

**REPUBLIC OF ARMENIA**

**GOVERNMENT**

**P R O G R A M**

Y E R E V A N 2008

---

Non - official edition

**REPUBLIC OF ARMENIA GOVERNMENT**

**DECREE**

April 28, 2008 N 380 - A

**ON REPUBLIC OF ARMENIA GOVERNMENT PROGRAM**

In accordance with Article 74 of the Constitution of the Republic of Armenia, the Government of the Republic of Armenia hereby **decides as follows:**

The Government approves of the Program of the Government of the Republic of Armenia as presented in the Annex below and submits it to the National Assembly of the Republic of Armenia for consideration.

REPUBLIC OF ARMENIA  
PRIME MINISTER

T. SARGSYAN

April 28, 2008  
Yerevan

**Statement by RA Prime Minister TIGRAN SARGSYAN at  
RA National Assembly during Presentation of  
RA Government Program for 2008-2012**

April 29, 2008

Honourable Chairman of the National Assembly,

Dear Members of Parliament,

Ladies and Gentlemen,

The New Government of the Republic of Armenia presents its program and according to the Constitution of the Republic of Armenia raises the issue of vote of confidence.

The Government's Program has been developed taking into account provisions of the Republic of Armenia National Security Strategy and Poverty Reduction Strategy Paper and incorporates the main provisions of the election programs of the Republic of Armenia President, the Republican Party of Armenia, the Prosperous Armenia Party, the Orinats Yerkir Party and the ARF "Dashnaktsutyun." and provisions of the political coalition agreement.

The leaders of coalition parties voiced about problems accumulated in our country during electoral campaigns and public speeches.

The problems are; the split of the society, unhealthy moral and psychological environment, significant proportion of the shadow economy, corruption, outrage of officials, unfair competition, poverty, etc.

The political leaders raised the issue; the task of the new Government is to present acceptable solutions through this program.

Let me present the existence framework within which our program has been built.

1. We live in a fast changing world and while implementing reforms need to anticipate upcoming changes and harmonize them with fast changing modern world trends of,

2. We should not duplicate the experience of the developed countries, but rather study it and consider the future. We live in quickly downsizing world, which means that the impacts of modern world on our lives are getting stronger day by day,

3. We should be able to protect ourselves from the negative effects and create broader opportunities for the necessary and desired cooperation we need,

4. Intellectual work is the basic processes of a modern world. It means that for us the

economy and society should be knowledge based. Intellect and information are the primary resources of development.

5. Preservation of spiritual and cultural values becomes the sole reliable guarantee for nation's sustainability. Coexistence task for states in 21st century enters into dialogue of civilizations and competition level.

6. The recognized need of a modern individual is the self-expression and self-realization. We have to ensure opportunities for realization of freedom.

**Thus, five conceptualization pillars of our program are as follows:**

**First:** we need fast pace in this rapidly changing world;

**Second:** security in rapidly downsizing world;

**Third:** knowledge based economy and society;

**Fourth:** preservation of spiritual and cultural values;

**Fifth:** ensuring the basic freedoms of a modern individual.

**The pillars of our program are based on atmosphere of mutual trust and respect.**

The President of the country made the following appeal in his speech: *“We should not split, we should not raise walls between the parts of our nation, we should not be indifferent to the concerns and suffering of others, we should not get beyond of accessibility to each other. Even if there is a wall of misunderstanding between us ... let's destroy it.”*<sup>1</sup>

We strongly believe that the only way to overcome the divide in nation is the mutual hard work. The submitted program should be accepted not only by the Coalition, RA National Assembly and RA Government, but also by the public at large. The road to it implies getting every citizen to participate in the implementation process. What behaviour will adopt the Government?

We are a fair-minded nation. It is the key and the most important characteristics of our nation. Even if we treat unfairly the last scoundrel ever, our people will protest against the injustice. Thus, we will not be looking for past circumstances that split us, but in our vision of the future discover the ideas to bring us together. We ourselves will reveal our shortcomings and deficiencies, and we will speak about them publicly. We must be tough, daring and fair as well, we have to preach unanimity and collaboration.

The main precondition for government efficiency was formulated by the President of our country as follows: *“The key prerequisite of the development of our country is the spiritual unanimity of our nation-formation of an atmosphere of mutual respect, cooperation and trust. The best formulation of this approach derived from Nerses Shnorhali: “Unanimity-in the most important, freedom in-secondary, and love in*

---

<sup>1</sup> A passage from RA President Serzh Sargsyan's inaugural speech, dated 09.04.2008

*anything.” Essentially this is the spiritual base for building a democratic civil society<sup>2</sup>.”*

We will encourage constructive criticism, meanwhile the destructive anti-state acts will be submitted to the judgment of people and the law. Without a civil supervision and dialogue there cannot be a healthy, national and constructive power. We are introducing a new work ethics of working with the mass media. If we want to have responsible mass media, we must have a responsible Government in the first place.

Negative, sound public phenomena and their criticism should not skip from our attention. We will respond to the criticism, we will hold responsible those who are guilty, but we will protect honest officials from blackmail and lies. Given that, we will set legal grounds that will be in line with the best European practices and standards. This is our principal approach.

We came together as one united team for implementation of ambitious programs. An active economic policy continues to be the most important pillar of the further development of the country.

The key priorities for the Government will be:

**FIRST: maintenance of macroeconomic stability and high rates of economic growth.** The Government will have essential, but restricted role in the economy by creating a favourable environment for the development of private sector. We will continue with the implementation of such a macroeconomic policy that suggests low inflation rates, low budget deficit and floating exchange rates. Our final goal is the significant economic growth, and the macroeconomic stability is a way leading to the attainment of that goal. The Government has set up an ambitious goal - to turn Armenia into a “Centre of Excellence” for regional business development and investments.

The geopolitical location of Armenia creates objective limitations for entrepreneurship, making it costly. Compared to neighbouring countries, we have to create and offer more attractive institutional environment.

What does that mean?

Our air and land transportations should cost less;

Our telecommunication systems all over Armenia should be more accessible and affordable;

We have to eliminate red tape in doing business, and we have to reduce the number of unjustified requests, high costs and long timelines for issuing licenses, permissions for starting a business;

We have to simplify the tax system, and provide for the online filing of tax returns;

---

<sup>2</sup> A passage from RA President Serzh Sargsyan’s speech as delivered at RA National Assembly during presentation of RA Government Program on June 21, 2007

We have to reduce the number of check ups by achieving improved quality;  
We have to achieve a qualitatively new standards in the customs system and finally close the issue of bureaucratic wrongdoings that hinder the competitiveness;  
And lastly, we will reduce the tax burden.

**SECOND priority is the social integration and consolidation.** We have to address the issue of poverty for good. The shortest way for that is the active involvement of the poor in the economic and civil activities. We will also focus our attention on the gap that exists still from the past years between the average pensions and average wages, which has resulted in a significant gap of living standards of the employed citizens and the retired pensioners (including also the disabled). The Government will gradually increase the pensions, and it will be 1,5 times above the poverty threshold. Parallel to this, the Government will continue to work towards introduction of a multilevel retirement schemes, including also the introduction of accrual pension benefits system.

We have to increase the efficiency of budget allocations seeking to mitigate the social tension.

The family allowances system needs improvements in terms of re-conceptualization and targeting the needy, so that only those needy get enrolled in the system, and the recipients of the allowance do not feel stigmatized and humiliated.

To ensure a public consolidation, it is required that the well-off people revise their living habits. In a country where there exists poverty, it is disgraceful for a Christian Armenia to show off his wealth, luxury and power.

**THE THIRD priority is the development of human capital.** We are fully aware that without a human capital development we will simply fail all our programs of moving forward.

### **Education:**

Modernization of the Republic of Armenia is not possible without the effective educational system in place;

Educational reforms will be based upon the principles of Lisbon declaration. Let me enumerate the major ones:

The Republic of Armenia should be build upon strong universities, we are heading towards a knowledge based society and we have to have such an educational system that will provide for employees of who will form our future;

We have to reshape our mentality, which is we have to recognize that education is ongoing for the entire life. Living in a modern world without ongoing education is impossible and the Government presents to your judgment its Concept on ongoing education.

We have to provide for the link between the educational institutions and research centres, if we separate the science from educational institutions, then they both suffer - the science and the education.

We will ensure that there is direct link between the educational institutions and business world. The education system will have innovative trends and the Government

will support it in any possible manner.

The educational institutions have to be in a direct continues contact with the public and provide for the accessibility of their achievements in the fields of research and development.

The Government will create exclusive opportunities for the youth to study in the prestigious schools of the world.

*“Attaining high quality education in 21st century is attaining high standards of living.”*

### **Health care:**

We are switching to introduction of a new health care concept. The quality and accessibility of the health care services offered by our health care institutions should match the best international standards. Armenia has to become a regional health centre.

Health services provided to the vulnerable families or those with limited possibilities will be funded through insurance policies.

The Government will support the development voluntary insurance systems of life and health.

The Government will introduce a new information-technological system, which will include also an electronic register, provide the patients medical history in an electronic form, also the medical prescriptions. The introduction of this system will increase the effectiveness of the patients' treatment, will minimize the number of human errors of the medical personnel, and will allow for a more optimal and transparent funding, enabling to supervise the allocation of the medication to the targeted patients.

### **Culture:**

Strengthening the basis of our national culture, overcoming the rural mentality, broadening our vision for building a new society are major preconditions. The Government intends to undertake the mission of making the cultural resources assessable for the entire population of Armenia. It is about the maintenance and rehabilitation of the historical cultural heritage, development of a library network within the country, being assessable to the best libraries of the world through the information-technological systems, also about the development of mass media, theaters and movies. We have to set a special TV Channel that will adequately present the Armenian culture.

### **Environment:**

Environmental education, eco-friendly upbringing, and public awareness are the reliable guarantees for creation of a comprehensive and national unified ecology.

If we want to live in a clean environment, we have to change our living habits, the

environment of the nature starts from the environment of a human being,

**THE FOURTH priority is the establishment of effective public, local self-governing and private sector management systems and the introduction of the principles of corporative management.**

All the ambitious programs and priorities will stay on the paper if we do not continuously improve our working methods.

What does that mean?

We have to couple our efforts of acquiring new knowledge and introducing new methods with the goal of hitting set targets through set actions.

We have to create learning opportunities for the employees of private and public sectors. We will introduce the best international standards in the field of management. An efficient modern public management system implies the management of state resources with the rules of doing a business by saving every penny and constantly improving the efficiency and transparency of the activities.

Setting clear targets for the desired outcome and the performance assessment leading to that goal will become the main rule of reporting for the Government. We will come to the point when the efficiency of annual performance of each agency will be rated based on those criteria. This means, that the Control Chamber of the RoA has to conduct a procedural audit in the first place.

The quality of the services provided by the state and local self-governing bodies has to drastically improve, and the public will have the possibility of rating those services by providing feedback.

An electronic management system will be introduced enabling the state and local self-governing entities to provide services via Internet/online, thus minimizing the need of contacting the state official by the citizen. By this, the corruption risks will be significantly reduced.

