

Business Pareta LLC

The diagnose of Shushi's economy and the strategic development outline



*Ordered by "Hayastan" All
Armenian Found*

Shushi 2009

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Foreword

Executive Summary

This document is the result of the socioeconomic assessment of Shushi. It is intended to be the foundation upon which coordinated and purposeful development occurs so that Shushi can regain her form status as the cultural center of Armenians. This assessment is but the first stepping stone in a long road to the future vision. The offered vision is one from the people of Shushi and all of Karabagh and is simply articulated and expanded upon by Business Pareta, LLC in their assessment work. Business Pareta, LLC is hopeful that all stakeholders will converge and work together to realize this combined vision of Shushi.

Introduction of Shushi

Shushi is a small town in NKR with not more than 3000 people in population. During 19th and 20th centuries, Shushi was one of the cultural and economic centers in Caucasus. In the beginning of 20th century there were more than 20.000 Armenian inhabitants in Shushi. During the soviet time, Azeri leaders carried out the assimilation or dispersion of the Armenian population of Shushi.

In 1992 Armenian forces liberated Shushi during the war for freedom of Karabagh.

Now, the town of Shushi is a symbol of the Armenian cultural renaissance as well as a symbol of the centuries of Armenian culture. Shushi is the symbol of national pride having overcome so many obstacles to ensure the Armenian culture and history continues in this ancient capital.

Goals of the Assessment

In the last quarter of 2009, Hayastan All Armenian Foundation (HAAF) initiated the economic assessment of Shushi to measure the following:

- to assess current economic situation in Shushi,
- to identify the future vision of Shushi,
- to create a master plan for the physical and economic reconstruction of Shushi.

Implementing Organization

Shushi's assessment was carried out by Business Pareta, LLC, a private consulting company specializing in community development, local strategic planning, start up business development and business advice and planning. Having operated in across all of Armenia, Business Pareta has helped found and develop over 80 successful enterprises as well as helping to establish investment funds and portfolios for external investment. Also, Business Pareta is proud of its community support having assisted in the development private and third sectors in 15 Armenian communities.

To Whom the Assessment May Concern:

The following report is the product of the efforts of Business Pareta, LLC to assess the economic realities of Shushi and to offer the beginnings of a master plan to realize the cultural and historical place of Shushi. Business Pareta asks that local, national and international stakeholders engage in a healthy discussion about how to realize the offered plan. The assessment was written for all possible investors but in particular, we expect the following investors and supporters to be most interested:

- Hayastan AAF,
- Institutional Donors of HAAF,
- Current investors in Shushi,
- Local businesses,
- NKR Government and local administration,
- Social sphere organizations,
- Business support organizations, which are interested on Shushi's development.

Master Plan Summary

The table below is the summary of the time bounded activities that must occur to reach the 2015 vision of Shushi. The table is divided into three sectors, Private, Public and Third (NGO) Sector and responsibilities and actions have been duly described. The actions described come from the logical assessment of the economy and the assessment attempts to give a starting point for discussion to gain agreement about the development timeline. Business Pareta hopes to see each of these issues expanded upon during the 2010 planning year and as a part of that process all stakeholders will have input and consensus reached about how to achieve the stated vision.

Table of master plan 2010- 2015:

2009- Current situation	2010- Year of planning	2011- Year of infrastructure development	2012- Year of construction and training	2013- Year of Services establishment	2014- Year of advertising and development	2015- Vision
Private sector						
Few, weak businesses: 10 stores, 8 restaurants, 2 hotels comprising 20 rooms.	Community assessment, comprising macro and micro economic structures for economic development	Tourism market assessment in Diaspora	Projection of construction of real estate development in Shushi	Development of Services for Education, Cultural and Tourism sectors.	Advertising in Diaspora	Tourism cluster insures Shushi as cultural, educational, ethnic, religion, and ecotourism center of Armenians
Poor services.	Investment environment assessment	Tourism market assessment in Armenia	Construction or reconstruction of buildings in historical center of Shushi	Developments of Agencies who will deliver training ensure quality services for hospitality training.	Advertising in Armenia	Average number of tourists in Shushi is over 300 persons per day on average
Construction of 2 new hotels with 100 rooms, remodeling of the old bath and bazaar.	Assessment of investment opportunities	Educational market assessment in Armenia and Diaspora	Construction or reconstruction of hotels, B&Bs, restaurants, museums, educational institutions	Development of transport services that ensure clean, reliable and cost-predictable transport	Establishment of small and large businesses in tourism cluster resulting in registered, operating businesses	
	Assessment of investment barriers	Purchasing or renting of real estate in Shushi	Establishment of working mechanisms for services, trainings for employees	Founding of private galleries and shops to offer tourist focused traditional arts and crafts.		
	Business plan development for possible investment			Development of partnerships for tourism services between Shushi / Stepanakert and main centers of Diaspora		

Public sector

No governmental support for businesses in Shushi	Setting the general construction plan of Shushi. Planning of the physical infrastructure development	Construction of physical infrastructures including roads, water system, gas distribution, electricity distribution and phone and internet utilities.	Creation of Shushi's strategy for tourism development including all stakeholders of the tourism cluster	Leading of tourism cluster development initiatives and supporting the advertisement of Shushi's tourism cluster	Public sector ensures Shushi as cultural, educational, and tourism center for Armenians and all who appreciate the Armenian history.
Construction of water pipeline for new water supply.	Special laws and zoning regarding the historical center and investment law giving tax advantages for investment	Reconstruction of historical buildings in the center of Shushi, including the ancient defensive wall.	Continued development of laws and rules supporting further investment and development of services for the educational, cultural and tourism clusters		
Moving of Ministry of Culture, the General Court, and the Stepanakert Branch of the Armenian Agricultural University from Stepanakert to Shushi.		Reconstruction of the Stepanakert Airport.	Development of Small and Medium Enterprise support strategy in Shushi		
	Development of educational development and culture development strategies	Establishment of state museums of art, culture, and history			

Third (NGO) Sector

Very few Non-Governmental Organizations (NGOs) exist to aid in social development.	Involvement of current and future investors in the development of a healthy third (NGO) sector to develop culture, history and education	Founding and strengthening of fledgling NGOs to allow them to quickly assist in the development of Shushi	In support of sustainability, the involvement of NGOs in the delivery of training and capacity building	Investment by the All-Armenian Foundation and other supporting, international foundations to promote and advertise Shushi on the world stage	Strong NGOs that focus on the cultural development of Shushi and surrounding areas	
Interest of All-Armenian Foundation and other external foundations in development of Shushi as the Cultural and Historical Center of Armenian knowledge and experience.	Forming and promoting within NKR, Armenia and the Diaspora the concept of Shushi as the rightful center of Armenian culture and history	Encouragement of the Third (NGO) Sector to undertake networking and fundraising activities to meet development needs that are not met by the private or public sectors.	Encouraging the greater Shushi Community and the supporting Foundations to found and develop museums and exhibitions that champion Armenian culture and history.	Founding and development of Business Community NGO to provide quality assessments and business planning to further cluster development.	Continued support and development of the cultural sites and new museums that operate for the greater good of Shushi and all Armenians.	A developed business NGO community that provided further planning and integration of businesses for cluster development

Appendix 1. General information, historical background



The Shushi region is located in the southwestern segment of Artsakh (also known as Nagorno Karabagh [NKR]). It is in central part of mountain chain also named Artsakh. The Shushi region is the smallest region of NKR. It is bordering Askeran region in the north, Adrut region in the east and Kashatax region in the west.

The topography of the region is completely mountainous. It is covered generally by forest and bush. The Big Kirs Mountain , elevation 2725 meters, is situated in the south segment of the region. The river Karkar is passing along the region, flowing through the abyssal gorges. One of them is the gorge Hunoti that is especially memorable.

152 historical and architectural monuments are situated in the Shushi region. The considerable number of them are in the city of

Shushi.

The largest rural settlement is the village Karin Tak. It is one of the ancient settlements of Artsakh and is two kilometers away from the city of Shushi. It is on the left coast of the river Karkar. There are historical monuments, bridges, water-mills , cavern buildings in the neighborhoods.

The next largest village of the Shushi region is Hnishen village. It is in the valley of Berdadzor. Near the village there are a lot of famous places: Sahak fountain, Inner water, forests of Dmblkac, cracked soil etc.

The city Shushi is 11 km away from the NKR's capital Stepanakert. It is on the Goris – Stepanakert highway. Shushi is the administrative centre of the homonym region. The city is situated on a rise that has a 1500 meter elevation above sea level. The river Karkar is flowing through the gorge that is bordering the city in the southeastern side.

The climate is mild. The average temperature in January is 3° C and 18.5° C in July. The annual precipitation is 640 mm.

Shushi was a usual castle in the middle ages. It was included in the Vardana province (Mec Hayq's Artsakh region).

The occupying of Artsakh by Russians in 1805 had a good meaning for Shushi. In that period safe conditions were created for peaceful life and development of the culture for Armenians.

