



REGIONAL BUDGET ANALYSIS

LORI MARZ

Community Poverty Reduction “Know How” PROJECT
NEAR-TS/2020/421-104

JULY 2021

Community Poverty Reduction “Know-How” project, funded by the European Union, is jointly implemented by the Economic Development and Research Center (EDRC), Caucasus Research Resource Center (CRRC), Eurasia Partnership Foundation (EPF) and Hrant Matevosyan Foundation.

The objective of the Project is to contribute to the reduction of multi-dimensional poverty in Armenia through CSO capacity strengthening and increasing beneficiary awareness, promoting participation to community development programmes and implementation of pro-poor initiatives.

Economic Development and Research Center (EDRC) is a non-partisan think-tank dedicated to monitoring and analyses of public programmes and policies. Since 2001, EDRC has carried out a number of projects in which a large role was given to the analyses of policies, programmes and budgets in certain sectors and areas. Giving special importance to the efficiency, effectiveness, as well as targeting and satisfaction of the beneficiaries of the public programmes, the EDRC strives to professionally contribute to the policy making and discussion processes.

Within the **Community Poverty Reduction “Know-How” project** EDRC carries out measures aiming at mapping the public policies and programmes being implemented in Shirak, Lori and Tavush Marzes, strengthening CSO’s capacities in monitoring and evaluation, promoting better participation in policy making processes, as well as social impact assessment of current policies and specific budget programmes.

Regional Budget Analysis: Lori Marz publication is an analytical-informational report which summarizes the socio-economic picture of Lori Marz, as well as budget information collected from various official and community sources. It is intended for large audiences, as well for the professional community aiming at making available the information and increase awareness, creates bases for policy analyses, efficient dialogue and informed discussions.

The publication is prepared with the support of the European Union.

The content solely represents the views of the Economic Development and Research Center and does not necessarily reflect the views of the European Union.

Proper reference to the publication is obligatory when citing.

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SOCIO-ECONOMIC SNAPSHOT OF LORI MARZ

Lori Marz is located in the North of Armenia and borders with Georgia. It is the third largest in terms of surface area Marz in Armenia and covers 3,799 sq. km or 12.8% of the country’s total area. 250.9 thousand ha of the total surface are agricultural lands (including 42.0 thousand ha of tillage).

Lori Marz consists of 56 communities including 8 urban and 122 rural settlements.

Lori Marz is rich with natural and historical-cultural monuments that make it attractive from tourism perspective. Lori is also rich in minerals, in particular – copper.

Population: As of the beginning of 2020, permanent population of Lori Marz totalled to 213.3 thousand or 7.2% of Armenia’s population. 59.1% of the Lori Marz population live in urban, while 40.1% - in rural areas. Notably, majority of the urban population (61.3%) or 36.2% of the total Marz population lives in Vanadzor city.

Gross Production: Per 2018 data¹, GDP of Lori Marz totalled to AMD 248.2 bln constituting 4.1% of the national GDP. Per capita gross production in Lori Marz totalled to AMD 1,147.0 thousand which is lower than the national average by 43%. It is worth noting that per capita GDP in Lori is lower than those of all other Marzes, except Tavush and Gegharkunik.

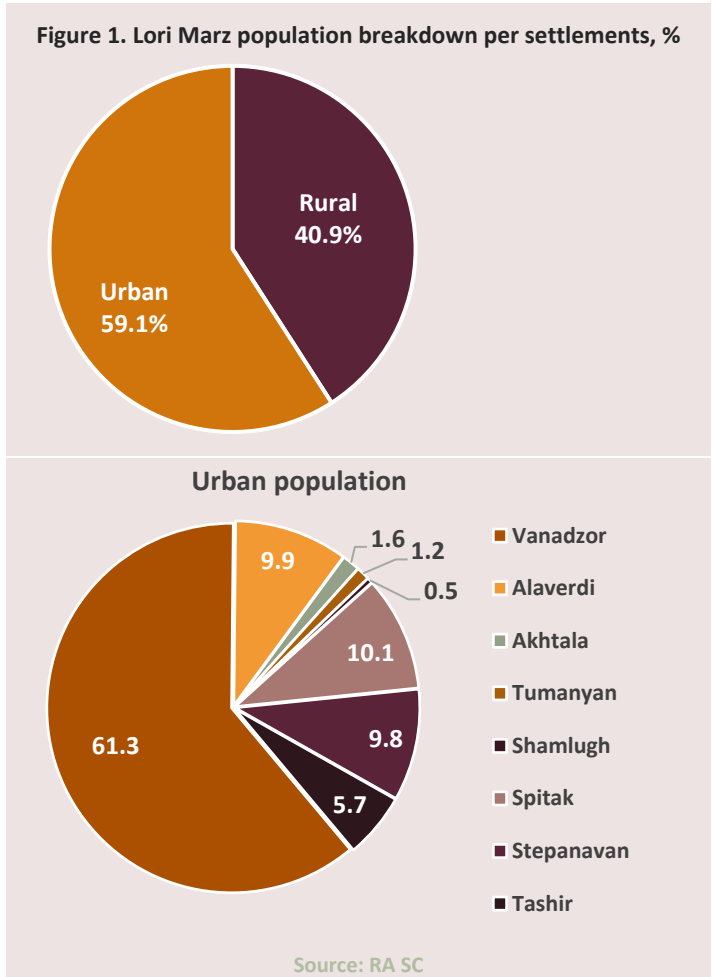


Figure 2. GDP breakdown per Marzes, 2018, %

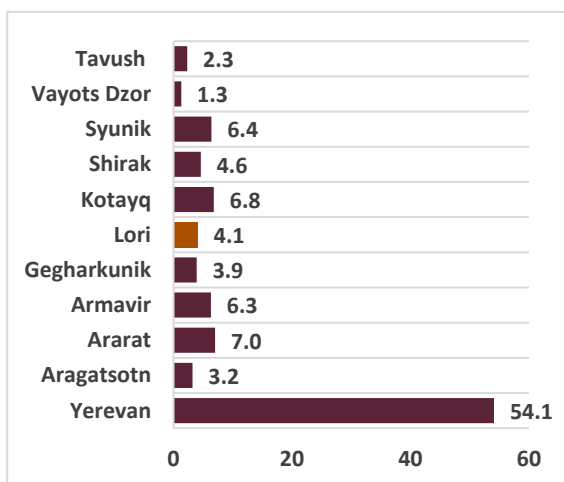
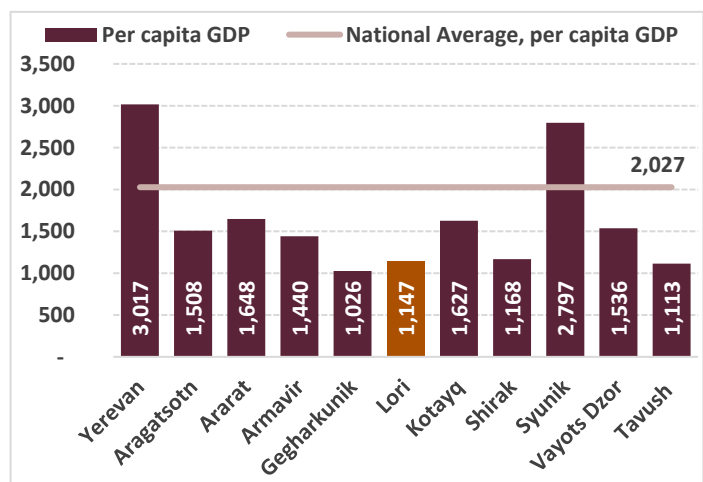


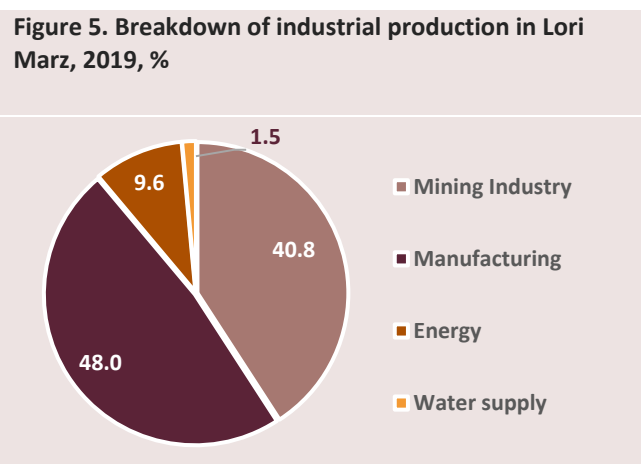
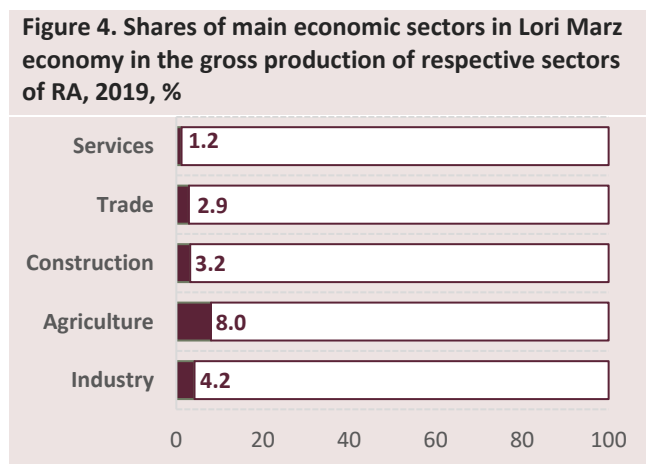
Figure 3. Per capita GDP per Marzes, 2018, AMD thousand



¹ 2019 data will be available only by the end of 2021 in the publication of “Marzes of the RA and Yerevan city in figures, 2021”, RA SC.

The most important economic sectors are agriculture and industry: their shares in the gross production of respective sectors nationwide in 2019 constituted 8.0% and 4.2% respectively.

More than half of the agricultural gross production – 68.5% - comes from stock-breeding, while 31.5% - from plant growing.



Source: RA SC

The role of manufacturing and mining industries are important among the industrial sectors: about 48% of industrial output is produced by manufacturing industry, while 41% - by mining industry. The main subsectors in manufacturing are food production – 77.6%, and clothing production - 17.3%.

Employment: Employment rate is 38.5% in Lori, while unemployment rate – 19.9%. Employment rate is below the national average by 10.4 percentage points, while the unemployment rate is above the national unemployment rate by 1.6 percentage points.