We will encourage the introduction of corporative management system in the real sector. Moreover, the corporative management system will become a mandatory requirement for the companies with state ownership or with its participation.

We will also start the initiative of introducing the concept of public private partnerships, about which we have talked a lot.

The wages in the public sector should be competitive with those in the private sector, which also implies that the efficiency and quality of services should also be competitive. To that end, we have to bring to a logical end the reform of civil services.

**THE FIFTH priority is the harmonized regional development.** Currently the disruptive territorial development has become one of the serious obstacles for the economic and social development of Armenia. The overpopulated Yerevan town hinders the regional development, as well as the natural development of Yerevan itself. The Government sets a challenge for itself-it has to turn the town of Dilijan into a financial centre.

We will create cultural, recreational, agricultural and industrial centres outside Yerevan.

The decentralization of these functions seeks to provide for higher growth rates in the

regions.

The State has to provide with developed rural infrastructures so that the farmers can develop their own production.

We cannot have a technological society, if not all the villages of Armenia have reliable Internet access. The modern information systems, knowledge and services should be made available and assessable to everyone. This will enable us to achieve an improved quality of life even in the remote corners of Armenia.

The notion of “disaster zone” has to vanish, and the rehabilitation activities should end.

I enumerated the first five priorities of the Government for the upcoming five years. To address those priorities we will introduce a new approach- and that is the implementation of national programs.

Thus, we announce the launch of the five national programs to become:

- a “Centre of Excellence” in terms of business-friendly environment;
- Educational Centre;
- Health Care Centre,
- Recreational Centre,
- Financial Centre.

The Armenians dispersed all over the world will have the full opportunity of participating in the implementation of the above-mentioned programs. Their involvement will give additional opportunity for displaying the national, spiritual and cultural unanimity and strengthening those ties.

The unified potential of all Armenians over the world will become our competitive advantage.

The first step towards that has already been taken. We have established a National Competitiveness Council with the involvement of famous public figures and well known members of the society.

Dear Colleagues,

We are here to make a difference. The expectations that have been formed in Armenia give us the opportunity for flying developments. We need the trust of the public to achieve that. We invite the opposition to take part in the discussions and implementation of national and governmental programs, which can assume the role of a demanding and fair-minded supervisor.

In general we welcome the initiative of the National Assembly in terms of strengthening the rights of the opposition, which will establish a field for effective cooperation.

I want to conclude my speech with the philosophical phrase of Nerses Shnorhali:

**“Let God grant us the wisdom to think, speak and do kind deeds every hour, and prevent from any evil advises, words and acts; and let him forgive us and me-the multi-blameworthy one.”**

ANNEX to  
RA Government Decree  
N 380-A of April 28, 2008

**REPUBLIC OF ARMENIA**

**GOVERNMENT**

**P R O G R A M**

Yerevan  
April 28, 2008

## 1. P R E F A C E

The Government's Program has been developed taking into account provisions of the Republic of Armenia National Security Strategy and Poverty Reduction Strategy Paper (hereinafter PRSP) and incorporates the main provisions of the election programs of the Republic of Armenia President, the Republican Party of Armenia, the Prosperous Armenia Party, the Orinats Erkir Party and the ARF "Dashnaktsutyun." and provisions of the political coalition agreement.

The state undertook the following three main missions:

- Secure a decent life and opportunities for self-expression for each member of society, and
- Ensure the internal and external security of the country;
- Meet the basic minimum needs of all members of society who are entitled to social protection in accordance with the procedures stipulated by law,

The Government's Program aims at the sustainable and secure development of the state, by establishment of civil society, formation of an atmosphere of trust between the public and the authorities, the establishment of social justice, the pre-eminence of human rights, the unconditional rule of law, a free economy offering opportunities for equal competition, and national security, building an Armenia that will unite all Armenians preserving and developing national traditions and utilizing the best practices of civilization. Armenia will become an established democratic state, having effective administration systems, and ensuring the best conditions for business and investment in a free competitive environment.

The Government's Program will ensure the sustainable development of achievements made in previous years and the implementation of bold and realistic reforms of political, economic, and governance systems, leading to considerable improvements in the living standards of our citizens.

The implementation of the Government's Program will rely on systems that are operating effectively and enjoying the trust of citizens, are based on respect to human rights and freedoms, on the separation of power, and on a complete mutual understanding, solidarity and close cooperation between the Republic of Armenia President, the Republic of Armenia National Assembly, and the Republic of Armenia Government, with civil society participating in government processes through active dialogue.

## 2. MAIN PRIORITIES OF THE GOVERNMENT'S ACTIVITIES

**Ensuring sustainable growth through national security and active economic policy is the main priority.** In this regard, the following aspects are considered important;

- Maintenance of macroeconomic stability and high rates of economic growth, combined with continuous improvement of the economy that will enable a reduction in the income differential between the population of Armenia and of more developed states.

The high rates of economic growth reported in previous years have laid a solid foundation for the future development of the country and a considerable improvement in living standards.

- Reduction of poverty by fostering the participation of poor sections of the population in economic and civil life through a targeted social policy.

As a result of achieving economic growth and a targeted social policy, poverty has declined considerably, from 56.1% to 26.5%. Nevertheless, the current level of poverty and inequalities in income distribution remain major threats to the country's sustainable development and to the establishment of civil society.

- Ensuring equal opportunities of competition and the equality of all before the law, without any exceptions.

The development of competitive innovative economy and entrepreneurship, ensuring the best conditions for development of business and investments will guarantee the implementation and continuity of these provisions. The implementation of the European Neighborhood Policy will contribute to completion of these tasks.

- issues related to defense, public order and security of the country according to the national security strategy of the RA,

**The second priority** is the development of effective public, local self governance and private sector governance and rooting a corporate governance culture, which assumes;

- Adoption of corporate governance rules and principles of creating best value for every "cent" in public administration, which means managing public resources by business rules continuously increasing the efficiency and transparency of activities. Clear definition of desired outcomes and their performance appraisal will become the basic rule of the Government accountability.
- Considerable increase in the quality of services provided by public and local self governance bodies and ensuring feedback from society for their control

- Introduction of a public-private partnership concept - ensuring high quality public services and development and implementation of the most important national and local programs.
- Encouraging the introduction of a corporate governance system in the real sector, including the mandatory introduction of best practice in corporate governance in public bodies and organizations where the state is a shareholder.
- Efficient and continuing fight against corruption. Overcoming the shadow economy and corruption first of all assumes new ways of thinking, with tax evasion and corruption being viewed as dishonorable and criticized by society. Personal relationships must not be taken into account and those who evade taxes and tolerate corruption must not be considered as friends or party colleagues.

**The third priority** is the development of education and science to face the challenges of the 21<sup>st</sup> century. Low standards of education in the 21<sup>st</sup> century mean poor living standards for the population. Therefore, this priority assumes:

- Development of society based on intellectual capacity and knowledge, where the main driving forces are ideas and innovations and the ability to introduce them into daily life. In first place this assumes strengthening research activities in universities, which shall become serious scientific centers.
- Considerable improvement of the quality of education (including higher education) and increase of access levels for disadvantaged groups of the population. Expanding the sectors in which contemporary information technology is applied by improving the quality of and access to such services.
- Reform of the scientific and education system to establish structures that will enable the consolidation of the scientific and intellectual potential of all Armenians.
- Development of interactive e-learning and its widespread dissemination, so that computer usage for citizens, especially for young people will become a necessity and computer networks become accessible.

**The fourth priority** is the equality in regional development, which assumes;

- Devolution of certain functions from the city of Yerevan: Yerevan is overloaded with cultural, business, healthcare, industrial, public governance, justice and educational functions at the expense of other regions. Reallocation of some functions from Yerevan has become a necessity.

- reformation of the territorial administration system intended to increase the level of responsibility of local self governance and territorial administration bodies, increase of community budgets and accessibility of public services,
- considerable reduction of productivity and income differentials between Yerevan and the regions, through encouraging private investment, establishment of high paid jobs, social inclusion and accessibility of private services outside of Yerevan. As the most important outcome, the Government aims to prevent population migration from border and high mountainous regions.

**The fifth priority** is the social security of RA citizens. In that respect it is necessary to:

- Expand the targeted social program inclusion, involving the private sector in developing a climate of social responsibility and support. These programs will be directed especially to the disabled, orphans, vulnerable and large families. The system family allowances as an efficient tool for overcoming extreme poverty also needs reforming to address the general poverty issues and support the establishment of stable families. Social policy will be directed to prevent population migration from border and high mountainous villages. Increasing the social activity of populations in these regions will result in reduced social indifference.
- Match the skills and specialization of people to workplace requirements- implementing programs to uncover structural unemployment and implement targeted training to form an efficient job market. The development of vocational education to meet current and future needs of the economy is a necessity.
- Implement healthcare and pension reforms according to international best practice. The pension system needs to be reformed. The introduction of an accumulative pension system will reduce the disparity between wages and pensions, gradually removing the gap between current average wage and average pension.
- Implement an active demographic policy as an essential component of national security and considering the family as the main focus of demographic policy. This policy will be implemented based on strategic concepts that the Government plans to approve in 2008. This policy will aim at strengthening families, increasing the birth rate, protecting motherhood and childhood, reducing the mortality rate, increasing life expectancy, halting emigration, and encouraging immigration.
- Increase the cultural level of society and the quality of cultural products through mandatory preservation of national character, fighting against "provincial thinking" and increasing the world-outlook of our citizens. The cultural resources of Armenia and the world shall be accessible for all our citizens.

### **3. MAIN RESULTS EXPECTED FROM THE GOVERNMENT'S ACTIVITIES**

The Government expects the following main results from the implementation of this Program during 2007-2012:

- Annual real GDP growth of 8-10%;
- At least a 10% annual increase in investments;
- A significant reduction of regional economic disparities;
- A 10% increase in non-agricultural employment;
- An increase in state revenue collection by 0.3-0.4 percentage points of GDP per annum;
- A significant reduction of poverty: below 11.2% - for poverty and below 1.6% -for extreme poverty;
- Yearly increase in the level of pensions to ensure that average employment (insurance) pension is equal to the minimum welfare budget in 2012.
- Introduction of a multistage pensions system. Higher financing level for social security and insurance systems to reach 6.2% of GDP;
- Higher public expenditure on health care to reach 2.2% of GDP;
- Higher public expenditure on education to reach 3.5% of GDP.

#### 4. MAIN AREAS OF THE GOVERNMENT'S ACTIVITIES

##### 4.1. Significant Reduction of Poverty and Lowering Inequalities

The Government considers the present poverty level in the country is high and as one of its basic objectives considers it essential to reduce general poverty to lower than 11.2% and in terms of extreme poverty lower than 1.6%, also including a reduction of social polarization within society

The achievements of previous years serve as a basis for formulation of the above mentioned goal. During 1999-2006, strong economic growth and a targeted social policy have almost halved poverty from 56.1 in 1999 to 26.5 percent in 2006. During this period, extreme poverty was reduced about 5-fold from 21 to 4.1 percent. Inequality was also reduced considerably The Gini coefficient of income concentration in 2006 accounted for 0.369 compared to 0.597 in 1999. Poverty reduction trends and progress in Armenia; Yerevan and all marzes, rural and urban areas are presented below.