The missionary school and the printing house worked at Shushi in 1820. The library and the diocesan school were opened in 1838. Starting from the end of 19-th century to the beginning of 20-th century the Shushi's Real school worked there.

Shushi was the most important trade, handicraft, cultural and educational centre of south Caucasus in 19-th century. Shushi was called Caucasus Paris as well. There were a college, printing-house, theatre in the city. There were more than 20 periodicals being published.

At the beginning of 20-th century the population in Shushi was 40,000 but only half of them were Armenians. The Turk – musavatian gangs carried out massacres of Armenians and robbed and burned the Armenian part of the city. Thousands of houses, monuments of the history and culture, libraries, printing-houses, schools and shops were transformed into piles of the ash.

The liberation of Shushi was fulfilled in 9 of January 1992. The liberation action plan was prepared and directed by the Armenian talented military specialists and heroes of the emancipatory struggle. The liberation process was leaded by the legendary general Arkadi Ter-Thadevosyan (Komandos).

The Ornament of Shushi is the church Khazachentsoc (1868 - 1887). The historical and architectural monuments of Shushi are city's protective battlements, the school Oriordac, the Sacred Virgin church (1816), the church of Sacred Hovhannes Mkrtych (green church - 1818), the ruins of Mekhrecoc church, the upper and inner Mohammedan mosques.

The spiritual centre of Armenian apostolic church is situated at the city Shushi.

At the south side of the city there are a manifold caves that have served as dwellings in ancient times.

A lot of famous people were born in Shushi: Aleksandr Bekzadyan, Aram Manukyan, Baxdasar Metroplit, Asan Jalalyan, Exishe Ishkhanyan, Tuman Tumanyan, Ivan Lazarev, Ivan Knunyac, Leo, Akob Gyurjyan, Arutyun Tumanyan, Muracan, Nelson Stepanyan, Nikolay Zinin, Stepan Axajanyan, Vaxarsh Vaxarshyan and Ivan Tevosyan, etc.

Appendix 2. Population

The Natural growth of the Shushi's population is higher than the average growth in NKR. The main reason of this is the support of . The death rate of 6.2 people for 1000 inhabitants is lowest in NKR. Shushi is a young community. With conflict ending, people are beginning to return to Shushi from other regions of Artaskh, Armenia and Azerbaijan. This has resulted in almost 5000 people being registered in the Shushi region and 1200 of them are registered in the surrounding 6 rural communities.

The number of registered people in the city Shushi is 3832. At the same time there are no more than 3000 people living in the city.

The population does not have a lot of skills but there appears to be a growing number of concrete specialists who are assisting the rebuilding of Shushi.

The educational and cultural establishments (humanitarian college, musical and comprehensive schools, centers of the art and culture) are improving their professional quality.

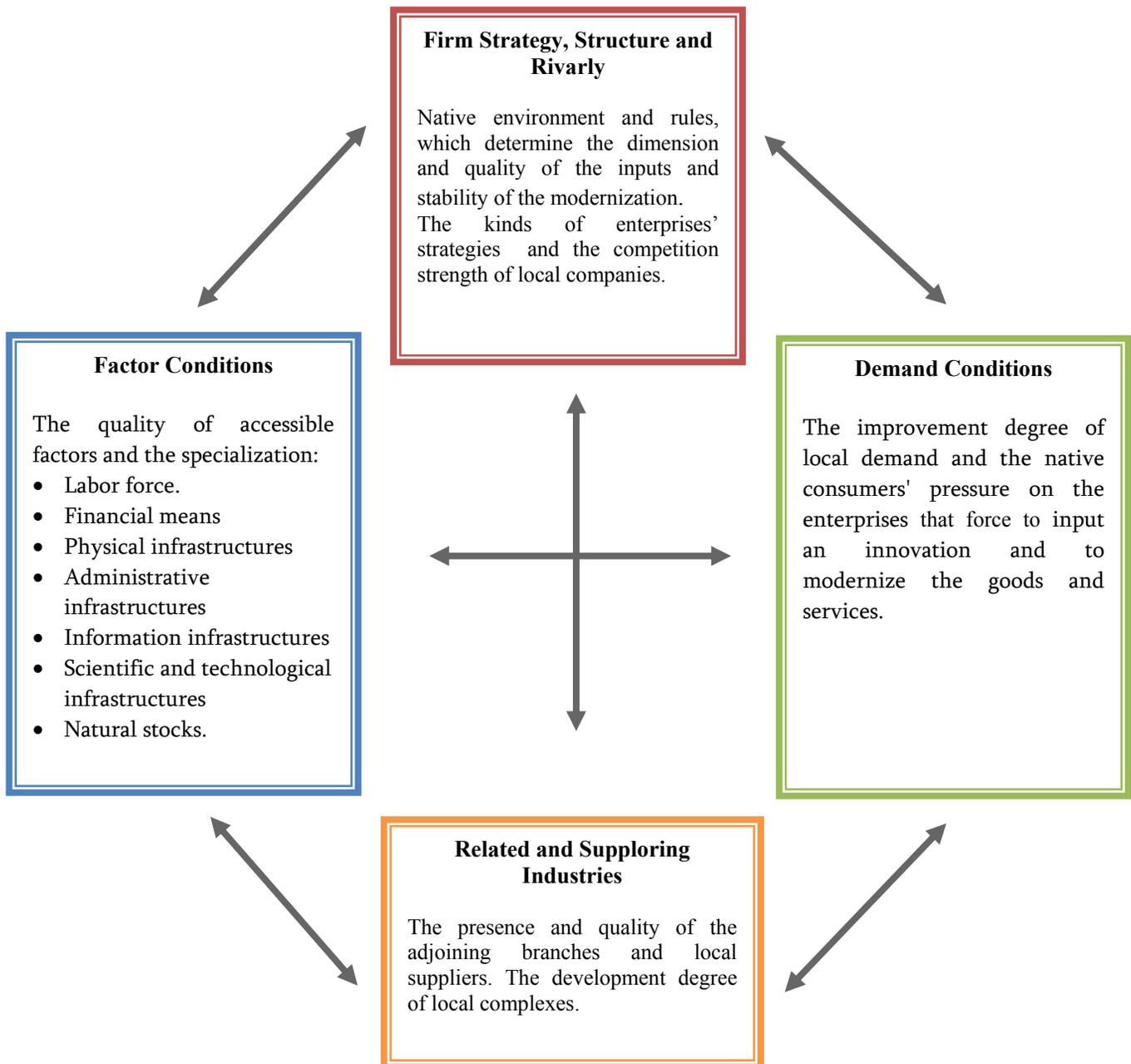
The transmigration program of the city Shushi by Artshax's government is focused on doubling Shushi's population in the near term. The transferring of the educational establishments, military part, and some of governmental structures from Stepanakert to Shushi is also favour for increasing the population in Shushi.

Appendix 3. The characteristic of the Shushi's economy.

A. Methodical aspect

For describing Shushi's economy Porter's Diamond is used. It enables us to analyze the available connections in the economy and their power as a pledge of the economic stability and competitiveness.

Four Parts of Porter's Diamond - Explained



Using Porter's Diamond allows us see the feasibility of the various economic sectors, the degree of competition within each sector, the strategy of sector participants and a representation of macro economic indicators across all sectors which are: demand, human and financial resources, economic environment, infrastructure and supporting sectors that supply raw materials.

The image of the diamond will help us to understand not only the present condition, the connections, the economic power and competitiveness but also it will disclose the image of the future.

Porter's model will provide:

- The description of present economy and connections,
- The description of the future image- vision,
- The actions needed to transform the present reality to the future reality for the private sector, public sector and third sector.

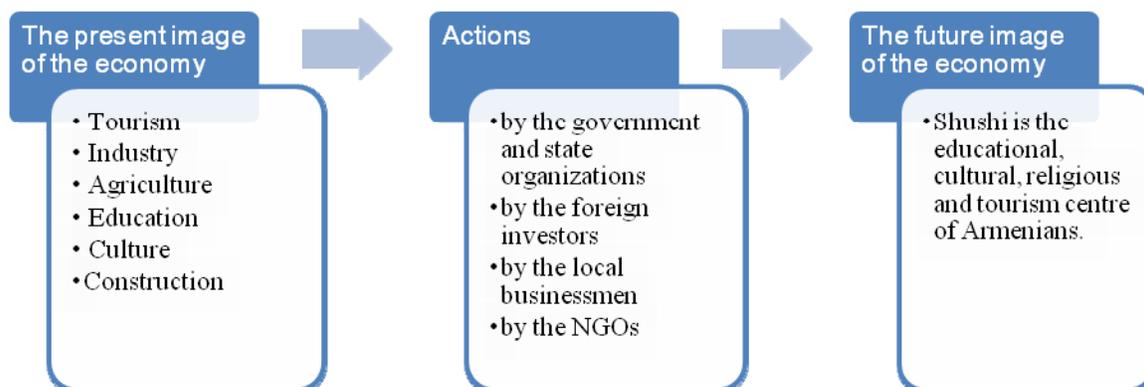


Figure 1 - Transformation of the Economy

B. Selection of the fundamental sectors

The following are the viable sectors of the Shushi economy as support by expert observation and research and confirmed by official statistics. The analyses of Shushi's economic statistics are presented in the appendix 1.

