory military servicemen with contract servicemen, thus raising the efficiency of functions carried out by the latter,
- Prevention of intelligence services' activities of foreign countries;
- Ensuring the security of the state high-ranked officials;
- Provision of the state high-ranked officials with special communication devices.

Ensuring Protection of Public Order, Printing of Passports Blank Forms, and Acquisition of State Vehicle Number Plates

- Protection of a person's life and health, rights, freedoms and legal interests from offensive and other illegal actions;
- Protection of interests of the public and the state;
- Prevention and abolishment of criminal and administrative violations;
- Enhancement of efficiency of measures directed to prevention of crimes, protection of public order and security;
- Detection and disclosure of crimes;
- Improvement of activities to deal with to juvenile offensive groups; improvement of preventive-tutorial works with juveniles under the police observation;
- Improvement of procedures for provision of passports to citizens, documentation, and registration;

- Decreasing the number of cases of car crashes in the Republic, and enhancement of preventive measures;
- Improvement of legal framework for police operation;
- Activation of collaboration with international police and other structures in the field of fight against crime;
- Increase of efficiency through changes in the shares of obligatory military and contract servicemen in the Police forces of the Republic of Armenia,
- Deepening and improvement of transition to Special Civil Service System,
- Provision of state vehicle number plates.

Maintenance of the Criminal -Executive System

- Material provision of prisoners and detainees, including with food and other household stuff;
- Healthcare services for the prisoners and detainees;
- Ensuring compliance of the conditions of holding prisoners and detainees in the criminal-executive entities with provisions and standards of generally adopted international instruments in the field of human rights.

Maintenance of Divisions of the Rescue Service of Armenia of the Ministry of Emergency Situations

- Protection of life and health of people in emergency situations and during military (war) situations;
 - Implementation of unified state policy during emergency situations;
 - Prevention of emergency situations, elimination and decrease of their possible consequences;
- elaboration of population protection programs, plans, and ensuring of their implementation;
- Organization of trainings for population;
 - Organization and conduction of rescue, post-emergency restoration, and fire-fighting works.

Service of Active Influence on Atmospheric Phenomena

Basic objective of this program over the 2011-2013 MTEF is to actively influence on atmospheric phenomena and ensure increase of efficiency in the continuous struggle against hail.

Priorities in the Public Order and Security, Rescue Service and Prisons Sectors

Ensuring National Security and Provision of Public Guard Service

- Ensuring of continuance of activities for acquisition of food, uniforms, modern special machinery, equipment, weapons and armament;
- Replacement of compulsory military servicemen with contract servicemen, thus raising the efficiency of functions carried out by the latter.

Ensuring Protection of Public Order, Printing of the RA Passport Blank Forms, and Acquisition of State Vehicle Number Plates

- Increasing efficiency in detection of serious and extremely serious crimes against the person's life and health;
- Preventing cases of illegal circulation and usage of drugs;

- Activation of operations for timely detection and disclosure of economic offences, including various forms of corruption and other activities hindering the economic development;
- Increasing efficiency of operative-intelligence activities;
- Improving the efficiency of measures directed to preventing crimes, ensuring protection of public order and security;
- Increasing efficiency of operations directed to disclosure and confiscation of illegally circulating weapons and armament, as well as of those illegally kept by population;
- Improvement of activities directed to deal with juvenile offensive groups; improvement of preventive-tutorial works with juveniles under the police observation;
- Improvement of procedures for provision of passports to citizens, documentation, and registration;
- Decreasing the number of cases of car crashes in the Republic and enhancement of preventive measures;
- Improvement of legal framework for police operation;
- Activation of collaboration with international police and other structures in the field of fight against crime;
- Improvement of living conditions of servants called up for service in the police forces;
- Ensuring the continuous improvement of a material–technical base.

Maintenance of Criminal -Executive System

- Necessity to unload over-crowded criminal-executive entities;
- Continuance of measures to improve communal-living conditions of prisoners and detainees in compliance with international standards.

Maintenance of Divisions of the Rescue Service of Armenia of the Ministry of Emergency Situations

- Ensuring the regular improvement of the material–technical base;
- Organization and conduction of works for rescue, post-emergency restoration and fire extinguish;

The 2011-2013 MTEF maintenance expenditures for this sector will be conditioned by the need of creation of appropriate conditions for duly operation of the divisions of the system and thus preserving a high level of their preparedness.

18.2.3. Expenditure Drivers

Ensuring of National Security and Provision of Public Guard Service program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 162.6 million Drams or 1.4% each year in 2011 and 2012, and will increase by 759.3 million Drams or 6.5% in 2013, due to increase of the tariff for gas, introduction of the system of contractual servicing instead of compulsory military service, as well as increase of salaries of national security servants and technical support staff by 10% in 2013.

Ensuring Protection of Public Order program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 603.5 million Drams or 2.7% each year in 2011 and 2012, and will increase by 1627.9 million Drams or 7% in 2013, due to increase of the tariff for gas, introduction of the

system of contractual servicing instead of compulsory military service, introduction of Special Civil Service system, as well as increase of salaries of police servants, technical support staff and special civil servants by 10% in 2013.

Printing of Passport Forms program expenditures are preserved on the same level as in 2010. Each year over the 2011-2013 MTEF period it is envisaged to acquire 175288 blank form of passports.

Acquisition of State Vehicle Number Plates program expenditures are preserved on the same level as in 2010. Each year over the 2011-2013 MTEF period it is envisaged to acquire 66544 pairs of number plates.

Maintenance of the Criminal-Executive System program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 1230.7 million Drams or 23.5% each year in 2011 and 2012, and will increase by 1000.0 million Drams or 15.5% in 2013, due to increase of the tariff for gas, increase of the rate of minimal salary to 32500 Drams instead of current 30000 Drams, increase of detainees and prisoners maintenance expenditures in connection with increase of their number, construction of a new complex for the Goris penitentiary institution. In 2013 it is envisaged also to increase salaries of criminal-executive servants and technical support staff by 10%.

Maintenance of Divisions of the Rescue Service of Armenia of the Ministry of Emergency Situations program expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 15.6 million Drams or 0.4% each year in 2011 and 2012, and will increase by 318.5 million Drams or 7.6% in 2013, due to increase of the tariff for gas, as well as increase of salaries of rescue service employees by 10% in 2013.

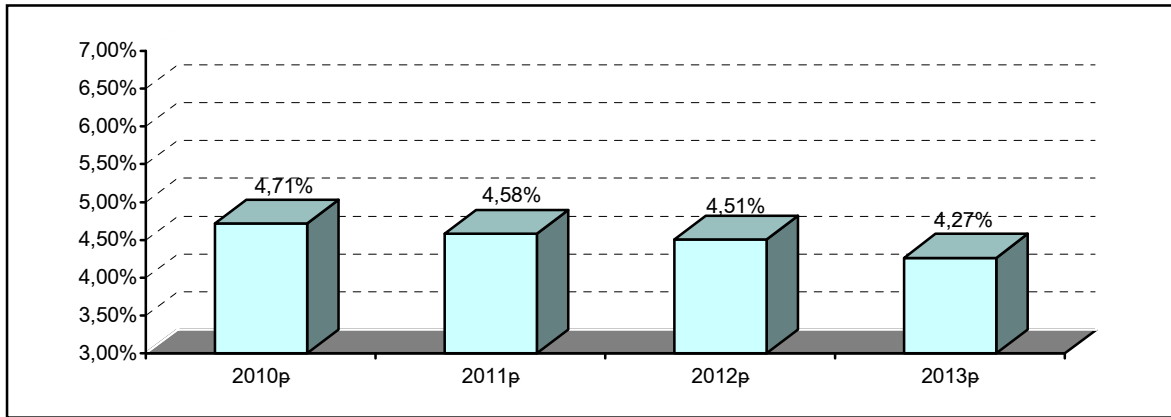
Service on Active Influence on Atmospheric Phenomena – expenditures over the 2011-2013 MTEF period will increase as compared to the previous year by 60.2 million Drams or 25.3% in 2011 and by 41.8 million Drams or 14.0% in 2012, and by 11.0 million Drams or 3.2% in 2013, for further maintenance and exploitation of reagent and gas-generator stations after their installation in Aragatsotn, Ararat, Armavir, Kotayk and Lori marzes.

Existing Expenditure Commitments

By the 2011-2013 MTEF program the share of public expenditures in the Public Order and Security, Rescue Service and Prisons Sectors in the total State Budget expenditures will comprise respectively 4.6%, 4.5% and 4.3%.

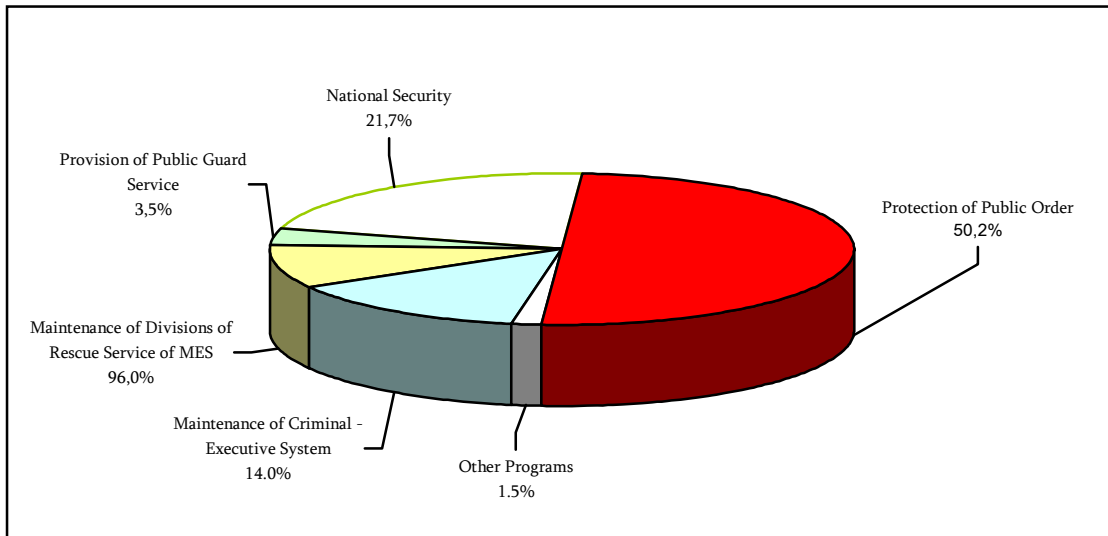
The shares of expenditures in Public Order and Security, Rescue Service and Prisons Sectors within the total State Budget expenditures over the 2011-2013 MTEF period is presented in Chart 18.2.1.

Chart 18.2.1 State Budget Expenditure in National Security and Protection of Public Order Sectors (Percent to Total Budget Expenditure)



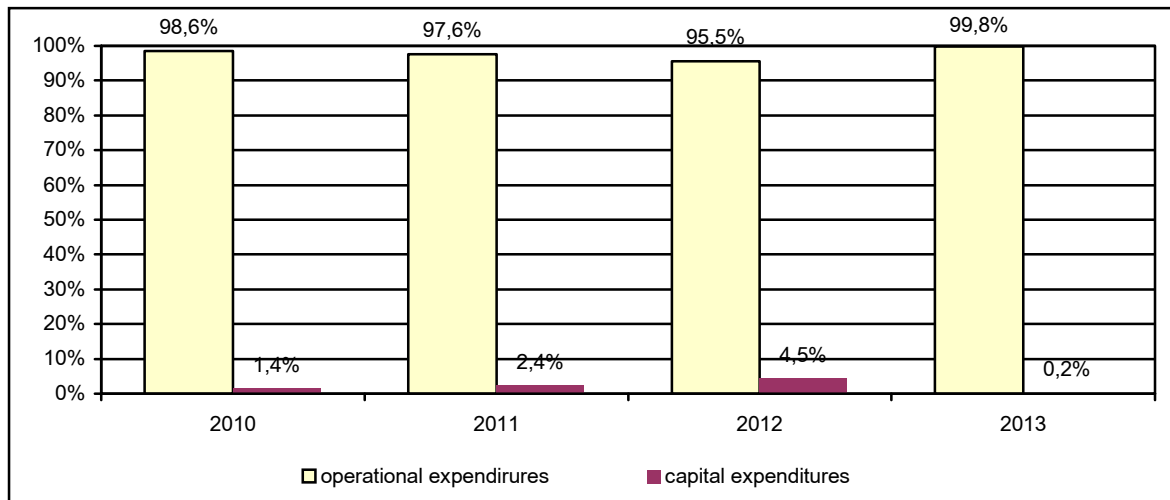
The MTEF 2011-2013 allocations to Public Order and Security, Rescue Service and Prisons Sectors amount to 46,157.9 million Drams in 2011, 47,200.1 million Drams in 2012, and 48,231.2 million Drams in 2013. Increase in expenditure as compared to respective previous year will comprise to 4.7% in 2011, 2.3% in 2012, and 2.2% in 2013.

Chart 18.2.2. Distribution of Expenditures by programs in the Public Order and Security, Rescue Service and Prisons over 2011-2013 period.



Distribution of Expenditures in the Public Order and Security, Rescue Service and Prisons sectors over 2011-2013 period current and capital expenditures is presented in the Chart 18.2.3.

Chart 18.2.3 Structure of Public Expenditure in National Security and Protection of Public Order Sectors, by Economic Classification
(Percent to Total Public Expenditure in the Sector)



Budget allocations in the Public Order and Security, Rescue Service and Prisons sectors over 2011-2013, by separate groups, programs, and current and capital expenditure, are presented in Table 18.2.2.

Table 17.2.2 Budget Allocations for Public Order and Security Protection, Rescue Service and Prisons Sectors Over 2009-2013, by Separate Groups of Budgetary Expenditures Functional Classification, by Programs, Implementing State Bodies, and by Current and Capital Expenditure (million Drams)

Subgroups	Functional Classification Groups, Subgroups, Programs	2009	2010	2011	2012	2013
		<i>Actual</i>	<i>Adopted Budget</i>	<i>Forecast</i>		
	TOTAL, of which :	46,376.4	44,085.3	46,157.9	47,200.0	48,231.3
	- current expenditures	41,556.3	43,453.3	45,037.9	45,080.0	48,111.3
	-capital expenditures	4,820.1	632.0	1,120.0	2,120.0	120.0
03.01.01	Printing of Passports Forms, including:	172.3	173.6	173.6	173.6	173.6
	- current expenditures	<i>172.3</i>	<i>173.6</i>	<i>173.6</i>	<i>173.6</i>	<i>173.6</i>
	-capital expenditures	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	RA Police under the Government	172.3	173.6	173.6	173.6	173.6
03.01.01	Ensuring Protection of Public Order, including:	23,933.5	22,557.1	3,160.6	23,160.6	24,788.5
	- current expenditures	<i>21,942.3</i>	<i>22,303.1</i>	<i>23,160.6</i>	<i>23,160.6</i>	<i>24,788.5</i>
	-capital expenditures	<i>1,991.2</i>	<i>254.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	RA Police under the Government	23,933.5	22,557.1	23,160.6	23,160.6	24,788.5
03.05.01	Maintenance of the Criminal - Executive System, including:	5,421.2	5,229.7	6,460.4	7,460.4	5,775.0
	- current expenditures	<i>5,120.4</i>	<i>5,229.7</i>	<i>5,460.4</i>	<i>5,460.4</i>	<i>5,775.0</i>

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Subgroups	Functional Classification Groups, Subgroups, Programs	2009	2010	2011	2012	2013
		<i>Actual</i>	<i>Adopted Budget</i>	<i>Forecast</i>		
	-capital expenditures	300.8	0.0	1,000.0	2,000.0	0.0
	RA Ministry of Justice	5,421.2	5,229.7	6,460.4	7,460.4	5,775.0
03.01.01	Acquisition of State Vehicle Number Plates, including:	235.8	236.2	236.2	236.2	236.2
	- current expenditures	235.8	236.2	236.2	236.2	236.2
	-capital expenditures	0.0	0.0	0.0	0.0	0.0
	RA Police under the Government	235.8	236.2	236.2	236.2	236.2
03.02.01	Maintenance of Divisions of the Rescue Service of Armenia, including:	4,106.5	4,156.1	4,171.7	4,172.0	4,490.5
	- current expenditures	3,954.0	4,156.1	4,171.7	4,172.0	4,490.5
	-capital expenditures	152.5	0.0	0.0	0.0	0.0
	Rescue Service of Armenia under the RA Ministry of Emergency Situations	4,106.5	4,156.1	4,171.7	4,172.0	4,490.5
04.09.01	State Support to the "Service of Active Influence on Atmospheric Phenomena", SNCO, including:	143.6	238.2	298.4	340.2	351.2
	- current expenditures	143.6	238.2	298.4	340.2	351.2
	-capital expenditures	0.0	0.0	0.0	0.0	0.0
	Rescue Service of Armenia under the RA Ministry of Emergency Situations	143.6	238.2	298.4	340.2	351.2
03.01.02	Assurance of National Security, including:	11,008.0	9,735.8	10,024.8	10,024.8	10,672.7
	- current expenditures	8,699.6	9,385.8	9,904.8	9,904.8	10,552.7
	-capital expenditures	2,308.4	350.0	120.0	120.0	120.0
	National Security Service under the Government	11,008.0	9,735.8	10,024.8	10,024.8	10,672.7
03.01.02	Provision of public Guard Services, including:	1,355.5	1,758.6	1,632.2	1,632.2	1,743.6
	- current expenditures	1,288.3	1,730.6	1,632.2	1,632.2	1,743.6
	-capital expenditures	67.2	28.0	0.0	0.0	0.0
	Public Guard Service of the National Security Service under the Government	1,355.5	1,758.6	1,632.2	1,632.2	1,743.6

CHAPTER 19.**PUBLIC NON-FINANCIAL ASSETS EXPENDITURE FRAMEWORK FOR 2011-2013****19.1. SITUATIONAL OVERVIEW**

Due to the influence of the global financial crisis on Economy of the Republic of Armenia significantly reduced private direct investments, as well as reduced investments in the construction industry. Under the current conditions of economic developments the role of the state and the degree of its participation in the economy is important. One of the government's anti-crisis measures aimed at mitigation of the risks faced by the economy and caused by the crisis is the implementation of large-scale infrastructure projects directed to infrastructures and creation of new jobs. Under these conditions, the most important issue is the efficiency of expenditures, and one of guarantees for this is the provision of programmatic nature to the activities realized in the sector, and thus implementation of the budgeting according to that principle. In the case of introduction of program budgeting the central element for justification of non-financial assets cost necessity turns to me the state intervention in the terms of definition of the sectors in need and selection between private and public investments, which is considered to be the basis for definition of the volumes of state investment programs and areas of priorities.

In this respect, the problem of the state is to implement such projects, which will promote improvement of employment and work conditions, every citizen's housing conditions, as well as environmental security of the current and future generations and effective policies for poverty reduction in the republic.

The Government has initiated implementation of a number of major infrastructure programs in the spheres of construction, traffic, telecommunications, energy, industry, social and other areas that can significantly contribute to preserving of the current level of employment ensuring of growth and development in the post-crisis phase.

Also implementation of construction, reconstruction, rehabilitation, strengthening, renovation /modernization/ and improvement works in educational, cultural and sports facilities /buildings, constructions/ directed at provision of proper conditions for education, health, welfare and recreational activities is envisaged.

Results expected from urban development programs will contribute to the implementation of the increase the level of services provided to the public and will solve the problems families left homeless after earthquake, particularly:

- in the educational sector: organization of teaching process in renovated, heated, lighted, and further technically equipped classrooms, including in sports facilities,
- in the cultural sector: creation of more attractive /renovated/ conditions in cultural and historical sites for promotion of youth entertainment and tourism, establishment of modern cultural centers in rural communities aimed at formation of music and dance groups (especially national-folk), renovation and reconstruction of museum complexes;

- in the urban development sector: provision of housing premises to the families left homeless after earthquake.

19.2. DEVELOPMENT TRENDS FOR THE RCENT TWO YEARS

Non-financial assets expenditures financed by the state budget for 2008 and 2009, amounted to respectively 5.1% and 7.1% of GDP.

At the same time, the share of expenditures for non-financial assets in the total structure of budget expenditures made respectively 22.4% and 23.8%.

Table 19.1. The state budget non-financial assets expenditures for 2008-2010

	2008	2009	2010
	Actual		Budget
Total Expenditures for Non-Financial Assets			
million Drams	181,689.7	221,408.8	164,034.3
% , share in the total budget expenditures	22.4	23.8	17.5
% , share in GDP	5.1	7.1	5.1
<i>Within programs financed from internal sources</i>			
million Drams	141,140.0	87,890.7	40,690.1
% , share in the total expenditures for non-financial assets	77.7	39.7	24.8
% , share in the total budget expenditures	17.4	9.5	4.3
% , share in GDP	4.0	2.8	1.3
<i>Within programs financed from external sources</i>			
million Drams	40,549.7	133,518.1	123,344.2
% , share in the total expenditures for non-financial assets	22.3	60.3	75.2
% , share in the total budget expenditures	5.0	14.4	13.2
% , share in GDP	1.1	4.3	3.8

2009 the state budget of non-financial assets expenditures ratio in GDP and that in the total expenditures are higher than the 2008 corresponding figures. But in terms of sources of funding non-financial assets expenditures, in 2008 within the structure of non-financial assets expenditures, those implemented within the framework of programs financed by internal sources were prevailing making up 77.7%, while in 2009 the same index was at 39.7%. Decrease of this indicator is due to the influence of the global financial crisis and the anti-crisis measures undertaken by the government to mitigate the impact of the crisis, as well as to ensure the involvement of external sources aimed at mutual replenishment of expenditures.

In the process of distribution of non-financial assets expenditures within sectors and making decisions on program priorities, the Government was guided by the priorities of state policy reflecting them in public expenditures, especially in investment projects.

Table 19.2. The framework of 2009-2010 state non-financial assets expenditures by aggregated groups of functional classification, million Drams

		2009	2010
		Actual	Budget
01	GENERAL PUBLIC SERVICES	4,837.4	1,761.6
02	DEFENCE	29,222.7	26,572.2
03	PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	10,264.7	3,212.2
04	ECONOMIC RELATIONS	108,799.1	75,003.5
05	ENVIRONMENT PROTECTION	1,468.9	3,272.3

		2009	2010
		Actual	Budget
06	HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	38,506.2	40,468.2
07	HEALTHCARE	6,395.4	3,734.3
08	RECREATION, CULTURE AND RELIGION	1,693.1	1,385.2
09	EDUCATION	15,685.8	8,153.4
10	SOCIAL PROTECTION	1,284.8	471.4
11	RESERVE FUNDS NON-CLASSIFIED IN MAIN CATEGORIES	3,250.7	-
	TOTAL EXPENDITURES FOR NON-FINANCIAL ASSETS	221,408.8	164,034.3

Table 19.3. The structure of state budget non-financial assets expenditures by functional classification aggregated groups for 2009 – 2010

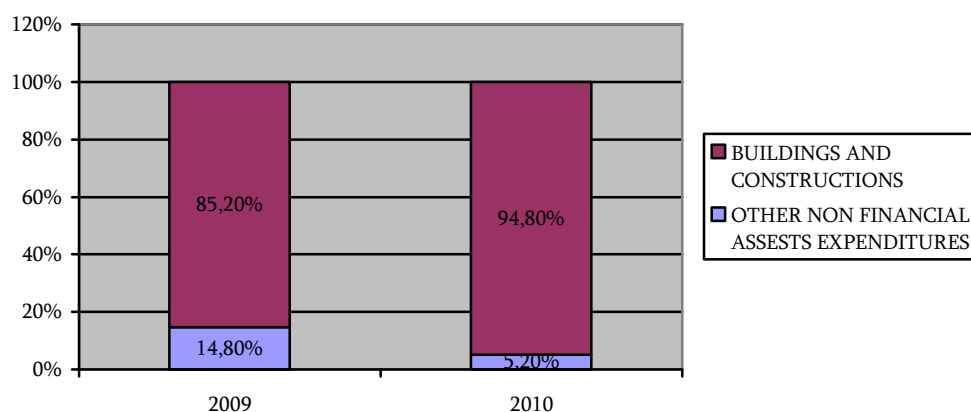
	2009	2010
	Actual	Budget
	percent to total expenditures for non-financial assets	
Total Expenditures for non-financial assets	100.0	100.0
GENERAL PUBLIC SERVICES	2.2	1.1
DEFENCE	13.2	16.2
PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	4.6	2.0
ECONOMIC RELATIONS	49.1	45.7
ENVIRONMENT PROTECTION	0.7	2.0
HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	17.4	24.7
HEALTHCARE	2.9	2.3
RECREATION, CULTURE AND RELIGION	0.8	0.8
EDUCATION	7.1	5.0
SOCIAL PROTECTION	0.6	0.3
RESERVE FUNDS NON-CLASSIFIED IN MAIN CATEGORIES	1.5	-
	percent of programs implemented by the means of internal sources in the total expenditure	
Programs implemented by the means of internal sources	100.0	100.0
GENERAL PUBLIC SERVICES	5.0	4.2
DEFENCE	33.2	65.3
PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	8.2	1.6
ECONOMIC RELATIONS	24.7	8.5
ENVIRONMENT PROTECTION	0.6	-
HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	2.8	-
HEALTHCARE	1.9	-
RECREATION, CULTURE AND RELIGION	1.9	3.4
EDUCATION	16.6	15.9
SOCIAL PROTECTION	1.3	1.2
RESERVE FUNDS NON-CLASSIFIED IN MAIN CATEGORIES	3.7	-
	percent of programs implemented by the means of external sources in the total expenditure	
Programs implemented by the means of external sources	100.0	100.0
GENERAL PUBLIC SERVICES	0.3	0.1
DEFENCE	-	-
PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	2.3	2.1
ECONOMIC RELATIONS	65.2	58.0
ENVIRONMENT PROTECTION	0.7	2.7
HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	27.0	32.8
HEALTHCARE	3.5	3.0
RECREATION, CULTURE AND RELIGION	0.0	-

	2009	2010
	Actual	Budget
EDUCATION	0.8	1.4
SOCIAL PROTECTION	0.1	-
RESERVE FUNDS NON-CLASSIFIED IN MAIN CATEGORIES	-	-

As seen from the above table within the functional classification structure of the non-financial assets expenditures, a considerable part is being channeled to the economic relations and housing construction and utility line programs, which totally comprise 66.5% in the total expenditure of non-financial assets in 2009, and respectively 70.4% in 2010.

In the non-financial assets expenditures structure by economic classification for 2009-2010 the main part of the expenses are directed at construction, acquisition and general reconstruction of buildings and other constructions.

Chart 19.1. Non-financial assets expenditures structure by economic classification for 2009-2010



Like in the previous 5 years, currently remains actual activities in the social sector including reconstruction and improvement of facilities in education sector, as well as in the cultural sector, solution of these problems under the conditions of limited resources of the state budget is not over and still continues.

By the 2010 state budget are being implemented:

(a) educational, cultural and sporting facilities capital construction and rebuilding, as well as restoration of monuments, of which:

- for the construction and reconstruction of educational facilities is provided 6,025.7 million Drams, which is less than the actual allocations in 2009 by about 7.4 billion Drams, or by 55.2%, and from actual allocations in 2008 by 12.8 billion Drams, or 67.9%,

- for the construction and reconstruction of sports facilities is provided 257.1 million Drams, which exceeds the actual allocations in 2009 by 22.0 million dram, or 9.4%, and is less than the actual allocations in 2008 by 203.4 million Drams, or 44.2%,

- for the construction and reconstruction of cultural facilities is provided 1,140.5 million Drams, which exceeds the actual allocations in 2009 by 94.8 million Drams, or 9.1%, and is less than the actual allocations in 2008 by about 580.0 million Drams, or 33.7%,

- for reconstruction and restoration of monuments is provided 213.3 million Drams, which is less than the actual allocations in 2009 by 117.8 million Drams, or 35.6%, and less than actual allocations in 2008 by 246.9 million Drams, or 53.7%.

(b) Provision of housing for families left homeless due to earthquake.

Implementation of measures towards the state's obligations for provision of constitutional right of the population to improve housing conditions is being continued within the sector. In this regard to ensure provision of homeless families in the disaster zone with housing premises since 2009 the following programs for housing construction are being carried out

- housing construction for families left homeless due to earthquake: Tsakhkahovit 1 apartment building restoration in Aragatsotn marz, construction of 4 unfinished buildings in the city of Stepanavan in Lori marz, and construction of 9 unfinished multi-apartment buildings in the city of Maralik of the Shirak marz, for this purpose 343.8 million Drams is provided in 2010, while 721.7 million Drams was actually allocated in 2009,

- for the purpose of acquisition of real estate for homeless families in the disaster zone by the means of Russian loan funds 22.05 billion Drams is prescribed in 2010, the actual allocation in 2009 was 24.0 billion Drams.

19.3. MAIN OBJECTIVES AND PROBLEMS

Although in previous years achievements recorded in the country, however, along with it there is a need to improve decision-making mechanisms and budgeting procedures for definition of priorities of non-financial assets expenditures on inter-sectoral, intra-sectoral levels and on the level of certain programs. In this regard presentation of non-financial assets expenditures in a separate section of MTEF program is aimed at:

- to emphasize the logic and principles that have been lying in the bases of allocation of non-financial assets expenditures for the next three years on inter-sectoral and intra-sectoral levels, based on cost,

- as well as to separate the key tasks and main obstacles existing in the process and mechanisms of budgeting of expenditure programs for non-financial assets, towards mitigating of which appropriate measures will be undertaken in the near future.

In the stage of non-financial assets expenditures planning, according to program budgeting principles, a key role was attributed to separation of factors determining the need for expenditure, which, in fact, influenced the decision-making process for inclusion of separate non-financial assets expenditures planning in the medium-term programs, as well as in some cases, inter-programmatic priorities definition processes.

While developing the MTEF program, in the process of making decisions on the areas of investments were separated the following problems, which condition the need for expenditures for non-financial assets:

- capacity building of institutions providing educational, cultural and healthcare services to ensure the required number and quality of services,
- improvement of the reconstruction of monuments aimed at preservation of cultural heritage and development of historical and cultural sites for tourism,
- implementation of housing construction in order to ensure the housing for families left homeless due to earthquake,
- maintenance of the roads of state significance in good situation and restoration of network planning, as well as restoration of sustainable transport communication between the settling areas,
- increase of drinking and irrigation water systems operation reliability and efficiency (including the effectiveness of the activities of the organizations engaged in the system), the reduction of water losses and improvement of quality of water supply and sewerage services, as well as safe and uninterrupted operation of the most important hydraulic structures, including reservoirs dams,
- reconstruction of drainage systems of coastal communities, reconstruction damaged parts of Arpa-Sevan tunnel aimed at solution of problems of the lake Sevan,
- in connection with the energy sector development, by the means of investment programs, urgent rehabilitation and modernization of morally and physically worn out certain objects and structures, maximum use of indigenous renewable energy resources and production capacities, activation of the process of integration with regional energy systems, the solution of which will provide reliable and safe electricity supply, which in turn will boost the country's sustainable economic development. Among the problems of the energy system is highlighted in recovery of heating system, which will be the direct result of introduction of energy saving and efficiency measures, as well as will contribute to the socio-economic development,
- creation of favorable conditions and increase of production efficiency for agricultural entities, the solution of which will also contribute to poverty reduction in rural areas, increase of agricultural incomes and creation of new jobs.

19.4. NON-FINANCIAL ASSETS EXPENDITURES PLANNING PRINCIPLES

While developing the 2011-2013 framework for non-financial assets expenditures, in view of the general limitations deriving from macro-economic and fiscal frameworks, the Government has been guided by the following principles:

- Compliance with the objectives and priorities of the Government's policy;
- In case of non-recovery of public assets, overcoming the risk of reducing volumes (and/or quality) of provided services;
- Dealing with problems in contribution of enhancement of security, strategic issues, and regional competition;

- Contribution of the private sector development (attracting investments) and promotion of economic growth;
- Mitigation of territorial inequalities and promotion of availability of the respective services;
- Meeting Government’s (investment) commitments;
- Concreteness, preciseness, and justification of the objectives and outcomes of certain capital expenditure programs.

At the same time, in the triennial framework of non-financial assets expenditures the Government has separated a reserve component (not allocated by sectors). This is conditioned by the following factors:

- In some sectors the accurate assessment of the volumes of necessary non-financial assets expenditure requires additional study;
- The unallocated component of capital expenditure at a certain extent increases discretionary level of the fiscal policy, enabling a more adequate response to macroeconomic developments.

19.5. FRAMEWORK OF EXPENDITURES FOR PUBLIC NON-FINANCIAL ASSETS OVER 2011-2013

The MTEF 2011-2013 stipulates for non-financial assets expenditure allocations totaling to 586.3 billion Drams, of which 171.1 billion Drams in 2011, 195.4 billion Drams in 2012, and 219.8 billion Drams in 2013. The non-financial assets expenditures planned by the 2011-2013 MTEF program will comprise an average level of 5.1% of planned GDP, while the highest level of this index for the mid-term period is forecast for the year of 2013 at 5.3%.