Figure 6. Employment rates per Marzes, 2019, %

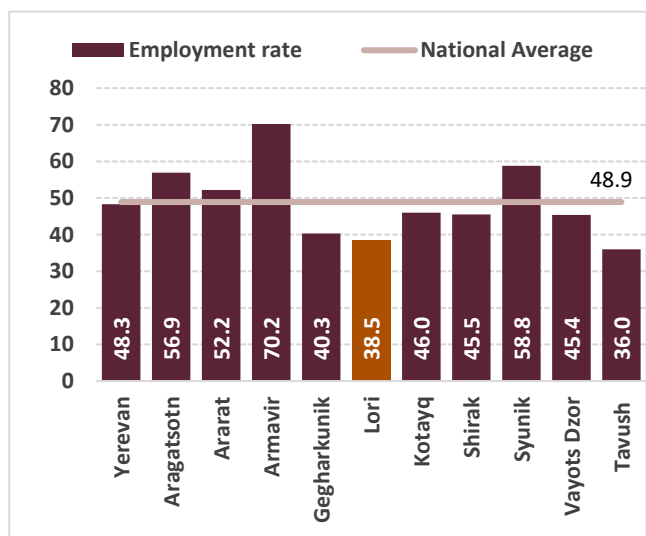
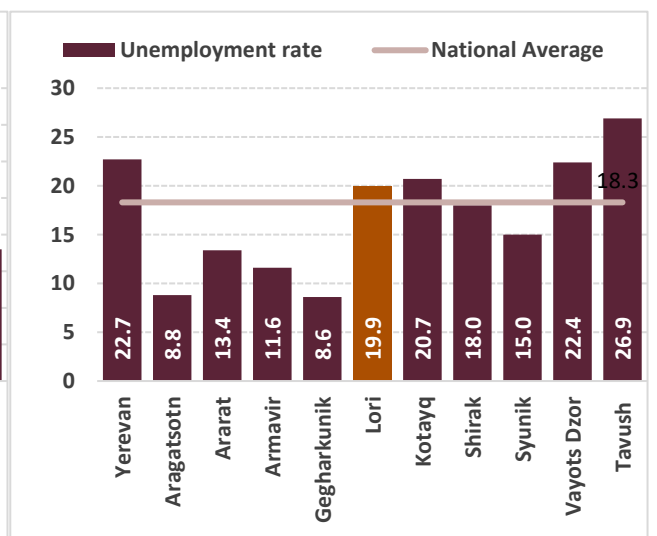


Figure 7. Unemployment rates per Marzes, 2019, %



Source: RA SC

Income and Expenditures of population: Average monthly incomes per HH member totalled to AMD 45,396 in 2019 which is below the national indicator by AMD 15,680 or by 25.7%. Notably, the share of wages is large in the structure of total monetary incomes (42.3%), followed by pensions (22.8%), remittances from relatives living abroad (10.9%) and self-employment (9.4%). Income from sales of agricultural products and cattle constituted 7.1% of incomes per HH member.

Figure 8. Average monthly monetary income per HH member, AMD

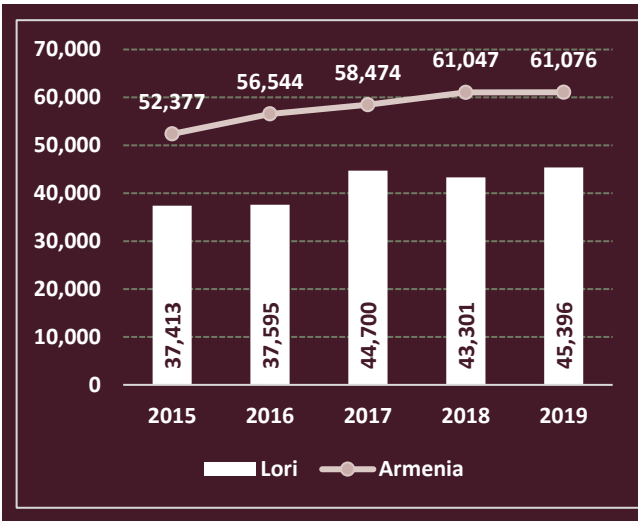


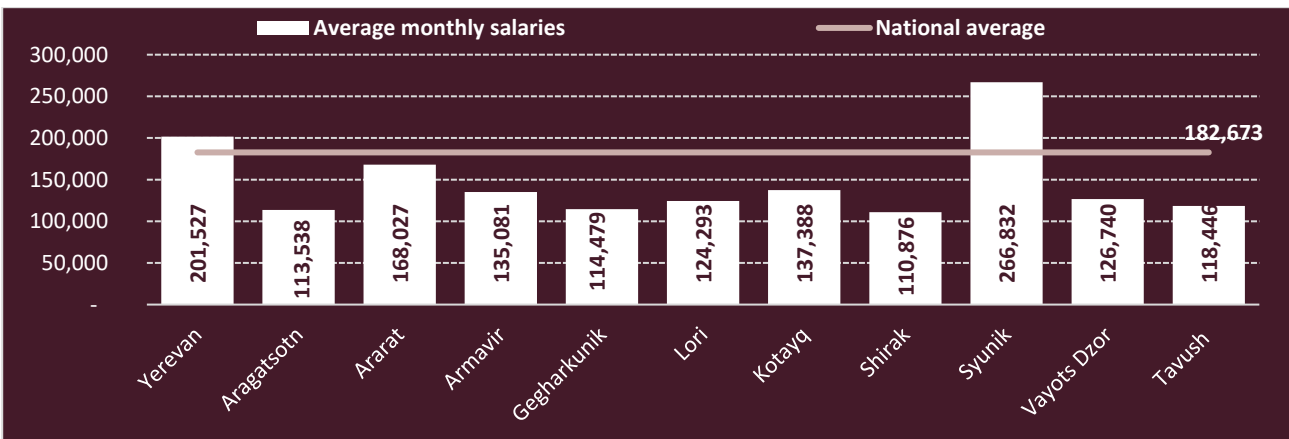
Table 1. Breakdown of average monthly monetary income per HH member in LM, per sources of income

	2019	
	AMD	%
Total	45,396	100.0
Employment	19,202	42.3
Self-employment	4,266	9.4
Sales of agricultural products and animal stock	3,217	7.1
Pensions	10,335	22.8
Benefits for increasing the family living standards	1,838	4.0
Other state benefits and education fellowships	438	1.0
Transfers from relatives in RA	960	2.1
Transfers from relatives outside of RA	4,939	10.9
Other income	202	0.4

Source: RA SC and EDRC calculations

Average monthly wages in Lori equalled AMD 124,293 which is lower than the national average by 32.0% or by AMD 58,380.

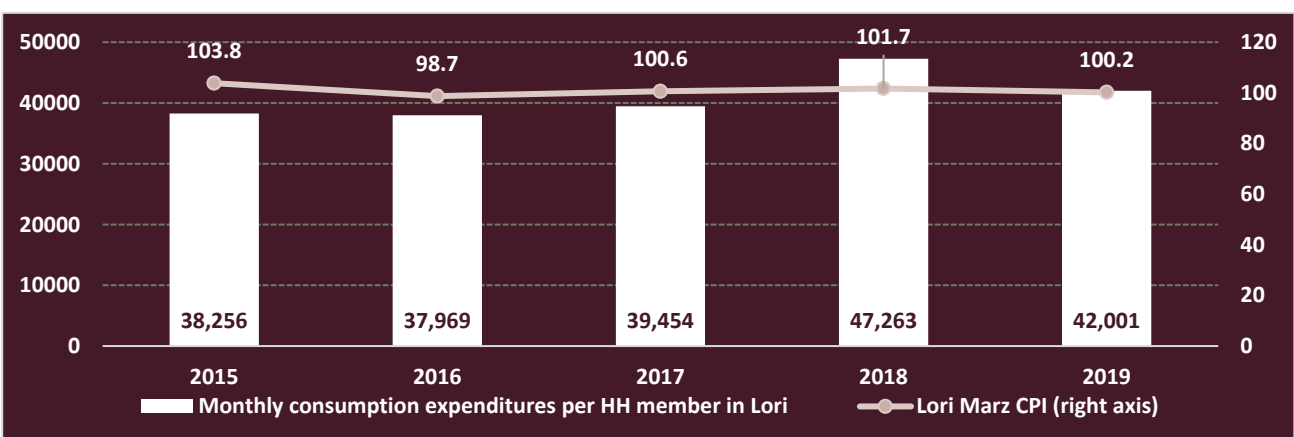
Figure 9. Average monthly salaries per Marzes, 2019, AMD



Source: RA SC

Expenditures on consumption in 2019 per HH member decreased by 11.1% compared to the previous year reaching AMD 42,001.

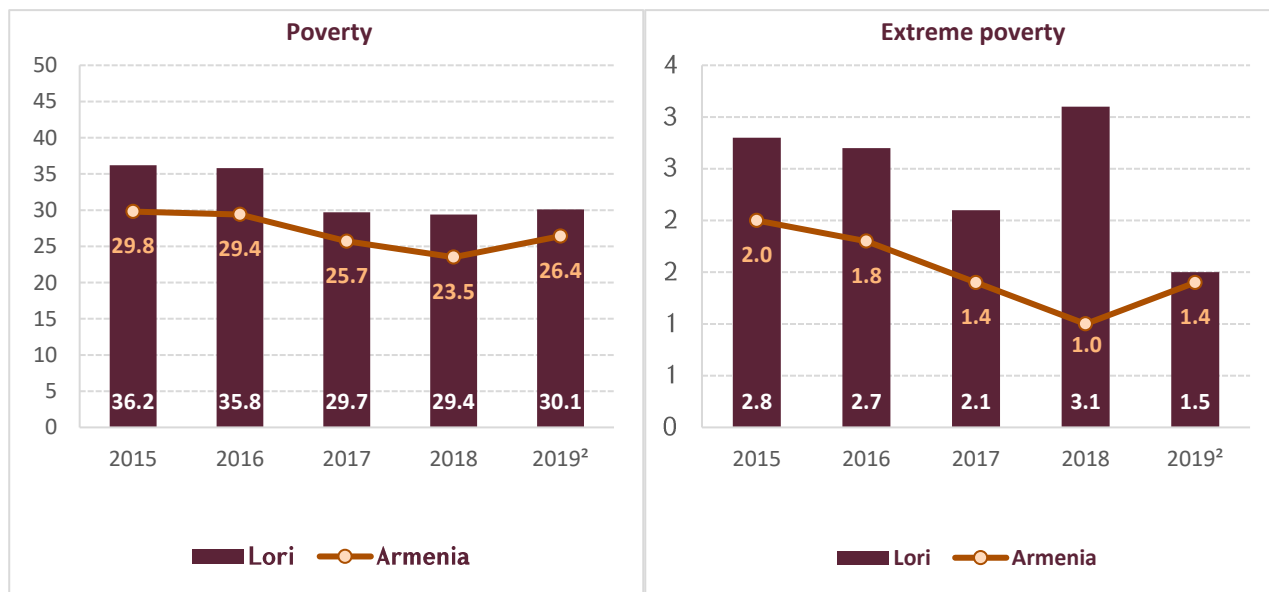
Figure 10. Monthly consumption trends per HH member in Lori Marz, 2015-2019



Source: RA SC and EDRC calculations

Poverty: Poverty incidence in 2019, in accordance with the new methodology², equalled 30.1% in Lori which exceeds the national poverty incidence by 3.7 percentage points. In 2019, extreme poverty decreased in Lori and equalled 1.5% which is still higher than the nationwide incidence by 0.1 percentage points.