**TABLE Poverty Reduction Target Indicators**

	1999	2006	2010	2012
Poverty (in %)	56.1	26.5	13.6	11.2
Of which:				
Yerevan City	58.4	21	8.2	6.4
Other cities	65.5	35.8	18.5	15.1
Rural settlements	48.2	23.4	14.2	12.0
Extreme poverty (in %)	21.0	4.1	1.9	1.6
Of which:				
Yerevan City	24.8	3.5	1.0	0.8
Other cities	27.4	6.6	2.8	2.3
Rural settlements	14.1	2.4	1.9	1.7

Nonetheless, the Government is not satisfied with 26.5 percent poverty level and its significant reduction is considered a key objective of the Government's activities to reduce the poverty level to 11.2 by 2012. To achieve this objective in collaboration with all stakeholders, the Government will continue the PRSP revision as the most important component of economic development and approve in 2008 the 2008-2021 Poverty Reduction Strategy Paper, which it considers an essential component of the nation's sustainable and secure development strategy directions.

## **4.2. Reforms of Governance System and Fight against Corruption**

### **4.2.1. Government Effectiveness**

Public bodies must introduce a culture of serving citizens, which will enable the Government to overcome the pessimism of society about the future of the Republic of Armenia and through involvement in the decision making process agreement an optimistic vision of the future. This means a transition from an exerciser of supervisory functions to a provider of high quality, competitive public services and a servant of public interests. Understanding of influence of public policy on living standards, quality of daily life will take root. The share of public services equivalent to the quality of private services will increase significantly. For this reason it is proposed;

- To expand civil society participation in governance and awareness of the system, and to enhance the transparency of the public administration system
- To create the necessary physical, technical, and working conditions for ensuring the effectiveness of the RA chamber of control
- To enhance the strategic governance potential, stage by stage delegating some of the governance functions to local self-government bodies within the context of decentralization

The Government shall be able to predict future challenges, and to develop long term strategic programs to face them, forming a culture of strategic programming,

- Introduce the principles of “conflict of interest and discovery”
- Improve the code of conduct for public system employees, establish a liability to prevent infringements and the causing of unnecessary hurdles
- Based on strategic programs introduce an outcome assessment system for activities carried out by public bodies and provide performance based incentives
- Develop administrative information registries for registration and unified identification coding (including based on international classifications) of rights (civil status, property, entrepreneurship licensing and permission etc ) arising from authorities of public and local self governance bodies

Secondly, in order to improve the human resource potential of the public administration system, the Government intends to achieve a considerable improvement in the legitimate appeal of employment in the public sector by making the quality of employment and wages competitive

with the private sector, albeit refraining from an increase in the number of public sector employees in the medium term

Thirdly, the Government by its own example will show that knowledge prevails in the system of public administration and shall act as the main customer (buyer) of administrative knowledge,

Fourthly, the Government will continue activities to develop and introduce a unified system of technical, economic, and social information classification and encryption.

Fifthly, public administration financing volumes will be increased by means of improving the qualification of public sector employees and introducing effective procedures for the preparation, adoption, and implementation of decisions. The Government will continue to introduce e-governance systems, with a priority focus on sectors in which their application is more efficient in terms of reducing the time costs of the population and businesses and enhancing the transparency and accountability of government. It is planned to provide at least 50% of public services on-line.

Sixthly, in line with the international experience, the Government plans to continue disposing itself of functions that are not typical of public administration. In this regard the Government will promote the introduction of the public private partnership concept, which will ensure joint development and implementation of the most important national and local programs, and prevent public administration from impairing the development of the free market. Increased competitiveness will help continue the process of liberalization of public services (e.g. technical examination of cars, notary services etc).

Seventhly, the Government attaches great importance to the formation of a legal framework conforming to the European standards and the implementation of the second phase of judicial reform on the basis of the Amended Constitution In this regard, it is necessary to:

- Draft and present to the National Assembly the drafts of new criminal and civil codes;
- Create new specialized courts stipulated by the Republic of Armenia Judicial Code and providing them with the necessary buildings, financing, and other physical and technical facilities;
- Provide the new investigative bodies with physical, technical, and financial resources. Undertake active measures to ensure full independence of courts, excluding interference by any public body or official.

Eighth, the Government attaches great importance to those concerns voiced by international election observers in relation to Armenia's parliamentary and presidential elections and will undertake steps towards further improvement of the process. In particular:

- In parallel to shaping an efficient political system, the Government shall provide for such constitutional guarantees as will promote the establishment of an adequate system of checks and balances.
- Public policies will be implemented through developed State-civil society, public-private sector institutional partnership and feedback.
- Development and implementation of measures ensuring full freedom of opinions including establishment of independent print media - establishment of preconditions for objective and comprehensive coverage of events by news media, strengthening the freedom of speech, increasing the independence and objectiveness of mass media will be viewed as priority objective,

“Responsible mass media will mean responsible Government.”

Ninth: the Government's priorities include the development of legislation regulating public services, as well as the development of the public service sectors and the development and implementation of a public servants' remuneration strategy that will reinforce a high-quality public service system. Public service reforms will lead to the development of systems matching the best international practices.

Tenth: the Government will take steps to develop a corporate governance culture in the public and private sectors, in accordance with the international best practice, including, in particular, measures to attract foreign investments by means of developing the capital markets. Introduction of corporate governance principles will increase the level of investor protection. These principles will be mandatory from 2010 for companies where the state is a shareholder.

The Government prioritizes the establishment of a comprehensive public property rights recording system and the creation of a Public Administration Institute.

#### **4.2.2. Territorial Administration and Local Self-Government**

Increasing the role of the community, through acceptance of the community by the population as a unit representing the interests of its members and increase of willingness to participate in addressing community issues is an important challenge. It will support the increase of accessibility and a high level of the services provided by community authorities. To achieve these objectives:

In the first place, the reforms stemming from the Amended Constitution will draw clear lines between the functions of territorial administration and local self-government bodies. Cooperation procedures and checks and balances will be developed and implemented in the relationship between the community council, which will have greater powers, and the community mayors, which will be better protected.

Second: from the standpoint of the Amended Constitution, clarifying and defining specific aspects of local self-government in the City of Yerevan will be essential.

The Government will support the establishment of community councils and increase of transparency and publicity of their work through legislative reforms.

Third: the efficiency of the system of state budget financial support to community budgets will be enhanced. Financial equalization mechanisms will be improved by differentiating the types of support provided to communities. Measures will be taken to ensure a continuous increase of local self-government bodies' budget revenues. Activities will be carried out to minimize regional disparities and to improve access to the appropriate services, in particular:

- Clarifying the functions and capabilities of territorial administration bodies, introducing modern technologies for governance, and enhancing transparency;
- Raising the efficiency of the local self-government system and improving the quality of services provided by local self-government bodies, as well as governance skills and abilities in the local self-government sector; and
- Creating a unified database for communities.
- Ensuring proper implementation of functions assigned by the law to guardianship and trustee bodies,

Fourth: activities will continue to facilitate the creation of inter-community unions, and practical measures will be implemented towards community consolidation.

Fifth: the Government plans to carry out activities to develop community infrastructure (roads and water supply).

To increase the accessibility and quality of services provided by local self governance bodies:

- Norms, criteria and rules for implementation of mandatory liabilities will be defined,
- It will be possible to monitor the exercise of mandatory powers based on the criteria of internal (community council, community population) and external control.

Implementation rules and financing mechanisms for devolved powers will also be defined to streamline the exercise of delegated authority and the level of financing required for the exercise of such authority.

To facilitate the establishment and introduction of a comprehensive community service system, community service legislation will be improved, a first stage of training for community servants will be completed, and continuous further training will be ensured. There will be a transparent process of attestations of community servants and competitions for fulfilling vacancies in community service.

#### **4.2.3. Fight against Corruption**

In its fight against corruption the Government expects to overcome societal pessimism in fighting against corruption and development of public and official intolerance toward corruption.

In this regard:

Firstly, the fight against corruption will be a key component in the policies implemented by the Government.

Secondly, the main precondition to fight corruption effectively and to build public confidence will be the establishment of fully-fledged multi-partisan system that supports genuine political competition,

Thirdly: the Government will pay special attention to corruption cases identified through the activities of law-enforcement agencies.

Fourthly: the Government will develop a new anti-corruption strategy of RA aimed at:

- Protecting human rights and freedoms;
- Raising the efficiency of central and local government bodies;
- Raising public awareness of the fight against corruption;
- Engaging civil society and making it more active in the fight against corruption;
- Improving the public administration system;
- Raising the efficiency of public participation in state administration;
- Ensuring respect for the principle of everyone's equality before the law; for all members of society and including officials,
- Building an equal competitive environment for competition between businesses and reducing the shadow(we call it the black economy, but you can leave shadow) economy,

fifth, in the new Action Plan designed to support the implementation of the anti-corruption strategy, the Government will focus on honoring the obligations undertaken by Armenia on accession to GRECO and the OECD's Anti-Corruption Network of Countries with Transition Economies and the requirements of the UN convention on "Fighting against corruption", including the adoption of legal acts necessary to honor such obligations.

### **4.3. Economy**

#### **4.3.1. Economic Development**

##### ***Sustaining High Pace of Growth***

During 2001-2007, Armenia's growth (13 percent on average) was among the highest in the world, which enabled doubling per capital GDP in the same period. To continue to build on these results:

First, the government seeks to reach 8-10% real annual growth of GDP in 2008-2012 in order to reduce the differences in per capita income with the developed countries on a yearly basis and move on into the group of middle-income countries by year-end 2009.

Second, from the perspective of maintaining macroeconomic stability, the Government will put high importance on maintaining macroeconomic stability, including low inflation. To this end, the Government will keep up its recent years' fiscal policy, which is conducive to macroeconomic stability and strong growth.

Third, the Government will ensure the quality of economic growth and institutional development by facilitating sectors and companies utilizing high technologies, resource saving and knowledge based economy.

Fourth, the Government considers an important prerequisite for economic development success a trustworthy and predictable RA Central Bank fiscal policy,

Fifth, the Government considers increased country competitiveness a safeguard of sustainable economic development. To this end, among other things, the Government's economic policy during 2008-2012 will focus on facilitating the enhancement of production capacity and promotion of exports through the use of modern technology and supporting to establishment of Armenian companies complying with international standards.

To this end, the Government attaches importance to:

- Building an international image of Armenia as a favorable and safe environment for investments, business and tourism;

- Continuously improving the business environment and proactive attraction of investments;
- Encouraging free competition, the implementation of new technologies, and increased work productivity;
- Significantly increasing the level of financial intermediation;
- Promoting exports of goods and services and diversifying the geography and structure of exports; and
- Finalizing the formation of an innovation system infrastructure and information society.

### ***Employment, Labor Productivity, and Income***

Recent years' economic developments have been accompanied with stabilization of agricultural employment and a reduction of non-agricultural employment. Starting from 2005, non-agricultural employment has grown, and opportunities are visible for increasing employment.