Table 19.4. Public Non-Financial Assets Expenditures Framework for 2011-2013, by Sources of Financing

	2009	2010	2011	2012	2013	2011-2013
	Actual	Budget	RA 2011-2013 MTEF			
Total expenditures for non-financial assets						
billion Drams	221.4	164.0	171.1	195.4	219.8	586.3
% , to total state budget expenditures	23.8	17.5	17.0	18.7	19.4	18.4
% , to GDP	7.1	5.1	4.8	5.1	5.3	5.1
Programs implemented by the means of internal sources						
billion Drams	87.9	40.7	44.5	42.3	42.5	129.2
% , to total non-financial assets expenditures	39.7	24.8	26.0	21.6	19.3	22.3
% , to total state budget expenditures	9.5	4.3	4.4	4.0	3.8	4.1
% , to GDP	2.8	1.3	1.2	1.1	1.0	1.1
Programs implemented by the means of external sources						
billion Drams	133.5	123.3	126.7	153.1	177.3	457.1
% , to total non-financial assets expenditures	60.3	75.2	74.0	78.4	80.7	77.7
% , to total state budget expenditures	14.4	13.2	12.6	14.6	15.7	14.3
% , to GDP	4.3	3.8	3.5	4.0	4.3	3.9

The provided indicators show that over the MTEF 2011-2013 period within the framework of expenditures for non-financial assets externally financed expenditure programs will prevail, which will

comprise by the years: around 77.0% of the total non-financial assets expenditure in 2011, 74.0% in 2012 and 78.4% in 2013.

Planning such a level of non-financial assets expenses involving external sources, the government has first of all taken into account the fact that involvement of private sector in a number of areas is still low and state expenditures for non-financial assets must be complementary and stimulating to private investment, which aims not only to overcome the global financial crisis and minimize its negative impact on Armenia's economy, but also to create sufficient grounds for future sustainable development and the formation of a qualitatively new economy.

CHAPTER 20.**GOVERNMENT DEBT MANAGEMENT STRATEGIC PLAN FOR 2011-2013**

Hereby is presented the strategy for involving borrowed funds for financing of the state budget deficit, provided by the RA legislation and the government economic development programs, and as a result, changing of the debt burden, risk management strategy.

Introduction

Prudent debt management plays an important role in public sector finance management process. This acquires a more important role, when a country bear the influence of global financial crisis and should be sure that the loan policy in the future will not lead to an unstable position, will not increase the financing costs to the extreme and unacceptable levels or does not make the country vulnerable. This requires an effective system of debt management application, which may reduce the negative impacts and mitigate potential risks in not favorable conditions.

The recent crisis also showed that those countries that have developed and implemented appropriate debt management strategy, managed to reduce the negative effects of the crisis on the economy. A clear strategy can help to reduce the excessive burden of loans (and their related costs risks) enabling policy makers to choose the optimal version from a number of options of expenditures and risks.

The Republic of Armenia, as many other countries, had to face difficult challenges, which were the result of the global financial crisis. In 2009, the country's economy was significantly worsened due to reduction of money transfer and as a result, due to a rapid reduction in the construction sector. The actual figures of 2009 show deterioration of real GDP, state budget and current account deficit, which resulted in increased loan volume, a significant devaluation is recorded. As a result of global reduction in economic activity and deterioration of internal situation, the authorities undertake appropriate measures are initiated in a timely and appropriate implementation of the reforms. In general this level of prudent management and solid in debt management should be continued even after the crisis, when the economy enters the stage of normal development.

The following developments have been recorded in the sphere of public debt management over the 2008-2010 period:

- In 2008 issuance of guiding state bonds began for the purpose of development of bond market through standardization. Simultaneously were introduced new approaches for bonds issuance, floatation, pay-back, exchange. Were revised approaches of the primary market participants, and evaluation mechanisms for their selection and behavior were improved and made transparent,
- small volume of internal debt, low yield, high medium term feature: conditioned by the schedule of the pension and insurance reforms implementation, substantial growth of financing of deficit through state bonds was registered (in 2009, as compared to 2008, it increased for 2 times, and in 2008 compared to 2007 - 3 times),

- a significant change was also recorded in fiscal and monetary policies in terms of coordination. In the second half of 2008 the Ministry of Finance and the Central Bank agreed that the latter stops issuance of its own bonds, and the Ministry of Finance expressed the willingness to support the implementation of monetary policy if necessary issuing state bonds for that purpose.
- Conditioned by the economic growth and poverty reduction, foreign preferential loans provided to the Republic of Armenia's by the international financial institutions and foreign countries are decreasing year by year. Thus, in 2009 the in the structure of foreign loans received for deficit financing the share of loans involved by commercial conditions comprised about 65%. Despite this fact, deficit financing dependence on foreign sources of loan funds involved is still significant.
- Due to the measures aimed at damping and eradication of the impact of global financial crisis (increase of liquidity in the financial system, support of payment balance, infrastructure development and funding of other anti-crisis programs), the year of 2009 was unprecedented in the terms of volume of state budget deficit and borrowings involved from the internal and external sources. Thus, in 2009 the state budget deficit was financed by 45.4 billion Drams at the expense of state bonds, and by 389.3 billion Drams at the expense borrowings involved from external sources (see Table 3). In comparison with previous years, in 2009 the indicators describing the debt burden were significantly increased (see Tables 4, 5, 6, 7); in particular the index of debt/GDP in 2009 was 40.1%, while in 2008 it made up only 16%. Such increase of debt burden is within manageable framework and can not undermine the country's debt sustainability.

Main Objectives in the Sphere of Government Debt Management over the 2011-2013 Period

The RA law “On Public debt” adopted in 2008 served as an initial basis for development of the Government Debt Management Strategy, which regulates the relations concerning the public debt and aims to ensure the effective and transparent management of public debt.

For the purpose of stable and prudent debt management it is envisaged to realize a systemized reform program for debt management. The Public debt Management Reform Action Plan, which was approved by order of the Minister of Finance No. 150-A of 03.03.2010, is scheduled to implement through the following measures:

1. introduction of debt registration system,
2. improvement and development of internal structure of the debt management department,
3. improvement of annual and semi-annual reports on the public debt,
4. steps towards primary market development,
5. development of debt medium term strategy.

Over the 2011-2013 period the government will continue to follow the principles of public debt management process: the debt transparency, publicity of activities, strengthening of investors' confidence and accountability.

- One of the most important factors for effective debt management is the ensuring of transparency, hence the government will not only submit regular reports with important debt information, but also will ensure open and public work with investors.
- The Government will continue its steps to strengthen confidence, which will lead to expanding the base of potential investors, and therefore will have a positive impact on improving the indicators characterizing the debt and will contribute to the stability of the domestic debt market (will weaken the impact of internal and external shocks on the debt market).
- Although during the economic crisis, the majority of borrowings required for the government may be involved from external sources, however, one of the objectives of long-term debt management is to increase the share of internal borrowings in the structure of state budget deficit financing sources, as the latter reduces the insolvency (default) probability, exchange rate related risks, provides with the opportunity to attract and utilize the gross national savings, creates a basis for application of new financial market instruments and the further development of the market.
- Taking into account financial market development programs of the RA Government over 2011-2013, the volumes of circulation of benchmark bonds with maturity of 3-20 years will be increased. During this period the volume of bonds in circulation is planned to increase by 95 billion Drams, including short-term bonds by - 15 billion Drams, medium term bonds – by 60 billion Drams, long-term bonds - by 20 billion Drams. However, within the framework of coordination of the debt management policy with the market situation changes and monetary policy (especially in the direction of mitigating the financial crisis impact) on a short-term basis increase of volumes of bonds with up to 1 year maturity can be continued.
- The Ministry of Finance will continue implementation of bond pay-back, exchange, based on the logic of floatation of benchmark bonds, and concerns for the secondary market development as well.
- Based on the importance of the retail bond market development, measures will be undertaken to increase the scope of saving bonds investors. In this regard, along with the strengthening of confidence towards the government, will be activated promotional activities among potential investors, as well as electronic system of retail sales of government bonds will be introduced.
- The Government will cooperate closely with the Central Bank and bond market participants in order to develop the state bond primary and secondary markets.
- This aspect will be of primary importance for the implementation of pension and insurance reforms within the provided time frame, which will increase as the scope of investors in Treasury bonds, weakening the dependence on banking system, and will cause increase of the maturity of bonds issued, which is an important prerequisite for increase the volume of domestic debt.
- For the exposure of opportunities for diversification of sources of debt, as well as for the development of the primary and secondary markets, studies will be carried out directed at

disclosure of opportunities for integration (floatation, information dissemination) into the systems that are leaders in the field (Blumberg, Reiter) within international market. This will allow the state bonds to be issued in compliance with international standards; will enable fast, centralized and simultaneous dissemination of information on state bonds in the global market, which will significantly increase market transparency. On the other hand it will also contribute to the stock of RA state bonds in the international market by promoting development of the secondary market.

- Maximum attention will be paid to the issues of coordination of fiscal and monetary policies, thus attempting to reduce the costs of both of policy objectives and at the same time making more comprehensible the policies for potential investors.
- Cooperation with external multilateral and bilateral partners will be continued and deepened. Taking into account the obligation to the Republic of Armenia before the International Monetary Fund regarding preservation of the grace average level of newly signed loans (which was defined at the rate of 30% till June, 2011); preference will be given to cooperation with creditors which provide borrowings for preferential terms.
- While involving borrowings from the external sources, in general, the priority will be given to loan funds in a freely convertible currency and with fixed-interest, as starting from 2009 the share of loans with floating rate has substantially increased in the structure of loans involved from external sources (see Table 2).
- Taking into account short-term repayment nature of the loan of SDR 202.4 million (subject to full loan repayment from 2012-2015) that the International Monetary Fund has provided to the RA Government, while involving borrowed funds from external sources preference will be given to the borrowings with at least 5 years grace period.
- Over the 2011-2013 period substantial increase in conventional liabilities through provision of guarantees is not assumed.
- As a result of triennial strategy the public debt/GDP ratio will not exceed the border limit provided by the Article 5 of the law “On Public Debt”.

To achieve public debt management objectives defined by the RA law “On Public Debt” and the present strategy will be implemented a number of measures, of which the most important ones are:

(a) clarification of the functions of debt management division:

The goal is: to have a new structure of division with certain functions, dealing with the debt management in accordance with the best international experience. In recent years, most of OECD countries have established debt management units either in the structure of the Ministry of Finance (Belgium, Australia, New Zealand, USA, Canada, France, Italy, Poland), or as a separate body reporting to the Minister of Finance (Austria, Hungary, Slovakia, Portugal UK, Germany). Survey has been made in accordance with the public debt management guidelines prepared by the IMF and the World Bank in 2003, and 15

countries from surveyed 18 had their front and back offices, and 12 of them have separate intermediate offices. Public debt management offices are being formed based on the organizational structure adopted in the banking system. The new structure implies existence of three divisions: with the functions of front, intermediate and back offices. Based on the above mentioned guide and on the best international experience studied, the divisions will have the following functions:

1. primary office will deal with debt tactical plan development, the involvement of debt from the primary market, application of debt management tools (purchase, exchange, swop, etc.),
2. the interim office will deal with development of debt strategy and review of risks,
3. the back office will deal with debt registration, management, accounting and reporting works.

(b) Introduction of a new system for debt registration

The goal is: to collect full information on the debt in time, its development and usage by the debt managing body. For the purpose of introduction of the system for dept registration and recording, the standard programs will be studied; a new program should be endowed with analytical capabilities, as well as must be ensured its compatibility with other electronic software of public finance management.

(c) Introduction of a system for risks assessment

The goal is: debt specific risks recognition and assessment, as well as development of the staff knowledge about risk management and practical skills.

(d) Improvement of professional skills of the staff involved in the public debt management

The goal is: development of professional skills of the staff. Public debt management reform process efficiency largely depends on human factors. It is necessary to organize special training courses, as a result of which the specialists of the debt management department will acquire specific skills to carry out specific functions. Will be developed and will be introduced professional skills assessment testing system, based on which assessment of the professional skills of the staff will be carried out. Introduced professional skills assessment tests will be included in the competition and testing tasks of civil servants provided by the RA legislation on civil service.

(e) Improvement of cash flow management process

The goal is: to increase the efficiency of cash flow management. The latter implies to increase the quality of flows planning, as well as to expand the composition of flow management tools.

(f) Study of opportunities for diversification of debt sources

The goal is: to create other possible sources for the involvement of debt. State bonds continue to be considered as the main source for internally borrowed funds. The successful process of reforms in the financial market will contribute to bond market development and expansion, which in turn will increase the government's financial flexibility, will allow to significantly increase the share of funds involved from domestic sources in the total volume of public debt, to diversify the structure of investors within the structure of state bonds by putting the main emphasis on pension funds and insurance companies (currently the banking sector is the main investor).

The risk management has key importance in the view of solving the problem of effective management of public debt.

The critical situation established in international financial markets and significant increase of the RA public debt forced the government to make the permissible limits of risk management indicators stricter. In this aspect, especially the management of refinancing, interest rates, exchange rate and functional risk turn to be of primary importance. In the terms of external debt the refinancing, interest rate and exchange rate risks are especially important, and for the internal debt the refinancing, interest rate and functional risks become more important.

Refinancing risk becomes essential due to possible developments in international and domestic financial markets and depends on the volumes of Government debt servicing amounts to be paid in the coming years.

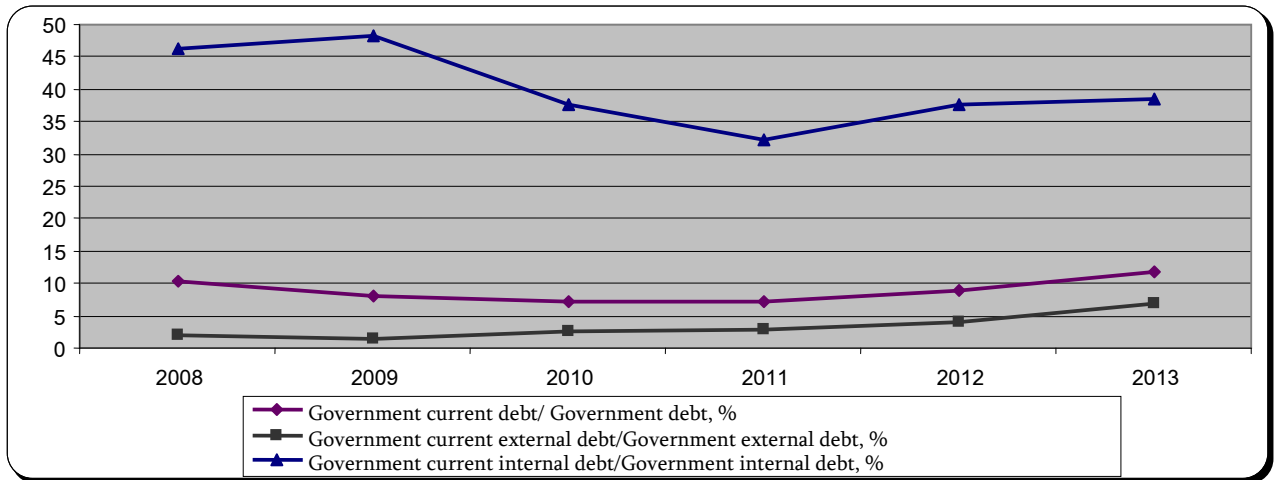
Table 20.1. The current debt of the government for 2008-2013 period (billion Drams)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
The government current debt	55.1	85.9	96.6	103.7	143.9	205.3
<i>of which:</i>						
Interest rate	11.0	16.3	37.1	50.3	54.7	57.7
Repayment	44.0	69.6	59.6	53.4	89.2	147.6
The government current external debt *	8.5	13.8	29.5	36.9	55.3	102.0
<i>of which:</i>						
Interest rate	3.6	7.5	19.7	25.7	26.6	25.5
Repayment	4.9	6.3	9.8	11.2	28.7	76.5
The government current internal debt	46.6	72.1	67.2	66.8	88.6	103.3
<i>of which:</i>						
Interest rate	7.5	8.8	17.4	24.6	28.1	32.2
Repayment	39.2	63.3	49.8	42.2	60.5	71.1

* Conversion of the Government 2011-2013 foreign debt payments was made based on the average rates formed in the currency market as of 01.04.2010, source: the Central Bank

From the point of assessment of the refinancing risk the share of the current debt in the volume of Government debt is important as well.

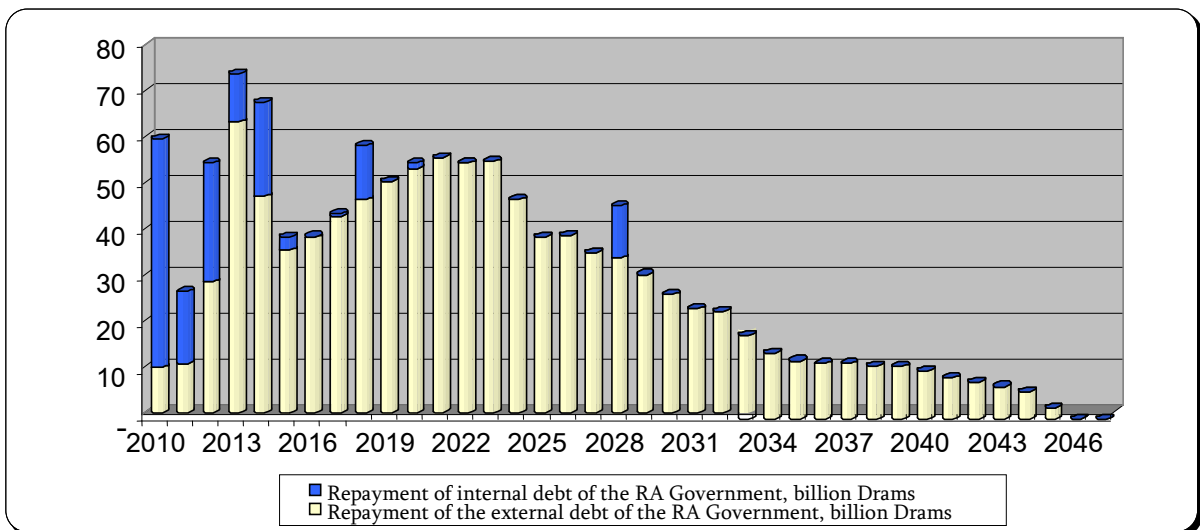
Chart 20.1. Ratio of the Government's current debt to the total government debt over 2008-2013.



As seen from the chart, the risks of domestic debt refinancing are greater, which is due to bigger share of the short-term debt. On the other hand, however, the government's internal debt in comparison with the volume of external debt is much smaller.

However, the government external debt repayments formed by the end of 2009 will last up to the year of 2047, and that of the internal debt - up to 2028.

Chart 20.2. The schedule of repayment of the Government debt formed as of December 31, 2009.



As seen from Table 1, the government's external debt repayments will significantly increase for the coming years, which is conditioned by the repayments of short term loan provided by International Monetary Fund at SDR 202.4 million (subject to repayment over 2012-2015), as well as by termination of grace terms of many existing loans and increase in the amounts subject to repayment in interest expression

according to loan agreements. Substantial growth in Government debt repayments, interest rates and other indicators describing the debt burden can be the preventive for debt involvement opportunities.

Restriction of collaboration on preferential terms with international financial institutions will increase the significance of alternative both external and internal sources for the Republic of Armenia.

Currently, restriction of grace lending opportunities by the creditors of Armenia from foreign sources enforces the government to attract borrowed funds with commercial terms. In this respect, attention to interest rate related risks is increasing, especially taking into consideration that in the structure of Government debt has substantially increased loans with floating rate involved from external sources.

Table 20.2. Share of fixed and floating rate loans in the Government debt structure over 2008-2013, (%)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
The government debt	100.0	100.0	100.0	100.0	100.0	100.0
<i>of which:</i>						
fixed interest rate	98.4	75.2	70.2	69.9	65.1	61.8
floating interest rate	1.6	24.8	29.8	30.1	34.9	38.2
The government external debt	100.0	100.0	100.0	100.0	100.0	100.0
<i>of which:</i>						
fixed interest rate	100.0	72.2	66.2	65.5	59.5	55.1
floating interest rate	-	27.8	33.8	34.5	40.5	44.9
The government internal debt	100.0	100.0	100.0	100.0	100.0	100.0
<i>of which:</i>						
fixed interest rate	91.5	93.9	95.7	96.9	98.0	98.8
floating interest rate	8.5	6.1	4.3	3.1	2.0	1.2

In the case of increase of interest rates in international financial markets, interest costs of floating rate loans involved in the government's foreign debt will accordingly grow. Thus, in the case of change of floating interest rate by 1 percentage point, the Government foreign debt interest costs will increase on average by about 13 million USD over 2011-2013.

In order to effectively manage refinancing and interest rate risks, the government will undertake the following activities:

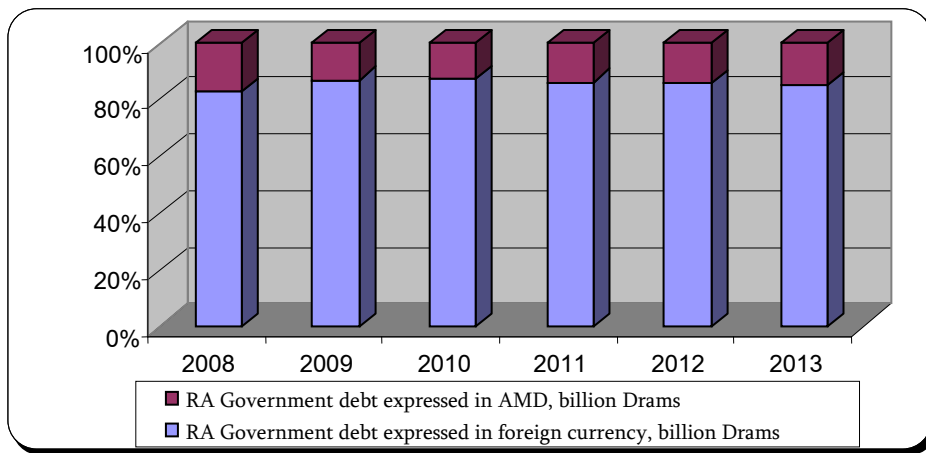
- adjustment in the amount of the state deficit financing bonds conditioned by the pension and insurance reform process,
- accumulation of certain funds, which will allow to reduce the amount of deficit financing through state bonds, if undesirable process occurs in the bond market.

- active application of pay back and exchange,
- promotion of cooperation with external multilateral and bilateral partners,
- while attracting borrowed funds from external sources the preference should be given to loans with maximum grace period (minimum for 5 years) and fixed rate,
- in accordance with procedures established by foreign donors, involved floating rate loan interest rate fixation will be arranged.

For the purpose of reduction of *functional risk* it is envisaged to introduce electronic system for debt registration.

Exchange rate risk is significant, because the most part of the state debt is in foreign currency.

Chart 20.3. Ratio of the Government debt expressed in foreign currency and AMD over 2008-2013.



This risk is getting mitigated in the amount due to the circumstance that the major part of the government's foreign debt is expressed in SDR (by the end of 2009 it comprised about 61%), which presents of itself a basket composed of four freely convertible currency, therefore, is less fluctuating.

Table 20.3. Government foreign currency denominated debt structure over 2008-2010*

	2008 actual	2009 actual	2010 plan
USD	5.9	24.6	22.0
SDR	75.6	60.6	60.2
EUR	6.2	4.0	7.2
JPY	12.2	10.9	10.5
Other	-	0.001	0.1

**including the foreign currency debt provided by the "VTB-Armenia" CJSC*

In the case of deviation of exchange rates of SDR, EUR, JPY against USD by 1% in comparison with forecasted rates, will change the volume of Government's foreign debt in average by 22 million Drams.

From the point of view of effective exchange rate risk management it is not excluded that in the future the debt managers will use different hedging approaches commonly adopted in the world.

2008-2009 Actual and 2010-2013 Guiding Parameters Describing the National Debt

In the circumstances of reduction of taxes due to crisis, the government was obliged to increase the state budget deficit/GDP index, but over the coming years (starting from 2011) it is clearly defined for the Government policy to reduce the state budget deficit/GDP indicator.

Table 20.3. State budget deficit financing through borrowed funds over 2008-2013 (billion Drams)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
Deficit financing through borrowed funds	69.1	433.6	156.2	88.5	160.0	149.1
<i>of which:</i>						
Internal borrowings	24.7	44.2	28.4	28.4	28.4	33.4
share, %	35.8	10.2	18.2	32.1	17.7	22.4
External borrowings	44.4	389.3	127.7	60.1	131.7	115.7
share, %	64.2	89.8	81.8	67.9	82.3	77.6

Table 20.4. The national debt from 2008-2013. (Billion Drams)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
Public debt	584.6	1,270.7	1,576.2	1,733.2	1,843.1	1,909.4
% to GDP	16.4	41.0	47.2	48.5	48.1	46.2
External debt	483.7	1,121.1	1,397.9	1,526.2	1,607.7	1,640.6
of which: RA CB debt	54.0	189.2	256.1	280.7	230.6	147.9
Internal Debt	100.9	149.6	178.3	207.0	235.4	268.8
Government debt	530.6	1,081.5	1,320.2	1,452.5	1,612.5	1,761.5
% to GDP	14.9	34.9	39.5	40.7	42.0	42.6
Government current debt	55.1	85.9	96.6	103.7	143.9	205.3
Current GD/state budget expenditures (%)	6.8	9.2	10.3	10.3	13.7	18.2
Current GD/state budget own revenues (%)	7.2	12.9	13.8	13.1	16.5	21.4
Interest rate of Government debt	11.0	16.3	37.1	50.3	54.7	57.7
Interest rate/state budget expenditures (%)	1.4	1.8	4.0	5.0	5.2	5.1

Table 20.5. External public debt of the main characteristics of 2008-2013 (million US Dollars)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
External public debt*	1,577.1	2,966.7	3,617.7	3,804.5	4,007.7	4,089.7
% to GDP	13.6	36.1	41.9	42.7	41.9	39.7
% to export	89.8	224.2	246.5	230.6	210.8	181.4
Debt current value	994.5	2,259.6	2,315.3	2,434.9	2,564.9	2,617.4
% to GDP	8.5	26.5	26.8	27.4	26.8	25.4
% to export	56.6	170.7	157.8	147.6	134.9	116.1
% to external assets of the CB**	70.8	112.8	106.6	116.8	134.8	155.7
Interest rate/Export (%)	0.7	2.1	4.2	5.0	4.4	3.4
Repayment/Export (%)	2.4	3.4	3.3	3.1	10.3	17.6

* Foreign debt forecasts were made by the assumption that the Central Bank will not involve new loans.

** For forecasting of the Central Bank's foreign assets the are used the data of the third observation implemented within the framework of "Stand-By Arrangement" and published by the IMF in April, 2010.

Table 20. 6. The main characteristics of the Government external debt over 2008-2013 (million USD)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
Government External Debt (GED)	1,401.1	2,465.9	2,955.0	3,104.7	3,432.9	3,721.1
% to GDP	12.0	30.0	34.2	34.9	35.9	36.1
Debt Current Value	857.4	1,833.9	1,891.2	1,987.0	2,197.0	2,381.5
% to GDP	7.4	21.5	21.9	22.3	23.0	23.1
Current GED	26.0	45.0	76.6	92.9	138.9	255.6
Current GED/state budget expenditures (%)	1.0	1.5	3.2	3.7	5.3	9.0
Current GED/state budget own revenues (%)	1.1	2.1	4.2	4.7	6.3	10.6
Interest rate	11.0	24.1	51.2	65.0	67.3	64.6
Interest rate/state budget expenditures (%)	0.4	0.8	2.1	2.5	2.5	2.3
Average interest rate (%)	0.8	1.0	1.7	2.1	2.0	1.7
Average maturity (years)	28.0	23.0	21.0	21.0	20.0	20.0
Share of loans with floating interest rate (%)	-	27.8	33.8	34.5	40.5	44.9

Table 20.7. Main characteristics of the internal public debt over 2008-2013 (billion Drams)

	2008 actual	2009 actual	2010 plan	2011 guide	2012 guide	2013 guide
Internal Public Debt	100.9	149.6	178.3	207.0	235.4	268.8
% to GDP	2.8	4.8	5.3	5.8	6.1	6.5
State bonds	92.3	140.6	170.6	200.6	230.6	265.6
Short-term	30.1	41.4	27.1	31.8	36.6	42.1
Medium-term	36.9	71.4	108.7	127.8	146.9	169.2
Long-term	25.0	27.5	34.5	40.6	46.7	53.8
Saving	0.3	0.2	0.3	0.3	0.4	0.5
Direct credit from the RA resident	8.6	9.1	7.7	6.4	4.8	3.2
Average interest rate (%)	8.4	10.4	11.0	11.0	10.5	10.0
Average maturity (days)	1,534.5	1,391.0	1,402.0	1,462.0	1,500.0	1,530.0
Current GID	46.7	72.1	67.2	66.8	88.6	103.3
Current GID/state budget expenditures (%)	5.8	7.8	7.2	6.6	8.5	9.1
Current GID/state budget own revenues (%)	6.1	10.8	9.6	8.4	10.1	10.8
Interest rate	7.5	8.8	17.4	24.6	28.1	32.2
Interest rate/state budget expenditures (%)	0.9	0.9	1.9	2.4	2.7	2.8

The Government external debt forecasts for 2011-2013 were made based on the following assumptions:

- 1 SDR = 1.60 USD, 1 EURO = 1.45 USD, and 1 JPY = 0.01 USD,
- USD 6-month LIBOR: 3%, 6 - month EURIBOR: 3.5%, SDR interest rate: 2%.

HEAD OF STAFF
OF THE GOVERNMENT OF
THE REPUBLIC OF ARMENIA

D. SARGSYAN

**SUMMARY OF RISKS AVAILABLE IN THE FORECASTS
FOR 2011-2013 MTEF PROGRAM**

Hereby is presented the brief description of risks available in the 2011-2013 MTEF forecasts, in particular, in macroeconomic and fiscal forecasts, as well as in the area of public debt risk management.

More detailed information on this material is provided in this program, corresponding parts of the Chapters 2, 4 and 20.

1. RISKS AVAILABLE IN THE MACROECONOMIC FORECASTS

Economic Forecasts

Risks available in forecasts

Risks present in forecasts are conditioned both by external and internal economic factors, which may be directed to the increase of economic growth, as well as to its collapse.

At the same time while having a small and open economy, Armenia quickly reacts to the economic developments in partner countries: in this regard the main risks of forecasts will be greatly conditioned by macroeconomic changes in the world economy.

a/ Risks favorable for forecasts of GDP growth

External environment

- If the world economy will recover faster than it is forecasted by estimates, then the forecasted growth will be higher. Such a situation will be even more probable if the Russia's economy will recover in faster pace than it is expected.
- The next risk in the line of growth is connected with international prices – with faster growth thereof than the forecast is. In that case it will promote the Armenia's GDP growth by even higher rate than it is forecasted in the following two ways: direct – through increase of volumes in industry conditioned by the export of raw materials and indirect – through transfers from Russia.

Internal environment

- In the scenario of forecasts there is an estimate that the Government will implement economic reforms mainly directed to improvement of business environment and tax administration, but if the impact of the Government's reforms will be performed quicker, then the level of economic growth will be at a higher level than the forecast is.

a/ Risks reducing the forecasts of GDP growth

External environment

- If in European countries the impossibility of implementation of public liabilities will get deeper in connection with implementation of expanded fiscal policy within the framework of anti-crisis measures, than it may bring to financial instability in European markets, and it will again affect the

markets of other regions with the effect of a virus, consequently, with its respective negative affect on the Armenia's external demand.

- Economists in international institutions are still concerned with the problems existing in the European market. The latter is connected with insufficient flexibility of European producers. Particularly, they do not manage to quickly free themselves from unnecessary labor resources. Maintenance of this situation during the MTEF period will negatively affect future revival of European economy and will delay recovery of the economy: Consequently, growth of the global demand will be slower than it is expected, and it will have its negative impact on the economic growth of Armenia.

2. RISKS AVAILABLE IN THE FISCAL FORECASTS

Macroeconomic forecasts make it possible to assume that the 2011 level of risks, compared with the period of 2009-2010, is significantly reduced in the field of reception of budgetary receipts, especially budget revenues, Anyhow, from the view of realistic execution of the 2011-2013 MTEF, it is important to separate those factors, which may have both positive and negative impact on the programmed fiscal scenario. Although, most of all are important those factors, which may result in the need of making corresponding reviews in planned expenditures. In this regard forecasts lying in the bases of the 2011-2013 MTEF program contain certain risks.

Sources of Risks

Generally, within the framework of 2011-2013 MTEF the following types of sources for the risks can be separated, which may result in certain deviations from the planned resource package:

- of internal resources;
- of external assistance.

Internal resources: the 2011-2013 state budget resources package generally will be compiled by tax revenues and mandatory social security payments, in the line of which in 2011-2013 the planned receipts will make up 95.4% in the average of total receipt. Collection of the mentioned types of revenues will be greatly dependant from the accordance of forecasted and recorded tendencies of macroeconomic developments, on one hand, and from the efficiency of the Government's administrative actions in the field of tax collection, on other hand. Except the mentioned economic factors, in this case impacts of internal developments and external factors on the economic environment of the country also have their essential role.

Risks for compliance of forecasted and recorded tendencies of macroeconomic developments:

Implementation of administrative measures: in 2011-2013, when the scarcity of budgetary resources still remain one of the standing problems needing solution, with the demand of assurance of possible available level of tax revenues, the RA Government's will principally continue realization of undertaken fiscal policy aimed at reduction of volumes of shady economy, thus contributing to the improvement of situation in the field of collection of budget revenues. In this case, successful implementation of measures

undertaken by tax and customs bodies will be the guarantee for reduction shady economy and collection of additional budget receipts.