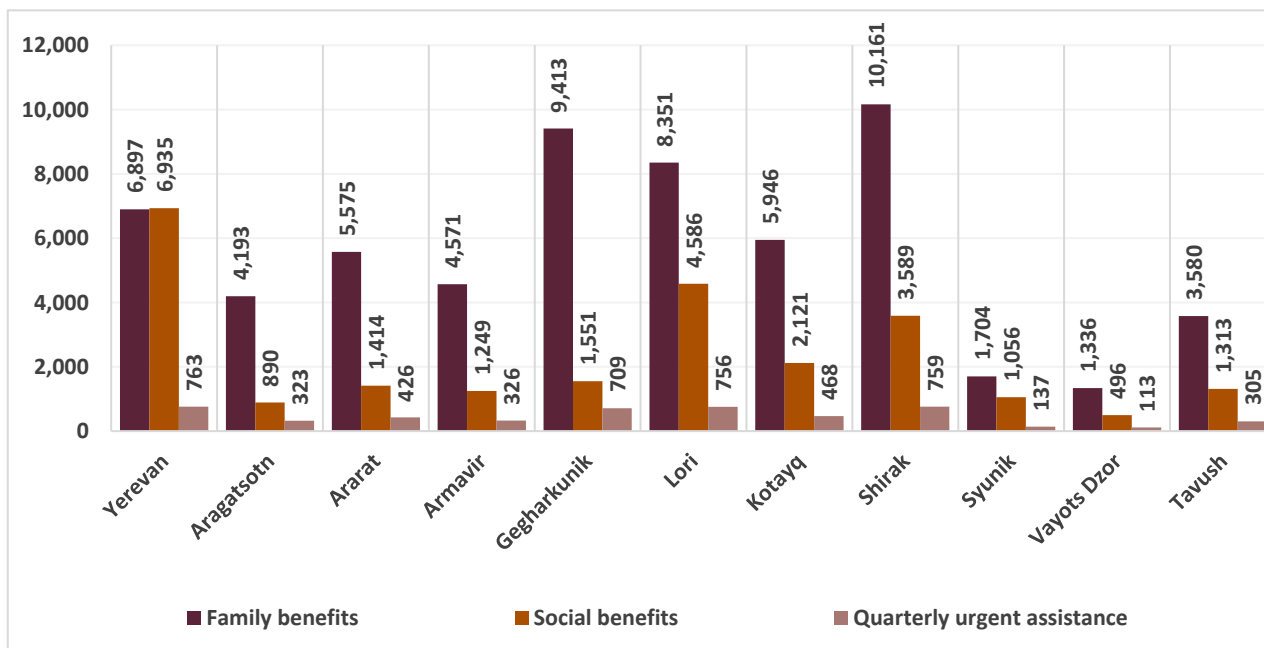
Figure 11. Poverty and extreme poverty trends in Lori Marz and Armenia, 2015-2019, %



Source: RA SC

As of end 2020, Family living standards enhancement benefits were paid to more than 23% of HHs in Lori or 13,693 HHs. In particular, 8,351 HHs received Family benefits, 4,586 HHs were paid Social benefits and 756 HHs received Urgent quarterly assistance.

Figure 12. Distribution of HHs that receive FLSEB per Marzes, as of end 2020



Source: RA SC

² In 2020, new methodology was used for the poverty assessment (Armenia Social Snapshot and Poverty: 2020 <https://www.armstat.am/am/?nid=81&id=2323>), therefore, 2019 data is not fully compatible with previous years' data.

MARZ DEVELOPMENT POLICY

Government of Armenia approved 2017-2025 Lori Marz Development Strategy³ in 2017 which defines the long-term development perspectives and directions in Lori.

According to the above-mentioned strategy, the vision of Lori Marz development is ***to have multi-sectoral advanced industry, modern agriculture, IT sector and developed tourism sector.***

The Strategy defines the following strategic objectives for Lori Marz development, as well as targets for outcomes and priority development directions/areas.

Table 2. Lori Marz, Strategic Development Directions and Indicators

OBJECTIVES
<ol style="list-style-type: none"> 1. <i>Ensure economic growth in Lori: application of intensive methods of economic activities, job creation and reduction of poverty.</i> 2. <i>Ensure proportionate development of three sub-regions of Lori Marz by emphasizing near-border and least-developed settlements.</i> 3. <i>Improve regional and local management capacities and systems.</i>
INDICATORS
<ul style="list-style-type: none"> • <i>Increase in per capita Marz GDP to 72% of the national indice by 2025 (63% in 2015),</i> • <i>At least 12% increase in the number of active enterprises by 2025 as compared to 2015,</i> • <i>Increase in the number of specialists in high-Tech industry by 20% by 2025,</i> • <i>Increase in the number of non-agricultural formal employment by at least 10% by 2025,</i> • <i>Reduce unemployment in Lori down to 8.8% by 2025 (from 15.7% in 2015),</i> • <i>Decrease poverty incidence in Lori down to 26% by 2025 (from 36.2% in 2015),</i> • <i>All communities will have new local development plans by 2025,</i> • <i>Increase the share of staff members of Marz administrations with graduate degree to 95% by 2025,</i> • <i>80% of Marz and community employees pass Marz/local development-oriented trainings.</i>
PRIORITIES
<ol style="list-style-type: none"> 1. <i>Development of export-oriented industry, in particular, mining, light industry, food industry and IT,</i> 2. <i>Development of intensive agriculture,</i> 3. <i>Development of cultural and rural tourism including winter tourism and eco-tourism.</i>

Source: 2017-2025 Lori Marz Development Strategy

³ RA Government Protocol Decree N 29 dated July 6, 2017.

COMMUNITY POLICIES AND BUDGETS

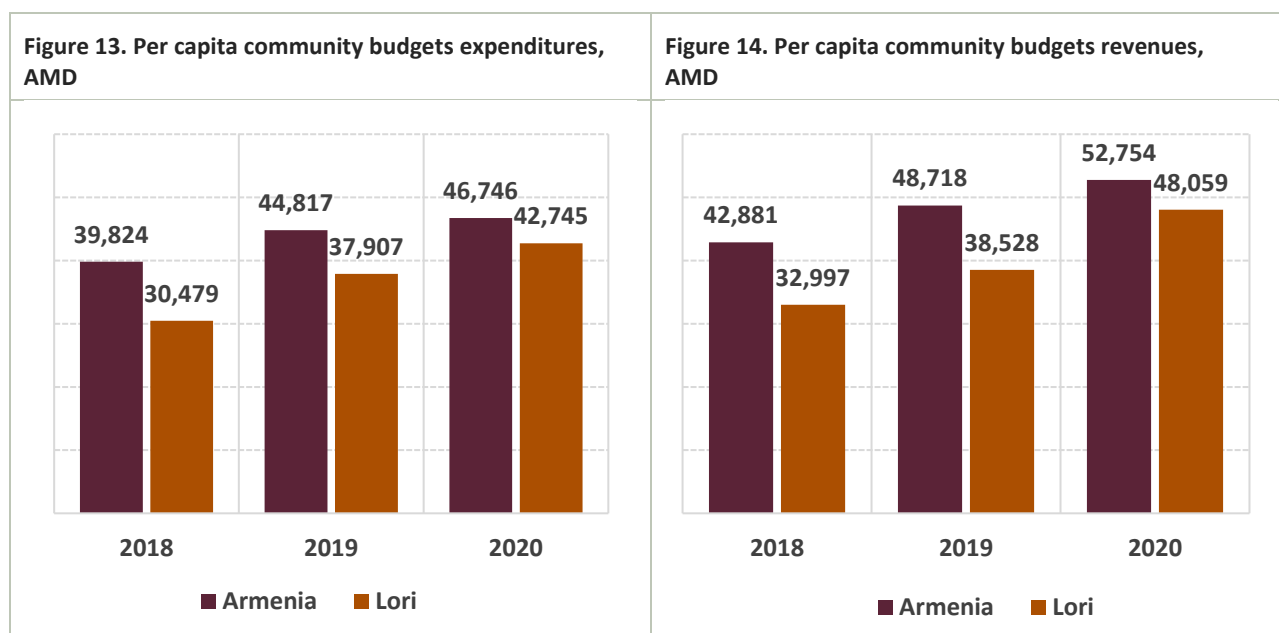
Total expenditures of community budgets in Lori Marz totalled to AMD 9,118 mln in 2020 or 6.6% of expenditures of all communities of Armenia (consolidated community budgets of Armenia): meanwhile, revenues totalled to AMD 10,252 mln or 6.6% of the revenues of the consolidated community budget of Armenia.

Table 3. Lori Marz, Community Budgets, Main Indicators, 2018-2021

	2018 Actual	2019 Actual	2020 Actual	2021 Plan ⁴
Total Community Budget Expenditures of Lori Marz, AMD mln	6,625	8,168	9,118	12,728
Change in Total Community Budget Expenditures of Lori Marz, %	0.9	23.3	11.6	39.6
Share of Total Community Budget Expenditures of Lori Marz in the Total Community Budget Expenditures of Armenia, %	5.6	6.1	6.6	-
Total Community Budget Revenues of Lori Marz, AMD mln	7,172	8,302	10,252	10,699
Change in Total Community Budget Revenues of Lori Marz, %	10.3	15.7	23.5	4.4
Share of Total Community Budget Revenues of Lori Marz in the Total Community Budget Revenues of Armenia, %	5.6	5.7	6.6	-

Source: RA MoF, Lori Marz provincial governance unit and EDRC calculations

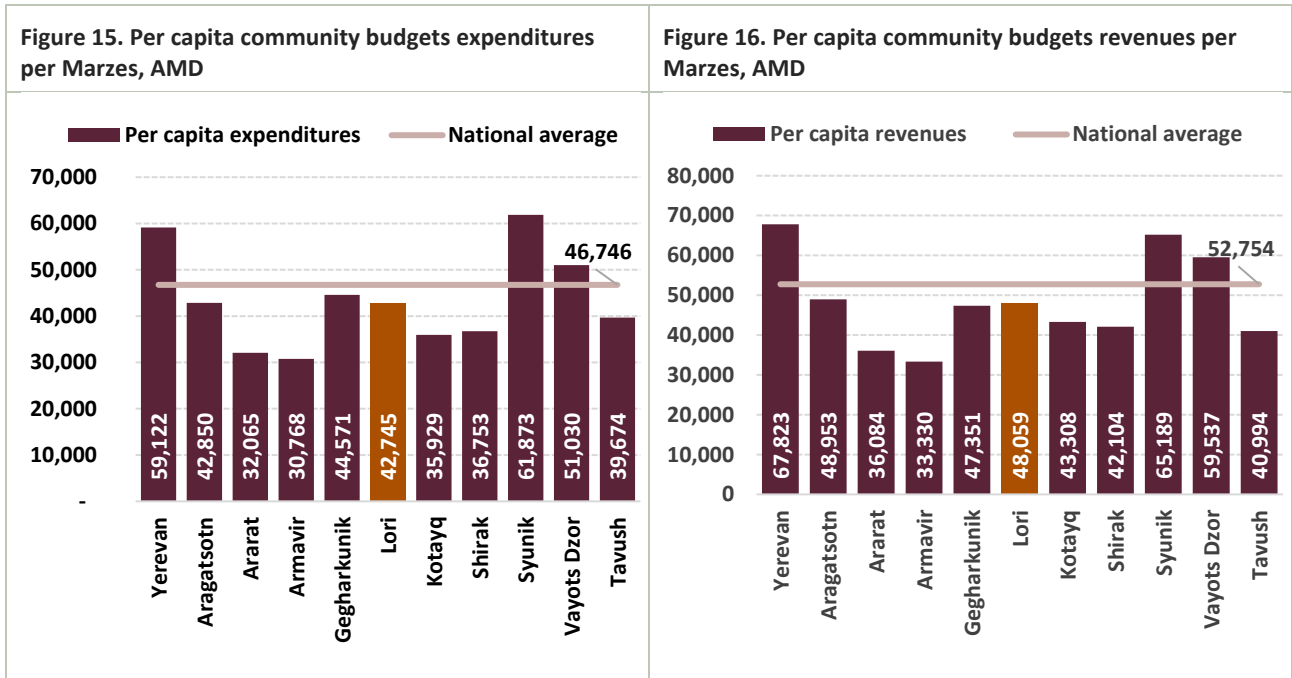
Average per capita community budget expenditures in Lori Marz increased by 12.8% in 2020 as compared to the previous year, reaching AMD 42,745 against AMD 37,907 in 2019. The increase in community revenues is even higher: per capita revenues increased by 24.7%: from AMD 38,528 to AMD 48,059.