Construction – A few hotels, restaurants, a market, a bath-house, multifamily houses and private residences are being built in Shushi now.

Industry - Industry is not developed in Shushi as yet. There are four bakeries and two companies that produce doors and windows from plastic. A few years ago a tea factory and a bottled mineral water factor were operating in Shushi.

Agriculture – In the six rural communities of Shushi region the production of grain, potatoes and meat animals are fairly well developed. Agriculture is limited in Shushi. Only 20 percent of the households are involved with their own food growing, as the the rest of households are living in the multiapartment houses and do not have farming areas.

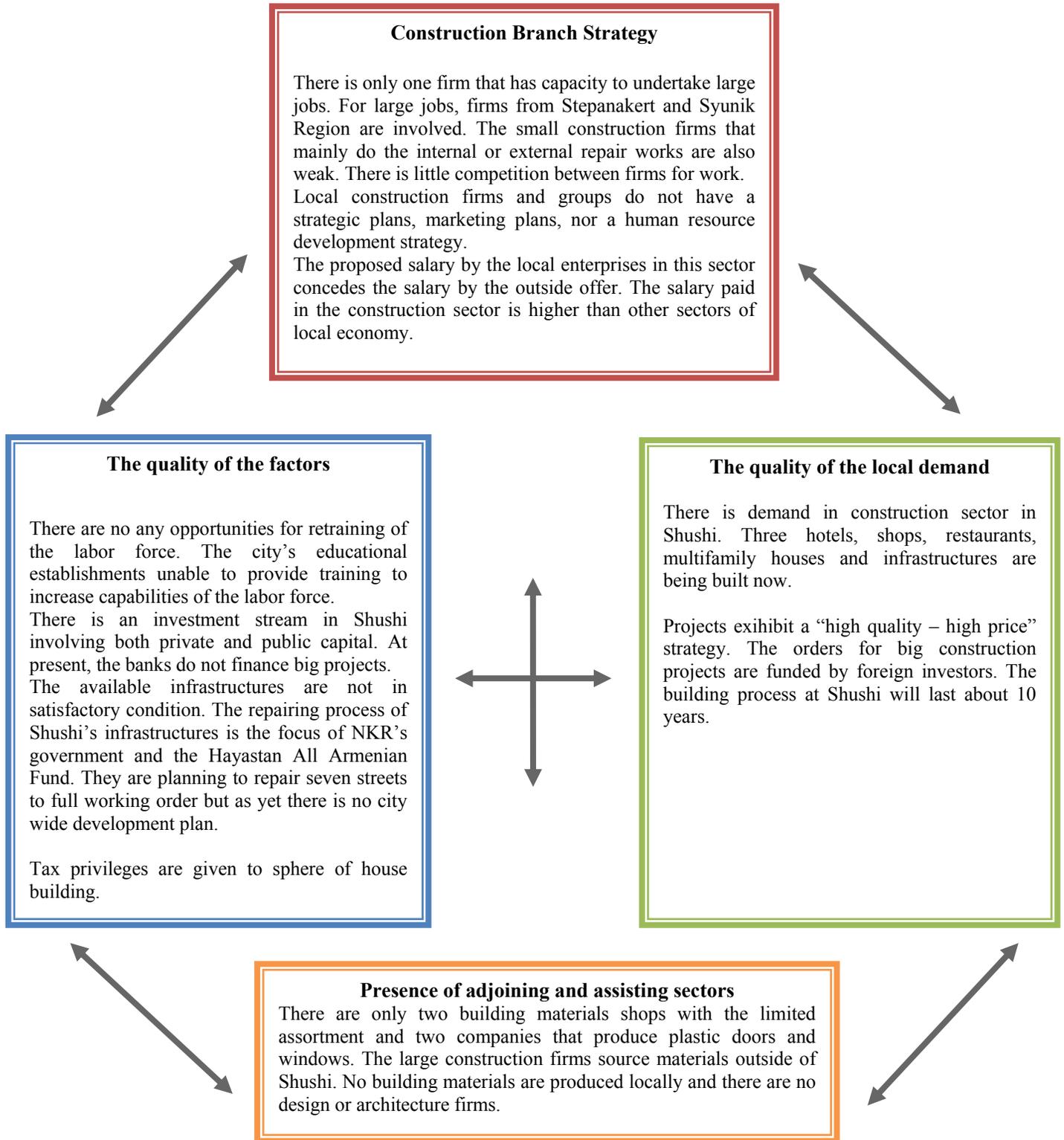
Tourism - More than 5,000 foreign tourists and thousands of local tourists visit the city annually. The service provision for tourism is not developed yet. There are only a few hotels, restaurants and bed and breakfasts establishments. At the same time local decision makers are expecting this sphere to develop in the near term.

Education – There are comprehensive, musical schools and a humanitarian college with almost 250 students at Shushi. The Stepanakert branch of Armenian agrarian university is moving to Shushi. It has more than 1200 learners.

Culture - The city is reclaiming its status as the educational and cultural center of the region. There is a gallery, a museum, a culture house, cinema-theatre, the Narekaci Art Center , libraries and other cultural establishments. It is planned to move the Ministry of Culture and Youth of NKR to Shushi in 2010.

Below, we will will show the health and operation of the economy within the structure of Porter's Diamond.

Construction

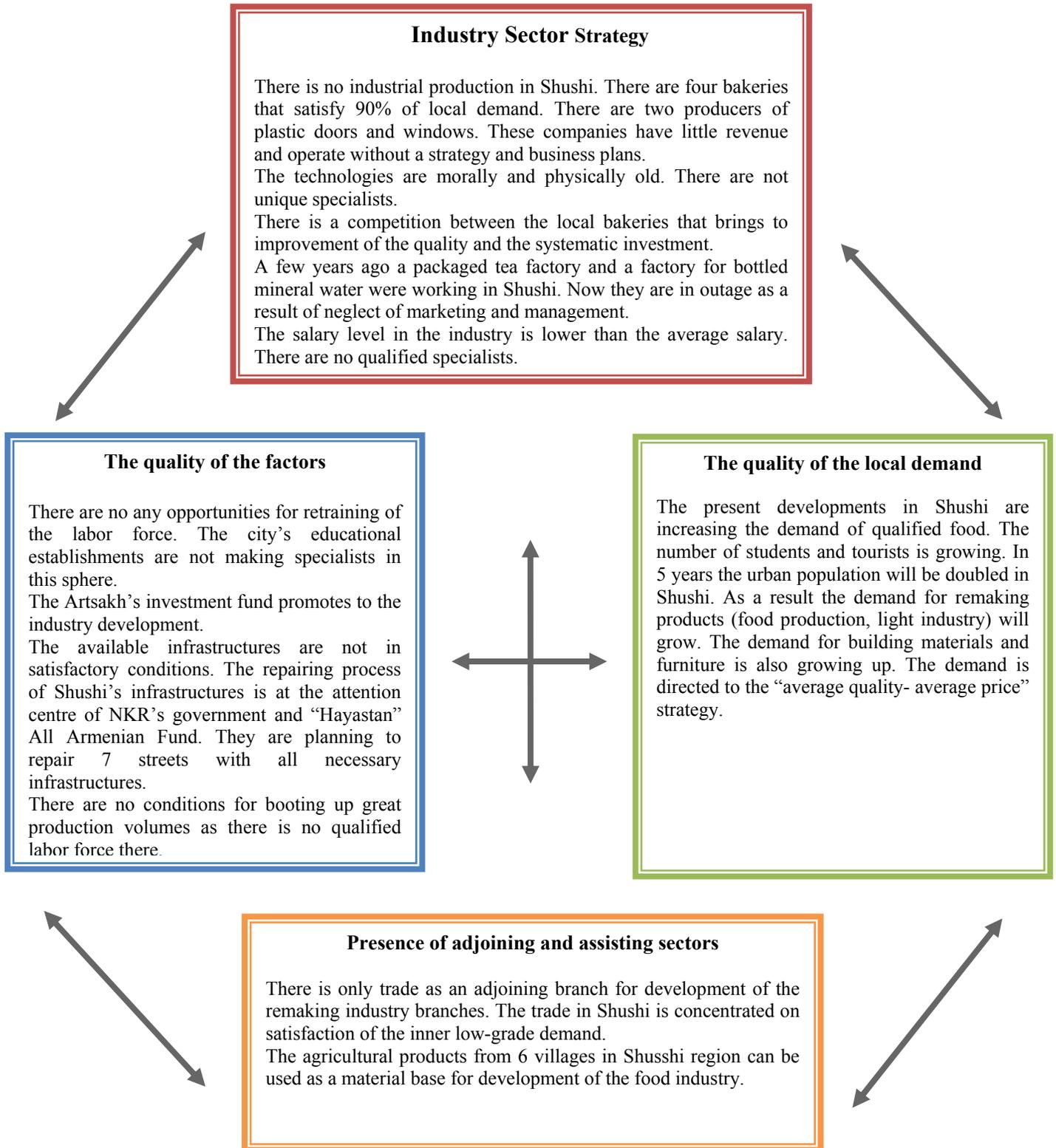


The demand of construction is rising. There are 4-5 big projects for Shushi. But the industrial sector is poor. All of the large construction companies are from Stepanakert or other regions of Armenia. Supporting industries are also weak in Shushi. There are only 2 stores of construction materials. Constructors purchase materials from Stepanakert or Yerevan. The factors for construction- human resources, financial infrastructures- are also poor in Shushi. The large companies involve human and financial resources from the other places and regions. So, construction sector in Shushi is poor. It has no strong connections with local economy- human resources, financial resources, supporting sectors or enterprises. This sector is important for tourism development.