To this end, the Government aim is the essential reduction of the level of unemployment, which for Armenia can be compared with average unemployment rates of developed countries and new EU member countries. As a result, it is expected that non-agricultural employment will grow by about 105,000 jobs or an average of about 2.4% per annum; the majority of new jobs will be created outside of Yerevan. In this regard;

Firstly, the Government's policy in this area will aim at implementing active employment policies, forming an efficient and stable labor market, reducing unemployment, providing employment and a healthy, safe, and dignified workplace, and ensuring adequate pay for work that includes

- introduction of a professional development system and orientation of the educational system to the labor market, development of a continuous education system to meet labor market requirements and supply of high quality labor,
- introduction of assessment criteria for quality of education of unemployed and increase of professional training volumes,
- improvements of labor market prediction functions and introduction of assessment criteria for outcomes of the state programs of employment,
- introduction of online employment services and building statistical and assessment capacity related to employee and by-sector productivity

Secondly, the Government plans that about 30% of the next five years' economic growth will be fueled by employment growth, while the rest—by higher labor productivity. As a result, labor productivity is expected to grow by an average of about 7% per annum, which exceeds the productivity growth rate of developed countries.

### ***Smoothing Disparities in Regional Development***

Presently, economic activities are predominantly concentrated in Yerevan, which has accounted for about half of the total industrial output and over 80% of the construction volume, trade turnover, and transport and communication services. On the other hand, this increasing concentration in Yerevan of the most rapidly growing sectors and investments therein, especially private investments, has led to a large disconnect of economic activity between the capital city and other urban and rural settlements. Therefore the objective of the Government program is the reduction of income differentials between Yerevan and the marzes, reduction of migration, and the increase of willingness live and work in the birthplace.

First, it is proposed to complete construction work in the disaster zone, - this really does not make much sense - which disaster zone.

Second, the Government will initiate measures to boost the development of Armenian cities and to promote investment activity, through public private partnership development and implementation of targeted programs, turning cities into centers of business, including measures involving the creation of national projects, capacity building of local self-government bodies by means of creating inter-community unions, and encouraging the public-private partnership. The Government intends to start the coordinated application and piloting of these instruments from the Gyumri town and later disseminate the experience to other cities of Armenia,

Third, the Government will facilitate an increase in the localization of public services and improve the availability of finance, goods and services, and implement renovation and development of community infrastructure such as roads and water supply,

Fourth, to reduce poverty and alleviate the disparities of economic development in marzes, the Government aims to:

- take measures to facilitate the State registration and certification of communities in order to assess their economic potential, identify the existing problems and address them,
- facilitate the drafting of development programs for available priority sectors in marzes and presenting these programs to internal and external investors,
- make investments in marz infrastructures, including through cooperation with the private sector, to improve conditions for business development

- implement activities in poorer marzes and regions (particularly high mountainous regions and border areas) to provide direct or indirect financial support for specific business sectors

Fifth, based on the past record of comprehensive development of medium-term projects in marzes, as well as guided by the principles of decentralized administration and proportionate development of territories, the Government will develop a concept note on regional development programs. The programs developed based on this concept note would play a key role with the supreme council of development of midterm expenditures programs in deciding on the distribution of surplus budget resources packages in the regions. In general terms, in the coming years, programs and priorities developed by marzes using a unified methodology and the Government's regional policy will have more important role in the process of drafting the strategic development program for the country.

Sixth, the Government will seek to alleviate regional disparities through the industrialization of agriculture and the development of tourism. The availability of e-education, e-medicine and other e-social services in these programs will assist in ensuring that the productivity of the rural population and those engaged in agricultural production will not be lower than the average productivity level for the country.

#### **4.3.2. Business and Investment Climate**

For the second generation of reforms the Government plans early action to deal with the issue of improving the business and investment environment, for which a comprehensive approach is required to quickly and successfully resolve the existing issues. Reforms will have an impact on external trade, with changes in the customs and tax regime, regulation and licensing procedures, and quality and standards increasing the global competitiveness of our country, placing Armenia in the list of ten most competitive countries. To reach this objective;

First, aiming to considerably improve the nation's competitiveness, the Government will set target levels for competitiveness indicators based on the international practice and will define a clear strategy and action plan for achieving such indicators,

Second, the Government will attach great importance to sustaining policies aimed at the introduction of rules and standards for business ethics,

Third, The Government will lay great emphasis on domestic savings along with attracting foreign investments and the resources of trans-international companies into the economy, especially in view of their importance to sustaining high growth rates.

Fourth, The Government intends to keep the investment-to-GDP ratio at least around 27-30%, which will be sufficient to achieve 8-10% annual growth. The required volumes of capital

investments will be financed mainly from private sources and, in some cases (especially in infrastructure), on the basis of public-private partnerships. Long term large national projects, especially in high productivity sectors and infrastructure will lead the Government's efforts in attracting investments.

Fifth, to improve the business climate and to attract investments, the Government will activate the National Competitiveness Council, the Armenian Development Agency, the Armenian Tourism Development Agency and the Business Support Council, and take actions to enhance their effectiveness.

#### **4.3.3. Financial Intermediation**

Financial intermediation remains low and does not adequately perform its primary function of converting higher domestic savings to investments, in spite of the banking sector growing faster over last years than the economy as a whole (in 2007, banking sector credit to the economy reached 13% of GDP compared to 6.6% in 2003). The aim of the Government is to double financial intermediation by increasing the availability and diversity of financial instruments (loans, insurance, corporate securities etc) for individuals and businesses countrywide. The average family will have access to the financial resources needed to acquire an apartment or a car.

First, the Government will support the Central Bank's strategy of rapidly expanding the financial system, including the Central Bank's efforts at increasing mortgage and consumer lending, improving access to financial resources and the reliability of banks, expanding and developing corresponding institutions and drawing more reputable foreign banks into the Armenian market.. To this end the Government will undertake to:

- 1) Develop the secondary mortgage market in Armenia, launch the activities of the secondary mortgage market operator and organize the circulation of securities issued by such operator.
- 2) Streamlining of lending institutions' activities.
- 3) Harmonization of Armenian laws on financial organizations' bankruptcy with the EU legislation.
- 4) Harmonization of the Armenian legislation on deposit guarantee fund with EU laws.
- 5) Gradual application of the second Basle agreement on banking supervision,

- 6) Implementation of comprehensive measures in the sector of financial services for the protection of consumer rights, inclusive of the establishment of the office of financial ombudsman.
- 7) Development and assistance to the development of information databases for the insurance sector.
- 8) Implementation of a financial literacy program aimed at increasing the accessibility of financial programs.
- 9) Encouraging non-cash financial transactions.

Second, the Government values the Central Bank policy of nurturing the growth of non-bank credit organizations and insurance companies, as well as activating the securities market, realizing the importance of developing these sectors in terms of increasing and diversifying investments. To this end the Government attaches great importance to maximum harmonization of Armenian legislation regulating the financial sector with EU legislation, including regulation of the operations of investment funds in Armenia, providing appropriate conditions for cross-country securities business.

Third, the Government intends to bolster the performance of the Small and Medium-Sized Enterprise Fund in order to make financial resources more accessible to small and medium-sized entrepreneurs.

Fourth, in view of the entry into Armenia's financial market of reputable international financial structures in recent years, the Government envisions the prospect of turning Armenia into a regional financial hub. Special importance is attached to the entry of NASDAQ-OMX and to implementation of a joint program of action with them. The Government proposes the development of a concept note on making Armenia a regional financial center, and actions will result from this during 2008-2012. It will include the issue of centralization of high quality financial services in Dilijan town.

Fifth, the Government will develop a program to gradually introduce mandatory insurance and corporate social responsibility schemes in the country.

Sixth, the Government attaches great importance to increasing the accessibility and availability of mortgage and car loans for newly created families, for which a concept note will be developed. This will include the establishment of a mortgage fund.

#### **4.3.4. Budgetary System**

Medium-term and annual budget programs will be closely linked with the Government's long-term social-economic development programs, especially with the PRSP. Budgetary funds will be managed on business principles, saving each "cent", and consistently increasing the efficiency and transparency of operations. The Government considers the predictability of public

revenues an essential component of fiscal policies. Addressing this issue will enable to make a better assessment of the feasible level of budget expenditures. To this end:

First, increasing public revenue collections during 2008-2012 will be a key priority of fiscal policies, which will increase the tax revenue-to-GDP ratio by an average of 0.3-0.4 percentage points per annum without raising the tax rates.

Second, the Government attaches great importance to financing state budget expenditures from domestic sources and minimizing dependence on external sources of financing. Debt financing of public expenditures will be made through domestic debt and only concessional foreign debt. By means of efficiently managing the annual state budget deficit every year, public debt will be kept at a level that is safe from the standpoint of economic development.

Third, when evaluating the efficiency of public expenditure management, the Government will be guided by the following three principles:

- **General Fiscal Discipline:** the fiscal resource package must be clearly and comprehensively defined. It must be formed before the expenditure distribution into areas and be supported with medium-term macroeconomic projections. Expenditure distribution must be carried out clearly within the limits of budgetary resources, and their actual execution—within the program budgetary allocation limits stipulated in accordance with the predetermined expenditure priorities.
- **Allocation Efficiency:** public expenditures must be consistent with the policy priorities of the state. Reallocation of funds within and between sectors, from less to more important priorities, and from low to high efficiency programs, must be possible.
- **Technical (Output) Efficiency:** line ministries (agencies) must ensure a minimum attainable level of efficiency, which must be compatible with the relevant private sector indicators.

Fourth, to enhance the efficiency of public expenditure management, reforms to introduce program budgeting will be continued and their scope—extended. It is necessary to build the capacity of communities to develop and implement multi-year capital programs. Moreover, the community budgeting process must be improved by means of introducing a program budgeting scheme for communities.

Fifth, the universal and transparent application of the public procurement system and, especially, electronic procurements, as well as further improvements of the treasury system will be essential to making the budgetary system more effective,

Sixth, the Government will take steps to enhance the transparency of the budgetary processes and establishing even tighter controls of the state budget execution process. Within this framework there will be continuing improvements to internal audit and financial control systems. Increased independence and accountability of all ministries and agencies is of particular importance.

#### **4.3.5. Tax and Customs Systems**

To encourage active business and investments the Government has set an ambitious target of making the tax and customs administration systems internationally competitive. It means embedding the principle of voluntary compliance by taxpayers, high quality of services provided by tax authorities, introduction of a self assessment system, and simplification of return submission procedures and time, while sustaining the growth of tax income collections. For customs administration this means fostering external trade through provision of high quality, convenient, services provided by the customs authority, with reduced times for customs formalities. To this end,

First, the Government attaches great importance to improving the tax and customs legislation, that will lead to increased efficiency of tax and customs administration and equitable and unconditional enforcement of the tax and customs legislation. In 2008 the Government will submit a draft Tax Code and a draft proposal on amendments to the RA Customs Code to the National Assembly for review.