Source: RA MoF, Lori Marz provincial governance unit, RA SC and EDRC calculations

Community revenues and expenditures in Tavush Marz are lower than the national averages. In terms of per capita community expenditures and revenues are below the national average indicators by about 9%.

⁴ The 2021 budget data are programed/projected indicators.

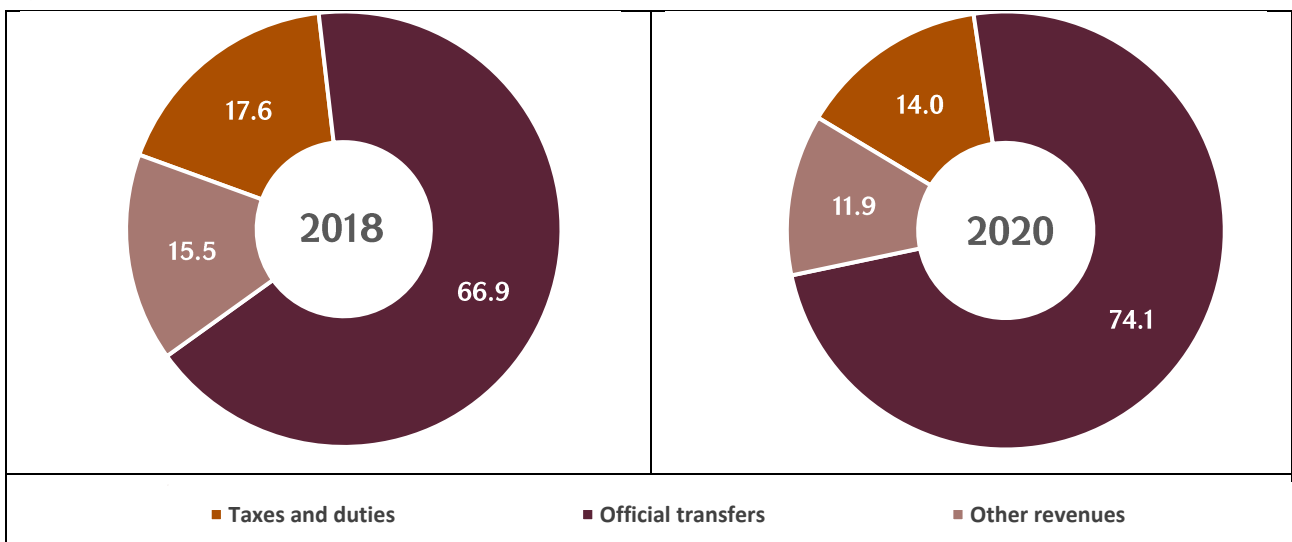


Source: RA MoF, RA SC and EDRC calculations

COMMUNITY REVENUES

Official transfers prevail in the structure of community budget revenues. In 2020, they constituted 74.1% of community revenues and totalled to AMD 7,593 mln. The share of revenues from taxes and duties constituted 14.0% and equalled AMD 1,610 mln. It is worth noting that, as compared to 2018, the share of official transfers increased by 7.2 percentage points, while that of tax and duty revenues decreased by 3.6 percentage points.

Figure 17. Lori Marz Total Community Budget revenues breakdown, 2018 and 2020, %

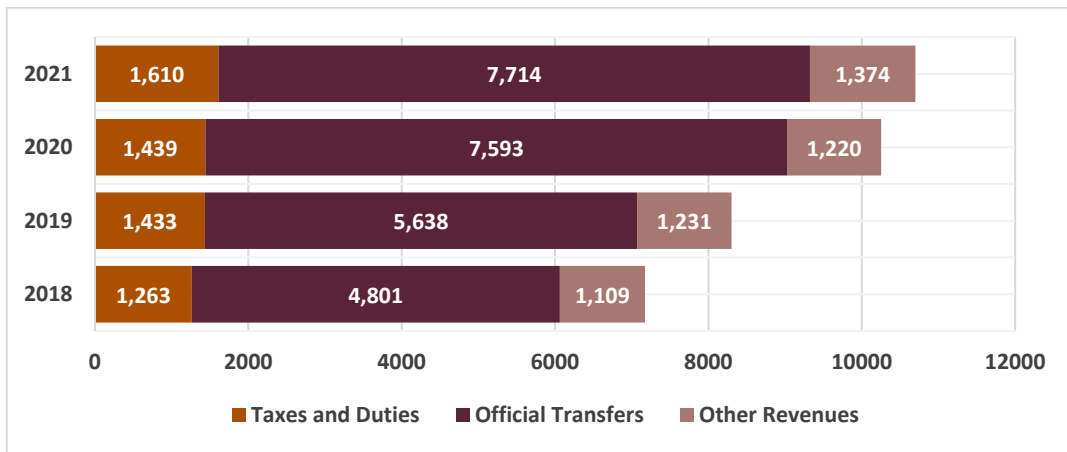


Source: Lori Marz provincial governance unit and EDRC calculations

The increase in community budget revenues was mostly determined by the increase in official transfers. The latter increased on average by 26.1% during the last two years, while tax revenues and stamp duties increased by 0.4% compared to 2019 and by 14.0% compared to 2018.

For 2021, total community revenues are projected to total to AMD 10,699 mln, thus increasing from the 2020 level by 4.4%. Notably, all revenue categories are projected to increase.

Figure 18. Lori Marz Total Community Budget revenues, 2018-2021, AMD mln



Source: Lori Marz provincial governance unit and EDRC calculations

TAXES AND DUTIES

Interestingly, the share of real estate (property and land) taxes decreased in the total tax and duty revenues during 2018-2020. This holds true both for the property tax on buildings and structures within community boundaries and land tax. Local and state duties payable to the community budgets also decreased.

Unlike the taxes on real estate, budget inflows from property taxes on transportation means increased.

Figure 19. Breakdown of tax and duties of Total summary Community Budget in Lori Marz, 2018-2021, %

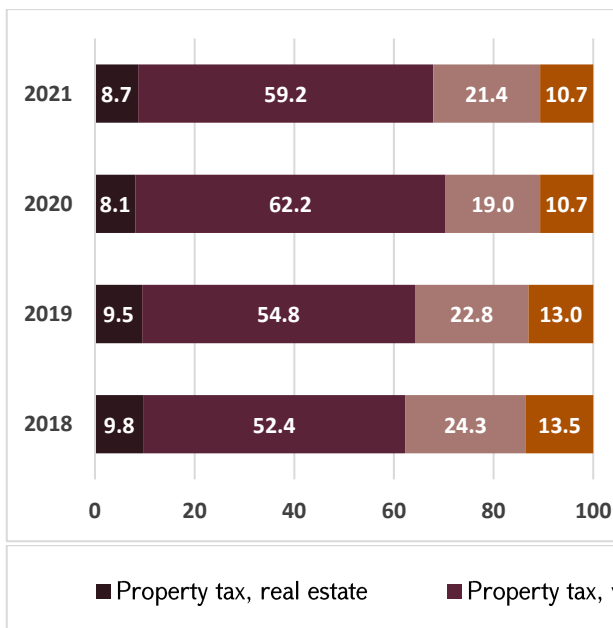
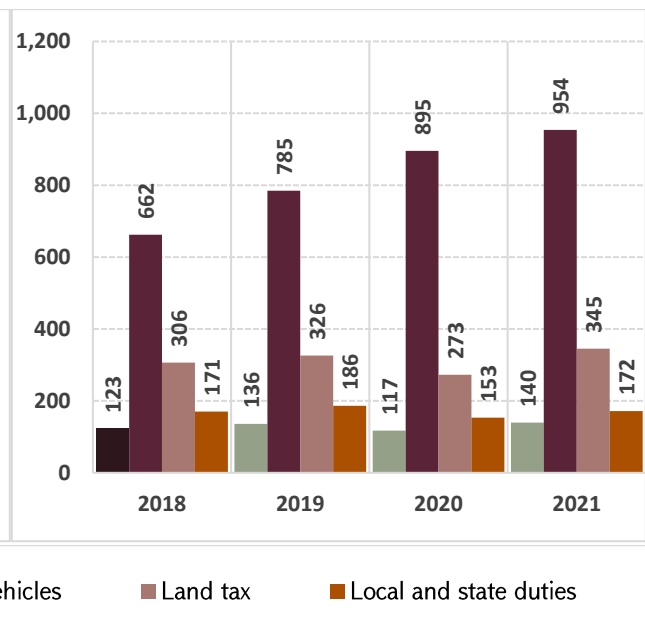


Figure 20. Breakdown of tax and duties of Total Community Budget in Lori Marz, 2018-2021, AMD thousand



