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**Review of the implementation of the programmes of work 2023 and 2024:
Country profiles on urban development, housing and land management**

Draft country profile on urban development, housing and land management of Armenia – Executive summary

Note by the secretariat

Summary

This document contains the executive summary of the draft country profile on urban development, housing and land management of Armenia prepared jointly by the United Nations Economic Commission for Europe (ECE) and the United Nations Human Settlements Programme (UN-Habitat), with support from consultants.

The draft country profile responds to the request by the Government of Armenia^{1/} at the Committee's eighty-fourth session (Geneva, 4–6 October 2023). The document is submitted according to A/78/6 (Section 20) and ECE/HBP/219, para. 31 (b).

The Committee is invited to take note of the joint country profile of Armenia and approve its publishing as an official publication.

^{1/} ECE/HBP/219, paras. 87 and 88 (d)



I. Introduction

1. The present Country Profile has been prepared jointly by the United Nations Economic Commission for Europe (ECE) and the United Nations Human Settlements Programme (UN-Habitat). It reviews the performance of the Republic of Armenia in the fields of urban and regional development and spatial planning; housing policy; land administration; and financing housing and urban development.

2. The document particularly assesses progress by Armenia since the publication of the previous ECE Country Profile on Housing and Land Management of Armenia in 2017,¹ including with respect to the country's international commitments, such as the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), the Paris Agreement,² and the New Urban Agenda.³ Based on this assessment, the Country Profile provides the Government of Armenia with strategic policy recommendations.

II. General context

3. Since the publication of the previous Country Profile, Armenia has experienced significant political upheavals. The 2018 "Velvet Revolution" led to a change in regime and subsequent political transformations. Renewed military conflicts with Azerbaijan over Nagorno-Karabakh in 2020 and 2023 resulted in an influx of over 115,000 refugees into Armenia. Additionally, in 2022, the war in Ukraine prompted the relocation of thousands of people and businesses from the Russian Federation to Armenia.

4. Despite these disruptions, Armenia has made considerable progress in the policy areas reviewed. The Government has improved national laws, supplementing them with regulatory acts and decisions. It has launched several initiatives directed at making housing more affordable and has made substantial investments in the renovation of local social and physical infrastructure. The country has also scaled up energy efficiency improvements, expanded the adoption of territorial plans to cover the entire country, and progressed with the digitalization of public services, along with the revision of the cadastre system. The once prevalent unauthorized constructions have decreased due to the implementation of more stringent sanctions.

5. Following a recent administrative reform, the number of communities (municipalities) was reduced from 502 to 71 between 2017 and 2022. This represents a crucial step towards the decentralization of powers to the local level, allowing a more effective distribution of resources at the local level and increasing the capacity of local administrations to spearhead development initiatives. It also makes the local self-government units more visible actors in the national policy landscape.

6. Currently, it is the right time for Armenia to build on the progress it has made by implementing more strategic reforms that will further develop its local communities, towns, and regions into more liveable, prosperous, and sustainable places. Some key policy instruments, such as the General Settlement Plan of the Republic of Armenia, have reached the end of their lifespans and need to be revised. This provides an opportunity to update associated housing and urbanization policies, taking advantage of the accumulated capacity, experience and a more unified institutional context compared to previous decades.

III. Urban and regional development and planning

7. Armenia is a monocentric country, characterized by uneven regional development. While the agglomeration effect of the country's capital, Yerevan, is vital for national prosperity and economic opportunities, these benefits should be spread more evenly across the country. Currently, the city of Yerevan is home to 37 per cent of the country's population and contributes 57 per cent to the gross domestic product (GDP). In comparison, Syunik *marz*

¹ United Nations publication, ECE/HBP/132.

² Paris Agreement to the United Nations Climate Change Convention.

³ United Nations publication, A/RES/71/256.

(province), the second largest contributor to GDP, accounts for only 7.5 per cent. The next most populous city, Gyumri, is 10 times smaller than Yerevan. Five out of the ten provinces have a GDP per capita that is less than 60 per cent of the national average. Most towns in Armenia are losing population to Yerevan or through out-migration, with almost a quarter of towns having lost more than 25 per cent of their population between the censuses of 2001 and 2022. This deprives these towns of their human capital and diminishes their “territorial capital”, leading to a vicious cycle of imbalanced development. Overall, the uneven development poses a significant challenge to the country’s national security and social cohesion.