Temporary, involvement of foreign companies and resources is necessary for construction of hotels, restaurants, governmental buildings, museums, historical buildings.

In short term, domestic resources and businesses cannot build large enterprises to face domestic demand. That is why construction sector is not included in the vision of Shushi's local economy.

Industry

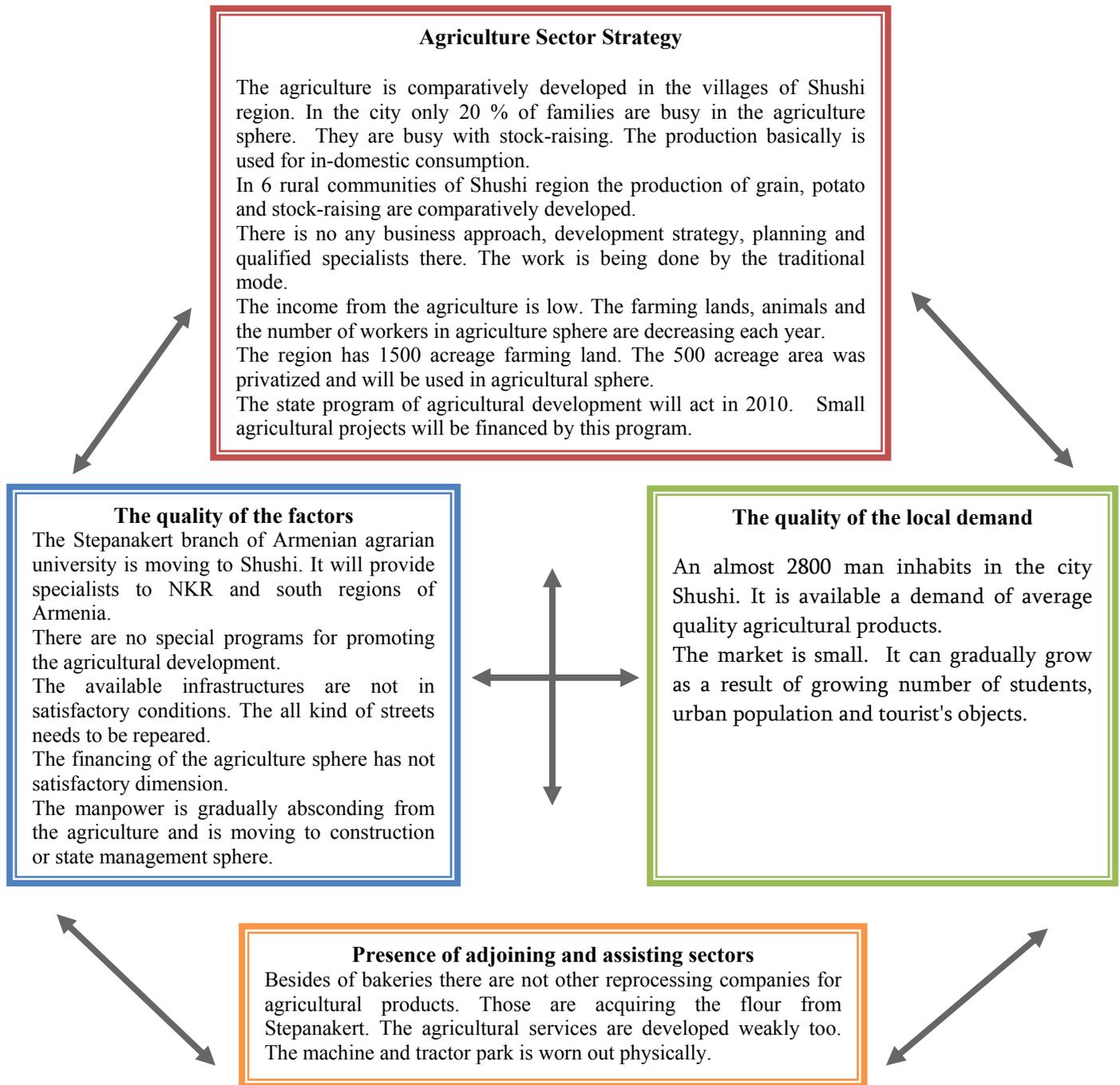


The demand of food is rising as a result of increasing number of population and tourists in Shushi. It is possible to develop food processing and construction materials production. But there are no enterprises with high quality products in industrial sector (lack of qualified workforce, finance, technology). Supported industries are also not developed. In Stepanakert (only 10 kilometer far away from Shushi) there are many food processing factories.

Development of food production can be a part of the tourism cluster and construction materials production can be a part of the construction process.

In the clusters vision the industrial sector is not included. There can be only industries, which are supporting cultural and tourism development of Shushi (food, handy crafts, etc), because of competitive disadvantages in compare with the same sector in Stepanakert and developing sectors in Shushi.

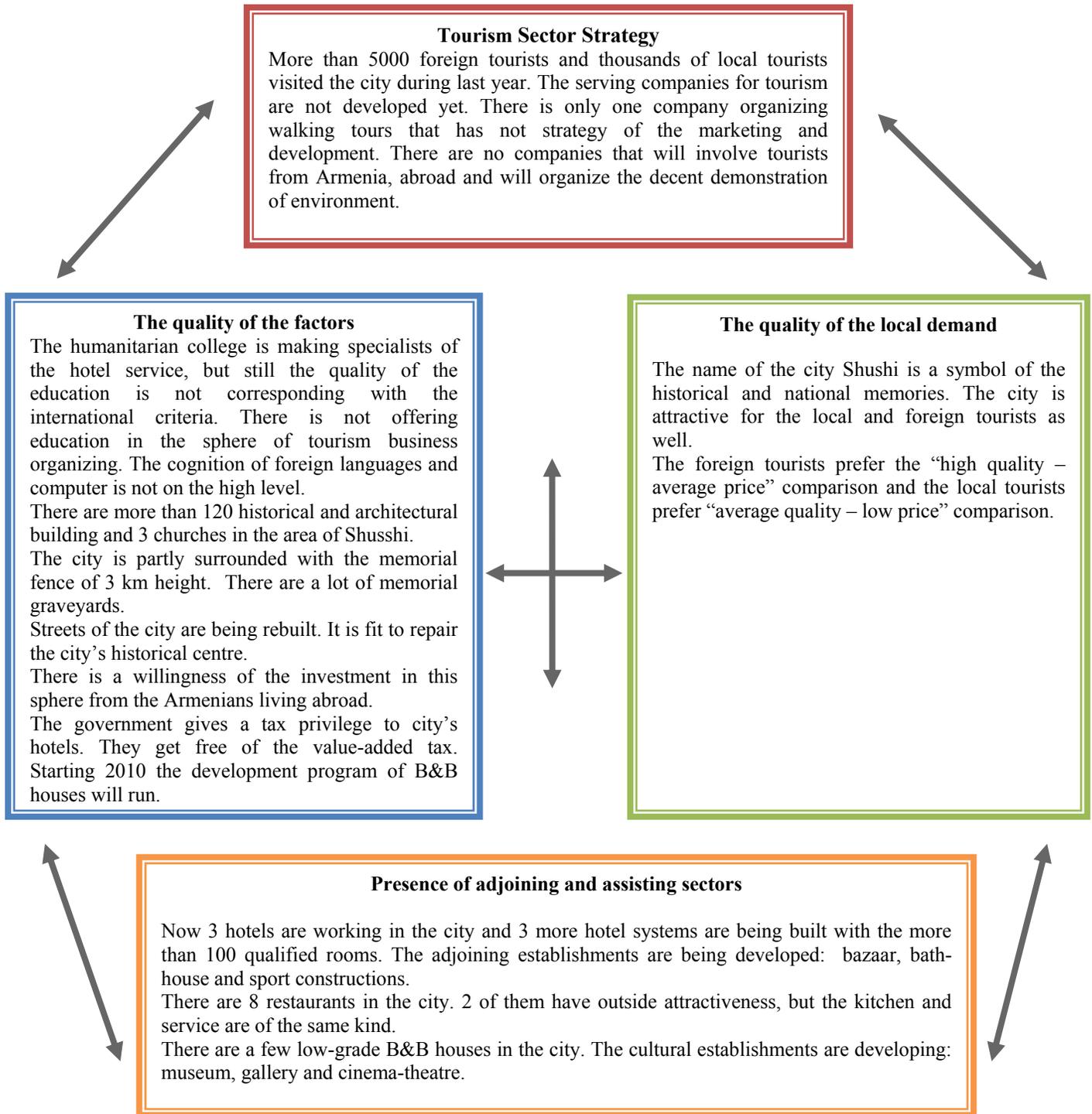
Agriculture



Shushi has limited agricultural land. Agriculture production is more developed in the surrounding 6 villages. But it does not give competitive advantages to the town of Shushi. The diamond shows that those factors, supporting industries, the demand and the basic sector are not developed and have weak connections and links.