Source: Lori Marz provincial governance unit and EDRC calculations

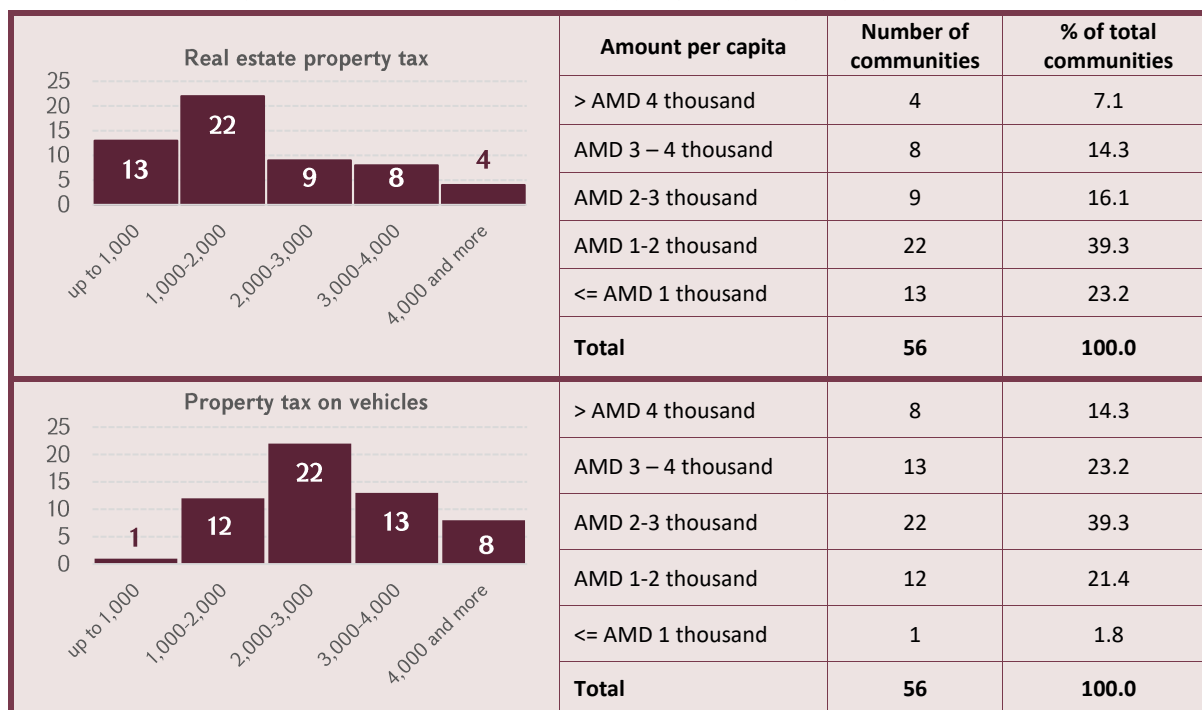
Per capita average annual real estate taxes in Lori Marz communities totalled to AMD 2,200, while the property tax on transportation means – AMD 2,800.

The highest collection of real estate taxes was recorded in Chkalov community – AMD 13,380. In 63% of communities, annual per capita real estate taxes do not exceed AMD 2,000.

It is worth noting that 70% of real estate taxes comes from land tax, while 30% - from property tax on buildings and structures. Notably, property tax on buildings and structures is not being collected at all in 16 communities of Lori Marz due to low cadastre value of respective real estate items⁵.

For the case of vehicles (transportation means) property tax, the distribution has the opposite picture. For more than 77% of communities per capita vehicle property tax exceeds AMD 3,000.

Figure 21. Breakdown of community budgets per capita property taxes



Source: Lori Marz provincial governance unit and EDRC calculations

OFFICIAL TRANSFERS

Overwhelming majority of official transfers - 99.9% are domestic transfers, i. e. are the donations and subventions from the state budget paid to the local self-government units. The share of external transfers is very low: AMD 8.2 mln in 2020. External transfers were received by only one community - Metsavan.

Donations prevail in the structure of domestic transfers. During 2019-2020, donations increased on average by AMD 736.5 mln or by 15.9%. Despite the increase in the size of donations in absolute terms, their share in the structure of total domestic transfers decreased from 91.1% in 2018 to 76.8% in 2020.

Donations are annual non-refundable transfers paid by the state budget to local government budgets in order to level out the existing differences in financial capabilities and are aiming at assisting the harmonious development of communities, as well as creating possibilities to implement minimum expenditures in all communities⁶. Donations from the state budget consist of 2 parts. First, communities with less than 3,500 inhabitants are paid donations in the amount defined by the Annual Budget Law of the respective year (equal amounts for all eligible communities). While the second section of donations are paid to communities depending on their revenue-generating capacities and expense needs⁷.

⁵ Law on Property Tax (not in force starting January 1, 2021).

⁶ RA Law on Financial Levelling, Article 2.

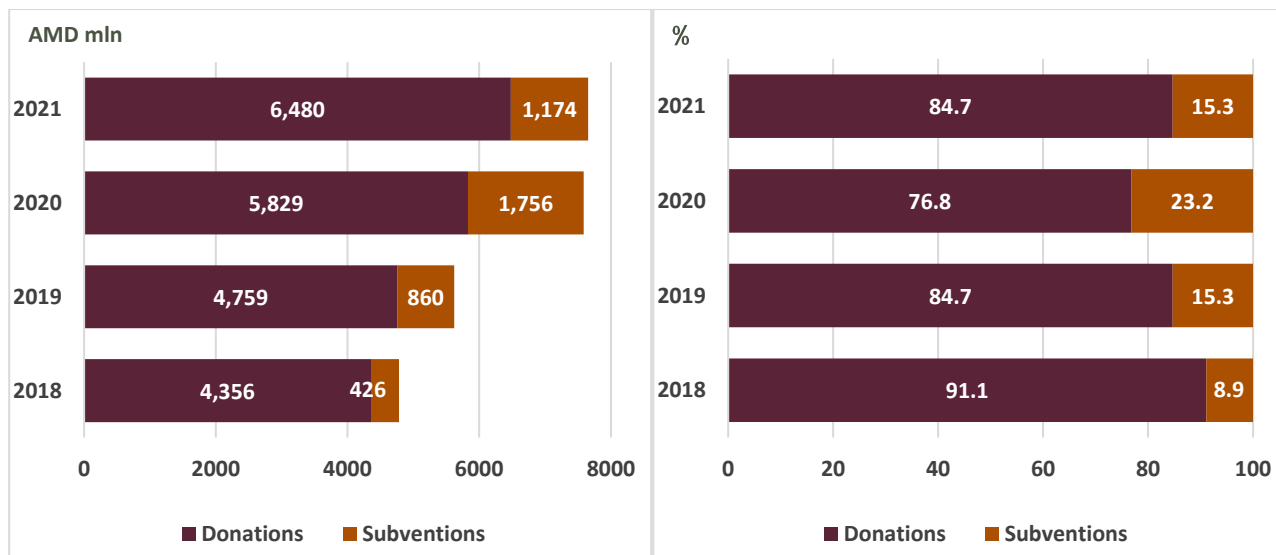
⁷ RA Law on Financial Levelling, Articles 5-16.

The growth rate of state subventions paid to local governments exceed the growth rate of donation and reached 102.9% in recent years. AMD 1,756 mln was transferred to the local governments in Lori in 2020 which represents an increase of more than 2 times from the previous year.

However, it is worth noting that projected subventions for 2021 are lower than in 2020 by 33.2%.

In 2020, donations totalled to AMD 5,829 mln which represents an increase of 22.5% from the previous year, while an 11.2% increase is projected for 2021 (reaching AMD 6,480 mln in absolute terms).

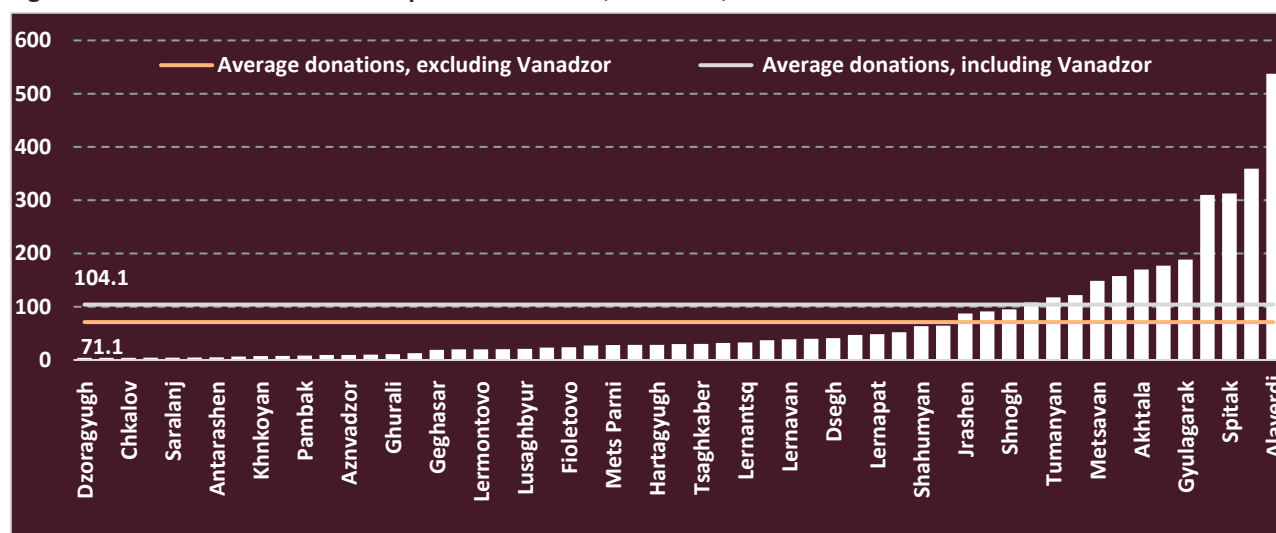
Figure 22. Breakdown of domestic donations



Source: Lori Marz provincial governance unit and EDRC calculations

Donations were paid to all 56 communities of Lori Marz. The average size of donations totalled to AMD 104.1 mln. For the case of 43 communities (77% of communities), donations did not exceed AMD 100 mln. At the same time, Vanadzor community received AMD 1,916 mln as a donation which constitutes 32.9% of all donations amount paid to communities in Lori. Average size of donations paid to communities in Lori, excluding donations to Vanadzor, equalled AMD 71.1 mln.

Figure 23. Distribution of donations per communities⁸, AMD mln, 2020



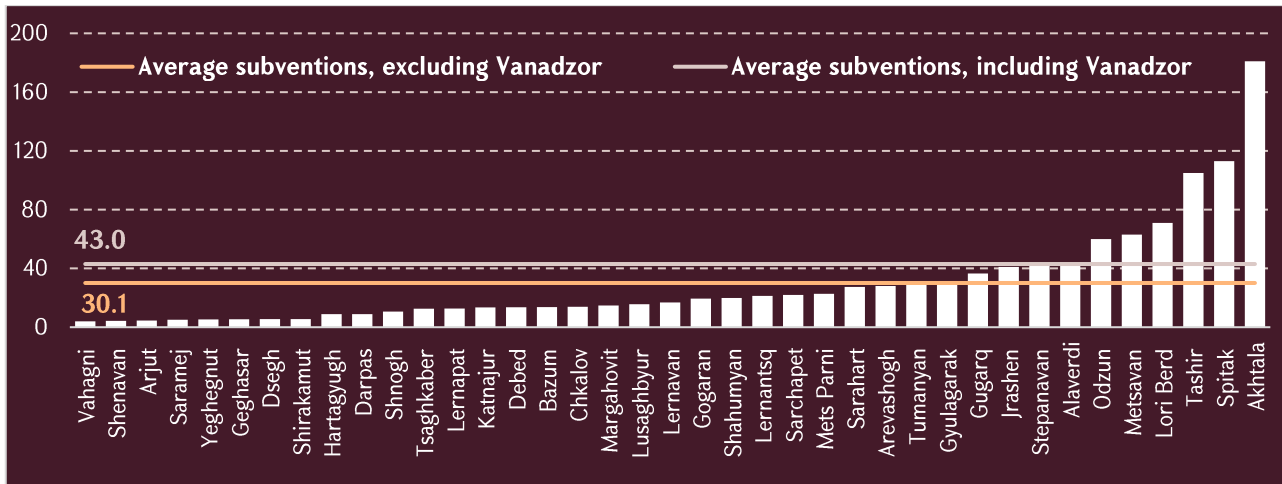
Source: Shirak Marz provincial governance unit and EDRC calculations

⁸ City of Vanadzor is not presented.