8. Aside from a few major national projects, such as the North-South Road Corridor and the construction and reconstruction of water reservoirs, the Government’s subvention programme serves as the main mechanism for territorial development helping communities (municipalities) co-fund improvements to their physical and social infrastructure. Governmental support is geographically differentiated, favouring locations distant from Yerevan. The Government also attempts to channel private investment into the provinces and peripheral towns and increase local entrepreneurship skills. However, more comprehensive mechanisms to address uneven regional development remain limited. Major investment initiatives in the country rely on grants and loans from external donors and are sometimes influenced by conflicting geopolitical agendas. Broadly speaking, all domains of public policy are hampered by a lack of capacity and the implementation levels of some important legal and normative instruments, such as construction norms and standards (or building codes), are low.

9. Armenia has upscaled its efforts in energy efficiency retrofits. The energy-efficient modernization of public buildings, such as schools, kindergartens and hospitals, as well as multiapartment buildings, not only reduces energy consumption but also makes the built environment more resilient and attractive. This plays an important role in the physical regeneration of human settlements and in improving the quality of life of their inhabitants.

10. Owing to the implementation of microregional planning, territorial planning documents now encompass the entire territory of Armenia. The work, funded by the central government, combined the development of province-level microregional plans with the simultaneous preparation of community-level general plans and zoning documents. These documents can either be incorporated into the microregional plan or exist as standalone documents. The General Plan for the city of Yerevan has reached the end of its designated period, and the city is in the process of developing a new plan. In 2023, as part of its efforts to modernize construction norms and standards, the Government introduced new standards and guidelines for planning and building documentation.

11. However, the regulatory framework on planning remains fragmented. Since its adoption in 1998, the Law on Urban Development (or urban planning) has been subject to numerous amendments, resulting in a range of inconsistencies and gaps within the law itself and the broader regulatory field it governs. The development of a new version of this law could offer Armenia an opportunity to comprehensively revise and reform its existing planning system.

12. Armenia is yet to fully adopt a more contemporary approach to spatial planning and development. Currently, Armenian legislation includes two strategic documents designed to shape nationwide regional development and land use - the Territorial Development Strategy and the General Settlement Plan. However, these mechanisms are not well connected. The Territorial Development Strategy focuses mainly on general aspects, mostly economic, and administrative units, such as provinces, rather than their spatial configuration. On the other hand, the General Settlement Plan, concentrates on the spatial parameters for settlements and national transportation networks, with limited integration across economic, social, and environmental fields. Armenia needs to adopt a more comprehensive concept of sustainable spatial development by integrating various sectoral policies, such as economy, transport, social infrastructure, environment and agriculture, into a unified spatial development strategy. Another important element, currently neglected, is the systematic application of strategic environmental assessment to draft plans and programmes, in accordance with its international commitments and national legislation.

13. On a broader scale, the country should strive for large-scale, inclusive and comprehensive urban modernization, as well as polycentric territorial development and place-based regeneration. Many settlements in Armenia suffer from inadequate infrastructure and living conditions. The government's current development interventions, which include the construction and reconstruction of roads, irrigation systems, schools and kindergartens, are important but remain too sector-specific and uncoordinated for broader regeneration purposes. While some integrated regeneration initiatives, such as those focused on historic sites, have been implemented, their scope and impact have been limited so far.

14. To embark on a large-scale and integrated economic and physical regeneration programme, it is recommended that the Government initiate a National Urban Modernization Policy. This policy should combine the currently disjointed territorial development initiatives and be supported by a dedicated and protected investment fund. Such programme could start by prioritizing a select few towns, identified as key strategic sites due to their significance in terms of national security and potential growth poles. The investment can then be scaled up as competencies and capacities develop. The new General Settlement Plan should support this programme and provide a vision for a polycentric national spatial development.

15. Yerevan also needs to be fostered towards more sustainable development. The city of Yerevan and the towns in its neighbouring provinces within a 50-km radius collectively account for half of the population of Armenia and three-quarters of its urban population. The development of this powerful functional metropolitan region holds a strategic significance for the country and calls for better coordination and integration. This is not only beneficial for the city of Yerevan itself but also ensures a wider distribution of the benefits derived from the economic agglomeration. However, there has never been a territorial plan for the Greater Yerevan area, which would combine the city of Yerevan with the larger metropolitan area (Yerevan agglomeration). The existing General Plan of Yerevan primarily regulates areas within the city's administrative borders rather than the functional metropolitan area.