In the surrounding villages of Shushi it is necessary to develop intensive agro sector and connect it with Stepanakert's food processing sector. Agriculture can be also a supporting sector for tourism cluster in Shushi (organic food, agro tourism).

Tourism



Tourism is the key sector in Shushi. Everything is connected with the tourism development. The cultural renaissance of Shushi will bring more and more tourists from all over the world.

Current constructions of hotels, restaurants, attractions and cultural places would support tourism development. It is also the priority for government. For the people in Shushi the future vision is also connected with tourism, and small domestic investments are done in tourism cluster.

This sector is selected as a vision sector, because of main goal and vision of the Shushi city: to recreate Shushi as a cultural center of Armenians from all over the world.

Education

Education Sector Strategy

There are comprehensive, musical schools and a humanitarian college with almost 250 students at Shushi. The Stepanakert branch of Armenian agrarian university is moving to Shushi. It has more than 1200 learners.

2 of the offered professions are incurring from the contemporary tendencies of the local market. Those professions are fine arts and hotel facilities. There are also juvenile educational establishments (Narekatsi's center of art).

The Stepanakert branch of Armenian agrarian university is moving to Shushi. 2 years after the students' number will be more than 1500.

The quality of the secondary professional and the higher education still doesn't meet the international standards. It is available task of professional providing.

The specialists' salary is comparatively low in sphere of the education. The qualified specialists prefer the state system and are involved partly in the universities.

The connection of the educational sphere with the economy is fragmental. Often the proposal of the professions is not grounded economically and the educational programs are not corresponding with demands of the economy.



The quality of the factors

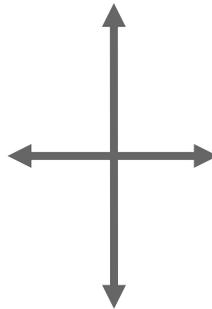
There is a task of continuance of the higher education.

There are a few specialists.

Shushi is being gradually rebuilt creating conditions also for the students. Tourist perspective of the city can raise the living price in the city creating complexities from the aspect of students' social conditions.

The telephone and Internet connection is being transformed now and is directed to meet the international standards.

Transportation connection of Shushi with the other regions of NKR is weak.

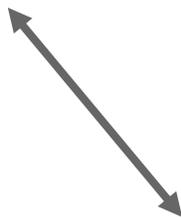


The quality of the local demand

There is traditionally big demand of higher education in Artsakh. But it is often formal and the people are mostly interested in getting the concluding document and the status.

The present developments in Shushi will direct the specialists demand from side of the economy to the organization of tourism, organizing of service, designing and realization of the construction.

There is also the growing demand of the trades and arts education.



Presence of adjoining and assisting sectors

There is an Internet club in Shushi with 5-6 computers. The libraries are weak. There are no student canteens. The taxi services are weak. A student hostel is being built with 400 places.

The education is historical priority for Shushi. It is also current governmental priority. Stepanakert branch of Armenian Agrarian University is moving to Shushi with more than 1200 students. It is connected also with other development trends of the town. So, education is the second future vision sector of local economy. There is also construction of buildings in this sphere. So, educational cluster is starting to work. And its connection with cultural heritage and renaissance will strengthen local economy and bring also economic results.

Culture

Culture Sectors Strategy

Exhibits of the museum are few. The museum should be continually repaired.

The gallery also has few exhibits, the building needs to be repaired.

Narekatsi's centre of the arts has a repaired building and specialists.

There are specialists in the sphere of culture, but they need of the retraining.

The equipments of the cinema-theatre are contemporary, but the building conditions need improvement (building of a stage).

There is a theatre in Shushi but it has not necessary conditions: a building etc.

There is a national ensemble.

The quality of the factors

There is a task of continuance of the higher education.

There are a few specialists.

The humanitarian college is making specialists of the social-culture activity sphere.

There is state support. The "Real school" will become the national museum of Artsakh after the repairing.

The infrastructures are being repaired.

The historic-cultural centre of the city needs to be repaired.

There is no education of the trades.

Shushi is the centre of an Armenian apostolic church's Artsakh-armenians diocese.

The quality of the local demand

The present demand of the cultural objects and measures is not big. But the perspective of tourist and student development will increase the demand of the cultural objects and measures.

It will be directed to museums and galleries granted by the government in one side, and in the other side it is also possible high-quality demand of specialized cultural establishments.

Presence of adjoining and assisting sectors

The tourism is developing. The number of student establishments is increasing. There are no centers of the trades and arts. There are no specialized museums.

The tourism is developing. Number of student establishments is increasing. There are no centers of the trades and arts. There are specialized museums no. There are no rooms for the conferences and seminars.

The cultural sector is not developed yet, but it is one of the main parts of Shushi's strategic development. After few years the clusters of tourism and education will be built around of core cultural institutions in Shushi (museums, theaters, galleries etc).

Appendix 4. Shushi 5 years after. The images of the future

3 fundamental spheres are separated in the vision of Shushi's development as a result of the analysis presented above. The spheres are tourism, culture and education.

The selection of these 3 branches depends on

- the effectiveness of present branches (it is presented in the analyses above and in the Appendix 1 as a statistical information)
- the future plans of Shushi's fundamental performers disclosed during the interviews with them
- the political decisions disclosed during the meetings with the state management organs
- the studying of the foreign investors' plans
- the juxtaposing of the opinions of scientists, pedagogues and promoters of the culture in Shushi

A. Tourism- The image of 2015.

Tourism branch

A few tourist agencies are working that are involving the foreign and local tourists. A part of the agencies have their branches at Yerevan and colonial states of the Armenian Diaspora. There are more than 10 organizations that are specialized in the sphere of organizing extreme, religious, cultural and ecological tours. The average salary of this sphere is higher than other spheres, which allows providing qualified cadres for tourist enterprises.

All companies have lucid exploited strategy. Shushi has a general strategy for tourism development.

The competition between local enterprises of tourism sphere is bringing to advance of the services' quality and ordination of the prices.

The quality of the factors

The streets of the city are well-arranged and lighted. All infrastructures are reachable. The quality of the communication system is meeting the international demands.

The city has a general plan, the historic-cultural monuments, buildings and ancient graves are kept and repaired by the government.

The historical centre of the city is recovered.

The local educational establishments are offering professions corresponding international demands: tourism organizing and servicing.

The average of culpability layer is lower. The state measures steps to undertaking the security urban population and tourists.

The technical security of historical and architectural monuments and tourism places is supervised by the state.

The finance market is interested in financing of the enterprises in tourism sphere. The credit and the joint-stock versions of project financing are reachable.

All necessary signboards and informational book-stalls are installed in the city.

The administration of tourism is accomplishing informational and tourism's unitary strategy planning function.

There is a hospital that provides qualified health services.

There is an international airport in Stepanakert.

The quality of the local demand

The demand of tourism services is introduced by 2 groups: inner and foreign tourists.

The inner tourists are more interested in receiving average quality services with a low price, and the foreign tourists are interested in receiving high quality services with the average prices.

Presence of adjoining and assisting sectors

The 5 high-quality hotels are providing more than qualified 100 rooms in the city. There are more than 20 B&B houses in Shushi.

There are a lot of restaurants, rapid food places, tea houses, cafeterias, wineries and so on. There is a great opportunity of selection places of the leisure: sport places, bath-houses etc.

It is developed the production and sale of the souvenirs.

There are handicraft centers, state and private museums and galleries.

Specialized shops are acting in the city: sport tackle, souvenir, musical albums etc.

There is a health resort with the 1000 places.

B. Education- The image of 2015.

Education Sector

The Artsakh's agrarian university is acting in the city. The educational programs are corresponding with demands NKR and Armenian economy. It is available a course of tourism management with high-quality professional personnel. There is a state handicraft college for satisfaction the demand of specialists in the art, construction, service, transport and other spheres.