43 communities or 77% of communities in Lori received subventions from the state budget; in particular, for 40 communities those were capital subventions with an average size of AMD 42.5 mln. Vanadzor community received AMD 527.3 mln capital subventions which represents 31% of total capital subventions received by communities in Lori.

Subventions are non-reimbursable and non-refundable monetary resources transferred to the local government budgets for the implementation of specific targeted expenditures (programmes)⁹.

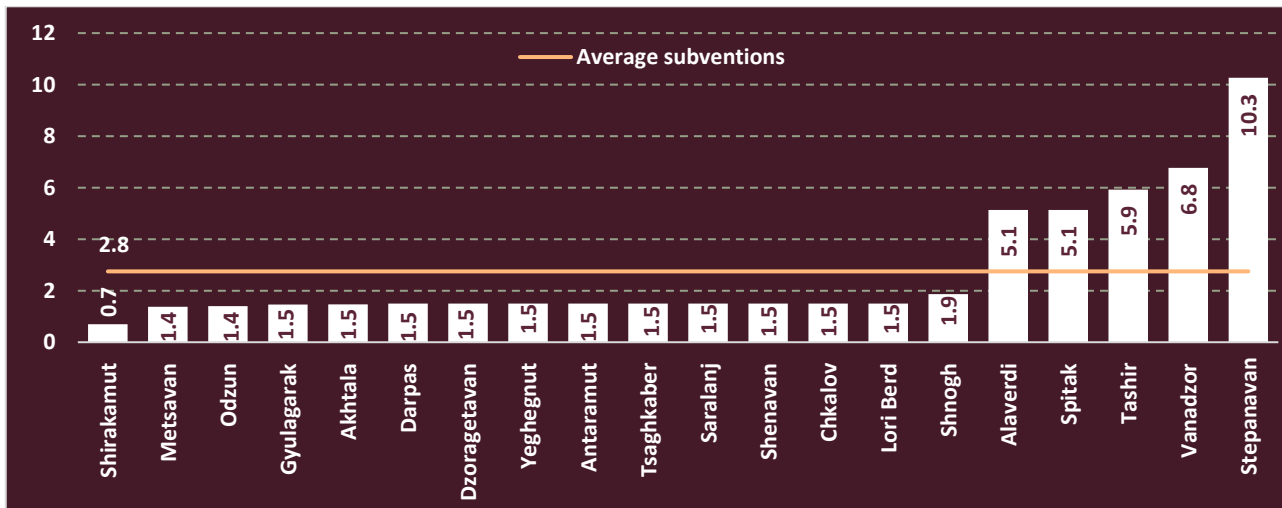
Figure 24. Distribution of capital subventions per communities¹⁰, AMD mln, 2020



Source: Lori Marz provincial governance unit and EDRC calculations

Current subventions were transferred to 20 communities in Lori: the average size of such subventions was AMD 2.8 mln.

Figure 25. Distribution of current subventions per communities¹⁰, AMD mln, 2020



Source: Lori Marz provincial governance unit and EDRC calculations

COMMUNITY EXPENDITURES AND PROGRAMMES

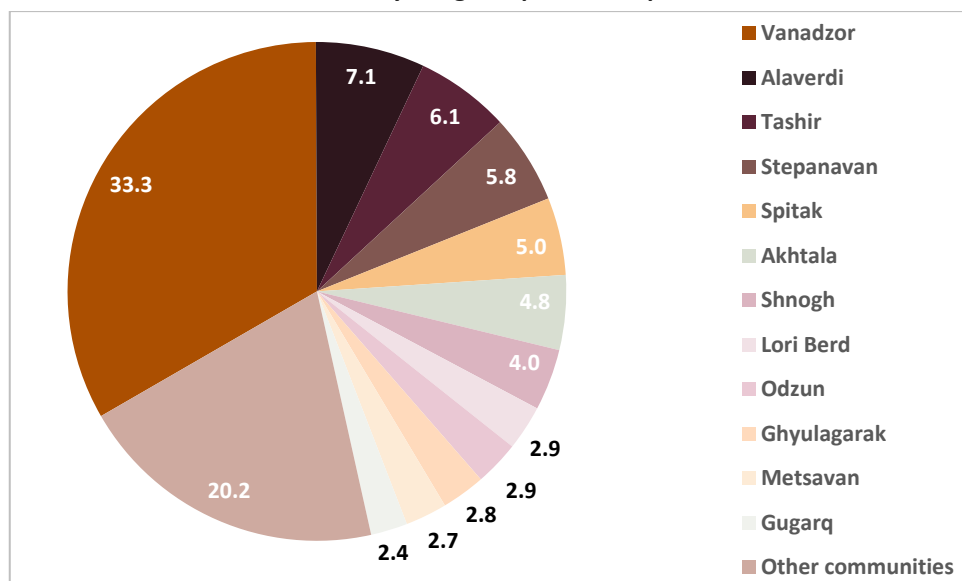
Total expenditures of local governments in Lori Marz increased by 11.6% in 2020 compared to the previous year. It is worth noting that 3.4 percentage points out of this increase is due to the increased expenditures of Vanadzor community.

⁹ RA Government Decree N1708-N On approving the Procedures of Providing Subventions from the State Budget to the Communities, November 16, 2006, Part I.3.

¹⁰ Vanadzor is not included.

Among total community expenditures in Lori, Vanadzor community expenditures represent 33.3% of total, followed by Alaverdi (7.1%), Tashir (6.1%), Stepanavan (5.8%), Spitak (5.0%), Akhtala (4.8%) and Shnogh (4.0%) communities. The share of expenditures of Lori Berd, Odzun, Gyulagarak, Metsavan and Gugarq communities in the total fall within the range of 2.4-2.9%, while that of other expenditures – up to 1.9%.

Figure 26. Breakdown of Total Community Budget expenditures per communities, Lori Marz, 2020, %



Source: Lori Marz provincial governance unit and EDRC calculations

70.3% of community expenditures are recurrent expenditures, in particular, they constitute 83.6% of expenditures in Vanadzor and 64.6% - in the remaining communities. 16.7% of expenditures constitute salaries and wages. The share of salaries is lower in Vanadzor compared to other communities - 9.5%.

On average, capital expenditures constituted 35.6% of total expenditures.

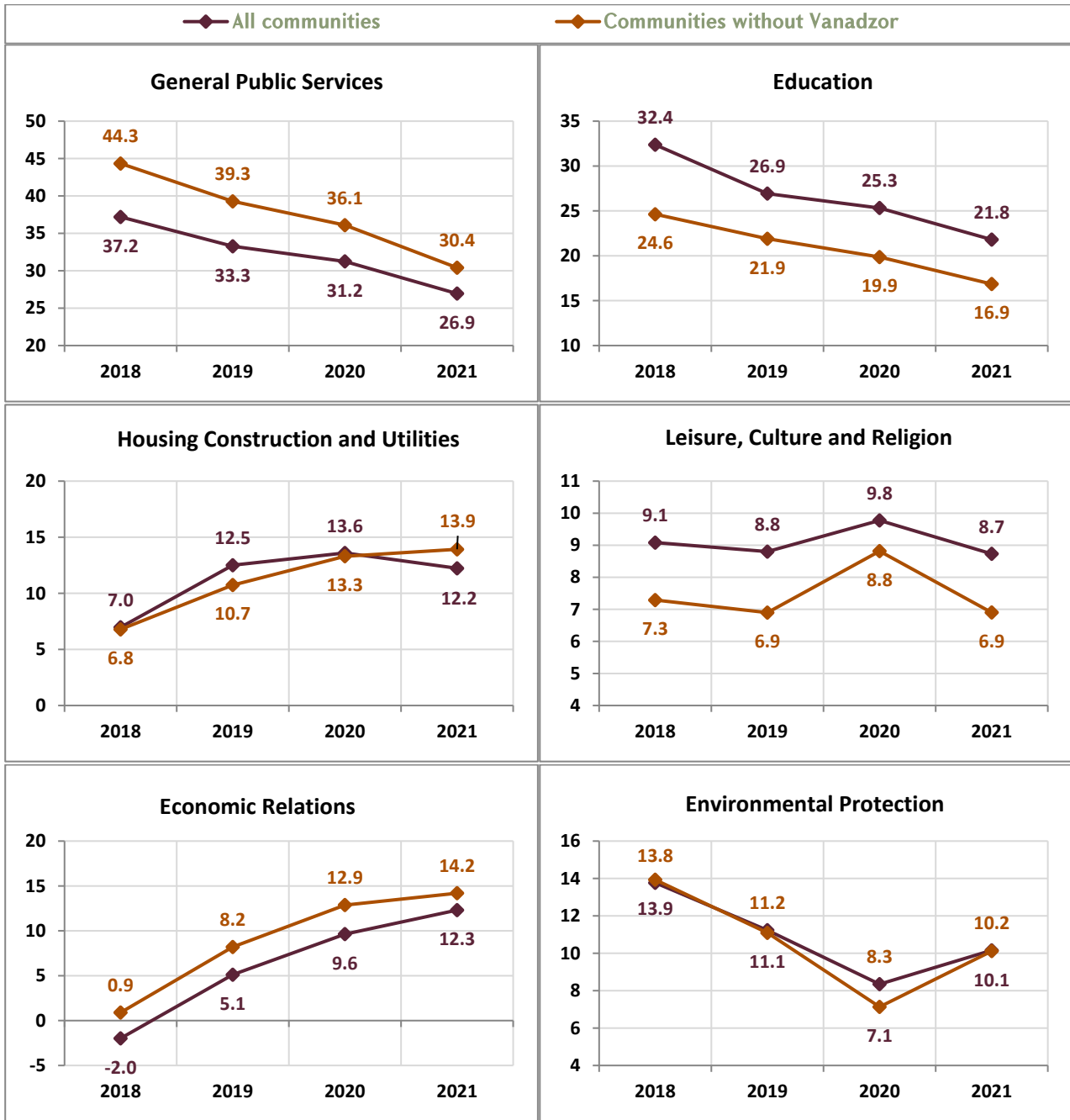
Table 4. Lori Marz Community Budgets Expenditures in Lori, Economic classification, 2018-2021

	Vanadzor		Total, excluding Vanadzor		Total for Lori Marz	
	AMD mln	%	AMD mln	%	AMD mln	%
Total Expenditures	3,801.5	100.0	8,926.5	100.0	12,728.0	100.0
Current Expenditures	3,177.0	83.6	5,766.1	64.6	8,943.1	70.3
<i>Salaries and wages</i>	362.9	9.5	1,757.6	19.7	2,120.5	16.7
Expenditures for non-financial assets	1,043.4	27.4	3,486.0	39.1	4,529.4	35.6
Inflows from the sales of non-financial assets	-418.9	-11.0	-325.5	-3.6	-744.4	-5.8

Source: Lori Marz provincial governance unit and EDRC calculations

The largest functional category of local government expenditures is “General Public Services” to which 31.2% of total expenditures were dedicated to (about 36.1% - excluding Vanadzor). These expenditures are followed by “Education”, “Housing Construction and Utilities”, “Leisure, culture, religion” and “Economic relations” functional categories with 25.3%, 13.6%, 9.8% and 9.6% respectively. When excluding Vanadzor expenditures, the share of expenditures on “Economic relations” goes up to 12.9%, while for the other directions – the shares decrease.