Second, reforms will be conducted in tax and customs administration bodies to put their functions and administrative procedures in line with international best practice,

Third, the Government will follow up with expanding the tax base and evenly distribution of the tax burden, which will be achieved:

- a. primarily by means of reducing the shadow and informal economy and refraining from introducing new tax exemptions;
- b. replacing the alternative taxation schemes for certain types of activities with a regular taxation scheme,
- c. minimizing exemptions to the utmost, and precluding any tax exemptions for specific sectors, types of activities, or enterprises

Fourth, The Government also attaches great importance to the protection of taxpayers' interests and improving the quality of services provided to them. This will increase the use of self-assessment practice in the tax field. The Government plans to introduce electronic report submission to minimize direct contact between officials and business..

Fifth, the tax service will define special regimes for small and medium sized businesses. Small and medium sized businesses will be able to submit all reports and payments on-line. Documentation of transactions is one of the most serious challenges today. Entrepreneurs running small and medium sized businesses should not suffer from deficiencies in the documentation chain. Following a series of tax audits, a mixture of penalties and further education will be applied where appropriate.

Sixth, The Government is very concerned at the existence of unreliable documentation showing false prices in economic transactions. This will not be tolerated by the Government which will take action to cancel the flow of any documentation with false or incorrect price markings.

Seventh, necessary action will be taken to improve procedures relating to the refund of VAT credits to tax payers, especially exporters, with the exporters' tax credits having to be ruled out on the part of tax authorities.

Eighth, the Government will modernize the customs system by means of streamlining the customs legislation and procedures, by reducing the number of documents required for customs clearance for imports and exports, improving compliance with customs legislation requirements, extending the use of customs self-declaration schemes and carrying out related measures, developing the capacity of customs houses, and implementing measures towards customs control. EU free trade principles will serve as the basis for this modernization.

Ninth, the Government will improve the technical resources of tax and customs bodies and the information sharing arrangements between such bodies, leading to the creation of an effective information system for the supervision of economic agents.

#### **4.3.6. Copyright and Property Rights**

The Government will take measures to ensure the reliable and effective protection of intellectual property and streamline the procedures of registration of property rights in line with best international standards. The Government realizes that these two sectors are the most important guarantees of the country's competitiveness and in assessing the efficiency of the systems will rely on assessment by reputable international companies and companies operating in Armenia with worldwide recognition. To this end it is proposed to:

First, improve legislation on this sector, and to ensure their protection, to facilitate the registration of inventors' and relevant organizational rights in a relatively short period of time with minimum costs,

Second, increase the amount of support given to inventors. Counseling and training programs will be carried out in order to encourage the creation and use of new technology. Activities will continue in order to make information on the achievements of science and technology accessible for inventors, SMEs, and other interested organizations. The geographical areas in which these services are provided will be increased,

Third, in the area of copyrights, State policy will focus on promoting national culture and arts, for which the Government will continue fighting persistently against piracy,

Fourth, considering the role of industry organizations created by authors to protect their rights in a collective manner, the main principles underlying the activities of such organizations will be clarified,

Fifth, as an important mechanism of the effective protection of intellectual property, there is a plan to develop and introduce an intellectual property valuation system, establish an inter-agency committee to assess the efficiency of identification and investigations of intellectual property right violation.

Sixth, in the years ahead, an automated system of real-time registration of titles and restrictions over real estate will be introduced in order to ensure the efficient management of the unified cadastre system of real estate. The automated registration system will be introduced, and external users' access to this system will be ensured,

Seventh, activities will be carried out to form an efficient system of land development and land resource management and to organize the new administrative-territorial division of the Republic of Armenia, as well as the redistribution of state-owned land. The public auction procedures for the sale or provision for use of state- and community-owned land will be improved. Assistance will be provided to land consolidation projects and the formation of the land market.

Eighth, enhance the effectiveness of the mapping and surveying sector administration.. Activities will continue to create and update a digital fund of state scale series base maps (topographic and cadastre maps) based on satellite, aerial, and ground imagery. The state mapping network modernization, the geographic names recording, and the introduction of the automated registration system will continue on the basis of satellite technology-based surveying. Much attention will be paid to thematic mapping and the creation of academic and other historical maps. Activities will be continued directed to the establishment of the space observations center and observations of moving objects through space navigation system with the introduction of a 'one map (output matter) for all public needs' principle.

Ninth, the Government will facilitate the real estate market development. For the proportionate development of this market, assessment of growing supply of and demand for real

estate will be important. The capacity in the construction sector will be assessed, and an action plan will be developed to improve it. Activities will be carried out to simplify the movable property pledge and financial lease registration procedures.

Tenth, the Government will pay special attention to the protection of property rights.

#### **4.3.7. Main Sectors of the Economy**

##### **4.3.7.1. Industry**

An efficient sector structure of the economy is key to long-term and steady economic growth. To support these second generation reforms the Government will implement a new high quality policy for industry. Development of innovative industry and high value added services will lead to economic growth and tighter integration with developed markets. Public expenditure for research and development, including existing R&D institution expenditure, will reach between 0.8-1% of GDP, with a pre-condition that the private sector will be involved and that its participation will account for half of expenses. Within the framework of making Armenia an industrially-oriented country, the Government will:

Firstly introduce systems for the use of modern management models and innovative approaches, ensure application of modern, competitive technologies and continuous development of human capital. As a result of this policy an export-oriented developed industrial system will be formed which will foster production of goods at an international standards level, expansion of new external markets and also, through the establishment of new employment opportunities, increase the population expected quality of life.

Secondly, regular attention will be paid to the replacement of low productivity, low efficiency, high power consumption, and old technologies with more up-to-date and efficient techniques. To eliminate high resource consumption behavior there will be transition to new technological industry. The development of knowledge-based economy infrastructures (business incubators, techno-parks, Research and Development, public-private funds) are seen as pre-requisites to progressive increase in productivity and creation of a knowledge-based economy In line with global developments.

Thirdly, Armenia must feature on the map of knowledge-based economies. Knowledge consuming industrial sectors in our country will be expanded with resulting high productivity and highly-paid employment. In cooperation with the private sector, the Government will direct its spending toward financing research, development and education programs for knowledge-based economy.

Fourthly, to make more effective use of the technological capacity and natural resources available in the country, it is of particular importance to implement integrated development

programs for the chemical and mining industries. For these industries the Government will develop a strategy outlining its proposed direction to move from the simple production of raw materials to high value added production lines,

Fifthly, the priority of the Government in this field is to develop mining which, as a leading sector of Armenian industry, will contribute greatly to long-term economic development. This sector has enormous development potential, which can be realized by improving the administrative and legal frameworks to make them more conducive to development.

To this end, it is important to:

- eliminate legislative inconsistencies in order to make the legal framework more appealing for investment:
- implement specific measures to increase the efficiency of the mining and processing industries, and to boost volumes
- increase the volumes of geological surveys in order to ensure the productive use of new mines
- develop processing with a view to generating end-products, and supporting the development of cooperation within sectors

Sixthly, considering the role of IT development, not only as a separate sector, but also as an important factor for achieving general economic growth, raising productivity, and competitiveness in the global economy, the Government will take continuous steps directed both at development and establishment in the international market of the information technologies sector, and the introduction of IT sector services and products in other sectors of the economy and the formation of an “e-society.”

To this end, the availability of country-wide coverage of information and communication infrastructure, complying with best practice international standards, is considered of paramount importance.

Seventh, the Government will support the formation of entrepreneurship centers, to enable citizens to understand business risks, and become confident to start new businesses and innovations. Entrepreneurship centers will help to educate and grow business style, global thinking and an exploring generation.

#### **4.3.7.2. Agriculture**

The Government will emphasize the vital role of the agricultural sector from the perspectives of the country's food safety and the alleviation of rural poverty. To this end, it is

planned to develop and implement in 2008-2012 a national agricultural development program to provide for Armenia's self-sufficiency in basic food staffs.

In a view of future challenges the main focus of the program will be industrialization of agriculture, full launch of the production-processing-market chain, with a concomitant increase in income of those employed in the agriculture sector.

Therefore:

First, considering the peculiarities of this sector, the Government plans to direct agricultural policy to increase the volume of assistance to producers on the one hand, and to improve the business environment through development of production, social and market infrastructures on the other.

Second, the Government views the agricultural sector as a priority for public expenditure and will make a transition from tax exemptions to application of comprehensive assistance tools.

Third, the Government will prioritize subsidizing of agriculture in adverse climatic conditions, supporting the efficient use of resources, especially in full industrial utilization of land.

Fourth, the Government will remove obstacles to agricultural lending, particularly by means of subsidizing credit interest rates and standing surety for entities operating under adverse conditions, as well as through partial co-financing of advance payments for leasing of agricultural machinery and securing venture capital.

Fifth, work will be carried towards establishment of a system of insurance against climatic and natural risks co-financed by the state and agricultural entities.

Sixth, high importance will be given to the administrative division of rural complexes, assessment of economic potential and creation of a value chain that fosters production of export oriented goods. As a result of these actions, the 3.1 to 1 ratio of import-export balance of agricultural raw materials and commodities as recorded in 2007 will significantly improve.

Seventh, attaching importance to application of new agricultural practices and technologies the Government will pay special attention to educating and training personnel and to issues related to improving practical research activities and professional consulting,

Eighth, special attention will be paid to the development of seed farming and stockbreeding, use of high-value-added crops and improving the stock characteristics of agricultural animals.

Ninth, the Government plans to make considerable investments in infrastructure that supports the development of agriculture, with a focus primarily on the restoration, modernization, and expansion of irrigation systems, and reinforcing participatory governance of irrigation systems. With a view to making irrigation water accessible to small agricultural producers, the Government will continue to subsidize irrigation systems, whilst improving the targeting of the subsidy. Moreover, the Government plans to make gradual improvements in cost-recovery of

irrigation water and to apply subsidization methods, which, in the context of participatory governance, will encourage greater efficiency in the supply and use of irrigation water.

Tenth, within the framework of obligations towards the World Trade Organization the Governments subsidy to the agricultural sector will be limited within 5% of GDP.

Eleventh, through improvements to the legal framework and co-financing of targeted programs the Government will promote the development of a broad range of modes of cooperation in the agricultural sector, expansion of non-agricultural employment in rural communities, initiatives for private sector capacity building that will lead to facilitating conditions for the merger of badly divided plots of agricultural land, diversification of income of the rural population and increase of capital required for reproduction.

Twelfth, an important Government policy strand is the implementation of state programs on forestry conservation, protection, regeneration, and utilization

#### **4.3.8. Foreign Trade Policy**

To achieve strong economic growth, it is necessary to increase exports and to access external markets. Higher exports will facilitate not only economic growth and increased employment, but also world integration, a better international image for Armenia, cultural and technological development, and improved domestic capacity. Therefore the Government's objective is to ensure the reduction of time spent on importing or exporting goods, increasing the accessibility of foreign markets for economic entities, significant growth in real terms of export volumes and the competitiveness index of the country, To accomplish this objective:

First the Government recognizes that an active external economic policy is the only means of capitalizing on the advantages of an open economy. To access external markets today, there are information, infrastructure, human resource, and other constraints, which need to be overcome by using all possible means of external trade regulation. Development and implementation of strategies to minimize the effects of these constraints is a priority for the Government.

Second, the Government will initiate negotiations with the EU on a free trade agreement. We need to strive for an effective and fast foreign trade system in Europe. With absence of direct sea access we face high import and export transportation costs, therefore this obstacle shall be compensated by an effective system. Document processing time for imports and exports will be reduced significantly.