There are committing comprehensive educational establishments: fundamental general, musical specialized and senior schools with the educational programs. There are pre-school educational establishments that provide the education of children under school age in the city.

It is expanded the list of city's out-of-school establishment. There is a tourism station. The humanitarian college has modernized its professions list. Now it became saturated with corresponding technical means.

There are private educational establishment, which are suggesting narrow professional courses of studies, trainings and seminars in the tourism and culture sphere. The private educational establishments are also offering education in the spheres of trades and arts.

Periodically Arm enological, cultural and national congresses are organized in Shushi. The specialists' average salary is higher in education sphere than the average salary of the state system. The educational organizations of the private segment are competing with success with the state system lifting the quality of the services.

There is a centre of Armenian alphabet's studying in Shushi.

The quality of the factors

The educational state system provides qualified scientific and pedagogical cadres to educational establishments for satisfying the demand of education's continuance.

Shushi has developed transport connections with the other regions of NKR and Armenia. It helps to organize the transfer of students.

The infrastructures in Shushi are repaired. The Internet connection is meeting the international demands.

The hospital offers qualified health services.

There is a student massif in Shushi where educational establishments and student hostels are concentrated.

The government, international companies and private benefactors are providing reachable financing for development of this sphere. The banks are financing the private small programmes.

The quality of the local demand

The present development tendencies have grown the demand of specialists in tourism management, service management spheres as well as in the sphere of organization designing and realization of the construction.

The demand of trades' and arts' education has also grown.

Besides of comparatively cheap state education, people are also striving to the private, high quality and to comparatively precious education.

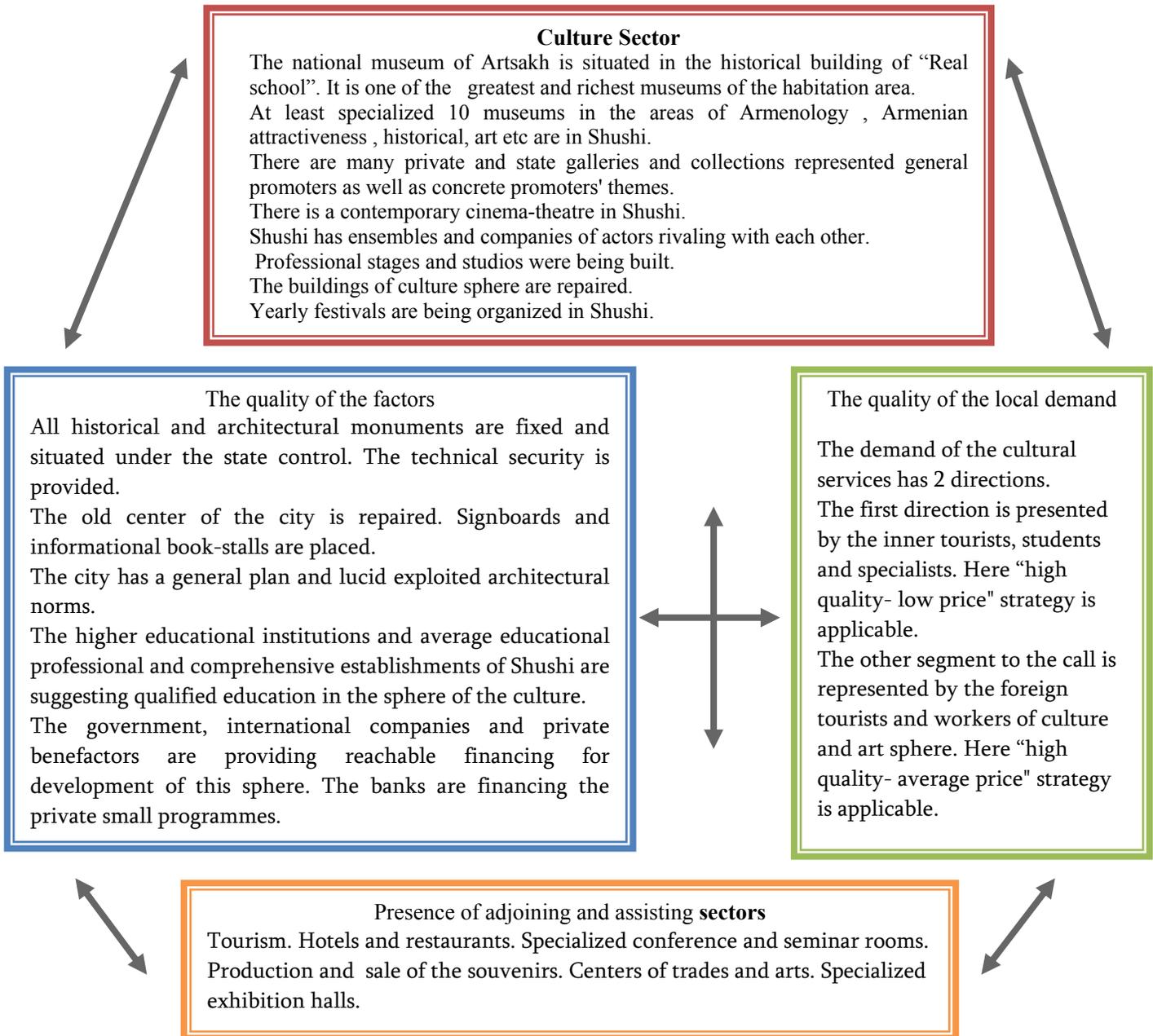
It is growing the demand of "education during all life".

Presence of adjoining and assisting sectors

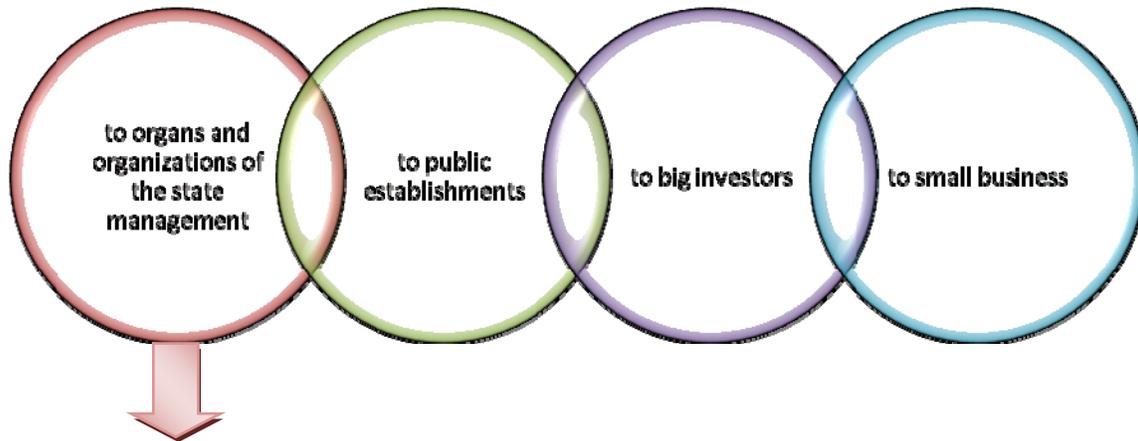
Internet and computer centers, rich libraries, student canteens, taxi services, student hostels, places of the fun.

There are conferences rooms with all necessary technical tools.

C. Culture- The image of 2015.



Appendix 5. Suggestions



to organs and organizations of the state management

Policy level decisions:

- The strategy planning for repairing of the city's historical center. Planning and procuring funds.
- Improvement of the government system in the city.
- Insertion of more transparent scheme of real estate alienation process.
- Processing of Shushi's participatory strategy of tourism development.

Recreation of cultural institutions:

- The repairing of city's protective battlements.
- Cleaning and recovery of the ancient graves.
- Technical security ensuring of tourism places, historical and architectural monuments.
- Establish the national museum of Artsakh.
- Repair of the "Real school's" building.
- Repairing the state gallery. Sharp growth of the quantity of the exhibits and evaluates.
- Support for development of the theatre groups.
- Foundation of the new specialized museums and galleries.
- Organization of international culturological congresses.

Support private sector:

- Assistance to tourism agencies in order to take place.
- Support the tourism enterprises by the state programs in the spheres of cadres retraining, business consultation etc.