IV. Housing policy

16. Following constitutional changes in 2015, housing is no longer explicitly recognized as a basic human right in Armenia. This has led to a significant paradigm shift and the State's further withdrawal from direct housing provision. Consequently, the responsibility for housing has increasingly fallen on the private sector, posing challenges for vulnerable populations who struggle to afford adequate housing. Most of the housing stock of Armenia was privatized in the 1990s, but the new owners often lacked the resources and knowledge to maintain their multi-apartment buildings independently of the state. Although municipalities frequently continued to manage these buildings, their capacity became much more limited compared to the Soviet era. New policies and frameworks are needed to ensure that all Armenian citizens have access to affordable, safe and secure housing, with a wide range of tenure options available to them, including in the social rental market.

17. More than 600 multi-apartment buildings (MABs) and some 1,200 residential buildings in Armenia are currently in inadequate and unsafe technical condition, requiring substantial financial resources for either rehabilitation or demolition. While some efforts have been made to address this issue, such as resettlement projects in Yerevan, these initiatives remain limited in number and scale. There is currently no law or government programme that would stimulate a comprehensive area-based renovation of the housing stock.

18. Improving the management of condominiums has been one of the priorities for the Government of Armenia. The Government has made significant progress in improving legislation related to housing management and maintenance. Recent reforms have streamlined procedures and introduced clearer regulations, enhancing the efficiency and accountability of housing management practices. These reforms have also established prerequisites for the professionalization of the sector.

19. Compared with these advancements, minimal progress has been made in terms of legislation concerning social rental housing. The country still lacks a comprehensive framework law that would address the need for accessible and affordable housing options for

low-income and vulnerable populations. Many citizens continue to face challenges in securing housing, highlighting the necessity for more targeted and differentiated support for different social groups with varied capabilities to afford housing costs.

20. The institutional landscape of housing policy remains fragmented. Several ministries and state organizations play a role in housing, each implementing their own programmes as defined in individual government decrees. Recently, 14 government housing programmes have been implemented by five government bodies - the Ministry of Labor and Social Affairs, the Ministry of Territorial Administration and Infrastructures, the Ministry of Defence, the Ministry of Education, Science, Culture and Sports, and the Urban Development Committee. These housing programmes target different groups of society, such as young families, civil servants, military servicemen, socially disadvantaged groups, families with children, displaced persons from Azerbaijan, as well as families that became homeless in the aftermath of the 1988 earthquake.

21. Housing affordability, especially in Yerevan, has declined. The arrival of relocatees from the Russian Federation in 2022, triggered by the war in Ukraine, and the influx of ethnic Armenian refugees from Nagorno-Karabakh in 2023 have exacerbated the demand for housing. This has made the housing market even more unaffordable, particularly in Yerevan. Majority of the over 115,000 refugees from Nagorno-Karabakh are in Armenia and have joined the existing refugees, asylum seekers and stateless people of other nationalities already residing in Armenia. The Government is working to provide housing for refugees and distribute them throughout the country.

22. Overall, there is an immediate and pressing need for comprehensive reform in the housing sector. The government should adopt a framework law on housing that clearly defines the concepts of social and affordable housing. It is also recommended to centralize the policymaking functions in the housing sector under a single ministry. This would include policies on social/public housing, affordable housing, management and maintenance of the housing stock, housing refurbishment and the upgrading of informal settlements. The establishment of a National Housing Development Fund could consolidate the implementation functions in support of the provision of affordable and social rental housing.

V. Land administration

23. Armenia has achieved noteworthy progress in improving its land administration, in terms of:

- (a) Enhancing the legal framework;
- (b) Implementing new policies, strategies and specific projects;
- (c) Progressive digitalization of land governance and its services (land administration and geodata).

24. The improved legal framework and the digitalization of cadastral functions have bolstered the protection of citizens' property rights. The incorporation of geodata has enhanced the accuracy and usefulness of cadastral records. Furthermore, the division of functions between departments has increased transparency and reduced the risk of malpractice.

25. The integration of cadastral data across different public administration institutions remains a complex ongoing task. There are also significant concerns regarding the accuracy of cadastral maps, as many technical errors were made during the initial systematic land survey conducted in the 2000s. These issues underscore the need for updated surveys and improved data integration to ensure the reliability and precision of cadastral information across relevant sectors. The government also needs to reform the management of procedures for rectifying errors in cadastral maps, with the view to simplifying and shortening the administrative process.