Impacts of external factors: the risk will occur in the case of rapid collapse of economic environment in the country, which in turn may be resulted by the impact of external factors (in foreign markets, as well as in the case of increase of tension on external borders of Armenia), and it is impossible to assess it.

External assistance: the 2011-2013 budgetary resource packages are envisaged to be compiled by both official grants and loans.

Official grants: issue on allocation of these resources or the factor of risk of reception of appropriate receipts will significantly be conditioned by the course of implementation of certain measurements in the field of economic reforms by the RA Government.

Loans: Risks are mainly conditioned by the possible deviation of planned allocations from those actually provided.

In the line of foreign assistance the changes of foreign currency exchange rates can affect compilation of the 2011-2013 budgetary resources package.

Possible Consequences of the Risks and Adjustment Tendencies

For the part of internal resources, a lower level than it is planned supposes revision of expenditures in the sense of reduction. Taking into account that tax revenues are not attached to any expenditure category or program, in this case the revision of expenditures will be based of their priority; it means that those expenditures () or programs which have a lower level of priority at the moment of reduction will be reduced first of all (taking into account also the occurrence of possible negative consequences as a result of reduction).

In the case of under-receipt of external assistance, approaches for revising the expenditure plan will be different, depending on the nature of external assistance. In this respect, the structure of the anticipated external assistance by designation is to and important factor. According to the forecasts, official grants and loans with programmed (targeted) essence will comprise a major share in the structure of external assistance for the planned period.

In case of under-receipt of budgetary assistance of general essence, the expenditure plan will be revised based on the level of their priority, whereas under-receipt of programmed (targeted) official grants and loans will result in financial reductions from those programs, which are directly linked to those sources of financing, meanwhile it will also be possible to replace the resources not received from external sources with those of internal sources.

Compensation Opportunities

Favorable macroeconomic developments may have a positive impact on the fiscal framework of the 2011-2013 MTEF, thus partially compensating the estimated possible “losses” in terms of external assistance and tax administration. Improvement of macroeconomic environment in comparison with the forecasts will create favorable conditions for collection of additional budget revenues and mandatory social security

payments. In that case the Government will consider the issue on directing additional revenues to the additional financing of expenditure priorities and/or to the reduction of the size of state budget deficit.

3. RISKS AVAILABLE IN THE FORECASTS IN PUBLIC DEBT MANAGEMENT

The critical situation established in international financial markets and significant increase of the RA public debt forced the government to make the permissible limits of risk management indicators stricter. In this aspect, especially the management of refinancing, interest rates, exchange rate and functional risk turn to be of primary importance. In the terms of external debt the refinancing, interest rate and exchange rate risks are especially important, and for the internal debt the refinancing, interest rate and functional risks become more important.

Refinancing risk becomes essential due to the possible developments in international and domestic financial markets and depends on the volumes of Government debt servicing amounts to be paid in the coming years.

The risks of domestic debt refinancing are greater, which is due to bigger share of the short-term debt. On the other hand, however, the government's internal debt in comparison with the volume of external debt is much smaller.

However, the government external debt repayments formed by the end of 2009 will last up to the year of 2047, and that of the internal debt - up to 2028.

The government's external debt repayments will significantly increase for the coming years, which is conditioned by the repayments of short term loan provided by International Monetary Fund at SDR 202.4 million (subject to repayment over 2012-2015), as well as by termination of grace terms of many existing loans and increase in the amounts subject to repayment in interest expression according to loan agreements. Substantial growth in Government debt repayments, interest rates and other indicators describing the debt burden can be the preventive for debt involvement opportunities.

Restriction of collaboration on preferential terms with international financial institutions will increase the significance of alternative both external and internal sources for the Republic of Armenia.

Currently, restriction of opportunities for grace lending by the creditors of Armenia from foreign sources enforce the government to attract borrowed funds with commercial terms. In this respect, attention to interest rate related risks is increasing, especially taking into consideration that in the structure of Government debt has substantially increased loans with floating rate involved from external sources.

In the case of increase of interest rates in international financial markets, interest costs of floating rate loans involved in the government's foreign debt will accordingly grow. Thus, in the case of change of floating interest rate by 1 percentage point, the Government foreign debt interest costs will increase on average by about 13 million USD over 2011-2013.

In order to effectively manage refinancing and interest rate risks, the government will undertake the following activities:

- adjustment in the amount of the state deficit financing bonds conditioned by the pension and insurance reform process,
- accumulation of certain funds, which will allow to reduce the amount of deficit financing through state bonds, if undesirable process occurs in the bond market.
- active application of pay back and exchange,
- promotion of cooperation with external multilateral and bilateral partners,
- while attracting borrowed funds from external sources the preference should be given to loans with maximum grace period (minimum for 5 years) and fixed rate,
- in accordance with procedures established by foreign donors, involved floating rate loan interest rate fixation will be arranged.

For the purpose of reduction of *functional risk* it is envisaged to introduce electronic system for debt registration.

Exchange rate risk is significant, because most part of the state debt is in foreign currency.

This risk is getting mitigated in the amount due to the circumstance that the major part of the government's foreign debt is expressed in SDR (by the end of 2009 it comprised about 61%), which presents of itself a basket composed of four freely convertible currency, therefore, is less fluctuating.

In the case of deviation of exchange rates of SDR, EUR, JPY against USD by 1% in comparison with forecasted rates, will change the volume of Government's foreign debt in average by 22 million Drams.

From the point of view of effective exchange rate risk management it is not excluded that in the future the debt managers will use different hedging approaches commonly adopted in the world.

Risks available in forecasts on the volume of state budget deficit.

Notwithstanding availability of forecasted sources of the state budget deficit financing for 2011-2013, volume of the state budget deficit (which is forecasted within the interval of 4.0-4.9% GDP for those years) may be essentially affected by the volume of state budget/nominal GDP relation actually formed during the period of 2011-2013. The said is about the risk of exceeding the limit of 50% of the volume of state budget/nominal GDP relation during the 2011-2013 period, conditioned by the risks available in macroeconomic forecasts, in the case of which requirement of the Part 7 of Article 5 of the RA Law on "Public Debt" is being applied, that is:

"in the case the public debt exceeds the 50% of the GDP of previous year, and then the state budget deficit of the next year shall not exceed 3% of the average indicator of volumes of GDP for the last three years".

Republic of Armenia 2011 -2013 state budget deficit financing sources by separate elements

thousand drams

State budget deficit financing sources and names of their elements	2011	2012	2013
TOTAL	174,933,662.0	164,921,432.1	165,351,294.0
including:			
A. Internal sources - Total	150,264,337.1	70,011,124.9	89,239,754.9
including:			
1. Borrowings	28,379,339.4	28,389,400.0	33,389,400.0
including:			
1.1. Net receipts from securities issuance and floating (excluding shares and participation in other equity)	29,983,939.4	29,994,000.0	34,994,000.0
of which:			
Treasury bonds	30,000,000.0	30,000,000.0	35,000,000.0
state internal getter loan bonds pay back	(6,000.0)	(6,000.0)	(6,000.0)
promissory notes redemption	(10,060.6)	-	-
1.2. Repayment of received credits and loans	(1,604,600.0)	(1,604,600.0)	(1,604,600.0)
of which:			
Repayment of loan received from the "VTB Armenia" Bank	(1,604,600.0)	(1,604,600.0)	(1,604,600.0)
2. Financial assets	121,884,997.7	41,621,724.9	55,850,354.9
including:			
2.3. Early year free funds directed to financing of outcome	90,145,060.6	36,000,000.0	36,000,000.0
2.4. Provision of loans and borrowings	(926,883.8)	(355,646.2)	(355,646.2)
of which:			
a) Provision of credits defined by the RA law "On Forcibly Imprisoned Persons"	(200,000.0)	(200,000.0)	(200,000.0)
b) Provision of budgetary loans within the programs implemented at the expense of targeted funds received from external sources to economizing entities involved in those programs (the amounts of loans according to programs and implementing state governing bodies are provided in Table 2 of the Annex 4)	(726,883.8)	(155,646.2)	(155,646.2)
c) Provision of budgetary loans within the grant program for "Millennium Challenges" implemented by the financial support of the US Government to economizing entities involved in the program	-	-	-
2.5. Receipt from return of provided loans and borrowings	2,666,820.9	2,977,371.1	15,822,217.9
2.6. Other	30,000,000.0	3,000,000.0	4,383,783.2
spending from stabilization deposit account	30,000,000.0	3,000,000.0	4,383,783.2
B. External sources - Total	24,669,324.9	94,910,307.2	76,111,539.1
including:			
1. Borrowings	60,060,340.4	131,653,461.6	115,746,184.9
including:			
1.1. Receipt of loans and borrowings	71,227,944.5	160,345,245.2	192,237,309.8
1.2. Repayment of received loans and borrowings	(11,167,604.1)	(28,691,783.6)	(76,491,124.9)
2. Financial assets	(35,391,015.5)	(36,743,154.4)	(39,634,645.8)
including:			
2.1. Provision of loans and borrowings	(35,357,944.3)	(36,717,922.8)	(39,606,241.1)
of which:			
Interstate loan to Karabakh	(35,357,944.3)	(36,717,922.8)	(39,606,241.1)
2.2. Receipt from return of provided loans and borrowings	287,403.2	316,242.8	349,069.7
of which:			
from Georgia	287,403.2	316,242.8	349,069.7
2.3. Acquisition of shares and participation in equity	(320,474.4)	(341,474.4)	(377,474.4)
of which:			
Implementation of commitments undertaken due to participation in the equity of international financial organizations	(320,474.4)	(341,474.4)	(377,474.4)
3. Other	-	-	-

The RA 2011-2013 ceilings for expenditures to be financed from the state budget by sectors (excluding maintenance expenditures of the executive authority, public administrative republican and territorial bodies)

thousand drams

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
01			GENERAL PUBLIC SERVICES	116 103 845,2	123 166 097,7	127 197 266,9
	01		Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	25 498 581,9	27 454 015,5	29 774 677,5
		01	Legislative and Executive Bodies, Public Administration	410 000,0	200 000,0	200 000,0
		02	Financial and Fiscal Relations	22 998 276,0	25 160 346,0	27 476 716,0
		03	Foreign Relations	2 090 305,9	2 093 669,5	2 097 961,5
		03	General services	680 928,2	432 928,2	450 464,5
		02	Planning and Statistical General Services	676 758,4	428 758,4	446 294,7
		03	Other General Services	4 169,8	4 169,8	4 169,8
		04	General Survey Activities	459 585,5	0,0	0,0
		01	General Survey Activities	459 585,5	0,0	0,0
		06	General Public Services (non-classified in other categories)	6 690 511,0	8 131 058,5	6 121 263,7
		01	General Public Services (non-classified in other categories)	6 690 511,0	8 131 058,5	6 121 263,7
		07	Transactions for Public Debt	50 286 175,8	54 660 032,7	57 686 670,2
		01	Transactions for Public Debt	50 286 175,8	54 660 032,7	57 686 670,2
08		General Transfers Among Different Levels of Government	32 488 062,8	32 488 062,8	33 164 191,0	
	01	General Transfers Among Different Levels of Government	32 488 062,8	32 488 062,8	33 164 191,0	
02		DEFENSE	134 592 904,7	137 038 445,2	147 617 480,3	
	01	Military Defense	130 142 752,5	132 456 468,4	142 899 724,2	
	01	Military Defense	130 142 752,5	132 456 468,4	142 899 724,2	
	05	Defense (non-classified in other categories)	4 450 152,2	4 581 976,8	4 717 756,1	

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Defense (non-classified in other categories)	4 450 152,2	4 581 976,8	4 717 756,1
03			PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	48 745 044,1	48 170 978,8	48 040 462,6
	01		Public Order and Security	35 227 465,5	35 227 465,5	37 614 576,8
		01	Police	23 570 444,9	23 570 444,9	25 198 326,9
		02	National Security	11 657 020,6	11 657 020,6	12 416 249,9
	02		Rescue Service	4 171 690,7	4 172 046,8	4 490 460,5
		01	Rescue Service	4 171 690,7	4 172 046,8	4 490 460,5
	03		Judiciary Activities and Legal Assistance	2 885 516,1	1 311 094,7	160 460,0
		01	Courts	2 885 516,1	1 311 094,7	160 460,0
	05		Detention Centers	6 460 371,8	7 460 371,8	5 774 965,3
		01	Detention Centers	6 460 371,8	7 460 371,8	5 774 965,3
04			ECONOMIC RELATIONS	102 826 275,6	187 010 248,6	227 125 977,9
	01		General Economic, Commercial and Labor Relations	1 286 643,0	1 286 643,0	1 333 691,5
		01	General Economic and Commercial Relations	1 286 643,0	1 286 643,0	1 333 691,5
	02		Agriculture, Forestry, Fishery and Hunt	44 412 298,2	13 558 121,2	13 881 762,8
		01	Agriculture	8 332 917,7	7 688 413,1	7 943 728,8
		02	Forestry	790 750,5	762 670,0	837 734,6
		04	Irrigation	35 288 630,0	5 107 038,1	5 100 299,4
	03		Fuel and Energy	1 756 995,4	3 859 994,5	4 317 970,1
		04	Other Types of Fuel	338 370,0	517 162,6	0,0
		05	Electricity	1 418 625,4	3 342 831,9	4 317 970,1
	04		Mining Extraction, Industry and Construction	14 000,0	14 000,0	14 545,0
		01	Extraction of Mineral Resources, Except for Natural Fuel	14 000,0	14 000,0	14 545,0
	05		Transport	42 541 581,9	27 020 463,4	14 769 350,7
		01	Road Transport	40 399 581,9	24 751 763,4	12 462 850,7
		04	Air Transport	21 000,0	21 000,0	21 000,0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		05	Pipeline and Other Transport	2 121 000,0	2 247 700,0	2 285 500,0
	06		Communication	400 864,3	400 864,3	421 832,3
		01	Communication	400 864,3	400 864,3	421 832,3
	07		Other Sectors	1 163 608,0	50 000,0	50 000,0
		03	Tourism	50 000,0	50 000,0	50 000,0
		04	Multi-targeted Development Programs	1 113 608,0	0,0	0,0
	08		Survey and Design Works Concerning Economic Relations	100 411,3	100 411,3	108 647,1
		01	Survey and Design Works Concerning General Economic, Commercial and Labor Issues	50 375,9	50 375,9	55 083,9
		04	Survey and Design Works Concerning General Mining Extraction, Industry and Construction	50 035,4	50 035,4	53 563,2
	09		Economic Relations (non-classified in other categories)	11 149 873,5	140 719 750,9	192 228 178,4
		01	Economic Relations (non-classified in other categories)	11 149 873,5	140 719 750,9	192 228 178,4
05			ENVIRONMENT PROTECTION	8 910 301,3	4 389 008,5	4 443 274,9
	01		Scavenger	29 173,9	29 173,9	31 380,9
		01	Scavenger	29 173,9	29 173,9	31 380,9
	03		Fight Against Environment Pollution	122 588,5	122 588,5	130 267,9
		01	Fight Against Air Pollution	122 588,5	122 588,5	130 267,9
	04		Bio-Diversity and Nature Protection	5 343 079,8	846 787,0	888 562,5
		01	Bio-Diversity and Nature Protection	5 343 079,8	846 787,0	888 562,5
	05		Survey and Design Works Concerning Environment Protection	10 000,0	0,0	0,0
		01	Survey and Design Works Concerning Environment Protection	10 000,0	0,0	0,0
	06		Environment Protection (non-classified in other categories)	3 405 459,1	3 390 459,1	3 393 063,6
		01	Environment Protection (non-classified in other categories)	3 405 459,1	3 390 459,1	3 393 063,6
06			HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	49 856 808,5	10 469 173,8	4 094 377,5
	01		Housing Construction	30 200 000,0	3 200 000,0	200 000,0

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Housing Construction	30 200 000,0	3 200 000,0	200 000,0
	03		Water Supply	17 960 808,5	5 573 173,8	2 198 377,5
		01	Water Supply	17 960 808,5	5 573 173,8	2 198 377,5
	04		Street-illumination	1 696 000,0	1 696 000,0	1 696 000,0
		01	Street-illumination	1 696 000,0	1 696 000,0	1 696 000,0
07			HEALTHCARE	58 574 931,6	57 339 750,7	56 027 990,2
	01		Medical Commodities, Equipment and Devices	3 687 525,1	3 687 525,1	3 687 525,1
		01	Pharmaceutical products	3 687 525,1	3 687 525,1	3 687 525,1
	02		Outpatient Services	23 919 063,7	23 919 063,7	23 919 063,7
		02	Specialized Medical Services	71 411,6	71 411,6	71 411,6
		-	Outpatient Services	23 847 652,1	23 847 652,1	23 847 652,1
	03		Inpatient Services	24 371 138,0	24 371 138,0	24 371 138,0
		-	Inpatient Services	24 371 138,0	24 371 138,0	24 371 138,0
	04		Public Healthcare Services	2 861 068,6	2 861 068,6	2 861 068,6
		01	Public Healthcare Services	2 861 068,6	2 861 068,6	2 861 068,6
	06		Healthcare (non-classified in other categories)	3 736 136,2	2 500 955,3	1 189 194,8
		01	Health adjacent Services and Programs	3 736 136,2	2 500 955,3	1 189 194,8
08			RECREATION, CULTURE AND RELIGION	16 344 492,6	16 382 792,8	17 027 998,7
	01		Recreation and Sports Services	1 449 652,8	1 400 947,1	1 426 625,3
		01	Recreation and Sports Services	1 449 652,8	1 400 947,1	1 426 625,3
	02		Cultural Services	8 762 401,2	8 900 401,2	9 291 993,5
		01	Libraries	1 151 406,6	1 151 406,6	1 242 540,6
		02	Museums and Exhibitions	1 646 165,2	1 646 165,2	1 764 836,9
		03	Cultural Houses, Clubs, Centers	32 517,5	32 517,5	34 957,0
		04	Other Cultural Organizations	680 488,7	680 488,7	721 708,8
		05	Art	4 267 423,8	4 405 423,8	4 525 358,0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		06	Cinematography	630 448,2	630 448,2	644 014,5
		07	Restoration and Preservation of Monuments and Cultural Values	353 951,2	353 951,2	358 577,7
	03		Radio and Television Broadcasting and Publishing Services	4 415 609,2	4 364 615,1	4 586 137,3
		01	Radio and Television Programs	3 398 898,3	3 407 904,2	3 544 337,2
		02	Publishing and Editing Houses	867 125,9	807 125,9	881 381,7
	04	03	Acquisition of Information	149 585,0	149 585,0	160 418,4
			Religious and Other Public Services	576 829,4	576 829,4	583 242,6
		01	Youth Programs	397 237,7	397 237,7	403 650,9
	06	02	Political Parties, Non-Governmental Organizations, Trade Unions	179 591,7	179 591,7	179 591,7
			Recreation, Culture and Religion (non-classified in other categories)	1 140 000,0	1 140 000,0	1 140 000,0
	01	Recreation, Culture and Religion (non-classified in other categories)	1 140 000,0	1 140 000,0	1 140 000,0	
09			EDUCATION	108 318 531,3	106 706 526,2	111 765 549,3
	01/02		Pre-School, Elementary and Secondary Education	73 431 020,5	77 026 362,5	80 959 936,7
	03		Initial Professional (Vocational) and Secondary Professional Education	5 013 467,4	5 039 985,1	5 293 530,2
		01	Initial Professional (Vocational) Education	1 904 592,6	1 912 062,8	1 993 827,2
	04	02	Secondary Professional Education	3 108 874,8	3 127 922,3	3 299 703,0
			Higher Education	7 724 768,9	7 710 081,9	8 137 932,4
		01	Higher Professional Education	7 195 144,5	7 187 462,1	7 568 219,2
	05	02	Postgraduate Professional Education	529 624,4	522 619,8	569 713,2
			Education non-classified by levels	3 591 191,0	3 579 906,4	3 770 571,3
		01	Extracurricular Education	2 477 173,9	2 477 173,9	2 636 585,6
06	02	Additional Education	1 114 017,1	1 102 732,5	1 133 985,7	
		Auxiliary Services to Education	18 558 083,5	13 350 190,3	13 603 578,7	
	01	Auxiliary Services to Education	18 558 083,5	13 350 190,3	13 603 578,7	
10			SOCIAL PROTECTION	267 123 393,3	267 220 468,5	287 110 467,0
	01		Ailment and Disability	1 261 553,9	1 250 939,3	1 258 292,3

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Ailment	192 338,3	181 723,7	189 076,7
		02	Disability	1 069 215,6	1 069 215,6	1 069 215,6
	02		Old Age	198 187 598,8	198 340 100,0	217 127 964,9
		01	Old Age	198 187 598,8	198 340 100,0	217 127 964,9
	03		Relative Lost Persons	179 320,0	179 320,0	179 860,0
		01	Relative Lost Persons	179 320,0	179 320,0	179 860,0
	04		Family Members and Children	47 770 990,2	48 007 550,3	48 846 835,6
		01	Family Members and Children	47 770 990,2	48 007 550,3	48 846 835,6
	05		Unemployment	5 999 708,4	6 000 892,0	6 398 298,8
		01	Unemployment	5 999 708,4	6 000 892,0	6 398 298,8
	06		Dwelling Provision	720 000,0	942 600,0	990 000,0
		01	Dwelling Provision	720 000,0	942 600,0	990 000,0
	07		Special Social Privileges (non-classified in other categories)	5 439 066,4	5 315 484,0	5 151 353,3
		01	Special Social Privileges (non-classified in other categories)	5 439 066,4	5 315 484,0	5 151 353,3
	09		Special Protection (non-classified in other categories)	7 565 155,6	7 183 582,9	7 157 862,1
		01	Special Protection (non-classified in other categories)	1 220 097,7	836 758,8	336 845,6
		02	Auxiliary Services to Social Protection (non-classified in other categories)	6 345 057,9	6 346 824,1	6 821 016,5
11			RESERVE FUNDS NON-CLASSIFIED IN MAIN CATEGORIES	34 149 616,4	25 321 316,5	30 358 687,9
	01		RA Government and Communities Reserve Fund	34 149 616,4	25 321 316,5	30 358 687,9
		01	RA Government Reserve Fund	34 149 616,4	25 321 316,5	30 358 687,9
-	-	-	SCIENCE	9 432 492,7	9 984 679,6	10 911 996,5
<i>TOTAL EXPENDITURES</i>				<i>954 978 637,3</i>	<i>993 199 486,9</i>	<i>1 071 721 529,7</i>

The RA 2011-2013 ceilings for expenditures to be financed from the state budget by public administrative bodies (excluding maintenance expenditures of the executive authority, public administrative republican and territorial bodies)

thousand drams

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013	
Office of the RA President				290,681.0	290,681.0	295,820.8	
	01		GENERAL PUBLIC SERVICES	115,000.0	115,000.0	115,000.0	
		01	Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	115,000.0	115,000.0	115,000.0	
			01	Legislative and Executive Bodies, Public Administration	115,000.0	115,000.0	115,000.0
		01	<u>Political Researches</u>	<u>115,000.0</u>	<u>115,000.0</u>	<u>115,000.0</u>	
			<i>Current expenditures</i>	<i>115,000.0</i>	<i>115,000.0</i>	<i>115,000.0</i>	
	08		RECREATION, CULTURE AND RELIGION	175,681.0	175,681.0	180,820.8	
		03	Radio and Television Broadcasting and Publishing Services	75,681.0	75,681.0	80,820.8	
			03	Acquisition of Information	75,681.0	75,681.0	80,820.8
		01	<u>Assurance of public Awareness</u>	<u>75,681.0</u>	<u>75,681.0</u>	<u>80,820.8</u>	
				<i>Current expenditures</i>	<i>75,681.0</i>	<i>75,681.0</i>	<i>80,820.8</i>
		04	Religious and Other Public Services	100,000.0	100,000.0	100,000.0	
	02	Political Parties, Non-Governmental Organizations, Trade Unions	100,000.0	100,000.0	100,000.0		
01		<u>Assistance to Political Parties, Non-Governmental Organizations, Trade Unions</u>	<u>100,000.0</u>	<u>100,000.0</u>	<u>100,000.0</u>		
		<i>Current expenditures</i>	<i>100,000.0</i>	<i>100,000.0</i>	<i>100,000.0</i>		
RA National Assembly				117,396.3	117,396.3	117,440.4	
	01		GENERAL PUBLIC SERVICES	116,490.5	116,490.5	116,490.5	
		01	Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	116,490.5	116,490.5	116,490.5	
	03		Foreign Relations	116,490.5	116,490.5	116,490.5	
	01	<u>Fee for the membership of the Republic of Armenia in International organizations</u>	<u>116,490.5</u>	<u>116,490.5</u>	<u>116,490.5</u>		
			<i>Current expenditures</i>	<i>116,490.5</i>	<i>116,490.5</i>	<i>116,490.5</i>	
09		EDUCATION	905.8	905.8	949.9		

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	05		Education non-classified by levels	905.8	905.8	949.9
		02	Additional Education	905.8	905.8	949.9
		01	<u>Retraining of the RA National Assembly public servants</u>	<u>905.8</u>	<u>905.8</u>	<u>949.9</u>
			<i>Current expenditures</i>	<i>905.8</i>	<i>905.8</i>	<i>949.9</i>
RA Government Staff				27,296,413.5	1,007,427.7	1,043,422.0
01			GENERAL PUBLIC SERVICES	544,585.5	85,000.0	85,000.0
	01		Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	85,000.0	85,000.0	85,000.0
		01	Legislative and Executive Bodies, Public Administration	85,000.0	85,000.0	85,000.0
		01	<u>Surveys on the estimates of activities of the Government of Armenia, quality of life and community needs assessment</u>	<u>85,000.0</u>	<u>85,000.0</u>	<u>85,000.0</u>
			<i>Current expenditures</i>	<i>85,000.0</i>	<i>85,000.0</i>	<i>85,000.0</i>
	04		General Research Activities	459,585.5	0.0	0.0
		01	General Research Activities	459,585.5	0.0	0.0
		01	<u>"Millennium Challenge" Grant Program Supported by the US Government</u>	<u>459,585.5</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	<i>459,585.5</i>	<i>0.0</i>	<i>0.0</i>
04			ECONOMIC RELATIONS	25,839,623.8	146,000.0	146,000.0
	01		General Economic, Commercial and Labor Relations	125,000.0	125,000.0	125,000.0
		01	General Economic and Commercial Relations	125,000.0	125,000.0	125,000.0
		01	<u>Implementation of measures for effective conduction and support of economic activity</u>	<u>125,000.0</u>	<u>125,000.0</u>	<u>125,000.0</u>
			<i>Current expenditures</i>	<i>125,000.0</i>	<i>125,000.0</i>	<i>125,000.0</i>
	02		Agriculture, Forestry, Fishery and Hunt	23,941,425.1	0.0	0.0
		04	Irrigation	23,941,425.1	0.0	0.0
		01	<u>"Millennium Challenge" Grant Program Supported by the US Government</u>	<u>23,941,425.1</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	<i>2,190,128.8</i>	<i>0.0</i>	<i>0.0</i>
			<i>Expenditures for non-financial assets</i>	<i>21,751,296.3</i>	<i>0.0</i>	<i>0.0</i>
	05		Transport	21,000.0	21,000.0	21,000.0
		04	Air Transport	21,000.0	21,000.0	21,000.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	<u>Compensation to "Armenia" International Airports, "Zvartnots handling", "Hayaeronavigation" and "Avia-meteorology" CJSCs humanitarian aid flight aircraft in flight, landing, aircraft-stop shops and services</u> <i>Current expenditures</i>	<u>21,000.0</u> <i>21,000.0</i>	<u>21,000.0</u> <i>21,000.0</i>	<u>21,000.0</u> <i>21,000.0</i>
	07		Other Sectors	1,113,608.0	0.0	0.0
		04	Multi-targeted Development Programs	1,113,608.0	0.0	0.0
		01	<u>"Millennium Challenge" Grant Program Supported by the US Government</u> <i>Current expenditures</i>	<u>1,113,608.0</u> <i>1,113,608.0</i>	<u>0.0</u> <i>0.0</i>	<u>0.0</u> <i>0.0</i>
	09		Economic Relations (non-classified in other categories)	638,590.7	0.0	0.0
		01	Economic Relations (non-classified in other categories)	638,590.7	0.0	0.0
		01	<u>Armenian Social Investment Fund third program by the World Bank assistance</u> <i>Current expenditures</i>	<u>469,626.3</u> <i>28,882.8</i>	<u>0.0</u> <i>0.0</i>	<u>0.0</u> <i>0.0</i>
			<i>Expenditures for non-financial assets</i>	<i>440,743.5</i>	<i>0.0</i>	<i>0.0</i>
		02	<u>Additional financing program for the Armenian Social Investment Fund third program by the World Bank assistance</u> <i>Expenditures for non-financial assets</i>	<u>168,964.4</u> <i>168,964.4</i>	<u>0.0</u> <i>0.0</i>	<u>0.0</u> <i>0.0</i>
06			HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	17,490.1	0.0	0.0
	03		Water Supply	17,490.1	0.0	0.0
		01	Water Supply	17,490.1	0.0	0.0
		01	<u>Armenian Social Investment Fund third program by the World Bank assistance</u> <i>Expenditures for non-financial assets</i>	<u>17,490.1</u> <i>17,490.1</i>	<u>0.0</u> <i>0.0</i>	<u>0.0</u> <i>0.0</i>
07			HEALTHCARE	58,407.4	0.0	0.0
	06		Healthcare (non-classified in other categories)	58,407.4	0.0	0.0
		01	Health adjacent services and programs	58,407.4	0.0	0.0
		01	<u>Armenian Social Investment Fund third program by the World Bank assistance</u> <i>Expenditures for non-financial assets</i>	<u>58,407.4</u> <i>58,407.4</i>	<u>0.0</u> <i>0.0</i>	<u>0.0</u> <i>0.0</i>
08			RECREATION, CULTURE AND RELIGION	127,014.4	127,014.4	134,664.5
	01		Recreation and Sports Services	55,482.4	55,482.4	59,313.1
		01	Recreation and Sports Services	55,482.4	55,482.4	59,313.1

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	<u>Chess training services</u> <i>Current expenditures</i>	<u>55,482.4</u> 55,482.4	<u>55,482.4</u> 55,482.4	<u>59,313.1</u> 59,313.1
	03		Radio and Television Broadcasting and Publishing Services	61,532.0	61,532.0	65,351.4
		01	Radio and Television Programs	61,532.0	61,532.0	65,351.4
		01	<u>Services of economic analysis</u> <i>Current expenditures</i>	<u>61,532.0</u> 61,532.0	<u>61,532.0</u> 61,532.0	<u>65,351.4</u> 65,351.4
	04		Religious and Other Public Services	10,000.0	10,000.0	10,000.0
		02	Political Parties, Non-Governmental Organizations, Trade Unions	10,000.0	10,000.0	10,000.0
		01	<u>Support to Political Parties, Non-Governmental Organizations, Trade Unions</u> <i>Current expenditures</i>	<u>10,000.0</u> 10,000.0	<u>10,000.0</u> 10,000.0	<u>10,000.0</u> 10,000.0
09			EDUCATION	614,292.3	554,413.3	573,257.5
	06		Auxiliary Services to Education	614,292.3	554,413.3	573,257.5
		01	Auxiliary Services to Education	614,292.3	554,413.3	573,257.5
		01	<u>Assessment and attestation services</u> <i>Current expenditures</i>	<u>373,350.5</u> 373,350.5	<u>488,693.8</u> 488,693.8	<u>502,928.8</u> 502,928.8
		02	<u>Services for assurance of education quality</u> <i>Current expenditures</i>	<u>65,719.5</u> 65,719.5	<u>65,719.5</u> 65,719.5	<u>70,328.7</u> 70,328.7
		03	<u>Armenian Social Investment Fund third program by the World Bank assistance</u> <i>Expenditures for non-financial assets</i>	<u>175,222.3</u> 175,222.3	<u>0.0</u> 0.0	<u>0.0</u> 0.0
-			SCIENCE	95,000.0	95,000.0	104,500.0
		01	<u>Maintenances and development of infrastructures for scientific and technical activities</u> <i>Current expenditures</i>	<u>95,000.0</u> 95,000.0	<u>95,000.0</u> 95,000.0	<u>104,500.0</u> 104,500.0
RA Judicial Department				161,622.7	173,326.7	175,501.3
09			EDUCATION	161,622.7	173,326.7	175,501.3
	05		Education non-classified by levels	161,622.7	173,326.7	175,501.3
		02	Additional Education	161,622.7	173,326.7	175,501.3
		01	<u>Judges, judicial officers, court bailiffs training services and listeners scholarship for recipients of vocational training</u>	<u>161,622.7</u>	<u>173,326.7</u>	<u>175,501.3</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013	
			<i>Current expenditures</i>	<i>161,622.7</i>	<i>173,326.7</i>	<i>175,501.3</i>	
RA Prosecutor's Office				304,794.3	281,805.7	300,341.5	
01	06		GENERAL PUBLIC SERVICES	162,728.0	162,728.0	173,869.5	
			General Public Services (non-classified in other categories)	162,728.0	162,728.0	173,869.5	
		01	General Public Services (non-classified in other categories)	162,728.0	162,728.0	173,869.5	
		01	<u>Expert examination services</u>	<u>162,728.0</u>	<u>162,728.0</u>	<u>173,869.5</u>	
			<i>Current expenditures</i>	<i>162,728.0</i>	<i>162,728.0</i>	<i>173,869.5</i>	
	09			EDUCATION	142,066.3	119,077.7	126,472.0
		05		Education non-classified by levels	142,066.3	119,077.7	126,472.0
			02	Additional Education	142,066.3	119,077.7	126,472.0
			01	<u>State order for additional education</u>	<u>17,754.9</u>	<u>17,754.9</u>	<u>18,613.5</u>
				<i>Current expenditures</i>	<i>17,754.9</i>	<i>17,754.9</i>	<i>18,613.5</i>
02	<u>Retraining services</u>	<u>124,311.4</u>	<u>101,322.8</u>	<u>107,858.5</u>			
	<i>Current expenditures</i>	<i>124,311.4</i>	<i>101,322.8</i>	<i>107,858.5</i>			
RA Special Investigation Service				0.0	0.0	3,086.0	
09			EDUCATION	0.0	0.0	3,086.0	
	05		Education non-classified by levels	0.0	0.0	3,086.0	
		02	Additional Education	0.0	0.0	3,086.0	
		01	<u>Retraining services</u>	<u>0.0</u>	<u>0.0</u>	<u>3,086.0</u>	
			<i>Current expenditures</i>	<i>0.0</i>	<i>0.0</i>	<i>3,086.0</i>	
RA Ministry of Territorial Administration				29,051,032.3	27,982,048.8	26,770,585.9	
04			ECONOMIC RELATIONS	4,305,000.0	4,431,700.0	4,469,500.0	
	05		Transport	4,305,000.0	4,431,700.0	4,469,500.0	
		01	Road Transport	2,184,000.0	2,184,000.0	2,184,000.0	
		01	<u>Provision of targeted allocations- subventions to the community budgets of the Republic of Armenia</u>	<u>2,184,000.0</u>	<u>2,184,000.0</u>	<u>2,184,000.0</u>	
			<i>Current expenditures</i>	<i>2,184,000.0</i>	<i>2,184,000.0</i>	<i>2,184,000.0</i>	
		05	Pipeline and Other Transport	2,121,000.0	2,247,700.0	2,285,500.0	