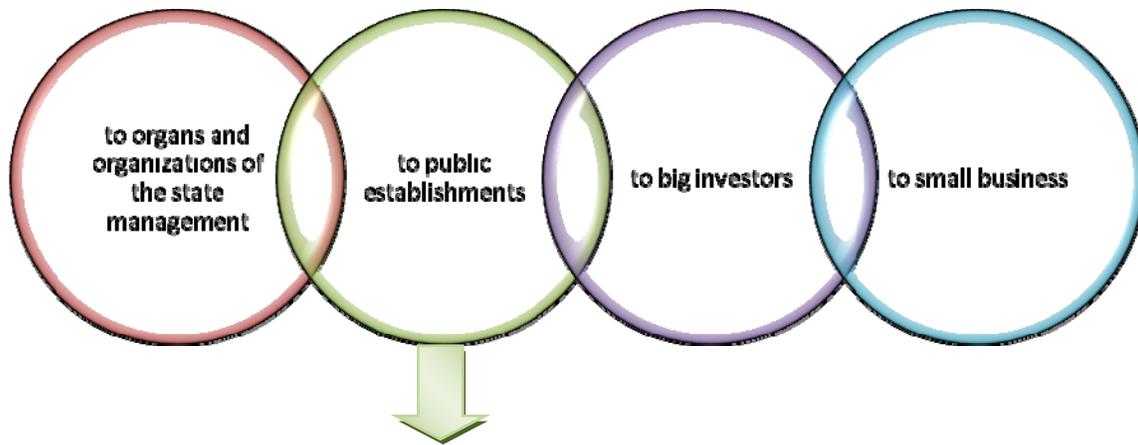
- Provide of the honest emulative field between the enterprises in the tourism sphere.
- Financial support of the enterprises and adjoining branches in the tourism sphere by the state programs, including credit guarantees, subvention of percentages etc.
- Providing of information about Shushhi in Armenia and abroad using web-pages, booklets and so on.

Infrastructure development:

- Improvement of the infrastructures: roads, unfailing supply of the gas and water, unfailing supply of electric energy and illumination of the streets and fundamental objects.
- Forming the general plan of Shushhi.
- Repairing of the hospital, technical and professional rearmament.
- Improvement of the conditions of Stepanakert's airport. Organization of international flights.
- Preparing of tax privileges for development of business community in Shushhi.
- Transform Shushhi into transportation center. Support the development of interurban possible routes by the private companies in the transport sphere.

Education:

- The adding of tourism management and hotel service specializations in the state educational establishments, making qualified cadres.
- Supervision in the spheres of preparing the list of educational programmes and methodologies. Matching the conditions of the local economy.
- Adding professions of the culture and tourism spheres in the local state educational establishments.
- Support for contribution of the educational credit system.
- Providing education of the handicraftsman sphere in order to satisfy the contemporary demand.
- Foundation of the state pre-school educational establishments.
- The growth of subvention in state educational establishments.
- Financing of the continuous education. State order to Yerevan's higher educational institutions.
- Development of the cultural professions in the local higher educational institutions. Modernization of the educational programs.
- The strategy planning and financing for qualified specialists' involvement.
- Build of student hostels.
- Organization of the Olympiads.



to public establishments

Support of Private Sector:

- Support for the development of enterprises in the tourism segment: professional retrainings, invitation of specialists, study tours etc.
- Support for informational providing in the tourism segment.
- Furthering to development of companies in the training sphere.
- Support for non-state galleries and exhibitions of private collections.
- Support for development of trades by the inviting of specialists, organizing trainings etc.

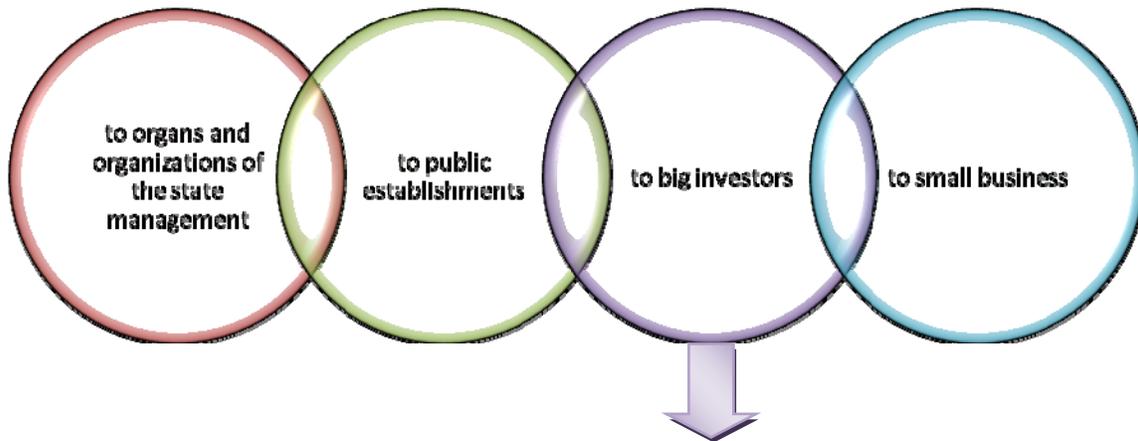
Support of Effective Government and Cultural Institutions:

- Periodic monitoring and proclaiming of the situation.
- Ensuring the participation and transparency of management.
- Procuring of means for recovering infrastructures and historic-cultural values of the city.
- Furthering to development of the libraries.
- Support for the repairing of the city's historical center and cultural establishments.

Support of Education:

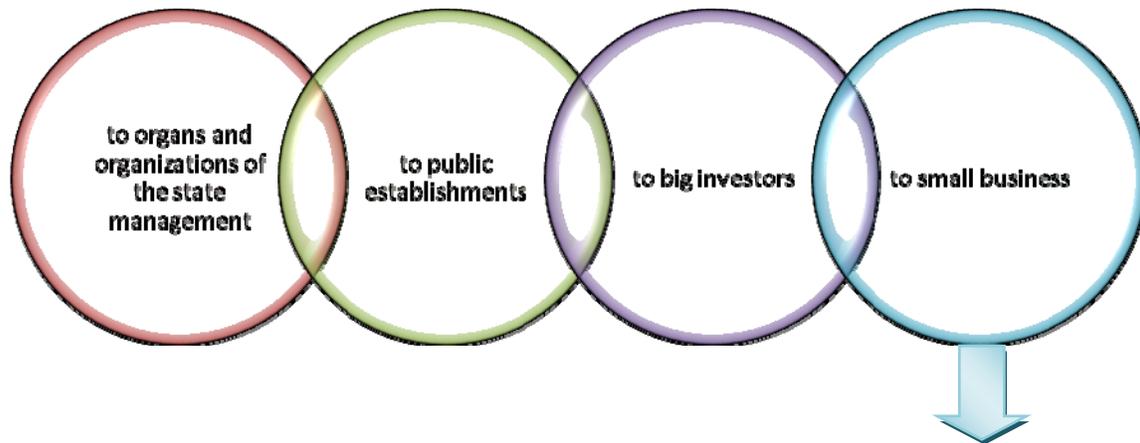
- Support local educational establishments for cultural professions' contribution and development of professional abilities.
- Invitation of famous promoters of the art and culture to Shushi. Organization of international symposiums and seminars.
- Furthering to the development of the education in the sphere of trades and arts.

- Create exchange programs for students and lecturers with the foreign higher educational institutions.
- Furthering to the improvement of technical and building conditions of the local educational establishments.



to large investors

- Foundation of the international tourism agencies.
- Construction of hotels and restaurants, places of fun, bath-houses, markets, cinema etc.
- Foundation of sport businesses.
- Support by financing for restoration of the city's and architectural monuments
- Foundation of private museums and galleries. Exhibition of collections.
- Creating school of the trades.
- Founding conferences rooms with all necessary technical conditions.
- Development of the tourism sphere.



to small business

- Founding companies in the tourism tours sphere.
- Development of taxi services.
- Foundation of cars' hire services.
- Foundation and development national and specific cafes, tea rooms and restaurants.
- Foundation of the handicraft centers: carpet making workshop, jewellery, artel of national costumes etc.
- Production of the souvenirs.
- Souvenirs shops.
- B&B houses.
- Specialized shops that sell sport tackles, musical instruments and albums etc.
- Foundation of student canteens.
- Reachable places of the fun.
- Exhibition of the private collections.
- Development of the tourism.

Appendix 6. Statistical information

Economy

Currently Shushi has no important role in the economy of NKR. Here is produced only 0.3 % of NKR's industrial product, and 2.4 % of total agricultural product. Comparatively active is the construction sector. 2.9 % of total trade volume and 2.7 % of NKR's services is the share of Shushi.

Industry

There are two main centers of industry in NKR: Stepanakert and Martakert (the center of mining industry of the republic).

Table 1. The industry of NKR

District	Total industry	Mining Industry	Processing industry	Production and distribution of energy, water and gaz	The share of Shushi district in NKR, %
<i>Stepanakert</i>	12659.8		7428	5232.4	49.9
<i>Askeran</i>	1156		1151	5.2	4.6
<i>Hadrut</i>	313.1		311.8	1.8	1.2
<i>Martakert</i>	10161.7	10001.8	153	6.7	40.1
<i>Martuni</i>	702.2		679	23.5	2.8
<i>Shushi</i>	79.3		54	24	0.3
<i>Qashatagh</i>	273.4		231	42.3	1.1
Total	25345.5	10001.8	10007.8	5335.9	100

In 2008 80 million dram of industrial product is produced in Shushi. In 2007 the industrial production volume was only 55 million dram.