Figure 27. Lori Marz Total Community Budget expenditure Items as share of Total Community Budget, 2018-2020, %



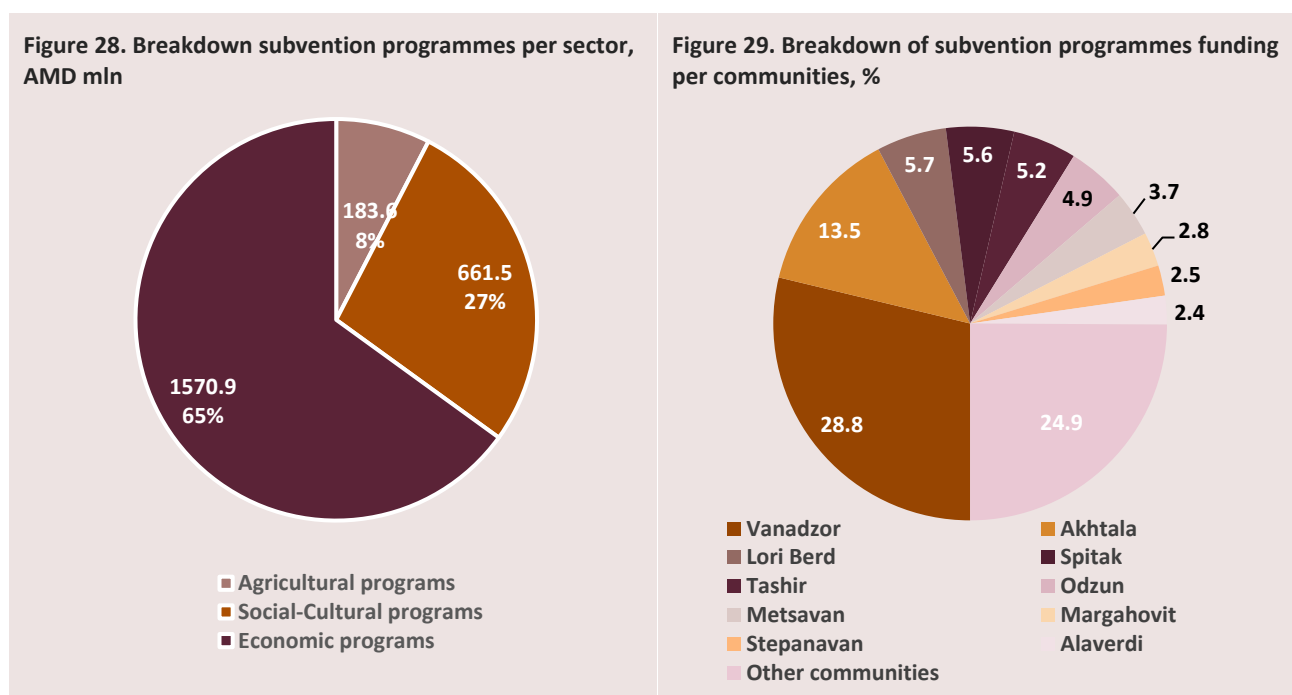
Source: Lori Marz provincial governance unit and EDRC calculations

Expenditures in “Economic relations” category mostly refer to the road sector. This holds true both for Vanadzor community and all other communities in Lori.

SUBVENTION PROGRAMMES

More than AMD 2,416 bln was transferred from the State Budget in 2019 and 2020 as co-financing to the subvention programmes intended for the development of social and economic infrastructure in 40 communities of Lori Marz¹¹. It is worth noting that AMD 1,135.2 mln of co-financing to 54 programmes in 32 communities was approved by the RA Government in December 2020¹², therefore, those subvention programmes will be implemented during 2021.

Among subvention programmes, economic infrastructure development programmes prevailed: AMD 1,570.9 mln was transferred as Government co-financing to those programmes (apart from the community part of co-financing). Social and cultural infrastructure programmes followed next with total AMD 661.5 mln co-financing, while agricultural programmes – with AMD 183.6 mln state co-financing.



Source: RA Government Decrees and EDRC calculations

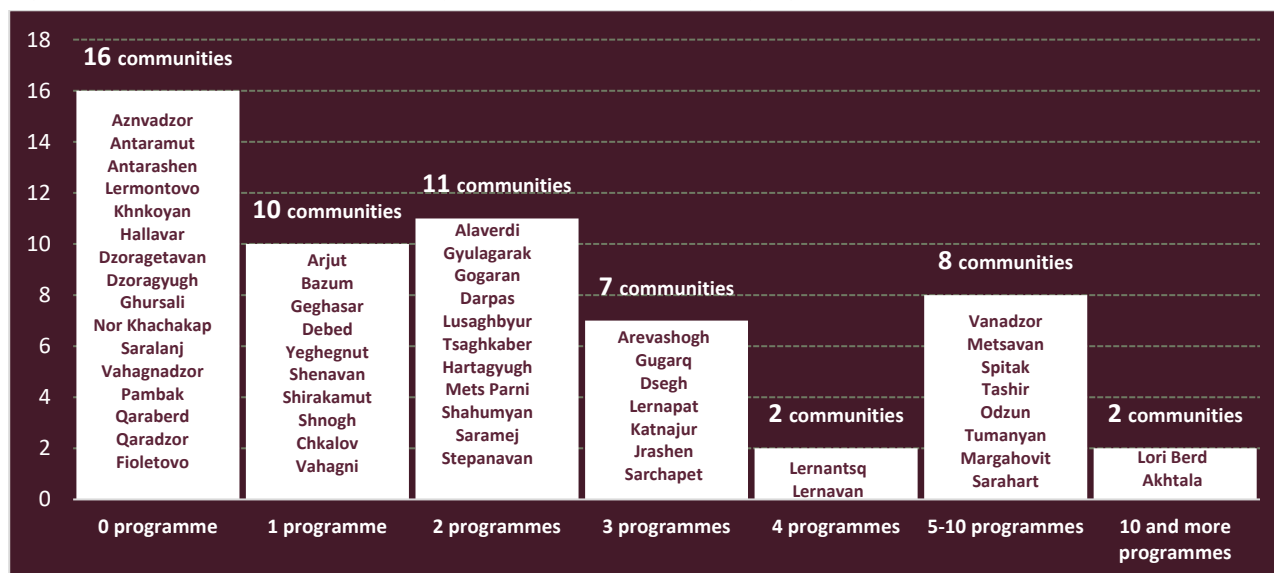
A large portion of subventions from the state budget (28.8% of total) – was transferred to programmes being implemented in Vanadzor (38.1%), followed by Akhtala (13.5%), Lori Berd (5.7%), Spitzak (5.6%), Tashir (5.2%) and Odzun (4.9%) community programmes.

19 communities of Lori carried out 3 and more subvention programmes during 2019 and 2020, including 10 communities - 5 and more programmes in each of them. In particular, Sarahart, Margahovit and Tumanyan communities implemented 5 programmes, Spitzak, Tashir and Odzun - 6 programmes in each community, Metsavan community - 7 programmes, Vanadzor - 9 programmes, Akhtala - 16 programmes, while Lori Berd - 18 programmes. 11 communities had 2 programmes each, while 16 communities did not get any subvention financing, thus, they did not have any subvention programme (see Figure 30).

¹¹ Depending on the sector and specifics of the given project, as well as the geographic location of the community and expected project impact on the socio-economic situation in the community, the Central Government provides co-financing to the subvention programmes in the size of 30%-70% of the total project cost.

¹² RA Government Decrees 2112-N (17.12.2020) and 2183-N (24.12.2020).

Figure 30. Distribution of communities per numbers of subvention programmes, 2019-2020



Source: RA Government Decrees and EDRC calculations

Among **Economic development programmes**, intra-community road construction and rehabilitation programmes prevailed. During the reviewed two years, AMD 1,028.4 mln was spent on road construction and rehabilitation in 24 communities.

17 communities rehabilitated or constructed street lighting systems with total amount of AMD 188.0 mln.

Large number of communities invested in construction or rehabilitation of drinking water and sewerage systems. 7 communities rehabilitated or constructed drinking water supply systems, while 6 communities constructed or rehabilitated sewerage systems.

Energy saving and energy efficiency programmes were carried out in 6 communities with total amount of AMD 40.8 mln co-financing: solar photo-voltaic systems were installed, while some communities also invested in outdoor lighting systems.

Under subvention programmes, 2 communities were partially or fully connected to the natural gas supply system.

7 communities invested in various equipment and machinery (AMD 134.0 mln in total), including 5 communities invested AMD 54.2 mln for the purchases of agricultural equipment and machinery.

Agricultural programmes predominantly referred to the irrigation system rehabilitation and installation of anti-hail stations. AMD 108.5 mln in total was spent by 6 communities in Lori Marz on irrigation system construction and rehabilitation, while 2 communities purchased anti-hail stations for a total amount of AMD 21.0 mln.

Under **Social-cultural subvention programmes**, 3 communities constructed, rehabilitated or refurbished kindergarten buildings, 9 communities constructed, rehabilitated or refurbished various public buildings and 5 communities rehabilitated common ownership areas in multi-apartment blocks. Another 5 community renovated parks and another 2 – constructed football stadiums (for details, please, see Figure 31).