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Provision of financing to the Head of community to exercise powers delegated by the state for organization of the work of Yerevan Metropolitan</u> <i>Current expenditures</i>	<u>1,845,000.0</u> <i>1,845,000.0</i>	<u>1,971,700.0</u> <i>1,971,700.0</i>	<u>2,009,500.0</u> <i>2,009,500.0</i>
			02 <u>Provision of targeted allocations- subventions to the community budgets of the Republic of Armenia</u> <i>Current expenditures</i>	<u>276,000.0</u> <i>276,000.0</i>	<u>276,000.0</u> <i>276,000.0</i>	<u>276,000.0</u> <i>276,000.0</i>
06			HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	8,584,136.5	6,330,306.3	3,671,161.6
	03		Water Supply	6,888,136.5	4,634,306.3	1,975,161.6
		01	Water Supply	6,888,136.5	4,634,306.3	1,975,161.6
		01	<u>Yerevan Water Supply and Drainage Project by the World Bank assistance (authority delegated to the Head of Community of Yerevan by the state)</u> <i>Current expenditures</i> <i>Expenditures for non-financial assets</i>	<u>767,600.5</u> <i>152,196.3</i> <i>615,404.2</i>	<u>0.0</u> <i>0.0</i> <i>0.0</i>	<u>0.0</u> <i>0.0</i> <i>0.0</i>
		02	<u>Yerevan Water Supply and Drainage Project by the assistance of the Government of the Republic of France (authority delegated to the Head of Community of Yerevan by the state)</u> <i>Expenditures for non-financial assets</i>	<u>6,045,169.9</u> <i>6,045,169.9</i>	<u>4,608,710.3</u> <i>4,608,710.3</i>	<u>1,975,161.6</u> <i>1,975,161.6</i>
		03	<u>Program for provision of technical assistance to the Yerevan Water Supply and Drainage Project by the assistance of the Government of the Republic of France (authority delegated to the Head of Community of Yerevan by the state)</u> <i>Current expenditures</i>	<u>75,366.1</u> <i>75,366.1</i>	<u>25,596.0</u> <i>25,596.0</i>	<u>0.0</u> <i>0.0</i>
	04		Street-illumination	1,696,000.0	1,696,000.0	1,696,000.0
		01	Street-illumination	1,696,000.0	1,696,000.0	1,696,000.0
		01	<u>Provision of targeted allocations- subventions to the community budgets of the Republic of Armenia</u> <i>Current expenditures</i>	<u>1,696,000.0</u> <i>1,696,000.0</i>	<u>1,696,000.0</u> <i>1,696,000.0</i>	<u>1,696,000.0</u> <i>1,696,000.0</i>
08			RECREATION, CULTURE AND RELIGION	939,986.4	939,986.4	1,006,272.1
	02		Cultural Services	939,986.4	939,986.4	1,006,272.1
		02	Museums and Exhibitions	135,795.6	135,795.6	146,430.3
		01	<u>Provision of subventions to the community budgets of the Republic of Armenia</u>	<u>135,795.6</u>	<u>135,795.6</u>	<u>146,430.3</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	135,795.6	135,795.6	146,430.3
		04	Other Cultural Organizations	568,174.0	568,174.0	602,627.3
		01	<u>Archiving services</u>	373,536.3	373,536.3	403,171.4
			<i>Current expenditures</i>	373,536.3	373,536.3	403,171.4
		02	<u>Provision of subventions to the community budgets of the Republic of Armenia</u>	194,637.7	194,637.7	199,455.9
			<i>Current expenditures</i>	194,637.7	194,637.7	199,455.9
		05	Art	236,016.8	236,016.8	257,214.5
		01	<u>Provision of subventions to the community budgets of the Republic of Armenia</u>	236,016.8	236,016.8	257,214.5
			<i>Current expenditures</i>	236,016.8	236,016.8	257,214.5
09			EDUCATION	15,221,909.4	16,280,056.1	17,623,652.2
	01/02		Pre-School, Elementary and Secondary Education	14,810,896.9	15,862,278.5	17,182,056.9
		01	<u>Provision of financing to the Head of community to exercise powers delegated by the state for organization of general education</u>	14,144,476.6	15,195,858.2	16,484,249.2
			<i>Current expenditures</i>	14,144,476.6	15,195,858.2	16,484,249.2
		02	<u>Provision of financing to the Head of community to exercise powers delegated by the state for organization of special education</u>	279,867.8	279,867.8	294,123.4
			<i>Current expenditures</i>	279,867.8	279,867.8	294,123.4
		03	<u>Provision of financing to the Head of community to exercise powers delegated by the state for organization of inclusive education</u>	359,621.2	359,621.2	374,943.7
			<i>Current expenditures</i>	359,621.2	359,621.2	374,943.7
		04	<u>Provision of financing to the Head of community to exercise powers delegated by the state for organization of evening education</u>	26,931.3	26,931.3	28,740.6
			<i>Current expenditures</i>	26,931.3	26,931.3	28,740.6
	03		Initial Professional (Vocational) and Secondary Professional Education	292,381.6	299,146.7	318,451.1
		01	Initial Professional (Vocational) Education	292,381.6	299,146.7	318,451.1
		01	<u>Provision of financing to the Head of community to exercise powers delegated by the state for organization of initial professional (vocational) education and for students' scholarship</u>	292,381.6	299,146.7	318,451.1
			<i>Current expenditures</i>	292,381.6	299,146.7	318,451.1
	05		Education non-classified by levels	118,630.9	118,630.9	123,144.2

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Extracurricular Education	41,384.3	41,384.3	44,353.4
		01	<u>Provision of subventions to the communities of the Republic of Armenia</u>	<u>41,384.3</u>	<u>41,384.3</u>	<u>44,353.4</u>
			<i>Current expenditures</i>	<i>41,384.3</i>	<i>41,384.3</i>	<i>44,353.4</i>
		02	Additional Education	77,246.6	77,246.6	78,790.8
		01	<u>Retraining services</u>	<u>77,246.6</u>	<u>77,246.6</u>	<u>78,790.8</u>
			<i>Current expenditures</i>	<i>77,246.6</i>	<i>77,246.6</i>	<i>78,790.8</i>
RA Ministry of Health				58,786,288.7	57,619,433.4	56,327,866.9
	07		HEALTHCARE	58,343,487.5	57,166,714.0	55,854,953.5
		01	Medical Commodities, Equipment and Devices	3,585,900.0	3,585,900.0	3,585,900.0
		01	Pharmaceutical products	3,585,900.0	3,585,900.0	3,585,900.0
		01	<u>Provision of medicine to recipients of outpatient, inpatient health care and to individuals involved in special groups</u>	<u>3,585,900.0</u>	<u>3,585,900.0</u>	<u>3,585,900.0</u>
			<i>Current expenditures</i>	<i>3,585,900.0</i>	<i>3,585,900.0</i>	<i>3,585,900.0</i>
		02	Outpatient Services	23,847,652.1	23,847,652.1	23,847,652.1
		01	<u>Outpatient medical assistance</u>	<u>23,847,652.1</u>	<u>23,847,652.1</u>	<u>23,847,652.1</u>
			<i>Current expenditures</i>	<i>23,847,652.1</i>	<i>23,847,652.1</i>	<i>23,847,652.1</i>
		03	Inpatient Services	24,371,138.0	24,371,138.0	24,371,138.0
		01	<u>Inpatient medical assistance</u>	<u>24,371,138.0</u>	<u>24,371,138.0</u>	<u>24,371,138.0</u>
			<i>Current expenditures</i>	<i>24,371,138.0</i>	<i>24,371,138.0</i>	<i>24,371,138.0</i>
		04	Public Healthcare Services	2,861,068.6	2,861,068.6	2,861,068.6
		01	Public Healthcare Services	2,861,068.6	2,861,068.6	2,861,068.6
		01	<u>Public Healthcare Services</u>	<u>2,861,068.6</u>	<u>2,861,068.6</u>	<u>2,861,068.6</u>
			<i>Public Healthcare Services</i>	<i>2,861,068.6</i>	<i>2,861,068.6</i>	<i>2,861,068.6</i>
		06	Healthcare (non-classified in other categories)	3,677,728.8	2,500,955.3	1,189,194.8
		01	Health Adjacent Services and Programs	3,677,728.8	2,500,955.3	1,189,194.8
		01	<u>Other healthcare related programs</u>	<u>1,189,194.8</u>	<u>1,189,194.8</u>	<u>1,189,194.8</u>
			<i>Current expenditures</i>	<i>1,189,194.8</i>	<i>1,189,194.8</i>	<i>1,189,194.8</i>
		02	<u>Health System Modernization Second Project by the World Bank assistance</u>	<u>2,488,534.0</u>	<u>1,311,760.5</u>	<u>0.0</u>
			<i>Current expenditures</i>	<i>653,393.1</i>	<i>509,460.5</i>	<i>0.0</i>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Expenditures for non-financial assets</i>	1,835,140.9	802,300.0	0.0
08			RECREATION, CULTURE AND RELIGION	41,749.5	41,749.5	44,875.5
	02		Cultural Services	41,749.5	41,749.5	44,875.5
		01	Libraries	41,749.5	41,749.5	44,875.5
		01	<u>Services of libraries</u>	<u>41,749.5</u>	<u>41,749.5</u>	<u>44,875.5</u>
			<i>Current expenditures</i>	41,749.5	41,749.5	44,875.5
09			EDUCATION	401,051.7	410,969.9	428,037.9
	03		Initial Professional (Vocational) and Secondary Professional Education	222,797.4	232,715.6	242,340.6
		02	Secondary Professional Education	222,797.4	232,715.6	242,340.6
		01	<u>Provision of Vocational education allowances and scholarships to students</u>	<u>222,797.4</u>	<u>232,715.6</u>	<u>242,340.6</u>
			<i>Current expenditures</i>	222,797.4	232,715.6	242,340.6
	05		Education Non-Classified by Levels	178,254.3	178,254.3	185,697.3
		02	Additional Education	178,254.3	178,254.3	185,697.3
		01	<u>Specialization, continuous training and retraining of medical staff, listeners' scholarship for recipients of professional retraining</u>	<u>178,254.3</u>	<u>178,254.3</u>	<u>185,697.3</u>
			<i>Current expenditures</i>	178,254.3	178,254.3	185,697.3
RA Ministry of Justice				10,084,329.4	9,509,908.0	6,683,562.8
01			GENERAL PUBLIC SERVICES	119,554.3	119,554.3	126,505.5
	06		General Public Services (non-classified in other categories)	119,554.3	119,554.3	126,505.5
		01	General Public Services (non-classified in other categories)	119,554.3	119,554.3	126,505.5
		01	<u>Expert examination services</u>	<u>119,554.3</u>	<u>119,554.3</u>	<u>126,505.5</u>
			<i>Current expenditures</i>	119,554.3	119,554.3	126,505.5
03			PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	9,345,887.9	8,771,466.5	5,935,425.3
	03		Judiciary Activities and Legal Assistance	2,885,516.1	1,311,094.7	160,460.0
		01	Courts	2,885,516.1	1,311,094.7	160,460.0
		01	<u>Second Judicial Reform Program by the World Bank support</u>	<u>1,612,506.7</u>	<u>1,106,508.1</u>	<u>160,460.0</u>
			<i>Current expenditures</i>	93,869.1	93,869.1	48,138.0
			<i>Expenditures for non-financial assets</i>	1,518,637.6	1,012,639.0	112,322.0
		02	<u>Japan grant program in the Second Judicial Reform Program by the World Bank</u>	<u>306,879.7</u>	<u>204,586.6</u>	<u>0.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<u>support</u>			
			<i>Current expenditures</i>	214,815.8	143,210.6	0.0
			<i>Expenditures for non-financial assets</i>	92,063.9	61,376.0	0.0
		03	<u>Netherlands grant program in the Second Judicial Reform Program by the World Bank support</u>	966,129.7	0.0	0.0
			<i>Current expenditures</i>	645,209.7	0.0	0.0
			<i>Expenditures for non-financial assets</i>	320,920.0	0.0	0.0
	05		Detention centers	6,460,371.8	7,460,371.8	5,774,965.3
		01	Detention centers	6,460,371.8	7,460,371.8	5,774,965.3
		01	<u>Maintenance of the Criminal-Executive System</u>	<u>6,460,371.8</u>	<u>7,460,371.8</u>	<u>5,774,965.3</u>
			<i>Current expenditures</i>	5,460,371.8	5,460,371.8	5,774,965.3
			<i>Expenditures for non-financial assets</i>	1,000,000.0	2,000,000.0	0.0
08			RECREATION, CULTURE AND RELIGION	329,161.0	329,161.0	329,161.0
	03		Radio and Television Broadcasting and Publishing Services	329,161.0	329,161.0	329,161.0
		02	Publishing and Editing Houses	329,161.0	329,161.0	329,161.0
		01	<u>Publishing, informational and printing services</u>	<u>227,161.0</u>	<u>227,161.0</u>	<u>227,161.0</u>
			<i>Current expenditures</i>	227,161.0	227,161.0	227,161.0
		02	<u>Translation services</u>	<u>102,000.0</u>	<u>102,000.0</u>	<u>102,000.0</u>
			<i>Current expenditures</i>	102,000.0	102,000.0	102,000.0
09			EDUCATION	289,726.2	289,726.2	292,471.0
	05		Education Non-Classified by Levels	289,726.2	289,726.2	292,471.0
		02	Additional Education	289,726.2	289,726.2	292,471.0
		01	<u>Training and special education for the special servants of the RA Ministry of Justice</u>	<u>289,726.2</u>	<u>289,726.2</u>	<u>292,471.0</u>
			<i>Current expenditures</i>	289,726.2	289,726.2	292,471.0
RA Ministry of Economy				974,505.3	974,505.3	985,318.8
01			GENERAL PUBLIC SERVICES	80,000.0	80,000.0	80,000.0
	03		General services	80,000.0	80,000.0	80,000.0
		02	Planning and Statistical General Services	80,000.0	80,000.0	80,000.0
		01	<u>Services in promotion of the sphere of information technologies</u>	<u>80,000.0</u>	<u>80,000.0</u>	<u>80,000.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	80,000.0	80,000.0	80,000.0
04			ECONOMIC RELATIONS	678,000.0	678,000.0	679,294.5
	01		General Economic, Commercial and Labor Relations	628,000.0	628,000.0	629,294.5
		01	General Economic and Commercial Relations	628,000.0	628,000.0	629,294.5
		01	<u>Services of development of standards</u>	<u>14,000.0</u>	<u>14,000.0</u>	<u>15,294.5</u>
			<i>Current expenditures</i>	14,000.0	14,000.0	15,294.5
		02	<u>Maintenance of the MSE DNC center and branches</u>	<u>150,000.0</u>	<u>150,000.0</u>	<u>150,000.0</u>
			<i>Current expenditures</i>	150,000.0	150,000.0	150,000.0
		03	<u>Program for implementation of the Gyumri techno-park</u>	<u>200,000.0</u>	<u>200,000.0</u>	<u>200,000.0</u>
			<i>Current expenditures</i>	200,000.0	200,000.0	200,000.0
		04	<u>State support to the National Competitiveness Foundation of Armenia for implementation of statutory issues</u>	<u>264,000.0</u>	<u>264,000.0</u>	<u>264,000.0</u>
			<i>Current expenditures</i>	264,000.0	264,000.0	264,000.0
	07		Other Sectors	50,000.0	50,000.0	50,000.0
		03	Tourism	50,000.0	50,000.0	50,000.0
		01	<u>Services in support of tourism</u>	<u>50,000.0</u>	<u>50,000.0</u>	<u>50,000.0</u>
			<i>Current expenditures</i>	50,000.0	50,000.0	50,000.0
08			RECREATION, CULTURE AND RELIGION	126,505.3	126,505.3	136,024.3
	02		Cultural Services	126,505.3	126,505.3	136,024.3
		01	Libraries	126,505.3	126,505.3	136,024.3
		01	<u>Services of libraries</u>	<u>126,505.3</u>	<u>126,505.3</u>	<u>136,024.3</u>
			<i>Current expenditures</i>	126,505.3	126,505.3	136,024.3
-			SCIENCE	90,000.0	90,000.0	90,000.0
		01	<u>Assurance of contemporary scientific potential in the field of physics</u>	<u>90,000.0</u>	<u>90,000.0</u>	<u>90,000.0</u>
			<i>Current expenditures</i>	90,000.0	90,000.0	90,000.0
RA Ministry of Foreign Affairs				1,541,941.1	1,481,941.1	1,541,941.1
01			GENERAL PUBLIC SERVICES	1,396,884.6	1,396,884.6	1,396,884.6
	01		Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	1,396,884.6	1,396,884.6	1,396,884.6

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		03	Foreign relations	1,396,884.6	1,396,884.6	1,396,884.6
		01	<u>Fees for membership of the RA in International organizations</u>	<u>1,361,753.1</u>	<u>1,361,753.1</u>	<u>1,361,753.1</u>
			<i>Current expenditures</i>	<i>1,361,753.1</i>	<i>1,361,753.1</i>	<i>1,361,753.1</i>
		02	<u>Purchase of buildings for RA Embassies</u>	<u>35,131.5</u>	<u>35,131.5</u>	<u>35,131.5</u>
			<i>Expenditures for non-financial assets</i>	<i>35,131.5</i>	<i>35,131.5</i>	<i>35,131.5</i>
	08		RECREATION, CULTURE AND RELIGION	132,841.5	72,841.5	132,841.5
	02		Cultural Services	51,067.5	51,067.5	51,067.5
		05	Art	47,067.5	47,067.5	47,067.5
		01	<u>Support to theatrical performances in Armenian language in foreign countries</u>	<u>20,000.0</u>	<u>20,000.0</u>	<u>20,000.0</u>
			<i>Current expenditures</i>	<i>20,000.0</i>	<i>20,000.0</i>	<i>20,000.0</i>
		02	<u>Support to international centers of Armenian culture</u>	<u>27,067.5</u>	<u>27,067.5</u>	<u>27,067.5</u>
			<i>Current expenditures</i>	<i>27,067.5</i>	<i>27,067.5</i>	<i>27,067.5</i>
		07	Restoration and Preservation of Monuments and Cultural Values	4,000.0	4,000.0	4,000.0
		01	<u>Support for preservation of the Armenian Writers' pantheon in Tbilisi</u>	<u>4,000.0</u>	<u>4,000.0</u>	<u>4,000.0</u>
			<i>Current expenditures</i>	<i>4,000.0</i>	<i>4,000.0</i>	<i>4,000.0</i>
	03		Radio and Television Broadcasting and Publishing Services	81,774.0	21,774.0	81,774.0
		02	Publishing and Editing Houses	81,774.0	21,774.0	81,774.0
		01	<u>Publishing, informational and printing services</u>	<u>71,774.0</u>	<u>11,774.0</u>	<u>71,774.0</u>
			<i>Current expenditures</i>	<i>71,774.0</i>	<i>11,774.0</i>	<i>71,774.0</i>
		02	<u>Support to publication of periodicals in Armenian language abroad</u>	<u>10,000.0</u>	<u>10,000.0</u>	<u>10,000.0</u>
			<i>Current expenditures</i>	<i>10,000.0</i>	<i>10,000.0</i>	<i>10,000.0</i>
	09		EDUCATION	12,215.0	12,215.0	12,215.0
	05		Education Non-Classified by Levels	12,215.0	12,215.0	12,215.0
		02	Additional Education	12,215.0	12,215.0	12,215.0
		01	<u>Training services</u>	<u>12,215.0</u>	<u>12,215.0</u>	<u>12,215.0</u>
			<i>Current expenditures</i>	<i>12,215.0</i>	<i>12,215.0</i>	<i>12,215.0</i>
RA Ministry of Nature Protection				1,254,116.5	1,254,116.5	1,308,821.4
	05		ENVIRONMENT PROTECTION	1,223,437.7	1,223,437.7	1,275,497.1
		03	Fight Against Environment Pollution	122,588.5	122,588.5	130,267.9

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Fight Against Air Pollution	122,588.5	122,588.5	130,267.9
		01	<u>Services for the study of waste</u>	<u>10,277.6</u>	<u>10,277.6</u>	<u>11,177.4</u>
			<i>Current expenditures</i>	10,277.6	10,277.6	11,177.4
		02	<u>Services of monitoring of water objects and air basin</u>	<u>112,310.9</u>	<u>112,310.9</u>	<u>119,090.5</u>
			<i>Current expenditures</i>	112,310.9	112,310.9	119,090.5
	04		Bio-Diversity and Nature Protection	831,787.0	846,787.0	888,562.5
		01	Bio-Diversity and Nature Protection	831,787.0	846,787.0	888,562.5
		01	<u>Fish resources replenishment services</u>	<u>60,000.0</u>	<u>60,000.0</u>	<u>60,000.0</u>
			<i>Current expenditures</i>	60,000.0	60,000.0	60,000.0
		02	<u>Services of cleaning of forest layers covered by the water</u>	<u>242,000.0</u>	<u>257,000.0</u>	<u>257,000.0</u>
			<i>Current expenditures</i>	242,000.0	257,000.0	257,000.0
		03	<u>Services for inventory accounting of crake fish and crawfish resources in the Lake Sevan basin</u>	<u>7,526.0</u>	<u>7,526.0</u>	<u>7,526.0</u>
			<i>Current expenditures</i>	7,526.0	7,526.0	7,526.0
		04	<u>Services for Protection of "Sevan" National Park, Scientific Research and forestry activities in the Park</u>	<u>179,041.6</u>	<u>179,041.6</u>	<u>192,890.8</u>
			<i>Current expenditures</i>	179,041.6	179,041.6	192,890.8
		05	<u>Services for Protection of "Dilijan" National Park, Scientific Research and forestry activities in the Park</u>	<u>76,634.0</u>	<u>76,634.0</u>	<u>83,692.7</u>
			<i>Current expenditures</i>	76,634.0	76,634.0	83,692.7
		06	<u>Services for Protection of Park, Scientific Research and forestry activities in the specially protected areas under the "Reserve Park Complex" SNCO</u>	<u>75,365.6</u>	<u>75,365.6</u>	<u>79,905.8</u>
			<i>Current expenditures</i>	75,365.6	75,365.6	79,905.8
		07	<u>Services for Protection of Park, Scientific Research and forestry activities in the "Shikahogh" public reserve, "Plane park" (Sosineri pourak) and "Zangezour" state reserves</u>	<u>50,112.8</u>	<u>50,112.8</u>	<u>52,577.5</u>
			<i>Current expenditures</i>	50,112.8	50,112.8	52,577.5
		08	<u>Services for Protection of Park, Scientific Research activities in the "Khosrovi Antar" state reserve</u>	<u>77,535.0</u>	<u>77,535.0</u>	<u>82,896.3</u>
			<i>Current expenditures</i>	77,535.0	77,535.0	82,896.3

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			09 <u>Services for development and implementation of nature protection programs</u> <i>Current expenditures</i>	<u>31,161.0</u> 31,161.0	<u>31,161.0</u> 31,161.0	<u>36,984.6</u> 36,984.6
			10 <u>Services for Protection of Park, Scientific Research and forestry activities in the "Arevik" state reserve</u> <i>Current expenditures</i>	<u>22,447.0</u> 22,447.0	<u>22,447.0</u> 22,447.0	<u>24,523.9</u> 24,523.9
			11 <u>Services for preservation of the "Arpa Lich" national park</u> <i>Current expenditures</i>	<u>9,964.0</u> 9,964.0	<u>9,964.0</u> 9,964.0	<u>10,564.9</u> 10,564.9
	06		Environment Protection (non-classified in other categories)	269,062.2	254,062.2	256,666.7
		01	Environment Protection (non-classified in other categories)	269,062.2	254,062.2	256,666.7
		01	<u>Provision of subventions for implementation of nature protection related programs in accordance with the RA law "On Targeted Use of Nature Protection Fees Paid by Companies"</u> <i>Current expenditures</i>	<u>218,978.7</u> 218,978.7	<u>218,978.7</u> 218,978.7	<u>218,978.7</u> 218,978.7
		02	<u>Analytic-informational services in the field of nature protection</u> <i>Current expenditures</i>	<u>16,952.5</u> 16,952.5	<u>16,952.5</u> 16,952.5	<u>18,570.9</u> 18,570.9
		03	<u>Republic of Armenia underground fresh water hydro-monitoring services</u> <i>Current expenditures</i>	<u>18,131.0</u> 18,131.0	<u>18,131.0</u> 18,131.0	<u>19,117.1</u> 19,117.1
		04	<u>Services for establishment of new forest layer in the surrounding of the Lake Sevan</u> <i>Expenditures for non-financial assets</i>	<u>15,000.0</u> 15,000.0	<u>0.0</u> 0.0	<u>0.0</u> 0.0
	08		RECREATION, CULTURE AND RELIGION	30,678.8	30,678.8	33,324.3
		02	Cultural Services	30,678.8	30,678.8	33,324.3
		02	Museums and Exhibitions	30,678.8	30,678.8	33,324.3
		01	<u>Services of Museums and Exhibitions</u> <i>Current expenditures</i>	<u>30,678.8</u> 30,678.8	<u>30,678.8</u> 30,678.8	<u>33,324.3</u> 33,324.3
			RA Ministry of Agriculture	9,545,383.6	8,880,699.0	9,242,182.0
	04		ECONOMIC RELATIONS	9,123,668.2	8,451,083.1	8,781,463.4
		02	Agriculture, Forestry, Fishery and Hunt	9,123,668.2	8,451,083.1	8,781,463.4
		01	Agriculture	8,332,917.7	7,688,413.1	7,943,728.8
		01	<u>Wheat and barley seed-development project</u>	<u>291,888.0</u>	<u>0.0</u>	<u>0.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	291,888.0	0.0	0.0
		02	<u>Seed quality control and measures of variety testing</u>	36,137.5	36,137.5	39,268.0
			<i>Current expenditures</i>	36,137.5	36,137.5	39,268.0
		03	<u>Agricultural animal artificial fertilization</u>	6,333.0	5,722.0	5,100.0
			<i>Current expenditures</i>	6,333.0	5,722.0	5,100.0
		04	<u>Plant protection measures</u>	150,000.0	150,000.0	150,000.0
			<i>Current expenditures</i>	150,000.0	150,000.0	150,000.0
		05	<u>Lands chemical research, and measures to increase fertility</u>	42,295.0	42,295.0	45,862.6
			<i>Current expenditures</i>	42,295.0	42,295.0	45,862.6
		06	<u>Agricultural animal inoculation</u>	1,000,000.0	1,000,000.0	1,051,000.0
			<i>Current expenditures</i>	1,000,000.0	1,000,000.0	1,051,000.0
		07	<u>Implementation of veterinary quarantine restrictions by the police under the Government</u>	40,154.5	40,154.5	40,154.5
			<i>Current expenditures</i>	40,154.5	40,154.5	40,154.5
		08	<u>Rural advising services</u>	293,144.8	293,144.8	313,789.6
			<i>Current expenditures</i>	293,144.8	293,144.8	313,789.6
		09	<u>Laboratory tests on food</u>	5,000.0	5,000.0	5,000.0
			<i>Current expenditures</i>	5,000.0	5,000.0	5,000.0
		10	<u>Installation of hail settings</u>	468,000.0	0.0	0.0
			<i>Expenditures for non-financial assets</i>	468,000.0	0.0	0.0
		11	<u>Implementation of preventive and diagnostic services based on monitoring, laboratory testing of the plant quarantine and phytosanitary condition</u>	72,100.0	72,100.0	77,970.0
			<i>Current expenditures</i>	72,100.0	72,100.0	77,970.0
		12	<u>Laboratory diagnosis of agricultural animal diseases and animal origin raw materials examination and assessment measures</u>	190,898.2	190,898.2	208,959.6
			<i>Current expenditures</i>	190,898.2	190,898.2	208,959.6
		13	<u>State support for agricultural land users</u>	550,000.0	550,000.0	550,000.0
			<i>Current expenditures</i>	550,000.0	550,000.0	550,000.0
		14	<u>Agricultural land users state assistance system</u>	20,835.0	20,835.0	22,061.4