26. Land abandonment is a significant challenge that has yet to be sufficiently addressed. A lack of adequate water supply and irrigation systems are among the main factors contributing to this issue. In response, the government is supporting the construction of new

reservoirs and irrigation systems. It has also introduced some measures such as land consolidation and land banking. However, as of 2024, only one pilot project, funded by an international donor, and one Armenian standalone project on land consolidation have been realized. Providing access to agricultural land could help in integrating refugees into the Armenian society and economy and in mitigating land abandonment.

27. The cadastral land valuation system in Armenia has seen significant improvements. The introduction of evaluation and taxation for joint land plots and buildings, along with the implementation of new land evaluation criteria that better align with market values, signifies a substantial advancement. These reforms provide considerable benefits to community budgets, strengthening their fiscal autonomy and enhancing their capacity as self-governing bodies.

28. Amendments to the mining regulations stipulate that, starting from January 2023, mining companies must allocate two per cent of their royalties to the communities affected by mining activities. This provision ensures that these communities receive a fair portion of the revenue, promoting local development and more effectively mitigating the environmental and social impacts of mining activities.

29. A new law has been enacted to confiscate unlawfully acquired property, which empowers the State to seize assets that cannot be justified by legal sources of income. Although there have not been any court rulings or judgements passed under this law, the improved legislative framework is seen as a proactive step to protect public interests.

VI. Financing urban and housing development

30. Public finances in Armenia, including those related to housing, are centralized. Since 2018, the Armenian government has increased budget allocations for housing construction and communal services by 50 per cent. Additionally, it has doubled resources for housing projects targeting young families, families with children, civil servants, military personnel, socially vulnerable groups, refugees from Azerbaijan, and families made homeless by the 1988 earthquake.

31. Local budgets, with the exception of the city of Yerevan, are heavily dependent on state budget allocations. There is a need for the full implementation of fiscal decentralization, given the current lack of strategic skills and competencies among local municipalities. The Government needs to empower communities (municipalities) by increasing their fiscal autonomy and self-sufficiency. This would grant local governments greater control over their financial resources and decision-making processes, thereby enabling them to address local needs more effectively. Moreover, decentralization should help local governments develop and implement housing strategies suited to the specific needs of their populations, leading to more effective and responsive housing solutions.

32. In 2015, the Armenian government introduced a tax income refund programme to encourage more people to buy houses and stimulate the construction sector. Under this programme, individuals can receive a tax deduction on income tax equivalent to the interest paid on mortgage loans. While this initiative has significantly boosted the housing construction sector, it also contributed to the overheating of the housing market. The programme is set to end in Yerevan by 2024 and will be phased out in areas other than border regions.

33. The mortgage markets have evolved and strengthened over the past few years. The capacity to secure long-term financing for mortgage loans has improved, as banks now have greater ease in obtaining market funding. The National Mortgage Company plays a pivotal role in providing affordable long-term resources for mortgage loans.

34. Government initiatives now mandate increased transparency and phased funding releases for new residential construction projects. Construction companies are also required to provide social infrastructure, such as kindergartens, within new developments.

35. Economic growth and regional development continue to encounter challenges, such as limited access to financing for small and medium-sized enterprises. Armenia is developing

a green taxonomy to promote sustainable financing. Subsidies and environmental taxes are being utilized to support local infrastructure improvements, while a land consolidation programme is being implemented to improve land use efficiency.

36. Legislative reforms have been enacted to encourage private investments through public-private partnerships in various sectors but excluding the housing sector. Capacity-building for government officials has been initiated to improve the management of projects under public private partnership.

VII. Policy recommendations

37. For the each of the reviewed fields, namely urban development, housing and land management, the country profile provides detailed recommendations to the Government of Armenia. These recommendations are explained and justified, and some are exemplified with good practices. The key recommendations for the Government of Armenia are summarized in the following sections:

A. Cross-cutting

38. The Government of Armenia is recommended to undertake the following cross-cutting actions:

(a) Establish a Standing Committee of the National Assembly on Urban and Regional Development and Housing Policy and consolidate the corresponding functions within the Government;

(b) Establish a National Development Bank in support of territorial development;

(c) Consider the establishment of a National Innovation Council focused on enhancing infrastructure, fostering the growth of small and medium-sized enterprises and promoting the (re-) industrialization of the country;

(d) Organize a government agenda for regular intra- and inter-ministerial exchanges on key policy challenges and cross-cutting agendas, such as regional development and cohesion, social and spatial justice (including gender equality, accessibility and refugees), sustainable development and climate change;

(e) Empower regional authorities and municipalities by fully implementing fiscal decentralization;

(f) Enforce systematic implementation of strategic environmental assessments for territorial, regional development, land-use and urban plans and programmes and raise awareness of the related legal requirements and practical application;

(g) Encourage towns to develop Voluntary Local Reviews for SDGs.