Figure 31. Distribution of State Budget Subventions per communities and directions of use, AMD mln, 2019-2020

	Road construction/rehabilitation	Purchase of equipment	Kindergarten Construction/rehabilitation	Construction/rehabilitation of public buildings	Irrigation system construction/rehabilitation	Drinking water supply and sewerage system construction/rehabilitation	Installation of solar photo-voltaic stations	Renovation of common ownership parts of multi-apartment buildings	Street lights construction/rehabilitation	Purchase of anti-hail systems	Connection of settlements to the gas system	Construction/rehabilitation of parks	Construction of football stadium	Total, AMD mln	Total, %
Alaverdi	23.3							33.5						56.8	2.4
Akhtala	53.9		33.0	26.4	21.3	36.5		87.3	28.6		39.6			326.6	13.5
Areashogh	23.7						1.5					2.8		28.0	1.2
Arjut							4.6							4.6	0.2
Bazum	13.6													13.6	0.6
Geghasar							5.4							5.4	0.2
Gyulagarak	30.4									5.3				35.7	1.5
Gogaran	9.6						19.5							29.1	1.2
Gugarq	22.8					7.0		6.8						36.6	1.5
Darpas	12.9													12.9	0.5
Debed						13.6								13.6	0.6
Dsegh	7.3						5.5		3.6					16.4	0.7
Yeghegnut						5.3								5.3	0.2
Tumanyan					13.7	17.6			11.4					42.7	1.8
Lernantsq						14.3			11.8					26.2	1.1
Lernapat	7.8	9.5												17.3	0.7
Lernavan	7.2					6.0			8.1					21.3	0.9
Lori Berd	6.5	22.4		43.1		51.0				15.8				138.7	5.7
Lusaghbyur					9.9				5.7					15.6	0.6
Tsaghkaber						12.7								12.7	0.5
Katnajur	13.8	6.8							4.4					25.1	1.0
Hartagyugh	8.9				17.5									26.5	1.1
Margahovit	44.9					4.0			11.7				7.2	67.7	2.8
Mets Parni				13.9					8.8					22.7	0.9
Metsavan	10.4	16.0	10.9	37.3		6.5			9.2					90.2	3.7
Shahumyan	19.9								8.3					28.2	1.2
Shenavan							4.3							4.3	0.2
Shirakamut									5.6					5.6	0.2
Shnogh				10.7										10.7	0.4
Chkalov											13.9			13.9	0.6
Jrashen	36.5		4.5											41.0	1.7
Sarahart					23.4	5.8			5.0				14.5	48.6	2.0
Saramej	7.2								5.1					12.3	0.5
Sarchapet				17.4								4.6		22.0	0.9
Spitak	56.7	34.2						11.6	8.4			24.0		134.8	5.6
Stepanavan	60.1													60.1	2.5
Vahagni		4.0												4.0	0.2
Vanadzor	446.8	41.0		86.9								120.1		694.9	28.8
Tashir	38.1			43.6				4.5	39.9					126.1	5.2
Odzun	66.0			3.7	22.6				12.3			13.4		118.1	4.9
Total, AMD mln	1,028.4	134.0	48.4	282.9	108.5	180.3	40.8	143.7	188.0	21.0	53.5	164.9	21.7	2,416.0	-
Total, %	42.6	5.5	2.0	11.7	4.5	7.5	1.7	5.9	7.8	0.9	2.2	6.8	0.9	-	100.0

Source: RA Government Decrees and EDRC calculations

EXTERNALLY FUNDED STATE BUDGET PROGRAMMES

Apart from donations and subventions to communities, as well as budget programmes implemented by the Central Government from the Annual Budget, a number of externally funded projects¹³ are listed below that had significant impact from the viewpoint of social and economic development of Lori Marz and were aimed at solving special problems in Lori Marz.

- Under Sustainable Land Management Component of GEF **Infrastructure and Rural Finance Support Project** irrigation and drinking water systems were rehabilitated in 2 settlements in Lori Marz.

Settlement	Drinking water system rehabilitation	Irrigation system rehabilitation
Dsegh	✓	✓
Sverdlov	✓	






- Under the WB **Lifeline Road Network Improvement project** 81.81 km of roads were rehabilitated in Lori Marz since 2009.

Road Section	Length (km)
M6–Dsegh-Chkalovkm0+000–km2+440	2.44
M3-Gyulagarak–Vardablur–Kurtan km0+000–km4+500	4.50
M3-Gyulagarak–Vardablur–Kurtan km4+500–km8+130	3.63
Road safety improvement M3-Gyulagarak-Vardablur-Kurtan km0+000 and km0+300-km0+600	0.60
M3-Metsavan km0+000-km8+534	8.53
M7-Arevashogh	2.5
Agarak-Yaghdan-Koghesh-Mghart-Arevatsag-Karmir Agheq-Tsater-Aygehat-Ardvi-Odzun-M6, km0+000-m15+706	15.7
Agarak-Yaghdan-Koghesh-Mghart-Arevatsag-Karmir Agheq-Tsater-Aygehat-Ardvi-Odzun-M6, km15+706-km21+900	6.2
Agarak-Yaghdan-Koghesh-Mghart-Arevatsag-Karmir Agheq-Tsater-Aygehat-Ardvi-Odzun-M6, km21+900-km28+240	6.3
Agarak-Yaghdan-Koghesh-Mghart-Arevatsag-Karmir Agheq-Tsater-Aygehat-Ardvi-Odzun-M6, Entry to Ardvi, km0+000-km2+571 and entry to Mghart, km0+000-km0+907	3.5
Agarak-Yaghdan-Koghesh-Mghart-Arevatsag-Karmir Agheq-Tsater-Aygehat-Ardvi-Odzun-M6, Entry to Arevatsag-Tsater, km0+000-km3+877 and entry to Arevatsag-Karmir Agheq, km0+000-km3+973	7.8
U7-Mets Parni-Tsaghkaber km0+000-km6+240	7.20
U6-Yeghegnut-Debed, km0+000-km7+183 (0,1+0,845+0,073=1,018)	8.20
S-5-32-Katnajur, km0+000-km4+370 (0,181+0,15=0,337)	4.71

- Water supply and sewerage systems in Urut and Agarak communities in Lori are being rehabilitated under the **Water Supply and Sanitation Infrastructure Project** funded by the German KFW and EU Neighbourhood Investment Bank.
- Under the EU **Armenia Regional Development Programme**, Promotion of Regional SME Competitiveness as the Main Precondition for the Local/Regional Economic Development pilot projects is being implemented in Lori (implemented by the Armenia SME DNC).
- Under the WB **Local Economy and Infrastructure Development Project**, the road leading to **Dendropark** was rehabilitated.
- Under the ADB and EIB **M6 Vanadzor-Alaverdi-Georgian Border Interstate highway Rehabilitation and Improvement Project**, the road connecting Armenia to Georgia (Vanadzor-Alaverdi-Georgian Border) is being reconstructed and rehabilitated.

¹³ Includes only Credit and Grant programmes of Foreign countries and International Organizations, which are implemented through the State Budget.

- Under the WB **Social Investment and Local Development Project** various micro projects were implemented in Lori Marz, in particular, health, education, culture, special care and infrastructure sectors.

	Micro project	Settlement	Implementation status
	Kindergarten reconstruction/rehabilitation	Lermontovo	Completed
		Vanadzor (Kindergarten No 11)	Completed
		Vanadzor (Kindergarten No 11, 2 nd building)	Underway
	Kindergarten construction	Gyulagarak	Completed
	School reconstruction/rehabilitation	Akhtala	Completed
	School sport hall construction or reconstruction	Arevashogh	Completed
	Culture House rehabilitation, heating system installation	Spitak	Completed
	School sport hall floor reconstruction	Stepanavan	Completed
	Rehabilitation of Wrestling school	Tashir	Completed
	Rehabilitation of Community center and Complex social Service Office	Alaverdi	Completed
	Ambulatory's rehabilitation	Stepanavan	Completed
	Technical modernization of communal services, support to agriculture and provision of passenger transportation means	Akhtala	Completed
	Improvement of communal services, road service and technical modernization of agricultural development support	Alaverdi	Underway
	Improvement of communal services, waste collection and road service systems: technical modernization	Metsavan	Completed
	Improvement of communal services, waste collection and road service systems: technical modernization	Stepanavan	Completed
		Gyulagarak	Completed
	Improvement of communal services and agricultural support: technical modernization	Tashir	Completed
		Lori berd	Completed
	Support to agriculture through purchase of modern equipment	Sarchapet	Completed
	Purchase of multi-functional equipment	Shnogh	Completed
		Odzun	Completed

- Under the USAID **Local Self-Governance Reform Programme**, investments in the community development social, economic, sanitary and environment protection infrastructure were carried out in **Tumanyan** community of Lori Marz. In particular, the community was technical modernized and equipped; minibuses were purchased along with the construction of bus stops and a bus parking.
- Under the ADB **Seismic Safety Improvement Programme**, construction of School No 7 in Vanadzor is already completed and construction of School No3 in Stepanavan is underway.

- Under the WB **Community Agricultural Resource Management and Competition 2nd Project**, 2.7 km of water lines, 7 shepherds’ shelters and 8 cotes, 1 veterinary service centre were constructed, as well as investments were made in 7 food companies to increase local producers’ and processing companies’ capacities in value chains.

	Settlement	Watering system, number	Pipeline length, m	Shepherd’s shelter, number	Cote	Implementation Status	
Component I Community pastures and stockbreeding management systems	Margahovit	3	400	1	1	Completed	
	Lernantsq	5	300	0	0	Completed	
	Saramej	2	250	2	2	Completed	
	Hartagyugh	3	600	1	1	Completed	
	Gogaran	1	150	1	2	Underway	
	Jrashen	1	326	1	1	Completed	
	Metsavan	4	720	1	1	Completed	
	Value Chain	Applicant	Community	Project		Implementation Status	
Component II Value Chain development	Milk	Village LLC	Tashir	High-value cheese production and increased export volumes, Introduction of ISO 22000: 2018 to food security management		Underway	
		Hamov Kat LLC	Alaverdi	Production modernization, Increased production volumes, Introduction of ISO 22000: 2018 to food security management		Underway	
		Taron Matevosyan Individual Entrepreneur	Vanadzor	Production modernization, increase in production and sales of dairy products, Introduction of HACCAP to food security management		Underway	
		ALASHKERT GROUP LLC	Tashir	Introduction of small-volume cheese packaging system and physical risk management system		Underway	
		Manukyan Individual Entrepreneur	Urut	Development of Merani brand and modernization of production		Underway	
		Fruits and Vegetable (Production of preserves and juices)	Rozfood LLC	Vanadzor	Production modernization, increased export volumes, Introduction of ISO 22000: 2018 to food security management		Underway
		Fodder production	Hrayr Geghami Yaghubyan Individual Entrepreneur	Hartagyugh	Establishment of combined forage production, Introduction of ISO 22002-1 (GMP) to food security management		Underway
	Community	Project				Implementation Status	
Component III Capacity development in state bodies	Mets Parni	Veterinary Service Center establishment				Completed	

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
Bln	billion
CSO	Civil Society Organization
EBRD	European Bank for Reconstruction and Development
EDRC	Economic Development and Research Center
EIB	European Investment Bank
EU	European Union
FLSEB	Family Living Standards Enhancement Benefits
GDP	Gross Domestic Product
GEF	Global Environmental Fund
HH	Household
KfW	German Development Bank (Kreditanstalt für Wiederaufbau)
mIn	million
MoF	Ministry of Finance
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organization
RA	Republic of Armenia
SC	Statistics Committee
SME DNC	Small and Medium Entrepreneurship Development National Center
USAID	United States Agency for International Development
WB	World Bank