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	20,835.0	20,835.0	22,061.4
		15	<u>Support to improvement of phytosanitary system and increase of professional knowledge</u>	5,800.0	5,800.0	5,800.0
			<i>Current expenditures</i>	5,800.0	5,800.0	5,800.0
		16	<u>Investments in "Anti-epidemic and Veterinary Diagnostic Center" SNCO of the Ministry of Agriculture</u>	21,600.0	0.0	0.0
			<i>Expenditures for non-financial assets</i>	21,600.0	0.0	0.0
		17	<u>The Community Resources Management and Agricultural Competitiveness Project by the World Bank assistance</u>	1,484,255.0	1,933,543.0	2,085,980.0
			<i>Current expenditures</i>	353,012.0	328,943.0	320,920.0
			<i>Expenditures for non-financial assets</i>	1,131,243.0	1,604,600.0	1,765,060.0
		18	<u>Rural Capacity Building Project by the support of the International Fund for Agricultural Development</u>	1,349,869.8	1,152,504.0	1,152,504.0
			<i>Current expenditures</i>	207,795.7	311,693.6	311,693.6
			<i>Expenditures for non-financial assets</i>	1,142,074.1	840,810.4	840,810.4
		19	<u>International Fund for Agricultural Development support to the farmers of marketing plan</u>	103,897.9	0.0	0.0
			<i>Current expenditures</i>	103,897.9	0.0	0.0
		20	<u>Rural Capacity Building Project Supported by the organization Oil producer countries</u>	1,920,305.1	2,190,279.1	2,190,279.1
			<i>Current expenditures</i>	51,748.4	72,608.2	72,608.2
			<i>Expenditures for non-financial assets</i>	1,868,556.7	2,117,670.9	2,117,670.9
		21	<u>International Fund for Agricultural Development support to the 'marketing opportunities for the farmers' grant program</u>	20,859.8	0.0	0.0
			<i>Current expenditures</i>	20,859.8	0.0	0.0
		22	<u>Danish support of the 'farmers marketing opportunities' grant program</u>	259,544.1	0.0	0.0
			<i>Current expenditures</i>	259,544.1	0.0	0.0
		02	Forestry	790,750.5	762,670.0	837,734.6
		01	<u>Forest protection services</u>	708,700.0	708,700.0	779,570.0
			<i>Current expenditures</i>	708,700.0	708,700.0	779,570.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			02 <u>Implementation of Public Monitoring of the Forest</u> <i>Current expenditures</i>	<u>53,970.0</u> 53,970.0	<u>53,970.0</u> 53,970.0	<u>58,164.6</u> 58,164.6
			03 <u>The World Bank assistance for the grant program to strengthen monitoring of forest</u> <i>Current expenditures</i>	<u>28,080.5</u> 28,080.5	<u>0.0</u> 0.0	<u>0.0</u> 0.0
	09		EDUCATION	421,715.4	429,615.9	460,718.6
		03	Initial Professional (Vocational) and Secondary Professional Education	421,715.4	429,615.9	460,718.6
		01	Initial Professional (Vocational) Education	82,580.2	84,658.5	91,013.4
		01	<u>Initial Professional (Vocational) Education scholarship to students</u> <i>Current expenditures</i>	<u>82,580.2</u> 82,580.2	<u>84,658.5</u> 84,658.5	<u>91,013.4</u> 91,013.4
		02	Secondary Professional Education	339,135.2	344,957.4	369,705.2
		01	<u>Provision of Vocational education scholarships and student allowances to students</u> <i>Current expenditures</i>	<u>339,135.2</u> 339,135.2	<u>344,957.4</u> 344,957.4	<u>369,705.2</u> 369,705.2
RA Ministry of Energy and Natural Resources				1,848,808.0	3,941,807.1	4,404,724.7
	04		ECONOMIC RELATIONS	1,770,995.4	3,873,994.5	4,332,515.1
		03	Fuel and Energy	1,756,995.4	3,859,994.5	4,317,970.1
		04	Other Types of Fuel	338,370.0	517,162.6	0.0
		01	<u>Japanese government support to the construction of power block with Combined cogeneration cycle</u> <i>Current expenditures</i> <i>Expenditures for non-financial assets</i>	<u>137,795.0</u> 137,795.0 0.0	<u>517,162.6</u> 275,590.1 241,572.5	<u>0.0</u> 0.0 0.0
		02	<u>Geothermal Energy Grant Program by the World Bank assistance</u> <i>Current expenditures</i>	<u>200,575.0</u> 200,575.0	<u>0.0</u> 0.0	<u>0.0</u> 0.0
		05	Electricity	1,418,625.4	3,342,831.9	4,317,970.1
		01	<u>Power transportation sector Rehabilitation Project by the support of German bank of development loans</u> <i>Expenditures for non-financial assets</i>	<u>0.0</u> 0.0	<u>40,764.1</u> 40,764.1	<u>0.0</u> 0.0
		02	<u>German development bank loans to support the Gyumri -2 substation Rehabilitation Project</u> <i>Current expenditures</i>	<u>1,418,625.4</u> 140,541.3	<u>3,302,067.8</u> 146,584.8	<u>4,317,970.1</u> 140,482.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Expenditures for non-financial assets</i>	1,278,084.1	3,155,483.0	4,177,488.1
	04		Mining Extraction, Industry and Construction	14,000.0	14,000.0	14,545.0
		01	Extraction of Mineral Resources, Except for Natural Fuel	14,000.0	14,000.0	14,545.0
		01	<u>Support services for geological-investigatory activities</u>	8,000.0	8,000.0	8,000.0
			<i>Expenditures for non-financial assets</i>	8,000.0	8,000.0	8,000.0
		02	<u>Service for provision of information on entrails</u>	6,000.0	6,000.0	6,545.0
			<i>Current expenditures</i>	6,000.0	6,000.0	6,545.0
	05		ENVIRONMENT PROTECTION	39,173.9	29,173.9	31,380.9
	01		Scavenger	29,173.9	29,173.9	31,380.9
		01	Scavenger	29,173.9	29,173.9	31,380.9
		01	<u>Radioactive waste neutralization services</u>	29,173.9	29,173.9	31,380.9
			<i>Current expenditures</i>	29,173.9	29,173.9	31,380.9
	05		Survey and Design Works Concerning Environment Protection	10,000.0	0.0	0.0
		01	Survey and Design Works Concerning Environment Protection	10,000.0	0.0	0.0
		01	<u>Inventory of waste accumulated in the water basin of the Lake Sevan due to exploitation of mines</u>	10,000.0	0.0	0.0
			<i>Expenditures for non-financial assets</i>	10,000.0	0.0	0.0
	09		EDUCATION	38,638.7	38,638.7	40,828.7
	03		Initial Professional (Vocational) and Secondary Professional Education	38,638.7	38,638.7	40,828.7
		02	Secondary Professional Education	38,638.7	38,638.7	40,828.7
		01	<u>Provision of Vocational education allowances and scholarships to students</u>	38,638.7	38,638.7	40,828.7
			<i>Current expenditures</i>	38,638.7	38,638.7	40,828.7
RA Ministry of Education and Science				30,428,567.9	25,474,866.9	26,407,546.8
	08		RECREATION, CULTURE AND RELIGION	83,415.5	64,765.5	85,903.4
	01		Recreation and Sports Services	28,500.0	9,850.0	28,500.0
		01	Recreation and Sports Services	28,500.0	9,850.0	28,500.0
		01	<u>Student sport events</u>	23,000.0	4,350.0	23,000.0
			<i>Current expenditures</i>	23,000.0	4,350.0	23,000.0
		02	<u>Ship modeling sport development</u>	5,500.0	5,500.0	5,500.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	5,500.0	5,500.0	5,500.0
	03		Radio and Television Broadcasting and Publishing Services	42,903.5	42,903.5	45,391.4
		02	Publishing and Editing Houses	42,903.5	42,903.5	45,391.4
		01	<u>Publishing of Children's and Youth newspapers and magazines</u>	<u>42,903.5</u>	<u>42,903.5</u>	<u>45,391.4</u>
			<i>Current expenditures</i>	42,903.5	42,903.5	45,391.4
	04		Religious and Other Public Services	12,012.0	12,012.0	12,012.0
		01	Youth Programs	12,012.0	12,012.0	12,012.0
		01	<u>Support to the development of intellectual games in Armenia</u>	<u>12,012.0</u>	<u>12,012.0</u>	<u>12,012.0</u>
			<i>Current expenditures</i>	12,012.0	12,012.0	12,012.0
09			EDUCATION	30,296,102.4	25,361,051.4	26,267,688.4
	01/02		Pre-School, Elementary and Secondary Education	9,890,658.7	10,137,408.0	10,259,715.1
		01	<u>General education</u>	<u>6,550,581.7</u>	<u>6,716,540.2</u>	<u>6,874,888.3</u>
			<i>Current expenditures</i>	6,550,581.7	6,716,540.2	6,874,888.3
		02	<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u>	<u>3,171,856.3</u>	<u>3,349,212.4</u>	<u>3,308,510.9</u>
			<i>Current expenditures</i>	3,171,856.3	3,349,212.4	3,308,510.9
		03	<u>Inclusive education</u>	<u>68,470.7</u>	<u>71,655.4</u>	<u>76,315.9</u>
			<i>Current expenditures</i>	68,470.7	71,655.4	76,315.9
		04	<u>Introduction of the system of High School</u>	<u>99,750.0</u>	<u>0.0</u>	<u>0.0</u>
			<i>Expenditures for non-financial assets</i>	99,750.0	0.0	0.0
	03		Initial Professional (Vocational) and Secondary Professional Education	2,505,661.6	2,488,962.5	2,612,359.3
		01	Initial Professional (Vocational) Education	1,079,985.8	1,061,505.9	1,091,258.9
		01	<u>Initial Professional (Vocational) Education scholarship to students</u>	<u>1,079,985.8</u>	<u>1,061,505.9</u>	<u>1,091,258.9</u>
			<i>Current expenditures</i>	1,079,985.8	1,061,505.9	1,091,258.9
		02	Secondary Professional Education	1,425,675.8	1,427,456.6	1,521,100.4
		01	<u>Provision of Vocational education allowances and scholarships to students</u>	<u>1,425,675.8</u>	<u>1,427,456.6</u>	<u>1,521,100.4</u>
			<i>Current expenditures</i>	1,425,675.8	1,427,456.6	1,521,100.4
	04		Higher Education	6,065,627.8	6,048,540.8	6,435,322.0
		01	Higher Education	5,667,264.7	5,657,182.3	6,002,646.3

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	<u>Higher Professional Education</u> <i>Current expenditures</i>	<u>5,667,264.7</u> 5,667,264.7	<u>5,657,182.3</u> 5,657,182.3	<u>6,002,646.3</u> 6,002,646.3
		02	Postgraduate Professional Education	398,363.1	391,358.5	432,675.7
		01	<u>Post-Graduate Professional Education</u> <i>Current expenditures</i>	<u>398,363.1</u> 398,363.1	<u>391,358.5</u> 391,358.5	<u>432,675.7</u> 432,675.7
	05		Education Non-Classified by Levels	592,829.2	592,829.2	632,436.9
		01	Extracurricular Education	592,829.2	592,829.2	632,436.9
		01	<u>Extracurricular Education</u> <i>Current expenditures</i>	<u>592,829.2</u> 592,829.2	<u>592,829.2</u> 592,829.2	<u>632,436.9</u> 632,436.9
	06		Auxiliary Services to Education	11,241,325.1	6,093,310.9	6,327,855.1
		01	Auxiliary Services to Education	11,241,325.1	6,093,310.9	6,327,855.1
		01	<u>Diaspora Armenian schools teachers training</u> <i>Current expenditures</i>	<u>27,070.3</u> 27,070.3	<u>27,070.3</u> 27,070.3	<u>27,379.4</u> 27,379.4
		02	<u>Organization of entrance examinations for Higher educational institutions</u> <i>Current expenditures</i>	<u>7,000.0</u> 7,000.0	<u>7,000.0</u> 7,000.0	<u>7,000.0</u> 7,000.0
		03	<u>Education content and methodical maintenance of public schools and teacher training</u> <i>Current expenditures</i>	<u>491,509.6</u> 491,509.6	<u>491,509.6</u> 491,509.6	<u>491,509.6</u> 491,509.6
		04	<u>Preliminary professional (vocational) and vocational education and training (VET) reform</u> <i>Current expenditures</i>	<u>165,223.9</u> 165,223.9	<u>165,223.9</u> 165,223.9	<u>166,833.1</u> 166,833.1
		05	<u>Preliminary professional (vocational) and vocational education and training (VET) reform program of capital expenditures</u> <i>Expenditures for non-financial assets</i>	<u>1,600,000.0</u> 1,600,000.0	<u>0.0</u> 0.0	<u>0.0</u> 0.0
		06	<u>Provision of students with hostel conditions on scout prices</u> <i>Current expenditures</i>	<u>22,241.6</u> 22,241.6	<u>22,241.6</u> 22,241.6	<u>23,276.6</u> 23,276.6
		07	<u>Conduction of Pan-Armenian educational conference</u> <i>Current expenditures</i>	<u>0.0</u> 0.0	<u>13,000.0</u> 13,000.0	<u>0.0</u> 0.0
		08	<u>Implementation of activities in the Department of Armenian Studies at the Open University in Berlin</u>	<u>7,795.4</u>	<u>7,795.4</u>	<u>7,795.4</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	7,795.4	7,795.4	7,795.4
		09	<u>Expenditures on teachers' attestation</u>	<u>13,304.5</u>	<u>13,304.5</u>	<u>13,304.5</u>
			<i>Current expenditures</i>	13,304.5	13,304.5	13,304.5
		10	<u>Organization of Students' summer vacation</u>	<u>214,512.0</u>	<u>214,512.0</u>	<u>218,856.0</u>
			<i>Current expenditures</i>	214,512.0	214,512.0	218,856.0
		11	<u>Acquisition of graduation documents, school record books, medals, envelopes, training programs, educational publications and educational didactic materials, etc.</u>	<u>402,075.6</u>	<u>402,075.6</u>	<u>402,075.6</u>
			<i>Current expenditures</i>	402,075.6	402,075.6	402,075.6
		12	<u>Provision of Elementary-Level students with free textbooks and educational literature, publishing of textbooks of high schools, compensation of payments for textbooks to children from socially disadvantaged families</u>	<u>884,649.6</u>	<u>589,383.6</u>	<u>589,383.6</u>
			<i>Current expenditures</i>	884,649.6	589,383.6	589,383.6
		13	<u>Compensation for the remote, border, mountainous and high mountainous areas of secondary school teachers</u>	<u>83,200.0</u>	<u>83,200.0</u>	<u>83,200.0</u>
			<i>Current expenditures</i>	83,200.0	83,200.0	83,200.0
		15	<u>Restoration of cabinets of military science</u>	<u>5,304.5</u>	<u>5,304.5</u>	<u>5,304.5</u>
			<i>Current expenditures</i>	5,304.5	5,304.5	5,304.5
		16	<u>Conduction of knowledge contests for students</u>	<u>35,000.0</u>	<u>35,000.0</u>	<u>35,000.0</u>
			<i>Current expenditures</i>	35,000.0	35,000.0	35,000.0
		17	<u>Conducting school Olympiads</u>	<u>41,152.0</u>	<u>33,152.0</u>	<u>41,152.0</u>
			<i>Current expenditures</i>	41,152.0	33,152.0	41,152.0
		18	<u>Computer and Internet connection services</u>	<u>858,008.9</u>	<u>991,067.9</u>	<u>999,229.6</u>
			<i>Current expenditures</i>	858,008.9	991,067.9	999,229.6
		19	<u>Reveal and evaluation of children's physical, mental and/or psychological development characteristics</u>	<u>349,227.5</u>	<u>349,227.5</u>	<u>366,533.5</u>
			<i>Current expenditures</i>	349,227.5	349,227.5	366,533.5
		20	<u>Experimental educational programs in general education</u>	<u>94,937.2</u>	<u>94,937.2</u>	<u>100,879.1</u>
			<i>Current expenditures</i>	94,937.2	94,937.2	100,879.1
		21	<u>Development and dissemination of literature and and educational support materials to Armenian educational institutions in Diaspora</u>	<u>70,000.0</u>	<u>70,000.0</u>	<u>70,000.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	70,000.0	70,000.0	70,000.0
		22	<u>Provision of Javakheti schools with assets</u>	30,000.0	30,000.0	30,000.0
			<i>Expenditures for non-financial assets</i>	30,000.0	30,000.0	30,000.0
		23	<u>Development of Classical music in higher education</u>	46,671.0	46,671.0	49,914.0
			<i>Current expenditures</i>	46,671.0	46,671.0	49,914.0
		24	<u>Development and publication of programs, textbooks, manuals, other educational materials for Special schools</u>	16,000.0	16,000.0	16,000.0
			<i>Current expenditures</i>	16,000.0	16,000.0	16,000.0
		25	<u>Academic Recognition and Mobility Services</u>	41,680.0	41,680.0	43,697.0
			<i>Current expenditures</i>	41,680.0	41,680.0	43,697.0
		26	<u>Higher education evaluation system reforms</u>	80,000.0	80,000.0	80,000.0
			<i>Current expenditures</i>	80,000.0	80,000.0	80,000.0
		27	<u>Other current expenses in Education sector</u>	2,133,065.6	79,291.4	821,234.9
			<i>Current expenditures</i>	2,133,065.6	79,291.4	821,234.9
		28	<u>World Bank assistance for the Education Quality and Relevance second program</u>	3,521,695.9	2,184,662.9	1,638,296.7
			<i>Current expenditures</i>	1,977,268.4	1,883,800.4	1,392,391.7
			<i>Expenditures for non-financial assets</i>	1,544,427.5	300,862.5	245,905.0
	-		SCIENCE	49,050.0	49,050.0	53,955.0
		01	<u>Maintenance and development of infrastructures of Scientific and technical activities</u>	49,050.0	49,050.0	53,955.0
			<i>Current expenditures</i>	49,050.0	49,050.0	53,955.0
RA Ministry of Culture				8,181,463.4	8,190,469.3	8,673,260.9
	08		RECREATION, CULTURE AND RELIGION	7,237,448.6	7,246,454.5	7,672,401.2
		02	Cultural Services	6,824,446.6	6,824,446.6	7,229,389.7
		01	Libraries	875,665.2	875,665.2	945,546.0
		01	<u>Services of libraries</u>	817,204.5	817,204.5	882,685.5
			<i>Current expenditures</i>	817,204.5	817,204.5	882,685.5
		02	<u>Publications registration, record keeping and bibliographic services</u>	58,460.7	58,460.7	62,860.5
			<i>Current expenditures</i>	58,460.7	58,460.7	62,860.5
		02	Museums and Exhibitions	1,220,214.2	1,220,214.2	1,305,864.1

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Museum and exhibitions services</u> <i>Current expenditures</i>	<u>1,220,214.2</u> 1,220,214.2	<u>1,220,214.2</u> 1,220,214.2	<u>1,305,864.1</u> 1,305,864.1
		03	Cultural Houses, Clubs, Centers	28,069.4	28,069.4	30,092.8
		01	<u>Community Culture and leisure arrangement</u> <i>Current expenditures</i>	<u>28,069.4</u> 28,069.4	<u>28,069.4</u> 28,069.4	<u>30,092.8</u> 30,092.8
		04	Other Cultural Organizations	112,314.7	112,314.7	119,081.5
		01	<u>Cultural values assessment services</u> <i>Current expenditures</i>	<u>32,723.3</u> 32,723.3	<u>32,723.3</u> 32,723.3	<u>35,356.3</u> 35,356.3
		02	<u>Information and analytical services and public awareness</u> <i>Current expenditures</i>	<u>44,856.3</u> 44,856.3	<u>44,856.3</u> 44,856.3	<u>46,641.4</u> 46,641.4
		03	<u>Folk traditions and folk art preservation</u> <i>Current expenditures</i>	<u>34,735.1</u> 34,735.1	<u>34,735.1</u> 34,735.1	<u>37,083.8</u> 37,083.8
		05	Art	3,607,783.7	3,607,783.7	3,830,213.1
		01	<u>Opera and ballet art performances</u> <i>Current expenditures</i>	<u>633,219.6</u> 633,219.6	<u>633,219.6</u> 633,219.6	<u>683,767.2</u> 683,767.2
		02	<u>National academic theater performances</u> <i>Current expenditures</i>	<u>269,625.9</u> 269,625.9	<u>269,625.9</u> 269,625.9	<u>287,068.8</u> 287,068.8
		03	<u>Cultural measures</u> <i>Current expenditures</i>	<u>833,733.1</u> 833,733.1	<u>833,733.1</u> 833,733.1	<u>833,733.1</u> 833,733.1
		04	<u>Theatrical performances</u> <i>Current expenditures</i>	<u>960,803.5</u> 960,803.5	<u>960,803.5</u> 960,803.5	<u>1,036,638.8</u> 1,036,638.8
		05	<u>Music and dance concerts</u> <i>Current expenditures</i>	<u>910,401.6</u> 910,401.6	<u>910,401.6</u> 910,401.6	<u>989,005.2</u> 989,005.2
		06	Cinematography	630,448.2	630,448.2	644,014.5
		01	<u>Film production</u> <i>Current expenditures</i>	<u>454,956.4</u> 454,956.4	<u>454,956.4</u> 454,956.4	<u>454,956.4</u> 454,956.4
		02	<u>National Film programs</u> <i>Current expenditures</i>	<u>131,716.2</u> 131,716.2	<u>131,716.2</u> 131,716.2	<u>142,665.0</u> 142,665.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			03 <u>Film-photo-phono collection services</u> <i>Current expenditures</i>	<u>7,235.5</u> 7,235.5	<u>7,235.5</u> 7,235.5	<u>7,235.5</u> 7,235.5
			04 <u>Documentary film projects</u> <i>Current expenditures</i>	<u>36,540.1</u> 36,540.1	<u>36,540.1</u> 36,540.1	<u>39,157.6</u> 39,157.6
		07	Restoration and Preservation of Monuments and Cultural Values	349,951.2	349,951.2	354,577.7
			01 <u>Cultural heritage research work</u> <i>Current expenditures</i>	<u>66,611.2</u> 66,611.2	<u>66,611.2</u> 66,611.2	<u>71,237.7</u> 71,237.7
			02 <u>Repair and restoration of monuments</u> <i>Expenditures for non-financial assets</i>	<u>215,000.0</u> 215,000.0	<u>215,000.0</u> 215,000.0	<u>215,000.0</u> 215,000.0
			03 <u>Monitoring of technical condition of monuments</u> <i>Current expenditures</i>	<u>8,340.0</u> 8,340.0	<u>8,340.0</u> 8,340.0	<u>8,340.0</u> 8,340.0
			04 <u>Support to Armenian cultural and historical monuments documentation</u> <i>Current expenditures</i>	<u>60,000.0</u> 60,000.0	<u>60,000.0</u> 60,000.0	<u>60,000.0</u> 60,000.0
	03		Radio and Television Broadcasting and Publishing Services	413,002.0	422,007.9	443,011.5
		01	Radio and Television Programs	90,059.2	99,065.1	108,971.6
			01 <u>CIS TV broadcast</u> <i>Current expenditures</i>	<u>90,059.2</u> 90,059.2	<u>99,065.1</u> 99,065.1	<u>108,971.6</u> 108,971.6
		02	Publishing and Editing Houses	249,038.8	249,038.8	254,442.3
			01 <u>State Press Publishing</u> <i>Current expenditures</i>	<u>68,869.3</u> 68,869.3	<u>68,869.3</u> 68,869.3	<u>74,272.8</u> 74,272.8
			02 <u>Publishing of literature</u> <i>Current expenditures</i>	<u>92,392.4</u> 92,392.4	<u>92,392.4</u> 92,392.4	<u>92,392.4</u> 92,392.4
			03 <u>Publication of non-state media</u> <i>Current expenditures</i>	<u>47,777.1</u> 47,777.1	<u>47,777.1</u> 47,777.1	<u>47,777.1</u> 47,777.1
			04 <u>Support to publication of literary</u> <i>Current expenditures</i>	<u>40,000.0</u> 40,000.0	<u>40,000.0</u> 40,000.0	<u>40,000.0</u> 40,000.0
		03	Acquisition of Information	73,904.0	73,904.0	79,597.6
			01 <u>Information acquisition, storage and archiving services</u>	<u>73,904.0</u>	<u>73,904.0</u>	<u>79,597.6</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	73,904.0	73,904.0	79,597.6
09			EDUCATION	944,014.8	944,014.8	1,000,859.7
	01/02		Pre-School, Elementary and Secondary Education	256,674.3	256,674.3	272,358.2
		01	<u>Music education in schools and scholarship</u>	<u>256,674.3</u>	<u>256,674.3</u>	<u>272,358.2</u>
			<i>Current expenditures</i>	256,674.3	256,674.3	272,358.2
	03		Initial Professional (Vocational) and Secondary Professional Education	236,814.1	236,814.1	249,237.8
		02	Secondary Professional Education	236,814.1	236,814.1	249,237.8
		01	<u>Vocational education allowances and provision of scholarships to students</u>	<u>236,814.1</u>	<u>236,814.1</u>	<u>249,237.8</u>
			<i>Current expenditures</i>	236,814.1	236,814.1	249,237.8
	05		Education Non-Classified by Levels	450,526.4	450,526.4	479,263.7
		01	Extracurricular Education	450,526.4	450,526.4	479,263.7
		01	<u>Extracurricular Education</u>	<u>58,439.1</u>	<u>58,439.1</u>	<u>62,389.3</u>
			<i>Current expenditures</i>	58,439.1	58,439.1	62,389.3
		02	<u>Training of national, wind and string instruments at Music and art schools</u>	<u>323,654.9</u>	<u>323,654.9</u>	<u>345,343.7</u>
			<i>Current expenditures</i>	323,654.9	323,654.9	345,343.7
		03	<u>Music and art schools methodological work</u>	<u>51,352.4</u>	<u>51,352.4</u>	<u>54,450.7</u>
			<i>Current expenditures</i>	51,352.4	51,352.4	54,450.7
		04	<u>Development and publishing new academic programs, textbooks, methodological manuals for music</u>	<u>17,080.0</u>	<u>17,080.0</u>	<u>17,080.0</u>
			<i>Current expenditures</i>	17,080.0	17,080.0	17,080.0
RA Ministry of Defense				132,671,448.7	135,097,432.4	145,672,169.7
02			DEFENSE	130,198,752.5	132,512,468.4	142,955,724.2
	01		Military Defense	130,142,752.5	132,456,468.4	142,899,724.2
		01	Military Defense	130,142,752.5	132,456,468.4	142,899,724.2
		01	<u>Provision of military needs</u>	<u>130,142,752.5</u>	<u>132,456,468.4</u>	<u>142,899,724.2</u>
			<i>Current expenditures</i>	103,570,588.1	105,411,958.4	113,723,221.4
			<i>Expenditures for non-financial assets</i>	26,572,164.4	27,044,510.0	29,176,502.8
	05		Defense (non-classified in other categories)	56,000.0	56,000.0	56,000.0
		01	Defense (non-classified in other categories)	56,000.0	56,000.0	56,000.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	<u>Expenditures for driver examinations and issuing of certificates for call-up soldiers</u> <i>Current expenditures</i>	<u>56,000.0</u> 56,000.0	<u>56,000.0</u> 56,000.0	<u>56,000.0</u> 56,000.0
08			RECREATION, CULTURE AND RELIGION	120,518.3	120,518.3	128,505.2
	02		Cultural Services	120,518.3	120,518.3	128,505.2
		02	Museums and Exhibitions	120,518.3	120,518.3	128,505.2
		01	<u>Museums and Exhibitions</u> <i>Current expenditures</i>	<u>120,518.3</u> 120,518.3	<u>120,518.3</u> 120,518.3	<u>128,505.2</u> 128,505.2
09			EDUCATION	729,500.0	729,500.0	729,500.0
	04		Higher Education	729,500.0	729,500.0	729,500.0
		01	Higher Professional Education	729,500.0	729,500.0	729,500.0
		01	<u>Higher Professional Education</u> <i>Current expenditures</i>	<u>729,500.0</u> 729,500.0	<u>729,500.0</u> 729,500.0	<u>729,500.0</u> 729,500.0
10			SOCIAL PROTECTION	500,000.0	500,000.0	500,000.0
	06		Dwelling Provision	500,000.0	500,000.0	500,000.0
		01	Dwelling Provision	500,000.0	500,000.0	500,000.0
		01	<u>Provision of dwelling to homeless families of perished (deceased) or first, second and third-degree disabled military servants</u> <i>Current expenditures</i>	<u>500,000.0</u> 500,000.0	<u>500,000.0</u> 500,000.0	<u>500,000.0</u> 500,000.0
-			SCIENCE	1,122,677.9	1,234,945.7	1,358,440.3
		01	<u>Special targeted research and design works within the Scientific and technical purpose-research program</u> <i>Current expenditures</i>	<u>1,122,677.9</u> 1,122,677.9	<u>1,234,945.7</u> 1,234,945.7	<u>1,358,440.3</u> 1,358,440.3
RA Ministry of Labor and Social Affairs				56,568,239.2	56,808,038.0	57,833,192.0
10			SOCIAL PROTECTION	56,568,239.2	56,808,038.0	57,833,192.0
	01		Ailment and Disability	1,171,612.1	1,171,612.1	1,171,612.1
		01	Ailment	102,396.5	102,396.5	102,396.5
		01	<u>Medical-social rehabilitation services.</u> <i>Current expenditures</i>	<u>102,396.5</u> 102,396.5	<u>102,396.5</u> 102,396.5	<u>102,396.5</u> 102,396.5
		02	Disability	1,069,215.6	1,069,215.6	1,069,215.6

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Services of Printing Books with Special Fonts, Preparing Exercise books, Recording of “Talking Books” for the Disabled Graduated from Schools, as well as for those who lost the eyesight in mature ages</u> <i>Current expenditures</i>	<u>10,506.4</u> 10,506.4	<u>10,506.4</u> 10,506.4	<u>10,506.4</u> 10,506.4
			02 <u>Provision of disabled persons with prosthetic-orthopedic accessories, rehabilitation, technical appliances and repair</u> <i>Current expenditures</i>	<u>858,573.9</u> 858,573.9	<u>858,573.9</u> 858,573.9	<u>858,573.9</u> 858,573.9
			03 <u>Mental health rehabilitation services</u> <i>Current expenditures</i>	<u>64,800.0</u> 64,800.0	<u>64,800.0</u> 64,800.0	<u>64,800.0</u> 64,800.0
			04 <u>Education for Persons with Sight Disabilities through the “Sun” system</u> <i>Current expenditures</i>	<u>3,864.0</u> 3,864.0	<u>3,864.0</u> 3,864.0	<u>3,864.0</u> 3,864.0
			05 <u>Social rehabilitation services for disabled adolescents and youth in mental problems</u> <i>Current expenditures</i>	<u>16,486.6</u> 16,486.6	<u>16,486.6</u> 16,486.6	<u>16,486.6</u> 16,486.6
			06 <u>Provision of disabled persons with wheelchairs and hearing devices</u> <i>Expenditures for non-financial assets</i>	<u>110,724.7</u> 110,724.7	<u>110,724.7</u> 110,724.7	<u>110,724.7</u> 110,724.7
			07 <u>Provision of Persons with Sight Disabilities with computer equipment and spare parts</u> <i>Expenditures for non-financial assets</i>	<u>4,260.0</u> 4,260.0	<u>4,260.0</u> 4,260.0	<u>4,260.0</u> 4,260.0
	02		Old Age	1,679,202.6	1,679,202.6	1,739,916.2
		01	Old Age	1,679,202.6	1,679,202.6	1,739,916.2
		01	<u>All day elderly care services</u> <i>Current expenditures</i>	<u>1,361,006.3</u> 1,361,006.3	<u>1,361,006.3</u> 1,361,006.3	<u>1,413,945.3</u> 1,413,945.3
		02	<u>Day care services for people with mental health problems</u> <i>Current expenditures</i>	<u>15,444.2</u> 15,444.2	<u>15,444.2</u> 15,444.2	<u>16,328.4</u> 16,328.4
		03	<u>Nursing social services for the single elderly and disabled at home, elderly persons in day care centers in the regions</u> <i>Current expenditures</i>	<u>197,052.0</u> 197,052.0	<u>197,052.0</u> 197,052.0	<u>197,052.0</u> 197,052.0
		04	<u>Day care and social services for elders in the Vanadzor Elders' nursing home</u> <i>Current expenditures</i>	<u>14,365.4</u> 14,365.4	<u>14,365.4</u> 14,365.4	<u>14,365.4</u> 14,365.4

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			05 <u>Social services for the single elderly at home.</u> <i>Current expenditures</i>	<u>91,334.7</u> 91,334.7	<u>91,334.7</u> 91,334.7	<u>98,225.1</u> 98,225.1
	03		Relative Lost Persons	161,820.0	161,820.0	162,360.0
		01	Relative Lost Persons	161,820.0	161,820.0	162,360.0
		01	<u>Allowance paid to the families of perished National Heroes of Armenia, or to the families of individual posthumously awarded by Military Cross medal.</u> <i>Current expenditures</i>	<u>154,800.0</u> 154,800.0	<u>154,800.0</u> 154,800.0	<u>154,800.0</u> 154,800.0
		02	<u>Payment of benefit provided by the Article 36 of the RA Law “On employment of the population and social protection in case of unemployment”</u> <i>Current expenditures</i>	<u>7,020.0</u> 7,020.0	<u>7,020.0</u> 7,020.0	<u>7,560.0</u> 7,560.0
	04		Family Members and Children	44,768,883.8	45,005,443.9	45,553,541.5
		01	Family Members and Children	44,768,883.8	45,005,443.9	45,553,541.5
		01	<u>Benefit for child care up to 2 years</u> <i>Current expenditures</i>	<u>1,885,572.0</u> 1,885,572.0	<u>1,885,572.0</u> 1,885,572.0	<u>2,030,616.0</u> 2,030,616.0
		02	<u>Services for distribution of food received as humanitarian aid</u> <i>Current expenditures</i>	<u>9,071.4</u> 9,071.4	<u>9,071.4</u> 9,071.4	<u>9,071.4</u> 9,071.4
		03	<u>Assistance and consulting services to orphanage graduates</u> <i>Current expenditures</i>	<u>36,115.5</u> 36,115.5	<u>36,115.5</u> 36,115.5	<u>36,115.5</u> 36,115.5
		04	<u>One-off benefit for child birth</u> <i>Current expenditures</i>	<u>4,291,150.0</u> 4,291,150.0	<u>4,527,710.0</u> 4,527,710.0	<u>4,776,850.0</u> 4,776,850.0
		05	<u>Children's All Day Care Services</u> <i>Current expenditures</i>	<u>1,657,496.4</u> 1,657,496.4	<u>1,657,496.5</u> 1,657,496.5	<u>1,747,443.2</u> 1,747,443.2
		06	<u>Services for return of children to families from children's All Day care and protection of institutions (Unloading)</u> <i>Current expenditures</i>	<u>11,770.0</u> 11,770.0	<u>11,770.0</u> 11,770.0	<u>11,770.0</u> 11,770.0
		07	<u>Social care services to children appeared in the zone of risk</u> <i>Current expenditures</i>	<u>138,889.9</u> 138,889.9	<u>138,889.9</u> 138,889.9	<u>146,508.2</u> 146,508.2
		08	<u>Boarding care and protection services for Children</u> <i>Current expenditures</i>	<u>969,738.7</u> 969,738.7	<u>969,738.7</u> 969,738.7	<u>1,025,293.8</u> 1,025,293.8