Third, the Government in cooperation with all interested parties will shape and promote the image of Armenia as country with a favorable business climate.

Fourth, another key direction of external trade policy is to attract foreign direct investment in the real sector of the economy, especially the involvement of multi-national companies. A

considerable change in the world market's attitudes to goods produced in Armenia will result from the export of goods by internationally recognized companies establishing production in Armenia.

#### **4.3.9. Consumer Interests Protection System**

The Government aims to form a consumer society demanding high quality standards. The guarantee for establishing such a society is a high level of awareness amongst consumers of their rights, the protection of their interests, and their participation in the Government's efforts in this sector. To this end:

First, in 2008, the Government will adopt a concept paper for the protection of consumer interests, in which it will come up with clear-cut approaches to the protection of consumer interests and quality control of goods, services, and works. The adoption and implementation of this concept paper will help achieve the following chief objectives associated with the protection of consumer interests:

- Consumer safety;
- Economic and legal protection of consumers;
- Applying an effective system of consumer interests protection as a means of boosting the competitiveness of local products;
- Improving the state control system;
- Developing organizations engaged in consumer awareness and consumer rights protection; and
- Improving the information and education system.

Secondly, the Government will continue improving the system of State control in the field of consumer rights protection. It will implement large scale public-awareness programs on consumer rights and on consumer interest protection measures.

Thirdly, the Government will improve food safety measures, based on best practice international experiences. With the emphasis on food safety, Government policy will be directed to second generation institutional reforms in food safety, including the introduction of a National Statute Committee and quality management to internationally-recognized high standards. Ensuring locally produced food safety, analysis of risk sources and control over critical sites, capacity building for existing, and establishment of new, laboratories with the expertise to examine food quality and safety control processes, whilst ensuring that appropriate personnel receive a high standard of equipment training and education.

#### **4.3.10. Environmental Protection**

Secure and sustainable development of the country, ensuring balanced environmental protection through environmental and economic benefits research, implementation of reforms, and international integration strategies, are key directions of Governmental policy. To this end:

Firstly, the Government will establish the following objectives for the environmental sector:

- to minimize and prevent harmful impact on the environment, including the atmosphere, water, sub-soil resources, flora, fauna, and special protected areas of nature
- to control conservation, renewal, reproduction, and efficient use of natural resources
- to ensure the protection, efficient use, and reproduction of, sub-soil resources
- to create a system for monitoring, studying, forecasting, reporting, and responding to, the environmental situation and dangerous hydro-meteorological phenomena
- to promote the safe use of nuclear energy, and train competent experts for this sector; and to clarify the status of the public governance body that regulates the nuclear energy sector
- to prevent environmental pollution (including radioactive pollution), by managing hazardous chemical and radioactive substances and waste, and developing a system to forecast natural and human impact; and
- to create an integrated national system for environmental education and awareness.

Secondly, particular attention will be paid to restoring the ecological balance of Lake Sevan, comprehensively implementing the Republic of Armenia water and forest national programs, ensuring an increase in volumes of forest planting and recovery, preventing illegal logging, fighting against desertification, ensuring state protection of special protected areas of nature, maintaining the biological and landscape diversity, and minimizing harmful emissions from automobile transport.

Thirdly, the natural resource recording system will be improved, and measures will be implemented to improve the procedures of licensing and paid use of natural resources, as well as the procedures of compensating harm caused to the environment and making a targeted use of compensation proceeds. Programs will be developed to improve the environmental monitoring system, to develop and implement innovative technologies and project financing for environmental protection and to build private-public collaboration for improving environmental management. Compliance with the environmental legislation will be monitored more tightly, and the honoring of Armenia's obligations under international treaties will be ensured.

### **4.3.11. Industrial Infrastructure**

#### **4.3.11.1. Fuel energy and natural resource system**

Government policies in the energy sector will be aimed at increasing the level of energy security, which implies an expansion on the ways of importing energy inputs, and generation of energy, creation of new, including nuclear energy, capacities, primarily selling own renewable energy resources, building a sound and reliable export-oriented energy system, and integration with the regional energy system. This means that urgent solutions are required for:

First, upgrading and modernizing industrial capacities. This will be achieved by utilizing the credit funds provided by foreign countries and international financial organizations. Government policy will be implemented by reducing State ownership and attracting private investment.

Second, creating new nuclear power sources while raising their safety, as well as preparing for the disposal of the second block of the ANPP.

Third, increasing efficiency in the use of the existing hydro-potential in Armenia, conducting scientific, engineering and technical research aimed at creating alternative energy sources.

Fourth, expanding the gas supply network and enhancing the safety of gas equipment used for household consumption is considered another priority by the Government.

Fifth, promoting private investment in those sectors where energy savings and increased efficiency can be achieved by introducing more efficient heating systems.

The main objectives of the Government to attain reasonable use of the country's natural resources are:

- increased level of geodesic research, efficient exploration of new mines
- promoting natural resources research and protection, as well as ensuring that they are renewable, reproductive and are used efficiently
- ensuring protection, effective use and reproduction of earth crust and implementation of geodesic control
- developing and implementing a national program of effective and thoughtful use of water

#### **4.3.11.2. Water Supply and Sewerage**

In the water supply and sewerage sector the Government will focus on improving the quality of supplied water, sustainable water supply, reduction in water losses and a gradual provision of 24-hour water supply. Public investments are planned to be mainly funded under

bilateral and multi-lateral donor support from concessional loans and grants. Special importance is attached to the proper maintenance and upkeep of existing and newly-operated capacities in the system, for which direct allocations will be planned in the State budget of the Republic of Armenia. A longer-term reform program for potable water and irrigation will aim at increasing the reliability and efficiency of these systems and targeted State support for the irrigation system, reducing water losses, and improving the quality of sewage systems. Deepening of water management reforms will be managed by the Government by a continued and expanded process of decentralization of system management. Within the framework of the Government investment priorities it is planned:

Firstly, to make public investments, mainly from concessional loans provided to the country within the framework of two-party and multi-party donor provided assistance, and

Secondly, to address the issues of proper operation and maintenance of both the existing capacities and those being established

Thirdly, to ensure proper maintenance, renovation and reinforcement of hydro-technical structures, ensuring their safe and uninterrupted operation

Fourthly, the Government will approve an investment plan for water supply in rural areas and public investment will primarily be used to address issues identified in the program.

#### **4.3.11.3. Transport and Communications**

The Government views the sustainable and effective development of the transport sector as a prerequisite for ensuring high rates of economic growth, strengthening national security, increasing the living standards of the population, as well as for ensuring Armenia's rational integration with the world economy. In the telecommunications sector the Government intends to increase the geographical area of provided services, and ensure diversity of services which utilize modern technologies at internationally accepted standard of quality. To achieve these objectives the Government intends to:

First, continue the improvement and modernization of legislation regulating the transport and communications sectors, and conform the process of cargo and passenger transportations to internationally-recognized standards

Second, make significant investments for improving the road network as road transport represents approximately 57 percent of total cargo transportation and 91 percent of total passenger traffic. Priority will be given to investments in work on road segments with more intensive use. With a view to increasing accessibility of social services and labor mobility, as well as mitigating economic and social inequalities between regions, it is planned to increase significantly the volume of public investment for roads to rural areas. It is expected that by 2012

all areas will have at least one improved road connecting to inter-state roads. In order to prevent accelerated depreciation of the road network and ensure more secure, fast and easy transportation, the Government plans to restore and develop road engineering structures, increase public funding for road maintenance and maintain and increase the efficiency of its spending

Third, improve the management arrangements of the Armenian Railways and ensure fulfillment of concessional management obligations, to ensure a railway infrastructure that provides a modern and high quality service

Fourth, propose the implementation of measures aimed at ensuring accessibility of transportation for disabled and other limited-mobility groups,

Fifth, be consistent in implementing a program aimed at bringing the technical capacities and service quality in Zvartnots and Shirak airports into conformity with international standards to a maximum extent. This will contribute to addressing strategic and socio-economic development issues in Northern marzes.

Sixth, on a regular basis, look at opportunities for signing additional government-to-government air communication-related agreements to expand the scope of geographical areas for interstate air traffic to and from Republic of Armenia, seek inclusion of such provisions in these agreements as might ensure the growth of air transportations and meet the demand available in this area.

Seventh, apart from interstate agreements, conduct negotiations for membership of international organizations and complete application of international flight and aviation safety standards in Armenia. Whilst satisfying the needs for economic growth, these steps will facilitate the inclusion and use of modern aircraft in civil aviation.

Eighth, attach a high level of importance to the responsibility of carriers and legal protection of passengers. To improve protection of consumer rights, the Government will amend legislation to conform to mandatory insurance requirements defined by international conventions.

Ninth, pursue the introduction of digital radio and television broadcasts, full implementation of market relationship in telecommunications and postal communications, accessibility and availability of internet services, ensure sound competition in the market and conduct an anti-monopolistic policy, and direct the telecommunications strategy to development of fiber optic network,

#### **4.3.12. Urban Development**

The main objectives of the Government in its urban development policies are the formation of a favorable living environment for present and future generations, and consistent improvement of living standards of the population through urban development means.

The Government will abide by the principle of “green urban development” in its urban development policy. To that end:

First, special attention will be paid to balancing the population settlement system through consistent introduction of multi-center dimensional development principles, overcoming regional disparities, neutralization of possible threats by unregulated urbanization, and the development and implementation of urban development programs directed to sustainable development of settlements. The Government will continue active measures to develop a complete database of national, regional and local dimensional planning and surfacing documents that will serve as a basis for implementation of construction works, whilst ensuring wider participation of society in this decision-making process.

Second, the Government will continue to address issues of restoration of architectural heritage and historical environments of cities as a stimulus to preserve originality and attractiveness, and also to encourage the creation of new jobs. For implementation of programs on historical construction and urban restoration of settlements, public-private partnership principles will be applied upon researching and localizing the international experience.

Third, measures aimed at improving investment attractiveness and the business environment will continue through the progressive development pace of capital construction. Importance will be placed not only on the increase in volume, but also on the continuous improvement in quality standards, and in the promotion of investment initiatives, especially in less strongly developed areas.

Fourth, the Government will follow up with measures considered important from the perspective of ensuring urban development quality standards, such as enhancement of technical documentation and urban development standards systems to internationally accepted standards, thereby helping inter-operations of construction production and services in a common market, modernization of technologies, and increase in design and construction quality,

Fifth, the Government will focus on ensuring the seismic security and reliability of structures through increased seismic preparedness projects, reduction of the impact of dangerous estrogenic geological processes and man-made phenomena, including through development and implementation of the necessary, mainly preventive, engineering and protective measures in landslide areas.

Sixth, targeted state assistance programs for addressing the housing issues of homeless people will continue. Meanwhile, measures will be taken aimed at improving the housing conditions of socially vulnerable families, addressing the housing needs of minors without parental care, improving utility infrastructures, maintenance, use and management of housing stock in apartment buildings, introducing social housing stock, and provision of opportunities for young families to acquire apartments.