B. Urban and regional development and planning

39. In the field of urban and regional development and planning, the Government of Armenia is recommended to:

(a) Introduce a national urban modernization policy in pursuit of an integrated economic and physical regeneration of towns and communities and a more polycentric territorial development;

(b) Set up an urban modernization investment fund associated with the urban modernization policy, with a protected, long-term investment envelope;

(c) Develop a new national general settlement plan as a multi-vector and integrated national plan, informed by the concept of spatial development and focused on polycentric regional development;

- (d) Develop a territorial plan for the Greater Yerevan area, the functional urban agglomeration of the city of Yerevan and its surroundings, which would integrate the territory of the city-region for improved sustainability and coordinated development;
- (e) Consider conducting a reform of the planning system and adopting a new law on Urban Development in order to overcome regulatory inconsistencies;
- (f) Require that consultations on draft government programmes and laws include mandatory considerations of the territorial impact of the proposed policies to raise “spatial literacy” and ensure positive multiplier effects;
- (g) Introduce new building standards (building code) on urban design and placemaking;
- (h) Revise building standards to ensure they incentivize innovation for more durable and sustainable construction and introduce stronger control over their implementation;
- (i) Mainstream gender, age and accessibility in urban development regulations, plans and projects and tighten control over the implementation of existing buildings standards on accessibility for groups with limited mobility;
- (j) Introduce timelines for replacing or reinforcing seismic-unstable buildings;
- (k) Make all planning documentation and building applications accessible online to the public.

C. Housing policy

40. In the field of housing policy, the Government of Armenia is recommended to:
- (a) Develop a vision for the future of adequate, affordable and healthy housing and neighbourhoods and adopt a legal framework on social and affordable housing;
 - (b) Consolidate housing policy-making functions within a single ministry;
 - (c) Differentiate housing support programmes based on individuals’ financing capabilities to afford housing-related costs;
 - (d) Initiate pilot projects for social rental housing in municipalities to better assess capacities and needs;
 - (e) Introduce alternative rental assistance programmes in the absence of social housing, to support those unable to buy or rent in the open market;
 - (f) Establish a housing development fund responsible for building social housing, in cooperation with local authorities, financial institutions, private developers and non-governmental organizations;
 - (g) Invest in enhancing the conditions of multi-apartment buildings to make them suitable for regular maintenance;
 - (h) Ensure substantial funding for social and affordable housing for refugee resettlement and coordinate with case management and integrated services to ensure their economic self-sufficiency;
 - (i) Decentralize the implementation of housing programmes to local authorities and allocate the necessary funds for that purpose;
 - (j) Add housing into the legislative framework governing public-private partnerships;
 - (k) Provide state guarantee as collateral to reduce the downpayment for mortgages of middle- to low-income workers;
 - (l) Expand the income tax refund programme for mortgages as a place-based product in designated geographical areas;

(m) Support "green mortgages" targeted at home renovations in the secondary housing market;

(n) Promote the digitalization of the mortgage process and accelerate the issuance of permit documents.

D. Land administration

41. In the field of land administration, the Government of Armenia is recommended to:

(a) Review the existing data interoperability framework between the Cadastre Committee and other public institutions;

(b) Undertake a feasibility study for the Registration Department (within the Cadastre Committee) to operate as an independent non-budgetary service agency;

(c) Introduce amendments and procedural steps to shorten the administrative process of rectifying errors in cadastral maps;

(d) Implement a more proactive policy to tackle land abandonment, prioritizing land consolidation and irrigation as preventative measures;

(e) Complement the existing mining regulations with secondary legislation and introduce clarifications regarding the social license to operate;

(f) Disseminate policy measures of good land governance to increase accountability and awareness among public officials responsible for land resource management;

(g) Amend the Armenian Land Code to allow refugees from Nagorno-Karabakh to purchase agricultural land in Armenia.