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			09 <u>Social care services to children appeared in difficult situations in the day care centers</u> <i>Current expenditures</i>	<u>51,338.4</u> 51,338.4	<u>51,338.4</u> 51,338.4	<u>51,338.4</u> 51,338.4
			10 <u>Services for introduction of the institute of foster family in the Republic of Armenia</u> <i>Current expenditures</i>	<u>26,024.5</u> 26,024.5	<u>26,024.5</u> 26,024.5	<u>26,818.0</u> 26,818.0
			11 <u>Provision of financial assistance to the orphanage school age children</u> <i>Current expenditures</i>	<u>9,000.0</u> 9,000.0	<u>9,000.0</u> 9,000.0	<u>9,000.0</u> 9,000.0
			12 <u>Provision of scholarship to graduates of orphanages and one-time pecuniary aid</u> <i>Current expenditures</i>	<u>3,200.0</u> 3,200.0	<u>3,200.0</u> 3,200.0	<u>3,200.0</u> 3,200.0
			13 <u>Provision of financial assistance packages to the biological families where children are adopted</u> <i>Current expenditures</i>	<u>8,656.0</u> 8,656.0	<u>8,656.0</u> 8,656.0	<u>8,656.0</u> 8,656.0
			14 <u>Family allowance and a one-time pecuniary aid</u> <i>Current expenditures</i>	<u>35,670,861.0</u> 35,670,861.0	<u>35,670,861.0</u> 35,670,861.0	<u>35,670,861.0</u> 35,670,861.0
	05		Unemployment	5,999,708.4	6,000,892.0	6,398,298.8
		01	Unemployment	5,999,708.4	6,000,892.0	6,398,298.8
		01	<u>Paid public works</u> <i>Current expenditures</i>	<u>689,500.0</u> 689,500.0	<u>689,500.0</u> 689,500.0	<u>689,500.0</u> 689,500.0
		02	<u>Financial support provided to the unemployed and disabled unemployed job seekers who are looking for state registration to start entrepreneurship activity</u> <i>Current expenditures</i>	<u>1,860.0</u> 1,860.0	<u>2,500.0</u> 2,500.0	<u>2,680.0</u> 2,680.0
		03	<u>Partial compensation of salary to the employer for persons who are non-competitive in the labor market</u> <i>Current expenditures</i>	<u>89,769.6</u> 89,769.6	<u>89,769.6</u> 89,769.6	<u>106,488.0</u> 106,488.0
		04	<u>Organization of professional training and recovery of working skills for unemployed job seeker disabled individuals with no experience or with less than a year of insurance experience</u> <i>Current expenditures</i>	<u>13,090.0</u> 13,090.0	<u>13,090.0</u> 13,090.0	<u>13,090.0</u> 13,090.0
		05	<u>Youth vocational orientation and consulting services</u> <i>Current expenditures</i>	<u>20,655.6</u> 20,655.6	<u>20,655.6</u> 20,655.6	<u>21,767.6</u> 21,767.6

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			06 <u>Unemployment benefits</u>	<u>4,878,817.4</u>	<u>4,837,001.0</u>	<u>5,167,617.0</u>
			<i>Current expenditures</i>	<i>4,878,817.4</i>	<i>4,837,001.0</i>	<i>5,167,617.0</i>
			07 <u>Organization of professional training for groups of unemployed persons, who are considered as non-competitive in the labor market, who receive pension for a long-term service or by privileged terms and are looking for a job</u>	<u>228,900.0</u>	<u>221,900.0</u>	<u>219,900.0</u>
			<i>Current expenditures</i>	<i>228,900.0</i>	<i>221,900.0</i>	<i>219,900.0</i>
			08 <u>Compensation of material costs carried by an unemployed person due to a trip to another place with the aim to work</u>	<u>15,899.9</u>	<u>15,899.9</u>	<u>15,899.9</u>
			<i>Current expenditures</i>	<i>15,899.9</i>	<i>15,899.9</i>	<i>15,899.9</i>
			09 <u>Training of unemployed persons who receive pension for a long-term service or by privileged terms and are looking for a job</u>	<u>2,550.0</u>	<u>2,550.0</u>	<u>2,550.0</u>
			<i>Current expenditures</i>	<i>2,550.0</i>	<i>2,550.0</i>	<i>2,550.0</i>
			10 <u>Organizing of labor market survey and forecasting activities</u>	<u>5,000.0</u>	<u>5,000.0</u>	<u>5,000.0</u>
			<i>Current expenditures</i>	<i>5,000.0</i>	<i>5,000.0</i>	<i>5,000.0</i>
			11 <u>Vacancy fair conduction services</u>	<u>4,200.0</u>	<u>4,200.0</u>	<u>4,200.0</u>
			<i>Current expenditures</i>	<i>4,200.0</i>	<i>4,200.0</i>	<i>4,200.0</i>
			12 <u>Rehabilitation of working skills, vocational training and consulting services for job seeking disabled persons</u>	<u>9,825.9</u>	<u>9,825.9</u>	<u>10,606.3</u>
			<i>Current expenditures</i>	<i>9,825.9</i>	<i>9,825.9</i>	<i>10,606.3</i>
			13 <u>Organizing of work practices for the unemployed with profession, but with no professional work experience</u>	<u>35,640.0</u>	<u>78,000.0</u>	<u>126,000.0</u>
			<i>Current expenditures</i>	<i>35,640.0</i>	<i>78,000.0</i>	<i>126,000.0</i>
			14 <u>Adjustment of work places in organizations for the disabled</u>	<u>4,000.0</u>	<u>11,000.0</u>	<u>13,000.0</u>
			<i>Current expenditures</i>	<i>4,000.0</i>	<i>11,000.0</i>	<i>13,000.0</i>
	07		Special Social Privileges (non-classified in other categories)	1,720,712.9	1,720,472.9	1,721,713.7
		01	Special Social Privileges (non-classified in other categories)	1,720,712.9	1,720,472.9	1,721,713.7
			01 <u>One-time compensation for the loss caused to forcibly imprisoned citizens</u>	<u>480.0</u>	<u>240.0</u>	<u>120.0</u>
			<i>Current expenditures</i>	<i>480.0</i>	<i>240.0</i>	<i>120.0</i>
			02 <u>Provision of temporary shelter services to homeless people</u>	<u>55,052.7</u>	<u>55,052.7</u>	<u>56,413.5</u>
			<i>Current expenditures</i>	<i>55,052.7</i>	<i>55,052.7</i>	<i>56,413.5</i>

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		03	<u>Payment of compensation to the VTB-Armenia CJSC depositor citizens for the money deposited in the former USSR Savings Bank until June 10, 1993</u> <i>Current expenditures</i>	<u>1,665,180.2</u> <i>1,665,180.2</i>	<u>1,665,180.2</u> <i>1,665,180.2</i>	<u>1,665,180.2</u> <i>1,665,180.2</i>
	09		Special Protection (non-classified in other categories)	1,066,299.4	1,068,594.5	1,085,749.7
		02	Auxiliary Services to Social Protection (non-classified in other categories)	1,066,299.4	1,068,594.5	1,085,749.7
		01	<u>Separate social security payment programs related services</u> <i>Current expenditures</i>	<u>587,526.7</u> <i>587,526.7</i>	<u>589,821.8</u> <i>589,821.8</i>	<u>598,857.0</u> <i>598,857.0</i>
		02	<u>MSE blank form printing services</u> <i>Current expenditures</i>	<u>8,804.1</u> <i>8,804.1</i>	<u>8,804.1</u> <i>8,804.1</i>	<u>8,804.1</u> <i>8,804.1</i>
		03	<u>Blank forms printing services</u> <i>Current expenditures</i>	<u>17,373.0</u> <i>17,373.0</i>	<u>17,373.0</u> <i>17,373.0</i>	<u>17,373.0</u> <i>17,373.0</i>
		04	<u>Disabled information system maintenance, support and information services</u> <i>Current expenditures</i>	<u>18,119.7</u> <i>18,119.7</i>	<u>18,119.7</u> <i>18,119.7</i>	<u>18,119.7</u> <i>18,119.7</i>
		05	<u>Unemployment information system maintenance, support and information services ("Gorts" System)</u> <i>Current expenditures</i>	<u>24,870.3</u> <i>24,870.3</i>	<u>24,870.3</u> <i>24,870.3</i>	<u>24,870.3</u> <i>24,870.3</i>
		06	<u>Social Security card information system maintenance, support and information services</u> <i>Current expenditures</i>	<u>147,958.4</u> <i>147,958.4</i>	<u>147,958.4</u> <i>147,958.4</i>	<u>147,958.4</u> <i>147,958.4</i>
		07	<u>Children in difficult situations (Manuk) information system maintenance, support and information services</u> <i>Current expenditures</i>	<u>15,317.9</u> <i>15,317.9</i>	<u>15,317.9</u> <i>15,317.9</i>	<u>15,317.9</u> <i>15,317.9</i>
		08	<u>Family Benefit information system maintenance, support and information services</u> <i>Current expenditures</i>	<u>31,329.8</u> <i>31,329.8</i>	<u>31,329.8</u> <i>31,329.8</i>	<u>31,329.8</u> <i>31,329.8</i>
		09	<u>Child birth and care information system maintenance, support and information services</u> <i>Current expenditures</i>	<u>9,493.7</u> <i>9,493.7</i>	<u>9,493.7</u> <i>9,493.7</i>	<u>9,493.7</u> <i>9,493.7</i>
		10	<u>Public awareness measures</u> <i>Current expenditures</i>	<u>26,056.0</u> <i>26,056.0</i>	<u>26,056.0</u> <i>26,056.0</i>	<u>26,056.0</u> <i>26,056.0</i>
		11	<u>Administrative services for provision of Family Benefits and financial aid</u>	<u>19,000.0</u>	<u>19,000.0</u>	<u>19,000.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

	Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
				<i>Current expenditures</i>	19,000.0	19,000.0	19,000.0
			12	<u>Charitable projects accounting registration information system maintenance, support and information services</u>	5,259.0	5,259.0	5,259.0
				<i>Current expenditures</i>	5,259.0	5,259.0	5,259.0
			13	<u>State Labor Inspectorate information system maintenance, support and information services</u>	5,696.8	5,696.8	5,696.8
				<i>Current expenditures</i>	5,696.8	5,696.8	5,696.8
			14	<u>VTB-Armenia CJSC depositor citizens who have deposited money in the former USSR Savings Bank until June 10, 1993 information system maintenance, support and information services</u>	14,837.6	14,837.6	14,837.6
				<i>Current expenditures</i>	14,837.6	14,837.6	14,837.6
			15	<u>Administrative services related to paid public works</u>	10,500.0	10,500.0	10,500.0
				<i>Current expenditures</i>	10,500.0	10,500.0	10,500.0
			16	<u>Trafficking victims socio-psychological rehabilitation services</u>	32,834.3	32,834.3	34,479.6
				<i>Current expenditures</i>	32,834.3	32,834.3	34,479.6
			17	<u>Administrative services related to Social security cards system</u>	6,527.8	6,527.8	6,527.8
				<i>Current expenditures</i>	6,527.8	6,527.8	6,527.8
			18	<u>Development of methodological manuals, conduction of surveys and training of social field personnel</u>	84,794.3	84,794.3	91,269.0
				<i>Current expenditures</i>	84,794.3	84,794.3	91,269.0
				RA Ministry of Transport and Communication	37,856,446.2	22,208,627.7	9,940,683.0
	04			ECONOMIC RELATIONS	37,856,446.2	22,208,627.7	9,940,683.0
		05		Transport	37,455,581.9	21,807,763.4	9,518,850.7
			01	Road Transport	37,455,581.9	21,807,763.4	9,518,850.7
			01	<u>Highways maintenance and exploitation</u>	5,510,389.8	5,510,389.8	5,518,850.7
				<i>Current expenditures</i>	5,510,389.8	5,510,389.8	5,518,850.7
			02	<u>General reconstruction of the roads of state significance</u>	4,000,000.0	4,000,000.0	4,000,000.0
				<i>Expenditures for non-financial assets</i>	4,000,000.0	4,000,000.0	4,000,000.0
			03	<u>Rural Roads Rehabilitation Project by the Asian Development Bank assistance</u>	6,939.9	0.0	0.0
				<i>Current expenditures</i>	6,939.9	0.0	0.0

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			04 <u>The 2nd additional funding program of the lifeline roads improvement program by the assistance of World Bank</u> <i>Current expenditures</i>	<u>16,046,000.0</u> <i>1,604,600.0</i>	<u>1,002,875.0</u> <i>100,287.5</i>	<u>0.0</u> <i>0.0</i>
			<i>Expenditures for non-financial assets</i>	<i>14,441,400.0</i>	<i>902,587.5</i>	<i>0.0</i>
			05 <u>The additional funding program of the lifeline roads improvement program by the assistance of World Bank</u> <i>Current expenditures</i>	<u>459,477.2</u> <i>367,573.7</i>	<u>0.0</u> <i>0.0</i>	<u>0.0</u> <i>0.0</i>
			<i>Expenditures for non-financial assets</i>	<i>91,903.5</i>	<i>0.0</i>	<i>0.0</i>
			06 <u>North-South transport corridor development plan by the Asian Development Bank's support</u> <i>Expenditures for non-financial assets</i>	<u>11,432,775.0</u> <i>11,432,775.0</i>	<u>11,294,498.6</u> <i>11,294,498.6</i>	<u>0.0</u> <i>0.0</i>
	06		Communication	400,864.3	400,864.3	421,832.3
		01	Communication	400,864.3	400,864.3	421,832.3
		01	<u>Regulation of telecommunication and communication services</u> <i>Current expenditures</i>	<u>400,864.3</u> <i>400,864.3</i>	<u>400,864.3</u> <i>400,864.3</i>	<u>421,832.3</u> <i>421,832.3</i>
RA Ministry of Urban Development				38,102,733.4	11,325,333.4	8,379,580.5
	04		ECONOMIC RELATIONS	50,035.4	50,035.4	53,563.2
		08	Survey and Design Works Concerning Economic Relations	50,035.4	50,035.4	53,563.2
		04	Survey and Design Works Concerning General Economic, Commercial and Labor Issues	50,035.4	50,035.4	53,563.2
		01	<u>Methodological, analytical and technical services in the area if construction pricing</u> <i>Current expenditures</i>	<u>50,035.4</u> <i>50,035.4</i>	<u>50,035.4</u> <i>50,035.4</i>	<u>53,563.2</u> <i>53,563.2</i>
	06		HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	30,000,000.0	3,000,000.0	0.0
		01	Housing Construction	30,000,000.0	3,000,000.0	0.0
		01	Housing Construction	30,000,000.0	3,000,000.0	0.0
		01	<u>Housing Construction</u> <i>Expenditures for non-financial assets</i>	<u>30,000,000.0</u> <i>30,000,000.0</i>	<u>3,000,000.0</u> <i>3,000,000.0</i>	<u>0.0</u> <i>0.0</i>
	08		RECREATION, CULTURE AND RELIGION	1,180,698.0	1,180,698.0	1,184,017.3
		02	Cultural Services	40,698.0	40,698.0	44,017.3
		02	Museums and Exhibitions	40,698.0	40,698.0	44,017.3

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	<u>Museum exhibitions and services</u> <i>Current expenditures</i>	<u>40,698.0</u> 40,698.0	<u>40,698.0</u> 40,698.0	<u>44,017.3</u> 44,017.3
	06		Recreation, Culture and Religion (non-classified in other categories)	1,140,000.0	1,140,000.0	1,140,000.0
		01	Recreation, Culture and Religion (non-classified in other categories)	1,140,000.0	1,140,000.0	1,140,000.0
		01	<u>Cultural objects reconstruction and improvement program</u> <i>Expenditures for non-financial assets</i>	<u>1,140,000.0</u> 1,140,000.0	<u>1,140,000.0</u> 1,140,000.0	<u>1,140,000.0</u> 1,140,000.0
09			EDUCATION	6,652,000.0	6,652,000.0	6,652,000.0
	06		Recreation, Culture and Religion (non-classified in other categories)	6,652,000.0	6,652,000.0	6,652,000.0
		01	Recreation, Culture and Religion (non-classified in other categories)	6,652,000.0	6,652,000.0	6,652,000.0
		01	<u>Rebuilding and construction of educational facilities</u> <i>Expenditures for non-financial assets</i>	<u>6,402,000.0</u> 6,402,000.0	<u>6,402,000.0</u> 6,402,000.0	<u>6,402,000.0</u> 6,402,000.0
		02	<u>Construction and reconstruction of Sports facilities</u> <i>Expenditures for non-financial assets</i>	<u>250,000.0</u> 250,000.0	<u>250,000.0</u> 250,000.0	<u>250,000.0</u> 250,000.0
10			SOCIAL PROTECTION	220,000.0	442,600.0	490,000.0
	06		Dwelling Provision	220,000.0	442,600.0	490,000.0
		01	Dwelling Provision	220,000.0	442,600.0	490,000.0
		01	<u>Housing construction for families left homeless due to earthquake</u> <i>Expenditures for non-financial assets</i>	<u>220,000.0</u> 220,000.0	<u>442,600.0</u> 442,600.0	<u>490,000.0</u> 490,000.0
RA Ministry of Finance				108,896,958.8	113,900,907.2	118,214,141.1
01			GENERAL PUBLIC SERVICES	106,382,802.6	111,770,089.9	116,489,192.1
	01		Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	20,856,995.9	22,989,995.9	25,277,295.9
		02	Financial and Fiscal Relations	20,785,946.0	22,918,946.0	25,206,246.0
		01	<u>RA treasury payment-servicing system maintenance costs</u> <i>Current expenditures</i>	<u>181,946.0</u> 181,946.0	<u>181,946.0</u> 181,946.0	<u>181,946.0</u> 181,946.0
		02	<u>RA State bond advertisement expenditures</u> <i>Current expenditures</i>	<u>50,000.0</u> 50,000.0	<u>50,000.0</u> 50,000.0	<u>50,000.0</u> 50,000.0
		03	<u>Return of the Value Added Tax</u> <i>Current expenditures</i>	<u>20,554,000.0</u> 20,554,000.0	<u>22,687,000.0</u> 22,687,000.0	<u>24,974,300.0</u> 24,974,300.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		03	Foreign Relations	71,049.9	71,049.9	71,049.9
		01	<u>Payment of expenses for services rendered by organizations in connection with granted sovereign rating to the Republic of Armenia</u>	71,049.9	71,049.9	71,049.9
			<i>Current expenditures</i>	71,049.9	71,049.9	71,049.9
	06		GENERAL PUBLIC SERVICES (non-classified in other categories)	2,751,568.1	1,631,998.5	361,035.0
		01	GENERAL PUBLIC SERVICES (non-classified in other categories)	2,751,568.1	1,631,998.5	361,035.0
		01	<u>Public Sector Reform Program by the World Bank assistance</u>	<u>2,126,095.0</u>	<u>1,556,863.1</u>	<u>361,035.0</u>
			<i>Current expenditures</i>	586,681.9	616,768.1	240,690.0
			<i>Expenditures for non-financial assets</i>	1,539,413.1	940,095.0	120,345.0
		02	<u>Foreign Investment and Export Support Grant second program by the World Bank assistance</u>	<u>193,715.3</u>	<u>14,441.4</u>	<u>0.0</u>
			<i>Current expenditures</i>	193,715.3	14,441.4	0.0
		03	<u>State Debt Management Grant Program by the World Bank assistance</u>	<u>85,846.1</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	85,846.1	0.0	0.0
		04	<u>Public Sector Internal Audit Implementation Grant Program by the World Bank assistance</u>	<u>121,347.9</u>	<u>60,694.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	121,347.9	60,694.0	0.0
		05	<u>Ministry of Economy Capacity Building Grant Program by the World Bank assistance</u>	<u>36,705.2</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	36,705.2	0.0	0.0
		06	<u>Capacity building grant program to improve the Government results monitoring process by the World Bank assistance</u>	<u>91,061.1</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	91,061.1	0.0	0.0
		07	<u>advisory assistance grant program for the transaction of Yerevan city solid waste management within public private partnership structure by the World Bank assistance</u>	<u>96,797.5</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	96,797.5	0.0	0.0
	07		Transactions for Public Debt	50,286,175.8	54,660,032.7	57,686,670.2
		01	Transactions for Public Debt	50,286,175.8	54,660,032.7	57,686,670.2
		01	<u>Servicing (interest) of government securities (treasury bonds)</u>	<u>24,078,800.0</u>	<u>27,680,200.0</u>	<u>31,881,800.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	24,078,800.0	27,680,200.0	31,881,800.0
		02	<u>Servicing (interest) of loans from foreign governments, international organizations and other external sources</u>	<u>25,720,093.6</u>	<u>26,597,306.2</u>	<u>25,527,521.8</u>
			<i>Current expenditures</i>	25,720,093.6	26,597,306.2	25,527,521.8
		03	<u>Promissory notes servicing expenditures (interest)</u>	<u>648.8</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	648.8	0.0	0.0
		04	<u>VTB Bank on interest</u>	<u>486,633.4</u>	<u>382,526.5</u>	<u>277,348.4</u>
			<i>Current expenditures</i>	486,633.4	382,526.5	277,348.4
	08		General Transfers Among Different Levels of Government	32,488,062.8	32,488,062.8	33,164,191.0
		01	General Transfers Among Different Levels of Government	32,488,062.8	32,488,062.8	33,164,191.0
		01	<u>Provision of community budgets with dotations according to the financial adjustment principle and compensation for losses of community budgets resulted by application of the laws adopted by the National Assembly</u>	<u>32,488,062.8</u>	<u>32,488,062.8</u>	<u>33,164,191.0</u>
			<i>Current expenditures</i>	32,488,062.8	32,488,062.8	33,164,191.0
	06		HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	200,000.0	200,000.0	200,000.0
		01	Housing Construction	200,000.0	200,000.0	200,000.0
		01	Housing Construction	200,000.0	200,000.0	200,000.0
		01	<u>Public aid to stockholders of housing construction cooperatives for funds invested in unfinished constructions</u>	<u>200,000.0</u>	<u>200,000.0</u>	<u>200,000.0</u>
			<i>Current expenditures</i>	200,000.0	200,000.0	200,000.0
	08		RECREATION, CULTURE AND RELIGION	254,180.8	254,180.8	257,043.6
		03	Radio and Television Broadcasting and Publishing Services	124,589.1	124,589.1	127,451.9
		01	Radio and Television Programs	85,956.0	85,956.0	85,956.0
		01	<u>Radio and Television Programs</u>	<u>85,956.0</u>	<u>85,956.0</u>	<u>85,956.0</u>
			<i>Current expenditures</i>	85,956.0	85,956.0	85,956.0
		02	Publishing and Editing Houses	38,633.1	38,633.1	41,495.9
		01	<u>Economics Publications</u>	<u>38,633.1</u>	<u>38,633.1</u>	<u>41,495.9</u>
			<i>Current expenditures</i>	38,633.1	38,633.1	41,495.9
	04		Religious and Other Public Services	129,591.7	129,591.7	129,591.7
		01	Youth Programs	60,000.0	60,000.0	60,000.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	<u>"Affordable housing to young families" co-financing of target program</u> <i>Current expenditures</i>	<u>60,000.0</u> <i>60,000.0</i>	<u>60,000.0</u> <i>60,000.0</i>	<u>60,000.0</u> <i>60,000.0</i>
		02	Political Parties, Non-Governmental Organizations, Trade Unions	69,591.7	69,591.7	69,591.7
		01	<u>Support to political parties, NGOs, Trade Unions</u> <i>Current expenditures</i>	<u>69,591.7</u> <i>69,591.7</i>	<u>69,591.7</u> <i>69,591.7</i>	<u>69,591.7</u> <i>69,591.7</i>
09			EDUCATION	85,000.0	85,000.0	85,000.0
	05		Education Non-Classified by Levels	85,000.0	85,000.0	85,000.0
		02	Additional Education	85,000.0	85,000.0	85,000.0
		01	<u>Public sector financial specialists training services</u> <i>Current expenditures</i>	<u>85,000.0</u> <i>85,000.0</i>	<u>85,000.0</u> <i>85,000.0</i>	<u>85,000.0</u> <i>85,000.0</i>
10			SOCIAL PROTECTION	1,974,975.4	1,591,636.5	1,182,905.4
	04		Family Members and Children	754,877.7	754,877.7	846,059.8
		01	Family Members and Children	754,877.7	754,877.7	846,059.8
		01	<u>One-off social insurance payment to military and rescue servants disabled during the RA defense and rescue operations and to families of perished (deceased) military and rescue servants</u> <i>Current expenditures</i>	<u>381,910.0</u> <i>381,910.0</i>	<u>381,910.0</u> <i>381,910.0</i>	<u>472,804.6</u> <i>472,804.6</i>
		02	<u>Compensation of costs associated with funeral, cemetery improvements, manufacturing and installation of tombstones of military and rescue servants perished (deceased) during training assemblies, rescue service and military service</u> <i>Current expenditures</i>	<u>370,000.0</u> <i>370,000.0</i>	<u>370,000.0</u> <i>370,000.0</i>	<u>370,000.0</u> <i>370,000.0</i>
		03	<u>Compensation by the Republic of Armenia for the damage suffered due to loss of breadwinner in accordance with the Decision of the Court of Appeal on Civil Cases on the case of 05-1680 of 15.07.2005</u> <i>Current expenditures</i>	<u>1,096.3</u> <i>1,096.3</i>	<u>1,096.3</u> <i>1,096.3</i>	<u>1,096.3</u> <i>1,096.3</i>
		04	<u>Compensation by the Republic of Armenia for the damage suffered due to loss of breadwinner in accordance with the Decision of the Court of Appeal on Civil Cases on the case of 07-3832 of 03.11.2007</u> <i>Current expenditures</i>	<u>1,871.4</u> <i>1,871.4</i>	<u>1,871.4</u> <i>1,871.4</i>	<u>2,158.9</u> <i>2,158.9</i>
	09		Special Protection (non-classified in other categories)	1,220,097.7	836,758.8	336,845.6

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Special Protection (non-classified in other categories)	1,220,097.7	836,758.8	336,845.6
		01	<u>Social Protection Sector Management Second Program World Bank assistance</u>	<u>1,220,097.7</u>	<u>836,758.8</u>	<u>336,845.6</u>
			<i>Current expenditures</i>	<i>544,761.7</i>	<i>363,201.2</i>	<i>242,134.1</i>
			<i>Expenditures for non-financial assets</i>	<i>675,336.0</i>	<i>473,557.6</i>	<i>94,711.5</i>
RA Ministry of Sport and Youth Affairs				3,804,783.9	3,774,728.2	3,891,956.2
	07		HEALTHCARE	71,411.6	71,411.6	71,411.6
	02		Outpatient Services	71,411.6	71,411.6	71,411.6
		02	Outpatient Services	71,411.6	71,411.6	71,411.6
		01	<u>Sports medicine and anti-doping control services</u>	<u>71,411.6</u>	<u>71,411.6</u>	<u>71,411.6</u>
			<i>Current expenditures</i>	<i>71,411.6</i>	<i>71,411.6</i>	<i>71,411.6</i>
	08		RECREATION, CULTURE AND RELIGION	1,655,896.1	1,625,840.4	1,635,451.1
	01		Recreation and Sports Services	1,365,670.4	1,335,614.7	1,338,812.2
		01	Recreation and Sports Services	1,365,670.4	1,335,614.7	1,338,812.2
		01	<u>Preparation of athletes to ensure their participation in the RA championships and international events and conduction of championships</u>	<u>884,967.2</u>	<u>884,967.2</u>	<u>884,967.2</u>
			<i>Current expenditures</i>	<i>884,967.2</i>	<i>884,967.2</i>	<i>884,967.2</i>
		02	<u>Participation of Armenian sports delegation in 30th Olympic Games in London in 2012</u>	<u>0.0</u>	<u>90,000.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	<i>0.0</i>	<i>90,000.0</i>	<i>0.0</i>
		03	<u>Provision of cash awards to the winners of international sports events</u>	<u>50,000.0</u>	<u>50,000.0</u>	<u>50,000.0</u>
			<i>Current expenditures</i>	<i>50,000.0</i>	<i>50,000.0</i>	<i>50,000.0</i>
		04	<u>Participation of the first Armenian delegation in Winter Youth Olympics in Insbruck in 2012</u>	<u>0.0</u>	<u>32,559.4</u>	<u>0.0</u>
			<i>Current expenditures</i>	<i>0.0</i>	<i>32,559.4</i>	<i>0.0</i>
		05	<u>Conduction of republican sports festival in the regions of Armenia and Nagorno-Karabakh</u>	<u>6,960.0</u>	<u>6,960.0</u>	<u>6,960.0</u>
			<i>Current expenditures</i>	<i>6,960.0</i>	<i>6,960.0</i>	<i>6,960.0</i>
		06	<u>Conduction of competition Best sporting family</u>	<u>23,000.0</u>	<u>23,000.0</u>	<u>23,000.0</u>
			<i>Current expenditures</i>	<i>23,000.0</i>	<i>23,000.0</i>	<i>23,000.0</i>
		07	<u>Youth sports popularization measures</u>	<u>8,000.0</u>	<u>8,000.0</u>	<u>8,000.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	8,000.0	8,000.0	8,000.0
		08	<u>Disabled sports services</u>	<u>9,000.0</u>	<u>9,000.0</u>	<u>9,000.0</u>
			<i>Current expenditures</i>	9,000.0	9,000.0	9,000.0
		09	<u>Conduction of the RA 1st Summer Youth sports days</u>	<u>20,000.0</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	20,000.0	0.0	0.0
		10	<u>Sports events</u>	<u>57,340.8</u>	<u>57,340.8</u>	<u>58,829.1</u>
			<i>Current expenditures</i>	57,340.8	57,340.8	58,829.1
		11	<u>Provision of remuneration for senior coaches of national teams and scholarship for the world champions</u>	<u>17,265.6</u>	<u>17,265.6</u>	<u>17,265.6</u>
			<i>Current expenditures</i>	17,265.6	17,265.6	17,265.6
		12	<u>Membership in the Council of Europe Agreement on Sports</u>	<u>3,674.3</u>	<u>3,674.3</u>	<u>3,674.3</u>
			<i>Current expenditures</i>	3,674.3	3,674.3	3,674.3
		13	<u>Membership at the global anti-doping agency</u>	<u>2,847.4</u>	<u>2,847.4</u>	<u>2,847.4</u>
			<i>Current expenditures</i>	2,847.4	2,847.4	2,847.4
		14	<u>Allocation of the nominal pension of the President to the RA national teams' athletes and their coaches who have attained high results in Olympic Games, World and European Championships</u>	<u>150,000.0</u>	<u>150,000.0</u>	<u>150,000.0</u>
			<i>Current expenditures</i>	150,000.0	150,000.0	150,000.0
		15	<u>Participation in the Europe's youth Olympic festivals</u>	<u>38,868.1</u>	<u>0.0</u>	<u>55,502.3</u>
			<i>Current expenditures</i>	38,868.1	0.0	55,502.3
		16	<u>Pan-Armenian Games conduction</u>	<u>80,000.0</u>	<u>0.0</u>	<u>15,000.0</u>
			<i>Current expenditures</i>	80,000.0	0.0	15,000.0
		17	<u>Participation in the Francophone 8th international Games in 2013</u>	<u>0.0</u>	<u>0.0</u>	<u>45,292.6</u>
			<i>Current expenditures</i>	0.0	0.0	45,292.6
		18	<u>Conduction of Europe Deaf Wrestling Championship in Yerevan in 2011</u>	<u>13,747.0</u>	<u>0.0</u>	<u>0.0</u>
			<i>Current expenditures</i>	13,747.0	0.0	0.0
		19	<u>Participation in the Deaf Summer Olympiad in 2013 to be held in Greece</u>	<u>0.0</u>	<u>0.0</u>	<u>8,473.7</u>
			<i>Current expenditures</i>	0.0	0.0	8,473.7
	04		Religious and Other Public Services	290,225.7	290,225.7	296,638.9

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		01	Youth Programs	290,225.7	290,225.7	296,638.9
		01	<u>Youth Programs</u> <i>Current expenditures</i>	<u>282,225.7</u> 282,225.7	<u>282,225.7</u> 282,225.7	<u>288,638.9</u> 288,638.9
		02	<u>Youth programs to combat trafficking measures</u> <i>Current expenditures</i>	<u>8,000.0</u> 8,000.0	<u>8,000.0</u> 8,000.0	<u>8,000.0</u> 8,000.0
	09		EDUCATION	2,077,476.2	2,077,476.2	2,185,093.5
	03		Initial Professional (Vocational) and Secondary Professional Education	832,028.9	832,028.9	860,369.9
	02		Secondary Professional Education	832,028.9	832,028.9	860,369.9
		01	<u>Provision of Vocational education allowances and scholarships to students</u> <i>Current expenditures</i>	<u>832,028.9</u> 832,028.9	<u>832,028.9</u> 832,028.9	<u>860,369.9</u> 860,369.9
	05		Education Non-Classified by Levels	1,245,447.3	1,245,447.3	1,324,723.6
		01	Extracurricular Education	1,245,447.3	1,245,447.3	1,324,723.6
		01	<u>Extracurricular Education</u> <i>Current expenditures</i>	<u>682,728.5</u> 682,728.5	<u>682,728.5</u> 682,728.5	<u>729,182.7</u> 729,182.7
		02	<u>Chess competitions arrangement services</u> <i>Current expenditures</i>	<u>11,413.1</u> 11,413.1	<u>11,413.1</u> 11,413.1	<u>12,164.6</u> 12,164.6
		03	<u>Extracurricular education by NGOs</u> <i>Current expenditures</i>	<u>449,572.8</u> 449,572.8	<u>449,572.8</u> 449,572.8	<u>480,265.0</u> 480,265.0
		04	<u>Windsurfing sport-related services</u> <i>Current expenditures</i>	<u>44,776.7</u> 44,776.7	<u>44,776.7</u> 44,776.7	<u>46,155.1</u> 46,155.1
		05	<u>Provision of the RA children sport schools, national sports federations and sports NGOs with assets</u> <i>Current expenditures</i>	<u>50,000.0</u> 50,000.0	<u>50,000.0</u> 50,000.0	<u>50,000.0</u> 50,000.0
		06	<u>Organization of training for coach-teachers' working in Youth sport schools</u> <i>Current expenditures</i>	<u>6,956.2</u> 6,956.2	<u>6,956.2</u> 6,956.2	<u>6,956.2</u> 6,956.2
			RA Ministry of Emergency Situations	1,199,107.7	1,199,107.7	1,286,526.9
	01		GENERAL PUBLIC SERVICES	435,522.6	435,522.6	467,021.1
	06		GENERAL PUBLIC SERVICES (non-classified in other categories)	435,522.6	435,522.6	467,021.1
		01	GENERAL PUBLIC SERVICES (non-classified in other categories)	435,522.6	435,522.6	467,021.1