Seventh, supportive procedures will be introduced for young families to acquire apartments. Measures aimed at ensuring the accessibility of buildings and constructions for disabled and other groups with limited mobility will be continued.

#### **4.3.13. Prevention of Emergency Situations**

The Government attaches high importance to the development of a comprehensive disaster prevention policy in addition to the formation and implementation of development and modernization programs.

From a strategic management perspective, the Government's 3 priority objectives are as follows:

- to forecast and prevent natural and man-made disasters and catastrophes
- to ensure best practice for civil defense and protection of the population in emergency situations, and the provision of rescue services
- elimination of disaster consequences and implementation of primary recovery work

To ensure these objectives are met, the Government will:

First, implement the following measures to forecast and help to prevent natural and man made disasters and catastrophes:

- develop and introduce risk assessment information systems, utilizing the most advanced technologies
- establish modern notification and communication systems for public governance bodies and the wider population
- develop an operational system for forecasting and prevention of different natural and man made disasters and catastrophes, and establish a crisis management center
- establish and develop a modern system of notification of emergency situations to the general population
- reform the national seismic service system, increasing the level of seismic safety, modernizing the notification system, introducing applicable scientific innovations
- formulate, and modernize periodically, a triple-unified system of interference with hydro-meteorological research monitoring and atmospheric phenomena

- formulate civil defense and emergency service inspections based on the State fire inspection program
- modernize the legislative, methodological and technical-technological basis of the Technical safety service,

Secondly, the protection of the population, civil defense and rescue activities during emergency situations will be carried out in the following directions:

- special rescue, special fire, fire rescue, water rescue and other forces will be re-equipped with the most advanced special machinery, equipment, and outfits through the development of international cooperation and understanding on the organization of population protection and civil defense in emergency situations
- establishment of a countrywide hot-line service (similar to the European 211 system),

Thirdly, the implementation of restoration works to primary vital infrastructures during situations caused by natural and man-made disasters resulting from war is of utmost importance. The following measures will be carried out:

- Formation of a public recovery works system aimed at the primary recovery of infrastructures damaged or destroyed by disasters and war situations will, therefore be attained through.
- Official involvement in recovery works of the population from suffered settlements.
- Quick responsiveness in primary elimination of disaster consequences and introduction of relevant insurance systems.
- Expansion of State reserves, improvement of warehousing infrastructure, reforms and modernization of the system.

Fourthly, the Government will establish a regional center in Armenia to attend the prevention of emergency situations, carry out research on aftermath addressing mechanisms, build up corresponding data bases, as well as to provide expert advice on rescue services.

#### **4.4. Social Sector**

##### **4.4.1. Health**

Reforms implemented in this sector will aim at increasing the accessibility and quality of healthcare services. The Government will encourage steps contributing to Armenia becoming a regional health center for health areas with special demand and introduction of e-medicine. Medium-term health sector financing will become the first priority for Government spending policy. At the intra-sectoral level, priority will be given to primary (ambulatory-polyclinic) health

care, attaching importance to the development of the family medicine system. To this end, the Government will need to:

Firstly, increase Government expenditure in the sector will be on the Government agenda and it is planned to ensure a level of expenditure equal to at least at 2.2 percent of the GDP in 2012. It is especially important to modernize hospitals in marzes and ensure their staffing with specialized medical personnel.

Secondly, specifically focus on maintaining the capital assets in the system and operation of new capacities in the sector. In the medium term it is planned to use 15 percent of State funding for capital expenditure on measures aimed at increasing the efficiency of capital expenditure. This will lead to elimination of physical deterioration of buildings, to provision of the most up-to-date equipment, and also to the introduction of relative mechanisms for funding capital expenditure where given organizational features of primary and hospital care will be taken into consideration.

Thirdly, place a special focus on increasing access to medical services for the vulnerable population, providing a broad range of preventive, diagnostic and Medicare services for the main disease categories.

Fourthly, in terms of programs ensuring the hygienic and epidemic security of the population, maternity health, prevention of socially important and communicable diseases, early detection and increase in the efficiency of Medicare are all Government priorities,

Fifthly, the Government will develop a strategy and action programs for making of Armenia a regional health center for treatment of specially demanded health problems, including the establishment of a center of nuclear medicine at the Institute of Physics after Alikhanyan. This will be the only regional center of its type will, therefore, enable creation of the best cancer treatment center in the region based on the institute's capacity and European experience,

Sixthly, the Government will pay special attention to policy reforms in both the drug sector, and medical education, including establishment and enhancement of necessary information databases for the health sector.

Seventhly, the Government will take measures towards the introduction of internationally accepted quality standards.

#### **4.4.2. Social Protection**

Targeting the establishment of public solidarity, formation of a socially-oriented state, and embedding of social justice, Government policy will be directed to:

- implementing a social policy aimed at alleviating poverty and mitigating the polarization of the society by establishing a poverty threshold equal to the size of minimum subsistence budget
- reducing the gap between the living standards of the employed and retired (included disabled) population
- improving the social protection management system, integrated (full scope) provision of social services to vulnerable social groups, increasing the volume and improving the scope of these provisions
- addressing, accessibility, and consistently increasing the quality and efficiency of social services and participation of the private sector in these procedures
- introducing a multi-level pension system, inclusive of the funded pensions system
- harmonizing social protection programs, developing sustainable improvement strategies for the labor and social protection systems and implementing these with a view to adopting a Social Code,
- implementing State programs on the provision of equal rights and opportunities to disabled population
- implementing State policy towards establishing sustainable families
- ensuring equal opportunities, gender equality, and rights for men and women in public, political and economic sectors

To this end:

First, the Government intends to increase significantly expenditure in this sector, the bulk of which will be funds for pension security. The objective is that there will no longer be poor pensioners in Armenia. In addition, funds directed to employment (insurance) pensions will account for 4.5 percent of GDP. As a result, by the year 2012, average employment (insurance) pension will be equal to the size of the minimal welfare budget.

Second, to minimize the risk to Armenia's economic competitiveness, the Government plans to ensure the increase in the above-mentioned funds from the consolidated revenues of the State budget and mandatory social insurance budget, refraining from increasing the tax burden on salaries within the targeted range of the State budget deficit in the Republic of Armenia,

Third, the Government will continue to improve family allowance policies by ensuring that the program is more targeted. Due to the program, poverty level may decline by 6 percentage points in 2012, and by about 12 percentage points in rural areas.

Fourth, lump-sum benefits provided for a child-birth will be increased in the government program effective from 2009 and a full system of incentives for subsequent childbirths will be introduced.

Fifth, the Government attaches special importance to the increase of access to medical services for the vulnerable population, and intends to provide a broad range of preventative, diagnostic, and Medicare services for the main disease categories.

Sixth, the Government will continue to focus on the social protection issues of groups in difficult living circumstances, particularly disabled people, children without parents, families with many children, families of war veterans, refugees and displaced people. They will do this by increasing the implementation of targeted social programs.

Seventh, the Government will continue compensating the population's savings with former USSR Savings Bank in accordance with the already established modus operandi.

#### **4.4.3. Education and Science**

The Government will take measures aimed at establishing an educational system to ensure provision of education at internationally accepted quality standards, access to education, research and development. Increased efficiency of reforms in education and science is an important guarantee for ensuring State, public, and individual security, and sustainable development and preservation of the Armenian identity. It will be directed to re-establishing the authority of Armenia as a regional scientific educational arena. Ensuring the opportunities for education in all stages of life and lifelong for everyone will become a key policy direction.

To this end:

First, an important indicator will be the increase in the years of education and in the medium-term it will be achieved by an increased high school enrolment. In 2012 it is expected to increase the duration of education in the period from 6-21 years of age to an average of 12.5 years.

Second, in terms of improving the quality of educational services the basis for modernization of the educational techniques in general education and school premises and other conditions for improving other technical conditions of the academic process will be important. In particular, the Government plans to renovate all general education schools (including proper heating mechanisms) by 2012 spending 8-10 percent of total public expenditure in the sector for

capital expenditure over the medium-term. The Government will follow up by equipping all schools with the necessary amount of computer equipment, a large part of which will be connected to an inter-school network.

Third, the Government will ensure that teaching foreign languages and computer skills will start in primary school.

Fourth, in order to increase efficiency in the education sector, and address the current inconsistencies in the quality of education in developed countries, the Government attaches importance to establishing a national center for assessment of the quality of education and developing a relevant legislative package. Measures will be taken towards recognizing graduation certificates issued by Armenian universities.

Fifth, new qualitative education requirements call for a substantial improvement in the provision and effectiveness of training, retraining, professional promotion, and attestation mechanisms for pedagogical staff.

Sixth, in order to meet the need for qualified staff with modern skills the Government will support establishment of links between the education system and the real sector of the economy. Best practice European experience in assessment of demanded specializations will be introduced.

Seventh, attaching importance to the issues of education and nurturing, normal development and social integration of children with special needs, the Government will create the necessary conditions for the education of these children. The Government will ensure necessary conditions for implementation of educational programs for national minorities.

Eighth, the development of pre-school education will be targeted at modernization of the system and creation of prerequisites for development. The Government will provide assistance to communities to increase the amount of pre-school education services, especially concentrating on involving children from vulnerable families.

Ninth, in the professional and continuous education sectors the Government will maintain and develop its policy of integration into European educational space, implementing fundamental reforms, and in both university and vocational education sectors, this will be according to principles of Lisbon declaration. As promoted by the Bologna process, Armenia will introduce a national qualification system as per internationally accepted quality standards by the year 2010. Fundamental steps will be taken towards modernization of university management, including appropriate qualification of scientific personnel and enhancement of the PhD education system.

Tenth, the Government will initiate measures to increase the availability of services in professional education, particularly through the introduction of student scholarships and loan mechanisms.

Eleventh, the Government will ensure continuous increase of public financing adequate and appropriate to reforms of the educational sector. In 2012 public expenditure will reach a minimum of 3.5 percent of the GDP rate.

Twelfth, viewing knowledge-based economy as essential for Armenia's sustainable development, the Government will substantially foster reform in the scientific sector by establishing a separate authorized entity to deal with science-related issues. A focus will be placed upon targeting the modernization of infrastructures in the educational system. The efficiency of the sector management and scientific works will be increased and formulated State assistance will be ensured. To this end:

- based on the need to address the priority issues in developing science in Armenia, the strategic approaches deriving from the science sector development concept note will be formulated
- in direct participation with the scientific community, the priorities of RA in science and technical development will be re-established to support the formulation and implementation of a scientific and scientific-technical State policy
- special attention will be paid to the development of social sciences as a critical imperative for scientific planning and implementation of societal developments
- to ensure the efficiency of planned reforms, the role and position of the National Academy of Sciences in the development of science in Armenia will enable the competitiveness of scientific research institutions and mechanisms of co-operation of these institutions with university sciences to be clarified

Thirteenth, the Government will pursue the aim of transferring the universities into serious scientific centers by fostering further activities in that process. From a science developmental perspective the Government attaches importance to ensuring the attractiveness of scientific work, and opportunities for realization of scientific results in local and world markets. Modern methods for assessing the scientific programs, implemented works and award of scientific degrees, and programming the budget allocations will be introduced.