In the town of Shushi there are 4 bread factories, and also two factories producing metal plastic doors and windows.

The quality of produced good is like the same goods in Stepanakert. The lack of processing industry leads to import of main consumption.

3-4 years ago in Shushi were tea production, carpet making and production of bottled mineral water. There are now not working because of management and marketing failures, and also tax administration.

Agriculture

In 2008 in NKR was produced 31.1 billion dram of total agricultural product. In the district of Shushi it was only 535 million dram or 1.7 % of total agro product of NKR. In 2007 it was 565 million dram. Decline of agricultural output in NKR is the tendency of last 5-6 years.

Crop production

It was downturn in NKR's crop production during last 5 years. In the table bellow is introduced sowing region during last 6 years.

Table 2. Crop production in NKR- hectares

Plant	2002	2005	2008
Cereals	31643	63620	37013
Industrial crops	1	9	0.3
Potato	1378	1395	1143
Vegetable	1113.7	1150	978.7
Truck crops	275.3	268	342
Feed plants	51	33	10
Total	34462	66475	39487

Crop production in Shushi district in 2008 was 304 million dram and in 2007- 378 million dram. In 2008 in Shushi district was produced only 1.4 % of total crop production of NKR.

The sowing region in 2008 was only 67 % from the sowing region in 2007.

In the Shushi district main types of crop production are cereals and potato. The productivity of grain in Shushi district is the worst in NKR- 13.5 quintal/ hectare. Here is only 1 % of sowing regions of NKR. And there is a tendency of decreasing.

The productivity of potato is high- 120 quintal/ hectare. In the Shushi district is 6 % of sowing region of potato in NKR. There is up going tendency.

The shown numbers were about six village communities in Shushi district. In the town of Shushi the agriculture is not developed. Its area is limited with ravines and cliffs.

Animal husbandry

Animal husbandry is relatively stable branch in NKR. In last 6 years number of cattle is increasing. Breakdown of pigs is because of "African epidemic".

Table 3. Animal husbandry in NKR

Type	2002	2005	2008
<i>Cattle</i>	40496	44589	43889
<i>Small cattle</i>	42669	41136	43312
<i>Pigs</i>	14514	20245	5077
<i>Horses</i>	2407	2622	2864
<i>Poultry</i>	365871	283145	367188

The number of cattle in Shushi district is decreasing. In 2007 it was 1001, and in 2008 the number of cattle was 799.

The same tendency is also in small cattle. The number of small cattle is decreased from 1570 in 2007 to 659 in 2008.

In the town of Shushi there are only few households which are busy with animal husbandry (20 % of all population). And it is only for domestic consumption of households.

Construction

The construction volume in NKR in 2008 was 25.8 billion dram. It was about 30 % of GDP of NKR.

In the town of Shushi there are big construction projects. In 2009 Central Bank of Armenia finished the building of its branch. The buildings of two big hotels, market, bath, and mosque, 14 kilometer long water pipeline are now in the process of construction.

There are construction projects (house and communal construction) also with the state budget financing. In 2008 it was 471.6 million dram or 4.5 % of total state budget financing in capital construction.

In 2010 Shushi will become the leader of NKR in construction. The financing from Hayastan All Armenian Fund and private investments will ensure construction boom in Shushi.

Services

In NKR in 2008 volume of provided services was 11.2 billion dram, 1.7 % from it was in Shushi.

About a half of all provided services were communication services.

In NKR there are 16 hotels with 558 places, total number of rooms- 268. In Shushi there is now “Shoushi” hotel with 12 rooms. There are also 3 B&Bs with low level of service.

In Shushi there are 8 restaurants. The level of service is similar, the cuisine is not unique.

Trade

The volume of retail trade in NKR in 2008 was 62.5 billion dram. Only 2.9 % of this is in Shushi (1.8 billion dram).

Table 4. Retail trade volume by districts

District	Number of population	Volume of trade and services, mln dram	Volume of trade and services per capita, dram	Volume of trade and services per capita in compare with average NKR, %
Total	139859	73720	527106	100
Stepanakert	51611	44753	867125	164,5
Askeran	17610	5492	311846	60
Hadrut	12310	3501	284473	54
Martakert	19336	6345	328144	62
Martuni	23527	7613	323581	61
Shahumyan	2821	960	340205	64
Shushi	4806	2000	416235	79
Qashatagh	7838	3056	389881	74

Activity of trade and services is high because of increasing of tourism and construction (level of income of households is increasing).

The import and export of Shushi

The trade balance of Shushi district is negative. In 2008 export of goods and services from Shushi district was 34700 dollar. It was 0.1 % of NKR's export.

The import of Shushi was 2.1 million dollar, or 0.8 % of total import of NKR.

International tourism

In 2008 the number of international tourists in NKR was 5351. In 2007 this number was 4666. About 80% of tourists visited NKR for resting reasons. There is no information about tourist visitors of Shushi (mainly NKR visitors visit also Shushi).

The distribution of tourists by country:

USA- 1036

France- 967

Iran- 623

Russia- 302

Canada- 250

Germany- 216

Swiss- 160

UK- 106

The Nederland- 100

Other countries- 1315.

In Shushi there aren't businesses for tourist attraction or tourism development.

Employment by economic branches

Most part of workplaces in NKR is in state sector. It decreases the motivation of work in other economic spheres, but it helps to employ people and prevent migration.

Table 5. Work places in NKR

<i>Economic branches</i>	<i>Total</i>	<i>State sector</i>	<i>Privete sector</i>
Industry	5034	1542	3492
Agriculture	4213	486	3727
Construction	3737	164	3573
Transport and communicayion	1950	469	1481
Trade and public catering	4619	23	4596
Comunal services	1736	1046	690
Helth	2711	2632	79
Education, arts, sport	9781	9378	403
Science	113	113	
Finance sphere	417		417
Public administration	8610	8602	8
NGOs	797		797
Other branches	375	289	86
Total	44093	24744	19349

Average wages by the economic spheres

In the agriculture the average wages are relatively low, which prevent the development of agro sector and decreases the agricultural output.

Table 6. Wages level in NKR

<i>Economic branches</i>	<i>Total</i>	<i>Shushi</i>
Industry	86502	50300
Agriculture	67536	73000
Construction	110053	87800
Transport and communication	93055	71700
Public administration	126552	75100

Highest incomes in Shushi are secured in construction. There is a lack of work force in construction in Shushi. There are many workers from other districts of NKR and south Armenia.

Level of unemployment in Shushi is decreasing. On the 1st of January of 2008 number of unemployed people in Shushi was 150, in 2009- 110.

Investments

In the table below is shown total investment in NKR by spheres and years.

Table 7. Investment in NKR

Economic Spheres	2002	2005	2008
<i>Industry</i>	3127	2057	9808
<i>Agriculture</i>	211	618.4	128.5
<i>Construction</i>	131	554.2	1625
<i>Transport and communication</i>	643	183	2360
<i>Trade and public catering</i>	1586	194.4	610
<i>Other branches</i>	3563	3690	6575.5
<i>Total</i>	9261	7297	21107

The investments in NKR are increasing. High levels of investments are in industry, communication and construction. Decreasing levels of investment are in agriculture, trade and public catering.

In Shushi investments are in construction and tourism spheres: hotels, restaurants, cafes, B&Bs, cultural organizations, and educational organizations.

Infrastructures, town building

Shushi has no accepted town plan yet. It prevents the homogenous development of the town, and foreign investments. In 2010 the town will have regular drinking water. The main road in Shushi is reconstructed. Other town roads need to be reconstructed.

In 2010 7 town roads will have accepted plans for development, and will have modern infrastructure access: energy, gas, water, and communications.

The planning of historic center of the town is important task for development and future investments.

Because of infrastructure development the real estate in Shushi is rising in price. In the table below are introduced prices of real estate in towns of NKR (quadrant meter/ dollar).

Table 8. Real estate prices in NKR.

Town	Apartment	Average single house
Stepanakert	817	104000
Askeran	187	15350
Hadrut	102	9175
Martakert	87	8750
Martuni	181	13600
Shushi	197	13900

The prices of real estate in Shushi are second highest in NKR. One part of multi apartment houses is now reconstructed, other part is planned to reconstruct.

Education

There are secondary and music schools, humanitarian college with 246 students. Study of culture, pedagogy, ethnic handicraft, service organization in hotels and other disciplines are reached in the college.

In 2011 the Stepanakert branch of Armenian State Agricultural University will move from Stepanakert to Shushi with more than 1500 students. The university will have dormitory for 400 students.

In NKR there are 3800 computers and 120 is in Shushi.

Culture

Shushi is a town with rich cultural traditions. This town can be the Armenian cultural capital. The ministry of Culture of NKR will move to Shushi next year.

There are theatre, “Narekatsi” art center, libraries, house of culture, cinema, museum, gallery in Shushi.

In Shushi is the famous educational institution of foreign century “Real School”. It will be rebuilt and there will be established national museum of Artsakh.