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Seismic Protection National Service</u>	<u>435,522.6</u>	<u>435,522.6</u>	<u>467,021.1</u>
			<i>Current expenditures</i>	<i>435,522.6</i>	<i>435,522.6</i>	<i>467,021.1</i>
	04		ECONOMIC RELATIONS	763,585.1	763,585.1	819,505.8
		01	General Economic, Commercial and Labor Relations	533,643.0	533,643.0	579,397.0
		01	General Economic and Commercial Relations	533,643.0	533,643.0	579,397.0
		01	<u>Hydro-meteorological services</u>	<u>533,643.0</u>	<u>533,643.0</u>	<u>579,397.0</u>
			<i>Current expenditures</i>	<i>533,643.0</i>	<i>533,643.0</i>	<i>579,397.0</i>
		08	Survey and Design Works Concerning Economic Relations	50,375.9	50,375.9	55,083.9
		01	Survey and Design Works Concerning General Economic, Commercial and Labor Issues	50,375.9	50,375.9	55,083.9
		01	<u>Technical security regulation services</u>	<u>50,375.9</u>	<u>50,375.9</u>	<u>55,083.9</u>
			<i>Current expenditures</i>	<i>50,375.9</i>	<i>50,375.9</i>	<i>55,083.9</i>
		09	Economic Relations (non-classified in other categories)	179,566.2	179,566.2	185,024.9
		01	Economic Relations (non-classified in other categories)	179,566.2	179,566.2	185,024.9
		01	<u>Maintenance of entities within the system of State Reserves Agency</u>	<u>72,058.3</u>	<u>72,058.3</u>	<u>77,517.0</u>
			<i>Current expenditures</i>	<i>72,058.3</i>	<i>72,058.3</i>	<i>77,517.0</i>
		02	<u>Formation and maintenance of the RA state reserve of material resources</u>	<u>107,507.9</u>	<u>107,507.9</u>	<u>107,507.9</u>
			<i>Current expenditures</i>	<i>107,507.9</i>	<i>107,507.9</i>	<i>107,507.9</i>
RA Ministry of Diaspora				259,174.9	397,174.9	260,964.0
	08		RECREATION, CULTURE AND RELIGION	245,374.9	383,374.9	247,164.0
		02	Cultural Services	142,070.9	280,070.9	143,860.0
		05	Art	142,070.9	280,070.9	143,860.0
		01	<u>Regional cooperation and Pan-Armenian cultural programs</u>	<u>20,939.9</u>	<u>20,939.9</u>	<u>22,729.0</u>
			<i>Current expenditures</i>	<i>20,939.9</i>	<i>20,939.9</i>	<i>22,729.0</i>
		02	<u>Cultural activities</u>	<u>121,131.0</u>	<u>259,131.0</u>	<u>121,131.0</u>
			<i>Current expenditures</i>	<i>121,131.0</i>	<i>259,131.0</i>	<i>121,131.0</i>
		03	Radio and Television Broadcasting and Publishing Services	68,304.0	68,304.0	68,304.0
		01	Radio and Television Programs	19,600.0	19,600.0	19,600.0
		01	<u>Armenia-Diaspora distance conferences, film series, videos and TV programs</u>	<u>19,600.0</u>	<u>19,600.0</u>	<u>19,600.0</u>

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<u>Production</u>			
			<i>Current expenditures</i>	19,600.0	19,600.0	19,600.0
		02	Publishing and Editing Houses	48,704.0	48,704.0	48,704.0
		01	<u>Information and training sites and services development</u>	30,304.0	30,304.0	30,304.0
			<i>Current expenditures</i>	30,304.0	30,304.0	30,304.0
		02	<u>Delivery of literature</u>	11,000.0	11,000.0	11,000.0
			<i>Current expenditures</i>	11,000.0	11,000.0	11,000.0
		03	<u>Publishing of Armenian Diaspora Year Book</u>	7,400.0	7,400.0	7,400.0
			<i>Current expenditures</i>	7,400.0	7,400.0	7,400.0
		04	Religious and Other Public Services	35,000.0	35,000.0	35,000.0
		01	Youth Programs	35,000.0	35,000.0	35,000.0
		01	<u>Diaspora youth visits Armenia</u>	35,000.0	35,000.0	35,000.0
			<i>Current expenditures</i>	35,000.0	35,000.0	35,000.0
-			SCIENCE	13,800.0	13,800.0	13,800.0
		01	<u>Applied researches of fundamental importance in terms of scientific and technical activities</u>	10,800.0	10,800.0	10,800.0
			<i>Current expenditures</i>	10,800.0	10,800.0	10,800.0
		02	<u>Provision of benefits for preparation of scientific personnel in the sphere of Diaspora related issues</u>	3,000.0	3,000.0	3,000.0
			<i>Current expenditures</i>	3,000.0	3,000.0	3,000.0
Social Security Service under the Ministry of Labor and Social Affairs				207,871,900.6	207,893,279.5	227,122,436.1
01			GENERAL PUBLIC SERVICES	27,298.4	30,662.0	34,954.0
	01		Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	27,298.4	30,662.0	34,954.0
		03	Foreign Relations	27,298.4	30,662.0	34,954.0
		01	<u>Fee for participation of the Republic of Armenia in International organizations</u>	27,298.4	30,662.0	34,954.0
			<i>Current expenditures</i>	27,298.4	30,662.0	34,954.0
08			RECREATION, CULTURE AND RELIGION	57,433.0	57,433.0	57,433.0
	02		Cultural Services	57,433.0	57,433.0	57,433.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		05	Art	57,433.0	57,433.0	57,433.0
		01	<u>Provision of monthly honorary payment to persons who are awarded by the honorary title of "People's"</u> <i>Current expenditures</i>	<u>56,640.0</u> 56,640.0	<u>56,640.0</u> 56,640.0	<u>56,640.0</u> 56,640.0
		02	<u>Payment service related to monthly honorary payment to persons who are awarded by the honorary title of "People's"</u> <i>Current expenditures</i>	<u>793.0</u> 793.0	<u>793.0</u> 793.0	<u>793.0</u> 793.0
10			SOCIAL PROTECTION	207,787,169.2	207,805,184.5	227,030,049.1
	01		Ailment and Disability	89,941.8	79,327.2	86,680.2
		01	Ailment	89,941.8	79,327.2	86,680.2
		01	<u>Compensation for mutilation, professional disease and other harms to health occurred while performance of professional duties</u> <i>Current expenditures</i>	<u>89,941.8</u> 89,941.8	<u>79,327.2</u> 79,327.2	<u>86,680.2</u> 86,680.2
	02		Old Age	196,508,396.2	196,660,897.4	215,388,048.7
		01	Old Age	196,508,396.2	196,660,897.4	215,388,048.7
		01	<u>Pensions for officers' staff and members of their families</u> <i>Current expenditures</i>	<u>20,319,819.9</u> 20,319,819.9	<u>20,590,237.0</u> 20,590,237.0	<u>21,091,124.5</u> 21,091,124.5
		02	<u>Pensions for ordinary military servants and members of their families</u> <i>Current expenditures</i>	<u>3,061,225.1</u> 3,061,225.1	<u>2,884,257.1</u> 2,884,257.1	<u>3,101,632.5</u> 3,101,632.5
		03	<u>Social pensions</u> <i>Current expenditures</i>	<u>8,600,408.4</u> 8,600,408.4	<u>8,600,408.4</u> 8,600,408.4	<u>10,647,410.4</u> 10,647,410.4
		04	<u>Pensions appointed by RA laws and RA Government Decrees</u> <i>Current expenditures</i>	<u>425,679.1</u> 425,679.1	<u>484,731.2</u> 484,731.2	<u>509,421.3</u> 509,421.3
		05	<u>Insurance pensions</u> <i>Current expenditures</i>	<u>164,101,263.7</u> 164,101,263.7	<u>164,101,263.7</u> 164,101,263.7	<u>180,038,460.0</u> 180,038,460.0
	03		Relative Lost Persons	17,500.0	17,500.0	17,500.0
		01	Relative Lost Persons	17,500.0	17,500.0	17,500.0
		01	<u>Provision of pension defined by the paragraph 49 of the RA Government Decree No 584 dated 18.11.1992.</u>	<u>17,500.0</u>	<u>17,500.0</u>	<u>17,500.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	17,500.0	17,500.0	17,500.0
	04		Family Members and Children	2,247,228.7	2,247,228.7	2,447,234.3
		01	Family Members and Children	2,247,228.7	2,247,228.7	2,447,234.3
		01	<u>Pregnancy and childbirth benefit</u>	<u>2,247,228.7</u>	<u>2,247,228.7</u>	<u>2,447,234.3</u>
			<i>Current expenditures</i>	2,247,228.7	2,247,228.7	2,447,234.3
	07		Special Social Privileges (non-classified in other categories)	3,689,352.5	3,566,010.1	3,399,327.6
		01	Special Social Privileges (non-classified in other categories)	3,689,352.5	3,566,010.1	3,399,327.6
		01	<u>Provision of Pecuniary Aid to the GP War Veterans, to Military Servants Disabled Due to the Reasons Defined by Article 13 of the RA Law No 258 Dated November 25, 1998, to the Families of Military Servants Perished (Deceased) While Performing Official Duties</u>	<u>2,988,552.5</u>	<u>2,954,730.1</u>	<u>2,908,527.6</u>
			<i>Current expenditures</i>	2,988,552.5	2,954,730.1	2,908,527.6
		02	<u>Honorary payments to veterans</u>	<u>700,800.0</u>	<u>611,280.0</u>	<u>490,800.0</u>
			<i>Current expenditures</i>	700,800.0	611,280.0	490,800.0
	09		Special Protection (non-classified in other categories)	5,234,750.0	5,234,221.1	5,691,258.3
		02	Auxiliary Services to Social Protection (non-classified in other categories)	5,234,750.0	5,234,221.1	5,691,258.3
		01	<u>Payment services relating to security and pension insurance programs</u>	<u>2,576,812.0</u>	<u>2,577,763.0</u>	<u>2,836,103.3</u>
			<i>Current expenditures</i>	2,576,812.0	2,577,763.0	2,836,103.3
		02	<u>Payment services relating to compensation for mutilation, professional disease and other harms to health occurred while performance of professional duties</u>	<u>1,259.2</u>	<u>1,110.6</u>	<u>1,213.6</u>
			<i>Current expenditures</i>	1,259.2	1,110.6	1,213.6
		03	<u>Payment of benefit in case of temporary disability</u>	<u>2,562,863.5</u>	<u>2,562,863.5</u>	<u>2,762,768.9</u>
			<i>Current expenditures</i>	2,562,863.5	2,562,863.5	2,762,768.9
		04	<u>Software support services for the pensions' appointment and payment computer system "Araks"</u>	<u>18,000.0</u>	<u>18,000.0</u>	<u>18,000.0</u>
			<i>Current expenditures</i>	18,000.0	18,000.0	18,000.0
		05	<u>Software support services for the individual (personalized) registration system "Parnas"</u>	<u>36,000.0</u>	<u>36,000.0</u>	<u>36,000.0</u>
			<i>Current expenditures</i>	36,000.0	36,000.0	36,000.0
		06	<u>Temporary disability sheets printing</u>	<u>21,600.0</u>	<u>21,600.0</u>	<u>21,600.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	21,600.0	21,600.0	21,600.0
		07	<u>Pensions' appointment and payment blank forms printing</u>	<u>2,000.0</u>	<u>2,000.0</u>	<u>2,000.0</u>
			<i>Current expenditures</i>	2,000.0	2,000.0	2,000.0
		08	<u>Payment services related to payment of Pecuniary Aid to the GP War Veterans, to Military Servants Disabled Due to the Reasons Defined by Article 13 of the RA Law No 258 Dated November 25, 1998, to the Families of Military Servants Perished (Deceased) While Performing Official Duties</u>	<u>16,215.3</u>	<u>14,884.0</u>	<u>13,572.5</u>
			<i>Current expenditures</i>	16,215.3	14,884.0	13,572.5
RA National Statistics Service				596,758.4	348,758.4	366,294.7
	01		GENERAL PUBLIC SERVICES	596,758.4	348,758.4	366,294.7
		03	General services	596,758.4	348,758.4	366,294.7
		02	Planning and Statistical General Services	596,758.4	348,758.4	366,294.7
		01	<u>2011 census preparation activities</u>	<u>302,309.8</u>	<u>54,309.8</u>	<u>54,309.8</u>
			<i>Current expenditures</i>	302,309.8	54,309.8	54,309.8
		02	<u>State statistical information collection</u>	<u>294,448.6</u>	<u>294,448.6</u>	<u>311,984.9</u>
			<i>Current expenditures</i>	294,448.6	294,448.6	311,984.9
RA Central Election Commission				53,983.8	2,454,100.9	1,547,970.7
	01		GENERAL PUBLIC SERVICES	0.0	2,400,117.1	1,491,823.1
		06	General Public Services (non-classified in other categories)	0.0	2,400,117.1	1,491,823.1
		01	General Public Services (non-classified in other categories)	0.0	2,400,117.1	1,491,823.1
		01	<u>Election of the President</u>	<u>0.0</u>	<u>0.0</u>	<u>1,193,054.1</u>
			<i>Current expenditures</i>	0.0	0.0	1,193,054.1
		02	<u>National Assembly Elections</u>	<u>0.0</u>	<u>1,190,154.3</u>	<u>0.0</u>
			<i>Current expenditures</i>	0.0	1,190,154.3	0.0
		03	<u>The local government elections</u>	<u>0.0</u>	<u>1,209,962.8</u>	<u>0.0</u>
			<i>Current expenditures</i>	0.0	1,209,962.8	0.0
		04	<u>Yerevan city council members election</u>	<u>0.0</u>	<u>0.0</u>	<u>298,769.0</u>
			<i>Current expenditures</i>	0.0	0.0	298,769.0
	09		EDUCATION	53,983.8	53,983.8	56,147.6

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	05		Education Non-Classified by Levels	53,983.8	53,983.8	56,147.6
		02	Additional Education	53,983.8	53,983.8	56,147.6
		01	<u>Organization of professional training courses for the Election commission members</u>	<u>53,983.8</u>	<u>53,983.8</u>	<u>56,147.6</u>
			<i>Current expenditures</i>	<i>53,983.8</i>	<i>53,983.8</i>	<i>56,147.6</i>
RA Civil Service Council				163,611.3	163,611.3	170,962.5
	09		EDUCATION	163,611.3	163,611.3	170,962.5
	04		Higher Education	131,261.3	131,261.3	137,037.5
		02	Postgraduate Professional Education	131,261.3	131,261.3	137,037.5
		01	<u>Postgraduate professional education</u>	<u>131,261.3</u>	<u>131,261.3</u>	<u>137,037.5</u>
			<i>Current expenditures</i>	<i>131,261.3</i>	<i>131,261.3</i>	<i>137,037.5</i>
	05		Education Non-Classified by Levels	32,350.0	32,350.0	33,925.0
		02	Additional Education	32,350.0	32,350.0	33,925.0
		01	<u>State order for the training of civil servants</u>	<u>32,350.0</u>	<u>32,350.0</u>	<u>33,925.0</u>
			<i>Current expenditures</i>	<i>32,350.0</i>	<i>32,350.0</i>	<i>33,925.0</i>
RA Committee of Real Estate Cadastre under the RA Government				3,165,000.0	3,325,000.0	3,440,000.0
	01		GENERAL PUBLIC SERVICES	3,165,000.0	3,325,000.0	3,440,000.0
	06		GENERAL PUBLIC SERVICES (non-classified in other categories)	3,165,000.0	3,325,000.0	3,440,000.0
		01	GENERAL PUBLIC SERVICES (non-classified in other categories)	3,165,000.0	3,325,000.0	3,440,000.0
		01	<u>Maintenance of the Real Estate Cadastre State Committee and implementation of programs at the expense of income received from paid services provided by its units</u>	<u>2,746,500.0</u>	<u>2,864,000.0</u>	<u>2,927,000.0</u>
			<i>Current expenditures</i>	<i>2,746,500.0</i>	<i>2,864,000.0</i>	<i>2,927,000.0</i>
		02	<u>Capacity building of the Real Estate Cadastre State Committee and implementation of programs at the expense of income received from paid services provided by its units</u>	<u>418,500.0</u>	<u>461,000.0</u>	<u>513,000.0</u>
			<i>Expenditures for non-financial assets</i>	<i>418,500.0</i>	<i>461,000.0</i>	<i>513,000.0</i>
RA Water State Committee of the RA Ministry of Territorial Governance				30,050,076.5	9,182,302.5	8,459,912.2
	04		ECONOMIC RELATIONS	11,347,204.9	5,107,038.1	5,100,299.4
	02		Agriculture, Forestry, Fishery and Hunt	11,347,204.9	5,107,038.1	5,100,299.4
		04	Irrigation	11,347,204.9	5,107,038.1	5,100,299.4
		01	<u>Provision of financial support to the irrigation - water supply performing</u>	<u>583,700.0</u>	<u>583,700.0</u>	<u>583,700.0</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<u>organizations</u>			
			<i>Current expenditures</i>	583,700.0	583,700.0	583,700.0
		02	<u>Collector - drainage network cleaning and current repair</u>	226,300.0	226,300.0	226,300.0
			<i>Current expenditures</i>	226,300.0	226,300.0	226,300.0
		03	<u>Provision of financial assistance to irrigation service companies</u>	4,679,500.0	4,191,800.0	4,178,700.0
			<i>Current expenditures</i>	4,679,500.0	4,191,800.0	4,178,700.0
		04	<u>Collector-drainage network maintenance and operation, ground water levels and quality testing work</u>	94,238.1	94,238.1	99,826.6
			<i>Current expenditures</i>	94,238.1	94,238.1	99,826.6
		05	<u>Reconstruction of irrigation systems</u>	1,500,000.0	0.0	0.0
			<i>Expenditures for non-financial assets</i>	1,500,000.0	0.0	0.0
		06	<u>Water engineering structures studies</u>	11,000.0	11,000.0	11,772.8
			<i>Current expenditures</i>	11,000.0	11,000.0	11,772.8
		07	<u>World Bank support for the urgent rehabilitation of irrigation systems program</u>	4,252,466.8	0.0	0.0
			<i>Current expenditures</i>	455,004.4	0.0	0.0
			<i>Expenditures for non-financial assets</i>	3,797,462.4	0.0	0.0
05			ENVIRONMENT PROTECTION	7,647,689.7	3,136,396.9	3,136,396.9
	04		Bio-Diversity and Nature Protection	4,511,292.8	0.0	0.0
		01	Bio-Diversity and Nature Protection	4,511,292.8	0.0	0.0
		01	<u>The lake Sevan environmental program by the assistance of EBRD</u>	2,350,458.2	0.0	0.0
			<i>Expenditures for non-financial assets</i>	2,350,458.2	0.0	0.0
		02	<u>The lake Sevan environmental grant program by the assistance of EBRD</u>	2,160,834.6	0.0	0.0
			<i>Expenditures for non-financial assets</i>	2,160,834.6	0.0	0.0
	06		Environment Protection (non-classified in other categories)	3,136,396.9	3,136,396.9	3,136,396.9
		01	Environment Protection (non-classified in other categories)	3,136,396.9	3,136,396.9	3,136,396.9
		01	<u>Arpa-Sevan tunnel reconstruction program by the support of Abu Dhabi Development Fund</u>	3,136,396.9	3,136,396.9	3,136,396.9
			<i>Current expenditures</i>	352,617.7	352,617.7	352,617.7
			<i>Expenditures for non-financial assets</i>	2,783,779.2	2,783,779.2	2,783,779.2

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013		
06	03		HOUSING CONSTRUCTION AND COMMUNAL UTILITIES	11,055,181.9	938,867.5	223,215.9		
			Water Supply	11,055,181.9	938,867.5	223,215.9		
		01	Water Supply	11,055,181.9	938,867.5	223,215.9		
		01	<u>Subsidies for the drinking water supply services (Water and Sewerage CJSC service area)</u> <i>Current expenditures</i>	<u>811,600.0</u> 811,600.0	<u>0.0</u> 0.0	<u>0.0</u> 0.0		
		02	<u>Subsidies for the drinking water supply services (New Akunk company's service area)</u> <i>Current expenditures</i>	<u>223,215.9</u> 223,215.9	<u>223,215.9</u> 223,215.9	<u>223,215.9</u> 223,215.9		
		03	<u>Asian Development Bank's support of the Water Supply and Drainage Project</u> <i>Current expenditures</i>	<u>4,114,996.7</u> 261,549.8	<u>715,651.6</u> 211,807.2	<u>0.0</u> 0.0		
			<i>Expenditures for non-financial assets</i>	3,853,446.9	503,844.4	0.0		
		04	<u>Additional Financing Program for the Community Water Supply and Drainage Program by the World Bank assistance</u> <i>Current expenditures</i>	<u>5,905,369.3</u> 629,805.5	<u>0.0</u> 0.0	<u>0.0</u> 0.0		
			<i>Expenditures for non-financial assets</i>	5,275,563.8	0.0	0.0		
		RA State Revenue Committee under the Government				2,212,330.0	2,241,400.0	2,270,470.0
		01	01		GENERAL PUBLIC SERVICES	2,212,330.0	2,241,400.0	2,270,470.0
	Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations			2,212,330.0	2,241,400.0	2,270,470.0		
02	Financial and Fiscal Relations			2,212,330.0	2,241,400.0	2,270,470.0		
01	<u>Acquisition of excise stamps</u> <i>Current expenditures</i>			<u>786,330.0</u> 786,330.0	<u>815,400.0</u> 815,400.0	<u>844,470.0</u> 844,470.0		
02	<u>Conduction of the lottery to support the tax administration and provision of award fees</u> <i>Current expenditures</i>			<u>1,426,000.0</u> 1,426,000.0	<u>1,426,000.0</u> 1,426,000.0	<u>1,426,000.0</u> 1,426,000.0		
Armenian Rescue Service under the RA Ministry of Emergency Situations				4,550,755.0	4,592,868.6	4,925,355.5		
03			PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	4,171,690.7	4,172,046.8	4,490,460.5		
	02		Rescue Service	4,171,690.7	4,172,046.8	4,490,460.5		
		01	Rescue Service	4,171,690.7	4,172,046.8	4,490,460.5		

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Maintenance of the system of Armenian Rescue Service</u> <i>Current expenditures</i>	<u>4,171,690.7</u> 4,171,690.7	<u>4,172,046.8</u> 4,172,046.8	<u>4,490,460.5</u> 4,490,460.5
	04		ECONOMIC RELATIONS	298,417.9	340,175.4	351,165.2
		09	Economic Relations (non-classified in other categories)	298,417.9	340,175.4	351,165.2
		01	Economic Relations (non-classified in other categories)	298,417.9	340,175.4	351,165.2
		01	<u>Active influence service on the Atmospheric phenomena</u> <i>Current expenditures</i>	<u>298,417.9</u> 298,417.9	<u>340,175.4</u> 340,175.4	<u>351,165.2</u> 351,165.2
	09		EDUCATION	80,646.4	80,646.4	83,729.8
		05	Education Non-Classified by Levels	80,646.4	80,646.4	83,729.8
		02	Additional Education	80,646.4	80,646.4	83,729.8
		01	<u>Training and retraining services for the staff</u> <i>Current expenditures</i>	<u>66,548.8</u> 66,548.8	<u>66,548.8</u> 66,548.8	<u>69,632.2</u> 69,632.2
		02	<u>Education of rescue officers in foreign institutions</u> <i>Current expenditures</i>	<u>14,097.6</u> 14,097.6	<u>14,097.6</u> 14,097.6	<u>14,097.6</u> 14,097.6
State Science Committee under the Ministry of Education				8,231,042.9	8,670,962.0	9,472,489.1
	08		RECREATION, CULTURE AND RELIGION	169,078.1	169,078.1	181,187.9
		02	Cultural Services	107,486.6	107,486.6	116,094.8
		01	Libraries	107,486.6	107,486.6	116,094.8
		01	<u>Library Services</u> <i>Current expenditures</i>	<u>107,486.6</u> 107,486.6	<u>107,486.6</u> 107,486.6	<u>116,094.8</u> 116,094.8
		03	Radio and Television Broadcasting and Publishing Services	61,591.5	61,591.5	65,093.1
		02	Publishing and Editing Houses	61,591.5	61,591.5	65,093.1
		01	<u>Scientific journals and monographs published</u> <i>Current expenditures</i>	<u>61,591.5</u> 61,591.5	<u>61,591.5</u> 61,591.5	<u>65,093.1</u> 65,093.1
	-		SCIENCE	8,061,964.8	8,501,883.9	9,291,301.2
		01	<u>Other expenditures in the Science</u> <i>Current expenditures</i>	<u>8,061,964.8</u> 8,061,964.8	<u>8,501,883.9</u> 8,501,883.9	<u>9,291,301.2</u> 9,291,301.2
General Department of Civil Aviation under the RA Government				13,784.7	15,311.0	16,120.4
	09		EDUCATION	13,784.7	15,311.0	16,120.4

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	03		Initial Professional (Vocational) and Secondary Professional Education	13,784.7	15,311.0	16,120.4
		02	Secondary Professional Education	13,784.7	15,311.0	16,120.4
		01	<u>Provision of Vocational education allowances and scholarships to students</u>	<u>13,784.7</u>	<u>15,311.0</u>	<u>16,120.4</u>
			<i>Current expenditures</i>	<i>13,784.7</i>	<i>15,311.0</i>	<i>16,120.4</i>
National security service under the RA Government				10,324,321.2	10,324,321.2	10,972,160.2
	03		PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	10,024,852.7	10,024,852.7	10,672,691.7
		01	Public Order and Security	10,024,852.7	10,024,852.7	10,672,691.7
		02	National Security	10,024,852.7	10,024,852.7	10,672,691.7
		01	<u>Provision of National Security</u>	<u>10,024,852.7</u>	<u>10,024,852.7</u>	<u>10,672,691.7</u>
			<i>Current expenditures</i>	<i>9,904,852.7</i>	<i>9,904,852.7</i>	<i>10,552,691.7</i>
			<i>Expenditures for non-financial assets</i>	<i>120,000.0</i>	<i>120,000.0</i>	<i>120,000.0</i>
	07		HEALTHCARE	26,800.0	26,800.0	26,800.0
		01	Medical Commodities, Equipment and Devices	26,800.0	26,800.0	26,800.0
		01	Pharmaceutical products	26,800.0	26,800.0	26,800.0
		01	<u>Provision of medicine to outpatient, hospital health care recipients and individuals involved in special groups</u>	<u>26,800.0</u>	<u>26,800.0</u>	<u>26,800.0</u>
			<i>Current expenditures</i>	<i>26,800.0</i>	<i>26,800.0</i>	<i>26,800.0</i>
	09		EDUCATION	272,668.5	272,668.5	272,668.5
		04	Higher Education	272,668.5	272,668.5	272,668.5
		01	Higher Professional Education	272,668.5	272,668.5	272,668.5
		01	<u>Higher Professional Education</u>	<u>272,668.5</u>	<u>272,668.5</u>	<u>272,668.5</u>
			<i>Current expenditures</i>	<i>272,668.5</i>	<i>272,668.5</i>	<i>272,668.5</i>
Police under the RA Government				24,169,866.2	24,172,266.2	25,835,441.3
	03		PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	23,570,444.9	23,570,444.9	25,198,326.9
		01	Public Order and Security	23,570,444.9	23,570,444.9	25,198,326.9
		01	Police	23,570,444.9	23,570,444.9	25,198,326.9
		01	<u>Printing of passports' blank forms</u>	<u>173,601.7</u>	<u>173,601.7</u>	<u>173,601.7</u>
			<i>Current expenditures</i>	<i>173,601.7</i>	<i>173,601.7</i>	<i>173,601.7</i>
		02	<u>Protection of public order</u>	<u>23,160,613.2</u>	<u>23,160,613.2</u>	<u>24,788,495.2</u>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	23,160,613.2	23,160,613.2	24,788,495.2
		03	<u>Acquisition of vehicle number plates</u>	<u>236,230.0</u>	<u>236,230.0</u>	<u>236,230.0</u>
			<i>Current expenditures</i>	236,230.0	236,230.0	236,230.0
07			HEALTHCARE	73,710.0	73,710.0	73,710.0
	01		Medical Commodities, Equipment and Devices	73,710.0	73,710.0	73,710.0
		01	Pharmaceutical products	73,710.0	73,710.0	73,710.0
		01	<u>Provision of medicine to outpatient, hospital health care recipients and individuals involved in special groups</u>	<u>73,710.0</u>	<u>73,710.0</u>	<u>73,710.0</u>
			<i>Current expenditures</i>	73,710.0	73,710.0	73,710.0
09			EDUCATION	525,711.3	528,111.3	563,404.4
	04		Higher Education	525,711.3	528,111.3	563,404.4
		01	Higher Professional Education	525,711.3	528,111.3	563,404.4
		01	<u>Higher Professional Education</u>	<u>525,711.3</u>	<u>528,111.3</u>	<u>563,404.4</u>
			<i>Current expenditures</i>	525,711.3	528,111.3	563,404.4
RA Department of State Property Management				71,458.0	71,458.0	76,329.5
01			GENERAL PUBLIC SERVICES	56,138.0	56,138.0	61,009.5
	06		General Public Services (non-classified in other categories)	56,138.0	56,138.0	61,009.5
		01	General Public Services (non-classified in other categories)	56,138.0	56,138.0	61,009.5
		01	<u>State property accounting, inventory, research and evaluation activities</u>	<u>35,000.0</u>	<u>35,000.0</u>	<u>38,057.5</u>
			<i>Current expenditures</i>	35,000.0	35,000.0	38,057.5
		02	<u>Organizing and conducting auctions work</u>	<u>21,138.0</u>	<u>21,138.0</u>	<u>22,952.0</u>
			<i>Current expenditures</i>	21,138.0	21,138.0	22,952.0
08			RECREATION, CULTURE AND RELIGION	15,320.0	15,320.0	15,320.0
	03		Radio and Television Broadcasting and Publishing Services	15,320.0	15,320.0	15,320.0
		02	Publishing and Editing Houses	15,320.0	15,320.0	15,320.0
		01	<u>Publishing of information on State Property Privatization</u>	<u>15,320.0</u>	<u>15,320.0</u>	<u>15,320.0</u>
			<i>Current expenditures</i>	15,320.0	15,320.0	15,320.0
State Migration Service of the MTA				73,009.5	73,009.5	74,320.5
10			SOCIAL PROTECTION	73,009.5	73,009.5	74,320.5

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	07		Special Social Privileges (non-classified in other categories)	29,001.0	29,001.0	30,312.0
		01	Special Social Privileges (non-classified in other categories)	29,001.0	29,001.0	30,312.0
		01	<u>Measures aimed at Solving of social problems of refugees</u>	<u>17,146.7</u>	<u>17,146.7</u>	<u>18,181.7</u>
			<i>Current expenditures</i>	<i>17,146.7</i>	<i>17,146.7</i>	<i>18,181.7</i>
		02	<u>Measures aimed at Solving of dwelling problems of refugees</u>	<u>11,854.3</u>	<u>11,854.3</u>	<u>12,130.3</u>
			<i>Current expenditures</i>	<i>11,854.3</i>	<i>11,854.3</i>	<i>12,130.3</i>
	09		Special Protection (non-classified in other categories)	44,008.5	44,008.5	44,008.5
		02	Auxiliary Services to Social Protection (non-classified in other categories)	44,008.5	44,008.5	44,008.5
		01	<u>Collection of information on Refugees and their families</u>	<u>44,008.5</u>	<u>44,008.5</u>	<u>44,008.5</u>
			<i>Current expenditures</i>	<i>44,008.5</i>	<i>44,008.5</i>	<i>44,008.5</i>
Public Guard System of the National Security System under the RA Government				1,633,283.0	1,633,283.0	1,744,673.3
	03		PUBLIC ORDER, SECURITY AND JUDICIARY ACTIVITIES	1,632,167.9	1,632,167.9	1,743,558.2
		01	Public Order and Security	1,632,167.9	1,632,167.9	1,743,558.2
		02	National Security	1,632,167.9	1,632,167.9	1,743,558.2
		01	<u>Provision of Public Guard Service</u>	<u>1,632,167.9</u>	<u>1,632,167.9</u>	<u>1,743,558.2</u>
			<i>Current expenditures</i>	<i>1,632,167.9</i>	<i>1,632,167.9</i>	<i>1,743,558.2</i>
	07		HEALTHCARE	1,115.1	1,115.1	1,115.1
		01	Medical Commodities, Equipment and Devices	1,115.1	1,115.1	1,115.1
		01	Pharmaceutical products	1,115.1	1,115.1	1,115.1
		01	<u>Provision of medication to the Public Guard service</u>	<u>1,115.1</u>	<u>1,115.1</u>	<u>1,115.1</u>
			<i>Current expenditures</i>	<i>1,115.1</i>	<i>1,115.1</i>	<i>1,115.1</i>
Armenia's Public TV Company				3,170,333.6	3,170,333.6	3,293,040.7
	01		GENERAL PUBLIC SERVICES	28,582.5	28,582.5	28,582.5
		01	Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	28,582.5	28,582.5	28,582.5
		03	Foreign Relations	28,582.5	28,582.5	28,582.5
		01	<u>Fee for the membership of the Republic of Armenia in International organizations</u>	<u>28,582.5</u>	<u>28,582.5</u>	<u>28,582.5</u>
			<i>Current expenditures</i>	<i>28,582.5</i>	<i>28,582.5</i>	<i>28,582.5</i>
	08		RECREATION, CULTURE AND RELIGION	3,141,751.1	3,141,751.1	3,264,458.2