Fourteenth, programs directed to cooperation and integration with international centers, addressing the current and prospective basic Armenian concerns, will be developed and realized. Measures will be taken towards establishment of scientific schools.

Fifteenth, from the perspective of Armenia's educational system being comparable with developed countries, measures will be taken towards increasing the sector application of modern information technologies and tools. To enhance the quality and accessibility of these services great importance will be attached to the development and comprehensive application of

interactive e-education. In addition, distance learning and remote management of the learning process will also be introduced.

#### **4.4.4. Culture**

The main priorities of Government policy on culture are:

- **Preservation of Cultural Heritage**

Development and implementation of a comprehensive program on the study of, conservation, reinforcement, renovation, restoration, improvement, and use of immovable historical monuments, cultural, values and intangible cultural values,, creating mechanisms for recording cultural values in the territory of the Republic of Armenia and abroad

- **Developing Art and Cultural Modern Infrastructure and Promoting Cultural Processes**

Ensuring freedom of cultural and creative activities, promotion of debut processes, supporting cultural organizations in their creative activities, including implementation of creative orders, ensuring the modernization of material and technical base and involvement of Diaspora artists in the cultural sector of Armenia

- **Use of IT in Culture**

Introduction of new ICT and electronic management systems in culture, establishment of a unified sector information database, and promotion of the process of digitalizing cultural values

- **Human Resource Development Policy in the Sphere of Culture and Cultural Education**

Improving the mechanisms of State-funded training of staff in the culture sector, ensuring the continued education of specialists, developing institute of art managers, ensuring the accessibility of art education and nurturing of art

- **Harmonious Development of Culture**

The Government will formulate a separate program for the cultural development of marzes. It will endeavor towards the fostering inter-marz cultural cooperation by ensuring continuity in the cultural decentralization of marzes

- **Development of International Cooperation**

Expansion and deepening of multilateral relations and dialogue with foreign countries, developing and implementing a targeted advocacy program on Armenian culture in foreign countries, formation of an EU regional cultural center in Armenia

▪ **Implementation of Information Policy**

Increasing awareness of the role of culture by informing the public on Armenia's cultural heritage, ensuring the accessibility of communication for society, implementing advocacy programs, supporting formation of a civil society, looking at social behaviors and moral-psychological patterns ,

The Government will increase cooperation with the Armenian Apostolic Holy Church in developing the national culture of the Armenian nation and preserving its cultural identity,

The Government will provide continuous assistance to national minorities to help preserve their historical, spiritual and cultural values and ethnic identity.

To ensure the effectiveness of these reforms, the legislative framework for the development of culture will be improved bringing it in line with European standards and requirements to the extent possible, and the improvement of the management of cultural structures and institutions, clarification of powers of management, separation and removal of duplicating functions will be continued.

The Government will ensure targeted and efficient spending of budget funds allocated for the development of culture through the use of the program budgeting system.

**4.4.5. Physical Education and Sports**

The Government's policy objectives in physical education and sports are population's health improvement, creating conditions for the harmonious development of individuals, continuous physical education for different age and social groups and access to physical education and sports, physically fit young people ready to protect their country, as well as preparing highly skilled sportsmen and ensuring effective participation of teams and sportsmen from the Republic of Armenia in Olympic games, world and European championships. To reach these objectives:

Firstly, the Government policy will be implemented by training Olympic successors and high-class sportsmen, improving the social condition of couch-pedagogues and managerial staff working in children and teenager sports schools in the Republic of Armenia for ensuring physical education of the population, training them, holding mass and country-wide physical and healthy sports events, sports for disabled people, State support for sports public organizations and schools of general education through provision of the necessary sports outfits,

Secondly, a specialized unit dealing with sport and youth issues will be created in marzpetarans of the Republic of Armenia.

Thirdly, programs will be implemented on the creation of sport foundations, shooting grounds, and swimming pools, especially for rural and bordering regions and villages of Armenia.

#### **4.4.6. Youth**

The Government will take steps to ensure socioeconomic, legal and political, spiritual and cultural, organizational conditions and guarantees for social well-being of the young, making full use of their creative potential for public benefit.

The objectives behind State youth policies are as follows:

- to have physically and spiritually healthy young people
- to create equal starting conditions for all young people for entry into scientific and social life, contribute to the development of youth's capacities
- to increase the involvement of young people in public and political development
- to promote participation of young people in decision-making processes
- to improve the social economic conditions of young families through development and implementation of State programs aimed at addressing the existing issues in the this field

#### **4.4.7. The Diaspora**

The Government gives priority to development and implementation of a comprehensive conceptual framework for Armenia-Diaspora relations, and comprehensive consolidation of Diaspora potential.

In terms of addressing issues of maintaining Armenian identity in the Diaspora the Government having as great as possible an involvement in solving issues of the Diaspora educational institutions is specifically important, particularly:

- Development of curricula and manuals for Armenian schools in the Diaspora, and provision of textbooks;
- Training of Armenian teachers from the Diaspora in Armenia;
- Expansion of satellite broadcasting of the programs on public television, improvement of their quality and content.

Considering the Diaspora as a reliable and effective bridge for world integration, sustainable and effective mechanisms will be put in place for involvement of powerful diaspora forces in Armenia's domestic life and for improvement of the work of domestic bodies with international bodies with their support. To this end, it is necessary to create mechanisms for assessment of the existing potential in scientific, educational, economic, cultural and other sectors and a unified database.

Committees will be set up with a view to increasing the effectiveness of Armenia-Diaspora conferences, other all-Armenian events in order to clarify priorities and develop a conceptual approach for addressing them.

A scheme facilitating repatriation of our compatriots living in foreign countries will be developed and introduced enabling these people to directly contact Armenian state governance bodies electronically. A body comprised of representatives of state authorities dealing with repatriation processes will be formed for developing and using the scheme, and as a result of its activities.

Reforms will be implemented in the area of entry of foreign citizens, processes of issuing residence status to them and registration as well as in developing and introducing regulations on their employment activities in Armenia;

Practical steps will be taken in order to introduce dual citizenship as provided by the Constitution of the Republic of Armenia.

To this end, the Government will initiate drafting of legislation conducive to repatriation and a comprehensive plan of immigration will be implemented.

The Government views protection of interests of Armenians in foreign countries as its most important objective.

#### **4.4.8 Migration**

The Government will continue the process of integration of refugees deported from Azerbaijan in 1988-1992 with the society. To this end, addressing the problem of housing for refugees is of special importance, as it is the main condition precedent for full integration of refugees.

The Government will continue the process of establishing a uniform system of registration of movement directions and numbers of the population, which will enable assessing the migration situation and developing measures to prevent the negative impact of individual migration flows.

Targeted steps will be made for the civilized integration of the Republic of Armenia into international labor markets. There will be a focus on issues on legislative regulation of labor emigration, issues of protection by state of rights and legitimate interests of emigrants for employment.

The system of defense offered by the State to foreign citizens and persons without citizenship for humanitarian considerations will be improved to bring it into conformity with international standards.

The Government considers it essential to implement the necessary measures to ensure the accessibility of dual citizenship.

The Government will focus on issues of improvement of border control, legislative solutions will be provided with a view to regulate relations arising in the process of exit and entry of the citizens of the Republic of Armenia from and into Armenia.

The Government will implement measures relating to application of passports containing biometric data in accordance with the concept on migration systems and introduction of electronic passports containing biometric data and identification cards as approved by the RA President.

#### **4.5. Defense, Public Order, and Security**

The Government will focus primarily on issues related to country's defense: i.e. further strengthening of the country's defense ability, improving the army's fighting ability and conducting a policy aimed at raising the spirit of patriotism.

The Government will introduce a legislative initiative to increase democratic and civil oversight over the military forces.

The Government will continue focusing on the critical problems of war veterans, their families and military retirees. Efficient measures will be taken to address the social concerns of the professional staff of Republic of Armenia Armed Forces.

National security and law-enforcement authorities will be set the following main tasks:

- protecting individual person's life and health, rights, freedoms and legitimate interests from criminal and other illegal violations;
- ensuring national security and state guarding;
- ensuring constitutional order;

- defending state borders;
- Preventing the activities of foreign special services in the territory of the Republic of Armenia;
- Protecting public and state interests;
- Preventing crime, and improving the effectiveness of measures aimed at ensuring security;
- Increasing cyber-security significantly;
- Organizing and implementing protection of population from the consequences of emergencies and wars.

The Government will complete reforms in the traffic police system.

#### **4.6. Foreign Policy**

The Government, together with the President of the Republic of Armenia, will conduct the foreign policy of the Republic of Armenia in line with the provisions of the strategy for National Security of the Republic of Armenia.

RA CHIEF OF GOVERNMENT STAFF

D. SARGSYAN

## TABLE OF CONTENTS

RA GOVERNMENT DECREE ON RA GOVERNMENT PROGRAM	2
RA PRIME MINISTER TIGRAN SARGSYAN'S STATEMENT AT RA NATIONAL ASSEMBLY	3
<b>RA GOVERNMENT PROGRAM</b>	
I. PREFACE	12
2. MAIN PRIORITIES OF THE GOVERNMENT'S ACTIVITIES	13
3. MAIN RESULTS EXPECTED FROM THE GOVERNMENT'S ACTIVITIES	16
4. MAIN AREAS OF THE GOVERNMENT'S ACTIVITIES	17
4.1. Significant Reduction of Poverty and Lowering Inequalities	17
4.2. Reforms of Governance System and Fight against Corruption	18
4.2.1. Government Effectiveness	18
4.2.2. Territorial Administration and Local Self-Government	20
4.2.3. Fight against Corruption	22
4.3. Economy	23
4.3.1. Economic Development	23
4.3.2. Business and Investment Climate	26
<a href="#">4.3.3 Financial Intermediation</a>	<a href="#">27</a>
4.3.4. Budgetary System	28
4.3.5. Tax and Customs Systems	30
4.3.6. Copyright and Property Rights	31
4.3.7. Main Sectors of the Economy	33
4.3.7.1. Industry	33
4.3.7.2. Agriculture	34
<a href="#">4.3.8 Foreign Trade Policy</a>	<a href="#">36</a>
4.3.9. Consumer Interests Protection System	37
4.3.10. Environmental Protection	38
4.3.11. Industrial Infrastructure	39
4.3.11.1. Fuel and Energy and Natural Resources Protection System	39
4.3.11.2. Water Supply and Sewerage	39
4.3.11.3. Transport and Communications	40
4.3.12. Urban Development	42
<a href="#">4.3.13 Prevention of Emergency Situations</a>	<a href="#">43</a>
4.4. Social Sector	44
4.4.1. Health	44
4.4.2. Social Protection	45
4.4.3. Education and Science	47
4.4.4. Culture	50
4.4.5. Physical Education and Sports	51

4.4.6. Youth	52
4.4.7. The Diaspora	52
4.4.8 Migration	53
4.5. Defense, Public Order, and Security	54
4.6. Foreign Policy	55

**RA Government**  
**Public Relations Department**

**Information – Analytic Centre for**  
**Economic Reforms**

Design by: Mikael Mirijanyan  
Printed at: SAMARK Printing House  
Copies printed: 700