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	03		Radio and Television Broadcasting and Publishing Services	3,141,751.1	3,141,751.1	3,264,458.2
		01	Radio and Television Programs	3,141,751.1	3,141,751.1	3,264,458.2
		01	<u>Public opinion research services.</u> <i>Current expenditures</i>	<u>8,000.0</u> 8,000.0	<u>8,000.0</u> 8,000.0	<u>8,584.1</u> 8,584.1
		02	<u>TV Services</u> <i>Current expenditures</i>	<u>2,455,695.9</u> 2,455,695.9	<u>2,455,695.9</u> 2,455,695.9	<u>2,542,430.8</u> 2,542,430.8
		03	<u>Radio services</u> <i>Current expenditures</i>	<u>653,482.9</u> 653,482.9	<u>653,482.9</u> 653,482.9	<u>687,099.6</u> 687,099.6
		04	<u>Radio and TV services</u> <i>Current expenditures</i>	<u>24,572.3</u> 24,572.3	<u>24,572.3</u> 24,572.3	<u>26,343.7</u> 26,343.7
RA Aragatsotni Marzpetaran				4,368,725.8	4,523,901.1	4,728,126.2
	04		ECONOMIC RELATIONS	97,144.0	97,144.0	97,144.0
		05	Transport	97,144.0	97,144.0	97,144.0
		01	Road Transport	97,144.0	97,144.0	97,144.0
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance.</u> <i>Current expenditures</i>	<u>97,144.0</u> 97,144.0	<u>97,144.0</u> 97,144.0	<u>97,144.0</u> 97,144.0
	08		RECREATION, CULTURE AND RELIGION	3,278.2	3,278.2	3,278.2
		02	Cultural Services	3,278.2	3,278.2	3,278.2
		05	Art	3,278.2	3,278.2	3,278.2
		01	<u>Cultural measures</u> <i>Current expenditures</i>	<u>3,278.2</u> 3,278.2	<u>3,278.2</u> 3,278.2	<u>3,278.2</u> 3,278.2
	09		EDUCATION	4,268,303.6	4,423,478.9	4,627,704.0
		01/02	Pre-School, Elementary and Secondary Education	4,168,594.4	4,318,015.1	4,516,794.1
		01	<u>General Education</u> <i>Current expenditures</i>	<u>4,050,174.6</u> 4,050,174.6	<u>4,194,384.8</u> 4,194,384.8	<u>4,393,273.6</u> 4,393,273.6
		02	<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u> <i>Current expenditures</i>	<u>118,419.8</u> 118,419.8	<u>123,630.3</u> 123,630.3	<u>123,520.5</u> 123,520.5

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	03		Initial Professional (Vocational) and Secondary Professional Education	84,564.2	90,318.8	95,064.6
		01	Initial Professional (Vocational) Education	84,564.2	90,318.8	95,064.6
		01	<u>Initial Professional (Vocational) Education scholarship to students</u> <i>Current expenditures</i>	<u>84,564.2</u> 84,564.2	<u>90,318.8</u> 90,318.8	<u>95,064.6</u> 95,064.6
	05		Education Non-Classified by Levels	10,645.0	10,645.0	11,345.3
		01	Extracurricular Education	10,645.0	10,645.0	11,345.3
		01	<u>Extracurricular Education</u> <i>Current expenditures</i>	<u>10,645.0</u> 10,645.0	<u>10,645.0</u> 10,645.0	<u>11,345.3</u> 11,345.3
	06		Auxiliary Services to Education	4,500.0	4,500.0	4,500.0
		01	Auxiliary Services to Education	4,500.0	4,500.0	4,500.0
		01	<u>Secondary school teachers and school children transportation services</u> <i>Current expenditures</i>	<u>4,500.0</u> 4,500.0	<u>4,500.0</u> 4,500.0	<u>4,500.0</u> 4,500.0
RA Ararat marzpetaran				5,380,659.4	5,640,254.8	5,901,828.5
	04		ECONOMIC RELATIONS	35,619.0	35,619.0	35,619.0
	05		Transport	35,619.0	35,619.0	35,619.0
		01	Road Transport	35,619.0	35,619.0	35,619.0
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance,</u> <i>Current expenditures</i>	<u>35,619.0</u> 35,619.0	<u>35,619.0</u> 35,619.0	<u>35,619.0</u> 35,619.0
	08		RECREATION, CULTURE AND RELIGION	17,140.2	17,140.2	18,371.4
		02	Cultural Services	17,140.2	17,140.2	18,371.4
		02	Museums and Exhibitions	13,944.8	13,944.8	15,176.0
		01	<u>Museums and Exhibitions services</u> <i>Current expenditures</i>	<u>13,944.8</u> 13,944.8	<u>13,944.8</u> 13,944.8	<u>15,176.0</u> 15,176.0
		05	Art	3,195.4	3,195.4	3,195.4
		01	<u>Cultural measures</u> <i>Current expenditures</i>	<u>3,195.4</u> 3,195.4	<u>3,195.4</u> 3,195.4	<u>3,195.4</u> 3,195.4
	09		EDUCATION	5,327,900.2	5,587,495.6	5,847,838.1
		01/02	Pre-School, Elementary and Secondary Education	5,327,900.2	5,587,495.6	5,847,838.1

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013	
			01 <u>General Education</u> <i>Current expenditures</i>	<u>5,308,996.1</u> 5,308,996.1	<u>5,568,591.5</u> 5,568,591.5	<u>5,828,020.4</u> 5,828,020.4	
			02 <u>Inclusive education</u> <i>Current expenditures</i>	<u>18,904.1</u> 18,904.1	<u>18,904.1</u> 18,904.1	<u>19,817.7</u> 19,817.7	
RA Armaviri Marzpetaran				5,773,876.4	5,947,904.7	6,206,567.5	
04	05		ECONOMIC RELATIONS	35,619.0	35,619.0	35,619.0	
			Transport	35,619.0	35,619.0	35,619.0	
		01	Road Transport	35,619.0	35,619.0	35,619.0	
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance,</u> <i>Current expenditures</i>	<u>35,619.0</u> 35,619.0	<u>35,619.0</u> 35,619.0	<u>35,619.0</u> 35,619.0	
	08	02		RECREATION, CULTURE AND RELIGION	2,563.6	2,563.6	2,563.6
				Cultural Services	2,563.6	2,563.6	2,563.6
			05	Art	2,563.6	2,563.6	2,563.6
			01	<u>Cultural measures</u> <i>Current expenditures</i>	<u>2,563.6</u> 2,563.6	<u>2,563.6</u> 2,563.6	<u>2,563.6</u> 2,563.6
	09	01/02		EDUCATION	5,735,693.8	5,909,722.1	6,168,384.9
				Pre-School, Elementary and Secondary Education	5,687,490.9	5,861,889.9	6,119,006.7
01			<u>General Education</u> <i>Current expenditures</i>	<u>5,519,151.3</u> 5,519,151.3	<u>5,693,010.6</u> 5,693,010.6	<u>5,942,926.1</u> 5,942,926.1	
02			<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u> <i>Current expenditures</i>	<u>158,518.7</u> 158,518.7	<u>158,518.7</u> 158,518.7	<u>165,569.7</u> 165,569.7	
03			<u>Inclusive education</u> <i>Current expenditures</i>	<u>9,820.9</u> 9,820.9	<u>10,360.6</u> 10,360.6	<u>10,510.9</u> 10,510.9	
03			Initial Professional (Vocational) and Secondary Professional Education	48,202.9	47,832.2	49,378.2	
		01	Initial Professional (Vocational) Education	48,202.9	47,832.2	49,378.2	
		01	<u>Initial Professional (Vocational) Education Scholarship to students</u> <i>Current expenditures</i>	<u>48,202.9</u> 48,202.9	<u>47,832.2</u> 47,832.2	<u>49,378.2</u> 49,378.2	

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013	
RA Gegharkunik Marzpetaran				6,841,005.3	7,171,017.7	7,462,657.9	
01	03		GENERAL PUBLIC SERVICES	4,169.8	4,169.8	4,169.8	
			General services	4,169.8	4,169.8	4,169.8	
		03	Other General Services	4,169.8	4,169.8	4,169.8	
		01	<u>Gegharkunik Artsvashen the mayor staff mintenance</u> <i>Current expenditures</i>	<u>4,169.8</u> 4,169.8	<u>4,169.8</u> 4,169.8	<u>4,169.8</u> 4,169.8	
	04			ECONOMIC RELATIONS	93,906.0	93,906.0	93,906.0
		05		Transport	93,906.0	93,906.0	93,906.0
			01	Road Transport	93,906.0	93,906.0	93,906.0
			01	<u>Winter preservation, current maintenance and operation of roads of regional significance,</u> <i>Current expenditures</i>	<u>93,906.0</u> 93,906.0	<u>93,906.0</u> 93,906.0	<u>93,906.0</u> 93,906.0
	08			RECREATION, CULTURE AND RELIGION	54,898.2	54,898.2	59,347.1
		02		Cultural Services	54,898.2	54,898.2	59,347.1
			02	Museums and Exhibitions	14,368.9	14,368.9	15,563.2
			01	<u>Museums and Exhibitions services</u> <i>Current expenditures</i>	<u>14,368.9</u> 14,368.9	<u>14,368.9</u> 14,368.9	<u>15,563.2</u> 15,563.2
		05		Art	40,529.3	40,529.3	43,783.9
			01	<u>Cultural measures</u> <i>Current expenditures</i>	<u>3,278.2</u> 3,278.2	<u>3,278.2</u> 3,278.2	<u>3,278.2</u> 3,278.2
			02	<u>Theatrical performances</u> <i>Current expenditures</i>	<u>37,251.1</u> 37,251.1	<u>37,251.1</u> 37,251.1	<u>40,505.7</u> 40,505.7
	09			EDUCATION	6,688,031.3	7,018,043.7	7,305,235.0
01/02			Pre-School, Elementary and Secondary Education	6,634,774.3	6,960,387.2	7,243,720.5	
		01	<u>General Education</u> <i>Current expenditures</i>	<u>6,533,323.3</u> 6,533,323.3	<u>6,858,329.8</u> 6,858,329.8	<u>7,136,137.8</u> 7,136,137.8	
		02	<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u> <i>Current expenditures</i>	<u>89,902.6</u> 89,902.6	<u>90,197.5</u> 90,197.5	<u>95,160.2</u> 95,160.2	

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		03	<u>Inclusive education</u> <i>Current expenditures</i>	<u>11,548.4</u> <i>11,548.4</i>	<u>11,859.9</u> <i>11,859.9</i>	<u>12,422.5</u> <i>12,422.5</i>
	03		Initial Professional (Vocational) and Secondary Professional Education	45,510.9	49,910.4	53,347.2
		01	Initial Professional (Vocational) Education	45,510.9	49,910.4	53,347.2
		01	<u>Initial Professional (Vocational) Education Scholarship to students</u> <i>Current expenditures</i>	<u>45,510.9</u> <i>45,510.9</i>	<u>49,910.4</u> <i>49,910.4</i>	<u>53,347.2</u> <i>53,347.2</i>
	05		Education Non-Classified by Levels	6,537.7	6,537.7	6,958.9
		01	Extracurricular Education	6,537.7	6,537.7	6,958.9
		01	<u>Extracurricular Education</u> <i>Current expenditures</i>	<u>6,537.7</u> <i>6,537.7</i>	<u>6,537.7</u> <i>6,537.7</i>	<u>6,958.9</u> <i>6,958.9</i>
	06		Auxiliary Services to Education	1,208.4	1,208.4	1,208.4
		01	Auxiliary Services to Education	1,208.4	1,208.4	1,208.4
		01	<u>Secondary school teachers and school children transportation services</u> <i>Current expenditures</i>	<u>1,208.4</u> <i>1,208.4</i>	<u>1,208.4</u> <i>1,208.4</i>	<u>1,208.4</u> <i>1,208.4</i>
RA Lori Marzpetaran				6,261,792.0	6,626,361.6	6,944,583.4
	04		ECONOMIC RELATIONS	68,001.0	68,001.0	68,001.0
		05	Transport	68,001.0	68,001.0	68,001.0
		01	Road Transport	68,001.0	68,001.0	68,001.0
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance.</u> <i>Current expenditures</i>	<u>68,001.0</u> <i>68,001.0</i>	<u>68,001.0</u> <i>68,001.0</i>	<u>68,001.0</u> <i>68,001.0</i>
	08		RECREATION, CULTURE AND RELIGION	12,953.6	12,953.6	13,790.2
		02	Cultural Services	12,953.6	12,953.6	13,790.2
		02	Museums and Exhibitions	9,411.3	9,411.3	10,247.9
		01	<u>Museums and Exhibitions services</u> <i>Current expenditures</i>	<u>9,411.3</u> <i>9,411.3</i>	<u>9,411.3</u> <i>9,411.3</i>	<u>10,247.9</u> <i>10,247.9</i>
		05	Art	3,542.3	3,542.3	3,542.3
		01	<u>Cultural measures</u> <i>Current expenditures</i>	<u>3,542.3</u> <i>3,542.3</i>	<u>3,542.3</u> <i>3,542.3</i>	<u>3,542.3</u> <i>3,542.3</i>

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
09			EDUCATION	6,180,837.4	6,545,407.0	6,862,792.2
	01/02		Pre-School, Elementary and Secondary Education	6,118,590.9	6,483,160.5	6,797,137.2
		01	<u>General Education</u>	<u>5,882,554.2</u>	<u>6,238,921.3</u>	<u>6,548,130.7</u>
			<i>Current expenditures</i>	<i>5,882,554.2</i>	<i>6,238,921.3</i>	<i>6,548,130.7</i>
		02	<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u>	<u>183,349.2</u>	<u>190,689.4</u>	<u>191,647.9</u>
	<i>Current expenditures</i>		<i>183,349.2</i>	<i>190,689.4</i>	<i>191,647.9</i>	
	03	<u>Inclusive education</u>	<u>52,687.5</u>	<u>53,549.8</u>	<u>57,358.6</u>	
		<i>Current expenditures</i>	<i>52,687.5</i>	<i>53,549.8</i>	<i>57,358.6</i>	
	03		Initial Professional (Vocational) and Secondary Professional Education	61,968.4	61,968.4	65,376.9
		01	Initial Professional (Vocational) Education	61,968.4	61,968.4	65,376.9
			<u>Initial Professional (Vocational) Education scholarship to students</u>	<u>61,968.4</u>	<u>61,968.4</u>	<u>65,376.9</u>
		<i>Current expenditures</i>	<i>61,968.4</i>	<i>61,968.4</i>	<i>65,376.9</i>	
	06		Auxiliary Services to Education	278.1	278.1	278.1
		01	Auxiliary Services to Education	278.1	278.1	278.1
<u>Secondary school teachers and school children transportation services</u>			<u>278.1</u>	<u>278.1</u>	<u>278.1</u>	
	<i>Current expenditures</i>	<i>278.1</i>	<i>278.1</i>	<i>278.1</i>		
RA Kotayq Marzpetaran				5,413,696.6	5,785,579.2	6,227,733.7
04			ECONOMIC RELATIONS	80,953.0	80,953.0	80,953.0
	05		Transport	80,953.0	80,953.0	80,953.0
		01	Road Transport	80,953.0	80,953.0	80,953.0
			<u>Winter preservation, current maintenance and operation of roads of regional significance.</u>	<u>80,953.0</u>	<u>80,953.0</u>	<u>80,953.0</u>
		<i>Current expenditures</i>	<i>80,953.0</i>	<i>80,953.0</i>	<i>80,953.0</i>	
08			RECREATION, CULTURE AND RELIGION	3,886.7	3,886.7	4,025.4
	02		Cultural Services	3,886.7	3,886.7	4,025.4
		03	Cultural Houses, Clubs, Centers	1,482.7	1,482.7	1,621.4
	<u>Community Culture and leisure arrangement</u>		<u>1,482.7</u>	<u>1,482.7</u>	<u>1,621.4</u>	
	<i>Current expenditures</i>	<i>1,482.7</i>	<i>1,482.7</i>	<i>1,621.4</i>		

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		05	Art	2,404.0	2,404.0	2,404.0
		01	<u>Cultural measures</u>	<u>2,404.0</u>	<u>2,404.0</u>	<u>2,404.0</u>
			<i>Current expenditures</i>	<i>2,404.0</i>	<i>2,404.0</i>	<i>2,404.0</i>
	09		EDUCATION	5,328,856.9	5,700,739.5	6,142,755.3
	01/02		Pre-School, Elementary and Secondary Education	5,206,561.4	5,578,444.0	6,013,656.7
		01	<u>General Education</u>	<u>5,118,929.9</u>	<u>5,490,812.5</u>	<u>5,921,339.1</u>
			<i>Current expenditures</i>	<i>5,118,929.9</i>	<i>5,490,812.5</i>	<i>5,921,339.1</i>
		02	<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u>	<u>87,631.5</u>	<u>87,631.5</u>	<u>92,317.6</u>
			<i>Current expenditures</i>	<i>87,631.5</i>	<i>87,631.5</i>	<i>92,317.6</i>
	03		Initial Professional (Vocational) and Secondary Professional Education	91,579.9	91,579.9	96,518.1
		01	Initial Professional (Vocational) Education	91,579.9	91,579.9	96,518.1
		01	<u>Initial Professional (Vocational) Education scholarship to students</u>	<u>91,579.9</u>	<u>91,579.9</u>	<u>96,518.1</u>
			<i>Current expenditures</i>	<i>91,579.9</i>	<i>91,579.9</i>	<i>96,518.1</i>
	05		Education Non-Classified by Levels	30,715.6	30,715.6	32,580.5
		01	Extracurricular Education	30,715.6	30,715.6	32,580.5
		01	<u>Extracurricular Education</u>	<u>30,715.6</u>	<u>30,715.6</u>	<u>32,580.5</u>
			<i>Current expenditures</i>	<i>30,715.6</i>	<i>30,715.6</i>	<i>32,580.5</i>
RA Shiraki marzpetaran				6,826,974.3	6,850,358.6	7,173,699.9
	01		GENERAL PUBLIC SERVICES	210,000.0	0.0	0.0
		01	Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	210,000.0	0.0	0.0
		01	Legislative and Executive Bodies, Public Administration	210,000.0	0.0	0.0
		01	<u>Capital reconstruction of administrative buildings</u>	<u>210,000.0</u>	<u>0.0</u>	<u>0.0</u>
			<i>Expenditures for non-financial assets</i>	<i>210,000.0</i>	<i>0.0</i>	<i>0.0</i>
	04		ECONOMIC RELATIONS	105,239.0	105,239.0	105,239.0
		05	Transport	105,239.0	105,239.0	105,239.0
		01	Road Transport	105,239.0	105,239.0	105,239.0

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Winter preservation, current maintenance and operation of roads of regional significance.</u> <i>Current expenditures</i>	<u>105,239.0</u> <i>105,239.0</i>	<u>105,239.0</u> <i>105,239.0</i>	<u>105,239.0</u> <i>105,239.0</i>
	08		RECREATION, CULTURE AND RELIGION	112,981.5	112,981.5	122,925.1
		02	Cultural Services	112,981.5	112,981.5	122,925.1
		02	Museums and Exhibitions	41,673.2	41,673.2	45,345.4
		01	<u>Museums and Exhibitions services</u> <i>Current expenditures</i>	<u>41,673.2</u> <i>41,673.2</i>	<u>41,673.2</u> <i>41,673.2</i>	<u>45,345.4</u> <i>45,345.4</i>
		05	Art	71,308.3	71,308.3	77,579.7
		01	<u>Cultural measures</u> <i>Current expenditures</i>	<u>3,457.7</u> <i>3,457.7</i>	<u>3,457.7</u> <i>3,457.7</i>	<u>3,457.7</u> <i>3,457.7</i>
		02	<u>Music and dance concerts</u> <i>Current expenditures</i>	<u>67,850.6</u> <i>67,850.6</i>	<u>67,850.6</u> <i>67,850.6</i>	<u>74,122.0</u> <i>74,122.0</i>
	09		EDUCATION	6,398,753.8	6,632,138.1	6,945,535.8
		01/02	Pre-School, Elementary and Secondary Education	6,273,335.9	6,502,934.1	6,810,035.7
		01	<u>Evening education</u> <i>Current expenditures</i>	<u>17,287.2</u> <i>17,287.2</i>	<u>18,061.2</u> <i>18,061.2</i>	<u>16,778.0</u> <i>16,778.0</i>
		02	<u>General Education</u> <i>Current expenditures</i>	<u>6,106,022.8</u> <i>6,106,022.8</i>	<u>6,335,171.2</u> <i>6,335,171.2</i>	<u>6,637,115.2</u> <i>6,637,115.2</i>
		03	<u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u> <i>Current expenditures</i>	<u>150,025.9</u> <i>150,025.9</i>	<u>149,701.7</u> <i>149,701.7</i>	<u>156,142.5</u> <i>156,142.5</i>
		03	Initial Professional (Vocational) and Secondary Professional Education	75,329.9	79,116.0	83,224.7
		01	Initial Professional (Vocational) Education	75,329.9	79,116.0	83,224.7
		01	<u>Initial Professional (Vocational) Education scholarship to students</u> <i>Current expenditures</i>	<u>75,329.9</u> <i>75,329.9</i>	<u>79,116.0</u> <i>79,116.0</i>	<u>83,224.7</u> <i>83,224.7</i>
		05	Education Non-Classified by Levels	39,212.2	39,212.2	41,399.6
		01	Extracurricular Education	39,212.2	39,212.2	41,399.6
		01	<u>Extracurricular Education</u>	<u>39,212.2</u>	<u>39,212.2</u>	<u>41,399.6</u>

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			<i>Current expenditures</i>	39,212.2	39,212.2	41,399.6
	06		Auxiliary Services to Education	10,875.8	10,875.8	10,875.8
		01	Auxiliary Services to Education	10,875.8	10,875.8	10,875.8
		01	<u>Secondary school teachers and school children transportation services</u>	<u>10,875.8</u>	<u>10,875.8</u>	<u>10,875.8</u>
			<i>Current expenditures</i>	10,875.8	10,875.8	10,875.8
RA Suynik Marzpetaran				4,255,633.1	4,463,172.0	4,676,518.8
04			ECONOMIC RELATIONS	105,239.0	105,239.0	105,239.0
	05		Transport	105,239.0	105,239.0	105,239.0
		01	Road Transport	105,239.0	105,239.0	105,239.0
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance,</u>	<u>105,239.0</u>	<u>105,239.0</u>	<u>105,239.0</u>
			<i>Current expenditures</i>	105,239.0	105,239.0	105,239.0
08			RECREATION, CULTURE AND RELIGION	52,938.6	52,938.6	56,864.4
	02		Cultural Services	52,938.6	52,938.6	56,864.4
		02	Museums and Exhibitions	9,605.7	9,605.7	10,400.8
		01	<u>Museums and Exhibitions services</u>	<u>9,605.7</u>	<u>9,605.7</u>	<u>10,400.8</u>
			<i>Current expenditures</i>	9,605.7	9,605.7	10,400.8
		03	Cultural houses, clubs, centers	1,482.7	1,482.7	1,621.4
		01	<u>Community Culture and leisure arrangement</u>	<u>1,482.7</u>	<u>1,482.7</u>	<u>1,621.4</u>
			<i>Current expenditures</i>	1,482.7	1,482.7	1,621.4
		05	Art	41,850.2	41,850.2	44,842.2
		01	<u>Cultural measures</u>	<u>7,171.7</u>	<u>7,171.7</u>	<u>7,171.7</u>
			<i>Current expenditures</i>	7,171.7	7,171.7	7,171.7
		02	<u>Theatrical performances</u>	<u>34,678.5</u>	<u>34,678.5</u>	<u>37,670.5</u>
			<i>Current expenditures</i>	34,678.5	34,678.5	37,670.5
09			EDUCATION	4,097,455.5	4,304,994.4	4,514,415.4
	01/02		Pre-School, Elementary and Secondary Education	4,041,410.3	4,248,949.2	4,456,463.0
		01	<u>General Education</u>	<u>3,896,140.1</u>	<u>4,095,311.7</u>	<u>4,295,317.8</u>
			<i>Current expenditures</i>	3,896,140.1	4,095,311.7	4,295,317.8

2011–2013 MEDIUM–TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			02 <u>Special education, organization of general education for children performing extraordinary skills and scholarship for children performing extraordinary skills</u> <i>Current expenditures</i>	<u>88,854.5</u> 88,854.5	<u>88,854.5</u> 88,854.5	<u>93,750.7</u> 93,750.7
			03 <u>Inclusive education</u> <i>Current expenditures</i>	<u>56,415.7</u> 56,415.7	<u>64,783.0</u> 64,783.0	<u>67,394.5</u> 67,394.5
	05		Education Non-Classified by Levels	34,827.2	34,827.2	36,734.4
		01	Extracurricular Education	34,827.2	34,827.2	36,734.4
		01	<u>Extracurricular Education</u> <i>Current expenditures</i>	<u>34,827.2</u> 34,827.2	<u>34,827.2</u> 34,827.2	<u>36,734.4</u> 36,734.4
	06		Auxiliary Services to Education	21,218.0	21,218.0	21,218.0
		01	Auxiliary Services to Education	21,218.0	21,218.0	21,218.0
		01	<u>Secondary school teachers and school children transportation services</u> <i>Current expenditures</i>	<u>21,218.0</u> 21,218.0	<u>21,218.0</u> 21,218.0	<u>21,218.0</u> 21,218.0
RA Vayots Dzor Marzpetaran				1,725,022.7	1,797,551.8	1,845,463.8
	04		ECONOMIC RELATIONS	65,422.0	65,422.0	65,422.0
		05	Transport	65,422.0	65,422.0	65,422.0
		01	Road Transport	65,422.0	65,422.0	65,422.0
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance,</u> <i>Current expenditures</i>	<u>65,422.0</u> 65,422.0	<u>65,422.0</u> 65,422.0	<u>65,422.0</u> 65,422.0
	08		RECREATION, CULTURE AND RELIGION	15,677.6	15,677.6	16,522.3
		02	Cultural Services	15,677.6	15,677.6	16,522.3
		02	Museums and Exhibitions	9,256.4	9,256.4	9,962.4
		01	<u>Museums and Exhibitions services</u> <i>Current expenditures</i>	<u>9,256.4</u> 9,256.4	<u>9,256.4</u> 9,256.4	<u>9,962.4</u> 9,962.4
		03	Cultural houses, clubs, centers	1,482.7	1,482.7	1,621.4
		01	<u>Community Culture and leisure arrangement</u> <i>Current expenditures</i>	<u>1,482.7</u> 1,482.7	<u>1,482.7</u> 1,482.7	<u>1,621.4</u> 1,621.4
		05	Art	4,938.5	4,938.5	4,938.5

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
			01 <u>Cultural measures</u> <i>Current expenditures</i>	<u>4,938.5</u> 4,938.5	<u>4,938.5</u> 4,938.5	<u>4,938.5</u> 4,938.5
	09		EDUCATION	1,643,923.1	1,716,452.2	1,763,519.5
	01/02		Pre-School, Elementary and Secondary Education	1,608,365.1	1,680,894.2	1,726,221.2
		01	<u>General Education</u> <i>Current expenditures</i>	<u>1,589,156.8</u> 1,589,156.8	<u>1,661,685.9</u> 1,661,685.9	<u>1,706,110.6</u> 1,706,110.6
		02	<u>Inclusive education</u> <i>Current expenditures</i>	<u>19,208.3</u> 19,208.3	<u>19,208.3</u> 19,208.3	<u>20,110.6</u> 20,110.6
	05		Education Non-Classified by Levels	25,049.0	25,049.0	26,789.3
		01	Extracurricular Education	25,049.0	25,049.0	26,789.3
		01	<u>Extracurricular Education</u> <i>Current expenditures</i>	<u>25,049.0</u> 25,049.0	<u>25,049.0</u> 25,049.0	<u>26,789.3</u> 26,789.3
	06		Auxiliary Services to Education	10,509.0	10,509.0	10,509.0
		01	Auxiliary Services to Education	10,509.0	10,509.0	10,509.0
		01	<u>Secondary school teachers and school children transportation services</u> <i>Current expenditures</i>	<u>10,509.0</u> 10,509.0	<u>10,509.0</u> 10,509.0	<u>10,509.0</u> 10,509.0
RA Tavush Marzpetaran				3,526,432.9	3,672,034.8	3,843,304.3
	04		ECONOMIC RELATIONS	72,858.0	72,858.0	72,858.0
		05	Transport	72,858.0	72,858.0	72,858.0
		01	Road Transport	72,858.0	72,858.0	72,858.0
		01	<u>Winter preservation, current maintenance and operation of roads of regional significance.</u> <i>Current expenditures</i>	<u>72,858.0</u> 72,858.0	<u>72,858.0</u> 72,858.0	<u>72,858.0</u> 72,858.0
	08		RECREATION, CULTURE AND RELIGION	3,442.1	3,442.1	3,442.1
		02	Cultural Services	3,442.1	3,442.1	3,442.1
		05	Museums and Exhibitions	3,442.1	3,442.1	3,442.1
		01	<u>Museums and Exhibitions services</u> <i>Current expenditures</i>	<u>3,442.1</u> 3,442.1	<u>3,442.1</u> 3,442.1	<u>3,442.1</u> 3,442.1
	09		EDUCATION	3,450,132.8	3,595,734.7	3,767,004.2

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
	01/02		Pre-School, Elementary and Secondary Education	3,405,767.2	3,547,831.9	3,714,933.3
		01	<u>General Education</u> <i>Current expenditures</i>	<u>3,341,477.7</u> <i>3,341,477.7</i>	<u>3,483,542.4</u> <i>3,483,542.4</i>	<u>3,647,815.5</u> <i>3,647,815.5</i>
		02	<u>Inclusive education</u> <i>Current expenditures</i>	<u>64,289.5</u> <i>64,289.5</i>	<u>64,289.5</u> <i>64,289.5</i>	<u>67,117.8</u> <i>67,117.8</i>
	03		Initial Professional (Vocational) and Secondary Professional Education	42,488.8	46,026.0	50,194.1
		01	Initial Professional (Vocational) Education	42,488.8	46,026.0	50,194.1
		01	<u>Initial Professional (Vocational) Education scholarship to students</u> <i>Current expenditures</i>	<u>42,488.8</u> <i>42,488.8</i>	<u>46,026.0</u> <i>46,026.0</i>	<u>50,194.1</u> <i>50,194.1</i>
	06		Auxiliary Services to Education	1,876.8	1,876.8	1,876.8
		01	Auxiliary Services to Education	1,876.8	1,876.8	1,876.8
		01	<u>Secondary school teachers and school children transportation services</u> <i>Current expenditures</i>	<u>1,876.8</u> <i>1,876.8</i>	<u>1,876.8</u> <i>1,876.8</i>	<u>1,876.8</u> <i>1,876.8</i>
RA Government				34,599,616.4	25,771,316.5	30,808,687.9
	01		GENERAL PUBLIC SERVICES	450,000.0	450,000.0	450,000.0
		01	Legislative and Executive Bodies, Public Administration, Financial and Fiscal Relations, Foreign Relations	450,000.0	450,000.0	450,000.0
		03	Foreign Relations	450,000.0	450,000.0	450,000.0
		01	<u>Foreign delegations receptions</u> <i>Current expenditures</i>	<u>150,000.0</u> <i>150,000.0</i>	<u>150,000.0</u> <i>150,000.0</i>	<u>150,000.0</u> <i>150,000.0</i>
		02	<u>Official trips abroad</u> <i>Current expenditures</i>	<u>300,000.0</u> <i>300,000.0</i>	<u>300,000.0</u> <i>300,000.0</i>	<u>300,000.0</u> <i>300,000.0</i>
	11		RESERVE FUNDS NON-CLASSIFIED IN MAIN CATEGORIES	34,149,616.4	25,321,316.5	30,358,687.9
		01	RA Government and Communities Reserve Fund	34,149,616.4	25,321,316.5	30,358,687.9
		01	RA Government Reserve Fund	34,149,616.4	25,321,316.5	30,358,687.9
		01	<u>RA Government Reserve Fund</u> <i>Current expenditures</i>	<u>34,149,616.4</u> <i>34,149,616.4</i>	<u>25,321,316.5</u> <i>25,321,316.5</i>	<u>30,358,687.9</u> <i>30,358,687.9</i>
Other bodies				4,394,152.2	4,525,976.8	4,661,756.1
	02		DEFENSE	4,394,152.2	4,525,976.8	4,661,756.1

2011–2013 MEDIUM-TERM PUBLIC EXPENDITURE FRAMEWORK

	Category	Group	Class	Names of budgetary expenditure functional classification categories, groups, classes and areas	2011	2012	2013
		05		Defense (non-classified in other categories)	4,394,152.2	4,525,976.8	4,661,756.1
			01	Defense (non-classified in other categories)	4,394,152.2	4,525,976.8	4,661,756.1
			01	Other expenditures in the sphere of Defense	4,394,152.2	4,525,976.8	4,661,756.1
				<i>Current expenditures</i>	<i>4,394,152.2</i>	<i>4,525,976.8</i>	<i>4,661,756.1</i>